



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

Island County

For the period January 1, 2021 through December 31, 2021

Published February 6, 2023

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**Office of the Washington State Auditor
Pat McCarthy**

February 6, 2023

Board of Commissioners
Island County
Coupeville, Washington

Report on Financial Statements and Federal Single Audit

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

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

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

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TABLE OF CONTENTS

Schedule of Findings and Questioned Costs.....	4
Schedule of Federal Award Findings and Questioned Costs.....	6
Summary Schedule of Prior Audit Findings	16
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	19
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance With the Uniform Guidance	21
Independent Auditor's Report on the Financial Statements.....	25
Financial Section.....	29
Corrective Action Plan for Findings Reported Under Uniform Guidance	129
About the State Auditor's Office.....	132

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Island County January 1, 2021 through December 31, 2021

SECTION I – SUMMARY OF AUDITOR’S RESULTS

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

Financial Statements

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

Internal Control over Financial Reporting:

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

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

Federal Awards

Internal Control over Major Programs:

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

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

We reported findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

Identification of Major Federal Programs

The following programs were selected as major programs in our audit of compliance in accordance with the Uniform Guidance.

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
21.019	COVID-19 – Coronavirus Relief Fund
21.023	COVID-19 – Emergency Rental Assistance Program
21.027	COVID-19 – Coronavirus State and Local Fiscal Recovery Funds

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

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

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

See Findings 2021-001 and 2021-002.

SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Island County January 1, 2021 through December 31, 2021

2021-001 The County charged unallowable expenditures to the Coronavirus State and Local Fiscal Recovery Funds program.

CFDA Number and Title:	21.027 – COVID-19 Coronavirus State and Local Fiscal Recovery Funds
Federal Grantor Name:	U.S. Department of the Treasury
Federal Award/Contract Number:	SLT-2864
Pass-through Entity Name:	N/A
Pass-through Award/Contract Number:	N/A
Questioned Cost Amount:	\$215,408

Description of Condition

The purpose of the Coronavirus State and Local Fiscal Recovery Funds (SLFRF) is to respond to the COVID-19 pandemic’s negative effects on public health and the economy, provide premium pay to essential workers during the pandemic, provide government services to the extent COVID-19 caused a reduction in revenues collected, and make necessary investments in water, sewer or broadband infrastructure. In 2021, the County spent \$4,572,254 in SLFRF program funds. Of this amount, the County spent \$1,365,725 on premium pay and directly associated costs.

The U.S. Department of the Treasury’s guidance allows recipients to use program funding to cover premium pay and associated costs if employees meet certain criteria. This criteria included the provision that:

- Employees are not teleworking from a residence and;
- Their work includes regular in-person interaction with patients, the public, or their coworkers.

The County created a resolution that stated employees required to work in person would receive premium pay up to 40 hours per week for a six-week period. The County paid eligible employees per the resolution based on their scheduled hours.

However, the County did not consider whether employees were out of the office receiving sick, vacation, or holiday pay while also receiving the premium pay. As a result, we determined the County paid premium pay for time not actually worked.

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

Cause of Condition

The County had adequate internal controls for ensuring it materially complied with activities allowed and allowable cost requirements. However, County staff misinterpreted the U.S. Department of the Treasury's guidance addressing premium pay eligibility and the County's own resolution when administering the premium pay program.

Effect of Condition and Questioned Costs

We obtained the County's time-off report for the period when it paid premium pay to employees. We used the time-off report to identify the total amount of premium pay to employees not in compliance with U.S. Department of the Treasury's criteria because employees were not in regular contact with the public or their coworkers. We identified \$215,408 in questioned costs for premium pay and associated benefits that the County charged to the program for employees on sick leave, vacation leave, or holiday.

Federal regulations require the State Auditor's Office to report known questioned costs that are greater than \$25,000 for each type of compliance requirement. We question costs when we find the County has not complied with program regulations and/or when it does not have adequate documentation to support expenditures.

Recommendation

We recommend the County ensure the salary, wage and benefit expenditures it charges to federal programs are in compliance with the awarding entity's guidelines and for time actually worked.

County's Response

Island County responds to the State Auditor's Office (SAO) finding regarding payment of premium pay to employees pursuant to the Coronavirus State and Local Fiscal Recovery Funds portion of the American Rescue Plan Act. The SAO challenges Island County's premium pay made to employees who were regularly scheduled to work who otherwise received leave pay or holiday pay. The SAO bases its finding by stating that premium pay was provided "to employees not in compliance with U.S. Department of Treasury' criteria because employees were not in regular contact with the public or their coworkers." SAO used Island County's time-off reports to make this determination.

Contrary to SAO's findings, all of the employees in Island County who received premium pay were in regular contact with the public and/or their coworkers. U.S. Department of Treasury criteria precluded employees who were teleworking from a residence from receiving premium pay. Island County did not pay for any time in which an employee was teleworking. There is no evidence that any of the payments challenged by SAO were to teleworking employees or employees who did not regularly work in a situation where they were in contact with the public and/or coworkers.

Island County submits that SAO misreads Treasury's criteria to require that all payments must be made only where the employee is in contact with their coworkers and/or the public at all times. That is contrary to the language used by Treasury as it anticipates premium pay for employees who interact with the public and/or their coworkers in an amount that is not minimal. Island County submits that the premium pay made to its employees was made to those who regularly, not minimally, had contact with the public and/or their coworkers.

The Interim Rule explains that "Fiscal Recovery Funds will help respond to the needs of essential workers by allowing recipients to remunerate essential workers for the elevated health risks they have faced and continue to face during the public health emergency." (p. 47). The Rule further provides premium pay eligibility as workers performing essential functions who must be physically present at the jobsite for whom the costs of illness were hardest to bear financially. It then states that "ARPA recognizes this by defining premium pay to mean an amount up to \$13 per hour in addition to wages or remuneration the worker otherwise receives . . ." (p.48) There is no requirement that the wages or remuneration be for time actually worked. In fact, there is no language that says premium pay is only for hours actually worked.

This is consistent with ways in which premium pay is allowed to be paid under Treasury’s criteria. Premium pay can be awarded in installments, hourly or lump sums. Although not allowed under Washington law, premium pay may also be paid in addition to wages already received and may be paid retrospectively. There is no requirement that installment, lump sum or retrospective wages be only for hours actually worked, only wages received. Holiday, vacation and sick leave constitute wages. It makes no sense that Island County could have made lump sum payments to the eligible employees without question and not make payment based on hourly calculations in order to more easily and equitably administer the payments. SAO’s reading of the Interim Rule is not supported by the language of the Rule itself nor the purpose of premium pay. Island County respectfully requests that SAO withdraw its finding.

Auditor’s Remarks

The amount in question represent premium pay that was paid to employees who were not working since they were either on sick leave, vacation leave or holiday.

Employees who are on leave (either sick, holiday or vacation) do not meet the criteria of in-person as identified in the Department of Treasury’s Interim Rule (B) Premium Pay (May 17, 2021) and Final Rule (B) Premium Pay (April 1, 2022). The Rule requires that eligible workers perform “essential work” and define “essential work” as follows:

- Not performed while teleworking from a residence; and
- Involves either:
 - a. Regular, **in-person** interactions with patients, the public, or coworkers of the individual that is performing the work; or
 - b. Regular physical handling of times that were handled by, or are to be handled by, patients, the public, or coworkers of the individual that is performing the work.

We reaffirm our finding and will review the corrective action taken during our next audit.

Applicable Laws and Regulations

Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), section 516, Audit findings, establishes reporting requirements for audit findings.

Title 2 CFR Part 200, Uniform Guidance, section 403, Factors affecting allowability of costs, establishes general criteria costs must meet in order to be allowable under Federal award.

Title 31 CFR Part 35, section 35.6(c) provides guidance for providing premium pay to eligible workers performing essential work during the COVID-19 public health emergency.

County Resolution C-52-21 dated August 17, 2021 which defines the period in which employees were eligible for premium pay and defines a position of potential exposure to COVID-19.

SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Island County January 1, 2021 through December 31, 2021

2021-002 The County did not have adequate internal controls for ensuring subawards contained all required information.

CFDA Number and Title:	21.019 – COVID-19 – Coronavirus Relief Fund 21.023 – COVID-19 – Emergency Rental Assistance Program
Federal Grantor Name:	U.S. Department of the Treasury
Federal Award/Contract Number:	OMB 1505-0266
Pass-through Entity Name:	Washington State Department of Commerce
Pass-through Award/Contract Number:	21-4614C-110 21-4616C-110
Questioned Cost Amount:	\$0

Background

The purpose of the Coronavirus Relief Fund (CRF) program is to provide funding to state, territorial, tribal and certain eligible local governments to cover necessary expenditures incurred because of the COVID-19 pandemic. The purpose of the Emergency Rental Assistance (ERA) program is to prevent evictions by providing financial assistance to eligible households that are unable to pay rent or utilities.

The County spent \$2,656,126 in CRF program funds during fiscal 2021, and passed \$1,156,108 of these funds to two subrecipients who operated assistance programs. The County also spent \$2,681,211 in ERA funds during fiscal year 2021, and passed \$2,638,164 of these funds to four subrecipients to provide emergency rental assistance to eligible households.

Federal regulations require recipients to establish and maintain internal controls that ensure compliance with program requirements. These controls include

understanding program requirements and monitoring the effectiveness of program compliance.

Whenever the County passes federal funding to a subrecipient, it must clearly identify the subaward contract as a federal award, and the awarding documents must include specific federal identification elements and all program requirements.

Description of Condition

The County did not have adequate internal controls for ensuring it included all subaward information in two new subrecipient contracts for the CRF program and four new subrecipient contracts for the ERA program.

Our audit found all six subrecipient contracts were missing the following required federal award identification information:

- Federal Award Identification Number (FAIN)
- The date the federal agency awarded funding to the recipient
- Assistance listing number (ALN) and title; the pass-through entity must identify the dollar amount under each federal award and the ALN at time of disbursement
- Indirect cost rate for the federal award (including if the de minimis rate is charged), as per 2 CFR §200.414
- All program requirements imposed on the County that are passed through to the subrecipient

We consider this internal control deficiency to be a significant deficiency.

This issue was reported as finding 2020-002 in the prior audit of the County's CRF program as finding 2020-002. However, it was not reported as a finding in the prior audit of the County's ERA program.

Cause of Condition

The corrective action plan the County developed in response to the prior finding was not implemented until May 2021. When drafting new contracts prior to May 2021, County staff used a checklist that did not include elements required for federal contracts. Staff said they were not aware of the required elements for all subrecipient agreements under 2 CFR § 200.332(a)(1).

Effect of Condition

Without establishing adequate internal controls that ensure staff include all required federal award elements in the subaward contracts, the County has an increased risk of its subrecipients not knowing that the award comes from a federal program. Additionally, this increases the risk the subrecipients would not know they need to obtain required Single Audits or comply with specific program requirements, which could potentially lead to spending funds for unallowable purposes.

Recommendation

We recommend the County improve its internal controls to ensure staff responsible for executing subaward contracts are aware of and include all required elements, and clearly identify them as federal awards.

County's Response

The County would like to thank the Washington State Auditor's Office (SAO) for its conclusions, communications and collaboration during the audit. Island County recognizes this is a repeat recommendation from fiscal year 2020 and did implement changes to new contracts in 2021, which SAO did not find any issues with, but did not amend the contracts already in place from 2020. The contracts missing the required subaward information expired in 2022 so all contracts should have the correct information going forward. In addition to the contracts having the required information, Human Services recently worked with the County's Prosecuting Attorney's Office to revise the face page they use for subcontracts to ensure that the required information is not overlooked in the future.

Auditor's Remarks

We thank the County for its commitment to resolving this issue. We will follow up on the status of this finding during our next audit.

Applicable Laws and Regulations

Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), section 516, Audit findings, establishes reporting requirements for audit findings.

Title 2 CFR Part 200, Uniform Guidance, section 303, Internal controls, describes the requirements for auditees to maintain internal controls over federal programs and comply with federal program requirements.

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

Title 2 CFR Part 200, Uniform Guidance, section 332, Requirements for pass-through entities, states in part:

All pass-through entities must:

(a) Ensure that every subaward is clearly identified to the subrecipient as a subaward and includes the following information at the time of the subaward and if any of these data elements change, include the changes in subsequent subaward modification. When some of this information is not available, the Page 8 Office of the Washington State Auditor sao.wa.gov pass-through entity must provide the best information available to describe the Federal award and subaward. Required information includes:

(1) Federal award identification.

(i) Subrecipient name (which must match the name associated with its unique entity identifier);

(ii) Subrecipient's unique entity identifier;

(iii) Federal Award Identification Number (FAIN);

(iv) Federal Award Date (see the definition of Federal award date in § 200.1 of this part) of award to the recipient by the Federal agency;

(v) Subaward Period of Performance Start and End Date;

(vi) Subaward Budget Period Start and End Date;

(vii) Amount of Federal Funds Obligated by this action by the pass-through entity to the subrecipient;

(viii) Total Amount of Federal Funds Obligated to the subrecipient by the pass-through entity including the current obligation;

(ix) Total Amount of the Federal Award committed to the subrecipient by the pass-through entity;

(x) Federal award project description, as required to be responsive to the Federal Funding Accountability and Transparency Act (FFATA);

(xi) Name of Federal awarding agency, pass-through entity, and contact information for awarding official of the Pass-through entity;

(xii) Assistance Listings number and Title; the pass-through entity must identify the dollar amount made available under each Federal award and the Assistance Listings Number at time of disbursement;

(xiii) Identification of whether the award is R&D; and

(xiv) Indirect cost rate for the Federal award (including if the de minimis rate is charged) per §200.414.



Island County Auditor

Sheilah Crider, Auditor

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

**Island County
 January 1, 2021 through December 31, 2021**

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

Audit Period: 2020	Report Ref. No.: 52798	Finding Ref. No.: 2020-001
Finding Caption: The County’s internal controls over preparing financial statements were inadequate for ensuring accurate reporting.		
Background: Federal and state agencies, the County’s Board of Commissioners and the public rely on the information included in the financial statements and reports to make decisions. County management is responsible for designing and maintaining internal controls that provide reasonable assurance financial statements are reliable and fairly presented in accordance with generally accepted accounting principles (GAAP). The County submitted duplicate claims for federal expenditures in the amount of \$1,472,710, which resulted in the overstatement of assets and deferred inflows in the financial statements presented for audit. The County subsequently corrected this error in the final financial statements		
Status of Corrective Action: (check one) <input checked="" type="checkbox"/> Fully Corrected <input type="checkbox"/> Partially Corrected <input type="checkbox"/> Not Corrected <input type="checkbox"/> Finding is considered no longer valid		
Corrective Action Taken: <i>The oversight failure came about on a grant administered by the Washington State Department of Health, with one claim of \$1,827,271 submitted to the State in March 2021 for 2020 activity. This claim erroneously included multiple departments’ expenditures, which made up \$1,472,710 of the duplicates. The grant funds were received in May 2021, making timely</i>		

so there was no loss of funding.

Island County recognized the need for additional controls and centralized oversight to ensure adequate communication between departments and tracking of all department claims for COVID-19 expenditures prior to submission to granting agencies. Changes in grant management County-wide have been implemented to eliminate the potential of duplicate requests occurring again, including an independent reconciliation of Covid expenditures and draft claims by the County Auditor's Office prior to submission to granting agencies. The Auditor's Office also changed its year-end grant reconciliation process to be agree all grant claims & revenue to all expenditures for each department. The County has also improved communication between departments to ensure adequate controls are in place and the accurate reporting of grant activity.

Audit Period: 2020	Report Ref. No.: 52798	Finding Ref. No.: 2020-002	CFDA Number(s): 20.019
Federal Program Name and Granting Agency: COVID-19 Coronavirus Relief Fund - U.S. Department of The Treasury		Pass-Through Agency Name: Washington State Department of Commerce Washington State Department of Health Administrative Office of the Courts	
Finding Caption: The County's internal controls were inadequate for ensuring compliance with federal requirements for allowable activities and costs and subrecipient monitoring.			
Background: The County did not have internal controls in place to ensure it did not charge, or allow subrecipients to charge, duplicated, unallowable, or unsupported costs to federal awards. Additionally, the County did not include all required elements in the subawards, and it did not perform a risk assessment or adequately monitor the sub recipients, as federal regulations require.			
Status of Corrective Action: (check one) <input checked="" type="checkbox"/> Fully Corrected <input type="checkbox"/> Partially Corrected <input type="checkbox"/> Not Corrected <input type="checkbox"/> Finding is considered no longer valid			
Corrective Action Taken: <i>The oversight failure came about on a grant administered by the Washington State Department of Health, with one claim of \$1,827,271 submitted to the State in March 2021 for 2020 activity. This claim erroneously included multiple departments' expenditures, which made up \$1,472,710 of the duplicates. The grant funds were received in May 2021, making timely reconciliations more difficult. This contract was extended through December 31, 2022 and the</i>			

Department of Commerce allowed the County to replace the duplicates with 2021 expenditures so there was no loss of funding.

The remaining \$20k in duplicates was related to a FEMA grant the County had not yet received the funding for. Most of the duplicated expenditures were related to payroll benefits for overtime worked that were indirectly claimed and not recognized during the tracking process. The County worked with the granting agency to remove the duplicates from the claim.

Island County recognized the need for additional controls and centralized oversight to ensure adequate communication between departments and tracking of all department claims for COVID-19 expenditures prior to submission to granting agencies. Changes in grant management County-wide have been implemented to eliminate the potential of duplicate requests occurring again, including an independent reconciliation of Covid expenditures and draft claims by the County Auditor's Office prior to submission to granting agencies. The Auditor's Office also changed its year-end grant reconciliation process to be agree all grant claims & revenue to all expenditures for each department. The County has also improved communication between departments to ensure adequate controls are in place and the accurate reporting of grant activity.

For the items related to subrecipients, the departments have either decided to not pass grant funds through to subrecipients or have implemented new subcontract monitoring processes starting with the inclusion of all required elements in contracts, and receipt of all documentation from subrecipient funding requests. Departments have worked together to ensure all the compliance requirements are met and adequate reviews are in place.

INDEPENDENT AUDITOR'S REPORT

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

Island County January 1, 2021 through December 31, 2021

Board of Commissioners
Island County
Coupeville, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Island County, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated January 27, 2023.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

REPORT ON COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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



Pat McCarthy, State Auditor

Olympia, WA

January 27, 2023

INDEPENDENT AUDITOR'S REPORT

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

Island County January 1, 2021 through December 31, 2021

Board of Commissioners
Island County
Coupeville, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

Opinion on Each Major Federal Program

We have audited the compliance of Island County, with the types of compliance requirements identified as subject to audit in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2021. The County's major federal programs are identified in the auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the County and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on

compliance for each major federal program. Our audit does not provide a legal determination on the County's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the County's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances;
- Obtain an understanding of the County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over compliance. Accordingly, no such opinion is expressed; and

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Findings 2021-001 and 2021-002. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the County's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

County's Response to Findings

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

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be a significant deficiency.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing

their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Findings 2021-001 and 2021-002 that we consider to be a significant deficiency.


County's Response to Findings

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the County's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of this Report

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



Pat McCarthy, State Auditor

Olympia, WA

January 27, 2023

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Island County January 1, 2021 through December 31, 2021

Board of Commissioners
Island County
Coupeville, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinions

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 Island County, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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 Island County, as of December 31, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the County and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, no such opinion is expressed;
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the County’s ability to continue as a going concern for a reasonable period of time; and
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Supplementary Information

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2023 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive style with a large, sweeping initial "P".

Pat McCarthy, State Auditor

Olympia, WA

January 27, 2023

**Island County
January 1, 2021 through December 31, 2021**

REQUIRED SUPPLEMENTARY INFORMATION

Management’s Discussion and Analysis – 2021

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2021

Statement of Activities – 2021

Balance Sheet - Governmental Funds – 2021

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position – 2021

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds – 2021

Reconciliation of the Revenues, Expenditures and Changes in Fund Balances Governmental Funds to the Statement of Activities – 2021

Statement of Net Position – Proprietary Funds – 2021

Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds – 2021

Statement of Cash Flows – Proprietary Funds – 2021

Statement of Fiduciary Net Position – Fiduciary Funds – 2021

Statement of Changes in Fiduciary Net Position – Fiduciary Funds – 2021

Notes to Financial Statements – 2021

REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule – General Fund – 2021

Budgetary Comparison Schedule – County Road Fund – 2021

Budgetary Comparison Schedule – REET 1 Capital Improvements Fund – 2021

Budgetary Comparison Schedule – REET 2 Capital Facilities Fund– 2021

Budgetary Comparison Schedule – Homeless Housing – 2021

Budgetary Comparison Schedule – ARPA Fund – 2021

Schedule of Proportionate Share of Net Pension Liability – PERS 1, PERS 2/3, PSERS, LEOFF 1, LEOFF 2 – 2021

Schedule of Employer Contributions – PERS 1, PERS 2/3, PSERS, LEOFF 1, LEOFF 2 – 2021

Schedule of Changes in Total OPEB Liability –LEOFF 1 – 2021

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2021

Notes to the Schedule of Expenditures of Federal Awards – 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

The purpose of the Management's Discussion and Analysis is to present a narrative overview and analysis of the County's financial activities for the calendar year ending December 31, 2021. We encourage readers to consider the information presented here in conjunction with the additional information contained in the County's Financial Statements, and the related notes.

FINANCIAL HIGHLIGHTS

- The County's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources at December 31, 2021 by \$257.7 million.
- Net Investment in capital assets (net of depreciation and related debt) accounts for most of net position, with a value of \$168.5 million.
- Of the remaining net position, \$35.5 million may be used to meet the County's ongoing obligations to its citizens and creditors without legal restriction.
- The County's total net position increased by \$27.4 million or 11.9% over the previous year.
- As of the close of the current fiscal year, the County's governmental funds reported a combined ending fund balance of \$82.8 million, an increase of \$17.5 million, or 26.89%.
- As of December 31, 2021, fund balance for the General Fund was \$18,557,321, or 64.0% percent of total general fund expenditures, on a modified accrual basis.
- The County's indebtedness decreased by \$1,869,959, or 24% during the current fiscal year. This was a result of the County retiring principal of \$1,869,959 during the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements' focus is on both the County as a whole (government-wide) and on the individual funds. Both perspectives (government-wide and individual funds) allow the user to address relevant questions, broaden the basis for comparison from year to year or government to government and enhance the County's accountability.

This discussion and analysis is intended to serve as an introduction to Island County's basic financial statements, which are comprised of three components: 1) Government-wide Financial Statements, 2) Fund Financial Statements, and 3) Notes to the Financial Statements.

The Government-wide Financial Statements provide a long-term view of all the County's activities, including all the capital assets and long-term liabilities.

The Fund Financial Statements report the County's operations in detail and focus primarily on the short-term activities of the County's General Fund and other Major Funds. The Fund Financial Statements measure only current revenues, expenditures, fund balance, and exclude capital assets and long-term liabilities.

The Notes to the Financial Statements provide more details to the specific components of the County's operations.

The diagram below outlines the major features of both the Government-wide and Fund Financial Statements.

	Government-wide Financial Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire County Government (except fiduciary funds)	The activities of the County that are not proprietary or fiduciary	Activities the County operates similar to private businesses, such as Solid Waste	Instances in which the County is the trustee of agent for someone else's resources, such as schools and hospitals
Required Financial Statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures, and changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Revenues, Expenditures, and changes in Fund Balances • Statement of Cash Flows 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Position • Statement of Changes in Fiduciary Net Position
Accounting Basis	Accrual	Modified Accrual	Accrual	Accrual
Measurement Focus	Economic Resources	Current Financial Resources	Economic Resources	Economic Resources
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both financial and capital, and short-term and long-term; no capital assets included
Type of deferred outflow/inflow of resources information	All deferred outflows/inflows of resources, regardless of when cash is exchanged	Only deferred outflows of resources expected to be used up and deferred inflows of resources that come due during the year or soon thereafter	All deferred outflows/inflows of resources, regardless of when cash is exchanged	All deferred outflows/inflows of resources, regardless of when cash is exchanged
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is exchanged	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon after	All revenues and expenses during the year, regardless of when cash is exchanged	All additions and deductions either paid or received during the year, regardless of when cash is exchanged

Government-wide Financial Statements

The Government-wide Financial Statements consist of the following two financial statements:

1) Statement of Net Position and 2) Statement of Activities. Both are designed to provide readers a broad overview of the County's financial activities and position in a manner similar to the financial statements for a private-sector company.

- **Statement of Net Position** - presents information on all of the County's assets, deferred outflows of resources, liabilities, deferred inflows of resources and Net Position. Over time, increases or decreases in Net Position may serve as a useful indicator of an improving or deteriorating financial position.
- **Statement of Activities** - presents information on the changes to Net Position that occurred during the reporting period. All changes to Net Position are reported as soon as the underlying event occurs, regardless of the timing of the related cash flows. Therefore, revenues and expenses are reported in this statement for items that may only result in cash flows in future fiscal periods, such as revenues pertaining to uncollected taxes and expenses pertaining to earned but unused vacation and sick leave.

Both of the Government-wide Financial Statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*Governmental Activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*Business-type Activities*). The *Governmental Activities* of the County include General Government, Public Safety, Utilities, Transportation, Social Services, Natural & Economic Environment and Culture and Recreation.

Fund Financial Statements

The Fund Financial Statements are designed to report information about groups of related funds that are used to maintain control over resources that have been segregated for specific activities or objectives in accordance with special regulations, restrictions or limitations. A fund is a separate accounting entity with a self-balancing set of accounts. The County, like other state and local governments, utilizes fund accounting to ensure and demonstrate finance related legal compliance. All of the funds within the County can be divided into the following three categories: Governmental Funds, Proprietary Funds and Fiduciary Funds.

Governmental Funds

Governmental Funds are used to account for essentially the same functions reported as Governmental Activities in the Government-wide Financial Statements. Most of the County's basic services are reported in Governmental Funds. However, unlike the Government-wide Financial Statements, the Governmental Fund Financial Statements focus on the near-term inflow and outflows of resources, as well as on the balances of resources available at the end of the calendar year. This information may be useful in evaluating the County's near-term financing requirements.

The Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance provide detailed information on major funds. The concept and the determination of major funds were established by criteria set forth in the Governmental Accounting Standards Board (GASB) Statement No. 34 - *Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments* and represent the major activities of the County for the year. Major funds include: The General Fund, County Road Fund, REET 1 Capital Improvements Fund, REET 2 Capital Facilities Fund, Homeless Housing Fund, ARPA Fund, and the Solid Waste Fund. Major funds are presented individually, while the activities of non-major Funds are presented in summary. Major funds may change from year to year as a result of changes in the County's activities.

The focus of the Governmental Fund Financial Statements is narrower than that of the Government-wide Financial Statements; therefore, it is useful to compare the information presented for Governmental Funds with similar information presented for Governmental Activities in the Government-wide Financial Statements. By doing so, readers may better understand the long-term impact of the County's near-term financing decisions. Both the Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance, provide a reconciliation to facilitate this comparison between Governmental Funds and Governmental Activities.

The County maintains 58 individual governmental funds, 17 of these funds are combined and presented as the General Fund. Information is presented separately in the Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund balances for the General Fund, County Road Fund, REET 1 Capital Improvements Fund, REET 2 Capital Facilities Fund, Homeless Housing Fund, and ARPA Fund which are considered to be major funds. Data from 36 of the governmental funds, and one component unit, are combined into a single, aggregate presentation.

The County adopts an annual appropriated budget. Budgetary comparison statements have been provided for all major funds to demonstrate compliance with the budget.

Proprietary Funds

Proprietary Funds are generally used to account for services for which the County charges customers or internal departments or agencies of the County. The County maintains two types of Proprietary Funds: Enterprise Funds and Internal Service Funds

Enterprise Funds

Enterprise Funds are utilized to report the same functions presented as Business-type Activities in the Government-wide Financial Statements. Enterprise Funds are supported by fees paid by users based on the amount of service received. The County utilizes Enterprise Funds for the following:

- Solid Waste Management - To account for the administration, operation, capital improvements and debt service of the Island County Solid Waste Facilities.

Internal Service Funds

Internal Service Funds are utilized to account for the financing of services and supplies provided by one department or agency to other departments or agencies of the County on a cost-reimbursement basis. These services predominantly benefit governmental rather than Business-type functions; therefore, they are included within the Governmental Activities in the Government-wide Financial Statements. The Internal Service Funds are combined into a single aggregated presentation in the Proprietary Fund financial statements. The County utilizes Internal Service Funds for the following:

- Equipment Rental & Revolving Fund – To account for the operation, maintenance and inventory of equipment and road construction materials.
- Insurance Reserve Fund – To account for the resources, claims and payment of insurance premiums.
- Motor Pool Fund – To account for the purchase, maintenance and tracking of County owned vehicles.

Fiduciary Funds

Fiduciary Funds are generally used to account for financial resources held for the benefit of other governments or parties. The County holds these funds in a custodial capacity or trustee. Fiduciary funds are not reflected in the Government-wide Financial Statements because the resources of the funds are not available to support the County's governmental activities.

- Investment Trust Fund - To account for fiduciary activities from the external portion of investment pools and individual investment accounts that are held in a trust that are administered through a trust in which the government itself is not a beneficiary, dedicated to providing benefits to recipients in accordance with the benefit terms, and legally protected from the creditors of the government.
- Custodial Funds - To report all fiduciary activities that are not required to be reported in the other Fiduciary Funds.
- External Investment Pool – To account for the external portion of the investment pools that are not held in trust that meets criteria listed under Investment Trust Funds.

Notes to the Financial Statements

The Notes to the Financial Statements provide additional information that is essential to fully understand the data presented in the Government-wide and Fund Financial statements.

Required Supplementary Information

This section contains the Budget versus Actual Statements for the General, County Road, REET 1 Capital Improvements, REET 2 Capital Facilities funds, Homeless Housing, and ARPA funds; the Schedule of Changes in Total Other Post-Employment Benefits (OPEB) Liability; the Public Employees' Retirement System (PERS) Schedule of Proportionate Share of Net Pension Liability and the PERS Schedule of Employer Contributions.

GOVERNMENT - WIDE FINANCIAL ANALYSIS

Statement of Net Position

The following schedule is a condensed version of the Government-Wide Statement of Net Position as of December 31:

	Governmental Activities			Business-Type Activities			Total			
	2021	2020	Variance \$ %	2021	2020	Variance \$ %	2021	2020	Variance \$ %	
ASSETS										
Current	\$ 103,923,482	\$ 80,083,120	\$23,840,362 30%	\$ 4,117,688	\$ 2,411,972	\$ 1,705,726 71%	\$ 108,041,180	\$ 82,495,092	\$ 25,546,088 31%	
Noncurrent	23,764,084	2,500,253	21,263,831 850%	2,621,183	1,839,890	781,293 42%	26,385,267	4,340,143	22,045,124 508%	
Capital Assets (net)	169,561,047	170,367,698	(806,651) 0%	5,026,137	5,235,837	(209,700) -4%	174,587,185	175,603,535	(1,016,350) -1%	
Total Assets	297,248,614	252,951,071	44,297,543 18%	11,765,018	9,487,699	2,277,319 24%	309,013,632	262,438,770	46,574,862 18%	
DEFERRED OUTFLOWS OF RESOURCES										
	2,852,177	3,149,264	(297,087) -9%	120,314	138,896	(18,582) -13%	2,972,491	3,288,160	(315,669) -10%	
LIABILITIES										
Current	8,393,369	7,864,702	528,667 7%	1,206,893	741,964	464,869 63%	9,600,202	8,606,666	993,536 12%	
Noncurrent	13,317,958	21,448,604	(8,130,646) -38%	1,895,246	2,457,659	(562,413) -23%	15,213,205	23,906,263	(8,693,058) -36%	
Total Liabilities	21,711,327	29,313,306	(7,601,979) -26%	3,102,079	3,199,623	(97,544) -3%	24,813,407	32,512,929	(7,699,522) -24%	
DEFERRED INFLOWS OF RESOURCES										
	28,434,709	2,790,605	25,644,104 919%	1,037,083	132,139	904,944 685%	29,471,792	2,922,744	26,549,048 908%	
NET POSITION										
Net investment in Capital Assets	163,466,048	162,396,965	1,069,083 1%	5,026,137	5,235,837	(209,700) -4%	168,492,186	167,632,802	859,384 1%	
Restricted	53,668,410	39,454,239	14,214,171 36%	77,499	-	77,499 0%	53,745,908	39,454,239	14,291,669 36%	
Unrestricted	32,820,296	22,145,221	10,675,075 48%	2,642,535	1,058,997	1,583,538 150%	35,462,831	23,204,218	12,258,613 53%	
Total Net Position	\$ 249,954,754	\$ 223,996,425	\$ 25,958,329 12%	\$ 7,746,171	\$ 6,284,834	\$ 1,451,337 23%	\$ 257,700,925	\$ 230,291,259	\$ 27,409,666 12%	

Statement of Activities

The following schedule shows the revenues, expenses, and related changes in net position for the year ended December 31:

	Governmental Activities			Business-Type Activities			Total					
	2021	2020	Variance	2021	2020	Variance	2021	2020	Variance			
	\$	\$	%	\$	\$	%	\$	\$	%			
REVENUES												
Program Revenue:												
Charges for Services	\$ 12,638,027	\$ 11,252,501	\$ 1,385,526	12%	\$ 9,952,079	\$ 9,079,933	\$ 872,146	10%	\$ 22,590,106	\$ 20,332,434	\$ 2,257,672	11%
Operating Grants & Contributions	29,055,196	24,398,388	4,656,808	19%	81,651	55,491	26,160	47%	29,136,847	24,453,879	4,682,968	19%
Capital Grants & Contributions	8,450	2,984,148	(2,975,698)	-100%	-	-	-	0%	8,450	2,984,148	(2,975,698)	-100%
General Revenue:												
Property Taxes	19,139,122	18,769,851	369,271	2%	-	-	-	0%	19,139,122	18,769,851	369,271	2%
Other Taxes	26,310,799	21,093,489	5,217,310	25%	-	-	-	0%	26,310,799	21,093,489	5,217,310	25%
Penalties and Interest	859,536	878,692	(19,156)	-2%	-	-	-	0%	859,536	878,692	(19,156)	-2%
Unrestricted Investment Earnings	701,539	1,018,948	(317,409)	-31%	13,036	15,433	(2,397)	-16%	714,575	1,034,381	(319,806)	-31%
Miscellaneous Revenue	1,504,508	1,506,171	(1,663)	0%	-	-	-	0%	1,504,508	1,506,171	(1,663)	0%
Total Revenue	90,217,177	81,902,189	8,314,989	10%	10,046,765	9,150,857	895,908	10%	100,263,943	91,053,046	9,210,897	10%
EXPENSES												
General Government	14,189,238	17,135,158	(2,945,920)	-17%	-	-	-	0%	14,189,238	17,135,158	(2,945,920)	-17%
Public Safety	12,127,081	13,512,873	(1,385,792)	-10%	-	-	-	0%	12,127,081	13,512,873	(1,385,792)	-10%
Utilities	1,549	229	1,320	576%	-	-	-	0%	1,549	229	1,320	576%
Transportation	16,461,722	17,650,228	(1,188,506)	-7%	-	-	-	0%	16,461,722	17,650,228	(1,188,506)	-7%
Social Services	14,948,472	10,425,311	4,523,161	43%	-	-	-	0%	14,948,472	10,425,311	4,523,161	43%
Natural & Economic Environment	4,772,936	5,363,721	(590,785)	-11%	-	-	-	0%	4,772,936	5,363,721	(590,785)	-11%
Culture and Recreation	1,076,782	1,046,517	30,265	3%	-	-	-	0%	1,076,782	1,046,517	30,265	3%
Interest on Long-Term Debt	215,132	290,568	(75,436)	-26%	-	-	-	0%	215,132	290,568	(75,436)	-26%
Solid Waste	-	-	-	0%	8,603,275	9,223,605	(620,330)	-7%	8,603,275	9,223,605	(620,330)	-7%
Total Expenses	63,792,912	65,424,605	(1,631,693)	-2%	8,603,275	9,223,605	(620,330)	-7%	72,396,187	74,648,210	(2,252,023)	-3%
Excess Before Transfers and Special Items	26,424,265	16,477,584	9,946,681	60%	1,443,491	(72,748)	1,516,239	-2084%	27,867,756	16,404,836	11,462,920	70%
Special Items	35,890	58,345	(22,455)	-38%	4,984	20,000	(15,016)	-75%	40,874	78,345	(37,471)	-48%
Transfers In (Out)	-	(9,513)	9,513	-100%	-	9,513	(9,513)	-100%	-	(0)	0	-100%
Change in Net Position	26,460,155	16,526,416	9,933,739	60%	1,448,475	(43,235)	1,491,710	-3450%	27,908,630	16,483,181	11,425,449	69%
Net Position - Beginning	223,985,764	211,373,354	12,612,410	6%	6,294,834	6,398,080	(103,246)	-2%	230,280,599	217,771,434	12,509,165	6%
Prior Period Adjustment	(491,166)	(3,914,005)	3,422,840	-87%	2,862	(60,010)	62,872	-105%	(488,304)	(3,974,016)	3,485,712	-88%
Net Position - Ending	\$249,954,754	\$223,985,764	\$25,968,989	12%	\$ 7,746,171	\$ 6,294,834	\$ 1,451,337	23%	\$257,700,925	\$230,280,599	\$27,420,326	12%

Current Year Impacts

Governmental Activities:

Governmental Activities increased the County's net position by \$26.0 million (11.6%). Key contributors to this net change are as follows:

Current Assets

Cash and Investments increased current assets by \$25.5 million and is driven by the activity within other financial line items. In 2021, Island County received \$6.9 million in ARPA grant funds to be used in future years.

Due from Other Governments decreased \$1.9 million in large part due to 2020 grant funds and revenue for services performed for other governments not received as of December 31, 2020. COVID seemed to have had a significant impact on timely billings and payments in 2020.

Pensions

In 2021, pension estimates shifted from a 2020 Net Pension Liability of \$7.6 million and Net Pension Asset of \$2.5 million to a 2021 Net Pension Liability of \$1.7 million and Net Pension Asset of \$23.8 million, making up the significant increase to Noncurrent Assets and \$5.9 million of the decrease to Noncurrent Liabilities. This also resulted in a \$234 thousand decrease to Deferred Outflows of Resources-Pensions and \$18.7 million increase to Deferred Inflows of Resources-Pensions. Additional information on Pensions can be found in Note 9 of this report.

Noncurrent Liabilities

The remaining \$2.2 million decrease in non-current liabilities is attributed to the payments made on debt, decreasing the liabilities. See Debt Administration below for more details.

Revenues

Sales and Use Tax revenue totaled \$19.7 million, almost \$4 million higher than budget or 22% higher than 2020. This was a positive year for Sales Taxes with revenues to all funds higher than anticipated. Excise Taxes totaled \$6.6 million, a 32% increase from 2020. REET revenue was the primary contributor to this variance at nearly double the 2021 budget (\$6.5 million versus \$3.4 million). These trends are not expected to continue in 2022.

Charges for Services increased \$1.4 million (12%) in 2021.

Operating Grants & Contributions increased \$4.7 million (19%) in 2021 because of significant new Covid related grants. The majority of these grants being under Public Health (\$2.0 million) and Human Services (\$6.4 million). Operating Grants & Contributions in the General Government decreased \$2.9 million due to the significant amount of CARES Act funding that was received in 2020. The County has been allocated over \$16 million in ARPA funding which will be used in 2022-2024.

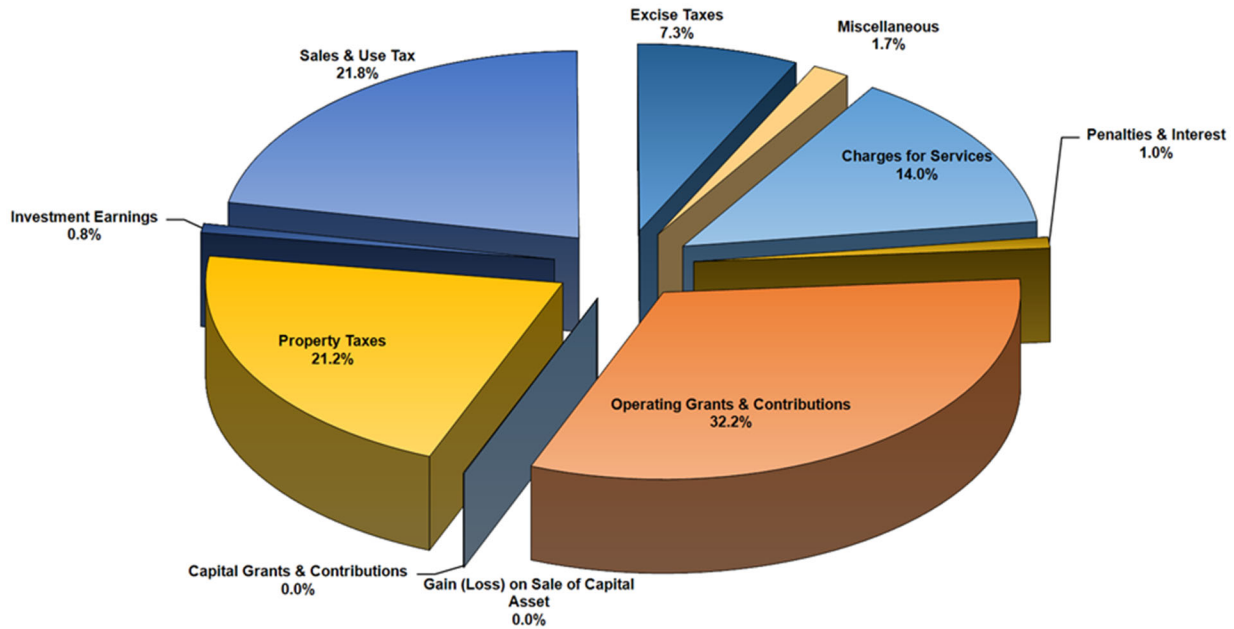
Capital Grants & Contributions decreased almost \$3 million. In 2020, the County received \$2.9 million in capital contributions for the building of the Crisis Stabilization Center. Construction was wrapped up in early 2021.

Expenses

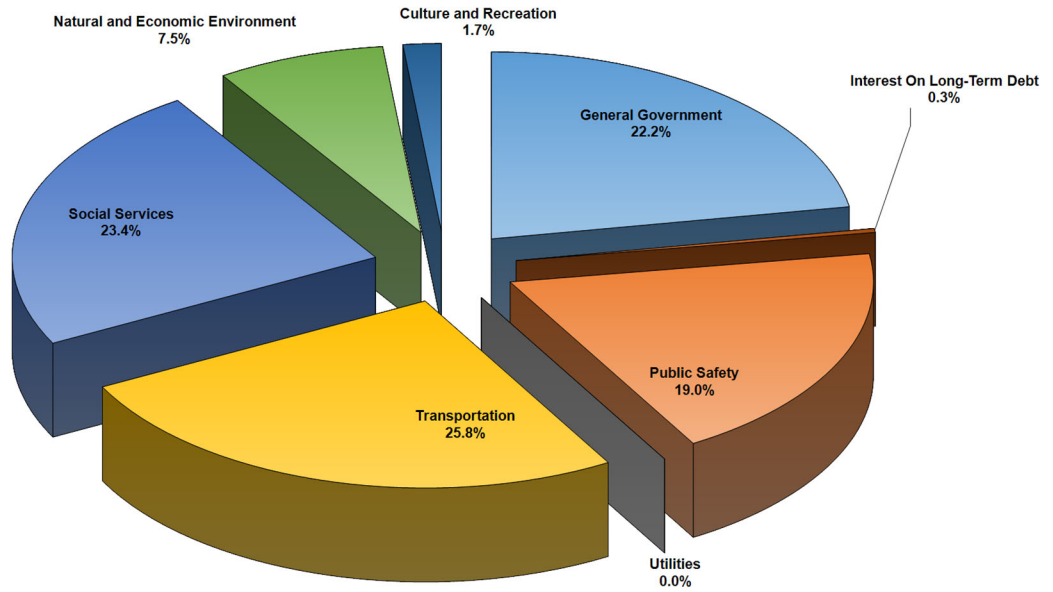
Total Expenses decreased \$1.6 million, or 2%, to \$63.8 million in 2021 compared to 2020. The primary drivers for this decrease were:

- Wages and benefits decreased almost \$500 thousand and were approximately \$3 million less than the 2021 budget. This was due primarily to vacancies in funded positions. Wages and benefits specific to the Corona Virus Relief Fund and ARPA Fund increased \$1.9 million due to the payout of premium pay to County employees in 2021.
- The GASB 68 Pension Expense adjustment decreased expenses by \$5.6 million because of the shift from a Net Pension Liability to a Net Pension Asset.
- Fiscal year 2020 also saw a large increase in interlocal contributions to aid businesses and other governments in recovery efforts. 2021 had approximately \$2.0 million less in interlocal contributions; however, the County expects this to increase in 2022-2024.
- The Homeless Housing Fund saw significant increases in expenses related to Covid 19 grant funds with contracts beginning in late 2020 or early 2021 (grants increased \$6.4 million from 2020).

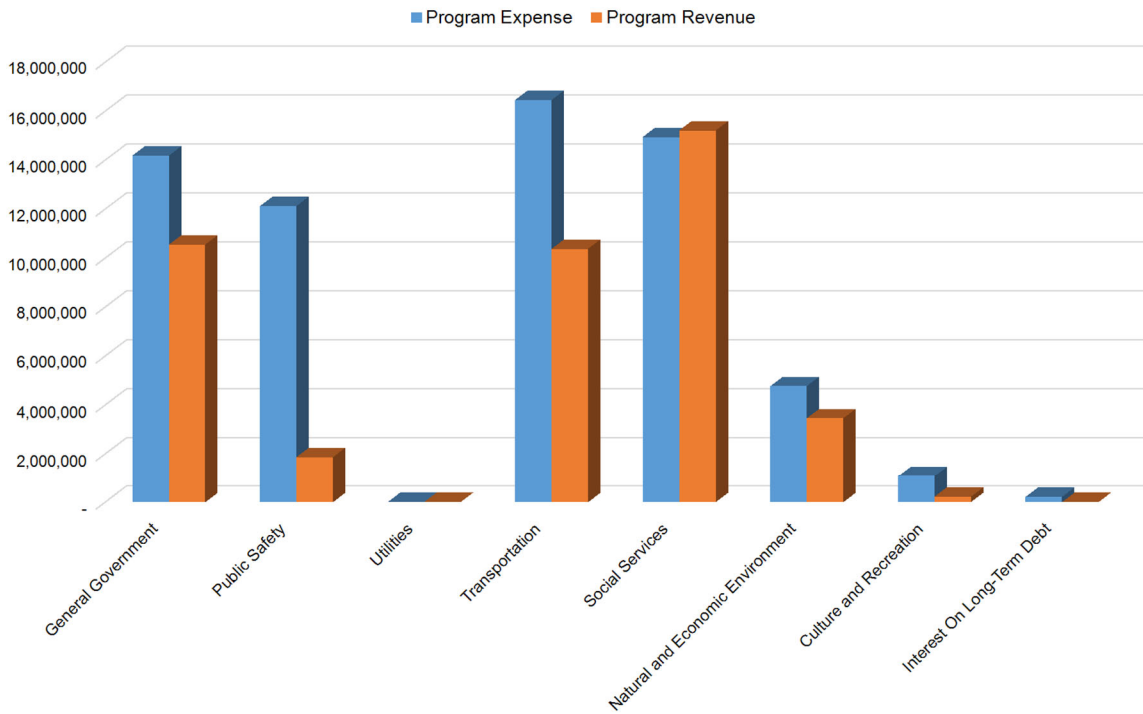
Revenues by Source - Governmental Activities



Percentage of Expenses by Function – Governmental Activities



Expenses and Program Revenues – Governmental Activities



Business-Type Activities:

Business-Type activities increased the County's net position by \$1.5 million (23.1%). Key contributors to this net change are as follows:

Current Assets

Current Assets increased \$1.7 million (71%) due to a \$1 million increase to Cash (48%) from increased sales and decreased expenses in 2021. Accounts Receivable increased \$359 thousand (88%) which is the result of two waste collectors' balances being paid in January 2022. Solid Waste also paid off an interfund loan, increasing current assets by \$300,000.

Current Liabilities

Accounts Payable increased \$163 thousand (131%) and Other Accrued Liabilities increased \$300 thousand (75%). Both are due to a few large 2021 invoices that were paid in the beginning of 2022.

Pensions

In 2021, pension estimates shifted from a Net Pension Liability (\$453 thousand in 2020) to a Net Pension Asset of \$994 thousand, making up the majority of the 42% increase to Noncurrent Assets and 63% decrease to Noncurrent Liabilities. This also resulted in a \$19 thousand decrease to Deferred Outflows of Resources-Pensions and \$905 thousand increase to Deferred Inflows of Resources-Pensions. Additional information on Pensions can be found in Note 9 of this report.

Revenues

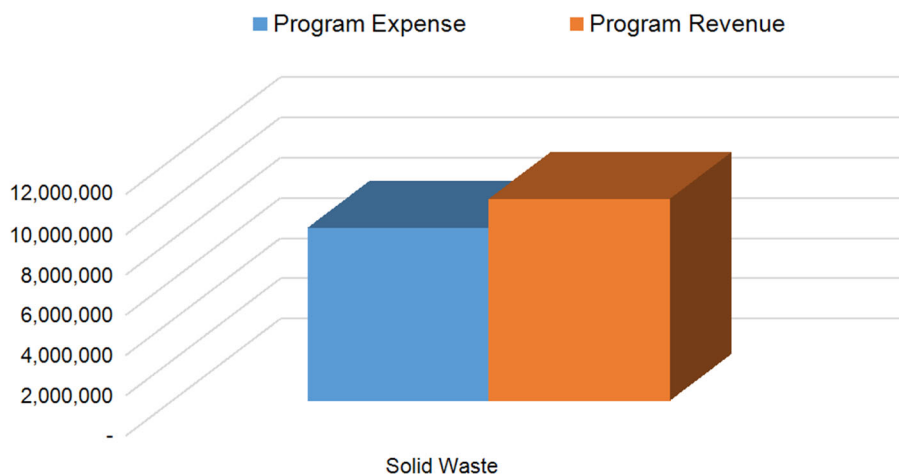
Charges for Services increased \$872 thousand (10%) from increased garbage/solid waste sales (\$1.2 million) and decreased sewage fees (\$339 thousand).

Operating Grants and Contributions increased \$26k (47%). Solid Waste receives annual grants from the State Department of Ecology for Solid Waste Financial Assistance which fluctuates from year-to-year.

Expenses

Expenses decreased \$620 thousand mostly due to the pension expense adjustment related to the shift from a Net Pension Liability to a Net Pension Asset (\$614 thousand). Actual payroll expenses decreased approximately \$26 thousand due to vacancies in positions.

Expenses and Program Revenues – Business-type Activities



GOVERNMENTAL AND PROPRIETARY FUND ANALYSIS

As noted earlier, the County utilizes fund accounting to ensure and demonstrate legal compliance and to aid financial management by segregating transactions related to specific governmental activities, functions or objectives.

Governmental Funds

The focus of the County's Governmental Funds Statement is to provide information on near-term inflows, outflows and balance of resources available. This type of information is useful in assessing the County's financing requirements. In particular, Unrestricted Fund Balance may serve as a useful measure of the County's net resources available at the end of the calendar year. The types of Governmental Funds reported by the County include the General Funds, Special Revenue Funds, Debt Service Funds and Capital Project Funds.

Analysis of Changes in Governmental Fund Balances

The following table presents a summary of revenues and other financing sources, expenditures and other financing uses, and the net change in fund balance for Governmental Funds at December 31, 2021 and the previous year end of December 31, 2020.

Comparative Schedule of Revenues, Expenditures and Changes in Fund Balance

	Revenues and Other		Expenditures and Other		Net Change in Fund		Ending Fund Balances	
	2021	2020	2021	2020	2021	2020	2021	2020
General Fund	\$33,500,683	\$28,550,127	\$29,039,610	\$28,719,166	\$ 4,461,073	\$ (169,039)	\$18,557,321	\$14,096,248
County Road Fund	19,425,619	20,216,161	17,058,407	19,347,066	2,367,212	869,095	15,629,944	13,262,732
REET 1 Capital Improvements Fund	3,302,830	2,447,746	2,332,941	1,324,092	969,889	1,123,654	8,727,130	7,757,241
REET 2 Capital Facilities Fund	3,236,609	2,447,904	1,160,571	1,210,335	2,076,038	1,237,569	10,152,041	8,076,003
Homeless Housing	9,060,503	3,121,848	8,529,592	3,626,083	530,911	(504,235)	1,623,760	1,092,849
ARPA Fund	1,367,782	8,652,444	1,367,782	9,634,621	(0)	(982,178)	(0)	-
Nonmajor Governmental Funds	25,106,626	24,124,646	17,966,042	19,759,223	7,140,584	4,365,423	28,098,353	20,957,769
Total	\$95,000,653	\$89,560,876	\$77,454,945	\$83,620,587	\$17,545,708	\$ 5,940,289	\$82,788,550	\$65,242,842

The most significant change in the Governmental Funds is the addition of two major funds that were previously reported as non-major funds: Homeless Housing and the ARPA Fund. Two funds previously reported as major funds are now reported as non-major: Public Health and the Construction Acquisition fund. Both Homeless Housing and ARPA had significant increases in assets due to COVID related grant funding.

Proprietary Funds

The County's Proprietary Fund Statements provide detail on the Enterprise Funds, also known as Business-Type Activities, as well as Internal Service Funds.

The following table shows actual revenues, expenses and the results of the operations for the calendar year 2021.

	Operating	Operating	Operating	Non-Operating	Transfers In	Change in Net
	Revenues	Expenses	Income (Loss)	Revenues (Expenses)	(Out), net	Position
Solid Waste	\$ 9,957,348	\$ 8,603,275	\$ 1,354,073	\$ 94,402	\$ -	\$ 1,448,475
Internal Service Funds	4,842,948	4,321,123	521,826	45,522	335,000	902,347
Total	\$ 14,800,296	\$ 12,924,397	\$ 1,875,899	\$ 139,924	\$ 335,000	\$ 2,350,822

General Fund Budgetary Comparisons

Budget variations are reported in detail in the Required Supplementary Information section of this report. A summary of that report is as follows:

	Original Budget	Final Adjusted Budget	Variance Orig Budget to Final Budget	Actual Activity	Variance Budget to Actual
Total Revenues & Other Financing Sources	\$ 27,581,313	\$ 27,599,313	\$ 18,000	\$ 33,500,683	\$ 5,901,370
Total Expenditures & Other Financing Uses	30,232,286	30,250,286	18,000	29,039,610	(1,210,676)
Net Increase (Decrease) in Fund Balance	\$ (2,650,973)	\$ (2,650,973)	\$ -	\$ 4,461,073	\$ 7,112,046

The Island County Budget Office presented one resolution to amend the 2021 Adopted Budget. The Budget Amendment was to fund unforeseen expenditures and recognizes unanticipated revenue related to COVID-19 pandemic and unanticipated events.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Capital Assets include land, buildings, improvements, furniture, fixtures, equipment, automobiles, trucks and infrastructure. Capital Assets (net of Accumulated Depreciation) for Governmental and Business-type Activities are presented as follows:

	Governmental Activities			Business-Type Activities		
	2021	2020	Increase (Decrease)	2021	2020	Increase (Decrease)
Land	\$ 42,000,690	\$ 41,966,988	\$ 33,702	\$ 672,427	\$ 672,427	\$ -
Construction in progress	3,660,404	9,551,465	(5,891,061)	-	-	-
Intangibles - Right of Way & Easements	10,280,388	10,064,501	215,887	-	-	-
Buildings and Structures	26,698,675	21,298,583	5,400,092	2,857,729	3,042,880	(185,151)
Leasehold Improvements	9,246	9,966	(720)	-	-	-
Other Improvements	3,010,388	2,099,592	910,796	758,630	853,174	(94,544)
Infrastructure	75,317,259	76,898,446	(1,581,187)	-	-	-
Machinery and Equipment	8,262,178	8,073,583	188,595	737,353	667,357	69,996
Intangibles - Software & Licenses	321,819	404,573	(82,754)	1	1	-
	\$ 169,561,047	\$ 170,367,697	\$ (806,650)	\$ 5,026,140	\$ 5,235,839	\$ (209,699)

The investment in total capital assets for both the Governmental and Business-type Activities, as of December 31, 2021, decreased by \$1.0 million (0.6%) to \$174.6 million (net of accumulated depreciation).

Major acquisitions and projects in December 31, 2021 included:

Asset	2021	2020	Change (Capital Outlay)
Camano Administration Building	\$ 6,678,409	\$ 6,472,896	\$ 205,513
Oak Harbor Crisis Stabilization Center	6,491,466	6,435,700	55,766
Camano Equipment Shed	168,829		168,829
Coupeville Annex Building - Card Access System	263,552	-	263,552
Eight (8) Rolling Stock Purchases over \$50,000	1,066,192	141,048	925,144
Seven (7) Sheriff Vehicles	400,543		400,543
Six (6) other Vehicles	214,206		214,206
Beach Drive - Culvert	542,491	108,208	434,283
Clinton Park & Ride / SR525 Sidewalks	285,331	31,162	254,169
South Camano Drive - Deep Culvert	209,882	17,206	192,677
Clinton to Ken's Corner Trail	197,676	25,710	171,965
Sunrise Boulevard - Shoulder Widening	279,655	140,486	139,169

In addition to the above projects, the County performed various capital asset reconciliations during 2021 which resulted in a total net decrease of \$29,122. Additional information can be found in Note 3 - Prior Period Adjustments.

Additional information on the County's Capital Assets can be found in Note 7 of this report.

Debt Administration

The County debt obligations are in the forms of Limited Tax General Obligation Bonds (GOB), Certificates of Participation (COP) and State Revolving Loans. The following table summarizes the outstanding long-term debt at December 31, 2021 for Island County.

Outstanding Debt

	2021	2020
2010 Limited Tax General Improvement Refunding Bonds	\$ 2,220,000	\$ 2,895,000
2014B Certificates of Participation (COP)	147,416	191,840
2019D Certificates of Participation (COP)	3,630,000	4,725,000
State Water Quality Assistance (L1100002)	-	55,535
TOTAL	\$ 5,997,416	\$ 7,867,375

On December 31, 2021 the outstanding long-term debt was \$6.0 million. During the year \$675,000 of debt was retired on the General Obligation Bonds and \$1,139,424 was retired on the Certificates of Participation. \$55,535 of debt was retired on the State Water Quality Assistance Loan L1100002.

Additional information about the County's long-term obligations can be found in Note 13 and Note 15 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Overview

Island County is situated in the Salish Sea in Northwest Washington. As its name suggests, it is made up of several islands. The two largest are Whidbey and Camano. Island County is the second smallest county in Washington by landmass, just larger than neighboring San Juan County. Island County is bounded to the north by Deception Pass and by Puget Sound to the south. Skagit Bay and Saratoga Passage are located to the east and Admiralty Inlet and the Strait of Juan de Fuca are west of Island County. Skagit and Snohomish Counties lie to the east of Island County and the Olympic Peninsula lies across the water to the west. Island County is one of 6 counties included in the Seattle-Tacoma Consolidated Metropolitan Statistical Area.

Island County's resident population estimate was 87,432 in 2021, an increase of 0.7 percent over 2020. Its total growth from 2010 to 2021 was 11.4 percent, lower than the 15.1 percent growth observed for the state over the same period. Oak Harbor is the largest city in the county, with an estimated population of 24,709.

The major employers in Island County are: U.S. Navy, Island County government, education and health services, cities/towns, Technical Services, Inc., and Nichols Boat Builders. The remaining major businesses are service and retail related, and several national financial institutions. Service-focused industries in travel, leisure, hospitality, professional and business services contribute significantly to the local economy.

Economic Factors

The largest employer is the U.S. Naval Air Station in Oak Harbor (Naval Air Station Whidbey Island or NASWI). In March of 2019 the Navy released its decision to add 36 EA-18G operational aircraft to NASWI. This decision will increase the personnel and their family members at the NAS Whidbey Island Complex and surrounding community. NAS Whidbey has an estimated \$1 billion dollar plus impact to Island County and the region in salaries and benefits to active-duty military, civilians and veterans. An increase of personnel and operations at NASWI could increase the local economy.

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of COVID-19. While the pandemic is ongoing, additional State and Federal funding sources appear to be sufficient to cover ongoing costs in 2021 and beyond.

The County's financial status and budget outlook are continuously monitored. The County's economy continues to face fiscal challenges associated with, but not limited to:

- Labor, Health Care and Pension cost increases
- Aging Infrastructure and unfunded capital needs
- Funding the outstanding liability for Compensated Absences
- Funding the outstanding Other Post Employment Benefit (OPEB) liabilities

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of Island County finances. We hope the above information provided a general overview of the County's overall financial status. Requests for additional information, and questions or comments regarding this report should be addressed to:

Island County
Auditor's Office
Attn: Sheilah Crider
PO Box 5000
Coupeville, WA 98239-5000

ISLAND COUNTY, WA
Government-Wide
Statement of Net Position
December 31, 2021

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 17,296,836	\$ 3,104,913	\$ 20,401,749
Investments	75,625,249	-	75,625,249
Taxes Receivable	539,282	-	539,282
Accounts Receivable, Net	799,591	748,447	1,548,038
Special Assessments Receivable	14,523	-	14,523
Note Receivable - Current Portion	5,000	-	5,000
Other Current Receivables	476,048	-	476,048
Due from Other Governments	7,193,541	50,278	7,243,819
Inventories	692,163	-	692,163
Prepaid Items	1,281,249	1,086	1,282,335
Restricted Assets - Landfill Postclosure Cash	-	212,974	212,974
Noncurrent Assets:			
Restricted Assets - Landfill Postclosure Cash	-	1,626,916	1,626,916
Notes Receivable	15,000	-	15,000
Net Pension Asset	23,749,084	994,267	24,743,351
Capital Assets, not being depreciated	55,941,482	672,427	56,613,909
Capital Assets, net of Accumulated Depreciation	113,619,565	4,353,711	117,973,276
Total Assets	297,248,614	11,765,018	309,013,632
DEFERRED OUTFLOWS of RESOURCES			
Pensions	2,713,620	120,314	2,833,934
OPEB	41,569	-	41,569
Deferred Amount on GO Bond Refunding	96,988	-	96,988
Total Deferred Outflows of Resources	2,852,177	120,314	2,972,491
LIABILITIES			
Current Liabilities:			
Accounts Payable	2,925,491	287,324	3,212,815
Due to Other Governments	360,158	6,923	367,081
Other Accrued Liabilities	2,831,928	699,612	3,531,541
Current Portion of Long-Term Obligations	1,916,703	-	1,916,703
Other Current Liabilities	275,951	-	275,951
Landfill Postclosure Liability	-	212,974	212,974
Total OPEB Liability	83,138	-	83,138
Non-Current Liabilities:			
General Obligation Bonds Payable	1,500,000	-	1,500,000
Leases and Installment Purchases	2,580,713	-	2,580,713
Unamortized Premiums/Discounts	355,699	-	355,699
Compensated Absences	3,494,100	173,257	3,667,357
Landfill Postclosure Liability	-	1,626,916	1,626,916
Net Pension Liability	1,716,212	95,073	1,811,285
Total OPEB Liability	3,671,234	-	3,671,234
Total Liabilities	21,711,327	3,102,079	24,813,407
DEFERRED INFLOWS of RESOURCES			
Pensions	21,365,635	1,037,083	22,402,718
Grants Received in Advance	7,069,074	-	7,069,074
Total Deferred Inflows of Resources	28,434,709	1,037,083	29,471,792
NET POSITION			
Net Investment In Capital Assets	163,466,048	5,026,137	168,492,186
Restricted For:			
General Government	26,476,897	-	26,476,897
Public Safety	183,937	-	183,937
Utilities	-	77,499	77,499
Transportation	9,033,152	-	9,033,152
Social Services	5,733,317	-	5,733,317
Natural and Economic Environment	12,119,882	-	12,119,882
Culture And Recreation	121,224	-	121,224
Unrestricted	32,820,296	2,642,535	35,462,831
Total Net Position	\$ 249,954,754	\$ 7,746,171	\$ 257,700,925

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

ISLAND COUNTY, WA
Government-Wide
Statement of Activities
For the Year Ended December 31, 2021

Function/Program Activities	Program Revenues					Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General Government	\$ 14,189,238	\$ 4,104,829	\$ 6,448,556	\$ -	\$ (3,635,853)	\$ -	\$ (3,635,853)
Public Safety	12,127,081	642,516	1,230,500	-	(10,254,065)	-	(10,254,065)
Utilities	1,549	-	-	-	(1,549)	-	(1,549)
Transportation	16,461,722	1,632,909	8,740,068	8,450	(6,080,296)	-	(6,080,296)
Social Services	14,948,472	3,054,906	12,159,616	-	266,050	-	266,050
Natural and Economic Environment	4,772,936	2,993,747	465,362	-	(1,313,828)	-	(1,313,828)
Culture and Recreation	1,076,782	209,121	11,095	-	(856,567)	-	(856,567)
Interest On Long-Term Debt	215,132	-	-	-	(215,132)	-	(215,132)
Total Governmental Activities	63,792,912	12,638,027	29,055,196	8,450	(22,091,239)	-	(22,091,239)
Business-Type Activities							
Solid Waste	8,603,275	9,952,079	81,651	-	-	1,430,455	1,430,455
Total Business-Type Activities	8,603,275	9,952,079	81,651	-	-	1,430,455	1,430,455
Total Primary Government	72,396,187	22,590,106	29,136,847	8,450	(22,091,239)	1,430,455	(20,660,784)
General Revenues							
Taxes:							
Property Taxes Levied for General Purpose					9,149,208	-	9,149,208
Property Taxes Levied for Roads					9,352,735	-	9,352,735
Property Taxes Levied for Specific Purpose					637,179	-	637,179
Sales and Use Tax					19,713,177	-	19,713,177
Excise Taxes					6,597,622	-	6,597,622
Penalties and Interest					859,536	-	859,536
Unrestricted Investment Earnings					701,539	13,036	714,575
Miscellaneous Revenue					1,504,508	-	1,504,508
Special Item - Gain (Loss) on Sale of Capital Asset					35,890	4,984	40,874
Total General Revenues, Special Items, and Transfers					48,551,394	18,020	48,569,414
Change in Net Position					26,460,155	1,448,475	27,908,630
Net Position - Beginning					223,985,764	6,294,834	230,280,599
Prior Period Adjustment					(491,166)	2,862	(488,304)
Net Position - Ending					\$ 249,954,754	\$ 7,746,171	\$ 257,700,925

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

ISLAND COUNTY, WA
Balance Sheet
Governmental Funds
December 31, 2021

	General Fund	County Road Fund	REET 1 Capital Improvements Fund	REET 2 Capital Facilities
ASSETS				
Cash and Cash Equivalents	\$ 11,187,737	\$ 350	\$ -	\$ -
Investments	5,394,546	14,555,257	8,784,359	10,131,243
Taxes Receivable	241,452	275,305	-	-
Accounts Receivable, Net	755,251	3,697	-	-
Special Assessments Receivable	-	-	-	-
Other Current Receivables	476,048	-	-	-
Due from Other Funds	-	-	-	-
Interfund Loans Receivable	-	165,604	-	20,000
Due from Other Governments	2,839,607	1,533,715	5,044	5,044
Prepaid Items	461,001	12,877	-	-
Total Assets	21,355,642	16,546,805	8,789,404	10,156,287
LIABILITIES				
Accounts/Vouchers Payable	441,600	182,550	59,834	4,246
Due to Other Funds	-	-	-	-
Interfund Loans Payable	-	-	-	-
Due to Other Governments	10,662	21,351	-	-
Other Accrued Liabilities	1,286,195	251,284	2,440	-
Other Current Liabilities	2,255	-	-	-
Total Liabilities	1,740,712	455,186	62,274	4,246
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Property Tax	194,466	225,568	-	-
Unavailable Revenue - Assessments & Fees	240,532	-	-	-
Unavailable Revenue - Other	246,777	21,351	-	-
Unavailable Revenue - Grants	230,555	214,754	-	-
Unavailable Revenue - Grants Received in Advance	145,280	-	-	-
Total Deferred Inflows of Resources	1,057,609	461,673	-	-
FUND BALANCES				
Nonspendable	461,001	12,877	-	-
Restricted	420,401	9,002,775	8,727,130	10,152,041
Committed	115,953	8,047	-	-
Assigned	2,276,040	6,606,247	-	-
Unassigned	15,283,926	(0)	-	-
Total Fund Balances	18,557,321	15,629,946	8,727,130	10,152,041
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 21,355,642	\$ 16,546,805	\$ 8,789,404	\$ 10,156,287

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

ISLAND COUNTY, WA
Balance Sheet
Governmental Funds
December 31, 2021

	Homeless Housing	ARPA Fund	Nonmajor Governmental Funds	Governmental Funds Total
ASSETS				
Cash and Cash Equivalents	\$ -	\$ -	\$ 62,140	\$ 11,250,227
Investments	2,061,600	6,903,961	27,794,284	75,625,249
Taxes Receivable	-	-	22,525	539,282
Accounts Receivable, Net	523	-	20,872	780,343
Special Assessments Receivable	-	-	14,523	14,523
Other Current Receivables	-	-	-	476,048
Due from Other Funds	-	-	-	-
Interfund Loans Receivable	-	-	-	185,604
Due from Other Governments	744,907	-	2,051,280	7,179,598
Prepaid Items	373	-	123,700	597,951
Total Assets	2,807,403	6,903,961	30,089,323	96,648,824
LIABILITIES				
Accounts/Vouchers Payable	1,148,831	50	461,140	2,298,250
Due to Other Funds	-	-	-	-
Interfund Loans Payable	-	-	185,604	185,604
Due to Other Governments	-	-	328,440	360,453
Other Accrued Liabilities	12,738	2,873	441,026	1,996,557
Other Current Liabilities	-	-	273,696	275,951
Total Liabilities	1,161,569	2,923	1,689,905	5,116,814
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Property Tax	-	-	18,502	438,536
Unavailable Revenue - Assessments & Fees	-	-	4,484	245,015
Unavailable Revenue - Other	-	-	24,435	292,563
Unavailable Revenue - Grants	22,073	-	230,889	698,271
Unavailable Revenue - Grants Received in Advance	-	6,901,038	22,756	7,069,074
Total Deferred Inflows of Resources	22,073	6,901,038	301,065	8,743,459
FUND BALANCES				
Nonspendable	373	-	123,700	597,951
Restricted	1,618,975	-	18,650,019	48,571,341
Committed	-	-	479,926	603,926
Assigned	4,413	-	8,884,162	17,770,861
Unassigned	0	(0)	(39,453)	15,244,473
Total Fund Balances	1,623,760	(0)	28,098,353	82,788,552
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 2,807,403	\$ 6,903,961	\$ 30,089,323	\$ 96,648,824

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

ISLAND COUNTY, WA
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
December 31, 2021

Total Fund Balances as shown on the Governmental Funds Balance Sheet \$ 82,788,552

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

Capital Assets used in Governmental Activities are not financial resources and therefore are not reported in the governmental funds.

Non-depreciable assets	54,892,345	
Depreciable assets (net)	105,163,772	160,056,117

Other long-term assets are not available to pay for current-period expenditures and therefore are not recognized in the governmental funds.

Note Receivable - Current Portion	5,000	
Notes Receivable	15,000	
Net Pension Asset	23,338,674	
Deferred outflows of resources	2,804,694	26,163,368

Deferred inflows of resources in the governmental funds are recognized as revenue of the current period on the statement of activities.

	1,674,385	1,674,385

Some liabilities, including bonds payable and compensated absences payable, are not due and payable in the current period and therefore are not reported in the governmental funds.

Other Accrued Liabilities	(513,008)	
Current Portion of Long-Term Obligations	(1,916,703)	
Total OPEB Liability	(83,138)	
General Obligation Bonds Payable	(1,500,000)	
Leases and Installment Purchases	(2,580,713)	
Unamortized Premiums/Discounts	(355,699)	
Compensated Absences	(3,434,630)	
Net Pension Liability	(1,676,968)	
Total OPEB Liability	(3,671,234)	
Deferred Inflows of Resources	(20,942,233)	(36,674,326)

Internal Service Funds are used by the County to charge the costs of insurance, equipment, and motor pool to individual Funds.

Total assets and liabilities of the internal service funds that are reported with governmental activities.	15,946,659	15,946,659

Net Position of Governmental Activities **\$ 249,954,754**

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

ISLAND COUNTY, WA
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2021

	General Fund	County Road Fund	REET 1 Capital Improvements Fund	REET 2 Capital Facilities Fund
REVENUES				
Taxes	\$ 20,822,766	\$ 9,370,933	\$ 3,236,508	\$ 3,236,508
Licenses and Permits	956,892	141,147	-	-
Intergovernmental Revenue	5,261,987	8,405,644	-	-
Charges for Services	3,095,561	1,503,291	-	-
Fines and Forfeits	671,252	759	80	80
Interest and Investment Earnings	1,102,965	1,280	-	20
Miscellaneous	268,261	642	-	-
Total Revenues	32,179,683	19,423,697	3,236,589	3,236,609
EXPENDITURES				
Current:				
General Government	12,674,872	-	274,656	6,567
Public Safety	12,154,410	-	-	-
Utilities	-	-	-	-
Transportation	-	14,160,522	-	46,000
Social Services	599,370	-	-	-
Natural and Economic Environment	230,618	565	-	-
Culture and Recreation	751,044	-	-	52,904
Debt Service:				
Principal	44,424	-	1,095,000	675,000
Interest	11,429	-	208,875	116,100
Capital Outlay	288,292	1,806,043	325,409	-
Total Expenditures	26,754,459	15,967,130	1,903,941	896,571
Excess (Deficiency) of Revenues Over Expenditures	5,425,224	3,456,567	1,332,648	2,340,038
OTHER FINANCING SOURCES (USES)				
Proceeds of Long Term Debt	-	-	66,241	-
Disposition of Capital Assets	10,000	1,923	-	-
Transfers-In	1,311,000	-	-	-
Transfers-Out	(2,285,151)	(1,091,277)	(429,000)	(264,000)
Total Other Financing Sources (Uses)	(964,151)	(1,089,354)	(362,759)	(264,000)
Net Change in Fund Balances	4,461,073	2,367,212	969,889	2,076,038
Fund Balances - Beginning	13,298,168	13,273,389	7,757,241	8,076,003
Prior Period Adjustment	798,080	(10,657)	-	-
Fund Balances - Ending	\$ 18,557,321	\$ 15,629,944	\$ 8,727,130	\$ 10,152,041

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

ISLAND COUNTY, WA
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2021

	Homeless Housing	ARPA Fund	Nonmajor Governmental Funds	Governmental Funds Total
REVENUES				
Taxes	\$ -	\$ -	\$ 8,788,251	\$ 45,454,967
Licenses and Permits	-	-	2,556,960	3,654,999
Intergovernmental Revenue	7,942,348	1,367,782	6,524,408	29,502,170
Charges for Services	1,118,155	-	2,548,926	8,265,933
Fines and Forfeits	-	-	668	672,839
Interest and Investment Earnings	-	-	99,602	1,203,868
Miscellaneous	-	-	1,656,901	1,925,804
Total Revenues	9,060,503	1,367,782	22,175,717	90,680,580
EXPENDITURES				
Current:				
General Government	-	1,367,782	1,913,732	16,237,609
Public Safety	-	-	1,982,864	14,137,274
Utilities	-	-	1,736	1,736
Transportation	-	-	172,354	14,378,875
Social Services	8,529,592	-	7,063,437	16,192,398
Natural and Economic Environment	-	-	5,879,139	6,110,323
Culture and Recreation	-	-	334,838	1,138,786
Debt Service:				
Principal	-	-	55,535	1,869,959
Interest	-	-	1,607	338,011
Capital Outlay	-	-	538,801	2,958,546
Total Expenditures	8,529,592	1,367,782	17,944,042	73,363,517
Excess (Deficiency) of Revenues Over Expenditures	530,911	(0)	4,231,675	17,317,063
OTHER FINANCING SOURCES (USES)				
Proceeds of Long Term Debt	-	-	485,481	551,723
Disposition of Capital Assets	-	-	-	11,923
Transfers-In	-	-	2,445,428	3,756,428
Transfers-Out	-	-	(22,000)	(4,091,428)
Total Other Financing Sources (Uses)	-	-	2,908,909	228,645
Net Change in Fund Balances	530,911	(0)	7,140,584	17,545,708
Fund Balances - Beginning	1,092,849	-	22,246,144	65,743,794
Prior Period Adjustment	-	-	(1,288,375)	(500,952)
Fund Balances - Ending	\$ 1,623,760	\$ (0)	\$ 28,098,353	\$ 82,788,550

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

ISLAND COUNTY, WA
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, 2021

Net Change in Fund Balances for Governmental Funds \$ 17,545,708

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

Governmental Funds report capital outlay as expenditure. On the government wide statements they are reported as assets and depreciated over their estimated useful lives.

Current year expenditures for capital assets	2,958,569	
Less current year depreciation	(4,201,082)	(1,242,513)

The effect of various miscellaneous transactions involving capital assets not reported in governmental funds.

Contributions of capital assets	3,436	
Disposals of capital assets	(690)	2,746

In the governmental funds statements, proceeds of long term debt are considered revenues and debt principal payments are considered expenditures. These transactions are reported as increases and decreases in long-term debt liabilities on the government wide statements.

Proceeds of long term debt	(546,723)	
Principal payments and refunding payments	1,869,959	1,323,237

Some revenues or expenditures reported in the Statement of Activities are not yet available or expensed and therefore are not reported as expenditures and revenues in governmental funds.

Net state-sponsored pension liability	8,050,144	
Net other post employment benefit obligation	497,263	
Employee benefits payable	(154,110)	
Deferred Tax Revenue	(5,046)	
Deferred Assessments & Fees Revenue	(2,155)	
Deferred Grant Revenue	(619,201)	
Deferred Other Revenue	47,104	
Interest	119,631	7,933,630

Proceeds of notes receivable provide current resources to Governmental Funds but decrease assets in the Statement of Net Position.

	(5,000)	(5,000)

Internal Service Funds are used by the County to charge the costs of insurance, equipment, and motor pool to individual Funds.

The net revenue (expense) of the internal service funds are reported with governmental activities.	902,347	902,347

Change in Net Position - Governmental Activities \$ 26,460,155

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

ISLAND COUNTY, WA
Statement of Net Position
Proprietary Funds
December 31, 2021

	Business-Type Activities - Enterprise Funds		Governmental Activities
	Solid Waste	Enterprise Funds Total	Internal Service Funds
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 3,104,913	\$ 3,104,913	\$ 6,046,609
Accounts Receivable, Net	748,447	748,447	19,248
Due from Other Governments	50,278	50,278	13,944
Inventories	-	-	692,163
Prepaid Items	1,086	1,086	683,298
Restricted Assets - Landfill Postclosure Cash	212,974	212,974	-
Total Current Assets	4,117,698	4,117,698	7,455,262
Noncurrent Assets:			
Restricted Assets - Landfill Postclosure Cash	1,626,916	1,626,916	-
Capital Assets not Being Depreciated:			
Land	672,427	672,427	887,155
Construction In Progress	-	-	161,982
Capital Assets Net of Accumulated Depreciation:			
Buildings and Structures	2,857,729	2,857,729	1,484,740
Other Improvements	758,629	758,629	97,742
Machinery and Equipment	737,353	737,353	6,873,311
Net Pension Asset	994,267	994,267	410,410
Total Non-Current Assets	7,647,320	7,647,320	9,915,340
Total Assets	11,765,018	11,765,018	17,370,602
DEFERRED OUTFLOWS of RESOURCES			
Pensions	120,314	120,314	47,483
Total Deferred Outflows of Resources	120,314	120,314	47,483
LIABILITIES			
Current Liabilities:			
Accounts Payable	287,324	287,324	627,242
Due to Other Governments	6,923	6,923	(295)
Other Accrued Liabilities	699,612	699,612	322,364
Landfill Postclosure Liability	212,974	212,974	-
Total Current Liabilities	1,206,833	1,206,833	949,311
Noncurrent Liabilities:			
Compensated Absences	173,257	173,257	59,470
Landfill Postclosure Liability	1,626,916	1,626,916	-
Net Pension Liability	95,073	95,073	39,244
Total Noncurrent Liabilities	1,895,246	1,895,246	98,714
Total Liabilities	3,102,079	3,102,079	1,048,024
DEFERRED INFLOWS of RESOURCES			
Pensions	1,037,083	1,037,083	423,402
Total Deferred Inflows of Resources	1,037,083	1,037,083	423,402
NET POSITION			
Investment in Capital Assets	5,026,137	5,026,137	9,504,930
Restricted for	77,499	77,499	34,490
Unrestricted	2,642,535	2,642,535	6,407,238
Total Net Position	\$ 7,746,171	\$ 7,746,171	\$ 15,946,659

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

ISLAND COUNTY, WA
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2021

	Business-Type Activities - Enterprise		Governmental
	Funds		Activities
	Solid Waste	Enterprise Funds Total	Internal Service Funds
OPERATING REVENUES			
Charges for Services	\$ 9,957,348	\$ 9,957,348	\$ 1,163,712
Equipment and Space Rents	-	-	2,970,042
Sales of Merchandise	-	-	709,195
Total Operating Revenues	<u>9,957,348</u>	<u>9,957,348</u>	<u>4,842,948</u>
OPERATING EXPENSES			
Wages and Benefits	1,680,494	1,680,494	629,544
Maintenance and Operation	6,548,438	6,548,438	2,606,217
Depreciation and Amortization	374,343	374,343	1,085,361
Total Operating Expenses	<u>8,603,275</u>	<u>8,603,275</u>	<u>4,321,123</u>
Operating Income (Loss)	<u>1,354,073</u>	<u>1,354,073</u>	<u>521,826</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest Income	13,036	13,036	-
Operating Grants	81,651	81,651	15,011
Miscellaneous Revenues (Expenses)	(5,268)	(5,268)	246
Gain/(Loss) on Sale of Capital Assets	-	-	24,657
Insurance Recoveries	4,984	4,984	-
Capital Expenditures	-	-	5,608
Total Non-Operating Revenues (Expenses)	<u>94,402</u>	<u>94,402</u>	<u>45,522</u>
Income (Loss) before Contributions, Transfers and Special Items	<u>1,448,475</u>	<u>1,448,475</u>	<u>567,347</u>
Transfers-In	-	-	335,000
Change in Net Position	<u>1,448,475</u>	<u>1,448,475</u>	<u>902,347</u>
Total Net Position - Beginning	6,294,834	6,294,834	14,775,978
Prior Period Adjustment	2,862	2,862	268,333
Total Net Position - Ending	<u>\$ 7,746,171</u>	<u>\$ 7,746,171</u>	<u>\$ 15,946,658</u>

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

ISLAND COUNTY, WA
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2021

	Business-Type Activities - Enterprise Funds		Governmental Activities
	Solid Waste	Enterprise Funds Total	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 9,590,047	\$ 9,590,047	\$ (2,633,451)
Payments to suppliers	(5,446,694)	(5,446,694)	(1,953,099)
Payments to employees	(2,090,301)	(2,090,301)	(877,679)
Internal activity - payments to other funds	(852,427)	(852,427)	7,262,396
Net Cash Provided (Used) By Operating Activities	1,200,625	1,200,625	1,798,168
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Grant proceeds not specifically restricted to capital purposes	40,388	40,388	22,990
Miscellaneous	(5,268)	(5,268)	246
Net Cash Provided (Used) By Non-Capital Financing Activities	35,120	35,120	23,235
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Transfers from other funds for capital purposes	(300,000)	(300,000)	335,000
Payments related to the acquisition, construction, or improvement of capital assets	(161,781)	(161,781)	(1,602,343)
Sale or involuntary conversion of capital assets	4,984	4,984	82,147
Net Cash Used For Capital and Related Financing Activities	(456,797)	(456,797)	(1,185,197)
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipt of interest	13,036	13,036	-
Net Cash Provided By Investing Activities	13,036	13,036	-
Net Increase (Decrease) In Cash and Cash Equivalents	791,983	791,983	636,206
Cash and Cash Equivalents - Beginning of Year	4,152,820	4,152,820	5,410,402
Cash and Cash Equivalents - End of Year	4,944,803	4,944,803	6,046,609
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities			
Operating Income (Loss)	1,354,073	1,354,073	521,826
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Depreciation expense	374,343	374,343	1,085,361
Change in assets and liabilities:			
Receivables, net	(358,518)	(358,518)	42,077
Inventories	-	-	5,164
Prepaid Items	(988)	(988)	(110,472)
Accounts and other payables	160,570	160,570	582,572
Accrued expenses	(120,433)	(120,433)	(328,360)
Landfill Postclosure Liability	(208,422)	(208,422)	-
Total Adjustments	(153,448)	(153,448)	1,276,342
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 1,200,625	\$ 1,200,625	\$ 1,798,168

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

ISLAND COUNTY, WA
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2021

	Investment Trust Fund	External Investment Pool	Custodial Funds
ASSETS			
Cash and Cash Equivalents	\$ -	\$ -	\$ 429,646
Receivables:			
Taxes for other governments	-	-	3,426,998
Accounts Receivable, Net	-	-	4,141
Special Assessments Receivable	-	-	150,633
Investments at fair value:			
Pooled investment funds	-	110,467,377	-
Due from Other Governments	-	-	226,902
Total Assets	-	110,467,377	4,238,321
LIABILITIES			
Accounts payable and other liabilities	-	-	7,738,029
Due to Other Governments	-	-	55,342
Other Accrued Liabilities	-	-	7,067
Total Liabilities	-	-	7,800,437
NET POSITION			
Restricted for:			
Pool participants	-	110,467,377	-
Individuals, organizations, and other governments	-	-	(3,562,116)
Held in trust for pool participants	-	-	-
Total Net Position	\$ -	\$ 110,467,377	\$ (3,562,116)

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

ISLAND COUNTY, WA
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended December 31, 2021

	Investment Trust Fund	External Investment Pool	Custodial Funds
ADDITIONS			
Contributions:			
Investment purchases	\$ 10,352,355	\$ 72,957,982	\$ -
Investments earnings:			
Interest, dividends, and other	-	509,026	924
Net increase (decrease) in fair value of investments	-	(2,768,827)	-
Total investment earnings	-	(2,259,801)	924
Less investment costs	-	(96,850)	-
Net investment earnings	-	(2,356,650)	924
Receipt from investments	-	-	69,307,906
Deposits made on behalf of Junior Taxing Districts	-	-	33,237,024
Revenue collected on behalf of other governments			
Tax Collections	-	-	159,189,413
State Remittances	-	-	123,864,377
Other	-	-	5,836,602
Total Additions	10,352,355	70,601,332	391,436,245
DEDUCTIONS			
Investment Withdrawals	10,352,355	58,973,572	-
Disbursements for investments	-	-	83,213,488
Payments made on behalf of Junior Taxing Districts	-	-	194,180,043
Disbursements of revenue collected on behalf of other governments			
Tax Collections	-	-	40,322,445
State Remittances	-	-	71,926,409
Other	-	-	3,653,003
Total Deductions	10,352,355	58,973,572	393,295,388
Net increase (decrease) in fiduciary net position	-	11,627,760	(1,859,142)
Net Position - Beginning	-	98,943,808	(906,740)
Prior Period Adjustment	-	(104,190)	(796,234)
Net Position - Ending	\$ -	\$ 110,467,378	\$ (3,562,116)

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

Island County, Washington
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The County was incorporated on January 6, 1853 and operates under the laws of the state of Washington applicable to a first-class county with commissioner form of government.

As required by the generally accepted accounting principles the financial statements present Island County, the primary government, and its component units. The component units discussed below are included in the County reporting entity because of the significance of their operational or financial relationships with the County.

The Island Regional Transportation Planning Organization (IRTPO) is governed by the ten-member board, appointed by each entity, which consists of three Island County Commissioners; one vote per Mayor of the City of Oak Harbor, Town of Coupeville, and City of Langley; one vote per Commissioner of the Port of Coupeville and Port of South Whidbey; one Board member of Island County Public Transportation Benefit Area; and one representative of the Washington State Department of Transportation. Non-voting members include Naval Air Station Whidbey Island and the City of Stanwood. Members of the IRTPO work collaboratively to address multi-modal transportation issues within and across Island Region. Although it is legally separated from the County the IRTPO is reported as if it was part of primary government because Island County serves as the lead agency for the IRTPO, providing staff and local funding support to the organization.

B. Basis of Presentation - Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

Island County allocates indirect costs to specific functions through journal entry. The indirect cost allocation is based on actual expenditures from the last audited fiscal year, i.e. the 2021 journal entry is based on 2019 actual expenditures. However, inter-departmental allocations are based on budgeted estimates. Those amounts have been eliminated in the Government-wide Financial Statements. Capital transfers are recorded for the funds' share of the capital expenditure. Other operating transfers are transactions in which assets are moved without compensation or requirement for repayment. Those amounts have been

eliminated within the Governmental Activities and Business-type Activity statements. Transfers between the two activities are shown on the Statement of Activities.

As a general rule the effect of the interfund activity has been eliminated for the Government-wide and Fund Financial Statements.

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

The County reports the following major governmental funds:

- General Fund: This fund is the County's operating fund. It accounts for all financial resources of the general government, except those required or elected to be accounted for in another fund.
- County Road Fund: This fund is utilized to account for the construction, maintenance and preservation of County roads and streets, and the design and coordination of county-wide public works projects. The fund was established in accordance with RCW 36.33.220. Revenue is primarily derived from road and other taxes and Federal and State grants.
- REET 1 Capital Improvements Fund: This fund is utilized to account for the revenue from the Real Estate Excise Tax. The funding is dedicated to local capital improvements. This fund was established in accordance with RCW 82.46.010.
- REET 2 Capital Facilities Fund: This fund is utilized to account for the revenue from the Real Estate Excise Tax, the funding is dedicated financing capital projects specified in the capital facilities plan element of the Island County Comprehensive Plan and/or for financing housing relocation under RCW 59.18.440 and 59.18.450. This fund was established in accordance with RCW 82.46.035.
- Homeless Housing: This fund is utilized to account for the revenues and expenditures relating to the Affordable Housing Surcharge (RCW 36.22.178) and other revenues received to support extremely low-income households.
- ARPA Fund: This fund was created to account for the revenues and expenditures related to the American Rescue Plan Act (ARPA) for grants received from the U.S. Department of the Treasury from the Coronavirus Local Fiscal Recovery Fund. The period of performance for this grant ends December 31, 2026 and Island County may use the funds to cover eligible costs from March 3, 2021 through December 31, 2024.

The County reports the following major enterprise funds:

- Solid Waste Fund: This fund is utilized to account for the operations, capital improvements and debt service of the County Solid Waste Facilities. Revenue originates from the collection of fees at the facilities.

Additionally, the County reports the following fund types:

- Internal Service Funds: Internal service funds account for supplies and services provided to other departments or agencies of the County, or to other agencies, on a cost reimbursement basis.
 - Equipment Rental and Revolving Fund: This fund represents the maintenance, operation and inventory of equipment and road construction materials utilized by the Public Works Department.
 - Motor Pool Fund: This fund represents the purchase, maintenance and tracking of County owned vehicles.
 - Insurance Reserve Fund: This fund represents the self-insurance, outside insurance and claims for Island County.

- **Fiduciary Funds:** These funds account for assets held by the County in a trustee capacity or as a custodian for individuals, private organizations, other governmental units, and/or other funds.
 - Investment Trust Fund: This fund is used to account for fiduciary activities from the external portion of investment pools and individual investment accounts that are held in a trust that meets the following criteria: the assets are (a) administered through a trust in which the government itself is not a beneficiary, (b) dedicated to providing benefits to recipients in accordance with the benefit terms, and (c) legally protected from the creditors of the government.
 - Custodial Funds: This fund is used to report all fiduciary activities that are not required to be reported in the other Fiduciary Funds.
 - External Investment Pool: The external portion of the investment pools that are not held in trust that meets criteria listed under Investment Trust Funds are reported in a separate external investment pool fund column under the custodial funds classification.

C. Measurement Focus, Basis of Accounting

1. Government-Wide and Governmental Funds

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

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

Property taxes, licenses, and interest associated within the current period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special 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.

2. Proprietary Funds

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

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 County are charges for services, equipment and space rents, and sales of merchandise. Operating expenses for the County include the cost of sales and services, administrative expenses and depreciation

on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Budgetary Information

1. Scope of Budget

Annual appropriated budgets are adopted for the General, Special Revenue and Proprietary funds on the modified accrual basis of accounting. Budgets for debt service and capital project funds are adopted at the level of the individual debt issue or project and for fiscal periods that correspond to the lives of debt issues or projects.

Other budgets are adopted at the level of the fund, except in the general fund, where expenditures may not exceed appropriations at the department level and the budgets constitute the legal authority for expenditures at that level.

Appropriations for all budgeted 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

The Budget Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the Island County Board of Commissioners.

When the Board of Commissioners determines that it is in the best interest of the County to increase or decrease the appropriation for a particular Fund, it may do so by resolution approved by one more than the majority after holding public hearing(s).

The budget amounts shown in Required Supplementary Information are the final authorized amounts as revised during the year.

The Required Supplementary Information section contains the original and final budget information. The original budget is the first complete appropriated budget. The final budget is the original budget adjusted by all reserves, transfers, allocations, supplemental appropriations, and other legally authorized changes applicable for the fiscal year.

3. Excess of Expenditures over Appropriations

The General Fund and major special revenue funds expenditures were all within budget in 2021.

4. Deficit Fund Net Position

The following funds had deficit fund balance on December 31, 2021:

- The County Law Library had a deficit fund balance of \$2,299. Fund balance has been decreasing for this fund each year mostly due to rising subscription costs and declining charges for services.
- The Storm and Surface Water Utility Fund had a deficit fund balance of \$16,901. In September 2019, the Island County Board of County Commissioners passed a resolution to reinstate the annual maintenance and operation charge for the utility to correct the deficit fund balance and provide funding for ongoing operations and maintenance. Fund balance increased \$7,197 since 2019.
- The Island Regional Transportation Planning Organization (IRTPO), a blended component unit of Island County, had a deficit fund balance of \$22,552. The IRTPO is funded by grants to cover all

expenditures flowing through the fund so the timing of when revenues are received affects fund balance.

E. Assets, Liabilities, Fund Balance, Net Position

1. Cash and Cash Equivalents

It is the County's policy to invest all temporary cash surpluses. At December 31, 2021, the Treasurer was holding \$22,241,639 in cash held in banks and petty cash. This amount is classified on the balance sheet as Cash and Cash Equivalents and Restricted Assets – Landfill Postclosure Cash in various funds.

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

Special assessments are recorded when levied. Special assessments receivable consists of current and delinquent assessments and related interest and penalties. As of December 31, 2021, the entire amount of special assessments receivable were delinquent.

Customer accounts receivable consist of amounts owed from private individuals or organizations for goods and services. Notes and contracts receivable consist of amounts owed on open account from private individuals or organizations for goods and services rendered.

4. Amounts Due to and from Other Funds and Governments and Interfund Loans

Activities 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. All other outstanding balances between funds are reported as due to/from other funds. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances. A separate schedule of interfund loans receivable and payable is furnished in Note 17, Interfund Balances and Transfers.

5. Inventories

Inventories in governmental funds consist of expendable supplies held for consumption. The cost is recorded as expenditure at the time individual inventory items are purchased. Ending inventories of materials and supplies are not material; therefore, they are not recorded as inventory in governmental funds.

Inventories in proprietary funds are valued by the weighted average cost method.

6. Restricted Assets and Liabilities

These accounts contain resources for construction and debt service, including current and delinquent special assessments receivable, in enterprise funds. The current portion of related liabilities is shown as Current Payable from Restricted Assets. Specific debt service reserve requirements are described in Note 13, Long-Term Debt.

The restricted assets of the enterprise funds are composed of the following:

- Current/Noncurrent Restricted Assets – Landfill Postclosure Cash - \$1,839,890 (see Note 14)

7. Capital Assets

See Note 7, Capital Assets.

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, sidewalks, drainage, and similar items), are reported in the applicable governmental or business-type columns in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

The costs for normal maintenance and repairs are not capitalized.

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

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

Asset Category	Asset Threshold	Useful Life (years)
Land	Any amount	No limit
Right-of-Way/Easements	Any amount	No limit
Buildings	\$5,000	10-40
Facilities	\$5,000	20
Equipment	\$5,000	5-20
Intangible Software	\$5,000	5-10
Infrastructure	\$5,000	10-40
Other Improvements	\$5,000	5-40
Leasehold Improvements	\$5,000	5-20

8. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position or the Balance Sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s); therefore, it will *not* be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the Statement of Net Position or the Balance Sheet will sometimes report a separate section for deferred inflow of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s); therefore, it will *not* be recognized as an inflow of resources (revenue) until that time.

9. Compensated Absences

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

Contracts with employees include the accumulation of vacation and sick leave, or paid time off (PTO), depending on their contract. In 2020, the County started converting employees from sick leave/vacation to paid time off. At retirement or termination, employees receive a cash payment calculated using their current wages for their accumulated vacation leave or paid time off in accordance with their contract:

- In 2020, the Island County Deputy Sheriff's Guild (Criminal Division) moved all Annual Leave and Sick Leave to PTO with a maximum payout of 840 hours.
- In 2021, County Non-represented employees were converted to PTO with a maximum payout of 600 hours.
- Of the remaining five bargaining units, four have 2022 PTO provisions.

10. Pensions

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

For purposes of calculating the restricted net position related to the net pension asset, the County includes the net pension asset and the related deferred outflows and deferred inflows.

11. Other Accrued Liabilities

These accounts consist of accrued wages and accrued employee benefits.

12. Long-Term Debt

See Note 13, Long-Term Debt.

13. Unearned Revenues

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

14. Fund Balance Classification

- Nonspendable Fund Balance: These are amounts that are not in a form that can be spent, or according to law or contract cannot be spent. This includes items such as inventories, prepaid amounts, and long-term notes receivable.
- Restricted Fund Balance: These are amounts that can be spent only for the specific purposes designated by external providers, constitutionally, or through enabling legislation. Restrictions are changed or lifted only with the consent of resource providers. External resource providers could include creditors, grantors, and donors.
- Committed Fund Balance: These are amounts that can only be used for the specific purposes determined by a formal action (ordinance or resolution) of a government's highest level of decision-making authority. Changing or removing a commitment requires taking the same formal action that originally imposed the constraint.
- Assigned Fund Balance: These are amounts intended to be used by the government for specific purpose that are neither restricted nor committed. Intent can be expressed in one of two ways:
 - The governing body can state its intent to use resources for a specific purpose
 - The governing body can delegate authority to others to express intent to use amounts for specific purposes.

Assigned amounts include all the remaining amounts (except for negative balances) that are reported in special revenue, capital project, or debt service funds that have not been designated as restricted or committed. Assigned amounts in the General Fund represent funds that are intended to be used for a specific purpose as stated by the governing body or its delegate.

- Unassigned Fund Balance: This is the amount remaining in the fund after classifying amounts as nonspendable, restricted, committed, or assigned. Unassigned amounts are technically available for any purpose. This includes the residual General Fund balance and residual fund deficits, if any, of other governmental funds.

15. Fund Balance Details

The following table provides the specific purpose of the County's fund balance classifications as of December 31, 2021:

	General Fund	Fund Balance Classifications						Nonmajor Governmental Funds	Governmental Funds Total
		County Road Fund	REET 1 Capital Improvements Fund	REET 2 Capital Facilities Fund	Homeless Housing	ARPA Fund	Governmental Funds		
Nonspendable Fund Balance									
General Government Services	\$ 461,001	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 38,812	\$ 499,812	
Transportation	-	12,877	-	-	-	-	-	12,877	
Social Services	-	-	-	373	-	-	67,532	67,905	
Natural & Economic Environment	-	-	-	-	-	-	17,356	17,356	
Total	461,001	12,877	-	373	-	-	123,700	597,951	
Restricted Fund Balance									
General Government Services	271,669	-	8,727,130	-	10,152,041	-	2,259,366	21,410,206	
Public Safety	133,320	-	-	-	-	-	50,617	183,937	
Transportation	-	9,002,775	-	-	-	-	-	9,002,775	
Social Services	-	-	-	1,618,975	-	-	4,114,342	5,733,317	
Natural & Economic Environment	15,413	-	-	-	-	-	12,104,470	12,119,882	
Culture & Recreation	-	-	-	-	-	-	121,224	121,224	
Total	420,401	9,002,775	8,727,130	1,618,975	10,152,041	-	18,650,019	48,571,341	
Committed Fund Balance									
General Government Services	51,243	-	-	-	-	-	-	51,243	
Transportation	-	8,047	-	-	-	-	-	8,047	
Social Services	-	-	-	-	-	-	110,015	110,015	
Natural & Economic Environment	-	-	-	-	-	-	369,910	369,910	
Culture & Recreation	64,710	-	-	-	-	-	-	64,710	
Total	115,953	8,047	-	-	-	-	479,926	603,926	
Assigned Fund Balance									
General Government Services	2,258,262	-	-	-	-	-	950,060	3,208,322	
Public Safety	-	-	-	-	-	-	1,370,094	1,370,094	
Transportation	-	6,606,247	-	-	-	-	-	6,606,247	
Social Services	13,859	-	-	4,413	-	-	2,694,897	2,713,169	
Natural & Economic Environment	-	-	-	-	-	-	2,715,746	2,715,746	
Culture & Recreation	3,919	-	-	-	-	-	1,153,365	1,157,284	
Total	2,276,040	6,606,247	-	4,413	-	-	8,884,162	17,770,861	
Unassigned Fund Balance									
	15,283,926	(0)	-	0	-	(0)	(39,453)	15,244,473	
Grand Total	\$ 18,557,321	\$ 15,629,946	\$ 8,727,130	\$ 1,623,760	\$ 10,152,041	\$ (0)	\$ 28,098,353	\$ 82,788,552	

16. Minimum Fund Balance

Island County adopted a Financial Management Policy in 2011 to establish and maintain sound financial planning objectives and strategies. The policy formalized existing practices and the fiscal planning provided guidelines for evaluating current activities and future programs. The policy states that all County funds will strive to maintain a fund balance of approximately two months of projected revenues in order to provide sufficient cash flows. The policy also discusses replacement revenues for equipment based on projections contained in the County’s Capital Equipment Plan.

At December 31, 2021, all funds had total fund balances in excess of two months’ revenue except the Election Reserve, Oak Harbor Family Resource Center, County Law Library, Alcohol/Substance Abuse Fund, Enhanced 911 Fund, Storm & Surface Water Utility Fund, Island Regional Transportation Planning Organization (blended component unit), and the ARPA Fund. All cash flow requirements can be covered by other departmental funds which are supported, or year-end financial related adjustments and timing issues affecting fund balance.

17. Net Position Classification

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

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

NOTE 2 - COVID-19 PANDEMIC

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of COVID-19. Precautionary measures to slow the spread of the virus continued throughout 2021. These measures included limitations on business operations, public events, gatherings, travel, and in-person interactions.

The County proactively implemented safety measures, and operations have continued with most staff working on-site as normal. The County has remained economically stable and continues to operate all major functions. Management continues to monitor the situation for any operational or financial effects and continues to adapt to the changing conditions.

Island County continues to receive substantial Covid related grant funding to support County functions and community needs.

The length of time these measures will continue to be in place, and the full extent of the financial impact on Island County is unknown at this time.

NOTE 3 - PRIOR PERIOD ADJUSTMENTS

Other:

- A reconciliation of DRS payments between 2017-2020 was performed, resulting in a \$17,079 decrease to cash in the General Fund.
- In 2020, CARES Act funds were allocated to the Covid Response Fund (Non-Major Governmental Fund) when General Fund expenditures were claimed. A \$1.0 million prior period adjustment was made to move cash from the Covid Response Fund to the General Fund.
- The County corrected the journal entry to record District Court Receivables from the AOC, resulting in a \$35,643 adjustment to Other Current Receivables in the General Fund and \$255,936 adjustment to Other Current Receivables in Governmental Activities in the Government-Wide Statements.
- In 2020, the County received \$145,280 in HAVA grant funds to be used in future years. These were incorrectly recorded as revenue instead of deferred inflows for grants received in advance.
- The 2019D COP for the Camano Administration Building started in 2019 and the County took loan draws as construction continued into 2021. With the construction of the building coming to a close in 2021, we performed a full reconciliation of balances in the Construction Acquisition Fund (Non-Major Governmental Fund) where the proceeds were recorded resulting in the following corrections:
 - We identified a \$297,707 variance in Deferred Inflows of Resources-Other for a missed adjustment for a loan draw. A reversal of this prior period adjustment was made to the Government-Wide statements.
 - \$1,325 increase to Retainage Payable in the Construction Acquisition Fund (Non-Major Governmental Fund) for interest that was incorrectly recorded as County investment interest.
- The Island Regional Transportation Planning Organization (IRTPO) was identified as its own separate legal entity and the County started reporting it separately in FY2020. The 2020 journal entries to record the IRTPO's activity was incorrect, causing negative cash. Also, the journal entry left out prior year activity (established in 2016). The overall adjustment was a decrease to cash of \$10,657 for the County Road Fund and an increase to cash of \$10,657 for the IRTPO fund (rolled into Non-Major Governmental Funds as a blended component unit).
- The County implemented GASB 84 in FY2020 which includes recording funds the Clerk's Office, District Court, Sheriff, and Auditor's Office collects on behalf of others (State, citizens, inmates, etc.). During the FY2021 review of this activity, we found that FY2020 ending balances were out-of-balance. We reviewed FY2020 activity to ensure beginning balances were accurate in 2021, resulting in a \$24,819 increase to custodial cash, \$108 decrease to accounts receivable, and \$935,797 increase to custodial liabilities. \$3,919 of the cash adjustment also decreased cash in the General Fund.

Capital Assets:

An extensive reconciliation and inventory of capital assets was performed for fiscal years 2019, 2020 and 2021, which resulted in the following corrections to the various capital asset balances:

- Additions – These are items that were identified as needing to be added to prior years through reconciliations to recording documents (deeds, etc.), job ledgers, and other department lists.
- Disposals – These are items that were identified as needing to be removed in prior years due to the asset no longer existing, assets under the capitalization threshold, assets not owned by the County, or other reasons.

- Classification Changes – These are items that were identified as misclassified between the capital asset types.
- Transfers Between Funds – These are items that were identified as being in the wrong fund.
- Value Changes – These are items that changed acquisition values after performing various reconciliations to support.
- Accumulated Depreciation True-up – This is the result of the above changes and, in some cases, placed into service dates were updated to reflect when assets were put into use. In addition, the County’s capital asset spreadsheet was updated with consistent formulas to more accurately calculate depreciation.

The following tables shows a breakout of these corrections:

	Government-Wide			Proprietary Funds	
	Governmental Activities	Business-Type Activities	Total	Solid Waste	Internal Service Funds
Additions					
Land	\$ 25,252	\$ -	\$ 25,252	\$ -	\$ -
Intangibles (Right of Way)	208,287	-	208,287	-	-
Machinery and Equipment	65,132	-	65,132	-	-
Total Additions	298,671	-	298,671	-	-
Disposals					
Construction in Progress - Infrastructure	(104,440)	-	(104,440)	-	-
Buildings and Structures	(16,255)	-	(16,255)	-	-
Other Improvements	(234,521)	-	(234,521)	-	-
Infrastructure	(21,647)	-	(21,647)	-	-
Machinery and Equipment	(21,540)	-	(21,540)	-	-
Total Disposals	(398,403)	-	(398,403)	-	-
Classification Changes					
Construction in Progress - Infrastructure	(676,849)	-	(676,849)	-	-
Buildings and Structures	430,407	-	430,407	-	-
Other Improvements	(179,496)	-	(179,496)	-	-
Infrastructure	676,849	-	676,849	-	-
Machinery and Equipment	(250,911)	-	(250,911)	-	-
Total Classification Changes	-	-	-	-	-
Transfers Between Funds					
Land	(0)	-	(0)	-	268,333
Total Transfers Between Funds	(0)	-	(0)	-	268,333
Value Changes					
Buildings and Structures	1,224	-	1,224	-	-
Other Improvements	59,485	-	59,485	-	-
Total Value Changes	60,709	-	60,709	-	-
Accumulated Depreciation True-up					
Buildings and Structures	25,080	-	25,080	-	-
Other Improvements	188,820	2,862	191,682	2,862	-
Infrastructure	(202,748)	-	(202,748)	-	-
Machinery and Equipment	(4,114)	-	(4,114)	-	-
Total Accumulated Depreciation True-up	7,039	2,862	9,901	2,862	-
Total Change to Capital Assets	(39,023)	-	(39,023)	-	268,333
Total Change to Accumulated Depreciation	7,039	2,862	9,901	2,862	-
Capital Assets, Net of Accumulated Depreciation Change	\$ (31,984)	\$ 2,862	\$ (29,122)	\$ 2,862	\$ 268,333

NOTE 4 - DEPOSITS AND INVESTMENTS

A. Deposits

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in event of a failure of a depository financial institution, the County would not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. The County's deposits and certificates of deposit are entirely covered by Federal Deposit Insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). The FDIC insures the first \$250,000 of the county's deposits. The deposit balances that exceed \$250,000 are collateralized with the PDPC.

The County does not have a deposit policy for custodial credit risk.

B. Investments

Investments are subject to the risks listed below.

Interest Rate Risk: Interest rate risk is the risk the County may face should interest rate variances affect the fair value of investments. The County does not have a formal policy that addresses interest rate risk; however, it is cognizant of this risk and addresses it in the Island County Investment Policy, updated and reissued in December 2016, in accordance with the standards of the Washington Public Treasurers Association, and reviewed annually.

As a means of limiting its exposure to interest rate risk, the County diversifies its investments by security type and institution, and limits holdings in any type of investment with any one issuer. The county coordinates its investment maturities to closely match cash flow needs and the maximum maturity of the total portfolio shall not exceed five years unless matched to a specific cash flow. The investment policy requires that 20 percent of the portfolio at a minimum be comprised of investments maturing within one year, and that average weighted maturity be less than three years. This allows a diversified portfolio in terms of maturities to increase the earning of interest income while minimizing fluctuations in fair market value.

Investment Type	Fair Value	Investment Maturities (Years)	
		Less Than 1	1 to 5
Debt Security			
US Treasuries	\$ 8,878,830	\$ -	\$ 9,000,000
US Agencies	122,967,964	-	124,620,000
IBRD-Supra National	1,948,160	-	2,000,000
Municipal Bonds	27,037,607	3,790,000	22,470,000
Total Debt Securities	160,832,561	3,790,000	158,090,000
Other Securities			
Money Market	14,070,038	14,070,038	-
State Investment Pool	21,239,907	21,239,907	-
Total Other Securities	35,309,945	35,309,945	-
Total Investments	\$ 196,142,506	\$ 39,099,945	\$ 158,090,000

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

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

At December 31, 2021, the County's investments had the following credit quality distribution for securities with credit exposure:

	Investment Maturities (Standard & Poor's Ratings)				
	Fair Value	AAA	AA	A	Unrated
US Treasuries	\$ 8,878,830	\$ -	\$ -	\$ -	\$ 9,000,000
US Agencies	122,967,964	-	108,345,000	-	16,275,000
IBRD-Supra National	1,948,160	2,000,000	-	-	-
Municipal Bonds	27,037,607	1,485,000	16,495,000	1,000,000	7,280,000
Money Market	14,070,038	-	-	-	14,070,038
State Investment Pool	21,239,907	-	-	-	21,239,907
Totals	\$ 196,142,506	\$ 3,485,000	\$ 124,840,000	\$ 1,000,000	\$ 67,864,945

Rating Agency: Standard & Poor's

State law and investment policy establish objectives for local government investment activities, with the primary objective being safety of principal. Investments are undertaken in a manner seeking to ensure the preservation of capital, achieved by diversification. Statutes additionally require that general obligation bonds of the State of Washington, any local government in the State of Washington, a state other than the State of Washington, and any local government of a state other than the State of Washington have at the time of investment one of the three highest credit ratings of a nationally recognized rating agency. To mitigate credit risk, all investments held by the County meet this standard.

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

To mitigate this risk, the Island County Investment Policy requires that all deliverable securities are settled delivery versus payment (DVP) and held by a third party safekeeping institution that provides a settlement receipt. The DVP requirement ensures that securities are deposited at the third party simultaneously with payment. The County investment policy requires that a signed safekeeping and custodial agreement with a federally-regulated financial institution be in place, which is Wells Fargo Bank, N.A, designated by the statewide custody program. Non-negotiable CDs, public funds deposit accounts and investments in the Washington Local Government Investment Pool (LGIP) are not handled on a DVP basis, and therefore are exempt from this process.

Investment Type	Held by Counterparty (Investment Maturities)
US Treasuries	\$ 9,000,000
US Agencies	124,620,000
IBRD-Supra National	2,000,000
Municipal Bonds	26,260,000
Totals	\$ 161,880,000

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributable to the magnitude of an investment in a single issuer.

State law and County investment policy limit investments to those authorized by state statute. The policy allows up to 90% investment in US Treasury Obligations, 90% in Federal Agency Securities, 40% in Municipal Investment Accounts, 100% in Non-Negotiable Certificates of Deposit, 20% in Commercial Paper, 10% in Supranational Obligations, 40% in Repurchase Agreements, 20% in Bonds of State of Washington or any local government in the State of Washington, and 15% in the bonds of other states or local governments of a state other than the State of Washington.

The County also requires that 20% of the portfolio as a minimum will be comprised of investments maturing within a year. The combination of these two limits on the portfolio contents serves to minimize interest rate risk, credit rate risk, and concentration risk.

Debt Security	Investment Maturities	Percentage of Portfolio
US Treasuries	\$ 9,000,000	4.6%
Federal Agricultural Mortgage Corp	10,275,000	5.2%
Federal Farm Credit Bank	12,000,000	6.1%
Federal Home Loan Bank	67,155,000	34.1%
Federal Home Loan Mortgage Corp	6,000,000	3.0%
Federal National Mortgage Assn	29,190,000	14.8%
Municipal Bonds, Washington entities	12,325,000	6.3%
Municipal Bonds, Other States	13,935,000	7.1%
IBRD-Supra National	2,000,000	1.0%
Money Market Account	14,070,038	7.1%
LGIP	21,239,907	10.8%
Total Pooled Investments	\$ 197,189,945	100.0%

Investments in Local Government Investment Pool (LGIP)

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

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

Investments in County Investment Pool

The County is a participant in the Island County Treasurer's Investment Pool (ICTIP), an external investment pool operated by the County Treasurer. The pool is not rated or registered with the SEC. Rather, oversight is provided by the County Finance Committee in accordance with RCW 36.48.070. The County reports its investment in the pool at fair value, which is the same as the value of the pool per share. The ICTIP does not impose any restrictions on participant withdrawals.

See Note 5, External Investment Pool.

Investments Measured at Fair Value

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

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

At December 31, 2021, Island County had the following investments measured at fair value:

Investments by Fair Value	12/31/2021	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Level				
US Treasuries (pooled)	\$ 3,802,617	\$ -	\$ 3,802,617	\$ -
US Agency Bonds (pooled)	52,664,602	-	52,664,602	-
IBRD-Supra National (pooled)	834,356	-	834,356	-
Municipal Bonds (pooled)	11,579,640	-	11,579,640	-
Total Investments Measured at Fair Value	\$ 68,881,215	\$ -	\$ 68,881,215	\$ -
Investments Measured at Amortized Cost				
State Local Government Investment Pool	\$ 9,096,607			
Money Market Account	6,025,902			
Total Investments Measured at Amortized Cost	\$ 15,122,509			
Total Investments in Statement of Net Position	\$ 84,003,724			

At December 31, 2021, Island County held, as fiduciary, the following investments measured at fair value:

Investments by Fair Value Level	12/31/2021	Quoted Prices In Active Markets for Identical Assets		Significant Other Observable Inputs		Significant Unobservable Inputs	
		(Level 1)	(Level 2)	(Level 3)	(Level 3)		
US Treasuries (pooled)	\$ 5,076,213	\$ -	\$ 5,076,213	\$ -	\$ -		
US Agency Bonds (pooled)	70,303,362	-	70,303,362	-	-		
US Agency Bonds (non-pooled)	1,113,804	-	1,113,804	-	-		
Municipal Bonds (pooled)	15,457,967	-	15,457,967	-	-		
Total Investments Measured at Fair Value	\$ 91,951,346	\$ -	\$ 91,951,346	\$ -	\$ -		
Investments Measured at Amortized Cost							
State Local Government Investment Pool	\$ 12,143,300						
Money Market Account	8,044,136						
Total Investments Measured at Amortized Cost	\$ 20,187,436						
Total Investments in Statement of Net Position	\$ 112,138,782						

C. Summary of Deposit and Investment Balances

Reconciliation of the County's deposits and investment balances as of December 31, 2021, is as follows:

	Government-Wide/ Fund Statements	Fiduciary Funds	Total
Per Financial Statements			
Cash and Cash Equivalents	\$ 20,401,749	\$ 429,646	\$ 20,831,395
Noncurrent Restricted Assets - Landfill Postclosure Cash	1,839,890	-	1,839,890
Investments	75,625,249	110,467,377	186,092,626
Total Deposits and Investments per Financial Statements	97,866,888	110,897,023	208,763,912
Per Bank Accounts			
Deposits with Private Financial Institutions	13,106,197	428,071	13,534,268
Investments	84,452,321	112,737,624	197,189,945
Total Deposits and Investments per Bank Accounts	97,558,517	113,165,696	210,724,213
Variance	308,371	(2,268,672)	(1,960,301)
Reconciling Items			
Bank items - Deposits in Transit, Warrants Outstanding, etc.	308,371	1,575	309,946
Investment items - Deposits in Transit, Warrants Outstanding, etc.	-	(1,222,808)	(1,222,808)
Fair Value Adjustment	-	(1,823,332)	(1,823,332)
Premium Adjustment	-	775,893	775,893
Total Reconciling Items	\$ 308,371	\$ (2,268,672)	\$ (1,960,301)

D. Gains and Losses on Investments

GASB Statement 31 requires adjustments be made to the financial statements to reflect the difference between amortized cost and fair value of investments as of the date of the statement. Fair value of the county's investments has been determined using quoted market prices and is equivalent to market value. The difference between amortized cost and market value as of December 31, 2021 was \$(1,823,332) and an adjustment to the investment asset was made to reflect fair value at that date. Investments are shown on the balance sheet at cost, net of amortized premium or discount.

The County's policy is to hold its investment purchases to maturity; therefore, the \$(1,823,332) adjustment to fair market value is unrealized and is a reflection only of the portfolio's market value as of December 31, 2021. Due to fluctuations in market value, gains or losses on investments sold or exchanged are recognized at the time the transactions are completed. The calculation of realized gains and losses is independent of a calculation of the net change in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year were included as a change in the fair value of investments reported in the prior year(s) and the current year.

NOTE 5 – EXTERNAL INVESTMENT POOL

The External Investment Pool sponsored by the County was established January 1, 2019. Revised Code of Washington (RCW) [36.29.022](#), [36.29.010](#), [36.29.020](#), authorize the County Treasurer to invest its surplus cash and any funds of municipal corporations which are not required for immediate expenditure and are in the custody or control of the county treasurer. The External Investment Pool's investments are invested pursuant to the Revised Code of Washington. Any credits or payments to pool participants are calculated and made in a manner as required by RCW [36.29.024](#).

The investments are managed by the Treasurer, which reports investment activity to the County Finance Committee on a quarterly basis. Additionally, the County Treasurer investment activity is subject to an annual investment policy review, compliance oversight, quarterly financial review, and annual financial reporting. The County has not provided nor obtained any legally binding guarantees during the year ended December 31, 2021, to support the value of shares in the Pool.

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

The interest or other earnings of income from the funds of any municipal corporation of which the governing body has not taken any action pertaining to the investment of funds and that have been invested in accordance with state statutes, shall be deposited in the General Fund of the county and may be used for general county purposes. The total amount of income from the External Investment Pool assigned to the County's General Fund for the year was \$600,357. These investments made by the County Treasurer on behalf of the participants is involuntary participation in the County Treasurer's Investment Pool as they are required to be invested by statute.

Statute RCW 36.29.020 requires that all funds in the custody of the County Treasurer not required for immediate expenditure and not previously directed to be invested must be invested by the County Treasurer. By definition, then, 100% of the Island County Treasurer's Investment Pool consists of these involuntary participants. Voluntary participants would be those municipal entities for whom the Treasurer is not the County Treasurer. The Island County Treasurer's Investment Pool has no voluntary participants. The deposits held for involuntary entities are included in the Pooled Investment Trust Fund.

Special purpose districts agree to participate in the Island County Treasurer's Investment Pool by written agreement. The amount of the investment, the amount of withdrawal, and the timing of both are directed by the participant.

The Treasurer also maintains Individual Investment Accounts, as directed by those entities that choose not to participate in the Island County Treasurer's Investment Pool (non-participants), which are invested pursuant to the Revised Code of Washington. This investment activity occurs separately from the County's Pool and is reported in the Individual Investment Trust Fund. For 2021, there were no individual investment accounts. Income from the specific investments acquired for the individual municipalities, and changes in the value of those investments, affect only the municipality for which they are acquired, and are aggregated in the Individual Investment Fund.

Investments are stated at fair value and are valued on a monthly basis. The treasurer categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles (GAAP). Securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Securities classified in Level 2 of the fair value hierarchy are valued using other observable inputs such as matrix pricing techniques or based on quoted prices for assets in markets that are not active. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Level 3 inputs are significant unobservable inputs. Securities are valued using the income approach such as discounted cash flow techniques. Investment in an external government investment pool is not subject to reporting within the level hierarchy.

The Island County Treasurer's Investment Pool has the following recurring fair value measurements as of December 31, 2021:

Investments by Fair Value	12/31/2021	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Level				
US Treasuries (pooled)	\$ 8,878,830	\$ -	\$ 8,878,830	\$ -
US Agency Bonds (pooled)	122,967,964	-	122,967,964	-
IBRD-Supra National (pooled)	1,948,160	-	1,948,160	-
Municipal Bonds (pooled)	27,037,607	-	27,037,607	-
Total Investments				
Measured at Fair Value	\$ 160,832,561	\$ -	\$ 160,832,561	\$ -
Investments Measured at Amortized Cost				
State Local Government Investment Pool	\$ 21,239,907			
Money Market Account	14,070,038			
Total Investments Measured at Amortized Cost	\$ 35,309,945			
Total Investments in Statement of Net Position	\$ 196,142,506			

Since a separate annual financial report on the External Investment Pool has not been, and is not planned to be, issued, the following additional disclosures are being provided in the County's financial statements.

The External Investment Pool's Statement of Net Position and Statement of Changes in Net Position as of and for the period ended December 31, 2021, are as follows:

Statement of Net Position December 31, 2021		Amount
ASSETS		
Investments		\$ 194,919,698
Total Assets		<u>194,919,698</u>
LIABILITIES		
NET POSITION		
Internal Portion		84,452,321
External Portion		110,467,377
Total Net Position		<u>\$ 194,919,698</u>

Statement of Changes in Net Position For the Year Ended December 31, 2021		Amount
ADDITIONS		
Contributions		\$ 378,501,411
Investment Earnings:		
Interest		1,094,687
Net increase (decrease) in fair value of investments		(2,768,827)
Total Additions		<u>376,827,271</u>
DEDUCTIONS		
Distributions		340,333,052
Total Deductions		<u>340,333,052</u>
Net increase (decrease) in Net Position		36,494,219
Net Position - Beginning		158,433,798
Net Position - Ending		<u>\$ 194,919,698</u>

The pool values participant's shares on an amortized cost basis. Specifically, the pool distributes income to participants on a monthly basis based on their relative participation during the month that is calculated based on (1) realized investment gains and losses calculated on an amortized cost basis, (2) interest income based on an accrual basis, (3) amortization of discounts and premiums on a straight-line basis, and (4) investment and administrative expenses. This method differs from the fair value method used to value investments in these financial statements because the amortized cost method is not designed to distribute to participants all unrealized gains and losses in the fair values of the pool's investments. The external portion of the Pool is presented in the accompanying financial statements as "Held for external investment pool participants."

NOTE 6 - PROPERTY TAX

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

Property Tax Calendar

January 1	Tax is levied and become an enforceable lien against properties.
February 20	Tax bills are mailed.
April 30	First of two equal installment payments is due.
May 31	Assessed value of property established for next year's levy at 100 percent of market value.
October 31	Second installment is due.

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

The County may levy up to \$1.80 per \$1,000 of assessed valuation for general governmental services subject to the limitations stated in RCW 84.52.043.

The County's regular levy for 2021 was \$0.5163998292 per \$1,000 on an assessed valuation of \$17.4 million for a total regular levy of \$9,006,287.

The County is also authorized to levy \$2.25 per \$1,000 of assessed valuation in unincorporated areas for road construction and maintenance under RCW 36.82.040. This levy is subject to the same limitations as the levy for general government services. The county's road levy for 2021 was \$0.6509356187 per \$1,000 on an assessed valuation of \$14.4 million for a total road levy of \$9,355,500.

Special levies approved by the voters are not subject to the limitations in RCW 84.52.043. However, the amount levied may not exceed \$0.0625 per \$1,000 of assessed valuation of all taxable property within the County under RCW 84.34.230. In 2021, the County levied an additional \$0.0442371075 per \$1,000 for Conservation Futures for a total additional levy of \$771,521.

Washington State Constitution and Washington State law, RCW 84.55.010 and 84.52.043, provide levy general limitations information.

NOTE 7 – CAPITAL ASSETS

A. Capital Assets – Governmental Activities

Capital assets activity for the year ended December 31, 2021 was as follows:

Governmental Activities	Beginning Balance 01/01/2021	Increases	Decreases	Ending Balance 12/31/2021
Capital assets, not being depreciated:				
Land	\$ 41,966,988	\$ 33,702	\$ -	\$ 42,000,690
Construction in progress	9,551,465	1,897,790	(7,788,851)	3,660,404
Intangibles - Right of Way & Conservation Easements	10,064,501	215,887	-	10,280,388
Total capital assets, not being depreciated	<u>61,582,955</u>	<u>2,147,379</u>	<u>(7,788,851)</u>	<u>55,941,482</u>
Capital assets, being depreciated:				
Buildings and Structures	42,346,935	6,345,042	(39,437)	48,652,539
Leasehold Improvements	24,688	-	-	24,688
Other Improvements	5,435,564	1,336,694	(598,135)	6,174,123
Infrastructure	115,301,218	1,624,662	(21,647)	116,904,233
Machinery and Equipment	21,492,418	1,794,688	(799,995)	22,487,111
Intangibles - Software & Licenses	2,469,428	-	-	2,469,428
Total capital assets, being depreciated	<u>187,070,251</u>	<u>11,101,085</u>	<u>(1,459,214)</u>	<u>196,712,122</u>
Less accumulated depreciation for:				
Buildings and Structures	(21,048,352)	(930,593)	25,080	(21,953,864)
Leasehold Improvements	(14,722)	(720)	-	(15,442)
Other Improvements	(3,335,972)	(178,218)	350,455	(3,163,735)
Infrastructure	(38,402,772)	(3,188,782)	4,581	(41,586,974)
Machinery and Equipment	(13,418,835)	(1,303,608)	497,509	(14,224,933)
Intangibles - Software & Licenses	(2,064,855)	(82,754)	-	(2,147,609)
Total accumulated depreciation	<u>(78,285,508)</u>	<u>(5,684,675)</u>	<u>877,626</u>	<u>(83,092,557)</u>
Total capital assets, being depreciated, net	<u>108,784,743</u>	<u>5,416,410</u>	<u>(581,588)</u>	<u>113,619,565</u>
Governmental activities capital assets, net	<u>\$ 170,367,698</u>	<u>\$ 7,563,789</u>	<u>\$ (8,370,439)</u>	<u>\$ 169,561,046</u>

B. Capital Assets – Business-Type Activities

Capital assets activity for the year ended December 31, 2021 was as follows:

Business-Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
	01/01/2021			12/31/2021
Capital assets, not being depreciated:				
Land	\$ 672,427	\$ -	\$ -	\$ 672,427
Total capital assets, not being depreciated	672,427	-	-	672,427
Capital assets, being depreciated:				
Buildings and Structures	6,366,905	-	-	6,366,905
Other Improvements	3,046,715	-	-	3,046,715
Machinery and Equipment	1,776,213	161,781	(37,068)	1,900,926
Intangibles - Software & Licenses	59,096	-	-	59,096
Total capital assets, being depreciated	11,248,929	161,781	(37,068)	11,373,642
Less accumulated depreciation for:				
Buildings and Structures	(3,324,025)	(185,151)	-	(3,509,176)
Other Improvements	(2,193,541)	(97,406)	2,862	(2,288,085)
Machinery and Equipment	(1,108,856)	(91,785)	37,068	(1,163,573)
Intangibles - Software & Licenses	(59,095)	-	-	(59,095)
Total accumulated depreciation	(6,685,517)	(374,343)	39,931	(7,019,929)
Total capital assets, being depreciated, net	4,563,411	(212,561)	2,862	4,353,713
Business-type activities capital assets, net	\$ 5,235,838	\$ (212,561)	\$ 2,862	\$ 5,026,140

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

Asset	2021	2020	Change
			(Capital Outlay)
Camano Administration Building	\$ 6,678,409	\$ 6,472,896	\$ 205,513
Oak Harbor Crisis Stabilization Center	6,491,466	6,435,700	55,766
Camano Equipment Shed	168,829		168,829
Coupeville Annex Building - Card Access System	263,552	-	263,552
Eight (8) Rolling Stock Purchases over \$50,000	1,066,192	141,048	925,144
Seven (7) Sheriff Vehicles	400,543		400,543
Six (6) other Vehicles	214,206		214,206
Beach Drive - Culvert	542,491	108,208	434,283
Clinton Park & Ride / SR525 Sidewalks	285,331	31,162	254,169
South Camano Drive - Deep Culvert	209,882	17,206	192,677
Clinton to Ken's Corner Trail	197,676	25,710	171,965
Sunrise Boulevard - Shoulder Widening	279,655	140,486	139,169

NOTE 8 – RECEIVABLE AND PAYABLE BALANCES

A. Receivables

Receivables at December 31, 2021 were as follows:

	Governmental Activities	Business-Type Activities
Accounts Receivable, Net consist of:		
Licenses & permits	242,450	-
Charges for services	528,656	767,086
Miscellaneous	11,099	-
Refunds	17,387	-
Allowance for uncollectible accounts	-	(18,639)
Total	<u>\$ 799,591</u>	<u>\$ 748,447</u>
Other Current Receivables consist of:		
Fees	240,532	-
District Court receivables	235,516	-
Total	<u>\$ 476,048</u>	<u>\$ -</u>

B. Payables

Payables at December 31, 2021 were as follows:

	Governmental Activities	Business-Type Activities
Accounts Payable consist of:		
Amounts owed for goods and services	2,925,491	287,324
Total	<u>\$ 2,925,491</u>	<u>\$ 287,324</u>
Other Accrued Liabilities consist of:		
Accrued wages	1,670,167	77,576
Compensated absences - short term	491,057	8,556
Interest payable on debt	23,648	-
Accrued payments for goods and services	87,237	613,480
Claim loss reserve	295,597	-
Unclaimed property	264,223	-
Total	<u>\$ 2,831,928</u>	<u>\$ 699,612</u>
Other Current Liabilities consist of:		
Retainage payable	273,696	-
Rental damage deposits	2,255	-
Total	<u>\$ 275,951</u>	<u>\$ -</u>

NOTE 9 – PENSION PLANS

The following table represents the aggregate pension amounts for all plans for the year 2021:

Aggregate Pension Amounts - All Plans	
Pension liabilities	\$ (1,811,285)
Pension assets	24,743,351
Deferred outflows of resources	2,833,816
Deferred inflows of resources	(22,402,718)
Pension expense/expenditures	(5,635,594)

State Sponsored 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 state Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

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

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

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

Public Employees' Retirement System (PERS)

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

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

Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2021 were as follows:

PERS Plan 1		
Actual Contribution Rates	Employer	Employee*
January – June 2021		
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.87%	
Administrative Fee	0.18%	
Total	12.97%	6.00%
July – December 2021		
PERS Plan 1	10.07%	6.00%
Administrative Fee	0.18%	
Total	10.25%	6.00%

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

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

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

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

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

Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2021 were as follows:

PERS Plan 2/3		
Actual Contribution Rates	Employer 2/3	Employee 2*
January – June 2021		
PERS Plan 2/3	7.92%	7.90%
PERS Plan 1 UAAL	4.87%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	12.97%	7.90%
July – December 2021		
PERS Plan 2/3	6.36%	6.36%
PERS Plan 1 UAAL	3.71%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	10.25%	6.36%

* For employees participating in JBM, the contribution rate was 15.9%.

The County’s actual PERS plan contributions were \$948,648 to PERS Plan 1 and \$1,577,796 to PERS Plan 2/3 for the year ended December 31, 2021.

Public Safety Employees’ Retirement System (PSERS)

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

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

PSERS membership includes:

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

PSERS covered employers include:

- Certain State of Washington agencies (Department of Corrections, Department of Natural Resources, Gambling Commission, Liquor and Cannabis Board, Parks and Recreation Commission, and Washington State Patrol),
- Washington State Counties,
- Washington State Cities (except for Seattle, Spokane, and Tacoma),
- Correctional entities formed by PSERS employers under the Interlocal Cooperation Act.

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

Contributions

The **PSERS Plan 2** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2. The Plan 2 employer rates include components to address the PERS Plan 1 unfunded actuarial accrued liability and administrative expense currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates.

The PSERS Plan 2 required contribution rates (expressed as a percentage of current-year covered payroll) for 2021 were as follows:

PSERS Plan 2		
Actual Contribution Rates	Employer	Employee
January – June 2021		
PSERS Plan 2	7.20%	7.20%
PERS Plan 1 UAAL	4.87%	
Administrative Fee	0.18%	
Total	12.25%	7.20%
July – December 2021		
PSERS Plan 2	6.50%	6.5%
PERS Plan 1 UAAL	3.71%	
Administrative Fee	0.18%	
Total	10.39%	6.50%

The County's actual plan contributions were \$113,716 to PSERS Plan 2 and \$71,264 to PERS Plan 1 for the year ended December 31, 2021.

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

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

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

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

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

Contributions

Starting on July 1, 2000, **LEOFF Plan 1** employers and employees contribute zero percent, as long as the plan remains fully funded. The LEOFF Plan I had no required employer or employee contributions for fiscal year 2021. Employers paid only the administrative expense of 0.18 percent of covered payroll.

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

Contributions

The **LEOFF Plan 2** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2. The employer rate includes an administrative expense component set at 0.18 percent. Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board.

Effective July 1, 2017, when a LEOFF employer charges a fee or recovers costs for services rendered by a LEOFF 2 member to a non-LEOFF employer, the LEOFF employer must cover both the employer and state contributions on the LEOFF 2 basic salary earned for those services. The state contribution rate (expressed as a percentage of covered payroll) was 3.41% in 2021.

The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2021 were as follows:

LEOFF Plan 2		
Actual Contribution Rates	Employer	Employee
January – June 2021		
State and local governments	5.15%	8.59%
Administrative Fee	0.18%	
Total	5.33%	8.59%
July – December 2021		
State and local governments	5.12%	8.53%
Administrative Fee	0.18%	
Total	5.30%	8.53%

The County's actual contributions to the plan were \$208,546 for the year ended December 31, 2021.

The Legislature, by means of a special funding arrangement, appropriates money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute. For the state fiscal year ending June 30, 2021, the state contributed \$78,170,320 to LEOFF Plan 2. The amount recognized by the County as its proportionate share of this amount is \$132,941.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2021 with a valuation date of June 30, 2020. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2013-2018 Demographic Experience Study* and the *2019 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2020 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2021. Plan liabilities were rolled forward from June 30, 2020, to June 30, 2021, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 2.75% total economic inflation; 3.50% salary inflation
- **Salary increases:** In addition to the base 3.50% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.4%

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

There were no changes in assumptions since the last valuation.

- For purposes of the June 30, 2020 Actuarial Valuation Report (AVR), a non-contribution rate setting valuation under current funding policy, the Office of the State Actuary (OSA) introduced temporary method changes to produce asset and liability measures as of the valuation date. See high-level summary below. OSA will revert back to the methods outlined in the 2019 AVR when preparing the 2021 AVR, a contribution rate-setting valuation, which will serve as the basis for 2022 ACFR results.
- To produce measures at June 30, 2020, unless otherwise noted in the 2020 AVR, OSA relied on the same data, assets, methods, and assumptions as the June 30, 2019 AVR. OSA projected the data forward one year reflecting assumed new hires and current members exiting the plan as expected. OSA estimated June 30, 2020, assets by relying on the fiscal year end 2019 assets, reflecting actual investment performance over FY 2020, and reflecting assumed contribution amounts and benefit payments during FY 2020. OSA reviewed the actual June 30, 2020, participant and financial data to determine if any material changes to projection assumptions were necessary. OSA also considered any material impacts to the plans from 2021 legislation. See the 2020 AVR for more information.

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.4 percent.

To determine that rate, an asset sufficiency test was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments for current plan members. Based on OSA's assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.4 percent was used to determine the total liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.4 percent was determined using a building-block-method. In selecting this assumption, the OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMA's) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the CMA's and their target asset allocation to simulate future investment returns at various future times.

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2021, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	2.20%
Tangible Assets	7%	5.10%
Real Estate	18%	5.80%
Global Equity	32%	6.30%
Private Equity	23%	9.30%
	100%	

Sensitivity of the Net Pension Liability/(Asset)

The table below presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.4 percent, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.4 percent) or 1-percentage point higher (8.4 percent) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
	-6.40%	-7.40%	-8.40%
PERS 1	\$ 3,085,627	\$ 1,811,285	\$ 699,928
PERS 2/3	(5,025,838)	(17,641,910)	(28,031,251)
PSERS 2	(85,439)	(544,950)	(908,631)
LEOFF 1	(496,880)	(551,927)	(599,551)
LEOFF 2	(3,786,482)	(6,004,564)	(7,820,731)

Pension Plan Fiduciary Net Position

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

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

At June 30, 2021, the County reported its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	\$ 1,811,285
PERS 2/3	(17,641,910)
PSERS 2	(544,950)
LEOFF 1	(551,927)
LEOFF 2	(6,004,564)

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

	LEOFF 1 Asset	LEOFF 2 Asset
Employer's proportionate share	\$ (551,927)	\$ (6,004,564)
State's proportionate share of the net pension asset associated with the employer	(3,733,217)	(3,873,599)
TOTAL	\$ (4,285,144)	\$ (9,878,163)

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

	Proportionate Share 6/30/20	Proportionate Share 6/30/21	Change in Proportion
PERS 1	0.159405%	0.148316%	-0.011089%
PERS 2/3	0.192331%	0.177099%	-0.015232%
PSERS 2	0.282156%	0.237204%	-0.044952%
LEOFF 1	0.015723%	0.016112%	0.000389%
LEOFF 2	0.105130%	0.103377%	-0.001753%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30, 2021 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the *Schedules of Employer and Nonemployer Allocations* for all plans except LEOFF 1.

LEOFF Plan 1 allocation percentages are based on the total historical employer contributions to LEOFF 1 from 1971 through 2000 and the retirement benefit payments in fiscal year 2021. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). The state of Washington contributed 87.12 percent of LEOFF 1 employer contributions and all other employers contributed the remaining 12.88 percent of employer contributions. LEOFF 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require

new legislation. The allocation method the plan chose reflects the projected long-term contribution effort based on historical data.

In fiscal year 2021, the state of Washington contributed 39 percent of LEOFF 2 employer contributions pursuant to RCW 41.26.725 and all other employers contributed the remaining 61 percent of employer contributions.

Pension Expense

For the year ended December 31, 2021, the County recognized pension expense as follows:

Pension Expense	
PERS 1	\$ (733,200)
PERS 2/3	(4,066,217)
PSERS 2	(20,825)
LEOFF 1	(89,455)
LEOFF 2	(725,897)
TOTAL	\$ (5,635,594)

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2021, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual investment earnings on pension plan investments	-	(2,009,921)
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	471,838	-
TOTAL	\$ 471,838	\$ (2,009,921)

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 856,842	\$ (216,273)
Net difference between projected and actual investment earnings on pension plan investments	-	(14,744,499)
Changes of assumptions	25,780	(1,252,868)
Changes in proportion and differences between contributions and proportionate share of contributions	95,592	(345,044)
Contributions subsequent to the measurement date	749,052	-
TOTAL	\$ 1,727,266	\$ (16,558,683)

PSERS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 55,919	\$ (2,154)
Net difference between projected and actual investment earnings on pension plan investments	-	(390,349)
Changes of assumptions	85	(55,723)
Changes in proportion and differences between contributions and proportionate share of contributions	14,512	(11,163)
Contributions subsequent to the measurement date	56,823	-
TOTAL	\$ 127,339	\$ (459,389)

LEOFF 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual investment earnings on pension plan investments	-	(168,648)
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	-	-
TOTAL	\$ -	\$ (168,648)

LEOFF 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 272,344	\$ (31,734)
Net difference between projected and actual investment earnings on pension plan investments	-	(2,863,019)
Changes of assumptions	2,596	(285,577)
Changes in proportion and differences between contributions and proportionate share of contributions	126,265	(25,747)
Contributions subsequent to the measurement date	106,168	-
TOTAL	\$ 507,372	\$ (3,206,078)

Total Plans	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,185,105	\$ (250,160)
Net difference between projected and actual investment earnings on pension plan investments	-	(20,176,435)
Changes of assumptions	28,461	(1,594,168)
Changes in proportion and differences between contributions and proportionate share of contributions	236,369	(381,955)
Contributions subsequent to the measurement date	1,383,881	-
TOTAL	\$ 2,833,816	\$ (22,402,718)

Deferred outflows of resources related to pensions resulting from the County's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2022. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	PERS 1
2022	\$ (532,428)
2023	(487,898)
2024	(461,327)
2025	(528,267)
2026	-
Thereafter	-

Year ended December 31:	PERS 2/3
2022	\$ (4,097,620)
2023	(3,832,709)
2024	(3,643,458)
2025	(3,915,649)
2026	(71,874)
Thereafter	(19,158)

Year ended December 31:	PSERS
2022	\$ (100,777)
2023	(96,211)
2024	(91,261)
2025	(101,326)
2026	50
Thereafter	652

Year ended December 31:	LEOFF 1
2022	\$ (44,799)
2023	(40,977)
2024	(38,665)
2025	(44,207)
2026	-
Thereafter	-

Year ended December 31:	LEOFF 2
2021	\$ (750,221)
2022	(698,146)
2023	(658,801)
2024	(743,530)
2025	3,080
Thereafter	42,744

NOTE 10 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS

The following table represents the aggregate OPEB amounts for all plans subject to the requirements of GASB Statement 75 for the year 2021:

Aggregate OPEB Amounts – All Plans	
OPEB liabilities	\$ 3,754,372
OPEB assets	-
Deferred outflows of resources	41,569
Deferred inflows of resources	-
OPEB expenses/expenditures	(254,936)

OPEB Plan Description

As required by the Revised Code of Washington (RCW) Chapter 41.26, Island County provides lifetime medical care for members of the Law Enforcement Officers and Firefighters (LEOFF) retirement system hired before October 1, 1977 under a single-employer defined benefit healthcare plan administered by Island County LEOFF Disability Board.

The member's hospital, medical and nursing care expenses not paid by Worker's Compensation, Social Security, other insurance provided by another employer, another pension plan or any other similar source, is covered. Most medical coverage for eligible retirees is provided by one of Island County's employee medical insurance programs and the purchase of long-term care insurance. Under the authorization of the LEOFF Disability Board, direct payment is made for other retiree medical expenses that are not covered by standard medical plan benefit provisions.

Employees covered by benefit terms: At December 31, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	9
Inactive employees entitled to but not yet receiving benefits	-
Active employees	-
Total	9

The plan is funded on a pay-as-you-go basis and there are no assets accumulated in a qualifying trust.

Assumptions and Other Inputs

Island County uses the alternative measurement method (using the AMM Online Tool) instead of an actuarial valuation to measure the total OPEB liability. The following are specific assumptions made by the Office of the State Actuary (OSA) when developing the AMM Online Tool:

- OSA assumed remaining active members will retire immediately following the measurement date.
 - OSA made this simplifying assumption was made considering that over 99 percent of LEOFF 1 members are already retired and the remaining members are eligible to retire.
 - This approach inherently assumes that all liabilities are fully earned and the Service Cost equals zero. In other words, the Entry Age Normal Total OPEB Liability is by definition equal to the Present Value of Future Benefits. Further, OSA implicitly did not need to make an assumption with respect to Project Salary Changes.
- Each cohort is assumed to be 100 percent male.
 - As of the measurement date, greater than 98 percent of the eligible LEOFF 1 population is male. For purposes of the AMM Online tool, OSA believes this simplification is reasonable and note that it only impacts the mortality assumptions selected (since the medical assumptions are already blended based upon the actual gender distribution with the eligible population). OSA will continue to monitor this assumption for future versions of the tool.
- OSA selected the four age-based cohorts for this AMM Online Tool based upon the overall distribution of the LEOFF 1 eligible population. They believe this grouping approach is reasonable for purposes of the AMM.
- Medical and long-term care costs were projected from June 30, 2018 to the measurement date of June 30, 2020 using the healthcare trend rates detailed in OSA’s *2018 LEOFF 1 Medical Benefits Actuarial Valuation Report*.

Methodology	
Actuarial Valuation Date	6/30/2021
Actuarial Measurement Date	6/30/2021
Actuarial Cost Method	Entry Age
Amortization Method	Recognized Immediately
Asset Valuation Method	N/A (No Assets)
Assumptions	
Discount Rate	
Beginning of Measurement Year	2.21%
End of Measurement Year	2.16%
Healthcare Trend Rates	
Medical Costs	Initial Rate is about 5.3%, trends down to about 5.0% in the 2020's.
Long-Term Care	4.50%
Medicare Part B Premiums	Approximately 5.0%, varies by year.
Mortality Rates (assume 100% male population)	
Base Mortality Table	PubS.H-2010 (Public Safety) Blended 50%/50% Healthy/Disabled
Age Setback	-1 year Healthy / 0 years Disabled
Mortality Improvements	MP-2017 Long-Term Rates
Projection Period	Generational
Medicare Participation Rate	100%

The following presents the total OPEB liability of the County calculated using the current healthcare cost trend rate of 6.8 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.8 percent) or 1-percentage point higher (7.8 percent) than the current rate.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
	5.80%	6.80%	7.80%
Total OPEB Liability	\$ 3,487,605	\$ 3,754,372	\$ 4,050,899

The following presents the total OPEB liability of the County calculated using the discount rate of 3.5 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.5 percent) or 1-percentage point higher (4.5 percent) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
	2.50%	3.50%	4.50%
Total OPEB Liability	\$ 4,078,965	\$ 3,754,372	\$ 3,469,391

Changes in the Total OPEB Liability

Island County LEOFF - OPEB	
Total OPEB Liability at 01/01/2021	\$ 4,282,506
Service Cost*	-
Interest Cost	91,641
Changes in Experience Data and Assumptions	(346,577)
Changes in Benefit Terms	-
Estimated Benefit Payments	(273,198)
Other	-
Total OPEB Liability at 12/31/2021	\$ 3,754,372

Total benefit payments for 2021 were \$98,295 and included \$51,757 in premiums paid to Washington Counties Insurance Fund. The balance of \$46,538 were claim reimbursements paid directly to participants.

At December 31, 2021, Island County reported deferred outflows of resources in the amount of \$41,569 for payments subsequent to the measurement date. Deferred outflows of resources resulting from payment subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended December 31, 2022.

NOTE 11 - CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

A. Construction Commitments

The County has active construction projects as of December 31, 2021. The major projects include:

Project	Amount in CIP
Clinton P&R SR 525 Sidewalk Improvement	\$ 285,331
Sunrise Boulevard Shoulder Widening	279,655
Whidbey Air Park	278,684
South Camano Deep Culvert Replacement	209,882
Clinton to Ken's Corner	197,676
East Camano Fish Passage #1300	168,807
Chapman Creek Fish Passage Culvert	161,097
Camano Island Road Closure Snow Gates	128,326
Penn Cove Road Stabilization	124,894
Other Infrastructure Projects (under \$100k)	1,160,188
1st Street Campus	145,443
Access Control/Panic Alarm System	263,552
Total	\$ 3,403,534

At year-end, the County's commitments with contractors are as follows:

Project	Contract Amount	Spent to Date	Remaining Commitment
SR20 / Hwy 525 Improvement	\$ 1,554,000	\$ 65,961	\$ 1,488,039
Clinton P&R SR 525 Sidewalk Improvement	1,435,500	282,355	1,153,145
Clinton to Ken's Corner	547,096	101,204	445,892
North Bluff Rd Culvert - Fish Passage Enhancement	145,305	47,372	97,933
East Camano Fish Passage #1300	121,534	107,747	13,787
1st Street Campus	247,835	130,868	116,967
Access Control/Panic Alarm System:			
Annex Building	250,782	249,508	1,274
Administration Building	253,562	-	253,562
Law & Justice Building	120,931	-	120,931
Community Mental Health Building	104,607	-	104,607
Jail Security Electronics Upgrade	685,676	-	685,676
Total	\$ 5,466,828	\$ 985,015	\$ 4,481,812

B. Other Commitments

The County has the following other commitments in work in progress as of December 31, 2021:

Project	Amount in CIP
Electronic Content Management	\$ 94,887
Two tractors with mowers	161,982
Total	\$ 256,869

NOTE 12 - LEASES

A. Operating Leases

The County leases two office buildings under noncancelable operating leases. Both leases expire on December 31, 2022. Total cost for such leases was \$83,707 for the year ended December 31, 2021. The future minimum lease payments for these leases are as follows:

Year Ending December 31	Amount
2022	\$ 85,833
Total	\$ 85,833

NOTE 13 – LONG-TERM DEBT

Long-Term Debt

The County issues general obligation to finance the purchase of equipment and the acquisition or construction of capital projects. 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 general government activities and are being repaid from the applicable resources.

The 2010 General Obligation Bonds are secured by the full faith and credit of Island County. The bonds are funded by real estate excise taxes and general ad valorem taxes. However, in the unlikely event that such revenues are insufficient, the general fund will provide funding for any or all debt service relating to those issues.

On August 12, 2014, the 2014B Certificates of Participation (COP) were financed through the State of Washington Treasurer - Local Option Capital Asset Lending (LOCAL) program, in the amount of \$416,404, for the Heating, Ventilation, and Air Conditioning (HVAC) efficiency upgrades on various County facilities. The COP's are considered obligations of the general government and are being repaid with general government revenue.

On October 15, 2019, the 2019D Certificates of Participation (COP) were financed through the State of Washington Treasurer - Local Option Capital Asset Lending (LOCAL) program, in the amount of \$5,480,000, for the construction of the Camano Island Administration Building. The COP's are considered obligations of the general government and are being repaid with Real Estate Excise Tax.

General obligation bonds and Certificates of Participation currently outstanding are as follows:

Issue Title	Purpose	Original Amount	Interest Rate	Amount of Installment
2010 Limited G.O. Bonds	Advance refunding 2001 LTGO Bond Issue used for Courthouse Expansion and Juvenile Detention Facility	\$ 5,320,000	Coupon rate of 3.0% to 4.0%	\$ 808,800
2014B Certificates of Participation	Energy and HVAC Efficiency Upgrades on various County Facilities	\$ 416,404	2.12526%	\$ 52,906
2019D Certificates of Participation	Construction of Camano Island Administration Building	\$ 5,480,000	1.45339%	\$ 1,302,750
			Total	\$ 2,164,455

The General Obligation Bond principal payments are due annually on December 1, and interest is due on June 1, and December 1. The Certificates of Participation principal payments are due annually on June 1, and interest is due on June 1 and December 1. The annual debt service requirements to maturity for General Obligation Bonds and Certificates of Participation are as follows:

Year Ending December 31	Governmental Activities	
	Principal	Interest
2022	\$ 1,916,703	\$ 247,753
2023	2,009,098	157,558
2024	2,071,615	63,040
2025	-	-
2026	-	-
2027	-	-
Total	\$ 5,997,416	\$ 468,352

Revolving Fund and Other Loans

Island County has one State loan through the Washington State Department of Ecology (State Water Quality Assistance Loan L1100002). This loan is related to the Washington State On-Site Repair Financial Assistance Program. The loan is payable beginning one year after the completion date and payable semi-annually for five years.

The State Water Quality Assistance Loan is listed below:

Project Completion Date	Original Amount	Loan Increase	Interest Rate	Balance December 31, 2021
06/30/16	\$ 486,695	\$ 0	1.4%	\$ 0
Total				\$ 0

The State Water Quality Assistance Loan was paid in full in 2021.

NOTE 14 - CLOSURE AND POSTCLOSURE CARE COST

In 1992, the Island County Sanitary Landfill Closure and Post-closure Plan was adopted to satisfy the requirements of WAC 173-304, the Washington State Minimum Functional Standards for Solid Waste Handling. The objective of post-closure monitoring and maintenance activities is to ensure the long-term integrity of the closed landfill and its associated environmental control systems. WAC 173-304-407(7) outlines post-closure plan requirements and defines post-closure “as the requirements placed on disposal sites after closure to ensure their environmental safety for at least a 20-year period or until the site becomes stabilized (i.e., little or no settlement, gas production or leachate generation).” In 1993, the Coupeville landfill stopped accepting solid waste and was capped. Groundwater and related air/gas environmental monitoring and system maintenance for the landfill gas system flare are funded through tipping fees and included in facility operation costs. Regulations require the County to annually review post-closure cost estimates, including inflation factors. In the event there are insufficient funds in the post-closure reserve account, Island County shall pay any and all shortfalls.

Per the new Financial Assurance Plan conducted in 2019 by SCS Engineers, as of December 31, 2021, the estimated future liability for closure and post-closure maintenance and monitoring equipment was \$1,839,890. Based on the functional stability criteria (little or no settlement, landfill gas production/emissions, and impacts to groundwater), a period of 20 years from the current year was selected for this updated cost estimate. During the additional post-closure period, it is anticipated that the landfill is expected to reach a stabilized condition and would be a candidate site for potential off-ramping from WAC 173-304. The future liability amount is an estimate and subject to changes resulting from inflation, deflation, technology, or changes in applicable laws or regulations.

In 2021, the closure and post-closure maintenance and monitoring costs are reported to be \$106,282 for expenses incurred. As required by Federal, State and local regulations, cash in the amount of \$1,839,890 has been restricted.

It is anticipated that the next re-examination of the Financial Assurance Plan will occur no later than the end of 2024.

NOTE 15 – CHANGES IN LONG-TERM LIABILITIES

A. During the year ended December 31, 2021, the following changes occurred in long-term liabilities:

	Beginning Balance 01/01/2021	Additions	Reductions	Ending Balance 12/31/2021	Due Within One Year
Governmental Activities:					
General Obligation Bonds	\$ 2,895,000	\$ -	\$ (675,000)	\$ 2,220,000	\$ 720,000
Certificates of Participation	4,916,840	-	(1,139,424)	3,777,416	1,196,703
Unamortized Premiums/Discounts	500,618	-	(144,919)	355,699	-
State Water Quality Assistance	55,535	-	(55,535)	-	-
Compensated Absences	3,826,475	5,420,130	(5,261,447)	3,985,158	491,057
Net Pension Liability	7,634,258	-	(5,918,046)	1,716,212	-
Total OPEB Liability	4,282,506	-	(528,134)	3,754,372	83,138
Total Governmental Activity Long-Term Liabilities:	\$ 24,111,231	\$ 5,420,130	\$ (13,722,505)	\$ 15,808,856	\$ 2,490,898
Business-Type Activities:					
Landfill Postclosure Liability	\$ 2,048,312	\$ -	\$ (208,422)	\$ 1,839,890	\$ 212,974
Compensated Absences	171,495	190,325	(180,007)	181,813	8,556
Net Pension Liability	453,404	-	(358,330)	95,073	-
Total Business-Type Activity Long-Term Liabilities:	\$ 2,673,210	\$ 190,325	\$ (746,759)	\$ 2,116,776	\$ 221,530

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year end \$59,470 of internal service funds compensated absences are included in the above amounts. Also, for the governmental activities, compensated absences are generally liquidated by the general fund.

NOTE 16 – RESTRICTED COMPONENT OF NET POSITION

The government-wide statement of net position reports \$53,745,908 of restricted component of net position, all of which is restricted by enabling legislation.

NOTE 17 - INTERFUND BALANCES AND TRANSFERS

A. Interfund Balances

Interfund balances at December 31, 2021 were as follows:

	Due From										Grand Total
	General Fund	County Road Fund	REET 1 Capital Improvements Fund	REET 2 Capital Facilities Fund	Homeless Housing	ARPA Fund	Nonmajor Governmental Funds	Solid Waste	Internal Service Funds	Internal Service Funds	
General Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
County Road Fund	-	-	-	-	-	-	-	-	-	-	-
REET 1 Capital Improvements Fund	-	-	-	-	-	-	-	-	-	-	-
REET 2 Capital Facilities Fund	-	-	-	-	-	-	-	-	-	-	-
Homeless Housing	-	-	-	-	-	-	-	-	-	-	-
ARPA Fund	-	-	-	-	-	-	-	-	-	-	-
Nonmajor Governmental Funds	-	165,604	-	20,000	-	-	-	-	-	-	185,604
Solid Waste	-	-	-	-	-	-	-	-	-	-	-
Internal Service Funds	-	-	-	-	-	-	-	-	-	-	-
Total	\$ -	\$ 165,604	\$ -	\$ 20,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 185,604

In 2017, the County Road Fund loaned \$1,500,000 to the Solid Waste Fund to finance the upgrade of Island County's Septage Treatment Plant. Solid Waste paid off this loan in full in 2021.

In 2017 and 2018, the REET 2 Fund loaned the Marshall Storm and Surface Water Utility Fund \$20,000 and \$5,000, respectively, to provide sufficient monies required for repair and maintenance of the storm and surface water system.

In 2020, the County Road Fund loaned \$207,000 to the Island Regional Transportation Organization (IRTO) to cover timing related cash flow issues. The County resolved these timing issues and expects the loan to be paid in full in 2022.

B. Interfund Transfers

Interfund transfers at December 31, 2021 were as follows:

	Transfers In										Grand Total
	General Fund	County Road Fund	REET 1 Capital Improvements Fund	REET 2 Capital Facilities Fund	Homeless Housing	ARPA Fund	Nonmajor Governmental Funds	Solid Waste	Internal Service Funds		
Transfers Out	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,950,151	\$ -	\$ 335,000	\$ -	\$ 2,285,151
County Road Fund	940,000	-	-	-	-	-	151,277	-	-	-	1,091,277
REET 1 Capital Improvements Fund	85,000	-	-	-	-	-	344,000	-	-	-	429,000
REET 2 Capital Facilities Fund	264,000	-	-	-	-	-	-	-	-	-	264,000
Homeless Housing	-	-	-	-	-	-	-	-	-	-	-
ARPA Fund	-	-	-	-	-	-	-	-	-	-	-
Nonmajor Governmental Funds	22,000	-	-	-	-	-	-	-	-	-	22,000
Solid Waste	-	-	-	-	-	-	-	-	-	-	-
Internal Service Funds	-	-	-	-	-	-	-	-	-	-	-
Total	\$ 1,311,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,445,428	\$ -	\$ 335,000	\$ -	\$ 4,091,428

The following are significant interfund transfers the County made for 2021:

- General budget transfers to the General Fund include \$85,000 from the REET 1 Fund for Facilities Management costs, \$264,000 from the REET 2 Fund for Parks Administration costs, and \$940,000 from the County Road Fund.
- General budget transfers to Non-Major Governmental Funds from the General Fund include \$930,169 to Public Health, \$127,950 to Human Services, \$93,985 to the CASA Fund, \$363,680 to Planning, and \$216,769 to Extension Services.
- General budget transfer from the County Road Fund to Public Works Administration Fund (Non-Major Governmental Fund) of \$151,277.
- Capital improvement transfers:
 - \$335,000 to Motor Pool (Internal Service Fund) from the General Fund for the purchase of vehicles for the Sheriff's Office.
 - \$205,098 to the Construction Acquisition Fund (Non-Major Governmental Fund) from the General Fund to purchase furniture for the Camano Administration Building.
 - \$344,000 to the Construction Acquisition Fund (Non-Major Governmental Fund) from REET 1 for the construction of the Camano Administration Building.

NOTE 18 - RISK MANAGEMENT

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

An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The Pool was formed in August of 1988 when 15 counties in the state of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 31, 2021, 24 counties participate in the WCRP.

The Pool allows members to jointly establish a plan of self-insurance, and provides related services, such as risk management, education, and claims administration. The Pool's liability program provides coverage for general liability, public officials liability, police professional liability, employment practices liability, and automobile liability. WCRP provides liability limits of \$20,000,000 and currently retains \$2,000,000 million per occurrence. County deductibles range from \$10,000 to \$500,000. Reinsurance is purchased in several layers up to the policy limits of \$10,000,000. Members may purchase an optional \$5,000,000 excess of \$20,000,000 layer of coverage. Allocated Loss Adjustment Expense (ALAE) is combined with losses for purposes of the Pool retention, excess insurance, and deductibles. For losses occurring in 2021, Island County selected a per-occurrence deductible of \$100,000.

Members make an annual contribution to fund the Pool. The Pool acquires excess and reinsurance for further protection from larger losses. For the first \$10,000,000 of coverage, the Pool acquires reinsurance. The reinsurance agreements are written with Self-Insured Retentions ("SIRs") equal to the amount of the layer of coverage below. For 2020-21, the Pool's SIR was \$2,000,000. For certain years prior to 2019, reinsurance programs have included "corridor deductibles" with aggregated stop losses which have the effect of increasing the Pool's SIR. For 2018-19, the "corridor" increased the SIR to \$2,000,000, with losses between \$1,000,000 and \$2,000,000 having an annual aggregated stop loss of \$2,500,000. The other reinsurance agreements respond up to the applicable policy limits and the agreements contain aggregate limits for the maximum annual reimbursements to the Pool of \$30,000,000 (lowest reinsured layer), \$50 million, (second layer). The Pool purchases excess coverage for the additional \$10,000,000 with an aggregate limit of \$100,000,000. Since the Pool is a cooperative program, there is a joint liability among the participating members. Sixteen of the Pool's 24 member counties group purchase an additional \$5,000,000 policy in excess of the pooled \$20,000,000.

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

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

During 2020-21, Island County was also one of twenty-six (26) counties which participated in the Washington Counties Property Program (WCPP). Two members withdrew from the WCRP during the 2020-21 Fiscal Year. Property losses are covered under the WCPP to the participating counties' buildings and contents, vehicles, mobile/contractor equipment, EDP and communication equipment, etc. that have been scheduled. The WCPP includes 'All Other Perils ("AOP")' coverage limits of \$500 million per occurrence as well as Flood and Earthquake (catastrophe) coverages with separate occurrence limits, each being \$200 million. There are no AOP annual aggregate limits, but the flood and earthquake coverages include annual aggregate limits of \$200 million each. Each participating county is solely responsible for paying their selected deductible, ranging between \$5,000 and \$50,000. Higher deductibles apply to losses resulting from catastrophe-type losses.

Island County also participates in the jointly purchased cyber risk and security coverage from a highly rated commercial insurer. This group-purchased cyber coverage provides limits of \$2,000,000 per claim and \$10,000,000 in the aggregate. For 2021, the Pool's SIR for cyber claims was \$100,000 from January 1 through September 30 and was \$250,000 from October 1 through December 31, with Island County having no deductible.

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

An 11-member executive committee is elected by and from the WCRP Board for staggered, 3-year terms. Authority has been delegated to the Committee by the Board of Directors to, a) approve all disbursements and review the Pool's financial health, b) approve case settlements exceeding the applicable member's deductible by at least \$100,000, c). to authorize by two-thirds majority vote commencement of lawsuits in the name of the Pool.

During 2020-21, the WCRP's assets decreased to \$53,351,913 while its liabilities also decreased to \$27,509,338. The Pool's net position ended at \$26,624,589. The Pool more than satisfies the State Risk Manager's solvency requirements (WAC 200.100.03001). The Pool is a cooperative program with joint liability amongst its participating members.

Deficits of the Pool resulting from any fiscal year are financed by reassessments of the deficient year's membership in proportion with the initially levied and collected deposit assessments. The Pool's reassessments receivable balance as of December 31, 2021 was zero (\$0). As such, there were no known contingent liabilities at that time for disclosure by the member counties.

NOTE 19 - 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 has adequate insurance and reserves to pay all known or pending claims.

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

Island County has a number of closed landfill sites, which may possibly have a potential risk of environmental liability. Two closed landfills, Hastie Lake and Cultus Bay, were subject to investigation during 2000. Both sites were determined to be pollution free.

NOTE 20 – JOINT VENTURES

On September 28, 2016, Island County entered into an interlocal agreement with the City of Oak Harbor, City of Langley, Town of Coupeville, Island County Public Transportation Benefit Area (Island Transit), Ports of Coupeville and South Whidbey, and the Washington State Department of Transportation to form the Island Regional Transportation Planning Organization (IRTPO) and define its jurisdiction area and other duties. The purpose of the IRTPO is to coordinate transportation planning among regional jurisdictions and develop a regional transportation plan aimed at solving transportation issues of mutual interest and concern.

The IRTPO is governed by 10 voting members representing the three county commissioners (3 votes); the cities and towns are represented by the mayor of each jurisdiction (1 vote per mayor); each port commission are represented by one port commissioner (1 vote per commissioner); and Island Transit is represented by 1 vote.

Island County has been designated Lead Agency and Fiscal Agent of the IRTPO. The activities of the IRTPO are funded by reimbursement grants; therefore, there should be no assets to share between members. As lead fiscal agent, Island County provides for the cash flow needs of the IRTPO (due from timing of grant revenue received) through a loan from the Road Fund to the IRTPO Fund.

The IRTPO had the following balances as of December 31, 2021:

- Assets: \$164,403 in cash, \$21,351 in accrued grant revenue.
- Liabilities: \$165,604 due to Island County for the loan to cover the IRTPO's 2020 cash shortage, \$21,351 in accrued expenses.
- Deferred Inflows: \$21,351 in deferred grant revenue.
- Revenues: \$151,002 in grant revenue.
- Expenses: \$173,550 in related expenses.

Complete audited financial statements for the IRTPO can be obtained from the Island County Public Works offices at Administration Building on NE 6th Street, Coupeville, WA 98239-5000.

NOTE 21 – ASSET RETIREMENT OBLIGATIONS (ARO)

The County has one underground fuel storage tank. Under state law, the County is required to decommission the tank. The ARO for the tank is not yet recognized because the government does not currently plan to retire the asset, but instead maintain the tank indefinitely (and is therefore not depreciating the asset).

The County also has a number of wells used for monitoring ground water. The AROs for the wells is not yet recognized because they are not reasonably estimable and are considered immaterial due to the small size of the wells. Island County is continuing work on identifying these wells to obtain an estimate in the future.

NOTE 22 – SUBSEQUENT EVENTS

The contract for the Sheriff's Guild, covering Corrections deputies, expired 12/31/2016 and has been in negotiations through March 2022. The agreement resulted in retroactive wage payments of \$640k to be paid from the General Fund in April 2022.

In October 2021, the County began working with the Low-Income Housing Institute to purchase the Harbor Inn Property located in Freeland, WA. In 2021, the County committed \$70,000 to the project and a letter of support for the Institute to apply for funds from the Washington State Housing Trust Fund. In July 2022, the County entered into a contract with the Low-Income Housing Institute to provide matching funds of \$1.5 million for the purchase of the property to be used as supportive and bridge housing. The purchase was settled in July 2022.

REQUIRED SUPPLEMENTARY INFORMATION (RSI)

Budgetary Comparison Schedules

ISLAND COUNTY, WA
Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance from Final Budget</u>
REVENUES				
Taxes	\$ 18,465,000	\$ 18,465,000	\$ 20,822,766	\$ 2,357,766
Licenses and Permits	701,200	719,200	956,892	237,692
Intergovernmental Revenue	2,593,637	2,593,637	5,261,987	2,668,350
Charges for Services	2,682,896	2,682,896	3,095,561	412,665
Fines and Forfeits	646,200	646,200	671,252	25,052
Interest and Investment Earnings	987,500	987,500	1,102,965	115,465
Miscellaneous	158,880	158,880	268,261	109,381
Total Revenues	26,235,313	26,253,313	32,179,683	5,926,370
EXPENDITURES				
Current:				
General Government	15,073,517	15,073,517	12,674,872	(2,398,645)
Public Safety	11,287,186	11,305,186	12,154,410	849,224
Social Services	555,613	555,613	599,370	43,757
Natural and Economic Environment	243,287	243,287	230,618	(12,669)
Culture and Recreation	742,127	742,127	751,044	8,917
Debt Service:				
Principal	38,000	38,000	44,424	6,424
Interest	18,000	18,000	11,429	(6,571)
Capital Outlay	194,503	194,503	288,292	93,789
Total Expenditures	28,152,233	28,170,233	26,754,459	(1,415,774)
Excess (Deficiency) of Revenues Over Expenditures	(1,916,920)	(1,916,920)	5,425,224	7,342,144
OTHER FINANCING SOURCES (USES)				
Insurance Recovery	-	-	10,000	10,000
Transfers-In	1,346,000	1,346,000	1,311,000	(35,000)
Transfers-Out	(2,080,053)	(2,080,053)	(2,285,151)	(205,098)
Total Other Financing Sources and (Uses)	(734,053)	(734,053)	(964,151)	(230,098)
Net Change in Fund Balances	(2,650,973)	(2,650,973)	4,461,073	7,112,046
Fund Balances - Beginning	13,298,168	13,298,168	13,298,168	-
Prior Period Adjustment	-	-	798,080	798,080
Fund Balances - Ending	\$ 10,647,195	\$ 10,647,195	\$ 18,557,321	\$ 7,910,126

ISLAND COUNTY, WA
Budgetary Comparison Schedule
County Road Fund
For the Year Ended December 31, 2021

	Original Budget	Final Budget	Actual Amounts	Variance from Final Budget
REVENUES				
Taxes	\$ 9,059,200	\$ 9,059,200	\$ 9,370,933	\$ 311,733
Licenses and Permits	137,850	137,850	141,147	3,297
Intergovernmental Revenue	9,418,574	9,418,574	8,405,644	(1,012,930)
Charges for Services	2,645,200	2,645,200	1,503,291	(1,141,909)
Fines and Forfeits	400	400	759	359
Interest and Investment Earnings	-	-	1,280	1,280
Miscellaneous	302,000	302,000	642	(301,358)
Total Revenues	21,563,224	21,563,224	19,423,697	(2,139,527)
EXPENDITURES				
Current:				
Transportation	21,572,672	21,572,672	14,160,522	(7,412,150)
Natural and Economic Environment	2,464	2,464	565	(1,899)
Capital Outlay	684,930	684,930	1,806,043	1,121,113
Total Expenditures	22,260,066	22,260,066	15,967,130	(6,292,936)
Excess (Deficiency) of Revenues Over Expenditures	(696,842)	(696,842)	3,456,567	4,153,409
OTHER FINANCING SOURCES (USES)				
Disposition of Capital Assets	2,000	2,000	1,923	(77)
Transfers-Out	(1,116,277)	(1,116,277)	(1,091,277)	25,000
Total Other Financing Sources and (Uses)	(1,114,277)	(1,114,277)	(1,089,354)	24,923
Net Change in Fund Balances	(1,811,119)	(1,811,119)	2,367,212	4,178,331
Fund Balances - Beginning	13,273,389	13,273,389	13,273,389	-
Prior Period Adjustment	-	-	(10,657)	(10,657)
Fund Balances - Ending	\$ 11,462,270	\$ 11,462,270	\$ 15,629,944	\$ 4,167,674

ISLAND COUNTY, WA
Budgetary Comparison Schedule
REET 1 Capital Improvements Fund
For the Year Ended December 31, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance from Final Budget</u>
REVENUES				
Taxes	\$ 1,700,000	\$ 1,900,000	\$ 3,236,508	\$ 1,336,508
Fines and Forfeits	-	-	80	80
Total Revenues	<u>1,700,000</u>	<u>1,900,000</u>	<u>3,236,589</u>	<u>1,336,589</u>
EXPENDITURES				
Current:				
General Government	630,000	630,000	274,656	(355,344)
Debt Service:				
Principal	1,220,000	1,220,000	1,095,000	(125,000)
Interest	208,875	208,875	208,875	-
Capital Outlay	-	-	325,409	325,409
Total Expenditures	<u>2,058,875</u>	<u>2,058,875</u>	<u>1,903,941</u>	<u>(154,934)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(358,875)</u>	<u>(158,875)</u>	<u>1,332,648</u>	<u>1,491,523</u>
OTHER FINANCING SOURCES (USES)				
Proceeds of Long Term Debt	-	-	66,241	66,241
Transfers-Out	(85,000)	(285,000)	(429,000)	(144,000)
Total Other Financing Sources and (Uses)	<u>(85,000)</u>	<u>(285,000)</u>	<u>(362,759)</u>	<u>(77,759)</u>
Net Change in Fund Balances	<u>(443,875)</u>	<u>(443,875)</u>	<u>969,889</u>	<u>1,413,764</u>
Fund Balances - Beginning	7,757,241	7,757,241	7,757,241	-
Fund Balances - Ending	<u>\$ 7,313,366</u>	<u>\$ 7,313,366</u>	<u>\$ 8,727,130</u>	<u>\$ 1,413,764</u>

ISLAND COUNTY, WA
Budgetary Comparison Schedule
REET 2 Capital Facilities Fund
For the Year Ended December 31, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance from Final Budget</u>
REVENUES				
Taxes	\$ 1,700,000	\$ 1,700,000	\$ 3,236,508	\$ 1,536,508
Fines and Forfeits	-	-	80	80
Interest and Investment Earnings	-	-	20	20
Total Revenues	<u>1,700,000</u>	<u>1,700,000</u>	<u>3,236,609</u>	<u>1,536,609</u>
EXPENDITURES				
Current:				
General Government	50,000	50,000	6,567	(43,433)
Transportation	46,000	46,000	46,000	-
Culture and Recreation	125,000	125,000	52,904	(72,096)
Debt Service:				
Principal	720,000	720,000	675,000	(45,000)
Interest	-	-	116,100	116,100
Capital Outlay	80,000	80,000	-	(80,000)
Total Expenditures	<u>1,021,000</u>	<u>1,021,000</u>	<u>896,571</u>	<u>(124,429)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>679,000</u>	<u>679,000</u>	<u>2,340,038</u>	<u>1,661,038</u>
OTHER FINANCING SOURCES (USES)				
Transfers-Out	(264,000)	(264,000)	(264,000)	-
Total Other Financing Sources and (Uses)	<u>(264,000)</u>	<u>(264,000)</u>	<u>(264,000)</u>	<u>-</u>
Net Change in Fund Balances	<u>415,000</u>	<u>415,000</u>	<u>2,076,038</u>	<u>1,661,038</u>
Fund Balances - Beginning	8,076,003	8,076,003	8,076,003	-
Fund Balances - Ending	<u>\$ 8,491,003</u>	<u>\$ 8,491,003</u>	<u>\$ 10,152,041</u>	<u>\$ 1,661,038</u>

ISLAND COUNTY, WA
Budgetary Comparison Schedule
Homeless Housing
For the Year Ended December 31, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance from Final Budget</u>
REVENUES				
Intergovernmental Revenue	\$ 301,763	\$ 7,501,763	\$ 7,942,348	\$ 440,585
Charges for Services	910,000	910,000	1,118,155	208,155
Total Revenues	<u>1,211,763</u>	<u>8,411,763</u>	<u>9,060,503</u>	<u>648,740</u>
EXPENDITURES				
Current:				
Social Services	1,274,430	8,474,430	8,529,592	55,162
Total Expenditures	<u>1,274,430</u>	<u>8,474,430</u>	<u>8,529,592</u>	<u>55,162</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(62,667)</u>	<u>(62,667)</u>	<u>530,911</u>	<u>593,578</u>
OTHER FINANCING SOURCES (USES)				
Net Change in Fund Balances	<u>(62,667)</u>	<u>(62,667)</u>	<u>530,911</u>	<u>593,578</u>
Fund Balances - Beginning	1,092,849	1,092,849	1,092,849	-
Fund Balances - Ending	<u>\$ 1,030,182</u>	<u>\$ 1,030,182</u>	<u>\$ 1,623,760</u>	<u>\$ 593,578</u>

ISLAND COUNTY, WA
Budgetary Comparison Schedule
ARPA Fund
For the Year Ended December 31, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance from Final Budget</u>
REVENUES				
Intergovernmental Revenue	\$ -	\$ 8,268,821	\$ 1,367,782	\$ (6,901,039)
Total Revenues	-	8,268,821	1,367,782	(6,901,039)
EXPENDITURES				
Current:				
General Government	-	1,369,000	1,367,782	(1,218)
Total Expenditures	-	1,369,000	1,367,782	(1,218)
Excess (Deficiency) of Revenues Over Expenditures	-	6,899,821	(0)	(6,899,821)
OTHER FINANCING SOURCES (USES)				
Net Change in Fund Balances	-	6,899,821	(0)	(6,899,821)
Fund Balances - Ending	\$ -	\$ 6,899,821	\$ (0)	\$ (6,899,821)

Notes to Budgetary Comparison Schedules:

Annual appropriated budgets are adopted on the modified accrual basis of accounting at the Fund level, except in the General Fund, where the level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is at the Department level.

The amounts included on the Budgetary Comparison Schedule for the General Fund includes the General Fund and all the additional managerial funds as presented in the financial statements.

Pension Plans - Washington State Department of Retirement Systems – PERS, PSERS and LEOFF

Schedule of County's Proportionate Share of the Net Pension Liability

As of June 30

	Last 10 Fiscal Years*						
	2021	2020	2019	2018	2017	2016	2015
PERS 1							
Employer's proportion of the net pension liability (asset)	0.14832%	0.15941%	0.15821%	0.16170%	0.16175%	0.16406%	0.15546%
Employer's proportionate share of the net pension liability	1,811,285	5,627,857	6,083,813	7,221,488	7,675,164	8,810,902	8,131,742
Total	1,811,285	5,627,857	6,083,813	7,221,488	7,675,164	8,810,902	8,131,742
Employer's covered employee payroll	22,770,957	24,168,241	22,105,714	22,512,949	20,112,268	18,922,678	17,552,804
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	7.95%	23.29%	27.52%	32.08%	38.16%	46.56%	46.33%
Plan fiduciary net position as a percentage of the total pension liability	88.74%	68.64%	67.12%	63.22%	61.24%	57.03%	59.10%
PERS 2/3							
Employer's proportion of the net pension liability (asset)	0.17710%	0.19233%	0.18743%	0.18760%	0.18814%	0.19445%	0.18481%
Employer's proportionate share of the net pension liability	(17,641,910)	2,459,804	1,820,544	3,203,103	6,537,000	9,790,202	6,603,367
Total	(17,641,910)	2,459,804	1,820,544	3,203,103	6,537,000	9,790,202	6,603,367
Employer's covered employee payroll	21,163,007	22,435,640	20,377,058	20,662,302	18,445,352	17,716,897	16,491,825
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	-83.36%	10.96%	8.93%	15.50%	35.44%	55.26%	40.04%
Plan fiduciary net position as a percentage of the total pension liability	120.29%	97.22%	97.77%	95.77%	90.97%	85.82%	89.20%

Schedule of County's Proportionate Share of the Net Pension Liability

As of June 30

Last 10 Fiscal Years*

	2021	2020	2019	2018	2017	2016	2015
PSERS							
Employer's proportion of the net pension liability (asset)	0.23720%	0.28216%	0.35908%	0.39471%	0.40909%	0.30953%	0.26934%
Employer's proportionate share of the net pension liability	(544,950)	(38,825)	(46,695)	4,891	80,152	131,543	49,159
Total	(544,950)	(38,825)	(46,695)	4,891	80,152	131,543	49,159
Employer's covered employee payroll	1,607,950	1,732,601	1,655,473	1,639,357	1,448,402	993,610	790,037
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	-33.89%	-2.24%	-2.82%	0.30%	5.53%	13.24%	6.22%
Plan fiduciary net position as a percentage of the total pension liability	123.67%	101.68%	101.85%	99.79%	96.26%	90.41%	95.08%
LEOFF 1							
Employer's proportion of the net pension liability (asset)	0.01611%	0.01572%	0.01539%	0.01515%	0.01505%	0.01506%	0.01534%
Employer's proportionate share of the net pension liability	(551,927)	(296,930)	(304,121)	(274,976)	(228,311)	(155,182)	(184,833)
State's proportionate share of the net pension liability (asset) associated with the employer	(3,733,217)	(2,008,429)	(2,057,069)	(1,859,930)	(1,544,292)	(1,049,645)	(1,250,204)
Total	(4,285,144)	(2,305,359)	(2,361,190)	(2,134,906)	(1,772,603)	(1,204,827)	(1,435,037)
Employer's covered employee payroll	-	-	-	-	-	-	-
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	187.45%	146.88%	148.78%	144.42%	135.96%	123.74%	127.36%
LEOFF 2							
Employer's proportion of the net pension liability (asset)	0.10338%	0.10513%	0.10327%	0.10711%	0.11227%	0.16871%	0.26934%
Employer's proportionate share of the net pension liability	(6,004,564)	(2,144,499)	(2,392,542)	(2,174,607)	(1,557,999)	(679,757)	(1,272,488)
State's proportionate share of the net pension liability (asset) associated with the employer	(3,873,599)	(1,371,244)	(1,566,794)	(1,408,017)	(1,010,645)	(443,152)	(841,370)
Total	(9,878,163)	(3,515,743)	(3,959,336)	(3,582,624)	(2,568,644)	(1,122,909)	(2,113,858)
Employer's covered employee payroll	4,011,402	3,987,206	3,626,651	3,753,980	3,511,955	3,285,672	3,746,779
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	-149.69%	-53.78%	-65.97%	-57.93%	-44.36%	-20.69%	-33.96%
Plan fiduciary net position as a percentage of the total pension liability	142.00%	115.83%	119.43%	118.50%	113.36%	106.04%	111.67%

Schedule of Employer Contributions

For the Year Ended December 31

Last 10 Fiscal Years*

	2021	2020	2019	2018	2017	2016	2015
PERS 1							
Statutorily or contractually required contributions	1,019,912	1,162,363	1,125,880	1,196,011	1,033,531	946,650	806,380
Contributions in relation to the statutorily or contractually required contributions	1,019,912	1,162,363	1,125,880	1,196,011	1,033,531	946,650	806,380
Contribution deficiency (excess)	-	-	-	-	-	-	-
Covered employer payroll	23,714,409	24,241,034	23,539,333	21,701,435	20,777,369	19,566,713	18,173,917
Contributions as a percentage of covered employee payroll	4.30%	4.80%	4.78%	5.51%	4.97%	4.84%	4.44%
PERS 2/3							
Statutorily or contractually required contributions	1,577,796	1,786,086	1,631,563	1,609,552	1,307,985	1,126,350	959,893
Contributions in relation to the statutorily or contractually required contributions	1,577,796	1,786,086	1,631,563	1,609,552	1,307,985	1,126,350	959,893
Contribution deficiency (excess)	-	-	-	-	-	-	-
Covered employer payroll	22,054,992	22,534,979	21,821,500	19,911,165	19,051,132	18,077,580	17,096,126
Contributions as a percentage of covered employee payroll	7.15%	7.93%	7.48%	7.50%	6.87%	6.23%	5.61%
PSERS							
Statutorily or contractually required contributions	113,716	122,836	122,790	120,772	100,309	83,811	54,270
Contributions in relation to the statutorily or contractually required contributions	113,716	122,836	122,790	120,772	100,309	83,811	54,270
Contribution deficiency (excess)	-	-	-	-	-	-	-
Covered employer payroll	1,659,417	1,706,054	1,711,851	1,635,212	1,504,922	1,271,789	837,324
Contributions as a percentage of covered employee payroll	6.85%	7.20%	7.17%	6.85%	6.67%	6.59%	6.48%

Schedule of Employer Contributions
For the Year Ended December 31

	Last 10 Fiscal Years*						
	2021	2020	2019	2018	2017	2016	2015
LEOFF 1							
Statutorily or contractually required contributions	-	-	-	-	-	-	-
Contributions in relation to the statutorily or contractually required contributions	-	-	-	-	-	-	-
Contribution deficiency (excess)	-	-	-	-	-	-	-
Covered employer payroll	-	-	-	-	-	-	-
Contributions as a percentage of covered employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
LEOFF 2							
Statutorily or contractually required contributions	208,546	208,983	195,777	205,759	180,304	169,568	169,598
Contributions in relation to the statutorily or contractually required contributions	208,546	208,983	195,777	205,759	180,304	169,568	169,598
Contribution deficiency (excess)	-	-	-	-	-	-	-
Covered employer payroll	4,060,649	4,067,599	3,850,847	3,645,452	3,500,750	3,357,465	3,358,307
Contributions as a percentage of covered employee payroll	5.14%	5.14%	5.08%	5.64%	5.15%	5.05%	5.05%

Notes to Pension Plan Information:

* Until a full 10-year trend is compiled, only those years for which information is available is presented.
See Note 9 – Pension Plans for more information.

Other Post Employment Benefit Plans (OPEB)

Schedule of Changes in Total OPEB Liability
For the Year Ended December 31
Last 10 Fiscal Years*

LEOFF 1 - OPEB Plan	2021	2020	2019	2018
Total OPEB liability - beginning	\$ 4,282,506	\$ 4,502,671	\$ 4,002,652	\$ 4,167,989
Service cost	-	-	-	-
Interest	91,641	152,752	151,752	145,546
Changes in benefit terms	-	-	-	-
Differences between expected and actual experience	-	-	-	-
Changes of assumptions	(346,577)	(93,886)	512,629	(104,125)
Benefit payments	(273,198)	(279,031)	(164,362)	(206,758)
Other changes	-	-	-	-
Total OPEB liability - ending	\$ 3,754,372	\$ 4,282,506	\$ 4,502,671	\$ 4,002,652
Covered-employee payroll	-	-	-	-
Total OPEB liability as a % of covered payroll	0.0%	0.0%	0.0%	0.0%

Notes to Other Post Employment Benefit Plans (OPEB):

The actuarial method used in the Schedule of Changes in Total OPEB Liability and Related Ratios is disclosed in the Notes to the Financial Statements (Note 10).

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

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

**Island County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2021**

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
Child Nutrition Cluster								
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via Superintendent of Public Instruction (SPI))	School Breakfast Program	10.553	RM-JUV-2016-286	231	-	231	-	
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via Superintendent of Public Instruction (SPI))	National School Lunch Program	10.555	RM-JUV-2016-286	470	-	470	-	
				Total Child Nutrition Cluster:		701	701	
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via Department of Health (DOH))	WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	CLH18246	3,167	-	3,167	-	
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via Department of Health (DOH))	WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	CLH18246	243,812	-	243,812	-	
				Total CFDA 10.557:		246,979	246,979	
NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION, COMMERCE, DEPARTMENT OF (via Northwest Straits Marine Conservation Foundation)	Pacific Coast Salmon Recovery Pacific Salmon Treaty Program	11.438	2020-16-ISLAND	1,657	-	1,657	-	

**Island County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2021**

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF (via Department of Commerce (COM))	COVID 19 - Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	20-62221C-113	166,219	-	166,219	148,710	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF (via Department of Commerce (COM))	COVID 19 - Emergency Solutions Grant Program	14.231	20-4613C-110	56,882	-	56,882	31,244	
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF (via Department of Commerce (COM))	Crime Victim Assistance	16.575	21-31101-513	25,049	-	25,049	-	
OFFICE ON VIOLENCE AGAINST WOMEN (OVW), JUSTICE, DEPARTMENT OF (via Department of Commerce (COM))	Violence Against Women Formula Grants	16.588	19-31103-069	2,510	-	2,510	-	
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF	Bulletproof Vest Partnership Program	16.607	OD04025006- 2019 Award	-	9,755	9,755	-	
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF	Bulletproof Vest Partnership Program	16.607	OD04025006- 2020 Award	-	632	632	-	
Total CFDA 16.607:				-	10,387	10,387	-	

Highway Planning and Construction Cluster

The accompanying notes are an integral part of this schedule.

**Island County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2021**

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA Department of Transportation (DOT))	Highway Planning and Construction	20.205	LA-8436	5,095	-	5,095	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA Department of Transportation (DOT))	Highway Planning and Construction	20.205	GCB-3512	15,363	-	15,363	15,363	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA Department of Transportation (DOT))	Highway Planning and Construction	20.205	LA-8644	8,229	-	8,229	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA Department of Transportation (DOT))	Highway Planning and Construction	20.205	LA-9313	21,010	-	21,010	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA Department of Transportation (DOT))	Highway Planning and Construction	20.205	LA-9314	32,845	-	32,845	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA Department of Transportation (DOT))	Highway Planning and Construction	20.205	LA-9692	37,696	-	37,696	-	

The accompanying notes are an integral part of this schedule.

**Island County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2021**

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA Department of Transportation (DOT))	Highway Planning and Construction	20.205	LA-9746	29,569	-	29,569	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA Department of Transportation (DOT))	Highway Planning and Construction	20.205	LA-9762	53,198	-	53,198	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA Department of Transportation (DOT))	Highway Planning and Construction	20.205	LA-9793	26,806	-	26,806	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA Department of Transportation (DOT))	Highway Planning and Construction	20.205	LA-9987	32,753	-	32,753	-	
Total Highway Planning and Construction Cluster:				262,564	-	262,564	15,363	
Highway Safety Cluster								
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA Traffic Safety Comm)	State and Community Highway Safety	20.600	2021-HVE-4052	1,050	-	1,050	-	

The accompanying notes are an integral part of this schedule.

**Island County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2021**

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA Traffic Safety Comm)	State and Community Highway Safety	20.600	2021-HVE-4052	395	-	395	-	
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA Traffic Safety Comm)	State and Community Highway Safety	20.600	WASPC Traffic Safety Equipment Grant	9,717	-	9,717	-	
Total Highway Safety Cluster:				11,162	-	11,162	-	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE (via Department of Commerce (COM))	COVID 19 - Coronavirus Relief Fund	21.019	21-4614C-110	1,273,392	-	1,273,392	1,156,108	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE (via Department of Health (DOH))	COVID 19 - Coronavirus Relief Fund	21.019	CLH18246	1,373,815	-	1,373,815	116,200	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE (via Administration Office of the Courts (AOC))	COVID 19 - Coronavirus Relief Fund	21.019	WA CARES 267	10,653	-	10,653	-	
Total CFDA 21.019:				2,657,860	-	2,657,860	1,272,309	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE (via Department of Commerce (COM))	COVID 19 - Emergency Rental Assistance Program	21.023	21-4616C-110	2,673,421	-	2,673,421	2,638,164	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE (via Department of Commerce (COM))	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	21-4619C-110	3,204,472	-	3,204,472	3,153,860	

The accompanying notes are an integral part of this schedule.

**Island County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2021**

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	1505-0271	-	1,367,782	1,367,782	-	
	Total CFDA 21.027:			3,204,472	1,367,782	4,572,254	3,153,860	
ENVIRONMENTAL PROTECTION AGENCY, ENVIRONMENTAL PROTECTION AGENCY (via Department of Health (DOH))	Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	CLH18246	62,572	-	62,572	-	
ENVIRONMENTAL PROTECTION AGENCY, ENVIRONMENTAL PROTECTION AGENCY (via Puget Sound Partnership (PSP))	National Estuary Program	66.456	2020-14	26,750	-	26,750	-	
ENVIRONMENTAL PROTECTION AGENCY, ENVIRONMENTAL PROTECTION AGENCY (via Puget Sound Partnership (PSP))	National Estuary Program	66.456	2021-01	75,936	-	75,936	-	
ENVIRONMENTAL PROTECTION AGENCY, ENVIRONMENTAL PROTECTION AGENCY (via Puget Sound Partnership (PSP))	National Estuary Program	66.456	2022-19	15,124	-	15,124	-	
ENVIRONMENTAL PROTECTION AGENCY, ENVIRONMENTAL PROTECTION AGENCY (via Department of Ecology (ECY))	National Estuary Program	66.456	SEANWS-2019- ISCOPH-00005	24,285	-	24,285	-	

The accompanying notes are an integral part of this schedule.

**Island County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2021**

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
ENVIRONMENTAL PROTECTION AGENCY, ENVIRONMENTAL PROTECTION AGENCY (via Department of Ecology (ECY))	National Estuary Program	66.456	SEANWS-2021- IsCoPH-00001	20,518	-	20,518	-	
Total CFDA 66.456:				162,613	-	162,613	-	
ENVIRONMENTAL PROTECTION AGENCY, ENVIRONMENTAL PROTECTION AGENCY (via Department of Health (DOH))	Beach Monitoring and Notification Program Implementation Grants	66.472	CLH18246	11,839	-	11,839	-	
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via Department of Social and Health Services (DSHS))	Rehabilitation Services Vocational Rehabilitation Grants to States	84.126	1663-74980	37,928	-	37,928	-	
CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Department of Health (DOH))	Public Health Emergency Preparedness	93.069	CLH18246	12,726	-	12,726	-	
FOOD AND DRUG ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Association of Food and Drug Officials)	Food and Drug Administration Research	93.103	G-SP-2106- 09504	16,784	-	16,784	-	

The accompanying notes are an integral part of this schedule.

**Island County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2021**

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Department of Health (DOH))	COVID 19 - Immunization Cooperative Agreements	93.268	CLH18246	30,568	-	30,568	-	
CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Department of Health (DOH))	COVID 19 - Immunization Cooperative Agreements	93.268	CLH18246	1,340	-	1,340	-	
Total CFDA 93.268:				31,908	-	31,908	-	
CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Department of Health (DOH))	COVID 19 - Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	CLH18246	13,429	-	13,429	-	
CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Department of Health (DOH))	COVID 19 - Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	93.354	CLH18246	98,896	-	98,896	-	
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Department of Social and Health Services (DSHS))	Child Support Enforcement	93.563	75-1501-0-1- 609	44,179	-	44,179	-	

**Island County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2021**

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Department of Social and Health Services (DSHS))	Child Support Enforcement	93.563	2110-85205	64,418	-	64,418	-	
Total CFDA 93.563:				108,597	-	108,597	-	
Medicaid Cluster								
CENTERS FOR MEDICARE AND MEDICAID SERVICES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via State Health Care Authority (HCA))	Medical Assistance Program	93.778	K2745	10,724	-	10,724	-	
CENTERS FOR MEDICARE AND MEDICAID SERVICES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via State Health Care Authority (HCA))	Medical Assistance Program	93.778	K4645	202,931	-	202,931	-	
Total Medicaid Cluster:				213,655	-	213,655	-	
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via North Sound Behavioral Health Organization)	Block Grants for Prevention and Treatment of Substance Abuse	93.959	NSBH-ICN-19	265,130	-	265,130	-	
HEALTH RESOURCES AND SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Department of Health (DOH))	Maternal and Child Health Services Block Grant to the States	93.994	CLH18246	11,215	-	11,215	-	

The accompanying notes are an integral part of this schedule.

**Island County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2021**

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Military Department (MIL))	COVID 19 - Emergency Management Performance Grants	97.042	E20-242	19,758	-	19,758	-	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Military Department (MIL))	Emergency Management Performance Grants	97.042	E21-160	46,523	-	46,523	-	
Total CFDA 97.042:				66,281	-	66,281	-	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Military Department (MIL))	Homeland Security Grant Program	97.067	E18-184	25,330	-	25,330	3	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Military Department (MIL))	Homeland Security Grant Program	97.067	E19-199	229,813	-	229,813	39,083	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Military Department (MIL))	Homeland Security Grant Program	97.067	E20-251	171,914	-	171,914	38,423	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Military Department (MIL))	Homeland Security Grant Program	97.067	E21-189	46,954	-	46,954	1,029	

The accompanying notes are an integral part of this schedule.

**Island County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2021**

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Military Department (MIL))	Homeland Security Grant Program	97.067	E20-101	52,695	-	52,695	-	
				526,706	-	526,706	78,538	
				Total CFDA 97.067:				
				10,949,755	1,378,169	12,327,924	7,338,188	
				Total Federal Awards Expended:				

The accompanying notes are an integral part of this schedule.

ISLAND COUNTY, WASHINGTON

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2021

NOTE 1- BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal Awards is prepared on the same basis of accounting as the county's financial statements.

The County uses the modified accrual basis of accounting for all fund types except for the Proprietary fund types, which use the full accrual basis.

NOTE 3- INDIRECT COST RATE

The County has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.



Island County Auditor

Sheilah Crider, Auditor

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 Email: S.Crider@islandcountywa.gov | www.islandcountywa.gov

**CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER
 UNIFORM GUIDANCE**

**Island County
 January 1, 2021 through December 31, 2021**

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

<p>Finding ref number: 2021-001</p>	<p>Finding caption: The County charged unallowable expenditures to the Coronavirus State and Local Fiscal Recovery Funds program.</p>
<p>Name, address, and telephone of County contact person:</p> <p>Grant Manager Contact: Susan Geiger 1 N.E. 7th Street Coupeville WA 98239 (360)678-7837</p> <p>Audit Liaison Contact: Emily Del Prete 1 N.E. 7th Street, Suite 103 Coupeville, WA 98239 (360)678-7827</p>	
<p>Corrective action the auditee plans to take in response to the finding:</p> <p><i>Island County responds to the State Auditor’s Office (SAO) finding regarding payment of premium pay to employees pursuant to the Coronavirus State and Local Fiscal Recovery Funds portion of the American Rescue Plan Act. The SAO challenges Island County’s premium pay</i></p>	

or holiday pay. The SAO bases its finding by stating that premium pay was provided “to employees not in compliance with U.S. Department of Treasury’ criteria because employees were not in regular contact with the public or their coworkers.” SAO used Island County’s time-off reports to make this determination.

Contrary to SAO’s findings, all of the employees in Island County who received premium pay were in regular contact with the public and/or their coworkers. U.S. Department of Treasury criteria precluded employees who were teleworking from a residence from receiving premium pay. Island County did not pay for any time in which an employee was teleworking. There is no evidence that any of the payments challenged by SAO were to teleworking employees or employees who did not regularly work in a situation where they were in contact with the public and/or coworkers.

Island County submits that SAO misreads Treasury’s criteria to require that all payments must be made only where the employee is in contact with their coworkers and/or the public at all times. That is contrary to the language used by Treasury as it anticipates premium pay for employees who interact with the public and/or their coworkers in an amount that is not minimal. Island County submits that the premium pay made to its employees was made to those who regularly, not minimally, had contact with the public and/or their coworkers.

The Interim Rule explains that “Fiscal Recovery Funds will help respond to the needs of essential workers by allowing recipients to remunerate essential workers for the elevated health risks they have faced and continue to face during the public health emergency.” (p. 47). The Rule further provides premium pay eligibility as workers performing essential functions who must be physically present at the jobsite for whom the costs of illness were hardest to bear financially. It then states that “ARPA recognizes this by defining premium pay to mean an amount up to \$13 per hour in addition to wages or remuneration the worker otherwise receives” (p.48) There is no requirement that the wages or remuneration be for time actually worked. In fact, there is no language that says premium pay is only for hours actually worked. This is consistent with ways in which premium pay is allowed to be paid under Treasury’s criteria. Premium pay can be awarded in installments, hourly or lump sums. Although not allowed under Washington law, premium pay may also be paid in addition to wages already received and may be paid retrospectively. There is no requirement that installment, lump sum or retrospective wages be only for hours actually worked, only wages received. Holiday, vacation and sick leave constitute wages. It makes no sense that Island County could have made lump sum payments to the eligible employees without question and not make payment based on hourly calculations in order to more easily and equitably administer the payments. SAO’s reading of the Interim Rule is not supported by the language of the Rule itself nor the purpose of premium pay. Island County respectfully requests that SAO withdraw its finding.

Anticipated date to complete the corrective action: December 6, 2022

Finding ref number: 2021-002	Finding caption: The County did not have adequate internal controls for ensuring subawards contained all required information.
Name, address, and telephone of County contact person: Grant Manager Contact: Jaime Montoya 105 N.W. First Street Coupeville WA 98239 (360)678-7970 Audit Liaison Contact: Emily Del Prete 1 N.E. 7th Street, Suite 103 Coupeville, WA 98239 (360)678-7827	
Corrective action the auditee plans to take in response to the finding: <i>This finding was based on contracts that were already in place before last year's audit. Those subcontracts have expired and new subcontracts have been entered into with the correct information supplied on the contract as reviewed by this year's state auditors. We have also recently worked with our Prosecuting Attorney's office to revise our face page that we use for subcontracts to ensure that this information is not overlooked in the future.</i>	
Anticipated date to complete the corrective action: December 2, 2022	

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

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