

Washington State Auditor's Office
Financial Statements and Federal Single Audit Report

Franklin County

Audit Period
January 1, 2009 through December 31, 2009

Report No. 1004328

Issue Date
September 30, 2010



WASHINGTON
BRIAN SONNTAG
STATE AUDITOR



**Washington State Auditor
Brian Sonntag**

September 30, 2010

Board of Commissioners
Franklin County
Pasco, Washington

Report on Financial Statements and Federal Single Audit

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

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

Sincerely,

BRIAN SONNTAG, CGFM
STATE AUDITOR

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Federal Summary

Franklin County January 1, 2009 through December 31, 2009

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

FINANCIAL STATEMENTS

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

Internal Control Over Financial Reporting:

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

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

FEDERAL AWARDS

Internal Control Over Major Programs:

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

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

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

Identification of Major Programs:

The following were major programs during the period under audit:

<u>CFDA No.</u>	<u>Program Title</u>
20.205	ARRA – Highway Planning and Construction (Recovery Act)
20.205	Highway Planning and Construction
93.563	Child Support Enforcement

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

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

Status of Prior Audit Findings

Franklin County January 1, 2009 through December 31, 2009

The status of findings contained in the prior years' audit reports of Franklin County is provided below:

- 1. The County's process for recognizing expenses and recording accounts payable balances in the financial statements is not correct.**

Report No. 1002195, dated September 28, 2009

Background

When reviewing the 2008 audit accounts payable balances, we noted the County utilizes January 31 as a cutoff to record prior year payables. In addition, we noted that County officials and staff recorded prior year invoices received within the cut-off period to the following fiscal period and incorrectly included consideration of remaining year budget amounts as part of the decision-making process.

These practices are not consistent with generally accepted accounting principles. The County's process understates expenditure and accounts payable balances on the financial statements for invoices received after January 31 and records these amounts in the wrong year.

Status

This issue is resolved.

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters in Accordance with *Government Auditing Standards*

**Franklin County
January 1, 2009 through December 31, 2009**

Board of Commissioners
Franklin County
Pasco, Washington

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Franklin County, Washington, as of and for the year ended December 31, 2009, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 15, 2010.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

COMPLIANCE AND OTHER MATTERS

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

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

This report is intended for the information and use of management, the Board of Commissioners, federal awarding agencies and pass-through entities. 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.

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BRIAN SONNTAG, CGFM
STATE AUDITOR

September 15, 2010

Independent Auditor's Report on Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133

**Franklin County
January 1, 2009 through December 31, 2009**

Board of Commissioners
Franklin County
Pasco, Washington

COMPLIANCE

We have audited the compliance of Franklin County, Washington, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended December 31, 2009. The County's major federal programs are identified in the Federal Summary. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended December 31, 2009.

INTERNAL CONTROL OVER COMPLIANCE

The management of the County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended for the information of management, the Board of Commissioners, federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink, appearing to read "Brian Sonntag". The signature is fluid and cursive, with a large initial "B" and "S".

BRIAN SONNTAG, CGFM
STATE AUDITOR

September 15, 2010

Independent Auditor's Report on Financial Statements

**Franklin County
January 1, 2009 through December 31, 2009**

Board of Commissioners
Franklin County
Pasco, Washington

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Franklin County, Washington, as of and for the year ended December 31, 2009, which collectively comprise the County's basic financial statements as listed on page 10. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Franklin County, as of December 31, 2009, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund and County Road Fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 11 through 24 and information on postemployment benefits other than pensions on page 67 are not a required part of the basic financial statements but are supplementary information required by the Governmental

Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. This schedule is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Brian Sonntag". The signature is fluid and cursive, with the first name "Brian" and last name "Sonntag" clearly distinguishable.

BRIAN SONNTAG, CGFM
STATE AUDITOR

September 15, 2010

Financial Section

**Franklin County
January 1, 2009 through December 31, 2009**

REQUIRED SUPPLEMENTAL INFORMATION

Management's Discussion and Analysis – 2009

BASIC FINANCIAL STATEMENTS

Statement of Net Assets – 2009

Statement of Activities – 2009

Balance Sheet – Governmental Funds – 2009

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental
Funds – 2009

Reconciliation of Governmental Funds Statement of Revenues, Expenditures and
Changes in Fund Balance to the Statement of Activities – 2009

Budgetary Comparison Statement – General Fund – 2009

Budgetary Comparison Statement – County Road Fund – 2009

Statement of Net Assets – Proprietary Funds – 2009

Statement of Revenues, Expenses and Changes in Net Assets – Proprietary Funds –
2009

Statement of Cash Flows – Proprietary Funds – 2009

Statement of Net Assets – Fiduciary Funds – 2009

Notes to Financial Statements – 2009

SUPPLEMENTAL INFORMATION

Schedule of Other Postemployment Benefit Plan – 2009

Schedule of Expenditures of Federal Awards – 2009

Notes to the Schedule of Expenditures of Federal Awards – 2009

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, 2009. The County's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

Financial Highlights

- The County's net assets on the 2009 financial statements amounted to \$227,158,831, a decrease of (\$4,858,716) from 2008.
- Total net assets are comprised of the following:
 - (1) Capital assets, net of related debt, of \$224,252,021 include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets. This is (\$3,153,393) less than 2008.
 - (2) Net assets of \$512,654 are restricted by constraints imposed from outside the County such as debt covenants, grantors, laws, or regulations. At the end of 2008 this figure was \$536,741, a decrease of (\$24,087). Unrestricted net assets of \$2,394,156 represent the portion available to maintain the County's continuing obligations to citizens and creditors. At the end of 2008 this figure was \$4,075,392.
- The County's governmental funds reported total ending fund balance of \$4,916,146 this year. This compares to the 2008 year ending governmental funds balance of \$6,399,213. Of this (\$1,483,067) governmental fund balance decrease, it was largely attributed to changes in the General Fund (\$995,933), Special Revenue Funds (\$307,422), and Capital Project Funds (\$119,960).

Unreserved fund balance of \$3,904,946 in governmental funds for fiscal year 2009 shows a (\$1,457,526) decrease from the prior year. Added to this unreserved fund balance is \$498,546, considered rainy day funds for the General Fund, and shown as *Reserved for "other"* on the balance sheet.

- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$535,048, or 2.43% of total General Fund expenditures. For 2008 it was \$1,530,981, or 6.82% of total General Fund expenditures.

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

Overview of the Financial Statements

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

The first of these government-wide statements is the *Statement of Net Assets*. This is the government-wide statement of position presenting information that includes all of the County's assets and liabilities, with the difference reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the county as a whole 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 assets 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, public works, culture and recreation, community services and economic development. Business-type activities include the Trade Recreation Agricultural Center (TRAC), the Franklin County RV Park, and the TRAC Promotion Fund.

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. Individual fund data for non-major funds is provided in the form of combining statements in a later section of this report.

The County has two kinds of funds:

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

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

Proprietary funds are reported in the fund financial statements and generally report services for which the County charges customers a fee. The County operates six proprietary funds, which includes three enterprise funds and three internal service funds. The enterprise funds (TRAC, RV Park and TRAC Promotions) 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 Motor Vehicle & Public Works, and two small unemployment funds. Services provided by these funds are internal to the County, and for the most part eliminated from the government-wide statements.

Notes to the Basic Financial Statements

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

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the County's budget presentations. Budgetary comparison statements are included as "required supplementary information" (RSI) for the General Fund and the County Road Fund. Budgetary comparison schedules for all other governmental funds can be found in a later section of this report. These statements and schedules demonstrate compliance with the County's adopted and final revised budget.

Supplementary Information

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

Financial Analysis of the County as a Whole

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Franklin County, assets exceeded liabilities by \$227,158,831 at the close of the most recent year, which compares to \$232,017,547 at the end of 2008.

Below is a summary of changes in net assets for the County as a whole:

	Statement of Net Assets					
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Assets:						
Current Assets	\$ 7,674,569	\$ 9,199,550	\$ 658,027	\$ 467,118	\$ 8,332,596	\$ 9,666,668
Noncurrent Assets	472,033	538,817	-	-	472,033	538,817
Capital Assets	240,996,186	245,283,659	7,279,219	7,925,227	248,275,405	253,208,886
Total Assets	<u>249,142,788</u>	<u>255,022,026</u>	<u>7,937,246</u>	<u>8,392,346</u>	<u>257,080,034</u>	<u>263,414,371</u>
Liabilities:						
Current Liabilities	2,592,256	2,976,264	288,466	69,553	2,880,722	3,045,817
Long-Term Liabilities	26,666,767	27,893,426	373,714	457,583	27,040,481	28,351,009
Total Liabilities	<u>29,259,023</u>	<u>30,869,689</u>	<u>662,180</u>	<u>527,136</u>	<u>29,921,203</u>	<u>31,396,826</u>
Net Assets:						
Investment in Capital Assets, Net of Debt	217,292,802	219,875,184	6,959,219	7,530,228	224,252,021	227,405,412
Restricted	512,654	536,741	-	-	512,654	536,741
Unrestricted	2,078,309	3,740,412	315,847	334,982	2,394,156	4,075,394
Total Net Assets	<u>\$ 219,883,765</u>	<u>\$ 224,152,337</u>	<u>\$ 7,275,066</u>	<u>\$ 7,865,210</u>	<u>\$ 227,158,831</u>	<u>\$ 232,017,547</u>

The County continues to maintain a positive current ratio. The current ratio compares current assets to current liabilities and is an indication of the ability to pay current obligations. The current ratio for governmental activities is 2.96 to 1 and 2.28 to 1 for Business Activities. For 2008, the ratios were 3.09 to 1 and 6.72 to 1 for governmental and business-type activities, respectively. For the County overall, the current ratio is 2.89 to 1. For 2008, this ratio was 3.17 to 1.

The County reported capital assets, net of related debt, in governmental-type activities in the amount of \$217,292,802. This compares to \$219,875,186 for 2008, a decrease of (\$2,582,384).

Current year net capital assets decreased in governmental-type activities by (\$4,287,473) and decreased by (\$646,008) in business-type activities. Detailed information related to changes in capital assets can be found in the Notes to the Financial Statements, Note #6.

The County's overall financial position (net assets) decreased by (\$4,858,716) during 2009 (\$227,158,831 - \$232,017,547). It should be noted that depreciation expense in the amounts of \$8,348,637 including \$6,233,005 from infrastructure in government activities, and \$843,499, including \$42,761 from infrastructure in business-type funds, has a negative impact on net assets unrelated to the current operations of the County.

Note that approximately 98.8% of the governmental activities' net assets (net of related debt) are tied up in capital. This compares to 98.1% for 2008. Investments in infrastructure, net of accumulated depreciation, in the amount of \$206,017,574 account for these high percentages.

The business-type activities also have a high percentage of net capital assets to total assets, at 95.7%. This is the same as 2008's percentage. The reason for high business-type activities ratio is the inheritance of contributed capital, purchased with general obligation bonds being retired primarily by governmental activities. These assets include the TRAC and RV facilities and furnishings.

Overall, the county had 98.7% of its net assets tied up in capital assets, compared to 98.0% for 2008.

Although Franklin County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

During the course of 2009, the county's restricted net assets remained steady, experiencing an overall reduction of (\$24,087), (\$512,654 – \$536,741).

In conclusion, the county is concerned that its net assets decreased again during 2009, and is continuing to monitor key indicators of its financial health.

Key elements of 2009's changes in net assets are as follows:

Summary of Changes in Net Assets						
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Revenues:						
Program:						
Charges for Services	\$ 7,773,953	\$ 7,652,965	\$ 2,060,291	\$ 2,264,430	\$ 9,834,244	\$ 9,917,395
Operating Grants & Contributions	6,817,839	7,641,872	277,167	253,117	7,095,006	7,894,989
Capital Grants & Contributions	60,917	152,492	197,894	496,265	258,811	648,757
General:						
Property Taxes	10,581,450	9,960,063	-	-	10,581,450	9,960,063
Sales Taxes	4,608,568	5,346,336	-	-	4,608,568	5,346,336
Other Taxes	3,042,454	3,110,715	15,752	15,021	3,058,206	3,125,736
Unrestricted Contributions	63,267	-	-	-	63,267	-
Investment Earnings	233,030	620,412	127	1,247	233,157	621,659
Insurance Recoveries	17,386	20,504	-	-	17,386	20,504
Disposition of Capital Assets	5,815	118,843	-	-	5,815	118,843
Gain (Loss) in Joint Ventures	(62,668)	(54,280)	-	-	(62,668)	(54,280)
Total Revenues	33,142,011	34,569,922	2,551,231	3,030,080	35,693,242	37,600,002
Program Expenses						
Judicial	3,445,755	3,150,750	-	-	3,445,755	3,150,750
General Government	8,708,732	9,829,144	-	-	8,708,732	9,829,144
Public Safety	11,236,161	10,611,085	-	-	11,236,161	10,611,085
Physical Environment	166,687	727,976	-	-	166,687	727,976
Transportation	10,849,487	10,921,486	-	-	10,849,487	10,921,486
Human Services	1,129	-	-	-	1,129	-
Economic Environment	755,733	944,036	-	-	755,733	944,036
Health	571,998	590,996	-	-	571,998	590,996
Culture & Recreation	518,213	465,693	3,274,999	3,430,272	3,793,212	3,895,965
Interest on Long-Term Debt	1,047,853	1,062,611	-	-	1,047,853	1,062,611
Total Expenses	37,301,748	38,303,776	3,274,999	3,430,272	40,576,747	41,734,049
Excess (Deficiency)	(4,159,737)	(3,733,854)	(723,768)	(400,192)	(4,883,505)	(4,134,045)
Transfers	(133,624)	(122,728)	133,624	122,728	-	-
Change in Net Assets	(4,293,361)	(3,856,581)	(590,144)	(277,464)	(4,883,505)	(4,134,045)
Beginning Net Assets	224,152,337	228,008,918	7,865,210	8,142,674	232,017,547	236,151,592
Changes to Fund Balance (Note 17)	24,789	-	-	-	24,789	-
Ending Net Assets	\$ 219,883,765	\$ 224,152,337	\$ 7,275,066	\$ 7,865,210	\$ 227,158,831	\$ 232,017,547

GOVERNMENTAL REVENUES & EXPENSES

The County is heavily reliant on property and sales taxes to support governmental operations. For 2009, total taxes represent nearly 55.0% of total revenues. This compares to 53.3% for 2008.

Criminal Justice Expenditures (which is net of Prosecuting Attorney and Child Support and are classified under governmental activities) continue to make up a large portion of the governmental activities total expenditures. For 2009 they totaled \$14,681,916, or 39.4% of the governmental activities total expenditures, compared to \$13,761,835 and 35.9% during 2008. Criminal justice

revenues amounted to \$6,511,416 or 19.6% of total revenues for 2009 compared to \$6,067,529 and 17.6% of the total governmental revenues for 2008.

Also note that program revenues cover 39.3% of governmental operating expenses. This compares to 40.3% for 2008.

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

Governmental Activities				
Function	Total Cost of Services	Percentage of Total	Net cost of Services	Percentage of Total
Judicial	\$ 3,445,755	9.2%	\$ (1,127,402)	5.0%
General Government	8,708,732	23.4%	(6,388,877)	28.2%
Public Safety	11,236,161	30.1%	(7,043,098)	31.1%
Physical Environment	166,687	0.4%	375,175	-1.7%
Transportation	10,849,487	29.2%	(5,687,612)	25.1%
Human Services	1,129	0.0%	7,136	0%
Economic Environment	755,733	2.0%	(678,855)	3.0%
Health	571,998	1.5%	(545,781)	2.4%
Culture and Recreation	518,213	1.4%	(511,872)	2.3%
Interest on Long-Term Debt	1,047,853	2.8%	(1,047,853)	4.6%
Total	\$ 37,301,748	100%	\$ (22,649,039)	100%

As you can see, the criminal justice functions (Public Safety and Judicial) represent 39.3% of the gross cost of services and 36.1% of the net cost of services. This compares unfavorably to 2008, where criminal justice functions represented 35.9% of the gross costs and more than 33.7% of the net costs. Also note that Physical Environment and Human Services were able to recover more costs than expended.

NET ASSETS

The total governmental funds net assets decreased (\$4,268,572) over 2008. As noted earlier, depreciation expense of \$8,348,637 including \$6,233,005 from infrastructure has a negative impact on net assets unrelated to the current operations of the County. Also, please see the Capital Assets section of this analysis that shows the changes in the County's fixed assets.

BUSINESS-TYPE ACTIVITIES

Revenues vs. Costs

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

TRAC Operations	2009	2008	2007	2006	2005	Totals
Operating Revenues	\$ 1,833,722	\$ 2,037,757	\$ 1,744,835	\$ 1,661,270	\$ 1,381,958	\$ 8,659,542
Operating Expenses	<u>(3,090,537)</u>	<u>(3,245,583)</u>	<u>(2,912,372)</u>	<u>(2,864,460)</u>	<u>(2,580,437)</u>	<u>(14,693,389)</u>
Operating Income (Loss)	(1,256,815)	(1,207,826)	(1,167,537)	(1,203,190)	(1,198,479)	(6,033,847)
Add: Depreciation Expense	<u>795,581</u>	<u>763,888</u>	<u>763,088</u>	<u>742,909</u>	<u>810,561</u>	<u>3,876,027</u>
Operating Income (Loss)						
Net of Depreciation Exp	<u>\$ (461,234)</u>	<u>\$ (443,938)</u>	<u>\$ (404,449)</u>	<u>\$ (460,281)</u>	<u>\$ (387,918)</u>	<u>\$ (2,157,820)</u>

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

TRAC Operations	2009	2008	2007	2006	2005	Totals
Franklin County	\$ 275,409	\$ 243,167	\$ 427,444	\$ 402,575	\$ 212,013	\$ 1,560,608
City of Pasco	<u>275,410</u>	<u>243,167</u>	<u>227,444</u>	<u>212,662</u>	<u>212,013</u>	<u>1,170,696</u>
Totals	<u>\$ 550,819</u>	<u>\$ 486,334</u>	<u>\$ 654,888</u>	<u>\$ 615,237</u>	<u>\$ 424,026</u>	<u>\$ 2,731,304</u>

Part of the County/City subsidy goes towards the debt service on the 1995 Enhancement Bond Debt service. During 2009, the Debt payment of principal and interest amounted to \$88,878. Also, during 2007 Franklin County transferred in \$200,000 to alleviate seasonal cash flow shortages. This amount is considered to be the base fund balance.

During April of 2004, the County opened the **Franklin County RV (Recreational Vehicle) Park**, located adjacent to the TRAC facility. The RV Park has not only become self-sufficient, but also is available to help fund the County's portion of the TRAC subsidy (\$141,786 for FY 2009).

The following table depicts the summarized operating activities of the RV Park since its inception:

Franklin County RV Park	2009	2008	2007	2006	2005	Totals
Operating Revenues	\$ 242,569	\$ 209,740	\$ 188,456	\$ 124,996	\$ 126,509	\$ 892,270
Operating Expenses	<u>(204,776)</u>	<u>(203,382)</u>	<u>(206,142)</u>	<u>(146,214)</u>	<u>(116,442)</u>	<u>(876,956)</u>
Operating Income (Loss)	37,793	6,358	(17,686)	(21,218)	10,067	15,314
Add: Depreciation Expense	<u>47,918</u>	<u>52,381</u>	<u>52,379</u>	<u>55,490</u>	<u>55,490</u>	<u>263,658</u>
Operating Income (Loss)						
Net of Depreciation Exp	<u>\$ 85,711</u>	<u>\$ 58,739</u>	<u>\$ 34,693</u>	<u>\$ 34,272</u>	<u>\$ 65,557</u>	<u>\$ 278,972</u>

Starting in 2005, Franklin County, along with financial help from the City of Pasco, co-sponsored a Grand Old Fourth celebration, held at the TRAC facility over the Fourth of July weekend. During 2008, the city and county decided to stop sponsoring the event as of August, 2008. With Resolution

2008-340, the County Commissioners renamed the fund the **TRAC Promotion Fund**, to be used for promoting special events, in an effort to promote tourism activities at the TRAC center.

The following table shows the summarized TRAC Promotions Fund financial activity. Franklin County and the City of Pasco were equally responsible for any operating losses in the fund through FY August 2008:

TRAC Promotions Fund	2009	2008	2007	2006	2005	Totals
Operating Revenues	\$ -	\$ 16,933	\$ 41,575	\$ 67,464	\$ 64,077	\$ 190,049
Operating Expenses	-	(46,191)	(108,791)	(157,902)	(150,649)	(463,533)
Operating Income (Loss)	\$ -	\$ (29,258)	\$ (67,216)	\$ (90,438)	\$ (86,572)	\$ (273,484)

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 unreserved 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 \$4,916,146, compared to \$6,399,213 for 2008, a decrease of (\$1,483,067). Of this year-end fund balance, a total of \$111,995 is designated for subsequent year's capital improvement expenditures and \$400,659 is reserved to service the County's debt.

Major Governmental Funds

The General (or Current Expense) Fund is the County's primary operating fund and is the largest source of day-to-day service delivery. The General Fund's fund balance decreased by (\$995,933) during 2009.

Due to initiative 747, passed by the voters of Washington State in 2001 which limits the amount of property tax collection to 1% over the previous year, the County continues to manage the inflation gap with maintain strict controls over the budget. As detailed later in the *Issues and Economic Conditions Affecting the County*, the County's financial position also benefited from the property taxes on new construction, which is not limited under the initiative.

Total revenues, net of transfers, for the General Fund during 2009 were \$20,884,628 compared to \$21,699,686 for 2008, a (\$815,058) decrease, or 3.8%. Some notable increases or decreases came from property taxes, \$96,275; sales taxes, (\$569,353); charges for services, (\$116,134), and investment earnings (\$330,135), a 59.4% drop from 2008. Interest rates continued to be very low for 2009. General Fund revenues consisted of 31.0% (\$6,480,703) property taxes, compared to 29.4% (\$6,384,428) property taxes for 2008. During 2009, sales taxes of \$3,629,756 were 17.4% of total revenues, versus \$4,199,109 or 19.4% for 2008 total revenues.

Total 2009 General Fund expenses, net of transfers of \$21,554,953 was \$467,487 over 2008's expenditures of \$21,087,466. Criminal justice (Judicial and Public Safety) expenditures of \$13,031,222 were \$646,102 or 5.2% over 2008's criminal justice expenditures of \$12,385,120.

The 2009 General Fund expenditures exceeded revenues (not including transfers out) by (\$670,325). This figure is down from the \$612,220 that 2008's revenues exceeded expenditures, which, when comparing 2009 with 2008 shows net decrease of (\$1,282,545). As discussed above, criminal justice expenses continue to increase, property taxes are subject to a 1% increase, sales taxes were on the decline in 2009, and investment interest rates continues to be very low.

Investment interest, net of service fees, maintained its decline, as the general fund only collected \$225,230 in 2009, as compared to \$555,365 for 2008, and \$922,970 for 2007. The decrease is due to below average interest rates on investments, and a decrease in fund balances. This trend is expected to continue into 2010.

General Fund transfers during 2009 were (\$325,608), compared to (\$1,371,900) for 2008, a (\$1,046,292) decrease. Transfers out were made for Probation Work Crew funding (\$40,000), (\$403,625) was transferred out to the Juvenile Justice Debt service fund, and (\$14,185) was transferred to TRAC as operating subsidy. Transferred into the General fund was \$122,200 from the Department of Corrections Building Inspection Fund closeout, and \$10,000 was transferred in from the Treasurer's Operation and Maintenance Fund to help fund a Treasurer's Office deputy.

The County Road Fund is used by the County to construct roads and other infrastructure. The primary sources of revenue are from State and Federal grant revenues, and property taxes. Total 2009 revenues were \$8,283,825, with \$5,132,781 coming from intergovernmental grants, and \$2,754,250 received from property taxes. 2008 total revenues were \$8,285,966, with intergovernmental revenues of \$5,406,271 and property taxes of \$2,327,402. Total Revenues for 2009 were (\$2,141) under 2008, or (.03%).

During the 2009 budget adoption hearings, the Board of County Commissioners elected not to take the property tax road shift for the General Fund, in an effort to help the County Road Fund with cash flow for construction projects. This explains the large increase of 2009 property taxes over 2008 taxes in the amount of \$426,848, or an 18.34% increase. The General Fund received the road shift for FY 2010.

During 2009, total expenses were \$8,589,462, compared to \$10,553,831 for 2008, a decrease of (\$1,964,369) or (18.61%). The ending fund balance for 2009 was \$307,003, compared to \$450,492 at the end of 2008, a decrease of (\$143,489) or (31.85%).

The Proprietary Funds

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 – During 2009, due to a decline in budgeted revenues, both the General Fund's original revenue and expenditure budgets were decreased by (\$707,852) or 2.9%, from \$24,326,313 to \$23,618,461. This compares to the 2008 final revenue and expenditure budgets of \$24,125,524.

The General Fund operating revenue budget (gross revenues including transfers, less beginning fund balance and non-revenue receipts) was \$21,902,272 for 2009. Actual net revenues and transfers amounted to \$21,016,830, or 96.0% of budget. For 2008, \$21,856,116 was budgeted as operating revenues and transfers, with \$21,699,686 received, or 99.3%

The General fund operating budget (gross expenditures including transfers, less other financing uses and non-expenditures) for 2009 was \$23,618,461. Actual operating expenditures during 2009 were \$22,012,763, or 93.2%. 2008 General Fund operating expenditure budget amounted to \$24,125,524,

with \$22,459,366 expended, or 93.1%. Unspent contingencies made up a good portion of the gap between budgeted and actual expenditures (\$564,729 for 2009 and \$538,747 for 2008).

During 2009, operating expenditures and transfers exceeded operating revenues and transfers by (\$995,933). For 2008 this figure was (\$759,680). This explains how the General Fund's fund balance has changed from \$2,288,683 at the beginning of 2008 to \$535,048 at the end of 2009.

Debt Administration and Capital Assets

Long-term Debt

At the end of the fiscal year, the County had total ending bonded debt outstanding of \$19,705,000 compared to \$21,345,000, for 2008.

During 2009, the county issued \$2,850,000 of general obligation refunding bonds to provide resources to retire \$2,795,000 of already refunded general obligation debt. The GO Bonds refunded were the 1998 TRAC Unlimited Refunding Bond (\$1,490,000), and the 1998 TRAC Limited Refunding Bond (\$1,305,000), both originally issued in 1994. As a result, the refunded bonds are considered to be defeased and the liability has been removed. The advance refunding was undertaken to take advantage of lower interest rates to reduce the total debt service payments over the next 4-5 years, and the County will see a refinancing savings of \$155,972.

It should be noted that during 2009, the County was successful in achieving an underlying bond rating grade of "A" from Standard & Poor's. Therefore, these Refunding Bonds qualified for a bond insurance contract from Assured Guaranty, and the County was able to purchase a "AAA" rating on the refunded bonds.

Franklin County debt is being retired with property taxes, sales and use taxes, and an operating lease. At the end of 2009, the County also had \$4,314,619 in Public Works Trust Fund revenue debt, acquiring another loan installment of \$225,000 and retiring \$357,310. These funds are used to finance county road infrastructure projects.

The following table is a summary of Franklin County's Long-term Debt at 12/31/2009:

	Governmental		Business-Type		Totals		%
	Activities		Activities				
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>Change</u>
General Obligation Debt	\$ 19,385,000	\$ 20,950,000	\$ 320,000	\$ 395,000	\$ 19,705,000	\$ 21,345,000	-8%
PW Revenue Debt	4,314,619	4,446,929	-	-	4,314,619	4,446,929	-3%
Capital Leases	3,763	11,542	-	-	3,763	11,542	-67%
Claims & Judgements	734,570	642,832	-	-	734,570	642,832	14%
Comp Absences	1,400,888	1,248,675	53,715	62,583	1,454,603	1,311,258	11%
OPEB*	827,926	593,447	-	-	827,926	593,447	N/A
Total	<u>\$ 26,666,766</u>	<u>\$ 27,893,426</u>	<u>\$ 373,715</u>	<u>\$ 457,583</u>	<u>\$ 27,040,481</u>	<u>\$ 28,351,008</u>	-5%
*Other Post Employment Benefits							

See Notes #9, #11 and #16 for additional information about the County's long-term debt and OPEB obligations.

Capital Assets

The County's investment in capital assets, net of accumulated depreciation and related debt, as of December 31, 2009 was \$217,292,802 for governmental activities and \$6,959,219 for business-type activities. Comparatively, at December 31, 2008, they were \$219,875,186 for governmental activities and \$7,530,228 for business-type activities.

During 2009, the county added \$3,474,216 in infrastructure additions, shown on the financial statements as Construction in Progress. These expenditures were primarily made on various road projects including paving and the re-routing of Road 170 due to a landslide (\$1,710,988).

Non-infrastructure governmental activities capital asset additions amounted to \$1,213,775 while accumulating \$1,788,724 in depreciation, adjusted for disposals. Major additions to non-infrastructure capital are detailed in the Major Funds – Capital Projects funds section of this report. Capital asset decreases from disposals were \$480,709, with the majority (\$446,559) coming from Motor Vehicle Public Works fund equipment.

Business-type activities had non-infrastructure increases of \$541,902. Assets added during 2009 were all for TRAC, which include \$56,832 in equipment, \$418,025 for improvements to land (parking) and \$67,045 in other improvements (signs). Essentially, all of these assets were donated from other funds. Depreciation expense for business-type activities was \$826,443, adjusted for disposals. Capital asset decreases from disposals were (\$20,006). During 2009 there were no business-type infrastructure additions. The RV Park incurred \$42,761 in depreciation on its infrastructure (\$900,226 historical value).

See the Note #6-B in the Notes to the Financial Statements for a breakdown on the County's construction commitments at year end.

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

The County did not experience any significant changes in the condition levels of our infrastructure during 2009. Our current condition levels are in line with our target levels. The County developed & follows a Maintenance Management Program as required by the State CRAB Board. This program was put into place during 2008.

Please refer to Notes #1.E.7 Assets, Liabilities, Equities and Note #6 – Capital Assets and Depreciation for further information.

The following table provides a summary of capital asset activity:

	<u>Governmental Activities</u>		<u>Business Activities</u>		<u>Total</u>	
	2009	2008	2009	2008	2009	2008
Non-Depreciable Assets:						
Land**	\$ 938,961	\$ 938,961	\$ 25,407	\$ 25,407	\$ 964,368	\$ 964,368
Construction in Progress	12,144,920	9,441,106	-	334,030	12,144,920	9,775,136
Total non-depreciable Assets	13,083,881	10,380,067	25,407	359,437	13,109,288	10,739,504
Depreciable Assets:						
Buildings	27,935,129	27,843,220	14,130,011	14,130,011	42,065,140	41,973,231
Equipment***	10,813,485	10,581,354	1,982,648	1,945,822	12,796,133	12,527,176
Improvements to Land*	537,188	128,162	467,567	49,542	1,004,755	177,704
Other Improvements***	-	-	99,023	31,978	99,023	31,978
Infrastructure	249,320,152	248,997,988	900,226	900,226	250,220,378	249,898,214
Total depreciable assets	288,605,955	287,550,725	17,579,475	17,057,579	306,185,429	304,608,303
Less accumulated depreciation	60,693,650	52,671,920	10,325,663	9,499,219	71,019,313	62,171,139
Book Value - Depreciable Assets	227,912,305	234,878,805	7,253,812	7,558,360	235,166,117	242,437,165
Percentage depreciated	21%	18%	59%	56%	23%	20%
Total book value	\$ 240,996,186	\$ 245,258,872	\$ 7,279,219	\$ 7,917,797	\$ 248,275,405	\$253,176,669
*For 2009, Gov't-Type Improvements to Land of \$128,162 were reclassified from Land. Accumulated depreciation of \$24,789 reduced beginning fund balance.						
**For 2009, Business-Type Land of \$49,542 (parking lot) was reclassified to Improvements to Land. Accumulated depreciation of \$7,431 reduced beginning fund balance.						
***For 2009 Business-Type Equipment of 31,978 for signs were reclassified as Other Improvements.						

Issues and Economic Conditions Affecting the County

Property Taxes

The County is still affected from initiative 747, which was passed by the voters of Washington State in 2001 and limited the property tax growth to 1% per year unless approved by the voters. Previously, the limit had been 6% total property tax growth from the previous year.

Below is a table showing the County's general fund property taxes for the previous nine years:

Year	Actual Amount Collected	Increase (Decrease)	% Increase	Approx New Construction Increase
2009	\$ 6,480,703	\$ 96,273	1.5%	\$ 297,038
2008	\$ 6,384,430	\$ 228,952	3.7%	\$ 258,920
2007	\$ 6,155,478	\$ 512,909	9.1%	\$ 456,483
2006	\$ 5,642,569	\$ 400,537	7.6%	\$ 348,117
2005	\$ 5,242,032	\$ 431,544	9.0%	\$ 384,220
2004	\$ 4,810,488	\$ (103,831)	-2.1%	\$ 353,091
2003	\$ 4,914,319	\$ 287,420	6.2%	\$ 285,850
2002	\$ 4,626,899	\$ 231,871	5.3%	\$ 214,304
2001	\$ 4,395,028	\$ 248,319	6.0%	\$ 137,718

As noted in the table, the County has benefited from new construction valuations, which are not limited by the 1% limitation. You can also see that the General Fund's 2009 tax collections were reduced on account of not taking the road shift.

City of Pasco Prisoner Lodging Adjustment

As discussed in the Notes to the Financial Statements (Note 1.E.10, Deferred Revenues), during 2009, the City of Pasco overpaid Franklin County \$112,575. This amount will be applied towards 2010 revenues. At the end of 2008, this figure was \$205,218, applied to 2009.

Nationwide Economic Slowdown

During 2009, the United States was still in an economic slowdown. Although somewhat immune to this national recession due to a strong local economy buoyed by federal funds used at the Hanford site, the County also experienced some decline or slowdown in some key revenue indicators. During 2009, county management was closely monitoring these revenues. Correspondingly, the General Fund revenue and expenditure budgets were reduced by (\$707,852) mid-year.

In an effort to reduce layoffs, during the period of July 1st through December 31st 2009, some bargaining and non-bargaining county employees agreed to take one furlough day per month (unpaid vacation day), resulting in a savings of approximately 5% or \$150,000. Also, some elected officials, who are legally unable to take a reduction of pay for a furlough, donated part of their salary to the county. Total donations received were \$13,153.

To balance 2010's General Fund budget, the County lost 19.5 FTE's by retirement, attrition, or layoff. Budget savings from these measures saved approximately \$1,062,000 in salaries and benefits. Also for 2010, no Cost of Living Adjustment was given, but employees were able to receive their step increase (5%) unless they were on the end of the 7 step schedule. Increases to salaries and benefits due to step increases were approximately \$209,000. Helping the County's budget was a reduction in the Washington State Department of Retirement Systems PERS 1 and PERS II Employer Contribution rates lowering from 8.31% of gross pay to 5.31%, resulting in an approximate savings to the General Fund in the amount of \$325,000.

Also for 2010, county management decided to move the following reserves from other county funds into the General Fund to invest and help with cash flow as necessary:

Fund From	Purpose	Amount
Cumulative Reserve Fund	Operations	\$ 58,200
Cumulative Reserve Fund	Unemployment Costs	200,000
Cumulative Reserve Fund	Reserves/Investment	163,800
Capital Projects Fund	Reserves/Investment	555,000
Total Transfers-In		\$ 977,000

The table below represents some key revenues in the General Fund that may indicate how the national economy is affecting the county:

Revenue	2006	2007	2008	2009	2010 Budget
Sales Taxes	3,210,151	3,890,862	4,196,126	3,627,200	3,630,000
Investment Interest	523,111	758,979	453,723	151,196	175,000
Building Permits	205,619	345,820	373,013	298,320	230,000
Motor Vehicle Licensing Fees	337,549	355,020	330,993	342,160	342,000
Auditor Filings & Recordings	159,176	141,515	114,030	124,395	115,000
Totals-Memo	4,435,606	5,492,196	5,467,885	4,543,271	4,492,000

In summary, the County's financial position dropped in 2009 in tune with the national recession. County management is still concerned by the slow recovery, but is encouraged by the strong local economy. Early 2010 revenue figures are favorable. In particular, building permit revenues at April 30, 2010 were \$133,680, compared to \$66,588 at this time during 2009. Sales tax revenues received at April 30, 2010 were \$1,151,449, compared to \$1,092,856 at the end of April 2009.

Franklin County, Washington
Statement of Net Assets
December 31, 2009

	Governmental	Business-type	Total
	Activities	Activities	
ASSETS			
<i>Current Assets:</i>			
Cash and cash equivalents	\$ 5,139,611	\$ 350,366	\$ 5,489,977
Cash held in internal trust	382,550	72,574	455,124
Receivables (net)			
Property taxes	1,205,033	-	1,205,033
Accounts	405,393	152,004	557,397
Interest	4,350	-	4,350
Due from other governments	358,772	66,912	425,684
Inventories	178,860	16,171	195,031
<i>Noncurrent Assets:</i>			
Deferred charges and other assets			
Deferred charges	15,643	-	15,643
Investment in joint ventures	456,390	-	456,390
<i>Capital Assets:</i>			
Land and improvements	938,961	25,407	964,368
Depreciable assets (net)	21,894,730	6,610,150	28,504,880
Infrastructure (net)	206,017,575	643,662	206,661,237
Construction in progress	12,144,920	-	12,144,920
Total Assets	249,142,788	7,937,246	257,080,034
LIABILITIES			
<i>Current Liabilities:</i>			
Accounts payable and accrued expenses	795,463	214,984	1,010,447
Other accrued liabilities	13,226	-	13,226
Accrued interest payable	83,409	907	84,316
Custodial accounts	382,550	72,574	455,124
Payable to other governments	-	-	-
Deferred revenue	1,317,608	-	1,317,608
<i>Noncurrent Liabilities:</i>			
Claims and judgments	734,570	-	734,570
Compensated absences payable	1,400,888	53,714	1,454,603
Net other postemployment benefits obligation	827,926	-	827,926
Bonds/leases due within one year	2,084,308	80,000	2,164,308
Bonds/leases due in more than one year	21,619,075	240,000	21,859,075
Total Liabilities	29,259,023	662,180	29,921,203
NET ASSETS			
Invested in capital assets, net of related debt	217,292,802	6,959,219	224,252,021
Restricted for:			
Debt service	400,659	-	400,659
Capital projects	111,995	-	111,995
Unrestricted	2,078,309	315,847	2,394,156
Total Net Assets	\$ 219,883,765	\$ 7,275,066	\$ 227,158,831

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, 2009

	Program Revenues						Net (Expense) Revenue & Changes in Net Assets
	Charges for			Grants & Contributions			
	Expenses	Services	Operating	Capital	Governmental Activities	Business-type Activities	
FUNCTIONS/PROGRAMS							
<i>Governmental Activities:</i>							
Judicial	\$ 3,445,755	\$ 1,945,348	\$ 373,005	\$ -	\$ (1,127,402)	\$ -	\$ (1,127,402)
General government	8,708,732	1,448,243	817,036	54,576	(6,388,877)	-	(6,388,877)
Public safety	11,236,161	3,688,470	504,593	-	(7,043,098)	-	(7,043,098)
Physical environment	166,687	378,707	163,155	-	375,175	-	375,175
Transportation	10,849,487	2,111,211	4,950,664	-	(5,687,612)	-	(5,687,612)
Human services	1,129	8,265	-	-	7,136	-	7,136
Economic environment	755,733	76,878	-	-	(678,855)	-	(678,855)
Health	571,998	16,831	9,386	-	(545,781)	-	(545,781)
Culture and recreation	518,213	-	-	6,341	(511,872)	-	(511,872)
Interest on long-term debt	1,047,853	-	-	-	(1,047,853)	-	(1,047,853)
Total Governmental Activities	37,301,748	7,773,953	6,817,839	60,917	(22,649,039)	-	(22,649,039)
<i>Business-type Activities:</i>							
TRAC Facility	3,086,223	1,817,722	275,407	200,941	-	(792,153)	(792,153)
RV Facility	188,776	242,569	1,759	(3,047)	-	52,505	52,505
Total Business-type Activities	3,274,998	2,060,291	277,165	197,894	-	(739,648)	(739,648)
Total Primary Government	\$ 40,576,746	\$ 9,834,244	\$ 7,095,004	\$ 258,811	(22,649,039)	(739,648)	(23,388,687)
GENERAL REVENUES							
Property taxes, levied for general purposes					10,581,450	-	10,581,450
Sales taxes					4,608,568	-	4,608,568
Other taxes					3,042,454	15,752	3,058,206
Unrestricted contributions					63,267	-	63,267
Investment earnings					233,030	127	233,157
Insurance recoveries					17,386	-	17,386
Disposition of capital assets					5,815	-	5,815
Loss on investment in joint ventures					(62,668)	-	(62,668)
Transfers					(133,624)	133,624	-
Total General Revenues & Transfers					18,355,678	149,503	18,505,181
Change in Net Assets					(4,293,361)	(590,144)	(4,883,506)
Net Assets - Beginning, as Previously Reported					224,152,337	7,865,210	232,017,547
Less: prior period adjustment - fixed assets (Note 17)					24,789	-	24,789
Net Assets - Beginning - as Adjusted					224,177,126	7,865,210	232,042,336
Net Assets - Ending					\$ 219,883,765	\$ 7,275,066	\$ 227,158,830

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

Franklin County, Washington
Balance Sheet
Governmental Funds
December 31, 2009

	<u>General Fund</u>	<u>County Road Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
<i>Current Assets:</i>				
Cash and cash equivalents	\$ 519,252	\$ 893,082	\$ 3,563,753	\$ 4,976,087
Cash held in internal trust	333,219	38,026	11,305	382,550
Receivables (net)				
Property taxes	1,056,720	94,075	54,238	1,205,033
Accounts	228,102	3,851	135,551	367,504
Interest	4,182	-	162	4,344
Interfund interest	-	126	-	126
Due from other funds	38,054	25,785	9,541	73,380
Due from other governments	228,181	8,718	121,876	358,775
Interfund loans	-	83,729	422,638	506,367
<i>Noncurrent Assets:</i>				
Deferred charges	-	-	15,643	15,643
Total Assets	<u>2,407,710</u>	<u>1,147,392</u>	<u>4,334,707</u>	<u>7,889,809</u>
LIABILITIES				
<i>Current Liabilities:</i>				
Accounts Payable	350,252	214,123	152,391	716,766
Custodial accounts	333,219	38,026	11,305	382,550
Due to other funds	19,896	71,527	22,920	114,343
Interfund loans	-	422,638	19,758	442,396
Deferred revenue	1,169,295	94,075	54,238	1,317,608
Total Liabilities	<u>1,872,662</u>	<u>840,389</u>	<u>260,612</u>	<u>2,973,663</u>
FUND BALANCE				
<i>Reserved for:</i>				
Debt service	-	-	400,659	400,659
Capital improvements	-	-	111,995	111,995
Other	498,546	-	-	498,546
<i>Unreserved, Reported in:</i>				
General fund	36,502	-	-	36,502
Special revenue funds	-	307,003	2,995,019	3,302,022
Capital project funds	-	-	566,422	566,422
Total Fund Balance	<u>535,048</u>	<u>307,003</u>	<u>4,074,095</u>	<u>4,916,146</u>
Total Liabilities and Fund Balance	<u>\$ 2,407,710</u>	<u>\$ 1,147,392</u>	<u>\$ 4,334,707</u>	

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

Capital assets used in governmental activities are not financial resources and are not reported in the funds.	238,471,642
Investment in joint ventures are not financial resources and are not reported in the funds.	456,390
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(26,706,680)
An other accrued liability related to an asset acquisition is not reported in the funds.	(13,226)
Interfund receivables/payables to enterprise funds are eliminated in the statement of net assets.	(31,721)
Internal service funds are used by management to charge the costs of certain activities to individual funds.	
These assets and liabilities are included in governmental activities in the statement of net assets.	<u>2,791,215</u>

Net assets of governmental activities \$ 219,883,766

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, 2009

	<u>General Fund</u>	<u>County Road Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
<i>Taxes:</i>				
Property	\$ 6,480,703	\$ 2,754,250	\$ 1,346,497	\$ 10,581,450
Sales	3,629,756	-	978,812	4,608,568
Other	2,541,491	123,880	377,083	3,042,454
Licenses and permits	413,285	580	-	413,865
Intergovernmental	4,032,213	5,132,781	750,524	9,915,518
Charges for services	2,528,701	168,578	971,647	3,668,926
Fines and forfeitures	1,021,545	-	8,563	1,030,108
Investment earnings	225,230	7,892	16,838	249,960
Rents and leases	-	-	144,530	144,530
Miscellaneous revenues	11,704	95,865	12,233	119,802
Total Revenues	<u>20,884,628</u>	<u>8,283,825</u>	<u>4,606,727</u>	<u>33,775,180</u>
EXPENDITURES				
<i>Current:</i>				
Judicial	3,165,135	-	168,597	3,333,732
General government	7,325,559	277,388	424,934	8,027,881
Public safety	9,866,087	-	399,716	10,265,802
Physical environment	-	-	210,473	210,473
Transportation	-	4,781,306	-	4,781,306
Human services	1,125	-	-	1,125
Economic environment	455,895	-	157,906	613,801
Coroner	204,508	-	-	204,508
Health	223,486	-	115,660	339,146
Culture and recreation	198,104	-	299,714	497,818
<i>Debt Service:</i>				
Principal	7,779	132,310	4,640,000	4,780,089
Interest	953	20,309	998,054	1,019,316
<i>Capital Outlay:</i>				
Judicial	5,085	-	-	5,085
General government	-	-	148,329	148,329
Public safety	101,237	-	330,222	431,459
Transportation	-	3,378,149	40,000	3,418,149
Economic environment	-	-	7,634	7,634
Total Expenditures	<u>21,554,953</u>	<u>8,589,462</u>	<u>7,941,238</u>	<u>38,085,653</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(670,325)</u>	<u>(305,637)</u>	<u>(3,334,511)</u>	<u>(4,310,473)</u>
OTHER FINANCING SOURCES (USES)				
Transfers-in	132,202	-	854,134	986,336
Transfers-out	(457,810)	(12,856)	(649,294)	(1,119,960)
Debt proceeds	-	225,000	2,850,000	3,075,000
Intergovernmental payments	-	(49,996)	(81,360)	(131,356)
Insurance recoveries	-	-	17,385	17,385
Total Other Financing Sources (Uses)	<u>(325,608)</u>	<u>162,148</u>	<u>2,990,866</u>	<u>2,827,406</u>
Net Change in Fund Balances	(995,933)	(143,489)	(343,645)	(1,483,067)
Fund Balances - Beginning	<u>1,530,981</u>	<u>450,492</u>	<u>4,417,740</u>	<u>6,399,213</u>
Fund Balances - Ending	<u>\$ 535,048</u>	<u>\$ 307,003</u>	<u>\$ 4,074,095</u>	<u>\$ 4,916,146</u>

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, 2009

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

Net changes in fund balances - total governmental funds		\$ (1,483,067)
Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is depreciated over their estimated useful lives.		
	Capital outlays	\$ 4,010,657
	Depreciation	<u>(7,966,824)</u>
		(3,956,167)
The loss from investment in joint ventures do not require the use of current financial resources and are not reported as an other financing use in governmental funds.		
		(62,668)
The issuance of long-term debt (e.g., bonds, leases) is a resource and the repayment of bond principal is an expenditure in governmental funds, but those transactions increase or reduce long-term liabilities in the statement of net assets.		
	Debt Issued	\$ (3,075,000)
	Debt Retired	<u>4,780,089</u>
		1,705,089
Interfund transactions between enterprise and internal service funds and governmental activities are shown as a revenue or expenditures in governmental funds but do not increase or decrease government-wide net assets.		
		(97,431)
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.		
		(485,344)
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.		
		86,227
		<hr/>
Change in net assets of governmental activities		<u><u>\$ (4,293,361)</u></u>

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, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts - Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Resources (Inflows)				
Taxes				
Property	\$ 6,606,200	\$ 6,458,816	\$ 6,480,703	\$ 21,887
Sales	4,377,900	4,244,406	3,629,756	(614,650)
Other	2,479,754	2,479,754	2,541,491	61,737
Total Taxes	<u>13,463,854</u>	<u>13,182,976</u>	<u>12,651,950</u>	<u>(531,026)</u>
Licenses and permits	356,000	356,000	413,285	57,285
Intergovernmental	4,125,085	4,283,085	4,032,213	(250,872)
Charges for goods and services	2,577,366	2,577,366	2,528,701	(48,665)
Fines and forfeitures	984,200	984,200	1,021,545	37,345
Investment earnings	587,200	237,125	225,230	(11,895)
Miscellaneous	129,020	135,320	11,704	(123,616)
Total Revenues	<u>22,222,725</u>	<u>21,756,072</u>	<u>20,884,628</u>	<u>(871,444)</u>
Other Financing Sources				
Fund balance - January 1	1,953,588	1,716,189	1,530,981	(185,208)
Transfers from other funds	150,000	146,200	132,202	(13,998)
Total Other Financing Sources	<u>2,103,588</u>	<u>1,862,389</u>	<u>1,663,183</u>	<u>(199,206)</u>
Amounts Available for Appropriation	<u>24,326,313</u>	<u>23,618,461</u>	<u>22,547,811</u>	<u>(1,070,650)</u>
Charges to Appropriations (Outflows)				
General government	9,101,177	8,280,215	7,325,559	954,656
Judicial	2,985,214	3,237,807	3,165,135	72,672
Public safety	10,285,072	10,236,831	9,866,087	370,744
Health and human services	449,869	457,498	429,119	28,379
Economic environment	505,226	475,730	455,895	19,835
Culture and recreation	225,936	206,315	198,104	8,211
Redemption of general long-term debt	8,000	8,000	7,779	221
Interest	1,000	1,000	953	47
Capital outlay	307,009	257,254	106,322	150,932
Total Expenditures	<u>23,868,503</u>	<u>23,160,650</u>	<u>21,554,953</u>	<u>1,605,698</u>
Transfers to other funds	457,810	457,810	457,810	0
Total Charges to Appropriations	<u>24,326,313</u>	<u>23,618,461</u>	<u>22,012,763</u>	<u>1,605,698</u>
Budgetary Fund Balance - December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 535,048</u>	<u>\$ 535,048</u>

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, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts - Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Resources (Inflows)				
Taxes				
Property	\$ 2,700,000	\$ 2,700,000	\$ 2,754,250	\$ 54,250
Other	10,000	10,000	123,880	113,880
Total Taxes	<u>2,710,000</u>	<u>2,710,000</u>	<u>2,878,130</u>	<u>168,130</u>
Licenses and permits	1,000	1,000	580	(420)
Intergovernmental revenue	11,123,000	11,123,000	5,132,781	(5,990,219)
Charges for goods and services	299,000	299,000	168,578	(130,422)
Investment earnings	10,000	10,000	7,892	(2,108)
Miscellaneous revenues	20,000	20,000	95,865	75,865
Total Revenues	<u>14,163,000</u>	<u>14,163,000</u>	<u>8,283,825</u>	<u>(5,879,175)</u>
Other Financing Sources				
Fund balance - January 1	300,000	300,000	450,492	150,492
Loan payment received	50,000	50,000	-	(50,000)
Proceeds from long-term debt	-	-	225,000	225,000
Total Other Financing Sources	<u>350,000</u>	<u>350,000</u>	<u>675,492</u>	<u>325,492</u>
Amounts Available for Appropriation	<u>14,513,000</u>	<u>14,513,000</u>	<u>8,959,318</u>	<u>(5,553,682)</u>
Charges to Appropriations (Outflows)				
General government services	115,000	115,000	277,388	(162,388)
Transportation	4,859,000	4,859,000	4,781,306	77,694
Redemption of general long-term debt	182,310	182,310	132,310	50,000
Interest and other debt service costs	21,690	21,690	20,309	1,381
Capital outlays	9,260,000	9,260,000	3,378,149	5,881,851
Other financing uses	75,000	47,200	-	47,200
Total Expenditures	<u>14,513,000</u>	<u>14,485,200</u>	<u>8,589,462</u>	<u>5,895,738</u>
Other Financing Uses				
Intergovernmental payments	-	-	49,996	(49,996)
Transfers to other funds	-	27,800	12,856	14,944
Total Other Financing Uses	<u>-</u>	<u>27,800</u>	<u>62,852</u>	<u>(35,052)</u>
Total Charges to Appropriations	<u>14,513,000</u>	<u>14,513,000</u>	<u>8,652,314</u>	<u>5,860,686</u>
Budgetary Fund Balance - December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 307,003</u>	<u>\$ 307,003</u>

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

Franklin County, Washington
Statement of Net Assets
Proprietary Funds
December 31, 2009

	<u>Enterprise Funds</u>				<u>Governmental Activities-Internal Service Funds</u>
	<u>TRAC Operations Fund</u>	<u>RV Park</u>	<u>Other Non- Major Enterprise Funds</u>	<u>Total Business- Type Activities</u>	
ASSETS					
<i>Current Assets:</i>					
Cash and cash equivalents	\$ 256,352	\$ 66,808	\$ 27,206	\$ 350,366	\$ 163,524
Cash held in internal trust	64,159	8,415	-	72,574	-
Receivables (net)	138,940	13,064	-	152,004	37,889
Accrued interest receivable	-	-	-	-	6
Due from other funds	1,786	-	-	1,786	75,322
Due from other governments	66,912	-	-	66,912	-
Inventories	16,171	-	-	16,171	178,860
<i>Capital Assets:</i>					
Land and improvements	25,407	-	-	25,407	-
Depreciable assets (net)	6,533,209	76,941	-	6,610,150	2,524,541
Infrastructure (net)	-	643,662	-	643,662	-
Total Assets	<u>7,102,936</u>	<u>808,890</u>	<u>27,206</u>	<u>7,939,032</u>	<u>2,980,142</u>
LIABILITIES					
<i>Current Liabilities:</i>					
Accounts payable and accrued expenses	202,823	12,161	-	214,984	78,694
Custodial accounts	64,159	8,415	-	72,574	-
Interfund interest payable	-	-	-	-	126
Due to other funds	26,167	7,340	-	33,507	2,638
Interfund loans	-	-	-	-	63,971
Matured bond and accrued interest payable	907	-	-	907	-
General obligation bonds payable - current	80,000	-	-	80,000	-
<i>Noncurrent Liabilities:</i>					
Compensated absences	53,714	-	-	53,714	43,498
<i>Bonds Payable:</i>					
General obligation bonds payable	<u>240,000</u>	<u>-</u>	<u>-</u>	<u>240,000</u>	<u>-</u>
Total Liabilities	<u>667,770</u>	<u>27,916</u>	<u>-</u>	<u>695,686</u>	<u>188,927</u>
NET ASSETS					
Invested in capital assets, net of related debt	\$ 6,238,616	\$ 720,603	\$ -	\$ 6,959,219	\$ 2,524,541
Unrestricted	<u>196,550</u>	<u>60,371</u>	<u>27,206</u>	<u>284,127</u>	<u>266,674</u>
Total Net Assets	<u>\$ 6,435,166</u>	<u>\$ 780,974</u>	<u>\$ 27,206</u>	<u>7,243,346</u>	<u>\$ 2,791,215</u>

Amounts reported for business-type activities in the statement of net assets are different because:

Interfund receivables, payables and loans to/from enterprise funds are eliminated on the statement of net assets.

31,720

Net assets of business-type activities

\$ 7,275,066

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 Assets
Proprietary Funds
For The Year Ended December 31, 2009

	<u>Enterprise Funds</u>			Total Business- Type Activities	Governmental Activities-Internal Service Funds
	TRAC Operations Fund	Franklin County RV Park	Other Non- Major Enterprise Funds		
OPERATING REVENUES					
<i>Charges for Services:</i>					
Public facilities	\$ 1,817,722	\$ 242,569	\$ -	\$ 2,060,291	\$ -
Interfund	16,000	-	-	16,000	1,801,441
Miscellaneous revenue	-	-	-	-	28,432
Total Operating Revenues	<u>1,833,722</u>	<u>242,569</u>	<u>-</u>	<u>2,076,291</u>	<u>1,829,873</u>
OPERATING EXPENSES					
Maintenance & operations	2,294,956	156,858	-	2,451,814	1,402,203
Depreciation	795,581	47,918	-	843,499	381,813
Total Operating Expenses	<u>3,090,537</u>	<u>204,776</u>	<u>-</u>	<u>3,295,313</u>	<u>1,784,016</u>
Operating Income (Loss)	<u>(1,256,815)</u>	<u>37,793</u>	<u>-</u>	<u>(1,219,022)</u>	<u>45,857</u>
NONOPERATING REVENUES (EXPENSES)					
Intergovernmental	275,407	1,759	-	277,166	-
Investment earnings	127	-	-	127	48
Interest expense	(13,714)	-	-	(13,714)	(7,883)
Gain on disposition of assets	-	-	-	-	5,815
Taxes	15,346	406	-	15,752	-
Total Non-Operating Revenues (Expenses)	<u>277,166</u>	<u>2,165</u>	<u>-</u>	<u>279,331</u>	<u>(2,020)</u>
Income (Loss) Before Contributions and Transfers	<u>(979,649)</u>	<u>39,958</u>	<u>-</u>	<u>(939,691)</u>	<u>43,837</u>
Capital contributions (donations)	200,941	(3,047)	-	197,894	-
Prior period adjustments (Note 17)	12,569	-	-	12,569	-
<i>Transfers:</i>					
Transfers-in	275,410	-	-	275,410	-
Transfers-out	-	(141,786)	-	(141,786)	-
Change in Net Assets	<u>(490,729)</u>	<u>(104,875)</u>	<u>-</u>	<u>(595,604)</u>	<u>43,837</u>
Net Assets - Beginning	<u>6,925,895</u>	<u>885,849</u>	<u>27,206</u>	<u>7,838,950</u>	<u>2,747,378</u>
Net Assets - Ending	<u>\$ 6,435,166</u>	<u>\$ 780,974</u>	<u>\$ 27,206</u>	<u>\$ 7,243,346</u>	<u>\$ 2,791,215</u>

Amounts reported for business-type activities in the statement of activities are different because:

Net changes in fund balances for business-type funds	\$ (595,604)
Interfund transactions between enterprise and governmental activities are shown as revenue or expenditures in governmental funds but do not increase or decrease government-wide net assets.	5,460
Change in net assets - business-type activities on the statement of activities	<u>\$ (590,144)</u>

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, 2009

	<u>Enterprise Funds</u>				<u>Governmental</u>
	<u>TRAC</u>	<u>Franklin</u>	<u>Other Non-</u>	<u>Major</u>	
	<u>Operations</u>	<u>County RV</u>	<u>Enterprise</u>	<u>Total Business-</u>	<u>Activities-Internal</u>
	<u>Fund</u>	<u>Park</u>	<u>Funds</u>	<u>Type Activities</u>	<u>Service Funds</u>
Cash Flows From Operating Activities					
Receipts from customers	\$ 1,821,313	\$ 239,685	\$ -	\$ 2,060,998	\$ (7,647)
Payments to suppliers	(935,159)	(115,080)	-	(1,050,239)	(949,970)
Custodial account activity	13,096	1,950	-	15,046	-
Payments to employees	(1,171,478)	(41,093)	-	(1,212,571)	(394,650)
Other changes to fund balance	20,000	-	-	20,000	-
Internal activity - payments to (from) other funds	(93)	5,554	-	5,461	1,795,794
Net Cash Provided (Used) by Operating Activities	<u>(252,320)</u>	<u>91,016</u>	<u>-</u>	<u>(161,304)</u>	<u>443,527</u>
Cash Flows from Noncapital and Related Financing Activities					
Operating transfers-in	283,748	-	-	283,748	-
Operating transfers-out	-	(150,125)	-	(150,125)	-
External operating subsidies	301,665	1,759	-	303,424	-
Operating assessments and tax levies	15,346	(690)	-	14,656	-
Interfund loan repayment - principal	-	-	-	-	(198,089)
Interfund loan interest	-	-	-	-	(22,309)
Net Cash Provided (Used) by Noncapital and Related Financing Activities	<u>600,759</u>	<u>(149,056)</u>	<u>-</u>	<u>451,703</u>	<u>(220,398)</u>
Cash Flows From Capital and Related Financing Activities					
Proceeds from sales of equipment	-	-	-	-	159,616
Purchase of capital assets	(6,931)	-	-	(6,931)	(291,985)
Principal paid on capital debt	(75,000)	-	-	(75,000)	-
Interest paid on capital debt	(13,878)	-	-	(13,878)	-
Net Cash Used by Capital and Related Financing Activities	<u>(95,809)</u>	<u>-</u>	<u>-</u>	<u>(95,809)</u>	<u>(132,368)</u>
Cash Flows from Investing Activities					
Interest revenue	155	-	-	155	55
Net Cash Provided by Investing Activities	<u>155</u>	<u>-</u>	<u>-</u>	<u>155</u>	<u>55</u>
Net Increase (Decrease) in Cash and Cash Equivalents	252,785	(58,040)	-	194,745	90,816
Cash and Cash Equivalents - Beginning of the Year	67,726	133,263	27,206	228,195	72,708
Cash and Cash Equivalents - End of the Year	<u>\$ 320,511</u>	<u>\$ 75,223</u>	<u>\$ 27,206</u>	<u>\$ 422,940</u>	<u>\$ 163,524</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities					
Operating income (loss)	\$ (1,256,815)	\$ 37,793	\$ -	\$ (1,219,022)	\$ 45,857
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation expense	795,581	47,918	-	843,499	381,813
Change in assets and liabilities:					
Receivables, net	(12,408)	(2,884)	-	(15,292)	(36,079)
Accounts and other payables	197,569	7,458	-	205,027	39,586
Custodial accounts	13,096	1,950	-	15,046	-
Due to other funds	13,907	5,554	-	19,461	863
Due from other funds	-	-	-	-	(6,510)
Interfund loans payable	(14,000)	-	-	(14,000)	-
Inventories	(7,154)	-	-	(7,154)	13,985
Other changes to fund balances	20,000	-	-	20,000	-
Compensated absences	(2,095)	(6,773)	-	(8,868)	4,013
Net Cash Provided (Used) by Operating Activities	<u>\$ (252,320)</u>	<u>\$ 91,016</u>	<u>\$ -</u>	<u>\$ (161,304)</u>	<u>\$ 443,527</u>

Footnote 1 - TRAC Operations Fund received a total of \$200,941 in contributed non-cash capital from other funds.

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

Franklin County, Washington
Statement of Fiduciary Net Assets
Fiduciary Funds
December 31, 2009

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 98,285,637
Short-term investments	<u>6,818,043</u>
Total Assets	<u>105,103,680</u>
 LIABILITIES	
Accounts payable and accrued expenses	6,484,062
Due to other governments	<u>98,619,618</u>
Total Liabilities	<u>105,103,680</u>
Total Net Assets	<u>\$ -</u>

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

FRANKLIN COUNTY, WASHINGTON
Notes to Financial Statements
January 1, 2009 through December 31, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the County have been prepared in conformity with the generally accepted accounting principals (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

The financial statements present Franklin County as the primary government as required by generally accepted accounting principles.

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". Franklin County does not have any component units.

B. Government-Wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Our policy is to not allocate indirect costs to a specific function. 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, and 2) grants and contributions that are restricted to meeting the operational or capital requirements or a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as

soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. 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 assessment receivable due within the current fiscal period is considered to be 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.

The County reports the following major governmental funds:

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

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

The County reports the following major proprietary funds:

TRAC (Trade, Recreation, Agricultural Center) **Operations Fund** accounts for all events held at the TRAC Multipurpose Facility.

RV Park – The Franklin County-owned recreational vehicle park is located adjacent to the TRAC facility.

The County reports the following proprietary fund types:

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with, or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The County has elected not to follow subsequent private-sector guidance.

Internal service funds provide services to the County's internal customers and are reported in total in the proprietary fund statements. However, internal service fund balances are included within governmental fund balances in the governmental activities section of the statement of net assets. Internal service activity is excluded from the statement of activities and any profit or loss is allocated to the respective governmental activity. Any external activity is not eliminated from the entity-wide statement of activities. Amounts reported as program revenues include 1) charges to customers, 2) operating grants and contributions, and 3) capital grants and contributions, including

special assessments. Internally dedicated resources are reported as general revenues rather than program revenues. General revenues include all taxes.

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

When both restricted and unrestricted resources are available for use, it is the County's policy to use unrestricted resources first and then restricted resources as needed.

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

D. Budgetary Information

1. Scope of Budget

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. Budgets for the debt service funds and capital projects funds are adopted at the level of the individual debt issue and for fiscal periods that correspond to the lives of debt issues or projects. Other budgets are adopted at the level of the fund, except in the General (Current Expense) Fund, where expenditures may not exceed appropriations at the bottom line level with the exception of the salary and benefit line items.

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

If an elected official or department head wishes to transfer any funds to or from their General Fund department salary or benefit line items, they must have it approved by the County Commissioners, in the form of a Resolution, following a public hearing. The same process holds true for *any* transfer from one Current Expense department to another. Amendments to non-General Fund budgets that do not affect the bottom lines of the budget can be made with a letter to the Auditor's Office.

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 to the fiscal year.

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

The County's General Fund budget was amended once during the fiscal year, decreasing revenues and expenditures by (\$707,852). Explanations to this budget reduction can be found in the Management Discussion & Analysis section of the report.

3. Excess of Expenditures Over Appropriations

During 2009 there were no violations of excess of expenditures over appropriations.

4. Deficit Fund Equity

At year end, all of the County's funds maintained positive fund balances.

E. Assets, Liabilities and Equities

1. Cash and Cash Equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash or are so near their maturity that they present an insignificant risk of changes in value because of changes in interest rates. It is the County's policy to invest all temporary cash surpluses. At December 31, 2009, the Treasurer was holding \$12,337,434 in residual cash, of which \$2,442,609 is considered an investment (90 days until maturity). These amount are classified on the balance sheet as cash and cash equivalents in various funds. The General Fund is the recipient of all residual cash interest.

The amounts reported as cash and cash equivalents may also include compensating balances maintained with the bank in lieu of payments for services rendered. During 2009, the County did not need to maintain a compensating balance. For purposes of the statement of cash flows, the County considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

2. Investments (See Note #4 - Deposits and Investments)

3. Receivables

Taxes receivable includes property taxes and related interest and penalties (see Note #5 - Property Taxes). Accrued interest receivable consists of amounts earned on investments, notes, and contracts at the end of the year.

Special Assessments are recorded when levied. Special assessments receivable consist of current and delinquent assessments and related interest and penalties. Deferred assessments on the fund financial statements consist of unbilled special assessments that are liens against the property benefited. As of December 31, 2009, there were no delinquent special assessments receivables.

Customer accounts receivable consist of amounts owed from private individuals or organizations for goods and services rendered.

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

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "interfund loans receivable/payable" or "advances to/from other funds". 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 eliminated in the government-wide financial statements. A separate schedule of interfund loans receivable and payable is furnished in Note #14 - Interfund Transactions and Balances.

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

5. Inventories

Inventories in governmental funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased. The reserve for inventory is equal to the ending amount of inventory to indicate that a portion of the fund balance is not available for future expenditures. A comparison to market value is not considered necessary.

Inventories in proprietary funds are valued by the FIFO (first in-first out) method (which approximates 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 #9 - Long-Term Debt.

Restricted Fund Balance – Debt Service	\$ 400,659
Restricted Fund Balance - Construction	111,995
Totals	<u>\$512,654</u>

7. Capital Assets - See Note #6 – Capital Assets and Depreciation.

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

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

Useful lives of capitalized assets start at three years. Such assets, including infrastructure, are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs for additions or improvements to capital assets are capitalized when they increase the effectiveness or efficiency of the asset.

The cost of normal maintenance and repairs are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of business-type activities is included as part of the capitalized value of the assets constructed.

As the County constructs or acquires additional capital assets each period, including infrastructure, they are capitalized and reported at actual cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item.

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

Computers, Printers, etc.	3 Years
Autos, Light Trucks, Calculators, Copiers, Typewriters, Faxes, etc.	5 Years
Heavy Trucks, Light Road Equipment	7 Years
Office Furniture, Heavy Road Equipment, Minor Building Improvements	10 Years
Buildings, Parking Lots, Major Building Improvements, Infrastructure	20-50 Years

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.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities), the County chose to include all such items regardless of their acquisition date or amount.

To determine the value of the historical infrastructure, the County referred to the State Auditor's Office web site. The cost-per-mile values used in the computation were derived from the averages of the different types of construction projects for each classification of road. The source of these numbers came from a 1988 Road Jurisdiction Study, which utilized data that represents per unit costs as of 1988.

The County's decision to use a 40-year useful life and the determination of reducing the historical infrastructure value by ten percent accumulated depreciation was based on a combination of (1) the relatively moderate weather in our area, (2) the local soils which provide excellent drainage to minimize the erosion of the roadway, (3) the maintenance management system the County uses for both evaluating and maintaining our existing roads, and (4) professional judgment of the County's Public Works Department.

8. Compensated Absences

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

Vacation pay, which may be accumulated up to 30 days, is payable upon resignation, retirement or death. Sick leave is accumulated up to 120 days, and is paid out at 25% into an employee's MSA (medical savings account) at termination.

On December 31, 2009, the county-wide compensated absences payable amounted to 52,345 hours and \$1,454,603. Also included in this total is 147 hours of accrued compensatory time.

9. Long-Term Debt - See Note #9 – Long-Term Debt and Note #10 – Leases.

10. Deferred Revenues

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

During 2009, the City of Pasco overpaid Franklin County \$112,575 for their prisoner lodging services. This credit, which is reported as deferred revenue, was applied in February, 2010. The overpayment was the difference between the estimated annual liability to the City billed in equal installments during the year, and the actual costs determined in an annual reconciliation.

11. Fund Reserves & Designations

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

12. Other Internal Trust Accounts

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

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

Franklin County Custodial Trust Bank Accounts as of 12/31/2009

Department	Fund	Purpose	Balance 12/31/2009
Sheriff	General	Civil Fees and Refunds	\$ 1,061
Sheriff	General	Reserve Activities	4,427
Corrections/Work Release	General	Inmate Pay/Holding	10,244
Corrections	General	Out of County Bail	301
Commissioner	General	Wellness Activities	1,241
Superior Court Clerk	General	Court Ordered Disbursements	250,179
Superior Court Clerk	General	Extradition Funds	40,017
District Court	General	Funds Held in Trust	25,749
General Fund Subtotal			333,219
Public Works	County Road	Cross Cut/Permit Deposits	38,026
Franklin County Prisoners Fund	Jail Commissary	Inmate Accounts	11,305
Governmental Activites Subtotal			382,550
TRAC Operations	TRAC	Event Settlement	35,871
TRAC Operations	TRAC	Event Deposits	28,288
TRAC Operations Subtotal			64,159
RV Park	RV Park	Rental Deposits	8,415
Business Activites Subtotal			72,574
Grand Total Other Internal Trust Accounts			\$ 455,124

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences between the Governmental Funds Balance Sheet and the Government-Wide Statement of Net Assets

The governmental funds' balance sheet includes a reconciliation between fund balance – total governmental funds and net assets-governmental activities as reported in government-wide statement of net assets:

Statement of Net Assets	<u>\$219,883,765</u>
Balance Sheet	\$ 4,916,146
Capital Assets	238,471,642
Investment in Joint Ventures	456,390
Long-Term Liabilities	(26,706,680)
Other Accrued Liabilities	(13,226)
Interfund Receivables from Enterprise Fund	(31,722)
Internal Service Fund Net Assets	<u>2,791,215</u>

Net Difference	<u>\$219,883,765</u>
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B. Explanation of Certain Differences between the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental funds' statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities:

Statement of Activities Change in Net Assets	<u>\$(4,293,361)</u>
Government Funds Net Changes to Fund Balances	\$(1,483,067)
Capital Outlays	4,010,657
Depreciation	(7,966,824)
Decrease in Investments in Joint Ventures	(62,668)
Issuance/Retirement of Long-term Debt - Net	1,705,089
Transfers between Business-Type & Gov't Type Activities	(97,431)
Expenses in Stmt of Activities not Using Current Resources	(485,344)
Internal Service Fund Net Activities	86,227
Change in Net Assets of Governmental Activities	<u>\$(4,293,361)</u>

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

NOTE 4 - DEPOSITS AND INVESTMENTS

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

As required by state law, all investments of the County's funds are obligations of the U.S. Government, U.S. agency issues, obligations of the State of Washington, general obligations of Washington State municipalities, (the State Treasurer's Investment Pool), bankers' acceptances, or certificates of deposit with Washington State banks and savings and loan institutions.

All temporary investments are stated at fair market value. The book value of the County's investments do not differ materially from the bank balances of the deposits and are thus are stated at book value. At December 31, 2009, the County had the following investments:

Investment	Maturities	Fair Value of County's Own Investments	Fair Value of Investments Held by County as an Agent for Other Local Governments	Total
State Pool	\$ 86,733,684	\$ 1,030,843	\$ 85,702,841	\$ 86,733,684
U.S. Government Securities	3,533,205	-	2,539,176	2,539,176
Time Deposits	7,006,729	-	6,909,119	6,909,119
Totals	\$ 97,273,618	\$ 1,030,843	\$ 95,151,136	\$ 96,181,979

Custodial credit risk is the risk that in the event of a failure of the counterparty to an investment transaction, the County would not be able to recover the value of the investment or collateral securities. At December 31, 2009, the County did not have any investments exposed to custodial credit risk.

NOTE 5 - PROPERTY TAXES

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

The following schedule represents the County's annual property tax calendar:

January 1 - Taxes are levied and become an enforceable lien against properties.

February 15 - Tax bills are mailed.

April 30 - First of two equal payments is due.

May 31 - Assessed value of property established for next year's levy at 100% of market value.

October 31 - Second installment is due.

Property taxes are recorded as a receivable when levied. Property taxes collected in advance of the fiscal year to which they apply are recorded as deferred revenue and recognized as revenue of the period to which they apply. No allowance for uncollectible taxes is established because delinquent taxes are considered fully collectible. The balance of taxes receivable includes related interest and penalties. Prior year tax levies were recorded using the same principle, and delinquent taxes are evaluated annually. During 2009, \$52,458 of uncollectible accounts were cancelled for county-wide delinquencies.

The County may levy up to \$1.80 per \$1,000 of assessed valuation for general governmental services. For 2009, the County's regular levy was \$1.441025 per \$1,000 on an assessed valuation of \$4,713,260,618 for a total regular levy of \$6,791,926. Washington State Constitution and Washington State law, RCW 84.55.010, limit the rate.

The following table depicts Franklin County's levy for 2009:

<u>Purpose of Levy</u>	<u>Levy Rates/\$1,000</u>	<u>Total Levy</u>
General Government	\$1.441025	\$6,791,926
County Road (On assessed value of unincorporated areas totaling \$1,626,529,819)	1.542651	2,509,168
Mental Health	.025000	117,832
Veteran's Relief	.011669	54,999
TRAC Bond (On assessed value of unincorporated areas totaling \$4,684,472,718)	.069165	324,002
Courthouse Remodel Bond (On assessed value of unincorporated areas totaling \$4,684,472,718)	<u>.169283</u>	<u>793,002</u>
Total	<u>\$3.258793</u>	<u>\$10,590,929</u>

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION

A. Capital Assets

Capital assets activity for the year ended December 31, 2009 was as follows:

Governmental Activities:

Governmental Activities	Beginning Balance 01/01/2009	Increases	Decreases	Ending Balance 12/31/2009
Capital assets, not being depreciated:				
Land	\$ 938,961	\$ -	\$ -	\$ 938,961
Construction in Progress	9,441,106	3,474,216	(770,402)	12,144,920
Total capital assets, not being depreciated	10,380,067	3,474,216	(770,402)	13,083,881
Capital assets, being depreciated:				
Buildings	27,843,220	91,909	-	27,935,129
Machinery and Equipment	10,581,354	712,840	(480,709)	10,813,485
Land Improvements	128,162	409,026	-	537,188
Infrastructure	248,997,988	322,164	-	249,320,152
Total capital assets being depreciated	287,550,725	1,535,939	(480,709)	288,605,955
Less accumulated depreciation for:				
Buildings	9,109,391	1,113,422	-	10,222,813
Machinery and Equipment	6,468,167	975,351	(326,908)	7,116,610
Land Improvements	24,789	26,859	-	51,648
Infrastructure	37,069,573	6,233,005	-	43,302,578
Total accumulated depreciation	52,671,920	8,348,637	(326,908)	60,693,650
Governmental activities capital assets, net	\$ 245,258,872	\$ (3,338,482)	\$ (1,578,019)	\$ 240,996,186

Parking lot improvements of \$128,162 have been reclassified from Land to Land Improvements as of January 1, 2009. The related Accumulated Depreciation of the assets since the date placed in service of \$24,789 is shown as a prior period adjustment. See Note 17 – Other Disclosures for more detail.

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

Governmental Activities:	
Judicial	\$ 61,211
General Government	784,816
Public Safety	711,516
Physical Environment	3,568
Transportation	6,631,172
Economic Environment	109,349
Health	26,723
Culture & Recreation	20,282
Total Depreciation - Governmental Activities	\$ 8,348,637

Business-Type Activities:

Business-Type Activities	Beginning Balance 01/01/2009	Increases	Decreases	Ending Balance, 12/31/2009
Capital assets, not being depreciated:				
Land	\$ 25,407	\$ -	\$ -	\$ 25,407
Construction in Progress	334,030	-	(334,030)	-
Total capital assets, not being depreciated	359,437	-	(334,030)	25,407
Capital assets, being depreciated:				
Buildings	14,130,011	-	-	14,130,011
Machinery and Equipment	1,945,822	56,832	(20,006)	1,982,648
Land Improvements	49,542	418,025	-	467,567
Other Improvements	31,978	67,045	-	99,023
Infrastructure	900,226	-	-	900,226
Total Capital Assets being depreciated	17,057,579	541,902	(20,006)	17,579,475
Less accumulated depreciation for:				
Buildings	7,578,388	682,060	-	8,260,448
Machinery and Equipment	1,690,053	84,493	(17,056)	1,757,490
Land Improvements	7,431	23,379	-	30,810
Other Improvements	9,543	10,807	-	20,350
Infrastructure	213,804	42,761	-	256,565
Total accumulated depreciation	9,499,219	843,499	(17,056)	10,325,663
Business-type activities capital assets, net	\$ 7,917,797	\$ (301,598)	\$ (336,980)	\$ 7,279,219

Signs in the amount of \$31,978, net of Accumulated Depreciation of \$9,543, have been reclassified from Machinery and Equipment to Other Improvements as of January 1, 2009. Parking lot improvements of \$49,542 have been reclassified from Land to Land Improvements as of January 1, 2009. The related Accumulated Depreciation of the assets since the date placed in service of \$7,431 is shown as a prior period adjustment. See Note 17 – Other Disclosures for more detail.

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

Business-Type Activities:	
TRAC Multi-Use Facility	\$795,581
Franklin County RV Park	<u>47,918</u>
Total Depreciation –Business-Type Activities	<u>\$843,499</u>

B. Construction Commitments

The County has active County Road construction projects as of December 31, 2009. At year-end the government’s commitments with contractors are as follows:

Project	Spent to Date	Remaining Commitment
County Road Department		
East Foster Wells Road	\$ 1,318,542	\$ 2,698,607
Pasco-Kahlotus Road 1	183,249	5,200
Road 100/Dent Road Extension Phase 2	554,615	674,619
R-170 Landslide Area Phase 2 Road Realignment	922,230	48,538
R-170 Landslide Area Phase 3 Road Realignment	3,083,598	2,874,563
Grand Total Franklin County Commitments	\$ 6,062,234	\$ 6,301,527

NOTE 7 - PENSION PLANS

Substantially all County full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to: Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380; or it may be downloaded from the DRS website at www.drs.wa.gov. The following disclosures are made pursuant to GASB Statements No. 27, *Accounting for Pensions by State and Local Government Employers* and No. 50, *Pension Disclosures, an Amendment of GASB Statements No. 25 and No. 27*.

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

Plan Description

PERS is a cost-sharing multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a defined benefit plan with a defined contribution component. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts (other than judges currently in a judicial retirement system); employees of legislative committees; community and technical colleges, college and university employees not participating in national higher education retirement programs; judges of district and municipal courts; and employees of local governments.

PERS participants who joined the system by September 30, 1977, are Plan 1 members. Those who joined on or after October 1, 1977 and by either, February 28, 2002 for state and higher education employees, or August 31, 2002 for local government employees, are Plan 2 members unless they exercise an option to transfer their membership to Plan 3. PERS participants joining the system on or after March 1, 2002 for state and higher education employees, or September 1, 2002 for local government employees have the irrevocable option of choosing membership in either PERS Plan 2 or PERS Plan 3. The option must be exercised within 90 days of employment. An employee is reported in Plan 2 until a choice is made. Employees who fail to choose within 90 days default to PERS Plan 3. Notwithstanding, PERS Plan 2 and Plan 3 members may opt out of plan membership if terminally ill, with less than five years to live.

PERS Plan 1 and Plan 2 defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions. PERS retirement benefit provisions are established in state statute and may be amended only by the State Legislature.

PERS Plan 1 members are vested after an employee completes five years of eligible service. Plan 1 members are eligible for retirement after 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service. The annual benefit is two percent of the average final compensation (AFC) per year of service, capped at 60 percent. (The AFC is based on the greatest compensation during any 24 eligible consecutive compensation months.) This annual benefit is subject to a minimum for PERS Plan 1 retirees who have 25 years of service and have been retired 20 years, or who have 20 years of service and have been retired for 25 years. Plan 1 members who retire from inactive status prior to the age of 65 may receive actuarially reduced benefits. If a survivor option is chosen, the benefit is further reduced. A cost-of-living allowance (COLA) is granted at age 66 based upon years of service times the COLA amount, increased by three percent annually. Plan 1 members may also elect to receive an additional COLA amount that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at three percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members may retire at the age of 65 with five years of service with an allowance of two percent of the AFC per year of service. (The AFC is based on the greatest compensation during any eligible consecutive 60-month period.) Plan 2 members who retire prior to age of 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a three percent per year reduction applies; otherwise an actuarial reduction will apply. The benefit is also actuarially reduced to reflect the choice of a survivor option. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at three percent annually.

PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. The defined benefit portion provides a benefit calculated at one percent of the AFC per year of service. (The AFC is based on the greatest compensation during any eligible consecutive 60-month period.) Effective June 7, 2006, Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service, if twelve months of that service are earned after age 44; or after five service credit years earned in PERS Plan 2 prior to June 1, 2003. Plan 3 members are immediately vested in the defined contribution portion of their plan. Vested Plan 3 members are eligible to retire with full benefits at age 65, or they may retire at age 55 with ten years of service. Plan 3 members who retire prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a three percent per year reduction applies; otherwise an actuarial reduction will apply. The benefit is also actuarially reduced to reflect the choice of a survivor option. There is no cap on years of service credit, and Plan 3 provides the same cost-of-living allowance as Plan 2.

The defined contribution portion can be distributed in accordance with an option selected by the member, either as a lump sum or pursuant to other options authorized by the Employee Retirement Benefits Board.

Judicial Benefit Multiplier

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

Members who chose to participate in JBM would: accrue service credit at the higher multiplier beginning with the date of their election, be subject to the benefit cap of 75% of AFC, pay higher contributions, stop contributing to the Judicial Retirement Account (JRA), and be given the option to increase the multiplier on past judicial service. Members who did not choose to participate would: continue to accrue service credit at the regular multiplier; continue to participate in JRA, if applicable; never be a participant in the JBM Program; and continue to pay contributions at the regular PERS rate.

Newly elected or appointed justices and judges who chose to become PERS members on or after January 1, 2007, or who had not previously opted into PERS membership, were required to participate in the JBM Program. Members required into the JBM program would: return to prior PERS Plan if membership had previously been established; be mandated in Plan 2 and not have a Plan 3 transfer choice, if a new PERS member; accrue the higher multiplier for all judicial service; not contribute to JRA; and not have the option to increase the multiplier for past judicial service.

There are 1,192 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2008:

Retirees and Beneficiaries Receiving Benefits	73,122
Terminated Plan Members Entitled to but not yet Receiving Benefits	27,267
Active Plan Members Vested	105,212
Active Plan Members Non-vested	56,456
Total	262,057

Funding Policy

Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates, Plan 2 employer and employee contribution rates, and Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at six percent for state agencies and local government unit employees, and 7.5 percent for state government elected officers. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. All employers are required to contribute at the level established by the Legislature. Under PERS Plan 3, employer contributions finance the defined benefit portion of the plan, and member contributions finance the defined contribution portion. The Employee Retirement Benefits Board sets Plan 3 employee contribution rates. Six rate options are available ranging from 5 to 15 percent; two of the options are graduated rates dependent on the employee's age. As a result of the implementation of the Judicial Benefit Multiplier Program in January 2007, a second tier of employer and employee rates was developed to fund, along with investment earnings, the increased retirement benefits of those justices and judges that participate in the program. The methods used to determine the contribution requirements are established under state statute in accordance with chapters 41.40 and 41.45 RCW.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2009 were as follows:

Members not participating in JBM:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer*	5.31%**	5.31%**	5.31%***
Employee	6.00%****	3.90%****	*****

* The employer rates include the employer administrative expense fee currently set at 0.16%.

** The employer rate for state elected officials is 7.89% for Plan 1 and 5.31% for Plan 2 and Plan 3.

*** Plan 3 defined benefit portion only.

****The employee rate for state elected officials is 7.50% for Plan 1 and 3.90% for Plan 2.

*****Variable from 5.0% minimum to 15.0% maximum based on rate selected by the PERS 3 member.

Members participating in JBM:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer-State Agency*	7.81%	7.81%	7.81%**
Employer-Local Govt.*	5.31%	5.31%	5.31%**
Employee-State Agency	9.76%	7.25%	7.50%***
Employee-Local Govt.	12.26%	9.75%	7.50%***

* The employer rates include the employer administrative expense fee currently set at 0.16%.

**Plan 3 defined benefit portion only.

*** Minimum rate.

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

	PERS Plan 1	PERS Plan 2	PERS Plan 3
2009	\$48,769	\$651,894	\$41,930
2008	\$55,633	\$654,097	\$44,389
2007	\$38,797	\$374,219	\$32,246

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

Plan Description

LEOFF is a cost-sharing multiple-employer retirement system comprised of two separate defined benefit plans. LEOFF participants who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 are Plan 2 members. Membership in the system includes all full-time, fully compensated, local law enforcement commissioned officers, firefighters and, as of July 24, 2005, those emergency medical technicians who were given the option and chose LEOFF Plan 2 membership. LEOFF membership is comprised primarily of non-state employees, with the Department of Fish and Wildlife enforcement officers, who were first included prospectively effective July 27, 2003, being an exception.

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

LEOFF defined benefit retirement benefits are financed from a combination of investment earnings, employer and employee contributions, and a special funding situation in which the state pays through state legislative appropriations. LEOFF retirement benefit provisions are established in state statute and may be amended by the State Legislature.

LEOFF Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement with five years of service at the age of 50. The benefit per year of service calculated as a percent of final average salary (FAS) is as follows:

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

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

LEOFF Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members may retire at age of 50 with 20 years of service, or at the age of 53 with five years of service, with an allowance of two percent of the FAS per year of service. The FAS is based on the highest consecutive 60 months. Plan 2 members who retire prior to the age of 53 receive reduced benefits. Benefits are actuarially reduced for each year that the benefit commences prior to age 53 and to reflect the choice of a survivor option. If the member has at least 20 years of service and is age 50, the reduction is three percent for each year prior to age 53. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at three percent annually.

There are 375 participating employers in LEOFF. Membership in LEOFF consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2008:

Retirees and Beneficiaries Receiving Benefits	9,268
Terminated Plan Members Entitled to but not yet Receiving Benefits	650
Active Plan Members Vested	13,120
Active Plan Members Non-vested	3,927
Total	26,965

Funding Policy

Starting on July 1, 2000, LEOFF Plan 1 employers and employees contribute zero percent as long as the plan remains fully funded. Employer and employee contribution rates are developed by the Office of the State Actuary to fully fund the plan. LEOFF Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board. All employers are required to contribute at the level required by state law. The Legislature, by means of a special funding arrangement, appropriated money from the state General Fund to supplement the current service liability and fund the prior service costs of LEOFF Plan 2 in accordance with the requirements of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. However, this special funding situation is not mandated by the state constitution and this funding requirement could be returned to the employers by a change of statute.

The required contribution rates expressed as a percentage of current year covered payroll, as of December 31, 2009, are as follows:

	LEOFF Plan 1	LEOFF Plan 2
Employer*	0.16%	5.24%**
Employee	0.00%	8.46%
State	N/A	3.38%

*The employer rates include the employer administrative expense fee currently set at 0.16%.

** The employer rate for ports and universities is 8.99%.

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

	LEOFF Plan 1	LEOFF Plan 2
2009	\$ 264	\$78,953
2008	\$ 253	\$75,544
2007	\$ 241	\$62,609

C. Public Safety Employees' Retirement System (PSERS) Plan 2

Plan Description

PSERS is a cost-sharing multiple-employer retirement system comprised of a single defined benefit plan, PSERS Plan 2. PSERS was created by the 2004 legislature and became effective July 1, 2006.

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

A *covered employer* is one that participates in PSERS. Covered employers include: State of Washington agencies: Department of Corrections, Department of Natural Resources, Parks and Recreation Commission, Gambling Commission, Washington State Patrol, and Liquor Control Board; Washington state counties; and Washington state cities except for Seattle, Tacoma and Spokane.

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

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

PSERS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions. PSERS retirement benefit provisions are established in state statute and may be amended only by the State Legislature.

PSERS Plan 2 members are vested after completion of five years of eligible service. PSERS Plan 2 members may retire 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, with an allowance of two percent of the average final

compensation (AFC) per year of service. The AFC is the monthly average of the member's 60 consecutive highest-paid service credit months, excluding any severance pay such as lump-sum payments for deferred sick leave, vacation or annual leave. Plan 2 members who retire prior to the age of 60 receive reduced benefits. If retirement is at age 53 or older with at least 20 years of service, a three percent per year reduction for each year between the age at retirement and age 60 applies. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at three percent annually.

There are 73 participating employers in PSERS. Membership in PSERS consisted of the following as of the latest actuarial valuation date for the plan of June 30, 2008:

Retirees and Beneficiaries Receiving Benefits	1
Terminated Plan Members Entitled to but not yet Receiving Benefits	0
Active Plan Members Vested	0
Active Plan Members Non-vested	3,981
Total	3,982

Funding Policy

Each biennium, the state Pension Funding Council adopts PSERS Plan 2 employer and employee contribution rates. The employer and employee contribution rates for Plan 2 are developed by the Office of State Actuary to fully fund Plan 2. All employers are required to contribute at the level established by the Legislature. The methods used to determine the contribution requirements are established under state statute in accordance with chapters 41.37 and 41.45 RCW.

The required contribution rates expressed as a percentage of current year covered payroll, as of December 31, 2009 were as follows:

	PSERS Plan 2
Employer*	7.85%
Employee	6.55%

*The employer rate includes an employer administrative expense fee of 0.16%.

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

	PSERS Plan 2
2009	\$87,232
2008	\$69,457
2007	\$58,213

NOTE 8 - RISK MANAGEMENT

Franklin County was one of the twenty-eight members of the Washington Counties Risk Pool ("Pool") during 2009. Other members included: Adams, Benton, Chelan, Clallam and Clark, Columbia, Cowlitz, Douglas and Garfield, Grays Harbor, Island and Jefferson, Kitsap, Kittitas, Lewis and Mason, Okanogan, Pacific, Pend Oreille and San Juan, Skagit, Skamania, Spokane and Thurston, Walla Walla, Whatcom and Yakima Counties. Klickitat and Whitman Counties were former Pool members, but terminated their memberships effective October 2002 and 2003 respectively.

The Pool was formed August 18, 1988 when several Washington counties signed an Interlocal (Cooperative) Agreement. It was established to provide its member counties with “joint” programs and services including self-insurance, purchasing of insurance, and contracting for or hiring of personnel to provide administrative services, claims handling and risk management. The Pool operates under Washington’s “pooling” laws, more specifically Chapters 48.62 RCW and 82.60 WAC and implemented via Chapter 39.34 RCW. It is overseen by the State Risk Manager and is subject to fiscal audits performed annually by the State Auditor.

The enabling Interlocal Agreement was amended once in 2000 to add the Membership Compact, a commitment to strengthen the Pool by helping its member counties implement and/or enhance local risk management efforts to reduce losses and support the best management of the Pool and its resources. The Compact established obligations to support these goals through three major elements; membership involvement, risk control practices, and a targeted risk management program.

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

New members are required to pay the Pool modest admittance fees to cover the members’ share of organizational expenses and the costs to analyze their loss data and risk profile. Members contract initially to remain in the Pool for at least five years. Counties may terminate their memberships at the conclusion of any Pool fiscal year following the initial term if the county timely files its required advance written notice. Otherwise, the Interlocal Agreement is renewed automatically for another year. Even after termination, a former member remains responsible for reassessments from the Pool for any unresolved, unreported, and in-process claims for the period they were a signatory to the Interlocal Agreement.

The Pool is governed by a board of directors consisting of one director (and at least one alternate director) designated by each member county. The Pool’s board of directors, made up of both elected and appointed county officials, meets three times each year with the summer meeting being the Annual Meeting. The board of directors is responsible for determining the 3rd-party liability coverage to be offered (approving the insuring agreement or coverage document), the reinsurance program to acquire, the excess insurances to be jointly purchased or offered for optional purchase, and approving the Pool’s annual operating budgets and work programs, and the member deposit assessment formulas.

Regular oversight of the Pool’s operations is furnished by an 11-person executive committee. The committeepersons are elected by the Pool’s board of directors from its membership to staggered 3-year terms during each Annual Meeting. The committee meets several times throughout the year to approve all Pool disbursements and examine the Pool’s financial health; to approve case settlements exceeding the members’ deductibles by at least \$50,000 and to review all claims with incurred loss estimates exceeding \$100,000; to evaluate the Executive Director and the Pool’s operations and program deliverables; and to participate in the board’s standing committees (finance, personnel, risk management, and underwriting) for development or review/revision of the organization’s policies and coverage documents.

The following constitute the highlights from the Pool’s most recently completed Policy (Fiscal) Year (October 2008 through September 2009):

- *Operating Income* was experienced during the year of \$1.15 million, a 40% increase from FY-2008.
- *Interest Income* slipped to just \$0.22 million (-65%) due to the nearly non-existent interest rates associated with the national and worldwide recession.

- *Total Assets* grew by \$4.64 million (15%) to more than \$35.71 million. Specifically, current assets increased \$4.69 million (16%) while non-current assets decreased \$0.05 million (-4%).
- 966 cases were added to the Risk Pool's claims-related database during the year which raised the to-date (Oct. 1988 – Sep. 2009) total of third-party liability claims and lawsuits submitted by WCRP member counties to 16,470. Only 492 cases remained classified as "open" at year's end. Independent actuarial estimates suggest another 553 claims may be filed for covered occurrences from all years-to-date through September 2009.
- *Net Assets* (also referred to as *Members' Equity*) increased nearly \$1.38 million to more than \$8.16 million at September 30, 2009. \$6.35 million is classified as 'Restricted' to satisfy the Section D provisions of the WCRP Underwriting Policy that were enhanced by the Board of Directors in March 2007. Another \$1.06 million is invested in *Capital Assets* (net of debt). The remaining \$0.76 million is listed as 'Non-Restricted' and is available. The WCRP Board of Directors is the authority to decide if, how much, and when distributions of any (Non-Restricted) *Net Assets* are to be made.

Professionals from some of the most respected organizations worldwide are called upon regularly to address specific needs of the Pool. For example, independent actuarial services are furnished by PricewaterhouseCoopers, LLP; insurance brokerage and advanced loss control services are provided by Arthur J. Gallagher Risk Management Services, Inc.; coverage counsel is provided by Stafford Frey Cooper; and special claims audits are frequently performed by the Pool's insurers and re-insurers. These professionals are in addition to the many contracted and in-county counselors assigned to defend Pool cases, as well as the ongoing oversight provided by the State Risk Manager and the annual financial audits performed by the State Auditor.

Over half of the Pool's 9-person staff handles and/or manages the several hundred liability cases filed upon and submitted by the Pool's member counties each year. These claims professionals have more than eighty years combined claims-handling experience. The Pool's "open" file count remains fairly constant between 400 and 500 cases. Other staffers provide various member services including conducting risk assessments and compliance audits, coordinating numerous trainings, researching other coverages and marketing, with some simply supporting the organization's administrative needs.

Pool member counties presently acquire \$20 million (with another \$5 million optional) of joint liability coverage on a "per occurrence" basis for 3rd-party bodily injury, personal injury, property damage, errors and omissions, and advertising injury, and includes public officials' errors and omissions. Annually, members select a per occurrence deductible amount of \$10,000, \$25,000, \$50,000, \$100,000, \$250,000 or \$500,000. The initial \$10 million of coverage, less the retention (the greater of the member's deductible or \$100,000), is fully reinsured by superior-rated commercial carriers. The remaining insurance, up to \$15 million, is acquired from superior-rated commercial carriers as "following form" excess insurance. There are no aggregate limits to the payments made for any one member county or all member counties combined.

Property insurance, with composite limits of \$500 million for normal ("All Other Perils") coverage and \$250 million for catastrophe coverage and participant deductibles between \$5,000 and \$50,000, was added to the Pool coverage lines a few years ago as an individual county option. Coverage is for structures, vehicles, mobile equipment, EDP equipment, and equipment breakdown, etc. Participants are responsible for their claims' deductibles. The commercial insurers are responsible for covered losses exceeding the participant deductibles to the maximum limits of the policy. Twenty-six counties purchased this program during 2009.

Additionally, many members use the Pool's producer (broker) services for other insurance placements, e.g. public officials bonds, and crime & fidelity, special events/concessionaires, and environmental hazards coverages.

The Washington Counties Risk Pool is a cooperative program, so there is joint liability amongst its participating members. Contingent liabilities are established when assets are not sufficient to cover liabilities. Pool member counties are required to timely submit their 3rd-party liability claims which are

handled by the Pool's staff. This includes establishing reserves for both reported and unreported covered events, as well as estimates of the undiscounted future cash payments for losses and related claims adjustment expenses. Deficits resulting from any Pool fiscal year are financed by proportional reassessments against that year's membership. The Pool's reassessments receivable balance at December 31, 2009 remains at zero.

The Washington Counties Risk Pool provides each County in the pool an annual figure that represents the County's Incurred But Not Reported (IBNR) liability. The IBNR is figured by using a formula that includes loss history, worker hours, licensed vehicles and several other factors. Franklin County's IBNR at December 31, 2009 amounted to \$734,570, compared to \$642,832 for 2008.

NOTE 9 - 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.

The County's revenue debt acquired in 1991 is owed to the Washington State Public Works Trust Fund and is being repaid through a portion of the County's gasoline taxes, held by the State. During 2006, the County obtained another Public Works Trust Fund loan in the amount of \$4,500,000 for the paving of 30 miles of gravel road. Of the \$4,500,000 loan amount, the County received \$225,000 in 2009, for a total to-date issued amount of \$4,500,000. Repayment of this loan will be made with an additional excise tax on the sale of real property in the unincorporated areas of Franklin County at a rate of one-quarter of one percent of the selling price, under the authority of RCW 82.46.035(2).

In the financial statements, debt for business-type activities and governmental activities is shown as a liability in the type of activity that is retiring the debt, even if the purpose of the debt was for the other activity.

The funds to retire Franklin County's debt are generated from taxes, transfers, and a semi-annual operating lease from the City of Pasco. Original debt amounts can be found on the Schedule of Long-Term Debt, following the financial statements.

General obligation bonds currently outstanding are as follows:

Purpose	Interest Rate	Amount
2005 TRAC Enhancement Limited	3.4000	\$ 320,000
2002 Courthouse Remodel Unlimited	3.7500	7,500,000
2003 RV Park Limited	3.7500	1,095,000
2006 Distressed Counties Limited	3.9000	1,725,000
2005 CJ/Juv/Jail 3rd Floor Remodel Refunding	3.4000	2,405,000
2005 Distressed Counties Limited Refunding	3.4000	4,290,000
2009 TRAC Unlimited Refunding	1.1500	1,235,000
2009 TRAC Limited Refunding	2.0000	1,135,000
Total		\$ 19,705,000

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

Year Ending December 31	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2010	1,710,000	817,678	80,000	11,440
2011	1,750,000	767,213	80,000	8,720
2012	1,815,000	711,045	80,000	5,920
2013	1,865,000	649,838	80,000	3,000
2014	1,600,000	583,968	-	-
2015-2019	6,505,000	1,969,053	-	-
2020-2024	4,140,000	422,293	-	-
Totals	\$ 19,385,000	\$ 5,921,088	\$ 320,000	\$ 29,080

At December 31, 2009, the County has \$400,659 available in debt service funds to service the general bonded debt. This combined fund balance does not include \$83,409 of interest payable, accrued between December 1st and December 31st, 2009, and due June 1, 2010.

The revenue bonds currently outstanding are as follows:

Purpose	Interest Rate	Amount
County Road Project #477	3.0000	\$ 264,619
2006 P WTF Loan	0.5000	4,050,000
Total		\$ 4,314,619

Revenue bond debt service requirements to maturity are as follows:

Year Ending	Governmental Activities	
	Principal	Interest
2010	\$ 370,545	\$ 28,039
2011	370,545	23,028
2012	238,235	17,868
2013	238,235	16,676
2014	238,235	15,485
2015-2019	1,191,176	59,559
2020-2024	1,191,176	29,779
2025-2029	476,472	3,574
Totals	\$ 4,314,619	\$ 194,008

B. Refunded Debt

During 1998, the County issued \$4,850,000 of general obligation refunding bonds to provide resources to purchase U. S. Government and State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments on \$4,215,000 of refunded debt. The advance refunding was undertaken to reduce the total debt service payments over the next 15 years, and issue \$55,000 in GO bonds to finance TRAC's new ventilation system.

During 2009, the county issued \$2,850,000 of general obligation refunding bonds to provide resources to retire \$2,795,000 of already refunded general obligation debt mentioned above. The GO Bonds refunded were the 1998 TRAC Unlimited Refunding Bond (\$1,490,000), and the 1998 TRAC Limited Refunding Bond (\$1,305,000), both originally issued in 1994. As a result, the refunded bonds are considered to be defeased and the liability has been removed. The advance

refunding was undertaken to take advantage of lower interest rates to reduce the total debt service payments over the next 4-5 years, and the County will see a refinancing savings of \$155,972.

During 2005, also to take advantage of lower interest rates, the County issued \$8,345,000 in general obligation refunding bonds, refunding \$8,015,000 in general obligation debt. Although the County increased the ending outstanding debt by \$330,000, there will be a \$708,759 savings in interest over the life of the refunding bonds.

NOTE 10 - LEASES

Capital Leases – During 2005, the County entered into a lease agreement for financing an IBM AS400 computer server. This 60-month lease has a principal amount of \$27,512, and current monthly payments of \$543. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of its future minimum lease payments as of the inception date. This asset was fully depreciated at December 31, 2009.

The future minimum lease obligation and the net present value of these minimum lease payments as of December 31, 2009 were as follows:

Year Ending December 31,	Governmental Activities
2010	\$ 3,804
Total Minimum Lease Payments	3,804
Less: Interest	(41)
Present Value of Minimum Lease Payments	\$ 3,763

NOTE 11 – CHANGES IN LONG-TERM LIABILITIES

During the year ended December 31, 2009, the following changes occurred in long-term liabilities:

Governmental Activities	Beginning Balance 1/1/2009	Additions	Reductions	Ending Balance 12/31/2009	Due Within One Year
Bonds Payable: General Obligation Bonds	\$ 11,125,000	\$ -	\$ 805,000	\$ 10,320,000	\$ 605,000
Refunding General Obligation Bonds	9,825,000	2,850,000	3,610,000	9,065,000	1,105,000
Public Works Revenue Debt	4,446,929	225,000	357,310	4,314,619	370,545
Claims & Judgments	642,832	91,738	-	734,570	Unknown
Compensated Absences	1,248,675	1,341,484	1,189,271	1,400,888	Unknown
Net Other Postemployment Benefits Obligation	593,447	234,479	-	827,926	Unknown
IBM AS400 Capital Lease	11,542	-	7,779	3,763	3,763
Governmental Activity Long-Term Liabilities	\$ 27,893,425	\$4,742,701	\$ 5,969,360	\$ 26,666,766	\$ 2,084,308
Business-Type Activities:					
Refunding General Obligation Bonds	\$ 395,000	\$ -	\$ 75,000	\$ 320,000	\$ 80,000
Compensated Absences	62,583	49,424	58,293	53,714	Unknown
Business-Type Activities: Long-Term Liabilities	\$ 457,583	\$ 49,424	\$ 133,293	\$ 373,714	\$ 80,000

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, \$43,498 of internal service funds compensated absences is included in the amounts stated above. Also, for the governmental activities, claims and judgments and compensated absences are generally liquidated by the general fund.

NOTE 12 – CONTINGENCIES AND LITIGATIONS

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

As discussed in Note 9 - Long-Term Debt, the County is contingently liable for repayment of refunded debt.

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

NOTE 13 – RESTRICTED NET ASSETS

The government-wide statement of net assets reports \$512,654 of restricted net assets, which is all restricted by enabling legislation.

NOTE 14 - INTERFUND TRANSACTIONS AND BALANCES

A. Interfund Balances

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

Interfund balances at December 31, 2009 were as follows:

	Due To Fund							
	Current Expense	County Road	Motor Vehicle	Paths & Trails	FC Unemploy.	TRAC	FC Public Facilities Const.	Total
Due From Fund								
Current Expense	\$ 17,345	\$ 1,157	\$ 1,394					\$ 19,896
Enhanced 911	42							42
County Road	5,322		66,074	\$ 131				71,527
Solid Waste	3	22,873						22,876
Courthouse Renovation	2							2
TRAC	13,132				\$ 3,625		\$ 9,410	26,167
RV Park	1,325				4,229	\$ 1,786		7,340
Motor Vehicle	883	1,755						2,638
Total	\$ 38,054	\$ 25,785	\$ 67,468	\$ 131	\$ 7,854	\$ 1,786	\$ 9,410	\$ 150,488

B. Interfund Transfers

1. Transfers are typically transactions that would be treated as revenues, expenditures or expenses if they involved external organizations. In some instances transfers are used to support ongoing operations in funds, and in others they are used to fund debt service funds for the purpose of 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 at December 31, 2009 were as follows:

Fund	Transfers-In	Transfers-Out
Current Expense	\$ 132,202	\$ 457,810
Treasurer O&M	-	10,000
DOC Building Inspection	-	122,200
County Road	-	12,856
Probation Work Crew	40,000	-
Paths & Trails	12,856	-
Capital Outlays 1/4% Excise	-	190,168
Rental Car Excise Tax	-	75,000
2009 LTGO Ref Bonds/TRAC Lmtd	145,729	-
Juv Just/FC Jail/CJ Remodel	403,625	-
1999 Distressed Capital G O Bonds	-	250,000
FC Capital Projects	1,924	-
Courthouse Renovation	-	1,926
FC Public Facilities Construction	250,000	-
TRAC Operations	275,410	-
RV Park	-	141,786
Totals	\$ 1,261,746	\$ 1,261,746

C. Interfund Loans

Loans between funds are classified as interfund loans receivable and payable on the combined balance sheet. Interfund loans do not affect total fund equity. The following table displays interfund loan activity during 2009:

Borrowing Fund	Lending Fund	Balance 1/1/2009	New Loans 2009	Repayments 2009	Balance 12/31/2009
Motor Vehicle	County Road	\$ 262,060	\$ -	\$ 198,089	\$ 63,971
CRID #14	County Road	118	-	-	118
CRID #18	County Road	19,640	-	-	19,640
Subtotal County Road		281,818	-	198,089	83,729
County Road	Cumulative Reserve	160,414	200,000	237,776	122,638
TRAC	Cumulative Reserve	14,000	-	14,000	-
Subtotal Cumulative Reserve Fund		174,414	200,000	251,776	122,638
Current Expense	Capital Projects Fund	-	500,000	500,000	-
County Road	Capital Projects Fund	-	500,000	200,000	300,000
Subtotal Capital Projects Fund		-	1,000,000	700,000	300,000
Current Expense	1999 Distressed Cap GO Bonds	-	535,000	535,000	-
Grand Totals		\$ 456,232	\$ 1,735,000	\$ 1,684,865	\$ 506,367

In addition, the Motor Vehicle Fund owed \$126 in interfund interest to County Road.

NOTE 15 - JOINT VENTURES

A. Bi-County Police Information Network

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

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

Franklin County's equity interest in BI-PIN was \$435,829 at December 31, 2009, compared to \$501,792 at the end of 2008, and is reported as an investment in joint ventures on the government-wide Statement of Net Assets. The change in equity is reflected in the government-wide Statement of Activities under Public Safety. The County does not anticipate any income distributions for BI-PIN since charges are assessed only to recover anticipated expenses.

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

B. Metro Drug Forfeiture Fund

The Metropolitan Controlled Substance Enforcement Group (Metro) was established in 1987, when 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. In 2005, the City of West Richland withdrew as a partner from the group. In 1990, the Cities of Prosser and Connell were added to the Metro Interlocal Agreement and both subsequently withdrew in 1991 and 1994, respectively.

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

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

Franklin County's equity interest in Metro was \$20,561 at June 30, 2009, compared to \$17,266 on June 30, 2008, and is shown as an investment in joint ventures on the government-wide Statement of Net Assets. The change in equity is reflected in the government-wide Statement of Activities under Public Safety. The County does not anticipate any income distribution since charges are assessed only to recover anticipated expenses.

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

NOTE 16 – OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN

Plan Description

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

Membership in the LEOFF system includes all full-time, fully compensated, local law enforcement officers and firefighters. LEOFF participants who joined the system by September 30, 1977 are Plan 1 members. LEOFF Plan 1 members are vested after the completion of five years of eligible service and are eligible for retirement with five years of service at the age of 50. Membership in the LEOFF Plan 1 as of December 31, 2009 was as follows:

Retirees and Beneficiaries Receiving Benefits	10
Terminated Plan Members Entitled to but not yet Receiving Benefits	0
Active Plan Members Vested	2
Active Plan Members Non-vested	0
Total	12

The County does not issue a stand-alone financial report for its OPEB plan. The Office of the State Actuary, however, has issued a 2008 Other Post-Employment Benefits (OPEB) Actuarial Valuation Report and a 2007 LEOFF 1 Medical Benefits Study which may be obtained from Office of the State Actuary, P.O. Box 40914, Olympia, Washington 98504-0914 or online at:

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

Funding Policy

The LEOFF Plan 1 has retirement benefit provisions that are established in state statute and may be amended by state Legislature. Beginning July 1, 2000, Plan 1 active employees were no longer required to make contributions 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, 2009, the County paid \$75,781 for current medical premiums and other out-of-pocket medical costs. The County is not legally required to contribute to a reserve to fund future costs.

Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution (ARC)	\$338,813
Net OPEB Obligation interest	26,705
Net OPEB Obligation amortization	<u>(55,258)</u>
Annual OPEB Cost	310,260
Contributions made	<u>(75,781)</u>
Increase in net OPEB obligation	234,479
Net OPEB obligation – beginning of year	<u>593,447</u>
Net OPEB obligation – end of year	<u><u>\$827,926</u></u>

The annual required contribution (ARC) includes \$23,342 of normal cost or the portion of liability that is earned in one year's time, and \$315,471 of amortization of the current unfunded actuarial accrued liability (UALL) over a 15-year period.

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009 and the two preceding years were as follows:

<u>Fiscal</u> <u>Year</u> <u>Ended</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net</u> <u>OPEB</u> <u>Obligation</u>
12/31/2007	\$ 347,868	14.93%	\$ 295,951
12/31/2008	361,186	17.63%	593,447
12/31/2009	310,260	24.42%	827,926

Funded Status

The actuarial accrued liability (AAL) is the actuarial present value of those benefits earned by employees of the plan in prior years of employment. In order to determine the AAL, an actuarial valuation was performed on May 3, 2010 based on December 31, 2009 data.

The funded status of the plan as of December 31, 2009, was as follows:

Actuarial accrued liability (AAL)	\$3,388,010
Actuarial value of plan assets	<u>-0-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$3,388,010</u>
Funded ratio (actuarial value of plan Assets /AAL)	0.00%
Covered payroll (active plan members)	\$165,238
UALL as a percentage of covered payroll	2,050.38%

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

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

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

Actuarial Methods and Assumptions

We have used the alternative measurement method permitted under GASB Statement No. 45. A single retirement age of 56.24 was assumed for all active members for the purpose of determining the actuarial accrued liability (AAL) and normal cost. Retirement, disablement, termination, and mortality rates were assumed to follow the LEOFF 1 rates used in the June 30, 2007 actuarial valuation report issued by the Office of the State Actuary (OSA). Healthcare costs and trends were determined by Milliman and used by OSA in the state-wide LEOFF 1 medical study performed in 2007. The results were based on grouped data with 4 active groupings and 4 inactive groupings. The actuarial cost method used to determine the AAL was Projected Unit Credit. The AAL and the Net OPEB Obligation are amortized on an open basis as a level dollar over 15 years. These assumptions are individually and collectively reasonable for the purposes of this valuation.

Note 17 - OTHER DISCLOSURES

Prior Period Adjustments

In 2009, the Franklin County Board of Commissioners established an infrastructure policy that addressed the accounting treatment of parking lots. As a result, the original cost basis of parking lot improvements were reclassified from Land to Land Improvements. A prior period adjustment of \$24,789 and \$7,431 has been reported on the governmental and proprietary statements, respectively, to reflect the accumulated depreciation from the date the improvements were placed in service.

The TRAC Operations Fund petty cash fund and box office change fund amounts were reconciled, then clarified with resolution 2009-066, establishing them at \$25,000 and \$10,000 respectively, from \$13,500 and \$1,500. Net increase to fund balance was \$20,000.

FRANKLIN COUNTY, WASHINGTON
Schedules of Funding Progress and Employer Contributions for LEOFF Plan 1 Other Postemployment
Benefit Plan
For the Fiscal Years Ended December 31, 2006 through 2009

Schedule of Funding Progress

Fiscal Year	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UALL as a Percentage of Covered Payroll ((b - a) / c)
2007	4/17/2008	\$ -	\$ 3,488,280	\$ 3,488,280	0.00%	\$ 140,641	2,480.27%
2008	4/17/2008	-	3,488,280	3,488,280	0.00%	158,343	2,202.99%
2009	5/3/2010	-	3,388,010	3,388,010	0.00%	165,238	2,050.38%

Schedule of Employer Contributions

Fiscal Year	Annual Employer Contribution (a)	Annual Required Contribution (ARC) (b)	Percentage of Annual Required Contribution Contributed (a / b)
2007	\$ 51,917	\$ 347,868	14.92%
2008	63,690	347,868	18.31%
2009	75,781	338,813	22.37%

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

**FRANKLIN COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For Year Ended December 31, 2009**

Federal Agency/Pass Through Agency Name	Federal Program Name	CFDA Number	Other I.D. Number	Expenditures		Footnote Ref.
				From Pass-Through Awards	From Direct Awards	
				Total		
U.S. Department of Housing and Urban Development (HUD)	Community Development Block Grant	14.228	07-64007-035	\$ 42,189	\$ -	1,3,7
Department of Commerce				\$ 42,189	\$ -	42,189
Total HUD						
U.S. Department of Justice						
<i>Washington State Patrol</i>						
<i>City of Pasco</i>	Domestic Cannabis Eradication Program	16.000	C090930FED	8,000	-	8,000
<i>Stop Violence Against Women</i>	Byrne Formula Grant Program/METRO	16.579	N/A	35,175	-	35,175
<i>Stop Violence Against Women</i>	Violence Against Women Formula -Stop Grant	16.588	F08-31103-032	7,946	-	7,946
<i>Bureau of Justice Assistance</i>	Violence Against Women Formula -Stop Grant	16.588	F08-31103-028	23,839	-	23,839
<i>WASPC</i>	State Criminal Alien Assistance Program	16.606	2009-F6783-WA-AP	-	127,767	127,767
	Bulleproof Vest Partnership	16.607	N/A	-	-	-
	Washington State Meth Initiative	16.710	2005CKW-X0392/WMSMD09104	17,240	-	17,240
Subtotal US Department of Justice				92,200	127,767	219,967
<i>Bureau of Justice Assistance/CTED</i>	ARRA-Edward Byrne Memorial Justice Assistance Grant	16.803	F08-34721-036	32,301	-	32,301
Subtotal US Department of Justice/ARRA	(JAG) Program	16.803		32,301	-	32,301
Total US Department of Justice		16.8xx		124,501	127,767	252,268
U.S. Department of Transportation/Federal Highway Administration						
<i>Washington State Dept of Transportation</i>	Federal Highway Planning and Construction	20.205	STPR-F111 (001)	81,387	-	81,387
<i>Washington State Dept of Transportation</i>	Federal Highway Planning and Construction	20.205	BROS-2011 (024)	12,277	-	12,277
<i>Washington State Dept of Transportation</i>	Federal Highway Planning and Construction	20.205	STPH-000S (193)	277,296	-	277,296
<i>Washington State Dept of Transportation</i>	Federal Highway Planning and Construction	20.205	STPH-B111 (002)	207,165	-	207,165
<i>Washington State Dept of Transportation</i>	ARRA-Federal Highway Planning and Construction	20.205	STPF-B111 (002)	747,500	-	747,500
Subtotal US Department of Transportation CFDA 20.205		20.205		1,325,625	-	1,325,625
<i>Washington Traffic Safety Commission</i>	State & Community Highway Safety/Traffic Emphasis Patrols	20.600	N/A	10,238	-	10,238
<i>Washington Traffic Safety Commission</i>	State & Community Highway Safety/DRE	20.600	N/A	251	-	251
<i>Washington Traffic Safety Commission</i>	State & Community Highway Safety/Radars	20.600	N/A	3,093	-	3,093
Subtotal US Department of Transportation CFDA 20.6xx		20.6xx		13,582	-	13,582
Total US Department of Transportation				1,339,207	-	1,339,207
Election Assistance Commission						
<i>Office of the Secretary of State</i>	HAVA/Voting Access for Individuals with Disabilities	93.617	OSOS G-4278	50,000	-	50,000
<i>Office of the Secretary of State</i>	Help America Vote Act Requirements Payments	90.401	OSOS G-2836	4,576	-	4,576
Total Election Assistance Commission				54,576	-	54,576
U.S. Department of Health and Human Services						
<i>Department of Social and Health Services</i>	Child Support Enforcement	93.563	2110-80460	402,982	-	402,982
Total US Department of Health and Human Services				402,982	-	402,982
U.S. Department of Homeland Security						
<i>Washington State Patrol</i>	Law Enforcement Terrorism Prevention Program	97.074	C080643FED	79,068	-	79,068
<i>Washington State Military Department</i>	Homeland Security Grant Program	97.067	E09-168-SHSP '08	91,545	-	91,545
<i>Washington State Military Department</i>	Disaster Grants/Storm Assistance	97.036	1825-DR-WA	25,693	-	25,693
Total U.S. Department of Homeland Security		97.0xx		196,306	-	196,306
Total Federal Awards Expended				\$ 2,159,761	\$ 127,767	\$ 2,287,528

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

FRANKLIN COUNTY, WASHINGTON
Notes to the Schedule of Expenditures of Federal Awards
For The Fiscal Year Ended December 31, 2009

NOTE 1 - BASIS OF ACCOUNTING

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

NOTE 2 - NOT AVAILABLE (N/A)

The County was unable to obtain an identification number.

NOTE 3 - PROGRAM COSTS

The amounts shown as current expenditures represent only the portion of expenses paid for with federal or state funds, actual program costs including the County's portion, may be more than shown.

NOTE 4 - Help America Vote Act (HAVA) Grant

The Office of the Secretary of State, Elections Division, is providing funds to the County as recommended and documented by the HAVA Grant Advisory Board and approved by the Secretary of State. Expenditures made during 2009 were for the County's Election Assistance for Individuals with Disabilities (EAID) for costs associated with a pilot program using eElect Today, for the primary and general 2009 elections. This includes software and implementation services including ballot styles, voter education, and other election administration processes. The format must meet the standards of Section 508 to ensure that electronic and information technology is accessible to people with disabilities.

Also reported on the 2009 schedule were expenditures made for producing a local voter's pamphlet. This includes Adobe InDesign software, printing, postage, program, and distribution costs. In addition, funds are being provided to cover underfunded maintenance fees associated with punch card replacement.

NOTE 5 – State Criminal Alien Assistance Program Grant (SCAAP)

The Bureau of Justice Assistance (BJA), Office of Justice Programs, U.S. Department of Justice, administers SCAAP, in conjunction with the U.S. Department of Homeland Security (DHS). SCAAP provides federal payments to states and localities that incurred correctional officer salary costs for incarcerating undocumented criminal aliens who have at least one felony or two misdemeanor convictions for violations of state or local law, and who are incarcerated for at least 4 consecutive days during the reporting period. Only eligible persons who were incarcerated between July 1, 2007 and June 30, 2008 were included in the 2009 SCAAP application.

Note 6 – American Recovery and Reinvestment Act (ARRA) of 2009 – Prosecutorial Staffing

As part of the ARRA, The Franklin County Prosecuting Attorney's Office received a \$90,000 award through the U.S. Department of Justice to avoid laying off a Deputy Prosecuting Attorney I position. The monies will retain the position from July 1, 2009 through July 1, 2010.

Note 7 – Clark Addition

In 2007, Franklin County was awarded a \$670,000 Community Investment Fund grant from the U.S. Department of Housing and Urban Development, to eliminate a public health hazard by constructing a new domestic water system for the residential communities of Beneficial, Clarktown and Dixon, which are served by the new Clark Addition Water Association. The new system will satisfy Department of Health Bilateral Compliance Agreements by meeting all drinking water quality standards including nitrate levels below the federal maximum contaminant level. The system will consist of a new well, reservoir, booster station, standby emergency generator, and distribution system. Total project costs are estimated at \$1,099,500, with the rest of the funding coming from a \$15,500 CDBG Planning-Only grant; \$404,000 from the Department of Health's Drinking Water State Revolving Fund (DWSRF); and \$10,000 from a USDA-Rural Development grant.

Note 8 – U.S. Department of Homeland Security – Disaster/Storm Assistance

Through funds issued from the U.S. Department of Homeland Security, the Emergency Management Division of the Washington State Military Department granted reimbursement of eligible costs and activities attributed to snow removal during a 2009 severe storm event.



ABOUT THE STATE AUDITOR'S OFFICE

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

Our mission is to work in cooperation with our audit clients and citizens as an advocate for government accountability. As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

The State Auditor's Office employees are located around the state to deliver our services effectively and efficiently.

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

The results of our work are widely distributed through a variety of reports, which are available on our Web site and through our free, electronic subscription service. We continue to refine our reporting efforts to ensure the results of our audits are useful and understandable.

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

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Chief of Staff
Deputy Chief of Staff
Chief Policy Advisor
Director of Audit
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Director for Legal Affairs
Director of Quality Assurance
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Ted Rutt
Doug Cochran
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