

FINANCIAL SECTION



Financial Section



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INDEPENDENT AUDITOR'S REPORT

June 29, 2001

The Honorable Chairman and
Members of the Board of Commissioners
Kitsap County
Port Orchard, Washington

We have audited the accompanying general purpose financial statements of Kitsap County, Washington, as of and for the year ended December 31, 2000, as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was performed pursuant to the *Revised Code of Washington* 43.09.260, under which a full report on the results of this audit will be issued. This report may include findings and recommendations on compliance matters, internal control procedures, and questionable costs or contingencies that would not be material in relation to the general purpose financial statements taken as a whole.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Kitsap County, Washington, as of December 31, 2000, and the results of its operations and cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining, individual fund, and account group financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of Kitsap County, Washington. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

The other data included in this report, designated as the statistical section in the table of contents, has not been audited by us and, accordingly, we express no opinion on such data.

Sincerely,

BRIAN SONNTAG, CGFM
STATE AUDITOR



GENERAL PURPOSE FINANCIAL STATEMENTS



Silverdale Waterfront Park

**General Purpose
Financial Statements**

KITSAP COUNTY, WASHINGTON

GENERAL PURPOSE FINANCIAL STATEMENTS

General Purpose Financial Statements (GPFS) are those basic financial statements that comprise the minimum acceptable fair presentation in conformity with Generally Accepted Accounting Principals (GAAP) as they apply to the governmental organizations. GPFS are designed to be “liftable” from the Financial Section of the Comprehensive Annual Financial Report (CAFR) for widespread distribution, along with the independent auditor’s report, to users requiring less detailed information than is contained in the full CAFR. GPFS includes the following:

- ❑ Combined Balance Sheet – All Fund Types and Account Groups.
- ❑ Combined Statement of Revenues, Expenditures, and Changes in Fund Balance – All Governmental Types.
- ❑ Combined Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (GAAP Basis) – General, Special Revenue, Debt Service, and Capital Project Funds.
- ❑ Combined Statement of Revenues, Expenses, and Changes in Fund Equity – All Proprietary Fund Types.
- ❑ Combined Statement of Cash Flows – All Proprietary Fund Types.
- ❑ Table of Contents for the Notes to the Financial Statements.
- ❑ Notes to the Financial Statements.

KITSAP COUNTY, WASHINGTON

Combined Balance Sheet

All Fund Types and Account Groups

December 31, 2000

With Comparative Totals for December 31, 1999

| Assets and Other Debits | Governmental Fund Types | | | |
|--|-------------------------|-----------------|--------------|------------------|
| | General | Special Revenue | Debt Service | Capital Projects |
| Assets: | | | | |
| Cash and Equity in Pooled Investments | \$ 10,293,559 | \$ 18,677,951 | \$ 4,306,768 | \$ 333,819 |
| Deposits with Fiscal Agents/Trustees | 0 | 0 | 60,000 | 0 |
| Investment at Cost | 0 | 31,243,786 | 121,262 | 35,140,373 |
| Receivables: | | | | |
| Property Taxes | 1,589,697 | 1,163,446 | 195,960 | 0 |
| Special Assessments | 0 | 90,102 | 693,718 | 0 |
| Accounts | 0 | 0 | 0 | 0 |
| Notes/Contracts | 90,941 | 0 | 1,530,130 | 0 |
| Other | 55,879 | 73,231 | 0 | 0 |
| Due From Other Funds | 828,343 | 513,416 | 0 | 1,608 |
| Interfund Loans Receivable | 0 | 0 | 0 | 0 |
| Due From Other Governmental Units | 917,822 | 2,585,331 | 0 | 242,057 |
| Inventory | 0 | 0 | 0 | 0 |
| Prepaid Costs | 22,200 | 0 | 0 | 0 |
| Advances to Other Funds | 200,000 | 0 | 0 | 0 |
| Restricted Assets: | | | | |
| Cash and Equity in Pooled | | | | |
| Investments | 0 | 0 | 0 | 0 |
| Investments | 0 | 0 | 0 | 0 |
| Notes Receivable | 0 | 1,887,609 | 0 | 0 |
| Special Assessments Receivable | 0 | 0 | 0 | 0 |
| Fixed Assets (net, where applicable, of accumulated depreciation) | 0 | 0 | 0 | 0 |
| Special Assessments Receivable | 0 | 0 | 0 | 0 |
| Other Debits: | | | | |
| Amount Available in Debt Service Funds | 0 | 0 | 0 | 0 |
| Amount to be Provided for Retirement of Long-Term Debt | 0 | 0 | 0 | 0 |
| Total Assets | \$ 13,998,441 | \$ 56,234,872 | \$ 6,907,838 | \$ 35,717,857 |

See accompanying notes to financial statements.

| Proprietary Fund Types | | Fiduciary Fund | | Account Groups | | Totals | |
|------------------------|----------------------|-----------------------|----------------------|------------------------|-----------------------|-----------------------|--|
| Enterprise | Internal Service | Type Agency | General Fixed Assets | General Long-Term Debt | (Memorandum Only) | | |
| | | | | | 2000 | 1999 | |
| \$ 2,733,430 | \$ 10,278,904 | \$ 17,284,734 | \$ 0 | \$ 0 | \$ 63,909,165 | \$ 58,635,441 | |
| 0 | 50,000 | 18,547,110 | 0 | 0 | 18,657,110 | 20,158,858 | |
| 41,978,401 | 0 | 128,409,719 | 0 | 0 | 236,893,541 | 214,019,715 | |
| 0 | 0 | 8,988,237 | 0 | 0 | 11,937,340 | 12,475,884 | |
| 22,778 | 0 | 0 | 0 | 0 | 806,598 | 1,021,656 | |
| 1,462,238 | 0 | 0 | 0 | 0 | 1,462,238 | 1,721,213 | |
| 0 | 0 | 0 | 0 | 0 | 1,621,071 | 1,841,122 | |
| 0 | 0 | 238,503 | 0 | 0 | 367,613 | 328,499 | |
| 383,852 | 607,285 | 169,918 | 0 | 0 | 2,504,422 | 2,208,213 | |
| 0 | 0 | 0 | 0 | 0 | 0 | 20,000 | |
| 368,621 | 0 | 0 | 0 | 0 | 4,113,831 | 4,071,033 | |
| 278,816 | 961,214 | 0 | 0 | 0 | 1,240,030 | 1,017,481 | |
| 0 | 411,033 | 0 | 0 | 0 | 433,233 | 531,406 | |
| 0 | 0 | 0 | 0 | 0 | 200,000 | 200,000 | |
| 15,868 | 0 | 0 | 0 | 0 | 15,868 | 12,615 | |
| 1,091,769 | 0 | 0 | 0 | 0 | 1,091,769 | 1,293,500 | |
| 0 | 0 | 0 | 0 | 0 | 1,887,609 | 1,883,831 | |
| 545,587 | 0 | 0 | 0 | 0 | 545,587 | 1,032,051 | |
| 66,614,145 | 9,967,571 | 0 | 93,665,011 | 0 | 170,246,727 | 158,012,774 | |
| 2,794,230 | 0 | 0 | 0 | 0 | 2,794,230 | 2,902,720 | |
| 0 | 0 | 0 | 0 | 5,931,321 | 5,931,321 | 6,794,996 | |
| 0 | 0 | 0 | 0 | 65,885,411 | 65,885,411 | 51,250,407 | |
| <u>\$ 118,289,735</u> | <u>\$ 22,276,007</u> | <u>\$ 173,638,223</u> | <u>\$ 93,665,011</u> | <u>\$ 71,816,732</u> | <u>\$ 592,544,716</u> | <u>\$ 541,433,415</u> | |

Combined Balance Sheet

All Fund Types and Account Groups

December 31, 2000

With Comparative Totals for December 31, 1999

Governmental Fund Types

| | Governmental Fund Types | | | |
|--|-------------------------|----------------------|---------------------|----------------------|
| | General | Special Revenue | Debt Service | Capital Projects |
| Liabilities: | | | | |
| Warrants Payable | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Accounts Payable | 1,382,361 | 1,830,012 | 0 | 543,725 |
| Salaries, Taxes and Benefits Payable | 0 | 0 | 0 | 0 |
| Matured Long-Term Obligations | 0 | 0 | 60,000 | 0 |
| Matured Interest Payable | 0 | 0 | 26,839 | 0 |
| Due To Other Funds | 139,394 | 1,220,729 | 0 | 35,267 |
| Interfund Loans Payable | 0 | 0 | 0 | 0 |
| Custodial Account | 0 | 5,749 | 0 | 0 |
| Due To Other Governmental Units | 0 | 1,473,501 | 0 | 0 |
| Other Current Liabilities | 679,453 | 400,974 | 0 | 4,201 |
| Payable from Restricted Assets: | | | | |
| Accounts Payable | 0 | 0 | 0 | 0 |
| Interest Payable | 0 | 0 | 0 | 0 |
| Bonds Payable, net | 0 | 0 | 0 | 0 |
| Special Assessment Bonds Payable | 0 | 0 | 0 | 0 |
| Advances From Other Funds | 0 | 200,000 | 0 | 0 |
| Revenues Collected in Advance | 2,500 | 0 | 0 | 0 |
| Deferred Revenue | 1,613,842 | 3,141,156 | 889,678 | 0 |
| Employee Leave Benefits | 0 | 0 | 0 | 0 |
| Deferred Compensation | 0 | 0 | 0 | 0 |
| Other Long-Term Liabilities | 0 | 0 | 0 | 0 |
| Total Liabilities | 3,817,550 | 8,272,121 | 976,517 | 583,193 |
| Equity and other Credits: | | | | |
| Investment in General Fixed Assets | 0 | 0 | 0 | 0 |
| Contributed Capital | 0 | 0 | 0 | 0 |
| Retained Earnings: | | | | |
| Reserved for Capital Outlay | 0 | 0 | 0 | 0 |
| Reserved for Other | 0 | 0 | 0 | 0 |
| Unreserved | 0 | 0 | 0 | 0 |
| Fund Balance: | | | | |
| Reserved for Advances | 200,000 | 0 | 0 | 0 |
| Reserved for Debt Service | 0 | 0 | 5,931,321 | 0 |
| Reserved for Prepaid Cost and Petty Cash | 52,090 | 0 | 0 | 0 |
| Unreserved/Undesignated | 9,928,801 | 47,962,751 | 0 | 35,134,664 |
| Total Equity and Other Credits | 10,180,891 | 47,962,751 | 5,931,321 | 35,134,664 |
| Total Liabilities, Equity and Other Credits | \$ 13,998,441 | \$ 56,234,872 | \$ 6,907,838 | \$ 35,717,857 |

See accompanying notes to financial statements.

| Proprietary Fund Types | | Fiduciary Fund | Account Groups | | Totals | |
|------------------------|----------------------|-----------------------|----------------------|------------------------|-----------------------|-----------------------|
| Enterprise | Internal Service | Type | General Fixed Assets | General Long-Term Debt | (Memorandum Only) | |
| | | Agency | | | 2000 | 1999 |
| \$ 0 | \$ 0 | \$ 3,774,542 | \$ 0 | \$ 0 | \$ 3,774,542 | \$ 4,784,304 |
| 869,888 | 509,351 | 0 | 0 | 0 | 5,135,337 | 4,010,175 |
| 150,702 | 0 | 0 | 0 | 0 | 150,702 | 136,582 |
| 0 | 0 | 0 | 0 | 0 | 60,000 | 285,000 |
| 0 | 0 | 0 | 0 | 0 | 26,839 | 19,803 |
| 916,389 | 192,641 | 0 | 0 | 0 | 2,504,420 | 2,208,213 |
| 0 | 0 | 0 | 0 | 0 | 0 | 20,000 |
| 0 | 0 | 151,332,104 | 0 | 0 | 151,337,853 | 143,163,020 |
| 110,455 | 0 | 572,688 | 0 | 0 | 2,156,644 | 7,799,752 |
| 48,867 | 3,641,447 | (2,947) | 0 | 0 | 4,771,995 | 4,207,948 |
| 0 | 0 | 0 | 0 | 0 | 0 | 102 |
| 639,146 | 0 | 0 | 0 | 0 | 639,146 | 662,384 |
| 32,244,032 | 0 | 0 | 0 | 67,027,359 | 99,271,391 | 86,854,746 |
| 0 | 0 | 0 | 0 | 495,000 | 495,000 | 700,000 |
| 0 | 0 | 0 | 0 | 0 | 200,000 | 200,000 |
| 0 | 0 | 0 | 0 | 0 | 2,500 | 800 |
| 0 | 0 | 0 | 0 | 0 | 5,644,676 | 5,951,456 |
| 266,154 | 112,397 | 0 | 0 | 3,478,825 | 3,857,376 | 3,536,582 |
| 0 | 0 | 17,961,835 | 0 | 0 | 17,961,835 | 18,893,583 |
| 0 | 161,656 | 0 | 0 | 815,548 | 977,204 | 1,180,561 |
| <u>35,245,633</u> | <u>4,617,492</u> | <u>173,638,223</u> | <u>0</u> | <u>71,816,732</u> | <u>298,967,461</u> | <u>284,615,010</u> |
| 0 | 0 | 0 | 93,665,011 | 0 | 93,665,011 | 87,511,121 |
| 40,359,741 | 4,290,644 | 0 | 0 | 0 | 44,650,385 | 45,203,887 |
| 0 | 1,711 | 0 | 0 | 0 | 1,711 | 1,677,391 |
| 0 | 50,000 | 0 | 0 | 0 | 50,000 | 50,000 |
| 42,684,361 | 13,316,160 | 0 | 0 | 0 | 56,000,521 | 46,667,995 |
| 0 | 0 | 0 | 0 | 0 | 200,000 | 460,000 |
| 0 | 0 | 0 | 0 | 0 | 5,931,321 | 6,794,996 |
| 0 | 0 | 0 | 0 | 0 | 52,090 | 51,580 |
| 0 | 0 | 0 | 0 | 0 | 93,026,216 | 68,401,435 |
| <u>83,044,102</u> | <u>17,658,515</u> | <u>0</u> | <u>93,665,011</u> | <u>0</u> | <u>293,577,255</u> | <u>256,818,405</u> |
| <u>\$ 118,289,735</u> | <u>\$ 22,276,007</u> | <u>\$ 173,638,223</u> | <u>\$ 93,665,011</u> | <u>\$ 71,816,732</u> | <u>\$ 592,544,716</u> | <u>\$ 541,433,415</u> |

KITSAP COUNTY, WASHINGTON

Combined Statement of Revenues, Expenditures, and Changes in Fund Balance

All Governmental Fund Types

Year Ended December 31, 2000

With Comparative Totals for Year Ended December 31, 1999

| | Governmental Fund Types | | | | Totals | |
|---------------------------------------|-------------------------|----------------------|---------------------|----------------------|----------------------|----------------------|
| | General | Special Revenue | Debt Service | Capital Projects | (Memorandum Only) | |
| | | | | | 2000 | 1999 |
| Revenues | | | | | | |
| Taxes | \$ 41,970,902 | \$ 23,802,577 | \$ 2,467,085 | \$ 0 | \$ 68,240,564 | \$ 62,911,741 |
| Licenses & Permits | 1,472,010 | 261,008 | 0 | 0 | 1,733,018 | 1,772,019 |
| Intergovernmental | 7,074,085 | 43,135,419 | 9,729 | 374,980 | 50,594,213 | 48,305,504 |
| Charges for Services | 6,854,940 | 3,687,474 | 231,378 | 0 | 10,773,792 | 8,463,361 |
| Fines & Forfeits | 1,649,412 | 173,971 | 0 | 0 | 1,823,383 | 1,793,598 |
| Miscellaneous | 3,249,622 | 2,646,307 | 510,052 | 1,567,402 | 7,973,383 | 21,237,116 |
| Total Revenues | <u>62,270,971</u> | <u>73,706,756</u> | <u>3,218,244</u> | <u>1,942,382</u> | <u>141,138,353</u> | <u>144,483,339</u> |
| Expenditures | | | | | | |
| Current: | | | | | | |
| General Government | 31,226,511 | 714,279 | 0 | 0 | 31,940,790 | 29,344,597 |
| Security of Persons & Property | 19,012,651 | 4,239,132 | 0 | 0 | 23,251,783 | 21,135,522 |
| Physical Environment | 260,292 | 139,396 | 0 | 0 | 399,688 | 74,723 |
| Transportation | 75,149 | 18,727,441 | 0 | 0 | 18,802,590 | 15,771,428 |
| Economic Environment | 3,892,067 | 6,712,785 | 0 | 0 | 10,604,852 | 10,956,872 |
| Mental & Physical Health | 641,023 | 25,723,468 | 0 | 0 | 26,364,491 | 24,455,275 |
| Culture & Recreation | 3,714,091 | 30,233 | 0 | 0 | 3,744,324 | 3,516,445 |
| Capital Outlay | 608,299 | 5,401,805 | 0 | 7,744,767 | 13,754,871 | 16,725,358 |
| Debt Service: | | | | | | |
| Principal | 7,789 | 101,205 | 6,384,823 | 0 | 6,493,817 | 5,858,753 |
| Interest | 4,759 | 10,770 | 2,651,853 | 0 | 2,667,382 | 2,419,144 |
| Other Debt Service Cost | 0 | 3,395 | 698 | 0 | 4,093 | 3,129 |
| Total Expenditures | <u>59,442,631</u> | <u>61,803,909</u> | <u>9,037,374</u> | <u>7,744,767</u> | <u>138,028,681</u> | <u>130,261,247</u> |
| Excess (Deficit) of | | | | | | |
| Revenues Over Expenditures | <u>2,828,340</u> | <u>11,902,847</u> | <u>(5,819,130)</u> | <u>(5,802,385)</u> | <u>3,109,672</u> | <u>14,222,092</u> |
| Other Financing Sources (Uses) | | | | | | |
| Sale of Fixed Assets | 1,575 | 270 | 0 | 0 | 1,845 | 163 |
| Operating Transfers In | 450,644 | 5,257,305 | 5,030,455 | 750,000 | 11,488,404 | 9,920,419 |
| Operating Transfers Out | (1,246,605) | (9,450,898) | (75,000) | (280,656) | (11,053,159) | (9,622,886) |
| Proceeds of General Long-Term Debt | 0 | 0 | 0 | 19,954,848 | 19,954,848 | 15,699,946 |
| Total Other Financing Sources (Uses) | <u>(794,386)</u> | <u>(4,193,323)</u> | <u>4,955,455</u> | <u>20,424,192</u> | <u>20,391,938</u> | <u>15,997,642</u> |
| Excess (Deficit) of Resource Over Use | 2,033,954 | 7,709,524 | (863,675) | 14,621,807 | 23,501,610 | 30,219,734 |
| Fund Balance as of January 1 | 8,146,937 | 40,253,228 | 6,794,996 | 20,512,857 | 75,708,018 | 55,485,873 |
| Residual Equity Transfers In | 0 | 0 | 0 | 0 | 0 | 60,866 |
| Residual Equity Transfers Out | 0 | 0 | 0 | 0 | 0 | (10,058,462) |
| Fund Balance as of December 31 | <u>\$ 10,180,891</u> | <u>\$ 47,962,752</u> | <u>\$ 5,931,321</u> | <u>\$ 35,134,664</u> | <u>\$ 99,209,628</u> | <u>\$ 75,708,011</u> |

See accompanying notes to financial statements.

KITSAP COUNTY, WASHINGTON

Combined Statement of Revenues, Expenditures and Changes in Fund Balances Budget (Non-GAAP Budgetary Basis) and Actual General, Special Revenue, Debt Service and Capital Projects Fund Types

Year Ended December 31, 2000

| | General Fund | | | Budgeted Special Revenue Funds | | |
|--|---------------------|----------------------|----------------------------|--------------------------------|----------------------|----------------------------|
| | Budget | Actual | Variance | Budget | Actual | Variance |
| | | | Favorable (Unfavorable) | | | Favorable (Unfavorable) |
| Revenues: | | | | | | |
| Taxes | \$ 39,658,290 | \$ 41,970,902 | \$ 2,312,612 | \$ 22,871,397 | \$ 23,801,935 | \$ 930,538 |
| Licenses & Permits | 1,367,430 | 1,472,010 | 104,580 | 210,500 | 261,008 | 50,508 |
| Intergovernmental | 7,105,172 | 7,074,085 | (31,087) | 53,006,538 | 43,132,928 | (9,873,610) |
| Charges for Services | 7,084,946 | 6,854,940 | (230,006) | 3,822,863 | 3,608,295 | (214,568) |
| Fines & Forfeits | 1,594,886 | 1,649,412 | 54,526 | 134,649 | 173,971 | 39,322 |
| Miscellaneous | 2,526,365 | 3,249,622 | 723,257 | 1,229,478 | 2,635,927 | 1,406,449 |
| Total Revenues | <u>59,337,089</u> | <u>62,270,971</u> | <u>2,933,882</u> | <u>81,275,425</u> | <u>73,614,064</u> | <u>(7,661,361)</u> |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| General Government | 33,049,963 | 31,226,511 | 1,823,452 | 9,329,938 | 671,784 | 8,658,154 |
| Security of Persons & Property | 19,416,552 | 19,012,651 | 403,901 | 7,766,131 | 4,239,132 | 3,526,999 |
| Physical Environment | 438,693 | 260,292 | 178,401 | 244,375 | 139,396 | 104,979 |
| Transportation | 106,769 | 75,149 | 31,620 | 25,152,719 | 18,727,441 | 6,425,278 |
| Economic Environment | 4,418,944 | 3,892,067 | 526,877 | 10,283,293 | 6,712,785 | 3,570,508 |
| Mental & Physical Health | 642,613 | 641,023 | 1,590 | 28,711,854 | 25,723,468 | 2,988,386 |
| Culture & Recreation | 3,803,440 | 3,714,091 | 89,349 | 3,412,000 | 30,233 | 3,381,767 |
| Capital Outlay | 1,524,905 | 608,299 | 916,606 | 11,851,848 | 5,395,151 | 6,456,697 |
| Debt Service: | | | | | | |
| Principal | 13,000 | 7,789 | 5,211 | 100,711 | 101,205 | (494) |
| Interest | 9,000 | 4,759 | 4,241 | 10,801 | 10,770 | 31 |
| Other Debt Service Costs | 0 | 0 | 0 | 3,432 | 3,395 | 37 |
| Total Expenditures | <u>63,423,879</u> | <u>59,442,631</u> | <u>3,981,248</u> | <u>96,867,102</u> | <u>61,754,760</u> | <u>35,112,342</u> |
| Excess (Deficit) of Revenue Over Expenditure | <u>(4,086,790)</u> | <u>2,828,340</u> | <u>6,915,130</u> | <u>(15,591,677)</u> | <u>11,859,304</u> | <u>27,450,981</u> |
| Other Financing Sources (Uses) | | | | | | |
| Sale of Fixed Assets | 0 | 1,575 | 1,575 | 350,000 | 270 | (349,730) |
| Operating Transfers In | 875,076 | 450,644 | (424,432) | 9,243,000 | 5,257,305 | (3,985,695) |
| Operating Transfers Out | (1,246,606) | (1,246,605) | 1 | (13,293,795) | (9,450,898) | 3,842,897 |
| Proceeds of General Long Term Debt | 0 | 0 | 0 | 0 | 0 | 0 |
| Amount Remitted to Refunding Trustee | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Other Financing Sources (Uses) | <u>(371,530)</u> | <u>(794,386)</u> | <u>(422,856)</u> | <u>(3,700,795)</u> | <u>(4,193,323)</u> | <u>(492,528)</u> |
| Excess (Deficit) of Revenue & Other Sources | | | | | | |
| Over Expenditures & Other Uses | (4,458,320) | 2,033,954 | 6,492,274 | (19,292,472) | 7,665,981 | 26,958,453 |
| Fund Balance as of January 1 | 5,939,746 | 8,146,937 | 2,207,191 | 19,292,472 | 40,069,297 | 20,776,825 |
| Residual Equity Transfers In | 0 | 0 | 0 | 0 | 0 | 0 |
| Residual Equity Transfers Out | 0 | 0 | 0 | 0 | 0 | 0 |
| Prior Period Adjustments | 0 | 0 | 0 | 0 | 0 | 0 |
| Fund Balance as of December 31 | <u>\$ 1,481,426</u> | <u>\$ 10,180,891</u> | <u>\$ 8,699,465</u> | <u>\$ 0</u> | <u>\$ 47,735,278</u> | <u>\$ 47,735,278</u> |

See accompanying notes to financial statements.

KITSAP COUNTY, WASHINGTON

Combined Statement of Revenues, Expenditures and Changes in Fund Balances

Budget (Non-GAAP Budgetary Basis) and Actual

General, Special Revenue, Debt Service and Capital Projects Fund Types

Year Ended December 31, 2000

| | Budgeted Debt Service Funds | | | Budgeted Capital Projects Fund | | |
|---|-----------------------------|---------------------|----------------------------|--------------------------------|----------------------|----------------------------|
| | Budget | Actual | Variance | Budget | Actual | Variance |
| | | | Favorable (Unfavorable) | | | Favorable (Unfavorable) |
| Revenues: | | | | | | |
| Taxes | \$ 2,500,000 | \$ 2,467,085 | \$ (32,915) | \$ 0 | \$ 0 | \$ 0 |
| Licenses & Permits | 0 | 0 | 0 | 0 | 0 | 0 |
| Intergovernmental | 0 | 9,729 | 9,729 | 0 | 374,980 | 374,980 |
| Charges for Services | 0 | 0 | 0 | 0 | 0 | 0 |
| Fines & Forfeits | 37,825 | 64,768 | 26,943 | 0 | 0 | 0 |
| Miscellaneous | 1,009,962 | 676,662 | (333,300) | 0 | 1,567,402 | 1,567,402 |
| Total Revenues | <u>3,547,787</u> | <u>3,218,244</u> | <u>(329,543)</u> | <u>0</u> | <u>1,942,382</u> | <u>1,942,382</u> |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| General Government | 0 | 0 | 0 | 0 | 0 | 0 |
| Security of Persons & Property | 0 | 0 | 0 | 0 | 0 | 0 |
| Physical Environment | 0 | 0 | 0 | 0 | 0 | 0 |
| Transportation | 0 | 0 | 0 | 0 | 0 | 0 |
| Economic Environment | 0 | 0 | 0 | 0 | 0 | 0 |
| Mental & Physical Health | 0 | 0 | 0 | 0 | 0 | 0 |
| Culture & Recreation | 0 | 0 | 0 | 0 | 0 | 0 |
| Capital Outlay | 0 | 0 | 0 | 15,977,000 | 7,744,767 | 8,232,233 |
| Debt Service: | | | | | | |
| Principal | 6,668,837 | 6,384,823 | 284,014 | 0 | 0 | 0 |
| Interest | 2,662,773 | 2,651,853 | 10,920 | 0 | 0 | 0 |
| Other Debt Service Costs | 8,500 | 698 | 7,802 | 0 | 0 | 0 |
| Total Expenditures | <u>9,340,110</u> | <u>9,037,374</u> | <u>302,736</u> | <u>15,977,000</u> | <u>7,744,767</u> | <u>8,232,233</u> |
| Excess (Deficit) of Revenue Over Expenditure: | <u>(5,792,323)</u> | <u>(5,819,130)</u> | <u>(26,807)</u> | <u>(15,977,000)</u> | <u>(5,802,385)</u> | <u>10,174,615</u> |
| Other Financing Sources (Uses) | | | | | | |
| Sale of Fixed Assets | 0 | 0 | 0 | 0 | 0 | 0 |
| Operating Transfers In | 4,997,072 | 5,030,455 | 33,383 | 750,000 | 750,000 | 0 |
| Operating Transfers Out | (75,000) | (75,000) | 0 | (280,658) | (280,656) | 2 |
| Proceeds of General Long Term Debt | 0 | 0 | 0 | 0 | 19,954,848 | 19,954,848 |
| Amount Remitted to Refunding Trustee | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Other Financing Sources (Uses) | <u>4,922,072</u> | <u>4,955,455</u> | <u>33,383</u> | <u>469,342</u> | <u>20,424,192</u> | <u>19,954,850</u> |
| Excess (Deficit) of Revenue & Other Sources | | | | | | |
| Over Expenditures & Other Uses | (870,251) | (863,675) | 6,576 | (15,507,658) | 14,621,807 | 30,129,465 |
| Fund Balance as of January 1 | 870,251 | 6,794,996 | 5,924,745 | 15,507,658 | 20,505,191 | 4,997,533 |
| Residual Equity Transfers In | 0 | 0 | 0 | 0 | 0 | 0 |
| Residual Equity Transfers Out | 0 | 0 | 0 | 0 | 0 | 0 |
| Prior Period Adjustments | 0 | 0 | 0 | 0 | 0 | 0 |
| Fund Balance as of December 31 | <u>\$ 0</u> | <u>\$ 5,931,321</u> | <u>\$ 5,931,321</u> | <u>\$ 0</u> | <u>\$ 35,126,998</u> | <u>\$ 35,126,998</u> |

See accompanying notes to financial statements.

KITSAP COUNTY, WASHINGTON

Combined Statement of Revenues, Expenses and Changes in Fund Equity

All Proprietary Fund Types

Year Ended December 31, 2000

With Comparative Totals for Year Ended December 31, 1999

| | Proprietary Fund Types | | Totals (Memorandum Only) | |
|---|------------------------|----------------------|-----------------------------|----------------------|
| | Enterprise | Internal Service | 2000 | 1999 |
| Operating Revenue | | | | |
| Intergovernmental | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Charges For Services | 16,467,324 | 15,854,803 | 32,322,127 | 29,605,293 |
| Total Operating Revenue | <u>16,467,324</u> | <u>15,854,803</u> | <u>32,322,127</u> | <u>29,605,293</u> |
| Operating Expenses | | | | |
| General Operation | 7,980,766 | 10,473,345 | 18,454,111 | 16,889,800 |
| General Planning | 724,264 | 0 | 724,264 | 399,977 |
| Landfill Closure Cost | 693,169 | 0 | 693,169 | 148,658 |
| External Taxes | 318,459 | 0 | 318,459 | 290,721 |
| General Administration | 2,043,226 | 846,300 | 2,889,526 | 2,196,400 |
| Depreciation | 2,801,539 | 2,085,918 | 4,887,457 | 4,174,602 |
| Total Operating Expenses | <u>14,561,423</u> | <u>13,405,563</u> | <u>27,966,986</u> | <u>24,100,158</u> |
| NET OPERATING INCOME (LOSS) | <u>1,905,901</u> | <u>2,449,240</u> | <u>4,355,141</u> | <u>5,505,135</u> |
| NONOPERATING REVENUE (EXPENSES): | | | | |
| Investment Income | 2,846,380 | 0 | 2,846,380 | 2,521,478 |
| Gains (Losses) on Fixed Asset Disposition | (16,822) | 16,965 | 143 | (10,081) |
| Other Nonoperating Revenue | 678,194 | 0 | 678,194 | 1,352,385 |
| Interest Expenses & Related Charges | (1,753,637) | (9,089) | (1,762,726) | (1,953,235) |
| Amortization of Debt Discount & Expenses | (26,645) | 0 | (26,645) | (26,645) |
| NONOPERATING REVENUES NET OF EXPENSES | <u>1,727,470</u> | <u>7,876</u> | <u>1,735,346</u> | <u>1,883,902</u> |
| Net Income Before Operating Transfers | <u>3,633,371</u> | <u>2,457,116</u> | <u>6,090,487</u> | <u>7,389,037</u> |
| OPERATING TRANSFERS | | | | |
| Operating Transfers In | 0 | 0 | 0 | 0 |
| Operating Transfers Out | (105,474) | (329,769) | (435,243) | (297,533) |
| Total Operating Transfers | <u>(105,474)</u> | <u>(329,769)</u> | <u>(435,243)</u> | <u>(297,533)</u> |
| Net Income (Loss) | <u>\$ 3,527,897</u> | <u>\$ 2,127,347</u> | <u>\$ 5,655,244</u> | <u>\$ 7,091,504</u> |
| FUND EQUITY CHANGES: | | | | |
| Retained Earnings, January 1 | \$ 37,154,861 | \$ 11,240,524 | \$ 48,395,385 | \$ 29,447,958 |
| Net Income (Loss) | 3,527,897 | 2,127,347 | 5,655,244 | 7,091,504 |
| Residual Equity Transfers In | 0 | 0 | 0 | 10,000,000 |
| Residual Equity Transfers Out | 0 | 0 | 0 | (89,271) |
| Other Charges | 0 | 0 | 0 | 0 |
| Prior Period Adjustment | (255,312) | 0 | (255,312) | 201,990 |
| Amortization on Capital Grants | 2,256,915 | 0 | 2,256,915 | 1,743,204 |
| Retained Earnings, December 31 | <u>\$ 42,684,361</u> | <u>\$ 13,367,871</u> | <u>\$ 56,052,232</u> | <u>\$ 48,395,385</u> |

See accompanying notes to financial statements.

KITSAP COUNTY, WASHINGTON

Page 1 of 2

Combined Statement of Cash Flows

All Proprietary Fund Types

Year Ended December 31, 2000

With Comparative Totals For Year Ended December 31, 1999

| | Proprietary Fund Types | | Totals | |
|--|------------------------|----------------------|----------------------|---------------------|
| | Enterprise | Internal Service | (Memorandum Only) | |
| | | | 2000 | 1999 |
| Cash Flows from Operating Activities: | | | | |
| Cash Received from Customers | \$ 16,788,169 | \$ 15,593,736 | \$ 32,381,905 | \$ 29,156,740 |
| Cash Paid to Employees | (4,876,257) | (2,145,602) | (7,021,859) | (13,071,454) |
| Cash Paid to Suppliers | (6,592,790) | (8,550,514) | (15,143,304) | (8,245,972) |
| Net Cash Provided by Operating Activities | <u>5,319,122</u> | <u>4,897,620</u> | <u>10,216,742</u> | <u>7,839,314</u> |
| Cash Flows from Noncapital Financing Activities | | | | |
| Advances From (To) Other Funds | 0 | (20,000) | (20,000) | 20,000 |
| Operating Grants Received | 717,051 | (1,044) | 716,007 | 133,301 |
| Operating Transfers In | 0 | 0 | 0 | 10,000,166 |
| Operating Transfers Out | (105,474) | (329,769) | (435,243) | (386,805) |
| Net Cash Provided by Noncapital Financing Activities | <u>611,577</u> | <u>(350,813)</u> | <u>260,764</u> | <u>9,766,662</u> |
| Cash Flows from Capital and Related Financing Activities: | | | | |
| Proceeds from Sale of Bonds | 0 | 0 | 0 | 10,860,644 |
| Proceeds from Sale of Equipment | 0 | 31,469 | 31,469 | 240,895 |
| Acquisition & Construction of Capital Assets | (8,177,386) | (2,359,099) | (10,536,485) | (6,611,215) |
| Capital Contributions | 1,591,303 | 2,000 | 1,593,303 | 1,021,984 |
| Principal Payments on Bonds | (1,430,177) | 0 | (1,430,177) | (1,493,529) |
| Principal Payments on Installment Purchase Contract | 0 | (46,650) | (46,650) | (8,210) |
| Interest Payments on Bonds | (1,780,282) | (8,045) | (1,788,327) | (1,819,509) |
| Net Cash Used for Cap. and Related Fin. Act. | <u>(9,796,542)</u> | <u>(2,380,325)</u> | <u>(12,176,867)</u> | <u>2,191,060</u> |
| Cash Flows from Investing Activities: | | | | |
| Purchase of Investment Securities | (10,733,622) | 0 | (10,733,622) | (30,779,614) |
| Proceeds from Sale of Investments | 13,094,768 | 0 | 13,094,768 | 8,934,238 |
| Interest & Dividends on Investments | 2,846,379 | 0 | 2,846,379 | 2,051,064 |
| Net Cash Used in Investing Activities | <u>5,207,525</u> | <u>0</u> | <u>5,207,525</u> | <u>(19,794,312)</u> |
| Net Increase (Decrease) in Cash | 1,341,682 | 2,166,482 | 3,508,164 | 2,724 |
| Cash & Cash Equivalents at January 1 | 1,407,616 | 8,112,422 | 9,520,038 | 9,517,314 |
| Cash & Cash Equivalents at December 31 | <u>\$ 2,749,298</u> | <u>\$ 10,278,904</u> | <u>\$ 13,028,202</u> | <u>\$ 9,520,038</u> |

See accompanying notes to financial statements.

Combined Statement of Cash Flows

All Proprietary Fund Types

Year Ended December 31, 2000

With Comparative Totals For Year Ended December 31, 1999

| | Proprietary Fund Types | | Totals | |
|--|------------------------|------------------|-------------------|--------------|
| | Enterprise | Internal Service | (Memorandum Only) | |
| | | | 2000 | 1999 |
| Reconciliation of Net Operating Income to Net Cash Provided by Operating Activities | | | | |
| Operating Income (loss) | \$ 1,905,901 | \$ 2,449,240 | \$ 4,355,141 | \$ 5,505,135 |
| Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities: | | | | |
| Depreciation | 2,801,539 | 2,085,918 | 4,887,457 | 4,174,601 |
| Change In Assets and Liabilities: | | | | |
| (Increase) Decrease in Accounts Receivable | 258,975 | 184 | 259,159 | (151,129) |
| (Increase) Decrease in Inventories | (21,456) | (201,093) | (222,549) | (78,508) |
| (Increase) Decrease in Due from Other Funds | (145,947) | (176,478) | (322,425) | (215,213) |
| (Increase) Decrease in Due from Other Governments | 0 | 508 | 508 | 0 |
| (Increase) Decrease in Prepaid Insurance | 0 | 98,173 | 98,173 | (24,900) |
| Increase (Decrease) in Accounts Payable | 405,479 | 225,666 | 631,145 | (653,455) |
| Increase (Decrease) in Due to Other Funds | 56,303 | (83,512) | (27,209) | 47,429 |
| Increase (Decrease) in Wages Payable | 14,120 | 0 | 14,120 | 19,707 |
| Increase (Decrease) in Other Accrued Liabilities | 20,639 | 514,646 | 535,285 | (793,522) |
| Increase (Decrease) in Employee Benefits Payable | 23,568 | (15,632) | 7,936 | 9,168 |
| Net Cash Provided by Operating Activities | \$ 5,319,121 | \$ 4,897,620 | \$ 10,216,741 | \$ 7,839,313 |

See accompanying notes to financial statements.

KITSAP COUNTY, WASHINGTON
Notes to the Financial Statements

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NOTES TO FINANCIAL STATEMENTS

For The Year Ended December 31, 2000

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Kitsap County was incorporated in 1857 and operates under a commission form of government.

The accounting and reporting policies of Kitsap County, which conform to generally accepted accounting principles for governments, are regulated by the Washington State Auditor's Office, Division of Municipal Corporations. The County's significant accounting policies are described in the following notes.

The County's major operations include public safety, road improvements, parks and recreation, judicial administration, planning and development, health and social services and general administrative services.

REPORTING ENTITY

Kitsap County is the primary government for financial reporting purposes. It consists of the funds, account groups, departments, and agencies over which the County exercises financial accountability.

Indicators of Financial Accountability

The financial statements include the organizations for which the elected county commissioners are financially accountable. Criteria indicating financial accountability includes but is not limited to the following:

- ❖ Appointment of the voting majority of the governing body and
 - County's ability to impose its will on that organizations, such as the power to remove appointed members at will; to modify or approve budgets, rates, or fees; or to make other substantive decisions; or
 - There is a potential for the organization to provide specific financial benefits to the County, or
 - Impose specific financial burdens on the County.
- ❖ The organization is fiscally dependent on the county regardless of whether the organization has
 - A separately elected governing board, or
 - A governing board appointed by the Board of County Commissioners, or
 - A jointly appointed board.

Various other Sewer Districts, School Districts, Fire Districts, Port Districts, Cities, and Towns represent separate political subdivisions with their own taxing authority. The County does not significantly contribute to or control the operations of these districts.

BASIS OF PRESENTATION - FUND ACCOUNTING

The accounts of the County are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate.

Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The three broad fund categories, seven generic fund types, and two account groups presented in this report are described below:

Governmental Funds

Governmental Funds are those through which most governmental functions of the County are financed. The acquisition, use and balances of the County's expendable financial resources and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The measurement focus is upon determination of changes in financial position, rather than upon net income determination. The following are the County's Governmental Fund Types:

The General Fund is the general operating fund of the County. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for a specified purpose.

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, interest and principal on General long-term Debt.

Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds.)

Proprietary Funds

Proprietary Funds are used to account for the County's ongoing activities that are similar to those often found in the private sector. The measurement focus is upon determination of net income. The following are the County's Proprietary Fund Types:

Enterprise Funds are used to account for the following kinds of operations:

- Operations that are financed and operated in a manner similar to private business. Where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the public on a continuing basis be financed or recovered, primarily through user charges.
- Operations where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Internal Service Funds are used to account for the financing of goods and services provided to other departments or agencies of the County, or to other governments, on a cost reimbursement basis.

Fiduciary Funds

Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, other governments, and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups

The General Fixed Asset Account Group is established to account for all fixed assets of the County, other than those accounted for in the proprietary funds.

The General Long -Term Debt Account Group is to account for all long-term debt of the County except that accounted for in the proprietary funds.

BASIS OF ACCOUNTING

Basis of accounting refers to when the revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements.

Modified Accrual Basis of Accounting

The modified accrual basis of accounting is followed in the General Fund, Special Revenue Funds, Debt Service Funds, Capital Project Funds and the Agency Funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectable within the current period or soon enough thereafter to pay current liabilities.

Property taxes levied and due in the current period are considered measurable and are recorded as a current receivable. Recognition of revenue is deferred until the time that the property taxes and related interest and

penalties become available. Intergovernmental revenues received as reimbursements for specific purposes are recognized when the expenditures are recognized. Licenses, fines, revenue and sales based taxes, and miscellaneous revenues are recorded when received in cash because they are generally not measurable until actually received. Investment earnings are accrued as earned.

Expenditures are recorded in the period when the related fund liability is incurred, except for interest on long-term debt which is recognized when due, and vacation and sick leave which is recognized when paid.

Accrual Basis of Accounting

The accrual basis of accounting is followed in Enterprise Funds and the Internal Service Funds. Under the accrual basis of accounting, revenues are recognized when earned, and expenses recorded when incurred. Unbilled utility service revenues are accrued at year-end.

BUDGETARY DATA

1. Budget Policies and Control

Kitsap County's budget procedures are in compliance with Chapter 36.40 of the Revised Code of Washington. Budgets may be administratively revised, within all funds except the General Fund, as long as total appropriations are not changed. General Fund department budgets may be revised administratively as long as the department total appropriation is not changed.

The Board of County Commissioners may modify the budget by appropriating contingency funds, revenues received in excess of budgeted revenues, or funds from any other legally available source.

In accordance with state law, any unexpended appropriation balances lapse at the close of the fiscal year.

2. Budget Procedures

a. On the first Monday in September, the County Budget Manager submits the preliminary budget for all funds to the Board of County Commissioners for the following fiscal year. This budget includes proposed expenditures and the means of financing them.

b. The County Budget Manager meets with each elected official, department head, and fund manager during September to discuss their budget requests and revenue estimates. Based upon current year budget review, departmental meetings, and goals and objectives, the Budget Manager balances the budget in October.

c. Prior to November 15, the Budget Manager presents a balanced recommended budget to the Board of County Commissioners outlining new programs, new positions, areas of increases, etc.

d. On the first Monday in December, the Budget Manager presents the final budget, at which time the Board holds a public meeting which may be continued from day to day until concluded, but not more than five days, in order to receive public input.

e. On or before December 31, the Board of County Commissioners adopts the final budget by resolution.

3. Budget Basis of Accounting

The County adopts an annual budget on the modified accrual basis of budgeting for the General Fund, Debt Service Funds, Special Revenue Funds, and Capital Project Funds. Budgetary

accounts are integrated in the accounting system in all budgeted governmental funds. The operation of these funds is presented with comparison to budget.

The County is not legally required to budget proprietary funds; therefore, budgetary comparisons are not required for these funds.

The County does not budget all Special Revenue Funds or Debt Service Funds. The Treasurer's Maintenance and Operation Fund is not budgeted pursuant to Revised Code of Washington 84.56.020. If a fund does not anticipate any expenditure in the fiscal period, the County does not budget those funds.

The County's budget is adopted at the fund level except for the General Fund that is adopted at the program level. The Board of County Commissioners may, by resolution, decrease, increase or re-appropriate any unexpended allowances during the year.

The Budget Manager may approve, without resolution, transfer appropriations within each fund and within each department of the General Fund.

The budget amounts shown in the financial statements are the final authorized amounts as revised during the year (see note 2).

4. Encumbrances

An encumbrance system is maintained to account for commitments resulting from approved purchase orders, contracts and other commitments. Direct vouchers are not encumbered due to the nature of the transactions and existence of other controls that effectively prevent over-expenditure. Encumbrances outstanding at the end of the year are reappropriated in the succeeding year.

ASSETS, LIABILITIES AND FUND EQUITY

1. Cash and Equity in Pooled Investments

The County Treasurer invests all short-term cash surpluses. These investments are classified for reporting purposes as equity in pooled investments rather than investments. Earnings from these investments are returned to the General Fund and are used in financing general operations.

2. Property Taxes

At year-end uncollected property taxes are reported on the balance sheet as Property Tax Receivable. Property tax revenue is recognized when cash is collected.

NCGA Interpretation 3 requires that property taxes should be accrued only when due and expected to be collected within 60 days of the end of the fiscal period. Since January and February tax receipts do not vary materially from year to year and are immaterial, the uncollected taxes for these months were not accrued at December 31, 2000.

Property taxes are levied by the County Assessor and collected by the County Treasurer. The property taxes are levied and become a lien on the first day of the levy year. They may be paid in two equal installments. The first half is due on April 30, or else the total amount becomes delinquent May 1. The balance is due October 31, becoming delinquent November 1. Delinquent taxes bear interest at the rate of one percent per month until paid and are subject to additional penalties of 3 percent and another 8 percent on the total unpaid delinquent balance on June 1 and December 1 respectively. Foreclosure action is commenced on properties when taxes become three years delinquent.

The county is permitted by law to levy up to \$1.80 per \$1,000 of assessed valuation for general governmental services. The County Road Department is permitted by law to levy up to \$2.25 per \$1,000 of assessed valuation. These amounts may be reduced for any of the following reasons:

The Washington State Constitution limits the total regular property taxes to 1 percent of 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% limit.

Washington State law limits the growth of regular property taxes to 6% per year, after adjustments for new construction. If the assessed valuation increases by more than 6% due to revaluation, the levy rate will be decreased.

Special levies approved by the voters are not subject to the above limitations.

For 2000, the County's Current Expense tax levy was \$1.7927 per \$1,000 on a total assessed valuation of \$13,187,033,175 for a total regular levy of \$23,640,103. The County Road regular tax levy for 2000 was \$1.9977 per \$1,000 on a total assessed valuation of \$8,565,334,225 for a total regular levy of \$17,178,368.

3. Assessments Receivable

Assessments are levied against properties located within sewer utility local improvement districts and are recorded as Assessments Receivable and Contributed Capital when assessment rolls are issued. The proceeds are restricted for payment of revenue bond principal and interest.

Special assessments for road improvement districts are recorded as Assessments Receivable and Deferred Revenue when assessment rolls are issued. Special assessments are recognized as revenue only to the extent those individual installments are considered current assets. The proceeds are restricted for payment of special assessment bond principal and interest.

4. Due From Other Governmental Units

Federal grants and assistance awards made on the basis of entitlement periods are reported as intergovernmental receivables and revenues in the year in which entitlement occurs. Federal reimbursement type grants for the acquisition of fixed assets of proprietary fund types are reported as intergovernmental receivables and contributed capital in the year during which the related expenditure occurs. All other federal reimbursement type grants are reported as intergovernmental receivables and revenues in the year when the related expenditures/expenses are incurred.

5. Inventory

Cost of expendable supplies held for consumption by general and special revenue funds is recorded as expenditure at the time the individual items are purchased. The supplies are not of significant cost or quantity, and are not reflected as inventory. Inventories of proprietary funds are valued using the weighted average costing method.

6. Fixed Assets

The accounting and reporting treatment applied to the fixed assets associated with a fund is determined by its measurement focus. Fixed assets used in governmental fund type operations are accounted for in the General Fixed Assets Account Group rather than in the governmental funds. Fixed assets used in proprietary fund type operations are accounted for in the fund in which they are utilized.

All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received.

General Fixed Assets are recorded as expenditures in the fund purchasing the asset and are recorded in the General Fixed Asset Account Group at actual or estimated historical cost. Depreciation is not reported for General Fixed Assets. Public domain (infrastructure) General Fixed Assets consisting of improvements other than buildings, including roads, bridges, curbs and gutters, sidewalks, and drainage systems are not capitalized.

Capital leases are recorded at the present value of future lease payments. The governmental funds liability for capital leases is recorded in the Long-Term Debt Account Group.

Fixed assets of proprietary funds are depreciated. Annual depreciation is recorded as an expense of the fund. Depreciation is computed using the straight-line method over estimated useful lives of 3-50 years.

Depreciation recognized on assets acquired or constructed through grants externally restricted for capital acquisitions are closed to the appropriate contributed capital account. Net income (loss) is adjusted by the amount of depreciation on fixed assets acquired in this manner and is closed to Retained Earnings.

7. Restricted Assets and Liabilities

These accounts contain resources for construction and debt service. The current portion of related liabilities are shown as Payable from Restricted Assets.

8. Deferred Revenues

Deferred revenues consist of amounts collected before revenue recognition criteria are met, and receivables, which, under the modified accrual basis of accounting, are measurable but not yet available.

9. Compensated Absences/Vacation and Sick Leave Pay

Eligible employees accumulate 9 to 30 days of vacation leave depending upon the employee's length of service, but they may not accumulate more than 360 hours of vacation leave. All outstanding vacation leave is payable upon resignation, retirement, or death. The County accrues vacation leave in accordance with NCGA Statement 4. The accrual is made in each proprietary fund. For governmental funds, the accrual is recorded in the General Long Term Debt Account Group, since it is not currently due and payable at year-end.

Sick Leave accumulates at the rate of 1.25 to 1.5 days per month depending on hire date. Employees may accumulate a maximum of 150 days of sick leave. Sick leave earned prior to January 1, 1984 is payable at 50% at retirement or death. Sick leave earned after January 1, 1984 does not vest at retirement or death. The accrual for vested sick leave is made in each proprietary fund. For governmental funds, the accrual is recorded in the General Long Term Debt Account Group, since vested sick leave is not currently due and payable at year-end.

10. Contributed Capital

Federal and state grants to aid in financing capital assets are recorded in the respective proprietary funds as contributed capital. Assessments, which are levied against properties located within utility local improvement districts, are also recorded as contributed capital when assessment rolls are issued. Donated assets are also recorded as contributed capital.

11. Fund Reserves

Kitsap County records two general types of reserves. One type is to indicate that a portion of fund balance is legally segregated for a specific future use. The second type of reserve is to indicate that a portion of the fund balance is not appropriate for expenditures.

Following are the reserves used by the County and a description of each:

Reserved for Loans/Advances Receivable - An account used to indicate that the long-term portions of loans/advances receivable do not represent available spendable resources although they are a component of assets.

Reserved for Debt Service - An account used to segregate a portion of fund balance for debt service resources legally restricted to the payment of long term debt principal and interest amounts maturing in future years.

REVENUES, EXPENDITURES AND EXPENSES

1. Property Taxes - See Assets, Liabilities and Fund Equity
2. Grants and Other Intergovernmental Revenues

Federal grants and assistance awards made on the basis of entitlement periods are recorded as intergovernmental receivables and revenues when entitlement occurs. Federal reimbursement-type grants for the acquisition of fixed assets in proprietary fund types are recorded as contributed capital. All other federal reimbursement type grants are recorded as intergovernmental receivables and revenues when the related expenditures/expenses are incurred.

3. Interfund Transactions

Charges for services between departments and funds are recorded as operating revenues. Operating subsidies are recorded as operating transfers. Contributions of capital are recorded as residual equity transfers.

4. Unbilled Service Charges

Unbilled but earned service charges are recognized as revenue and included in receivables on proprietary fund balance sheets.

STATEMENT OF CASH FLOWS

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

OVERVIEW

Total columns on the Combined Statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present current financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund elimination has not been made in the aggregation of this data.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

DEFICIT FUND BALANCES/RETAINED EARNINGS

The following funds exhibit deficit retained earnings as of December 31, 2000:

| <u>FUND</u> | <u>AMOUNT OF DEFICIT</u> |
|-------------|--------------------------|
| Purchasing | \$ 31,341 |

The deficit in the Purchasing Fund was due to a lack of proper billing for the inventory resulting in the depletion of inventory without corresponding revenue. The County is reducing the deficit over two year period.

BUDGET APPROPRIATIONS

The County does not budget all special revenue funds. The Treasurer's Maintenance and Operation and the Anti-profiteering Funds are not budgeted pursuant to state statutes. The County did not budget the remaining special revenue funds shown below because no expenditures were anticipated in 2000. A reconciliation of actual results for budgeted and unbudgeted special revenue funds follows:

| | Revenues | Expenditures | Fund Balances 31-Dec |
|-------------------------------------|---------------|---------------|----------------------|
| Budgeted Funds-Page 9 | \$ 73,614,065 | \$ 61,754,764 | \$ 47,735,279 |
| Non-Budget Funds: | | | |
| Human Resources Board | 3,132 | 0 | 32,404 |
| Treasurer's M & O | 89,243 | 49,149 | 155,467 |
| Prosecuting Attorney Victim/Witness | 0 | 0 | 37,514 |
| K - 9 Crime Prevention | 250 | 0 | 757 |
| Long Lake Management Dist. #2 | 66 | 0 | 1,332 |
| TOTAL - (GAAP BASIS) | \$ 73,706,756 | \$ 61,803,913 | \$ 47,962,753 |

The County did not budget the capital project funds shown below because no expenditures were anticipated in 2000. A reconciliation of actual results for budgeted and unbudgeted capital project funds follows:

| | Revenues | Expenditures | Balances 31-Dec |
|-----------------------------|--------------|--------------|-----------------|
| Budgeted Funds-Page 10 | \$ 1,942,382 | \$ 7,744,767 | \$ 35,126,998 |
| Non-Budget Funds: | | | |
| Kitsap County Tree Planning | | | 59 |
| Recovery Center | | | 7,607 |
| TOTAL - (GAAP BASIS) | \$ 1,942,382 | \$ 7,744,767 | \$ 35,134,664 |

Budget Revision

Revisions were made to the original budgets during the year. The following is the list of funds that were affected:

| Fund Description | Original Budget | Revision | Revised Budget |
|-----------------------|-----------------|--------------|----------------|
| General Fund | \$ 65,321,373 | \$ 830,538 | \$ 66,151,911 |
| Emergency Services | 269,731 | 4,000 | 273,731 |
| Law Library | 61,000 | 7,000 | 68,000 |
| KPREP | 34,164 | 638,999 | 673,163 |
| Special Purpose Path | 23,362 | 60,000 | 83,362 |
| Community Service | 15,000 | 50,600 | 65,600 |
| Antiprofitteering Rev | 158,471 | 133,812 | 292,283 |
| Mental Health | 14,917,103 | 1,492,000 | 16,409,103 |
| Area Agency on Aging | 5,399,815 | 250,000 | 5,649,815 |
| JTPA Administration | 4,200,000 | 1,288,000 | 5,488,000 |
| Jail Construction | 0 | 1,195,000 | 1,195,000 |
| Workers Comp. | 796,892 | 50,000 | 846,892 |
| Telecommunications | 703,053 | 60,000 | 763,053 |
| Total | \$ 91,899,964 | \$ 6,059,949 | \$ 97,959,913 |

NOTE 3 - DEPOSITS AND INVESTMENTS

The Kitsap County Treasurer is empowered by the state to act as fiduciary for the County and other taxing districts, which includes the deposit and prudent investment of public funds as legally prescribed by the laws of the State of Washington.

Qualified bank depositories are those specified by the Washington Public Deposit Protection Commission. Investments may be made in the form of U.S. Treasuries, U.S. Agencies, repurchase agreements, and certain other qualified securities. County policy dictates that all investment instruments other than certificates of deposit and the Washington State Investment Pool be transacted on the delivery versus payment basis.

DEPOSITS

Cash and deposits consist of cash and cash equivalents on deposit with the County Treasurer. As of December 31, 2000, the carrying value of these deposits amounted to \$ 4,415,234. All of the deposits are either covered by federal depository insurance or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission.

INVESTMENTS

The County Treasurer administers and maintains an investment pool for The County and other jurisdictional governments within the County. County monies are invested by individual funds for the benefit of the respective fund. Remaining County monies are aggregated in a residual account, and invested in the pool for the benefit of the General Fund. The investment is valued at market and report as such as shown below in accordance with GASB 31. The fair values are based on quoted market prices at the end of 2000.

Washington State Statute allows the County Treasurer to invest in obligations of the U.S. Government and agencies, banker's acceptances, certificates of deposits issued with qualified public depositories, repurchase agreements, commercial paper, and other qualified securities.

The County investments are categorized as follows:

- (1) Investments that are insured or registered or for which the securities are held by the County or its agent in the County's name.
- (2) Uninsured and unregistered investments for which the securities are held by the pledging counter party's trust department or agent in the County's name or
- (3) Uninsured and unregistered for which the securities are held by the counter party, its trust department or agent but not in the County's name. The County had no Category 2 or 3 investments in 2000.

Total investments including pooled investments held by the County at December 31, 2000 are detailed as follows:

| | Amortized Cost | Fair Value |
|------------------------|-----------------------|-----------------------|
| Washington State Pool | \$ 49,566,424 | \$ 49,566,424 |
| U.S. Treasuries | 30,437,901 | 30,436,131 |
| U.S. Agencies | 204,684,246 | 205,343,011 |
| Municipals | 1,009,493 | 1,010,608 |
| Commercial Paper | 4,933,297 | 5,003,182 |
| Certificate of Deposit | 7,000,000 | 7,000,000 |
| TOTAL | \$ 297,631,361 | \$ 298,359,356 |

The County participates in the State of Washington Local Government Investment Pool (LGIP). The pool is overseen by the State Treasurer and an LGIP advisory committee. The LGIP's investments are all classified as category 1 and all deposits are classified as insured and collateralized per the LGIP's annual report as of June 30, 2000. The LGIP is a 2a7-like pool; therefore the fair value of the County's position in the pool is the same as the value of the County's pool shares.

NOTE 4 - FIXED ASSETS

The following is a summary of changes in the general fixed assets account group during the fiscal year:

| | Balance 1/1/00 | Additions | Retirements | Transfers & Adjustments | Balance 12/31/00 |
|--------------------------------------|----------------------|---------------------|-----------------------|----------------------------|----------------------|
| Land | \$ 19,272,372 | \$ 4,260,763 | \$ 0 | \$ 0 | \$ 23,533,135 |
| Buildings | 51,053,336 | 476,283 | 0 | 0 | 51,529,619 |
| Improvements other than buildings | 5,374,234 | 341,349 | 0 | 0 | 5,715,583 |
| Machinery & Equipment | 11,028,827 | 1,410,559 | (1,008,230) | (85,517) | 11,345,639 |
| Construction in Progress | 782,352 | 979,689 | 0 | (221,006) | 1,541,035 |
| Total | \$ 87,511,121 | \$ 7,468,643 | \$ (1,008,230) | \$ (306,523) | \$ 93,665,011 |

The following is a summary of proprietary fund type fixed assets at December 31, 2000:

| | Enterprise Funds | Internal Service Funds |
|-----------------------------------|----------------------|------------------------------|
| Land | \$ 1,483,482 | \$ 0 |
| Buildings | 29,496,375 | 0 |
| Improvements other than Buildings | 45,117,873 | 0 |
| Machinery & Equipment | 6,297,852 | 21,932,011 |
| Less: Accumulated Depreciation | (31,466,637) | (11,964,440) |
| Construction in Progress | 15,685,201 | 0 |
| Total | \$ 66,614,146 | \$ 9,967,571 |

The following is a schedule of useful lives for proprietary fund fixed assets:

Useful life

| | |
|-----------------------------------|-------------|
| Land | NA |
| Buildings | 45 years |
| Improvements other than buildings | 20–50 years |
| Machinery and equipment | 3-10 years |

NOTE 5 - LONG-TERM OBLIGATIONS

Changes in Long-term Debt (in thousands)

| | General Long Term Debt | | | Proprietary | | TOTAL |
|---------------------|------------------------|--------------------------|--------------------|--------------------------|---------------|------------|
| | Other Liabilities | General Obligation Bonds | Special Assessment | General Obligation Bonds | Revenue Bonds | |
| January 1,2000 | \$ 4,347 | \$ 53,207 | \$ 700 | \$ 968 | \$ 33,105 | \$ 92,327 |
| Additions: | | | | | | |
| Bonds Issued | 0 | 20,000 | 0 | 0 | 0 | 20,000 |
| Notes Issued | 0 | 0 | 0 | 0 | 0 | 0 |
| Compenated absences | 313 | 0 | 0 | 0 | 0 | 313 |
| Capital Leases | | 0 | 0 | 0 | 0 | 0 |
| Payments: | | | | | | |
| Bonds | 0 | 6,180 | 205 | 75 | 1,355 | 7,815 |
| Capital Leases | 137 | 0 | 0 | 0 | 0 | 137 |
| Notes Issued | 67 | 0 | 0 | 0 | 0 | 67 |
| December 31, 2000 | \$ 4,456 | \$ 67,027 | \$ 495 | \$ 893 | \$ 31,750 | \$ 104,621 |

Long-Term Debt at December 31, 2000 consisted of the following:

General Obligation Bonds

| <u>Issued Name</u> | <u>Amount Authorized</u> | <u>Date Issued</u> | <u>Final Maturity</u> | <u>Interest Rate(s)</u> | <u>Amount Outstanding</u> |
|-------------------------|--------------------------|--------------------|-----------------------|-------------------------|---------------------------|
| Ltd. G.O. '89 | 1,350,000 | 2/28/89 | 2/1/09 | 6.2/7.3 | 0 |
| Ltd. G.O. 90B | 4,100,000 | 8/1/90 | 8/1/10 | 5.8/7.0 | 405,000 |
| Ltd. G.O. '91A | 7,175,000 | 11/1/91 | 11/1/11 | 4.6/6.75 | 665,000 |
| Ltd. G.O. '92A | 11,910,000 | 11/1/92 | 11/1/12 | 4.5/10.0 | 5,415,000 |
| Ltd. G.O. '93 Refunding | 8,735,000 | 5/1/93 | 11/1/10 | 2.45/5.6 | 5,990,000 |
| Ltd. G.O. '96B | 14,000,000 | 7/1/96 | 7/1/01 | 4.0/5.0 | 3,100,000 |
| Ltd. G.O. '96 Refunding | 9,875,000 | 4/1/96 | 11/1/12 | 3.6/5.7 | 9,590,000 |
| Ltd. G.O. '97 Refunding | 5,200,000 | 4/1/97 | 6/1/04 | 4.1/4.9 | 2,275,000 |
| Ltd. G.O. '98 | 6,000,000 | 5/15/98 | 6/1/03 | 3.9/4.323 | 5,675,000 |
| Ltd. G.O. '99 | 5,100,000 | 2/15/99 | 12/1/18 | 4.0/4.9 | 4,755,000 |
| Ltd. G.O. 1999B | 10,680,000 | 7/15/99 | 7/1/19 | 4.25/5.30 | 10,050,000 |
| Ltd. G.O. 2000 | 20,000,000 | 8/15/00 | 7/1/25 | 4.3/5.5 | 20,000,000 |
| Total | \$ 104,125,000 | | | | \$ 67,920,000 |

Special Assessment Bonds

| Issued Name | Amount Authorized | Date Issued | Final Maturity | Interest Rate(s) | Amount Outstanding |
|-----------------|-------------------|-------------|----------------|------------------|--------------------|
| RID #22, 25, 31 | 1,039,712 | 8/1/92 | 9/1/02 | 3.75/6.2 | 40,000 |
| RID #35, 36, 37 | 359,948 | 3/1/95 | 10/1/07 | 5.4/6.5 | 25,000 |
| RID #38 '96 | 381,647 | 6/1/96 | 8/1/08 | 4.4/5.8 | 105,000 |
| RID #39 '98 | 547,386 | 4/1/98 | 5/1/13 | 4.2/5.35 | 325,000 |
| LMD # 1 | 484,911 | 4/1/93 | 4/1/03 | 3.5/5.8 | 0 |
| Total | \$ 2,813,604 | | | | \$ 495,000 |

Other Obligations and Liabilities

| Issued Name | Amount Authorized | Date Issued | Final Maturity | Amount Outstanding |
|----------------------------------|-------------------|-------------|----------------|--------------------|
| Compensated Absences | | | | \$ 3,478,825 |
| WA State Public Works Trust Fund | 734,670 | 1986 | | 407,931 |
| Sound Investment Partnership | 190,000 | 1994 | 2000 | 0 |
| Pitney Bowes Lease | 3,173 | 1997 | 2002 | 1,617 |
| US Bank of Washington | 129,931 | 1996 | 2000 | 0 |
| Cisco Systems | 245,680 | 1999 | 2003 | 161,656 |
| KCCHA Lease-Housing Authority | 733,000 | 1995 | 2007 | 406,000 |
| Total | | | | \$ 4,456,029 |

The County has established the Road Improvement Guaranty Fund as provided by RCW 36.88.220 to finance any special assessment debt due to uncollectible assessments.

C. In prior years, the County defeased certain outstanding general obligation and sewer revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts and the defeased bonds are not included in the General Long-Term Debt Account Group or the Sewer Utility balance sheet.

D. The annual requirements to amortize all debt outstanding as of December 31, 2000, including interest, are as follows:

| Years Ending December 31, | General Obligation | Special Assessments | Revenue Bonds | Total |
|---------------------------|--------------------|---------------------|---------------|----------------|
| 2001 | \$ 10,241,185 | \$ 66,785 | \$ 3,108,963 | \$ 13,416,933 |
| 2002 | 7,190,043 | 64,855 | 3,096,367 | 10,351,265 |
| 2003 | 11,994,405 | 64,855 | 3,085,118 | 15,144,378 |
| 2004 | 6,214,700 | 124,855 | 3,154,632 | 9,494,187 |
| 2005 | 5,551,057 | 95,975 | 3,135,668 | 8,782,700 |
| Thereafter | 59,862,474 | 271,825 | 32,332,620 | 92,466,919 |
| Total | \$ 101,053,864 | \$ 689,150 | \$ 47,913,368 | \$ 149,656,382 |

E. State law provides that debt cannot be incurred in excess of the following percentages of the value of the taxable property of the county.

1.5% -Without a vote of the people

2.5% -With a vote of the people

5.0% -With a vote of the people, provided the indebtedness in excess of 2.5 percent is for utilities, parks, or open space development.

At December 31, 2000, the debt limits for the county was as follows:

| | Without a Vote | With a Vote | |
|-----------------------------|----------------|----------------|----------------|
| | | 2.50% | 5.00% |
| Legal Limit | \$ 214,378,022 | \$ 357,296,703 | \$ 714,593,406 |
| Applicable Outstanding Debt | 67,920,000 | 67,920,000 | 67,920,000 |
| Margin Available | \$ 146,458,022 | \$ 289,376,703 | \$ 646,673,406 |

- F. There are a number of other limitations and restrictions contained in the various bond indentures. The County is in compliance with all significant limitations and restrictions.
- G. On August 15, 2000, the County issued \$20,000,000 in General Obligation Bonds with an average interest rate of 4.9 percent to fund the construction of the new addition to the County Jail.

NOTE 6 - PENSION PLANS

Substantially all County full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems under cost-sharing multiple-employer defined benefit public employee 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 from the following address:

Department of Retirement systems,
Administrative Services Division,
P.O. Box 48380,
Olympia, WA 98504-8380.

The following disclosures are made following GASB Statement 27, Accounting for Pensions by State and Local Government Employers.

Public Employees' Retirement System (PERS) Plans I and II

Plan Description

PERS is a cost sharing multiple employer defined benefit pension plan. Membership in the plan includes elected officials; state employees; employees of the Supreme, Appeals, and Superior courts (other than judges in a judicial retirement system); employees of the legislative committees; college and university employees not in national higher education retirement programs; judges of district and municipal courts; non-certificated employees of school districts; and employees of local government. PERS system includes two plans. Participants, who joined the system by September 30, 1977, are Plan 1 members. Those joining thereafter are enrolled in Plan 2. Retirement benefits are financed from employee and employer contributions and investment earnings. Retirement benefits in both Plan 1 and Plan 2 are vested after completion of five years of eligible service.

Plan 1 members are eligible for retirement at any age after 30 years of service, or at age 60 with five years of service, or at age 55 with 25 years of service. The annual pension is 2 percent of the average final compensation per year of service, capped at 60 percent. If qualified, after reaching age 66 a cost-of-living allowance is granted based on years of service credit and is capped at three percent annually.

Plan 2 members may retire at age 65 with five years of service, or at age 55 with 20 years of service, with an allowance of 2 percent per year of service of the average final compensation. Plan 2 retirements prior to 65 are actuarially reduced. There is no cap on years of service credit and a cost-of-living allowance is granted, capped at three percent annually.

Funding Policy

Each biennium, the state Pension Funding Council adopts Plan 1 employers' contribution rates needed to fully amortized the total costs of the plan. Employee contribution rates for Plan 1 are established by statute at six percent and do not vary from year to year. The employer and employee contribution rates for Plan 2 are set by the director of the Department of Retirement Systems based on recommendations by the Office of the State Actuary to continue to fully fund the plan. All employers are required to contribute at the level established by the state law. The methods used to determine the contribution rates are established under state statute in accordance with Chapters 41.40 and 41.45 RCW.

The required contribution rates expressed as a percentage of current year covered payroll, as of December 31, 2000, were:

| | PERS Plan 1 | PERS Plan 2 |
|----------|-------------|-------------|
| Employer | 4.41%* | 4.41%* |
| Employee | 6.00% | 1.85% |

*The employer rates do not include the employer administrative expense fee currently set at 0.19%. Both the County and the employees made the required contributions. The County's required contributions for the years ended December 31 were:

| | PERS Plan 1 | PERS Plan 2 |
|------|-------------|--------------|
| 2000 | \$ 265,998 | \$ 1,484,944 |
| 1999 | \$ 411,655 | \$ 1,914,595 |
| 1998 | \$ 495,815 | \$ 2,168,139 |

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

Plan Description

LEOFF is a cost sharing multiple employer defined benefit pension plan. Membership in the plan includes all fulltime, fully compensated, local law enforcement officers and fire fighters. LEOFF is comprised solely of non-state employees. The LEOFF system includes two plans. Participants who joined the system by September 30, 1977 are Plan 1 members. Those joining thereafter are enrolled in Plan 2. Retirement benefits are financed from employee and employer contributions, investment earnings, and state contributions. Retirement benefits in both Plan 1 and Plan 2 are vested after completion of five years of eligible service.

Plan 1 members are eligible to retire with five years of service at age 50. The benefit per year of service is as follows, with a cost-of-living allowance granted, capped at 3 percent annually:

| Term of Service | Percent of Final Average |
|---------------------------|--------------------------|
| 20 or more years | 2.00% |
| 10 but less than 20 years | 1.50% |
| 5 but less than 10 years | 1.00% |

Plan 2 members are eligible to retire at age 50 with 20 years of service, or at age 55 with five years of service. Retirement benefits before age 55 are actuarially reduced. The benefit is 2 percent of average salary per year of service. The average salary is based on the highest five year period. There is no cap

on years of service credit and a cost-of living allowance is granted, capped at three percent annually.

Funding Policy

Plan 1 employer and employee contribution rates are established by statute at 6 percent. State contribution rates for Plan 1 are set by the Pension Funding Council to fully amortize the total costs of the plan. Employer, employee, and the state contribution rates for Plan 2 are set by the director of the Department of Retirement systems based on recommendations by the Office of the State Actuary to continue to fully fund the plan. All employers are required to contribute at the level required by the state law. The methods used to determine the contribution rates are established under state statute in accordance with chapter 41.26 and 41.45 RCW.

The required contribution rates expressed as percentage of current year covered payroll, as of December 31, 2000, were:

| | LEOFF Plan 1 | LEOFF Plan 2 |
|----------|--------------|--------------|
| Employer | 6.00%* | 3.52%* |
| Employee | 6.00% | 5.87% |

*The employer rates do not include the employer administrative expense fee currently set at 0.21%.

Both the County and the employees made the required contributions. The County's required contributions for the years ended December 31 were:

| | LEOFF Plan 1 | LEOFF Plan 2 |
|------|--------------|--------------|
| 2000 | \$ 13,991 | \$ 200,270 |
| 1999 | \$ 30,621 | \$ 197,469 |
| 1998 | \$ 38,184 | \$ 197,465 |

NOTE 7 POST EMPLOYMENT HEALTH CARE BENEFITS

In addition to the pension benefits described in Note 6, the County provides certain medical insurance benefits for retired public safety employees. Substantially the entire County's LEOFF I employees may become eligible for these benefits if they reach normal retirement age while working for the County. There are 35 participants eligible to receive these benefits. In 2000, expenditures of \$235,749 were recognized for post employment health care.

NOTE 8 DEFERRED COMPENSATION

The County offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all County employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the County (without being restricted to the provisions of benefits under the plan), subject only to the claims of the County's general creditors. Participants' rights under the plan are equal to those of general creditors of the County in an amount equal to the fair value of the deferred account for each participant.

It is the opinion of the County legal counsel that the County has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. The County believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

The investment carrying value of the plans are as follows:

| <u>Investment Company</u> | <u>Fair Value</u> |
|---------------------------------------|-------------------------|
| PEBSCO | \$ 14,019,330.00 |
| AetnaLife Insurance & Annuity Company | 3,567,981.00 |
| Hartford | 374,524.00 |
| Total | <u>\$ 17,961,835.00</u> |

NOTE 9 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS.

The County maintains four enterprise funds that provide sewer, solid waste, public assembly facility, golf recreation and surface-water management services. Segment information for the year ended December 31, 2000 is as follows:

| | Sanitary Sewer | Solid Waste | Village Greens Golf Course | Surface Water Utility | Total |
|-------------------------------|-------------------|----------------|----------------------------------|-----------------------------|---------------|
| Operating revenues | \$ 9,112,551 | \$ 2,886,179 | \$ 64,951 | \$ 4,403,643 | \$ 16,467,324 |
| Depreciation expense | 2,531,955 | 62,046 | 10,701 | 196,837 | 2,801,539 |
| Operating income/(loss) | 706,846 | 322,767 | 54,250 | 822,038 | 1,905,901 |
| Net income | 356,759 | 1,551,260 | 54,250 | 1,565,628 | 3,527,897 |
| Current capital contributions | 1,591,304 | 0 | 0 | 0 | 1,591,304 |
| Fixed asset additions | 7,734,184 | 148,232 | 0 | 502,983 | 8,385,399 |
| Net working capital | 21,943,592 | 16,942,775 | 201,200 | 7,168,801 | 46,256,368 |
| Total assets | 88,919,208 | 18,607,591 | 685,703 | 10,077,234 | 118,289,736 |
| Bonds payable | 32,642,641 | 0 | 0 | 0 | 32,642,641 |
| Total Equity | \$ 54,446,745 | \$ 18,343,550 | \$ 685,703 | \$ 9,568,103 | \$ 83,044,101 |

NOTE 10 - RISK MANAGEMENT

The Risk Management Division was formed to protect the County against the financial consequences of catastrophic accidental losses and to preserve County assets. The Risk Management Program is funded through the Workers' Compensation Operating Fund and the Self-Insurance Operating Fund, both of which are Internal Service Funds. Risk Management funds the workers' compensation program through inter-fund assessments based on occupational codes and employee hours worked. The assessment rates are approved annually by Board resolution.

The Workers' Compensation fund provides revenue to operate the County's program of self-insurance as allowed by State statute. The Risk Management Program sets reserves based on actuarial studies of loss history. As of December 31, 2000, the County's estimated total undiscounted outstanding liability for the workers' compensation program is approximately \$1,115,000. This program is funded in at less than 60% confidence level. The County is increasing the funding level to 80% through increased assessments to the County's departments.

Eberle Vivian Self-insurance Administrators, an independent adjusting firm, administer the Kitsap County workers' compensation claims.

The Self-Insurance Operating Fund is funded by assessments to all County funds based on an allocation formula that includes each department's exposures and loss history. As of December 31, 2000, the County's estimated total outstanding liability is \$2,332,000. This exposure is currently funded at the 90% confidence level.

The Self-Insurance program provides claims management for liability, first party property, errors and omissions, employee dishonesty and volunteer medical and liability claims, as well as the purchase of insurance, setting actuarially determined claims reserves, loss control services, safety compliance, contract review and participation in the Washington Counties Risk Pool (WCRP).

RCW 48.62 authorizes the governing body of any governmental entities to form together or join a pool for the joint purchasing of insurance and/or self-insuring to the same extent that they may individually purchase insurance or self-insure. The Washington Counties Risk Pool was formed on August 18, 1988, when several counties including Kitsap County signed

an inter-local agreement pursuant to RCW 39.34. WCRP currently has twenty-five member counties who jointly purchase insurance and self-insure.

Member counties make an annual contribution to fund the pool. Members may elect deductible amounts ranging from \$5,000 to \$250,000 per occurrence. Kitsap County currently has a \$100,000 per occurrence deductible. The WCRP is responsible for the excess of claim over the \$100,000 deductible. WCRP acquires reinsurance from unrelated underwriters for all occurrences above \$100,000 to policy limits. The reinsurance policy follows the form of the WCRP policy and provides coverage on an occurrence basis.

Because WCRP is a cooperative program, there is joint liability among the participating members. Member counties contract to remain in the pool for a minimum of five years and must give one-year notice before terminating their membership. The inter-local agreement is renewed automatically each year until terminated. Even after termination, a member county is still responsible for contributions to the pool for any unresolved, unreported and in-process claims for the period that it was a signatory to the inter-local agreement.

A board of directors that is comprised of one designated representative from each participating county governs the WCRP. An executive committee is elected at the annual meeting, and is responsible for conducting the business affairs of the pool.

Kitsap County notifies the WCRP of every liability claim filed against the County. WCRP and Kitsap Risk Management jointly manage personal injury claims and assign an independent adjuster to all bodily injury claims. Kitsap County manages minor property damage claims in-house.

NOTE 11 - INTERFUND TRANSACTIONS AND BALANCES

1) Interfund Loan Receivable/Payable.

Interfund Loan is created as a result of a cash or asset transfer from one fund to the other resulting in a subsequent promise of repayment. Interfund loans do not affect the fund equity.

2) Advances To/From Other Funds.

| | Advance To | Advance From |
|-----------------------|------------|--------------|
| General Funds | \$ 200,000 | \$ 0 |
| CDBG Entitlement Fund | 0 | 100,000 |
| Veterans Relief | 0 | 40,000 |
| HOME Entitlement | 0 | 30,000 |
| JTPA Administration | 0 | 30,000 |
| Total | \$ 200,000 | \$ 200,000 |

3) Equity Transfers.

Interfund operating transfers represent subsidies and contributions provided to operating funds and capital project funds with no corresponding debt or promise to repay. Interfund equity transfers occurring between individual funds during the year ended December 31, 2000 are as follows:

| | Equity Transfers | |
|-----------------------------|------------------|------------|
| | In | Out |
| Sewer Utility | \$ 180,744 | \$ 0 |
| Sewer Construction | | 51,899 |
| Silver Ridge ULID #7 Const. | | 128,845 |
| | \$ 180,744 | \$ 180,744 |

4) Due From Other Funds/Due To Other Funds.

Due From and Due to Other Funds are created from interfund transactions, which usually involve the exchange of goods or services in a normal business relationship. The following are the current interfund balances at December 31, 2000.

| Funds | Due From Other Funds | Due to Other Funds |
|--------------------------------------|-------------------------|-----------------------|
| General Fund | \$ 828,343 | \$ 139,394 |
| Special Revenue Funds | | |
| Road Department | 311,063 | 621,712 |
| County Road Construction | 0 | 214,429 |
| CENCOM | 3,320 | 45,095 |
| Emergency Management | | 5,135 |
| Special Purpose Path | 1,591 | 0 |
| KPREP | | 2,000 |
| Human Resources Board | | 2,237 |
| WESTNET | | 2,550 |
| SIU Revenue | 2,550 | 2,316 |
| Family Court Services | 2,584 | 45 |
| Pooling Fees | 0 | 116 |
| Recovery Center | 184,276 | 25,089 |
| CDBG Entitlement Fund | 5,794 | 7,277 |
| Home Entitlement | 0 | 5,966 |
| Mental Health | 1,118 | 15,121 |
| Developmental Disabilities | 1,119 | 3,705 |
| Substance Abuse | 0 | 221,581 |
| Commute Trip Reduction | 0 | 6,414 |
| Area Agency on Aging | 0 | 25,904 |
| JTPA Administration | 0 | 13,245 |
| Kitsap/Regional Coordinating Council | 0 | 793 |
| Capital Project Funds: | | |
| 1991 LTGO Bond Prog Constr. | 0 | 1,608 |
| 1999B LTGO Bond Prject | 0 | 6,389 |
| Parks Capital Improvement | 1,608 | 27,270 |
| Enterprise Funds: | | |
| Solid Waste | 19,515 | 50,002 |
| Sewer Utility | 29,943 | 589,156 |
| Sewer Construction | 321,846 | 0 |
| Solid Waste Capital Improvement | 0 | 26,704 |
| Surface/Storm Water Mgmt Program | 12,548 | 250,041 |
| SSWM Program Capital Fund | 0 | 486 |
| Internal Service Funds: | | |
| Equipment Rental | 552,501 | 144,143 |
| Worker's Compensation | 0 | 10,817 |
| Purchasing | 0 | 7,103 |
| Self-Insurance | 627 | 2,308 |
| Telecommunication | 54,157 | 9,161 |
| Information Services | 0 | 19,109 |
| Agency Fund | 169,918 | 0 |
| TOTALS | \$ 2,504,421 | \$ 2,504,421 |

5) Operating Transfers.

Interfund operating transfers represent subsidies and contributions provided to operating funds and capital project funds with no corresponding debt or promise to repay. Operating transfers occurring between individual funds during the year ended December 31, 2000 are as follows:

| | Operating Transfers | |
|-------------------------------|---------------------|---------------|
| | In | Out |
| General Fund | \$ 450,644 | \$ 1,246,606 |
| County Roads | | 2,905,830 |
| County Roads construction | 2,665,698 | |
| Cencom Operations | 1,724,385 | |
| Emergency Services | 163,511 | |
| Auditor's Doc. Preservation | | 91,630 |
| Conservation Futures Tax | | 894,449 |
| Real Estate Excise Tax | | 2,409,973 |
| Kitsap County Stadium | | 22,698 |
| Cumulative Reserve | | 73,304 |
| Antiprofitteering Revolving | | 119,300 |
| 911 Enhancement | | 1,454,798 |
| Recovery Center | 655,537 | |
| Jail & Juvenile Sales Tax | | 750,000 |
| Mental Health | 7,500 | |
| Substance Abuse Treatment | 18,564 | 728,916 |
| Commute Trip Reduction | 22,110 | |
| KC GO Bond RED 89 - Silvr Ctr | 67,308 | |
| KC GO Bond RED 90B - Off Bldg | 219,323 | |
| KC GO Bond RED 91A - Rec Fac | 363,235 | |
| KC GO Bond RED 92A - Various | 604,959 | |
| KC GO Refunding Bond 93 | 659,224 | |
| Juvenile Services Bonds | | 75,000 |
| KC GO Refunding Bond 96 | 506,731 | |
| LTGO Bond Fund '98 | 424,087 | |
| LTGO Bond Fund '99 | 392,477 | |
| LTGO Bond Fund '99B | 1,001,360 | |
| LTGO Bond Fund '97 | 791,748 | |
| Model Toxic Control Act fund | | 220,656 |
| Juvenile Services Facility | | 60,000 |
| Jail Construction | 750,000 | |
| Solid Waste | | 648,102 |
| Sewer Utility | | 2,874,469 |
| Sewer Revenue Bond 96 | 1,787,915 | |
| Sewer Revenue Bond 99 | 852,345 | |
| Sewer Repair & Replacement | 60,000 | |
| Sewer GO Bds 79 CK | 125,943 | |
| Solid Waste Planning Reserve | 75,000 | |
| Solid Waste Capital Imp. | 306,000 | |
| Landfill Post Closure Res. | 209,895 | |
| Surface/Stormwater Mgmt Prog | | 925,000 |
| SSWM Program Capital Fund | 925,000 | |
| Equipment Rental & Revolving | | 3,756 |
| Information Services | | 326,012 |
| Total Transfers | \$ 15,830,499 | \$ 15,830,499 |

NOTE 12 - LEASES

To account for financing leases and lease purchases in governmental funds, the county charges payments made or due during the fiscal period as debt service. The present value of payments due in future periods is shown as a liability in the general long-term debt account group and the cost of the asset is recorded in the general fixed asset account group.

In the proprietary funds, capital leases are recorded as assets and as long-term liabilities at the present value of the future lease payments when the asset is received. The fund records lease payments as reductions of the long-term liability and as interest expense over the life of the lease. The fund also records depreciation expense to amortize the assets over the lease term or over the life of the asset.

The following is the County's capital lease obligations as of December 31, 2000:

Minimum Capital Lease Payments

| | Long-term Debt <u>Account Group</u> | Proprietary <u>Funds</u> |
|------------------------------|--|-----------------------------|
| 2001 | \$ 59,192 | \$ 54,695 |
| 2002 | 58,894 | 54,695 |
| 2003 | 58,000 | 54,695 |
| Thereafter | 232,000 | 9,116 |
| Total Minimum Lease Payments | 408,086 | 173,201 |
| Less Interest | (469) | (11,545) |
| Principal | <u>\$ 407,617</u> | <u>\$ 161,656</u> |

NOTE 13 - CONTRIBUTED CAPITAL

Changes to contributed capital during 2000 are as follows:

Enterprise Funds

| Source | Sanitary Sewer | Solid Waste | Village Green Golf Course | Surface Water Utility |
|-----------------------------------|-------------------|----------------|---------------------------------|-----------------------------|
| Customers & Developers | \$ 523,964 | \$ 0 | \$ 0 | \$ 0 |
| Government | 1,067,339 | 0 | 0 | 0 |
| Less: Amortization of Cap. Grants | (2,216,671) | (40,244) | 0 | 0 |
| Total Changes | (625,368) | (40,244) | 0 | 0 |
| Contributed Capital January 1 | 40,621,524 | 293,469 | 110,360 | 0 |
| Contributed Capital December 31 | \$ 39,996,156 | \$ 253,225 | \$ 110,360 | \$ 0 |

Internal Service
Funds

| Source | Equip. Rental and Revolving | Workers Compensation | Purchasing | Self Insurance | Telecom- munications | Data Processing |
|---------------------------------|--------------------------------|-------------------------|------------|-------------------|-------------------------|--------------------|
| Government | \$ 63,074 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 49,035 |
| Total Charges | 63,074 | 0 | 0 | 0 | 0 | 49,035 |
| Contributed Capital January 1 | 2,464,058 | 0 | 54,149 | 2,759 | 380,821 | 1,276,748 |
| Contributed Capital December 31 | \$ 2,527,132 | \$ 0 | \$ 54,149 | \$ 2,759 | \$ 380,821 | \$ 1,325,783 |

NOTE 14 - CONTINGENT LIABILITIES

There are several lawsuits in which the County is involved. The County Attorney estimates that the potential claims against the County, which may not be covered by insurance resulting from such litigation, would not materially effect the financial statements of the County.

NOTE 15 – PRIOR PERIOD ADJUSTMENT**Sanitary Sewer Fund**

Interest on special assessments that should not have been recorded was recorded last year. We are reversing the entry. We are also adjusting for the difference in the physical count and reconciliation of the equipment record from our old accounting system and the new JD Edwards system.