



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

Walla Walla County

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

Published March 13, 2023

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

March 13, 2023

Board of Commissioners
Walla Walla County
Walla Walla, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on Walla Walla 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,

A handwritten signature in cursive script that reads "Pat McCarthy".

Pat McCarthy, State Auditor
Olympia, WA

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Walla Walla County January 1, 2021 through December 31, 2021

SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of Walla Walla 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, each major fund and the aggregate remaining fund information in accordance with accounting principles generally accepted in the United States of America (GAAP).

Internal Control over Financial Reporting:

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

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

Federal Awards

Internal Control over Major Programs:

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

We issued an unmodified opinion on the County’s compliance with requirements applicable to 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
93.323	COVID-19 – Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)

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

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

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

See Findings 2021-001, 2021-002, 2021-003, 2021-004 and 2021-005.

SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Walla Walla County January 1, 2021 through December 31, 2021

2021-001 The County had inadequate controls for ensuring compliance with federal procurement and suspension and debarment requirements.

CFDA Number and Title:	93.323 – COVID-19 – Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)
Federal Grantor Name:	U.S. Department of Health and Human Services
Federal Award/Contract Number:	N/A
Pass-through Entity Name:	Washington State Department of Health
Pass-through Award/Contract Number:	CLH18266
Questioned Cost Amount:	\$0

Description of Condition

During fiscal year 2021, the County spent \$396,425 in federal funding under the Epidemiology and Laboratory Capacity for Infectious Diseases Program to provide quarantine and isolation housing for County residents who needed shelter and accommodation due to the COVID-19 pandemic.

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 established controls.

Procurement

Federal regulations require recipients to follow their own documented procurement procedures, which must conform to the Uniform Guidance procurement standards found in 2 CFR § 200.318-327. The procedures must reflect the most restrictive of applicable federal requirements, state laws or local policies. When using federal

funds to procure goods and services, governments must apply the more restrictive requirements by obtaining quotes or following a competitive procurement process, depending on the estimated cost of the procurement activity. When using a noncompetitive process, such as for emergencies, the documented procurement procedures must include the requirements that allow for using this process.

Our audit found the County did not have effective internal controls for ensuring its procurement policy conformed to federal procurement standards. Although the County had a written procurement policy at the time of procurement, it did not conform to the most restrictive methods, and it did not include the required procedures for emergency purchases. Additionally, the County's policy did not include other required procurement standards, such as contracting with small and minority business owners, and contract cost and price analysis.

Additionally, federal regulations require recipients to maintain written standards of conduct covering conflicts of interest and governing the actions of employees involved in selecting, awarding, or administering contracts procured with federal funds. The County's written policies do not conform to federal regulations because they do not include the following elements:

- No employees, officers or agents may participate in selecting, awarding or administering a contract supported by a federal award if they have a real or apparent conflict of interest.
- The officers, employees, and agents may neither solicit nor accept gratuities, favors, or anything of monetary value from contractors or parties to subcontracts.
- Disciplinary actions for violating these standards

We consider these internal control deficiencies to be a material weakness, which led to material noncompliance.

Suspension and Debarment

Federal requirements prohibit recipients from contracting with or purchasing from parties suspended or debarred from doing business with the federal government. Whenever the County enters into contracts or purchases goods or services that it expects to equal or exceed \$25,000, paid all or in part with federal funds, it must verify the contractors have not been suspended, debarred or otherwise excluded. The County may accomplish this verification by collecting a written certification from the contractor, adding a clause or condition into the contract that states the contractor is not suspended or debarred, or checking for exclusion records in the U.S. General Services Administration's System for Award Management at SAM.gov. The County must perform this verification before entering into the

contract, and it must keep documentation demonstrating compliance with this federal requirement.

Our audit found the County did not have effective internal controls for verifying the suspension and debarment status of contractors paid more than \$25,000. The County made two months of payments to one contractor before checking its suspension and debarment status.

We consider this control deficiency to be a material weakness, which led to material noncompliance.

These issues were not reported as findings in the prior audit.

Cause of Condition

Procurement

County staff were unaware of the requirement to update the County's procurement and standards of conduct policies to conform to federal procurement standards.

Suspension and Debarment

Although County employees checked the contractor's suspension and debarment status, they said they did not know about the verification requirement before entering into the contract.

Effect of Condition

Procurement

The County's policy did not conform to Uniform Guidance, and our testing found the County did not comply with federal requirements for noncompetitive purchases of goods and services. Without updated written procurement procedures, the County is at greater risk of noncompliance with the most restrictive procedures when procuring contractors and goods and services with federal funds.

Suspension and Debarment

The County did not obtain a written certification, insert a clause into the contract, or check SAM.gov to verify the contractor was not suspended or debarred before entering into the contract. The County paid this contractor \$76,597 during fiscal year 2021.

Without adequate internal controls, the County cannot ensure the contractors it pays with federal funds are eligible to participate in federal programs. Any program

funds the County made to an ineligible party would be unallowable, and the federal agency could potentially recover them. The County subsequently verified the contractor was not suspended or debarred. Therefore, we are not questioning costs.

Recommendation

We recommend the County strengthen internal controls to ensure it:

- Verifies that all contractors it expects to pay \$25,000 or more, all or in part with federal funds, are not suspended or debarred before entering into contracts with them or making the first payment
- Updates its procurement and standards of conduct policies to conform to federal procurement standards

County's Response

We agree with the auditor's comments and the county recognizes the challenges with staffing, training, onboarding, and managing unforeseen large amounts of federal funds coming into the county during COVID response. The county will be utilizing a contractor to assist in establishing policies, procedures, training, and strategic improvements to allow quick onboarding of staff in policies, procedures and regulations outlined by CRF 200 for future emergency federal funding and routine federal funding. Walla Walla County is committed to the importance of managing federal funding.

Auditor's Remarks

We appreciate the County's commitment to resolving this finding, and thank the County for its cooperation and assistance during the audit. We will review the corrective action taken during our next regular 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 318, General procurement standards, establishes requirements for written procedures.

Title 2 CFR Part 200, Uniform Guidance, section 320, Methods of procurement to be followed, establishes requirements for procuring goods and services, including noncompetitive procurement.

Title 2 CFR Part 180, OMB *Guidelines on Agencies on Governmentwide Department and Suspension (Nonprocurement)* establishes nonprocurement debarment and suspension regulations implementing Executive Orders 12549 and 12689.

SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Walla Walla County January 1, 2021 through December 31, 2021

2021-002 The County's internal controls were inadequate for ensuring compliance with federal subrecipient monitoring requirements.

CFDA Number and Title:	21.023 – COVID-19 – Emergency Rental Assistance Program
Federal Grantor Name:	U.S. Department of the Treasury
Federal Award/Contract Number:	N/A
Pass-through Entity Name:	Washington State Department of Commerce
Pass-through Award/Contract Number:	21-4616C-129
Questioned Cost Amount:	\$0

Description of Condition

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. During fiscal year 2021, the County spent \$1,774,410 in program funds. Of this amount, the County provided \$1,773,481 to one subrecipient to provide assistance to County 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 established controls.

Whenever the County passes on federal funding to subrecipients, federal regulations require the County to monitor them to ensure they comply with the terms and conditions of the federal award. To determine the appropriate level of monitoring, the County must evaluate each subrecipient's risk of noncompliance with federal requirements. For awards dependent on participant eligibility, monitoring would include verifying the subrecipients only provided assistance to

participants who met program eligibility requirements. The amount of verification would depend on each subrecipient's risk of noncompliance.

Our audit found the County did not perform a risk assessment for this subaward and did not sufficiently monitor the subrecipient, as federal regulations require.

We consider this deficiency in internal controls to be a material weakness that led to material noncompliance.

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

Cause of Condition

With the effects of COVID-19, it was urgent for the County to disburse funds to the subrecipient quickly to assist with rental housing needs. Further, County staff responsible for managing the ERA program were not aware of the risk assessment and subrecipient monitoring requirements for awards dependent on participant eligibility.

Effect of Condition

The County did not complete a risk assessment for this subaward. Without conducting a risk assessment, the County risks not adequately monitoring the subrecipient to ensure it has complied with program requirements and used federal funds appropriately. Since the County did not monitor its subrecipient, it was unable to confirm only eligible households received assistance.

Recommendation

We recommend the County perform a sufficient risk assessment over subrecipients and monitor them accordingly to verify they are complying with the terms and conditions of the award and only providing funds to eligible participants.

County's Response

County employee did meet with the subrecipient on a weekly basis to touch base and ensure that any questions or concerns regarding program eligibility, forms, requirements, guidelines, etc. could be addressed in a timely manner. The county employee also complied with the file review that Commerce conducted, ensuring that the subrecipient was utilizing the appropriate documents, supporting documentation, and following the guidelines. The County employee worked with

the subrecipient to get all necessary files to Commerce in a timely manner and also communicated improvements to the subrecipient after the monitoring.

Corrective Action:

DCH will be contracting with consultant to develop federal grant management including risk analysis and subrecipient monitoring. Program and fiscal staff will be trained.

Auditor's Remarks

We appreciate the County's commitment to resolving this finding, and thank the County for its cooperation and assistance during the audit. We will review the corrective action taken during our next regular 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.

Title 2 CFR Part 200, Uniform Guidance, section 331, Subrecipient and contractor determinations, and 332, Requirements for pass-through entities, establishes the requirements for identifying whether the party is a subrecipient or contractor and subrecipient monitoring and management requirements for pass-through entities.

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.

SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Walla Walla County January 1, 2021 through December 31, 2021

2021-003 The County's internal controls were inadequate for ensuring compliance with federal subrecipient monitoring requirements.

CFDA Number and Title:	21.019 – COVID-19 – Coronavirus Relief Fund
Federal Grantor Name:	U.S. Department of the Treasury
Federal Award/Contract Number:	N/A
Pass-through Entity Name:	Washington State Department of Commerce
Pass-through Award/Contract Number:	21-4614C-129
Questioned Cost Amount:	\$0

Description of Condition

The purpose of the Coronavirus Relief Fund (CRF) is to provide direct payments to state, territorial, tribal, and certain eligible local governments to cover necessary expenditures incurred due to the COVID-19 pandemic. During fiscal year 2021, the County spent \$846,677 in program funds. Of this amount, the County awarded \$288,565 to two subrecipients to provide rental assistance to County 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 established controls.

Whenever the County passes on federal funding to subrecipients, federal regulations require the County to monitor them to ensure they comply with the terms and conditions of the federal award. To determine the appropriate level of monitoring, the County must evaluate each subrecipient's risk of noncompliance with federal requirements. For awards dependent on participant eligibility, monitoring would include verifying the subrecipients only provided assistance to participants who met program eligibility requirements. The amount of verification would depend on each subrecipient's risk of noncompliance.

Our audit found the County did not perform a risk assessment for this subaward and did not sufficiently monitor the subrecipients, as federal regulations require.

We consider this deficiency in internal controls to be a material weakness that led to material noncompliance.

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

Cause of Condition

With the effects of COVID-19, it was urgent for the County to disburse funds to the subrecipients quickly to assist with rental housing needs. County staff responsible for managing the CRF program were not aware of the risk assessment and subrecipient monitoring requirements for awards dependent on participant eligibility.

Effect of Condition

The County did not complete a risk assessment for this subaward. Without conducting a risk assessment, the County risks not adequately monitoring its subrecipients to ensure they have complied with program requirements and used federal funds appropriately. Since the County did not monitor its subrecipients, it was unable to confirm only eligible households received assistance.

Recommendation

We recommend the County perform a sufficient risk assessment over subrecipients and monitor them accordingly to verify they are complying with the terms and conditions of the award and only providing funds to eligible participants.

County's Response

County employee did meet with the subrecipient on a weekly basis to touch base and ensure that any questions or concerns regarding program eligibility, forms, requirements, guidelines, etc. could be addressed in a timely manner. The county employee also complied with the file review that Commerce conducted, ensuring that the subrecipient was utilizing the appropriate documents, supporting documentation, and following the guidelines. The County employee worked with the subrecipient to get all necessary files to Commerce in a timely manner and also communicated improvements to the subrecipient after the monitoring.

Corrective Action:

DCH will be contracting with consultant to develop federal grant management including risk analysis and subrecipient monitoring. Program and fiscal staff will be trained.

Auditor's Remarks

We appreciate the County's commitment to resolving this finding, and thank the County for its cooperation and assistance during the audit. We will review the corrective action taken during our next regular 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.

Title 2 CFR Part 200, Uniform Guidance, section 331, Subrecipient and contractor determinations, and 332, Requirements for pass-through entities, establishes the requirements for identifying whether the party is a subrecipient or contractor and subrecipient monitoring and management requirements for pass-through entities.

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.

SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Walla Walla County January 1, 2021 through December 31, 2021

2021-004 The County had inadequate controls for ensuring compliance with suspension and debarment requirements.

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:	1505-0271
Pass-through Entity Name:	NA
Pass-through Award/Contract Number:	N/A
Questioned Cost Amount:	\$0

Description of Condition

During fiscal year 2021, the County spent a total \$4.35 million in federal funding under the Coronavirus State and Local Fiscal Recovery Funds program. Of this amount, the County used \$2.86 million to provide government services to the extent that COVID-19 caused a reduction in revenue collected in its most recent fiscal year. The County awarded the remaining \$1.49 million to a subrecipient to provide emergency rental assistance.

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 established controls.

Federal requirements prohibit recipients from contracting with or purchasing from parties suspended or debarred from doing business with the federal government. Whenever the County enters into contracts or purchases goods or services that it expects to equal or exceed \$25,000, paid all or in part with federal funds, it must verify the contractors have not been suspended, debarred or otherwise excluded. The County may accomplish this verification by collecting a written certification from the contractor, adding a clause or condition into the contract that states the

contractor is not suspended or debarred, or checking for exclusion records in the U.S. General Services Administration's System for Award Management at SAM.gov. The County must perform this verification before entering into the contract or, in this specific case, before charging the costs to a federal award. Additionally, the County must keep documentation demonstrating compliance with this federal requirement.

Our audit found the County did not have effective internal controls for verifying the suspension and debarment status of contractors for contracts or purchases of \$25,000 or more. Specifically, the County did not verify that five contractors it paid \$25,000 or more during fiscal year 2021 were not suspended or debarred.

We consider this control deficiency to be a material weakness, which led to material noncompliance.

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

Cause of Condition

County employees responsible for the purchases said they did not know about the federal requirement to verify the contractors were not suspended or debarred.

Effect of Condition

The County did not verify whether five contractors were not suspended or debarred. The County paid these contractors \$2,578,488 during fiscal year 2021.

Without adequate internal controls, the County cannot ensure contractors paid with federal funds are eligible to participate in federal programs. Any program funds the County used to pay contractors that have been suspended or debarred would be unallowable, and the federal grantor could potentially recover them. The County subsequently verified the contractors were not suspended or debarred. Therefore, we are not questioning costs.

Recommendation

We recommend the County ensure all contractors it expects to pay \$25,000 or more, all or in part with federal funds, are not suspended or debarred before entering into the contract or making first payment to the contractor.

County's Response

We agree with the auditor's comments and the county recognizes the challenges with staffing, training, onboarding, and managing unforeseen large amounts of federal funds coming into the county during COVID response. The county will be utilizing a contractor to assist in establishing policies, procedures, training, and strategic improvements to allow quick onboarding of staff in policies, procedures and regulations outlined by CRF 200 for future emergency federal funding and routine federal funding. Walla Walla County is committed to the importance of managing federal funding.

Auditor's Remarks

We appreciate the County's commitment to resolving this finding, and thank the County for its cooperation and assistance during the audit. We will review the corrective action taken during our next regular 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 180, OMB *Guidelines on Agencies on Governmentwide Department and Suspension (Nonprocurement)* establishes nonprocurement debarment and suspension regulations implementing Executive Orders 12549 and 12689.

SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Walla Walla County January 1, 2021 through December 31, 2021

2021-005 The County lacked internal controls for ensuring compliance with federal subrecipient monitoring requirements.

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:	N/A
Pass-through Entity Name:	Washington State Department of Commerce
Pass-through Award/Contract Number:	21-4619C-129
Questioned Cost Amount:	\$0

Description of Condition

The purpose of Coronavirus State and Local Fiscal Recovery Funds (SLFRF) is to provide direct payment to states, U.S. territories, tribal governments, metropolitan cities, counties, and (through states) non-entitlement units of local government.

The County received an award from the Washington State Department of Commerce (Commerce) for its Eviction Rent Assistance Program (ERAP) 2.0, funded with SLFRF. ERAP is intended to prevent evictions that would contribute to the spread of COVID-19 by paying past due, current due and future rent, targeting limited resources to those with the greatest needs while working to distribute funds equitably. During fiscal year 2021, the County spent \$1,491,699 of its ERAP award from Commerce. Of this amount, the County passed through \$1,490,913 to one subrecipient to administer the program.

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 established controls.

Whenever the County passes on federal funding to subrecipients, federal regulations require the County to monitor them to ensure they comply with the terms and conditions of the federal award. For awards dependent on participant eligibility, monitoring would include verifying the subrecipients only provided assistance to participants who met program eligibility requirements. The amount of verification would depend on each subrecipient's risk of noncompliance.

Our audit found the County did not monitor its subrecipient, as federal regulations require. Specifically, the County did not obtain documentation from the subrecipient to ensure the assisted households were eligible.

We consider this deficiency in internal controls to be a material weakness that led to material noncompliance.

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

Cause of Condition

With the effects of COVID-19, it was urgent for the County to disburse funds to the subrecipient quickly to assist with rental housing needs. Further, County staff responsible for managing the program were not aware of the subrecipient monitoring requirements.

Effect of Condition

The County did not monitor the subrecipient to ensure it complied with the terms and conditions of the subaward and used federal program funds appropriately. Since the County did not monitor its subrecipient, it was unable to confirm only eligible households received assistance.

Recommendation

We recommend the County monitor its subrecipients to ensure they comply with the terms and conditions of their federal subawards, including only providing funds to eligible program participants.

County's Response

We agree with the auditor's comments and the county recognizes the challenges with staffing, training, onboarding, and managing unforeseen large amounts of federal funds coming into the county during COVID response. The county will be utilizing a contractor to assist in establishing policies, procedures, training, and

strategic improvements to allow quick onboarding of staff in policies, procedures and regulations outlined by CRF 200 for future emergency federal funding and routine federal funding. Walla Walla County is committed to the importance of managing federal funding.

Auditor's Remarks

We appreciate the County's commitment to resolving this finding, and thank the County for its cooperation and assistance during the audit. We will review the corrective action taken during our next regular 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.

Title 2 CFR Part 200, Uniform Guidance, section 332, Requirements for pass-through entities, establishes the requirements for subrecipient monitoring and management requirements for pass-through entities.

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.

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*

Walla Walla County January 1, 2021 through December 31, 2021

Board of Commissioners
Walla Walla County
Walla Walla, 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, each major fund and the aggregate remaining fund information of Walla Walla 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 March 6, 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

March 6, 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

Walla Walla County January 1, 2021 through December 31, 2021

Board of Commissioners
Walla Walla County
Walla Walla, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

Opinion on Each Major Federal Program

We have audited the compliance of Walla Walla 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, 2021-002, 2021-003, 2021-004 and 2021-005. Our opinion on each major federal program is not modified with respect to these matters.

County's Response to Findings

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 Federal Award 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.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

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

However, we identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Findings 2021-001, 2021-002, 2021-003, 2021-004 and 2021-005 that we consider to be material weaknesses.

County's Response to Findings

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 Federal Award 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

March 6, 2023

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Walla Walla County January 1, 2021 through December 31, 2021

Board of Commissioners
Walla Walla County
Walla Walla, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Walla Walla 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, each major fund and the aggregate remaining fund information of Walla Walla County, as of December 31, 2021, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General, American Rescue Plan Recovery, County Road and Public Health funds 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 March 6, 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, stylized "P" and "M".

Pat McCarthy, State Auditor

Olympia, WA

March 6, 2023

FINANCIAL SECTION

Walla Walla 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

Governmental Funds Balance Sheet – 2021

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

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

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
– General Fund – 2021

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
– American Rescue Plan Recovery Fund – 2021

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
– County Road Fund – 2021

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
– Public Health Fund – 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

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 2 – 2021

Notes to Required Supplemental Information – Pension – 2021

Schedule of Changes in Total OPEB Liability and Related Ratios – LEOFF 1 – 2021

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2021

Notes to the Schedule of Expenditures of Federal Awards – 2021

WALLA WALLA COUNTY MANAGEMENT'S DISCUSSION AND ANALYSIS

The Walla Walla County's discussion and analysis is a narrative overview of the County's financial activities for the fiscal year ended December 31, 2021. The information presented here should be read in conjunction with the financial statements and notes to the financial statements that follow.

FINANCIAL HIGHLIGHTS

- Walla Walla County's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$171.7 million, a \$9.2 million, 6%, increase from 2020.
- Net Investment in Capital Assets account for about 69.7% of net position, with a value of \$119.5 million.
- Of the remaining 30% of net position that totals \$52.3 million, approximately \$46.2 million is restricted for various purposes. The unrestricted net position is \$6.1 million, which may be used to meet the government's ongoing obligations to citizens and creditors, without legal restrictions.
- The government's total net position showed an overall increase of \$9.2 million.
- The County's governmental funds reported combined ending fund balances of \$49.2 million, an increase of \$7.7 million in comparison to the prior year. Approximately \$7.2 million is available for spending at the government's discretion. The rest is restricted by outside sources or committed or assigned by the County for specific purposes.
- At the end of the current fiscal year the unassigned fund balance for the general fund was \$7.2 million, or 37% of total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis provide an introduction and overview to the Walla Walla County's basic financial statements. This information will assist users in interpreting the basic statements. We will also provide other supplementary information in addition to the basic financial statements. This financial discussion and analysis should assist the reader in understanding the County's financial condition.

Basic financial statements

The basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The financial section of this report also contains required supplementary information, in addition to the basic financial statements.

Government-wide financial statements

Government-wide financial statements provide readers with a broad overview of Walla Walla County's finances in a manner similar to a private-sector business, distinguishing functions of the Walla Walla County that are principally supported by taxes and intergovernmental revenues (referred to as "governmental activities") from functions that are intended to recover all or a significant portion of their costs through user fees and charges (referred to as "business-type activities"). The governmental activities of Walla Walla County include a full range of local government services provided to the public, such as public safety, highways and streets, economic development, public health, and culture and recreation. The County does not have any business-type activities.

The statement of net position presents information on all of Walla Walla County's assets, deferred outflows, liabilities, and deferred inflows, with the difference between them reported as

WALLA WALLA COUNTY MANAGEMENT'S DISCUSSION AND ANALYSIS

net position. This statement serves a purpose similar to that of the balance sheet of a private-sector business. Over time, increases or decreases in net position may serve as one indicator of whether the financial position of the County is improving or deteriorating. Other indicators include the condition of the County's infrastructure systems (roads, drainage systems, bridges, etc.), changes in property tax base, and general economic conditions within the County.

The statement of activities

The Statement of Activities presents information showing how the government's net position changed during the year. This statement separates program revenue (revenue generated by specific programs through charges for services, grants, and contributions) from general revenue (revenue provided by taxes and other sources not tied to a specific program). This shows the extent each program relies on taxes for funding. All changes in net position are reported using the accrual basis of accounting, which requires that revenues be reported when they are earned, and expenses are reported when the goods and services are received. Items such as uncollected taxes, unpaid vendor invoices for items received in 2021, and earned but unused vacation leave will be included in the statement of activities as revenue and expense, even though the cash associated with these items was not received or distributed in 2021.

Fund financial statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Walla Walla County, like other state and local governments, uses fund accounting for compliance with finance-related legal requirements. All the funds of the County fall into two categories: governmental funds and proprietary funds. Governmental Funds account for most, if not all, of a government's tax-supported activities. Proprietary Funds account for a government's business-type activities, where all or part of the costs of activities are supported by fees and charges that are paid directly by those who benefit from the activities.

Governmental funds

The Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances present separate columns of financial data for the General Fund, County Road Fund, the Public Health Fund and the America Rescue Plan Fund. These are considered major funds. Data from the remaining governmental funds are combined into a single, aggregated presentation.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Governmental fund financial statements focus on near-term inflows and outflows of spendable resources and on balances of spendable resources available at the end of the fiscal year. Such information is useful in evaluating a government's near-term financing requirements in comparison to near-term resources available.

Because the focal point of governmental fund financial statements is narrower than that of the government-wide financial statements accrual basis focus, it is useful to compare information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. This gives readers a better understanding of the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund

WALLA WALLA COUNTY MANAGEMENT'S DISCUSSION AND ANALYSIS

balances provide reconciliation to the governmental activities' column in the government-wide statements, facilitating this comparison.

The County maintains budgetary controls over its operating funds. Budgetary controls ensure compliance with legal provisions embodied in the annual appropriated budget. Governmental fund budgets are established in accordance with state law and are adopted on a fund level. Personnel services are budgeted by position and by prorating the costs based on time allocation to the various funds. Budgetary variances are discussed later in this section.

Proprietary funds

The County maintains one type of proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses internal service funds to account for its fleet of vehicles, for its management information systems, risk management, and unemployment compensation. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. All internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements.

The basic proprietary fund financial statements can be found following the governmental fund financial statements in this report.

Fiduciary funds

Fiduciary funds are used to account for resources that are held by a government as a trustee or agent for parties outside of the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support Walla Walla County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The County has two types of fiduciary funds: 1) Investment Trust Funds (external portion of investment pools and individual investment accounts that are held in a trust as defined by GASB 84 - i.e. belong to other jurisdictions) and 2) Custodial Funds (fiduciary activities that are not required by GASB 84 to be reported in the fiduciary fund types 1) through 2) above - i.e. held by the County in its custodial role until these non-trust fund monies are distributed to the private parties, organizations, or government agencies to which they belong).

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided and are an integral part of the government-wide and fund financial statements.

WALLA WALLA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position

As noted earlier, changes in net position may serve as a useful indicator of a government's financial position. The Walla Walla County's net position total equals \$171,739,865. The following is a condensed version of the Government-Wide Statement of Net Position:

NET POSITION		December 31, 2021 and 2020	
		2021	2020
Assets:			
Current and Other Assets	\$	73,530,588	\$ 49,698,591
Capital Assets, net		119,471,250	123,132,422
Total Assets		193,001,838	172,831,013
Deferred Outflows of Resources			
		2,150,415	2,433,629
Liabilities:			
Other Liabilities		5,396,752	1,838,918
Long-term Liabilities		4,825,944	8,643,509
Total Liabilities		10,222,696	10,482,427
Deferred Inflows of Resources			
		13,189,692	2,235,796
Net Position:			
Net Investment in Capital Assets		119,471,250	123,132,422
Restricted		46,211,795	27,791,499
Unrestricted		6,056,820	11,622,498
Total Net Position	\$	171,739,865	\$ 162,546,419

The largest portion of current and other assets is cash and investments which comprised \$53.2 million at the end of 2021 compared to \$42.0 million at the end of 2020. The significant increase in cash is due to an increase in general government operating grants and taxes. Within current and other assets, there was also, an increase in the net pension asset of \$12.5 million as a result of PERS 2/3 plans now being fully funded. Capital assets, net of accumulated depreciation reflect an overall decrease primarily related to a prior period adjust of \$3.4 million related to dispositions in prior years that had not been recorded in the correct period.

Total liabilities only decreased in total \$260 thousand, a 2% decrease. However, there was an increase in other liabilities of \$3.6 million as a result of unearned revenue related to the funds received from the America Rescue Plan Act. There was an offsetting decrease in Long-term liabilities as a result of the flip from a net pension liability to a net pension asset for the PERS 2/3 plan.

WALLA WALLA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS

Investment in capital assets, less any related debt used to acquire those assets that is still outstanding, represents 70% of the County's net position, totaling \$119.5 million. The County's capital assets are used to provide services to citizens. Consequently, these assets are not available for future spending. At the end of 2021, the County also had a restricted net position of \$46.2 million or 27% of the total that was subject to external restrictions on how these funds can be spent. This increased over \$18.4 million due to the County accumulating cash that is restricted for capital projects and public safety activities.

The remaining balance is unrestricted net position and represents the amount that may be used to meet the County's ongoing obligations. The County is presenting unrestricted net position of \$6.1 million, a decrease of 48%. This is resulting from increased restricted assets.

Statement of Activities

The County's total Net Position increased by \$9.2 million, ending at \$171,739.865. The following is a condensed version of the Statement of Activities for the County. The full statement is a tabular depiction of the relationship of revenues and expenses for the County's governmental activities.

WALLA WALLA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS

	<u>2021</u>	<u>2020</u>
Revenues		
Operating Revenues		
Charge for Services	\$ 7,864,252	\$ 7,763,344
Operating Grants and Contributions	14,442,269	12,286,801
Capital Grants and Contributions	6,684,072	6,013,570
General Revenues		
Taxes	35,874,719	31,858,646
Unrestricted Grants and Contributions	62,277	62,420
Interest and Investment Earnings	945,531	1,480,918
Special item	(819,211)	0
Gain (Loss) on Disposal of Assets	-	1,401,500
TOTAL REVENUES	<u>65,053,908</u>	<u>60,867,199</u>
Expenses		
General Government	15,619,869	15,455,945
Public Safety	14,113,878	14,080,013
Utilities	187,318	122,081
Transportation	9,433,996	11,283,043
Natural and Economic Environment	2,211,991	1,491,553
Social Services	9,105,064	5,783,377
Culture and Recreation	1,773,190	1,057,654
Interest on Long-Term Debt	-	17,586
TOTAL EXPENSES	<u>52,445,307</u>	<u>49,291,252</u>
Change in Net Position	12,608,602	11,575,947
Net Position - Beginning	162,546,419	150,718,451
Prior Period Adjustment	(3,415,156)	-
Change in Accounting Principles	-	252,021
Net Position - Ending	<u>\$ 171,739,865</u>	<u>\$ 162,546,419</u>

Tax revenues represent the largest source of revenues at the County, representing 54% or \$35.9 million. This increased 4.0 million or 13% from 2020. Sales and Use tax increased \$2.7 million or 21%. This increase is due primarily to the booming construction activity, which is also reflective in the growth of Property taxes. Property tax increased by 6.4% or \$1.2 million, which is mostly due to new construction, improvements to property and increased value on assessed property.

Operating grants and contributions increased by \$2.1 million over 2020. This is mostly from America Rescue Plan Act funding. Capital grants and contributions decreased \$671 thousand from 2020. The special item is a result of infrastructure and land being transferred out upon annexation.

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

WALLA WALLA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS

2021 Governmental Activities

	Total Cost of Services	Percentage of Total	Net cost of Service	Percentage of Total
General Government	\$ 15,619,869	30%	\$ 7,262,266	31%
Public Safety	14,113,878	27%	11,159,764	48%
Utilities	187,318	0%	(33,029)	0%
Transportation	9,433,996	18%	2,679,131	11%
Natural and Economic Environment	2,211,991	4%	1,429,342	6%
Social Services	9,105,064	17%	846,035	4%
Culture and Recreation	1,773,190	3%	111,205	0%
Total	<u>\$ 52,445,307</u>	<u>100%</u>	<u>\$ 23,454,714</u>	<u>100%</u>

2020 Governmental Activities

	Total Cost of Services	Percentage of Total	Net cost of Service	Percentage of Total
General Government	\$ 15,455,945	31%	\$ 4,910,770	21%
Public Safety	14,080,013	29%	11,053,780	48%
Utilities	122,081	0%	(146,025)	-1%
Transportation	11,283,043	23%	5,074,832	22%
Natural and Economic Environment	1,491,553	3%	351,621	2%
Social Services	5,783,377	12%	1,617,394	7%
Culture and Recreation	1,057,654	2%	347,579	1%
Interest on Long-Term Debt	17,586	0%	17,586	0%
Total	<u>\$ 49,291,252</u>	<u>100%</u>	<u>\$ 23,227,537</u>	<u>100%</u>

The County relies on taxes to operate the governmental activities functions. Public Safety, General Government, and Transportation functions are the largest portions of the governmental activities total cost of services.

Total expenses for the County were \$52,445,307 in 2021, an increase of 6.4% or \$3,154,055 from 2020 total expenses. General Government, Public Safety, Transportation, and Social Services programs are the governmental activities with the largest program expenses, respectively. These four programs account for 92% of the total government-wide expenses for 2021.

Summary of Total Government Activities

Overall, the County's financial position improved from 2020 to 2021 with net position increasing by \$10.0 million or 6%.

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

Governmental Funds Analysis

The County uses fund accounting to ensure compliance with legal requirements and to assist in the budgeting and operations of the different activities of the County. The governmental funds are categorized into four fund types, the general fund, special revenue funds, the debt service fund and capital project funds. Each fund type has its unique purpose. Four of these funds are classified as

WALLA WALLA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS

major funds for the purposes of this report, based on criteria set forth by the Governmental Accounting Standards Board (GASB). Those funds are the General Fund, the County Road Fund, the Public Health Fund, and the America Rescue Plan Fund. Together these four funds account for 56% of total assets and 52% of total fund balances. Other governmental funds classified as non-major funds are reported under Other Governmental Funds.

When reviewed on a separate fund basis, the General Fund's fund balance increased 27% as a result of 2021 operations. The General Fund beginning year fund balance was \$9.0 million and ended 2021 at \$11.5 million.

The General Fund's revenues increased \$1.1 million or 9% from 2020 to 2021. The majority of the general funds revenues, 75%, are derived from taxes. In 2021, general fund taxes are made up of property tax (\$9.5 million), Sales tax (\$6.9 million) and other taxes (\$86 thousand). Property taxes increased approximately \$380 thousand and sales tax increased over \$1.2 million, over 2020 tax revenues.

The total 2021 General fund expenditures, including transfers, were \$19.5 million, a decrease of \$570 thousand or 3% over 2020. The largest contributor to the decrease is due to transfers out and decreasing by \$1.9 million or 58%.

The table below compares the General fund actual revenues and expenditures for 2021 and 2020:

Revenues	2021	2020	Increase (Decrease)	Percent
Taxes	\$ 16,484,697	\$ 14,832,058	\$ 1,652,639	11%
Licenses and Permits	228,104	238,255	(10,151)	-4%
Intergovernmental Revenues	1,220,981	872,453	348,528	40%
Charges for Service	2,474,987	3,094,984	(619,997)	-20%
Fees and Fines	473,688	436,981	36,707	8%
Miscellaneous Revenues	1,007,980	1,364,416	(356,436)	-26%
Total revenues	<u>21,890,437</u>	<u>20,839,147</u>	<u>1,051,290</u>	5%
EXPENDITURES				
General Government	11,652,125	10,573,054	1,079,071	10%
Public Safety	5,948,194	5,751,433	196,761	3%
Natural & Economic Environment	4,768	3,575	1,193	33%
Social Services	193,378	183,760	9,618	5%
Culture and Recreation	186,395	213,777	(27,382)	-13%
Capital Outlay	99,507	53,063	46,444	88%
Transfers out to other funds	1,374,286	3,250,263	(1,875,977)	-58%
Total expenditures	<u>19,458,653</u>	<u>20,028,925</u>	<u>(570,272)</u>	-3%
Difference in Revenues and Expenditures	\$ 2,431,784	\$ 810,222		

The County Road fund balance was \$12.0 million at the end of 2021, a 17% increase from 2020. Largest revenues in this fund are property taxes, with intergovernmental revenues coming in a close second. Capital Outlay represents \$3.6 million or 31% of total County Road expenses.

WALLA WALLA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS

County Road expenses are 87% of revenues, presenting a positive net change in fund balances of \$1,732,974.

The fund balance for the Public Health Special Revenue fund was \$2.1 million, an increase of \$671 thousand from 2020. The Public Health fund is primarily supported by state and federal grants. Social service expenses are 95% of revenues, presenting a positive change in fund balances of \$670,727.

The fund balance for the America Rescue Plan fund is \$0. The County received the first installment of the America Rescue Plan Act (APRA) in May 2021. As these funds were received in advance, the unspent funds are reported as unearned revenue which offset the cash on-hand resulting in a net \$0 fund balance.

The Net Change in Total Governmental Funds fund balance increased overall by \$7.7 million. Total fund balance ended at just over \$49.2 million, and out of this amount, \$31.2 million is restricted for capital projects or to make major capital purchases, public safety activities and social service activities, \$4.5 million is committed, mostly for capital projects and \$6.1 million is assigned for specific purposes, and \$7.2 million is unassigned and can be used to fund the ongoing operations of the County.

GENERAL FUND BUDGETARY HIGHLIGHTS

The County appropriates funds through an annual budget process. The General Fund budget is adopted at a department level. Budget amendments are made throughout the year as needed and approved by resolution action by the County council. State law allows funds to be expended if authorized by a resolution amending the original budget. The General Fund final budget expenditures, including transfers, reflects an increase of \$1.1 million or an 4.9% change from the 2021 original budget. The final 2021 budget increase in the General Fund was primarily within General Government expenditures with the largest budgetary adjustments made for the Superior Court and the Miscellaneous. The General Fund actual revenues closed the year at 111% of final 2021 amended budget, while General Fund Expenditures were only 93% of the final 2021 amended budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Walla Walla County's investment in capital assets, including construction in progress, amounts to \$119,471.250 (net of accumulated depreciation). This investment in capital assets includes land, buildings, roads, highways, bridges, machinery and equipment, park facilities, and construction in progress. The total government-wide capital assets decreased in 2021 by a net of \$3.6 million. The decrease is primarily related to the prior period adjustment because of not recording disposition of assets in the correct period. The County made significant purchases of machine and equipment related to the vehicle fleet.

WALLA WALLA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS

	2021		2020
Land	\$ 7,162,084	\$	7,527,235
Construction in Progress	3,658,201		1,408,896
Buildings and Structures	29,189,705		32,626,046
Machinery and Equipment	7,987,760		8,900,884
Infrastructure	71,473,500		72,669,361
Total	\$ 119,471,250	\$	123,132,422

Additional information on the Walla Walla County's capital assets can be found in Note 5 (Capital Assets) of the notes to the financial statement of this report.

Long-Term Debt

During 2020, the County paid off its remaining loan of \$1,215,727, that financed the purchase of property purchase. The County issued no new debt during the year.

Additional information on the County's long-term debt can be found in Notes 8 (Change in Long-term Debt) of the notes to the financial statement in this report.

Other Significant Matters

In May of 2022, the County received the second payment \$5,900,959 as part of the American Rescue Plan Act. These funds are intended to assist the County in addressing the continued impact of COVID-19.

Requests for Information

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

Walla Walla County Auditor
Karen M Martin, Auditor
P O Box 1856
Walla Walla, WA 99362.
e-mail: kmmartin@co.walla-walla.wa.us

WALLA WALLA COUNTY
Statement of Net Position
December 31, 2021

		Governmental Activities
Assets:		
Cash and Cash Equivalents	\$	53,157,262
Receivables (Net of Allowance for Uncollectible)		5,397,196
Inventories		984,451
Capital Assets, Not Depreciated or Amortized		10,820,285
Capital Assets, Net of Depreciation or Amortization		108,650,965
Net Pension Asset		13,991,679
Total Assets		193,001,838
Deferred Outflows of Resources		
Deferred Amount Related to Pensions		2,080,285
Deferred Amount Related to ARO		7,558
Deferred Amount Related to OPEB		62,572
Total deferred outflows of resources		2,150,415
Liabilities:		
Accounts Payable and Other Current Liabilities		2,245,896
Unearned Revenues		3,150,856
Noncurrent Liabilities:		
Due within One Year		221,525
Due in More than One Year		1,129,797
Total OPEB Liability		2,397,017
Net Pension Liability		1,077,605
Total Liabilities		10,222,696
Deferred Inflows of Resources		
Deferred Amount Related to Pensions		13,189,692
Total deferred inflows of resources		13,189,692
Net Position:		
Net Investment in Capital Assets		119,471,250
Restricted for:		
Transportation		12,020,367
Economic Environment		410,526
Mental & Physical Health		4,778,935
Pensions		13,991,679
Other Purposes		15,010,288
Unrestricted		6,056,820
Total Net Position	\$	171,739,865

WALLA WALLA COUNTY
Statement of Activities
Year Ended December 31, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
					Governmental Activities
PRIMARY GOVERNMENT					
Governmental Activities:					
General Government	\$ 15,619,869	\$ 3,008,175	\$ 5,238,599	\$ 110,830	\$ (7,262,266)
Public Safety	14,113,878	1,109,608	1,844,506	-	(11,159,764)
Utilities	187,318	220,347	-	-	33,029
Transportation	9,433,996	181,623	-	6,573,242	(2,679,131)
Natural and Economic Environment	2,211,991	761,294	21,355	-	(1,429,342)
Social Services	9,105,064	924,220	7,334,809	-	(846,035)
Culture and Recreation	1,773,190	1,658,985	3,000	-	(111,205)
TOTAL GOVERNMENTAL ACTIVITIES	52,445,307	7,864,252	14,442,269	6,684,072	(23,454,714)

General Revenues:

Taxes:

Property Taxes Levied for General Purposes	\$ 20,036,406
Sales and Use Taxes	15,219,411
B&O Taxes	1,250
Other Taxes	617,652
Unrestricted Investment Earnings	945,531
Special Item	(819,211)
Grants and Contributions not Restricted to Specific Programs	62,277
Total General Revenues and Transfers	36,063,316
Change in Net Position	12,608,602
Net Position - Beginning	162,546,419
Prior Period Adjustment	(3,415,156)
Net Position - Ending	\$ 171,739,865

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

**WALLA WALLA COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2021**

	<u>General Fund</u>	<u>County Road</u>	<u>Public Health</u>	<u>America Rescue Plan</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS						
<i>Current Assets:</i>						
Cash, cash equivalents and pooled investments	\$ 10,453,942	\$ 11,573,641	\$ 1,214,042	\$ 3,925,086	\$ 22,594,852	\$ 49,761,563
Receivables (net)	1,794,699	786,411	952,359	-	1,863,727	5,397,196
Due from other funds	18,899	-	-	-	297	19,196
Total assets	<u>12,267,540</u>	<u>12,360,052</u>	<u>2,166,401</u>	<u>3,925,086</u>	<u>24,458,876</u>	<u>55,177,955</u>
LIABILITIES						
<i>Current Liabilities:</i>						
Accounts payable and accrued expense	343,134	228,020	87,556	879,429	632,551	2,170,690
Due to other governments	-	-	-	-	10,488	10,488
Due to other funds	-	7,744	1,577	-	14,811	24,132
Unearned revenue	-	-	-	3,045,657	105,199	3,150,856
Total liabilities	<u>343,134</u>	<u>235,764</u>	<u>89,133</u>	<u>3,925,086</u>	<u>763,049</u>	<u>5,356,166</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue-property taxes	215,284	103,921	-	-	92,692	411,897
Unavailable revenue-court receivables	239,200	-	-	-	-	239,200
Total deferred inflows of resources	<u>454,484</u>	<u>103,921</u>	<u>-</u>	<u>-</u>	<u>92,692</u>	<u>651,097</u>
Restricted	-	12,020,367	1,749,686	-	18,450,063	32,220,116
Committed	-	-	-	-	973,395	973,395
Assigned	4,286,730	-	327,582	-	4,179,677	8,793,989
Unassigned	7,183,192	-	-	-	-	7,183,192
Total fund balances	<u>11,469,922</u>	<u>12,020,367</u>	<u>2,077,268</u>	<u>-</u>	<u>23,603,135</u>	<u>49,170,692</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 12,267,540</u>	<u>\$ 12,360,052</u>	<u>\$ 2,166,401</u>	<u>\$ 3,925,086</u>	<u>\$ 24,458,876</u>	

Amounts reported for governmental activities in the statement of net position are different because (See Note 2 also):

Capital assets used in governmental activities are not financial resources and therefore are not reported in the statement of net position.	\$ 112,399,085
Other long-term assets are not available to pay for current-period expenditures and, therefore are deferred in the funds—unavailable revenues	651,097
Other items related to Pension and OPEB activity that are not financial resources therefore, not reported in the funds.	2,905,632
Long-term liabilities that are not due and payable in the current period and are not reported in the funds	(4,646,201)
Internal service funds are used by management to charge the costs of certain activities to individual funds. These assets and liabilities are included in governmental activities in the statement of net position.	11,259,560
Net position of governmental activities	<u>\$ 171,739,865</u>

WALLA WALLA COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021

	General			America	Other	Total
	Fund	County Road	Public Health	Rescue Plan	Governmental	Governmental
					Funds	Funds
REVENUES						
Taxes	\$ 16,484,697	\$ 6,510,757	\$ -	\$ -	\$ 12,861,005	\$ 35,856,459
Licenses and Permits	228,104	14,540	222,228	-	519,564	984,436
Intergovernmental Revenues	1,220,981	6,573,242	7,270,387	2,855,302	3,176,886	21,096,798
Charges for Service	2,474,987	154,116	82,080	-	2,351,616	5,062,799
Fees and Fines	473,688	-	-	-	4,692	478,380
Miscellaneous Revenues	1,007,980	66,675	91,144	-	1,018,007	2,183,806
Total revenues	<u>21,890,437</u>	<u>13,319,330</u>	<u>7,665,839</u>	<u>2,855,302</u>	<u>19,931,770</u>	<u>65,662,678</u>
EXPENDITURES						
Current:						
General Government	11,652,125	148,194	-	2,855,302	1,559,434	16,215,055
Public Safety	5,948,194	-	-	-	9,372,188	15,320,382
Utilities	-	-	-	-	185,082	185,082
Transportation	-	7,837,359	-	-	-	7,837,359
Natural & Economic Environment	4,768	-	-	-	2,362,104	2,366,872
Social Services	193,378	-	7,204,845	-	2,237,860	9,636,083
Culture and Recreation	186,395	-	-	-	1,567,821	1,754,216
Capital Outlay	99,507	3,600,803	80,267	-	542,889	4,323,466
Total expenditures	<u>18,084,367</u>	<u>11,586,356</u>	<u>7,285,112</u>	<u>2,855,302</u>	<u>17,827,378</u>	<u>57,638,515</u>
revenues over (under)						
expenditures	<u>3,806,070</u>	<u>1,732,974</u>	<u>380,727</u>	<u>-</u>	<u>2,104,392</u>	<u>8,024,163</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	290,000	-	1,004,951	1,294,951
Transfers out	(1,374,286)	-	-	-	(285,217)	(1,659,503)
Total other financing sources (uses)	<u>(1,374,286)</u>	<u>-</u>	<u>290,000</u>	<u>-</u>	<u>719,734</u>	<u>(364,552)</u>
Net change in fund balances	<u>2,431,784</u>	<u>1,732,974</u>	<u>670,727</u>	<u>-</u>	<u>2,824,126</u>	<u>7,659,611</u>
Fund balances--beginning	<u>9,038,138</u>	<u>10,287,393</u>	<u>1,406,541</u>	<u>-</u>	<u>20,779,009</u>	<u>41,511,081</u>
Fund balances--ending	<u>\$ 11,469,922</u>	<u>\$ 12,020,367</u>	<u>\$ 2,077,268</u>	<u>\$ -</u>	<u>\$ 23,603,135</u>	<u>\$ 49,170,692</u>

WALLA WALLA COUNTY
 Reconciliation of the Statement of Revenues, Expenditures and Changes in
 Fund Balance of Governmental Funds to the Statement of Activities
 Year Ended December 31, 2021

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

Net changes in fund balances - total governmental funds:	\$	7,659,611
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expenses. This is the amount by which capital outlays exceeded depreciation in the current period.		653,382
The net effect of various miscellaneous transactions involving capital assets (i.e., dispositions) to decrease net position.		(834,558)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		95,050
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds		4,757,667
Internal service funds are used by management to charge the cost of certain activities to individual funds the net revenue of these activities is reported with governmental activities		<u>277,450</u>
Changes in Net Position (governmental activities)	\$	<u><u>12,608,602</u></u>

WALLA WALLA COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final Budget Positive (Negative)
REVENUES				
Taxes	\$14,469,832	\$14,727,516	\$16,484,697	\$ 1,757,181
Licenses and Permits	262,345	262,345	228,104	(34,241)
Intergovernmental Revenues	622,967	1,082,359	1,220,981	138,622
Charges for Service	2,316,572	2,424,952	2,474,987	50,035
Fees and Fines	406,204	412,544	473,688	61,144
Miscellaneous Revenues	690,833	675,973	917,520	241,547
Total Revenues	<u>18,768,753</u>	<u>19,585,689</u>	<u>21,799,977</u>	<u>2,214,288</u>
EXPENDITURES				
Current:				
General Government				
Assessor	1,205,493	1,205,493	1,099,310	106,183
Auditor	493,072	547,156	528,681	18,475
Elections	333,517	372,517	330,224	42,293
Voter Registration	160,046	160,049	153,485	6,564
Vehicle Licensing	348,922	342,822	295,570	47,252
Board of Equalization	26,955	26,955	25,106	1,849
Clerk	738,479	754,129	695,789	58,340
Commissioners	551,973	540,973	509,056	31,917
Personnel/Risk Management	293,550	293,550	196,121	97,429
Facilities Maintenance	829,610	896,136	857,061	39,075
District Court	1,067,657	1,067,657	1,039,405	28,252
Indigent Legal Services	987,200	1,050,200	1,020,181	30,019
Law Library	32,907	32,907	21,399	11,508
Miscellaneous	1,794,571	2,196,399	1,813,771	382,628
Prosecuting Attorney	1,572,107	1,572,107	1,491,828	80,279
Superior Court	669,083	892,895	861,469	31,426
Courthouse Facilitator	15,000	15,000	15,000	-
Treasurer	487,093	487,093	485,566	1,527
Total General Government	<u>11,607,235</u>	<u>12,454,038</u>	<u>11,439,022</u>	<u>1,015,016</u>
Public Safety				
Civil Service Commission	18,858	19,358	6,915	12,443
Commissioners-LEOFF 1	107,000	107,000	75,990	31,010
Burn Control	140,000	140,000	102,570	37,430
Sheriff-Administration	702,501	706,877	677,237	29,640
Sheriff-Patrol Administration	281,009	281,009	275,166	5,843
Sheriff-Patrol Investigation	622,311	635,759	615,577	20,182
Sheriff-Patrol	1,555,740	1,586,473	1,572,743	13,730
Sheriff-Safe Boating Program	9,132	10,781	9,132	1,649
Sheriff-Patrol Training	53,800	53,800	53,718	82
Sheriff-Reserve Deputy Program	1,000	1,000	-	1,000
Sheriff-Canine	3,500	3,500	1,673	1,827
Sheriff-Search and Rescue Program	500	500	470	30
Corrections	2,310,183	2,296,883	2,034,566	262,317
Corrections Administration	242,089	255,389	250,640	4,749
Correction Kitchen	322,457	322,457	267,254	55,203
Corrections Training	10,500	10,500	4,544	5,956
Total Public Safety	<u>6,380,580</u>	<u>6,431,286</u>	<u>5,948,195</u>	<u>483,091</u>

Natural & Economic Environment				
Horticultural Pest/Disease Board	6,354	6,354	4,768	1,586
Total Natural & Economic Environment	<u>6,354</u>	<u>6,354</u>	<u>4,768</u>	<u>1,586</u>
Social Services				
Alcoholic Treatment	2,100	2,100	1,915	185
Coroner	207,305	207,305	191,463	15,842
Total Social Services	<u>209,405</u>	<u>209,405</u>	<u>193,378</u>	<u>16,027</u>
Culture and Recreation				
Agriculturist	237,757	237,757	186,395	51,362
Total Culture and Recreation	<u>237,757</u>	<u>237,757</u>	<u>186,395</u>	<u>51,362</u>
Capital Outlay				
Auditor	-	4,100	4,088	12
Prosecuting Attorney	500	500	-	500
Clerk	-	11,000	10,585	415
Miscellaneous	-	-	12,954	(12,954)
District Court	-	-	12,789	(12,789)
Sheriff-Patrol	7,200	32,285	45,935	(13,650)
Corrections	20,000	20,000	-	20,000
Correction Kitchen	1,500	1,500	-	1,500
Superior Court	-	10,000	8,590	1,410
Treasurer	-	5,620	4,566	1,054
Total Capital Outlay	<u>29,200</u>	<u>85,005</u>	<u>99,507</u>	<u>(14,502)</u>
Total General Fund Expenditures	<u>18,470,531</u>	<u>19,423,845</u>	<u>17,871,265</u>	<u>1,552,580</u>
Excess (deficiency) of revenues over (under) expenditures	<u>298,222</u>	<u>161,844</u>	<u>3,928,712</u>	<u>661,708</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	<u>(3,157,698)</u>	<u>(3,257,698)</u>	<u>(3,118,565)</u>	<u>139,133</u>
Total other financing sources (uses)	<u>(3,157,698)</u>	<u>(3,257,698)</u>	<u>(3,118,565)</u>	<u>139,133</u>
Net change in fund balances	<u>(2,859,476)</u>	<u>(3,095,854)</u>	<u>810,147</u>	<u>800,841</u>
Fund balances--beginning			<u>5,938,505</u>	
Fund balances--ending			<u>\$ 6,748,652</u>	
Reconciliation to the Statement of Revenues, Expenditures, and Changes in Fund Balances:				
General Government				
Current Exp-Retirement Fund			33,812	
Sup Court & Indigent Defense Emerg Fund			268,835	
Current Exp-Medical Insurance Reserve			328,493	
Current Expense Reserve Fund			3,000,000	
Suspense Fund			434,539	
Public Safety				
Leoff I Fund			492,795	
Culture and Recreation				
Community Outreach			<u>162,796</u>	
Fund balances--ending			<u>\$11,469,922</u>	

WALLA WALLA COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
AMERICA RESCUE PLAN RECOVERY FUND
FOR THE YEAR ENDED DECEMBER 31, 2021

	Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>Final</u>	<u>Amounts</u>	<u>(Negative)</u>
REVENUES			
Intergovernmental Revenues	\$ 6,000,000	2,855,302	(3,144,698)
Total Revenues	<u>6,000,000</u>	<u>2,855,302</u>	<u>(3,144,698)</u>
EXPENDITURES			
Current:			
General Government	6,000,000	2,855,302	3,144,698
Total Expenditures	<u>6,000,000</u>	<u>2,855,302</u>	<u>3,144,698</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	-
Net change in fund balances	-	-	-
Fund balances--beginning	-	-	-
Fund balances--ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

WALLA WALLA COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
COUNTY ROAD FUND
FOR THE YEAR ENDED DECEMBER 31, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 5,837,000	\$ 5,837,000	\$ 6,510,757	\$ 673,757
Licenses and Permits	13,800	13,800	14,540	740
Intergovernmental Revenues	9,433,409	9,251,409	6,573,242	(2,678,167)
Charges for Service	338,500	338,500	154,116	(184,384)
Miscellaneous Revenues	25,500	25,500	66,675	41,175
Total Revenues	<u>15,648,209</u>	<u>15,466,209</u>	<u>13,319,330</u>	<u>(2,146,879)</u>
EXPENDITURES				
Current:				
General Government	303,000	303,000	148,194	154,806
Transportation	9,565,800	14,284,359	7,837,359	6,447,000
Capital Outlay	8,213,500	8,060,850	3,600,803	4,460,047
Total Expenditures	<u>18,082,300</u>	<u>22,648,209</u>	<u>11,586,356</u>	<u>11,061,853</u>
Excess (deficiency) of revenues over (under) expenditures	(2,434,091)	(7,182,000)	1,732,974	8,914,974
Net change in fund balances	(2,434,091)	(7,182,000)	1,732,974	8,914,974
Fund balances--beginning	<u>10,287,393</u>	<u>10,287,393</u>	<u>10,287,393</u>	<u>-</u>
Fund balances--ending	<u>\$ 7,853,302</u>	<u>\$ 3,105,393</u>	<u>\$ 12,020,367</u>	<u>\$ 8,914,974</u>

WALLA WALLA COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
PUBLIC HEALTH FUND
FOR THE YEAR ENDED DECEMBER 31, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Licenses and Permits	\$ 248,850	\$ 248,050	\$ 222,228	\$ (25,822)
Intergovernmental Revenues	895,154	6,402,708	7,270,387	867,679
Charges for Service	108,168	92,400	82,080	(10,320)
Miscellaneous Revenues	110,000	102,000	91,144	(10,856)
Total Revenues	<u>1,362,172</u>	<u>6,845,158</u>	<u>7,665,839</u>	<u>820,681</u>
EXPENDITURES				
Current:				
Social Services	2,460,079	8,098,888	7,204,845	894,043
Capital Outlay	-	-	80,267	(80,267)
Total Expenditures	<u>2,460,079</u>	<u>8,098,888</u>	<u>7,285,112</u>	<u>813,776</u>
 Excess (deficiency) of revenues over (under) expenditures	 (1,097,907)	 (1,253,730)	 380,727	 (1,634,457)
OTHER FINANCING SOURCES (USES)				
Transfers In	311,000	311,000	290,000	(21,000)
Total other financing sources (uses)	<u>311,000</u>	<u>311,000</u>	<u>290,000</u>	<u>(21,000)</u>
Net change in fund balances	(786,907)	(942,730)	670,727	(1,613,457)
Fund balances--beginning	<u>1,406,541</u>	<u>1,406,541</u>	<u>1,406,541</u>	<u>-</u>
Fund balances--ending	<u>\$ 619,634</u>	<u>\$ 463,811</u>	<u>\$ 2,077,268</u>	<u>\$ 1,613,457</u>

**WALLA WALLA COUNTY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2021**

	Governmental Activities	
	Internal Service Funds	
ASSETS		
<i>Current assets:</i>		
Cash, cash equivalents and pooled investments	\$	3,395,699
Due from other funds		4,936
Inventories		984,451
<i>Capital assets:</i>		
Machinery and equipment		16,109,083
Accumulated depreciation		(9,036,918)
Net pension asset		762,413
Total assets		<u>12,219,664</u>
 The notes to the financial statements are an integral part of this statement		
Deferred outflows related to pensions		7,558
Total Deferred Outflows of Resources		<u>119,441</u>
		<u>126,999</u>
 LIABILITIES		
<i>Current liabilities:</i>		
Accounts Payable and Accrued Expenses		64,716
Accrued Compensated Absences - Current		5,943
<i>Noncurrent liabilities:</i>		
Accrued Compensated Absences		68,339
Net pension liability		84,052
Net ARO liability		21,411
Total liabilities		<u>244,461</u>
 DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions		842,642
Total Deferred Inflows of Resources		<u>842,642</u>
 NET POSITION		
Net investment in capital assets		7,072,165
Restricted for Pension		762,413
Unrestricted		3,424,982
TOTAL net position	\$	<u><u>11,259,560</u></u>

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

WALLA WALLA COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET
POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021

		Governmental Activities- Internal Service Funds
		<u> </u>
OPERATING REVENUES		
Charges for Services:	\$	4,827,698
Miscellaneous		341,478
Total operating revenues		<u>5,169,176</u>
OPERATING EXPENSES		
Personal Services		1,259,085
Supplies		1,509,215
Other Services and Charges		1,261,995
Amortization Expense related to ARO		139
Depreciation		1,053,102
Total operating expenses		<u>5,083,536</u>
Operating income (loss)		<u>85,640</u>
NONOPERATING REVENUES (EXPENSES)		
Investment income		11,763
Gain (loss) on Capital Asset Disposition		(184,505)
Miscellaneous nonoperating revenues (expenses)		-
Total non-operating income (expense)		<u>(172,742)</u>
Income before contributions & transfers		<u>(87,102)</u>
Transfers in		364,552
Change in net position		<u>277,450</u>
Net position--beginning		10,982,110
Prior Period Adjustment		-
Change in Accounting Principle		-
Net position--ending	\$	<u><u>11,259,560</u></u>

**WALLA WALLA COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021**

		<u>Governmental Activities- Internal Service Funds</u>
Cash Flows from Operating Activities:		
Receipts from Customers	\$	5,166,127
Payments to Suppliers		(2,988,845)
Payments to Employees		(1,504,626)
Other (Payments)		(2,514)
Net Cash Provided (Used) by Operating Activities		<u>670,142</u>
Cash Flows from Noncapital Financing Activities:		
Transfers - In		<u>364,552</u>
Net Cash Provided (Used) by Noncapital Financing Activities		<u>364,552</u>
Cash Flows from Capital and Related Financing Activities:		
Receipts from disposal of capital assets		142,726
Acquisition and Construction of Capital Assets		(1,315,493)
Net Cash Provided (Used) for Capital and Related Financing Activities		<u>(1,172,767)</u>
Cash Flows from Investing Activities:		
Interest on Investments		<u>11,763</u>
Net Cash Provided (Used) by Investing Activities		<u>11,763</u>
Net Increase (Decrease) in Cash and Cash Equivalents		(126,310)
Cash and Cash Equivalents at Beginning of Year		<u>3,522,009</u>
Cash and Cash Equivalents at End of Year	\$	<u><u>3,395,699</u></u>
Reconciliation to Net Position:		
Cash and Cash Equivalents		3,395,699
Total Cash and Cash Equivalents	\$	<u><u>3,395,699</u></u>
Reconciliation of Operating Income (Loss) to Net Cash:		
Cash Used by Operating Activities:		
Net Operating Income (Loss)		85,640
Adjustments to Reconcile Net operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation and Amortization Expense		1,053,241
(Increase) Decrease in Receivables		9,228
(Increase) Decrease in Inventories		(242,516)
Increase (Decrease) in Accounts Payable and Accrued Expenses		12,604
Increase (Decrease) in Pension Activity		(261,684)
Increase (Decrease) in Accrued Employee Benefits		16,143
Increase (Decrease) in Due to Other Governments		(2,514)
Net Cash Used by Operating Activities	\$	<u><u>670,142</u></u>

Walla Walla County, Washington
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2021

	Investment Trust Funds	Custodial Funds
ASSETS		
Cash, Cash Equivalents and Pooled Investments	\$ 67,464,482	\$ 5,709,010
Taxes Receivable for Other Governments	-	1,661,017
Total Assets	67,464,482	7,370,027
LIABILITIES		
Accounts Payable and Other Liabilities	-	1,713,397
Due to Other Governments	-	558,622
Total Liabilities	-	2,272,019
NET POSITION		
Restricted for:		
Pool Participants	67,464,482	
Individuals, Organizations and Other Governments	-	5,098,008
Total Net Position	\$ 67,464,482	\$ 5,098,008

Walla Walla County, Washington
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended December 31, 2021

	Investment Trust Funds	Custodial Funds
ADDITIONS		
Property tax collections for other governments	\$ -	\$ 67,219,418
Additions by participants	185,677,642	-
Collection from investment disbursements	-	241,974,673
State and Federal share revenue and grants collected for others	-	122,178,765
Other tax collections	-	16,506,956
Court collections for other governments	-	114,262
Assessments collected from customers	-	1,166,477
Collections from services provided	-	9,368,410
Other custodial collections	-	3,199,717
Investment Interest	550,907	11,298
Net increase (decrease) in fair value of investments	(1,086,780)	-
Total Additions	185,141,769	461,739,976
DEDUCTIONS		
Distributions to participants	215,186,508	-
Distributions for investment purchases	-	185,677,642
Payments of property tax	-	34,497,369
Payments of other tax collections	-	8,884,166
Payments of court collections	-	114,262
Disbursements for wages and benefits	-	82,130,128
Disbursements to vendors and suppliers	-	132,522,153
Disbursements to bond and debt holders	-	9,649,610
Other custodial disbursements	-	9,428,398
Total Deductions	215,186,508	462,903,728
CHANGE IN NET POSITION HELD FOR INDIVIDUALS, ORGANIZATIONS AND OTHER GOVERNMENTS	(30,044,739)	(1,163,752)
Net Position - Beginning of the Year	97,509,221	6,261,760
Net Position - End of the Year	\$ 67,464,482	\$ 5,098,008

WALLA WALLA COUNTY, WASHINGTON

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the 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

Walla Walla County was incorporated on April 16, 1854, and operates under the laws of the State of Washington applicable to a third-class county with commissioner form of government. The present boundaries were established in 1875. The County is a general-purpose government and provides public safety (police and emergency services), roads and bridges, health and social services, culture and recreation, and general administrative services.

As required by the generally accepted accounting principles the financial statements present county – the primary government. The County Commissioners appoint the board of the Walla Walla County Housing Authority, but it is not a component unit of Walla Walla County. There is no legal or financial interdependency. According to GASB Statement 14 Walla Walla County and the Walla Walla County Housing Authority are related organizations. However, the Walla Walla County Housing Authority Board of Trustees has been inactive and entered into a Memorandum of Agreement with the Housing Authority of the City of Walla Walla on May 30, 2012 to allow them to function as one entity, with the City Housing Authority as the lead, responsible agency for both entities. To date the County Housing Authority has not been formally deactivated.

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

The government-wide financial statements (i.e. the statement of net position and statement of activities) report information on all of the nonfiduciary activities of the primary government. As a general rule the effect of interfund activity has been removed from these statements.

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

Separate fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

Major individual governmental funds are reported as separate columns in the fund financial statements.

The County reports the following major governmental funds:

- The General (or current expense) Fund is the County's operating fund. It accounts for all financial resources of the general government, except those required or elected to be accounted for in another fund.
- The County Road (special revenue) Fund accounts for the maintenance and construction of county roads, bridges, and culverts by the county road department.
- Public Health Fund (special revenue) accounts for the grant revenue and fees restricted for the financing of public health programs in the county.
- The American Rescue Plan Act Fund (special revenue) accounts for the grant revenue and associated expenditures associated with the federal ARPA funds received.

Additionally, the County reports the following funds types:

- Internal service funds account for Equipment Rental and Revolving, Risk Management, Unemployment Compensation, Technology Services, and Technology Services Reserve provided to other departments or funds of the county, or to other governmental units, on a cost reimbursement basis.
- Investment trust funds account for external pooled investments held by the County Treasurer on behalf of external participants in the County's investment program. Pooled money is invested and monitored by the County for external participants that are generally government entities that do not have their own treasurer (such as fire and school districts).
- Other Custodial Activities are custodial in nature and do not present results of operations or have a measurement focus. These funds account for and report assets (such as property taxes collected on behalf of other governments) that the County holds for others in an agency capacity. These funds include cities, towns, fire, school, port, cemetery, air pollution, library, and drainage districts, along with miscellaneous clearing fund activities.

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 revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Fiduciary funds are not included in the government-wide statements.

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 tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. For all other revenues, the County considers revenues to be available if they are collected within 120 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Revenues susceptible to accrual are property taxes, earned interest, certain charges for services, and intergovernmental revenues, such as grants, where program expenditures are the prime factor for determining reimbursement. Other revenues such as licenses, fines and fees are not considered susceptible for accrual since they are not generally measurable until 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 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 internal service funds are revenues for goods and services provided. Operating expenses for the internal services funds 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 and special revenue funds and for all 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 (current expense) fund, where expenditures may not exceed appropriations at the department level and the budgets constitute the legal authority for expenditures at that level.

Appropriations for general and special revenue funds lapse at year-end.

Encumbrances accounting is employed in governmental funds. Encumbrances (e.g. purchase orders, contracts) outstanding at year end are reported as reservation of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

2. Amending the Budget

The County Auditor 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 authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the County Commission.

When the county commission 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 the financial statements are the final authorized amounts as revised during the year.

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

E. Assets, Liabilities, Fund Balance, Net Position

1. Cash, Cash Equivalents, and Investments

The County's cash and cash equivalents are considered to be cash on hand, certificates of deposit, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Cash resources of individual funds are invested directly into government securities with interest accruing for the benefit of the investing funds. The interest earned on these investments is credited to the General Fund. This policy covers all funds operated by the County. It is the County's policy to invest all surplus cash.

For the purposes of the statement of cash flows, the County considers the Washington State Local Government Investment Pool and the Walla Walla County Investment Pool as cash. Investments in the State Investment Pool and the Walla Walla County Investment Pool are classified as cash equivalents on the financial statements.

Certain Investments for the County are reported at fair value. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income. Likewise, some investments are reported at amortized cost.

2. Receivables

Taxes receivable consist of property taxes. See Note 4, *Property Taxes*.

Special assessments are recorded when levied. Special assessments receivable consists of current and delinquent assessments.

Customer accounts receivable consist of amounts owed from private individuals or organizations for goods and services including amounts owed for which billings have not been prepared. Due from Other Governments consist of amounts owed on grants and other contracts from governmental units.

	Receivables			Total
	Taxes	Accounts	Due from Other Gov'ts	
<u>Governmental Activities</u>				
General Fund	\$ 1,428,398	\$ 239,200	\$ 127,101	\$ 1,794,699
County Road	122,356	-	664,055	786,411
Public Health	-	-	952,359	952,359
Total Governmental	<u>3,048,549</u>	<u>239,200</u>	<u>2,109,447</u>	<u>5,397,196</u>

3. Amounts Due to and from Other Funds

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either *interfund loans receivable/payable* or *advances to/from other funds*. All other outstanding balances between funds are reported as *due to/from other funds*. All interfund loans receivable and payable were paid in full during 2021.

4. Inventories

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

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

5. Capital Assets – See Note 5, *Capital Assets*.

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than \$1,000. 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. Purchase and construction of such assets is recorded as expenditure in the appropriate governmental fund.

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

The costs of 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:

<u>Assets</u>	<u>Years</u>
Buildings	100 - 200
Other Improvements	Varies
Machinery & Equipment	5 - 20
Infrastructure	40 - 70

6. Deferred Outflows/Inflows of Resources

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but have not yet been earned.

The proprietary funds and government wide statement of net position also present deferred inflows and outflows related to pensions, OPEB and asset retirement obligations (ARO). See Notes 6, 12 and 14.

7. Accounts payable and accrued expense

This account consists of payable to vendors, accrued wages and accrued employee benefits.

8. Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation leave. Also included in compensated absences is compensated time.

Vacation pay, which may be accumulated up to 30 days, is payable upon resignation, retirement or death. Sick leave may accumulate with no limit. Fifty percent of outstanding sick leave is payable upon retirement and one hundred percent is payable to the employee's heirs upon death of County Road employees. Twenty-five percent of outstanding sick leave is payable upon retirement to all other employees.

9. Pensions and OPEB

For purposes of measuring the net pension and the other post-employment benefits liability, deferred outflows 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.

10. Long-Term Debt – See Note 8, *Changes in Long Term Liabilities*

11. Asset Retirement Obligation

The asset retirement obligations (ARO) and deferred outflows of resources related is the liability associated with the retirement of County owned capital assets that have a substantial cost required by external parties. The obligation will be paid from operating income; no assets have been set aside to fund this obligation.

12. Net position

Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

Restricted is the amount restricted by external creditors, grantors, contributors, or laws and regulations imposed by other governments.

Unrestricted is the amount of all net position that does not meet the definition of “invested in capital assets” or “restricted” net position.

13. Fund balances in the governmental fund financial statements

On the balance sheet – governmental funds, assets in excess of liabilities are reported as fund balances and are segregated into separate classifications indicating the extent to which the County is bound to honor constraints on specific purposes for which the funds can be spent.

Nonspendable – amounts that cannot be spent because they are either not in spendable form or are legally required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments, including the State and Federal government.

Committed – amounts that can be used only for specific purposes determined by a formal action of the Board of Commissioner (the County’s highest level of decision-making authority). Once committed by Board’s legislative action (by ordinance), the limitation imposed by this action remains in place until a similar action is taken to remove or revise the limitation.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes; and any excess of nonspendable, restricted, and committed fund balance over total fund balance in a governmental fund other than the general fund. Under the County’s adopted policy, the County Auditor or management staff may assign amounts for specific purposes. The County has assigned an amount, shown on the Governmental Funds Balance Sheet; see the fund balance table below for assignment purpose.

Unassigned – total fund balance in the general fund in excess of nonspendable, restricted, committed, and assigned fund balance. The general fund is the only fund that can report a positive unassigned fund balance amount.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the County considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the County considers amounts to have been spent first out of committed funds, then assigned funds and finally unassigned funds.

The Board of County Commissioners, as the county legislative authority, deem it to be fiscally responsible to maintain an ending fund balance in the general (current expense) fund budget equal to the amount of three months of expenditures, in the event of unforeseen circumstances that could adversely affect the budget and the county's operations. For the past several years, the county has been able to meet this goal.

The County, as of December 31, 2021, has a total fund balance in the governmental funds of \$49,170,692 and is classified as follows:

FUND BALANCES:	Nonmajor Governmental				Total
	General Fund	County Road	Public Health	Funds	
Restricted for:					
Public Safety	\$ -	\$ -	\$ -	\$ 3,163,331	\$ 3,163,331
Juvenile Services	-	-	-	253,275	253,275
Transportation	-	12,020,367	-	-	12,020,367
Other Capital Projects	-	-	-	2,066,389	2,066,389
Economic Environment	-	-	-	410,526	410,526
Elections	-	-	-	141,473	141,473
Mental & Physical Health	-	-	1,749,686	3,029,249	4,778,935
Public Facilities Improvement	-	-	-	5,051,814	5,051,814
Tourism	-	-	-	340,942	340,942
Archiving	-	-	-	444,374	444,374
Foreclosure costs	-	-	-	71,147	71,147
Veterans & Homeless Services	-	-	-	728,098	728,098
Legal Services	-	-	-	194,652	194,652
Stormwater Management	-	-	-	1,074,190	1,074,190
Natural Resources	-	-	-	1,130,619	1,130,619
Technology	-	-	-	130,478	130,478
Judicial	-	-	-	45,589	45,589
Culture & Recreation	-	-	-	92,834	92,834
Treasurer's Services	-	-	-	81,083	81,083
Committed to:					
Public Safety	-	-	-	241,605	241,605
Other Capital Projects	-	-	-	731,790	731,790
Assigned to:					
Emergency Reserves	3,000,000	-	-	-	3,000,000
Public Safety	-	-	-	80,508	80,508
Juvenile Services	-	-	-	660,000	660,000
Culture & Recreation	-	-	-	602,281	602,281
Legal Services	-	-	-	23,886	23,886
Public Health	-	-	327,582	-	327,582
Judicial	-	-	-	212,373	212,373
Community Development	-	-	-	290,714	290,714
Debt Service	-	-	-	25,461	25,461
Unanticipated Employee Benefits	855,099	-	-	-	855,099
Unanticipated Court Emergencies	268,835	-	-	-	268,835
Community Outreach	162,796	-	-	-	162,796
Other Capital Projects	-	-	-	2,284,454	2,284,454
Unassigned	<u>7,183,192</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,183,192</u>
Total fund balances	<u>\$ 11,469,922</u>	<u>\$ 12,020,367</u>	<u>\$ 2,077,268</u>	<u>\$ 23,603,135</u>	<u>\$ 49,170,692</u>

In 2021, the following funds did not meet the GASB Statement No. 54 definition of a special revenue fund: Current Expense – Retirement Fund (136), Sup Court & Indigent Defense Emergency Fund (137), Current Expense Reserve (138), Community Outreach (151), CE

Medical Insurance Reserve (153), and Leoff I Fund (154). These fund balances are shown above in the General Fund column under “Assigned to:” and are reclassified and reported with the general fund on the financial statements.

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

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

The governmental funds’ balance sheet includes reconciliation between fund balance – total governmental funds and net position - governmental activities as reported in the government-wide statement of net position. One element of the reconciliation explains, “Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds,” as detailed below:

Compensated absences	\$ (1,130,487)
Net Pension Liability	(993,553)
Total OPEB liability	<u>(2,522,161)</u>
Net adjustment to reduce total governmental funds to arrive at net position of governmental activities	\$ <u><u>(4,646,201)</u></u>

Another element of the reconciliation explains, “Other Pension and OPEB amounts reported in government-wide statements, but not in the governmental funds,” as detailed below (not including internal service fund amounts):

Restricted net pension Asset	\$ 13,229,266
Deferred inflows related - Pension	(12,347,050)
Deferred outflows of resources- Pension	1,960,844
Deferred outflows of resources-OPEB	<u>62,572</u>
Net adjustment to increase total governmental funds to arrive at net position of governmental activities	\$ <u><u>2,905,632</u></u>

B. Explanation of Certain Differences Between the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental funds’ statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains, “Governmental funds report capital outlays as expenditures.

However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense”. The details of the difference are as follows:

Capital Outlay	\$ 4,147,971
Depreciation Expense	<u>(3,494,589)</u>
Net adjustment to increase net changes in fund balances – Total governmental funds to determine changes in Net position of governmental activities	\$ <u>653,382</u>

Another element of the reconciliation states, “The net effect of various miscellaneous transactions involving capital assets (i.e., dispositions) to decrease net position.” Details of the difference are as follows:

Annexation resulting in disposal of assets	\$ (819,211)
Disposal of capital assets	<u>(15,347)</u>
Net adjustment to increase net changes in fund balances – Total governmental funds to determine changes in Net position of governmental activities	\$ <u>(834,558)</u>

Another element of the reconciliation states, “Governmental funds report revenue in current period for revenues deferred in prior periods since they were not available financing sources at the time. Government-wide statements record revenues at the time they are earned.” Details of the difference are as follows:

Pension Contributions from the State	\$ 70,799
Change in unavailable revenue	<u>24,251</u>
Net adjustment to increase net changes in fund balances – Total governmental funds to determine changes in Net position of governmental activities	\$ <u>95,050</u>

Another element of the reconciliation explains, “Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds,” as detailed below:

Change in compensated absences	\$ 28,248
OPEB Expenses	124,522
Pension Expenses	<u>4,604,897</u>
Net adjustment to increase net changes in fund balances – Total governmental funds to determine changes in Net position of governmental activities	\$ <u><u>4,757,667</u></u>

NOTE 3 - DEPOSITS AND INVESTMENTS

A. DEPOSITS

As of December 31, 2021, cash, cash equivalents and investments as reported on the statements are as follows:

	<u>Total</u>
Petty Cash	65,031
Cash on Hand*	(1,744,472)
Investments	<u>128,010,195</u>
	\$ <u><u>126,330,754</u></u>

* The treasurer fully invests cash until warrants are redeemed; therefore, Cash on Hand is negative.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. Walla Walla County's deposits and certificates of deposit are entirely covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral Pool administered by the Washington State Public Deposit Protection Commission (WPDPC). The FDIC insures the first \$250,000 of the county's deposits. The deposit balances over \$250,000 are collateralized with the WPDPC.

B. INVESTMENTS

Investments are subject to the following risks.

Interest Rate Risk: 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 one 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 three years unless matched to a specific cash flow. Within these maturity constraints Callable Agency Securities may make up no more than 40% of the total portfolio. As of December 31, 2021, the actual weighted average maturity of the County's

investments was 1.36 years. As of December 31, 2021, the county had the following investments and maturities:

Investment Type	Total	Less Than 1 Yr	1 – 5 Years
LGIP	\$ 18,311,404	\$ 18,311,404	\$ -
US Treasuries	22,989,550	20,960,570	2,028,980
Federal Agencies	26,290,845	21,287,465	5,003,380
Supranational Agencies	7,049,330	7,049,330	-
Municipal Bonds	35,955,458	26,309,881	9,645,577
Commercial Paper	9,125,950	9,125,950	-
Public Funds Deposit	8,287,658	8,287,658	-
Total	\$ 128,010,195	\$ 111,332,258	\$ 16,677,937

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law and county policy limit investments to those authorized by state statute. State law and County policy further limits risk by placing a minimum AA- S&P rating (Aa3 Moody’s) standard on municipal, supranational and US agency secondary securities (Federal Agricultural Mortgage Corp.).

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

Debt Security	S&P Rating	Amount
US Treasuries	AAA	22,992,095
Federal Farm Credit Bank	AA+	15,827,680
Federal Home Loan Bank	AA+	2,998,380
Federal Home Loan Mortgage	AA+	1,982,300
Federal National Mortgage Assoc.	AA+	3,477,485
Federal Agricultural Mortgage Corp.	AA+	2,005,000
Supranational Agency Notes	AA	7,049,330
Municipal Bonds	AA	35,955,458
Commercial Paper	A-1+	9,125,950

Custodial Credit Risk: Custodial credit risk of investments is the risk that, in the event of the failure of a counterparty, the county will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The county investment policy requires that all deliverable securities will be held by a federally regulated financial institution, currently Wells Fargo, in the County’s name. The custodian institution shall hold the securities as evidenced by a safekeeping receipt. Certificates of deposit in the County Treasurer’s name, or a copy thereof, will be delivered to and held by the Treasurer’s Office.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The County’s policy has the following portfolio limits:

- 100 percent investment in US Treasuries, Federal Agencies, the LGIP and savings or time accounts (no more than 40% with any one U.S. government operated agency or sponsored issuer);
- 50 percent in certificates of deposits;
- 35 percent in municipal bonds; 20 percent investment in inter-fund of the county;

- 10 percent in repurchase agreements;
- 25 percent in bankers acceptances (rated A1 or P1);
- 10 percent in supranational agency notes (no more than 5 percent may be invested in any one agency);
- 10 percent in commercial paper (no more than 5 percent may be invested with any one issuer of commercial paper);
- 5 percent in registered warrants.

Investments with any one financial institution shall not exceed the institution’s net worth as determined by the PDPC. At December 31, 2021, the county held no investments in repurchase agreements, commercial paper or certificates of deposit.

Concentration of the County’s total investment portfolio’s fair value as of December 31, 2021 are as follows:

Debt Security	Percentage of Portfolio
US Treasuries	18%
Federal Farm Credit Bank	12%
Federal Home Loan Bank	2%
Federal Home Loan Mortgage	2%
Federal National Mortgage Assoc.	3%
Federal Agricultural Mortgage Corp.	2%
Supranational Agency Notes	6%
Municipal Bonds	28%
Commercial Paper	7%

Investments in Local Government Investment Pool (LGIP)

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

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

The weighted average maturities of the LGIP are less than three months, with cash available to the County on demand. The on demand availability of these funds defines them as cash equivalent liquid investments. Cash investments are not subject to interest rate risk or any market value reporting requirements. All LGIP investments are either obligations of the United States government, government-sponsored enterprises, or insured demand deposit accounts and certificates of deposits, meaning credit risk is very limited. The

investments are either fully insured or fully held by a third party custody provider in the name of the LGIP.

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

Investments Measured at Fair Value

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

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

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

<i>Measured at Fair Value:</i>	Level 1	Level 2	Level 3	Total
US Treasuries	\$ 22,989,550	\$ -	\$ -	\$ 22,989,550
Federal Agencies	-	26,290,845	-	26,290,845
Supranational Agencies	-	7,049,330	-	7,049,330
Municipal Bonds	-	35,955,458	-	35,955,458
Commercial Paper	-	9,125,950	-	9,125,950
Total measured at fair value	\$ 22,989,550	\$ 78,421,583	\$ -	\$ 101,411,133
 <i>Measured at amortized cost:</i>				
LGIP	\$ 18,311,404	\$ -	\$ -	\$ 18,311,404
Deposit accounts	8,287,658	-	-	8,287,658
Total measured at amortized cost	26,599,062	-	-	26,599,062
Total investments	\$ 49,588,612	\$ 78,421,583	\$ -	\$ 128,010,195

NOTE 4 - PROPERTY TAXES

The County Treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Those other authorities include the State of Washington, cities and towns, school districts, fire districts, cemetery districts, and ports. Collections for these districts are accounted for in agency funds.

Taxes are levied annually on January 1, on property value listed as of the prior May 31. Assessed values are established by the County Assessor at 100 percent of market value. A revaluation of all property is required at least once every year. Taxes are due in two equal installments on April 30 and October 31.

Property tax is recorded as a receivable and revenue when levied. Property taxes collected in advance of the fiscal year to which it applies is recorded as 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 principal, and delinquent taxes are evaluated annually.

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

The County's regular levy for 2021 was \$1.3958592293 for \$1,000 on an assessed valuation of \$6,994,579,034 for a total regular levy of \$9,763,448. Additionally, a special assessment for Mill Creek Flood Control totaled \$300,000.

The County is also authorized to levy \$2.25 per \$1,000 of assessed valuation in unincorporated areas for road construction and maintenance. This levy is subject to the same limitation as the levy for general governmental services. The County's road levy for 2021 was \$1.9838801648 per \$1,000 on an assessed valuation of \$3,227,866,987 for a total road levy of \$6,403,701.

Washington State Constitution and Washington State Law, RCW 84.55.010, limit the rate. Special property tax levies approved by vote are not subject to those limitations.

NOTE 5 – CAPITAL ASSETS

A. Capital Assets

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

	Beginning Balance 1/1/2021	Prior Period Adjustment	Beginning Balance 1/1/2021 Restated	Additions	Reductions	Ending Balance 12/31/2021
<i>Governmental activities:</i>						
Capital assets, not being depreciated						
Land	\$ 7,527,235	\$ (474,811)	\$ 7,052,424	\$ 479,735	\$ 370,075	\$ 7,162,084
Construction in progress	1,408,896	-	1,408,896	3,082,435	833,130	3,658,201
Total capital assets, not being depreciated	<u>8,936,131</u>	<u>(474,811)</u>	<u>8,461,320</u>	<u>3,562,170</u>	<u>1,203,205</u>	<u>10,820,285</u>
Capital assets, being depreciated/depleted:						
Buildings	55,599,794	(3,766,691)	51,833,103	-	-	51,833,103
Machinery and Equipment	20,332,955	-	20,332,955	833,130	1,448,369	19,717,716
Infrastructure	112,587,722	-	112,587,722	1,901,294	619,497	113,869,519
Total capital assets being depreciated	<u>188,520,471</u>	<u>(3,766,691)</u>	<u>184,753,780</u>	<u>2,734,425</u>	<u>2,067,866</u>	<u>185,420,338</u>
Less accumulated depreciation for:						
Buildings	22,973,748	(826,346)	22,147,402	495,996	-	22,643,398
Machinery and Equipment	11,432,071	-	11,432,071	1,403,677	1,105,792	11,729,956
Infrastructure	39,918,361	-	39,918,361	2,648,019	170,361	42,396,019
Total accumulated depreciation	<u>74,324,180</u>	<u>(826,346)</u>	<u>73,497,834</u>	<u>4,547,692</u>	<u>1,276,153</u>	<u>76,769,373</u>
Total capital assets, being depreciated, net	<u>114,196,291</u>	<u>(2,940,345)</u>	<u>111,255,946</u>	<u>(1,813,267)</u>	<u>791,713</u>	<u>108,650,965</u>
Governmental activities capital assets, \$	<u>123,132,422</u>	<u>(3,415,156)</u>	<u>119,717,266</u>	<u>1,748,903</u>	<u>1,994,918</u>	<u>119,471,250</u>

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

General Government	\$ 466,770
Public Safety	169,443
Transportation	2,686,336
Natural and Economic Environment	17,386
Social Services	27,200
Utilities	218
Culture and Recreation	127,239
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	1,053,102
	<u>\$ 4,547,692</u>

Commitments

The County has three major construction projects and comments at December 31, 2021, as follows:

Project	Spent to date	Remaining Commitment
Middle Waitsburg Road	\$ 937,583	\$ 1,357,953
Arch Bridge	280,817	1,192,439
Electrical Project	1,501,181	508,091

NOTE 6 - PENSION PLANS

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

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

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

Aggregate Pension Amounts - All Plans	
Pension liabilities	\$ 1,077,605
Pension assets	13,991,679
Deferred outflows of resources	2,080,285
Deferred inflows of resources	13,189,692
Pension expense/expenditures	(3,035,781)

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%

The County's actual PERS plan contributions were \$644,942 to PERS Plan 1 and \$938,968 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 Rates	Contribution	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%	6.50%
PERS Plan 1 UAAL		3.71%	
Administrative Fee		0.18%	
	Total	10.39%	6.50%

The County’s actual plan contributions were \$115,187 to PSERS Plan 2 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	Employer	Employee
Rates			
January – June 2021			
State and local governments		5.15%	8.59%
Administrative Fee		0.18%	
	Total	5.33%	8.59%
Ports and Universities		8.59%	8.59%
Administrative Fee		0.18%	
	Total	8.77%	8.59%
July – December 2021			
State and local governments		5.12	8.53%
Administrative Fee		0.18%	
	Total	5.30%	8.53%
Ports and Universities		8.53%	8.53%
Administrative Fee		0.18%	
	Total	8.71%	8.53%

The County’s actual contributions to the plan were \$131,706 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 \$70,799.

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. There were changes in methods 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 6.40%	Current Rate 7.40%	1% Increase 8.40%
PERS 1	\$ 1,835,760	\$ 1,077,605	\$ 416,415
PERS 2/3	(2,784,574)	(9,774,530)	(15,530,762)
PSERS 2	(83,144)	(530,318)	(884,234)
LEOFF 1	(440,290)	(489,067)	(531,268)
LEOFF 2	(2,016,512)	(3,197,764)	(4,164,974)

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 (assets) as follows:

Plan	Liability (or Asset)
PERS 1	\$ 1,077,605
PERS 2/3	(9,774,530)
PSERS 2	(530,318)
LEOFF 1	(489,067)
LEOFF 2	(3,197,764)

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
LEOFF - employer's proportionate share	(489,067)	(3,197,764)
LEOFF - State's proportionate share of the net pension asset associated with the employer	(3,308,037)	(2,062,907)
TOTAL	(3,797,104)	(5,260,671)

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	0.09541%	0.08824%	-0.00718%
PERS 2/3	0.10766%	0.09812%	-0.00953%
PSERS 2	0.26315%	0.23084%	-0.03232%
LEOFF 1	0.01450%	0.01428%	-0.00022%
LEOFF 2	0.05813%	0.05505%	-0.00307%

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	\$ (395,962)
PERS 2/3	(2,197,541)
PSERS 2	(14,135)
LEOFF 1	(68,658)
LEOFF 2	(359,485)
TOTAL	(3,035,781)

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
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ (1,195,781)
Contributions subsequent to the measurement date	279,545	-
TOTAL	\$ 279,545	\$ (1,195,781)

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 474,735	\$ (119,826)
Net difference between projected and actual investment earnings on pension plan investments	-	(8,169,214)
Changes of assumptions	14,284	(694,153)
Changes in proportion and differences between contributions and proportionate share of contributions	339,730	(624,135)
Contributions subsequent to the measurement date	423,023	-
TOTAL	\$ 1,251,772	\$ (9,607,328)

PSERS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 54,417	\$ (2,096)
Net difference between projected and actual investment earnings on pension plan investments	-	(379,868)
Changes of assumptions	83	(54,227)
Changes in proportion and differences between contributions and proportionate share of contributions	3,474	(23,585)
Contributions subsequent to the measurement date	54,144	-
TOTAL	\$ 112,118	\$ (459,776)

LEOFF 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ (149,440)
TOTAL	\$ -	\$ (149,440)

LEOFF 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 145,038	\$ (16,900)
Net difference between projected and actual investment earnings on pension plan investments	-	(1,524,717)
Changes of assumptions	1,382	(152,086)
Changes in proportion and differences between contributions and proportionate share of contributions	218,185	(83,664)
Contributions subsequent to the measurement date	72,245	-
TOTAL	\$ 436,850	\$ (1,777,367)

TOTAL ALL PLANS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 674,190	\$ (138,822)
Net difference between projected and actual investment earnings on pension plan investments	-	(11,419,020)
Changes of assumptions	15,749	(900,466)
Changes in proportion and differences between contributions and proportionate share of contributions	561,389	(731,384)
Contributions subsequent to the measurement date	828,957	-
TOTAL	\$ 2,080,285	\$ (13,189,692)

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	PERS 2/3	PSERS 2	LEOFF 1	LEOFF 2
2022	\$ (316,762)	\$ (2,300,831)	\$ (102,459)	\$ (39,697)	\$ (392,122)
2023	(290,270)	(2,154,057)	(96,354)	(36,310)	(364,389)
2024	(274,462)	(2,004,279)	(91,537)	(34,262)	(343,436)
2025	(314,287)	(2,222,148)	(101,331)	(39,171)	(388,559)
2026	-	(77,983)	(2,677)	-	9,053
Thereafter	-	(19,281)	(7,444)	-	66,691

NOTE 7 - RISK MANAGEMENT

Walla Walla 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 per million per occurrence. County deductibles range from \$10,0-000 to \$500,000. Reinsurance is purchased in several layers up to the policy limits of \$10,000,000. Members may choose 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, Walla Walla County selected a per-occurrence deductible of \$50,000.

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

During 2020-21, Walla Walla 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 each. 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.

Walla Walla County also participates in the jointly purchased cyber risk and security coverage from a highly rated commercial insurer. This group-purchased cyber coverage that 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 Walla Walla 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 reviews 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.

B. The County maintains insurance against most normal hazards except for unemployment insurance, where it has elected to become self-insured. Claims are processed by the Washington State Unemployment department. The amounts paid to the State Unemployment department are current and no liability exists. Claims paid during 2021 were \$10,574.

C. The counties insurance settlements did not exceed coverage in each of the past three years.

NOTE 8 – CHANGES IN LONG-TERM LIABILITIES

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Compensated Absences	\$ 1,219,388	\$ -	\$ 14,621	\$ 1,204,767	\$ 96,381
Asset Retirement Obligation	20,000	1,411	-	21,411	-
Net Pension Liability	4,745,501	-	3,667,896	1,077,605	-
OPEB	2,658,620	-	136,459	2,522,161	125,144
Total Governmental activity					
long-term liabilities	<u>\$ 8,643,509</u>	<u>\$ 1,411</u>	<u>\$ 3,818,976</u>	<u>\$ 4,825,944</u>	<u>\$ 221,525</u>

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 \$74,282 of internal service funds compensated absences, \$84,052 of net pension liability and \$21,411 for asset retirement obligations are included in the above amounts. Also, for the governmental activities, claims and

judgments, compensated absences, and net pension liability are liquidated by the governmental funds in which the activities and obligations were incurred. All OPEB liabilities are liquidated by the general fund.

NOTE 9 – CONTINGENCIES AND LITIGATIONS

The county has recorded in its financial statements all material liabilities. There are no material contingent liabilities to record.

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.

Blake Legal Financial Obligation Refunds. In *State v. Blake*, 197 Wn.2d 170, 173 (2021), the Washington Supreme Court invalidated Washington’s simple drug possession statute. The effect of this decision is to render void all such convictions dating back to 1971. Under due process, all penalties, fines and restitution (“legal financial obligations” or “LFOs”) ordered in connection with simple possession convictions must be refunded. Shortly after the *Blake* decision, a putative class action was filed by the Civil Survival Project (“CSP”) against King County, Snohomish County and the State of Washington seeking a refund of LFOs and other unspecified damages. The obligation to refund LFOs is not disputed, but the question of whether refunds are the responsibility of the County or the State is in dispute. The counties believe that this is exclusively a state liability. The State of Washington has rejected a tender of the CSP matter from the counties. In Fall 2021, the CSP class action lawsuit was dismissed with prejudice. Plaintiffs have filed an appeal that is unlikely to be resolved until 2023. King County and numerous counties along with the Washington Association of Counties has filed suit against the State to both enforce the tender of any Blake-related suits and to ensure that Blake-related liabilities belong to the State, not the counties. The Washington Legislature has provided ample funding thus far for the County to process vacations and refund LFOs on behalf of the state, including additional funding for FY 2023 and proviso language that suggests an ongoing state responsibility.

NOTE 10 – RESTRICTED NET POSITION

The government-wide statement of net position reports \$45,165,651 of restricted net position, of which \$31,173,972 is restricted by enabling legislation.

NOTE 11 - INTERFUND BALANCES AND TRANSFERS

A. Interfund Balances

1. Interfund Due To & Due From

Interfund transactions usually involve the exchange of goods and services between funds in a normal business relationship. These amounts, which are reported in the fund financial statements, were eliminated in the government-wide statements. Interfund due to and due from as of December 31, 2021, were as follows:

	Due to other funds	Due from other funds
General Fund	\$ -	\$ 18,899
County Road	7,744	-
Public Health	1,577	-
Nonmajor Govt Funds	14,811	297
Internal Service Funds	-	4,936
Total Due to Other Funds	<u>\$ 24,132</u>	<u>\$ 24,132</u>

B. Interfund Transfers

Interfund transfers to support operations to other funds during 2021 were as follows:

Transfer To:

Transfer From:	Public Health	Non Major Governmental Funds	Internal Service Funds	Total Transfer Out
General Fund	\$ 280,000	\$ 779,734	\$ 314,552	\$ 1,374,286
Nonmajor Govt Funds	10,000	225,217	50,000	285,217
Total Transfer In	<u>\$ 290,000</u>	<u>\$ 1,004,951</u>	<u>\$ 364,552</u>	<u>\$ 1,659,503</u>

NOTE 12 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFIT

<u>Aggregate OPEB amounts</u>	
OPEB Liabilities	\$ 2,522,161
Deferred outflows of resources	62,572
OPEB Expense	(10,278)

Plan Description

The County administers a single-employer Other Post Employment Benefit plan, which provides all health insurance benefits for retired public safety employees who are vested in LEOFF I. All County LEOFF I employees may become eligible for these benefits if they reach normal retirement age while working for the County. The County has used the alternative measurement method permitted by GASB Statement 75.

There are 5 participants eligible to receive these benefits, all of whom have retired. The benefits are 100 percent provided by the County in order to meet State statutory requirements under the LEOFF I system and provided pursuant to RCW 41.20 and 41.26, whereby the County pays their medical and dental premiums and out-of-pocket medical costs for life. This plan is closed to new entrants.

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

	<u>Total</u>
Inactive employees or Beneficiaries currently receiving benefits	5
Inactive employees entitled to but not yet receiving benefits	-
Active employees	-
Total	<u><u>5</u></u>

Contributions

The County has authority to establish and amend contribution requirements. The plan is funded on a pay-as-you-go basis and there are no assets accumulated in a qualifying trust.

For the year ending December 31, 2021, benefit payments made by the County were \$126,181.

Actuarial Assumptions

The actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about retirement ages, mortality and the healthcare cost trend. The actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The County’s total LEOFF 1 OPEB liability of \$2,522,161 was measured as of June 30, 2021 with a valuation date of June 30, 2021. The alternative method permitted under GASB 75 was used to calculate the liability instead of an actuarial valuation. The Entry Age Normal actuarial cost method and the recognized immediately amortization method were used in this calculation. There are no assets in this plan, therefore, no asset valuation method was used.

The total OPEB liability was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement period, unless otherwise specified:

- Inflation: 2.75% total economic inflation
- Discount Rate: 2.21% beginning of measurement year, 2.16% end of measurement year
- Healthcare cost trend rate: for medical costs, 5.3% decreasing to 5.0% in the mid-2020’s; for long-term care, 4.5%; Medicare Part B premiums vary, approximately 5%.

The source of the discount rate is the Bond Buyer General Obligation 20- Bond Municipal Index.

Mortality rates were based on the Pub S.H-2010 “-1 year Healthy Table” and “-0 years Disabled Table” published by the Society of Actuaries. The Washington State Actuary applied offsets to the base table and recognized future improvements in mortality by projecting mortality using MP-2017 long-term rates. The Age Setback was based on the Blended 50%/50% Healthy/Disabled table. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime. Medicare participation is assumed at 100%.

Sensitivity of the Total OPEB Liability

The table below presents the County’s total OPEB liability calculated using the discount rate of 2.16 percent, as well as what the County’s total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.16 percent) or 1-percentage point higher (3.16 percent) than the current rate.

	Discount Rate Sensitivity		
	1% Decrease	Current Discount Rate	1% Increase
Total OPEB Liability	2,815,279	2,522,161	2,274,166

The following table presents the total OPEB liability of the County calculated using the health care cost trend rate of 5.3 percent decreasing to 5 percent and long term care rates of 4.50 percent, as well as what the OPEB liability would be if it were calculated using a health care cost trend rate that is 1-percentage point lower (4.3% trending down to 4%, 3.5 % long term care trend rate) or 1-percentage point higher (6.3% trending down to 6%, 5.5 % long term care trend rate) than the current rate.

	Health Care Trend Rate Sensitivity		
	1% Decrease	Current Discount Rate	1% Increase
Total OPEB Liability	2,287,096	2,522,161	2,793,020

Changes in the Total OPEB Liability

At the measurement date June 30, 2021, the changes in the total OPEB liability are as follows:

Interest Cost	\$	57,369
Changes in Assumptions		(67,647)
Benefit Payments		<u>(126,181)</u>
Net change in Total OPEB Liability		(136,459)
Total OPEB Liability - Beginning		<u>2,658,620</u>
Total OPEB Liability - Ending	\$	<u><u>2,522,161</u></u>

The County reported \$(10,278) as LEOFF 1 OPEB expense for the calendar year 2021.

At December 31, 2021, the County reported deferred outflows of resources only for deferred outflows subsequent to the measurement date in the amount of \$62,572. This will be recognized as a reduction in OPEB liability in the period ending December 31, 2022.

NOTE 13 – TAX ABATEMENT

Under the Multi-unit Urban Housing Exemption under RCW 84.14.020, New and Rehabilitated Multiple-unit Dwellings in Urban Centers, Walla Walla County’s tax revenue was reduced under agreements entered into by the Washington State Department of Revenue for this program. The forgone tax revenue for 2021 was \$170,266.

NOTE 14 – ASSET RETIREMENT OBLIGATIONS

The County has installed fuel tanks in various locations. When the tanks are removed or replaced, the Environmental Protection Agency (EPA) requires certain steps be taken to prevent or mitigate contamination from the tanks' contents. The EPA has provided estimated range of costs for the proper disposal of tanks, depending on the severity of contamination. The County has applied these estimates to all tanks in operation to arrive at a total estimated asset retirement obligation. The remaining useful lives of the tanks in service range from approximately 10 to 15 years. The obligations will be paid from operating income; no assets have been set aside to fund this obligation. The liability at December 31, 2021 is \$21,411.

NOTE 15 – PRIOR PERIOD ADJUSTMENTS

The County has recorded the following Prior Period Adjustments:

Correction of Capital assets disposed in prior year not adjusted in Statement of Activities	\$ (3,415,156)	Total Statement of Activities - Governmental Activities
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NOTE 16 – DEFERRED COMPENSATION PLAN

Walla Walla County offers its employees deferred compensation plans created in accordance with Internal Revenue Code Section 457. These plans are with independent plan administrators. The plans, available to all employees, permit them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. On December 31, 2021, 96 employees were participating in the deferred compensation plans.

NOTE 17 – JOINTLY GOVERNED AND RELATED PARTIES

Walla Walla Valley Metropolitan Planning Organization (WWVMPO)

In 2013, Walla Walla Valley Metropolitan Planning Organization was created under the Interlocal Cooperation Act (RCW 39.4) by agreement between Walla Walla County, Umatilla County, City of College Place, City of Milton-Freewater, City of Walla Walla, Port of Walla Walla, Valley Transit, Oregon State Department of Transportation (ODOT) and Washington State Department of Transportation (WSDOT).

Its purpose to ensure that the metropolitan area has a continuing, cooperative, and comprehensive transportation planning process that results in plans and programs that consider all transportation modes and supports metropolitan community development and social goals. These plans and programs shall lead to the development and operation of an integrated, intermodal transportation system that facilitates the efficient, economic movement of people and goods.

Membership management of WWVMPO is vested in a Policy Board composed of each member agency appointing one representative to serve on the board and one alternate to serve in the absence of the appointed representative. Representatives and alternates are elected or officially designated representative of the legislative authority or governing body of Umatilla County, Walla Walla County, the City of College Place, the City of Milton-Freewater, the City of Walla Walla, the Port the General Manager of

Valley Transit, or his other designee, and representatives from the of Walla Walla, ODOT and the WSDOT. Walla Walla County has Commissioner Todd Kimball serving as their board representative

WWVMPO administration and operations are financed through federal, state, local and/or private funding as may become available and as appropriated therefore by statute, resolution, or ordinance. The WWVMPO adopts an annual operating budget with dues to be paid from member agencies. Member agencies dues to cover expenses of the WWVMPO and are shared equally except that ODOT and WSDOT whom do not pay dues. In 2021, Walla Walla County paid \$3,888 in dues.

NOTE 18 – 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.

In 2021, Covid-19 related restrictions were still implemented with limited public contact in some areas. The financial impact remained similar to 2020 with additional costs for mailings, hardware and software, as well as continual precautions taken for daily normal tasks. There were still large fiscal impacts with additional purchases of personal protective equipment, staff time and new jobs to assist with managing the operations during the pandemic. With the State lifting Covid 19 restrictions, County offices were able to slowly open their access to the public while maintaining social distancing and a healthy work environment. The full extent of the financial impact on the County is still unknown.

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

NOTE 19 – SPECIAL ITEM

The County has recognized a special item of \$819,211. This is a result of the annexation of properties to the City of Walla Walla. The County transferred land related to Myra Road of \$370,075 and infrastructure with a book value of \$449,136.

Walla Walla County
REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans
Schedule of Proportionate Share of the Net Pension Liability
PERS 1
As of June 30
Last Eight Fiscal Years

Year Ended June 30,	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability	Employer's covered payroll	Employer's proportionate share of the net pension liability as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2021	0.088239%	\$ 1,077,605	\$ 14,630,435	7.37%	88.74%
2020	0.095414%	3,368,629	14,283,489	23.58%	68.64%
2019	0.102052%	3,924,262	14,085,718	27.86%	67.12%
2018	0.113465%	5,067,385	14,745,315	34.37%	63.22%
2017	0.097813%	4,641,303	11,957,594	38.81%	61.24%
2016	0.112205%	6,025,937	12,872,823	46.81%	57.03%
2015	0.127034%	6,645,060	14,077,522	47.20%	59.10%
2014	0.130198%	6,558,785	13,756,028	47.68%	61.19%

Walla Walla County
REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans
Schedule of Proportionate Share of the Net Pension Liability (Asset)
PERS 2/3
As of June 30
Last Eight Fiscal Years

Year Ended June 30,	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability (asset)	Employer's covered payroll	Employer's proportionate share of the net pension liability as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2021	0.098122%	\$ (9,774,530)	\$ 12,820,370	-76.24%	120.29%
2020	0.107657%	1,376,872	12,526,372	10.99%	97.22%
2019	0.113234%	1,099,887	12,306,854	8.94%	97.77%
2018	0.121930%	2,081,846	12,736,977	16.34%	95.77%
2017	0.103404%	3,592,795	10,137,655	35.44%	90.97%
2016	0.117881%	5,935,215	10,941,914	54.24%	85.82%
2015	0.135031%	4,824,735	11,983,896	40.26%	89.20%
2014	0.140259%	2,835,141	11,936,785	23.75%	93.29%

Walla Walla County
REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans
Schedule of Proportionate Share of the Net Pension Liability (Asset)
PSERS
As of June 30
Last Eight Fiscal Years

Year Ended June 30,	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability (asset)	Employer's covered payroll	Employer's proportionate share of the net pension liability as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2021	0.230835%	\$ (530,318)	\$ 1,705,081	-31.10%	123.67%
2020	0.263152%	(36,210)	1,614,357	-2.24%	101.68%
2019	0.353438%	(45,961)	1,624,194	-2.83%	101.85%
2018	0.442602%	5,484	1,737,699	0.32%	99.79%
2017	0.432405%	84,721	1,530,962	5.53%	96.26%
2016	0.481707%	204,716	1,559,448	13.13%	90.41%
2015	0.582268%	106,276	1,704,711	6.23%	95.08%
2014	0.527887%	(76,443)	1,406,651	-5.43%	105.01%

Walla Walla County
REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans
 Schedule of Proportionate Share of the Net Pension Liability (Asset) LEOFF 1
 As of June 30
 Last Eight Fiscal Years

Year Ended June 30,	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability (asset)	State's proportionate share of the net pension liability (asset) associated with the employer	TOTAL	Employer's covered payroll	Employer's proportionate share of the net pension liability as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2021	0.014277%	\$ (489,067)	\$ (3,308,037)	\$ (3,797,104)	N/A	N/A	187.45%
2020	0.014500%	(273,834)	(1,852,205)	(2,126,039)	N/A	N/A	146.88%
2019	0.014188%	(280,442)	(1,896,900)	(2,177,342)	N/A	N/A	148.78%
2018	0.013940%	(253,081)	(1,711,833)	(1,964,914)	N/A	N/A	144.42%
2017	0.013795%	(209,300)	(1,415,703)	(1,625,003)	N/A	N/A	135.96%
2016	0.014635%	(150,782)	(1,019,888)	(1,170,670)	N/A	N/A	123.74%
2015	0.014572%	(175,625)	(1,187,922)	(1,363,547)	2,182	-8048.81%	127.36%
2014	0.013012%	(157,808)	(1,067,412)	(1,225,220)	48,680	-324.17%	126.91%

Walla Walla County
REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans
Schedule of Proportionate Share of the Net Pension Liability (Asset) LEOFF 2 As
of June 30

Last Eight Fiscal Years

Year Ended June 30,	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability (asset)	State's proportionate share of the net pension liability (asset) associated with the employer	TOTAL	Employer's covered payroll	Employer's proportionate share of the net pension liability as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2021	0.055054%	\$ (3,197,764)	\$ (2,062,907)	\$ (5,260,671)	\$ 2,316,009	-138.07%	142.00%
2020	0.058127%	(1,185,706)	(758,169)	(1,943,875)	2,171,996	-54.59%	115.83%
2019	0.619760%	(1,435,794)	(940,252)	(2,376,046)	2,126,315	-67.52%	119.43%
2018	0.070100%	(1,423,183)	(921,484)	(2,344,667)	2,287,906	-62.20%	118.50%
2017	0.057657%	(800,092)	(519,005)	(1,319,097)	1,803,596	-44.36%	113.36%
2016	0.063530%	(369,510)	(240,893)	(610,403)	1,924,593	-19.20%	106.04%
2015	0.073621%	(756,677)	(500,314)	(1,256,991)	2,136,641	-35.41%	111.67%
2014	0.061218%	(812,389)	(530,796)	(1,343,185)	1,703,911	-47.68%	116.75%

Walla Walla County
REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans
Schedule of Employer Contributions
PERS 1
As of December 31
Last Eight Fiscal Years

Year Ended December 31,	Statutorily or contractually required contributions	Contributions in relation to the statutorily or contractually required contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2021	\$ 644,942	\$ (644,942)	\$ -	\$ 14,865,320	4.34%
2020	703,861	(703,861)	-	14,488,616	4.86%
2019	709,212	(709,212)	-	14,085,003	5.04%
2018	718,529	(718,529)	-	13,955,583	5.15%
2017	676,476	(676,476)	-	13,365,584	5.06%
2016	631,003	(631,003)	-	12,782,379	4.94%
2015	586,104	(586,104)	-	12,915,711	4.54%
2014	576,530	(576,530)	-	13,805,669	4.18%

Walla Walla County
REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans
Schedule of Employer Contributions
PERS 2/3
As of December 31
Last Eight Fiscal Years

<u>Year Ended December 31,</u>	<u>Statutorily or contractually required contributions</u>	<u>Contributions in relation to the statutorily or contractually required contributions</u>	<u>Contribution deficiency (excess)</u>	<u>Covered payroll</u>	<u>Contributions as a percentage of covered payroll</u>
2021	\$ 938,968	\$ (938,968)	\$ -	\$ 13,124,397	7.15%
2020	1,004,022	(1,004,022)	-	12,677,029	7.92%
2019	952,692	(952,692)	-	12,345,614	7.72%
2018	913,133	(913,133)	-	12,175,555	7.50%
2017	781,734	(781,734)	-	11,408,761	6.85%
2016	673,327	(673,327)	-	10,807,790	6.23%
2015	619,994	(619,994)	-	11,027,384	5.62%
2014	591,188	(591,188)	-	11,833,443	5.00%

Walla Walla County
REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans
Schedule of Employer Contributions
PSERS
As of December 31
Last Eight Fiscal Years

Year Ended December 31,	Statutorily or contractually required contributions	Contributions in relation to the statutorily or contractually required contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2021	\$ 115,187	\$ (115,187)	\$ -	\$ 1,677,385	6.87%
2020	122,211	(122,211)	-	1,697,384	7.20%
2019	112,734	(112,734)	-	1,580,366	7.13%
2018	110,972	(110,972)	-	1,619,744	6.85%
2017	109,118	(109,118)	-	1,638,087	6.66%
2016	107,611	(107,611)	-	1,632,939	6.59%
2015	98,802	(98,802)	-	1,526,271	6.47%
2014	99,886	(99,886)	-	1,575,133	6.34%

Walla Walla County
REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans
Schedule of Employer Contributions
LEOFF 2
As of December 31
Last Eight Fiscal Years

Year Ended December 31,	Statutorily or contractually required contributions	Contributions in relation to the statutorily or contractually required	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2021	\$ 131,706	\$ (131,706)	\$ -	\$ 2,535,434	5.19%
2020	117,746	(117,746)	-	2,261,791	5.21%
2019	111,959	(111,959)	-	2,118,269	5.29%
2018	114,217	(114,217)	-	2,124,770	5.38%
2017	108,111	(108,111)	-	2,078,465	5.20%
2016	97,592	(97,592)	-	1,932,511	5.05%
2015	95,247	(95,247)	-	1,886,085	5.05%
2014	99,574	(99,574)	-	1,971,635	5.05%

Walla Walla County
Notes to Required Supplemental Information - Pension

As of December 31
Last Eight Fiscal Years

Note 1: Information Provided

GASB 68 was implemented for the year ended December 31, 2014, therefore there is no data available for years prior to 2014. Eventually, the schedules will show ten years of data.

For purposes of measuring the net pension liability, 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.

Note 2: Significant Factors

There were no changes of benefit terms, significant changes in the employees covered under the benefit terms or in the use of different assumptions.

Note 3: Covered payroll

Covered payroll has been presented in accordance with GASB 82, *Pension Issues*. Covered payroll includes all payroll on which a contribution is based.

Note 4: Contribution rates

Rates in effect during the periods covered by the Required Supplemental Information are below:

PERS 1

<u>From this</u>	<u>Through this</u>	
<u>Date</u>	<u>Date</u>	<u>Rate</u>
9/1/2013	6/30/2015	9.21%
7/1/2015	6/30/2017	11.18%
7/1/2017	8/31/2018	12.70%
9/1/2018	6/30/2019	12.83%
7/1/2019	8/31/2020	12.86%
9/1/2020	6/30/2021	12.97%
7/1/2021	current	10.25% *

* Employer contribution rate includes an administrative expense rate of 0.18%

PERS 2/3

<u>From this</u>	<u>Through this</u>	
<u>Date</u>	<u>Date</u>	<u>Rate</u>
9/1/2013	6/30/2015	9.21%

7/1/2015	6/30/2017	11.18%
7/1/2017	8/31/2018	12.70%
9/1/2018	6/30/2019	12.83%
7/1/2019	8/31/2020	12.86%
9/1/2020	6/30/2021	12.97%
7/1/2021	current	10.25% *

* Employer contribution rate includes an administrative expense rate of 0.18%

LEOFF 1

<u>From this</u>	<u>Through this</u>	<u>Employer</u>
<u>Date</u>	<u>Date</u>	<u>Rate</u>
7/1/2008	8/31/2013	0.16%
9/1/2013	current	0.18%

* Employer contribution rate includes an administrative expense rate of 0.18%

LEOFF 2

*

<u>From this</u>	<u>Through this</u>	<u>Employer</u>
<u>Date</u>	<u>Date</u>	<u>Rate</u>
9/1/2013	6/30/2017	5.23%
7/1/2017	6/30/2019	5.43%
7/1/2019	6/30/2021	5.33%
7/1/2021	current	5.30% *

* Employer contribution rate includes an administrative expense rate of 0.18%

Effective July 1, 2019, LEOFF employers must pay an additional 3.44% to pick up the state contributions on basis salary paid for services rendered to non-LEOFF employers

PSERS 2

<u>From this</u>	<u>Through this</u>	<u>Employer</u>
<u>Date</u>	<u>Date</u>	<u>Rate</u>
9/1/2013	6/30/2015	10.54%
7/1/2015	6/30/2017	11.54%
7/1/2017	8/31/2017	11.94%
9/1/2017	8/31/2018	11.95%
9/1/2018	6/30/2019	12.38%
7/1/2019	6/30/2021	12.14%
7/1/2021	current	10.39% *

* Employer contribution rate includes an administrative expense rate of 0.18%

WALLA WALLA COUNTY
 REQUIRED SUPPLEMENTARY INFORMATION - OTHER POSTEMPLOYMENT BENEFITS
 SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
 LAST FOUR CALENDAR YEARS

Total OPEB liability	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Interest cost	\$ 57,369	\$ 99,198	\$ 122,905	\$ 118,442
Change in experience data and assumptions	(67,647)	(185,912)	(293,826)	(98,856)
Benefit payments	<u>(126,181)</u>	<u>(176,280)</u>	<u>(165,035)</u>	<u>(139,668)</u>
Net change in Total OPEB Liability	(136,459)	(262,994)	(335,956)	(120,082)
Total OPEB Liability - Beginning	<u>2,658,620</u>	<u>2,921,614</u>	<u>3,257,570</u>	<u>3,377,652</u>
Total OPEB Liability - Ending	<u>\$ 2,522,161</u>	<u>\$ 2,658,620</u>	<u>\$ 2,921,614</u>	<u>\$ 3,257,570</u>
Covered employee payroll	-	-	-	-
Total OPEB liability as a percentage of covered employee payroll	N/A	N/A	N/A	N/A

Notes to schedule

1. Changes of assumptions

Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

2017	3.58%
2018	3.87%
2019	3.50%
2020	2.21%
2021	2.16%

2. The District implemented GASB 75 in 2018, therefore no data is presented before then. Eventually, ten years of data will be presented.

3. No assets have been accumulated in a trust that meets the definition of paragraph 4 of GASB 75 to pay related benefits.

Walla Walla 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		
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via WA St Dept of Health)	WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	CLH18266 Amend 18 & 22	10,249	-	10,249	-	2, 4
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via WA St Dept of Health)	WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	CLH18266 Amend 18	137,203	-	137,203	-	2, 4
			Total CFDA 10.557:	147,452	-	147,452	-	
SNAP Cluster								
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via WA St Dept of Health)	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	CLH18266 Amend 18	56,940	-	56,940	-	2, 4
			Total SNAP Cluster:	56,940	-	56,940	-	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF (via WA Dept of Commerce)	COVID 19 - Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	20-6221 C-126	52,105	-	52,105	52,105	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF (via WA Dept of Commerce)	COVID 19 - Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	19-62210-014 Amed A	2,873	-	2,873	2,873	

The accompanying notes are an integral part of this schedule.

Walla Walla 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 WA Dept of Commerce)	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	21-62210-014	20,897	-	20,897	19,231	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF (via WA Dept of Commerce)	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	20-62210-014	23,520	-	23,520	22,220	
Total CFDA 14.228:				99,395	-	99,395	96,429	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF (via WA Dept of Commerce)	COVID 19 - Emergency Solutions Grant Program	14.231	20-4613C-128 Amend B	174,269	-	174,269	174,269	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Continuum of Care Program	14.267	WA0093L0T011 912	-	38,817	38,817	37,200	4
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Continuum of Care Program	14.267	WA0093L0T012 013	-	48,892	48,892	48,892	4
Total CFDA 14.267:				-	87,709	87,709	86,092	

The accompanying notes are an integral part of this schedule.

**Walla Walla 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		
OJP BUREAU OF JUSTICE ASSISTANCE, JUSTICE, DEPARTMENT OF	COVID 19 - Coronavirus Emergency Supplemental Funding Program	16.034	2020-VD-BX- 0823	-	58,008	58,008	-	
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF (via WA St Dept of Commerce)	Crime Victim Assistance	16.575	S21-31101-532 & S22-31101- 532	41,613	-	41,613	-	
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF (via WA St Dept of Commerce)	Crime Victim Assistance	16.575	F19-31219-461	33,800	-	33,800	-	
Total CFDA 16.575:				75,413	-	75,413	-	
OFFICE ON VIOLENCE AGAINST WOMEN (OVW), JUSTICE, DEPARTMENT OF (via WA St Dept of Commerce)	Violence Against Women Formula Grants	16.588	F19-31103-037 Amend B	15,851	-	15,851	-	
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF (via Walla Walla Police Dept)	Edward Byrne Memorial Justice Assistance Grant Program	16.738	Interlocal	4,201	-	4,201	4,201	4
Highway Planning and Construction Cluster								
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA St DOT)	Highway Planning and Construction	20.205	LA-7927	2,282	-	2,282	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA St DOT)	Highway Planning and Construction	20.205	LA-8441	16,309	-	16,309	-	

The accompanying notes are an integral part of this schedule.

**Walla Walla 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 St DOT)	Highway Planning and Construction	20.205	LA-9494	3,016	-	3,016	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA St DOT)	Highway Planning and Construction	20.205	LA-10050	18,450	-	18,450	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA St DOT)	Highway Planning and Construction	20.205	LA-8699	106	-	106	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA St DOT)	Highway Planning and Construction	20.205	LA-9890	471,614	-	471,614	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA St DOT)	Highway Planning and Construction	20.205	LA-9891	486,324	-	486,324	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA St DOT)	Highway Planning and Construction	20.205	LA-9351	1,017,976	-	1,017,976	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA St DOT)	Highway Planning and Construction	20.205	LA-9884	153,688	-	153,688	-	

The accompanying notes are an integral part of this schedule.

**Walla Walla 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 St DOT)	Highway Planning and Construction	20.205	LA-9352	2,670	-	2,670	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA St DOT)	Highway Planning and Construction	20.205	LA-9353	2,249	-	2,249	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA St DOT)	Highway Planning and Construction	20.205	LA-9904	132,748	-	132,748	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA St DOT)	Highway Planning and Construction	20.205	LA-9883	462,621	-	462,621	-	
Total Highway Planning and Construction Cluster:				2,770,053	-	2,770,053	-	
Highway Safety Cluster								
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington Traffic Safety Commission)	State and Community Highway Safety	20.600	TXM20-17	53,250	-	53,250	-	
Total Highway Safety Cluster:				53,250	-	53,250	-	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE (via WA Dept of Commerce)	COVID 19 - Coronavirus Relief Fund	21.019	21-4614C-129	288,565	-	288,565	288,565	

The accompanying notes are an integral part of this schedule.

**Walla Walla 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 (via WA St Dept of Health)	COVID 19 - Coronavirus Relief Fund	21.019	CLH18266 Amed 17,20	14,110	-	14,110	-	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE (via WA St Dept of Health)	COVID 19 - Coronavirus Relief Fund	21.019	CLH18266 Amed 16,18,21,23	334,558	-	334,558	-	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE (via WA St Dept of Health)	COVID 19 - Coronavirus Relief Fund	21.019	CLH18266 Amed 16,18,21	268	-	268	-	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE (via WA Administrative Office of the Courts)	COVID 19 - Coronavirus Relief Fund	21.019	COVID CARES 265	49,169	-	49,169	-	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE (via WA Administrative Office of the Courts)	COVID 19 - Coronavirus Relief Fund	21.019	COVID CARES 293	45,360	-	45,360	-	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE (via WA Administrative Office of the Courts)	COVID 19 - Coronavirus Relief Fund	21.019	COVID CARES 308	33,281	-	33,281	-	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE (via WA Administrative Office of the Courts)	COVID 19 - Coronavirus Relief Fund	21.019	COVID CARES 334	23,900	-	23,900	-	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE (via WA Administrative Office of the Courts)	COVID 19 - Coronavirus Relief Fund	21.019	COVID CARES 349	24,700	-	24,700	-	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE (via WA Administrative Office of the Courts)	COVID 19 - Coronavirus Relief Fund	21.019	COVID CARES 381	32,766	-	32,766	-	

The accompanying notes are an integral part of this schedule.

**Walla Walla 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		
			Total CFDA 21.019:	846,677	-	846,677	288,565	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE (via WA Dept of Commerce)	COVID 19 - Emergency Rental Assistance Program	21.023	21-4616C-129	1,774,410	-	1,774,410	1,773,479	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	1505-0271	-	2,855,302	2,855,302	-	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE (via WA Dept of Commerce)	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	21-4619C-129	1,491,699	-	1,491,699	1,490,913	
			Total CFDA 21.027:	1,491,699	2,855,302	4,347,001	1,490,913	
THE INSTITUTE OF MUSEUM AND LIBRARY SERVICES, THE INSTITUTE OF MUSEUM AND LIBRARY SERVICES (via WA Office of the Secretary of the State)	COVID 19 - Grants to States	45.310	OSOS G-7198	2,309	-	2,309	-	
ELECTION ASSISTANCE COMMISSION, ELECTION ASSISTANCE COMMISSION (via Wa State Secretary of State)	2018 HAVA Election Security Grants	90.404	IG-6955	900	-	900	-	
ELECTION ASSISTANCE COMMISSION, ELECTION ASSISTANCE COMMISSION (via Wa State Secretary of State)	COVID 19 - 2018 HAVA Election Security Grants	90.404	IG6908	91,395	-	91,395	-	
			Total CFDA 90.404:	92,295	-	92,295	-	

The accompanying notes are an integral part of this schedule.

Walla Walla 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 WA St Dept of Health)	Public Health Emergency Preparedness	93.069	CLH18266 Amend 22	59,003	-	59,003	-	2, 4
CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA St Dept of Health)	Immunization Cooperative Agreements	93.268	CLH18266 Amend 18	17,911	-	17,911	-	3
CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA St Dept of Health)	Immunization Cooperative Agreements	93.268	CLH18266 Amed 22	1,503	-	1,503	-	4
CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA St Dept of Health)	COVID 19 - Immunization Cooperative Agreements	93.268	CLH18266 Amed 22	283,638	-	283,638	-	2, 4
Total CFDA 93.268:				303,052	-	303,052	-	
CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA St Dept of Health)	COVID 19 - Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	CLH18266 Amed 19	157,154	-	157,154	-	
CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA St Dept of Health)	COVID 19 - Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	CLH18266 Amed 23	239,271	-	239,271	-	
Total CFDA 93.323:				396,425	-	396,425	-	

The accompanying notes are an integral part of this schedule.

**Walla Walla 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 WA St Dept of Health)	COVID 19 - Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	93.354	CLH18266 Amed 13	68,041	-	68,041	-	2
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA St DSHS)	Child Support Enforcement	93.563	2110-80334	80,050	-	80,050	-	2
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA St DSHS)	Child Support Enforcement	93.563	1663-67161	2,739	-	2,739	-	2
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA St DSHS)	Child Support Enforcement	93.563	2110-80334	35,775	-	35,775	-	2
Total CFDA 93.563:				118,564	-	118,564	-	
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Children, Youth, and Families)	Foster Care Title IV-E	93.658	1932-63961	3,795	-	3,795	-	
Medicaid Cluster								

The accompanying notes are an integral part of this schedule.

**Walla Walla 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 MEDICARE AND MEDICAID SERVICES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA St Health Care Authority)	Medical Assistance Program	93.778	K3210	16,038	-	16,038	-	4
CENTERS FOR MEDICARE AND MEDICAID SERVICES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA St Health Care Authority)	Medical Assistance Program	93.778	K2760 Amend 4	27,909	-	27,909	7,000	4
Total Medicaid Cluster:				43,947	-	43,947	7,000	
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA St Health Care Authority)	Opioid STR	93.788	K5543	11,637	-	11,637	-	
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA St Health Care Authority)	Block Grants for Prevention and Treatment of Substance Abuse	93.959	K3948-Amed 3	85,824	-	85,824	8,030	
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA St Health Care Authority)	COVID 19 - Block Grants for Prevention and Treatment of Substance Abuse	93.959	K5543	13,610	-	13,610	-	
Total CFDA 93.959:				99,434	-	99,434	8,030	

The accompanying notes are an integral part of this schedule.

**Walla Walla 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		
HEALTH RESOURCES AND SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA St Dept of Health)	Maternal and Child Health Services Block Grant to the States	93.994	CLH18266 Amend 23	58,595	-	58,595	-	2, 4
U.S. COAST GUARD, HOMELAND SECURITY, DEPARTMENT OF (via WA State Parks & Recreation)	Boating Safety Financial Assistance	97.012	3320FAS20015 3	10,751	-	10,751	-	4
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via WA St Military Dept)	Emergency Management Performance Grants	97.042	E21-149	24,588	-	24,588	-	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via WA St Military Dept)	COVID 19 - Emergency Management Performance Grants	97.042	E20-241	15,102	-	15,102	-	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via WA St Military Dept)	Emergency Management Performance Grants	97.042	E22-137	10,499	-	10,499	-	
Total CFDA 97.042:				50,189	-	50,189	-	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via WA St Military Dept)	Homeland Security Grant Program	97.067	E20-064	48,029	-	48,029	-	

The accompanying notes are an integral part of this schedule.

Walla Walla 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 WA St Military Dept)	Homeland Security Grant Program	97.067	E21-083	17,877	-	17,877	-	
Total CFDA 97.067:				65,906	-	65,906	-	
Total Federal Awards Expended:				8,893,553	3,001,019	11,894,572	3,928,979	

The accompanying notes are an integral part of this schedule.

Walla Walla County
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2021

Note 1 – Basis of Accounting

This schedule is prepared on the same basis of accounting as the county's financial statements. The county uses the modified accrual basis of accounting as described in the Notes to The Financial Statements.

Note 2 – Indirect Cost Rate

The amount expended includes \$45,376 claimed as an indirect cost recovery using an approved indirect cost rate of 16.03 percent. The county has not elected to use the 10-percent de minimis indirect cost rate allowed under Uniform Guidance.

Note 3 – Noncash Awards - Vaccines

The amount of vaccine and commodities reported on the schedule is the value of the vaccine and commodities received by the county during current year and priced as prescribed by the Washington State Department of Health.

Note 4 – Program Costs

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



WALLA WALLA COUNTY AUDITOR

KAREN MARTIN, AUDITOR
315 WEST MAIN
PO. BOX 1856
WALLA WALLA, WA 99862-0856

CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER UNIFORM GUIDANCE

Walla Walla 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)*.

Finding ref number: 2021-001	Finding caption: The County had inadequate controls for ensuring compliance with federal procurement and suspension and debarment requirements.
Name, address, and telephone of County contact person: Karen Martin, County Auditor Walla Walla County 315 West Main Street Walla Walla, WA 99362 509-524-2546	
Corrective action the auditee plans to take in response to the finding: <i>We agree with the auditor's comments and the county recognizes the challenges with staffing, training, onboarding, and managing unforeseen large amounts of federal funds coming into the county during COVID response. The county will be utilizing a contractor to assist in establishing policies, procedures, training, and strategic improvements to allow quick onboarding of staff in policies, procedures and regulations outlined by CRF 200 for future emergency federal funding and routine federal funding. Walla Walla County is committed to the importance of managing federal funding.</i>	
Anticipated date to complete the corrective action: 2023	

Finding ref number: 2021-002	Finding caption: The County's internal controls were inadequate for ensuring compliance with federal subrecipient monitoring requirements.
Name, address, and telephone of County contact person: Karen Martin, County Auditor Walla Walla County 315 West Main Street Walla Walla, WA 99362 509-524-2546	
Corrective action the auditee plans to take in response to the finding: <i>County employee did meet with the subrecipient on a weekly basis to touch base and ensure that any questions or concerns regarding program eligibility, forms, requirements, guidelines, etc. could be addressed in a timely manner. The county employee also complied with the file review that Commerce conducted, ensuring that the subrecipient was utilizing the appropriate documents, supporting documentation, and following the guidelines. The county employee worked with the subrecipient to get all necessary files to Commerce in a timely manner and also communicated improvements to the subrecipient after the monitoring.</i> Corrective Action: <i>DCH will be contracting with consultant to develop federal grant management including risk analysis and subrecipient monitoring. Program and fiscal staff will be trained.</i>	
Anticipated date to complete the corrective action: 2023	

Finding ref number: 2021-003	Finding caption: The County's internal controls were inadequate for ensuring compliance with federal subrecipient monitoring requirements.
Name, address, and telephone of County contact person: Karen Martin, County Auditor Walla Walla County 315 West Main Street Walla Walla, WA 99362 509-524-2546	
Corrective action the auditee plans to take in response to the finding: <i>County employee did meet with the subrecipient on a weekly basis to touch base and ensure that any questions or concerns regarding program eligibility, forms, requirements, guidelines, etc. could be addressed in a timely manner. The county employee also complied with the file review that Commerce conducted, ensuring that the subrecipient was utilizing the appropriate</i>	

documents, supporting documentation, and following the guidelines. The county employee worked with the subrecipient to get all necessary files to Commerce in a timely manner and also communicated improvements to the subrecipient after the monitoring.

Corrective Action:

DCH will be contracting with consultant to develop federal grant management including risk analysis and subrecipient monitoring. Program and fiscal staff will be trained.

Anticipated date to complete the corrective action: 2023

Finding ref number: 2021-004	Finding caption: The County had inadequate controls for ensuring compliance with suspension and debarment requirements.
Name, address, and telephone of County contact person: Karen Martin, County Auditor Walla Walla County 315 West Main Street Walla Walla, WA 99362 509-524-2546	
Corrective action the auditee plans to take in response to the finding: <i>We agree with the auditor's comments and the county recognizes the challenges with staffing, training, onboarding, and managing unforeseen large amounts of federal funds coming into the county during COVID response. The county will be utilizing a contractor to assist in establishing policies, procedures, training, and strategic improvements to allow quick onboarding of staff in policies, procedures and regulations outlined by CRF 200 for future emergency federal funding and routine federal funding. Walla Walla County is committed to the importance of managing federal funding.</i>	
Anticipated date to complete the corrective action: 2023	

<p>Finding ref number: 2021-005</p>	<p>Finding caption: The County lacked internal controls for ensuring compliance with federal subrecipient monitoring requirements.</p>
<p>Name, address, and telephone of County contact person: Karen Martin, County Auditor Walla Walla County 315 West Main Street Walla Walla, WA 99362 509-524-2546</p>	
<p>Corrective action the auditee plans to take in response to the finding: <i>We agree with the auditor's comments and the county recognizes the challenges with staffing, training, onboarding, and managing unforeseen large amounts of federal funds coming into the county during COVID response. The county will be utilizing a contractor to assist in establishing policies, procedures, training, and strategic improvements to allow quick onboarding of staff in policies, procedures and regulations outlined by CRF 200 for future emergency federal funding and routine federal funding. Walla Walla County is committed to the importance of managing federal funding.</i></p>	
<p>Anticipated date to complete the corrective action: 2023</p>	

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.

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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.

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