



Washington State Auditor's Office

Independence • Respect • Integrity

Financial Statements and Federal Single Audit Report

Skagit County

For the period January 1, 2014 through December 31, 2014

Published July 23, 2015

Report No. 1014726





Washington State Auditor's Office

July 23, 2015

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,

JAN M. JUTTE, CPA, CGFM
ACTING STATE AUDITOR
OLYMPIA, WA

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FEDERAL SUMMARY

Skagit County January 1, 2014 through December 31, 2014

The results of our audit of Skagit County are summarized below in accordance with U.S. Office of Management and Budget Circular A-133.

Financial Statements

An unmodified opinion was issued on the basic financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information.

Internal Control Over Financial Reporting:

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

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

Federal Awards

Internal Control Over Major Programs:

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

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

We reported no findings that are required to be disclosed under section 510(a) of OMB Circular A-133.

Identification of Major Programs:

The following were major programs during the period under audit:

<u>CFDA No.</u>	<u>Program Title</u>
11.438	Pacific Coast Salmon Recovery
66.123	Puget Sound Action Agenda
93.563	Child Support Enforcement

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was \$300,000.

The County qualified as a low-risk auditee under OMB Circular A-133.

**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, 2014 through December 31, 2014**

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 units, each major fund and the aggregate remaining fund information of Skagit County, Washington, as of and for the year ended December 31, 2014, 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, 2015. As discussed in Note 1 to the financial statements, during the year ended December 31, 2014, the County implemented Governmental Accounting Standards Board Statement No. 69, *Government Combinations and Disposals of Government Operations*.

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.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be

prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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*.

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.



JAN M. JUTTE, CPA, CGFM
ACTING STATE AUDITOR
OLYMPIA, WA

June 29, 2015

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB
CIRCULAR A-133**

**Skagit County
January 1, 2014 through December 31, 2014**

Board of Commissioners
Skagit County
Mount Vernon, Washington

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

We have audited the compliance of Skagit County, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014. The County's major federal programs are identified in the accompanying Federal Summary.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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, 2014.

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 OMB Circular A-133, 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 OMB Circular A-133. 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.



JAN M. JUTTE, CPA, CGFM
ACTING STATE AUDITOR
OLYMPIA, WA

June 29, 2015

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Skagit County **January 1, 2014 through December 31, 2014**

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 units, each major fund and the aggregate remaining fund information of Skagit County, Washington, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed on page 15.

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 discretely presented component unit, each major fund and the aggregate remaining fund information of Skagit County, as of December 31, 2014, 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 1 to the financial statements, in 2014, the County adopted new accounting guidance, Governmental Accounting Standards Board No. 69, *Government Combinations and Disposals of Government Operation*. 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 17 through 27, budgetary comparison information on pages 81 through 90, and information on postemployment benefits other than pensions on page 91 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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. 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, 2015 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.



JAN M. JUTTE, CPA, CGFM
ACTING STATE AUDITOR
OLYMPIA, WA

June 29, 2015

FINANCIAL SECTION

Skagit County January 1, 2014 through December 31, 2014

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2014

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2014

Statement of Activities – 2014

Balance Sheet – Governmental Funds – 2014

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net
Position – 2014

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental
Funds – 2014

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance
of Governmental Funds to the Statement of Activities – 2014

Statement of Net Position – Proprietary Funds – 2014

Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds
– 2014

Statement of Cash Flows – Proprietary Funds – 2014

Statement of Fiduciary Net Position – Fiduciary Funds – 2014

Notes to Financial Statements – 2014

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual –
General Fund – 2014

Schedule of Revenues – Budget (GAAP Basis) and Actual – General Fund – 2014

Schedule of Expenditures – Budget (GAAP Basis) and Actual – General Fund – 2014

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual –
Mental Health Fund – 2014

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual –
County Road Fund – 2014

Notes to Required Supplementary Information – 2014

LEOFF I Retiree Medical Benefits – Schedule of Funding Progress – 2014

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2014

Notes to the Schedule of Expenditures of Federal Awards – 2014

This discussion and analysis provides a narrative overview of Skagit County's financial activities for the fiscal year ended December 31, 2014. 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, 2014, total assets of the County exceeded total liabilities by \$362 million. Net invested in capital assets (net of depreciation and related debt) account for 84.6% of this amount, at \$306 million. Of the remaining Net Position, \$30.4 million was restricted for specific purposes and \$25.3 million was unrestricted.
- Ending unassigned fund balance for the General Fund was \$13.8 million, a decrease of \$.1 million over the previous year. This was due to a conservative approach to spending practices.
- Ending fund balance for the County Road fund was \$2.1 million, a decrease of \$.16 million over the previous year. This was mainly due to decreased revenue streams.
- Ending fund balance for the Mental Health fund was \$5.8 million, an increase of \$.3 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 \$91.5 million at December 31, 2014. This is an increase of \$54 million, mainly attributable to debt issuance for the construction of a regional jail facility.

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. The Jail fund was created in January of 2014. See Note X Accounting and Reporting Changes in the Notes to the Financial Statements for more information. 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		% Change
	2014	2013	2014	2013	2014	2013	
ASSETS							
Current and Other Assets	\$92,466,381	\$88,071,614	\$61,974,928	\$5,089,795	\$154,441,309	\$93,161,409	65.78%
Capital Assets and Construction in Progress (Net of Depreciation)	288,981,407	301,896,811	23,640,989	16,811,569	312,622,396	318,708,380	-1.91%
Total Assets	<u>381,447,788</u>	<u>\$389,968,425</u>	<u>85,615,917</u>	<u>\$21,901,364</u>	<u>467,063,705</u>	<u>411,869,789</u>	13.40%
LIABILITIES							
Long-Term Liabilities	20,059,935	20,694,280	71,456,924	16,319,237	91,516,859	37,013,517	147.25%
Other Liabilities	11,042,473	12,482,136	2,716,452	1,282,224	13,758,925	13,764,360	-0.04%
Total Liabilities	<u>31,102,408</u>	<u>33,176,416</u>	<u>74,173,376</u>	<u>17,601,461</u>	<u>105,275,784</u>	<u>50,777,877</u>	107.33%
DEFERRED INFLOW OF RESOURCES	<u>42,547</u>	<u>96,262</u>	<u>-</u>	<u>-</u>	<u>42,547</u>	<u>-</u>	100.00%
NET POSITION							
Net Investments in Capital Assets	291,628,047	291,055,467	14,405,733	7,110,665	306,033,780	298,166,132	2.64%
Restricted	30,418,711	31,055,769	-	-	30,418,711	31,055,769	-2.05%
Unrestricted	28,256,073	34,584,508	(2,963,191)	(2,810,762)	25,292,882	31,773,746	-20.40%
Total Net Position	<u>\$350,302,831</u>	<u>356,695,744</u>	<u>\$11,442,542</u>	<u>\$ 4,299,903</u>	<u>\$361,745,373</u>	<u>\$360,995,647</u>	0.21%

Of the \$154.4 million in current and other assets at December 31, 2014, \$127.6 million is cash, cash equivalents and investments. A very small portion of this amount, \$1.2 million, is restricted for specific purposes. Accounts receivable, Notes receivable and amounts due from other governments total \$20.6 million. Inventories/prepayments total \$5.1 million. The remaining \$0.7 million is internal balances. Cash, cash equivalents and investments represented 83% (compared to 72% in 2013), while accounts receivable, notes receivable and amounts due from other governments accounted for 13.3% (compared to 19% from 2013).

At December 31, 2014, the County had outstanding long-term liabilities of \$91 million, as compared to \$42 million in 2013. This is the result of a new Jail Fund bond issued in 2014. In January 2014, the County created the Jail enterprise fund (activities for the jail have been

Skagit County, Washington
Management's Discussion and Analysis
December 31, 2014

historically recorded in the General Fund). Of this total, \$4.6 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 \$9.2 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 (84.6%) 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, 8.4% of the County's net position is subject to legal restrictions for specific purposes. The remaining balance of Net Position, \$25.3 million (7%), is unrestricted and may be used to finance ongoing general operations of the County.

Statement of Changes in Net Position

The County's total Net Position decreased by \$5 million in 2014, primarily due to limited changes in infrastructure assets and increased depreciation. Governmental activities reflected a decrease of \$11 million while the Net Position of business-type activities increased \$5.9 million, mainly due to the new jail fund. Revenues and expenditures prior to the jail fund creation were recorded in the general fund. Key elements in these changes are shown in the following table:

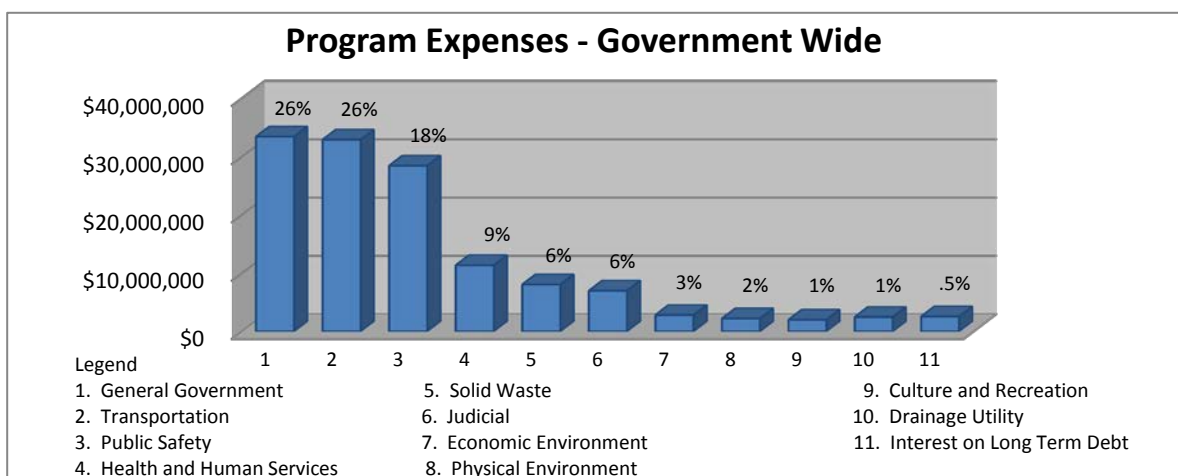
	Changes in Net Assets					
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
REVENUES						
Program Revenues						
Charges for Services	\$27,039,213	\$29,885,783	\$22,798,505	\$10,262,833	\$49,837,718	\$40,148,616
Operating Grants and Contributions	8,098,345	7,423,603	1,044,605	446,909	9,142,950	7,870,512
Capital Grants and Contributions	4,097,331	4,165,511	-	54,414	4,097,331	4,219,925
General Revenues						
Taxes	62,720,019	63,104,028	-	-	62,720,019	63,104,028
Interest Earnings on Investments	1,559,578	2,001,010	6,505	7,592	1,566,083	2,008,602
Total Revenues	103,514,486	\$106,579,935	23,849,615	\$10,771,748	127,364,101	117,351,683
PROGRAM EXPENSES						
General Government	33,434,058	31,210,941	-	-	33,434,058	31,210,941
Judicial	6,993,755	7,068,715	-	-	6,993,755	7,068,715
Public Safety	21,504,017	22,333,986	-	-	21,504,017	22,333,986
Physical Environment	2,241,397	2,835,410	-	-	2,241,397	2,835,410
Transportation	32,912,501	32,986,406	-	-	32,912,501	32,986,406
Economic Environment	2,836,294	3,188,571	-	-	2,836,294	3,188,571
Health and Human Services	11,366,884	11,895,878	-	-	11,366,884	11,895,878
Culture and Recreation	2,010,042	1,699,884	-	-	2,010,042	1,699,884
Solid Waste	-	-	8,065,622	8,826,690	8,065,622	8,826,690
Drainage Utility	-	-	2,495,934	1,468,019	2,495,934	1,468,019
Jail Fund	-	-	6,944,227	-	6,944,227	-
Interest on Long Term Debt	2,572,433	969,862	412,567	511,926	2,985,000	1,481,788
Total Expenses	115,871,381	114,189,653	17,918,350	10,806,635	133,789,731	124,996,288
Excess (Deficiency) of Revenues Over (Under) Expenditures before transfers	(12,356,895)	(7,609,718)	5,931,265	(34,887)	(6,425,630)	(7,644,605)
Special Items - Gain on Sale of Capital Assets	(340,575)	1,292,478	-	8,372	(340,575)	1,292,478
Special Items - Issuance of Long Term Debt	1,786,614	-	-	-	1,786,614	-
Transfers	(50,845)	104,000	50,844	(104,000)	-	-
Change in Net Position	(10,961,701)	(6,213,240)	5,982,109	(130,515)	(4,979,591)	(7,644,605)
Net Position, January 1	360,532,657	382,454,159	4,299,905	4,281,041	364,832,562	386,735,200
Prior Period Adjustment	731,875	(19,545,175)	1,160,528	149,377	1,892,403	(19,395,798)
Net Position, January 1 - Restated	361,264,532	362,908,984	5,460,433	4,430,418	366,724,965	367,339,402
Net Position, December 31	350,302,831	356,695,744	\$11,442,542	4,299,903	361,745,373	\$359,694,797

Total revenues were \$127 million in 2014, an increase of \$10 million from 2013. The main reason for the increase is the creation of the Jail fund and the corresponding revenues created in that fund, as well as slight increases in revenues in Solid Waste and Drainage Utility. Governmental activities provided \$103.5 million (81%), while business-type activities added \$23.8 million. Within governmental activities, tax revenue accounted for 49% of total revenue sources, with grants and contributions accounting for 10.4% (down from 11% in 2013).

Charges for services accounted for 95.6% 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 \$133.8 million, an increase of \$8.8 million from 2013. Governmental activities accounted for \$115.9 million (86%), with the largest program expenses in the areas of general government, transportation, and public safety. These three programs accounted for 66% of total governmental expenses. Of the \$17.9 million in business-type expenses, 47% is associated with the solid waste program, a decrease of 35% from 2013. This is mainly due to the addition of the Jail Fund in 2014.

The following graph illustrates 2014 government wide program spending:



FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

Governmental Funds Balance Sheet Analysis

The General Fund and County Road Fund, and the Mental Health Fund are the County's major funds in 2014. Together these funds account for 49.5% of total governmental fund assets and 43% of total governmental fund balances.

As of December 31, 2014, the County's governmental funds reported combined fund balances of \$50.7 million, an increase from \$46.5 million in 2013. Of this amount, \$.1 million (.1%) is Nonspendable, \$30.5 million (60%) is Restricted, \$6.3 million (12%) is reported as Committed, and \$13.8 million (27%) is unassigned and available for spending within the designated funds. Nonspendable, Restricted, Committed, and Assigned fund balance of \$37.1 million is not

Skagit County, Washington
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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 decreased from \$14 million at December 31, 2013, to \$13.8 million at December 31, 2014. Unassigned fund balance is 100% of the total fund balance. Total assets of the General Fund were \$20.1 million at December 31, 2014, accounting for 32% of total governmental fund assets. This represents a decrease of \$.8 million from 2013.

Governmental Funds Revenue/Expenditure Analysis

Total revenues for governmental funds were \$103.5 million in 2014. This represents a decrease of \$3 million from 2013. This was mainly due to decreased charges for services in public safety, those revenues have been transferred to the business-type entities. During the same period, total expenditures decreased to \$103.3 million, down from \$105.6 million in 2013. This increase in expenditures is mainly in general government services. The General Fund, Mental Health Fund, and the County Road fund account for 72.9% of all governmental fund revenue (up from 71% in 2013) and 68% of all expenditures remaining steady from 2013.

The net change in fund balance for the General Fund in 2014 was a negative \$.14 million. The decrease in fund balance for the County Road fund was \$.16 million. The net change in the Mental Health Fund was \$.5 million. The non-major governmental funds had an overall negative change in fund balances of \$40 thousand for 2014.

Enterprise Funds Net Position Analysis

All enterprise funds of Skagit County are considered major funds for 2014. 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	
	2014	2013	2014	2013	2014	2013	2014	2013
ASSETS								
Current Assets								
Cash and Cash Equivalents	\$2,551,060	\$1,735,698	\$1,166,616	\$2,748,021	\$56,343,088	\$0	\$60,060,764	\$4,483,719
Other Current Assets	710,509	890,894	482,582	71,545	1,431,264	-	2,624,355	962,439
Total Current Assets	3,261,569	\$2,626,592	1,649,198	\$2,819,566	57,774,352	\$0	62,685,119	5,446,158
Non-Current Assets								
Construction in Progress	-	-	2,274,508	833,302	5,799,566	-	8,074,074	833,302
Capital Assets	13,627,814	13,627,814	7,201,329	7,043,033	-	-	20,829,143	20,670,847
Less Accumulated Depreciation	(3,241,068)	(2,902,980)	(2,021,160)	(1,789,600)	-	-	(5,262,228)	(4,692,580)
Unamortized Debt Issue Cost:	-	-	-	-	-	-	-	-
Total Non-Current Assets	10,386,746	10,724,834	7,454,677	6,086,735	5,799,566	-	23,640,989	16,811,569
Total Assets	13,648,315	\$13,351,426	9,103,875	\$8,906,301	63,573,918	\$0	86,326,108	22,257,727
LIABILITIES								
Current Liabilities								
Accounts/Vouchers Payable	434,300	363,238	690,876	84,478	468,220	-	1,593,396	447,716
Other Current Liabilities	904,115	978,174	172,342	118,867	526,857	-	1,603,314	1,097,041
Total Current Liabilities	1,338,415	1,341,412	863,218	203,345	995,077	-	3,196,710	1,544,757
Non-Current Liabilities								
Bonds Payable	8,728,228	9,220,905	-	-	55,827,358	-	64,555,586	9,220,905
Other Non-Current Liabilities	6,958,072	7,166,037	42,888	26,125	130,311	-	7,131,271	7,192,162
Total Non-Current Liabilities	15,686,300	16,386,942	42,888	26,125	55,957,669	-	71,686,857	16,413,067
Total Liabilities	17,024,715	17,728,354	906,106	229,470	56,952,746	-	74,883,567	17,957,824
NET POSITION								
Net Investment in Capital Assets	1,163,518	1,023,929	7,454,677	6,086,736	5,787,538	-	14,405,733	7,110,665
Unrestricted	(4,539,918)	(5,400,857)	743,092	2,590,095	833,634	-	(2,963,192)	(2,810,762)
Total Net Position	(\$3,376,400)	(4,376,928)	\$8,197,769	8,676,831	\$6,621,172	-	\$11,442,541	\$4,299,903

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In January of 2014, the County created the Jail Fund. Activity for the jail has historically been reported in the General Fund. As of December 31, 2014, the enterprise funds reported combined Net Position of \$11.4 million (compared to \$4.3 million in 2013). This is the total of a \$3.4 million deficit in the Solid Waste Fund (up from \$4.4 million in 2013) and a positive \$8.1 million in the Drainage Utility Fund (down from \$8.7 million in 2012). The increase in the solid waste fund is the result of conservative spending practices, and a slight increase in revenues. The Jail fund net position is 6.6 million.

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:

	Solid Waste		Drainage Utility		Jail Fund		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
REVENUES								
Charges for Services	\$9,063,011	\$8,583,653	\$1,592,468	\$1,645,499	\$8,436,066		\$19,091,545	\$10,229,152
Other Operating Revenue					\$3,592,034		3,592,034	
Intergovernmental	392,675	401,292	430,501	100,031	221,429		1,044,605	501,323
Interest Revenue	2,107	3,685	4,070	3,907	328		6,505	7,592
Miscellaneous Revenue	20,923	32,753	300	928	93,703		114,926	33,681
Total Revenues	9,478,716	\$9,021,383	2,027,339	\$1,750,365	12,343,560	\$0	23,849,615	10,771,748
EXPENSES								
Personal Services	1,709,585	1,713,290	694,064	619,664	5,039,787		7,443,436	2,332,954
Contractual Services	5,088,113	4,777,102					5,088,113	4,777,102
Other Supplies and Expenses	929,836	2,047,789	1,570,309	622,997	1,904,441		4,404,586	2,670,786
Depreciation	338,088	288,509	231,561	225,358			569,649	513,867
Loss on Disposition of Capital Assets	-	(8,372)					-	(8,372)
Interest Expense	412,567	511,926	-	-	-	-	412,567	511,926
Total Expenses	8,478,189	9,330,244	2,495,934	1,468,019	6,944,228	-	17,918,351	10,798,263
Income (Loss) Before Transfers	1,000,527	(308,861)	(468,595)	282,346	5,399,332	-	5,931,264	(26,515)
Capital Contributions	-	-	-	-			-	-
Interfund Transfers	-	(50,000)	(10,468)	(54,000)	61,312		50,844	(104,000)
Change in Net Position	1,000,527	(358,861)	(479,063)	228,346	5,460,644	-	5,982,108	(130,515)
Net Position, January 1	(4,376,927)	(4,018,067)	8,676,832	8,299,108	-		4,299,905	4,281,041
Prior Period Adjustment	-	-	-	149,377	1,160,528		1,160,528	149,377
Net Position, January 1 - Restated	(4,376,927)	(4,018,067)	8,676,832	8,448,485	1,160,528	-	5,460,433	4,430,418
Net Position, December 31	(\$3,376,400)	(4,376,928)	\$8,197,769	8,676,831	\$6,621,172	-	11,442,541	\$4,299,903

Revenues from the Solid Waste Fund represent 40% of the total revenues for enterprise funds in 2014, down from 84% in 2013. This is due to the addition of the Jail Fund. Total expenses for the Solid Waste Fund was 47% of the total enterprise funds. The Jail Fund revenues consisted of 52% of total enterprise revenues, and 39% of the expenses.

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, 2014			
	Original	Final	Variance
	Budget	Budget	Favorable
			(Unfavorable)
BUDGETED FUND BALANCE, JANUARY 1	\$ 3,965,921	\$ 4,123,025	\$157,104
RESOURCES (IN-FLOWS)			
Taxes	34,502,400	34,397,400	(105,000)
Licenses & Permits	32,000	32,000	-
Intergovernmental Revenue	4,823,771	4,934,964	111,193
Charges for Goods and Services	3,850,209	3,902,685	52,476
Fines and Forfeits	1,679,350	1,679,350	-
Interest Revenue	489,000	489,000	-
Miscellaneous Revenues	123,122	115,286	(7,836)
Transfers In	127,283	164,925	37,642
Total Resources (in-flows)	45,627,135	45,715,610	88,475
Amounts Available for Appropriation	49,593,056	49,838,635	245,579
CHARGES TO APPROPRIATIONS (OUT-FLOWS)			
General Government Services	18,995,787	18,956,308	39,479
Judicial	8,665,462	8,668,762	(3,300)
Public Safety	16,597,848	16,811,567	(213,719)
Physical Environment	25,709	25,709	-
Economic Environment	376,150	395,500	(19,350)
Health and Human Services	292,083	292,083	-
Culture and Recreation	370,000	440,000	(70,000)
Capital Expenditures	20,000	20,000	-
Transfers Out	4,250,017	4,228,706	21,311
Amount Charged to Appropriations (out-flows)	49,593,056	49,838,635	(245,579)
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 1.2%. The net increase in expenditures represented an unfavorable increase of 1.2%. Total budgeted expenditures increased more than revenue increased by approximately \$.5 million.

The final budget appropriation for public safety reflected an increase that was due in part to reorganization that included moving some activities originally budgeted in the Mental Health Fund to the Office of Juvenile Court. The final budget appropriation for the Transfers Out was increased for a possible need for additional funding for unemployment.

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Management's Discussion and Analysis
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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, 2014

	Final		Changes
	Budget	Actual	Favorable
			(Unfavorable)
FUND BALANCE, JANUARY 1	\$ 4,123,025	\$ 13,962,092	\$9,839,067
RESOURCES (IN-FLOWS)			
Taxes	34,397,400	32,624,515	(1,772,885)
Licenses & Permits	32,000	281,182	249,182
Intergovernmental Revenue	4,934,964	6,518,975	1,584,011
Charges for Goods and Services	3,902,685	4,033,259	130,574
Fines and Forfeits	1,679,350	2,207,337	527,987
Interest Revenue	489,000	1,444,284	955,284
Miscellaneous Revenues	115,286	180,194	64,909
Transfers In	164,925	125,339	(39,586)
Total Resources (in-flows)	45,715,610	47,415,085	1,699,476
Amounts Available for Appropriation	49,838,635	61,377,177	11,538,543
CHARGES TO APPROPRIATIONS (OUT-FLOWS)			
General Government Services	18,956,308	17,397,905	1,558,403
Judicial	8,668,762	8,427,410	241,352
Public Safety	16,811,567	16,388,926	422,641
Physical Environment	25,709	13,667	12,042
Economic Environment	395,500	374,877	20,623
Health and Human Services	292,083	283,040	9,043
Culture and Recreation	440,000	440,000	0
Capitalized Expenditures	20,000	0	20,000
Transfers Out	4,228,706	4,228,706	0
Amount Charged to Appropriations (out-flows)	49,838,635	47,554,531	2,284,104
FUND BALANCE, DECEMBER 31	\$0	\$13,822,646	\$13,822,647

The largest dollar variances for revenues are reflected in taxes, intergovernmental revenue, and interest revenue. The decrease in taxes and increase in interest revenue is attributable to an error where interest on property was included in the budget for Taxes and should have instead been included in the budget for Interest. The increase in intergovernmental revenue is mainly the result of receiving Payment in Lieu of Taxes revenue that was still uncertain at the time of budget adoption. 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 4.6% less than budgeted. This is represented primarily by decreases in General Government Services and Public Safety, followed by overall decreases in all areas except Culture and Recreation and Transfers Out. The most significant variances are in General Government Services and Public Safety. The variance in General Government Services reflects lower than budgeted expenses for Information Technology services, professional services for outside counsel that weren't needed, utility expenses that were less than budgeted, and salary and benefit savings due to unfilled positions.

CAPITAL ASSETS AND LONG TERM DEBT

Capital Assets

The County's net capital assets were \$303.8 million at December 31, 2014. Construction in progress was an additional \$8.9 million. Capital assets include land, development rights, buildings, improvements, furniture and equipment, and infrastructure. Details of 2014 capital asset transactions are presented in Note IV.D of the notes to the financial statements.

During 2014 the County continued construction and remodeling of real property for County use. Ongoing projects include several road construction projects, design of a new jail facility, miscellaneous small parks projects, and a solid waste transfer facility.

Long-Term Debt

At December 31, 2014, general obligation bonds payable as reported by governmental activities was \$17.6 million, a decrease of \$.5 million. Business type activities reported general obligation bonds payable of \$61.2 million, an increase of \$51.5 million.

The County's remaining legal capacity for non-voted debt at December 31, 2014 was approximately \$157.4 million.

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

ECONOMIC FACTORS

Despite the slight upturn, the Skagit County economy continued to feel the impacts of a global downturn and continued uncertainty. There was a slight decrease in property tax revenues in 2014, as well as reduced grant revenue.

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 June of 2014, the Board reauthorized the assessment for 5 years.

- 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. See Note X. Accounting and Reporting Changes in the notes to the financial statements for more information.
- 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.

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
360-336-9300

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, 2014

	Primary Government			Component Unit CVA
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash and Cash Equivalents	\$ 51,316,891	\$ 60,060,764	\$ 111,377,655	\$ 602,313
Investments	16,213,858	-	16,213,858	
Accounts Receivables, Net	3,543,314	752,881	4,296,195	514,994
Due from Other Governments	7,512,351	1,871,274	9,383,625	5,845
Internal Balances	710,191	(710,191)	-	
Inventories and Prepayments	5,075,967	200	5,076,167	
Notes Receivable	6,935,000		6,935,000	
Restricted Assets:			-	
Restricted for Debt Service:			-	
Cash/Cash Equivalents	30,152	-	30,152	
Investments	1,128,657	-	1,128,657	
Non Depreciated Capital Assets	172,771,573	816,556	173,588,129	
Capital Assets, Net	115,417,375	14,750,359	130,167,734	876,062
Construction in Progress	792,459	8,074,074	8,866,533	
Total Assets	381,447,786	85,615,917	467,063,705	1,999,214
DEFERRED OUTFLOWS of RESOURCES				
LIABILITIES				
<u>Liabilities</u>				
Accounts Payable	4,330,817	1,593,396	5,924,215	42,407
Other Liabilities	2,634,359	310,623	2,944,982	171,014
Due to Other Governments	326,509	-	326,509	
Long Term Liabilities:			-	
Due within One Year	3,750,788	812,433	4,563,221	
Due in More Than One Year	20,059,935	71,456,924	91,516,859	361,781
Total Liabilities	31,102,408	74,173,376	105,275,786	575,202
DEFERRED INFLOWS OF RESOURCES				
Total Deferred Inflows of Resources	42,547		42,547	
<u>Net Position</u>				
Net Investment in Capital Assets	291,628,047	14,405,733	306,033,780	876,062
Restricted for:			-	
General Government	5,186,599	-	5,186,599	
Public Safety	4,038,350	-	4,038,350	
Physical Environment	3,954,162	-	3,954,162	
Transportation	2,138,937	-	2,138,937	
Economic Environment	7,248,484	-	7,248,484	
Health & Human Services	6,400,905	-	6,400,905	
Culture and Recreation	293,965	-	293,965	
Debt Service	1,157,309	-	1,157,309	
Unrestricted	28,256,073	(2,963,191)	25,292,882	547,950
Total Net Position	\$ 350,302,831	\$ 11,442,542	\$ 361,745,373	\$ 1,424,012

See accompanying notes to the financial statements

SKAGIT COUNTY, WASHINGTON
Statement of Activities
For the Year Ended December 31, 2014

Functions/Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Position				Component Unit	
	Charges for Services		Operating Grants and Contributions		Capital Grants and Contributions		Primary Government			
	Expenses						Governmental Activities	Business-Type Activities		Total
Primary Government:										
						</				

See accompanying notes to the financial statements

SKAGIT COUNTY, WASHINGTON

Balance Sheet Government Funds

December 31, 2014

	Major Funds			Other	
	General	Mental	County	Governmental	Total
	Fund	Health	Road	Funds	
	Fund	Fund	Fund		
ASSETS and OUTFLOWS of RESOURCES					
Cash and Cash Equivalents	\$ 14,138,947	\$ 2,824,926	\$ 762,346	\$ 14,822,551	\$ 32,548,771
Investments	-	3,092,395		14,250,120	17,342,515
Taxes Receivable	705,297	9,333	377,921	245,271	1,337,822
Accounts Receivable, Net	-	-	26,446	95,602	122,048
Accounts Receivable Other	2,054,134				2,054,134
Interest Receivable	25,466	-	-		25,466
Due from Other Funds	1,491,330	-	358,272	53,240	1,902,842
Due from Other Governments	1,712,316	443,738	3,045,393	2,116,662	7,318,109
Interfund Loans Receivable	-	-	-	1,500	1,500
Inventories and Prepayments	6,337	-	-	59,336	65,673
Total Assets	20,133,828	6,370,392	4,570,378	31,644,282	62,718,880
Deferred Outflows of Resources					
Total Assets and Deferred Outflows of Resources	20,133,828	6,370,392	4,570,378	31,644,282	62,718,880
LIABILITIES, DEFERRED INFLOWS of RESOURCES and FUND BALANCES					
<u>Liabilities</u>					
Accounts and Vouchers Payable	331,032	278,117	296,100	1,047,021	1,952,269
Due to Other Funds	1,847,242	89,474	1,420,629	568,285	3,925,630
Due to Other Governmental Units	7,628	164,309	-	185,440	357,377
Accrued Wages Payable	796,799	16,255	281,100	276,014	1,370,168
Accrued Employee Benefits	153,089	3,188	55,691	63,618	275,586
Custodial Accounts	383,142	-		19,540	402,682
Unearned Revenue	-	-	-	238,569	238,569
Interfund Loans Payable	-	-	-	1,500	1,500
Total Liabilities	3,518,931	551,343	2,053,520	2,399,987	8,523,784
Deferred Inflows of Resources	2,792,250	9,333	377,921	245,272	3,424,776
<u>Fund Balance</u>					
Nonspendable				57,488	57,488
Restricted	-	5,809,716	2,138,937	22,627,824	30,576,475
Committed	-	-	-	6,313,711	6,313,711
Assigned		-	-	-	-
Unassigned	13,822,646	-	-	-	13,822,646
Total Fund Balances	13,822,646	5,809,716	2,138,937	28,999,023	50,770,320
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 20,133,829	\$ 6,370,393	\$ 4,570,378	\$ 31,644,282	\$ 62,718,880

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, 2014

Total fund balances as shown on the Governmental Fund Balance Sheet	\$ 50,770,320
Net capital assets of governmental funds as of December 31, 2014	279,676,662
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.	3,392,007
Net Position of the internal service funds	33,042,202
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, 2014	(16,578,357)
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>\$ 350,302,831</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, 2014

	Major Funds			Other	
	General	Mental	County	Governmental	Total
	Fund	Health	Road	Funds	
	Fund	Fund	Fund		
Revenues					
Property Taxes	\$ 24,224,742	\$ 322,345	\$ 11,272,361	\$ 8,813,556	\$ 44,633,004
Sales and Use Taxes	7,811,407	2,495,402	418,919	6,537,753	17,263,481
Other Taxes	588,367	7,597		201,198	797,162
Licenses and Permits	281,182	-	87,041	1,035,357	1,403,580
Intergovernmental Revenues	6,518,975	345,314	8,922,259	5,423,826	21,210,374
Charges for Services	4,033,259	1,184,803	1,620,364	3,513,236	10,351,662
Fines and Forfeits	2,207,337	-	-	213,136	2,420,473
Interest Earnings	1,444,284	5,092	3,394	96,942	1,549,712
Donations	35,105	-	-	402,486	437,591
Other Revenues	145,089	866	218,538	1,287,660	1,652,153
Total Revenues	47,289,748	4,361,417	22,542,877	27,525,150	101,719,192
Expenditures					
Current:					
General Government	17,397,905	-	663,237	965,970	19,027,112
Judicial	8,427,410	-	-	-	8,427,410
Public Safety	16,388,928	-	-	9,836,506	26,225,434
Physical Environment	13,667	-	-	2,986,531	3,000,198
Transportation	-	-	17,603,628	168,026	17,771,654
Economic Environment	374,877	-	-	2,994,829	3,369,706
Health and Human Services	283,040	3,737,303	-	8,610,020	12,630,363
Culture and Recreation	440,000	-	-	1,913,191	2,353,191
Debt Service:					0
Principal	-	-	-	2,772,142	2,772,142
Interest	-	-	-	693,958	693,958
Capital Outlay			4,897,657	2,154,397	7,052,054
Total Expenditures	43,325,827	3,737,303	23,164,522	33,095,570	103,323,222
Excess (Deficit) Revenues Over Expenditures	3,963,921	624,114	(621,645)	(5,570,420)	(1,604,030)
Other Financing Sources (Uses)					
Proceeds of Long Term Debt		-	-	1,786,614	1,786,614
Proceeds from Sale of Capital Assets			1,272	56,800	58,072
Transfers In	125,339	-	500,000	6,926,530	7,551,869
Transfers Out	(4,228,706)	(134,651)	(40,889)	(3,239,356)	(7,643,603)
Total Other Financing Source (Uses)	(4,103,367)	(134,651)	460,383	5,530,588	1,752,953
Net Change in Fund Balance	(139,446)	489,462	(161,262)	(39,832)	148,922
Fund Balance, January 1	13,962,092	5,484,563	2,300,199	28,142,669	49,889,523
Prior Period Adjustment		(164,309)		896,184	731,875
Fund Balance, January 1, as restated	13,962,092	5,320,254	2,300,199	29,038,853	50,621,398
Fund Balance, December 31	\$ 13,822,646	\$ 5,809,716	\$ 2,138,937	\$ 28,999,023	\$ 50,770,320

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, 2014

Net change in fund balances as shown on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance	\$ 148,922
Net Capital Asset Activity	(13,755,850)
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	1,788,518
Internal service funds are included in governmental activities on the statement of Net Position	
Net Long-Term Debt Activity	830,336
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	26,372
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>\$ (10,961,701)</u></u>

See accompanying notes to the financial statements

SKAGIT COUNTY, WASHINGTON

Statement of Net Position

Proprietary Funds

December 31, 2014

	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	\$ 2,551,060	\$ 1,166,616	\$ 56,343,088	\$ 60,060,764	\$ 18,798,272
Accounts Receivable	661,307	76,292	15,282	752,881	3,844
Due From Other Funds	-	-	-	-	4,401,465
Due from Other Governments	49,202	406,290	1,415,782	1,871,274	194,242
Inventories/Prepayments	-	-	200	200	5,010,294
Total Current Assets	3,261,570	1,649,198	57,774,352	62,685,119	28,408,117
<u>Non-Current Assets</u>					
Capital Assets					
Land	618,875	197,681	-	816,556	-
Buildings	9,899,874	-	-	9,899,874	180,888
Improvements	1,301,780	6,974,079	-	8,275,859	-
Machinery and Equipment	1,807,285	29,569	-	1,836,854	18,657,433
Less Accumulated Depreciation	(3,241,068)	(2,021,160)	-	(5,262,228)	(9,533,576)
Construction In Progress	-	2,274,508	5,799,566	8,074,074	-
Total Non-Current Assets	10,386,746	7,454,677	5,799,566	23,640,989	9,304,745
Total Assets	13,648,316	9,103,875	63,573,918	86,326,108	37,712,862
LIABILITIES AND FUND EQUITY					
<u>Current Liabilities</u>					
Accounts/Vouchers Payable	434,300	690,876	468,220	1,593,396	2,378,540
Due to Other Funds	229,691	145,909	334,591	710,191	1,637,617
Interest Payable	34,187	-	-	34,187	-
Interfund Loans Payable	-	-	-	-	-
Accrued Wages Payable	46,792	22,113	156,207	225,112	279,061
Accrued Employee Benefits	10,945	4,320	36,059	51,324	27,054
Accrued Taxes Payable	-	-	-	-	-
Other Accrued Liabilities	87,500	-	-	87,500	3,027
Bonds Payable	495,000	-	-	495,000	-
Total Current Liabilities	1,338,416	863,218	995,078	3,196,710	4,325,300
<u>Non-Current Liabilities</u>					
Compensated Absences	56,734	42,888	130,311	229,933	228,958
Post Closure Landfill Costs	2,989,091	-	-	2,989,091	-
Environmental Liability	3,912,247	-	-	3,912,247	116,397
Bonds Payable	8,728,228	-	55,827,358	64,555,586	-
Total Non-Current Liabilities	15,686,300	42,888	55,957,669	71,686,857	345,355
Total Liabilities	17,024,716	906,106	56,952,747	74,883,567	4,670,655
<u>Net Position</u>					
Net Investment in Capital Assets	1,163,518	7,454,677	5,787,538	14,405,733	9,304,746
Unrestricted	(4,539,918)	743,092	833,634	(2,963,192)	23,737,461
Total Net Position	\$ (3,376,400)	\$ 8,197,769	\$ 6,621,172	\$ 11,442,542	\$ 33,042,207

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, 2014

	Business - Type Activities Enterprise Funds				Governmental Activities
	Solid Waste	Drainage Utility	County Jail	Total	*Internal Service Funds
<u>Operating Revenues</u>					
Charges for Services	\$ 9,063,011	\$ 1,592,468	\$ 8,436,066	\$ 19,091,545	\$ 16,014,815
Other Operating Revenue	-	-	3,592,034	3,592,034	11,828,254
Total Operating Revenues	<u>9,063,011</u>	<u>1,592,468</u>	<u>12,028,100</u>	<u>22,683,579</u>	<u>27,843,069</u>
<u>Operating Expenses</u>					
Personnel Services	1,709,585	694,064	5,039,786	7,443,435	5,105,858
Contractual Services	5,088,113	-	-	5,088,113	2,178,388
Supplies and Expenses	929,836	1,570,309	1,904,441	4,404,586	7,165,354
Depreciation	338,088	231,561	-	569,649	861,069
Payment to Claimants	-	-	-	-	10,395,990
Total Operating Expenses	<u>8,065,622</u>	<u>2,495,934</u>	<u>6,944,227</u>	<u>17,505,783</u>	<u>25,706,659</u>
Operating Income (Loss)	<u>997,389</u>	<u>(903,466)</u>	<u>5,083,873</u>	<u>5,177,796</u>	<u>2,136,410</u>
<u>Non-Operating Revenue (Expenses)</u>					
Intergovernmental Revenue	392,675	430,501	221,429	1,044,605	-
Interest Revenue	2,107	4,070	328	6,505	9,866
Miscellaneous Revenue	20,923	300	93,703	114,926	0
Gain (Loss) on Disposition of Capital Assets	-	-	-	-	(398,647)
Interest Expense	(412,567)	-	-	(412,567)	-
Miscellaneous Expense	-	-	-	-	-
Total Non-Operating Revenue (Expenses)	<u>3,138</u>	<u>434,871</u>	<u>315,460</u>	<u>753,469</u>	<u>(388,781)</u>
Income (Loss) before Transfers	1,000,527	(468,595)	5,399,333	5,931,265	1,747,629
Transfers In	-	-	61,312	61,312	40,889
Transfers Out	-	(10,468)	-	(10,468)	-
Change in Net Position	<u>1,000,527</u>	<u>(479,063)</u>	<u>5,460,645</u>	<u>5,982,109</u>	<u>1,788,518</u>
Net Position, January 1	(4,376,927)	8,676,832	-	4,299,905	31,253,688
Prior Period Adjustment	-	-	1,160,528	1,160,528	-
Net Position, January 1, as Restated	<u>(4,376,927)</u>	<u>8,676,832</u>	<u>1,160,528</u>	<u>5,460,433</u>	<u>31,253,688</u>
Net Position, December 31	<u>\$ (3,376,400)</u>	<u>\$ 8,197,769</u>	<u>\$ 6,621,172</u>	<u>\$ 11,442,542</u>	<u>\$ 33,042,207</u>

See the accompanying notes to the financial statements

*See Internal Service Funds section

SKAGIT COUNTY, GOVERNMENT

Statement of Cash Flows

Proprietary Funds

For the Year Ended December 31, 2014

	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	\$ 9,174,575	\$ 1,583,658	\$12,012,819	\$ 22,771,052	\$ 1,775,987
Receipts from Interfund Services Provided	-	-	(1,194,353)	(1,194,353)	25,040,135
Payments to Employees	(1,723,399)	(678,780)	(4,717,409)	(7,119,588)	(4,726,472)
Payments to Suppliers	(5,409,314)	(713,311)	(1,082,534)	(7,205,159)	(7,461,361)
Payments to Claimants	-	-	-	-	(10,427,893)
Payments for Interfund Services Used	(820,781)	(195,646)	(19,097)	(1,035,524)	(497,023)
Miscellaneous Receipts	-	-	93,703	93,703	64,881
Miscellaneous Payments	20,923	-	-	20,923	-
Net Cash Provided (Used)	<u>1,242,004</u>	<u>(4,079)</u>	<u>5,093,129</u>	<u>6,331,051</u>	<u>3,768,254</u>
Cash Flows From Non-Capital Financing Activities:					
Operating Grants Received	461,497	28,575	-	490,072	-
Transfers to Other Funds	-	(10,468)	61,312	50,844	40,889
Transfers from Other Funds	-	-	-	-	-
Net Cash Provided (Used)	<u>461,497</u>	<u>18,107</u>	<u>61,312</u>	<u>540,916</u>	<u>40,889</u>
Cash Flows from Capital and Related Financing Activities:					
Proceeds from Capital Grant	-	-	\$55,827,358	55,827,358	-
Purchases of Capital Assets	-	(1,599,502)	(4,639,039)	(6,238,541)	104,125
Proceeds from Sale of Capital Assets	-	-	-	-	(1,803,930)
Principal Paid on Capital Debt	(480,000)	-	-	(480,000)	-
Interest Paid on Capital Debt	(410,245)	-	-	(410,245)	-
Other Receipts (Payments)	-	-	-	-	-
Net Cash Provided (Used)	<u>(890,245)</u>	<u>(1,599,502)</u>	<u>51,188,319</u>	<u>48,698,572</u>	<u>(1,699,805)</u>
Cash Flows from Investing Activities:					
Sale of Investments	-	-	-	-	-
Interest Earnings	2,107	4,070	328	6,505	9,866
Net Cash Provided	<u>2,107</u>	<u>4,070</u>	<u>328</u>	<u>6,505</u>	<u>9,866</u>
Net Change in Cash and Cash Equivalents	815,363	(1,581,404)	56,343,088	55,577,044	2,119,204
Balance, January 1	1,735,699	2,748,021	-	4,483,720	16,679,068
Balance, December 31	<u>\$ 2,551,062</u>	<u>\$ 1,166,617</u>	<u>\$ 56,343,088</u>	<u>\$ 60,060,764</u>	<u>\$ 18,798,272</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, 2014

	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)	\$ 997,389	\$ (903,466)	\$5,083,873	\$ 5,177,796	\$ 2,136,410
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:					
Depreciation Expense	338,088	231,561		569,649	861,069
Miscellaneous Receipts	20,923	-	315,132	336,055	(2,715)
Changes in Assets and Liabilities:	-	-	-	-	-
Receivables, Net	111,563	(8,809)	(1,431,064)	(1,328,310)	(958,355)
Prepayments	-	-	(200)	(200)	284,099
Inventories	-	-	-	-	172,716
Accounts and Other Payables	(225,961) #	676,636 #	1,125,388 #	1,576,063 #	1,275,030
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,242,002</u>	<u>\$ (4,078)</u>	<u>\$ 5,093,129</u>	<u>\$ 6,331,053</u>	<u>\$ 3,768,254</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, 2014

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 46,066,830
Investments	334,291,966
Taxes Receivable	3,975,215
Deposits	-
Total Assets	<u>\$ 384,334,011</u>
LIABILITIES	
Warrants Payable	\$25,547,697
Custodial Accounts	358,786,313
Total Liabilities	<u>\$384,334,010</u>

See accompanying notes to the financial statements

Skagit County, Washington
Notes to the Financial Statements
December 31, 2014

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.

In 2009, the Board of County Commissioners engaged a consultant to analyze the service delivery of emergency medical services in Skagit County and that consultant made recommendations for certain changes. Based on that consultant's recommendations, the County Commissioners elected to split off the service provision portion of the EMS system (from the Skagit County Emergency Medical Service Commission that was established by Ordinance #020030003 that has been merged with Skagit County in 2014. See Merger Note below), and created an ordinance to establish the Central Valley Ambulance Authority (CVAA) (Skagit County Code, Chapter 2.52). 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.

Skagit County, Washington
Notes to the Financial Statements
December 31, 2014

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

Government Combinations: Mergers

In 2013, the Board of County Commissioners engaged a consultant to analyze service delivery of emergency medical services in Skagit County. The Consultant's report recommended changing the structure of the system by creating Skagit County Department of Emergency Medical Services to directly provide system-wide quality assurance, oversight, and training. The Board of County Commissioners hired a director in April of 2014. In June of 2014, the EMS Commission eliminated all positions and engaged the Skagit County Department of Emergency Medical Services to assume day to day operations of the EMS office on the Commission's behalf. In September 2014 the Board of County Commissioners passed Ordinance 20140002 repealing Ordinances 020030003 and 020090003 dissolving the EMS Commission and transferring the Commission's authority, responsibility, and assets to the Skagit County Department of Emergency Medical Services. The County Commissioners stated that a more responsive governance system is necessary to achieve the recommended goals of (1) eliminating system fragmentation; (2) reducing excess transport capacity; (3) improving systemic financial performance; and (4) improving system communications, data collection and analysis, and quality assurance. In determining the accounting for the dissolution of the EMS Commission, the County implemented GASB Statement No. 69, "Government Combinations and Disposals of Government Operations". EMS is therefore no longer reported as a discretely presented component unit of the County, and is now merged with the County. The merger date is January 1, 2014. The initial opening balances of the EMS assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position, as of the beginning of the period, were determined on the basis of the carrying values reported in the separate financial statements of EMS and Skagit County Government. Based on a physical inventory taken during the transfer of operations, an adjustment was made removing disbursed assets. The financials as of December 31, 2013 are:

	EMS	Skagit County	Adjustment	Total
Assets				
Current Assets	3,861,553	78,461,339		82,322,892
Capital Assets	762,579	301,896,811	(362,889)	302,296,501
Other Assets		9,610,275		9,610,275
Total Assets	4,624,132	389,968,425	(362,889)	394,229,668
Liabilities				
Current Liabilities	366,470	12,482,139		12,848,609
Noncurrent Liabilities	57,860	20,694,280		20,752,140
Total Liabilities	424,330	33,176,419		33,600,749
Deferred Inflows of Resources				
Grants Received in Advance		96,262		96,262
Total Deferred Inflows of Resources		96,262		96,262
Net Position				
Net Investment in Capital Assets	762,579	291,055,467	(362,889)	291,455,157
Restricted		31,055,769		31,055,769
Unrestricted	3,437,223	34,584,508		38,021,731
Total Net Position	4,199,802	356,695,744	(362,889)	360,532,657

Skagit County, Washington
Notes to the Financial Statements
December 31, 2014

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, 2014

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.

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- 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, 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

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governmental 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 \$6,935,000 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 2014 restricted assets of the enterprise funds and related debt service funds are composed of the following:

Special Assessments – Current	\$1,535,589
Special Assessments – Delinquent	66,344
Cash and Investments – Debt Service	1,106,526
Cash and Investments – Construction	1,087,753

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.

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

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

Capital assets are valued at cost where historical records are available and at an estimated historical cost where no records exist. Donated capital assets are valued at 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. Interest incurred during the construction phase of the capital asset of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the County during the current fiscal year is \$1,106,526. Of this amount, \$1,087,753 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. 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.

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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

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 County did not recognize any deferred outflow of resources in 2014.

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	1,337,822	X	
Court Receivables	2,054,185	X	
Grants Received in Advance	32,769	X	X
Deferred Gain on Refunding	9,778		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.

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.

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.

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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.

The following shows the composition of the fund balance of the government funds for the fiscal year ended December 31, 2014:

Fund Balances:	General Fund	County Road Fund	Mental Health Fund	Capital Projects Funds	Debt Service Funds	Other Government funds	Total
<i>Nonspendable:</i>							
Inventory						55,988	55,988
Loan Receivable						1,500	1,500
<i>Restricted For:</i>							
General Govt Services				5,476,731	1,157,309	1,177,744	7,811,786
Public Safety						1,148,432	1,148,432
Utilities						3,690,568	3,690,568
Transportation		5,974,025				455,992	6,430,017
Natural & Economic Env				6,047,498		1,418,973	7,466,471
Social Services			1,974,628			1,364,698	3,339,326
Cultural & Recreation				395,913		293,965	689,878
<i>Committed to:</i>							
General Govt Services						393,841	393,841
Judicial Activities						38,637	38,637
Public Safety						3,887,901	3,887,901
Utilities						573,022	573,022
Social Services						318,595	318,595
Cultural & Recreation						1,101,715	1,101,715
<i>Assigned to:</i>							
<i>Unassigned</i>	13,822,646						13,822,646
Total Fund Balances	13,822,646	5,974,025	1,974,628	11,920,142	1,157,309	15,921,571	50,770,320

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.

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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		\$ 581,585,774
Less Accumulated Depreciation		(302,701,572)
Construction in Progress		792,459
Net Capital Assets		<u>\$ 279,676,661</u>
Long-Term Liabilities		
Bonds Payable		\$ 17,550,000
Notes Receivable		(6,935,000)
Unamortized Bond Discounts/Premiums		647,643
Loans Payable		2,802,125
Compensated Absences Liability		2,049,469
Deferred Gain on Refunding		9,778
OPEB Liability		413,104
Accrued Interest Payable on Long-Term Liabilities		41,238
Long Term Liabilities		<u>\$ 16,578,357</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		\$ 1,280,938
Depreciation Expense		(15,047,528)
Donated Assets		10,740
Net Capital Assets		<u>\$ (13,755,850)</u>
Net Long-Term Debt Activity		
Principal Payments		945,000
Amortization of Bond Discounts/Premiums		(475,003)
Change in Compensated Absences Liability		532,792
Change in OPEB Liability		(172,454)
Net Long-Term Debt Activity		<u>\$ 830,335</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
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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 second Monday 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 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. 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.

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, 2014;

- The Solid Waste fund deficit was \$3,376,400. This results primarily from the recording of liabilities for landfill post closure care costs and environmental remediation costs.

Skagit County, Washington
Notes to the Financial Statements
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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 market accounts was \$45,261,106 and the treasurer's bank balance was \$11,031,715, 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, 2014, the County held the following investments:

Investment Type	Fair Value	Less Than 1 Year Maturity	1 Year	2 Years	3 years
Certificates of Deposit	\$ 23,208,914	\$ 7,100,000	\$ 15,165,000	\$ -	\$ 943,914
Money Market	22,052,192	22,052,192			
Registered Warrants	297,466	297,466			
Commercial Paper					
Bankers Acceptances					
Treasury Notes	22,770,325	710,944	11,037,662	9,029,220	1,992,500
Municipal Bonds	34,379,559	7,746,722	19,936,298	5,594,831	1,101,708
U.S. Agencies	175,698,785	27,167,853	58,958,393	71,005,409	18,567,129
State Treasurer Pool	219,238,590	219,238,590			
	\$ 497,645,831	\$ 284,313,767	\$ 105,097,353	\$ 85,629,460	\$ 22,605,251

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Total fair value of investments represents \$163,519,898 for Skagit County and \$334,125,933 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 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, 2014.

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 2014.

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, 2014, the County's investments in U.S. Agencies in the amount of \$175,698,785 (fair value) was rated AAA by Standard & Poor's, an additional amount of \$4,103,971 (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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Municipal Bonds	Fair Value	Standard & Poor	Moody's	Fitch	Municipal Bonds	Fair Value	Standard & Poor	Moody's	Fitch
Adams County JT S.D.	184,311	AA1	A1		Moscow ID SD	160,688	AAA	A1	
Anacortes Utility Sys	51,384	A1	AA-		New York, NY	209,930	Aa2	AA	AA
Arlington TX SD	103,030	Aa2	AA		NYC NY Ser D	2,133,068	Aa2	AA	AA
Becker MN SD 726	248,930	AA+	A		Ohio State	502,565	Aa1	AA+	AA+
Bloomington MN	355,714	AAA	AAA	AAA	Okanogan Co RefDG	185,740	A+		
Boise City ID SD	100,951	Aa1	AA		Pacific Co WA PUD	300,624	A1	AA	
Boise City Indep SD	20,443	AA1	AA		Pasco Wa Wtr & Swr	51,137	AA-		
Brownsville TX Ind SD	131,553	AAA	AAA	AAA	Pierre SD	149,907	AA		
Burlington CO NJ	110,072	Aa2	AA		Port of Seattle	102,684	Aa3	A+	A+
Cambridge MN	295,366	AA			Port of Seattle SER A	102,684	Aa4	A+	A+
Cedar Rapids IA	494,959	Aaa			Port of Seattle SER C	300,891	Aa5	A+	A+
Cedar Rapids IA	98,373	Aa1			Ruchland WA	60,851	AA		
Charlotte NC Series A	2,661,126	Aaa	AAA	AAA	Richland WA Elec	154,539	A+	A-	
Chicago IL Brd of Ed	204,680	A2	A+		San Jose CA	76,832	Aa1	AA+	
City of Dubuque IA	250,483	AA2			San Mateo Union Sch	175,259	Aa1	AA+	
City of Racine WI	126,174	AA-			Seattle Light & Pwr	240,946	Aa2	AA-	
City of Waukeg IA	327,311	Aa3			Shelby Co TN	1,006,230	Aa1	AA+	AA+
Clark Co NV Pub Facilities	62,530	Aa1	AA		Shoreline WA	103,012	AA+		
Coast CA Comm College	149,052	Aa1	AA		Spartanburg Co, SC SD	927,525	Aa1	AA	
Connecticut State Series B	797,274				St Paul MN Cap Imp	100,288	Aa1	AAA	
Cypress-Fairbanks TX SD	109,971	Aaa	AAA		SW WA Suburban SWR	310,652	Aa2		0
Dane County WI	25,548	Aa1	AA+		Texas State Water Asst	307,257	Aaa	AA+	AAA
Denton Co TX Water Dist	145,957	A2	AA-		Thurston Co Fire #5	85,364	A		
Douglas Co PUD 1	49,858	Aa3	AA		Topeka KS	50,401	Aa3	AA	
Energy NW	204,662	Aa1	AA-	AA	Town of Stratfort CT	100,320	AA	A1	
Energy NW WA Elec	1,790,819	Aa1	AA-	AA	Tulsa Co OK SD	50,577	Aa2	AA	
Forsyth Co Taxable	945,671	Aaa	AA+		Univ So Carolina	25,561	Aaa	AA+	AAA
Franklin Co WA	579,969	AA-			Vermont C-Tax	2,664,346	Aaa	AA+	AAA
Frederick MD	1,027,590	Aa2	AA	AA	WA Housing Fin Comm	658,753	Aaa		
Garland TX Sch Zero	198,216	Aaa	AAA		WA ST BABS	101,214	Aa1	AA+	AA+
Goose Creek TX SD	60,888	Aaa	AAA		Wa State COPS	30,346			
Grand Rapids Comm Coll	182,646	Aa1	AA		Wa ST Various Purp	100,395	Aa1	AA+	AA+
Grant Co WA PUD 2	100,000	Aa3	AA	AA	WA State Taxable Ser	1,775,497	Aa1	AA+	AA+
Green Bay WI	183,724	Aa2			WA State Taxable Ser	254,133	Aa1	AA+	AA+
Groton City CT	375,128	Aa3	AA-		Walnut Vly CA SD	249,308	Aa2		
Honolulu City & CNTY	379,095	Aa1	AA+		Washington ST Taxable	1,203,180	Aa1	AA+	AA+
King Co WA LTD Ser D	62,848	Aa1	AAA	AA+	Wa Co UT SD	51,265	Aaa	AAA	AAA
King Co WA Public Hosp	155,922	Aa3	AA-		Wash COPS	543,992	Aa2	AA+	AA+
Kitsap Co PUD	74,936	Aa3			Washington ST	49,861	Aa1	AA+	AA+
Lacrosse WI Ser A	348,677	AA+			Wa ST Pre-Funded	214,979	AA1	AA+	AA+
Lakehaven Utility	425,850	Aa2			Wellfleet MA	262,686	AAA		
Lancaster Co NE SD	340,472.6	AA	Aaa		Whatcom PUD	153,672	A1		
Lane Co Or SD	105,000	AA+	SchBnd Guarnte		Whatcom Co PUD	128,060	A1	A+	
Maricopa CO AZ SD	406,316	AA-	Aa3		Will Co IL SD #122	308,751	Aa3		
Marion CO TN	101,941	AA			Worthington MN Ser B	175,053	AA-		
Maryland State	100,280	Aaa	AAA	AAA	Whidbey Isl Phd	924,300	A2		
Michigan State	564,399	Aa2	AA-	AA	Wyandotte Co KS SD	477,456	AA-		
Michigan State	176,066	Aa2	AA-		Yamhill & Polk CO SD	80,622	AA-		
TOTAL					34,379,559				

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

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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:

- 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.

2014 Tax levy information is as follows:

	Levy in Dollars Assessed Per Thousand	Total Value	Levy
2014			
County	1.5936	\$ 14,370,022,271	\$ 22,899,609
Medic 1 Services	0.3750	14,355,083,548	5,383,153
Roads	1.7543	7,182,433,089	12,600,414
Conservation Futures	0.0559	14,370,022,271	803,530

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, 2014 is as follows:

	Unavailable	Unearned	Total
Property Taxes Receivable (General Fund)	\$ 705,297		\$ 705,297
Property Taxes Receivable (Road Fund)	377,921		\$ 377,921
Property Taxes Receivable (Mental Health Fund)	9,333		\$ 9,333
Property Taxes Receivable (Other Government Funds)	245,271		\$ 245,271
Revenue Earned but Not yet Available	2,054,185		\$ 2,054,185
Revenue Received Prior to Meeting Eligibility Requirements		32,769	\$ 32,769
Total Deferred Inflow of Resources - Government Funds	\$ 3,392,007	\$ 32,769	\$ 3,424,776

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C. Interfund Receivables, Payables and Transfers

Details of interfund payable/receivable balances of December 31, 2014 are as follows:

	General	Other	County	Internal	
Due to Other funds	Fund	Government	Road Fund	Service	Total
Funds		Funds		Funds	
General Fund		(1,419)	\$ 2,791	\$ 1,845,870	\$ 1,847,242
Non-Major Governmental Funds	305,781	1,588	96,567	164,350	568,285
Mental Health	89,321			153	89,474
County Road Fund	757,959			662,670	1,420,629
Internal Service Funds	109,134	32,277	77,866	1,387,450	1,606,727
Solid Waste	82,015	20,794	82,253	44,628	229,691
Drainage Utility	44,950		98,795	2,164	145,909
Jail Fund	102,170			232,424	334,594
Total	\$ 1,491,330	\$ 53,240	\$ 358,272	\$ 4,339,710	\$ 6,242,551

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 1/1/2014	New Loans	Repayment	Balance 12/31/2014
Water Improvement 210	Water Improvement 215	3,000			3,000
Water Improvement 215	Water Improvement 218		229,072		229,072
Water Improvement 216	Edison Clean Water	1,500			1,500
Water Improvement 215	Water Improvement 224		147,361		147,361
Total		\$ 4,500	\$ 376,433	\$ -	\$ 380,933

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 2014 transfers are as follows:

	Transfers In				
Transferring Fund	General Fund	Jail Fund	County Roads	Non-Major Governmental	Balance 12/31/2014
General Fund				\$ 4,228,706	\$ 4,228,706
Jail Fund					
Drainage Utility				10,468	10,468
Mental Health	88,339	46,312			134,651
County Roads				40,889	40,889
Non-Major	57,382		500,000	2,681,974	3,239,356
Total	\$ 145,721	\$ 46,312	\$ 500,000	\$ 6,962,038	\$ 7,654,071

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D. Capital Assets

Summarized capital asset transactions for governmental activities are as follows:

Governmental Activities	Balance	Increases	Decreases	Balance
Capital Assets, Non-depreciable				
Land	\$ 156,695,250	\$ 699,516	\$ 180,800	\$ 157,213,966
Development Rights	15,557,606			15,557,605
Capital asset held for resale	-			-
Construction in Progress	4,707,081	3,554,301	7,468,924	792,459
	176,959,937	4,253,817	7,649,724	173,564,029
Depreciable Capital Assets				
Buildings	62,710,515	2,230,674	238,199	64,702,990
Improvements	4,947,032	98,353	57,569	4,987,816
Machinery and Equipment	23,622,687	2,586,610	1,960,993	24,248,305
Infrastructure	328,123,822	5,728,217	138,627	333,713,412
	419,404,056	10,643,855	2,395,387	427,652,523
Less Accumulated Depreciation				
Buildings	(26,571,177)	(1,939,120)	355,412	(28,154,885)
Improvements	(3,016,884)	(13,613)		(3,030,497)
Machinery and Equipment	(13,405,210)	(1,752,720)	1,154,632	(14,003,298)
Infrastructure	(251,473,914)	(15,572,554)		(267,046,468)
	(294,467,185)	(19,278,007)	1,510,044	(312,235,148)
Total Net Depreciable Capital Assets	124,936,874	(8,634,152)	(885,343)	115,417,375
Total Net Capital Assets	\$ 301,896,811	\$ (4,380,335)	\$ (8,535,067)	\$ 288,981,407

Depreciation expense by function for governmental activities is as follows:

General Governmental Services	\$ 1,585,084
Judicial	6,519
Public Safety	358,715
Utilities	623,327
Transportation	16,438,421
Natural & Economic Environment	15,977
Social Services	81,205
Culture and Recreation	168,758
Total governmental activities depreciation expense	<u>\$ 19,278,007</u>

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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	\$ -	\$ -	\$ 816,557
	Construction in Progress	833,302	7,701,422	460,651	8,074,074
		1,649,858	7,701,422	460,651	8,890,631
Depreciable Capital Assets					
	Buildings	9,899,875			9,899,875
	Improvements	8,117,564	158,296		8,275,860
	Machinery and Equipment	1,836,854			1,836,854
		19,854,293	158,296		20,012,588
Less Accumulated Depreciation					
	Buildings	(1,042,295)	(241,075)		(1,283,370)
	Improvements	(3,066,043)	(231,088)		(3,297,131)
	Machinery and Equipment	(584,243)	(97,485)		(681,728)
		(4,692,581)	(569,648)		(5,262,229)
Total Net Depreciable Capital Assets		15,161,711	(411,352)		14,750,359
Total Net Capital Assets		16,811,569	7,290,070	460,651	23,640,989

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

Solid Waste	\$ 338,088
Drainage Utility	231,561
Total business type activities depreciation expense	<u>\$ 569,649</u>

V. LONG TERM LIABILITIES

Skagit County's long-term liabilities include general obligation bonds and loans from the State of Washington. For the proprietary funds and on the government-wide financial statements, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Government funds recognize bond premiums, discounts, and issuance costs in the period that they are incurred. Proceeds of debt are reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts are reported as other financing uses. Issuance costs, including those withheld from proceeds, are reported as debt service expenditures.

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Details of general obligation bonds outstanding as of December 31, 2014 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 \$340,000 and interest payments of \$216,385 were made in 2014.	5,245,000
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 \$420,000 and interest payments of \$172,921 were made in 2014.	4,000,000
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 4.00%. Principal payments are due annually on December 1. Interest payments are due June 1 and December 1. Principal payments of \$185,000 and interest payments of \$23,250 were made in 2014.	590,000
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 \$335,000 and interest payments of \$214,769 were made in 2014.	6,935,000
In 2014, bonds in the amount of 780,000 were issued to acquire a building for County use. Interest rates range from 3.90% to 4.00 % for maturities in 2041. Principle payments are due annually on December 1. Interest payments are due June 1 and January 1. There were no principle or interest payments made in 2014.	780,000
Total bonds payable at December 31, 2014 for government activities:	17,550,000
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 2011 to 5.35% for maturities in 2030. Principal payment of \$480,000 and interest payment of \$410,245 were made in 2014.	9,260,000
Proceeds in the amount of \$51,920,000 from the 2014 bond issue are for the purpose of planning, acquiring land, and constructing a 400 bed regional jail facility. Principle payments are due annually on December 1, beginning in 2015. Interest rates range from 1.90% in 2011 to 5.35% for maturities in 2030. There were no principal or interest payments made in 2014.	51,920,000
Total bonds payable at December 31, 2014 for business-type activities:	61,180,000

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
2015	\$ 1,345,000	\$ 618,463	\$ 495,000	\$ 2,650,465
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
2019-2023	7,010,000	1,573,369	9,580,000	11,737,029
2024-2028	4,570,000	371,034	11,805,000	9,213,297
2029-2033	280,000	48,388	12,440,000	6,108,978
2034-2038	65,000	2,438	13,515,000	3,551,150
2039-2041			9,470,000	767,400
Totals	17,550,000	4,180,022	61,180,000	41,892,753

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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 2013 financial statements. As of December 31, 2014 the balance of the defeased bonds outstanding is \$2,820,000.

Loans Payable

Details of loans payable as of December 31, 2014 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 2014.	\$ 79,957
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 2014.	26,529
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 \$45,538 were made in 2014.	1,818,687
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. There were no principal or interest payments made in 2014.	876,953
Total loans payable at December 31, 2014 for governmental activities	\$ 2,802,126

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

Year Ending December 31	Principal	Interest
2015	\$ 124,334	\$ 63,407
2016	152,880	64,202
2017	156,191	60,891
2018	159,585	57,497
2019+2023	771,932	233,521
2024-2028	846,894	134,937
2028-2033	532,795	35,983
2034	57,514	1,167
Totals	2,802,125	651,607

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, 2014, the County's remaining capacity for non-voted debt was \$157,366,540. Additional debt capacity with an authorizing vote is \$146,704,222.

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Changes in Long-Term Liabilities

Details of changes in long term liabilities for the year ended December 31, 2014 is as follows:

		Beginning Balance	New Issue	Retirements	Ending Balance	Due Within One year
Governmental Activities:						
Bonds Payable						
	General Obligation Bonds	\$ 18,050,000	\$ 2,125,000	\$ 2,625,000	\$ 17,550,000	\$ 1,345,000
	Add: Net Unamortized Discounts/Premiums	599,936	113,870	66,163	647,643	
	Total Bonds Payable	18,649,936	2,238,870	2,691,163	18,197,643	1,345,000
Loans Payable						
		3,153,698	1,189,403	1,540,976	2,802,126	124,334
Note Payable						
		-		-	-	
Compensated Absences						
		2,830,899	4,979	557,451	2,278,427	2,278,427
OPEB Liability						
		240,522	413,234	240,652	413,104	
Environmental Liabilities						
		122,111	7,000	9,687	119,424	3,027
	Total Long-Term Liabilities	\$ 24,997,166	\$ 3,853,487	\$ 5,039,929	\$ 23,810,723	\$ 3,750,788
		Beginning Balance	New Issue	Retirements	Ending Balance	Due Within One year
Business-Type Activities						
Bonds Payable						
	General Obligation Bonds	\$ 9,740,000	\$ 52,895,000	\$ 1,455,000	\$ 61,180,000	\$ 495,000
	Discounts/Premiums	(39,095)	4,407,396	497,716	\$ 3,870,585	
	Less: Unamortized Refunding	-	-		\$ -	
	Total Bonds Payable	9,700,905	57,302,396	1,952,716	65,050,585	495,000
Compensated Absences						
		93,830	147,074	10,971	229,932	229,933
Post Closure Landfill Costs						
		3,169,663	134,500	260,571	3,043,592	54,500
Environmental Liabilities						
		4,066,669	91,000	212,421	3,945,248	33,000
	Total Long-Term Liabilities	\$ 17,031,067	\$ 57,674,970	\$ 2,436,680	\$ 72,269,357	\$ 812,433

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

VI. PENSION AND OTHER BENEFIT 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 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. The following disclosures are made pursuant to GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employers*, and No. 50, *Pension Disclosures, and Amendment of GASB Statements No. 25 and No. 27*.

A. Public Employees' Retirement System (PERS) Plans 1, 2 and 3

Plan Description

The Legislature established PERS in 1947. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts (other than judges currently in the Judicial Retirement System); employees of the legislative committees; community and technical colleges, college and university employees not participating in higher education requirement programs; judges of district and municipal courts; and employees of local governments. Approximately 49 percent of PERS salaries are accounted for by state employment. PERS retirement benefit provisions are established in Chapters 41.34 and 41.40 RCW and may be amended only by the State Legislature.

PERS is a cost-sharing multiple-employer retirement system comprised of three separate plans: Plan 1 and 2 are defined benefit plans and Plan 3 is a defined benefit plan with a defined contribution component.

PERS participants who joined the system by September 30, 1977, are Plan 1 members. Those who joined on or after October 1, 1977 and by either, February 28, 2002 for state and higher education employees, or August 31, 2002 for local government employees, are Plan 2 members unless they exercise an option to transfer their membership to Plan 3. PERS participants joining the system on or after March 1, 2002 for state and higher education employees, or September 1, 2002 for local government employees have the irrevocable option of choosing membership in either PERS Plan 2 or PERS Plan 3. The option must be exercised within 90 days of employment. An employee is reported in Plan 2 until a choice is made. Employees who fail to choose within 90 days default to PERS Plan 3. Notwithstanding, PERS Plan 2 and Plan 3 members may opt out of plan membership if terminally ill, with less than five years to live.

PERS is comprised of and reported as three separate plans for accounting purposes: Plan 1, Plan 2/3, and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3 accounts for the defined benefits of Plan 2 members and the defined benefit portion of the benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 defined benefit plan may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered to be a single plan for accounting purposes.

PERS Plan 1 and 2 defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to the PERS Plan 1 and Plan 2 defined benefit plans accrue interest at a rate specified by the Director of DRS. During DRS' Fiscal Year 2013, the rate was five and one-half percent compounded quarterly. Members in PERS Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest thereon, in lieu of any retirement benefit, upon separation from PERS-covered employment.

Plan 1 members are vested after the employee completes five years of eligible service. Plan 1 members are eligible for retirement at any age after 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service. The monthly benefit is two percent of the average final compensation (AFC) per year of service. (AFC is the monthly average of the 24 consecutive highest-

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paid service credit months.) The retirement benefit may not exceed 60 percent of AFC. The monthly benefit is subject to a minimum for PERS Plan 1 retirees who have 25 years of service and have been retired 20 years, or who have 20 years of service and have been retired for 25 years. Plan 1 members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits. The benefit is actuarially reduced to reflect the choice of a survivor option. Plan 1 members may elect to receive an optional COLA that provides an automatic annual adjustment based on the Consumer Price Index, capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 1 provides duty and non-duty disability benefits. Duty disability retirement benefits for disablement prior to the age of 60 consist of a temporary life annuity payable to the age of 60. The allowance amount is \$350 a month, or two-thirds of the monthly AFC, whichever is less. The benefit is reduced by any workers' compensation benefit and is payable as long as the member remains disabled or until the member attains the age of 60, at which time the benefit is converted to the member's service retirement amount. A member with five years of covered employment is eligible for non-duty disability retirement. Prior to the age of 55, the allowance amount is two percent of the AFC for each year of service reduced by two percent for each year that the member's age is less than 55. The total benefit is limited to 60 percent of the AFC and is actuarially reduced to reflect the choice of a survivor option. Plan 1 members may elect to receive an optional COLA that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members may retire at the age of 65 with five years of service. The monthly benefit is two percent of the AFC per year of service. (AFC is the monthly average of the 60 consecutive highest-paid service months.)

PERS Plan 2 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 reduced benefit. The benefit is reduced by an early retirement factor (ERF) that varies according to age, for each year before age 65.

PERS Plan 2 members who have 30 or more years of service credit and are at least 55 years old can retire under one of the two provisions:

- With a benefit that is reduced by 3 percent for each year before age 65.
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of 5 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.

PERS Plan 2 retirement benefits are also actuarially reduced to reflect the choice, if made, of a survivor option. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at three percent annually.

The surviving spouse or eligible child or children of a PERS Plan 2 member who dies after leaving eligible employment having earned ten years of service credit may request a refund of the member's accumulated contributions.

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PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. As established by Chapter 41.34 RCW, employee contribution rates to the defined contribution component range from 5 percent to 15 percent of salaries, based on member choice. Members who do not choose a contribution rate default to a 5 percent rate. There are currently no requirements for employer contributions to the defined contribution component of PERS Plan 3.

PERS Plan 3 defined contribution retirement benefits are dependent upon the results of investment activities. Members may elect to self-direct the investment of their contributions. Any expenses incurred in conjunction with self-directed investments are paid by the members. Absent a member's self-direction, PERS Plan 3 contributions are invested in the Retirement Strategy Fund that assumes the member will retire at age 65.

For DRS' Fiscal Year 2013, PERS Plan 3 employee contributions were \$99.0 million, and plan refunds paid out were \$69.4 million.

The defined benefit portion provides a benefit calculated at 1 percent of the average final compensation per year of service. The average final compensation is based on the greatest compensation during any eligible consecutive 60-month period. There is no cap on years of service credit, and Plan 3 provides the same cost-of-living allowance as Plan 2.

Effective June 7, 2006, 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 twelve months of that service were earned after the age of 44; or after five service credit years earned in PERS Plan 2 prior to June 1, 2003. Plan 3 members are immediately vested in the defined contribution portion of their plan.

Vested Plan 3 members are eligible to retire with full benefits at age 65, or they may retire early with the following conditions and benefits:

- If they have at least ten service credit years and are 55 years old, the benefit is reduced by an ERF that varies with age, for each year before age 65.
- If they have 30 service credit years and are at least 55 years old, and were hired before May 1, 2013, they have the choice of a benefit that is reduced by 3 percent for each year before age 65; or a benefit with a smaller (or no) reduction factor (depending on age) that imposes stricter return-to-work rules.
- If they have 30 service credit years, are at least 55 years old, and were hired after May 1, 2013, they have the option to retire early by accepting a reduction of 5 percent for each year before age 65.0

PERS Plan 3 defined benefit retirement benefits are also actuarially reduced to reflect the choice, if made, of a survivor option.

PERS Plan 2 and Plan 3 provide disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 monthly benefit amount is 2 percent of the AFC per year of service. For Plan 3, the monthly benefit amount is 1 percent of the AFC per year of service. These disability benefit amounts are actuarially reduced for each year that the member's age is less than 65, and to reflect the choice of a survivor option. There is no cap on years of service credit, and a cost-of-living allowance is granted (based on the Consumer Price Index) capped at 3 percent annually.

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PERS members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of those options are available to their survivors.

A one-time duty-related death benefit is provided to the estate (or duly designated nominee) of a PERS member who dies in the line of service as a result of injuries sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of said member's covered employment, if found eligible by the Department of Labor and Industries.

Judicial Benefit Multiplier

Beginning January 1, 2007 through December 31, 2007, judicial members of PERS were given the option of joining the JMB Program enacted in 2006. Justices or judges in PERS Plan 1 and Plan 2 were able to make a one-time irrevocable election to pay increased contributions that would fund a retirement benefit with a 3.5 percent multiplier. The benefit would be capped at 75 percent of average final compensation (AFC). Judges in PERS Plan 3 can elect a 1.6 percent of pay per year of service benefit, capped at 37.5 percent of average compensation.

Justices and judges who are newly elected or appointed to judicial service and choose to become PERS members on or after January 1, 2007, or who have not previously opted into PERS membership, are required to participate in the JBM Program.

There are 2,241 participating employers in PERS. Details of PERS membership as of the latest actuarial valuation date of June 30, 2014 is as follows:

Description	Members
Retirees and Beneficiaries Receiving Benefits	85,328
Terminated Plan Members Entitled to but not yet Receiving Benefits	31,047
Active Plan Members Vested	107,073
Active Plan Members Non-vested	43,633
Total	267,081

Funding Policy

Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates, Plan 2 employer and employee contribution rates, and Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at 6 percent for state agencies and local government unit employees, and 7.5 percent for state government elected officials. The employer and employee contribution rates for Plan 2 and the employer contribution rates for Plan 3 are developed by the Office of State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. Under PERS Plan 3, employer contributions finance the defined benefit portion of the plan, and member contributions finance the defined contribution portion. The Employee Retirement Benefits Board sets Plan 3 employee contribution rates. The Plan 3 contribution rates range 5 to 15 percent.

As a result of the implementation of the Judicial Benefit Multiplier Program in January 2007, a second tier of employer and employee rates was developed to fund, along with investment earnings, the increased retirement benefits of those justices and judges that participate in the program. The methods used to determine the contribution requirements are established under state statute in accordance with chapters 41.40 and 41.45 RCW.

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The required contribution rates expressed as a percentage of current year covered payroll, as of December 31, 2014 are as follows:

Rates for members not participating in JBM are as follows:			
Contributor	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer*	9.21%	9.21%	9.21**
Employee	6.00%	4.92%	***
* The employer rates include the employer administrative expense fee currently set at 0.18%.			
** Plan 3 defined benefit portion only.			
*** Variable from 5% minimum to 15% maximum based on rate selected by the PERS 3 member.			

Rates for members participating in JBM are as follows:			
Contributor	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer*	9.21%	9.21%	9.21**
Employee	12.26%	12.30%	7.50%***
* The employer rates include employer administrative expense fee currently set at 0.18%.			
** Plan 3 defined benefit portion only.			
*** Minimum rate.			

Both Skagit County and its employees have made the required contributions to the plan. Details of these contributions for the years ending December 31 are as follows:

Year	PERS Plan 1	PERS Plan 2	PERS Plan 3
2014	\$ 147,594	\$ 3,489,975	\$ 834,444
2013	132,843	3,153,129	750,527
2012	129,972	2,846,653	717,045

B. Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plans 1 and 2

Plan Description

The Legislature established LEOFF in 1970. Membership in the system includes all full-time, fully compensated local law enforcement commissioned officers, firefighters and, as of July 24, 2005, emergency medical technicians. LEOFF membership is comprised primarily of non-state employees, with Department of Fish and Wildlife enforcement officers, who were first included prospectively effective July 27, 2003, being the exception. LEOFF retirement benefit provisions are established in Chapter 41.26 RCW and may be amended only by the State Legislature.

LEOFF is a cost-sharing multiple-employer retirement system comprised of two separate defined benefit plans. LEOFF participants who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 are Plan 2 members.

Effective July 1, 2003, the LEOFF Plan 2 Retirement Board was established by Initiative 790 to provide governance of LEOFF Plan 2. The Board's duties include adopting contribution rates and recommending policy changes to the Legislature for the LEOFF Plan 2 retirement plan.

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LEOFF defined benefit retirement benefits are financed from a combination of investment earnings, employer and employee contributions, and a special funding situation in which the state pays through state legislature appropriations. Employee contributions to the LEOFF Plan 1 and Plan 2 defined benefit plans accrue interest at a rate specified by the Director of DRS. During DRS' Fiscal Year 2013, the rate was five and one-half percent compounded quarterly. Members of LEOFF Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest earnings, in lieu of any retirement benefit, upon separation from LEOFF-covered employment.

LEOFF Plan 1 members are vested after the completion five years of eligible service. Plan 1 members are eligible for retirement with five years of service at the age of 50. The benefit per year of service calculated as a percent of final average salary (FAS) is as follows:

Service Term	Percent of Final Average Salary
20 or more years	2.0%
More than 10 years but less than 20 years	1.5%
More than 5 years but less than 10 years	1.0%

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 10 years of service. A cost-of-living allowance is granted (indexed to the Consumer Price Index).

LEOFF Plan 1 provides death and disability benefits. Death benefits for survivors of Plan 1 members on active duty consist of the following: (1) If eligible spouse, 50 percent of the FAS, plus 5 percent of the FAS for each eligible surviving child, with a limitation on the combined allowances of 60 percent of the FAS; or (2) If no eligible spouse, eligible children receive 30 percent of FAS for the first child plus 10 percent for each additional child, subject to a 60 percent limitation of FAS, divided equally.

A one-time duty-related death benefit is provided to the estate (or duly designated nominee) of a LEOFF Plan 1 member who dies as a result of injuries or illness sustained in the course of employment, if found eligible by the Department of Labor and Industries.

The LEOFF Plan 1 disability allowance is 50 percent of the FAS plus 5 percent for each child up to a maximum of 60 percent. Upon recovery from disability before the age of 50, a member is restored to service with full credit for service while disabled. Upon recovery after the age of 50, the benefit continues as the greater of the member's disability allowance or service retirement allowance.

LEOFF Plan 2 members are vested after the employee completes five years of eligible service. Plan 2 members may retire at the age of 53 with five years of service, or 50 with 20 years of service. Plan 2 members receive a benefit of 2 percent of the FAS per year of service. (FAS is based on the highest consecutive 60 months), actuarially reduced to reflect the choice of a survivor option. Plan 2 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 3 percent for each year prior to age 53. A cost-of-living allowance is granted (indexed at the Consumer Price Index), capped at three percent annually.

LEOFF Plan 2 provides disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 allowance amount is two percent of the FAS for each year of service. Benefits are actuarially reduced for each year that the member's age is less than 53, unless the disability is duty-

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related, and to reflect the choice of a survivor option. 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.

A disability benefit equal to 70 percent of their FAS, subject to offsets for workers' compensation and Social Security disability benefits received, is also available to those LEOFF Plan 2 members who are catastrophically disabled in the line of duty and incapable of future substantial gainful employment in any capacity.

Effective June 2010, benefits to LEOFF Plan 2 members who are catastrophically disabled include payment of eligible health care insurance premiums.

Members of LEOFF Plan 2 who leave service because of a line of duty disability are allowed to withdraw 150 percent of accumulated member contributions. This withdrawal benefit is not subject to federal income tax. Alternatively, members of LEOFF Plan 2 who leave service because of a line of duty disability may be eligible to receive a retirement allowance of at least 10 percent of FAS and two percent per year of service beyond five years. The first ten percent of the FAS is not subject to federal income tax.

LEOFF Plan 2 retirees may return to work in an eligible position covered by another retirement system, choose membership in that system and suspend their pension benefits, or not choose membership and continue receiving pension benefits without interruption.

A one-time duty-related death benefit is provided to the beneficiary or the estate of a LEOFF Plan 2 member who dies as a result of injuries or illness sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of the member's covered employment, if found eligible by the Department of Labor and Industries.

Benefits to eligible surviving spouses and dependent children of LEOFF 2 members killed in the course of employment include the payment of eligible health care insurance premiums.

Legislation passed in 2009 provides to the Washington state registered domestic partners of LEOFF Plan 2 members the same treatment of married spouses, to the extent that the treatment is not in conflict with federal laws.

LEOFF members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors.

There are 414 participating employers in LEOFF. Membership in LEOFF consisted of the following as of the latest actuarial valuation date of June 30, 2014:

Description	Members
Retirees and Beneficiaries Receiving Benefits	10,511
Terminated Plan Members Entitled to but not yet Receiving Benefits	699
Active Plan Members Vested	14,532
Active Plan Members Non-vested	2,298
Total	28,040

Funding Policy

Employer and employee contribution rates are developed by the Office of the State Actuary to fully fund the plan. Starting on July 1, 2000, Plan 1 employers and employees contribute zero percent, as long as

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the plan remains fully funded. LEOFF Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board. The Legislature, by means of a special funding arrangement appropriated money from the state General Fund to supplement the current service liability and fund the prior service costs of LEOFF Plan 2 in accordance with the requirements of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. However, this special funding situation is not mandated by the state constitution and this funding requirement could be returned to the employers by a change of statute. For DRS' Fiscal Year 2013, the state contributed \$55.6 million to the LEOFF Plan 2.

The methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.26 and 41.45 RCW.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2014 are as follows:

Contributor	LEOFF Plan 1	LEOFF Plan 2
Employer*	0.18%	5.23%
Employee	0.00%	8.41%
* The employer rates include the employer administrative expense fee currently set at 0.18%		

Both Skagit County and its employees made the required contributions to the plan. Skagit County contributions for the years ending December 31 are as follows:

Year	LEOFF Plan 1	LEOFF Plan 2
2014	\$ -	\$ 565,508
2013	-	543,132
2012	-	524,366

C. Public Safety Employees' Retirement System (PSERS) Plan 2

Plan Description

The Legislature created PSERS in 2004 and the system became effective July 1, 2006. PSERS retirement benefit provisions are established in Chapter 41.37 RCW and may be amended only by the State Legislature.

PSERS is a cost-sharing multiple-employer retirement system comprised of a single defined benefit plan, PSERS Plan 2.

PSERS Plan 2 membership includes:

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

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Covered employers include:

- 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; and
- Correctional entities formed by PSERS employers under the Interlocal Cooperation Act.

To be eligible for PSERS, 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 defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to the plan accrue interest at a rate specified by the Director of DRS. During DRS' Fiscal Year 2014, the rate was five and one-half percent compounded quarterly. Members in PSERS Plan 2 can elect to withdraw total employee contributions and interest thereon, in lieu of any retirement benefit, upon separation from PSERS-covered employment.

PSERS Plan 2 members are vested after completing five years of eligible service.

PSERS members may retire with a monthly benefit of 2 percent of the average final compensation (AFC) at the age of 65 with five years of service, or at the age of 60 with at least 10 years of PSERS service credit, or at age 53 with 20 years of service. The AFC is the monthly average of the member's 60 consecutive highest-paid service credit months. There is no cap on years of service credit; and a cost-of-living allowance is granted (indexed to the Consumer Price Index), capped at 3 percent annually.

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 3 percent per year reduction for each year between the age at retirement and age 60 applies.

PSERS Plan 2 provides disability benefits. There is no minimum amount of service credit required for eligibility. The disability allowance is two percent of the average final compensation (AFC) for each year of service. 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, and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

PSERS members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of those options are available to their survivors.

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A one-time duty-related death benefit is provided to the estate (or duly designated nominee) of a PSERS member who dies as a result of injuries or illness sustained in the course of employment, if found eligible by the Department of Labor and Industries.

There are 75 participating employers in PSERS. There were 1,729 active non-vested plan members as of the latest actuarial valuation date of June 30, 2014.

Description	Members
Retirees and Beneficiaries Receiving Benefits	43
Terminated Plan Members Entitled to but not yet Receiving Benefits	119
Active Plan Members Vested	2,784
Active Plan Members Non-vested	1,729
Total	4,675

Funding Policy

Each biennium, the state Pension Funding Council adopts PSERS Plan 2 employer and employee contribution rates. The employer and employee contribution rates for Plan 2 are developed by the Office of the State Actuary to fully fund Plan 2. All employers are required to contribute at the level established by the Legislature. The methods used to determine the contribution requirements are established under state statute in accordance with chapters 41.37 and 41.45 RCW.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2014 were as follows:

Contributor	PSERS Plan 2
Employer*	10.54%
Employee	6.36%
* The employer rates include the employer administrative expense fee currently set at 0.18%	

Both Skagit County and its employees made the required contributions to the plan. Skagit County's contributions for the years ended December 31 were as follows:

Year	PSERS Plan 2
2014	\$ 374,969
2013	328,457
2012	274,348

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.

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Funding Policy

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

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	

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Annual OPEB costs of \$485,204 less expenses of \$72,100 resulted in a net 2014 OPEB obligation of \$413,104. As of December 31, 2014 there were no active members in the LEOFF 1 plan.

The actual expense constitutes 14.5% of the ARC. The County's actuarial accrued liability (AAL) of \$5,528,316 was unfunded as of December 31, 2014.

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
2014	\$ 485,204	\$ 413,104	14.50%
2013	315,928	240,651	23.83%
2012	315,928	231,216	26.81%

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

Liability Insurance

Skagit County remains one of several Washington counties that are members of the Washington Counties Risk Pool ("Pool" or "WCRP"). The others include: Adams, Benton and Chelan, Clallam, Columbia, Cowlitz and Douglas, Franklin, Garfield, Grays Harbor and Island, Jefferson, Kittitas, Lewis and Mason, Okanogan, Pacific, Pend Oreille and San Juan, Skamania, Spokane, Thurston and Walla Walla, Whatcom and Yakima Counties.

Clark, Kitsap, Klickitat and Whitman Counties were Pool members. Clark had its membership cancelled by the Pool's Board of Directors effective April 29, 2014. The others voluntarily terminated their memberships effective October 1st of 2010, 2002 and 2003 respectively.

Background: The Pool was "Created by Counties for Counties" in August 1988 as an association of member counties independent of all other associations of which the counties are members. WCRP's foundational agreement authorized its creation pursuant to Chapters 48.62 and 39.34, Revised Code of Washington ("RCW"), "to provide member counties programs of joint self-insurance, joint purchasing of insurance, and joint contracting for or hiring of personnel to provide risk management, claims handling, and administrative services."

Noteworthy is the definition of "insurer" in RCW 48.01.050 as it pertains to the application of the Washington Insurance Code (Title 48). The statutory definition reads:

Two or more local government entities, under any provision of law, that join together and organize to form an organization for the purpose of jointly self-insuring or self-funding are not an "insurer" under this code.

WCRP is not an "insurer" and thus not an insurance company or subject to the special laws and rules that govern insurers and insurance companies. Washington's pools operate under the state's "pooling" laws

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and regulations, specifically Chapters 48.62 RCW and 200-100 Washington Administrative Code ("WAC"). Pools are risk-sharing entities that initially must be approved by then annually report to and are overseen by the State Risk Manager – they are not regulated by the Office of the Insurance Commissioner. In addition, as public entities, pools are subject to annual audits by the State Auditor's Office.

The mission for the Pool as determined by the members' directors and alternate directors is to:

- Provide comprehensive and economical risk coverage;
- Reduce the frequency and severity of losses;
- Decrease costs incurred in the managing and litigation of claims.

The core values adopted by the Pool's Board of Directors include: being committed to learn, understand and respond to the member counties' insurance needs; being committed to establish working relationships with all members that identify business issues and jointly develop solutions; member counties commit to allocate necessary resources to risk management in their own operations; the Pool's Board and professional staff share a commitment to manage the organization based on sound business principles, benchmarked industry standards and measurable outcomes; and being committed to continuous planning and innovation in product development and service delivery.

The Pool's Membership Compact, added in 2000 as an addendum to the Interlocal Agreement, constitutes a commitment to strengthen the Pool by helping member counties implement and/or enhance their local risk management efforts to reduce losses and support the best management of the Pool and its resources. The Compact obligates the member counties to support these goals through three major elements – membership involvement, risk control practices, and a targeted risk management program(s).

New members may be asked to pay modest fees to cover the costs to analyze their loss data and risk profiles. In recent years, new members have only been required to contribute 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 county 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.

Joint Self-Insurance Liability Program ("JSILP"): The Washington Counties Risk Pool has since its beginning administered the membership's 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 per occurrence have grown from the \$1 million existing during the Pool's initial two months to \$5 million, then to \$10 million and onto \$15 million before reaching the \$20 million limit that has existed since October 2003. (Note: Additional \$5 million limits were available as individual county-by-county options during many recent years, including the 2013-14 and 2014-15 coverage years.)

Since the 2003-04 coverage year, the initial \$10 million per occurrence, subject to the member-reimbursed deductible, has been provided as jointly self-insured coverage that is "risk shared" amongst the membership. 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.

The Board of Directors has decided for years now to acquire reinsurance as 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

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\$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 2013-14, there were two (2) such corridors – the first raising the occurrence SIR to \$1 million, but with an aggregated stop loss of \$2.975 million (later reduced with Clark County's termination to \$2,900,625), and the second increasing the SIR further, to \$2 million, but with an aggregated stop loss of \$650,000 (also reduced with Clark County's departure to \$596,875). Other reinsurance agreements respond to the remaining \$8 million – one for the \$3 million excess of the \$2 million SIR, and another for the \$5 million excess of \$5 million.

The remaining \$10 million (or \$15 million) of JSILP occurrence coverage has been acquired as "following form" excess insurance. And while there are no aggregate limits to the payments that the Pool makes for any member county or for all member counties, the reinsurance agreements contain aggregate limits for the maximum annual reimbursements to the Pool of \$40 million (lowest reinsured layer), \$20 million, (second layer), \$30 million (third layer) and \$50 million (final reinsured layer).

584 third-party liability claims (and lawsuits) were reported by member counties to the Pool during the 2013-14 coverage year, a 5.5% reduction in year-over-year filings and a continuation of the decline in filings experienced the past several years. The new filings raised the to-date (October 1988 – September 2014) total to 19,820. Yet only 359 remained classified as 'open' at year-end. Projections from the required independent actuary retained by the Pool's Board of Directors suggest another 283 cases from all years as being *incurred but not yet reported* ("IBNR") and raise the Pool's estimated ultimate case count (as of September 30, 2014) to 20,103. Total incurred losses (payments made plus estimates for open claims) increased \$14.6 million during the year to \$264.6 million. And while that represents a significant increase from recent years' corresponding amounts, it is less than the several earlier years' amounts of \$16.0M (2010-11), \$17.8M (2009-10), and the \$20.8M (average for 2006-07 through 2008-09).

Claims reserves for the JSILP coverage are determined annually, and the actuary's estimates of net reserves as of September 30, 2014 totaled \$14.68 million, a modest year-over-year increase of \$0.06 million (0.4%), and included \$2.69 million for losses in the basic SIR, \$10.84 million for the increased SIRs from the "corridor" programs, \$0.13 million for losses in the quota-shared (10%) upper reinsured layer retained by the Pool during 2012-13, and \$1.02 million for unallocated loss adjustment expenses (ULAE). NOTE: Estimates for gross reserves declined \$1.10 million (3.3%) to \$32.67 million, with \$17.99 million ceded to the commercial insurers.

Washington Counties Property Program ("WCPP"): The Board of Directors agreed to add property insurance, beginning with the 2005-06 coverage year, as a county-by-county option. This optional coverage is jointly-purchased from a consortium of higher rated commercial carriers. Both participation and the total values of covered properties have nearly doubled since the WCPP was added. Twenty six counties participated in the WCPP during 2013-14 with covered properties totaling in excess of \$2.7 billion.

Losses are covered under the WCPP to the participating counties' buildings and contents, vehicles, mobile/contractors 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. Coverage also includes sublimated items, e.g. Equipment Breakdown / Boiler & Machinery (\$100 million), Special Flood Hazard Areas (\$25 million), and endorsements for LEED (Green Construction) Upgrades, optional Reproduction Coverage for historic structures, and Terrorism (\$20 million).

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AOP occurrence deductibles, which each participating county confirms each year and is solely responsible for paying, range between \$5,000 and \$50,000. Higher deductibles apply to losses resulting from catastrophe-type losses.

Cyber Risk and Other Coverages: Beginning this coverage year (2014-15), the Board agreed to add jointly-purchased cyber risk and security coverage from a higher-rated commercial insurer.

Other Insurances: Several member counties use the producer (broker) retained by the Board on behalf of the Pool to secure other (specialty) coverages. Examples include public officials bonds and insurance coverages for crime (and fidelity), special events/concessionaires, UST and other environmental hazards, as well as airport, ferry, and railroad operations.

Governance / Oversight: The Pool is governed by a board of directors that consists of one director (and at least one alternate director) representing each member county and appointed by the county's legislative authority. The Board of Directors, which includes both elected and appointed officials, meets three times each year with the Annual Meeting of the Pool being held mid-summer. The Board a) determines the extent of risk-sharing from the 3rd-party self-insured liability coverage by approving the JSILP Coverage Form, b) selects the reinsurance(s) to acquire and the excess insurance(s) to jointly-purchase or offer for "member option" purchase, c) approves the Pool's annual operating budget(s) and work program(s), and d) approves the formulas used for computing members' deposit assessments and, when necessary, reassessments.

Ongoing oversight of the Pool is furnished by an 11-person executive committee that is elected by and from the WCRP Board for staggered, 3-year terms. The membership of the 2014-15 committee averages more than nine years with the Pool. The committee meets throughout the year and a) approves all disbursements and reviews the Pool's financial health, b) approves case settlements exceeding the applicable member's deductible by at least \$50,000, c) reviews all claims with incurred loss estimates exceeding \$100,000, and d) evaluates the Pool's operations and 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.

Staffing and Support Teams: Six of the Pool's 11-person staff handle and/or manage the several hundred liability cases filed annually upon the member counties and submitted for risk-shared coverage consideration. This includes determining coverage, establishing reserves for covered events by estimating future payments for the losses and their related claims adjustment expenses. The claims staff have 115 years of combined claims handling experience.

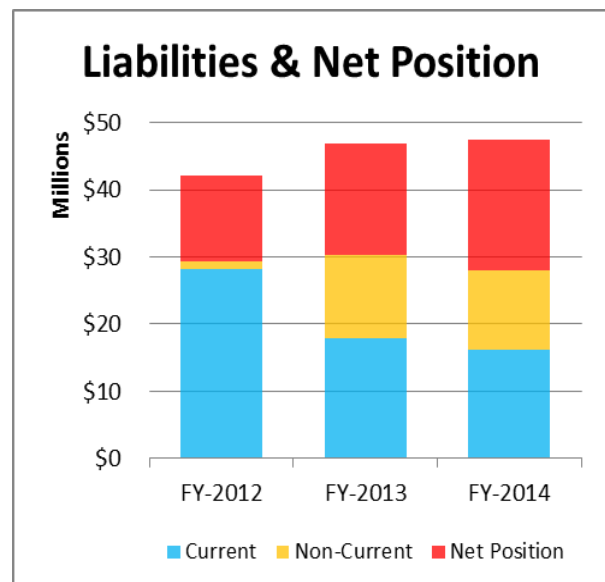
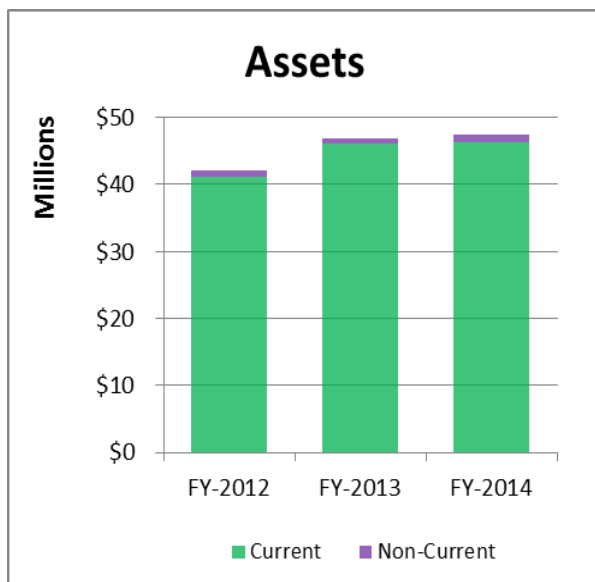
The remaining staff support the Pool's administrative needs and provide member services that include, but are not limited to assessing the memberships' risks, coordinating trainings, performing compliance audits, and developing and presenting/promoting coverages.

There are also the professionals from some of the most respected organizations worldwide which are retained by the Board to address specific needs of the Pool – PricewaterhouseCoopers, LLP furnishes independent actuarial services; Strategic Claims Direction, LLC conducts independent claims auditing; Arthur J. Gallagher Risk Management Services, Inc. provides insurance producer (broker) and advanced loss control services; and J. William Ashbaugh of Hackett Beecher & Hart serves as coverage counsel. NOTE: Claims audits are occasionally performed by commercial insurers. The numerous attorneys retained and assigned to defend covered claims as well as the State Risk Manager and State Auditor's Offices cannot be overlooked.

Skagit County, Washington
Notes to the Financial Statements
December 31, 2014

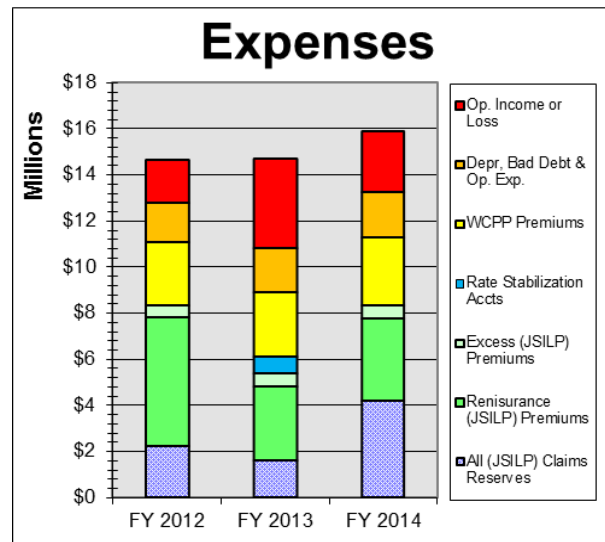
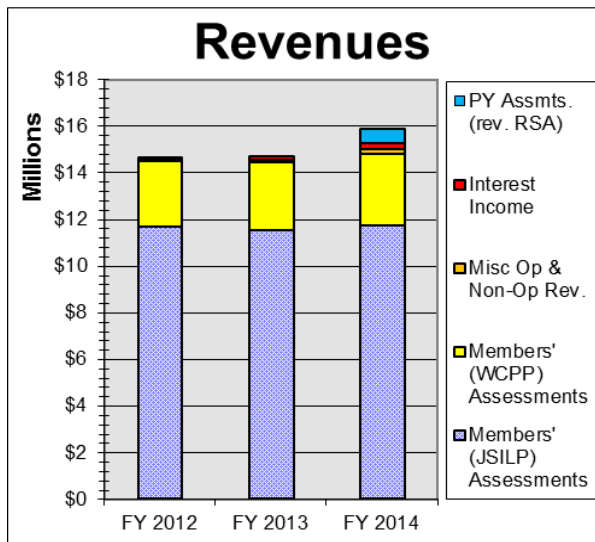
Financial Summary: During fiscal 2014, WCRP assets grew 1% (\$0.48 million) to \$47.41 million while its liabilities decreased 7% (\$2.17 million) to \$28.04 million. That produced a (assets to liabilities) ratio of 1.69:1. For comparison, the fiscal 2004 ratio was 0.94:1 which, except for the members' reassessments receivables ("retroactive assessments") that were included, would have been 0.74:1.

Net Position, which is frequently referred to as "Net Assets" or "Owners' Equity", improved 16% (\$2.65 million) to \$19.37 million as of September 30, 2014. And since 2004 ended "negative" \$0.69 million, Net Position improved by more than \$20 million over the course of the past decade. \$1.07 million of Net Position were held in Capital Assets (net of debt), leaving \$18.30 million to both satisfy the State Risk Manager's solvency provisions (WAC 200.100.03001(3)) and substantially fulfill WCRP's own sufficiency requirements in section D.2 of the Board of Directors' Underwriting Policy.



Operating Income of \$2.38 million was realized in fiscal 2014. And though a 37% decrease from 2013, the 2014 amount was the third greatest in recent years and 55% more than the annual average from 2004 through 2013. Revenues grew \$1.05 million (7%) while Expenses increased \$2.42 million (22%), primarily due to the \$2.54 million in independent actuary adjustments to the Pool's claims-related reserves and \$0.58 million in premium increases for the reinsurance and excess liability and property insurance policies acquired.

Skagit County, Washington
Notes to the Financial Statements
December 31, 2014



Contingent Liability: The Pool is a cooperative program with joint liability amongst its participating members. Contingent liabilities occur when assets are not sufficient to cover liabilities. Deficits of the Pool resulting from any fiscal year are financed by reassessments (aka retroactive assessments) 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, 2014 was ZERO (\$0). As such, there are no known contingent liabilities at that time for disclosure by the member counties.

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

Fiscal Year	Beginning Balance	Current Year			Year End Balance
		Claims & Changes in Estimate	Claim Payments		
2014	\$ 876,500	\$ 84,021	\$ 350,921		\$ 609,600
2013	2,770,881	(1,240,114)	654,267		876,500
2012	3,014,000	112,086	355,205		2,770,881

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, .9971 in 2012, and .9945 in 2013, and 1.1994 in 2014.

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 \$124,819 at December 31, 2014.

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

Skagit County, Washington
Notes to the Financial Statements
December 31, 2014

Washington Dental Service totaled \$72,079 for 2014. Dental claims activity for 2014 and the preceding two years are as follows:

		Current Year		
Fiscal Year	Beginning Balance	Claims & Changes in Estimate	Claim Payments	Year End Balance
2014	\$ 101,567	\$ 688,682	\$ 684,882	\$ 105,367
2013	99,119	662,634	660,186	101,567
2012	114,002	629,392	644,275	99,119

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 \$402,514 for 2014. Medical claims activity for 2014 and the preceding two years are as follows:

		Current Year		
Fiscal Year	Beginning Balance	Claims & Changes in Estimate	Claim Payments	Year End Balance
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
2012	1,286,903	7,138,440	7,301,964	1,123,379

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, 2014 was \$6,935,000. 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

Skagit County, Washington
Notes to the Financial Statements
December 31, 2014

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, 2014 are as follows:

	Rental Payments
Year	Due
2015	134,061
2016	123,385
2017	21,785
Total	279,231

2014 rent expense for all operating leases, except those with terms of a month or less were all renewed.

Construction

At December 31, 2014, 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	12/31/2014	Unexpended
Governmental Activities			
Clean Water Fund	\$ 2,236,869	\$ 262,174	\$ 1,974,695
Non-Major Government Funds	1,320,950	224,980	1,095,970
Road Fund	14,253,743	6,272,664	7,981,079

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 \$3,043,592, of which \$54,500 is the current portion, is reported in the Solid Waste Fund at December 31, 2014.

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 \$3,423,551, of which \$20,000 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

Skagit County, Washington
Notes to the Financial Statements
December 31, 2014

(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, 2014, 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 \$521,701, of which \$13,000 is the current portion for the closed Sinnes Road Landfill site. The Skagit County Health Department facilitated an Agreed Order between the County and two other parties to address the releases of leachate from the landfill to the environment. As of December 31, 2014, the County is in the remedial action stage, with long-term monitoring and maintenance to be determined.

Burlington Road Shop

The Equipment Rental and Revolving Fund recognized a liability of \$119,397, of which \$3,000 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, 2014, no further action has been taken either by the Department of Ecology or the County.

The County has received notice from the state Department of Ecology that the Panorama Landfill site will be ranked per the Washington Model Toxic Control Act. The County likely has some liability related to this landfill. Because it has not been ranked, the County has not estimated a liability as of 2014. The County's remediation activities to date have consisted of occasional monitoring of nearby wells and surface water.

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

IX. PRIOR PERIOD ADJUSTMENTS

Veterans' Relief – A prior period adjustment of \$17,268 was the result of an accrual error made in prior years.

Skagit County, Washington
Notes to the Financial Statements
December 31, 2014

Conservation Futures – A prior period adjustment of \$868,645 was the result of corrections of revenue accruals.

Medic 1 – A prior period adjustment of \$10,271 was the result of timing differences in the merger of the two separate entities.

Mental Health Fund – A prior period adjustment of \$164,309 was the result of an entry error in 2013.

X. ACCOUNTING AND REPORTING CHANGES

On April 29, 2013, the County Board of Commissioners adopted Resolution No. R20130102, which found that the existing jail (previously accounted for in the General Fund) could not meet the demand of the combined volume of city and County inmates. The Resolution placed a proposition before Skagit County voters that, if passed, would authorize an additional sales and use tax at the rate of 0.3% to be used for the construction, maintenance, and operation of jail facilities, and for police and fire protection, all pursuant to the Revised Code of Washington 82.14.450. The ballot measure passed. As per the interlocal Jail Facility Use Agreement No. C20130315, the County created an enterprise fund to account for the construction and operation of the new jail. The intention is for all parties to the Interlocal agreement to share in the costs of the new facility, by way of a portion of the sales tax raised. In addition, a revenue stabilization account (RSA) was created as a subcomponent of the ending Net Position of the Jail Fund. A Minimum Funding Threshold (MFT) target was set for each year. If the Net Position falls below the MFT, the difference shall be considered an excess cost to be covered by all the parties in the interlocal agreement and will require additional financial contributions in the following year. An eight member finance committee will establish the booking fee rates, not to be changed more than once annually. Currently, the booking rate fee is set at \$40. Revenues and expenditures for the maintenance and operation for the current jail are no longer reported in the General Fund, but now reside in the Jail Fund. Also, as a result of this change, construction for the new jail expenses previously reported in government funds is now reported in the new Jail Fund, which resulted in a direct entry to Net Position of \$1,160,528.

SKAGIT COUNTY, WASHINGTON

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

General Fund

For the Year Ended December 31, 2014

	Budgeted Amounts		Actual	Variance
	Original	Final		
Budgeted Fund Balance, January 1	\$ 3,965,921	\$ 4,123,025	\$ 13,962,092	
Resources (in-flows)				
Taxes	34,502,400	34,397,400	32,624,515	(1,772,885)
Licenses and Permits	32,000	32,000	281,182	249,182
Intergovernmental Revenue	4,823,771	4,934,964	6,518,975	1,584,011
Charges for Services	3,850,209	3,902,685	4,033,259	130,574
Fines and Forfeits	1,679,350	1,679,350	2,207,337	527,987
Interest Revenue	489,000	489,000	1,444,284	955,284
Miscellaneous Revenues	123,122	115,286	180,194	64,908
Transfers In	127,283	164,925	125,339	(39,586)
Total Resources (in-flows)	45,627,135	45,715,610	47,415,085	1,699,475
Amounts Available for Appropriation	49,593,056	49,838,635	61,377,177	
Charges to Appropriations (out-flows)				
General Government	18,995,787	18,956,308	17,397,905	(1,558,403)
Judicial	8,665,462	8,668,762	8,427,410	(241,352)
Public Safety	16,597,848	16,811,567	16,388,926	(422,641)
Physical Environment	25,709	25,709	13,667	(12,042)
Economic Environment	376,150	395,500	374,877	(20,623)
Health and Human Services	292,083	292,083	283,040	(9,043)
Culture and Recreation	370,000	440,000	440,000	-
Capital Expenditures	20,000	20,000	-	(20,000)
Transfers Out	4,250,017	4,228,706	4,228,706	-
Amount Charged to Appropriations (out-flows)	49,593,056	49,838,635	47,554,531	(2,284,104)
Budgeted Fund Balance, December 31	\$ -	\$ -	\$ 13,822,646	

SKAGIT COUNTY, WASHINGTON

General Fund

Schedule of Revenues

Budget (GAAP Basis) and Actual
For the Year Ended December 31, 2014

	Budgeted Amounts		Actual	Variance with Final Budget
	Original Budget	Final Budget		
General Property Taxes	24,293,000	24,293,000	24,224,742	(68,258)
Timber Harvest Taxes	400,000	400,000		(400,000)
Retail Sales and Use Taxes	7,764,400	7,764,400	7,811,407	47,007
Business Taxes	250,000	250,000	-	(250,000)
Excise Taxes	255,000	150,000	588,367	438,367
Penalties and Interest on Delinquent Taxes	1,540,000	1,540,000	-	(1,540,000)
Total Taxes	34,502,400	34,397,400	32,624,516	(1,772,884)
Non-Business Licenses and Permits	32,000	32,000	281,182	249,182
Total Licenses and Permits	32,000	32,000	281,182	249,182
Federal Shared Revenue	10,050	10,050	13,181	3,131
Indirect Federal Grants	733,840	733,840	1,751,604	1,017,764
State Grants	841,401	952,594	1,133,524	180,930
State Shared Revenue	673,287	673,287	767,168	93,881
In Lieu and State Entitlement Revenue	1,324,519	1,324,519	1,541,526	217,007
Intergovernmental Revenue	1,240,674	1,240,674	1,311,972	71,298
Total Intergovernmental Revenue	4,823,771	4,934,964	6,518,975	1,584,011
General Government	2,022,725	2,127,725	2,057,094	(70,631)
Public Safety	293,600	293,600	250,934	(42,666)
Health and Human Services	-	-	52,407	52,407
Economic Environment	60,500	60,500	13,660	(46,840)
Culture and Recreation	-	-	3	3
Interfund Charges for Services	1,473,384	1,420,860	1,659,161	238,301
Total Charges for Goods and Services	3,850,209	3,902,685	4,033,259	130,574
Superior Court Felony/Misdemeanor Penalties	82,000	82,000	71,938	(10,062)
Civil Penalties	14,000	14,000	10,915	(3,085)
Civil Infraction Penalties	1,306,000	1,306,000	1,309,607	3,607
Civil Parking Infraction	12,000	12,000	5,846	(6,154)
Criminal Traffic Misdemeanor	210,000	210,000	212,951	2,951
Criminal Non-Traffic Fines	41,200	41,200	34,538	(6,662)
Criminal Costs	14,150	14,150	10,892	(3,258)
Non-Court Fines, Forfeitures	-	-	550,650	550,650
Total Fines and Forfeits	1,679,350	1,679,350	2,207,337	527,987
Interest Earnings	489,000	489,000	1,444,284	955,284
Rents, Leases, Concessions	48,536	19,736	18,131	(1,605)
Interfund/Interdepartment Miscellaneous	25,696	25,696	25,696	-
Contributions/Donations	15,000	35,964	35,105	(859)
Other Miscellaneous Revenue	31,390	31,390	99,065	67,675
Total Miscellaneous Revenues	609,622	601,786	1,622,281	1,020,495
Agency Type Deposits	2,500	2,500	2,198	(302)
Total Non-Revenues	2,500	2,500	2,198	(302)
Total Revenues	45,499,852	45,550,685	47,289,748	1,739,063

SKAGIT COUNTY, WASHINGTON
Schedule of Expenditures Budget (GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2014

		Budgeted Amounts			Variance with Final Budget
		Original Budget	Final Budget	Actual	
General Government					
<u>Assessor</u>					
	Salaries and Wages	1,114,781	1,111,281	1,091,319	(19,962)
	Personnel Benefits	565,102	565,102	564,987	(115)
	Supplies	12,500	9,500	2,324	(7,176)
	Other Services and Charges	27,500	34,000	28,404	(5,596)
	Interfund Payments for Services	16,932	16,932	17,591	659
Total Assessor		1,736,815	1,736,815	1,704,625	(32,190)
<u>Auditor</u>					
	Salaries and Wages	773,593	785,593	781,243	(4,350)
	Personnel Benefits	381,486	386,252	383,459	(2,793)
	Supplies	14,200	14,200	9,520	(4,680)
	Other Services and Charges	13,100	13,100	9,488	(3,612)
Total Auditor		1,182,379	1,199,145	1,183,710	(15,435)
<u>Board of Equalization</u>					
	Salaries and Wages	45,017	41,017	36,838	(4,179)
	Personnel Benefits	14,906	14,906	13,539	(1,367)
	Supplies	100	100	151	51
	Other Services and Charges	500	500	60	(440)
Total Board of Equalization		60,523	56,523	50,588	(5,935)
<u>Commissioners</u>					
	Salaries and Wages	392,392	394,392	392,146	(2,246)
	Personnel Benefits	150,271	150,271	152,678	2,407
	Supplies	1,600	1,600	2,453	853
	Other Services and Charges	24,140	24,140	22,344	(1,796)
Total Commissioners		568,403	570,403	569,621	(782)
<u>Administrative Services</u>					
	Salaries and Wages	494,876	494,876	512,163	17,287
	Personnel Benefits	197,959	197,959	203,063	5,104
	Supplies	7,000	7,000	6,712	(288)
	Other Services and Charges	227,205	227,205	170,707	(56,498)
Total Administrative Services		927,040	927,040	892,645	(34,395)
<u>General Maintenance</u>					
	Salaries and Wages	615,421	615,421	505,953	(109,468)
	Personnel Benefits	344,524	344,524	314,951	(29,573)
	Supplies	128,500	128,500	112,087	(16,413)
	Other Services and Charges	1,003,369	981,469	812,757	(168,712)
	Interfund Payments for Services	20,272	20,272	36,685	16,413
Total General Maintenance		2,112,086	2,090,186	1,782,433	(307,753)

<u>Prosecuting Attorney</u>				-
Salaries and Wages	2,596,740	2,572,982	2,509,119	(63,863)
Personnel Benefits	1,175,622	1,157,835	1,129,898	(27,937)
Supplies	35,950	35,950	27,098	(8,852)
Other Services and Charges	260,300	260,300	141,131	(119,169)
Total Prosecuting Attorney	4,068,612	4,027,067	3,807,246	(219,821)

<u>Treasurer</u>				-
Salaries and Wages	553,770	553,770	548,708	(5,062)
Personnel Benefits	283,312	286,512	268,528	(17,984)
Supplies	17,000	15,000	10,209	(4,791)
Other Services and Charges	118,000	118,000	107,485	(10,515)
Total Treasurer	972,082	973,282	934,930	(38,352)

<u>Non Departmental Expenditures</u>				-
Salaries and Wages	-	-	-	-
Personnel Benefits	142,500	148,500	148,282	(218)
Supplies			-	-
Other Services and Charges	694,737	694,737	477,640	(217,097)
Interfund Payments for Services	6,530,610	6,532,610	5,846,185	(686,425)
Total Non Departmental Expenditures	7,367,847	7,375,847	6,472,107	(903,740)

Total General Government	\$ 18,995,787	\$ 18,956,308	\$ 17,397,905	\$ (1,558,403)
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Judicial

<u>County Clerk</u>				-
Salaries and Wages	942,361	942,361	942,990	629
Personnel Benefits	508,764	508,764	506,038	(2,726)
Supplies	24,000	24,000	25,828	1,828
Other Services and Charges	20,700	20,700	12,669	(8,031)
Total County Clerk	1,495,825	1,495,825	1,487,525	(8,300)

<u>District Court</u>				-
Salaries and Wages	1,325,442	1,325,442	1,318,454	(6,988)
Personnel Benefits	619,300	619,300	609,790	(9,510)
Supplies	17,000	17,000	14,632	(2,368)
Other Services and Charges	48,700	48,700	46,846	(1,854)
Interfund Payments for Services	-	-	-	-
Total District Court	2,010,442	2,010,442	1,989,722	(20,720)

<u>Public Defender</u>				-
Salaries and Wages	1,638,509	1,638,509	1,570,729	(67,780)
Personnel Benefits	725,898	725,898	699,992	(25,906)
Supplies	11,610	11,610	8,178	(3,432)
Other Services and Charges	302,684	302,684	340,360	37,676
Total Public Defender	2,678,701	2,678,701	2,619,259	(59,442)

<u>Superior Courts</u>				-
Salaries and Wages	1,008,556	1,008,556	999,492	(9,064)
Personnel Benefits	340,511	340,511	314,569	(25,942)
Supplies	21,448	21,448	19,476	(1,972)
Other Services and Charges	344,786	344,786	310,362	(34,424)
Total Superior Courts	1,715,301	1,715,301	1,643,899	(71,402)

<u>Assigned Counsel</u>				-
Salaries and Wages	132,362	138,162	137,288	(874)
Personnel Benefits	79,881	77,381	77,765	384
Supplies	950	950	687	(263)
Other Services and Charges	475,000	475,000	395,775	(79,225)
Total Assigned Counsel	688,193	691,493	611,515	(79,978)

<u>Mediation Services</u>				-
Other Services and Charges	77,000	77,000	75,490	(1,510)
Total Mediation Services	77,000	77,000	75,490	(1,510)

Total Judicial	\$ 8,665,462	\$ 8,668,762	\$ 8,427,410	\$ (241,352)
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Public Safety

<u>District Court Probation</u>				-
Salaries and Wages	326,677	326,677	334,040	7,363
Personnel Benefits	159,994	159,994	161,036	1,042
Supplies	2,500	2,500	1,450	(1,050)
Other Services and Charges	4,250	4,250	2,271	(1,979)
Total District Court Probation	493,421	493,421	498,797	5,376

Non-Departmental - County Jail Costs

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	1,655,233	1,784,736	1,663,845	(120,891)
Personnel Benefits	831,999	895,978	838,459	(57,519)
Supplies	23,350	23,950	21,520	(2,430)
Other Services and Charges	46,887	51,524	42,905	(8,619)
Interfund Payments for Services	1,860	1,860	10,705	8,845
Total Office of Juvenile Court	2,559,329	2,758,048	2,577,434	(180,614)

<u>Civil Service Commission</u>				-
Salaries and Wages	30,000	29,100	12,453	(16,647)
Personnel Benefits	4,587	4,587	1,941	(2,646)
Supplies	500	500	-	(500)
Other Services and Charges	500	1,400	975	(425)
Total Civil Service Commission	35,587	35,587	15,369	(20,218)

<u>Sheriff</u>				-
Salaries and Wages	4,498,909	4,498,909	4,474,747	(24,162)
Personnel Benefits	1,991,114	1,991,114	1,868,350	(122,764)
Supplies	84,675	84,675	71,789	(12,886)
Other Services and Charges	194,575	209,575	163,828	(45,747)
Interfund Payments for Services	1,240,238	1,240,238	1,218,614	(21,624)
Total Sheriff	8,009,511	8,024,511	7,797,328	(227,183)

Total Public Safety	\$ 16,597,848	\$ 16,811,567	\$ 16,388,928	\$ (422,639)
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Physical EnvironmentSustainability

				-
Salaries and Wages	13,801	13,801	8,279	(5,522)
Personnel Benefits	6,908	6,908	3,998	(2,910)
Supplies	2,000	2,000	-	(2,000)
Other Services and Charges	3,000	3,000	1,390	(1,610)
Interfund Payments for Services				-
Total Sustainability	25,709	25,709	13,667	(12,042)

Total Physical Environment

\$	25,709	\$	25,709	\$	13,667	\$	(12,042)
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Economic EnvironmentBoundary Review Board

				-
Salaries and Wages	5,135	6,135	5,320	(815)
Personnel Benefits	2,692	2,692	2,723	31
Supplies	-	-	-	-
Other Services and Charges	10,000	13,000	9,210	(3,790)
Total Boundary Review Board	17,827	21,827	17,253	(4,574)

Hearing Examiner

				-
Salaries and Wages	23,109	23,109	23,939	830
Personnel Benefits	12,113	12,113	12,253	140
Supplies	100	100	109	9
Other Services and Charges	65,000	65,000	61,144	(3,856)
Total Hearing Examiner	100,322	100,322	97,445	(2,877)

Animal Control

				-
Salaries and Wages	47,932	47,932	49,500	1,568
Personnel Benefits	27,944	27,944	30,047	2,103
Supplies	3,000	3,000	507	(2,493)
Other Services and Charges	26,500	26,500	34,292	7,792
Interfund Payments for Service	5,291	5,291	5,280	(11)
Total Animal Control	110,667	110,667	119,626	8,959

Noxious Weed Control

				-
Salaries and Wages	69,299	76,799	72,843	(3,956)
Personnel Benefits	30,975	36,275	34,520	(1,755)
Supplies	5,400	5,400	4,585	(815)
Other Services and Charges	2,890	3,140	2,472	(668)
Interfund Payments for Service	7,944	10,244	12,085	1,841
Total Noxious Weed Control	116,508	131,858	126,505	(5,353)

Pest Control

				-
Salaries and Wages	12,749	-	-	-
Personnel Benefits	1,933	-	-	-
Supplies	750	-	-	-
Other Services and Charges	3,680	20,612	10,000	(10,612)
Interfund Payments for Service	1,500	-	-	-
Total Pest Control	20,612	20,612	10,000	(10,612)

AG Advisory Board

				-
Salaries and Wages	6,698	6,698	2,648	(4,050)
Personnel Benefits	3,416	3,416	1,337	(2,079)
Other Services and Charges	100	100	63	(37)
Total AG Advisory Board	10,214	10,214	4,048	(6,166)

Total Economic Environment

\$	376,150	\$	395,500	\$	374,877	\$	(20,623)
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SKAGIT COUNTY, WASHINGTON
Schedule of Expenditures Budget (GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2014

Budgeted Amounts				Variance with Final Budget
Original Budget	Final Budget	Actual		
Health and Human Services				
<u>Coroner</u>				-
Salaries and Wages	105,747	105,747	99,788	(5,959)
Personnel Benefits	47,242	47,242	47,014	(228)
Supplies	4,000	4,000	4,233	233
Other Services and Charges	119,062	119,062	115,818	(3,244)
Interfund Payment for Services	16,032	16,032	16,187	155
Total Cooperative Extension	292,083	292,083	283,040	(9,043)
Total Health and Human Services				\$ 292,083 \$ 292,083 \$ 283,040 \$ (9,043)
Culture and Recreation				
<u>Cooperative Extension</u>				-
Salaries and Wages	-	-	39,682	39,682
Personnel Benefits	-	-	15,716	15,716
Supplies	-	-	239	239
Other Services and Charges	220,000	290,000	234,363	(55,637)
Total Cooperative Extension	220,000	290,000	290,000	-
<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				\$ 370,000 \$ 440,000 \$ 440,000 \$ -
Capital Outlay				
<u>Capital Outlay</u>				-
Capital Outlay	20,000	20,000	-	(20,000)
TotalCapital Outlay	20,000	20,000	-	(20,000)
TOTAL EXPENDITURES				\$ 45,343,039 \$ 45,609,929 \$ 43,325,827 \$ (2,284,102)

SKAGIT COUNTY, WASHINGTON
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual
Mental Health Fund
For the Year Ended December 31, 2014

	Budgeted Amounts		Actual	Variance
	Original	Final		
Budgeted Fund Balance, January 1	\$ 824,406	\$ 819,406	\$ 5,320,254	
Resources (in-flows)				
General Property Taxes	334,640	334,640	322,345	(12,295)
Timber Harvest Taxes	4,381	4,381	-	(4,381)
Excise Taxes	2,426,073	2,426,073	2,502,999	76,926
Licenses and Permits				-
Intergovernmental Revenues	277,514	277,514	345,314	67,800
Charges for Services	1,460,853	1,460,853	1,184,803	(276,050)
Interest Earnings	5,318	5,318	5,092	(226)
Other Revenue	46	46	866	820
Total Resources (in-flows)	4,508,825	4,508,825	4,361,419	(147,406)
Amounts Available for Appropriation	5,333,231	5,328,231	9,681,673	
Charges to Appropriations (out-flows)				
Health and Human Services	5,197,948	5,155,306	3,737,306	(1,418,000)
Transfers Out	135,283	172,925	134,651	(38,274)
Amount Charged to Appropriations (out-flows)	5,333,231	5,328,231	3,871,957	(1,456,274)
Budgeted Fund Balance, December 31	\$ -	\$ -	\$ 5,809,716	

SKAGIT COUNTY, WASHINGTON
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual
County Road Fund
For the Year Ended December 31, 2014

	Budgeted Amounts		Actual	Variance
	Original	Final		
Budgeted Fund Balance, January 1	\$ (157,207)	\$ (157,207)	\$ 2,300,199	
Resources (in-flows)				
General Property Taxes	11,511,602	11,511,602	11,272,361	(239,241)
Timber Harvest Taxes	300,000	300,000	-	(300,000)
Excise Taxes	50,000	50,000	418,919	368,919
Licenses and Permits	76,000	76,000	87,041	11,041
Intergovernmental Revenues	10,490,244	10,490,244	8,922,259	(1,567,985)
Charges for Services	2,957,029	2,957,029	1,620,364	(1,336,665)
Interest Earnings	10,200	10,200	3,394	(6,806)
Other Revenue	576,500	576,500	719,809	143,309
Total Resources (in-flows)	25,971,575	25,971,575	23,044,147	(2,927,428)
Amounts Available for Appropriation	25,814,368	25,814,368	25,344,346	
Charges to Appropriations (out-flows)				
General Government	90,333	117,333	663,237	545,904
Transportation	19,333,535	19,306,535	17,603,627	(1,702,908)
Capital Expenditures	5,940,500	5,940,500	4,897,656	(1,042,844)
Transfers Out	450,000	450,000	40,889	(409,111)
Amount Charged to Appropriations (out-flows)	25,814,368	25,814,368	23,205,409	(2,608,959)
Budgeted Fund Balance, December 31	\$ -	\$ -	\$ 2,138,937	

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 for management. 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 second Monday 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
Other Postemployment Benefits
LEOFF 1 Retiree Medical Benefits
Schedule of Funding Progress
12/31/2014**

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	\$ -	\$ 5,528,316	\$ 5,528,316	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, WASHINGTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2014

Federal Agency Name/Pass Through Agency Name	Federal Program Name	CFDA Number	Other I.D. Number	Expenditures		Foot Note Ref
				From Pass - Through Awards	From Direct Awards	
Department of Agriculture Farm Service Agency/	Conservation Reserve Program	10.069	CREP 2003 0054 Elach Creek		679.00	1
Department of Agriculture Farm Service Agency/	Conservation Reserve Program	10.069	CREP 2003 0055 Day Creek		274.00	1
Department of Agriculture Farm Service Agency/	Conservation Reserve Program	10.069	CREP 2005 0072 Martin Slough- Rockport		6,519.00	1
Total Department of Agriculture Farm Service Agency/					\$7,472.00	
Department of Agriculture Food and Nutrition Service /Office of Superintendent of Public Instruction	School Breakfast Program	10.553	29-320-9788	5,394.66		1, 6
Total Department of Agriculture Food and Nutrition Service/					\$5,394.66	
Department of Agriculture Food and Nutrition Service /Office of Superintendent of Public Instruction	National School Lunch Program	10.555	29-320-9788	8,531.19		1, 6
Total Department of Agriculture Food and Nutrition Service/					\$8,531.19	
Department of Agriculture Food and Nutrition Service/Washington State Department of Health	Special Supplemental Nutrition Program for Women, Infants and Children	10.557	C-16899	100,634.00		1, 4(e), 5
Total Department of Agriculture Food and Nutrition Service/					\$100,634.00	
Department of Agriculture Food and Nutrition Service/Washington State Department of Health	WIC Farmers' Market Nutrition Program (FMNP)	10.572	C16899 (12, 15, 16)	145.00		1,4(e)
Total Department of Agriculture Food and Nutrition Service/					\$145.00	
Department of Agriculture Food and Nutrition Service/Northwest Regional Council	Senior Farmers Market Nutrition Program	10.576	162009-NUTR	5,562.00		1
Total Department of Agriculture Food and Nutrition Service/					\$5,562.00	
Department of Agriculture Forest Service/	Schools and Roads - Grants to States	10.665	Title III Forest Yield		45,728.90	1

The accompanying notes are an integral part of this statement.

SKAGIT COUNTY, WASHINGTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2014

Federal Agency Name/Pass Through Agency Name	Federal Program Name	CFDA Number	Other I.D. Number	Expenditures		Foot Note Ref
				From Pass - Through Awards	From Direct Awards	
Department of Agriculture Forest Service/	Schools and Roads - Grants to States	10.665	Title Forest Yield		277,624.78	1
Total Department of Agriculture Forest Service/					\$323,353.68	
Department of Commerce National Oceanic and Atmospheric Administration (NOAA)/Northwest Straits Commission	Coastal Zone Management Administration Awards	11.419	SEANWA-2014-SkCoPW-00003	702.63		1, 5
Total Department of Commerce National Oceanic and Atmospheric Administration (NOAA)/					\$702.63	
Department of Commerce National Oceanic and Atmospheric Administration (NOAA)/Washington Recreation and Conservation Office	Pacific Coast Salmon Recovery Pacific Salmon Treaty Program	11.438	13-1052R	931,503.59		1, 2
Department of Commerce National Oceanic and Atmospheric Administration (NOAA)/Washington Recreation and Conservation Office	Pacific Coast Salmon Recovery Pacific Salmon Treaty Program	11.438	RCO#11-1534C	16,483.48		1, 2, 8
Total Department of Commerce National Oceanic and Atmospheric Administration (NOAA)/					\$947,987.07	
Department of Housing and Urban Development Office of Community Planning and Development /State of Washington Department of Commerce	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	13-65400-035	24,000.00		1
Department of Housing and Urban Development Office of Community Planning and Development /State of Washington Department of Commerce	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	14-65400-012	37,722.73		1, 5
Department of Housing and Urban Development Office of Community Planning and Development /State of Washington Department of Commerce	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	13-65400-011	29,395.17		1, 5

The accompanying notes are an integral part of this statement.

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SKAGIT COUNTY, WASHINGTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2014

Federal Agency Name/Pass Through Agency Name	Federal Program Name	CFDA Number	Other I.D. Number	Expenditures		Foot Note Ref
				From Pass - Through Awards	From Direct Awards	
Department of Justice Bureau of Justice Assistance/	State Criminal Alien Assistance Program	16.606	2014-AP-BX-0196		25,807.00	1
Total Department of Justice Bureau of Justice Assistance/					\$25,807.00	
Department of Justice Office of Juvenile Justice and Delinquency	Enforcing Underage Drinking Laws Program					
Prevention/Washington State Department of Health and Social Services thru United General Hospital #304		16.727	1369-90202	1,113.11		1
Department of Justice Office of Juvenile Justice and Delinquency	Enforcing Underage Drinking Laws Program					
Prevention/Washington State Department of Health and Social Services thru United General Hospital #304		16.727	1369-90202	1,494.31		1
Total Department of Justice Office of Juvenile Justice and Delinquency Prevention/					\$2,607.42	
Department of Justice Bureau of Justice Assistance/Washington State Department of Commerce	Edward Byrne Memorial Justice Assistance Grant Program	16.738	M13-31440-014	60,738.73		1
Department of Justice Bureau of Justice Assistance/	Edward Byrne Memorial Justice Assistance Grant Program	16.738	2012-DJ-BX-1115		4,794.85	1, 5
Department of Justice Bureau of Justice Assistance/	Edward Byrne Memorial Justice Assistance Grant Program	16.738	2013-DJ-BX-0374		8,386.39	1, 5
Department of Justice Bureau of Justice Assistance/Washington State Department of Commerce	Edward Byrne Memorial Justice Assistance Grant Program	16.738	M14-31440-014	69,299.66		1
Total Department of Justice Bureau of Justice Assistance/					\$143,219.63	
Department of Transportation Federal Highway Administration (FHWA)/Washington State Department of Transportation	Highway Planning and Construction		Centennial Trail (Big Rock to Clear Lake) LA8425			
Department of Transportation Federal Highway Administration (FHWA)/Washington State Department of Transportation	Highway Planning and Construction	20.205	Josh Wilson Road Phase 1 LA8426	1,117.03		1
		20.205		4,295.93		1, 2

The accompanying notes are an integral part of this statement.

MCAG NO. 0158 SKAGIT COUNTY, WASHINGTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2014

Federal Agency Name/Pass Through Agency Name	Federal Program Name	CFDA Number	Other I.D. Number	Expenditures		Foot Note Ref
				From Pass - Through Awards	From Direct Awards	
Department of Transportation Federal Highway Administration (FHWA)/Washington State Department of Transportation	Highway Planning and Construction	20.205	Skagit River Bridge Modification & Interstate Highway LA6452	1,311.08		1
Department of Transportation Federal Highway Administration (FHWA)/Washington State Department of Transportation	Highway Planning and Construction	20.205	Pioneer Highway/Fir Island Road Intersection LA8199	1,697,149.99		1
Department of Transportation Federal Highway Administration (FHWA)/Washington State Department of Transportation	Highway Planning and Construction	20.205	Burlington Northern Overpass LA8075	248,904.78		1, 2
Department of Transportation Federal Highway Administration (FHWA)/Washington State Department of Transportation	Highway Planning and Construction	20.205	Bow Hill Reconstruction LA8076	91,969.20		1, 2
Department of Transportation Federal Highway Administration (FHWA)/Washington State Department of Transportation	Highway Planning and Construction	20.205	Guemes Ferry Dolphin Replacement	1,038,258.04		1, 2
Department of Transportation Federal Highway Administration (FHWA)/Washington State Department of Transportation	Highway Planning and Construction	20.205	Anderson/LaVent ure Road Extension LA6689	507.12		1
Total Department of Transportation Federal Highway Administration (FHWA)/					\$3,083,513.17	
Department of Transportation National Highway Traffic Safety Administration (NHTSA)/Washington Traffic Safety Commission	State and Community Highway Safety	20.600	Target Zero Corridor Project- DUI	2,500.00		1
Department of Transportation National Highway Traffic Safety Administration (NHTSA)/Washington Traffic Safety Commission	State and Community Highway Safety	20.600	Target Zero Corridor Project- DUI & Law Enforcement Liason	2,400.45		1

The accompanying notes are an integral part of this statement.

MCAG NO. 0158 SKAGIT COUNTY, WASHINGTON
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended December 31, 2014

Federal Agency Name/Pass Through Agency Name	Federal Program Name	CFDA Number	Other I.D. Number	Expenditures		Foot Note Ref
				From Pass - Through Awards	From Direct Awards	
Department of Transportation National Highway Traffic Safety Administration (NHTSA)/Washington Traffic Safety Commission	State and Community Highway Safety	20.600	Traffic Safety Equipment Grant	4,999.00		1
Total Department of Transportation National Highway Traffic Safety Administration (NHTSA)/					\$9,899.45	
Environmental Protection Agency Region 10/Washington State Department of Health	Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	DOH Contract N20689 / PC- 00J32601	24,092.11		1
Environmental Protection Agency Region 10/Northwest Straits Foundation	Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	PC-00J29801-0	1,200.00		1
Environmental Protection Agency Region 10/Washington State Department of Commerce	Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	12-63401-005	13,719.45		1, 2
Environmental Protection Agency Region 10/Washington State Department of Health	Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	On-site Sewage Management NEP C16899 (13, 16)	160,641.15		1,4(e)
Environmental Protection Agency Region 10/Washington State Department of Health	Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	Pollution ID and Correction (PIC) NEP C16899 (12)	190,323.89		1,4(a)
Environmental Protection Agency Region 10/Washington State Department of Health	Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	Livestock Mgmt Ag BMP's NEP C16899 (12)	44,890.06		1,4(a)
Total Environmental Protection Agency Region 10/					\$434,866.66	

The accompanying notes are an integral part of this statement.

SKAGIT COUNTY, WASHINGTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2014

Federal Agency Name/Pass Through Agency Name	Federal Program Name	CFDA Number	Other I.D. Number	Expenditures		Foot Note Ref
				From Pass - Through Awards	From Direct Awards	
Environmental Protection Agency Office of Water/State of Washington Department of Ecology	National Estuary Program	66.456	G1400105	60,616.24		1, 2, 5
Environmental Protection Agency Office of Water/	National Estuary Program	66.456	SEANWA-2014- SkCoPW-00003		9,334.92	1, 5
Total Environment Protection Agency Office of Water/					\$69,951.16	
U.S. Election Assistance Commission/State of Washington, Office of the Secretary of State, Elections Division	Help America Vote Act Requirements Payments	90.401	OSOS No. G- 2855	3,042.89		1
Total U.S. Election Assistance Commission/					\$3,042.89	
Department of Health and Human Services Administration for Community Living/Northwest Regional Council	Special Programs for the Aging_ Title III, Part C_ Nutrition Services	93.045	162009-NUTR	170,325.00		1, 2, 6
Total Department of Health and Human Services Administration for Community Living/					\$170,325.00	
Department of Health and Human Services Administration for Community Living/Northwest Regional Council	Nutrition Services Incentive Program	93.053	162009-NUTR	104,175.00		1, 6
Total Department of Health and Human Services Administration for Community Living/					\$104,175.00	
Department of Health and Human Services Centers for Disease Control and Prevention/Washington State Department of Health	Public Health Emergency Preparedness	93.069	EPR LHJ C16899 (16)	20,647.00		1, 4(e)
Department of Health and Human Services Centers for Disease Control and Prevention/Washington State Department of Health	Public Health Emergency Preparedness	93.069	PHEPR LHJ C16899	12,924.76		1, 4(e)
Total Department of Health and Human Services Centers for Disease Control and Prevention/					\$33,571.76	

The accompanying notes are an integral part of this statement.

SKAGIT COUNTY, WASHINGTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2014

Federal Agency Name/Pass Through Agency Name	Federal Program Name	CFDA Number	Other I.D. Number	Expenditures		Foot Note Ref
				From Pass - Through Awards	From Direct Awards	
Department of Health and Human Services Substance Abuse and Mental Health Services Administration/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	Partners for Success Grant 1363-90042	30,047.31		1
Total Department of Health and Human Services Substance Abuse and Mental Health Services Administration/					\$30,047.31	
Department of Health and Human Services Centers for Disease Control and Prevention/Washington State Department of Health	Immunization Cooperative Agreements	93.268	AFIX C16889 (12, 13)	25,836.00		1
Department of Health and Human Services Centers for Disease Control and Prevention /Washington State Department of Health	Immunization Cooperative Agreements	93.268	VFC Ops 16889 (12, 13)	11,412.00		1
Department of Health and Human Services Centers for Disease Control and Prevention/Washington State Department of Health	Immunization Cooperative Agreements	93.268	Vaccine in Lieu of Cash C16899	147,521.82		1, 3, 6
Department of Health and Human Services Centers for Disease Control and Prevention/Washington State Department of Health	Immunization Cooperative Agreements	93.268	Program Income C16899	26,346.40		1, 6
Department of Health and Human Services Centers for Disease Control and Prevention /Washington State Department of Health	Immunization Cooperative Agreements	93.268	Ops C16899 (12, 13)	6,690.00		1
Total Department of Health and Human Services Centers for Disease Control and Prevention/					\$217,806.22	
Department of Health and Human Services Health Resources and Services Administration/Thrive By 5 Washington	Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	FY14-HVSA Award	255,867.11		1,4(b)

The accompanying notes are an integral part of this statement.

SKAGIT COUNTY, WASHINGTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2014

Federal Agency Name/Pass Through Agency Name	Federal Program Name	CFDA Number	Other I.D. Number	Expenditures		Foot Note Ref
				From Pass - Through Awards	From Direct Awards	Total
Department of Health and Human Services Health Resources and Services Administration/Thrive By 5 Washington	Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	FY15-HVSA MIECHV	83,667.81		1,4(b)
Total Department of Health and Human Services Health Resources and Services Administration/						\$339,534.92
Department of Health and Human Services Administration for Children and Families/ Washington State Department of Health & Social Services	Child Support Enforcement	93.563	75-1501-0-1- 609/2110-80608	167,082.00		1,2, 4(d)
Department of Health and Human Services Administration for Children and Families/ Washington State Department of Social & Health Services	Child Support Enforcement	93.563	75-1501-0-1- 609/2110-80608	450,534.00		1, 2, 4(d)
Department of Health and Human Services Administration for Children and Families/ Washington State Department of Social & Health Services	Child Support Enforcement	93.563	0763-15102-01	43,405.00		1,2,4(d)
Total Department of Health and Human Services Administration for Children and Families/						\$661,021.00
Department of Health and Human Services Centers for Disease Control and Prevention/Washington State Department of Health	Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance – financed in part by the Prevention and Public Health Fund (PPHF)	93.733	C16899 (14, 17)	6,571.72		1
Total Department of Health and Human Services Centers for Disease Control and Prevention/						\$6,571.72
Department of Health and Human Services Substance Abuse and Mental Health Services Administration/Washington State Department of Social & Health Services-Substance Abuse Prevention-DASA	Block Grants for Prevention and Treatment of Substance Abuse	93.959	1163-27323	226,613.17		1

The accompanying notes are an integral part of this statement.

SKAGIT COUNTY, WASHINGTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2014

Federal Agency Name/Pass Through Agency Name	Federal Program Name	CFDA Number	Other I.D. Number	Expenditures			Foot Note Ref
				From Pass - Through Awards	From Direct Awards	Total	
Total Department of Health and Human Services Substance Abuse and Mental Health Services/							
Department of Health and Human Services Health Resources and Services Administration/Washington State Department of Health	Maternal and Child Health Services Block Grant to the States	93.994	MCHBG MCH Concon C16899 (12, 13, 16)	107,287.61		\$226,613.17	1, 4(e)
Department of Health and Human Services Health Resources and Services Administration/Washington State Department of Health	Maternal and Child Health Services Block Grant to the States	93.994	PPO MCHBG Operations C16899 (13, 16)	5,227.00			1
Total Department of Health and Human Services Health Resources and Services Administration/						\$112,514.61	
Department of Homeland Security/Washington State Parks and Recreation Commission	Boating Safety Financial Assistance	97.012	NA	20,659.00			1
Total Department of Homeland Security/						\$20,659.00	
Department of Homeland Security/Washington State Military Department	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	E07-786	83,502.99			1, 2
Total Department of Homeland Security/						\$83,502.99	
Department of Homeland Security/Washington State Military Department/Snohomish County	Hazard Mitigation Grant	97.039	E14-026	36,076.25			1, 2
Total Department of Homeland Security/						\$36,076.25	
Department of Homeland Security/Washington State Military Department/Snohomish County	Emergency Management Performance Grants	97.042	E15-132	56,985.00			1, 2
Department of Homeland Security/Washington State Military Department/Snohomish County	Emergency Management Performance Grants	97.042	E14-188	10,000.00			1
Total Department of Homeland Security/						\$66,985.00	

The accompanying notes are an integral part of this statement.

MCAG NO. 0158 SKAGIT COUNTY, WASHINGTON
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended December 31, 2014

Federal Agency Name/Pass Through Agency Name	Federal Program Name	CFDA Number	Other I.D. Number	Expenditures		Foot Note Ref
				From Pass - Through Awards	From Direct Awards	
Department of Homeland Security/Washington State Military Department/Snohomish County	Homeland Security Grant Program	97.067	E14-075	40,308.73		1
Department of Homeland Security/Washington State Military Department/Snohomish County	Homeland Security Grant Program	97.067	E15-082	27,169.73		1
Department of Homeland Security/Washington State Military Department/Snohomish County	Homeland Security Grant Program	97.067	E13-152	37,028.29		1
Department of Homeland Security/Washington State Military Department/Snohomish County	Homeland Security Grant Program	97.067	E12-186	38,381.65		1
Total Department of Homeland Security/					\$142,888.40	

TOTAL FEDERAL EXPENDITURES \$7,862,113.99

The accompanying notes are an integral part of this statement.

SKAGIT COUNTY, WASHINGTON

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended December 31, 2014

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.

NOTE 3 – NONCASH AWARDS - VACCINATIONS

The amount of vaccines reported on the schedule is the value of vaccine received by Skagit County during 2014 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) 8.19%, (b) 10.0%, (c) 11.19%, (d) 18.18%, (e) 26.11%

NOTE 5 – AMOUNTS AWARDED TO SUBRECIPIENT

Included in the total amount expended for this program are dollars passed through to a sub recipient that administered its own project.

NOTE 6 – PROGRAM INCOME

The amount reported is net of \$462,294.07 received as program income.

NOTE 7 – NONCASH AWARDS - VOUCHERS

The amount of vouchers reported on the schedule is the value of food vouchers received by Skagit County during 2014 and priced as prescribed by the Department of Agriculture.

NOTE 8 – PRIOR YEAR EXPENSE

The total amount expended for this program includes \$3,391.06 for 2013.

NOTE 9 – AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA) OF 2009

Expenditures for this program were funded by ARRA.

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.

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

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