



Washington State Auditor's Office

Government that works for citizens

Financial Statements and Federal Single Audit Report

Skagit County

For the period January 1, 2015 through December 31, 2015

Published August 25, 2016

Report No. 1017087





Washington State Auditor's Office

August 25, 2016

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,

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Skagit County January 1, 2015 through December 31, 2015

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 financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, 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 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>CFDA No.</u>	<u>Program or Cluster Title</u>
20.205	Highway Planning and Construction
93.778	Medical Assistance Program

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

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

SECTION II – FINANCIAL STATEMENT FINDINGS

See finding 2015-001.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

Skagit County January 1, 2015 through December 31, 2015

2015-001 The County's internal controls over financial statement preparation are inadequate to ensure accurate and complete reporting for the Jail and Agency Funds.

Background

County Commissioners, state and federal agencies, and the public rely on the information included in the financial statements and reports to make decisions. It is the responsibility of County management to design and follow internal controls that provide reasonable assurance regarding the reliability of financial reporting.

Our audit identified deficiencies in internal controls over financial reporting that affected the County's ability to produce reliable financial statements.

Description of Condition

The County did not ensure that an adequate and complete review of the financial statement presentation was performed in regards to the County Jail Fund and Statement of Fiduciary Net Position.

This deficiency in internal controls over financial reporting represents a material weakness.

Cause of Condition

The County allocated significant resources, including staff time, to the December 2015 implementation of Government Accounting Standards Board (GASB) Statement No. 68 *Accounting and Financial Reporting for Pensions*. The allocation of resources was therefore inadvertently reduced for the remainder of the financial statement report preparation process, compared to historical controls in place.

The County created the County Jail Fund in January 2014 to account for the recently approved Public Safety Tax, separating out activity previously reported in the General Fund. Adequate resources were not allocated to ensuring that the new processes in place were accurately reflected on the financial statements, again due to the significant allocation of resources dedicated to the implementation of the GASB standard.

Effect of Condition

The material weakness in internal controls resulted in the following material misstatements found in the financial statements submitted for audit:

- The Statement of Fiduciary Net Position was not updated from the prior year and did not reflect current activity. Therefore, Total Assets and Total Liabilities are underreported by \$71,524,911.
- Investment in Capital Assets, Net for the County Jail fund was overstated by \$14,826,330. The County miscalculated this figure based on misinterpretation of guidance in the *Budgeting Accounting and Reporting Standards* (BARS) manual.
- Interest Revenue (Expense) was over reported by \$2,100,498, and therefore Construction in Progress was underreported by the same amount in the County Jail fund. The interest should have been capitalized.

All misstatements were subsequently corrected by management.

Recommendation

We recommend the County allocate adequate staff time to research for, preparation of, and review of the annual financial report to ensure it is fairly presented, complete, and accurate.

County's Response

Statement of Fiduciary Net Position: The combining statements were completed and submitted to the SAO in a timely manner with no errors detected; however, the basic statement was not updated with the totals from the combining statements. An additional step in the review process was added.

Net Investment in Capital Assets: This was based on a worksheet in the BARS manual that has been consistently used in prior years with no audit findings. The County acknowledges the error, and has made the correction.

Interest Revenue (Expense): The County acknowledges the error and has made the correction.

Auditor's Remarks

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

Applicable Laws and Regulations

RCW 43.09.200 Local government accounting – Uniform system of accounting, states in part:

The state auditor shall formulate, prescribe, and install a system of accounting and reporting for all local governments, which shall be uniform for every public institution, and every public office, and every public account of the same class.

Budgeting Accounting and Reporting System (BARS) Manual – Accounting, Accounting Principles and General Procedures, Internal Control, states:

Internal control is a management process for keeping an entity on course in achieving its business objectives, as adopted by the governing body. This management control system should ensure that resources are guarded against waste, loss and misuse; that reliable data is obtained, maintained, and fairly disclosed in financial statement and other reports; and resource use is consistent with laws, regulations and policies.

Each entity is responsible for establishing and maintaining an effective system of internal control throughout their government

Government Auditing Standards, December 2011 Revision, paragraph 4.23 states:

When performing GAGAS financial audits auditors should communicate in the report on internal control over financial reporting and compliance based upon the work performed, (1) significant deficiencies and material weaknesses in internal control; (2) instances of fraud and noncompliance with provisions of laws or regulations that have a material effect on the audit and any other instances that warrant the attention of those charged with governance; (3) noncompliance with provisions of contracts or grant agreements that has a material effect on the audit; and (4) abuse that has a material effect on the audit.

The American Institute of Certified Public Accounts defines significant deficiencies and material weaknesses in its Codification of Statements on Audit Standards section 115 as follows:

- a. Significant deficiency: 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.

- b. Material weakness: A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

**Skagit County
January 1, 2015 through December 31, 2015**

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, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of Skagit County, Washington, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 29, 2016. As discussed in Note X to the financial statements, during the year ended December 31, 2015, the County implemented Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*.

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) to determine the 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying

Schedule of Audit Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying Schedule of Audit Findings and Responses as Finding 2015-001 to be material weaknesses.

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 the County's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

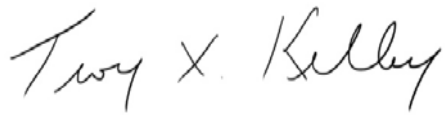
COUNTY'S RESPONSE TO FINDINGS

The County's response to the findings identified in our audit is described in the accompanying Schedule of Audit Findings and Responses. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

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TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

June 29, 2016

**INDEPENDENT AUDITOR'S 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, 2015 through December 31, 2015**

Board of Commissioners
Skagit County
Mount Vernon, Washington

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

We have audited the compliance of Skagit County, Skagit County, Washington, with the types of compliance requirements described 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, 2015. The County's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's

compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the County's compliance.

Opinion on Each Major Federal Program

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, 2015.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

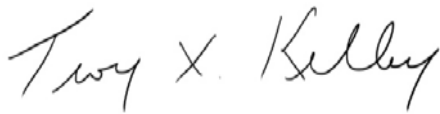
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *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 consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. We did not identify any

deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

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TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

June 29, 2016

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Skagit County **January 1, 2015 through December 31, 2015**

Board of Commissioners
Skagit County
Mount Vernon, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of Skagit County, Washington, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed on page 20.

Management's Responsibility 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; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the

financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of Skagit County, as of December 31, 2015, 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.

Matters of Emphasis

As discussed in Note X to the financial statements, in 2015, the County adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 22 through 33, budgetary comparison information on pages 82 through 91, pension plan information on pages 92 through 96 and information on postemployment benefits other than pensions on page 97 be presented to supplement the basic financial statements. Such information, 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.

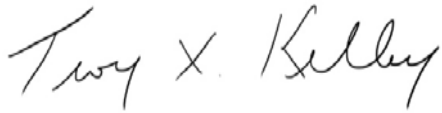
Supplementary and Other Information

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 schedule is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2016 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 internal control over financial reporting or on compliance. That report

is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Troy X. Kelley". The signature is written in a cursive, flowing style.

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

June 29, 2016

FINANCIAL SECTION

Skagit County January 1, 2015 through December 31, 2015

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2015

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2015

Statement of Activities – 2015

Balance Sheet Governmental Funds – 2015

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position – 2015

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds – 2015

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities – 2015

Statement of Net Position – Proprietary Funds – 2015

Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds – 2015

Statement of Cash Flows – Proprietary Funds – 2015

Statement of Fiduciary Net Position – Fiduciary Funds – 2015

Notes to Financial Statements – 2015

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual – General Fund – 2015

Schedule of Revenues – Budget (GAAP Basis) and Actual – General Fund – 2015

Schedule of Expenditures – Budget (GAAP Basis) and Actual – General Fund – 2015

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual – Mental Health Fund – 2015

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual – County Road Fund – 2015

Notes to Required Supplementary Information – 2015

Schedule of Proportionate Share of the Net Pension Liability PERS Plan 1 and 2/3– 2015

Schedule of Proportionate Share of the Net Pension Liability PSERS 2 and LEOFF 1–
2015

Schedule of Proportionate Share of the Net Pension Liability LEOFF 2– 2015

Schedule of Employer Contributions PERS Plan 1 and 2/3 – 2015

Schedule of Employer Contributions PSERS 2 and LEOFF 2 – 2015

Other Postemployment Benefits LEOFF I Retiree Medical Benefits – Schedule of
Funding Progress – 2015

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2015

Notes to the Schedule of Expenditures of Federal Awards – 2015

This discussion and analysis provides a narrative overview of Skagit County's financial activities for the fiscal year ended December 31, 2015. It should be considered in conjunction with information contained in the financial statements and in the notes to the financial statements.

FINANCIAL HIGHLIGHTS

- As of December 31, 2015, total assets of the County exceeded total liabilities by \$330 million. Net invested in capital assets (net of depreciation and related debt) account for 86% of this amount, at \$282 million. Of the remaining Net Position, \$36 million was restricted for specific purposes and \$11.5 million was unrestricted. Fund balance decreased \$1.3 million from operating activities and \$29 million from the implementation of GASB 68, *Accounting and Financial Reporting for Pensions*.
- Ending unassigned fund balance for the General Fund was \$13.6 million, assigned fund balance in the General Fund was \$1 million, a total increase of \$.8 million over the previous year. Management has elected to assign \$1 million of the General Fund for various capital and IT projects. The total increase in fund balance was due to a conservative approach to spending practices.
- Ending fund balance for the County Road fund was \$4.3 million, an increase of \$2.1 million over the previous year. This was mainly due to decreased capital projects, as well as lower material costs for maintenance, and a conservative approach to spending practices.
- Ending fund balance for the Mental Health fund was \$6.9 million, an increase of \$1.1 million over the previous year. This was mainly due to slight changes in grant revenues and a conservative approach to spending.
- Total long-term liabilities of the County were \$121.9 million at December 31, 2015. This is an increase of \$30.4 million, mainly attributable to the implementation of GASB 68, *Accounting and Financial Reporting for Pensions*.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements include the government-wide financial statements, the fund financial statements, and the notes to the financial statements.

Government-wide Financial Statements

These statements include the Statement of Net Position and the Statement of Activities. They provide an integrated picture of the County's financial information as a whole, and are presented on the full accrual basis of accounting, a methodology similar to that used by private sector businesses. Revenues and expenses are recognized when earned or incurred, regardless of the timing of the receipts or payments. These statements distinguish between functions of government that are principally supported by taxes and intergovernmental revenues (referred to as "governmental activities") and functions that are intended to recover all or a significant portion of their costs through user fees and charges (referred to as "business-type activities"). The governmental activities of Skagit County include law enforcement and public safety; the superior, juvenile, and district court systems; legal prosecution and indigent defense; jails and corrections; road construction and maintenance; planning and community development; parks and open

space preservation; and care and welfare of the disadvantaged and mentally ill. Other general government services provided include elections, property assessment, tax collection, and the issuance of licenses. The business-type activities of Skagit County include solid waste disposal and a drainage utility, and a jail fund.

The Statement of Net Position presents all of Skagit County's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference of assets plus deferred outflows and liabilities plus deferred inflows reported as net position. Over time, changes in net position may serve as an indicator of whether the financial position of the County is improving or deteriorating. Non-financial indicators, such as the condition of infrastructure systems or changes in tax base, should also be considered in evaluating financial stability.

The statement of activities presents information showing how the government's net position changed during the year. It separates program revenue (generated by specific programs through charges for services, grants, and contributions) from general revenue (from taxes and other sources not generated by a particular program), showing to what extent each program relies on general revenues for funding.

The financial statements also include information for The Central Valley Ambulance Authority, a component unit of Skagit County. The component unit is not covered in this discussion. Additional information concerning this entity may be found in Note I of the notes to the financial statements.

Fund Financial Statements

Skagit County uses fund accounting to control and manage monies for specific purposes. Some funds may be mandated by state law or by other legal requirements.

Governmental Funds

Most general government services are accounted for in the governmental funds, using the modified accrual basis of accounting. This method focuses on near-term inflows and outflows of spendable resources and on balances of spendable resources available at the end of the fiscal year. This perspective is narrower than that reflected in the government-wide financial statements, which focuses on a more long-term view. Reconciliation statements are provided which detail the differences between governmental activities in the government-wide statements and the information presented in the fund financial statements for the governmental funds.

Skagit County's major funds, the General Fund, the County Road Fund, and the Mental Health Funds are presented separately in the fund statements. Data for the remaining governmental funds are combined into a single, aggregated column.

Proprietary Funds

Proprietary funds, which include enterprise and internal service funds, use the full accrual method of accounting and are used to account for functions which are intended to be self-supporting by their rates and fees. Skagit County has three enterprise funds - solid waste, a drainage utility and a jail fund. Internal service funds are used to account for the County's vehicle fleet, medical and unemployment insurance, computer systems, and other administrative services.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. They are not reflected in the government-wide financial statements because those funds are not available for use by Skagit County.

Notes to the Financial Statements

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

The Comprehensive Annual Financial Report (CAFR) also includes a Supplemental Schedules section that provides more detailed information about the County.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position

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

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
ASSETS						
Current and Other Assets	\$ 100,314,876	\$ 92,466,381	\$ 57,015,291	\$ 61,974,928	\$ 157,330,167	\$ 154,441,309
Capital Assets and						
Construction in Progress (Net of Depreciation)	273,798,884	288,981,407	34,869,175	23,640,989	308,668,059	312,622,396
Net Pension Asset	1,733,674		70,909		1,804,583	
Total Assets	375,847,434	381,447,788	91,955,375	85,615,917	467,802,809	467,063,705
DEFERRED OUTFLOW OF RESOURCES	3,055,283		494,683		3,549,966	\$0
LIABILITIES						
Long-Term Liabilities	47,207,457	20,059,935	74,778,475	71,456,924	121,985,932	91,516,859
Other Liabilities	10,296,564	11,042,473	2,974,493	2,716,452	13,271,057	13,758,925
Total Liabilities	57,504,021	31,102,408	77,752,968	74,173,376	135,256,989	105,275,784
DEFERRED INFLOW OF RESOURCES	4,580,582	42,547	539,458	-	5,120,040	-
NET POSITION						
Net Investments in Capital Assets	273,798,884	291,628,047	9,066,636	14,405,733	282,865,520	306,033,780
Restricted	36,559,030	30,418,711	-	-	36,559,030	30,418,711
Unrestricted	6,460,201	28,256,073	5,090,996	(2,963,191)	11,551,197	25,292,882
Total Net Position	\$ 316,818,114	\$ 350,302,831	\$ 14,157,632	\$ 11,442,542	\$ 330,975,746	\$ 361,745,373

Of the \$157.3 million in current and other assets at December 31, 2015, \$135.1 million is cash, cash equivalents and investments. A very small portion of this amount, \$1.4 million, is restricted for specific purposes. Accounts receivable, Notes receivable and amounts due from other governments total \$17.2 million. Inventories/prepayments total \$4.9 million. Cash, cash equivalents and investments represented 86% (compared to 83% in 2014), while accounts

receivable, notes receivable and amounts due from other governments accounted for 11% (compared to 13.3% from 2014).

At December 31, 2015, the County had outstanding long-term liabilities of \$121.9 million, as compared to \$91 million in 2014. This is the result of the implementation of GASB 68 and the resulting net pension liability. Of this total, \$4.5 million was due within one year. See Note V of the notes to the financial statements for more information regarding long term debt. Other liabilities amounted to \$13 million. These represent primarily accounts payable and accrued liabilities due as a result of ordinary operations.

The largest portion of the County's Net Position (85%) reflects its 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 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, 11% of the County's net position is subject to legal restrictions for specific purposes. The remaining balance of Net Position is a \$11 million.

Statement of Changes in Net Position

The County's total Net Position decreased by \$30.8 million in 2015, primarily due to accounting and reporting changes for net pension liabilities. See Note X for more information regarding the decrease. Governmental activities reflected a decrease of \$33 million while the Net Position of business-type activities increased \$2.7 million. Key elements in these changes are shown below:

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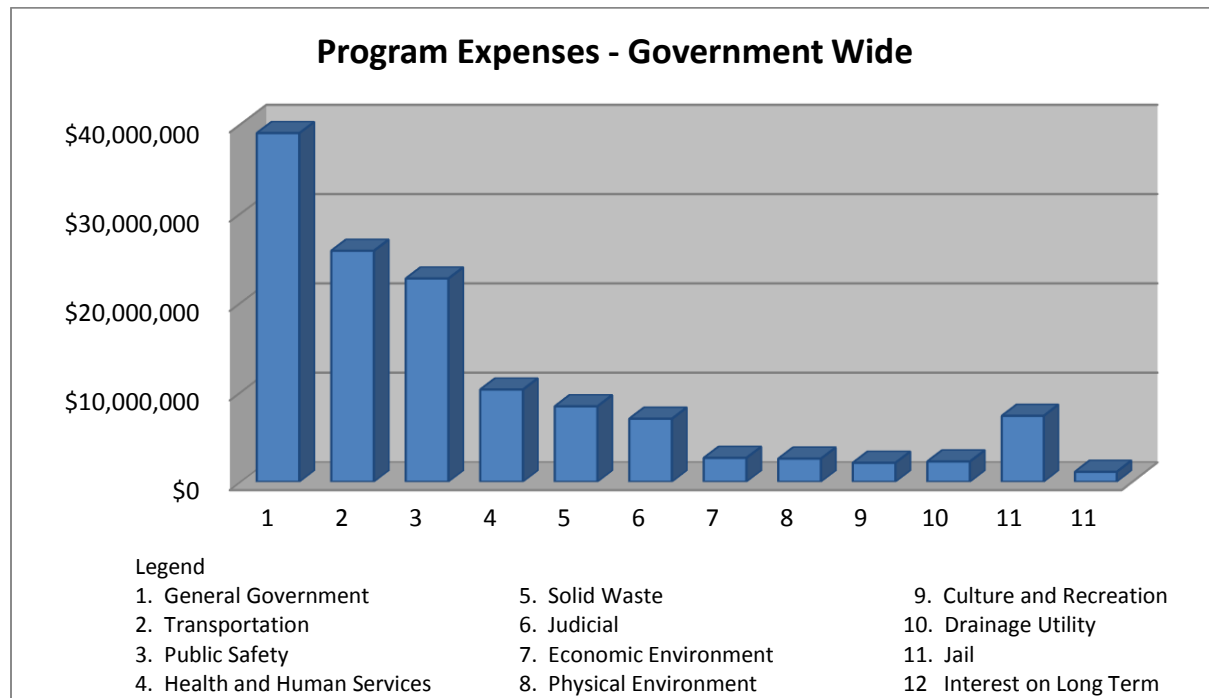
	Changes in Net Assets					
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
REVENUES						
Program Revenues						
Charges for Services	\$ 31,263,970	\$ 27,039,213	\$ 23,303,859	\$ 22,798,505	\$ 54,567,829	\$ 49,837,718
Operating Grants and Contributions	7,309,333	8,098,345	1,004,289	1,044,605	8,313,622	9,142,950
Capital Grants and Contributions	1,324,956	4,097,331	-	-	1,324,956	4,097,331
General Revenues						
Taxes	64,420,228	62,720,019	-	-	64,420,228	62,720,019
Interest Earnings on Investments	1,613,617	1,559,578		6,505	1,613,617	1,566,083
Total Revenues	105,932,104	\$103,514,486	24,308,148	\$23,849,615	130,240,252	127,364,101
PROGRAM EXPENSES						
General Government	38,988,745	33,434,058	-	-	38,988,745	33,434,058
Judicial	7,023,822	6,993,755	-	-	7,023,822	6,993,755
Public Safety	22,700,976	21,504,017	-	-	22,700,976	21,504,017
Physical Environment	2,579,726	2,241,397	-	-	2,579,726	2,241,397
Transportation	25,806,761	32,912,501	-	-	25,806,761	32,912,501
Economic Environment	2,662,654	2,836,294	-	-	2,662,654	2,836,294
Health and Human Services	10,277,091	11,366,884	-	-	10,277,091	11,366,884
Culture and Recreation	2,118,435	2,010,042	-	-	2,118,435	2,010,042
Solid Waste		-	8,414,131	8,065,622	8,414,131	8,065,622
Drainage Utility	-	-	2,259,694	2,495,934	2,259,694	2,495,934
Jail Fund			7,351,101	6,944,227	7,351,101	6,944,227
Interest on Long Term Debt	1,113,066	2,572,433	395,829	412,567	1,508,895	2,985,000
Total Expenses	113,271,276	115,871,381	18,420,755	17,918,350	131,692,031	133,789,731
Excess (Deficiency) of Revenues Over (Under) Expenditures before transfers	(7,339,172)	(12,356,895)	5,887,393	5,931,265	(1,451,779)	(6,425,630)
Special Items - Gain on Sale of Capital Assets	114,660	(340,575)			114,660	(340,575)
Special Items - Issuance of Long Term Debt		1,786,614			-	1,786,614
Transfers	(58,858)	(50,845)	58,858	50,845	-	-
Change in Net Position	(7,283,370)	(10,961,701)	5,946,251	5,982,110	(1,337,119)	(4,979,591)
Net Position, January 1	350,302,832	360,532,657	11,442,541	4,299,905	361,745,373	364,832,562
Prior Period Adjustment	(26,201,349)	731,875	(3,231,160)	1,160,528	(29,432,509)	1,892,403
Net Position, January 1 - Restated	324,101,483	361,264,532	8,211,381	5,460,433	332,312,864	366,724,965
Net Position, December 31	\$ 316,818,114	\$ 350,302,831	\$ 14,157,630	\$ 11,442,543	\$ 330,975,744	\$ 361,745,374

Total revenues were \$130.2 million in 2015, an increase of \$3.2 million from 2014. The main reason for the increase is the increases in charges for services and taxes. Governmental activities provided \$105 million (81%), while business-type activities added \$23.8 million. Within governmental activities, tax revenue accounted for 61% of total revenue sources, with grants and contributions accounting for 8.4 % (down from 10.4% in 2014).

Charges for services accounted for 96% of the revenues of business type activities, with the remaining provided by interest and operating grants and contributions.

Total expenses for the year amounted to \$131.7 million, a decrease of \$2.1 million from 2014. Governmental activities accounted for \$113.3 million (86%), with the largest program expenses in the areas of general government and transportation. These three programs accounted for 57% of total governmental expenses. Of the \$18.4 million in business-type expenses, 46% is associated with the solid waste program, a decrease of .1% from 2014.

The following graph illustrates 2015 government wide program spending:



FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

Governmental Funds Balance Sheet Analysis

The General Fund, County Road Fund, and Mental Health Fund are the County's major funds in 2015. Together these funds account for 51.7% of total governmental fund assets and 45% of total governmental fund balances.

As of December 31, 2015, the County's governmental funds reported combined fund balances of \$57 million, an increase from \$50.7 million in 2014. Of this amount, \$.007 million (.01%) is Nonspendable, \$35 million (61%) is Restricted, \$7.3 million (13%) is reported as Committed, \$1 million is assigned, and \$13.5 million (24%) is unassigned and available for spending within the designated funds. Nonspendable, Restricted, Committed, and Assigned fund balance of \$43.4 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 \$13.6 million at December 31, 2015, from \$14 million at December 31, 2014. \$1 million of the general fund fund balance is assigned for various capital and IT projects. Total assets of the General Fund were \$21.7 million at December 31, 2015, accounting for 30% of total governmental fund assets. This represents an increase of \$1.7 million from 2014.

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Governmental Funds Revenue/Expenditure Analysis

Total revenues for governmental funds were \$102.4 million in 2015. This represents a decrease of \$1.1 million from 2014. During the same period, total expenditures decreased to \$97 million, down from \$103.3 million in 2014. The General Fund, Mental Health Fund, and County Road fund account for 72.9% of all governmental fund revenue (consistent with 72.9% in 2014) and 68% of all expenditures remaining steady from 2015.

The net change in fund balance for the General Fund in 2015 was a positive \$.8 million. The increase in fund balance for the County Road fund was \$2.1 million. The net change in the Mental Health Fund was \$1.1 million. The non-major governmental funds had an overall positive change in fund balances of \$6 million for 2015.

Enterprise Funds Net Position Analysis

All enterprise funds of Skagit County are considered major funds for 2015. Comparative information from the proprietary funds' statement of Net Position is as follows:

	Business-Type Activities - Enterprise Funds							
	Net Assets							
	Solid Waste		Drainage Utility		Jail Fund		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
ASSETS								
Current Assets								
Cash and Cash Equivalents	\$2,680,334	\$2,551,060	\$326,805	\$1,166,616	\$52,182,269	\$56,343,088	\$55,189,408	\$60,060,764
Other Current Assets	1,016,539	710,509	292,636	482,582	1,044,332	1,431,264	2,353,507	2,624,355
Total Current Assets	3,696,873	\$3,261,569	619,441	\$1,649,198	53,226,601	\$57,774,352	57,542,915	62,685,119
Non-Current Assets								
Construction in Progress	-	-	161,934	2,274,508	17,071,990	5,799,566	17,233,924	8,074,074
Capital Assets	13,719,305	13,627,814	9,750,454	7,201,329	-	-	23,469,759	20,829,143
Less Accumulated Depreciation	(3,577,336)	(3,241,068)	(2,257,172)	(2,021,160)	-	-	(5,834,508)	(5,262,228)
Unamortized Debt Issue Costs	-	-	-	-	-	-	-	-
Net Pension Asset	-	-	-	-	70,909	-	70,909	-
Total Non-Current Assets	10,141,969	10,386,746	7,655,216	7,454,677	17,142,899	5,799,566	34,940,084	23,640,989
Total Assets	13,838,842	\$13,648,315	8,274,657	\$9,103,875	70,369,500	\$63,573,918	92,482,999	86,326,108
Deferred Outflows of Resources	106,348	-	47,155	-	341,180	-	494,683	-
LIABILITIES								
Current Liabilities								
Accounts/Vouchers Payable	502,919	434,300	189,881	84,478	1,962,860	468,220	2,655,660	986,998
Other Current Liabilities	772,130	904,115	79,692	118,867	555,134	526,857	1,406,956	1,549,839
Total Current Liabilities	1,275,049	1,338,415	269,573	203,345	2,517,994	995,077	4,062,616	2,536,837
Non-Current Liabilities								
Bonds Payable	8,230,550	8,728,228	-	-	55,682,195	55,827,358	63,912,745	64,555,586
Other Non-Current Liabilities	7,824,856	6,958,072	465,070	42,888	2,015,306	130,311	10,305,232	7,131,271
Total Non-Current Liabilities	16,055,406	15,686,300	465,070	42,888	57,697,501	55,957,669	74,217,977	71,686,857
Total Liabilities	17,330,455	17,024,715	734,643	246,233	60,215,495	56,952,746	78,280,593	74,223,694
Deferred Inflows of Resources	147,639	-	65,464	-	326,355	-	539,458	-
NET POSITION								
Net Investment in Capital Assets	1,411,419	1,163,518	7,655,217	7,454,677	-	5,787,538	9,066,636	14,405,733
Unrestricted	(4,944,322)	(4,539,918)	(133,512)	743,092	10,168,829	833,634	5,090,995	(2,963,192)
Total Net Position	(\$3,532,903)	(3,376,400)	\$7,521,705	8,197,769	\$10,168,829	6,621,172	\$14,157,631	\$11,442,541

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As of December 31, 2015, the enterprise funds reported combined Net Position of \$14.1 million (compared to \$11.4 million in 2014). This is the total of a \$3.5 million deficit in the Solid Waste Fund (up \$.1 million in 2014) and a positive \$7.5 million in the Drainage Utility Fund (down from \$8.1 million from 2014). The Jail fund net position is \$10.2 million, up from \$6.6 million in 2014.

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	
	2015	2014	2015	2014	2015	2014	2015	2014
REVENUES								
Charges for Services	\$9,188,278	\$9,063,011	\$1,614,943	\$1,592,468	\$8,143,304	\$8,436,066	\$18,946,525	\$19,091,545
Other Operating Revenue					\$4,136,097	\$3,592,034	4,136,097	\$3,592,034
Intergovernmental	425,490	392,675	245,194	430,501	333,605	221,429	1,004,289	\$1,044,605
Interest Revenue	4,311	2,107	2,547	4,070		328	6,858	\$6,505
Miscellaneous Revenue	6,568	20,923	136,612	300	78,057	93,703	221,237	\$114,926
Total Revenues	9,624,647	\$9,478,716	1,999,296	\$2,027,339	12,691,063	\$12,343,560	24,315,006	23,849,615
EXPENSES								
Personal Services	1,693,207	1,709,585	739,546	694,064	5,549,983	5,039,787	7,982,736	7,443,436
Contractual Services	5,302,043	5,088,113					5,302,043	5,088,113
Other Supplies and Expenses	1,082,613	929,836	1,284,137	1,570,309	1,801,118	1,904,441	4,167,868	4,404,586
Depreciation	336,268	338,088	236,011	231,561			572,279	569,649
Loss on Disposition of Capital Assets	-	-					-	-
Interest Expense	402,687	412,567	-	-		-	402,687	412,567
Total Expenses	8,816,818	8,478,189	2,259,694	2,495,934	7,351,101	6,944,228	18,427,613	17,918,351
Income (Loss) Before Transfers	807,829	1,000,527	(260,398)	(468,595)	5,339,962	5,399,332	5,887,393	5,931,264
Capital Contributions	-	-	-	-			-	-
Interfund Transfers	-	-	(1,142)	(10,468)	60,000	61,312	58,858	50,844
Change in Net Position	807,829	1,000,527	(261,540)	(479,063)	5,399,962	5,460,644	5,946,251	5,982,108
Net Position, January 1	(3,376,400)	(4,376,927)	8,197,769	8,676,832	6,621,172		11,442,541	4,299,905
Prior Period Adjustment	(964,332)	-	(414,524)	-	(1,852,304)	1,160,528	(3,231,160)	1,160,528
Net Position, January 1 - Restated	(4,340,732)	(4,376,927)	7,783,245	8,676,832	4,768,868	1,160,528	8,211,381	5,460,433
Net Position, December 31	(\$3,532,903)	(3,376,400)	\$7,521,705	8,197,769	10,168,829	6,621,172	14,157,632	11,442,541

Revenues from the Solid Waste Fund represent 39% of the total revenues for enterprise funds in 2015, up from 40% in 2014. Total expenses for the Solid Waste Fund was 47.8% of the total enterprise funds. The Jail Fund revenues consisted of 52% of total enterprise revenues, consistent with 2014 and 40% of the expenses, up from 39% in 2014.

GENERAL FUND BUDGETARY HIGHLIGHTS

The following schedule provides a comparative analysis of the original and final amended General Fund budget:

For the Year Ended December 31, 2015			
	Original	Final	Variance
	Budget	Budget	Favorable
			(Unfavorable)
BUDGETED FUND BALANCE, JANUARY 1	\$ 4,377,173	\$ 4,610,875	\$233,702
RESOURCES (IN-FLOWS)			
Taxes	33,052,527	33,052,527	-
Licenses & Permits	332,000	332,000	-
Intergovernmental Revenue	5,569,353	5,854,167	284,814
Charges for Goods and Services	3,823,630	3,881,618	57,988
Fines and Forfeits	1,712,000	1,712,000	-
Interest Revenue	1,792,500	1,792,500	-
Miscellaneous Revenues	98,470	98,470	-
Transfers In	130,783	215,839	85,056
Total Resources (in-flows)	46,511,263	46,939,121	427,858
Amounts Available for Appropriation	50,888,436	51,549,996	661,560
CHARGES TO APPROPRIATIONS (OUT-FLOWS)			
General Government Services	19,345,154	19,542,614	(197,460)
Judicial	8,661,022	8,935,300	(274,278)
Public Safety	17,177,763	17,303,776	(126,013)
Physical Environment	40,768	40,768	-
Economic Environment	354,866	364,609	(9,743)
Health and Human Services	296,172	296,172	-
Culture and Recreation	446,000	446,000	-
Capital Expenditures	20,000	20,000	-
Transfers Out	4,546,691	4,600,757	(54,066)
Amount Charged to Appropriations (out-flows)	50,888,436	51,549,996	(661,560)
BUDGETED FUND BALANCE, DECEMBER 31	\$0	\$0	\$0

The net increase in revenues in the final amended budget represented a favorable variance of less than 1.0%. The net increase in expenditures represented an unfavorable increase of 1.3%. Total budgeted expenditures increased more than revenue increased by approximately \$233,000.

The majority of the changes to the final budget appropriation for both Intergovernmental revenues and General Government Services was due to a pass-through grant. The final budget appropriation for Judicial and Public Safety reflected an increase that was due to reorganization as well as a 2% wage increase for employees. The final budget appropriation for the Transfers Out was increased due to a change in accounting for central services expenses for Public Health.

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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, 2015

	Final Budget	Actual	Changes Favorable (Unfavorable)
FUND BALANCE, JANUARY 1	\$ 4,610,875	\$ 13,822,646	\$9,211,771
RESOURCES (IN-FLOWS)			
Taxes	33,052,527	33,424,312	371,785
Licenses & Permits	332,000	285,856	(46,144)
Intergovernmental Revenue	5,854,167	7,776,034	1,921,867
Charges for Goods and Services	3,881,618	4,135,939	254,321
Fines and Forfeits	1,712,000	2,083,276	371,276
Interest Revenue	1,792,500	1,484,320	(308,180)
Miscellaneous Revenues	98,470	139,591	41,122
Transfers In	215,839	212,901	(2,938)
Total Resources (in-flows)	46,939,121	49,542,229	2,603,109
Amounts Available for Appropriation	51,549,996	63,364,875	11,814,880
CHARGES TO APPROPRIATIONS (OUT-FLOWS)			
General Government Services	19,542,614	17,360,413	2,182,201
Judicial	8,935,300	8,713,544	221,756
Public Safety	17,303,776	17,039,605	264,171
Physical Environment	40,768	19,817	20,951
Economic Environment	364,609	362,798	1,811
Health and Human Services	296,172	295,928	244
Culture and Recreation	446,000	446,000	0
Capitalized Expenditures	20,000	0	20,000
Transfers Out	4,600,757	4,550,757	50,000
Amount Charged to Appropriations (out-flows)	51,549,996	48,788,862	2,761,134
FUND BALANCE, DECEMBER 31	\$0	\$14,576,013	\$14,576,013

The largest dollar variances for revenues are reflected in intergovernmental revenue, taxes, and fines and forfeits. The increase in intergovernmental revenue is the result of receiving Payment in Lieu of Taxes revenue that was still uncertain at the time of budget adoption as well as the receipt of timber revenues by 89%. The increase in taxes is due to retail sales and use tax exceeding the budgeted amount by 8% and the increase in fines and forfeits is attributable to a change in the reporting of certain revenues as fines and forfeits instead of miscellaneous revenues. It is important to note that while the budget was not adjusted for these changes, the projections through the year included them.

Actual expenditures were 5.4% less than budgeted. This is represented primarily by decreases in General Government Services, Public Safety, and Judicial followed by overall decreases in all areas except Culture and Recreation. The most significant variance is in General Government Services. This variance mainly reflects lower than budgeted expenses for Information Technology, Records Management, and Insurance services.

CAPITAL ASSETS AND LONG TERM DEBT

Capital Assets

The County's net capital assets were \$308 million at December 31, 2015. Construction in progress was an additional \$18.7 million. Capital assets include land, development rights, buildings, improvements, furniture and equipment, and infrastructure. Details of 2015 capital asset transactions are presented in Note IV.D of the notes to the financial statements.

During 2015 the County continued construction and remodeling of real property for County use. Ongoing projects include several road construction projects, construction of a new jail facility, and miscellaneous small parks projects.

Long-Term Debt

At December 31, 2015, general obligation bonds payable as reported by governmental activities was \$16.2 million, a decrease of \$1.4 million. Business type activities reported general obligation bonds payable of \$60.7 million, a decrease of \$.5 million from 2014.

The County's remaining legal capacity for non-voted debt at December 31, 2015 was approximately \$174 million.

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

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 April of 2003, the voters approved a 1/10th of 1% increase in sales tax to fund emergency communication systems and facilities.
- In December 2005, the Board of County Commissioners signed an Ordinance implementing a 1/10th of 1% increase in sales and use tax for the purpose of providing funds for new and expanded chemical dependency or mental health treatment services and for the operation of new or expanded therapeutic court programs.
- In December 2005, the Board of County Commissioners signed a resolution creating the Skagit County Clean Water (Shellfish Protection) District. While assessments were authorized at this time, collection didn't begin until the 2007 tax year. The assessment was authorized for 3 years. In September 2009, the Board of County Commissioners reauthorized the assessment for 5 years. In June of 2014, the Board reauthorized the assessment for 5 years.

- In November 2010, the County issued Limited Tax General Obligation Bonds in the amount of \$9,740,000 for improvements to the County's solid waste transfer station and other capital improvements to County facilities.
- In April of 2013, the County signed a resolution concerning a proposition that would authorize an additional sales and use tax at a rate of .3% to be used for the construction, maintenance and operation of jail facilities and police and fire protection. This proposition was approved by the voters in the August 6, 2013 primary election.
- In January of 2014, based on the Interlocal agreement to address the Jail facilities, the County created an enterprise fund called the Jail fund. Activities for the jail historically have been reported in the General Fund.
- In September 2014, the Board of County Commissioners passed several ordinances dissolving the EMS Commission and transferring the Commission's authority, responsibility, and assets to the Skagit County Department of Emergency Medical Services. The County's EMS Component Unit has been eliminated, and those activities now reside within the County.
- In November 2014, the County issued debt in the amount of \$51,920,000 to fund the design and construction of a regional jail facility. This was a result of an Interlocal agreement the Board entered into with partner agencies in April of 2013 to address the overcrowding issues with the jail.
- On July 6, 2015 Governor Inslee signed House Bill 1061 increasing the number of District Court Judges in Skagit County to three. The position was officially added to the County January 1, 2016. This was a welcome change to the County due to increased caseloads over the years.

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:

Tim Holloran, 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
360-336-9420

SKAGIT COUNTY, WASHINGTON

Statement of Net Position

December 31, 2015

	Primary Government			Component Unit CVA
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash and Cash Equivalents	\$ 65,671,912	\$ 55,189,408	\$ 120,861,320	\$ 561,288
Investments	12,932,884	-	12,932,884	
Accounts Receivables, Net	3,210,702	945,425	4,156,127	511,123
Due from Other Governments	5,196,427	1,302,100	6,498,527	305,285
Internal Balances	422,017	(422,017)	-	
Inventories and Prepayments	4,929,989	375	4,930,364	
Notes Receivable	6,565,000		6,565,000	
Restricted Assets:				
Restricted for Debt Service:				
Cash/Cash Equivalents	302,762	-	302,762	
Investments	1,083,184	-	1,083,184	
Net Pension Asset	1,733,674	70,909	1,804,583	
Non Depreciated Capital Assets	172,747,543	816,556	173,564,099	
Capital Assets, Net	99,544,968	16,818,695	116,363,663	885,063
Construction in Progress	1,506,373	17,233,924	18,740,297	
Total Assets	375,847,434	91,955,375	467,802,810	2,262,759
DEFERRED OUTFLOWS of RESOURCES	3,055,283	494,683	3,549,966	
LIABILITIES				
<u>Liabilities</u>				
Accounts Payable	6,245,236	2,655,660	8,900,897	110,072
Other Liabilities	3,434,020	318,832	3,752,852	185,682
Due to Other Governments	617,308	-	617,308	2,352
Long Term Liabilities:				
Due within One Year	3,915,413	560,500	4,475,913	
Due in More Than One Year	18,444,221	70,947,730	89,391,951	365,158
Net Pension Liability	24,847,823	3,270,246	28,118,069	
Total Liabilities	57,504,021	77,752,968	135,256,990	663,264
DEFERRED INFLOWS OF RESOURCES				
Total Deferred Inflows of Resources	4,580,582	539,458	5,120,040	
<u>Net Position</u>				
Net Investment in Capital Assets	273,798,884	9,066,636	282,865,520	885,063
Restricted for:				
General Government	6,906,782	-	6,906,782	
Public Safety	1,154,380	-	1,154,380	
Physical Environment	4,289,736	-	4,289,736	
Transportation	4,697,340	-	4,697,340	
Economic Environment	9,394,893	-	9,394,893	
Health & Human Services	8,167,295	-	8,167,295	
Culture and Recreation	563,659	-	563,659	
Debt Service	1,384,945	-	1,384,945	
Unrestricted	6,460,200	5,090,996	11,551,196	714,431
Total Net Position	\$ 316,818,114	\$ 14,157,632	\$ 330,975,746	\$ 1,599,495

See accompanying notes to the financial statements

SKAGIT COUNTY, WASHINGTON

Statement of Activities

For the Year Ended December 31, 2015

Net (Expenses) Revenues and Changes in Net Position									
Functions/Programs	Program Revenues				Primary Government			Component	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Unit	CVA
Primary Government:									
Governmental Activities:									
General Government	\$ 38,988,745	\$ 11,225,727	\$ 44,199	\$ 147,577	\$ (27,571,242)	\$ -	\$ (27,571,242)	\$ -	
Judicial	7,023,822	4,246,989	1,666,126	-	(1,110,707)	-	(1,110,707)	-	
Public Safety	22,700,976	2,072,801	522,130	-	(20,106,045)	-	(20,106,045)	-	
Physical Environment	2,579,726	289,242	298,257	21,090	(1,971,137)	-	(1,971,137)	-	
Transportation	25,806,761	6,685,090	271,063	1,156,289	(17,694,319)	-	(17,694,319)	-	
Economic Environment	2,662,654	1,380,435	1,347,842	-	65,623	-	65,623	-	
Health and Human Services	10,277,091	4,461,088	3,113,404	-	(2,702,599)	-	(2,702,599)	-	
Culture and Recreation	2,118,435	902,599	46,312	-	(1,169,524)	-	(1,169,524)	-	
Interest and Redemption on Long Term Debt	1,113,066	-	-	-	(1,113,066)	-	(1,113,066)	-	
Total Governmental Activities	113,271,275	31,263,970	7,309,333	1,324,956	(73,373,017)	-	(73,373,017)	-	
Business-Type Activities									
Solid Waste	8,414,131	9,194,846	425,490	-	-	1,206,205	1,206,205	-	
Drainage Utility	2,259,694	1,751,555	245,194	-	-	(262,945)	(262,945)	-	
Jail Fund	7,351,101	12,357,458	333,605	-	-	5,339,962	5,339,962	-	
Total Business-Type Activities	18,024,926	23,303,859	1,004,289	-	-	6,283,222	6,283,222	-	
Total Primary Government	131,296,201	54,567,829	8,313,622	1,324,956	(73,373,017)	6,283,222	(67,089,794)	-	
Component Unit									
Central Valley Ambulance Authority	5,184,287	2,796,141	2,381,471	182,157	-	-	-	175,482	
Total Component Unit	5,184,287	2,796,141	2,381,471	182,157	-	-	-	175,482	
General Revenues									
Property Taxes					45,164,735	-	45,164,735	-	
Sales/Use Taxes					18,421,647	-	18,421,647	-	
Other Taxes					833,846	-	833,846	-	
Interest and Investment Earnings					1,613,617	(395,829)	1,217,788	-	
Total General Revenues					66,033,845	(395,829)	65,638,016	-	
Special Item - Gain on Sale of Capital Assets					114,660		114,660	-	
Transfers					(58,858)	58,858	-	-	
Total General Revenues and Transfers					66,089,647	(336,971)	65,752,676	-	
Change in Net Position					(7,283,369)	5,946,251	(1,337,117)	175,482	
Net Position, January 1					350,302,831	11,442,542	361,745,373	1,424,013	
Prior Period Adjustments					(26,201,349)	(3,231,160)	(29,432,509)		
Net Position, January 1, as Restated					324,101,482	8,211,382	332,312,864	1,424,013	
Net Position, December 31					\$ 316,818,114	\$ 14,157,632	\$ 330,975,746	\$ 1,599,495	

See accompanying notes to the financial statements

SKAGIT COUNTY, WASHINGTON

Balance Sheet Government Funds

December 31, 2015

	Major Funds				
	General Fund	Mental Health Fund	County Road Fund	Other Governmental Funds	Total
ASSETS and OUTFLOWS of RESOURCES					
Cash and Cash Equivalents	\$ 15,770,723	\$ 4,612,546	\$ 7,137,261	\$ 20,029,503	\$ 47,550,033
Investments	-	2,094,849		11,921,219	14,016,068
Taxes Receivable	616,450	8,205	327,809	228,725	1,181,189
Accounts Receivable, Net	-	-	14,592	15,519	30,111
Accounts Receivable Other	1,934,461				1,934,461
Interest Receivable	63,362	-	-		63,362
Due from Other Funds	1,467,895	-	- #		1,467,895
Due from Other Governments	1,861,522	798,524	201,999	2,314,683	5,176,728
Interfund Loans Receivable	-	-	-	1,000	1,000
Inventories and Prepayments	3,415	-	-	6,232	9,647
Total Assets	21,717,827	7,514,124	7,681,661	34,516,880	71,430,494
Deferred Outflows of Resources					
Total Assets and Deferred Outflows of Resources	21,717,827	7,514,124	7,681,661	34,516,880	71,430,494
LIABILITIES, DEFERRED INFLOWS of RESOURCES and FUND BALANCES					
<u>Liabilities</u>					
Accounts and Vouchers Payable	340,407	331,250	900,182	1,623,845	3,195,685
Due to Other Funds	1,625,815	63,818	1,914,883	386,724	3,991,240
Due to Other Governmental Units	7,628	164,309	-	445,371	617,308
Accrued Wages Payable	838,129	20,005	220,675	285,127	1,363,936
Accrued Employee Benefits	170,074	4,122	49,084	65,432	288,711
Custodial Accounts	1,306,898	-		32,746	1,339,644
Unearned Revenue	-	-	-	208,823	208,823
Interfund Loans Payable	-	-	-	1,000	1,000
Total Liabilities	4,288,951	583,505	3,084,824	3,049,069	11,006,347
Deferred Inflows of Resources	2,852,863	8,205	327,809	236,725	3,425,602
<u>Fund Balance</u>					
Nonspendable				7,232	7,232
Restricted	-	6,922,415	4,269,029	23,976,302	35,167,746
Committed	-	-	-	7,247,553	7,247,553
Assigned	1,000,000	-	-	-	1,000,000
Unassigned	13,576,013	-	-	-	13,576,013
Total Fund Balances	14,576,013	6,922,415	4,269,029	31,231,087	56,998,544
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 21,717,827	\$ 7,514,124	\$ 7,681,662	\$ 34,516,880	\$ 71,430,493

See accompanying notes to the financial statements

SKAGIT COUNTY, WASHINGTON
Reconciliation of the Government Funds Balance Sheet
To the Statement of Net Position
December 31, 2015

Total fund balances as shown on the Governmental Fund Balance Sheet	\$ 56,998,542
Net capital assets of governmental funds as of December 31, 2015	264,320,443
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.	3,111,856
Net Position of the internal service funds	29,276,721
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, 2015	(36,889,448)
Liabilities not due and payable in the current period are not reported in the governmental funds.	
	<hr/>
Total Net Position as reported on the Statement of Net Position	<u><u>\$ 316,818,114</u></u>

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, 2015

	Major Funds			Other	
	General	Mental	County	Governmental	
	Fund	Health	Road	Funds	Total
Revenues					
Property Taxes	\$ 24,223,058	\$ 325,563	\$ 11,614,011	\$ 9,282,255	\$ 45,444,886
Sales and Use Taxes	8,575,834	2,660,622	465,393	6,719,799	18,421,647
Other Taxes	625,420	8,137		200,289	833,846
Licenses and Permits	285,856	-	73,161	1,213,798	1,572,816
Intergovernmental Revenues	7,776,034	2,263,850	6,224,586	5,678,530	21,943,000
Charges for Services	4,135,939	-	1,584,603	3,113,548	8,834,090
Fines and Forfeits	2,083,276	-	-	129,236	2,212,512
Interest Earnings	1,484,320	8,103	772	108,355	1,601,551
Donations	44,224	-	-	492,187	536,411
Other Revenues	95,367	16	102,738	795,243	993,365
Total Revenues	<u>49,329,329</u>	<u>5,266,291</u>	<u>20,065,264</u>	<u>27,733,240</u>	<u>102,394,124</u>
Expenditures					
Current:					
General Government	17,360,413	-	109,047	833,355	18,302,815
Judicial	8,713,544	-	-	-	8,713,544
Public Safety	17,039,605	-	-	9,965,436	27,005,041
Physical Environment	19,817	-	-	3,427,138	3,446,955
Transportation	-	-	17,301,348	192,296	17,493,644
Economic Environment	362,798	-	-	2,951,610	3,314,408
Health and Human Services	295,928	3,932,692	-	7,366,208	11,594,828
Culture and Recreation	446,000	-	-	1,915,129	2,361,129
Debt Service:					-
Principal	-	-	-	1,469,334	1,469,334
Interest	-	-	-	681,870	681,870
Capital Outlay			690,277	2,141,832	2,832,109
Total Expenditures	<u>44,238,105</u>	<u>3,932,692</u>	<u>18,100,672</u>	<u>30,944,208</u>	<u>97,215,677</u>
Excess (Deficit) Revenues Over Expenditures	<u>5,091,223</u>	<u>1,333,599</u>	<u>1,964,592</u>	<u>(3,210,968)</u>	<u>5,178,447</u>
Other Financing Sources (Uses)					
Issuance of Long Term Debt	-	-	-	814,731	814,731
Proceeds from Sale of Capital Assets	-	-	-	328,400	328,400
Transfers In	212,901	-	200,000	6,594,608	7,007,509
Transfers Out	(4,550,757)	(220,901)	(34,500)	(2,294,709)	(7,100,867)
Total Other Financing Source (Uses)	<u>(4,337,857)</u>	<u>(220,901)</u>	<u>165,500</u>	<u>5,443,030</u>	<u>1,049,773</u>
Net Change in Fund Balance	753,367	1,112,699	2,130,092	2,232,062	6,228,220
Fund Balance, January 1	13,822,646	5,809,716	2,138,937	28,999,024	50,770,323
Prior Period Adjustment				-	
Fund Balance, January 1, as restated	<u>13,822,646</u>	<u>5,809,716</u>	<u>2,138,937</u>	<u>28,999,024</u>	<u>50,770,323</u>
Fund Balance, December 31	<u>\$ 14,576,013</u>	<u>\$ 6,922,415</u>	<u>\$ 4,269,029</u>	<u>\$ 31,231,086</u>	<u>\$ 56,998,543</u>

See accompanying notes to the financial statements

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, 2015

Net change in fund balances as shown on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance	\$ 6,228,220
Net Capital Asset Activity	(15,356,219)
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	(1,055,425)
Internal service funds are included in governmental activities on the statement of Net Position	
Net Long-Term Debt Activity	3,180,197
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 deferred revenues and revenues not reportable on the modified accrual basis	(280,151)
Revenues are reported on the modified accrual basis for the governmental funds statements and on the full accrual basis for the statement of activities.	
	<hr/>
Change in Net Position as reflected in the Statement of Activities	<u><u>\$ (7,283,369)</u></u>
See accompanying notes to the financial statements	

SKAGIT COUNTY, WASHINGTON

Statement of Net Position

Proprietary Funds

December 31, 2015

	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	\$ 2,680,334	\$ 326,805	\$ 52,182,269	\$ 55,189,408	\$ 18,424,641
Accounts Receivable	865,939	70,986	8,500	945,425	1,579
Due From Other Funds	-	105,607	-	105,607	4,573,608
Due from Other Governments	150,600	116,043	1,035,457	1,302,100	19,699
Inventories/Prepayments	-	-	375	375	4,920,342
Total Current Assets	3,696,874	619,441	53,226,601	57,542,915	27,939,870
<u>Non-Current Assets</u>					
Capital Assets					
Land	618,875	197,681	-	816,556	-
Buildings	9,899,874	-	-	9,899,874	180,888
Improvements	1,387,854	9,523,204	-	10,911,058	-
Machinery and Equipment	1,812,702	29,569	-	1,842,271	19,159,714
Less Accumulated Depreciation	(3,577,336)	(2,257,172)	-	(5,834,508)	(9,862,162)
Construction In Progress	-	161,934	17,071,990	17,233,924	-
Net Pension Asset	-	-	70,909	70,909	-
Total Non-Current Assets	10,141,969	7,655,216	17,142,900	34,940,085	9,478,440
Total Assets	13,838,843	8,274,657	70,369,501	92,483,000	37,418,311
Deferred Outflows of Resources	106,348	47,155	341,180	494,683	302,929
LIABILITIES AND FUND EQUITY					
<u>Current Liabilities</u>					
Accounts/Vouchers Payable	502,919	189,881	1,962,860	2,655,660	3,022,528
Due to Other Funds	122,406	58,127	347,091	527,624	1,628,246
Interest Payable	33,427	-	-	33,427	-
Interfund Loans Payable	-	-	-	-	-
Accrued Wages Payable	44,639	18,225	166,781	229,645	167,506
Accrued Employee Benefits	11,158	3,340	41,262	55,760	28,525
Accrued Taxes Payable	-	-	-	-	-
Other Accrued Liabilities	60,500	-	-	60,500	27,024
Bonds Payable	500,000	-	-	500,000	-
Total Current Liabilities	1,275,049	269,573	2,517,996	4,062,617	4,873,829
<u>Non-Current Liabilities</u>					
Compensated Absences	56,360	30,570	159,472	246,401	245,355
Post Closure Landfill Costs	2,861,425	-	-	2,861,425	-
Environmental Liability	3,927,159	-	-	3,927,159	113,533
Bonds Payable	8,230,550	-	55,682,195	63,912,745	-
Net Pension Liability	979,912	434,500	1,855,834	3,270,246	2,791,255
Total Non-Current Liabilities	16,055,406	465,070	57,697,501	74,217,976	3,150,143
Total Liabilities	17,330,455	734,643	60,215,497	78,280,593	8,023,972
Deferred Inflows of Resources	147,639	65,464	326,355	539,458	420,547
<u>Net Position</u>					
Net Investment in Capital Assets	1,411,419	7,655,217	-	9,066,636	9,478,440
Unrestricted	(4,944,322)	(133,512)	10,168,829	5,090,995	19,798,281
Total Net Position	\$ (3,532,903)	\$ 7,521,705	\$ 10,168,829	\$ 14,157,632	\$ 29,276,721

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, 2015

	Business - Type Activities Enterprise Funds				Governmental Activities *Internal Service Funds
	Solid Waste	Drainage Utility	County Jail	Total	
<u>Operating Revenues</u>					
Charges for Services	\$ 9,188,278	\$ 1,614,943	\$ 8,143,304	\$ 18,946,525	\$ 14,455,440
Other Operating Revenue	-	-	4,136,097	4,136,097	13,181,369
Total Operating Revenues	9,188,278	1,614,943	12,279,401	23,082,622	27,636,809
<u>Operating Expenses</u>					
Personnel Services	1,693,207	739,546	5,549,983	7,982,736	5,038,374
Contractual Services	5,302,043	-	-	5,302,043	2,162,574
Supplies and Expenses	1,082,613	1,284,137	1,801,118	4,167,868	7,076,928
Depreciation	336,268	236,011	-	572,279	1,192,977
Payment to Claimants	-	-	-	-	13,162,176
Total Operating Expenses	8,414,131	2,259,694	7,351,101	18,024,926	28,633,029
Operating Income (Loss)	774,147	(644,751)	4,928,300	5,057,696	(996,220)
<u>Non-Operating Revenue (Expenses)</u>					
Intergovernmental Revenue	425,490	245,194	333,605	1,004,289	-
Interest Revenue	4,311	2,547	-	6,858	12,066
Miscellaneous Revenue	6,568	136,612	78,057	221,237	3,586
Gain (Loss) on Disposition of Capital Assets	-	-	-	-	(114,175)
Interest Expense	(402,687)	-	-	(402,687)	-
Miscellaneous Expense	-	-	-	-	4,818
Total Non-Operating Revenue (Expenses)	33,682	384,353	411,662	829,697	(93,705)
Income (Loss) before Transfers	807,829	(260,398)	5,339,962	5,887,393	(1,089,925)
Transfers In	-	-	60,000	60,000	34,500
Transfers Out	-	(1,142)	-	(1,142)	-
Change in Net Position	807,829	(261,540)	5,399,962	5,946,251	(1,055,425)
Net Position, January 1	(3,376,400)	8,197,769	6,621,172	11,442,541	33,042,207
Prior Period Adjustment	(964,332)	(414,524)	(1,852,304)	(3,231,160)	(2,710,061)
Net Position, January 1, as Restated	(4,340,732)	7,783,245	4,768,868	8,211,381	30,332,146
Net Position, December 31	\$ (3,532,903)	\$ 7,521,705	\$ 10,168,829	\$ 14,157,632	\$ 29,276,721

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, 2015

	Business - Type Activities Enterprise Funds				Governmental Activities
	Solid Waste	Drainage Utility	Jail Fund	Total	*Internal Service Funds
Cash Flows from Operating Activities:					
Receipts from Customers	\$ 8,983,646	\$ 1,620,249	\$ 12,286,183	\$ 22,890,078	\$ 3,244,445
Receipts from Interfund Services Provided	-	130,607	713,931	844,538	24,253,986
Payments to Employees	(1,638,651)	(718,446)	(7,443,258)	(9,800,355)	(4,922,617)
Payments to Suppliers	(5,683,944)	(1,212,213)	124,620	(6,771,537)	(6,540,078)
Payments to Claimants	-	-	-	-	(13,186,093)
Payments for Interfund Services Used	(879,132)	(660,701)	(418,597)	(1,958,430)	(1,732,812)
Miscellaneous Receipts	-	-	78,057	78,057	(60,999)
Miscellaneous Payments	6,568	-	-	6,568	-
Net Cash Provided (Used)	<u>788,487</u>	<u>(840,504)</u>	<u>\$ 5,340,935</u>	<u>5,288,916</u>	<u>1,055,832</u>
Cash Flows From Non-Capital Financing Activities:					
Operating Grants Received	324,092	541,446	-	865,538	-
Transfers to Other Funds	-	(1,142)	60,000	58,858	-
Transfers from Other Funds	-	(105,607)	-	(105,607)	34,500
Net Cash Provided (Used)	<u>324,092</u>	<u>434,697</u>	<u>60,000</u>	<u>818,789</u>	<u>34,500</u>
Cash Flows from Capital and Related Financing Activities:					
Proceeds from Capital Grant	-	-	\$1,710,671	1,710,671	-
Purchases of Capital Assets	(91,492)	(436,551)	(11,272,424)	(11,800,467)	(1,792,742)
Proceeds from Sale of Capital Assets	-	-	-	-	316,713
Principal Paid on Capital Debt	(495,000)	-	-	(495,000)	-
Interest Paid on Capital Debt	(401,125)	-	-	(401,125)	-
Other Receipts (Payments)	-	-	-	-	-
Net Cash Provided (Used)	<u>(987,617)</u>	<u>(436,551)</u>	<u>(9,561,753)</u>	<u>(10,985,921)</u>	<u>(1,476,029)</u>
Cash Flows from Investing Activities:					
Sale of Investments	-	-	-	-	-
Interest Earnings	4,311	2,547	0	6,858	12,066
Net Cash Provided	<u>4,311</u>	<u>2,547</u>	<u>-</u>	<u>6,858</u>	<u>12,066</u>
Net Change in Cash and Cash Equivalents	129,273	(839,811)	(4,160,818)	(4,871,358)	(373,788)
Balance, January 1	2,551,061	1,166,616	56,343,088	60,060,765	18,798,272
Balance, December 31	<u>\$ 2,680,334</u>	<u>\$ 326,805</u>	<u>\$ 52,182,269</u>	<u>\$ 55,189,407</u>	<u>\$ 18,424,484</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, 2015

	Business - Type Activities Enterprise Funds				Governmental Activities
	Solid Waste	Drainage Utility	Jail Fund	Total	*Internal Service Funds
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities					
Operating Income (Loss)	\$ 774,147	\$ (644,751)	\$4,928,300	\$ 5,057,696	\$ (996,220)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:					
Depreciation Expense	336,268	236,011		572,279	1,192,978
Miscellaneous Receipts	6,568	130,607	78,057	215,232	28,779
Changes in Assets and Liabilities:					
Receivables, Net	(204,632)	5,306	387,107	187,781	4,665
Prepayments	-	-	(175)	(175)	0
Inventories	-	-	-	0	89,952
Accounts and Other Payables	(123,865)	(567,678)	(52,354)	(743,897)	735,520
Net Cash Provided (Used) by Operating Activities	<u>\$ 788,487</u>	<u>\$ (840,504)</u>	<u>\$ 5,340,935</u>	<u>\$ 5,288,915</u>	<u>\$ 1,055,674</u>

See accompanying notes to the financial statements

*See Internal Service Fund section

SKAGIT COUNTY, WASHINGTON
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2015

	Agency Funds
ASSETS	
Cash	\$ 44,631,620
Investments	407,567,846
Taxes Receivable	3,659,456
Deposits	-
Total Assets	<u>\$ 455,858,922</u>
LIABILITIES	
Warrants Payable	\$ 24,562,989
Custodial Accounts	431,295,933
Total Liabilities	<u>\$ 455,858,922</u>

See accompanying notes to the financial statements

Skagit County, Washington
Notes to the Financial Statements
December 31, 2015

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.

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. As required by GAAP, the financial statements present Skagit County, the primary government, and its discretely presented component unit, the Central Valley Ambulance Authority (CVAA).

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." Accordingly, the County reports as component units those entities for which the County appoints a voting majority of the board of directors, upon which the County is able to impose its will, or where a financial benefit or burden exists.

The Central Valley Ambulance Authority was established in April 2009 by Ordinance #O20090004 pursuant to the RCW 35.21.730 and Resolution #R20090255 established a separate fund June 2009. The Board of County Commissioners appoints the members of the CVAA board and has final approval on the CVAA operating budget. The Central Valley Ambulance Authority is a governmental agency providing emergency medical care and transportation services to the citizens of Skagit County, mainly in their response coverage area. CVAA began its operations July 1, 2009.

CVAA is presented discretely in the Government-Wide financial statements, as required by GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units," and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus."

More information for the CVAA, including complete financial statements can be obtained at their office located at 2015-A Hospital Drive, Sedro-Woolley, WA 98284.

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
Sedro-Woolley SD Rural Library Board
Upper Skagit Library District

Skagit County, Washington
Notes to the Financial Statements
December 31, 2015

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 of the non-fiduciary activities of the primary government and its component units. 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 component unit is reported separately from the county.

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.

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

Skagit County, Washington
Notes to the Financial Statements
December 31, 2015

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 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, 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 measureable 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 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 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 revenues.

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.

Skagit County, Washington
Notes to the Financial Statements
December 31, 2015

- The County Jail Fund accounts for all revenues and expenditures related to the design, construction, operation and maintenance of the county jail. See note X.

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.
- Agency Funds are custodial in nature and do not present results of operations or have a measurement focus. These funds account for assets (such as property taxes collected on behalf of other governments) that the County holds for others in an agency capacity. Agency funds include fire, school, port, cemetery, air pollution, city and town, library, dike and drain districts and miscellaneous clearing fund activity.

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 personal 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.

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.

Investments – See Note IV

Receivables and Payables

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

Skagit County, Washington
Notes to the Financial Statements
December 31, 2015

funds and internal service funds have been eliminated and were not included in the government-wide statement of net position.

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

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 \$6,565,000 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.

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.

Restricted Assets and Liabilities

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

The 2015 restricted assets of the enterprise funds and related debt service funds are composed of the following:

Special Assessments – Current	\$1,507,674
Special Assessments – Delinquent	62,447
Cash and Investments – Debt Service	3,333,898
Cash and Investments – Construction	3,333,898

Capital Assets – See Note IV

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.

Skagit County, Washington
Notes to the Financial Statements
December 31, 2015

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 their estimated fair 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. The total interest expense incurred by the County during the current fiscal year is \$3,333,898. This entire amount was included as part of the cost of capital assets under construction in connection with facilities projects.

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

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 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 cash payment for up to 240 hours, and non-retiree payment for up to 60 hours of accumulated sick leave if requested.

Unearned Revenue

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

Long-Term Obligations – See Note V

Skagit County, Washington
Notes to the Financial Statements
December 31, 2015

Pensions

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

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 Inflow of resources, and on what statement they reside:

Description	Amount	Balance Sheet Government Funds	Statement of Net Position
Deferred Property Tax	1,181,189	X	
Court Receivables	1,930,668	X	
Grants Received in Advance	313,746	X	X
Deferred Gain on Refunding	4,889		X
Deferred Net Pension	4,261,948		X

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 Net Pension	3,055,283		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 2013 refunding bond issue, which resulted in an economic gain of \$19,555. 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 VI and Note X.

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:

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.

Skagit County, Washington
Notes to the Financial Statements
December 31, 2015

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

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.

Unassigned Fund Balance – The residual net resources in excess of Nonspendable, Restricted, Committed, and Assigned.

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 \$1,000,000 of the General Fund fund balance for various capital and IT projects.

The following shows the composition of the fund balance of the government funds for the fiscal year ended December 31, 2015:

Fund Balances:	General Fund	County Road Fund	Mental Health Fund	Capital Projects Funds	Debt Service Funds	Other Government funds	Total
Nonspendable:							
Inventory						6,232	6,232
Loan Receivable						1,000	1,000
Restricted For:							
General Govt Services				4,255,474	1,384,945	1,266,354	6,906,775
Public Safety						1,154,380	1,154,380
Utilities						4,289,736	4,289,736
Transportation		4,269,029				428,311	4,697,340
Natural & Economic Env				7,731,614		1,474,032	9,205,646
Social Services			6,922,415			1,427,798	8,350,213
Cultural & Recreation				236,681		326,978	563,659
Committed to:							
General Govt Services						598,346	598,346
Judicial Activities						41,874	41,874
Public Safety						4,584,481	4,584,481
Utilities						492,923	492,923
Social Services						376,880	376,880
Cultural & Recreation						1,153,048	1,153,048
Assigned to:	1,000,000						1,000,000
Unassigned	13,576,013						13,576,013
Total Fund Balances	14,576,013	4,269,029	6,922,415	12,223,769	1,384,945	17,622,373	56,998,543

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.

Skagit County, Washington
Notes to the Financial Statements
December 31, 2015

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		\$ 582,801,846
Less Accumulated Depreciation		(319,987,776)
Construction in Progress		1,506,373
Net Capital Assets		<u>\$ 264,320,443</u>
Long-Term Liabilities		
Bonds Payable		\$ 16,205,000
Notes Receivable		(6,565,000)
Unamortized Bond Discounts/Premiums		588,870
Loans Payable		2,802,125
Compensated Absences Liability		2,112,178
Deferred Gain on Refunding		4,889
OPEB Liability		416,907
Net Pension Liability		21,287,607
Accrued Interest Payable on Long-Term Liabilities		36,872
Long Term Liabilities		<u>\$ 36,889,448</u>

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		\$ 1,114,360
Depreciation Expense		(16,371,014)
Gain/Loss on Sale of Asset		(99,565)
Net Capital Assets		<u>\$ (15,356,219)</u>
Net Long-Term Debt Activity		
Principal Payments		975,000
Amortization of Bond Discounts/Premiums		68,027
Net Pension Revenue		136,312
Change in NPL		2,067,370
Change in Compensated Absences Liability		(62,710)
Change in OPEB Liability		(3,803)
Net Long-Term Debt Activity		<u>\$ 3,180,197</u>

III. 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, 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 fiscal year.

Skagit County, Washington
Notes to the Financial Statements
December 31, 2015

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, project, or object class level.

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 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.

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 fund had deficit fund balances/net position as of December 31, 2015;

- The Solid Waste fund deficit was \$3,532,903. This results primarily from the recording of liabilities for landfill post closure care costs and environmental remediation costs as well as Net Pension Liability.

IV. DETAIL INFORMATION BY TRANSACTION TYPE

A. 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, the total amount held in certificates of deposit and money

Skagit County, Washington
Notes to the Financial Statements
December 31, 2015

market accounts was \$39,717,587 and the treasurer's bank balance was \$10,620,081, all of which was covered by federal depository insurance or collateralized with securities which are either held by the County or by the County's agent in the County's name. 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.

Investments

As required by Washington State law, all investments of Skagit County and applicable agency 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. US Government securities and commercial paper are stated at fair value. All other investments are stated at amortized cost which approximates fair value. The fair value of the County's position in the State Treasurer's Local Government Investment Pool (LGIP) is the same as the value of the pool shares. Authority to manage the Skagit County Investment Program derives from RCW 36.29.020. Regulatory oversight is provided by the County Finance Committee, comprised of the Treasurer as Chair, the Auditor as Secretary, and the Chair of the Board of County Commissioners. The State LGIP was created by the Washington State Legislature in 1986 and is overseen by the State Treasurer. The State Finance Committee administers the pool and is advised by the LGIP Committee, comprised of twelve members selected from the active pool participants. The pool is operated in a manner consistent with the SEC Rule 2a7. 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. Gains or losses on investments sold or exchanged are recognized at the time the transactions are completed.

As of December 31, 2015, the County held the following investments:

Investment Type	Fair Value	Less Than 1 Year Maturity	1 Year	2 Years	3 years
Certificates of Deposit	\$ 17,616,057	\$ 11,000,000	\$ 5,565,000	\$ -	\$ 1,051,057
Money Market	22,101,530	22,101,530			
Registered Warrants	341,104	341,104			
Commercial Paper					
Bankers Acceptances					
Treasury Bills	1,241,288		1,241,288		
Treasury Notes	41,063,953	16,418,294	24,645,659	-	-
Municipal Bonds	68,256,580	14,792,431	42,618,730	7,558,910	3,286,509
U.S. Agencies	199,021,663	57,556,692	125,878,341	15,586,630	-
State Treasurer Pool	225,347,657	225,347,657			
	\$ 574,989,832	\$ 347,557,708	\$ 199,949,018	\$ 23,145,540	\$ 4,337,566

Total fair value of investments represents \$167,880,034 for Skagit County and \$407,109,797 for the Junior Taxing districts.

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 interest rates by setting maturity and effective duration limits not to exceed 36 months unless matched to a

Skagit County, Washington
Notes to the Financial Statements
December 31, 2015

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.

Custodial Credit Risk

Custodial credit risk is the risk that in event of a failure of the counterparty to an investment transaction the county would not be able to recover the value of the investment or collateral securities. The County had no custodial credit risk as of December 31, 2015.

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 December 31, 2008 the investment in the Washington State LGIP was limited to 65 percent, this was modified by resolution on March 16, 2009 to allow investment in excess of 65 percent when there are no other viable alternatives. At year end, the County had no investment in a single issuer that was greater than 5 percent of total investments.

Federal Arbitrage

Federal Arbitrage is the ability to obtain tax-exempt bond proceeds and invest the funds into higher yielding taxable securities, resulting in a profit. The County had no federal arbitrage in 2015.

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, 2015, the County's investments in U.S. Agencies in the amount of \$199,021,664 (fair value) was rated AAA by Standard & Poor's, an additional amount of \$6,066,521 (fair value) was rated AAA by Moody's. Details of ratings on investments in municipal bonds and banker's acceptances are as follows:

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ADAMS COUNTY JT SD OTHELLO	AA1/A1	182,045	WHIDBEY ISL PHD	A2	489,977	SNOHOMISH CO WA PUD	Aa3/AA-	129,307
ALBUQUERQUE NM	Aa1/AAA/AA+	127,226	WYANDOTTE COUNTY KS SCHO	AA-	476,292	SNOHOMISH CO WA SCH #16	Aa1	249,099
ANACORTES UTILITY SYS	A1/AA-	50,733	ZERO COUPON OR SCHOOL BD	Aa2/AA	996,760	SOUTH LYON M SCHOOLS	Aa2	300,414
ANOKA HENNEPIN SCHOOLS MN	AA+	1,007,724	GROTON CITY CT	Aa3/AA-	375,825	STAMFORD CT	Aa1/AAA	176,936
ARLINGTON TX SD	Aa2/AA	100,322	HALLSVILLE TX SCHOOLS	AAA/Aaa	309,633	STATE OF GEORGIA	Aaa/AAA/AAA	506,790
BECKER MN SD #726	AA+ / A	249,735	KENNEWICK WA	AA	516,487	STATE OF MICHIGAN	Aa2/AA-	103,055
BELMONT MA	AAA	3,101,829	KENT COUNTY MI	A1+	2,985,630	STATE OF MINNESOTA	Aa1/AA+/AA+	456,080
BOISE CITY INDEP SD	AA1/AA	20,177	KING CO WA LTD SER D	Aa1/AAA/AA+	60,000	STATE OF MISSISSIPPI	Aa2/AA/AA+	305,427
BONNEVILLE POWER	Aa1/AA-/AA-	314,946	LAKE COUNTY IL	AA+	204,380	STATE OF OHIO	Aa1/AAA/AA+	225,375
BONNEVILLE POWER ADMINSTR	Aa1/AA-/AA	2,161,928	LANE CO OR SD	Aa1/AA+	241,711	STATE OF OREGON	Aa1/AA+/AA+	291,163
BROWNSVILLE TX IND SCHOOLS	AAA/AAA/AAA	125,688	LAS VEGAS VALLEY WATER	Aa1/AA+	729,477	STATE OF OREGON	Aa1/AA+/AA+	251,455
BURLINGTON CO NJ	Aa2/AA	107,632	MADISON SCHOOL WI	Aa1	1,065,629	STATE OF RHODE ISLAND	Aa2/AA/AA	1,007,760
CEDAR RAPIDS IA	Aa1	96,006	MADISON WI	Aaa	272,311	STATE OF TEXAS		117,359
CENTRAL PUGET SOUND REG TR	Aa1	50,107	MAPLEWOOD MN	AA+	903,271	STATE OF WASHINGTON	Aa1/AA+/AA+	122,698
CHARLETTE N.C. SERIES A	Aaa/AAA/AAA	2,156,042	MARIETTA GA	AA+	250,000	STATE OF WASHINGTON	Aa1/AA+/AA+	253,593
CHELAN COUNTY PUD #1	Aa3/AA/AA+	984,450	MARION CO TN	AA	100,596	STATE OF WASHINGTON	Aa1/AA+/AA+	507,185
CITY OF COLUMBUS OH SCHOOL	Aa2	498,445	MARYLAND STATE	Aaa/AAA/AAA	100,236	STATE OF WASHINGTON		500,425
CITY OF OAK CREEK WI	Aa2	757,118	MICHIGAN STATE	Aa2/AA-/AA	65,467	STRATFORD CT	A1/AA	503,930
CITY OF RACINE WI	AA-	125,600	MILWAUKEE WI	Aa2/AA	200,862	SW WA SUBURBAN SWR DIS	Aa2	306,476
CITY OF RENTON WA	AA+	74,987	MILWAUKEE WI	Aa3/AA	264,603	UNIVERSITY OF SOUTH CAR	Aaa/AA+/AAA	25,080
CITY OF SEATTLE WA	Aa1/AAA/AA+	497,770	MITCHELL SD SCHOOLS	AA	315,087	VILLAGE OF DEFOREST WI	Aa2	500,505
CLARK CO NV PUBLIC FACILITIES	Aa1/AA	60,765	MONROE WA	AA-	274,357	VILLAGE OF MENOMONEE FA	Aa2	250,113
CLARK COUNTY NV	Aa1/AA	508,130	MOSCOW ID SD #281	AA+/A1	160,533	WAREFORD WI SCHOOLS	AA	201,418
CLINTON IA	A2	354,316	MULTNOMAH CO. SCHOOLS	Aa1/AA+	1,800,792	WA HOUSING FINANCE COM	Aaa	658,640
COAST CA COMMUNITY COLLEGE	Aa1/AA	150,158	MUSKEGO-NORWAY SCHOOLS V	Aa2	249,815	WA ST HEALTH CARE	Aa3/AA-	154,941
CONNECTICUT STATE SERIES B		796,606	NASHUA NH	Aa2/AAA	1,015,100	WA STATE TAXABLE	Aa1/AA+/AA+	1,738,216
COUNTY OF MUSKOGON MI	AA	558,025	NEW YORK NY	Aa2/AA/AA	205,370	WALNUT VLY CA SCH DIST	Aa2	250,000
DANE COUNTY WI	Aa1/AA+	25,171	NEW YORK NY	AA	213,436	WASHINGTON & CLACKAMAS	Aa1	409,180
DANE COUNTY WI	Aa1/AA+	25,786	NEW YORK NY	Aa2/AA/AA	1,002,500	WASHINGTON STATE REVEN	Aa2	1,020,830
DENTON CO TX WATER DIST	A2/AA-	145,123	OAKLAND CA	AA	600,348	WASH STATE TAXABLE SER	Aa1/AA+/AA+	1,202,508
DENTON TX	A2	375,232	OAKLAND CA	A1	750,435	WASHINGTON STATE UNIVEF	Aa2/AA-	247,439
DOUGLAS CO PUD #1	Aa3/AA	50,000	OKLAHOMA CITY SCHOOLS	Aa2/AA	7,904,480	WASHINGTON STATE UNIVEF	Aa2/AA-	473,796
DOWNERS GROVE IL	Aa2	179,981	OREGON	Aa1/AA+/AA+	337,032	WASHINGTON CO SCHOOLS	Aa2/AA+	102,160
EL SEGUNDO CA SCHOOLS	Aa2/AA-	1,001,460	PASADENA CA SCHOOLS	Aa2/A+	224,552	WASHINGTON CO UT SD	Aaa/AAA/AAA	50,176
ENERGY NW	Aa1/AA-/AA	20,107	PHOENIX AZ	Aa1/AA+	557,981	WASHINGTON COUNTY WI	Aaa	250,045
ENERGY NW WA ELEC	Aa1/AA-/AA	2,246,957	PIMA COUNTY AZ SCHOOLS	AA-	253,863	WASHINGTON ST	Aa1/AA+/AA+	49,875
ENERGY NW WA	Aa1/AA-/AA	2,031,220	PIMA COUNTY AZ SCHOOLS	AA-	156,350	WAUKESHA COUNTY WI	Aaa/AAA	503,125
FAIRBORN OH SCHOOLS	Aa2	693,999	PINAL COUNTY SCHOOLS AZ	A1	50,887	WHATCOM COUNTY SCHOOL	Aa1	471,670
FAIRFAX COUNTY VA	Aaa/AAA	765,143	PORT OF BELLINGHAM WA	A2	292,703	WHATCOM COUNTY SCHOOL	AA+	260,775
GARLAND TX SCH ZERO	Aaa/AAA	199,948	PORT OF SEATTLE SERIES C		302,238	WORCESTER MA	AA3/AA-/AA-	1,004,720
GLEN ELLYN IL	Aa1	100,000	PORT TOWNSEND WA	A1	65,723			
GOOSE CREEK TX SD	Aaa/AAA	60,093	RANDOLPH COUNTY IL	AA	100,521	Total		68,256,580
GRANT CO WA PUD #2	Aa3/AA/AA	150,000	RANDOLPH MA	AA	1,102,426			
GREEN BAY WI	Aa2	180,767	SEdgeWICK COUNTY KS	AAA/Aaa	101,678			

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

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 when levied. Property tax collected in advance of the fiscal year to which it applies is recorded as a deferred inflow. Revenue is recognized when the taxes are collected. Refunds of taxes are recorded as reductions of revenue when they are measureable 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:

Skagit County, Washington
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- 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.

2015 Tax levy information is as follows:

	Levy in Dollars Assessed Per Thousand	Total Value	Levy
2015			
County	1.5574	\$ 14,670,422,177	\$ 22,848,407
Medic 1 Services	0.3750	14,655,421,701	5,495,783
Roads	1.7804	7,266,814,303	12,938,111
Conservation Futures	0.0563	14,670,422,177	826,528

The County tax rate includes a levy for general governmental services and special revenue assessments. 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.

B. Receivables

Governmental funds report some revenues as deferred inflow of resources if they are not available to liquidate liabilities of the current period or are not yet earned. Also see Note I. Detail of deferred inflow of resources balances in the government fund financial statements as of December 31, 2015 is as follows:

	Unavailable	Unearned	Total
Property Taxes Receivable (General Fund)	\$ 616,450		\$ 616,450
Property Taxes Receivable (Road Fund)	327,809		\$ 327,809
Property Taxes Receivable (Mental Health Fund)	8,205		\$ 8,205
Property Taxes Receivable (Other Government Funds)	228,725		\$ 228,725
Revenue Earned but Not yet Available	1,930,668		\$ 1,930,668
Revenue Received Prior to Meeting Eligibility Requirements		313,746	\$ 313,746
Total Deferred Inflow of Resources - Government Funds	\$ 3,111,857	\$ 313,746	\$ 3,425,602

C. Interfund Receivables, Payables and Transfers

Details of interfund payable/receivable balances of December 31, 2015 are as follows:

	General Fund	Drainage Utility	County Road Fund	Internal Service Funds	Total
Due to Other funds					
General Fund		60,445		\$ 1,565,370	\$ 1,625,815
Non-Major Governmental Funds	296,733	12,577		77,414	386,724
Mental Health	63,818				63,818
County Road Fund	751,893	31,442		1,131,548	1,914,883
Internal Service Funds	119,087			1,509,159	1,628,246
Solid Waste	83,991	1,143		37,272	122,406
Drainage Utility	39,667			18,460	58,127
Jail Fund	112,706			234,385	347,091
Total	\$ 1,467,895	\$ 105,607	\$ -	\$ 4,573,608	\$ 6,147,110

Skagit County, Washington
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These balances are the result of transactions involving the exchange of goods and services in the ordinary operations of the respective funds.

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 financial statements. Details of the interfund loans are as follows:

Borrowing Fund	Lending Fund	Balance 1/1/2015	New Loans	Repayment	Balance 12/31/2015
Water Improvement 210	Water Improvement 215	3,000			3,000
Water Improvement 215	Water Improvement 218	229,072		65,000	164,072
Water Improvement 216	Edison Clean Water	1,500		500	1,000
Water Improvement 215	Water Improvement 224	147,361		40,000	107,361
Total		\$ 380,933	\$ -	\$ 105,500	\$ 275,433

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. Details of 2015 transfers are as follows:

Transferring Fund	Transfers In				Balance 12/31/2015
	General Fund	Jail Fund	County Roads	Non-Major Governmental	
General Fund				\$ 4,550,757	\$ 4,550,757
Jail Fund					
Drainage Utility				1,142	1,142
Mental Health	160,901	60,000			220,901
County Roads			34,500		34,500
Non-Major	52,000		200,000	2,042,709	2,294,709
Total	\$ 212,901	\$ 60,000	\$ 234,500	\$ 6,594,608	\$ 7,102,009

D. Capital Assets

Summarized capital asset transactions for governmental activities are as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Non-depreciable				
Land	\$ 157,213,966	\$ 25,320	\$ 49,349	\$ 157,189,937
Development Rights	15,557,605			15,557,604
Capital asset held for resale	-			-
Construction in Progress	792,459	810,811	96,896	1,506,374
	173,564,029	836,131	146,245	174,253,915
Depreciable Capital Assets				
Buildings	64,702,990	1,652,784	206,826	66,148,948
Improvements	4,987,816	373,213		5,361,029
Machinery and Equipment	24,248,305	1,719,297	1,183,153	24,784,449
Infrastructure	333,713,412		612,932	333,100,480
	427,652,523	3,745,294	2,002,911	429,394,906
Less Accumulated Depreciation				
Buildings	(28,154,885)	(1,085,706)	308,376	(28,932,216)
Improvements	(3,030,497)	(142,554)		(3,173,051)
Machinery and Equipment	(14,003,298)	(1,457,492)	176,849	(15,283,941)
Infrastructure	(267,046,468)	(15,414,264)		(282,460,732)
	(312,235,148)	(18,100,016)	485,225	(329,849,939)
Total Net Depreciable Capital Assets	115,417,375	(14,354,722)	(1,517,686)	99,544,966
Total Net Capital Assets	\$ 288,981,407	\$ (13,518,591)	\$ (1,663,932)	\$ 273,798,884

Skagit County, Washington
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Depreciation expense by function for governmental activities is as follows:

General Governmental Services	\$ 1,717,733
Judicial	6,171
Public Safety	375,737
Utilities	-
Transportation	15,730,679
Natural & Economic Environment	14,344
Social Services	80,468
Culture and Recreation	174,884
Total governmental activities depreciation expense	<u>\$ 18,100,016</u>

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

	Beginning Balance	Increases	Decreases	Ending Balance
Business - Type Activities				
Capital Assets, Non-depreciable				
Land	\$ 816,556	\$ -	\$ -	\$ 816,556
Construction in Progress	8,074,074	11,467,196	2,307,346	17,233,924
	8,890,630	11,467,196	2,307,346	18,050,480
Depreciable Capital Assets				
Buildings	9,899,875			9,899,875
Improvements	8,275,860	2,635,198		10,911,058
Machinery and Equipment	1,836,854	5,417		1,842,271
	20,012,589	2,640,615		22,653,203
Less Accumulated Depreciation				-
Buildings	(1,283,370)	(241,076)		(1,524,446)
Improvements	(3,297,131)	(235,539)		(3,532,670)
Machinery and Equipment	(681,728)	(95,664)		(777,392)
	(5,262,229)	(572,279)		(5,834,508)
Total Net Depreciable Capital Assets	14,750,359	2,068,336		16,818,694
Total Net Capital Assets	23,640,989	13,535,532	2,307,346	34,869,174

Depreciation expense by function for business type activities is as follows:

Solid Waste	\$ 336,268
Drainage Utility	236,011
Total business type activities depreciation expense	<u>\$ 572,279</u>

V. 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

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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.

Details of general obligation bonds outstanding as of December 31, 2015 are as follows:

Description	Balance
In 2006 bonds in the amount of \$7,610,000 were issued to acquire land, construct county facilities and for other capital purposes. Principle payments are due annually on December 1, interest payments are due on June 1 and December 1. The interest rates range from 3.75% on 2007 maturities to 4.0% for maturities in 2026. Principle payments of \$350,000 and interest payments of \$203,635 were made in 2015.	4,895,000
In 2007 bonds were issued in the amount of \$6,115,000 to refund a portion of the 2000 Bond issue. Principal payments are due annually on December 1, interest payments are due on June 1 and December 1. The interest rates range from 3.875% on 2007 maturities to 4.00% for maturities in 2022. Principal payments of \$435,000 and interest payments of \$156,646 were made in 2015.	3,565,000
In 2013, the outstanding balance (\$990,000) of the 2003 bond issue in the amount of \$965,000 was refunded in order to take advantage of better rates. The original was issued at \$5,340,000 to finance the acquisition and renovation of a building to house County offices, and to refund the 1993 bonds. Interest ranges from 2.00% to 3.00%. Principal payments are due annually on December 1. Interest payments are due June 1 and December 1. Principal payments of \$190,000 and interest payments of \$17,700 were made in 2015.	400,000
In 2013, the County entered into an interlocal agreement with Skagit Regional Public Facilities District to refund their 2003 bond issue, 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. See Note VIII. Principal payments are due annually on December 1. Interest payments are due June 1 and December 1. Principal payments of \$370,000 and interest payments of \$204,719 were made in 2015.	6,565,000
In 2014, bonds in the amount of 780,000 were issued to aquire a building for County use. Interest rates range from 3.625% to 5.00 % for maturities in 2041. Principle payments are due annually on December 1. Interest payments are due June 1 and January 1. Interest of \$35,762.71 and no principle payments were made in 2015.	780,000
Total bonds payable at December 31, 2015 for government activities:	16,205,000
Proceeds in the amount of \$9,740,000 from the 2010 bond issue are for the purpose of improving the County's Solid Waste transfer station and other Capital improvements to County facilities. Principle payments are due annually on December 1. Interest payments are due June 1 and January 1. Interest rates range from 1.90% in 2014 to 5.35% for maturities in 2030. Principal payment of \$495,000 and interest payment of \$401,125 were made in 2015.	8,765,000
Proceeds in the amount of \$51,920,000 from the 2014 bond issue are for the purpose of planning, aquiring land, and constructing a 400 bed regional jail facility. Principle payments are due annually on December 1, beginning in 2015. Interest rates range from 3.625% in 2011 to 5.00% for maturities in 2030. Interest of \$2,249,340 and no principle payments were made in 2015.	51,920,000
Total bonds payable at December 31, 2015 for business-type activities:	60,685,000

Skagit County, Washington
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Annual debt service requirements to maturity for the general obligations bonds are as follows:

Year Ending December 31	Government Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2016	\$ 1,405,000	\$ 571,881	\$ 500,000	\$ 2,650,656
2017	1,490,000	523,056	1,660,000	2,637,156
2018	1,385,000	471,394	1,715,000	2,576,621
2019	1,050,000	422,096	1,770,000	2,511,661
2020-2025	7,705,000	1,305,219	9,975,000	11,290,366
2025-2029	2,875,000	231,950	12,325,000	8,626,150
2030-2034	295,000	35,963	12,255,000	5,544,276
2035-2039	-	-	14,050,000	3,405,400
2040-2041	-	-	6,435,000	388,600
Totals	16,205,000	3,561,559	60,685,000	39,630,888

Refunded Bonds

In 2007 the County refunded a portion of the 2000 bond issue using proceeds from the 2007 bond issue. These proceeds were placed in an irrevocable trust to fund all future payments on the 2000 bonds. Accordingly, those 2000 bonds are considered to be defeased and the liability for them is not included in the 2015 financial statements. As of December 31, 2015 the balance of the defeased bonds outstanding is \$2,820,000.

Loans Payable

Details of loans payable as of December 31, 2015 is as follows:

Description	Balance
Payable to the State of Washington Department of Ecology Water Pollution Control Revolving Fund pursuant to a 1997 loan agreement. The term is 20 years and no interest is due. Principal payments of \$17,768 were made in 2015.	\$ 62,188
Payable to the State of Washington Department of Ecology Water Pollution Control Revolving Fund pursuant to a 2000 loan agreement. The term is 20 years and no interest is due. Principal payments of \$2,948 were made in 2015.	23,581
Payable to the State of Washington Department of Ecology pursuant to a 2007 loan agreement. The interest rate is 2.6% and the term is 20 years. Principal payments of \$92,147 and interest payments of \$443,301 were made in 2015.	1,724,304
Payable to the State of Washington Department of Ecology pursuant to a 2014 loan agreement. The interest rate is 2.7% and the term is 20 years. Principal payments of \$9,235 and interest payments of \$20,206 were made in 2015.	867,717
Total loans payable at December 31, 2015 for governmental activities	<u>\$ 2,677,791</u>

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

Year Ending December 31	Principal	Interest
2016	\$ 152,880	\$ 64,202
2017	156,191	60,891
2018	159,585	57,497
2019	154,179	54,018
2020-2024	778,851	214,771
2025-2029	868,122	113,710
2030-2034	407,983	23,110
Totals	2,677,791	588,199

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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, 2015, the County's remaining capacity for non-voted debt was \$174,134,793. Additional debt capacity with an authorizing vote is \$154,461,137.

Changes in Long-Term Liabilities

Details of changes in long term liabilities for the year ended December 31, 2015 is as follows:

		Beginning Balance	New Issue	Retirements	Ending Balance	Due Within One year
Governmental Activities:						
Bonds Payable						
	General Obligation Bonds	\$ 17,550,000	\$ 574,719	\$ 1,919,719	\$ 16,205,000	\$ 1,405,000
	Add: Net Unamortized Discounts/Premiums	647,643		58,773	588,870	
	Total Bonds Payable	18,197,643	574,719	1,978,492	16,793,870	1,405,000
Loans Payable		2,802,126	240,012	364,346	2,677,792	152,880
Note Payable		-			-	
Compensated Absences		2,278,427	245,355	166,249	2,357,533	2,357,533
OPEB Liability		413,104	416,907	413,104	416,907	
Net Pension Liability			24,847,823		24,847,823	
Environmental Liabilities		119,424		5,891	113,533	
Total Long-Term Liabilities		\$ 23,810,724	\$ 26,324,816	\$ 2,928,082	\$ 47,207,457	\$ 3,915,413
Business-Type Activities						
Bonds Payable						
	General Obligation Bonds	\$ 61,180,000		\$ 495,000	\$ 60,685,000	\$ 500,000
	Discounts/Premiums	3,870,585	22,185	165,025	\$ 3,727,745	
	Less: Unamortized Refunding	-	-		\$ -	
	Total Bonds Payable	65,050,585	22,185	660,025	64,412,745	500,000
Compensated Absences		229,932	29,159	12,690	246,401	
Post Closure Landfill Costs		3,043,592	50,000	182,166	2,911,426	50,000
Environmental Liabilities		3,945,248	10,500	18,089	3,937,659	10,500
Net Pension Liabilities			3,270,246		3,270,246	
Total Long-Term Liabilities		\$ 72,269,357	\$ 3,382,089	\$ 872,969	\$ 74,778,475	\$ 560,500

For governmental activities, the Unemployment Fund liquidates compensated absences as well as the OPEB obligation.

VI. PENSION AND OTHER BENEFIT PLANS

The following table represents the aggregate pension amounts for all plans subject to the requirements of GASB Statement No. 68, Accounting and Financial Reporting for Pensions for the year 2015:

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Aggregate Pension Amounts – All Plans	
Pension Liabilities	28,118,069
Pension Assets	1,804,584
Deferred Outflows of Resources	3,549,966
Deferred Inflows of Resources	4,801,406
Pension Expense/Expenditures	1,597,721

State Sponsored Pension Plans

Substantially all Skagit County's full-time and qualifying part-time employees participate in a retirement plan 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 comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to: Department of Retirement Systems, Communication Unit, P.O. Box 48380, Olympia WA 98504-8380; or it may be downloaded from the DRS website at www.drs.wa.gov.

A. Public Employees' Retirement System (PERS)

PERS members include elected officials; state employees; state employees; employees of the Supreme, Appeals, and Superior courts; employees of the legislature; employees of district and municipal courts; employees of local government; 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 entrance 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 2015 were as follows:

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PERS Plan 1		
Actual Contribution Rates:	Employer	Employee*
January through June 2015	9.21%	6.00%
July through December 2015	11.18%	6.00%

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

Skagit County's actual contributions to the plan were \$60,981 for the year ended December 31, 2015.

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 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 2015 were as follows:

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PERS Plan 2/3		
Actual Contribution Rates:	Employer	Employee*
January through June 2015	9.21%	4.92%
July through December 2015	11.18%	6.12%

*For employees participating in JBM, the contribution rate was 15.30%

Skagit County's actual contributions to the plan were \$1,727,962 for the year ended December 31, 2015.

Public Safety Employees' Retirement System (PSERS)

PSERS Plan 2 was created by the 2014 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 2 employees hired by a covered employer before July 1, 2006, who met at least one of the PSERS eligibility criteria and elected membership during the period of July 1, 2006 to September 30, 2006; and
- Employees hired on or after July 1, 2006 by a covered employer, that meet at least one of the PSERS eligibility criteria.

PSERS covered employees include:

- Certain State of Washington agencies (Department of Corrections, Department of Natural Resources, Gambling Commission, Liquor 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

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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 2015 were as follows:

PSERS Plan 2		
Actual Contribution Rates:	Employer	Employee*
January through June 2015	10.54%	6.36%
July through December 2015	11.54%	6.59%

Skagit County's actual contributions to the plan were \$158,013 for the year ended December 31, 2015.

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 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 2015. 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. The LEOFF Plan 2 required contributions rates (expressed as a percentage of covered payroll) for 2015 were as follows:

LEOFF Plan 2		
Actual Contribution Rates:	Employer	Employee*
January through June 2015	5.23%	8.41%
July through December 2015	8.59%	8.41%

Skagit County's actual contributions to the plan were \$227,513 for the year ended December 31, 2015.

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, 2015, the state contributed \$58,339,032 to the LEOFF Plan 2.

Actuarial Assumption

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2015 with a valuation date of June 30, 2014. The actuarial assumptions used in the valuation were based on the results of the Office of State Actuary's (OSA) *2007-2012 Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2014 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2015. Plan liabilities were rolled forward from the June 30, 2014 to June 30, 2015 reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 3% total economic inflation; 3.75% salary inflation
- **Salary increases:** In addition to the base 3.75% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.5%

Mortality rates were based on the *RP-2000* report's Combined Healthy Table and Combined Disabled Table, published by the Society of Actuaries. OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100% Scale BB. 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.

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Discount Rate

The discount rate used to measure total pension liability was 7.50 percent for all DRS plans. 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 of current plan members.

Consistent with current law, the asset sufficiency test included an assumed 7.70 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. All plans use 7.70 percent except LEOFF Plan 2, which has assumed 7.50 percent.

Consistent with long-term expected rate of return, a 7.5 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue being made at contractually required rates (Include PERS Plans 2/3, PSERS Plan 2, whose rates include a component for the PERS Plan 1 liability).

Based on these assumptions, the pension plan's 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 7.50 percent was used to determine the total liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on DRS pension plan investments of 7.5 percent was determined using a building-block method. The Washington State Investment Board (WSIB) used a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, including inflation) to develop each major asset class. Those expected returns make up one component of WSIB's capital market assumptions. WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns at various future times. The long-term expected rate of return of 7.5% approximately equals the median of the simulated investment returns over a 50-year time horizon.

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015, are summarized in the table below. The inflation component used to create the table is 2.2% and represents WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-term Expected Real Rate of Return Arithmetic
Fixed Income	20%	1.70%
Tangible Assets	5%	4.40%
Real Estate	15%	5.80%
Global Equity	37%	6.60%
Private Equity	23%	9.60%
	100%	

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Sensitivity of NPL

The table below presents Skagit County's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as Skagit 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 (6.5%) or 1-percentage point higher (8.5%) than the current rate.

	Current Discount Rate		
	1% Decrease (6.5%)	(7.5%)	1% Increase (8.5%)
PERS 1	\$ 19,152,695	\$ 15,731,133	\$ 12,788,902
PERS 2/3	35,807,236	12,245,760	(5,794,380)
PSERS 2	1,072,746	141,176	(421,491)
LEOFF 1	(191,813)	(299,823)	(391,881)
LEOFF 2	1,506,920	(1,504,761)	(3,771,165)

Pension Plan Fiduciary Net Position

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

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

At June 30, 2015, Skagit County reported a total pension liability of \$28,118,069 and a total net pension asset of (1,804,583) for its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	15,731,133
PERS 2/3	12,245,760
PSERS 2	141,176
LEOFF 1	(299,823)
LEOFF 2	(1,504,761)

The amount of the asset reported above for LEOFF Plan 2 reflects a reduction for the State pension support provided to Skagit County. The amount recognized by the County is 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 are as follows:

	Liability (or Asset)
LEOFF 2 - employer's proportionate share	(1,504,761)
LEOFF 2 - State's proportionate share	(409,090,914)

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

	Proportionate Share 6/30/14	Proportionate Share 6/30/15	Change in Proportion
PERS 1	0.3075950%	0.3007330%	-0.0068620%
PERS 2/3	0.3453810%	0.3427250%	-0.0026560%
PSERS 2	0.7955280%	0.7734850%	-0.0220430%
LEOFF 1	0.0246710%	0.0248770%	0.0002060%
LEOFF 2	0.1448180%	0.1464060%	0.0015880%

Employer contribution transmittals received and processed by DRS for the fiscal year ended June 30 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by DRS in the *Schedules of Employer and Nonemployer Allocations* for all plans except LEOFF Plan 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 2015. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2015, the state of Washington contributed 87.12% of LEOFF 1 employer contributions and all other employers contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. The allocation method the plan chose reflects the projected long-term contribution effort based on historical data.

In fiscal year 2015, the state of Washington contributed 39.8 percent of LEOFF 2 employer contributions pursuant to RCW 41.27.726 and all other employers contributed the remaining 60.20 percent of employer contributions.

The collective net pension asset was measured as of June 30, 2015, and the actuarial valuation data on which the total pension asset is based was as of June 30, 2014, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2015, the County recognized pension expense as follows:

	Pension Expense
PERS 1	(830,801)
PERS 2/3	(429,169)
PSERS 2	3,952
LEOFF 1	(60,864)
LEOFF 2	(280,840)

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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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		860,665
Changes in assumptions		
Changes in proportion and differences between contributions and proportionate share of contributions		
Contributions subsequent to the measurement date	34,246	
Total	\$ 34,246	\$ 860,665

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differenced between expected and actual experience	1,301,727	\$ -
Net difference between projected and actual investment earnings on pension plan investments		3,269,038
Changes in assumptions	19,731	
Changes in proportion and differences between contributions and proportionate share of contributions		85,461
Contributions subsequent to the measurement date	1,680,563	
Total	\$ 3,002,021	\$ 3,354,499

PSERS 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differenced between expected and actual experience	132,266	
Net difference between projected and actual investment earnings on pension plan investments		70,024
Changes in assumptions	874	
Changes in proportion and differences between contributions and proportionate share of contributions		1346
Contributions subsequent to the measurement date	127,509	
Total	\$ 260,649	\$ 71,369

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		50,616
Changes in assumptions		
Changes in proportion and differences between contributions and proportionate share of contributions		
Contributions subsequent to the measurement date		
Total		\$ 50,616

LEOFF 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differenced between expected and actual experience	131,767	\$ -
Net difference between projected and actual investment earnings on pension plan investments		455,935
Changes in assumptions	3,969	
Changes in proportion and differences between contributions and proportionate share of contributions		8,323
Contributions subsequent to the measurement date	117,313	
Total	\$ 253,049	\$ 464,258

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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, 2016. Other amounts reported as deferred inflows and deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	PERS Plan 2/3
2016	388,663.86
2017	388,663.86
2018	388,663.86
2019	155,466.91
2020	-
Thereafter	-

Year ended December 31:	PSERS 2
2016	21,082.85
2017	21,082.85
2018	21,082.85
2019	21,082.85
2020	21,082.85
Thereafter	21,075.50

Year ended December 31:	LEOFF 2
2016	26,102.73
2017	26,102.73
2018	26,102.73
2019	26,102.73
2020	26,104.19
Thereafter	5,220.84

D. Other Post Employment Benefit Plans (OPEB)

Plan Description

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, 2014, there were no active members and 13 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.

Funding Policy

The funding policy is based upon the pay-as-you-go financing requirements.

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Annual OPEB Cost and Net OPEB Obligation

Effective beginning the County's 2008 reporting year, GASB Statement No. 45 *Accounting and Financial Reporting by Employers 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.

We have used the alternative measurement method permitted under GASB Statement No. 45. A single retirement age of 56.24 was assumed for all active members for the purpose of determining the actuarial accrued liability. Retirement, disablement, termination and mortality rates were assumed to follow the LEOFF Plan 1 termination and mortality rates used in the June 30, 2007 actuarial valuation report issued by the Office of the Washington State Actuary (OSA). Healthcare costs and trends were determined by Milliman, Inc., actuarial consultants, and used by OSA in a statewide LEOFF Plan 1 medical study performed in 2007. The expected medical inflation trend starts at 9.0% in 2007 and decreases to 5.0% in 2015; it remains at 5.0% after 2015. The expected long-term care inflation trend is 4.5% for all years. The results were based on grouped data with 4 active groupings and 4 inactive groupings. The actuarial cost method used to determine the actuarial accrued liability was Projected Unit Credit. The AAL and NOO are amortized on an open basis as a level dollar over 15 years. These assumptions are individually and collectively reasonable for the purpose of this valuation. The medical inflation trend is the percentage that medical costs are expected to increase in future years. The actuarial valuations involve estimates of the value of reported amounts and assumptions of the probability of events far into the future and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future.

The following table illustrates the components of the January 6, 2015 calculation:

		PVFB	AAL
Inactive:			
	Medical Expenses	3,784,738	3,784,738
	Long-Term Care	1,743,577	1,743,577
	Total Inactive	5,528,315	5,528,315
ARC			
	Normal Cost	-	
	UAAL Amortization	497,223	
ARC		\$ 497,223	
Annual OPEB Cost			
	ARC	497,223	
	NOO Interest	9,626	
	NOO Amortization	(21,645)	
Annual OPEB Cost		485,204	
NOO			
	Starting NOO	240,652	
	Annual OPEB Cost	485,204	
	Contributions*	72,100	
NOO		653,756	

Annual OPEB costs of \$485,204 less expenses of \$68,297 resulted in a net 2015 OPEB obligation of \$416,907. As of December 31, 2015 there were no active members in the LEOFF 1 plan.

The actual expense constitutes 13.7% of the ARC. The County's actuarial accrued liability (AAL) of \$5,528,316 was unfunded as of December 31, 2015.

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The following table illustrates prior year's alternative method OPEB calculation as well as benefits cost contributed and net pension obligation:

Year	Annual OPEB Cost	Ending Net OPEB Obligation	Percent of Annual OPEB Cost Contributed
2015	\$ 485,204	\$ 416,907	13.70%
2014	485,204	413,104	14.50%
2013	315,928	240,651	23.83%

Funded Status and Schedule of Funding Progress

As of January 6, 2015, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$5,528,316 and the actuarial value of the assets was zero percent resulting in an Unfunded Actuarial Accrued Liability (UAAL) of \$5,528,316. See RSI section for the Schedule of Funding Progress.

VII. 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, 2015, 26 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 and claims administration. Members enjoy occurrence-based, jointly purchased and/or jointly self-insured liability coverage for bodily injury, personal injury, property damage, errors and omissions, and advertising injury caused by a covered occurrence during an eligible period and occurring anywhere in the world. Total coverage limits are \$25 million per occurrence and each member selects its occurrence deductible amount for the ensuing coverage year from these options: \$10,000, \$25,000, \$50,000, \$100,000, \$250,000 or \$500,000. For losses occurring in 2015, Skagit County selects a per-occurrence deductible of \$100,000.

Members make an annual contribution to fund the Pool. The Pool acquires reinsurance for further protection from larger losses, direct protection for the Pool and indirect for the member counties due to the contingent liabilities they would otherwise incur from risk-sharing those losses. The reinsurance agreements are written with self-insured retentions ("SIRs") equal to the greater of the deductible for the member with the claim or \$100,000. More recent years' reinsurance programs have included "corridor deductibles" with aggregated stop losses which have the effect of increasing the Pool's SIR. For 2014-15, this "corridor" increased the SIR to \$2 million, but with an aggregated stop loss of \$3.35 million. Other reinsurance agreements respond up to the applicable policy limits. Those reinsurance agreements contain aggregate limits for the maximum annual reimbursements to the Pool of \$40 million (lowest reinsured layer), \$20

Skagit County, Washington
Notes to the Financial Statements
December 31, 2015

million, (second layer), \$30 million (third layer) and \$50 million (final reinsured layer). Since the Pool is a cooperative program, there is a joint liability among the participating members.

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

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

During 2014-15, Skagit County was also one of twenty-six (26) 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.

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

An 11-member executive committee is elected by and from the WCRP Board for staggered, 3-year terms. Authority has been delegated to the Committee by the Board of Directors to, a) approve all disbursements and reviews the Pool's financial health, b) approve case settlements exceeding the applicable member's deductible by at least \$50,000, c) review all claims with incurred loss estimates exceeding \$100,000, and d) evaluate the Pool's operations, program deliverables, and the Executive Director's performance. Committee members are expected to participate in the Board's standing committees (finance, personnel, risk management, and underwriting) which develop or review/revise proposals for and/or recommendations to the association's policies and its coverages for the Board to consider and act upon.

During 2014-15, the WCRP's assets grew 3% to \$48.8 million while its liabilities increased slightly to \$29.8 million. The Pool's net position decreased slightly from \$19.4 million to \$18.9 million. 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.

Skagit County, Washington
Notes to the Financial Statements
December 31, 2015

Deficits of the Pool resulting from any fiscal year are financed by reassessments of the deficient year's membership in proportion with the initially levied and collected deposit assessments. The Pool's reassessments receivable balance as of December 31, 2015 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:

		Current Year		
Fiscal Year	Beginning Balance	Claims & Changes in Estimate	Claim Payments	Year End Balance
2015	\$ 609,600	\$ 187,385	\$ 12,041	\$ 784,945
2014	876,500	84,021	350,921	609,600
2013	2,770,881	(1,240,114)	654,267	876,500

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, .9945 in 2013, 1.1994 in 2014, and 1.1572 in 2015.

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 \$505,650 at December 31, 2015.

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 \$77,941 for 2015. Dental claims activity for 2015 and the preceding two years are as follows:

		Current Year		
Fiscal Year	Beginning Balance	Claims & Changes in Estimate	Claim Payments	Year End Balance
2015	\$ 105,367	\$ 705,048	\$ 702,359	\$ 108,055
2014	101,567	688,682	684,882	105,367
2013	99,119	662,634	660,186	101,567

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 \$382,343 for 2015. Medical claims activity for 2015 and the preceding two years are as follows:

Skagit County, Washington
Notes to the Financial Statements
December 31, 2015

		Current Year		
Fiscal Year	Beginning Balance	Claims & Changes in Estimate	Claim Payments	Year End Balance
2015	\$ 1,415,833	\$ 11,943,160	\$ 11,577,794	\$ 1,781,199
2014	1,308,446	9,310,303	9,202,916	1,415,833
2013	1,123,379	8,689,969	8,504,902	1,308,446

VIII. 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 V, 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, 2015 was \$6,565,000. 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.

Leasing Commitments

Future minimum rental payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year as of December 31, 2015 are as follows:

	Rental Payments
Year	Due
2016	162,766
2017	42,486
Total	205,252

2015 rent expense for all operating leases, except those with terms of a month or less were all renewed.

Skagit County, Washington
Notes to the Financial Statements
December 31, 2015

Construction

At December 31, 2015, the County had pending construction project contracts in progress. The commitments related to the remaining contract balances are summarized as follows:

	Total	Expended to	Balance
	Contracts	12/31/2015	Unexpended
Governmental Activities			
Clean Water Fund	\$ 2,301,130	\$ 889,454	\$ 1,411,676
Non-Major Government Funds	2,171,216	965,340	1,205,876
Road Fund	18,835,901	7,825,371	11,010,530

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. Accordingly, a long-term liability for post closure costs in the amount of \$2,911,425, of which \$50,000 is the current portion, is reported in the Solid Waste Fund at December 31, 2015.

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 \$3,415,962, of which \$10,000 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 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, 2015, the County is in Phase II Remedial Investigation stage. Work remaining is Phase II Remedial Investigation, Feasibility Study, and a Cleanup Action Plan.

Sinnes Road Landfill

The Solid Waste Fund recognized a liability of \$521,696, of which \$500 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, 2015, the County is in the remedial action stage, with long-term monitoring and maintenance to be determined.

Skagit County, Washington
Notes to the Financial Statements
December 31, 2015

Burlington Road Shop

The Equipment Rental and Revolving Fund recognized a liability of \$113,533, of which \$0 is the current portion for costs relating to the monitoring and potential cleanup of soil and water contamination at the site of underground fuel storage tanks. Petroleum-impacted soil and groundwater were initially discovered in 1992 during the removal of three underground fuel storage tanks. Subsequent soil and groundwater investigations were conducted in 1993 by the County. Subsequently, four underground fuel storage tanks were removed. Annual groundwater monitoring using the existing well network was voluntarily implemented in 2003 and has continued to the present. Long-term groundwater monitoring is planned to continue until groundwater conditions improve.

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, 2015, 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. As of December 31, 2015, no further action has been taken either by the Department of Ecology or the County.

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.

IX. PRIOR PERIOD ADJUSTMENTS

Jail Fund – A prior period adjustment of \$269,861 was the result of an accrual error made in 2014.

X. ACCOUNTING AND REPORTING CHANGES

The Government Accounting Standards Board (GASB), Statement No. 68, “Accounting and Financial Reporting for Pensions” became effective for financial statements for fiscal years beginning after June 15, 2014. This statement replaces the requirements of Statement No. 27, “Accounting for Pensions by State and Local Governmental Employers”, as well as Statement No. 50, “Pension Disclosures” as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. As a result of implementing this new statement for the 2015 financial statements, the beginning net position for the Statement of Activities, as well as the Statement of Revenues, Expenses, and Changes in Fund Net Position Proprietary Funds have been adjusted as to the following:

Skagit County, Washington
Notes to the Financial Statements
December 31, 2015

Accounting Change Adjustment	Statement of Activities	Fund 401	Fund 402	Fund 403
Beginning Net Position	\$ 350,302,998	\$ (3,376,400)	\$ 8,197,769	\$ 6,621,172
Adjustment for Accounting Change	(26,201,349)	(964,332)	(414,524)	(1,582,442)
Restate Beginning Net Position	\$ 324,101,649	\$ (4,340,732)	\$ 7,783,245	\$ 5,038,730

For practical reasons, the County chose not to restate prior years' financial statements.

SKAGIT COUNTY, WASHINGTON

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual

General Fund

For the Year Ended December 31, 2015

	Budgeted Amounts		Actual	Variance
	Original	Final		
Budgeted Fund Balance, January 1	\$ 4,377,173	\$ 4,610,875	\$ 13,822,646	
Resources (in-flows)				
Taxes	33,052,527	33,052,527	33,424,312	371,785
Licenses and Permits	332,000	332,000	285,856	(46,144)
Intergovernmental Revenue	5,569,353	5,854,167	7,776,034	1,921,867
Charges for Services	3,823,630	3,881,618	4,135,939	254,321
Fines and Forfeits	1,712,000	1,712,000	2,083,276	371,276
Interest Revenue	1,792,500	1,792,500	1,484,320	(308,180)
Miscellaneous Revenues	98,470	98,470	139,591	41,121
Transfers In	130,783	215,839	212,901	(2,938)
Total Resources (in-flows)	46,511,263	46,939,121	49,542,229	2,603,108
Amounts Available for Appropriation	50,888,436	51,549,996	63,364,875	
Charges to Appropriations (out-flows)				
General Government	19,345,154	19,542,614	17,360,413	(2,182,201)
Judicial	8,661,022	8,935,300	8,713,544	(221,756)
Public Safety	17,177,763	17,303,776	17,039,605	(264,171)
Physical Environment	40,768	40,768	19,817	(20,951)
Economic Environment	354,866	364,609	362,798	(1,811)
Health and Human Services	296,172	296,172	295,928	(244)
Culture and Recreation	446,000	446,000	446,000	-
Capital Expenditures	20,000	20,000	-	(20,000)
Transfers Out	4,546,691	4,600,757	4,550,757	(50,000)
Amount Charged to Appropriations (out-flows)	50,888,436	51,549,996	48,788,862	(2,761,134)
Budgeted Fund Balance, December 31	\$ -	\$ -	\$ 14,576,013	

SKAGIT COUNTY, WASHINGTON

General Fund

Schedule of Revenues

Budget (GAAP Basis) and Actual
For the Year Ended December 31, 2015

	Budgeted Amounts		Actual	Variance with Final Budget
	Original Budget	Final Budget		
General Property Taxes	24,563,527	24,563,527	24,223,058	(340,469)
Timber Harvest Taxes	-	-	-	-
Retail Sales and Use Taxes	7,939,000	7,939,000	8,575,834	636,834
Business Taxes	-	-	-	-
Excise Taxes	550,000	550,000	625,420	75,420
Penalties and Interest on Delinquent Taxes	-	-	-	-
Total Taxes	33,052,527	33,052,527	33,424,312	371,785
Non-Business Licenses and Permits	332,000	332,000	285,856	(46,144)
Total Licenses and Permits	332,000	332,000	285,856	(46,144)
Federal Shared Revenue	10,779	10,779	11,714	935
Indirect Federal Grants	818,305	818,305	1,774,826	956,521
State Grants	1,185,278	1,413,984	1,399,349	(14,635)
State Shared Revenue	731,900	731,900	1,383,074	651,174
In Lieu and State Entitlement Revenue	1,489,728	1,509,887	1,793,370	283,483
Intergovernmental Revenue	1,333,363	1,369,312	1,413,700	44,388
Total Intergovernmental Revenue	5,569,353	5,854,167	7,776,033	1,921,866
General Government	2,037,130	2,037,130	2,245,019	207,889
Public Safety	264,500	322,488	304,161	(18,327)
Health and Human Services	47,500	47,500	53,488	5,988
Economic Environment	13,000	13,000	13,710	710
Culture and Recreation	-	-	-	-
Interfund Charges for Services	1,461,500	1,461,500	1,519,562	58,062
Total Charges for Goods and Services	3,823,630	3,881,618	4,135,940	254,322
Superior Court Felony/Misdemeanor Penalties	82,000	82,000	75,549	(6,451)
Civil Penalties	12,000	12,000	8,737	(3,263)
Civil Infraction Penalties	1,314,500	1,314,500	1,278,552	(35,948)
Civil Parking Infraction	6,000	6,000	1,742	(4,258)
Criminal Traffic Misdemeanor	207,000	207,000	182,771	(24,229)
Criminal Non-Traffic Fines	38,200	38,200	34,061	(4,139)
Criminal Costs	12,300	12,300	5,262	(7,038)
Non-Court Fines, Forfeitures	40,000	40,000	496,603	456,603
Total Fines and Forfeits	1,712,000	1,712,000	2,083,277	371,277
Interest Earnings	1,792,500	1,792,500	1,484,320	(308,180)
Rents, Leases, Concessions	19,004	19,004	23,255	4,251
Interfund/Interdepartment Miscellaneous	-	-	-	-
Contributions/Donations	44,266	44,266	44,224	(42)
Other Miscellaneous Revenue	32,700	32,700	70,037	37,337
Total Miscellaneous Revenues	1,888,470	1,888,470	1,621,836	(266,634)
Agency Type Deposits	2,500	2,500	2,075	(425)
Total Non-Revenues	2,500	2,500	2,075	(425)
Total Revenues	46,380,480	46,723,282	49,329,328	2,606,047

SKAGIT COUNTY, WASHINGTON
Schedule of Expenditures Budget (GAAP Basis) and Actual
For the Year Ending December 31, 2015

		<u>Budgeted Amounts</u>			
		<u>Original</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with</u>
		<u>Budget</u>			<u>Final Budget</u>
<u>General Government</u>					
<u>Assessor</u>					
	Salaries and Wages	1,113,080	1,113,080	1,046,400	(66,680)
	Personnel Benefits	596,575	596,575	563,475	(33,100)
	Supplies	9,000	9,000	6,851	(2,149)
	Other Services and Charges	31,500	31,500	30,827	(673)
	Interfund Payments for Services	17,556	17,556	13,380	(4,176)
Total Assessor		1,767,711	1,767,711	1,660,933	(106,778)
<u>Auditor</u>					
	Salaries and Wages	795,532	806,077	807,204	1,127
	Personnel Benefits	396,847	401,347	395,925	(5,422)
	Supplies	14,200	13,200	8,806	(4,394)
	Other Services and Charges	15,450	18,348	13,809	(4,539)
Total Auditor		1,222,029	1,238,972	1,225,744	(13,228)
<u>Board of Equalization</u>					
	Salaries and Wages	48,884	49,192	33,819	(15,373)
	Personnel Benefits	17,387	17,602	14,862	(2,740)
	Supplies	100	100	79	(21)
	Other Services and Charges	800	1,580	1,532	(48)
Total Board of Equalization		67,171	68,474	50,292	(18,182)
<u>Commissioners</u>					
	Salaries and Wages	399,041	409,541	404,584	(4,957)
	Personnel Benefits	156,177	157,477	158,934	1,457
	Supplies	1,750	1,750	2,156	406
	Other Services and Charges	33,990	28,990	29,312	322
Total Commissioners		590,958	597,758	594,986	(2,772)
<u>Administrative Services</u>					
	Salaries and Wages	540,808	545,808	542,111	(3,697)
	Personnel Benefits	228,487	228,487	221,927	(6,560)
	Supplies	7,000	7,000	4,353	(2,647)
	Other Services and Charges	213,175	208,175	185,878	(22,297)
Total Administrative Services		989,470	989,470	954,269	(35,201)
<u>General Maintenance</u>					
	Salaries and Wages	596,328	596,328	557,822	(38,506)
	Personnel Benefits	337,703	337,703	338,981	1,278
	Supplies	144,000	144,000	136,235	(7,765)
	Other Services and Charges	793,928	793,928	698,861	(95,067)
	Interfund Payments for Services	49,358	49,358	27,561	(21,797)
Total General Maintenance		1,921,317	1,921,317	1,759,460	(161,857)

SKAGIT COUNTY, WASHINGTON
Schedule of Expenditures Budget (GAAP Basis) and Actual
For the Year Ending December 31, 2015

<u>Prosecuting Attorney</u>					-
Salaries and Wages	2,548,250	2,565,070	2,538,348	(26,722)	
Personnel Benefits	1,162,131	1,171,533	1,145,998	(25,535)	
Supplies	37,750	37,750	21,460	(16,290)	
Other Services and Charges	365,525	339,303	135,889	(203,414)	
Total Prosecuting Attorney	4,113,656	4,113,656	3,841,695	(271,961)	
<u>Treasurer</u>					-
Salaries and Wages	593,756	593,756	558,414	(35,342)	
Personnel Benefits	292,736	292,736	282,351	(10,385)	
Supplies	17,000	17,000	6,106	(10,894)	
Other Services and Charges	118,000	118,000	110,788	(7,212)	
Total Treasurer	1,021,492	1,021,492	957,659	(63,833)	
<u>Non Departmental Expenditures</u>					-
Salaries and Wages	-	-	-	-	
Personnel Benefits	149,314	149,314	149,144	(170)	
Supplies			165	165	
Other Services and Charges	854,659	1,067,159	734,210	(332,949)	
Interfund Payments for Services	6,647,377	6,607,291	5,431,856	(1,175,435)	
Total Non Departmental Expenditures	7,651,350	7,823,764	6,315,375	(1,508,389)	
Total General Government		\$ 19,345,154	\$ 19,542,614	\$ 17,360,413	\$ (2,182,201)
<u>Judicial</u>					
<u>County Clerk</u>					-
Salaries and Wages	939,418	939,418	927,997	(11,421)	
Personnel Benefits	523,140	523,140	509,836	(13,304)	
Supplies	24,000	27,000	26,153	(847)	
Other Services and Charges	12,200	26,100	24,351	(1,749)	
Total County Clerk	1,498,758	1,515,658	1,488,337	(27,321)	
<u>District Court</u>					-
Salaries and Wages	1,349,762	1,356,120	1,361,394	5,274	
Personnel Benefits	643,190	647,616	635,848	(11,768)	
Supplies	18,000	18,000	15,976	(2,024)	
Other Services and Charges	56,175	56,175	59,299	3,124	
Interfund Payments for Services	-	-	-	-	
Total District Court	2,067,127	2,077,911	2,072,517	(5,394)	
<u>Public Defender</u>					-
Salaries and Wages	1,591,662	1,641,806	1,642,786	980	
Personnel Benefits	727,683	740,813	735,727	(5,086)	
Supplies	11,610	11,610	11,662	52	
Other Services and Charges	316,757	339,335	288,108	(51,227)	
Total Public Defender	2,647,712	2,733,564	2,678,283	(55,281)	
<u>Superior Courts</u>					-
Salaries and Wages	1,028,264	1,073,442	1,061,837	(11,605)	
Personnel Benefits	338,452	357,216	341,546	(15,670)	
Supplies	21,870	21,870	16,210	(5,660)	
Other Services and Charges	334,215	431,015	422,137	(8,878)	
Total Superior Courts	1,722,801	1,883,543	1,841,730	(41,813)	

SKAGIT COUNTY, WASHINGTON
Schedule of Expenditures Budget (GAAP Basis) and Actual
For the Year Ending December 31, 2015

<u>Assigned Counsel</u>				-
Salaries and Wages	136,937	136,937	138,697	1,760
Personnel Benefits	79,587	79,587	76,937	(2,650)
Supplies	1,100	1,100	869	(231)
Other Services and Charges	430,000	430,000	342,074	(87,926)
Total Assigned Counsel	647,624	647,624	558,577	(89,047)
<u>Mediation Services</u>				-
Other Services and Charges	77,000	77,000	74,100	(2,900)
Total Mediation Services	77,000	77,000	74,100	(2,900)
Total Judicial	\$ 8,661,022	\$ 8,935,300	\$ 8,713,544	\$ (221,756)
Public Safety				
<u>District Court Probation</u>				-
Salaries and Wages	340,208	345,208	344,337	(871)
Personnel Benefits	166,158	166,158	164,511	(1,647)
Supplies	3,000	3,000	2,146	(854)
Other Services and Charges	4,250	4,250	2,476	(1,774)
Total District Court Probation	513,616	518,616	513,470	(5,146)
<u>Non-Departmental - County Jail Costs</u>				
Interfund Payments for Services	5,500,000	5,500,000	5,500,000	-
Total Non-Departmental - County Jail Costs	5,500,000	5,500,000	5,500,000	-
<u>Office of Juvenile Court</u>				-
Salaries and Wages	1,823,774	1,840,485	1,802,611	(37,874)
Personnel Benefits	937,192	950,495	926,026	(24,469)
Supplies	24,850	24,850	19,008	(5,842)
Other Services and Charges	76,284	81,284	51,107	(30,177)
Interfund Payments for Services	1,272	1,272	1,190	(82)
Total Office of Juvenile Court	2,863,372	2,898,386	2,799,942	(98,444)
<u>Civil Service Commission</u>				-
Salaries and Wages	25,910	25,910	14,058	(11,852)
Personnel Benefits	5,153	5,153	3,945	(1,208)
Supplies	200	200	-	(200)
Other Services and Charges	1,180	1,180	797	(383)
Total Civil Service Commission	32,443	32,443	18,800	(13,643)
<u>Sheriff</u>				-
Salaries and Wages	4,831,066	4,881,365	4,826,929	(54,436)
Personnel Benefits	2,176,867	2,184,556	2,008,607	(175,949)
Supplies	93,175	93,175	97,306	4,131
Other Services and Charges	209,200	237,211	446,794	209,583
Interfund Payments for Services	958,024	958,024	827,757	(130,267)
Total Sheriff	8,268,332	8,354,331	8,207,393	(146,938)
Total Public Safety	\$ 17,177,763	\$ 17,303,776	\$ 17,039,605	\$ (264,171)

SKAGIT COUNTY, WASHINGTON
Schedule of Expenditures Budget (GAAP Basis) and Actual
For the Year Ending December 31, 2015

Physical Environment

<u>Sustainability</u>				-
Salaries and Wages	22,747	22,747	12,566	(10,181)
Personnel Benefits	12,351	12,351	5,625	(6,726)
Supplies	500	500	-	(500)
Other Services and Charges	3,700	3,700	1,110	(2,590)
Interfund Payments for Services	1,470	1,470	516	(954)
Total Sustainability	40,768	40,768	19,817	(20,951)
Total Physical Environment	\$ 40,768	\$ 40,768	\$ 19,817	\$ (20,951)

Economic Environment

<u>Boundary Review Board</u>				-
Salaries and Wages	2,688	2,796	2,797	1
Personnel Benefits	1,410	1,431	1,425	(6)
Supplies	-	-	-	-
Other Services and Charges	10,000	10,000	9,867	(133)
Total Boundary Review Board	14,098	14,227	14,089	(138)

<u>Hearing Examiner</u>				-
Salaries and Wages	24,196	25,176	25,172	(4)
Personnel Benefits	12,679	12,873	12,826	(47)
Supplies	100	100	81	(19)
Other Services and Charges	65,000	65,000	61,838	(3,162)
Total Hearing Examiner	101,975	103,149	99,917	(3,232)

<u>Animal Control</u>				-
Salaries and Wages	51,210	51,210	51,380	170
Personnel Benefits	29,073	29,073	30,395	1,322
Supplies	3,000	3,000	987	(2,013)
Other Services and Charges	26,500	26,500	34,068	7,568
Interfund Payments for Service	6,528	6,528	5,220	(1,308)
Total Animal Control	116,311	116,311	122,050	5,739

<u>Noxious Weed Control</u>				-
Salaries and Wages	68,460	74,460	70,400	(4,060)
Personnel Benefits	35,404	35,404	34,335	(1,069)
Supplies	5,300	5,300	4,022	(1,278)
Other Services and Charges	2,775	2,775	3,466	691
Interfund Payments for Service	7,944	7,944	10,793	2,849
Total Noxious Weed Control	119,883	125,883	123,016	(2,867)

<u>AG Advisory Board</u>				-
Salaries and Wages	1,689	3,689	2,455	(1,234)
Personnel Benefits	860	1,250	1,217	(33)
Other Services and Charges	50	100	54	(46)
Total AG Advisory Board	2,599	5,039	3,726	(1,313)

Total Economic Environment	\$ 354,866	\$ 364,609	\$ 362,798	\$ (1,811)
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SKAGIT COUNTY, WASHINGTON
Schedule of Expenditures Budget (GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2015

Budgeted Amounts				Variance with Final Budget			
Original Budget	Final Budget	Actual					
Health and Human Services							
<u>Coroner</u>				-			
Salaries and Wages	106,226	106,226	106,746	520			
Personnel Benefits	46,740	46,740	41,792	(4,948)			
Supplies	4,000	4,000	5,659	1,659			
Other Services and Charges	125,262	125,262	130,571	5,309			
Interfund Payment for Services	13,944	13,944	11,160	(2,784)			
Total Coroner Extension	296,172	296,172	295,928	(244)			
Total Health and Human Services							
\$	296,172	\$	296,172	\$	295,928	\$	(244)
Culture and Recreation							
<u>Cooperative Extension</u>				-			
Salaries and Wages	-	-	-	-			
Personnel Benefits	-	-	-	-			
Supplies	-	-	-	-			
Other Services and Charges	296,000	296,000	296,000	-			
Total Cooperative Extension	296,000	296,000	296,000	-			
<u>Historical Museum</u>							
Salaries and Wages	-	-	-	-			
Personnel Benefits	-	-	-	-			
Supplies	-	-	-	-			
Other Services and Charges	150,000	150,000	150,000	-			
Total Historical Museum	150,000	150,000	150,000	-			
Total Culture and Recreation							
\$	446,000	\$	446,000	\$	446,000	\$	-
Capital Outlay							
<u>Capital Outlay</u>							
Capital Outlay	35,000	35,000	-	(35,000)			
TotalCapital Outlay	35,000	35,000	-	(35,000)			
TOTAL EXPENDITURES							
\$	46,356,745	\$	46,964,239	\$	44,238,105	\$	(2,726,134)

SKAGIT COUNTY, WASHINGTON
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual
Mental Health Fund
For the Year Ended December 31, 2015

	Budgeted Amounts		Actual	Variance
	Original	Final		
Budgeted Fund Balance, January 1	\$ 534,877	\$ 664,164	\$ 5,809,716	
Resources (in-flows)				
General Property Taxes	319,756	319,756	325,563	5,807
Timber Harvest Taxes	6,176	6,176	8,137	1,961
Excise Taxes	2,463,988	2,463,988	2,660,622	196,634
Licenses and Permits				-
Intergovernmental Revenues	305,091	290,091	2,263,850	1,973,759
Charges for Services	1,669,513	1,669,513	-	(1,669,513)
Interest Earnings	5,542	5,542	8,103	2,561
Other Revenue	74	74	16	(58)
Total Resources (in-flows)	4,770,140	4,755,140	5,266,291	511,151
Amounts Available for Appropriation	5,305,017	5,419,304	11,076,007	
Charges to Appropriations (out-flows)				
Health and Human Services	5,145,067	5,143,354	3,932,692	(1,210,662)
Transfers Out	159,950	275,950	220,901	(55,049)
Amount Charged to Appropriations (out-flows)	5,305,017	5,419,304	4,153,593	(1,265,711)
Budgeted Fund Balance, December 31	\$ -	\$ -	\$ 6,922,415	

SKAGIT COUNTY, WASHINGTON
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual
County Road Fund
For the Year Ended December 31, 2015

	Budgeted Amounts		Actual	Variance
	Original	Final		
Budgeted Fund Balance, January 1	\$ (1,196,504)	\$ (1,162,004)	\$ 2,138,937	
Resources (in-flows)				
General Property Taxes	12,286,460	12,286,460	11,614,011	(672,449)
Timber Harvest Taxes	300,000	300,000	-	(300,000)
Excise Taxes	50,000	50,000	465,393	415,393
Licenses and Permits	79,000	79,000	73,161	(5,839)
Intergovernmental Revenues	9,721,161	9,721,161	6,224,586	(3,496,575)
Charges for Services	2,549,248	2,549,248	1,584,603	(964,645)
Interest Earnings	3,100	3,100	772	(2,328)
Other Revenue	286,500	286,500	302,738	16,238
Total Resources (in-flows)	25,275,469	25,275,469	20,265,264	(5,010,205)
Amounts Available for Appropriation	24,078,965	24,113,465	22,404,201	
Charges to Appropriations (out-flows)				
General Government	91,675	91,675	109,047	17,372
Transportation	19,955,676	19,955,676	17,301,348	(2,654,328)
Capital Expenditures	4,031,614	4,031,614	690,277	(3,341,337)
Transfers Out	-	34,500	34,500	-
Amount Charged to Appropriations (out-flows)	24,078,965	24,113,465	18,135,172	(5,978,293)
Budgeted Fund Balance, December 31	\$ -	\$ -	\$ 4,269,029	

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, 2015

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Employer's proportion of the net pension liability (asset)	0.300733%									
Employer's proportionate share of the net pension liability	\$ 15,731,133									
Total	15,731,133	-	-	-	-	-	-	-	-	-
Employer's covered employee payroll	\$ 797,955									
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	1971.4307%									
Plan fiduciary net position as a percentage of the total pension liability	59.10%									

PERS Plan 2/3
As of June 30, 2015

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Employer's proportion of the net pension liability (asset)	0.342725%									
Employer's proportionate share of the net pension liability	\$ 12,245,760									
Total	12,245,760	-	-	-	-	-	-	-	-	-
Employer's covered employee payroll	\$ 30,413,995									
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	40.263568%									
Plan fiduciary net position as a percentage of the total pension liability	89.20%									

Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability
PSERS 2
As of June 30, 2015

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Employer's proportion of the net pension liability (asset)	0.773485%									
Employer's proportionate share of the net pension liability	\$ 141,176									
Total	141,176	-	-	-	-	-	-	-	-	-
Employer's covered employee payroll	\$ 2,264,702									
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	6.2337762%									
Plan fiduciary net position as a percentage of the total pension liability	95.08%									

LEOFF 1
As of June 30, 2015

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Employer's proportion of the net pension liability	0.024877%									
Employer's proportionate share of the net pension liability (asset)	\$ (299,823)									
Total	(299,823)	-	-	-	-	-	-	-	-	-
Employer's covered employee 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%									

Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability
LEOFF 2
As of June 30, 2015

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Employer's proportion of the net pension liability (asset)	0.1464060%									
State's proportionate share of the net pension liability (asset) associated with the employer	39.80258%									
Employer's proportionate share of the net pension liability	\$ (1,504,761)									
Total	(1,504,760)	-	-	-	-	-	-	-	-	-
Employer's covered employee payroll	\$ 4,249,285									
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	-35.412099%									
Plan fiduciary net position as a percentage of the total pension liability	111.67%									

Required Supplementary Information
Schedule of Employer Contributions
PERS Plan 1
As of June 30, 2015
Last 10 Fiscal Years*

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Contractually required contributions	1,382,161									
Contributions in relation to the contractually required contributions	1,382,161									
Contribution deficiency (excess)	-									
Covered Employer Payroll	\$ 797,955									
Contributions as a percentage of covered employee payroll	173.2129%									

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

PERS Plan 2/3
As of June 30, 2015
Last 10 Fiscal Years*

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Contractually required contributions	1,526,676									
Contributions in relation to the contractually required contributions	1,526,676									
Contribution deficiency (excess)	0									
Covered Employer Payroll	\$ 30,413,995									
Contributions as a percentage of covered employee payroll	5.0196497%									

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

**Required Supplementary Information
Schedule of Employer Contributions
PSERS 2
As of June 30, 2015
Last 10 Fiscal Years***

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Contractually required contributions	144,140									
Contributions in relation to the contractually required contributions	144,140									
Contribution deficiency (excess)	-									
Covered Employer Payroll	\$ 2,264,702									
Contributions as a percentage of covered employee payroll	6.364611%									

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

**LEOFF 2
As of June 30, 2015
Last 10 Fiscal Years***

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Contractually required contributions	\$ 214,589									
Contributions in relation to the contractually required contributions										
Contribution deficiency (excess)	214,589									
Covered Employer Payroll	\$ 4,249,285									
Contributions as a percentage of covered employee payroll	5.0500058%									

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

Required Supplementary Information
Other Postemployment Benefits
LEOFF 1 Retiree Medical Benefits
Schedule of Funding Progress
12/31/2015

For the Year Ended	Actuarial Valuation Date	Actuarial Valuation of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liabilities (UAAL)	Funded Ratio	Annual Required Contribution (ARC)	Covered Payroll	AAL as a Percentage of Covered Payroll
2008	5/13/2009	\$ -	\$ 4,574,084	\$ 4,574,084	0%	\$ 465,505	\$ 59,932	7632%
2009	5/13/2009	\$ -	\$ 4,574,084	\$ 4,574,084	0%	\$ 465,505	\$ 24,262	18853%
2010	5/13/2009	\$ -	\$ 4,574,084	\$ 4,574,084	0%	\$ 465,505	\$ -	0%
2011	1/23/2012	\$ -	\$ 3,513,272	\$ 3,513,272	0%	\$ 327,134	\$ -	0%
2012	1/23/2012	\$ -	\$ 3,513,272	\$ 3,513,272	0%	\$ 327,134	\$ -	0%
2013	1/23/2012	\$ -	\$ 3,513,272	\$ 3,513,272	0%	\$ 327,134	\$ -	0%
2014	1/16/2015	\$ -	\$ 5,528,315	\$ 5,528,315	0%	\$ 497,223	\$ -	0%
2015	1/16/2015	\$ -	\$ 5,528,315	\$ 5,528,315	0%	\$ 497,223	\$ -	0%

The LEOFF 1 AAL has been prepared using the alternative method issued by the Office of State Actuary (OSA).

The actuarial calculations of the OPEB plan reflect a long-term perspective.

Actuarial Assumptions

Medical Inflation Trend*	+or- 1%
UAAL Amortization Trend	30 years
Annual Growth Budget Rate	5%

* The medical inflation trend is the percent that medical costs are expected to increase in future years. The expected medical inflation trend starts at 9.0% in 2007 and decreases to 5.0% in 2015; it remains at 5.0% after 2015. The expected long-term care inflation trend is 4.5% for all years. These were developed from health care actuaries contracted at Milliman.

Please see Note VI D for further information.

Skagit County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2015

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Note
				From Pass- Through Awards	From Direct Awards	Passed through to Subrecipients	
Farm Service Agency, Department Of Agriculture	Conservation Reserve Program	10.069	CREP 2003 0055 Day Creek	-	274	274	1, 2
Farm Service Agency, Department Of Agriculture	Conservation Reserve Program	10.069	CREP 2005 0072 Martin Slough- Rockport	-	6,519	6,519	1, 2
Child Nutrition Cluster			Total CFDA 10.069:	-	6,793	6,793	
Food And Nutrition Service, Department Of Agriculture (via Office of Superintendent of Public Instruction)	School Breakfast Program	10.553	29-320-9788	2,934	-	2,934	1
Food And Nutrition Service, Department Of Agriculture (via Office of Superintendent of Public Instruction)	School Breakfast Program	10.553	29-320-9788	4,401	-	4,401	1
Food And Nutrition Service, Department Of Agriculture (via Office of Superintendent of Public Instruction)	National School Lunch Program	10.555	29-320-9788	4,605	-	4,605	1
Food And Nutrition Service, Department Of Agriculture (via Office of Superintendent of Public Instruction)	National School Lunch Program	10.555	29-320-9788	2,818	-	2,818	1
Total CFDA 10.553:			7,334	-	-	7,334	
Total CFDA 10.555:			7,423	-	-	7,423	
Total Child Nutrition Cluster:			14,757	-	-	14,757	
Food And Nutrition Service, Department Of Agriculture (via Washington State Department of Health)	Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	C17124	91,065	-	91,065	1, 4(d)
Food And Nutrition Service, Department Of Agriculture (via Washington State Department of Health)	WIC Farmers' Market Nutrition Program (FMNP)	10.572	C17124	240	-	240	1, 4(d)
Food And Nutrition Service, Department Of Agriculture (via Northwest Regional Council)	Senior Farmers Market Nutrition Program	10.576	163009-NUTR	5,684	-	5,684	1

The accompanying notes are an integral part of this schedule.

Food And Nutrition Service, Department Of Agriculture (via Northwest Regional Council)	Senior Farmers Market Nutrition Program	10.576	163009-NUTR Vouchers	4,262	-	4,262	-	1,6
Forest Service Schools and Roads Cluster				9,946	-	9,946	-	
Total CFDA 10.576:				9,946	-	9,946	-	
Forest Service, Department Of Agriculture	Schools and Roads - Grants to States	10.665	Title I Forest Yield	-	250,498	250,498	-	1
Forest Service, Department Of Agriculture	Schools and Roads - Grants to States	10.665	Title III Forest Yield	-	41,246	41,246	-	1
Total Forest Service Schools and Roads Cluster:				-	291,744	291,744	-	
National Oceanic And Atmospheric Administration (noaa), Department Of Commerce (via Northwest Straits Commission)	Coastal Zone Management Administration Awards	11.419	SEANWA-2014- SKCoPW-00003	4,407	-	4,407	2,912	1
National Oceanic And Atmospheric Administration (noaa), Department Of Commerce (via Washington Recreation and Conservation Office)	Pacific Coast Salmon Recovery_Pacific Salmon Treaty Program	11.438	13-1052R David Slough Fish Passage	39,820	-	39,820	-	1, 2
National Oceanic And Atmospheric Administration (noaa), Department Of Commerce (via Washington Recreation and Conservation Office)	Pacific Coast Salmon Recovery_Pacific Salmon Treaty Program	11.438	RCO#14-1264P	28,324	-	28,324	-	1, 2
National Oceanic And Atmospheric Administration (noaa), Department Of Commerce (via Washington Recreation and Conservation Office)	Pacific Coast Salmon Recovery_Pacific Salmon Treaty Program	11.438	RCO#14-1263R	78,648	-	78,648	-	1, 2
CDBG - State-Administered CDBG Cluster				146,792	-	146,792	-	
Office Of Community Planning And Development, Department Of Housing And Urban Development (via State of Washington Department of Commerce)	Community Development Block Grants/State's program and Non- Entitlement Grants in Hawaii	14.228	14-65400-012	19,513	-	19,513	19,513	1
Office Of Community Planning And Development, Department Of Housing And Urban Development (via State of Washington Department of Commerce)	Community Development Block Grants/State's program and Non- Entitlement Grants in Hawaii	14.228	15-62210-012	25,090	-	25,090	25,090	1
Total CDBG - State-Administered CDBG Cluster:				44,603	-	44,603	44,603	

The accompanying notes are an integral part of this schedule.

Bureau Of Reclamation, Department Of The Interior (via Samish Indian Nation)	Indian Tribal Water Resources Development, Management, and Protection	15.519	Valdivino Fish Habitat Enhancement Project #R12AP13003/52 010-2015-01	9,500	-	9,500	-	1
Drug Enforcement Administration, Department Of Justice (via Washington State Patrol)	Law Enforcement Assistance_Narcotics and Dangerous Drugs_Laboratory Analysis	16.001	Domestic Cannabis Eradication/Suppression K11067	20,000	-	20,000	-	1
Office Of Juvenile Justice And Delinquency Prevention, Department Of Justice (via Washington State Department of Health & Social Services)	Juvenile Accountability Block Grants	16.523	1463-17297	3,486	-	3,486	-	1, 2
Violence Against Women Office, Department Of Justice (via Washington State Department of Commerce)	Violence Against Women Formula Grants	16.588	F14-31103-056	13,694	-	13,694	-	1, 2
Bureau Of Justice Assistance, Department Of Justice (via Washington State Department of Social & Health Services- Residential Substance Abuse Treatment)	Residential Substance Abuse Treatment for State Prisoners	16.593	1163-38470	59,572	-	59,572	59,572	1, 2
Bureau Of Justice Assistance, Department Of Justice (via Washington State Department of Social & Health Services- Residential Substance Abuse Treatment)	Residential Substance Abuse Treatment for State Prisoners	16.593	1563-53486	23,100	-	23,100	23,100	1, 2
Total CFDA 16.593:				82,672	-	82,672	82,672	
Bureau Of Justice Assistance, Department Of Justice	State Criminal Alien Assistance Program	16.606	2015-H0723-WA-AP	-	20,984	20,984	-	1
Office Of Community Oriented Policing Services, Department Of Justice	Public Safety Partnership and Community Policing Grants	16.710	2014UMWX0077	-	62,446	62,446	-	1, 2
JAG Program Cluster								
Bureau Of Justice Assistance, Department Of Justice	Edward Byrne Memorial Justice Assistance Grant Program	16.738	2013-DJ-BX-0374	-	1,664	1,664	1,664	1
Bureau Of Justice Assistance, Department Of Justice	Edward Byrne Memorial Justice Assistance Grant Program	16.738	2014-DJ-BX-0076	-	10,050	10,050	10,050	1

The accompanying notes are an integral part of this schedule.

Bureau Of Justice Assistance, Department Of Justice (via Washington State Department of Commerce)	Edward Byrne Memorial Justice Assistance Grant Program	16.738	M14-31440-014	80,397	-	80,397	-	1
Bureau Of Justice Assistance, Department Of Justice (via Washington State Department of Commerce)	Edward Byrne Memorial Justice Assistance Grant Program	16.738	F15-31440-014	65,634	-	65,634	-	1
Total JAG Program Cluster:				146,031	11,714	157,745	11,714	
Highway Planning and Construction Cluster								
Federal Highway Administration (fhwa), Department Of Transportation (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	Skagit River Bridge Modification & Interstate Highway LA6452	147,577	-	147,577	-	1
Federal Highway Administration (fhwa), Department Of Transportation (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	Pioneer Highway/Fir Island Road Intersection LA8199	2,710	-	2,710	-	1
Federal Highway Administration (fhwa), Department Of Transportation (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	Burlington Northern Overpass LA8075	347,295	-	347,295	-	1, 2
Federal Highway Administration (fhwa), Department Of Transportation (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	Bow Hill Reconstruction LA8076	56,527	-	56,527	-	1, 2
Federal Highway Administration (fhwa), Department Of Transportation (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	Centennial Trail (Big Rock to Clear Lake) LA8425	10,238	-	10,238	-	1, 2
Federal Highway Administration (fhwa), Department Of Transportation (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	Josh Wilson Road Phase 1 LA 8426	17,040	-	17,040	-	1, 2
Federal Highway Administration (fhwa), Department Of Transportation (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	Friday Creek Bridge Repair (Old Hwy 99) LA 8746	344	-	344	-	1, 2
Federal Highway Administration (fhwa), Department Of Transportation (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	Old Hwy 99 North Illumination Project LA 8745	3,759	-	3,759	-	1, 2

The accompanying notes are an integral part of this schedule.

Federal Highway Administration (fhwa), Department Of Transportation (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	Cook Road Signal Advance Warning LA 8744	704	-	704	-	1, 2
Federal Highway Administration (fhwa), Department Of Transportation (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	Lower Finney Creek Bridge Repairs LA 8733	508	-	508	-	1, 2
Federal Highway Administration (fhwa), Department Of Transportation (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	Dodge Valley Road Barrier Protection Project LA 8724	13,215	-	13,215	-	1, 2
Federal Highway Administration (fhwa), Department Of Transportation (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	Samish River Bridge Repair (Old Hwy 99) LA 8702	1,278	-	1,278	-	1, 2
Federal Highway Administration (fhwa), Department Of Transportation (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	Guemes Ferry Breakwater Section Replacement LA 8521	67,514	-	67,514	-	1, 2
Total Highway Planning and Construction Cluster:				668,711	-	668,711	-	
Highway Safety Cluster								
National Highway Traffic Safety Administration (nhisa), Department Of Transportation (via Washington Traffic Safety Commission)	State and Community Highway Safety	20.600	Target Zero Corridor Project	11,466	-	11,466	-	1
National Highway Traffic Safety Administration (nhisa), Department Of Transportation (via Washington Traffic Safety Commission)	State and Community Highway Safety	20.600	Traffic Safety Equipment Grant	17,778	-	17,778	-	1
Total Highway Safety Cluster:				29,244	-	29,244	-	
Region 10, Environmental Protection Agency (via Washington State Department of Health)	Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	C17124 NEP Onsite Sewage Management	46,457	-	46,457	-	1, 4(d)
Region 10, Environmental Protection Agency (via Washington State Department of Health)	Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	PC-00J27601-0	450	-	450	-	1

The accompanying notes are an integral part of this schedule.

Region 10, Environmental Protection Agency (via Washington State Department of Health)	66.123	Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	DOH Contract N20689 / PC-00J32601	259,470	-	259,470	37,294	1
Region 10, Environmental Protection Agency (via State of Washington Department of Ecology)	66.123	Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	SEANWS-20150SkCoPW-00001	8,297	-	8,297	-	1
Region 10, Environmental Protection Agency (via Washington State Department of Commerce)	66.123	Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	12-63401-005	76,096	-	76,096	-	1, 2
Total CFDA 66.123:				390,771	-	390,771	37,294	
Office Of Water, Environmental Protection Agency	66.456	National Estuary Program	SEANWA-2014-SkCoPW-00003	-	58,555	58,555	38,688	1
U.s. Election Assistance Commission (via State of Washington, Office of the Secretary of State, Elections Division)	90.401	Help America Vote Act Requirements Payments	OSOS No. G-2855	1,353	-	1,353	-	1
Office Of The Secretary, Department Of Health And Human Services (via National Association of County and City Health Officials)	93.008	Medical Reserve Corps Small Grant Program	MRC 15-1027	3,500	-	3,500	-	1
Administration For Community Living, Department Of Health And Human Services (via Northwest Regional Council)	93.043	Special Programs for the Aging_Title III, Part D_Disease Prevention and Health Promotion Services	CDSMP CHRONIC DISEASE SELF MANAGEMENT PROGRAM 163009-NUTR	4,000	-	4,000	-	1
Aging Cluster								
Administration For Community Living, Department Of Health And Human Services (via Northwest Regional Council)	93.045	Special Programs for the Aging_Title III, Part C_Nutrition Services	163009-NUTR C1	93,074	-	93,074	-	1, 2
Administration For Community Living, Department Of Health And Human Services (via Northwest Regional Council)	93.045	Special Programs for the Aging_Title III, Part C_Nutrition Services	163009-NUTR C2	93,073	-	93,073	-	1, 2
Total CFDA 93.045:				186,147	-	186,147	-	
Administration For Community Living, Department Of Health And Human Services (via Northwest Regional Council)	93.053	Nutrition Services Incentive Program	163009-NUTR NSIP	97,630	-	97,630	-	1

The accompanying notes are an integral part of this schedule.

				Total Aging Cluster:	283,777	-	283,777	-
Centers For Disease Control And Prevention, Department Of Health And Human Services (via Washington State Department of Health)	Public Health Emergency Preparedness	93.069	C17124 EPR LHJ Funding	15,308	-	-	15,308	1, 4(d)
Centers For Disease Control And Prevention, Department Of Health And Human Services (via Washington State Department of Health)	Public Health Emergency Preparedness	93.069	C17124 EPR PHEP BP4 LHJ Funding	18,038	-	-	18,038	1, 4(d)
Total CFDA 93.069:				33,346	-	-	33,346	-
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services (via State of Washington Department of Social and Health Services-Recovery Support)	Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	Partnerships for Success Grant 1363-90042	13,263	-	-	13,263	1, 7
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services (via State of Washington Department of Social and Health Services-Recovery Support)	Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	Partnerships for Success Grant 1563-42494	17,616	-	-	17,616	1
Total CFDA 93.243:				30,879	-	-	30,879	-
Centers For Disease Control And Prevention, Department Of Health And Human Services (via Washington State Department of Health)	Immunization Cooperative Agreements	93.268	C17124 VFC OPS	5,267	-	-	5,267	1, 4(d)
Centers For Disease Control And Prevention, Department Of Health And Human Services (via Washington State Department of Health)	Immunization Cooperative Agreements	93.268	C17124 AFIX	24,251	-	-	24,251	1, 4(d)
Centers For Disease Control And Prevention, Department Of Health And Human Services (via Washington State Department of Health)	Immunization Cooperative Agreements	93.268	C17124 317 VFC ORDERING	5,384	-	-	5,384	1, 4(d)
Centers For Disease Control And Prevention, Department Of Health And Human Services (via Washington State Department of Health)	Immunization Cooperative Agreements	93.268	C17124 317 OPS	6,416	-	-	6,416	1, 4(d)

The accompanying notes are an integral part of this schedule.

Centers For Disease Control And Prevention, Department Of Health And Human Services (via Washington State Department of Health)	Immunization Cooperative Agreements	93.268	Vaccines in Lieu of Cash 2015 C17124	70,034	-	70,034	-	1, 3, 5
Centers For Disease Control And Prevention, Department Of Health And Human Services (via Washington State Department of Health)	Immunization Cooperative Agreements	93.268	Program Income C17124	1,557	-	1,557	-	1, 5
Total CFDA 93.268:				112,909	-	112,909	-	
Health Resources And Services Administration, Department Of Health And Human Services (via Thrive By 5 Washington)	Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	FY15-HVSA MIECHV	278,643	-	278,643	-	1, 4(d)
Health Resources And Services Administration, Department Of Health And Human Services (via Thrive By 5 Washington)	Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	FY15-HVSA MIECHV	86,133	-	86,133	-	1, 4(d)
Total CFDA 93.505:				364,776	-	364,776	-	
Administration For Children And Families, Department Of Health And Human Services (via Washington State Department of Health & Social Services)	Child Support Enforcement	93.563	75-1501-0-1-609/2110-80608	150,737	-	150,737	-	1, 2, 4(b)
Administration For Children And Families, Department Of Health And Human Services (via Washington State Department of Social & Health Services)	Child Support Enforcement	93.563	75-1501-0-1-609/2110-80608	412,490	-	412,490	-	1, 2, 4(a), 4(b)
Administration For Children And Families, Department Of Health And Human Services (via The Division of Child Support)	Child Support Enforcement	93.563	75-1501-0-1-609	37,262	-	37,262	-	1, 4(c)
Total CFDA 93.563:				600,489	-	600,489	-	
Medicaid Cluster								
Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via Washington State Health Care Authority)	Medical Assistance Program	93.778	Medical Admin Match 1163-35474	71,330	-	71,330	-	1, 2
Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via Washington State Health Care Authority)	Medical Assistance Program	93.778	Medical Admin Match K1416	24,338	-	24,338	-	1

The accompanying notes are an integral part of this schedule.

Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via North Sound Mental Health Administration)	Medical Assistance Program	93.778	NSMHA Skagit Admin 15	115,479	-	115,479	18,702	1
Total Medicaid Cluster:				211,148	-	211,148	18,702	
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services (via North Sound Mental Health Administration)	Block Grants for Community Mental Health Services	93.958	NSMHA MHBG 1516	74,147	-	74,147	74,147	1
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services (via Washington State Department of Social & Health Services-Substance Abuse Prevention-DASA)	Block Grants for Prevention and Treatment of Substance Abuse	93.959	1163-27323	44,109	-	44,109	44,109	1
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services (via State of Washington Department of Social and Health Services-Recovery Support)	Block Grants for Prevention and Treatment of Substance Abuse	93.959	1563-43877	82,836	-	82,836	-	1
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services (via Washington State Department of Social & Health Services-Substance Abuse Prevention-DASA)	Block Grants for Prevention and Treatment of Substance Abuse	93.959	1563-42494	23,888	-	23,888	-	1
Total CFDA 93.959:				150,833	-	150,833	44,109	
Health Resources And Services Administration, Department Of Health And Human Services (via Washington State Department of Health)	Maternal and Child Health Services Block Grant to the States	93.994	C17124 FFY16 MCHBG LHJ	138,899	-	138,899	-	1, 4(d)
Department Of Homeland Security (via Washington State Parks and Recreation Commission)	Boating Safety Financial Assistance	97.012	3314FAS140153	25,106	-	25,106	-	1, 2
Department Of Homeland Security (via Washington State Military Department/Snohomish County)	Hazard Mitigation Grant	97.039	E14-026	5,559	-	5,559	-	1, 2

The accompanying notes are an integral part of this schedule.

Department Of Homeland Security (via Washington State Military Department/Snohomish County)	Emergency Management Performance Grants	97.042	E15-132	10,000	-	10,000	-	1, 2
Department Of Homeland Security (via Washington State Military Department/Snohomish County)	Homeland Security Grant Program	97.067	E14-075	29,421	-	29,421	18,631	1
Department Of Homeland Security (via Washington State Military Department/Snohomish County)	Homeland Security Grant Program	97.067	E15-082	17,588	-	17,588	-	1
Total CFDA 97.067:				47,009	-	47,009	18,631	
Total Federal Awards Expended:				3,773,646	452,236	4,225,887	423,276	

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, 2015

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 – NONCASH AWARDS - VACCINATIONS

The amount of vaccines reported on the schedule is the value of vaccine received by Skagit County during 2015 and priced as prescribed by the Department of Health.

NOTE 4 – INDIRECT COST RATE

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) 17.11%, (b) 18.61%, (c) 18.80%, (d) 25.00%

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

NOTE 5 – PROGRAM INCOME

The amount reported is net of \$71,590.92 received as program income.

NOTE 6 – NONCASH AWARDS - VOUCHERS

The amount of vouchers reported on the schedule is the value of food vouchers received by Skagit County during 2015 and priced as prescribed by the Department of Agriculture.

NOTE 7 – PRIOR YEAR EXPENSE

The total amount expended for this program includes \$8,599.10 for 2014.

CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER OMB CIRCULAR A-133

Skagit County January 1, 2015 through December 31, 2015

This schedule presents the corrective action planned by the auditee for findings reported in this report in accordance with Title 2 *US Code of Federal Regulations* (CFR0 Part 200, *Uniform Administrative Requirements, Cost Principle, and Audit Requirements for Federal Awards* (Uniform Guidance). The information in this schedule is the representation of the Skagit County.

Finding ref number: 2015-001	Finding caption: The County's internal controls over financial statement preparation are inadequate to ensure accurate and complete reporting for the Jail and Agency Funds.
Name, address, and telephone of auditee contact person: Jana Robbins, Chief Accountant 1800 Continental Place Mount Vernon, WA 98273 (360) 336-9423	
Corrective action the auditee plans to take in response to the finding: <i>The financial statement checksheet has been updated.</i>	
Anticipated date to complete the corrective action: June 2016	

ABOUT THE STATE AUDITOR'S OFFICE

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

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

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

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Contact information for the State Auditor's Office	
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