

Popular Annual Financial Report Skagit County, Washington

For Fiscal Year Ended December 31, 2012



Skagit County is a very special place to live, with beautiful and diverse communities and extraordinary natural resources. Skagit County Government proudly serves the people, businesses, communities and organizations in this special place, guided by these principles:

- We will partner with our customers, based on mutual respect and trust, to protect and plan for the health safety and welfare of current and future citizens.
- We will assist our customers, based on fairness and justice, to understand and comply with the intent of Federal and State regulations as well as our own.
- We will support and honor our employees in their efforts to be progressive and innovative in improving the efficiency and quality of services to our customers.

OUR MISSION is to be recognized as a premier county in Washington State for providing professional leadership, operational excellence, timely assistance, and maximum efficiency in service delivery to our customers.

Message from the County Auditor



Dear Residents of Skagit County,

I am proud to present you with the County's Popular Annual financial report (PAFR) for the fiscal year ended December 31, 2012.

Inside this publication, we provide you with details of how the County's revenue is generated, where the dollars are spent, and how the local economy impacts Skagit County's overall financial status. Above all, our goal is to provide you an opportunity to better understand the many financial aspects that affect your local government.

Information in this report is derived from the 2012 Skagit County Comprehensive Annual Financial Report (CAFR). Our 2011 CAFR received a Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association. This award represents the highest award in governmental financial reporting. We continue to participate in the program, and have submitted the 2012 financials for review.

Because the PAFR is created to provide you with a summary of the financial activity of Skagit County in an easily understandable format, it is not presented in conformity with GAAP. Readers desiring more detailed information in conformity with GAAP are encouraged to read our CAFR.

We hope you find this report both informative and helpful.

Thank you,

Jeanne Youngquist
Auditor



About Skagit County



Skagit County is named after the Skagit Indian Tribe. It was formed out of Whatcom County (just north of us) on November 28, 1883. The County nestles between the majestic Cascade Mountains to the east, fans out into a fertile river delta and is bordered on the west by the scenic and famed San Juan Islands. It has a total area of 1,920 square miles, of which 185 square miles is water. 156,085 acres are devoted to parkland, and 364,582 acres are designated National Forest Land. The County is also home to approximately 100,000 acres of productive and valuable farmland. Agriculture remains the number one industry producing upwards of 90 crops. In addition to fruits and vegetables, Skagit produces more tulip, daffodil, and iris bulbs than any other county in the United States. Organic acreage is on the increase, with more than 5,820 acres of certified organic land in production with a value of \$13,339,494 – the highest in Western Washington.



Skagit County court house



Skagit River from down town Mt. Vernon



View from the Historical Museum in La Conner



View from Swinomish Casino & Lodge

Skagit County Government



County Commissioners



Ron Wesen,
District 1



Ken Dahlstedt,
District 2



Sharon Dillon,
District 3

Elected Officials



Assessor
Don Monks



Auditor Jeanne
Youngquist



Sheriff
Will Reichardt



Clerk
Nancy Scott



Prosecuting
Attorney Rich
Weyrich



Treasurer Katie
Jungquist



Coroner
Daniel Dempsey

Judicial Elected Officials



John Meyer
Superior Court



Michael Rickert
Superior Court



Susan Cook
Superior Court



Dave Needy
Superior Court



David Svaren
District Court

Picture not
available

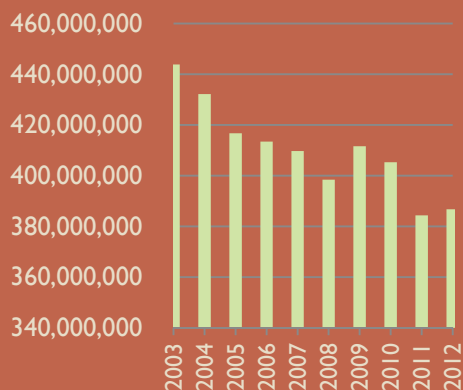
Warren Gilbert
District Court

* More information regarding elected officials and their duties are on page 16

Government-Wide Statement of Net Assets

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 49,359,237	\$ 4,607,760	\$ 53,966,997
Investments	8,671,594	-	8,671,594
Accounts Receivables, Net	4,757,830	1,046,555	5,804,385
Due from Other Governments	9,417,639	55,322	9,472,961
Internal Balances	335,932	(335,932)	-
Inventories and Prepayments	5,299,325	0	5,299,325
Deferred Charges	264,683	50,602	315,285
Restricted Assets:			-
Restricted for Debt Service:			-
Cash/Cash Equivalents	81,751	-	81,751
Investments	1,972,562	-	1,972,562
Non Depreciated Capital Assets	170,978,606	793,060	171,771,666
Capital Assets, Net	156,806,248	6,589,875	163,396,123
Construction in Progress	4,862,902	9,303,250	14,166,152
Total Assets	412,808,309	22,110,492	434,918,801
LIABILITIES			
Accounts Payable	\$ 7,959,972	\$ 683,201	\$ 8,643,173
Other Liabilities	2,740,548	114,138	2,854,686
Due to Other Governments	372,649	0	372,649
Long Term Liabilities	0	0	-
Due within One Year	4,410,123	1,190,433	5,600,556
Due in More than One Year	14,870,858	15,841,679	30,712,537
Total Liabilities	30,354,150	17,829,451	48,183,601
Net Assets			-
Invested in Capital Assets, Net of Related	324,989,837	6,207,740	331,197,577
Restricted for:	0	-	-
General Government	4,786,615		4,786,615
Public Safety	589,144		589,144
Physical Environment	2,641,720		2,641,720
Transportation	6,451,953		6,451,953
Economic Environment	5,308,210		5,308,210
Health & Human Services	6,013,592		6,013,592
Culture & Recreation	309,598	0	309,598
Debt Service	2,051,313		2,051,313
Unrestricted	29,312,177	(1,926,699)	27,385,478
Total Net Assets	382,454,159	4,281,041	386,735,200

Total Net Assets Over Time



The statement of net assets presents information on the County's assets (what we own) and liabilities (what we owe), with the difference between the two reported as net assets. Measuring net assets is one way to evaluate the County's financial condition. Over time, increases and decreases to net assets may serve as an indicator as to the County's financial health. Assets exceeded liabilities by \$384 million in 2011. Of the excess, \$332 million reflects investments in capital assets (land, buildings, improvement, infrastructure, equipment less any debt incurred to acquire the assets). Restricted net assets reflect resources that are subject to restrictions and cannot be used for general government obligations to citizens and creditors. Unrestricted net assets may be used to meet general government obligations.

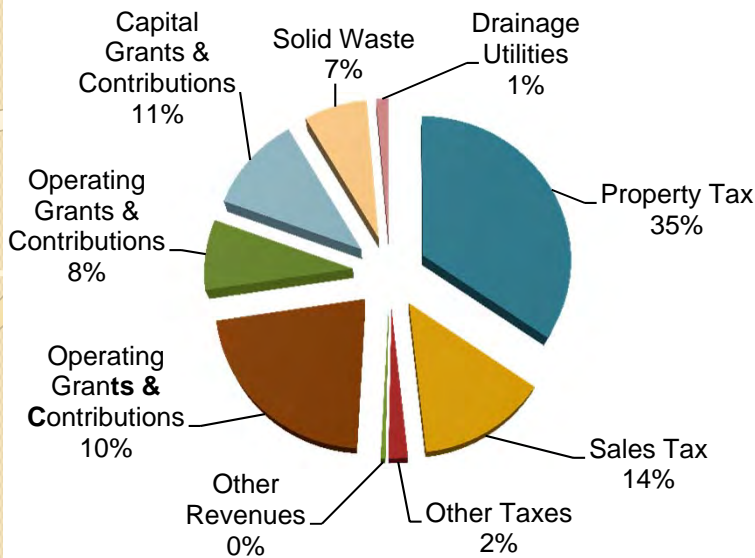
Government-Wide Statement of Activities

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Revenues			
Taxes	\$ 60,358,801	\$ -	\$ 60,358,801
Charges for Services	26,148,031	9,689,169	35,837,200
Operating Grants & Contributions	9,492,002	480,798	9,972,800
Capital Grants & Contributions	13,169,596	0	13,169,596
Interest & Investment Earnings	589,613	(485,298)	104,315
Gain/Loss of Sale of Capital Assets		0	-
Transfers	(185,509)	185,509	-
Total Revenues	109,572,534	9,870,178	119,442,712
Expenditures			
General Government	32,996,294	-	32,996,294
Judicial	6,762,929		6,762,929
Public Safety	19,980,408		19,980,408
Physical Environment	2,729,881		2,729,881
Transportation	29,724,498		29,724,498
Economic Environment	3,233,397		3,233,397
Health & Human Services	10,391,910		10,391,910
Culture & Recreation	2,066,029	0	2,066,029
Interest on Long Term Debt	222,519		222,519
Enterprise Fund Expenses		8,669,053	8,669,053
Total Expenses	108,107,865	8,669,053	116,776,918
Net Assets January 1	381,270,713	3,079,916	384,350,629
Prior Period Adjustment	(281,223)	-	(281,223)
Net Assets December 31	382,454,159	4,281,041	386,735,200

The statement of activities presents information showing how the County's net assets changed during 2012. It provides a detailed account of revenues (sources of income) and expenses (uses of money) for County operations. In 2012 our expenses exceeded our revenues by \$2.7million, up from a \$1.9 increase in net assets from 2011. For information on revenue and expense trends, see the following pages. Business-type activities rely to a significant extent on charges for services. They include Solid Waste and Drainage Utilities.

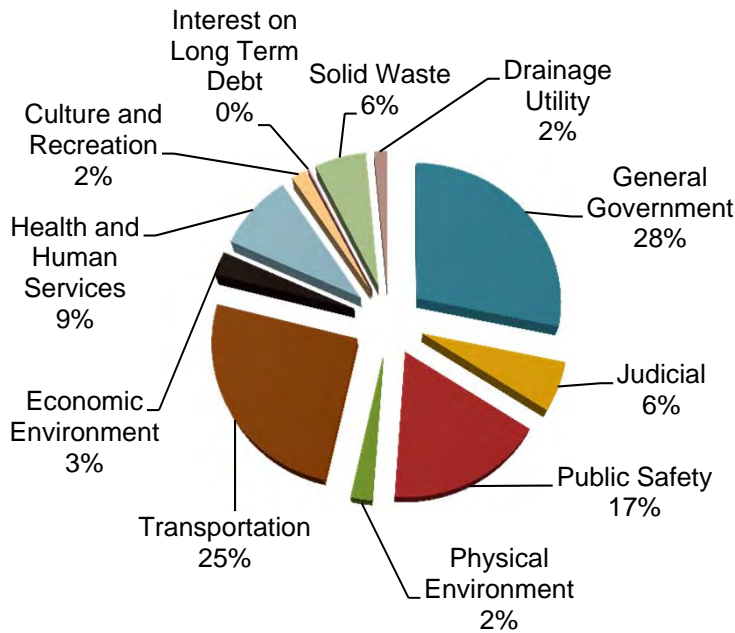


Revenues By Source



MONIES IN
 As a government entity, the County uses fund accounting, or self-balancing sets of accounts segregated for specific activities. Governmental funds are used to account for tax-supported activities and the County receives the funding it needs in order to provide services to the community from a variety of sources. This graph depicts the significance each source of revenue has to the County's overall fiscal health. Property tax makes up of the majority of the revenues, with Charges for Services coming in second. Charges for services are resources from various County departments and agencies for fees paid to them by the public, such as court costs and fees for recording deeds and transferring property.

Expense by Function



MONIES OUT
 General Government consists of the largest portion of expenses for the County, followed closely by transportation. General Government expenses consist of legislative and executive expenses. Transportation consists of expenses related to public works and are incurred for infrastructure (roads and bridges within the County). Public Safety consists of the Sherriff's department, probation and costs of the jail. Judicial costs are those costs related to the court system: Superior and District Court, as well as the County Clerk. Health and Human Services include costs associated with the Health Department as well as veteran's services, mental health, substance abuse and community services. Economic environment expenses include planning and development services, housing and promotion of tourism. Physical environment includes expenses for conservation and the preservation of the environment.



View from Swinomish Casino & Lodge

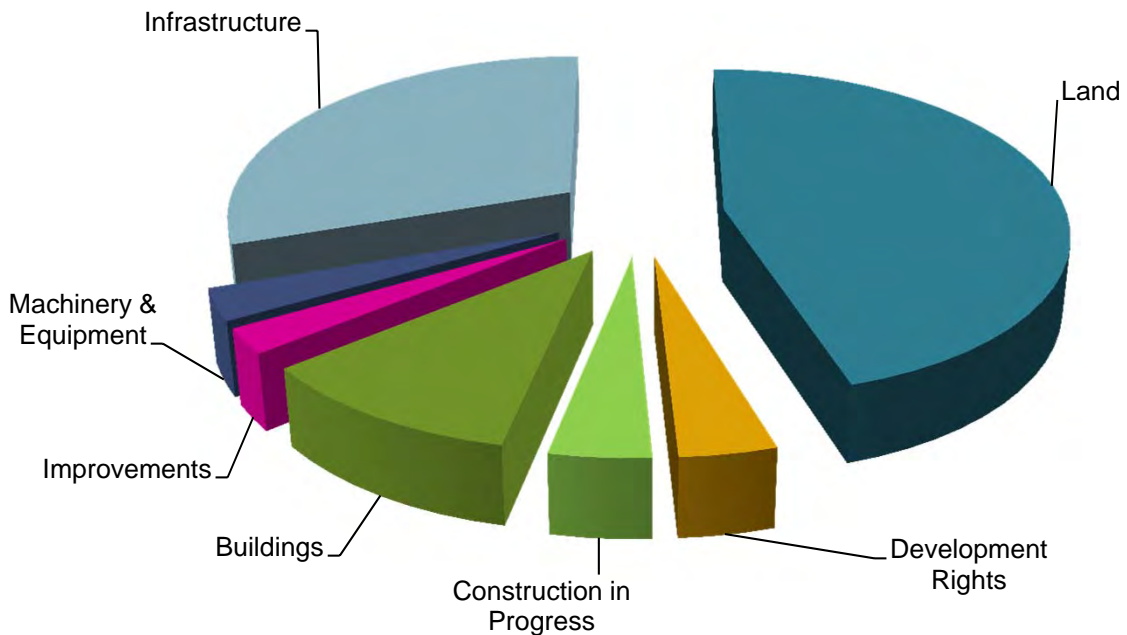
Capital Assets

The County's investment in capital assets for its governmental and business-type activities as of December 31, 2012 was \$349 million (net of depreciation). This investment in capital assets includes land, construction in progress, building and building improvements, parks and park improvements, equipment, and infrastructure (bridges and roads). The major capital event during the year was the construction of the new Transfer Station for solid waste.

	General Activities		Business Type Activities		Total	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Land	157,418,443	157,191,239	793,059	793,059	158,211,502	157,984,298
Development Rights	13,560,163	12,949,189			13,560,163	12,949,189
Construction in Progress	4,862,902	1,027,416	9,303,250	7,199,955	14,166,152	8,227,371
Buildings	37,953,126	32,535,550	346,625	376,585	38,299,751	32,912,135
Improvements	3,771,495	4,061,372	4,893,033	4,401,903	8,664,528	8,463,275
Machinery & Equipment	9,516,956	8,369,519	1,350,216	95,913	10,867,172	8,465,432
Infrastructure	105,564,671	120,189,927			105,564,671	120,189,927
Total Capital Assets	332,647,756	336,324,212	16,686,183	12,867,415	349,333,939	349,191,627

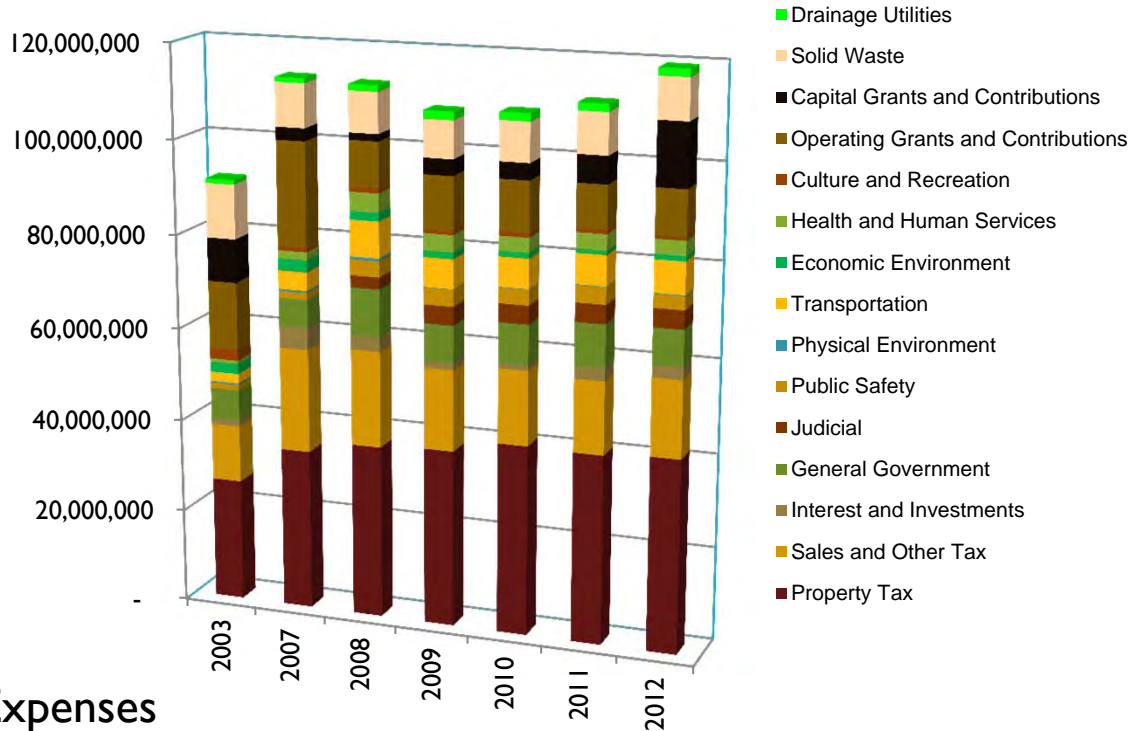
* Infrastructure reduction based on a reconciliation of fixed assets in 2012

2012 Capital Assets by Type

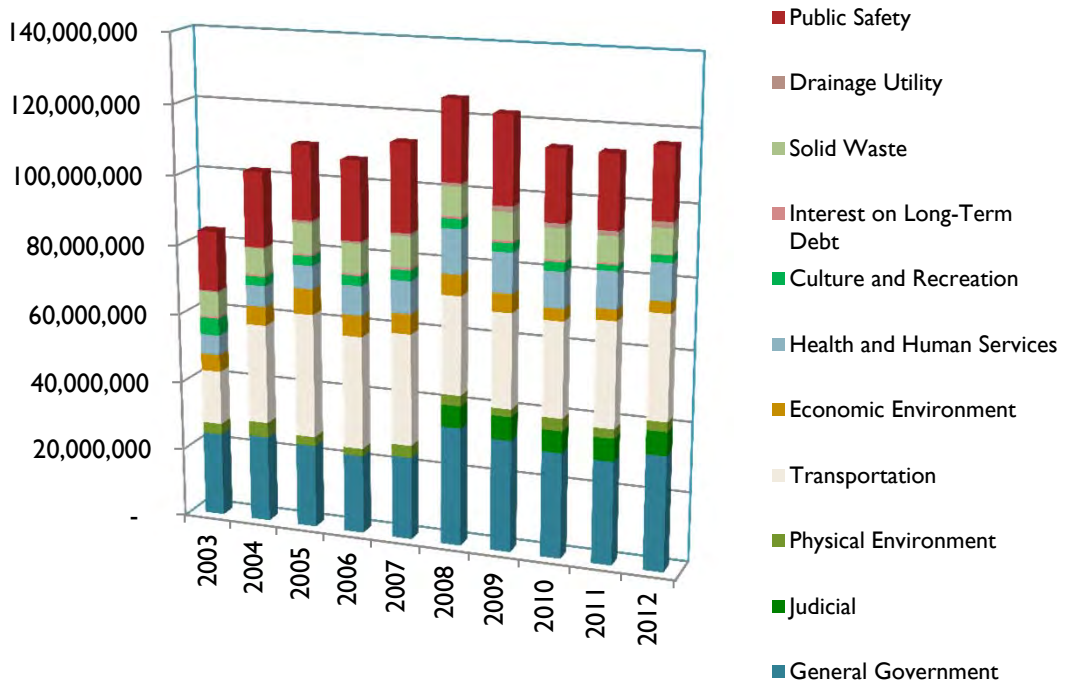


Revenue and Expense Trends

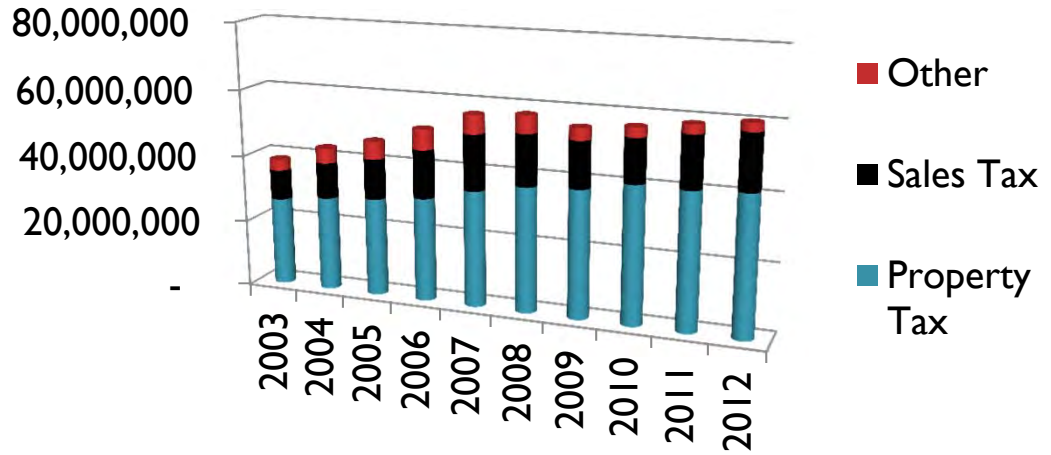
Revenues



Expenses



Tax Revenue Trends

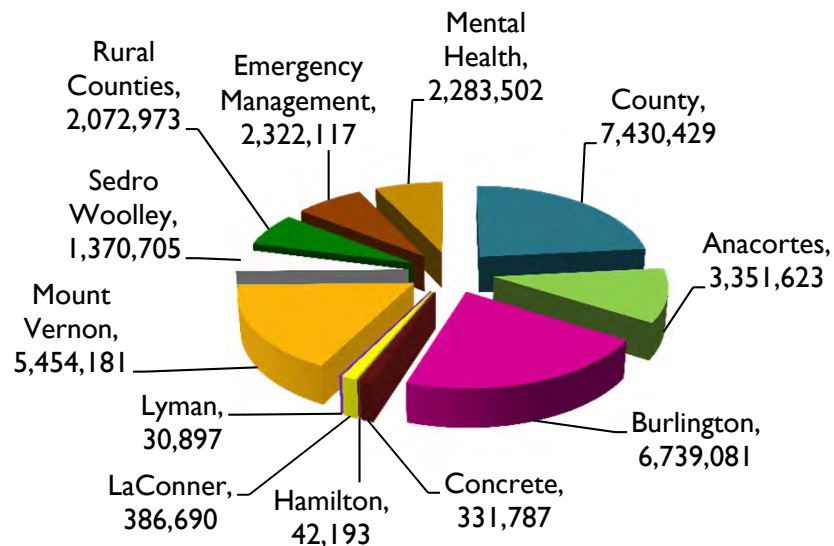


Sales Tax Information

Sales Tax Rate Distribution

State Portion	6.5%
County/City	1.0%
Mental Health/Substance Abuse	0.1%
Criminal Justice	0.1%
Emergency Communicaion	0.1%
Public Transportation	0.4%
Total Default Sales Tax Rate	8.2%

Of the 1% County/City portion, the County receives 100% in unincorporated areas, and 15% in incorporated areas in the County, with the city receiving 85%.

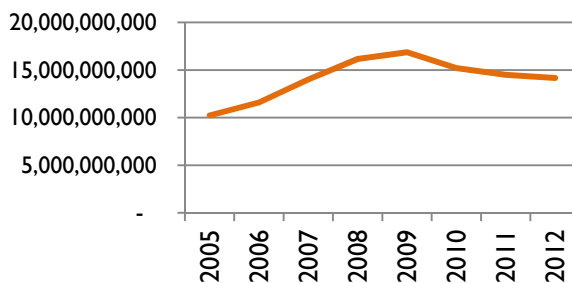


* Distribution dollars obtained from the Department of Revenue Table SI Distribution of Local Sales/Use Tax

Property Tax Information

Many people are unaware of how sales and income taxes differ from property tax. Sales tax and income tax are rate based taxation systems, whereas property tax is a budget based taxation system. Property taxes are created by the various taxing jurisdictions through their budgeting process and by voters when they pass tax issues. A widely held misconception is that high taxes are the fault of local government. The reality is that the largest single source of property tax increase has been our state legislature and the tax shifts caused by property tax exemptions they have approved. If an exemption is given from sales or income taxes, no tax is collected. In contrast, when an exemption from property tax is provided to a single taxpayer, the same amount of tax is collected. Other taxpayers must pay a higher portion. This is called a tax shift.

Assessed Property Value



2012 Total Taxable Value Assessed by County Assessor

Value of All Real Property	\$ 13,010,191,978
Value of All Personal Property	750,013,100
Total	13,760,205,078

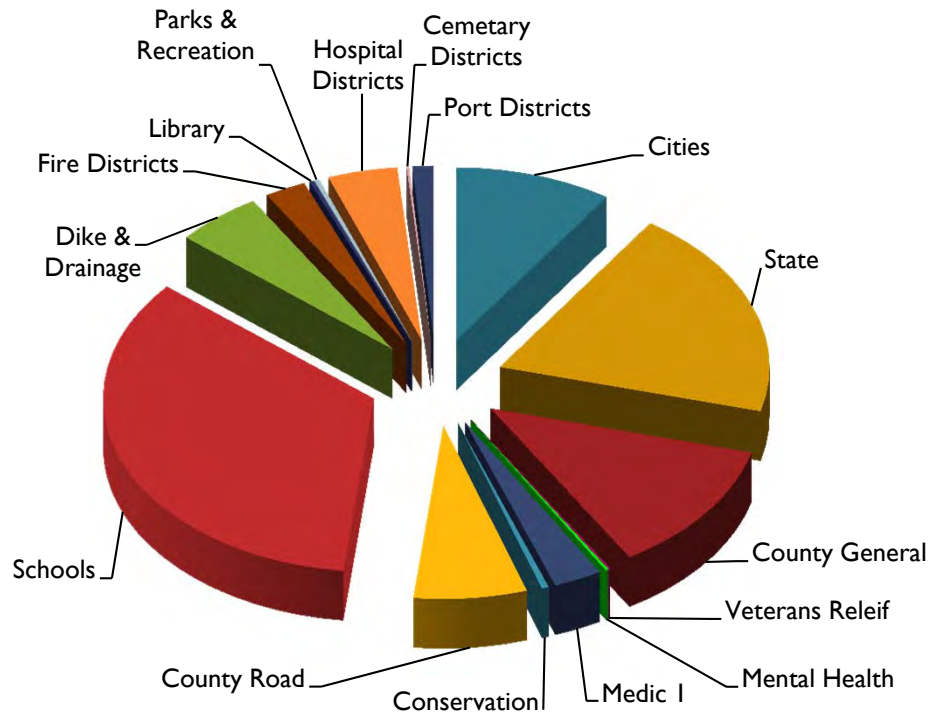
Assessed by Washington State Department of Revenue

Value of Public Utilities	403,849,801
Total Value of All Taxable Property	\$ 14,164,054,879



Property Tax Continued

Assessed Taxes 2012



		% of Total
Cities	\$ 17,231,950	9.42%
State	36,021,791	19.69%
County General	22,485,298	12.29%
Veterans Releif	160,000	0.09%
Mental Health	320,000	0.17%
Medic 1	5,306,000	2.90%
Conservation	778,798	0.43%
County Road	12,416,908	6.79%
Schools	62,869,900	34.37%
Dike & Drainage	9,559,552	5.23%
Fire Districts	4,496,050	2.46%
Library	416,363	0.23%
Parks & Recreation	586,410	0.32%
Hospital Districts	7,643,188	4.18%
Cemetary Districts	296,245	0.16%
Port Districts	2,335,117	1.28%

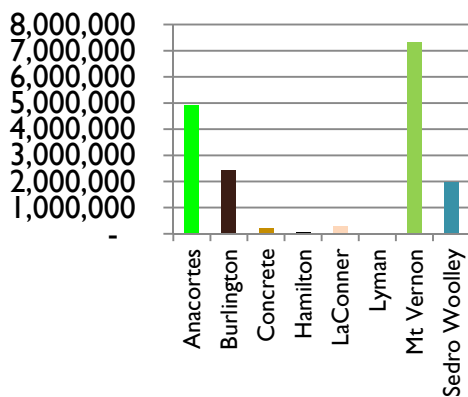
The majority of assessed property tax in Skagit County is distributed to the school districts, with the second largest percentage to the state. The County's portion of the total assessed taxes is 12.29%. Property tax consists of 35% of total County revenues. The remaining 65% of the County's revenues are derived from charges for services, grant revenues, sales and use tax, and other taxes. Please refer to the revenue graph on page 9.



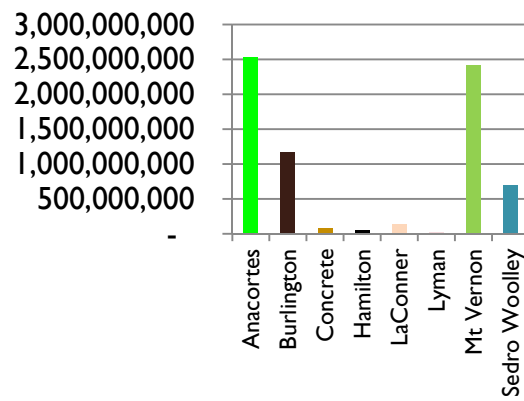
Property Tax Continued – Cities and Towns



Assessed Taxes



Assessed Values

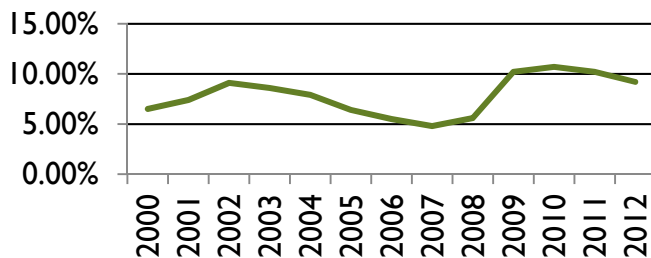


Cities/Towns	Assessed Values	Assessed Taxes
Anacortes	\$ 2,532,928,182	\$ 4,910,120
Burlington	1,165,205,582	2,430,067
Concrete	72,422,381	194,100
Hamilton	42,472,091	54,965
LaConner	132,784,442	297,160
Lyman	27,605,010	35,230
Mount Vernon	2,422,196,756	7,325,583
Sedro Woolley	696,093,913	1,984,725
Totals	\$ 7,091,708,357	\$ 17,231,950

Economic Overview

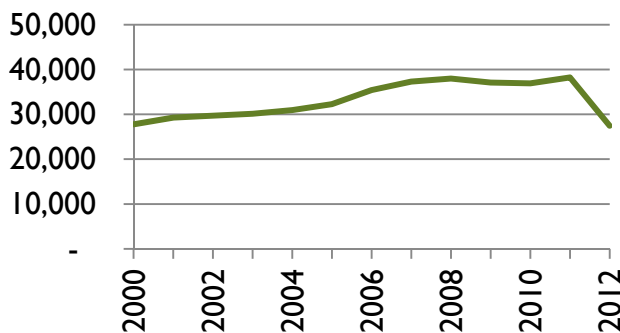
Skagit County's economic base includes agriculture, food processing, lumber and wood products, oil refining, tourism, and marine industries. Included within the marine related industries are fishing, fish processing, ship and boat building and repair. Exports within the agricultural area have continued to be strong. As is the case throughout the nation, Skagit County's local economy has been directly impacted by the current global recession. The County has demonstrated its commitment to maintaining a strong general fund balance. In 2009, the County implemented 5 non-paid closure days. In 2010-2011, they were increased to 12 days, and reduced to 9 days in 2012 and remain 9 days in 2013. As is demonstrated by the graph below, full time equivalent County employees have decreased since the recession began in 2008, with a slight upturn in 2012. The County will continue to face challenges in meeting growing demands for services and employee related costs in an environment of limited revenues. The County is focused on improving efficiencies and effectiveness via innovative solutions that lead to providing the essential infrastructure and services provided for its citizens. More information regarding those services is on the next page.

Unemployment Rate

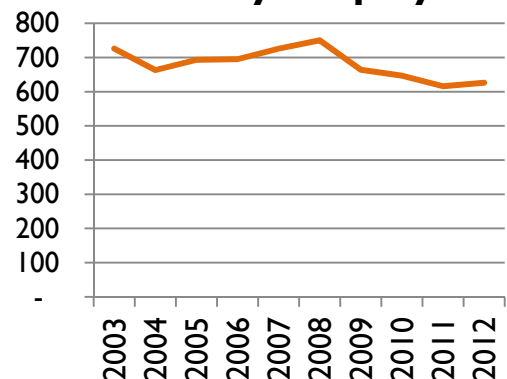


As unemployment rose and revenues decreased due to the economic environment, the County responded with reduced staff and furlough days. In 2012, there was a slight dip in unemployment rate as well as a slight increase in County employees. However, per capita income declined back down to 2002-2004 levels

Per Capita Income



Full Time Equivalent County Employees

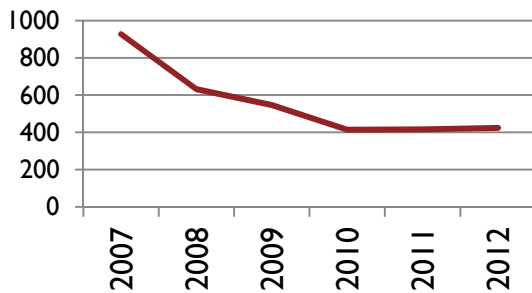


Service Operating Indicators

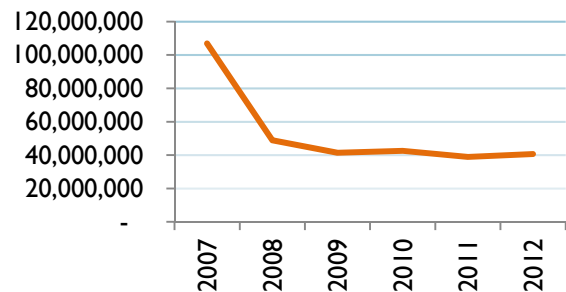
	2008	2009	2010	2011	2012
Public Safety					
Commissioned Employees	61	62	58	46	44
Civilian and limited Commissi	57	58	53	53	59
Average daily jail population	241	275	243	196	226
Police patrol units, vehicle	61	62	54	49	71
Police patrol units, boats	3	4	4	5	5
Fire Protection					
Number of Districts	17	18	18	18	18
Paid firefighters	67	66	65	65	65
Volunteer firefighters	509	550	585	568	561
Building Permits					
Permits Issued	632	547	414	416	424
Value of buildings	\$ 48,838,303	\$ 41,441,249	\$ 42,538,000	\$ 38,893,281	\$ 40,588,568
General Elections					
Registered voters	69,335	68,119	68,936	68,996	72,966
Votes cast	56,632	36,160	48,960	38,256	56,262
Percentage voting	82%	53%	71%	59%	83%
Miles of Road					
Paved Roads	756	758	761	757	760
Unpaved Roads	41	41	41	39	41

The current global economic recession's local impact is clearly evident in the number of new building permits issued and the value of those issued, as demonstrated by the graphs below. We show a slight increase in 2012 on the number of permits issued and the assessed values of buildings in the County.

Permits Issued



Value of Buildings



Elected Officials – offices and duties

**All elected officials are elected to four year terms. Current official's terms expire in December 2014, with the exception of Superior Court judges – they expire in 2012.

Assessor (360) 336-9370

All real and personal property in this state is subject to property tax based on 100 percent of its fair market value unless a specific exemption is provided by law. The Assessor's office is charged with determining the values of all real property and taxable personal property for the purpose of equitable distribution of tax liabilities to the taxpayers in the various districts within the County.

Auditor (360) 336-9420

The auditor's office is a diverse department with several responsibilities and consists of four departments: Accounting, Elections, Licensing, and Recording. Accounting is responsible for the County's annual financial statements as well as payroll and accounts payable. Accounting also provides accounting services to various junior districts. Elections runs all election duties within the county. Licensing consists of vehicle/vessel licensing as well as overseeing the various licensing subagents within the County. Recording of official documents also issues marriage licenses.

Clerk (360) 336-9440

The County Clerk is an executive branch position in the County and is the administrative and financial officer of Superior Court. Duties include preserving all documents presented in a Superior Court cause of action. The Clerk also collects statutory fees, fines, victim restitution and trust funds are disbursed upon court order.

Coroner (360) 336-9431

The Coroner has the responsibility of determining the Cause and Manor of Death of all persons who pass within the jurisdictional boundaries of Skagit County. The Coroner is also charged with determining if a case is a jurisdictional death that would require a more thorough and in-depth investigation.

Prosecuting Attorney (360) 336-9460

The office consists of three divisions: Criminal, Civil, and Family Support Division. The Prosecuting Attorney determines whether criminal charges should be filed, defends the County in suits filed against it, and handles matters referred by the Division of Child Support.

Sheriff (360) 336-9450

The Sheriff's department is committed to the safety of the citizens and visitors to Skagit County. The department consists of patrol, investigations, corrections, administration and records.

Treasurer (360) 336-9350

The Treasurer services all taxing and assessment districts within the County, which includes hospitals, schools, ports, fire, library, sewer, cemetery, as well as others. The department bills and collects all real and personal property taxes for the County and the junior districts.

Superior Court (360) 336-9320

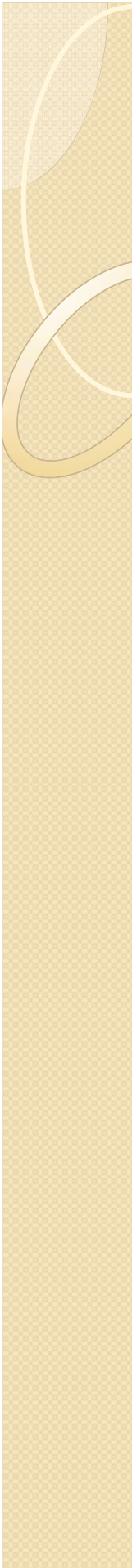
Superior court handles the following cases: felony criminal, civil, dissolution and custody, juvenile court proceedings, paternity cases/adoption matters, probates, and mental commitment proceedings.

District Court (360) 336-9319

District Court handles the following cases: misdemeanors, gross misdemeanors, civil claims to \$75,000, small claims to \$5,000, protection orders, name change petitions, dangerous dog hearings, vehicle impound hearings.

Skagit County Departments

- **Board of Equalization**
 - Established by state constitution and laws, governed by the department of Revenue, this entity was established specifically for appealing Assessor's valuation of property values. **(360) 366-9334**
- **Boundary Review Board**
 - Established by state statutes to provide local independent review of certain actions proposed by cities, towns and special purpose districts. Most common actions to come before the Board are annexations. **(360) 336-9384**
- **Budget and Finance**
 - Administers and maintains the financial system for the County. Researches, develops and reviews funding sources. Facilitates the Board of County Commissioners in developing the Annual Budget. **(360) 336-9300**
- **Community Services**
 - Administers various community services activities including Mental Health Program, Meals on Wheels, Senior Centers, Senior Nutrition Program, Developmental Disabilities, and Substance Abuse Treatment and Prevention. **(360) 419-3420**
- **Emergency Management**
 - Provides organization and coordination of resources to minimize loss of life and to protect property and the environment in the event of natural, human-caused, or technological emergencies or disasters affecting Skagit County. **(360) 428-3250**
- **Facilities Management**
 - Provides a safe physical working environment for the administration of County government through preventative, daily and emergency maintenance. Also provides real property management through acquisition or sale or lease of County properties. **(360) 419-3481**
- **Fairgrounds**
 - Provides support for the Skagit County Fair. **(360) 336-9453**
- **Farmland Legacy**
 - Purchases agricultural easements on Skagit farmland, works to support policies, programs, and plans that enhance the protection of farmland. Funding comes from the conservation tax and is often leveraged with federal and state grants and private donations. **(360) 428-3250**
- **Fire Marshal**
 - Provides the following services: Investigation of fire/arson scenes. Reviews building plans and inspects commercial construction as per fire codes. Regulates outdoor burning, and implements and maintains other programs. The Fire Marshal is a division of the Department of Emergency Management. **(360) 428-3250**
- **GIS / Mapping Services**
 - Centralized service center that provides mapping and GIS service to meet the business needs of our partners, customers, and clients within Skagit County and the communities we serve. This includes providing support and maintenance in the areas of data conversion, cartography, remote sensing, computer graphics and visualization, Global Positioning Systems (GPS), database design, software development, address system maintenance, and 911-database maintenance. **(360) 336-9368**

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- **Public Health**
 - Public Health is the science of protecting and improving the health of communities through education, promotion of healthy lifestyles, and research for disease and injury prevention. Public health professionals analyze the effect on health of genetics, personal choice and the environment in order to develop programs that protect the health of your family and community. Overall, public health is concerned with protecting the health of entire populations. These populations can be as small as a local neighborhood, or as big as an entire county. **(360) 336-9380**
 - **Hearing Examiner**
 - The Office of Land Use Hearings provides Skagit County with Hearing Examiners to conduct public hearings and make written decisions regarding land use applications and appeals as provided in the Skagit County Code. Hearings are scheduled through the Department of Planning and Development Services. **(360) 336-9334**
 - **Historical Museum**
 - The family friendly Skagit County Historical Museum is located at the top of the hill in La Conner. **(360) 466-3365**
 - **Human Resources**
 - Human Resources department administers workforce management. **(360) 336-9433**
 - **Information Services**
 - Centralized service center providing technical direction and support, data communications management, network design and management, software development, system analysis and design, among other services. **(360) 336-9465**
 - **Jail**
 - The mission of the Skagit County Sheriff's Office Corrections Division is to provide Skagit County with a jail which follows current high professional standards, allowing inmates quality human existence while awaiting trial or serving a sentence deemed appropriate by our court system. **(360) 336-9448**
 - **Noxious Weeds**
 - Noxious Weeds are non-native plants introduced into Washington State. They spread quickly and can be difficult to control. They invade our croplands, rangeland, forests, prairies, rivers, lakes, wetlands, and estuaries causing both ecological and economical damage that affects us all. The mission is to serve as responsible stewards of Skagit County by protecting and preserving the land and resources from the damaging effects of noxious weeds. **(360) 336-9430**

- **Parks and Recreation**
 - Parks and Recreation department was established to improve, operate and maintain parks, playgrounds and other recreation facilities within the County. We have over 2,300 acres of parklands, including 26 parks and 40 miles of trails. **(360) 336-9414**
- **Planning and Development**
 - The Planning and Development department is charged with the physical development and service of land within Skagit county, including sustainable land development and conservation, building permit review, and growth management. **(360) 336-9410**
- **Public Works**
 - The Public Works department operates the Guemes Island Ferry and infrastructure needs in Skagit County. Public Works has several divisions including Engineering, natural resources, operations, and a solid waste division. **(360) 336-9400**
- **Records Management**
 - Records Management provides a number of services to other divisions of Skagit County, including records management administration, inactive records storage, Public Records Act compliance, centralized postage and mailing services as well as centralized office supply purchasing. **(360) 336-9404**
- **Risk Management**
 - Centralized service center providing direction and support for risk management within the county. The Risk Management program establishes a coordinated program for the processing, adjudication and determination of claim and litigation against the County, its elected officials, officers, and employees. **(360) 336-9424**
- **Skagit21 Television**
 - Provides video of Board of County Commissioners meetings, as well as other public meetings. **(360) 336-9300**
- **Upriver Services**
 - Provides government services in Concrete, Washington. **(360) 853-7009**

