



Office of the Washington State Auditor  
Pat McCarthy

## **Financial Statements and Federal Single Audit Report**

# **Whatcom County Flood Control Zone District**

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

*Published May 4, 2023*

Report No. 1032512



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

May 4, 2023

Board of Supervisors  
Whatcom County Flood Control Zone District  
Bellingham, Washington

**Report on Financial Statements and Federal Single Audit**

Please find attached our report on the Whatcom County Flood Control Zone District's financial statements and compliance with federal laws and regulations.

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

Sincerely,

Pat McCarthy, State Auditor  
Olympia, WA

***Americans with Disabilities***

*In accordance with the Americans with Disabilities Act, we will make this document available in alternative formats. For more information, please contact our Office at (564) 999-0950, TDD Relay at (800) 833-6388, or email our webmaster at [webmaster@sao.wa.gov](mailto:webmaster@sao.wa.gov).*

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## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

### Whatcom County Flood Control Zone District January 1, 2021 through December 31, 2021

#### SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of the Whatcom County Flood Control Zone District 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 and each major fund 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 District.

##### Federal Awards

##### Internal Control over Major Programs:

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

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

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

## Identification of Major Federal Programs

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

<u>ALN</u>	<u>Program or Cluster Title</u>
66.123	Geographic Programs – Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program

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

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

## SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

## SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.



## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### Whatcom County Flood Control Zone District January 1, 2021 through December 31, 2021

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

<b>Audit Period:</b>	<b>Report Ref. No.:</b>	<b>Finding Ref. No.:</b>
January 1, 2019 – December 31, 2019	44940	1029328
<b>Finding Caption:</b> The District's internal controls over preparing financial statements were inadequate for ensuring accurate and timely financial reporting.		
<b>Background:</b> Our audit found the following deficiencies in internal controls over accounting and financial reporting that, when taken together, represent a significant deficiency: <ul style="list-style-type: none"><li>• The District did not accurately identify federal expenditures in the year they were incurred. This led to an understatement of expenditures that caused the District to conclude it did not need a Single Audit. However, the District's expenditures did exceed \$750,000, and it needed to receive a Single Audit.</li><li>• The District did not have a sufficient secondary review process for detecting and correcting errors before submitting the annual financial report to our Office for audit. This was not reported as a finding in the prior audit.</li><li>• District staff incorrectly used the reimbursement date instead of the incurred date to determine the reporting year for costs that were incurred in December but reimbursed in the following year. Because of these internal control weaknesses, the District did not include all of the required grant expenditures on its 2019 SEFA, leading to an understatement of \$184,355. Had the District included these costs, its total federal expenditures would have exceeded the threshold that triggers a federal Single Audit.</li><li>• As a result, the District did not receive its required federal Single Audit prior to the deadline, leading to noncompliance with federal requirements. A Single Audit has since been completed.</li></ul>		

**Status of Corrective Action: (check one)**☒ Fully  
Corrected☐ Partially  
Corrected☐ Not Corrected☐ Finding is considered no  
longer valid**Corrective Action Taken:**

*The Flood Control Zone District has taken corrective actions to improve our internal controls over preparing financial statements since the findings were reported in November of 2021. These actions include but are not limited to updating relevant reporting templates to include links to applicable BARS guidance, reviewing and discussing BARS guidance with employees, and attending training related to the most recent BARS updates. By applying this greater collective knowledge and seeking advice on issues that arise from Whatcom County finance staff and the State Auditor's Office we have improved our ability to identify and address issues as they arise. We are constantly working to improve our review processes and understanding.*

## 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*

### **Whatcom County Flood Control Zone District January 1, 2021 through December 31, 2021**

Board of Supervisors  
Whatcom County Flood Control Zone District  
Bellingham, 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 and each major fund of the Whatcom County Flood Control Zone District, a component unit of Whatcom County, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated April 14, 2023.

## **REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audit of the financial statements, we considered the District'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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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 District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

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

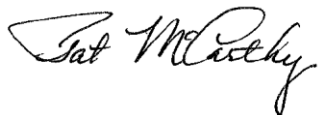
## **REPORT ON COMPLIANCE AND OTHER MATTERS**

As part of obtaining reasonable assurance about whether the District'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 District'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 District'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.

A handwritten signature in black ink, reading "Pat McCarthy". The signature is fluid and cursive, with the first name "Pat" and last name "McCarthy" clearly distinguishable.

Pat McCarthy, State Auditor

Olympia, WA

April 14, 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

#### **Whatcom County Flood Control Zone District January 1, 2021 through December 31, 2021**

Board of Supervisors  
Whatcom County Flood Control Zone District  
Bellingham, Washington

### **REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM**

#### **Opinion on Each Major Federal Program**

We have audited the compliance of the Whatcom County Flood Control Zone District, 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 District's major federal programs for the year ended December 31, 2021. The District'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 District 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 District 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 District'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 District'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 District'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 District'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 District'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 District'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 District's internal control over compliance. Accordingly, no such opinion is expressed; and

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

## REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

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

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

### Purpose of this Report

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

purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy, State Auditor

Olympia, WA

April 14, 2023

# INDEPENDENT AUDITOR'S REPORT

## Report on the Audit of the Financial Statements

### **Whatcom County Flood Control Zone District January 1, 2021 through December 31, 2021**

Board of Supervisors  
Whatcom County Flood Control Zone District  
Bellingham, Washington

## **REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

### **Opinions**

We have audited the accompanying financial statements of the governmental activities and each major fund of the Whatcom County Flood Control Zone District, a component unit of Whatcom County, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the financial section of our report.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Whatcom County Flood Control Zone District, as of December 31, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District 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 District'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 District'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 District'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 should 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 District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). This supplementary information is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



## OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated April 14, 2023 on our consideration of the District'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 District'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 District's internal control over financial reporting and compliance.

A handwritten signature in black ink, reading "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy, State Auditor

Olympia, WA

April 14, 2023

## **FINANCIAL SECTION**

### **Whatcom County Flood Control Zone District January 1, 2021 through December 31, 2021**

#### **REQUIRED SUPPLEMENTARY INFORMATION**

Management's Discussion and Analysis – 2021  
Schedule of Revenues, Expenditures and Changes in Fund Balance Budget to Actual –  
2021

#### **BASIC FINANCIAL STATEMENTS**

Statement of Net Position – 2021  
Statement of Activities – 2021  
Governmental Funds Balance Sheet – 2021  
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position –  
2021  
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental  
Funds – 2021  
Notes to Financial Statements – 2021

#### **SUPPLEMENTARY AND OTHER INFORMATION**

Schedule of Expenditures of Federal Awards – 2021  
Notes to the Schedule of Expenditures of Federal Awards – 2021

**Whatcom County**  
**Flood Control Zone District**  
W A S H I N G T O N

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended December 31, 2021

The Whatcom County Flood Control Zone District's discussion and analysis provides a narrative overview and analysis of the District's financial activities for the fiscal year ended December 31, 2021.

### Financial Highlights

- As of December 31, 2021, the assets of the District exceeded its liabilities by \$21.1 million on a government-wide basis (net position). Net position included net investment in capital assets of \$10.4 million and restricted net position of \$3.7 million.
- An increase in both fund expenditures and revenues of \$2.5 million and \$1.0 million respectively resulted in a decline of the governmental fund balance by \$1.4 million. As of December 31, 2021 the fund balance was \$10.6 million.
- While the fund balance largely declined due to increased expenditures, \$1.3 million of expenditures were for capital outlay, resulting in a government-wide net position increase of a modest \$35 thousand in 2021.

### Overview of the Financial Statements

The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the District's finances. The statements report information about the District on an accrual basis of accounting, which is similar to the accounting used by most private-sector businesses. The Whatcom County Flood Control Zone District's activities are all "governmental activities" and are principally supported by taxes and intergovernmental revenues.

The Statement of Net Position presents information on the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

The governmental-wide financial statements can be found on pages 6-7 of this report.

**Fund financial statements.** The Whatcom County Flood Control Zone District uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. The District has one major governmental fund that finances the maintenance and operations of flood control projects.

# Whatcom County Flood Control Zone District

W A S H I N G T O N

Unlike the government-wide financial statements, the governmental fund financial statements focus on how money flows into and out of the fund and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's operations and the services it provides. Governmental fund information helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Both the governmental fund balance sheet and the statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate the comparison between governmental fund and governmental activities.

The basic governmental fund financial statements can be found on pages 8-9 of this report.

**Notes to the financial statements.** The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 10-18 of this report.

**Required supplementary information.** In addition to the basic financial statements and accompanying notes, certain required supplementary information is also presented. The required supplementary information can be found on page 19 of this report.

## Government-wide Financial Analysis

Table MDA1 reflects a condensed Statement of Net Position.

<b>Table MDA1 - Net Position</b>		
	Total Primary Government	
	Governmental Activities	
	2021	2020
Current and other assets	\$12,694,738	\$14,012,561
Capital assets	10,400,188	8,919,499
Total assets	23,094,926	22,932,060
Liabilities	1,945,240	1,767,292
Total liabilities	1,945,240	1,767,292
Deferred inflows of resources	22,477	72,814
Net position:		
Net investment in capital assets	10,400,188	8,919,499
Restricted	3,737,580	3,993,326
Unrestricted	6,989,439	8,179,128
Total net position	\$21,127,207	\$21,091,953

*For more detailed information see page 6 for the Statement of Net Position.*

**Net Position.** Net position may serve over time as a useful indicator of the District's financial position. The Whatcom County Flood Control Zone District's assets exceeded liabilities by \$21,127,207 at the close of 2021; this is an increase of \$35 thousand from the 2020 net position. The \$1.5 million increase of the District's Net Investments in Capital Assets highlights the conversion of Unrestricted funds for land and construction projects in 2021.

# Whatcom County Flood Control Zone District WASHINGTON

Table MDA2 reflects a condensed Statement of Changes in Net Position.

<b>Table MDA2 - Changes in Net Position</b>		
	Total Primary Government	
	Governmental Activities	
	2021	2020
Revenues		
Program revenue:		
Charges for services	\$1,043,914	\$1,015,928
Operating grants & contributions	2,633,142	1,320,264
Capital grants & contributions	775,160	864,133
General revenue:		
Property taxes	5,020,761	4,945,262
Excise taxes	47,720	64,583
Other	(101,234)	208,067
Total revenues	9,419,463	8,418,237
Expenses		
Natural and economic environment	9,601,026	6,397,456
Total expenses	9,601,026	6,397,456
Change in net position	(181,563)	2,020,781
Net position-beginning	21,091,955	19,071,174
Prior period adjustment	216,815	
Net position-ending	\$21,127,207	\$21,091,955
<i>For more detailed information see page 7 for the Statement of Activities.</i>		

**Change in Net Position.** Overall revenues are up \$1.0 million with operating grants and contributions increasing by \$1.3 million from 2020. Expenses also increased in 2021 by \$3.2 million from 2020. The result is a slight drop in net position after 2021 activities. This offset by a prior period adjustment of \$217 thousand. The District's stable net position indicates its ability to meet its ongoing obligations.

## Governmental Fund Financial Analysis

The focus of the District's governmental fund is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the District's financing requirements.

As of December 31, 2021, the District reported a fund balance of \$10.6 million; this is a decrease of \$1.4 million over 2020. \$3.7 Million of the District's fund balance is restricted. Restricted fund balance may only be used for specific purposes. Restrictions are imposed by legislation, grantors, bondholders, higher levels of government, or through constitutional provisions.

Overall governmental fund revenues for 2021 totaled \$9.4 million which is a \$1.0 million or 12.4 percent increase from last year. Federal and state grant revenue accounts for \$2.7 million of this revenue. Expenditures totaled \$10.8 million and are \$2.5 million or 29.1 percent higher than 2020.

# Whatcom County Flood Control Zone District WASHINGTON

## General Fund Budgetary Highlights

Table MDA3 shows a condensed Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual for the Whatcom County Flood Control Zone District for the year ended December 31, 2021.

**Table MDA3 - Condensed General Fund Schedule of Revenues, Expenditures and Changes in Fund Balance for 2021**

	Original Budget	Amended Budget	Actual
Revenues:			
Taxes	\$4,903,000	\$4,903,000	\$5,107,778
Intergovernmental	4,550,471	6,106,351	3,380,011
Other	1,156,802	1,156,802	955,877
Total revenues	10,610,273	12,166,153	9,443,666
Expenditures:			
Expenditures	13,679,969	16,795,636	10,864,900
Total expenditures	13,679,969	16,795,636	10,864,900
Change to fund balance	\$ (3,069,696)	\$ (4,629,483)	\$(1,421,234)

**Budget.** The District's actual revenues are less than budgeted revenues by \$2,722,487.

Overall expenditures for the District are 64.7 percent of the approved budget at year-end.

## Capital Assets and Debt Administration

**Table MDA4 - Capital Assets**

	Governmental Activities	
	2021	2020
Land	\$7,400,023	\$6,742,535
Construction in progress	290,961	1,192,464
Equipment	1,377	3,442
Infrastructure	2,707,829	981,058
Totals	\$10,400,189	\$8,919,500

*For more detailed information of Capital Assets Activity see Financial Statement Note 4.*

**Capital assets.** The District's investment in capital assets as of December 31, 2021, amounts to \$10.4 million (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, infrastructure, and equipment. The total increase in capital assets over 2020 was \$1,480,689.

**Debt Administration.** The District carries no debt.

## Economic Factors and Future Year's Budget (2022)

Like many others, the District's operations and delivery continued to be disrupted by COVID19 in 2021. While staff quickly transitioned to remote working and maintained their work load, the impact was largely experienced in our work with others. COVID precautions and shutdowns slowed down government agencies, suppliers, and contractors

# Whatcom County Flood Control Zone District

W A S H I N G T O N

resulting in delays to project delivery. Many of these impacts have been mitigated for in 2021 and some efficiencies, like remote meetings, will be continued into the future.

The District adopts its budget on an annual basis. The budget is based on the District's goals and its operating and capital programs. The current (as of 5/30/22) 2022 summary budget is:

2021 Revenues – \$13.0 million

2021 Expenditures – \$17.3 million

The District's board has authorized \$996,190 of special assessments and \$5.1 million of property taxes to be levied in 2022, a property tax increase of 2.0 percent over 2021.

## Request for Information

This financial report is designed to provide a general overview of the Whatcom County Flood Control Zone District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Whatcom County Administrative Services Finance Office at 311 Grand Avenue, Bellingham, Washington, 98225.

# Whatcom County Flood Control Zone District WASHINGTON

## STATEMENT OF NET POSITION December 31, 2021

	Primary Government
	Governmental Activities
<b>Assets</b>	
Cash, cash equivalents and pooled investments	\$2,851,802
Investments	8,053,704
Receivables, net	87,811
Special assessments, net	30,182
Due from other governments	1,671,239
Capital assets:	
Non-depreciable	7,690,983
Depreciable, net	2,709,205
<b>Total assets</b>	<b>23,094,926</b>
<b>Liabilities</b>	
Accounts payable and accrued expenses	1,252,915
Due to other governments	680,411
Other accrued liabilities	9,914
Deposits	2,000
<b>Total liabilities</b>	<b>1,945,240</b>
<b>Deferred inflows of resources</b>	
Grants received in advance	22,477
<b>Total deferred inflows of resources</b>	<b>22,477</b>
<b>Net position</b>	
Net investment in capital assets	10,400,188
Restricted for:	
Natural and economic environment	3,737,580
Unrestricted (deficit)	6,989,439
<b>Total net position</b>	<b>\$21,127,207</b>

*Notes to the financial statements are an integral part of this statement.*



# Whatcom County

## Flood Control Zone District

W A S H I N G T O N

**STATEMENT OF  
ACTIVITIES  
Year Ended December 31, 2021**

Functions/ Programs	Expenses	Program Revenues			Net (Expense) Revenue & Changes in Net Position - Primary Government
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Primary government:</b>					
Governmental activities:					
Natural and economic environment	\$ 9,601,026	\$ 1,043,914	\$ 2,633,142	\$ 775,160	\$ (5,148,810)
<b>Total primary government</b>	<b>\$ 9,601,026</b>	<b>\$ 1,043,914</b>	<b>\$ 2,633,142</b>	<b>\$ 775,160</b>	<b>(5,148,810)</b>
General Revenues:					
Taxes:					
Property taxes					5,020,761
Excise taxes					47,720
Gain/loss on sale of capital assets					-
Miscellaneous					(101,234)
<b>Total general revenues and transfers</b>					<b>4,967,247</b>
Change in net position					(181,563)
Net position-beginning					21,091,955
Prior period adjustments					216,815
<b>Net position-ending</b>					<b>\$ 21,127,207</b>

*Notes to the financial statements are an integral part of this statement.*

# Whatcom County

## Flood Control Zone District

W A S H I N G T O N

**Balance Sheet**  
**Governmental Funds**  
**December 31, 2021**

	General
<b>Assets</b>	
Cash, cash equivalents and pooled investments	\$2,851,802
Investments	8,053,704
Taxes receivable, net	87,811
Special assessments, net	30,182
Due from other governments	1,671,239
<b>Total assets</b>	<b>\$12,694,738</b>
<b>Liabilities, deferred inflows of resources and fund balances</b>	
<b>Liabilities</b>	
Accounts payable	\$1,252,915
Due to other governments	680,411
Other accrued liabilities	9,914
Deposits	2,000
<b>Total liabilities</b>	<b>1,945,240</b>
<b>Deferred inflows of resources</b>	
Deferred property tax	74,758
Special assessments	30,182
Grants received in advance	22,477
<b>Total deferred inflows of resources</b>	<b>127,417</b>
<b>Fund balances:</b>	
Restricted	3,707,398
Unassigned	6,914,681
<b>Total fund balances</b>	<b>10,622,079</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$12,694,736</b>
<b>Fund balances - total governmental funds</b>	<b>\$10,622,079</b>
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	10,400,188
Property taxes are not available to pay for current-period expenditures and therefore are deferred in the fund.	104,940
<b>Net position of governmental activities</b>	<b>\$21,127,207</b>

*Notes to the financial statements are an integral part of this statement.*

# Whatcom County Flood Control Zone District WASHINGTON

**Statement of Revenues, Expenditures and Changes in Fund Balance  
Governmental Funds  
Year Ended December 31, 2021**

	General
<b>Revenues</b>	
Taxes	\$ 5,079,487
Intergovernmental	3,408,302
Charges for service	17,660
Fines and penalties	2,973
Miscellaneous	935,244
<b>Total revenues</b>	<b>9,443,666</b>
<b>Expenditures</b>	
Current:	
Natural and economic environment	9,525,968
Capital outlay	1,338,932
<b>Total expenditures</b>	<b>10,864,900</b>
Excess (deficiency) of revenues over expenditures	(1,421,234)
Net change in fund balances	(1,421,234)
Fund balances-beginning	12,043,313
<b>Fund balances-ending</b>	<b>\$ 10,622,079</b>
<b>Net change in fund balances-total governmental funds</b>	<b>\$ (1,421,234)</b>
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. This is the amount by which capital outlays (\$1,555,747) exceeded depreciation expense (\$75,058) in the current period.	1,480,689
Revenues (property taxes and assessments) in the funds that related to prior periods and are not revenues in the statement of activities.	(24,203)
<b>Change in net position of governmental activities</b>	<b>\$ 35,252</b>

*Notes to the financial statements are an integral part of this statement.*

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. REPORTING ENTITY**

The Flood Control Zone District in Whatcom County was established on October 22, 1991 to provide flood and storm water improvements to Whatcom County.

In accordance with RCW 86.15, the Board of Supervisors for the District is composed of the members of the Whatcom County Council and the County Executive, provided that the legislative authorities and duties of the board of supervisors will be performed by the County Council and executive components of the board of supervisors will be performed by the County Executive. The District is administered by the County Flood Control Engineer.

The District is a separate legal entity; however, Whatcom County reports the District as a component unit in its financial statements.

**B. FINANCIAL STATEMENT PRESENTATION, MEASUREMENT FOCUS, BASIS OF ACCOUNTING****GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The District government-wide financial statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of governmental activities for the District. Governmental activities normally are supported by taxes and intergovernmental revenues.

These statements are reported using the economic resources measurement focus and the accrual basis of accounting. Accordingly, all of the District's assets and liabilities, including capital assets are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position and demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include charges for services, operating grants and contributions, and capital grants and contributions. Under the accrual basis of accounting, revenues are recognized in the period which they are earned while expenses are recognized in the period in which the liability is incurred.

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

## GOVERNMENTAL FUND FINANCIAL STATEMENTS

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balance. Included on these statements is a reconciliation that explains the differences in fund balance and changes in fund balance as presented in these statements to the net position and changes in net position presented in the government-wide financial statements.

The District reports the following major governmental fund:

**General Fund:** This fund is the general operating fund of the Flood Control Zone District. It accounts for all financial resources of the district.

Governmental fund financial statements are reported using the current resources measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balance presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. The District considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Property tax and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, capital assets are reported as expenditures when purchased.

GASB Statement No. 83, *Certain Asset Retirement Obligation*. This GASB Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. It requires that recognition occur when the liability is both incurred and reasonably estimable. It is effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. The District has considered this GASB standard and determined it was not applicable to the District.

### C. BUDGETARY INFORMATION

An annual appropriated budget is adopted on the modified accrual basis of accounting. There are no differences between the budgetary basis and generally accepted accounting principles.

The budget is adopted at the fund level. Subsidiary revenue and expenditure ledgers are used to compare the budgeted amounts with actual revenues and expenditures. As a management control device, the subsidiary ledgers monitor expenditures for individual functions and activities by object class.

Appropriations for the District lapse at year-end. Expenditure authority for contracts extending beyond the current calendar year is granted through a continuing appropriation procedure.

**Amending the Budget:** The Whatcom County Executive is authorized to approve transfers between accounts. However, any revisions that alter total expenditures of the fund must be approved by the Board of Supervisors.

When the Board of Supervisors determines that it is in the best interest of the District to increase or decrease the appropriations for the District, it may do so by resolution approved by a simple majority.

The budget amounts shown in the financial statements and in the Required Supplementary Information on page 19 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 legally authorized supplemental appropriations.

#### D. ASSETS, LIABILITIES, AND EQUITIES

**Cash and Cash Equivalents:** The Whatcom County Treasurer acts as the custodian for the District's cash. Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Interest earnings on cash and cash equivalents accrue to the District.

**Investments:** Investments are reported at fair value (See Note 2).

**Receivables:** Taxes receivable consist of property taxes due as of December 31 (See Note 3).

**Special assessments:** Special assessments are recorded when levied. Special assessments receivable consists of current and delinquent assessments and related interest and penalties. As of December 31, 2021, \$30,182 of special assessments receivable were delinquent.

**Amounts from Other Governments:** These accounts include amounts due from other governments for federal, state, and local grants and operations.

**Capital Assets and Depreciation:** See Note 4. Capital assets, which include property, plant, and equipment are reported in the government-wide financial statements. Capital assets purchased or acquired are valued at historical cost or estimated historical cost. Contributed assets are recorded at fair market value as of the date donated. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on capital assets is calculated on the straight-line basis over the following estimated useful lives:

**Table FN1 – Capital Assets Depreciation**

Capital Asset	Useful Life	Capitalization Threshold
Buildings	50 years	\$ 5,000
Capital Leases	3-30 years	\$ 5,000
Improvements	5-30 years	\$ 5,000
Machinery and Equipment	3-10 years	\$ 5,000
Infrastructure	20-50 years	\$ 50,000

**Deferred Inflows of Resources:** These accounts include acquisitions of net assets that are applicable to a future reporting period. Deferred property taxes are included in these accounts.

**Fund Balance Classifications:** The following fund balance classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Non-spendable fund balance includes amounts that are not in a spendable form (such as capital assets) or are required to be maintained intact.
- Restricted fund balance consists of amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance represents amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority. The Board of Supervisors is the highest level of decision-making authority for the District and can commit fund balance by adoption of a resolution. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.
- Assigned fund balance are amounts a government intends to use for a specific purpose but do not meet the criteria to be classified as committed. The Board of Supervisors has authority to assign fund balance.
- Unassigned fund balance are amounts that are available for any purpose; positive amounts are reported only in the General Fund.

**Fund Balance Details:** As of 12/31/21, \$3,707,398 of the Flood Control Zone District's total fund balance was collected based on special assessments to specific geographic areas and is restricted for use only in those areas. The fund balance totaled \$10,622,079.

**Minimum Fund Balance:** The District has established a minimum fund balance policy. Per the policy, a minimum balance of five million dollars will be reserved in the District fund. Unless otherwise authorized by the Board of

Supervisors, expenditures that draw the fund below the reserved amount are allowed only for (1) responding to and recovering from flooding disasters declared by the Whatcom County Executive or his/her designee and (2) financing day-to-day operations of the District whereby the current fiscal year ending fund balance shall not be less than the reserve amount.

## NOTE 2 – DEPOSITS AND INVESTMENTS

The Whatcom County Treasurer acts as custodian for the District's cash. The District participates in the Whatcom County Investment Pool. The Whatcom County Investment Pool functions as a demand deposit account where the District receives an allocation of its proportionate share of pooled earnings. Investments are reported at fair value. At December 31, 2021, the fair value of investments was \$8,053,704.

## NOTE 3 – PROPERTY TAXES

The County Treasurer acts as an agent to collect property taxes levied in the County for all taxing authorities. Collections are distributed after the end of each month. The property tax calendar is shown below:

### Property Tax Calendar

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

The District is authorized to levy property taxes to be used to address flooding and associated storm water issues and to achieve flood damage reduction. The Whatcom County Assessor determines the tax levied against each property in each taxing district. The Whatcom County Treasurer acts as an agent to collect property taxes levied in the County for all taxing authorities. Collections are distributed after the end of each month.

Property taxes are recorded as a receivable when levied, offset by unearned revenue. During the year, property tax revenues are recognized when cash is collected. No allowance for uncollectible taxes is established because delinquent taxes are considered fully collectible.

The Flood Control Zone District Fund levied \$0.1309982035 per \$1,000 on an assessed value of \$38.3 billion in 2021. This resulted in a total levy of \$5,020,513. The maximum property levy is \$.50/1000 (per RCW 86.15.160).

## NOTE 4 – CAPITAL ASSETS AND DEPRECIATION

Capital assets activity for the year ended December 31, 2021 is shown on the following page.



**Table FN2 – Capital Assets Activity**

	Beginning Balance 01/01/2021	Increases	Decreases	Ending Balance 12/31/2021
<b>Governmental activities</b>				
Capital assets, not being depreciated				
Land	\$6,742,535	\$657,487	\$-	\$7,400,022
Construction in progress	1,192,464	126,775	(1,028,279)	290,960
Total capital assets, not being depreciated	7,934,999	784,262	(1,028,279)	7,690,982
Capital assets, being depreciated				
Equipment	52,714	-	-	52,714
Infrastructure	1,459,856	1,799,764	-	3,259,620
Total capital assets being depreciated	1,512,570	1,799,764	-	3,312,334
Less accumulated depreciation for:				
Equipment	(49,272)	(2,065)	-	(51,337)
Infrastructure	(478,798)	(72,993)	-	(551,791)
Total accumulated depreciation	(528,070)	(75,058)	-	(603,128)
Total capital assets, being depreciated, net	984,500	1,724,706	-	2,709,206
Governmental activities capital assets, net	<u>\$8,919,499</u>	<u>\$2,508,968</u>	<u>(\$1,028,279)</u>	<u>\$10,400,188</u>

Depreciation expense was charged to functions/programs of the primary government as shown in Table FN3.

**Table FN3 – Depreciation Expense**

Governmental activities:	
Natural and Economic environment	75,058
Total depreciation expense	<u>\$75,058</u>

## NOTE 5 – CONTINGENCIES

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

## NOTE 6 – RISK MANAGEMENT

Whatcom County Flood Control Zone District is a member of Enduris. Chapter 48.62 RCW provides the exclusive source of local government entity authority to individually or jointly self-insure risks, jointly purchase insurance or reinsurance, and to contract for risk management, claims, and administrative services. Enduris was formed July 10, 1987 pursuant to the provisions of Chapter 48.62 RCW, Chapter 200-100 WAC, and Chapter 39.34 RCW. Two (2) counties and two (2) cities in the State of Washington joined together by signing an interlocal governmental agreement to fund their self-insured losses and jointly purchase insurance and administrative services. As of April 8th, 2020, there are 544 Enduris members representing a broad array of special purpose districts throughout the

state. Enduris provides property and liability coverage as well as risk management services and other related administrative services.

Members make an annual contribution to fund Enduris and share in the self-insured retention of the jointly purchased excess and/or reinsurance coverage. The self-insured retention is:

- \$1,000,000 deductible on liability loss - the member is responsible for the first \$1,000 of the deductible amount of each claim, while Enduris is responsible for the remaining \$999,000 on a liability loss.
- \$250,000 deductible on property loss - the member is responsible for the first \$1,000 of the deductible amount of each claim, while Enduris is responsible for the remaining \$249,000 on a property loss.
- Enduris is responsible for the \$4,000 deductible on boiler and machinery loss.

Enduris acquires reinsurance from unrelated insurance companies on a "per occurrence" basis to cover all losses over the deductibles as shown on the policy maximum limits. Liability coverage is for all lines of liability coverage including Public Official's Liability. The Property coverage is written on an "all risk", blanket basis using current Statement of Values. The Property coverage includes but is not limited to mobile equipment, boiler and machinery, electronic data processing equipment, business interruption, course of construction and additions, property in transit, fine arts, cyber and automobile physical damage to insured vehicles. Liability coverage limit is \$20 million per occurrence and property coverage limit is \$1 billion per occurrence. Enduris offers crime coverage up to a limit of \$1 million per occurrence.

Since Enduris is a cooperative program, there is a joint liability among the participating members.

The contract requires members to continue membership for a period of not less than one (1) year and must give notice 60 days before terminating participation. The Master Agreement (Intergovernmental Contract) is automatically renewed after the initial one (1) full fiscal year commitment. Even after termination, a member is still responsible for contribution to Enduris for any unresolved, unreported and in-process claims for the period they were a signatory to the Master Agreement.

Enduris is fully funded by its member participants. Claims are filed by members with Enduris and are administered in house.

A Board of Directors consisting of seven (7) board members governs Enduris. Its members elect the Board and the positions are filled on a rotating basis. The Board meets quarterly and is responsible for conducting the business affairs of Enduris.

## NOTE 7 – 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. To date, the District has not experienced any direct financial impacts due to the pandemic.

## NOTE 8 – PRIOR PERIOD ADJUSTMENT

In 2019, the District acquired property that was never capitalized on the government-wide financial statements. For 2021, a prior period adjustment of \$216,815 was recorded and the beginning net position in the government-wide financial statements was restated.

**REQUIRED SUPPLEMENTAL INFORMATION****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL****Flood Control Zone District****Year Ended December 31, 2021**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive/ (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 4,903,000	\$ 4,903,000	\$ 5,107,778	\$ 204,778
Intergovernmental	4,550,471	6,106,351	3,380,011	(2,726,340)
Charges for service	66,000	66,000	17,660	(48,340)
Fines and penalties	2,500	2,500	2,973	473
Miscellaneous	1,088,302	1,088,302	935,244	(153,058)
<b>Total revenues</b>	<b>10,610,273</b>	<b>12,166,153</b>	<b>9,443,666</b>	<b>(2,722,487)</b>
<b>Expenditures</b>				
Current:				
Natural and economic environment	11,623,269	12,921,076	9,601,026	3,320,051
Capital outlay	2,059,700	3,874,560	1,263,874	2,610,686
<b>Total expenditures</b>	<b>13,679,969</b>	<b>16,795,636</b>	<b>10,864,900</b>	<b>5,930,737</b>
Excess (deficiency) of revenues over expenditures	(3,069,696)	(4,629,483)	(1,421,234)	3,208,249
Net change in fund balances	(3,069,696)	(4,629,483)	(1,421,234)	\$ 3,208,249
Fund balances-beginning	12,043,313	12,043,313	12,043,313	
<b>Fund balances-ending</b>	<b>\$ 9,190,432</b>	<b>\$ 7,630,645</b>	<b>\$ 10,622,079</b>	

**Whatcom County Flood Control Zone District  
Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2021**

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION, COMMERCE, DEPARTMENT OF (via WA State Department of Ecology)	Habitat Conservation	11.463	WA-G-201106- 006	117,000	-	117,000	-	3
ENVIRONMENTAL PROTECTION AGENCY, ENVIRONMENTAL PROTECTION AGENCY (via WA State Department of Health)	Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	GVL24435	425,424	-	425,424	222,749	3
ENVIRONMENTAL PROTECTION AGENCY, ENVIRONMENTAL PROTECTION AGENCY (via WA State Department of Fish and Wildlife)	Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	WDFW20- 16566	39,440	-	39,440	-	3
ENVIRONMENTAL PROTECTION AGENCY, ENVIRONMENTAL PROTECTION AGENCY (via WA State Department of Ecology)	Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	18-10194	88,151	-	88,151	-	3
<b>Total ALN 66.123:</b>				<b>553,015</b>	<b>-</b>	<b>553,015</b>	<b>222,749</b>	
ENVIRONMENTAL PROTECTION AGENCY, ENVIRONMENTAL PROTECTION AGENCY (via WA State Department of Ecology)	National Estuary Program	66.456	2021-11	97,000	-	97,000	-	3
ENVIRONMENTAL PROTECTION AGENCY, ENVIRONMENTAL PROTECTION AGENCY (via WA State Department of Ecology)	National Estuary Program	66.456	2022-21	15,288	-	15,288	-	3

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

**Whatcom County Flood Control Zone District  
Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2021**

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
ENVIRONMENTAL PROTECTION AGENCY, ENVIRONMENTAL PROTECTION AGENCY (via WA State Department of Ecology)	National Estuary Program	66.456	SEANWS-2019- WhCoPW 00001	28,000	-	28,000	-	3
			<b>Total ALN 66.456:</b>	<b>140,288</b>	<b>-</b>	<b>140,288</b>	<b>-</b>	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via WA State Military Department)	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	4539-DR-WA	11,762	-	11,762	-	3
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via WA State Military Department)	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	4539-DR-WA	121,633	-	121,633	-	3
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via WA State Military Department)	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	4539-DR-WA	5,067	-	5,067	-	3
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via WA State Military Department)	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	WA-4418-PW46	43,146	-	43,146	-	3
			<b>Total ALN 97.036:</b>	<b>181,608</b>	<b>-</b>	<b>181,608</b>	<b>-</b>	
			<b>Total Federal Awards Expended:</b>	<b>991,911</b>	<b>-</b>	<b>991,911</b>	<b>222,749</b>	

**Whatcom County Flood Control Zone District**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2021**

BASIS OF ACCOUNTING: This schedule is prepared on the same basis of accounting as the county financial statements.

NOTE 1 - The county uses the accrual basis of accounting for government- wide proprietary fund financial statements and modified accrual basis of accounting for governmental fund financial statements.

NOTE 2 - FEDERAL DE MINIMUS INDIRECT COST RATE: The county has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 3 - PROGRAM COSTS : The amount shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including the county portion, are 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.

## ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

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