



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

Skagit County

For the period January 1, 2022 through December 31, 2022

Published September 28, 2023

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

October 24, 2024

Board of Commissioners
Skagit County
Mount Vernon, Washington

Report on Financial Statements and Federal Single Audit

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

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

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

Americans with Disabilities

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Skagit County January 1, 2022 through December 31, 2022

SECTION I – SUMMARY OF AUDITOR’S RESULTS

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

Financial Statements

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

Internal Control over Financial Reporting:

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

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

Federal Awards

Internal Control over Major Programs:

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

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

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

<u>ALN</u>	<u>Program or Cluster Title</u>
14.231	Emergency Solutions Grant Program
14.239	Home Investment Partnerships Program
20.205	Highway Planning and Construction Cluster – Highway Planning and Construction
21.027	COVID-19 Coronavirus State and Local Fiscal Recovery Funds

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was \$809,598.

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

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.



Sandra Perkins
SKAGIT COUNTY AUDITOR

P.O. BOX 1306

Laura Franklin
Chief Accountant

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Skagit County
January 1, 2022 through December 31, 2022

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

Audit Period: January 1, 2021-December 31, 2021	Report Ref. No.: 1031221	Finding Ref. No.: 2021-001
Finding Caption: The County's internal controls were inadequate for ensuring accurate financial reporting.		
Background: State and federal agencies, County commissioners, and the public rely on the information included in the financial statements and reports to make decisions. County management is responsible for designing and maintaining internal controls that provide reasonable assurance regarding the reliability of financial reporting, as well as ensure financial statements are fairly presented in accordance with generally accepted accounting principles (GAAP). Our audit identified material weaknesses in internal controls over financial reporting that resulted in errors in the County's financial statements. Government Auditing Standards requires that our Office communicate material weaknesses in internal controls as a finding		
Status of Corrective Action: (check one) <input type="checkbox"/> Fully Corrected <input checked="" type="checkbox"/> Partially Corrected <input type="checkbox"/> Not Corrected <input type="checkbox"/> Finding is considered no longer valid		
Corrective Action Taken: <i>We are working on communications with other departments so that issues are not after the fact but come to our attention timely in order to correct our financial statements if needed. Although none of these were material in 2022 it's important that communication of potential errors be facilitated as quickly as possible.</i>		

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*

Skagit County January 1, 2022 through December 31, 2022

Board of Commissioners
Skagit County
Mount Vernon, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Skagit County, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 21, 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 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.

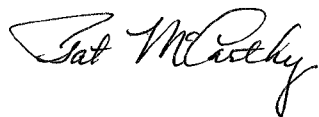
REPORT ON COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the 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

September 21, 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

Skagit County January 1, 2022 through December 31, 2022

Board of Commissioners
Skagit County
Mount Vernon, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

Opinion on Each Major Federal Program

We have audited the compliance of Skagit 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, 2022. 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, 2022.

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 – Report Reissuance

This report, which replaces a previously issued report, has been reissued to report on ALN 21.027 for procurement, suspension and debarment and subrecipient monitoring as well as for ALN 14.231 for procurement, suspension and debarment.

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 style with a large, stylized initial "P".

Pat McCarthy, State Auditor

Olympia, WA

September 21, 2023, except for our report on ALN 21.027 for procurement, suspension and debarment and subrecipient monitoring as well as for ALN 14.231 for procurement, suspension and debarment, for which the date is October 18, 2024

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Skagit County January 1, 2022 through December 31, 2022

Board of Commissioners
Skagit County
Mount Vernon, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Skagit County, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 21, 2023.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Skagit County, as of December 31, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Matters of Emphasis

As discussed in Note 13 to the financial statements, in 2022, the County adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County’s basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). This supplementary information is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The

information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 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.



Pat McCarthy, State Auditor

Olympia, WA

September 21, 2023

Skagit County
January 1, 2022 through December 31, 2022

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2022

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2022

Statement of Activities – 2022

Governmental Funds Balance Sheet – 2022

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position –
2022

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental
Funds – 2022

Reconciliation of Governmental Funds Statement of Revenues, Expenditures and
Changes in Fund Balance to the Statement of Activities – 2022

Statement of Net Position – Proprietary Funds – 2022

Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds
– 2022

Statement of Cash Flows – Proprietary Funds – 2022

Statement of Net Position – Fiduciary Funds – 2022

Statement of Changes in Fiduciary Net Position – Fiduciary Funds – 2022

Notes to Financial Statements – 2022

REQUIRED SUPPLEMENTARY INFORMATION

General Fund Schedule of Revenues – Budget to Actual – 2022

General Fund Schedule of Expenditures Budget – 2022

General Fund Schedule of Expenditures Budget and Actual – 2022

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual –
Mental Health Fund – 2022

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual –
County Road Fund – 2022

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual –
American Rescue Plan – 2022

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual –
Housing Assistance – 2022

Notes to Required Supplementary Information – 2022

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

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

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2022

Notes to the Schedule of Expenditures of Federal Awards – 2022

SKAGIT COUNTY, WASHINGTON
Management's Discussion and Analysis
December 31, 2022

This section of Skagit County's annual financial report presents our discussion and analysis of the County's financial performance during the fiscal year that ended December 31, 2022. Please read it in conjunction with the transmittal letter at the front of this report and the County's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- As of December 31, 2022, total assets of the County exceeded total liabilities by \$441.8 million. Net investment in capital assets account for 69.6% of this amount, at \$307.5 million. Of the remaining net position, \$60.8 million was restricted for specific purposes and \$73.5 million was unrestricted. Fund balance increased \$20.7 million from operating activities.
- As of December 31, 2022, ending deferred outflows totaled \$15.5 million an increase of \$10.2 million while the ending balance of \$19.1 million in deferred inflows resulted in a decrease of \$22.4 million, both due to reclassifications of leases, a change in pension and other post-employment benefit estimates.
- Ending unassigned fund balance for the general fund was \$24.2 million; assigned fund balance in the general fund was \$3 million. The General Fund ended the year with an unassigned fund balance of 37.8% to revenues, which exceeds the industry's recommended level of 16.7% of revenues. The assigned balance is for implementation of a compensation study. The total increase in general fund balance was due to a conservative approach to spending practices.
- Ending fund balance for the County Road Fund was \$10.3 million, a decrease of \$3.9 million over the previous year. This was due to spending on previously started projects.
- Ending fund balance for the Mental Health Fund was \$9.7 million, a decrease of \$0.3 million over the previous year. This was mainly due to slight increase in costs.
- Ending fund balance for the American Rescue Plan Act Fund was \$0. This is a major fund consisting of only the County's federal ARPA grant and revenue will always be equal to expense.
- Ending fund balance for the Housing Assistance Fund was negative \$192.8 thousand, a decrease of \$980.3 thousand over the previous year.
- Total long-term liabilities of the County were \$123.8 million at December 31, 2022. This is an increase of \$8.8 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

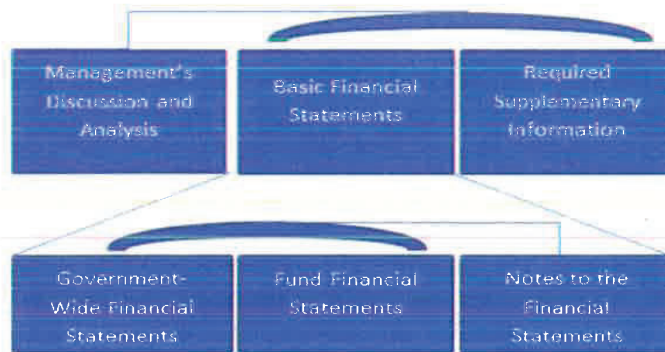
This annual report consists of four parts – *management's discussion and analysis* (this section), the *basic financial statements, required supplementary information (RSI)*, and an optional section that presents the *combining statements* for nonmajor government funds and internal service funds. The basic financial statements include two kinds of statements that present different views of the County:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the County's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the County government, reporting the County's operations in more detail than the government-wide statements.
 - The *governmental funds* statements tell how *general government* services like public safety were financed in the *short term* as well as what remains for future spending.
 - *Proprietary fund* statements offer *short- and long-term* financial information about the activities the government operates *like businesses*, such as the solid waste, drainage utility, and the jail fund.

SKAGIT COUNTY, WASHINGTON
Management's Discussion and Analysis
December 31, 2022

- o *Custodial fund* statements provide information about the financial relationships in which the County

acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.



The basic financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The basic financial statements are followed by a section of RSI that further explains and supports the information in the financial statements. The figure above shows how the required parts of this annual report are arranged and relate to one another. In addition to these required elements, we have included a section with combining statements that provide details about our nonmajor governmental funds and internal service funds, each of which are added together and presented in single columns in the basic financial statement.

The figure below summarizes the major features of the County's financial statements, including the portion of the County government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

SKAGIT COUNTY, WASHINGTON
Management's Discussion and Analysis
December 31, 2022

Major Features of the County's Government-Wide and Fund Financial Statements				
	Government-Wide Statements		Fund Statements	
	Government-Wide Statements	Government Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire County government (except fiduciary funds)	The activities of the County that are not proprietary or fiduciary, such as public safety, social services	Activities the County operates similar to private business; drainage utility, solid waste, jail	Instances in which the County is the trustee of agent for someone else's resources, such as schools and hospitals
Required Financial Statements	*Statement of Net Position *Statement of Activities	*Balance Sheet *Statement of Revenues, Expenditures and Changes in Fund Balance	*Statement of Net Position *Statement of Revenues, Expenses and Changes in Net Position *Statement of Cash Flows	*Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resource focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short and long-term	Only assets expected to be used and liabilities that come due during the year or so soon after. No capital assets included	All assets and liabilities, both financial and capital, and short term and long-term	All assets and liabilities, both financial and capital and short/long term; the County's funds do not include capital assets
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is exchanged	Revenues and expenditures for which cash is received during or soon after the end of the year as well as goods or services received	All revenues and expenses during the year, regardless of when cash is received or paid.	All additions and deductions either paid or received during the year regardless of when cash is exchanged

Government-Wide Statements

The government-wide statements report information about the County as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes *all* of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the County's *net position* and how it has changed. Net position – the difference between the County's assets and deferred outflows of resources and liabilities and deferred inflows of resources – is one way to measure the County's financial health or *position*.

- Over time, increases or decreases in the County's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the County you need to consider additional nonfinancial factors such as changes in the County's property tax base and the condition of the County's roads.

The government-wide statements of the County are divided into two categories:

- *Governmental activities* – Most of the County's basic services are included here, such as public safety, public works, parks department, health and human services, and general administration. Property taxes and state and federal grants finance most of these activities.
- *Business-type activities* – The County charges fees to customers to help cover costs of certain services it provides. The County's solid waste, drainage utility, and County jail are included here.

SKAGIT COUNTY, WASHINGTON
Management's Discussion and Analysis
December 31, 2022

Fund Financial Statements

The fund financial statements provide more detailed information about the County's most significant *funds* – not the County as a whole. Funds are accounting devices that the County uses to keep track of specific sources of funding and spending for a particular purpose.

- Some funds are required by State law and by covenants.
- The County establishes other funds to control and manage money for particular purposes (like the community services fund) or to show that it is properly using certain taxes and grants (like aid from the U.S. Department of Housing and Urban Development).

The County has three kinds of funds:

- *Government funds* – Most of the County's basic services are included in government funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the government funds statements provide a detailed *short-term* view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the subsequent page that explains the relationship (or differences) between them.
- *Proprietary funds* – Services for which the County charges customers a fee that are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information.
 - In fact, the County's *enterprise funds* (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information such as cash flows.
 - We use *internal service funds* (the other type of proprietary fund) to report activities that provide supplies and services for the County's other programs and activities – such as the County's Information Services fund.
- *Fiduciary funds* – The County is responsible for other assets because it acts in the capacity of a custodian to many independent taxing districts. Many of these districts are required by Washington State statutes to process all monies through the County Treasurer. All of the County's custodial activities are reported in a separate statement of custodial net position. We exclude these activities from the County's government-wide financial statements because the County cannot use these assets to finance its operations.

SKAGIT COUNTY, WASHINGTON
Management's Discussion and Analysis
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FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Statement of Net Position

Summarized information from the statement of Net Position, as compared to the prior year, is as follows:

	NET POSITION						% Change
	Governmental		Business-Type		Total		
	2022	2021	2022	2021	2022	2021	
ASSETS							
Current and Other Assets	\$ 178,868,499	\$ 169,420,924	\$ 28,143,682	\$ 24,529,095	\$ 207,012,181	\$ 193,950,019	6.73%
Capital Assets and							
Construction in Progress (Net of Depreciation)	296,725,985	287,694,015	76,699,862	74,984,404	373,425,847	362,678,419	2.96%
Net Pension Asset	14,816,097	37,231,532	1,719,125	4,146,386	16,535,222	41,377,918	
Total Assets	490,410,581	494,346,471	106,562,669	103,659,885	596,973,250	598,006,356	-0.17%
DEFERRED OUTFLOW OF RESOURCES	13,686,804	4,644,146	1,857,722	706,331	15,544,526	5,350,477	190.53%
LIABILITIES							
Long-Term Liabilities	46,847,761	36,734,691	76,959,490	78,279,227	123,807,251	115,013,918	7.65%
Other Liabilities	21,890,713	23,050,748	5,783,040	4,329,752	27,673,753	27,380,500	1.07%
Total Liabilities	68,738,474	59,785,439	82,742,530	82,608,979	151,481,004	142,394,418	6.38%
DEFERRED INFLOW OF RESOURCES	17,281,467	37,455,983	1,792,012	4,139,243	19,073,479	41,595,226	-54.15%
NET POSITION							
Net Investment in Capital Assets	292,194,724	282,771,539	24,623,804	20,738,183	316,818,528	303,509,722	4.38%
Restricted	59,213,986	59,060,614	1,784,438	4,181,022	60,998,424	63,241,636	
Unrestricted	66,668,747	59,917,042	(2,522,393)	(7,301,211)	64,146,354	52,615,831	21.91%
Total Net Position	\$ 418,077,457	\$ 401,749,195	\$ 23,885,849	\$ 17,617,994	\$ 441,963,306	\$ 419,367,189	5.39%

Of the \$207.0 million in current and other assets at December 31, 2022, \$173.8 million is cash, cash equivalents and investments. Of this amount, \$14.2 million, is restricted for specific purposes. Accounts receivable, Notes receivable and amounts due from other governments total \$26.9 million. Inventories/prepayments total \$5.1 million. Cash, cash equivalents and investments represented 84.4% (compared to 77.8% in 2021), while accounts receivable, notes receivable and amounts due from other governments accounted for 13.1% (compared to 12.3% from 2021).

At December 31, 2022, the County had outstanding long-term liabilities of \$123.8 million, as compared to \$115 million in 2021. Of this total, \$3.6 million was due within one year. See Note VII of the notes to the financial statements for more information regarding long term debt. Other liabilities amounted to \$27.6 million. These represent primarily accounts payable and accrued liabilities due as a result of ordinary operations.

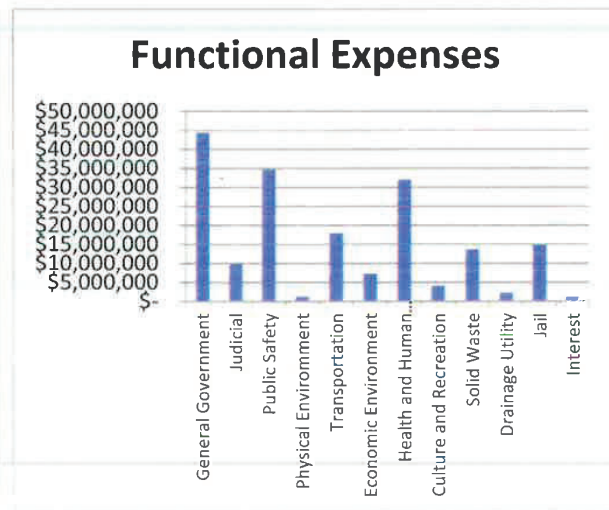
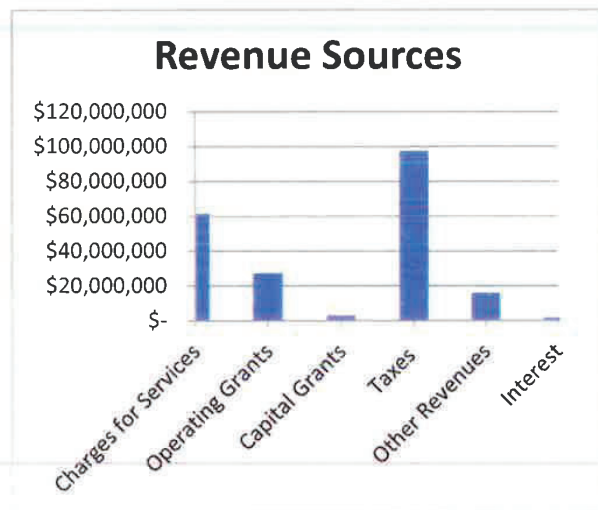
SKAGIT COUNTY, WASHINGTON
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The largest portion of the County's Net Position (69.6%) reflects its net investment in capital assets, less any outstanding related debt used to acquire those assets. The County's capital assets are used to provide services to citizens and are therefore not available to finance future spending. Although the County's net investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. In addition, 13.8% of the County's net position is subject to legal restrictions for specific purposes. The remaining balance of Net Position is \$64.1 million.

Statement of Changes in Net Position

The County's Total Net Position increased by \$22.6 million in 2022. Governmental activities reflected an increase of \$16.3 million while the Net Position of business-type activities increased \$6.3 million. The increase in governmental activities was primarily due to general government. The increase in business-type net position was due primarily to increased charges and reduced costs.

Total revenues were \$209.3 million in 2022, an increase of \$3.4 million from 2021. The main reason for the increase is the increases in governmental grants to assist the County and the residents cope with the effects of COVID-19. Governmental activities provided \$170.4 million (81.5%), while business-type activities added \$38.8 million. Within governmental activities, tax revenue accounted for 56.3% of total revenue sources, with grants and contributions accounting for 17.7% (down from 20.9% in 2021). Charges for services accounted for 66.7% of the revenues of business type activities, with the remaining provided by a reduction in a liability capital and operating grants and contributions. Total expenses for the year amounted to \$185.3 million, an increase of \$15.6 million from 2021. Governmental activities accounted for \$152.6 million (82.3%), with the largest program expenses in the areas of general government, public safety and health and human services. These three programs accounted for 73.1% of total governmental expenses. Of the \$32.7 million in business-type expenses, 45.5% is associated with the Jail fund, an increase for the jail of 3.3% from 2022.



SKAGIT COUNTY, WASHINGTON
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Changes in Net Assets

	Governmental		Business-Type		Total	
	Activities		Activities		Primary Government	
	2022	2021	2022	2021	2022	2021
REVENUES						
Program Revenues						
Charges for Services	\$35,700,418	\$33,209,802	\$25,846,082	\$30,988,328	\$61,546,500	\$64,198,130
Operating Grants and Contributions	23,568,607	23,629,887	3,804,178	1,239,014	27,372,785	24,868,901
Capital Grants and Contributions	3,149,481	12,281,010	-	-	3,149,481	12,281,010
General Revenues						
Taxes	95,989,643	91,637,279	1,704,324	1,704,324	97,693,967	93,341,603
Interest Earnings on Investments	3,562,913	1,916,785	60,431	5,034	3,623,344	1,921,819
Other Revenues	8,565,065	9,044,633	7,361,109	166,309	15,926,174	9,210,942
Total Revenues	<u>\$170,536,127</u>	<u>\$171,719,396</u>	<u>\$38,776,124</u>	<u>\$34,103,009</u>	<u>\$209,312,251</u>	<u>\$205,822,405</u>
PROGRAM EXPENSES						
General Government	44,367,978	40,533,186	-	-	44,367,978	40,533,186
Judicial	9,918,388	8,608,735	-	-	9,918,388	8,608,735
Public Safety	34,676,660	28,574,618	-	-	34,676,660	28,574,618
Physical Environment	1,263,681	1,291,492	-	-	1,263,681	1,291,492
Transportation	18,011,617	16,152,233	-	-	18,011,617	16,152,233
Economic Environment	7,283,194	6,549,016	-	-	7,283,194	6,549,016
Health and Human Services	31,965,576	30,451,701	-	-	31,965,576	30,451,701
Culture and Recreation	4,018,627	3,542,768	-	-	4,018,627	3,542,768
Solid Waste	-	-	13,704,456	14,578,909	13,704,456	14,578,909
Drainage Utility	-	-	2,190,562	2,173,329	2,190,562	2,173,329
Jail Fund	-	-	14,887,593	13,790,910	14,887,593	13,790,910
Interest on Long Term Debt	1,051,221	1,247,440	1,924,225	2,142,114	2,975,446	3,389,554
Total Expenses Before Transfers	<u>152,556,942</u>	<u>136,951,189</u>	<u>32,706,836</u>	<u>32,685,262</u>	<u>185,263,778</u>	<u>169,636,451</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$17,979,185	34,768,207	6,069,288	1,417,747	\$24,048,473	36,185,954
Gain (loss) on Sale of Assets	(3,082,494)	-	(27,705)	-	(3,110,199)	-
Transfers	-	424	-	(424)	-	-
Change in Net Assets	<u>\$14,896,691</u>	<u>34,768,631</u>	<u>6,041,583</u>	<u>1,417,323</u>	<u>20,938,274</u>	<u>36,185,954</u>
Net Assets, January 1	401,749,193	364,344,320	17,617,994	16,200,671	419,367,187	380,544,991
Prior Period Adjustment	1,431,573	2,636,244	226,272	-	1,657,845	2,636,244
Net Assets, January 1 - Restated	<u>403,180,766</u>	<u>366,980,564</u>	<u>17,844,266</u>	<u>16,200,671</u>	<u>421,025,032</u>	<u>383,181,235</u>
Net Assets, December 31	<u>\$ 418,077,457</u>	<u>\$ 401,749,195</u>	<u>\$23,885,849</u>	<u>\$ 17,617,994</u>	<u>\$ 441,963,306</u>	<u>\$ 419,367,189</u>

SKAGIT COUNTY, WASHINGTON
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Financial Analysis of the County's Funds

Governmental Funds Balance Sheet Analysis

The General Fund, County Road Fund, Mental Health Fund, American Rescue Plan Act, and Housing Assistance are the County's major funds in 2022. Together these funds account for 67.2% of total government fund assets and 44.5% of total government fund balances.

As of December 31, 2022, the County's governmental funds reported combined fund balances of \$105.8 million, an increase from \$102.4 million in 2021. Of this amount, \$64.5 million (61%) is Restricted, \$14.2 million (13.5%) is reported as Committed, \$3.0 million (2.8%) is assigned, and \$24 million (22.7%) is unassigned and available for spending within the designated funds. Non-spendable, Restricted, Committed, and Assigned fund balance of \$81.7 million is not available for new spending because it has already been committed for prepaid expenses, loans, debt service, and inventory, as well as other special revenue funds requirements.

The General Fund is the primary operating fund of Skagit County. The unassigned fund balance of this fund increased to \$24.0 million at December 31, 2022, from \$23.4 million at December 31, 2021. \$3 million of the general fund's fund balance is assigned for a compensation study. Total assets of the General Fund were \$32.8 million at December 31, 2022, accounting for 23.5% of total governmental fund assets. This represents an increase of \$0.2 million from 2021.

Governmental Funds Revenue/Expenditure Analysis

Total revenues for governmental funds were \$167.4 million in 2022; this represents an increase of \$.5 million from 2021. The main reasons for the increase were an increase in intergovernmental revenues. During the same period, total expenditures increased to \$163.9 million, up from \$159.8 million in 2021. The main increase was in Public Safety. The General Fund, Mental Health Fund, County Road Fund, American Rescue Plan Act and Housing Assistance account for 80.7% of all governmental fund revenue (up from 76.4% in 2021) and 71.9% of all expenditures, down from 81.8% in 2021.

The net change in fund balance for the General Fund in 2022 was a positive \$770.6 thousand. The main reason was a decrease in intergovernmental revenues. The decrease in fund balance for the County Road fund was \$3.9 million. The main reason for the decrease in the County Road fund was an increase in costs for projects previously committed to. The net change in the Mental Health Fund was a decrease of \$299.1 thousand. The American Rescue Plan Act Fund is new in 2022. The net change to Housing Assistance was a negative \$980.3 thousand due to being funded mostly by grants that are fully expensed each year. The non-major governmental funds had an overall positive change in fund balances of \$7.7 million for 2022.

Enterprise Funds Net Position Analysis

All enterprise funds of Skagit County are considered major funds for 2022. Comparative information from the proprietary funds' statement of Net Position is as follows:

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As of December 31, 2022, the enterprise funds reported combined Net Position of \$23.9 million (compared to \$17.6 million in 2021). This is the total of a \$8.6 million deficit in the Solid Waste Fund (up from \$9.6 million deficit in 2021) and a positive \$11.9 million in the Drainage Utility Fund (up from \$9.1 million from 2021). The Jail fund net position is \$20.5 million, (up from \$18.1 million in 2021).

	Business-Type Activities - Enterprise Funds							
	Net Assets							
	Solid Waste		Drainage Utility		Jail Fund		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
ASSETS								
Current Assets								
Cash and Cash Equivalents	\$ 7,480,138	\$ 6,473,548	\$ -	\$ 1,224,364	\$ 8,165,184	\$ 6,666,837	\$ 15,645,322	\$ 14,364,749
Other Current Assets	8,095,889	7,792,167	2,259,618	444,579	2,142,853	1,927,600	12,498,360	10,164,346
Total Current Assets	15,576,027	14,265,715	2,259,618	1,668,943	10,308,037	8,594,437	28,143,682	24,529,095
Non-Current Assets								
Construction in Progress	-	-	3,326,406	596,207	-	-	3,326,406	596,207
Capital Assets	13,675,536	13,636,892	12,786,640	11,608,192	65,755,678	65,755,678	92,217,854	91,000,762
Less Accumulated Depreciation	(5,626,830)	(5,286,008)	(4,892,158)	(4,512,385)	8,325,410	(6,814,172)	(2,193,578)	(16,612,565)
Net Pension Asset	394,483	1,100,051	115,820	289,142	1,208,822	2,757,193	1,719,125	4,146,386
Total Non-Current Assets	8,443,189	9,450,935	11,336,708	7,981,156	75,289,910	61,698,699	95,069,807	79,130,790
Total Assets	24,019,216	23,716,650	13,596,326	9,650,099	85,597,947	70,293,136	123,213,489	103,659,885
Deferred Outflows of Resources	412,232	148,934	120,483	40,590	1,325,007	516,807	1,857,722	706,331
LIABILITIES								
Current Liabilities								
Accounts/Vouchers Payable	604,409	709,506	342,792	147,819	656,018	539,602	1,603,219	1,396,927
Other Current Liabilities	1,135,136	1,098,033	1,120,138	24,651	1,924,547	1,810,141	4,179,821	2,932,825
Total Current Liabilities	1,739,545	1,807,539	1,462,930	172,470	2,580,565	2,349,743	5,783,040	4,329,752
Non-Current Liabilities								
Bonds Payable	4,475,000	5,080,000	-	-	45,496,058	47,141,221	49,971,058	52,221,221
Other Non-Current Liabilities	26,303,243	25,339,209	111,211	86,308	573,978	632,489	26,988,432	26,058,006
Total Non-Current Liabilities	30,778,243	30,419,209	111,211	86,308	46,070,036	47,773,710	76,959,490	78,279,227
Total Liabilities	32,517,788	32,226,748	1,574,141	258,778	48,650,601	50,123,453	82,742,530	82,608,979
Deferred Inflows of Resources	507,126	1,249,673	143,407	334,627	1,141,479	2,554,943	1,792,012	4,139,243
NET POSITION								
Net Investment in Capital Assets	2,968,706	2,670,884	11,220,888	7,692,014	10,434,210	10,375,285	24,623,804	20,738,183
Restricted	394,483	1,100,051	115,820	289,142	1,274,135	2,791,829	1,784,438	4,181,022
Unrestricted	(11,956,655)	(13,381,772)	662,553	1,116,128	8,771,709	4,964,433	(2,522,393)	(7,301,211)
Total Net Position	\$ (8,593,466)	\$ (9,610,837)	\$ 11,999,261	\$ 9,097,284	\$ 20,480,054	\$ 18,131,547	\$ 23,885,849	\$ 17,617,994

SKAGIT COUNTY, WASHINGTON
Management's Discussion and Analysis
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Enterprise Funds Revenue/Expenditure Analysis

The following table provides comparative information related to revenues, expenses and net changes in fund balance for the enterprise funds:

	Business-Type Activities - Enterprise Funds							
	Changes in Net Assets							
	Solid Waste		Drainage Utility		Jail Fund		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
REVENUES								
Charges for Services	\$ 14,103,549	\$ 13,586,350	\$ -	\$ -	\$ 11,742,533	\$ 11,090,104	\$ 25,846,082	\$ 24,676,454
Intergovernmental	454,184	321,925	4,826,957	2,422,899	228,261	198,514	5,508,502	2,943,338
Interest Revenue	20,696	1,867	-	-	39,735	3,167	60,431	5,034
Miscellaneous Revenue	227,229	150,510	40,210	91,902	7,065,965	6,235,771	7,333,404	6,478,183
Total Revenues	14,805,658	14,060,652	4,866,267	2,514,801	19,076,494	17,527,556	38,748,419	34,103,009
EXPENSES								
Personal Services	1,624,355	1,838,208	496,446	525,300	8,087,532	7,447,900	10,208,333	9,811,408
Contractual Services	541,820	12,162,455	153,582	1,252,896	4,538,331	4,230,669	5,233,733	17,646,020
Other Supplies and Expenses	11,184,281	232,751	1,160,762	17,971	750,492	599,658	13,095,535	850,380
Depreciation	354,000	345,495	379,772	377,162	1,511,238	1,512,683	2,245,010	2,235,340
Interest Expense	83,831	233,720	-	-	1,840,394	1,908,394	1,924,225	2,142,114
Total Operating Expenditures	13,788,287	14,812,629	2,190,562	2,173,329	16,727,987	15,699,304	32,706,836	32,685,262
Income (Loss) Before Transfers	1,017,371	(751,977)	2,675,705	341,472	2,348,507	1,828,252	6,041,583	1,417,747
Extraordinary Items	-	-	-	-	-	-	-	-
Interfund Transfers	-	(424)	-	-	-	-	-	(424)
Change in Net Assets	1,017,371	(752,401)	2,675,705	341,472	2,348,507	1,828,252	6,041,583	1,417,323
Net Assets, January 1	(9,610,837)	(8,858,436)	9,097,284	8,755,812	18,131,547	16,303,295	17,617,994	16,200,671
Prior Period Adjustment	-	-	226,272	-	-	-	226,272	-
Net Assets, January 1 - Restated	(9,610,837)	(8,858,436)	9,323,556	8,755,812	18,131,547	16,303,295	17,844,266	16,200,671
Net Assets, December 31	\$ (8,593,466)	\$ (9,610,837)	\$ 11,999,261	\$ 9,097,284	\$ 20,480,054	\$ 18,131,547	23,885,849	17,617,994

Revenues from the Solid Waste Fund represent 38.2% of the total revenues for enterprise funds in 2022, a decrease from 44.3% in 2021. This was due primarily to a decrease in overall revenues. Total expenses for the Solid Waste Fund were 42.2% of the total enterprise funds. The Jail Fund revenues consisted of 49.2% of total enterprise revenues, down from 55.4% in 2021. This is the result of increased charges for services.

GENERAL FUND BUDGETARY HIGHLIGHTS

The change in the final budget amounts available for appropriations is due to changes in grant revenue for Public Safety and the Coroner's office. Increases in General Government Services were a result of transferring funds for capital projects. The increases in Judicial were mainly due to increases in judicial salaries; increase in contracted services for Indigent Defense due to increased case complexity; and increased contracted services for Indigent Defense. The small increase in Public Safety was due to increased grant funding and the purchase of Tasers.

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The following schedule provides an analysis of the final amended budget as compared to actual General Fund revenues and expenditures:

General Fund Budget vs. Actual
For the Year Ended December 31, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Changes Favorable (Unfavorable)</u>
FUND BALANCE, JANUARY 1	\$ 10,752,200	\$ 10,855,488	\$ 26,427,847	\$ 15,572,359
RESOURCES (IN-FLOWS)				
Taxes	42,626,874	42,626,874	47,176,150	4,549,276
Licenses & Permits	537,500	537,500	594,831	57,331
Intergovernmental Revenue	5,744,560	6,910,617	7,167,096	256,479
Charges for Goods and Services	3,946,774	3,951,174	3,896,955	(54,219)
Fines and Forfeits	1,211,075	1,211,075	864,129	(346,946)
Interest Revenue	1,345,500	1,367,500	3,211,850	1,844,350
Miscellaneous Revenues	272,654	293,893	1,480,318	1,186,425
Transfers In	-	-	19,284	19,284
Total Resources (in-flows)	<u>55,684,937</u>	<u>56,898,633</u>	<u>64,410,613</u>	<u>7,511,980</u>
Amounts Available for Appropriation	<u>66,437,137</u>	<u>67,754,121</u>	<u>90,838,460</u>	<u>23,084,339</u>
CHARGES TO APPROPRIATIONS (OUT-FLOWS)				
General Government Services	23,011,656	24,156,756	20,591,908	3,564,848
Judicial	13,147,427	13,191,927	12,274,900	917,027
Public Safety	22,089,779	22,133,597	21,325,909	807,688
Economic Environment	509,012	510,005	399,954	110,051
Health and Human Services	537,317	589,963	589,562	401
Culture and Recreation	595,778	595,778	498,541	97,237
Capitalized Expenditures	141,000	170,927	1,554,064	(1,383,137)
Transfers Out	6,405,168	6,405,168	6,405,168	-
Amount Charged to Appropriations (out-flows)	<u>66,437,137</u>	<u>67,754,121</u>	<u>63,640,006</u>	<u>4,114,115</u>
FUND BALANCE, DECEMBER 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,198,454</u>	<u>\$ 18,970,224</u>

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The largest dollar variances for revenues are fairly even amongst intergovernmental revenue, taxes, and interest revenue. The decrease from 2021 in intergovernmental revenue is the result of reallocating of grant funds to other areas. The increase in taxes is small in comparison to the prior year but exceeds the expected budgeted amount.

Actual expenditures were 6.1% less than budgeted. This is represented primarily by decreases in General Government Services. This variance is the result of the overall reduction of expenses due to the reduction of cost allocations. The unfavorable variance in Fines and Forfeits is due to the COVID-19 outbreak and slight downturn in the economy.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The County's net capital assets were \$373.4 million at December 31, 2022. Of this total, Construction in progress was \$9 million. Capital assets include land, development rights, buildings, improvements, furniture and equipment, and infrastructure. Details of 2022 capital asset transactions are presented in Note VII of the notes to the financial statements.

During 2022 the County continued construction and remodeling of real property for County use. Ongoing projects include several road construction projects, improvements to county owned buildings, and miscellaneous small parks projects.

During 2022 GASB 87 was implemented, resulting in leases being capitalized and leases being recorded at net value for amounts owed long term for leases the County holds as lessor. See Note XIII for details

Long-Term Debt

At December 31, 2022, general obligation bonds payable as reported by governmental activities was \$12.5 million, a decrease of \$1.2 million. Business type activities reported general obligation bonds payable of \$51.3 million, a decrease of \$3 million from 2020. This is due in part to on-going debt payments.

The County's remaining legal capacity for non-voted debt at December 31, 2022 was approximately \$347.2 million.

Additional information relating to long-term debt can be found in Note VIII of the notes to the financial statements.

Net Pension Liability

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability. GASB 68 takes an earnings approach to pension accounting; however, the nature of Washington's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 requires the net pension liability to equal the County's proportionate share of each plan's collective:

-
1. Present value of estimated future pension benefits attributable to active and inactive employees' past service

SKAGIT COUNTY, WASHINGTON
Management's Discussion and Analysis
December 31, 2022

2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the County is not responsible for certain key factors affecting the balance of this liability. In Washington, the employee shares the obligation of funding pension benefits with the employer. The amounts they contribute are calculated as a percentage of the employee's pay. In a few plans, those percentages are set in statute, but for most, the legislature can adjust the rates as needed. The Washington State Investment Board collectively invests the contributions and the earnings on those investments help to fund the plans.

The Office of State Actuary (OSA) performs a valuation of the retirement plans every other year, studying the experience of each and analyzing the effects of anticipated economic and demographic changes. In the valuation, OSA determines how much money must be contributed annually to pay for the benefits members are expected to earn during their public service.

OSA's recommendations then go to the Pension Funding Council, which is responsible for evaluating and adopting employee and employer contribution rates (subject to review by the Legislature). There is one exception – rates for the Law Enforcement Officers' and Fire Fighters' (LEOFF) Plan 2 are evaluated and adopted by the LEOFF Plan 2 Retirement Board.

A plan with assets that equal its liabilities is termed *fully funded*, which means the value of the assets on hand equals the plan's accrued liabilities. Any gap between the benefits earned and a retirement plan's assets is referred to as an unfunded liability. A plan with unfunded liability is considered underfunded.

Washington State has fully funded and underfunded state retirement plans. Current state funding policy requires additional contributions to return the underfunded plans to a fully funded status. As a result of that commitment, it is expected all Washington state retirement plans will have adequate assets to provide for all earned benefits into the future.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e., sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the County's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's change in net pension liability not accounted for as deferred inflows/outflows.

OTHER POST EMPLOYMENT BENEFITS

With the implementation of GASB No. 75, the County has fully accrued the Other Post-Employment Benefits (OPEB). This GASB requires that the full OPEB liability be recorded as a long-term liability with a one year

SKAGIT COUNTY, WASHINGTON
Management's Discussion and Analysis
December 31, 2022

current portion. No assets are set aside for these costs but are paid as incurred. See Note IX - Pension and Note X Other Benefits.

ECONOMIC FACTORS

The County's overall financial position remains steady. The County is not facing any foreseeable restrictions or other limitations that would significantly impact funding resources for future uses.

There have been a series of voter initiatives over the last several years, as well as State of Washington, Local and Federal legal changes that continue to have an impact on future finances of the County. A listing of conditions and decisions that may significantly affect the future financial condition of the County follows:

- In 2018, the 2007 bonds in the amount of \$2,645,000 were paid off with current resources. The retirement of the debt lowered the total bond debt to \$69.3 million.
- During 2018, the Board of County Commissioners passed several ordinances dissolving CVAA (a discreet component unit of the County) transferring the Commissioner's authority, responsibility, and assets to Skagit County Department of Emergency Medical services. CVAA ceased operations on December 31, 2018. CVAA has been eliminated as a County component unit and those activities now reside within the County.
- During 2020 a world-wide breakout of COVID-19 affected millions and resulted in national as well as statewide and local shut down of businesses, schools, and resulted in a downturn of many economic factors. It will be years before the full effect is realized.
- During 2021 bonds issued by the Solid Waste Fund were refunded with new debt with lower principal and a lower interest rate.
- During 2022 GASB 87 was implemented resulting in a alternative way to account for leases as lessee and lessor. The major difference affecting total assets and liabilities.

Requests for Information

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to either of the following:

Trisha Logue, County Administrator
County Commissioner's Office
1800 Continental Place, Suite 100
Mount Vernon, WA 98273
360-416-1300

Accounting Department
Skagit County Auditor's Office
PO Box 1306
Mount Vernon, WA 98273
360-416-1700

SKAGIT COUNTY, WASHINGTON

Statement of Net Position

December 31, 2022

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
Cash and Cash Equivalents	\$ 128,972,352	\$ 15,645,322	\$ 144,617,674
Investments	15,020,366	-	15,020,366
Accounts Receivables, Net	7,170,251	1,462,516	8,632,767
Due from Other Governments	8,640,776	4,407,027	13,047,803
Inventories and Prepayments	5,127,257	-	5,127,257
Notes Receivable	6,405,000	-	6,405,000
Restricted Assets:			
Restricted by Contract:			
Cash/Cash Equivalents	6,591,013	6,628,817	13,219,830
Investments	941,488	-	941,488
Net Pension Asset	14,816,110	1,719,125	16,535,235
Non Depreciated Capital Assets	180,534,332	9,000,036	189,534,368
Capital Assets, Net	110,475,936	64,373,420	174,849,356
Construction in Progress	5,715,717	3,326,406	9,042,123
Total Assets	490,410,598	106,562,669	596,973,267
DEFERRED OUTFLOWS of RESOURCES			
Related to Leases	205	-	205
Related to Pension	13,056,131	1,791,358	14,847,489
Related to OPEB	630,464	66,364	696,828
Total Deferred Outflows of Resources	13,686,800	1,857,722	15,544,522
LIABILITIES			
Accounts Payable	14,429,860	1,603,219	16,033,079
Due from General Fund	436,246	1,097,429	1,533,675
Other Liabilities	5,075,227	476,482	5,551,709
Compensated Absences-Short Term	335,583	39,375	374,958
OPEB Liability-Short Term	78,465	11,535	90,000
Due to Other Governments	13,776	-	13,776
Long Term Liabilities:			
Due within One Year	1,521,556	2,105,000	3,626,556
Short term environmental Liabilities	-	450,000	450,000
Due in More Than One Year	12,771,871	49,971,058	62,742,929
Deferred Revenue	21,702,453	6,566,968	28,269,421
OPEB Liability-Long Term	2,019,430	209,297	2,228,727
Pension Liability	7,445,081	556,436	8,001,517
Compensated Absences	2,646,720	324,830	2,971,550
Environmental Liabilities	262,206	19,330,901	19,593,107
Total Liabilities	68,738,474	82,742,530	151,481,004
DEFERRED INFLOWS OF RESOURCES			
Related to Pension	13,112,021	1,485,404	14,597,425
Related to Leases	1,282,027	10,343	1,292,370
Related to OPEB	2,814,508	296,265	3,110,773
Related to Deferred Gain on Refunded Bond	72,911	-	72,911
Total Deferred Inflows of Resources	17,281,467	1,792,012	19,073,479
Net Position			
Net Investment in Capital Assets	292,194,724	24,623,804	316,818,528
Restricted for:			
General Government	17,904,527	-	17,904,527
Public Safety	1,967,907	1,274,135	3,242,042
Utilities and Physical Environment	4,981,310	510,303	5,491,613
Transportation	12,557,369	-	12,557,369
Economic Environment	2,221,391	-	2,221,391
Health & Human Services	15,177,836	-	15,177,836
Culture and Recreation	1,818,714	-	1,818,714
Debt Service	2,584,932	-	2,584,932
Unrestricted	66,668,747	(2,522,393)	64,146,354
Total Net Position	\$ 418,077,457	\$ 23,885,849	\$ 441,963,306

See accompanying notes to the financial statements

SKAGIT COUNTY, WASHINGTON
Statement of Activities
For the Year Ended December 31, 2022

Functions/Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental Activities:							
General Government	\$ 44,367,978	\$ 10,969,155	\$ 1,170,900	\$ 250,000	\$ (31,977,923)	\$ -	\$ (31,977,923)
Judicial	9,918,388	3,384,410	720,835	-	15,813,143	-	(5,813,143)
Public Safety	34,676,660	1,599,091	3,269,828	-	(29,807,741)	-	(29,807,741)
Physical Environment	1,263,681	58,138	36,042	168,501	11,001,000	-	(1,001,000)
Transportation	18,011,617	7,743,255	1,072,433	2,730,960	16,464,949	-	(6,464,949)
Economic Environment	7,283,194	1,175,823	260,581	-	15,846,790	-	(5,846,790)
Health and Human Services	31,965,576	9,323,591	17,037,988	-	15,603,997	-	(5,603,997)
Culture and Recreation	4,018,627	1,446,955	-	-	(2,571,672)	-	(2,571,672)
Interest and Redemption on Long Term Debt	1,051,221	-	-	-	(1,051,221)	-	(1,051,221)
Total Governmental Activities	152,556,942	35,700,418	23,568,607	3,149,481	(90,138,436)	-	(90,138,436)
Business-Type Activities:							
Solid Waste	13,704,456	14,103,549	454,184	-	-	853,277	853,277
Drainage Utility	2,190,562	-	3,121,733	-	-	931,171	931,171
Jail Fund	14,887,593	11,742,533	228,251	-	-	(2,916,739)	(2,916,739)
Total Business-Type Activities	30,782,611	25,846,082	3,804,178	-	-	(1,132,351)	(1,132,351)
Total Primary Government	183,339,553	61,546,500	27,372,785	3,149,481	(90,138,436)	(1,132,351)	(91,270,787)
General Revenues (Expenses)							
Property Taxes					55,905,895	-	55,905,895
Sales/Use Taxes					33,212,635	-	33,212,635
Other Taxes					6,871,113	1,704,324	8,575,437
Interest and Investment Earnings (Expense)					3,582,913	(1,863,734)	1,699,119
Other revenues					8,565,065	7,361,109	15,926,174
Capital loss					(3,082,494)	(27,705)	(3,110,199)
Transfers					-	-	-
Total General Revenues					105,035,127	7,173,934	112,209,061
Change in Net Position					14,896,691	6,041,533	20,938,274
Net Position, January 1					401,749,193	17,617,934	419,367,187
Prior Period Adjustment					1,431,573	226,272	1,657,845
Adjusted Net Position at January 1					403,180,766	17,844,206	421,025,032
Net Position, December 31					\$ 418,077,457	\$ 23,885,849	\$ 441,963,306

See accompanying notes to the financial statements

SKAGIT COUNTY, WASHINGTON

Balance Sheet Government Funds

December 31, 2022

	Major Funds					Other Governmental Funds	Total
	General Fund	Mental Health Fund	County Road Fund	American Rescue Plan Act	Housing Assistance		
ASSETS and OUTFLOWS of RESOURCES							
Cash and Cash Equivalents	\$ 24,973,285	\$ 2,058,087	\$ 10,485,816	\$ 20,058,216	\$ -	\$ 47,393,792	\$ 104,969,196
Restricted Cash	1,699,256	-	-	-	-	-	1,699,256
Investments	-	6,984,933	-	-	31,132	11,984,006	19,000,071
Taxes Receivable	591,577	7,872	384,560	-	-	283,231	1,267,240
Accounts Receivable, Net	4,290	242,234	32,595	-	-	2,652,666	2,931,785
Accounts Receivable Other	1,502,657	-	500	-	-	-	1,503,157
Lease Receivable	13,796	-	-	-	-	-	13,796
Interest Receivable	819,276	-	-	-	-	-	819,276
Due from Other Funds	7,347	-	-	-	-	-	7,347
Due from Other Governments	3,082,681	897,032	804,795	-	761,628	3,094,640	8,640,776
Interfund Loans Receivable	185,000	-	-	-	-	5,500	190,500
Inventories and Prepayments	1,085	-	-	-	-	1,044	2,129
Total Assets	32,880,250	10,190,158	11,708,266	20,058,216	792,760	65,414,879	141,044,529
Deferred Outflows - Leases	-	-	-	-	-	205	205
Total Assets	\$ 32,880,250	\$ 10,190,158	\$ 11,708,266	\$ 20,058,216	\$ 792,760	\$ 65,415,084	\$ 141,044,734
LIABILITIES, DEFERRED INFLOWS of RESOURCES and FUND BALANCES							
<u>Liabilities</u>							
Accounts and Vouchers Payable	1,040,776	443,436	803,202	721,141	653,777	1,607,763	5,270,095
Due to Other Funds	-	-	7,347	-	-	-	7,347
Due to Other Governmental Units	7,627	4,612	-	-	-	1,537	13,776
Due to General Fund	-	-	-	-	322,899	113,347	436,246
Accrued Wages Payable	850,637	23,997	212,552	28,768	8,904	298,708	1,423,566
Accrued Employee Benefits	208,374	6,080	57,213	7,038	-	104,269	382,974
Deposits	14,000	-	-	-	-	-	14,000
Unavailable Revenues	-	-	-	-	-	2,048,012	2,048,012
Unearned Revenue	1,502,657	-	-	19,301,269	-	898,527	21,702,453
Interfund Loans Payable	-	-	-	-	-	190,500	190,500
Total Liabilities	3,624,071	478,125	1,080,314	20,058,216	985,580	5,262,663	31,488,969
Deferred Inflows of Resources							
Court Receivables	1,699,256	-	-	-	-	-	1,699,256
Deferred Lease	13,767	-	-	-	-	1,175,046	1,188,813
Deferred Property Taxes	344,702	4,551	282,263	-	-	237,380	868,896
Total Deferred Inflows of Resources	2,057,725	4,551	282,263	-	-	1,412,426	3,756,965
<u>Fund Balance</u>							
Nonspendable	1,085	-	-	-	-	-	1,085
Restricted	-	9,618,124	9,486,267	-	-	45,437,946	64,542,337
Committed	-	89,358	859,422	-	-	13,302,049	14,250,829
Assigned	3,000,000	-	-	-	-	-	3,000,000
Unassigned	24,197,369	-	-	-	(192,820)	-	24,004,549
Total Fund Balances	27,198,454	9,707,482	10,345,689	-	(192,820)	58,739,995	105,798,800
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 32,880,250	\$ 10,190,158	\$ 11,708,266	\$ 20,058,216	\$ 792,760	\$ 65,415,084	\$ 141,044,734

SKAGIT COUNTY, WASHINGTON
Reconciliation of the Government Funds Balance Sheet
To the Statement of Net Position
December 31, 2022

Total fund balances as shown on the Governmental Fund Balance Sheet	\$ 105,798,800
Net capital assets of governmental funds as of December 31, 2022	283,472,782
Capital assets used in the activities of governmental funds are not financial resources and therefore are not reported in the funds.	
Deferred Inflow of Resources in the governmental funds and recognized as revenue of the current period on the statement of activities.	(456,298)
Net Position of the internal service funds	36,494,085
Internal service funds are included in governmental activities on the statement of net assets.	
Balance of long-term liabilities of the governmental funds as of December 31, 2022	(7,231,912)
Liabilities not due and payable in the current period are not reported in the governmental funds.	
Total Net Position as reported on the Statement of Net Position	\$ 418,077,457

See accompanying notes to the financial statements

SKAGIT COUNTY, WASHINGTON
Statement of Revenues, Expenditures and Changes in Fund Balance
Government Funds
For the Year Ended December 31, 2022

	Major Funds					Other Governmental Funds	Total
	General Fund	Mental Health Fund	County Road Fund	American Rescue Plan Act	Housing Assistance		
Revenues							
Property Taxes	\$ 29,891,590	\$ 401,151	\$ 15,426,464	\$ -	\$ -	\$ 10,658,208	\$ 56,377,413
Sales and Use Taxes	16,728,834	4,442,454	-	-	-	12,041,347	33,212,635
Other Taxes	555,726	-	459,770	-	-	5,917,418	6,932,914
Licenses and Permits	594,831	-	85,637	-	-	1,458,927	2,139,395
Intergovernmental Revenues	7,167,096	2,203,036	9,206,974	5,723,370	14,788,105	10,390,336	49,478,917
Charges for Services	3,896,954	70,980	1,607,938	-	1,009,869	3,712,085	10,297,826
Fines and Forfeits	864,130	-	-	-	-	217,759	1,081,889
Interest Earnings	3,211,850	89,145	1,517	-	387	177,470	3,480,369
Donations	-	-	-	-	-	597,561	597,561
Other Revenues	1,480,318	213	165,843	-	-	2,181,805	3,828,179
Total Revenues	64,391,329	7,206,979	26,954,143	5,723,370	15,798,361	47,352,916	167,427,098
Expenditures							
Current:							
General Government	20,591,908	-	223,278	882,481	-	1,328,801	23,026,468
Judicial	12,274,900	-	-	557,812	-	-	12,832,712
Public Safety	21,325,909	-	-	2,933,334	-	15,474,705	39,733,948
Physical Environment	-	-	-	-	-	2,089,012	2,089,012
Transportation	-	-	22,569,754	577,374	-	186,828	23,333,956
Economic Environment	399,954	-	-	260,581	-	7,784,273	8,444,808
Health and Human Services	589,562	7,508,116	-	242,504	16,778,670	10,033,081	35,149,933
Culture and Recreation	590,120	-	-	-	-	3,754,657	4,344,777
Debt Service:							
Principal	-	-	-	-	-	1,456,511	1,456,511
Interest	-	-	-	-	-	483,679	483,679
Capital Outlay	1,462,485	-	8,040,896	-	-	3,600,273	13,103,654
Total Expenditures	57,234,838	7,506,116	30,833,928	5,454,086	16,778,670	46,191,820	163,999,458
Excess (Deficit) Revenues Over Expenditures	7,156,491	(299,137)	(3,879,785)	269,284	(980,309)	1,161,096	3,427,640
Other Financing Sources (Uses)							
Transfers In	19,284	-	13,366	-	-	9,470,339	9,502,989
Transfers Out	(6,405,168)	-	-	(269,284)	-	(2,828,537)	(9,502,989)
Total Other Financing Source (Uses)	(6,385,884)	-	13,366	(269,284)	-	6,641,802	-
Net Change in Fund Balance	770,607	(299,137)	(3,866,419)	-	(980,309)	7,802,898	3,427,640
Fund Balance, January 1	26,427,847	10,006,619	14,212,108	-	787,489	50,937,097	102,371,160
Fund Balance, December 31	\$ 27,198,454	\$ 9,707,482	\$ 10,345,689	\$ -	\$ (192,820)	\$ 58,739,995	\$ 105,798,800

SKAGIT COUNTY, WASHINGTON
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balance of Government Funds
To the Statement of Activities
For the Year Ended December 31, 2022

Net change in fund balances as shown on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance	\$ 3,427,640
Net Capital Asset Activity	7,020,480
Purchases of capital assets are reported as expenditures in the governmental funds. On the government wide statements they are reported as assets and depreciated over their estimated useful lives.	
Net Internal Service Fund Activity	3,540,909
Internal service funds are included in governmental activities on the statement of Net Position	
Net Long-Term Debt Activity	4,479,198
In the governmental funds statements, proceeds of long term debt are considered revenues and debt principal payments are considered expenditures. These transactions are reported as increases and decreases in long-term debt liabilities on the government wide statements.	
Net change in revenues not reportable on the modified accrual basis.	(3,571,536)
Revenues are reported on the modified accrual basis for the governmental funds statements and on the full accrual basis for the statement of activities.	
Change in Net Position as reflected in the Statement of Activities	\$ 14,896,691

SKAGIT COUNTY, WASHINGTON
Statement of Net Position
Proprietary Funds
December 31, 2022

	Business-Type Activities Enterprise Funds				Governmental Activities
	Solid Waste	Drainage Utility	County Jail	Total	*Internal Service Funds
ASSETS					
<u>Current Assets</u>					
Cash/Cash Equivalents	\$ 7,480,138	\$ -	\$ 8,165,184	\$ 15,645,322	\$ 19,744,649
Restricted Cash	6,563,504	-	65,313	6,628,817	3,280,605
Taxes Receivable	-	76,902	-	76,902	-
Accounts Receivable-net	1,349,311	-	25,906	1,375,217	68,518
Leases Receivable	10,397	-	-	10,397	107,797
Due from Other Governments	172,677	2,182,716	2,051,634	4,407,027	-
Inventories/Prepayments	-	-	-	-	5,125,128
Total Current Assets	15,576,027	2,259,618	10,308,037	28,143,682	28,326,697
<u>Non-Current Assets</u>					
Capital Assets					
Land	688,875	1,926,358	6,384,803	9,000,036	-
Buildings	10,037,972	-	59,108,624	69,146,596	180,888
Improvements	1,387,854	10,659,100	-	12,046,954	-
Machinery and Equipment	1,548,886	201,182	262,251	2,012,319	29,257,607
Less Accumulated Depreciation	(5,626,830)	(4,892,158)	(8,325,410)	(18,844,398)	(17,250,549)
Leased Assets	11,949	-	-	11,949	57,013
Construction In Progress	-	3,326,406	-	3,326,406	-
Pension Asset	394,483	115,820	1,208,822	1,719,125	1,170,293
Total Non-Current Assets	8,443,189	11,336,708	58,639,090	78,418,987	13,415,252
Total Assets	24,019,216	13,596,326	68,947,127	106,562,669	41,741,949
Deferred Outflows of Resources					
Related to Pension	394,219	115,743	1,281,396	1,791,358	1,169,510
Related to OPEB	18,013	4,740	43,611	66,364	37,923
Total Deferred Outflows of Resources	412,232	120,483	1,325,007	1,857,722	1,207,433
LIABILITIES AND FUND EQUITY					
<u>Current Liabilities</u>					
Accounts/Vouchers Payable	604,409	342,792	656,018	1,603,219	799,150
Due to General Fund	-	1,097,429	-	1,097,429	-
Claims and Judgements Payable	-	-	-	-	2,490,956
Due to Other Funds	-	-	-	-	-
Interest Payable	7,048	-	-	7,048	-
Accrued Wages Payable	46,581	14,424	253,054	314,059	129,284
Accrued Employee Benefits	13,207	3,930	72,925	90,062	32,482
Compensated Absences - Short Term	10,638	3,468	25,269	39,375	45,339
OPEB Liability - Short Term	2,662	887	7,986	11,535	5,704
Environmental liabilities - Short Term	450,000	-	-	450,000	-
Other Accrued Liabilities	-	-	65,313	65,313	-
Bonds Payable	605,000	-	1,500,000	2,105,000	-
Total Current Liabilities	1,739,545	1,462,930	2,580,565	5,783,040	3,502,915
<u>Non-Current Liabilities</u>					
Compensated Absences	96,734	18,044	210,052	324,830	302,228
Deferred Revenue	6,563,504	3,464	-	6,566,968	-
Post Closure Landfill Costs	2,040,591	-	-	2,040,591	-
Environmental Liability	17,290,310	-	-	17,290,310	262,206
Bonds Payable	4,475,000	-	45,496,058	49,971,058	-
OPEB Liability	57,278	14,887	137,132	209,297	120,485
Pension Liability	254,826	74,816	226,794	556,436	755,974
Total Non-Current Liabilities	30,778,243	111,211	46,070,036	76,959,490	1,440,893
Total Liabilities	32,517,788	1,574,141	48,650,601	82,742,530	4,943,808
Deferred Inflows of Resources					
Related to Pension	416,368	122,245	946,791	1,485,404	1,342,195
Related to OPEB	80,415	21,162	194,888	296,265	169,294
Related to Leases	10,343	-	-	10,343	-
Total Deferred Inflows of Resources	507,126	143,407	1,141,479	1,792,012	1,511,489
<u>Net Position</u>					
Net Investment in Capital Assets	2,968,706	11,220,888	10,434,210	24,623,804	12,244,959
Restricted Net Position	394,483	115,820	1,274,135	1,784,438	3,280,605
Unrestricted	(11,956,655)	662,553	8,771,709	(2,522,393)	20,968,521
Total Net Position	\$ (8,593,466)	\$ 11,999,261	\$ 20,480,054	\$ 23,885,849	\$ 36,494,085

See accompanying notes to the financial statements

*See Internal Service Funds section

SKAGIT COUNTY, WASHINGTON
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2022

	Business - Type Activities Enterprise Funds			Total	Governmental Activities
	Solid Waste	Drainage Utility	County Jail		*Internal Service Funds
<u>Operating Revenues</u>					
Charges for Services	\$ 14,103,549	\$ -	\$ 11,742,533	\$ 25,846,082	\$ 19,135,794
Other Operating Revenue	-	40,210	6,950,773	6,990,983	16,605,008
Total Operating Revenues	<u>14,103,549</u>	<u>40,210</u>	<u>18,693,306</u>	<u>32,837,065</u>	<u>35,740,802</u>
<u>Operating Expenses</u>					
Personnel Services	1,524,355	496,446	8,087,532	10,208,333	5,905,786
Contractual Services	11,184,281	1,160,762	4,538,331	16,883,374	4,815,224
Supplies and Expenses	541,820	153,582	750,492	1,445,894	6,067,255
Depreciation	354,000	379,772	1,511,238	2,245,010	2,496,298
Payment to Claimants	-	-	-	-	12,994,617
Total Operating Expenses	<u>13,704,456</u>	<u>2,190,562</u>	<u>14,887,593</u>	<u>30,782,611</u>	<u>32,279,180</u>
Operating Income (Loss)	<u>399,093</u>	<u>(2,150,352)</u>	<u>3,805,713</u>	<u>2,054,454</u>	<u>3,461,622</u>
<u>Non-Operating Revenue (Expenses)</u>					
Intergovernmental Revenue	454,184	4,826,057	228,261	5,508,502	-
Interest Revenue	20,696	-	39,735	60,431	82,544
Miscellaneous Revenue	254,934	-	115,192	370,126	-
Gain (Loss) on Disposition of Capital Assets	(27,705)	-	-	(27,705)	(3,257)
Interest Expense	(83,831)	-	(1,840,394)	(1,924,225)	-
Total Non-Operating Revenue (Expenses)	<u>618,278</u>	<u>4,826,057</u>	<u>(1,457,206)</u>	<u>3,987,129</u>	<u>79,287</u>
Income (Loss) before Transfers	1,017,371	2,675,705	2,348,507	6,041,583	3,540,909
Transfers In	-	-	-	-	-
Transfers out	-	-	-	-	-
Change in Net Position	<u>1,017,371</u>	<u>2,675,705</u>	<u>2,348,507</u>	<u>6,041,583</u>	<u>3,540,909</u>
Net Position, January 1	(9,610,837)	9,097,284	18,131,547	17,617,994	32,953,176
Prior period adjustment	-	226,272	-	226,272	-
Adjusted January 1 Net Position	<u>(9,610,837)</u>	<u>9,323,556</u>	<u>18,131,547</u>	<u>17,844,266</u>	<u>32,953,176</u>
Net Position, December 31	<u>\$ (8,593,466)</u>	<u>\$ 11,999,261</u>	<u>\$ 20,480,054</u>	<u>\$ 23,885,849</u>	<u>\$ 36,494,085</u>

See the accompanying notes to the financial statements

*See Internal Service Funds section

SKAGIT COUNTY, GOVERNMENT
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2022

	Business - Type Activities Enterprise Funds			Total	Governmental Activities
	Solid Waste	Drainage Utility	.ail Fund		*Internal Service Funds
Cash Flows from Operating Activities:					
Receipts from Customers	\$ 13,830,546	\$ (2,750)	\$ 11,742,760	\$ 25,570,556	\$ 3,240,065
Receipts from Interfund Services Provided	-	40,210	6,240,164	6,280,374	32,392,439
Payments to Employees	(958,851)	(517,541)	(8,099,998)	(9,576,390)	(5,785,992)
Payments to Suppliers	(647,661)	(965,789)	(5,172,407)	(6,785,857)	(5,131,441)
Payments to Claimants	-	-	-	-	(12,994,617)
Payments for Interfund Services Used	(11,183,901)	(153,582)	-	(11,337,483)	(6,134,020)
Miscellaneous Receipts	-	-	154,927	154,927	(760,796)
Miscellaneous Payments	-	398,809	-	398,809	-
Net Cash Provided (Used)	<u>1,040,133</u>	<u>(1,200,643)</u>	<u>4,865,446</u>	<u>4,704,936</u>	<u>4,825,638</u>
Cash Flows From Non-Capital Financing Activities:					
Grants and Taxes Received	584,408	-	43,458	627,866	-
Transfers to Other Funds	-	-	-	-	-
Transfers from Other Funds	-	-	-	-	-
Net Cash Provided (Used)	<u>584,408</u>	<u>-</u>	<u>43,458</u>	<u>627,866</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities:					
Purchases of Capital Assets	(235,622)	(4,134,919)	-	(4,370,541)	(2,031,119)
Proceeds from Sale of Capital Assets	196,977	-	-	196,977	(12,688)
Capital Grant Received	-	3,013,769	-	3,013,769	-
Principal Paid on Capital Debt	(600,000)	-	(1,570,162)	(2,170,162)	-
Interest Paid on Capital Debt	-	-	(1,840,394)	(1,840,394)	-
Net Cash Provided (Used)	<u>(638,645)</u>	<u>(1,121,150)</u>	<u>(3,410,556)</u>	<u>(5,170,351)</u>	<u>(2,043,807)</u>
Cash Flows from Investing Activities:					
Interest Earnings	20,694	-	-	20,694	82,544
Net Cash Provided	<u>20,694</u>	<u>-</u>	<u>-</u>	<u>20,694</u>	<u>82,544</u>
Net Change in Cash and Cash Equivalents	1,006,590	(2,321,793)	1,498,348	183,145	2,864,375
Balance, January 1	6,473,548	1,224,364	6,666,837	14,364,749	20,160,879
Balance, December 31	<u>\$ 7,480,138</u>	<u>\$ (1,097,429)</u>	<u>\$ 8,165,185</u>	<u>\$ 14,547,894</u>	<u>\$ 23,025,254</u>

See accompanying notes to the financial statements
*See Internal Service Funds section

SKAGIT COUNTY, WASHINGTON
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2022

	Business - Type Activities Enterprise Funds			Total	Governmental Activities
	Solid Waste	Drainage Utility	Jail Fund		*Internal Service Funds
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities					
Operating Income (Loss)	\$ 399,093	\$ (2,150,352)	\$3,805,713	\$ 2,054,454	\$ 3,461,622
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:					
Depreciation Expense	354,000	379,772	1,511,238	2,245,010	2,468,879
Miscellaneous Receipts	-	-	154,927	154,927	-
Changes in Assets and Liabilities:					
Receivables, Net	138,549	316,951	709,721	1,165,221	1,227,442
Inventories	-	-	-	-	(88,818)
Accounts and Other Payables	148,491	252,986	(1,316,153)	(914,676)	(2,243,687)
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,040,133</u>	<u>\$ (1,200,643)</u>	<u>\$4,865,446</u>	<u>\$ 4,704,936</u>	<u>\$ 4,825,638</u>

Non-cash Activities

None

See accompanying notes to the financial statements

*See Internal Service Fund section

SKAGIT COUNTY, WASHINGTON
Statement of Fiduciary Net Position
December 31, 2022

	Custodial Funds	Investment Trust Funds
ASSETS		
Cash	\$ 70,306,245	\$ -
Investments	-	259,432,692
Taxes Receivable	1,352,952	-
Other Assets	2,695,891	-
Total Assets	<u>\$ 74,355,088</u>	<u>\$ 259,432,692</u>
LIABILITIES		
Payables	\$ 27,083,872	\$ -
Due to General Fund	2,151,833	-
Other Liabilities	11,370,852	-
Total Liabilities	<u>\$ 40,606,557</u>	<u>\$ -</u>
NET POSITION		
Restricted for Other Governments	<u>\$ 33,748,533</u>	<u>\$ 259,432,692</u>
Total Net Position	<u>\$ 33,748,533</u>	<u>\$ 259,432,692</u>

SKAGIT COUNTY, WASHINGTON
Statement of Changes to Fiduciary Net Position
For the year ended
December 31, 2022

Additions	Custodial Funds	Investment Trust Funds
Tax Collections for Other Governments	\$ 308,296,826	\$ -
Real and Personal Property Taxes	198,301,935	-
Investment Revenue	-	4,286,910
Excise Taxes	678,480	-
Deposits from Other Government	44,502,010	-
Receipt from Investment Trust	417,476,000	-
Investment Purchases	-	400,602,100
Miscellaneous Revenue	826,711,653	-
Total Additions	<u>1,795,966,904</u>	<u>404,889,010</u>
 Deductions		
Salaries Made on Behalf of other Governments	4,508,381	-
Benefits Made on Behalf of other Governments	1,741,613	-
Other Payments Made on Behalf of Other Governments	1,409,350,777	-
Disbursements to Investment Trust	400,602,100	-
Investment Sales	-	417,476,001
Total Deductions	<u>1,816,202,871</u>	<u>417,476,001</u>
 Change in Net Position	 (20,235,967)	 (12,586,991)
 Beginning Net Position	 <u>32,134,500</u>	 <u>272,019,683</u>
 Prior Period Adjustments	 21,850,000	 -
 Restated Net Position	 <u>53,984,500</u>	 <u>272,019,683</u>
 Ending Balance Net Position	 <u>\$ 33,748,533</u>	 <u>\$ 259,432,692</u>

See the accompanying notes to the financial statements

Skagit County, Washington
Notes to the Financial Statements
December 31, 2022

I. Summary of Significant Accounting Policies

The financial statements of Skagit County have been prepared in conformity with generally accepted accounting principles (GAAP), as applied to government entities. The Governmental Accounting Standards Board (GASB) is the standard setting body for establishing governmental accounting and financial reporting principles. The chart of accounts used by Skagit County conforms to the Budgeting, Accounting, and Reporting System (BARS) prescribed by the Washington State Office of the State Auditor. Significant accounting policies are described below.

Reporting Entity

Skagit County, a first-class county, was incorporated on November 28, 1883, under the Revised Code of Washington 36.04.390. The County operates under a commissioner form of government and provides such services as law enforcement, road construction and maintenance, solid waste management, permits and planning, parks and recreation, judicial administration, public health, social services and general administrative services.

In determining the financial reporting entity, the County complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*, GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*. The County only considers those entities as component units where the County appoints a voting majority of the board of directors, where the County is able to impose its will, or where a financial benefit or burden exists. During 2022 there were no entities which the County was required to report as a component unit.

The County is also responsible for appointing the members to the boards of the following organizations, but the accountability for these organizations does not extend beyond making the appointments:

- Housing Authority Board of Skagit County
- LaConner Regional Library Board
- Public Facilities District Board
- Central Skagit Rural Partial County Library District
- Upper Skagit Library District

Basis of Presentation Government-Wide and Fund Financial Statements

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

The statement of activities reflects 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. Additionally, the County allocates a portion of its indirect costs to individual functions. These indirect costs have been included as part of the program expenses reported for the various functional activities.

Skagit County, Washington
Notes to the Financial Statements
December 31, 2022

The County reports the following functions/programs:

General Government – Legislative and administrative services, including expenses for recording and elections, personnel administration, financial services, administration and facility management.

Judicial – Court system for civil, criminal, and juvenile cases, including jury and witness fees and other judicial and legal costs.

Public Safety – Protection and safety of the citizenry at large, includes expenses for law enforcement, fire protection services, inspections and regulatory enforcements, detention and corrections, emergency services and juvenile services.

Physical Environment – Conservation and preservation of the environment, and animal control services.

Transportation – Programs to ensure safe and adequate flow of vehicles and pedestrians in the County, including costs for road and street preservation, construction, and maintenance.

Economic Environment – Community planning and development services, housing programs, and promotion of tourism.

Health and Human Services – Programs that provide prevention, intervention, and rehabilitative human services for County citizens with an emphasis on serving those most in need. They include costs associated with programs such as veterans' services, mental health, substance abuse prevention and treatment, public health, and children's services.

Culture and Recreation – Costs associated with the maintenance and general operations of County parks, trails, natural land and recreational facilities, and the fairgrounds.

Program revenues include charges for goods and services and grants or contributions that are restricted to the program's purpose. Taxes and other items not properly included among program revenues are reported as general revenues.

Fund financial statements are used to report additional and more detailed information about the primary government. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. The latter are excluded from the government wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resource measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Accordingly, revenues are recorded when earned and expenses are recorded at the time liabilities are 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.

All governmental funds are presented using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become 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

Skagit County, Washington
Notes to the Financial Statements
December 31, 2022

revenues to be available if they are collected within 60 days of the end of the fiscal period. Revenues susceptible to accrual are earned interest, sales taxes, 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. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses, and interest associated within the current period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the county.

Expenditures are generally recorded when the related fund liability is incurred, as under accrual accounting. Skagit County reports the following major government funds:

- The General Fund is the County's primary operating fund. It is used to account for all activities of the general government not accounted for in another fund. The majority of revenues consist of property, sales, and other taxes and fees, and grant revenue.
- The County Road Fund (major special revenue fund) accounts for the design, construction, and maintenance of County Roads. The majority of revenues consist of property tax and grant revenue.
- The Mental Health Fund (major special revenue fund) accounts for expenditures relating to support services provided to citizens with mental and developmental disabilities. The majority of revenues consist of sales tax and grant revenue.
- The American Rescue Plan Act (ARPA) Fund (major special revenue fund) was created to facilitate and maintain funds received from the Treasury Department as part of the economic stimulus bill signed by President Biden on March 11, 2021 to provide funding for COVID-19 response and recovery. Within the ARPA, the Coronavirus Local Fiscal Recovery Fund (Local Fiscal Recovery Fund) allocates funding for all counties and municipalities in the United States.
- The Housing Assistance Fund (major special revenue fund) was created to assist citizens with housing and related expenses and is funded by fees collected in the process of collecting recording and title fees and also funded by federal and local grants.

Skagit County reports three major proprietary funds:

- The Solid Waste Fund accounts for collection of fees and the cost of providing solid waste services to the residents of the County.
- The Drainage Utility Fund accounts for the collection of fees, charges and related revenues and the payment of costs related to drainage facilities.
- The County Jail Fund accounts for all revenues and expenditures related to the operation and maintenance of the county jail.

Additionally, the County reports the following fund types:

- Internal Service Funds account for equipment rental, insurance, unemployment, records management, and technology services provided to County departments and to other governments on a cost reimbursement basis.
- Fiduciary Funds are custodial in nature and are presented as Net Position and Changes in Net Position. These funds account for assets (such as property taxes collected on behalf of other

Skagit County, Washington
Notes to the Financial Statements
December 31, 2022

governments) that the County holds for others in a custodial capacity. Fiduciary funds include fire, school, port, cemetery, air pollution, city and town, library, dike and drain districts and amounts due to others.

- Investment Trust Funds hold the investments of the Custodial Funds, while the changes in net position only record the receipt and distribution of funds held for the benefit of others in a Custodial capacity.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the various other functions of government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Solid Waste Fund, the Drainage Utility Fund, and the County Jail Fund are charges to customers for sales and services.

Operating expenses for enterprise funds and internal service funds include the cost of personnel services, contractual services, other supplies and expenses and depreciation on capital assets. Revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

Stewardship, Compliance and Accountability

Scope of Budget

The annual budget for Skagit County is adopted in accordance with the provisions of the Revised Code of Washington (RCW), as interpreted by the Budgeting, Accounting, and Reporting System (BARS) of the State of Washington, and on a basis consistent with generally accepted accounting principles. All government funds with the exception of the Treasurer's O&M fund, as per RCW 84.56.020(9), have legally adopted budgets.

The annual appropriated budget is adopted at the department level within the general fund. Other budgets are adopted at the level of the fund. For management purposes, expenditures are further segregated by object class of expenditure. Object class refers to a segmentation of expenditures into five categories. These categories are salaries and wages, personnel benefits, supplies for consumption and resale, services and pass-through payments, and capital outlays. Expenditures may not exceed appropriations at the department level and the budgets constitute the legal authority for expenditures at that level. All appropriations lapse sixty days after the close of each fiscal year.

Budget monitoring reports are used to compare the budgeted amounts with actual revenues and expenditures. Revenues and expenditures can be monitored at fund, department, division, activity, project, or object class level.

Skagit County, Washington
Notes to the Financial Statements
December 31, 2022

Procedures for Adopting the Original Budget

Skagit County adheres to the statutory provisions established by Revised Code of Washington (RCW) 36.40. Significant procedures in the budget process include the following:

- On or before the second Monday in July, County officials are requested to prepare estimates of revenues and expenditures for the next fiscal year.
- On or before the first Tuesday in September, the preliminary annual budget is submitted to the Board of County Commissioners.
- The Commissioners conduct public meetings on the proposed budget from September through October.
- The preliminary budget is made available to the public at least 2 weeks prior to the public hearing.
- The Commissioners hold a public hearing on the first Monday in December to receive testimony on the budget.
- The Commissioners make adjustments to the proposed budget and adopt, by resolution, a final balanced budget no later than December 31.
- Upon adoption, the final budget is made available to the public.

Amending the Budget

Budget revisions in the form of supplemental appropriation resolutions are approved by the Board of County Commissioners in the legally prescribed manner during public meetings throughout the year. Any proposed revisions which alter the total appropriation of any fund are published in the County's legal newspaper once per week for two consecutive weeks before the public hearing to enable taxpayer input.

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 legally authorized changes applicable for the fiscal year.

Deficit Fund Equity

The following funds had deficit fund balance/net position as of December 31, 2022;

The Solid Waste fund deficit was \$8,593,466. This results primarily from the recording of liabilities for landfill post closure care costs and environmental remediation costs as well as Net Pension and OPEB Liability. It is expected that revenue and/or grants will eliminate the deficit in the future. See Note XV

Housing Assistance fund deficit was \$192,820 and will reduce that deficit with increased revenue in the coming year.

Non major Special Revenue funds with deficits include Special Paths \$22,263 Skagit Emergency Management \$76,706, and Leased Facilities \$13,330 all of which will reduce spending in the coming year to eliminate those deficits.

In addition, four funds in the fiduciary funds have deficit balances totaling \$19,171,657. These funds are custodial in nature and have no effect on the County's direct operations. Deficits include Trust funds \$33,098, and State funds \$8,310,740 both of which are clearing accounts as well as Public Facilities District (PFD) \$7,453,569, Skagit 911 \$15,265, and Hospital 2 \$3,887,938. These balances represent only what the County holds for the districts and is not a reflection of their activity as a whole.

Skagit County, Washington
Notes to the Financial Statements
December 31, 2022

Assets, Liabilities, and Equity

Cash and Cash Equivalents

Cash held in checking accounts and petty cash are reported as cash on the financial statements of the government funds. Cash and cash equivalents reported on the government wide and proprietary funds' Statement of Net Position includes all demand deposits and investments with an initial maturity of three months or less.

It is the County's policy to invest all temporary cash surpluses. At December 31, 2022 the treasurer was holding \$216,940,633 in short-term residual investments of surplus cash. This amount is classified on the balance sheet as cash and cash equivalents and warrants in excess of available funds in various funds. The interest on these investments is prorated to the various funds.

For purposes of the statement of cash flows, the County considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Investments – See Note III

Receivables and Payables

Taxes Receivable consists of property taxes levied and not yet paid, along with the related interest and penalties. See Note V.

Accounts Receivable consists of amounts owed from private individuals for goods or services. All receivables have been recorded net of any estimated uncollectible amounts. All receivables, with the exception of the PFD portion of \$6,405,000 are expected to be paid within one year. See Note VIII for further information on the PFD receivable.

Interest Receivable consists of amounts earned but not yet received on investments held at the end of the year.

Prepayments made for services that will benefit future periods are recorded as prepaid items in both the government-wide and fund financial statements.

Amounts Due to/from Other Funds, and Interfund Loan and Receivables

Amounts due for the exchange of goods and services between County funds are reported as due to or from other funds. Loans between funds are reported as interfund loans receivable or payable. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances. Interfund balances between governmental funds and internal service funds have been eliminated and were not included in the government wide statement of net position.

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as interfund loans receivable/payable. All other outstanding balances between funds are reported as due to/from other funds. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government wide financial statements as internal balances. A separate schedule of interfund loans receivable/payable is furnished in Note VI Interfund Receivables, Payables and Transfers.

Skagit County, Washington
Notes to the Financial Statements
December 31, 2022

Inventories

Inventory in the governmental funds consists of expendable supplies held for consumption. The cost is recorded as an expenditure when consumed rather than when items are purchased. All inventories are valued by the first-in first-out method at cost. The non-spendable fund balance 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.

Restricted Assets and Liabilities

These accounts contain resources for debt service in enterprise funds. Specific debt service reserve requirements are described in Note VIII, Long Term Debt and includes the requirement that at a minimum at least \$3.9 million is held in cash and cash equivalents in the Jail Fund.

Capital Assets – See Note VII

Capital assets include land, improvements, easements, buildings, vehicles, machinery, equipment, infrastructure, and all other tangible or intangible assets that are used in operations. The County defines capital assets as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year.

Infrastructure assets are long-lived assets that are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets. Examples of infrastructure include roads, bridges, drainage systems and the ferry system.

When capital assets are purchased, they are capitalized and depreciated in the government-wide financial statements and in the proprietary fund statements. Capital assets are recorded as expenditures of the current period in the governmental fund financial statements.

Capital assets are valued at cost where historical records are available and at an estimated historical cost where no records exist. Donated capital assets are valued at acquisition value on the date received.

Improvements to capital assets that materially add to the value or extend the life of the asset are capitalized. Other repairs and normal maintenance are not capitalized. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

Infrastructure, buildings, improvements, equipment and vehicles are depreciated using the straight-line method. Estimated useful lives are as follows:

- Buildings – 5 to 40 years
- Improvements – 15 to 40 years
- Furniture and Equipment – 3 to 25 years
- Information Technology Equipment – 5 years
- Vehicles – 5 to 25 years
- Infrastructure – 15 to 65 years

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Compensated Absences

It is the County's policy to permit employees to accumulate earned but unused vacation and sick leave benefits. All vacation pay is accrued when earned in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example as a result of employee resignations or retirements. The current and non-current portion for governmental funds is not reported in the governmental fund statements and represents a reconciling item between the fund and government wide presentations.

County employees receive vacation and sick leave monthly at rates established by County resolution or union contract. At termination of employment, employees with a required length of service may receive cash payment for all accumulated vacation leave up to a maximum of 30 days. The payment is based upon current wages at termination. Accumulated sick leave is not paid at termination of employment unless an employee has at least five years of service and 480 hours of accrued sick leave banked. Generally, retirees may receive payment into a VEBA account for up to 240 hours, and non-retiree payment for up to 60 hours of accumulated sick leave if requested.

Other Accrued Liabilities

Other accrued liabilities consist of accrued wages, accrued benefits, and unavailable revenue accounts.

Unearned Revenue

This account includes amounts reported in liabilities as unearned revenue on the balance sheet but not revenues in governmental funds income statement because the revenue recognition criteria have not been met.

Long-Term Obligations – See Note VIII

Pensions

For purposes of measuring the net pension liability or asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by 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.

Other Postemployment Benefits

The County implemented GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits other than Pension* during the year ended December 31, 2018. Implementation of the accounting principle resulted in the full estimated liability related to possible future benefits. The recorded ending liability at December 31, 2022 was \$2,318,727 that is included in short and long term liabilities.

Asset Retirement Obligations

The County implemented GASB Statement No. 83 *Certain Asset Retirement Obligations* during the year ended December 31, 2019. Liabilities have been recorded for assets that have a legal enforceable obligation upon retirement of that asset. See Note XVI.

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Deferred Outflow/Inflow of Resources

This line item represents GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, consisting of specific items previously reported as assets and liabilities that are now recognized as deferred outflow or deferred inflow of resources.

The following shows the details on Deferred Outflow of resources, and on what statement they reside:

Description	Amount	Balance Sheet Government Funds	Statement of Net Position
Deferred Outflows Related to Pension	14,847,487		X
Deferred Outflows Related to OPEB	696,828		X
Deferred Outflows Related to Leases	205		X

The following shows the details on Deferred Inflow of resources, and on what statement they reside:

Description	Amount	Balance Sheet Government Funds	Statement of Net Position
Deferred Property Tax	868,896	X	
Court Receivables	1,699,256	X	
Lease Receivables	1,188,813	X	
Deferred Inflows Related to Leases	1,292,370		X
Deferred Gain on Refunding	72,911		X
Deferred Inflows Related to Pension	14,597,425		X
Deferred Inflows Related to OPEB	3,110,773		X

*The County implemented GASB 65 in 2013. Property tax and court receivables were previously reported as deferred revenue on the fund financial statements. The deferred gain on refunding was the result of the 2016 refunding bond issue, which resulted in an economic gain of \$200,504. The County chose not to restate prior periods for practical reasons.

* The County implemented GASB 68 in 2015, which resulted in additional deferred inflows and outflows related to Net Pension Liability. See Note IX.

* The County implemented GASB 87 in 2022, which resulted in additional deferred inflows and outflows related to Leases. See Note XIII.

Fund Equity

Fund equity is recognized as fund balance in government fund types, and as net position in proprietary fund types. Net position may be subject to legal restriction for a particular purpose. Fund balance has been reclassified in accordance with GASB Statement No. 54 as Nonspendable, Restricted, Committed, Assigned, and Unassigned. Further information regarding Fund balance categories is as follows:

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Nonspendable Fund Balance – That portion of net resources that cannot be spent because of their form or because they must be maintained intact pursuant to legal or contractual requirements. Some examples of Nonspendable fund balances are inventory, prepaid amounts, long-term portion of loans/notes receivable, or property that is held for resale.

Restricted Fund Balance – That portion of net resources that contains limitations imposed by creditors, grantors, contributors, or laws and regulations of other governments.

The governmental statement of net position reports \$64,472,497 of restricted component of net position and is restricted by contract or enabling legislation.

Committed Fund Balance – That portion of net resources that contains limitations imposed at the highest level of decision-making within the County, which is at the Board of County Commissioner level by adoption of a resolution.

Assigned Fund Balance – That portion of net resources that contains limitations resulting from intended use. The County Commissioners signed R20120135 in April of 2012 designating the Budget and Finance Director or the County Administrator with the authority to assign fund balance. The current assigned balance amounts to \$3,000,000.

Unassigned Fund Balance – The residual net resources in excess of Nonspendable, Restricted, Committed, and Assigned. The general fund is the only fund that reports a positive unassigned fund balance amount.

Each government fund has to be analyzed to classify the fund balance in accordance with GASB Statement No. 54. Funds are created by the Board of County Commissioners and money is authorized to be transferred to the fund for a particular purpose. At this point, balances in these funds are at least committed, and may be further restricted depending on whether there is an external party, constitutional provision, or enabling legislation constraint involved.

The spending policy of government fund balance consists of Restricted resources used first, followed by Committed resources, then Assigned, and finally Unassigned Fund Balance. As per Resolution No. 20120135, the Budget and Finance Director elected to assign \$3,000,000 of the General Fund balance for implementation of a compensation study.

The following shows the composition of the fund balance of the government funds for the fiscal year ended December 31, 2022:

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Fund Balances:	General Fund	Mental Health Fund	County Road Fund	Housing Assistance	Other Government funds	Total
<i>Nonspendable:</i>						
Inventory	\$ 1,085	\$ -	\$ -	\$ -	\$ -	\$ 1,085
<i>Restricted For:</i>						
General Govt Services	-	-	-	-	1,995,799	1,995,799
Public Safety	-	-	-	-	2,126,895	2,126,895
Utilities and Physical Environment	-	-	-	-	5,865,050	5,865,050
Transportation	-	-	9,486,267	-	(22,263)	9,464,004
Natural & Economic Env	-	-	-	-	4,186,951	4,186,951
Social Services	-	9,618,124	-	-	5,767,393	15,385,517
Cultural & Recreation	-	-	-	-	1,555,479	1,555,479
Debt Service	-	-	-	-	2,548,084	2,548,084
Capital Project	-	-	-	-	21,414,558	21,414,558
<i>Committed to:</i>						
General Govt Services	-	-	-	-	977,203	977,203
Public Safety	-	-	-	-	9,663,310	9,663,310
Utilities and Physical Environment	-	-	-	-	448,847	448,847
Transportation	-	-	859,422	-	-	859,422
Social Services	-	89,358	-	-	652,384	741,742
Cultural & Recreation	-	-	-	-	1,560,305	1,560,305
<i>Assigned:</i>	3,000,000	-	-	-	-	3,000,000
<i>Unassigned</i>	24,197,369	-	-	(192,820)	-	24,004,549
Total Fund Balances	\$ 27,198,454	\$ 9,707,482	\$ 10,345,689	\$ (192,820)	\$ 58,739,995	\$ 105,798,800

The American Rescue Plan Act Fund maintains no fund balance. The fund recognizes revenue only when expenses are incurred.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Total governmental fund balances as reported on the governmental funds balance sheet differs from net position of governmental activities as reported on the statement of net position due to the different accounting methods applied in the preparation of these statements. The governmental fund statements are presented on the modified accrual basis and the statement of net position is presented on a full accrual basis. Also, net internal service fund activity is included in governmental activities.

Explanation of certain reconciling items reported on the reconciliation of the statement of revenues, expenditures, and changes in fund balances to the government wide statement of activities:

Net Capital Assets Activity

Net Capital Expenditures Subject to Capitalization	\$ 13,103,654
Depreciation Expense	(6,042,154)
Loss on Disposal of Assets	(41,020)
Net Capital Assets	\$ 7,020,480

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Net Long-Term Debt Activity

Net Change Note Receivable	(630,000)
Net Change Accounts Receivable	(192,835)
Net Change Interest Receivable	(1,996)
Principal Payments	1,456,506
Amortization of Bond Discounts/Premiums	64,455
Amortization of Bond Issue Costs	18,228
Change in Compensated Absences Liability	(175,821)
Change in Net Pension	(23,861,869)
Change in OPEB Liability	374,744
Net Change in Deferred Resources	27,427,786
Net Long-Term Debt Activity	<u>\$ 4,479,198</u>

Explanation of certain reconciling items reported on the reconciliation of the governmental funds balance sheet to the government wide statement of net position:

Net Capital Assets

Total Capital Assets	\$ 652,988,147
Less Accumulated Depreciation	(375,175,711)
Net Lease Asset	(55,371)
Construction in Progress	5,715,717
Net Capital Assets	<u>\$ 283,472,782</u>

Long-Term Liabilities

Bonds Payable	\$ (11,235,000)
Notes Receivable	6,863,678
Unamortized Bond Discounts/Premiums	(463,070)
Loans Payable	(2,595,357)
Compensated Absences Liability	(2,634,736)
Deferred Gain on Refunding	(72,911)
Net Deferred Inflows and Outflows	(2,042,855)
OPEB Liability	(1,971,706)
Net Pension Asset	29,132,000
Net Pension Liability	(22,175,290)
Accrued Interest Payable on Long-Term Liabilities	(36,665)
Long Term Liabilities	<u>\$ (7,231,912)</u>

III. DEPOSITS AND INVESTMENTS

Deposits

The Skagit County Treasurer is empowered by the State to act as the treasurer not only for the County but also for special purpose districts located in the County. It is the County's policy to deposit and invest all temporary cash surpluses. At the end of the year, County restricted and unrestricted cash and cash

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equivalents amounted to \$224,474,757. This in part consisted of certificates of deposit and money market accounts of \$25,318,869 and the treasurer's bank balance was a negative \$24,997. The FDIC (Federal Depository Insurance Corporation) insures all deposits of the County up to \$250,000 and the Washington Public Deposit Protection Commission insures amounts over \$100,000. Any balances held at Key Bank over the federal depository insurance are collateralized with certificates of deposits at various financial institutions in denominations of \$250,000 held by Key Bank.

Investments

As required by Washington State law, all investments of Skagit County and applicable custodial funds are obligations of the United States Government, the State Treasurer's Investment Pool, commercial paper, or deposits with Washington State banks and savings and loan institutions. U.S. Government securities and commercial paper are stated at fair value. All other investments are stated at amortized cost which approximates fair value.

The County is a participant in the Local Government Investment Pool (LGIP), 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 maturity, quality, diversification and liquidity requirements set forth by GASB 79 for external investment pools that elect to measure for financial statement 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 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>.

Net investment income is allocated monthly to participants and is based on their average proportionate share of Net Position in relation to the total net investment income for the LGIP for that month. Allocations are reinvested in the LGIP.

Management intends to hold time deposits and securities until maturity. Realized gains or losses on investments sold or exchanged are recognized at the time the transactions are completed and unrealized gains or losses are at the government wide level due to the temporary nature of the gain or loss.

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 observable;
- Level 3:* Unobservable inputs for an asset or liability.

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Notes to the Financial Statements
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As of December 31, 2022, the County held the following investments maturing as follows:

Investment Type	Fair Value	Less than 1 Year			More than 2	
		Maturity	1 Year	2 Years	years	
Money Market	\$ 25,318,869	\$ 25,318,869	\$ -	\$ -	\$ -	\$ -
Treasury Notes	36,585,420	25,946,630	8,713,950	1,924,840	-	-
Municipal Bonds	12,333,442	3,039,866	5,061,572	4,232,004	-	-
U.S. Agencies	106,511,813	54,387,540	28,251,363	23,872,910	-	-
Discount Notes	3,934,790	3,934,790	-	-	-	-
State Agency	1,456,298	-	-	1,456,298	-	-
Registered Warrants	174,000	174,000	-	-	-	-
State Treasurer Pool	306,020,547	306,020,547	-	-	-	-
	<u>\$ 492,335,179</u>	<u>\$ 418,822,242</u>	<u>\$ 42,026,885</u>	<u>\$ 31,486,052</u>	<u>\$ -</u>	<u>\$ -</u>

As of December 31, 2022, the County held the following investments with their corresponding hierarchy:

Investment Type	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Money Market	\$ 25,318,869	25,318,869		
Treasury Notes	36,585,420	36,585,420		
Municipal Bonds	12,333,442	12,333,442		
U.S. Agencies	106,511,813	106,511,813		
Treasury Coupons	3,934,790	3,934,790		
State Agency	1,456,298	1,456,298		
	<u>\$ 186,140,632</u>			
Registered Warrants	174,000	n/a		
State Treasurer Pool	306,020,547	n/a		
Total	<u>492,335,179</u>			
State pool amounts included in cash and cash equivalents	<u>216,940,633</u>			
Net Investments	\$ 275,394,546			

Total fair value of investments includes amounts for Skagit County and for the Junior Taxing districts (Custodial Funds). A portion of the amounts considered cash and cash equivalents are included in the short term investments (State Treasurer Pool) listed above.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Through its investment policy, the County manages its exposure to fair value losses arising from increasing

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interest rates by setting maturity and effective duration limits not to exceed 36 months unless matched to a specific cash flow requirement. Funds specifically designated for capital improvements or for bond redemption purposes may in certain circumstances be invested out to five years.

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 is to limit to 15 percent of the total portfolio the amount that may be invested in any one financial institution. In addition, no more than 3 percent of the total portfolio may be invested in any one issuer of commercial paper and no more than 10 percent may be invested in any one Treasury obligation. As of June 15, 2020, the limitations on investment in the Washington State LGIP changed to 75% of the total portfolio by resolution R20200106 to allow investment when there are no other viable alternatives. At year end, the County had no other investment in a single issuer that was greater than 15 percent of total investments.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The County's investment policy is to apply the prudent-person rule: Investments shall be made with the exercise of judgment and care which persons of prudence, discretion and intelligence exercise in the management of their affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived. The County's policy limits investments in commercial paper to ratings of A1 or P1 only.

As of December 31, 2022, the County's investments in U.S. Agencies in the amount of \$39,030,060 (fair value) was rated AA+ by Standard & Poor's, and rated AAA by Moody's in the amount of \$37,000,781 (fair value) and an additional amount of \$2,029,279 not rated.

Details of ratings on investments in municipal bonds are as follows:

ENTITY	S&P/MOODY'S	FAIR VALUE
BLACKHAWK PA SCH DIST	AA/A2	\$ 1,299,806
COAST CA CMNTY CLG DIST	AA+/AA1	1,200,782
CONNECTICUT STATE GO	AA-/AA3	980,990
LINN CTY CMNTY SCH DIST	AA+/NA	949,740
MARYLAND ST TXBL	AAA/AAA	936,520
NEW YORK NY TXBL	AA/AA2	1,844,256
SEQUOIA CA UNION HIGH SCH DIST	NA/AA1	1,307,166
WASHINGTON CNTY SCH DIST TXBLE	AA+/AA1	774,316
ELKHARTIN CMNTY SCHS	AA+/NA	1,339,035
WEST ORANGE TWP NJ	NA/NA	1,700,831
		<u>\$ 12,333,442</u>

The County also carried investments in the Washington State LGIP, which are unrated.

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IV. PROPERTY TAXES

The County Treasurer acts as an agent to collect property taxes levied in the County for all taxing authorities. Taxes are levied and become an enforceable lien on January 1st of each year. Collection of taxes is authorized on February 15th, with installments due on April 30th and October 31st. On May 31st the assessed value of property is established for the following year's levy. Assessed value is considered to be 100 percent of market value.

Property taxes are recorded as a receivable and revenue when levied. Property tax collected in advance of the fiscal year to which it applies is recorded as a deferred inflow. Refunds of taxes are recorded as reductions of revenue when they are measurable and due to be issued. No allowance for uncollectible taxes 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, subject to the following limitations:

Washington State law in RCW 84.55.010 limits growth of regular property taxes to 1 percent per year, after adjustments for new construction. If the assessed valuation increases by more than 1 percent due to re-valuation, the levy rate will be decreased.

The Washington State Constitution limits the total regular property taxes to 1 percent of the assessed valuation or \$10 per \$1,000 of value. If the taxes of all districts exceed this amount, each is proportionately reduced until the total is at or below the 1 percent limit.

The County may voluntarily levy taxes below the legal limit. Special levies approved by the voters are not subject to the above limitations.

2022 Tax levy information is as follows:

	Levy in Dollars Assessed per Thousand		Total Value		Levy
County	1.1491	\$	25,206,461,742	\$	28,969,630
Medic 1 Services	0.3693	\$	25,174,718,035	\$	9,297,433
Roads	1.4056	\$	11,851,474,657	\$	16,659,429
Conservation Futures	0.0388	\$	25,206,461,742	\$	979,403

The County also has other levies for general governmental services and special revenue assessments. Medic 1 services is for the provision of emergency medical services. The County is authorized to levy taxes in unincorporated areas for road construction and maintenance, subject to the same limitations as the levy for general government services. The Conservation Futures tax rate is a non-voter approved excess levy for the purpose of acquiring land development rights for preservation purposes.

V. RECEIVABLES

Levied property taxes are reported as receivables and as deferred inflow of resources at the beginning of the year and those balances are reduced as cash is received to pay those taxes. Other receivables and

Skagit County, Washington
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revenue are recorded when revenues are earned. Also see Note I. The Statement of Activities reports revenues on the full accrual basis. Detail of accounts receivable in the Statement of Net Position as of December 31, 2022 is as follows:

Net Accounts Receivable for Private Septic System Loans	\$ 458,678
Interest Receivable	819,276
Property Taxes Receivable	1,267,240
Taxes Receivable Business Type Activities	1,462,516
Lease Receivable	239,787
Court Receivables	1,502,657
Other Accounts Receivable	2,882,613
Total net receivables	<u>\$ 8,632,767</u>

VI. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Details of interfund payable/receivable balances of December 31, 2022 are as follows:

Due to Other funds	Due From Other funds						Total
	General Fund	Mental Health	County Roads	Other Govt Funds	Enterprise Funds	Internal Service Funds	
General Fund	\$ -		\$ (7,347)	\$ -	\$ -	\$ -	\$ (7,347)
Mental Health	-		-	-	-	-	-
County Roads	7,347		-	-	-	-	7,347
Other Govt Funds	-		-	-	-	-	-
Enterprise Funds	-		-	-	-	-	-
Internal Service	-		-	-	-	-	-
Total	<u>\$ 7,347</u>	<u>\$ -</u>	<u>\$ (7,347)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

These balances are the result of transactions involving the exchange of goods and services in the ordinary operations of the respective funds. Balances are expected to be repaid within one year.

Interfund loans have been made to provide cash flows for the operations of the receiving funds. Because most of these funds are within the Debt Service Fund, they are eliminated in the Government-Wide financial statements.

Details of the interfund loans are as follows:

Borrowing Fund	Balance		Balance	
	1/1/2022	New Loans	Repayment	12/31/2022
Water Improvement 216	\$ 5,500	\$ -	\$ -	\$ 5,500
Emergency Management	185,000	-	-	185,000
Total	<u>\$ 190,500</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 190,500</u>

Interfund transfers represent subsidies and contributions provided to the receiving fund. Most transfers from the general fund are for the purposes of ordinary operations and debt service. Transfers out of non-major governmental funds are generally for debt service and capital project funding.

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Details of 2022 transfers are as follows:

Transferring Fund	Transfers In			
	General Fund	Road Fund	Non-Major Governmental	Balance 12/31/2022
General Fund	-	-	6,405,168	6,405,168
Mental Health	-	-	-	-
County Roads	-	-	-	-
American Rescue Fund	-	-	269,284	269,284
Enterprise Funds	-	-	-	-
Other Govt. Funds	19,284	13,366	2,795,887	2,828,537
Balance	\$ 19,284	\$ 13,366	\$ 9,470,339	\$ 9,502,989

VII. Capital Assets

The County has adopted GASB 87 in 2022 and the summarized capital assets are reflected below. See Note XIII for details on capital leases.

Summarized capital asset transactions for governmental activities are as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Non-depreciable				
Land	\$ 157,367,926	\$ 480,834	\$ -	\$ 157,848,760
Development Rights	22,336,469	349,101		22,685,570
Construction in Progress	19,955,776	10,956,035	(25,196,094)	5,715,717
	199,660,171	11,785,970	(25,196,094)	186,250,047
Depreciable Capital Assets				
Buildings	76,144,158	12,132,332		88,276,490
Improvements	8,952,742	1,128,502		10,081,244
Machinery and Equipment	37,758,989	2,324,926	(568,858)	39,515,057
Infrastructure	350,655,620	13,363,922		364,019,542
	473,511,509	28,949,682	(568,858)	501,892,333
Less Accumulated Depreciation				
Buildings	(50,067,086)	(2,795,392)	424,230	(52,438,248)
Machinery and Equipment	(14,642,779)	(2,483,132)	56,231	(17,069,680)
Infrastructure	(320,767,798)	(2,150,555)	-	(322,918,353)
	(385,477,663)	(7,429,079)	480,461	(392,426,281)
Total Net Depreciable Capital Assets	88,033,846	21,520,603	(88,397)	109,466,052
Total Net Capital Assets	\$ 287,694,017	\$ 33,306,573	\$ (25,284,491)	\$ 295,716,099

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Governmental Activities	Balance	Increases	Amortization	Balance
Leased Assets	\$ -	\$ 1,158,476	\$ (148,590)	\$ 1,009,886

Depreciation expense by function for governmental activities is as follows:

General Governmental Services	\$ 4,070,084
Judicial	8,884
Public Safety	388,885
Transportation	2,220,105
Health and Human Services	464,702
Culture and Recreation	276,419
Total governmental activities depreciation expense	<u>\$ 7,429,079</u>

Summarized capital asset transactions for business type activities are as follows:

Business - Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Non-depreciable				
Land	\$ 9,000,036	\$ -	\$ -	\$ 9,000,036
Construction in Progress	596,207	3,843,248	(1,113,049)	\$ 3,326,406
	<u>9,596,243</u>	<u>3,843,248</u>	<u>(1,113,049)</u>	<u>12,326,442</u>
Depreciable Capital Assets				
Buildings	69,119,901	138,097	(111,402)	69,146,596
Improvements	10,933,906	1,113,049	-	12,046,955
Machinery and Equipment	1,946,920	65,399	-	2,012,319
	<u>82,000,727</u>	<u>1,316,545</u>	<u>-</u>	<u>83,205,870</u>
Less Accumulated Depreciation				
Buildings	(9,736,615)	(1,731,122)	13,177	(11,454,560)
Improvements	(5,801,309)	(375,235)	-	(6,176,544)
Machinery and Equipment	(1,074,641)	(138,653)	-	(1,213,294)
	<u>(16,612,565)</u>	<u>(2,245,010)</u>	<u>13,177</u>	<u>(18,844,398)</u>
Total Net Depreciable Capital Assets	<u>65,388,162</u>	<u>(928,465)</u>	<u>13,177</u>	<u>64,361,472</u>
Total Net Capital Assets	<u>74,984,405</u>	<u>2,914,783</u>	<u>(1,099,872)</u>	<u>76,687,914</u>

Business - Type Activities	Balance	Increases	Amortization	Balance
Leased Assets	\$ -	\$ 12,595	\$ (646)	\$ 11,949

Skagit County, Washington
Notes to the Financial Statements
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Depreciation expense by function for business type activities is as follows:

Solid Waste	\$ 354,000
Drainage Utility	379,772
Jail	1,511,238
Total business type activities depreciation expense	<u>\$ 2,245,010</u>

VIII. LONG TERM LIABILITIES

Skagit County's long-term liabilities include general obligation bonds and loans from the State of Washington. General obligation bonds have been issued for both general government and business-type activities and are being repaid from the applicable resources. For the proprietary funds and on the government-wide financial statements, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Government funds recognize bond premiums, discounts, and issuance costs in the period that they are incurred. Proceeds of debt are reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts are reported as other financing uses. Issuance costs, including those withheld from proceeds, are reported as debt service expenditures. The full faith, credit and resources of the County are pledged for the payment of the principal and interest on all general obligation bonds. No default provision is incorporated in any of the bonds detailed below.

In addition, the bonds are not subject to acceleration upon occurrence of default. In the case of multiple defaults of payment of principal and interest, the registered owners would be required to bring separate actions for each payment not made.

The Jail Fund holds a debt service reserve in the amount of \$3.9 million but no property secures any of the bond debt.

Based on historical taxable retail sales countywide, the County expects the revenue from the jail tax to be sufficient to pay debt service on the bonds and provide additional funds for reserves and operations of the jail.

The County has maintained a cash balance in the Jail Fund with a required minimum funding threshold of \$3.9 million as of December 31st of each year. If the minimum threshold is not met in any year at December 31st, the cost to bring the cash balance up to the minimum threshold will be covered by the County and the Cities through an additional financial contribution in the following years.

Each governmental fund is responsible for the liquidation of its own long-term liabilities other than debt, pensions, OPEB and compensated absences.

Skagit County, Washington
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Details of general obligation bonds outstanding as of December 31, 2022 are as follows:

Description	Balance
In 2013, the County entered into an interlocal agreement with Skagit Regional Public facilities District to refund their 2003 bond issue and take on a bond in the amount of \$8,605,000 in order to take advantage of better rates. This was completed per C20130043. The County booked a receivable for the balance and will systematically reduce the debt over time from their dedicated sales tax revenue. Principal and interest on the 2013 bond is insured by a financial guaranty insurance policy issued by CIGF Assurance North America, Inc if Skagit Regional Public Facilities District is unable to satisfy its obligation to the County. Principal payments are due annually on December 1. Interest payments at a variable rate between 2% and 4% are due June 1 and December 1. The principal payment of \$630,000 and interest payments totaling \$99,918 were made in 2022.	\$ 3,005,000
In 2020, the County entered into an interlocal agreement with Skagit Regional Public Facilities District (PFD) for the purpose of capital improvements for PFD and take on a bond in the amount of \$3,400,000 in order to take advantage of better rates. This was completed per C20200048. The County booked a receivable for the balance and will systematically reduce the debt over time from their dedicated sales tax revenue. Interest only payments are due semiannually until December 1, 2027. Interest payments are at 5%. Interest payments only until December 1, 2027 and payments are made June 1 and December 1 of each year until matured. Payment of interest totaling \$170,000 was made in 2022.	3,400,000
In 2014, bonds in the amount of \$780,000 were issued to acquire a building for County use. Interest rates range from 3.625% to 5.00% for maturities in 2034. Principal payments are due annually on December 1, interest payments are due on June 1 and December 1. Principal payments of \$35,000 and interest of \$29,862 were made in 2022.	610,000
In 2016, bonds in the amount of \$7,540,000 were issued to refund the 2006 bond of \$4,340,000 and \$3,200,000 for building improvements. Principal payments are due annually on December 1, interest payments are due June 1 and December 1. The interest rates range from 2.0% to 4.0%. Principal payments of \$585,000 and interest payments of \$116,250 were made in 2022.	4,220,000
Total bonds payable at December 31, 2022 for governmental activities	\$ 11,235,000
In 2021 bonds in the amount of \$5,680,000 were issued to refund the 2010 bond of \$9,740,000 for the continued purpose of improving the County's solid waste transfer station and other capital improvements to the County facilities. Payoff of the 2010 bond was in the amount of \$6,170,000. Refunding was done to take advantage of the lower interest rates. Principal payments are due December 1 starting in 2022. Interest is due December 1 and June 1. The interest rate is 1.489% Principal payments of \$600,000 and interest in the amount of \$84,575 was paid in 2022.	\$ 5,080,000
Proceeds in the amount of \$51,920,000 from the 2014 bond issue are for the purpose of planning, acquiring land, and construction of a 400 bed regional jail facility. Principal payments are due annual on December 1. Interest rates range from 3.625% to 5.0% and are due June 1 and December 1. Principal payments of \$1,425,000 and interest payments of \$1,985,556 were made in 2022.	44,250,000
Total bonds payable at December 31, 2022 for business-type activities	\$ 49,330,000

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Annual debt service requirements to maturity for the general obligation bonds are as follows:

Year Ending December 31	Government Activities			
	Government Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2023	\$ 1,310,000	\$ 377,381	\$ 2,105,000	\$ 1,914,306
2024	1,380,000	336,381	2,190,000	1,839,306
2025	1,435,000	307,581	2,270,000	1,760,556
2026	1,490,000	277,531	2,365,000	1,678,056
2027-2031	1,965,000	1,021,363	12,680,000	6,998,781
2032-2036	2,240,000	620,787	12,530,000	4,539,481
2037-2041	1,415,000	219,000	15,190,000	1,870,400
Totals	\$ 11,235,000	\$ 3,160,024	\$ 49,330,000	\$ 20,600,886

Loans Payable

The County has entered into several Department of Ecology (DOE) loans for the purpose of upgrading and repairing local sewer systems located in the County. As the County repays the State of Washington Department of Ecology, the homes which benefited from the upgrades will repay the County for the work done to upgrade their septic systems.

The County will be in default of its obligations under these DOE agreements when any loan repayment to DOE becomes sixty (60) days past due. In the event of default the Department of Ecology may in its sole discretion declare the principal and interest due immediately. And in accordance with RCW 90.50A.060, any State funds otherwise due to the County may be withheld and applied to the repayment of these loans.

Annual debt service requirements to maturity for loans payable are as follows:

Year Ending December 31	Principal	Interest
2023	\$ 211,556	\$ 62,602
2024	213,780	57,430
2025	219,080	52,130
2026	224,512	46,698
2027-2031	1,070,381	147,987
2032-2036	502,070	48,197
2037-2041	153,978	5,376
	\$ 2,595,357	\$ 420,420

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Details of loans payable as of December 31, 2022 is as follows:

<u>Description</u>	<u>Balance</u>
Payable to the State of Washington Department of Ecology Water Pollution Control Revolving Fund pursuant to a 2000 loan agreement in the amount of \$47,162. The loan is unsecured and paid in part by residential septic loans. The term is 20 years and no interest is due. Principal payments of \$2,948 were made in 2022.	\$ 2,948
Payable to the State of Washington Department of Ecology pursuant to a 2007 loan agreement in the amount of \$2,111,001. Payments began in 2012. The loan is unsecured and paid in part by residential septic loans. The interest rate is 2.6% and the term is 20 years. Principal payments of \$111,630 and interest payments of \$26,054 were made in 2022.	996,287
Payable to the State of Washington Department of Ecology pursuant to a 2014 loan agreement in the amount of \$876,953. The loan is unsecured and paid in part by residential septic loans. The term is 20 years at 2.7% interest. Principal payments of \$41,688 and interest payments of \$16,994 were made in 2022.	598,076
Payable to the State of Washington Department of Ecology pursuant to a 2017 loan agreement in the amount of \$259,103. The loan is unsecured and paid in part by residential septic loans. The interest rate is 2.6% and the term is 20 years. Principal payments of \$11,645 and interest payments of \$5,659 were made in 2022.	207,725
Payable to the State of Washington Department of Ecology pursuant to a 2019 loan agreement in the amount of \$671,539. The loan is unsecured and paid in part by residential septic loans. The interest rate is 2.4% and the term is 20 years. Principal payments of \$28,992 and interest payments of \$14,850 were made in 2022.	593,879
Payable to the State of Washington Department of Ecology pursuant to a 2020 loan agreement in the amount of \$218,652. The loan is unsecured and paid in part by residential septic loans. The interest rate is 2.0% and the term is 20 years. Principal payments of \$9,607 and interest payments of \$4,090 were made in 2022.	196,442
Total loans payable at December 31, 2022 for governmental activities	\$ 2,595,357

Debt Limitation

State law places certain restrictions on the County's ability to issue general obligation bonds. Without an authorizing vote, limited tax general obligation bonds may be issued in an amount up to 1.5% of the assessed valuation of real property within the county. Unlimited tax general obligation bonds may be issued up to 2.5% of the assessed valuation with voter approval. No combination of limited and unlimited tax bonds may exceed 2.5% of the assessed valuation.

At December 31, 2022, the County's remaining capacity for non-voted debt was \$347,190,363. Additional debt capacity with an authorizing vote is \$599,254,981.

Skagit County, Washington
Notes to the Financial Statements
December 31, 2022

Changes in Long-Term Liabilities

Details of changes in long term liabilities for the year ended December 31, 2022 is as follows:

	Beginning Balance	New Issue	Retirements	Ending Balance	Due Within One year
Governmental Activities:					
Bonds Payable					
General Obligation Bonds	\$12,465,000	\$ -	\$ 1,250,000	\$11,235,000	\$1,310,000
Add: Net Unamortized Discounts/Premiums	527,525		64,454	463,071	
Total Bonds Payable	13,012,525	-	1,314,454	11,698,071	1,310,000
Loans Payable	2,801,868		206,511	2,595,357	211,557
Compensated Absences	2,852,475	129,828		2,982,303	335,583
Pension Liability	3,458,951	3,986,117		7,445,068	-
OPEB Liability	2,530,406		432,511	2,097,895	78,465
Environmental Liabilities	265,086		2,880	262,206	-
Total Long-Term Liabilities	\$24,921,311	\$ 4,115,945	\$ 1,956,356	\$27,080,900	\$1,935,605

Internal Service Funds predominately serve the governmental funds. Accordingly, long-term liabilities for them are included in the above amounts. At year-end \$347,567 of Internal Service Funds compensated absences are included in the above amounts. Also, for the governmental activities, claims and judgements and compensated absences are generally liquidated by the general fund.

	Beginning Balance	New Issue	Retirements	Ending Balance	Due Within One year
Business-Type Activities					
Bonds Payable					
General Obligation Bonds	\$51,355,000	\$ -	\$ 2,025,000	\$49,330,000	\$2,105,000
Discounts/Premiums	2,891,220	17,875	163,037	2,746,058	
Total Bonds Payable	54,246,220	17,875	2,188,037	52,076,058	2,105,000
Compensated Absences	392,181		27,976	364,205	39,375
OPEB Liability	371,998		151,166	220,832	11,535
Post Closure Landfill Costs	2,178,964		38,373	2,140,591	100,000
Environmental Liabilities	16,703,418	936,892		17,640,310	350,000
Net Pension Liabilities	299,465	256,971	-	556,436	-
Total Long-Term Liabilities	\$74,192,246	\$ 1,211,738	\$ 2,405,552	\$72,998,432	\$2,605,910

IX. PENSION PLANS

The following table represents the aggregate pension amounts for all plans for all 2022:

Aggregate Pension Amounts - All Plans	
Pension Liabilities	(8,001,518)
Pension Assets	16,535,222
Deferred Outflows of Resources	14,847,487
Deferred Inflows of Resources	(14,597,424)
Pension Expense/Expenditures	277,478

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State Sponsored Pension Plans

Substantially all of the County's full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. The State Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

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

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 age 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 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 2022 were as follows:

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PERS Plan 1		
Actual Contribution Rates:		
	Employer	Employee*
January-August 2022		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	3.71%	
Administrative Fee	0.18%	
Total	10.25%	6.00%
September-December 2022		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	3.85%	
Administrative Fee	0.18%	
Total	10.39%	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 the 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 Plan 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 State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates

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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 2022 were as follows:

PERS Plan 2/3		
Actual Contribution Rates:	Employer 2/3	Employee 2*
January-August 2022		
PERS Plan 2/3	6.36%	6.36%
PERS Plan 1 UAAL	3.71%	
Administration Fee	0.18%	
Employee PERS Plan 3		Varies
Total	10.25%	6.36%
September-December 2022		
PERS Plan 2/3	6.36%	6.36%
PERS Plan 1 UAAL	3.85%	
Administration Fee	0.18%	
Employee PERS Plan 3		Varies
Total	10.39%	6.36%

*For employees participating in JBM, the contribution rate was 15.90%.

The County's actual PERS plan contributions were \$1,539,272 to PERS Plan 1 and \$2,634,794 to PERS Plan 2/3 for the year ended December 31, 2022.

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.

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PSERS covered employees include:

Certain State of Washington agencies (Department of Corrections, Department of Natural Resources, Gambling Commission, Liquor & Cannabis Control 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 the age of 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 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 2022 were as follows:

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PSERS Plan 2		
Actual Contribution Rates:		
January- August 2022	Employer	Employee
PSERS Plan 2	6.50%	6.50%
PERS Plan 1 UAAL	3.71%	
Administrative Fee	0.18%	
Total	10.39%	6.50%
September –December 2022		
PSERS Plan 2	6.60%	6.60%
PERS Plan 1 UAAL	3.85%	
Administrative Fee	0.18%	
Total	10.63%	6.60%

The County's actual plan contributions were \$635,625 to PSERS Plan 2 for the year ended December 31, 2022.

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 1 had no required employer or employee contributions for fiscal year 2022. Employers paid only the administrative expenses 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.

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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 2 employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2. The employer rate included 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 2022.

The LEOFF Plan 2 required contributions rates (expressed as a percentage of covered payroll) for 2022 were as follows:

LEOFF Plan 2		
Actual Contribution Rates:		
January-December 2022	Employer	Employee
State and Local Government	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 \$339,933 for the year ended December 31, 2022.

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 cost 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, 2022, the state contributed \$81,388,085 to the LEOFF Plan 2. The amount recognized by the County as its proportionate share of this amount is \$188,827.

Actuarial Assumption

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

Additional assumptions for subsequent events and law changes are current as of the 2021 actuarial valuation report. The TPL was calculated as of the valuation date of rolled forward to the measurement

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date of June 30, 2022. Plan liabilities were rolled forward from June 30, 2021, to June 30, 2022, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

Inflation: 2.75% total economic inflation; 3.25% salary inflation

Salary increases: In addition to the base 3.25% salary inflation assumption, salaries are also expected to grow by promotions and longevity.

Investment rate of return: 7.00%

Mortality rates were developed using the Society of Actuaries' Pub. H-2020 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 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 his or her lifetime.

Methods did not change from the prior contribution rate setting June 30, 2019 Actuarial Valuation Report (AVR), however OSA introduced a temporary method change to produce asset and liability measures for the June 30, 2020 AVR. There were also the following assumption changes:

- OSA updated the Joint-and-Survivor Factors and Early Retirement Factors in the model. Those factors are used to value benefits for early retirement and survivors of members that are deceased prior to retirement. These factors match the administrative factors provided to DRS for future implementation that reflect current demographic and economic assumptions.
- OSA updated the economic assumptions based on the 2021 action of the PFC and the LEOFF Plan 2 Retirement Board. The investment return assumption was reduced from 7.5% (7.4% for LEOFF 2) to 7.0%, and the salary growth assumption was lowered from 3.5% to 3.25%. This action is a result of recommendations from OSA's biennial economic experience study.

Discount Rate

The discount rate used to measure total pension liability for all DRS plans was 7.0 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 7.0 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 7.0 percent was determined using a building-block-method. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience data, considered the historical condition 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.

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Estimated Rates of Return by Asset Class

The table below summarizes the best estimates of arithmetic real rates of return for each asset class included in the pension plan's target asset allocation as of June 30, 2022. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimated of broad economic inflation.

Estimated Rates of Return by Asset Class		
Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	1.50%
Tangible Assets	7%	4.70%
Real Estate	18%	5.40%
Global Equity	32%	5.90%
Private Equity	23%	8.90%
	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 7.0 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 (6.0 percent) or 1-percentage point higher (8.0 percent) than the current rate.

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
PERS 1	10,127,995	7,580,912	5,357,907
PERS 2/3	13,429,900	(11,404,168)	(31,806,924)
PSERS 2	1,334,342	(560,217)	(2,055,439)
LEOFF 1	(320,041)	(744,319)	(824,137)
LEOFF 2	(176,207)	(3,826,519)	(6,813,986)

*See Note 4.C of the DRS Participating Employer Financial Information report for the year ended June 30. Multiply the total net pension liability amounts for each applicable plan by your proportionate share for that plan.

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

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At June 30, 2022, County reported its proportionate share of the net pension assets as follows:

	Liability (or Asset)
PERS 1	\$3,337,816
PERS 2/3	(\$30,401,635)
PSERS 2	(\$1,659,690)
LEOFF 1	(\$865,057)
LEOFF 2	(\$8,451,533)

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

	LEOFF 1 Asset	LEOFF 2 Asset
Employer's proportionate share	(744,319)	(3,826,519)
State's proportionate share of the net pension asset associated with the employer	(5,034,555)	(2,478,735)
TOTAL	(5,778,874)	(6,305,254)

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

	Proportionate Share 6/30/22	Proportionate Share 6/30/21	Change in Proportion
PERS 1	0.2733150%	0.2701920%	-0.0031230%
PERS 2/3	0.3051880%	0.3011450%	-0.0040430%
PSERS 2	0.7224240%	0.8357410%	0.1133170%
LEOFF 1	0.0252530%	0.0246450%	-0.0006080%
LEOFF 2	0.1455050%	0.1348790%	-0.0106260%

Employer contribution transmittals received and processed by DRS for the fiscal year ended June 30, 2022 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 2022. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2020, 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

Skagit County, Washington
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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 2022, 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, 2022, the County recognized pension expense as follows:

	Pension Expense
PERS 1	\$3,264,989
PERS 2/3	(\$3,862,946)
PSERS 2	\$256,639
LEOFF 1	(\$50,652)
LEOFF 2	\$669,447

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2022, 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
Differenced between expected and actual experience		
Net difference between projected and actual investment earnings on pension plan investments		(1,256,380)
Changes in assumptions		
Changes in proportion and differences between contributions and proportionate share of contributions		
Contributions subsequent to the measurement date	806,773	
Total	806,773	(1,256,380)

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PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differenced between expected and actual experience	2,825,686	(258,161)
Net difference between projected and actual investment earnings on pension plan investments	-	(8,431,185)
Changes in assumptions	6,356,249	(1,664,294)
Changes in proportion and differences between contributions and proportionate share of contributions	65,260	(462,296)
Contributions subsequent to the measurement date	1,365,319	-
Total	10,612,514	(10,815,936)

PSERS 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differenced between expected and actual experience	291,029	(6,166)
Net difference between projected and actual investment earnings on pension plan investments	-	(392,876)
Changes in assumptions	411,272	(164,318)
Changes in proportion	33,602	(51,859)
Contributions subsequent to the measurement date	357,534	-
Total	1,093,437	(615,219)

LEOFF 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differenced between expected and actual experience	-	-
Net difference between projected and actual investment earnings on pension plan investments	-	(92,939)
Changes in assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	-	-
Total	-	(92,939)

LEOFF 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differenced between expected and actual experience	909,244	(35,503)
Net difference between projected and actual investment earnings on pension plan investments	-	(1,281,265)
Changes in assumptions	969,365	(333,185)
Changes in proportion	272,558	(166,997)
Contributions subsequent to the measurement date	183,596	-
Total	2,334,763	(1,816,950)

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TOTALS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differenced between expected and actual experience	4,025,959	(299,830)
Net difference between projected and actual investment earnings on pension plan investments	-	(11,454,645)
Changes in assumptions	7,736,886	(2,161,797)
Changes in proportion	371,420	(681,152)
Contributions subsequent to the measurement date	2,713,222	-
Total	14,847,487	(14,597,424)

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, 2023. 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
2023	(531,674)
2024	(482,857)
2025	(605,780)
2026	363,971
2027	-
Thereafter	-
TOTAL	(1,256,340)

Year ended December 31:	PERS Plan 2/3
2023	(2,745,890)
2024	(2,434,353)
2025	(2,872,666)
2026	3,807,093
2027	1,346,659
Thereafter	1,330,416
TOTAL	(1,568,741)

Year ended December 31:	PSERS 2
2022	(127,907)
2023	(111,557)
2024	(144,803)
2025	190,057
2026	49,667
Thereafter	265,226
TOTAL	120,683

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Year ended December 31:	LEOFF 1
2023	(39,362)
2024	(35,640)
2025	(44,564)
2026	26,627
2027	-
Thereafter	-
TOTAL	(92,939)

Year ended December 31:	LEOFF 2
2023	(384,560)
2024	(330,973)
2025	(446,373)
2026	570,514
2027	172,865
Thereafter	752,745
TOTAL	334,218

X. DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLANS

Plan Description

The following table represents the aggregate OPEB amounts for all plans subject to the requirements of GASB Statement 75 for the year 2022:

Aggregate OPEB Amounts - All Plans	
OPEB liabilities	\$ 2,318,726
OPEB assets	\$ -
Deferred outflows of resources	\$ 696,828
Deferred inflows of resources	\$ 3,110,773
OPEB expenses/expenditures	\$ (168,182)

LEOFF Group

As required by the Revised Code of Washington (RCW) Chapter 41.26, the County provides direct cost funding for benefits (other than pensions) promised to the Law Enforcement Officers Fire Fighters Plan 1 (LEOFF1). This is a single employer benefit plan. The benefit provides medical and long-term care expenses not payable by worker's compensation, social security, insurance provided by another employer or other pension plan. As of December 31, 2021, there were 11 inactive members. Authority for changes in benefits for the LEOFF Plan 1 resides with the Washington state law and the Employee Retirement Benefits Board (ERBB). Members of the ERBB are appointed by the Governor. Retirees in this closed group are not

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required to contribute to receive coverage. Dental, vision, and hearing aid claims are reimbursed up to annual maximum coverage amounts of \$2,000, \$450, and \$1,000, respectively.

Non-LEOFF Group

The County allows employees who meet the requirements to receive retirement from Washington State Retirement Systems and who retire from service with the County to receive medical benefits. Surviving spouses of retirees are eligible for benefits until Medicare eligibility. Retirees are required to pay 100% of the COBRA rate premium prior to Medicare eligibility. Upon becoming eligible for Medicare, a reduced rate premium is required. Retiree coverage is assumed to become secondary to Medicare on the day the covered retiree reaches age 65. The table below shows the rates paid for medical.

Retiree Contributions - Medical Plan		
	LEOFF	Non-LEOFF
Pre-Medicare		
Member	N/A	10,981
Spouse	N/A	12,697
Post-Medicare	N/A	6,799

The following employees were covered by the benefit terms at December 31, 2022:

Inactive employees or beneficiaries currently receiving benefits	15
Inactive employees entitled to but not yet receiving benefits	-
Active Employees	720
Total	<u>735</u>

Funding Policy

The funding policy is based upon the pay-as-you-go financing requirements and there are no assets accumulated in a qualifying trust. The plan is administered through a trust that does not meet the requirements of a qualifying trust under paragraph 4 of GASB 75. The County has not contributed any amounts to finance future benefits under the plan for either current or future employees.

Annual OPEB Cost and Net OPEB Obligation

Effective beginning with the County's 2018 reporting year, GASB Statement No. 75 *Accounting and Financial Reporting for Post Employment Benefits Other Than Pensions* requires other post employment benefits (OPEB) expenses to be accrued based on a computed annual required contribution (ARC). ARC represents the current period's service cost and the amount necessary to amortize the unfunded actuarial liability.

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Key Benefit Concepts LLC completed the actuary study for the December 31, 2021 reporting requirements and an updated 2022 table with a valuation date of December 31, 2022 and a measurement date of December 31, 2022. The actuarial valuation method was entry age normal actuarial Method. The amortization period was a closed 30 year period. The Discount rate was 4.25% per annum, based on the S&P Municipal Bond 20 High Grade Index as the week of December 31, 2022. Plan participation was 7.5% of future eligible retirees are assumed to elect medical coverage upon retirement. Of these individuals 3% are assumed to let their coverage lapse each year between retirement and Medicare eligibility. Actuarial assumptions are based upon an experience study conducted in 2020 using Washington State Public Retirement Systems demographic experience from 2013-2018.

Changes in assumptions were made for the 2021 calculation and remain the same for the year 2022 that includes:

- Decreasing the assumed discount rate to 2.25%.
- Using specific retirement system and plan decrement, salary increase and retirement eligibility assumptions as developed in the 2013-2018 Washington State Public Retirement Systems demographic experience study.
- Decreasing the marriage rate to 20%.
- Adding future retiree health plan participation lapse assumption of 3%.
- Using revised general health care trend and also revised age-graded factors in determining expected health care claims cost per capita.
- No longer valuing post-Medicare implicit rate subsidy except for those currently on the County's Standard Supplemental Medicare plan. It was expected that the County shall charge future retirees (i.e. COBRA participants) a monthly rate that covers expected post-Medicare health care claim costs and/or future retirees will find coverage elsewhere once eligible for Medicare.
- Reducing the annual expected dental, vision and hearing aid claims for retired LEOFF Plan 1 participants and removed the assumed annual increase rate applied to the maximum reimbursement amounts. Rather, trend was applied to the annual expected claims.

Annual OPEB costs of \$261,672 less expenses of \$80,738 along with deferred experience gains of \$101,004 and deferred assumption changes of \$(503,747) resulted in a reduced OPEB obligation of \$(2,318,726).

The following presents the total OPEB liability of Skagit County calculated using the stated health care cost trend assumption, as well as what the OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the assumed trend rate.

	1% Decrease (5.5% decreasing to 4.0%)	Current Healthcare Cost Trend Rate (6.5% decreasing to 5.0%)	1% Increase (7.50% decreasing to 6.0%)
Total OPEB Liability	\$ 2,124,494	\$ 2,318,726	\$ 2,536,908

The following represents the net OPEB liability calculated using the stated discount rate, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

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	1% Decrease (3.25%)	Current Discount Rate (4.25%)	1% Increase (5.25%)
Total OPEB Liability	\$ 2,523,032	\$ 2,318,726	\$ 2,139,734

Changes in the Total OPEB Liability

As of December 31, 2022, the most recent actuarial valuation date, the plan was zero percent funded. See RSI section for the Schedule of Funding Progress.

Total OPEB liability at 1/1/2022	\$ 2,902,403
Service Cost	25,056
Interest	55,682
Changes of benefit terms	-
Differences between expected and actual experience	101,004
Changes of assumptions	(503,747)
Benefit payments	(261,672)
Other changes	-
Total OPEB Liability at 12/31/2022	\$ 2,318,726

The updated measurement date of the total OPEB liability is December 31, 2022 with a reporting date of December 31, 2022. The actuarial valuation results are based on the December 31, 2022 actuarial valuation date. There were no changes between the measurement date of the total OPEB liability and the date of the reporting date of these financials that would have a significant effect on the total OPEB liability and the amount of the expected change in the total liability.

At December 31, 2022 the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	696,828	1,146,262
Changes of assumptions	-	1,964,511
Payments subsequent to the measurement date	-	-
TOTAL	\$ 696,828	\$ 3,110,773

Changes of assumptions and experience losses are amortized over the average remaining service period of actives and in-actives (no future service is assumed for in-actives for this calculation)

Other amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

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Year ended December 31:	
2023	\$ (248,920)
2024	\$ (248,920)
2025	\$ (248,920)
2026	\$ (248,920)
2027	\$ (248,920)
Thereafter	\$ (1,169,345)

For each of the subsequent five years, and in the aggregate thereafter, the net amount of the employer's balances of deferred outflows of resources and deferred inflows of resources in the table above that will be recognized in the employer's OPEB expense.

XI. RISK MANAGEMENT

Skagit 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, 2022, 25 counties participate in the WCRP.

The Pool allows members to jointly establish a plan of self-insurance, and provides related services, such as risk management, education, and claims administration. The Pool's liability program provides coverage for general liability, public officials liability, police professional liability, employment practices liability, and automobile liability. County deductibles range from \$10,000 to \$500,000. Reinsurance is purchased in several layers up to the policy limits of \$10,000,000. Members may purchase an optional

\$5,000,000 excess of \$20,000,000 layer of coverage. Allocated Loss Adjustment Expense (ALAE) is combined with losses for purposes of the Pool retention, excess insurance, and deductibles. For losses occurring in 2022, Skagit County selected a per-occurrence deductible of \$100,000.

Members make an annual contribution to fund the Pool. The Pool acquires excess and reinsurance for further protection from larger losses. For the first \$10,000,000 of coverage, the Pool acquires reinsurance. The reinsurance agreements are written with Self-Insured Retentions ("SIRs") equal to the amount of the layer of coverage below. For the Pool's 2019-20 through 2021-22 Fiscal Years, the Pool's SIR was \$2,000,000 and for the Pool's 2021-22 Fiscal Year, the Pool's SIR was \$3,000,000. The other reinsurance agreements respond up to the applicable policy limits and the agreements contain aggregate limits for the maximum annual reimbursements to the Pool of \$30,000,000 (lowest reinsured layer), \$50 million, (second layer). The Pool purchases excess coverage for the additional \$10,000,000 with an aggregate limit of \$100,000,000. Since the Pool is a cooperative program, there is a joint liability among the participating members. For the 2021-22 Fiscal Year, 16 of the Pool's 24 member counties group purchase an additional \$5,000,000 policy in excess of the pooled \$20,000,000.

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

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

During 2021-22, Skagit County was also one of twenty-four (24) counties which participated in the Washington Counties Property Program (WCPP). Property losses are covered under the WCPP to the participating counties' buildings and contents, vehicles, mobile/contractor equipment, EDP and communication equipment, etc. that have been scheduled. The WCPP includes 'All Other Perils ("AOP")' coverage limits of \$500 million per occurrence as well as Flood and Earthquake (catastrophe) coverages with separate occurrence limits, each being \$200 million. There are no AOP annual aggregate limits, but the flood and earthquake coverages include annual aggregate limits of \$200 million each. Each participating county is solely responsible for paying their selected deductible, ranging between \$5,000 and \$50,000. Higher deductibles apply to losses resulting from catastrophe-type losses.

Skagit County also participates in the jointly purchased cyber risk and security coverage from a highly rated commercial insurer. This group-purchased cyber coverage provides limits of \$2,000,000 per claim and \$5,000,000 in the aggregate. For 2022, the Pool's SIR for cyber claims was \$250,000 from January 1 through December 31, with Mason County having no deductible.

Beginning in the 2021-22 Fiscal Year, Skagit County was one of 22 counties that participated in a group purchased crime policy, which included limits of \$2,000,000 and with a county deductible of \$25,000.

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

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

During 2021-22, the WCRP's assets increased to \$57,838,522 while its liabilities also increased to \$35,879,265. The Pool's net position ended at \$22,917,345. 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

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reassessments receivable balance as of December 31, 2022, was zero (\$0). As such, there were no known contingent liabilities at that time for disclosure by the member counties.

The following schedule details the current year's and the prior two year's claims liability activity:

Fiscal Year	Beginning Balance	Current Year Claims & Changes in Estimate	Claim Payments	Year End Balance
2022	\$ 931,508	(643,008)	133,622	\$ 422,122
2021	\$ 571,572	356,056	3,880	\$ 931,508
2020	\$ 843,361	(338,687)	66,898	\$ 571,572

Other Insurance

Employee on-the-job injuries are covered by industrial insurance through the State of Washington Department of Labor & Industries (L&I). All employees and some volunteers, except LEOFF-1 members and ferry crewmembers, are covered to statutory limits. Industrial insurance (L&I) rates are occupation and experienced based, with base premiums adjusted for individual entity claims experience. The experience modification multiplier was .8460 in 2020, .9885 in 2021 and .7866 in 2022.

Skagit County is self-insured for unemployment claims. These claims are processed by the Washington State Department of Employment Security and the county is billed for them on a quarterly basis. The County has established an Unemployment Compensation Fund which charges other County funds based on estimates of future claims and pays the claims when they are billed. The Unemployment Compensation Fund had Net Position of \$1,327,809 at December 31, 2022.

The County is self-insured for dental insurance claims. Washington Dental Services serves as the third party administrator and bills the County for claims paid. Administrative fees and charges paid to Washington Dental Service totaled \$95,251 for 2022. Dental claims activity for 2022 and the preceding two years are as follows:

Fiscal Year	Beginning Balance	Current Year Claims & Changes in Estimate	Claim Payments	Year End Balance
2022	\$ 134,196	777,221	789,895	\$ 121,522
2021	\$ 96,044	910,429	872,277	\$ 134,196
2020	\$ 115,897	604,434	624,287	\$ 96,044

The County is self-insured for medical insurance coverage for eligible employees. The claims processing is administered by Trusteed Plans. The County's health benefits broker, Wells Fargo, recommends the premiums charged to County funds. These amounts are transferred to the Insurance Services Fund, which pays the amount billed by the claims processor. An insurance policy is in place to cover claims in excess of \$175,000 per claimant.

Administrative fees and charges paid to Trusteed Plans totaled \$465,010 for 2022. Medical claims activity for 2022 and the preceding two years are as follows:

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Fiscal Year	Beginning Balance	Current Year Claims & Changes in Estimate	Claim Payments	Year End Balance
2022	\$ 2,104,135	12,087,633	12,261,638	\$ 1,930,130
2021	\$ 1,711,950	13,774,260	13,382,075	\$ 2,104,135
2020	\$ 1,900,856	10,655,500	10,844,406	\$ 1,711,950
2019	\$ 1,663,759	12,320,094	12,082,997	\$ 1,900,856

XII. COMMITMENTS, CONTINGENCIES AND LITIGATION

Amounts received or receivable from grantor agencies are subject to audit and adjustment. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund. The amount, if any, of expenditures which may be disallowed by a grantor is expected to be immaterial. As discussed in Note VIII, the County is contingently liable for repayment of refunded debt.

Skagit County is named as the defendant in various lawsuits. Although the outcome of these legal actions is not presently determinable, the County is of the opinion that present reserves are available to adequately cover potential settlements without adversely affecting the financial condition of the County.

In January of 2013, the County entered into an Interlocal agreement contract number C20130043 with the Skagit Regional Public Facilities District whereby the County agreed to issue bonds to refund the PFD 2003 bond issue in order to take advantage of better rates. In February of 2013, the County issued \$8.6 million GO Refunding bonds to refund both the County's 2003 bond issue as well as the Public Facilities District's 2003 bond issue. The PFD's portion of the refunding bonds was \$7,985,000. The balance of the PFD portion of the bond on December 31, 2022 was \$3,005,000, of which \$680,000 is current. The average interest rate received on the refinancing bonds, which pay principal and interest in 2013 through 2026, is 1.89%. The County will reduce the PFD's dedicated sales and use tax to cover the debt service of the PFD's portion of the refunded bonds. In the event that the PFD cannot cover the debt service for any given year, the County remains responsible for that debt, however; the debt is legally owed to the County by the PFD and secured by the Interlocal agreement. The County used the balance sheet method to account for the PFD debt service. Accordingly, the County reports a receivable in the debt service fund that will be systematically reduced as the funds are received and the bonds are paid.

In addition in 2020 the County entered into an Interlocal agreement amendment A20200045 to contract number C20130043 with the Skagit Regional Public Facilities District whereby the County agreed to issue bonds to assist PFD in issuing bonds in order to take advantage of better rates. In 2020, the County issued \$3.4 million GO bonds for Public Facilities District. The PFD's portion of the bond was all \$3.4 million less issuance costs. The stated interest rate received on the bonds, which pay interest only through 2026 and principal and interest through 2041, is 5%. The County will reduce the PFD's dedicated sales and use tax to cover the debt service of the PFD's portion of the refunded bonds. In the event that the PFD cannot cover the debt service for any given year, the County remains responsible for that debt, however; the debt is legally owed to the County by the PFD and secured by the Interlocal agreement. The County used the balance sheet method to account for the PFD debt service. Accordingly, the County reports a receivable in the debt service fund that will be systematically reduced as the funds are received and the bonds are paid.

Skagit County, Washington
Notes to the Financial Statements
December 31, 2022

XIII. LEASES

LESSEE

For the year ended 12/31/2022, the financial statements include the adoption of GASB Statement No. 87, Leases. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. For additional information, refer to the disclosures below.

On 01/01/2022, Skagit County entered into a 22 month lease as Lessee for the use of Eagles Nest View. An initial lease liability was recorded in the amount of \$30,383.02. As of 12/31/2022, the value of the lease liability is \$14,550.98. Skagit County is required to make monthly fixed payments of \$1,325.00. The lease has an interest rate of 0.3300%. The Buildings estimated useful life was 0 months as of the contract commencement. The value of the right to use asset as of 12/31/2022 of \$30,383.02 with accumulated amortization of \$16,014.47 is included with Buildings on the Lease Class activities table found below.

On 01/01/2022, Skagit County entered into a 93 month lease as Lessee for the use of Day Wireless. An initial lease liability was recorded in the amount of \$63,296.04. As of 12/31/2022, the value of the lease liability is \$55,897.70. Skagit County is required to make monthly fixed payments of \$665.86. The lease has an interest rate of 1.0840%. The Land estimated useful life was 0 months as of the contract commencement. The value of the right to use asset as of 12/31/2022 of \$63,296.04 with accumulated amortization of \$8,167.23 is included with Land on the Lease Class activities table found below. Skagit County has 4 extension option(s), each for 60 months.

On 09/01/2022, Skagit County entered into a 120 month lease as Lessee for the use of Port of Skagit. An initial lease liability was recorded in the amount of \$391,085.83. As of 12/31/2022, the value of the lease liability is \$381,114.50. Skagit County is required to make monthly fixed payments of \$3,198.30. The lease has an interest rate of 2.9270%. The Buildings estimated useful life was 0 months as of the contract commencement. The value of the right to use asset as of 12/31/2022 of \$391,085.83 with accumulated amortization of \$13,036.19 is included with Buildings on the Lease Class activities table found below. Skagit County has 1 extension option(s), each for 60 months.

On 01/01/2022, Skagit County entered into a 17 month lease as Lessee for the use of 3 motorcycles. An initial lease liability was recorded in the amount of \$5,346.51. As of 12/31/2022, the value of the lease liability is \$1,574.07. Skagit County is required to make monthly fixed payments of \$315.00. The lease has an interest rate of 0.2380%. The Equipment estimated useful life was 72 months as of the contract commencement. The value of the right to use asset as of 12/31/2022 of \$6,405.51 with accumulated amortization of \$4,521.54 is included with Equipment on the Lease Class activities table found below.

On 01/01/2022, Skagit County entered into a 75 month lease as Lessee for the use of Gilbert Trust. An initial lease liability was recorded in the amount of \$91,491.06. As of 12/31/2022, the value of the lease liability is \$78,351.34. Skagit County is required to make monthly fixed payments of \$1,149.00. The lease has an interest rate of 0.8330%. The building's estimated useful life was 0 months as of the contract commencement. The value of the right to use asset as of 12/31/2022 of \$91,491.06 with accumulated amortization of \$14,515.99 is included with Buildings on the Lease Class activities table found below.

Skagit County, Washington
Notes to the Financial Statements
December 31, 2022

On 01/01/2022, Skagit County entered into a 75 month lease as Lessee for the use of Gilbert Trust2. An initial lease liability was recorded in the amount of \$508,582.51. As of 12/31/2022, the value of the lease liability is \$478,895.45. Skagit County is required to make monthly fixed payments of \$2,788.00. The lease has an interest rate of 0.8330%. The Buildings estimated useful life was 0 months as of the contract commencement. The value of the right to use asset as of 12/31/2022 of \$508,582.51 with accumulated amortization of \$80,337.74 is included with Buildings on the Lease Class activities table found below.

On 01/01/2022, Skagit County entered into a 106 month lease as Lessee for the use of Guemes Channel. An initial lease liability was recorded in the amount of \$55,273.32. As of 12/31/2022, the value of the lease liability is \$48,844.48. Skagit County is required to make annual fixed payments of \$6,428.84. The lease has an interest rate of 1.1610%. The Land estimated useful life was 0 months as of the contract commencement. The value of the right to use asset as of 12/31/2022 of \$55,273.32 with accumulated amortization of \$6,257.36 is included with Land on the Lease Class activities table found below.

On 05/01/2022, Skagit County entered into a 155 month lease as Lessee for the use of Inman Landfill. An initial lease liability was recorded in the amount of \$12,595.25. As of 12/31/2022, the value of the lease liability is \$6,766.25. Skagit County is required to make annual fixed payments of \$5,829.00. The lease has an interest rate of 2.5520%. The Other estimated useful life was 0 months as of the contract commencement. The value of the right to use asset as of 12/31/2022 of \$12,595.25 with accumulated amortization of \$646.05 is included with Other on the Lease Class activities table found below. Skagit County has 1 extension option(s), each for 120 months.

On 01/01/2022, Skagit County entered into a 25 month lease as Lessee for the use of Pacific MicroRem. An initial lease liability was recorded in the amount of \$11,958.85. As of 12/31/2022, the value of the lease liability is \$6,487.51. Skagit County is required to make monthly fixed payments of \$500.00. The lease has an interest rate of 0.3300%. The Equipment estimated useful life was 120 months as of the contract commencement. The value of the right to use asset as of 12/31/2022 of \$11,958.85 with accumulated amortization of \$5,740.25 is included with Equipment on the Lease Class activities table found below.

Amount of Lease Assets by Major Classes of Underlying Asset

Asset Class	As of Fiscal Year-end	
	Lease Asset Value	Accum Amortization
Land	118,569.36	14,424.59
Buildings	1,021,542.42	123,904.40
Equipment	18,364.36	10,261.79
Other	12,595.25	646.05
Total Leases	1,171,071.39	149,236.83

Skagit County, Washington
Notes to the Financial Statements
December 31, 2022

Principal and Interest Requirements to Maturity

Fiscal Year	Business-Type Activities		
	Principal Payments	Interest Payments	Total Payments
2023	12,161.83	788.50	12,950.33
2024	6,018.48	527.36	6,545.84
2025	6,089.60	456.24	6,545.84
2026	6,161.56	384.28	6,545.84
2027	6,234.39	311.45	6,545.84
2028 - 2032	19,363.27	508.25	19,871.52
2033 - 2035	225.34	8.66	234.00

Fiscal Year	Governmental Activities		
	Principal Payments	Interest Payments	Total Payments
2023	104,867.64	15,810.40	120,678.04
2024	104,459.84	14,403.17	118,863.01
2025	131,673.52	12,706.79	144,380.31
2026	168,497.27	10,661.57	179,158.84
2027	217,413.89	8,229.49	225,643.38
2028 - 2032	289,315.73	14,829.49	304,145.22

LESSOR

For the year ended 12/31/2022, the financial statements include the adoption of GASB Statement No. 87, Leases. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. For additional information, refer to the disclosures below.

At 01/01/2022, Skagit County has a 15 month lease as Lessor for the use of Janicki Trust. An initial lease receivable was recorded in the amount of \$3,983.48. As of 12/31/2022, the value of the lease receivable is \$1,983.48. The lessee is required to make annual fixed payments of \$2,000.00. The lease has an interest rate of 0.8330%. The value of the deferred inflow of resources as of 12/31/2022 was \$796.70, and Skagit County recognized lease revenue of \$3,186.78 during the fiscal year.

At 01/01/2022, Skagit County has a 335 month lease as Lessor for the use of Sauk SW site. An initial lease receivable was recorded in the amount of \$10,726.96. As of 12/31/2022, the value of the lease receivable is \$10,397.17. The lessee is required to make annual fixed payments of \$250.00. Additionally, there are annual other reasonably certain payments of \$250.00. The lease has an interest rate of 1.7310%. The value of the deferred inflow of resources as of 12/31/2022 was \$10,342.71, and Skagit County

Skagit County, Washington
Notes to the Financial Statements
December 31, 2022

recognized lease revenue of \$384.25 during the fiscal year. The lessee has 1 extension option(s), each for 300 months.

At 01/01/2022, Skagit County has a 180 month lease as Lessor for the use of Pinnacle Towers. An initial lease receivable was recorded in the amount of \$114,628.78. As of 12/31/2022, the value of the lease receivable is \$107,796.73. The lessee is required to make monthly fixed payments of \$685.58. The lease has an interest rate of 1.3690%. The value of the deferred inflow of resources as of 12/31/2022 was \$106,986.86, and Skagit County recognized lease revenue of \$7,641.92 during the fiscal year. The lessee has 3 extension option(s), each for 60 months.

At 01/01/2022, Skagit County has a 106 month lease as Lessor for the use of Concrete Chamber. An initial lease receivable was recorded in the amount of \$15,522.24. As of 12/31/2022, the value of the lease receivable is \$13,796.40. The lessee is required to make monthly fixed payments of \$150.00. The lease has an interest rate of 0.5520%. The value of the deferred inflow of resources as of 12/31/2022 was \$13,765.00, and Skagit County recognized lease revenue of \$1,757.23 during the fiscal year. The lessee has 5 extension option(s), each for 12 months.

On 09/01/2022, Skagit County entered into a 120 month lease as Lessor for the use of Telecare. An initial lease receivable was recorded in the amount of \$3,352,299.97. As of 12/31/2022, the value of the lease receivable is \$3,334,701.22. The lessee is required to make monthly fixed payments of \$7,000.00. The lease has an interest rate of 1.2450%. The value of the deferred inflow of resources as of 12/31/2022 was \$3,241,357.88, and Skagit County recognized lease revenue of \$110,942.08 during the fiscal year.

At 01/01/2022, Skagit County has a 72 month lease as Lessor for the use of Pioneer Human Services. An initial lease receivable was recorded in the amount of \$352,739.91. As of 12/31/2022, the value of the lease receivable is \$294,962.22. The lessee is required to make monthly fixed payments of \$5,020.83. The lease has an interest rate of 0.8330%. The value of the deferred inflow of resources as of 12/31/2022 was \$293,949.93, and Skagit County recognized lease revenue of \$58,789.99 during the fiscal year. The lessee has 5 extension option(s), each for 12 months.

Principal and Interest Expected to Maturity

Fiscal Year	Business-Type Activities		
	Receivable Payments	Interest Payments	Total Payments
2023	320.02	179.98	500.00
2024	325.56	174.44	500.00
2025	331.20	168.80	500.00
2026	336.93	163.07	500.00
2027	342.77	157.23	500.00
2028 - 2032	1,804.91	695.09	2,500.00
2033 - 2037	1,966.63	533.37	2,500.00
2038 - 2042	2,142.83	357.17	2,500.00
2043 - 2047	2,334.83	165.17	2,500.00
2049	491.49	8.51	500.00

Skagit County, Washington
Notes to the Financial Statements
December 31, 2022

Fiscal Year	Governmental Activities		
	Receivable Payments	Interest Payments	Total Payments
2023	142,747.32	14,369.90	157,116.92
2024	144,841.24	12,820.88	157,662.12
2025	149,044.48	11,239.20	160,283.68
2026	153,549.71	9,605.57	163,155.28
2027	158,053.49	7,917.27	165,970.76
2028 - 2032	522,726.54	18,595.45	541,321.99
2033 - 2037	33,625.69	948.23	34,573.92

XIV. CONSTRUCTION

At December 31, 2022, the County had pending construction project contracts in progress. The commitments related to the remaining contract balances are summarized as follows:

	Total Contracts	Expended to 12/31/2022	Balance Unexpended
Roads	\$ 24,740,183	19,985,892	\$ 4,754,291
Clean Water	\$ 2,357,702	2,253,960	\$ 103,742

XV. LANDFILL POST CLOSURE COSTS AND POLLUTION REMEDIATION OBLIGATIONS

Landfill Post Closure Costs

State and federal laws and regulations require Skagit County to perform landfill maintenance and monitoring activities for a minimum of twenty to thirty years after closure. Amounts and sites are detailed below.

Post closure care cost estimates are based on the minimum number of years of maintenance and monitoring required by law multiplied by the current annual expense incurred. The actual future cost may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

Liabilities for Pollution Remediation Obligations

In accordance with Governmental Accounting Standards Board Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations", which became effective for the 2008 reporting year, liabilities for environmental cleanup obligations were recorded in the Solid Waste fund and the Equipment Rental and Revolving Fund.

Whitmarsh Landfill

The Solid Waste Fund recognized a liability of \$17.1 million, of which \$350,000 is the current portion, for the closed Whitmarsh Landfill site. In 2007, Skagit County received notice from the Department of Ecology that it was being named a Potentially Liable Party (PLP) under Washington's Model Toxics Control Act (MTCA), as a former operator of the landfill, for releases of leachate from the landfill to the environment.

Skagit County, Washington
Notes to the Financial Statements
December 31, 2022

Skagit County implemented a preliminary investigation of the site in 2008 and entered into an Agreed Order with the Department of Ecology along with 3 other named parties. As of December 31, 2022, the County is in Phase II Remedial Investigation, Feasibility Study, and a Cleanup Action Plan and the recognition of the liability.

Sinnes Road Landfill

The Solid Waste Fund recognized a liability of \$490,332, of which \$100,000 is the current portion, for the closed Sinnes Road Landfill site. The Skagit County Health Department facilitated an Agreed Order between the County and two other parties to address the releases of leachate from the landfill to the environment. As of December 31, 2022, the County is in the remedial action stage, with long-term monitoring and maintenance to be determined.

Alger Landfill

The Department of Ecology has ranked the closed Alger Landfill under the Model Toxics Control Act State Hazard Assessment program. It scored a "3" on a scale of 1 to 5, with 1 being the highest relative priority. As of December 31, 2022, no further action has been taken either by the Department of Ecology or the County.

Panorama Landfill

The Department of Ecology has ranked the closed Panorama Landfill under the Model Toxics Control Act State Hazard Assessment program. It scored a "5" on a scale of 1 to 5, with 1 being the highest relative priority.

The County has received notice from the state Department of Ecology that the Panorama Landfill site will be ranked per the Washington Model Toxic Control Act. The County likely has some liability related to this landfill. Because it has not been ranked, the County has not estimated a liability as of 2021. The County's remediation activities to date have consisted of occasional monitoring of nearby wells and surface water.

These liabilities were computed using the expected cash flow technique, with probabilities assigned to a range of potential costs. They are recorded net of possible insurance recoveries. The actual future costs may be higher due to inflation, changes in technology, changes in remedial plans, or changes in environmental laws and regulations.

XVI. ASSET RETIREMENT OBLIGATIONS

With the implementation of GASB 83 in 2019 the County's three fuel tanks upon retirement in compliance with state regulations would require cleanup in the current estimated amount of \$265,086, if and when they are determined to be retired. Estimates were performed by third parties on the assumption that there will be no change to the tanks at retirement. The date of retirement cannot be estimated at this time and the ultimate cost will be paid from Internal Service funds.

In addition, the County currently owns a gravel pit that meets the requirements of GASB 83. The gravel pit is not expected to be retired in less than 100 years so an estimate of any costs associated with its retirement is not possible at this time.

Skagit County, Washington
Notes to the Financial Statements
December 31, 2022

XVII. COVID 19 PANDEMIC

In February 2020, the Governor of the State of Washington declared a state of emergency in response to the spread of the deadly new virus known as COVID-19. In the months following the declaration, precautionary measures to slow the spread of the virus were ordered. These measures included closing schools, cancelling public events, limiting public and private gatherings and restricting business operations travel and non-essential activities.

As the restrictions are slowly lifted the long-term full extent of financial impact on the County is unknown at this time.

XIX. PRIOR PERIOD ADJUSTMENT

The Capital Asset fund was adjusted in 2022 to account for Road Fund construction in-progress and Guemes Ferry construction in progress in the amount of \$1,431,573. These amounts are not material and adjust beginning retained earnings in the amount of \$1,431,573.

The Drainage fund was adjusted in 2022 to account for some additional construction in progress amounts in the amount of \$226,272 this amount is not material and adjust beginning retained earnings in the amount of \$226,272.

XX. SUBSEQUENT EVENTS

In 2021, Skagit County was awarded a grant under the American Rescue Plan Act with an estimated amount of \$25 million. The County will ultimately utilize the full amount and will offset ongoing COVID 19 costs. All costs must be obligated by December 31, 2024 and spent by December 31, 2026. See Note XVII.

SKAGIT COUNTY, WASHINGTON

Schedule of Revenues

Budgetary Comparison Schedule

General Fund

For the Year Ended December 31, 2022

	Budgeted Amounts		Actual	Variance with Final Budget
	Original Budget	Final Budget		
General Property Taxes	29,562,249	29,562,249	29,891,590	329,341
Retail Sales and Use Taxes	12,439,625	12,439,625	16,728,834	4,289,209
Excise Taxes	625,000	625,000	555,726	(69,274)
Total Taxes	42,626,874	42,626,874	47,176,150	4,549,276
Licenses and Permits	537,500	537,500	594,831	57,331
Total Licenses and Permits	537,500	537,500	594,831	57,331
Indirect Federal Grants	659,073	706,390	594,107	(112,283)
Direct Federal Grants	171,938	218,813	200,889	(17,924)
State Grants	1,250,948	1,297,813	1,444,664	146,851
State Shared Revenue	517,316	517,316	401,722	(115,594)
In Lieu and Federal Entitlement Revenue	-	1,025,000	1,371,776	346,776
In Lieu and State Entitlement Revenue	2,485,285	2,485,285	2,413,190	(72,095)
Intergovernmental Revenue	660,000	660,000	740,748	80,748
Total Intergovernmental Revenue	5,744,560	6,910,617	7,167,096	256,479
General Government	3,492,796	3,497,196	3,471,323	(25,873)
Public Safety	262,300	262,300	272,395	10,095
Health and Human Services	46,150	46,150	38,848	(7,302)
Economic Environment	13,000	13,000	12,210	(790)
Transportation	-	-	-	-
Interfund Charges for Services	132,528	132,528	102,179	(30,349)
Total Charges for Goods and Services	3,946,774	3,951,174	3,896,955	(54,219)
Superior Court Felony/Misdemeanor Penalties	15,500	15,500	12,826	(2,674)
Civil Penalties	9,500	9,500	7,065	(2,435)
Civil Infraction Penalties	961,000	961,000	627,148	(333,852)
Civil Parking Infraction	2,000	2,000	629	(1,371)
Criminal Traffic Misdemeanor	150,000	150,000	141,561	(8,439)
Criminal Non-Traffic Fines	27,500	27,500	20,867	(6,633)
Criminal Costs	10,575	10,575	24,179	13,604
Non-Court Fines, Forfeitures	35,000	35,000	29,854	(5,146)
Total Fines and Forfeits	1,211,075	1,211,075	864,129	(346,946)
Interest Earnings	1,345,500	1,367,500	3,211,850	1,844,350
Rents, Leases, Concessions	14,800	14,800	1,052,439	1,037,639
Contributions/Donations	115,164	136,403	244,002	107,599
Other Miscellaneous Revenue	140,590	140,590	177,409	36,819
Total Miscellaneous Revenues	1,616,054	1,659,293	4,685,700	3,026,407
Agency Type Deposits	2,100	2,100	6,468	4,368
Total Non-Revenues	2,100	2,100	6,468	4,368
Total Revenues	55,684,937	56,898,633	64,391,329	7,492,696

SKAGIT COUNTY, WASHINGTON
Expenditures Budgetary Comparison Schedule
General Fund
For the Year Ending December 31, 2022
Budgeted Amounts

	Original Budget	Final Budget	Actual	Variance with Final Budget
General Government				
<u>Assessor</u>				
Salaries and Wages	1,330,316	1,385,316	1,382,777	(2,539)
Personnel Benefits	707,290	707,290	704,579	(2,711)
Supplies	5,000	5,000	3,926	(1,074)
Other Services and Charges	56,039	56,039	50,621	(5,418)
Total Assessor	2,098,645	2,153,645	2,141,903	(11,742)
<u>Auditor</u>				
Salaries and Wages	753,419	787,119	779,470	(7,649)
Personnel Benefits	381,573	381,573	379,775	(1,798)
Supplies	7,000	8,600	6,338	(2,262)
Other Services and Charges	21,250	24,050	12,662	(11,388)
Total Auditor	1,163,242	1,201,342	1,178,244	(23,097)
<u>Board of Equalization</u>				
Salaries and Wages	29,821	29,821	23,161	(6,660)
Personnel Benefits	9,868	9,868	8,379	(1,489)
Supplies	200	200	-	(200)
Other Services and Charges	1,350	1,350	-	(1,350)
Total Board of Equalization	41,239	41,239	31,540	(9,699)
<u>Commissioners</u>				
Salaries and Wages	561,295	564,795	564,929	134
Personnel Benefits	207,398	208,898	202,435	(6,463)
Supplies	2,000	2,000	1,166	(834)
Other Services and Charges	34,195	34,195	23,365	(10,830)
Total Commissioners	804,888	809,888	791,895	(17,993)
<u>Administrative Services</u>				
Salaries and Wages	844,071	832,071	836,283	4,212
Personnel Benefits	375,091	375,091	353,502	(21,589)
Supplies	6,800	6,800	9,237	2,437
Other Services and Charges	326,442	338,442	226,167	(112,275)
Total Administrative Services	1,552,404	1,552,404	1,425,189	(127,215)
<u>General Maintenance</u>				
Salaries and Wages	946,654	946,654	949,997	3,343
Personnel Benefits	547,893	547,893	523,382	(24,511)
Supplies	239,200	239,200	218,821	(20,379)
Other Services and Charges	1,169,643	1,169,643	1,213,198	43,555
Total General Maintenance	2,903,390	2,903,390	2,905,398	2,008

SKAGIT COUNTY, WASHINGTON
Expenditures Budgetary Comparison Schedule
General Fund
For the Year Ending December 31, 2022
Budgeted Amounts

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Prosecuting Attorney</u>				
Salaries and Wages	3,343,985	3,463,985	3,457,044	(6,941)
Personnel Benefits	1,530,708	1,530,708	1,439,283	(91,425)
Supplies	44,500	44,500	21,496	(23,004)
Other Services and Charges	309,008	309,008	177,378	(131,630)
Total Prosecuting Attorney	5,228,201	5,348,201	5,095,201	(253,000)
<u>Treasurer</u>				
Salaries and Wages	693,256	693,256	654,647	(38,609)
Personnel Benefits	328,977	328,977	325,667	(3,310)
Supplies	14,000	14,000	6,496	(7,504)
Other Services and Charges	140,000	162,000	89,733	(72,267)
Total Treasurer	1,176,233	1,198,233	1,076,543	(121,690)
<u>Non Departmental Expenditures</u>				
Salaries and Wages	-	-	-	-
Personnel Benefits	73,410	73,410	69,746	(3,664)
Supplies	-	-	129	129
Other Services and Charges	7,970,004	8,875,004	5,876,120	(2,998,884)
Total Non Departmental Expenditures	8,043,414	8,948,414	5,945,995	(3,002,419)
Total General Government	\$ 23,011,656	\$ 24,156,756	\$ 20,591,908	\$ (3,564,847)
<u>Judicial</u>				
<u>County Clerk</u>				
Salaries and Wages	1,097,669	1,097,669	1,030,350	(67,319)
Personnel Benefits	618,083	618,083	549,375	(68,708)
Supplies	18,500	18,500	10,422	(8,078)
Other Services and Charges	25,269	55,269	47,309	(7,960)
Total County Clerk	1,759,521	1,789,521	1,637,456	(152,065)
<u>District Court</u>				
Salaries and Wages	2,150,027	2,150,027	1,868,146	(281,881)
Personnel Benefits	916,491	916,491	829,448	(87,043)
Supplies	15,200	15,200	21,697	6,497
Other Services and Charges	136,766	136,766	97,153	(39,613)
Interfund Payments for Services	-	-	-	-
Total District Court	3,218,484	3,218,484	2,816,444	(402,040)

SKAGIT COUNTY, WASHINGTON
Expenditures Budgetary Comparison Schedule
General Fund
For the Year Ending December 31, 2022
Budgeted Amounts

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Public Defender</u>				
Salaries and Wages	2,773,815	2,773,815	2,649,808	(124,007)
Personnel Benefits	1,255,589	1,255,589	1,152,913	(102,676)
Supplies	14,000	14,000	12,599	(1,401)
Other Services and Charges	392,968	392,968	345,922	(47,046)
Total Public Defender	4,436,372	4,436,372	4,161,242	(275,130)
<u>Superior Courts</u>				
Salaries and Wages	1,387,628	1,399,128	1,402,911	3,783
Personnel Benefits	460,876	463,876	460,415	(3,461)
Supplies	18,970	18,970	20,078	1,108
Other Services and Charges	521,088	521,088	445,917	(75,171)
Total Superior Courts	2,388,562	2,403,062	2,329,321	(73,741)
<u>Assigned Counsel</u>				
Salaries and Wages	225,165	225,165	199,296	(25,869)
Personnel Benefits	113,582	113,582	100,861	(12,721)
Supplies	1,500	1,500	2,126	626
Other Services and Charges	925,000	925,000	953,993	28,993
Total Assigned Counsel	1,265,247	1,265,247	1,256,276	(8,971)
<u>Mediation Services</u>				
Other Services and Charges	79,241	79,241	74,161	(5,080)
Total Mediation Services	79,241	79,241	74,161	(5,080)
Total Judicial	\$ 13,147,427	\$ 13,191,927	\$ 12,274,900	\$ (917,027)
Public Safety				
<u>District Court Probation</u>				
Salaries and Wages	498,496	502,496	553,902	51,406
Personnel Benefits	239,669	239,669	258,273	18,604
Supplies	4,000	4,000	6,977	2,977
Other Services and Charges	12,734	12,734	20,824	8,090
Total District Court Probation	754,899	758,899	839,976	81,077
<u>Non-Departmental - County Jail Costs</u>				
Interfund Payments for Services	6,195,847	6,249,581	6,249,581	-
Total Non-Departmental - County Jail Costs	6,195,847	6,249,581	6,249,581	-
<u>Office of Juvenile Court</u>				
Salaries and Wages	1,755,502	1,755,502	1,681,141	(74,361)
Personnel Benefits	885,517	885,517	862,399	(23,118)
Supplies	48,140	48,140	29,125	(19,015)
Other Services and Charges	183,489	183,489	109,326	(74,163)
Total Office of Juvenile Court	2,872,648	2,872,648	2,681,991	(190,657)

SKAGIT COUNTY, WASHINGTON
Expenditures Budgetary Comparison Schedule
General Fund
For the Year Ending December 31, 2022
Budgeted Amounts

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Civil Service Commission</u>				
Salaries and Wages	20,361	23,750	22,200	(1,550)
Personnel Benefits	11,074	11,074	8,707	(2,367)
Supplies	-	-	-	-
Other Services and Charges	1,360	1,360	534	(826)
Total Civil Service Commission	32,795	36,184	31,441	(4,743)
<u>Sheriff</u>				
Salaries and Wages	6,782,238	6,649,835	6,361,391	(288,444)
Personnel Benefits	2,780,462	2,767,813	2,503,207	(264,606)
Supplies	285,700	354,256	300,015	(54,241)
Other Services and Charges	2,385,190	2,444,381	2,358,307	(86,074)
Total Sheriff	12,233,590	12,216,285	11,522,920	(693,365)
Total Public Safety	\$ 22,089,779	\$ 22,133,597	\$ 21,325,909	\$ (807,688)

SKAGIT COUNTY, WASHINGTON
Expenditures Budgetary Comparison Schedule
General Fund
For the Year Ending December 31, 2022
Budgeted Amounts

	Original Budget	Final Budget	Actual	Variance with Final Budget
<i>Economic Environment</i>				
<u>Boundary Review Board</u>				
Salaries and Wages	1,689	1,689	1,519	(170)
Personnel Benefits	945	945	879	(66)
Supplies	-	-	-	-
Other Services and Charges	10,000	10,000	813	(9,187)
Total Boundary Review Board	12,634	12,634	3,211	(9,423)
<u>Hearing Examiner</u>				
Salaries and Wages	12,383	12,383	11,142	(1,241)
Personnel Benefits	6,928	6,928	6,449	(479)
Supplies	-	-	-	-
Other Services and Charges	75,050	75,050	48,050	(27,000)
Total Hearing Examiner	94,361	94,361	65,641	(28,720)
<u>Animal Control</u>				
Salaries and Wages	63,129	63,129	65,703	2,574
Personnel Benefits	35,822	36,815	33,920	(2,895)
Supplies	3,000	3,000	222	(2,778)
Other Services and Charges	45,897	45,897	44,597	(1,300)
Interfund Payments for Service	-	-	-	-
Total Animal Control	147,848	148,841	144,442	(4,399)
<u>Noxious Weed Control</u>				
Salaries and Wages	140,935	140,935	82,042	(58,893)
Personnel Benefits	67,622	67,622	43,521	(24,101)
Supplies	13,327	13,327	4,499	(8,828)
Other Services and Charges	28,010	28,010	53,928	25,918
Total Noxious Weed Control	249,894	249,894	183,990	(65,904)
<u>AG Advisory Board</u>				
Salaries and Wages	2,718	2,718	1,720	(998)
Personnel Benefits	1,557	1,557	950	(607)
Other Services and Charges	-	-	-	-
Total AG Advisory Board	4,275	4,275	2,670	(1,605)
Total Economic Environment	\$ 509,012	\$ 510,005	\$ 399,954	\$ (110,051)

SKAGIT COUNTY, WASHINGTON
Expenditures Budgetary Comparison Schedule
General Fund
For the Year Ending December 31, 2022

	<u>Budgeted Amounts</u>			Variance with Final Budget
	Original Budget	Final Budget	Actual	
<i>Health and Human Services</i>				
<u>Coroner</u>				
Salaries and Wages	266,617	286,205	285,864	(341)
Personnel Benefits	101,060	109,118	108,003	(1,115)
Supplies	14,500	14,500	9,684	(4,816)
Other Services and Charges	155,140	180,140	186,011	5,871
Total Coroner Extension	<u>537,317</u>	<u>589,963</u>	<u>589,562</u>	<u>(401)</u>
Total Health and Human Services	\$ 537,317	\$ 589,963	\$ 589,562	\$ (401)
<i>Culture and Recreation</i>				
<u>Cooperative Extension</u>				
Salaries and Wages	-	-	-	-
Personnel Benefits	-	-	-	-
Supplies	-	-	-	-
Other Services and Charges	425,778	425,778	328,541	(97,237)
Total Cooperative Extension	<u>425,778</u>	<u>425,778</u>	<u>328,541</u>	<u>(97,237)</u>
<u>Historical Museum</u>				
Salaries and Wages	-	-	-	-
Personnel Benefits	-	-	-	-
Supplies	-	-	-	-
Other Services and Charges	170,000	170,000	170,000	-
Total Historical Museum	<u>170,000</u>	<u>170,000</u>	<u>170,000</u>	<u>-</u>
Total Culture and Recreation	\$ 595,778	\$ 595,778	\$ 498,541	\$ (97,237)
<u>Capital Outlay</u>				
Capital Outlay	141,000	170,927	1,554,064	1,383,137
Total Capital Outlay	<u>141,000</u>	<u>170,927</u>	<u>1,554,064</u>	<u>1,383,137</u>
EXPENDITURES	60,031,969	61,348,953	57,234,838	(4,114,114)

SKAGIT COUNTY, WASHINGTON
Revenues, Expenditures and Changes in Fund Balances - Budgetary Comparison Schedule
Mental Health Fund
For the Year Ended December 31, 2022

	Budgeted Amounts		Actual	Variance
	Original	Final		
Budgeted Fund Balance, January 1	\$ 1,721,997	\$ 1,721,997	\$ 10,006,619	
Resources (in-flows)				
General Property Taxes	400,602	400,602	401,151	549
Excise Taxes	3,379,471	3,379,471	4,442,454	1,062,983
Licenses and Permits	-	-	-	-
Intergovernmental Revenues	2,909,851	2,909,851	2,203,036	(706,815)
Charges for Services	338,307	338,307	70,980	(267,327)
Interest Earnings	1,520	1,520	89,145	87,625
Other Revenue	871	871	213	(658)
Total Resources (in-flows)	7,030,622	7,030,622	7,206,979	176,357
Amounts Available for Appropriation	8,752,619	8,752,619	17,213,598	
Charges to Appropriations (out-flows)				
Health and Human Services	8,752,619	8,752,619	7,506,116	(1,246,503)
Transfers Out	-	-	-	-
Amount Charged to Appropriations (out-flows)	8,752,619	8,752,619	7,506,116	(1,246,503)
Budgeted Fund Balance, December 31	\$ -	\$ -	\$ 9,707,482	

SKAGIT COUNTY, WASHINGTON
Revenues, Expenditures and Changes in Fund Balances -Budgetary Comparison Schedule
County Road Fund
For the Year Ended December 31, 2022

	Budgeted Amounts		Actual	Variance
	Original	Final		
Budgeted Fund Balance, January 1	\$ 8,023,953	\$ 8,215,853	\$ 14,212,108	
Resources (in-flows)				
General Property Taxes	14,926,524	14,926,524	15,426,464	499,940
Excise Taxes	330,000	330,000	459,770	129,770
Licenses and Permits	10,000	10,000	85,037	75,037
Intergovernmental Revenues	12,407,069	12,415,169	9,206,974	(3,208,195)
Charges for Services	340,000	340,000	1,607,938	1,267,938
Interest Earnings	1,000	1,000	1,517	517
Other Revenue			165,843	165,843
Transfers In	-	8,100	13,366	
Total Resources (in-flows)	28,014,593	28,022,693	26,967,509	(1,068,550)
Amounts Available for Appropriation	36,038,546	36,238,546	41,179,617	
Charges to Appropriations (out-flows)				
General Government	-	-	223,278	223,278
Transportation	35,938,046	36,138,046	22,569,754	(13,568,292)
Capital Expenditures	100,500	100,500	8,040,896	7,940,396
Transfers Out	-	-	-	-
Amount Charged to Appropriations (out-flows)	36,038,546	36,238,546	30,833,928	(5,404,618)
Budgeted Fund Balance, December 31	\$ -	\$ -	\$ 10,345,689	

SKAGIT COUNTY, WASHINGTON
Revenues, Expenditures and Changes in Fund Balances - Budgetary Comparison Schedule
American Rescue Plan
For the Year Ended December 31, 2022

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
Budgeted Fund Balance, January 1	\$ -	\$ -	\$ -	
Resources (in-flows)				
General Property Taxes	-	-	-	-
Timber Harvest Taxes	-	-	-	-
Excise Taxes	-	-	-	-
Licenses and Permits	-	-	-	-
Intergovernmental Revenues	1,200,879	6,426,238	5,723,370	(702,868)
Charges for Services	-	-	-	-
Interest Earnings	-	-	-	-
Other Revenue	-	-	-	-
Total Resources (in-flows)	<u>1,200,879</u>	<u>6,426,238</u>	<u>5,723,370</u>	<u>(702,868)</u>
Amounts Available for Appropriation	1,200,879	6,426,238	5,723,370	
Charges to Appropriations (out-flows)				
General Government	78,628	153,532	882,481	728,949
Judicial	343,663	858,648	557,812	(300,836)
Public Safety	488,697	3,495,167	2,933,334	(561,833)
Transportation		1,355,000	577,374	
Economic Environmental		267,000	260,581	(6,419)
Health & Human Services	164,891	171,891	242,504	70,613
Capital Expenditures	125,000	125,000	-	(125,000)
Transfers Out	-	-	269,284	269,284
Amount Charged to Appropriations (out-flows)	<u>1,200,879</u>	<u>6,426,238</u>	<u>5,723,370</u>	<u>74,758</u>
Budgeted Fund Balance, December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	

SKAGIT COUNTY, WASHINGTON
Revenues, Expenditures and Changes In Fund Balances - Budgetary Comparison Schedule
Housing Assistance
For the Year Ended December 31, 2022

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
Budgeted Fund Balance, January 1	\$ 6,242	\$ 6,242	\$ 787,489	
Resources (in-flows)				
General Property Taxes	-	-	-	-
Timber Harvest Taxes	-	-	-	-
Excise Taxes	-	-	-	-
Licenses and Permits	-	-	-	-
Intergovernmental Revenues	21,120,892	21,120,892	14,788,105	(6,332,787)
Charges for Services	-	-	1,009,869	1,009,869
Interest Earnings	100	100	387	287
Other Revenue	-	-	-	-
Total Resources (in-flows)	<u>21,120,992</u>	<u>21,120,992</u>	<u>15,798,361</u>	<u>(5,322,631)</u>
Amounts Available for Appropriation	21,127,234	21,127,234	16,585,850	
Charges to Appropriations (out-flows)				
General Government	-	-	-	-
Judicial	-	-	-	-
Public Safety	-	-	-	-
Economic Environmental	-	-	-	-
Health & Human Services	21,127,234	21,127,234	16,778,670	(4,348,564)
Capital Expenditures	-	-	-	-
Transfers Out	-	-	-	-
Amount Charged to Appropriations (out-flows)	<u>21,127,234</u>	<u>21,127,234</u>	<u>16,778,670</u>	<u>(4,348,564)</u>
Budgeted Fund Balance, December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (192,820)</u>	

SKAGIT COUNTY, WASHINGTON

Notes to Required Supplementary Information

The annual budget for Skagit County is adopted in accordance with the provisions of the Revised Code of Washington (RCW), as interpreted by the Budget, Accounting, and Reporting System (BARS) of the State of Washington, and on a basis consistent with generally accepted accounting principles. All government funds with the exception of the Treasurer's O&M fund, as per RCW 84.56.020(9), have legally adopted budgets.

The annual appropriated budget is adopted at the department level within the General Fund, and at the fund level for government funds.

Appropriations at the department level and the budgets constitute the legal authority for expenditures at purposes, expenditures are further segregated by object class of expenditure. Object class refers to a segmentation of expenditures into five categories. These categories are salaries and wages, personnel benefits, supplies, other services and charges, and capital expenditures. Expenditures may not exceed appropriations at the department level and the budgets constitute the legal authority for expenditures at that level. All appropriations lapse thirty days after the close of each year.

Budget status reports are used to compare the budgeted amounts with actual revenues and expenditures. Revenues and expenditures can be monitored at fund, department, division, activity, or object class level.

Skagit County adheres to the statutory provisions established by the Revised Code of Washington (RCW) 36.40. Significant procedures in the budget process include the following:

On or before the second Monday in July, County officials are requested to prepare estimates of revenues and expenditures for the next fiscal year.

On or before the third Friday in August, each County official submits detailed estimates of probable revenues and expenditures for the ensuing year.

On or before the first Tuesday in September, the preliminary annual budget is submitted to the Board of County Commissioners.

The Commissioners conduct public meetings on the proposed budget from September through October.

The Commissioners hold a public hearing on or before the first Monday in December to receive testimony on the budget.

The Commissioners make adjustments to the proposed budget and adopt, by resolution, a final balanced budget no later than December 31.

Upon Adoption, the final budget is made available to the public.

Budget revisions in the form of supplemental appropriation resolutions are approved by the Board of County Commissioners in the legally prescribed manner during public meetings throughout the year. Any proposed revisions which alter the total appropriation of any fund are published in the County's legal newspaper once per week for two consecutive weeks before the public hearing to enable taxpayer input.

Changes to the appropriation for object classes that do not alter the total budget for any fund may be made by resolution approved by a simple majority during any public meeting.

Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability*
PERS Plan 1
As of June 30, 2022

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Employer's proportion of the net pension liability (asset)	0.3007333%	0.295309%	0.29139100%	0.29004900%	0.28973700%	0.27019200%	0.27331500%	0.27226700%		
Employer's proportionate share of the net pension liability	\$ 15,731,133	\$ 15,859,484	\$ 13,826,730	\$ 12,953,687	\$ 11,141,416	\$ 9,539,237	\$ 3,337,816	\$ 7,580,912		
Total	15,731,133	15,859,484	13,826,730	12,953,687	11,141,416	9,539,237	3,337,816	7,580,912	-	-
Covered payroll	\$ 29,925,575	\$ 30,517,442	\$ 32,670,636	\$ 33,431,853	\$ 35,081,964	\$ 40,338,531	\$ 41,801,684	\$ 43,842,319		
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	52.5675%	51.9686%	42.3216%	38.7465%	31.7582%	23.6480%	7.9849%	17.2913%		
Plan fiduciary net position as a percentage of the total pension liability	59.10%	57.03%	61.24%	63.22%	67.12%	68.64%	88.74%	76.56%		

PERS Plan 2/3
As of June 30, 2022

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Employer's proportion of the net pension liability (asset)	0.342725%	0.333619%	0.32684200%	0.31683000%	0.31758900%	0.30114500%	0.30518800%	0.30749100%		
Employer's proportionate share of the net pension liability	\$ 12,245,760	\$ 16,797,453	\$ 11,356,197	\$ 5,409,590	\$ 3,084,869	\$ 3,851,473	\$ (30,401,635)	\$ (11,404,168)		
Total	12,245,760	16,797,453	11,356,197	5,409,590	3,084,869	3,851,473	(30,401,635)	(11,404,168)	-	-
Covered payroll	\$ 29,163,862	\$ 29,912,652	\$ 32,054,586	\$ 32,863,462	\$ 34,550,719	\$ 34,963,998	\$ 36,607,511	\$ 38,499,755		
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	41.989499%	56.155011%	35.427683%	16.460804%	8.928523%	11.015540%	-83.047533%	-29.62000000%		
Plan fiduciary net position as a percentage of the total pension liability	89.20%	85.82%	90.97%	95.77%	97.77%	97.22%	120.29%	106.73%		

* The schedule above is intended to show information for 10 years and additional years' information will be displayed as it becomes available.

Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability*
PSFRS 2
As of June 30, 2022

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Employer's proportion of the net pension liability (asset)	0.773485%	0.841384%	0.946246%	1.11173100%	1.04561100%	0.83574100%	0.72242400%	0.78352000%		
Employer's proportionate share of the net pension liability	\$ 141,176	\$ 357,571	\$ 185,398	\$ 13,774	\$ (135,971)	\$ (114,998)	\$ (1,659,690)	\$ (560,217)		
Total	141,176	357,571	185,398	13,774	(135,971)	(114,998)	(1,659,690)	(560,217)	-	-
Covered payroll	\$ 2,173,518	\$ 2,632,585	\$ 3,350,233	\$ 4,360,703	\$ 4,815,457	\$ 5,132,829	\$ 4,930,219	\$ 5,292,035		
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	6.50%	13.56%	5.53%	0.32%	-2.82%	-2.24%	-33.66%	-10.59%		
Plan fiduciary net position as a percentage of the total pension liability	95.08%	90.41%	96.26%	99.79%	101.85%	101.68%	123.67%	105.96%		

LEOFF 1
As of June 30, 2022

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Employer's proportion of the net pension liability	0.024877%	0.02478%	0.02462300%	0.02485300%	0.02418700%	0.02464500%	0.02525300%	0.02594700%		
State's proportionate share of the net pension liability (asset) associated with the employer	(2,027,995)	(1,727,015)	(2,526,920)	(3,051,951)	(3,233,741)	(3,148,110)	(8,451,533)	(3,826,519)		
Employer's proportionate share of the net pension liability (asset)	(299,823)	(255,325)	(373,585)	(451,207)	(478,083)	(465,423)	(865,057)	(744,319)		
Total	\$ (2,327,818)	\$ (1,982,340)	\$ (2,900,505)	\$ (3,503,158)	\$ (3,711,824)	\$ (3,613,533)	\$ (9,316,590)	(744,319)	-	-
Covered payroll	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	-	-	-	-	-	-	-	-		
Plan fiduciary net position as a percentage of the total pension liability	127.36%	123.74%	135.96%	144.42%	148.78%	146.88%	187.45%	169.62%		

* The schedule above is intended to show information for 10 years and additional years' information will be displayed as it becomes available.

Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability*
LEOFF 2
As of June 30, 2022

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Employer's proportion of the net pension liability (asset)	0.1464060%	0.155763%	0.14759200%	0.14490000%	0.13825600%	0.13487900%	0.14550500%	0.14080000%		
State's proportionate share of the net pension liability (asset) associated with the employer	(994,949)	(590,623)	(1,328,563)	(1,899,361)	(2,097,514)	\$(1,759,270)	\$(5,452,161)	\$(2,717,698)		
Employer's proportionate share of the net pension liability	(1,504,761)	(905,964)	(2,048,099)	(2,941,786)	(3,202,967)	\$(2,751,335)	\$(8,451,533)	\$(3,826,519)		
Total	\$ (2,499,710)	\$ (1,496,587)	\$ (3,376,662)	\$ (4,841,147)	\$ (5,300,481)	(4,510,605)	(13,903,694)	(6,544,217)		
Covered payroll	\$ 4,076,631	\$ 4,541,586	\$ 4,616,954	\$ 4,782,683	\$ 4,855,128	\$ 3,017,989	\$ 3,367,897	\$ 3,415,036		
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	-36.91%	-19.95%	-44.36%	-61.51%	-65.97%	-91.16%	-250.94%	-112.05%		
Plan fiduciary net position as a percentage of the total pension liability	111.67%	106.04%	113.36%	118.50%	119.43%	115.83%	142.00%	116.09%		

* The schedule above is intended to show information for 10 years and additional years' information will be displayed as it becomes available.

**Required Supplementary Information
Schedule of Employer Contributions
PERS Plan 1
As of December 31, 2022
Last 10 Fiscal Years***

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Contractually required contributions	1,392,161	1,575,731	1,913,293	2,079,436	2,015,379	1,939,997	2,051,210	1,635,971		
Contributions in relation to the contractually required contributions	1,392,161	1,646,845	1,752,794	1,719,829	2,015,379	1,939,997	2,051,210	1,635,971		
Contribution deficiency (excess)	-	-	-	-	-	-	-	-		
Covered Employer Payroll	\$ 29,901,234	\$ 29,597,991	\$ 32,640,636	\$ 34,433,998	\$ 34,866,195	\$ 36,351,463	\$ 30,785,705	\$ 39,686,315		
Contributions as a percentage of covered employee payroll	4.62%	5.32%	5.86%	6.04%	5.78%	5.34%	6.68%	4.23%		

* The schedule above is intended to show information for 10 years and additional years' information will be displayed as it becomes available.

**PERS Plan 2/3
As of December 31, 2022
Last 10 Fiscal Years***

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Contractually required contributions	1,526,676	1,808,119	2,184,277	2,545,262	2,652,844	2,799,797	2,899,313	2,448,585		
Contributions in relation to the contractually required contributions	1,526,676	1,809,119	2,184,277	2,545,262	2,652,844	2,799,797	2,899,313	2,448,585		
Contribution deficiency (excess)	-	(1,000)								
Covered payroll	29,290,717	29,036,861	32,054,586	33,888,256	34,437,739	36,109,607	30,396,504	38,448,672		
Contributions as a percentage of covered employee payroll	5.21%	6.23%	6.81%	7.51%	7.70%	7.75%	9.54%	6.37%		

* The schedule above is intended to show information for 10 years and additional years' information will be displayed as it becomes available.

**Required Supplementary Information
Schedule of Employer Contributions
PSERS 2
As of December 31, 2022
Last 10 Fiscal Years***

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Contractually required contributions	144,140	179,027	280,973	247,384	363,521	369,565	354,977	343,981		
Contributions in relation to the contractually required contributions	144,140	179,027	280,973	247,384	363,521	369,565	354,977	343,981		
Contribution deficiency (excess)	-	-	-	-	-	-	-	-		
Covered payroll	\$ 2,329,727	\$ 2,717,069	3,350,233	4,610,178	5,096,791	4,937,589	5,151,438	5,309,796		
Contributions as a percentage of covered employee payroll	6.19%	6.59%	8.39%	5.37%	7.13%	7.48%	6.89%	6.48%		

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

**LEOFF 2
As of December 31, 2022
Last 10 Fiscal Years***

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Contractually required contributions	\$ 214,589	\$ 219,207	\$ 257,132	\$ 247,384	\$ 260,547	\$ 259,246	\$ 289,302	\$ 291,303		
Contributions in relation to the contractually required contributions	214,589	219,207	257,132	247,384	260,547	259,246	\$ 289,302	\$ 291,303		
Contribution deficiency (excess)	-	-	-	-	-	-	-	-		
Covered payroll	4,297,462	4,340,739	4,616,954	4,742,103	5,006,630	5,376,212	5,626,584	6,413,655		
Contributions as a percentage of covered employee payroll	4.99%	5.05%	5.57%	5.22%	5.20%	4.82%	5.14%	4.54%		

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

Skagit County
Schedule of Changes in Total OPEB Liability and Related Ratios
OPEB Plan

For the year ended December 31, 2022 (plan's measurement date 12/31/22)
Last 10 Fiscal Years*

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Total OPEB liability - beginning	\$ 4,364,512	\$ 4,461,998	\$ 5,425,871	\$ 5,666,954	\$ 2,902,403					
Service cost	88,660	206,608	216,938	224,010	25,056					
Interest	134,163	147,503	178,910	186,985	55,682					
Changes in benefit terms	-	-	-	-	-					
Differences between expected and actual experience	-	950,726	-	(1,400,986)	101,004					
Changes of assumptions	-	(196,997)	-	(1,688,130)	(503,747)					
Benefit payments	(125,337)	(143,967)	(154,765)	(86,430)	(261,672)					
Other changes										
Total OPEB liability - ending	<u>\$ 4,461,998</u>	<u>\$ 5,425,871</u>	<u>\$ 5,666,954</u>	<u>\$ 2,902,403</u>	<u>\$ 2,318,726</u>					
Covered-employee payroll	\$ 40,877,939	\$ 42,461,156	\$ 44,159,603	\$ 48,951,245	\$ 53,023,316					
Total OPEB liability as a % of covered payroll	10.92%	12.78%	12.83%	5.93%	4.74%					

Notes to Schedule:

* Until a full 10-year trend is compiled, only information for those years available is presented.
No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.
There are no current factors that would significantly affect trends in the amounts reported

Skagit County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures		Footn ote Ref		
				From Pass- Through Awards	From Direct Awards			
				Total	Passed through to Subrecipients			
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via Northwest Regional Council)	Farmers Market VouchersProgram	10.576	201018- NUTR/Farmers Market Vouchers	3,815	-	3,815	-	1, 4
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via Northwest Regional Council)	Senior Farmers Market Nutrition Program	10.576	201018- NUTR/Farmers Market Vouchers	4,311	-	4,311	-	1
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via Northwest Regional Council)	Senior Farmers Market Nutrition Program	10.576	201018- NUTR/SFMNP- Administration	167	-	167	-	1
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via Northwest Regional Council)	Senior Farmers Market Nutrition Program	10.576	201018- NUTR/SFMNP- Administration	9,044	-	9,044	-	1
Total CFDA 10.576:				17,337	-	17,337	-	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF (via State of Washington Department of Commerce)	Community Development Block Grants/State's program and Non- Entitlement Grants in Hawaii	14.228	SWV00343-04	22,390	-	22,390	-	1
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF (via State of Washington Department of Commerce)	Community Development Block Grants/State's program and Non- Entitlement Grants in Hawaii	14.228	B-22-DC-53-001	26,123	-	26,123	25,362	1
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF (via State of Washington Department of Commerce)	Community Development Block Grants/State's program and Non- Entitlement Grants in Hawaii	14.228	B-18-DC-53-001	175,000	-	175,000	-	1

The accompanying notes are an integral part of this schedule.

Skagit County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Footnote Ref
				From Pass- Through Awards	From Direct Awards	Total	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF (via Washington State Department of Commerce, Local Government Division, Community Assistance and Research Unit)	Community Development Block Grants/State's program and Non- Entitlement Grants in Hawaii	14.228	B-20-DC-53-001	162,519	-	162,519	1
			Total CFDA 14.228:	386,032	-	386,032	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	EMERGENCY SOLUTIONS GRANT HOUSING ASSISTANCE	14.231	20-4613C-123	1,227,713		1,227,713	1
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Home Investment Partnerships Program	14.239	M21-DC530210		332,417	332,417	1
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Home Investment Partnerships Program	14.239	APP 869/00205		561,140	561,140	1
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Home Investment Partnerships Program	14.239	APP 868/10205		439,359	439,359	1
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Home Investment Partnerships Program	14.239	APP 867/00205		380,438	380,438	1
						186,330	
						1,224,856	
						568,374	
						425,272	
						319,123	

The accompanying notes are an integral part of this schedule.

Skagit County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Footn ote Ref
				From Pass- Through Awards	From Direct Awards	Passed through to Subrecipients	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Home Investment Partnerships Program	14.239	M21-dp530210		6,032		1
			Total CFDA 14.239:	-	1,719,386	1,635,186	
NATIONAL FISH AND WILDLIFE FOUNDATION	Cedar Grove Fish Passage Improvement	15.663	0314.18.062608	109,685			1
NATIONAL FISH AND WILDLIFE FOUNDATION	Chinook Salmon in S Fork Skagit River	15.663	FEA002	100,000			1
			Total CFDA 15.663:	209,685	-	209,685	
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF (via Washington State Department of Commerce)	National Criminal History Improvement	16.554	2020-RU-BX-K025	1,684		1,684	1
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF (via Washington State Department of Commerce)	Victim Witness Assistance	16.575	21-31101-526	9,826		9,826	1
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF (via Washington State Department of Commerce)	Stop Violence Against Women	16.588	119-31103-031	17,312		17,312	1
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF (via Washington State Department of Commerce)	Mental Health and Wellness	16.710	15JCOPS-21- GG-02157- SLEM		46,875	46,875	1
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF (via Washington State Department of Commerce)	Less Than Lethal Equip	16.738	20019-DJ-BX- 0035	47,317			1

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Skagit County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Footnote Ref
				From Pass- Through Awards	From Direct Awards	Total	
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF (via Washington State Department of Commerce)	Edward Byrne Memorial Justice Assistance	16.738	S18-31102-526	92,021	-	92,021	1
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF (via Washington State Department of Commerce)	Edward Byrne Memorial Justice Assistance	16.738	S18-31102-526	123,765	-	123,765	1
			Total CFDA 16.738:	263,103	-	263,103	
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF (via Washington State Department of Commerce)	Paul Coverdell Forensic Grant	16.742	2020-CD-BX- 0044	19,135	-	19,135	1
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF (via Washington State Department of Commerce)	Paul Coverdell Forensic Grant	16.742	2020-CD-BX- 0063	250,000	-	250,000	1
			Total CFDA 16.742:	269,135	-	269,135	
Highway Planning and Construction Cluster							
FEDERAL HIGHWAY ADMINISTRATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	HSIP-0005(620)	25,779	-	25,779	1
FEDERAL HIGHWAY ADMINISTRATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	BHS-M29	22,863	-	22,863	1

The accompanying notes are an integral part of this schedule.

Skagit County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Footnote Ref
				From Pass- Through Awards	From Direct Awards	Passed through to Subrecipients	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	STPR-F2949002)	190,778	-	-	1, 2
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	BHOS-2029(057)	1,661,104	-	-	1, 2
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	BHS-L291(002)	9,642	-	-	1, 2
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	HSIP-000S(625)	31,845	-	-	1
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	HSIP 000S(578)	520,670	-	-	1
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	HSIP-T292(002)	133,415	-	-	1, 2

The accompanying notes are an integral part of this schedule.

**Skagit County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Footnote Ref
				From Pass- Through Awards	From Direct Awards	Total	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	BHS-M291(008)	41,031	-	41,031	1
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	HSIP-000S(579)	47,283	-	47,283	1
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	LA-8425	93,468	-	93,468	1
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	LA-10387	1,026	-	1,026	1
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	LA 9951	447,135	-	447,135	1, 2
Total Highway Planning and Construction Cluster:				3,226,039	-	3,226,039	
Highway Safety Cluster NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington Traffic Safety Commission)	Target Zero Corridor Project	20.600	2021 HVE-4052	3,756	-	3,756	1

The accompanying notes are an integral part of this schedule.

Skagit County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Footnote Ref
				From Pass- Through Awards	From Direct Awards	Total	
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION,	Target Zero Corridor Project	20.608	2021 HVE-4052	1,374	-	1,374	1
	Total Highway Safety Cluster:			5,130	-	5,130	
TREASURY DEPARTMENT	Equitable Sharing	21.016	wa0290000	5,000	-	5,000	1
TREASURY DEPARTMENT	COVID-19 Coronavirus State & Local Fiscal Recovery Funds	21.027	00343-04	10,459,928	-	10,459,928	1
TREASURY DEPARTMENT	COVID-19 Coronavirus State & Local Fiscal Recovery Funds	21.027	none	-	5,723,370	5,723,370	1
	Total CFDA 21.027:			10,459,928	5,723,370	16,183,298	1. 3b
ENVIRONMENTAL PROTECTION AGENCY, ENVIRONMENTAL PROTECTION AGENCY (via Washington State Department of Ecology)	Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	01J18001	183,554	-	183,554	1
ENVIRONMENTAL PROTECTION AGENCY, ENVIRONMENTAL PROTECTION AGENCY (via Washington State Department of Health)	Inspection for Low Income	66.123	GVL24546	167,543	-	167,543	1
	Total CFDA 66.123:			351,097	-	351,097	
ENVIRONMENTAL PROTECTION AGENCY, ENVIRONMENTAL PROTECTION AGENCY (via Washington State Department of Ecology)	National Estuary Program	66.456	SEANWS-2018- SKCOPW-00004	37,000	-	37,000	1
ADMINISTRATION FOR COMMUNITY LIVING (ACL), HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Northwest Regional Council)	NACCHO	93.008	HTEP200045-02- 00	4,906	-	4,906	1

Aging Cluster

The accompanying notes are an integral part of this schedule.

**Skagit County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Footnote Ref
				From Pass- Through Awards	From Direct Awards	Total	
ADMINISTRATION FOR COMMUNITY LIVING (ACL), HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Northwest Regional Council)	Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045	201018- NUTR/(03)	205,299	-	205,299	1, 2
ADMINISTRATION FOR COMMUNITY LIVING (ACL), HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Northwest Regional Council)	Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045	201018- NUTR/(03)	61,102	-	61,102	1, 2
			Total CFDA 93.045:	266,401	-	266,401	
ADMINISTRATION FOR COMMUNITY LIVING (ACL), HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Northwest Regional Council)	Nutrition Services Incentive Program	93.053	202018- NUTR/NSIP18	80,335	-	80,335	1
			Total Aging Cluster:	346,736	-	346,736	
CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Health)	Public Health Emergency Preparedness	93.069	NU90TP922043	72,112	-	72,112	1, 3f
CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Health)	Public Health Emergency Preparedness	93.069	NU90TP922043	65,258	-	65,258	1, 3f
			Total CFDA 93.069:	137,370	-	137,370	

The accompanying notes are an integral part of this schedule.

Skagit County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures		Passed through to Subrecipients	Footn ote Ref
				From Pass- Through Awards	From Direct Awards		
CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Health)	Injury Prevention and Control Research and State and Community Based Programs	93.136	NU17CE925007	18,305	-	18,305	1, 3f
CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Health)	Injury Prevention and Control Research and State and Community Based Programs	93.136	NU18CE925007	57,881	-	57,881	1, 3f
Total CFDA 93.136:				76,186	-	76,186	
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Social and Health Services, Behavioral Health and Service Integration, Division of Behavioral Health and Recovery)	Immunization Cooperative Agreements	93.268	NH23IP922619	500	-	500	1
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Social and Health Services, Behavioral Health and Service Integration, Division of Behavioral Health and Recovery)	Immunization Cooperative Agreements	93.268	NH23IP922619	3,265	-	3,265	1, 3f

The accompanying notes are an integral part of this schedule.

Skagit County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Footnote Ref
				From Pass- Through Awards	From Direct Awards	Total	
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Social and Health Services, Behavioral Health and Service Integration, Division of Behavioral Health and Recovery)	Immunization Cooperative Agreements	93.268	NH23IP922619	127		127	1, 3f
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Social and Health Services, Behavioral Health and Service Integration, Division of Behavioral Health and Recovery)	Immunization Cooperative Agreements	93.268	NH23IP922619	450,818		450,818	1, 3f
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Social and Health Services, Behavioral Health and Service Integration, Division of Behavioral Health and Recovery)	Immunization Cooperative Agreements	93.268	NH23IP922619	8,302		8,302	1, 3f
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Department of Social & Health Services, Economic Services Administration)	COVID-19 Epidemiology & Laboratory Capacity for Infectious Diseases (ELC)	93.323		7,449		7,449	1
Total CFDA 93.268:				463,012		463,012	

The accompanying notes are an integral part of this schedule.

Skagit County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures		Footnote Ref
				From Pass- Through Awards	From Direct Awards	
				Total	Passed through to Subrecipients	
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Department of Social & Health Services, Economic Services Administration)	COVID-19 Epidemiology & Laboratory Capacity for Infectious Diseases (ELC)	93.323		530,055	530,055	1
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Department of Social & Health Services, Economic Services Administration)	COVID-19 Epidemiology & Laboratory Capacity for Infectious Diseases (ELC)	93.323	6,341	6,341		1
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Department of Social & Health Services, Economic Services Administration)	COVID-19 Epidemiology & Laboratory Capacity for Infectious Diseases (ELC)	93.323	5,486	5,486		1
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Department of Social & Health Services, Economic Services Administration)	COVID-19 Epidemiology & Laboratory Capacity for Infectious Diseases (ELC)	93.323	56,317	56,317		1
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Department of Social & Health Services, Economic Services Administration)	COVID-19 Epidemiology & Laboratory Capacity for Infectious Diseases (ELC)	93.323	581	581		1

The accompanying notes are an integral part of this schedule.

Skagit County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Footnote Ref
				From Pass- Through Awards	From Direct Awards	Total	
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Department of Social & Health Services, Economic Services Administration);	COVID-19 Epidemiology & Laboratory Capacity for Infectious Diseases (ELC)	93 323	822	-	822	1	
		Total CFDA 93.323:	607,051	-	607,051		
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Social and Health Services, Economic Services Division)	Child Support Enforcement	93 563	109,923	-	109,923	1,2	
		Total CFDA 93.563:	135,885	-	135,885		
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Social and Health Services, Economic Services Division)	Child Support Enforcement	93 563	1663-67776/Child Support Enforcement	-	25,962	1,2	
		Total CFDA 93.563:	135,885	-	135,885		
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Public Hospital District #304)	Opioid STR	93 788	1763-94269 Opioid STR	-	17,593	1	
				-	15,993		

The accompanying notes are an integral part of this schedule.

Skagit County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures		Footnote Ref		
				From Pass- Through Awards	From Direct Awards			
				Total	Passed through to Subrecipients			
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Public Hospital District #304)	Opioid STR	93.788	1763-94269 Opioid STR	198,885	-	198,885	180,804	1
Total CFDA 93.788:				216,478	-	216,478	196,797	
HEALTH RESOURCES AND SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Children, Youth and Families)	Maternal, Infant and Early Childhood Home Visiting Grant Program	93.870	18-1050/NFP (MIECHV)	412,899	-	412,899	-	1, 2, 3d
HEALTH RESOURCES AND SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Children, Youth and Families)	HCA IRA DUH Naloxone	93.943	CLH31025	7,561	-	7,561	-	1, 3e
HEALTH RESOURCES AND SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Children, Youth and Families)	HCA IRA DUH Naloxone	93.943	CLH31025	6,293	-	6,293	-	1, 3e
Total CFDA 93.788:				13,854	-	13,854	13,854	
HEALTH RESOURCES AND SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Children, Youth and Families)	Recovery Support Systems	93.958	B09S083998	21,334	-	21,334	-	1, 3b

The accompanying notes are an integral part of this schedule.

Skagit County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Footnote Ref
				From Pass- Through Awards	From Direct Awards	Total	
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Health Care Authority, Division of Behavioral Health)	Block Grants for Prevention and Treatment of Substance Abuse	93.959	B08TIO683486	154,234	-	154,234	1, 3c
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Health Care Authority, Division of Behavioral Health)	Block Grants for Prevention and Treatment of Substance Abuse	93.959	K3218	212,139	-	212,139	1, 3dc
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via North Sound Behavioral Health Organization)	Block Grants for Prevention and Treatment of Substance Abuse	93.959	B08TI5.1453	21,334	-	21,334	1
Total CFDA 93.959:				387,707	-	387,707	
HEALTH RESOURCES AND SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Health)	Maternal and Child Health Services Block Grant to the States	93.994	CLH18259/FFY19 MCHBG LHJ Contracts (MIH/CAH)	26,057	-	26,057	1, 3e
HEALTH RESOURCES AND SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Health)	Maternal and Child Health Services Block Grant to the States	93.994	CLH18259/FFY19 MCHBG LHJ Contracts (CSHCN)	87,944	-	87,944	1, 3e
Total CFDA 93.994:				114,001	-	114,001	
Total CFDA 93.959:				387,707	-	387,707	
Total CFDA 93.994:				114,001	-	114,001	

The accompanying notes are an integral part of this schedule.

Skagit County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures		Footn ote Ref
				From Pass- Through Awards	From Direct Awards	
U.S. COAST GUARD, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Parks and Recreation Commission)	Boating Safety Financial Assistance	97.012	DHS-USCG-2017-001	416	-	1
U.S. COAST GUARD, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Parks and Recreation Commission)	Boating Safety Financial Assistance	97.012	DHS-USCG-2017-003	14,286	-	1
Total CFDA 97.012				14,702	14,702	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military Department)	Lyman Acquisition	97.029	19HSGP	58,816	-	1
Total Federal Awards Expended:				\$ 19,496,958	\$ 7,489,631	\$ 15,875,628

The accompanying notes are an integral part of this schedule.

SKAGIT COUNTY, WASHINGTON

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended December 31, 2022

NOTE 1 – BASIS OF ACCOUNTING

This schedule is prepared on the same basis of accounting as Skagit County's financial statements. Skagit County, in compliance with generally accepted accounting practices, uses modified accrual accounting for government funds and accrual accounting for proprietary funds.

NOTE 2 – PROGRAM COSTS

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including Skagit County's 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.

NOTE 3 – INDIRECT COST RATE

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

The amount expended includes a percentage claimed as an indirect cost recovery using an approved indirect cost rate. These rates are as shown below:

(a) 2%, (b) 15%, (c) 10% (d) 19.50%, (e) 24.47%, (f) 25%, (g) 30%

NOTE 4 – NONCASH AWARDS - VOUCHERS

The amount of vouchers reported on the schedule is the value of food vouchers received by Skagit County during 2022 and priced as prescribed by the Department of Agriculture.

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

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