

Kitsap County, Washington

The Popular Annual Financial Report

for the fiscal year ending December 31, 2017



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To the Citizens of Kitsap County, Washington:

The Kitsap County Auditor's Office is committed to open, transparent government that is accessible to all citizens. That is why the Auditor's Office takes the extra time to compile this version. I am proud to present the sixth annual Popular Annual Financial Report (PAFR) to you.

The PAFR is a simplified financial report designed to improve your understanding of Kitsap's finances. Within this report, you will find information about the county's organizational structure, revenues, expenses and much more. The 2016 PAFR received an award for Outstanding Achievement in Popular Annual Financial Reporting from the Government Finance Officers Association. I hope you find this report just as informative as last year's.

All of the information is derived from the Kitsap's Comprehensive Annual Financial Report (CAFR) for the fiscal year ending December 31, 2017. The CAFR, which was prepared by the County Auditor's Office, is presented in accordance with Generally Accepted Accounting Principles (GAAP). The State Auditor's Office audited the CAFR and awarding it the highest level, "unqualified review".

For the past 20 consecutive years, Kitsap County has received the Certificate of Excellence in Financial Reporting from the Government Finance Officers Association for its CAFR. This Certificate is among the highest forms of recognition in governmental accounting and financial reporting in North America.

This report and the CAFR are available on our website or by contacting our office. Should you have any comments or suggestions about this report, please do not hesitate to contact me. I am honored and humbled that the citizens of Kitsap County have entrusted me with the duties and responsibilities of Auditor of the County.

Sincerely,

Dolores Gilmore



About This Report

Kitsap County Auditor | Financial Division

August 28, 2018

The County Auditor's Office is pleased to present the Popular Annual Financial Report (PAFR) of Kitsap County for the year ended December 31, 2017. This version is based upon the 2017 Kitsap County Comprehensive Annual Financial Report (CAFR). It is designed to provide the public, who may not be as familiar with financial reports as a Certified Public Accountant or Financial Professional, insights into the financial health of the county.

This report includes an overview of Kitsap County; budget comparisons for Fiscal Years 2016 and 2017; statement of net position (assets and liabilities); statement of activities (income statement); revenue and expenditures; propriety operations (user-financed); investment policy; assets; liabilities; and property tax comparisons.

This report is unaudited and does not include many important disclosures and other financial information that is required by Generally Accepted Accounting Principles (GAAP). As this report is only a summary of the County's financial information, users who desire additional information should refer to the County's audited CAFR.



Photo taken by J. Stephen



Photo taken by J. Stephen

“The landscape you grow up in speaks to you in a way that nowhere else does.”

- Molly Parker

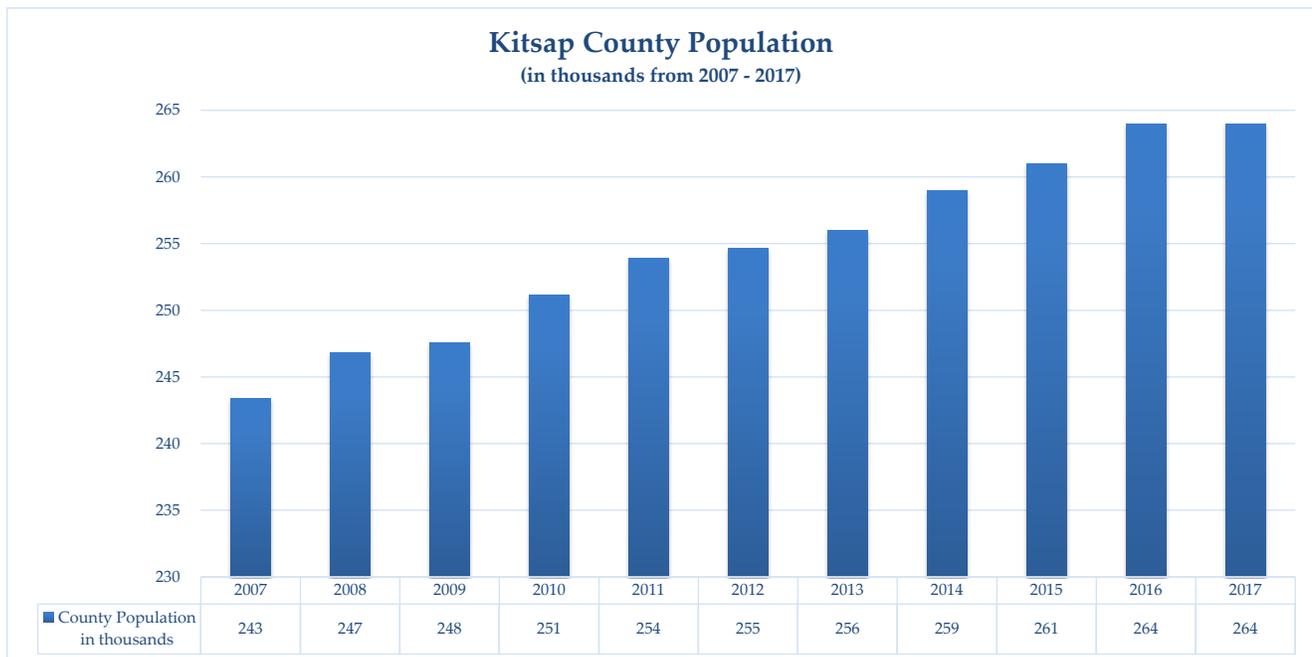
Profile of Kitsap County

Kitsap County Auditor | Financial Division

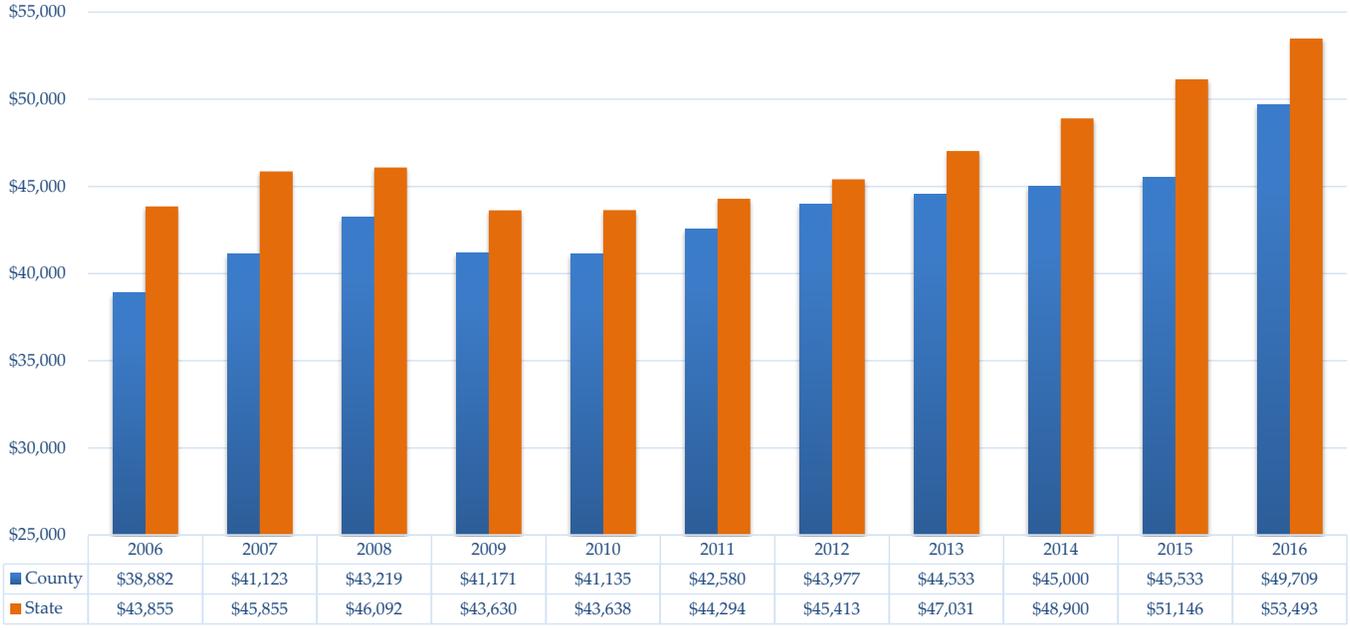
Incorporated in 1857 as a county prescribed by the state statute, Kitsap County is a special place triangulated between Seattle to the East, Tacoma to the South and Hood Canal and the Olympic Mountains to the West.

The topography is mostly rolling hills separated by valleys and bays, with altitudes from sea level to the 1,761 feet of the Green and Gold Mountains. The benefits provided by Kitsap County are public safety; construction and maintenance of highways, streets, and other infrastructure; judicial administration; planning and development; parks and recreation; health and social services; sewer services; conveying the people’s voice in selecting their representative government and ensuring the integrity of the people’s historic birth, death, marriage, real estate and election records; and general administrative services defined by statute.

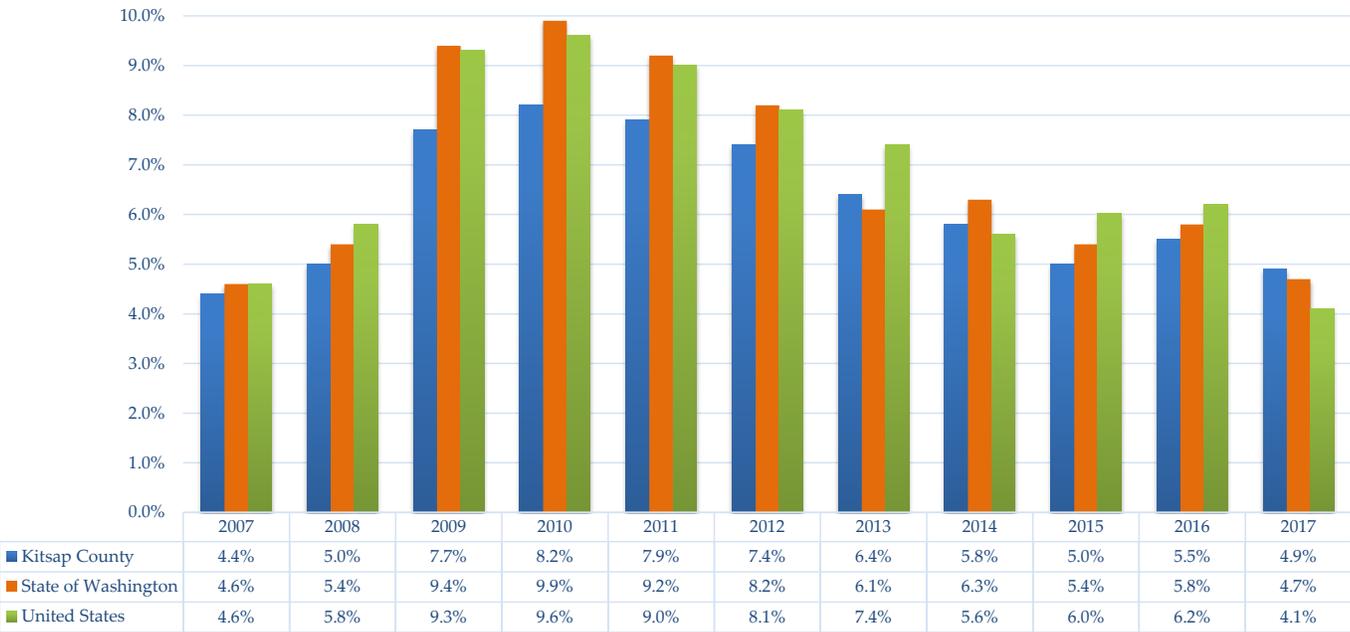
Locally elected officials include a three-member Board of County Commissioners, the County Assessor, Auditor, Clerk, Coroner, Prosecuting Attorney, Sheriff, Treasurer, eight Superior Court Judges, and four District Court Judges. Policy-making and legislative authority are vested in the governing Board of County Commissioners, which are all elected at-large on a partisan basis for four-year terms and the chair is elected by the majority vote of the Board members. The Board appoints the County Administrator. The County Administrator serves the Board by overseeing its departments and providing leadership for the general administration of the County.



Kitsap vs. Washington State Per Capita Personal Income



Kitsap vs. Washington vs. United States Unemployment Rates



Population

Kitsap County has the seventh largest population of Washington State's 39 counties. In 2017, the County's population decreased to an estimated 264,300 which was slightly down by 511 from last year. We have the third highest population density in the state of Washington, only surpassed by King and Clark Counties.

Employment

All employment categories experienced minor increase in 2017. Total employment in 2017 was 118,739, an increase of 6,499 from last year. Unemployment dropped by .7% to 4.9%. Kitsap County remains strong due to the availability of a well-trained, highly motivated workforce.

Construction

New construction property values climbed to \$343 million which was up 46.3% from last year. The assessed value of all properties in Kitsap County totaled \$34.18 billion which was up 9% from last year. New construction is an important economic indicator that affects county planning. For example, the County issued 2,927 building permits which were up 14% from last year. These positive trends are used to forecast future growth in the County property tax base.

Sales Tax Revenue

The overall condition of the economy led to an increase in consumer confidence, which led to increased retail sales and sales tax for 2017. Sales tax revenue was \$37,704,888 which was a 4.6% increase from last year. Based upon current economic forecasts, total sales tax revenues are expected to gradually increase in 2018.

Growth in Expenses

There are concerns that growth in revenues will not keep up with growth in expenses, even during this economic rebound. This is an issue that will be monitored closely, along with annexations by cities, because this will impact the County's operations, services, and programs.



“The greatness of community is most accurately measured by the compassionate actions of its members.”

- Coretta Scott King



Governmental Functions

Kitsap County Auditor | Financial Division

Kitsap County provides a variety of essential services to its citizens:

General Government includes services for the general operations of the county including Commissioners, Assessor's, Auditor's, Prosecutor's and Treasurer's office operations as well as Budget, Facilities, Personnel and other general operations.

Judicial Services include operations of the Clerk's Office as well as District, Juvenile and Superior Court operations.

Public Safety includes law enforcement, corrections, detention, emergency services, juvenile services, coroner operations and boating safety.

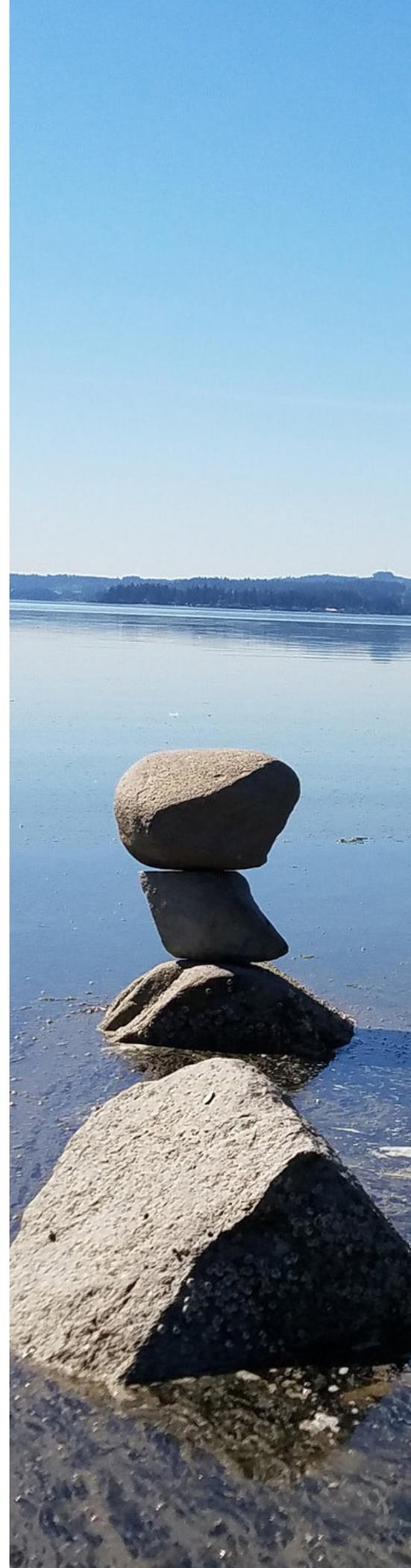
Physical Environment includes a portion of the operation of the Community Development Department, as well as noxious weed control.

Transportation includes countywide road and transit systems. Transportation services include construction and maintenance of roads and streets to ensure safety and proper movement of traffic.

Health & Human Services include services for care, treatment, and control of human illness, injury, or disability as well as employment training. These services are mental health, developmental disabilities, substance abuse, aging, employment training, recovery center operation and Veteran's relief.

Economic Environment includes the remainder of the Department of Community Development and Community Development and Home Entitlement block grants as well as the operating expenditures of the Kitsap Regional Coordinating Council.

Culture and Recreation include services provided through the Parks and Recreation programs as well as operations of the annual fair and operations of all parks facilities and capital costs related to parks projects.



Elected Officials

Kitsap County Auditor | Financial Division



Robert Gelder, Edward Wolfe, and Charlotte Garrido are the Kitsap County Commissioners. (left to right)

The three-member board, elected on a countywide basis for four-year terms, governs and legislates Kitsap County. The County Commissioners provide budget and funding for various county departments and for the other elected officials.



Phil Cook, Assessor

The primary role of the assessor is to establish an assessed valuation of all real and personal property for tax purposes. The values are used to calculate and set levy rates for the various taxing districts. The Assessor's office appraises property both by physical inspection and by market activity.



Dolores Gilmore, Auditor

The Auditor conducts all elections in Kitsap County, is the recorder of deeds and other instruments, which are required by law to be filed and recorded in and for the county. The auditor prepares and files annual financial statements with the state auditor, and oversees the payroll and accounts payable functions of the county.



Alison H. Sonntag, Clerk

The Clerk serves as the official record keeper for the Superior and District Courts. The Clerk also manages the jury system as well as public defenders and passport services.



Tina Robinson, Prosecutor

The Prosecutor is charged with trying all felonies and misdemeanors in Kitsap County, as well as advising and representing all of the county's elected officials and departments. Legal advice is provided to all county law enforcement agencies, establishes and enforces child support obligations and witness assistance services.



Gary Simpson, Sheriff

The Sheriff provides law enforcement services, including uniformed police response, correctional and work release facilities, traffic enforcement and collision investigation, criminal records and civil service processing, property and evidence security, criminal investigations, court security and special enforcement programs.



Meredith Green, CPA, Treasurer

The Treasurer acts as the bank for the county, school districts, fire districts, water districts, and other local governments. The Treasurer receives, disburses, invests, and accounts for the funds of each entity within the county's jurisdiction.

Elected Officials of Kitsap County – The Courts

The Superior Court has general jurisdiction as authorized by the constitution and laws of the state of Washington. This means there is no limit on the types of civil and criminal cases heard. The court resolves felony matters, civil disputes, juvenile matters, domestic relations cases, adoptions, guardianship and probate matters, domestic violence, mental health cases and appeals from courts of limited jurisdiction.



Judge Jeffrey P. Bassett



Judge Jeanette Dalton



Judge Jennifer A. Forbes



Judge Melissa A. Hemstreet



Judge William C. Houser



Judge Kevin D. Hull



Judge Leila Mills



Judge Sally F. Olsen

The District Court judges oversee the district court system which has long been called the “people’s court.” District court has a wide variety of matters over which they have jurisdiction, including misdemeanors, and gross misdemeanor crimes. The most common criminal charges include domestic violence, assault, theft, DUIs and driving without a license. Traffic infractions include speeding, license tab charges and equipment violations. District Court also oversees probation services. The Civil Division processes small claims not exceeding \$5,000 and civil actions not exceeding \$75,000.



Judge Claire Bradley



Judge Kevin P. Kelly



Judge Jeffrey Jahns



Judge Marilyn Paja

Fiscal Responsibility

Kitsap County Auditor | Financial Division

Fiscal Responsibility

The county's \$378 million annual budget is spread among approximately 105 "funds," which record revenues and pay expenses associated with various programs. The county's annual budget serves as the foundation of Kitsap's financial planning and control. State law (RCW 36.40) establishes the general requirements of Kitsap County's budget process. The law requires that the Board of Commissioners adopt a final budget by no later than the close of the fiscal year.

The budget is adopted and systematically monitored on the fund level for special revenue and capital projects funds and on a departmental level for the general fund. Personnel service costs in each fund are controlled by position. The acquisition of capital items are approved on an item-by-item basis in accordance with a long-term capital acquisition plan.

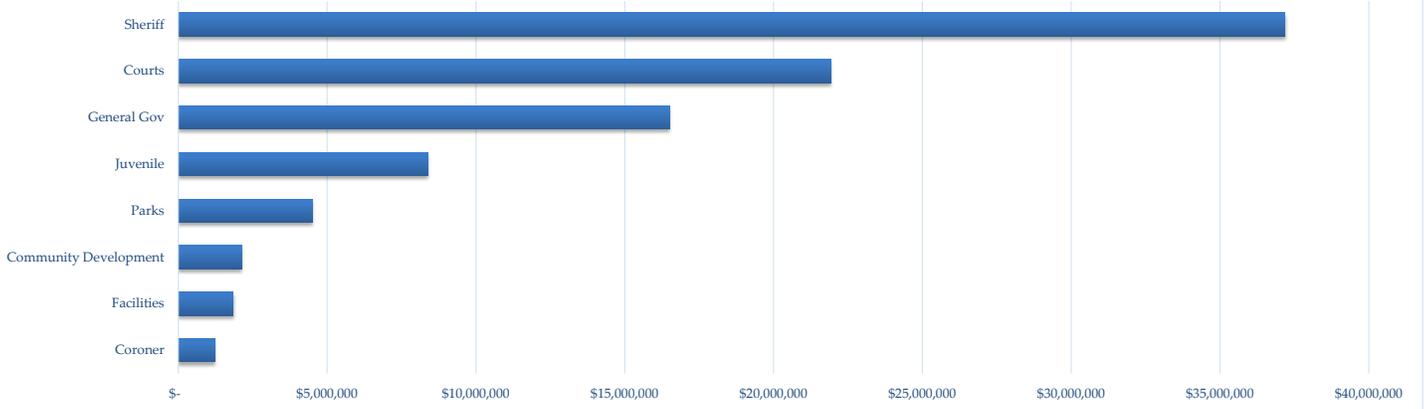
The CAFR includes budget-to-actual comparisons. These comparisons examine budgeted revenue and expenses with actual revenue and expenses.

The State Auditor's Office audits Kitsap County's annual budget every year to ensure the budget is compliant with state law and Generally Accepted Accounting Principles (GAAP).

Fund Type	Funds by Activity	Adopted FY2017	Adopted FY2016
General		\$ 93.68	\$ 89.29
Special Revenue	Transportation	\$ 50.16	\$ 48.40
	Emergency Services*	\$ 1.12	\$ 12.86
	Special Revenue Grants	\$ 71.94	\$ 62.32
	Community Development	\$ 6.86	\$ 8.87
	Public Safety	\$ 6.19	\$ 5.93
	Real Estate Excise Tax	\$ 3.90	\$ 3.54
	Impact Fees	\$ 0.19	\$ 0.18
	Other Special Revenue	\$ 10.66	\$ 11.01
Debt Service		\$ 9.94	\$ 9.98
Capital		\$ 4.58	\$ 2.47
Enterprise	Solid Waste	\$ 20.06	\$ 19.56
	Sewer Utilities	\$ 45.06	\$ 55.36
	Surface water	\$ 12.62	\$ 13.56
Internal Service		\$ 41.71	\$ 42.10
Totals		\$ 378.67	\$ 385.43

* In 2017, Kitsap 911, formerly County Department Cencom, left the county and began operations as the independent entity.

2017 General Fund Budgeted Expenditures



	Coroner	Facilities	Community Development	Parks	Juvenile	General Gov	Courts	Sheriff
■ Budgeted Expenditures	\$1,235,933	\$1,846,389	\$2,121,438	\$4,499,425	\$8,390,614	\$16,497,346	\$21,926,363	\$37,184,559



Summary of Financial Information

Kitsap County Auditor | Financial Division

Summary of Financial Information

This section includes a Condensed Statement of Net Position. This statement includes information on all the assets and liabilities of the county, with the difference between assets and liabilities reported as Net Position.

Condensed Statement of Net Position

The Condensed Statement of Net Position below includes information on all assets and liabilities of the county, with the difference between assets and liabilities reported as Net position. Figures are reported in millions of dollars.

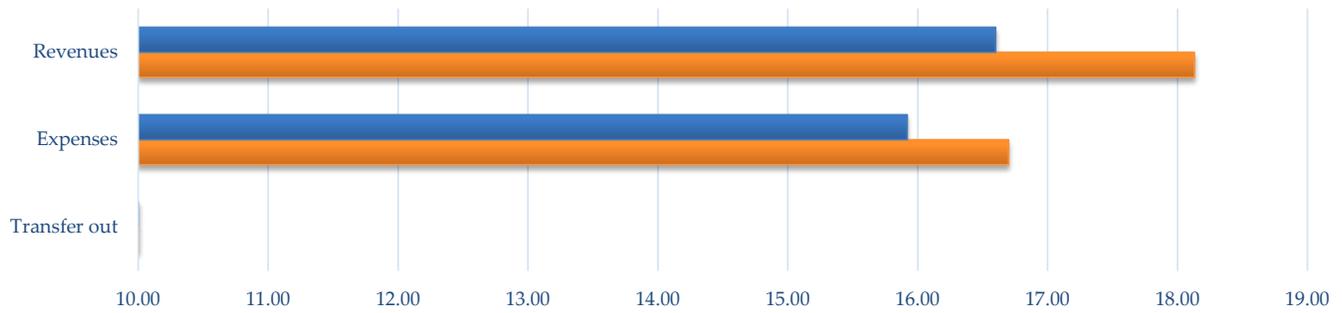
Statement of Net Position					
Assets:	Governmental Activities	Business-type Activity	Total		
			2017	2016	
Cash and investments	\$ 149.93	\$ 67.88	\$ 217.81	\$ 213.52	
Receivables, net	\$ 9.65	\$ 3.27	\$ 12.92	\$ 7.01	
Capital assets, net	\$ 397.39	\$ 153.55	\$ 550.94	\$ 535.90	
Other assets	\$ 51.77	\$ 0.03	\$ 51.80	\$ 46.29	
Total assets	\$ 608.74	\$ 224.73	\$ 833.47	\$ 802.72	
Deferred outflows	\$ 7.41	\$ 0.92	\$ 8.33	\$ 13.40	
Liabilities:					
Short term liabilities	\$ 31.37	\$ 6.53	\$ 37.90	\$ 38.15	
Long-term liabilities	\$ 126.16	\$ 69.16	\$ 195.32	\$ 221.12	
Total liabilities	\$ 157.53	\$ 75.69	\$ 233.22	\$ 259.27	
Deferred inflows:	\$ 11.05	\$ 1.14	\$ 12.19	\$ 3.68	
Net position	\$ 447.57	\$ 148.82	\$ 596.39	\$ 553.17	

Statement of Activities

The Condensed Statement of Activities below presents information on all revenues and expenses of the county and the change in Net Position. Figures are reported in millions of dollars.

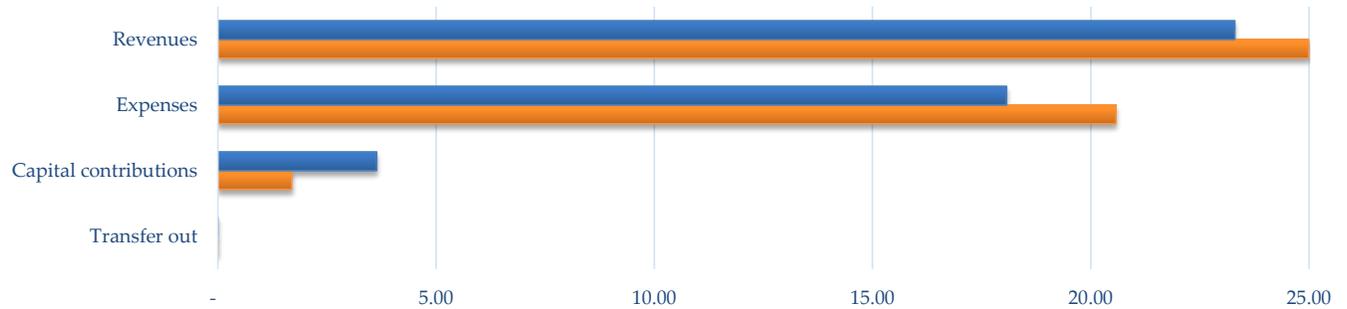
Statements of Activities					
Assets:	Governmental Activities	Business-type Activity	Total		
			2017	2016	
Expenses	\$ 217.75	\$ 46.78	\$ 264.53	\$ 265.69	
Revenues	\$ 244.71	\$ 55.45	\$ 300.16	\$ 289.82	
Change in Net Position	\$ 26.96	\$ 8.67	\$ 35.63	\$ 24.13	

Solid Waste



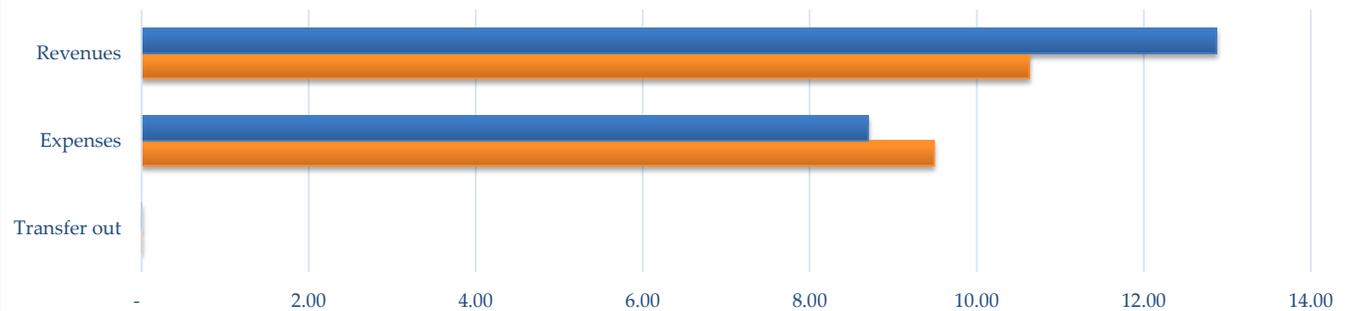
	Transfer out	Expenses	Revenues
■ 2016	-	15.92	16.60
■ 2017	-	16.70	18.13

Sanitary Sewer



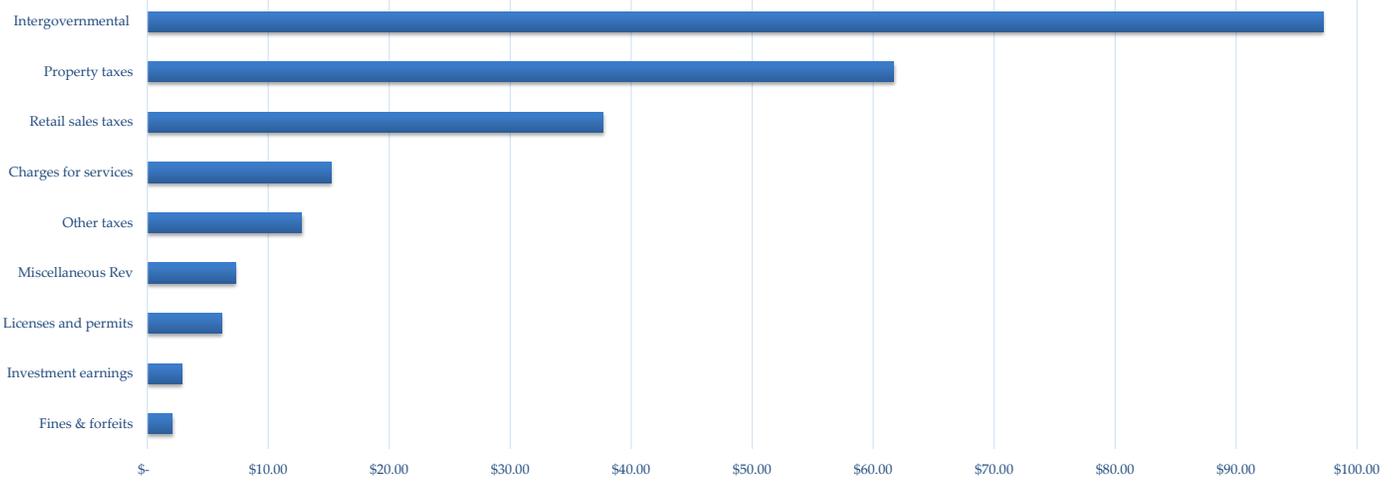
	Transfer out	Capital contributions	Expenses	Revenues
■ 2016	(0.14)	3.64	18.07	\$23.30
■ 2017	(0.16)	1.69	20.58	\$24.99

Surface Water Utility



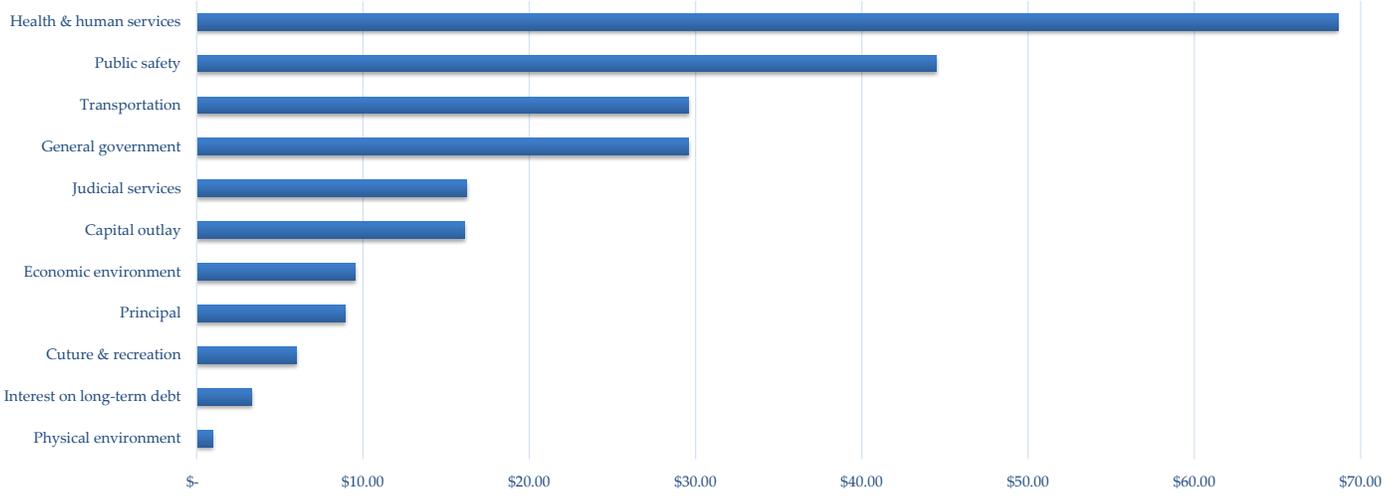
	Transfer out	Expenses	Revenues
■ 2016	(0.21)	8.70	\$12.87
■ 2017	(0.23)	9.49	\$10.63

Governmental Funds Revenue Fiscal Year 2017 (Figures in Millions)



	Fines & forfeits	Investment earnings	Licenses and permits	Miscellaneous Rev	Other taxes	Charges for services	Retail sales taxes	Property taxes	Intergovernmental
■ Sales	\$2.08	\$2.84	\$6.17	\$7.33	\$12.77	\$15.20	\$37.70	\$61.72	\$97.20

Governmental Funds Expenditures Fiscal Year 2017 (Figures in Millions)



	Physical environment	Interest on long-term debt	Culture & recreation	Principal	Economic environment	Capital outlay	Judicial services	General government	Transportation	Public safety	Health & human services
■ Expenditures	\$0.98	\$3.33	\$6.01	\$8.92	\$9.55	\$16.11	\$16.25	\$29.57	\$29.59	\$44.47	\$68.63

Investment Policy

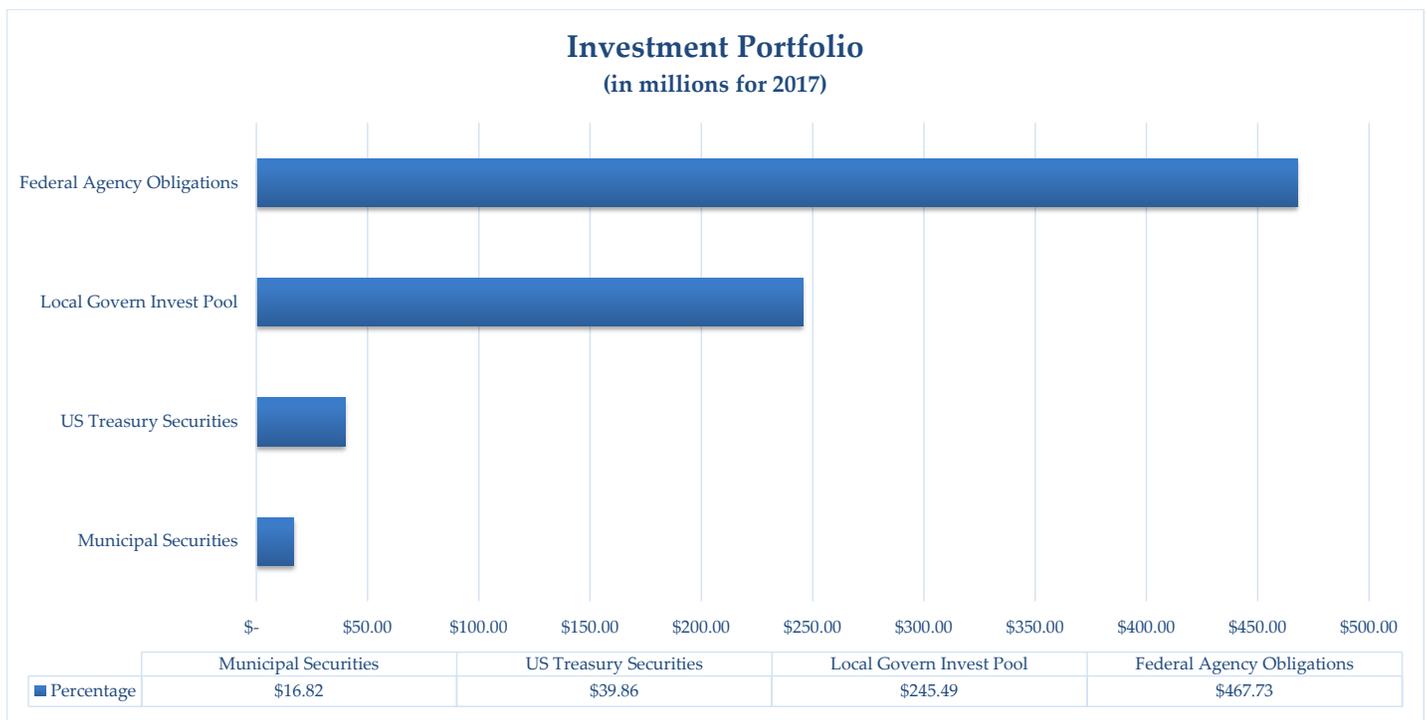
Kitsap County Auditor | Financial Division

Investment Policy

Kitsap County’s deposits and certificates of deposit are entirely covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool. This pool is administered by the Washington Public Deposit Protection Commission (PDPC).

As allowed by the state statute, all investments of the County’s funds are obligations of the U.S. Government, U.S. agency issues, the Washington State Local Government Investment Pool (LGIP), certificates of deposit, municipal obligations or money market deposits with Washington state banks and savings and loan institutions.

At year-end, Kitsap held the following investment balances. These balances include investments held by the county as agent for other local governments:



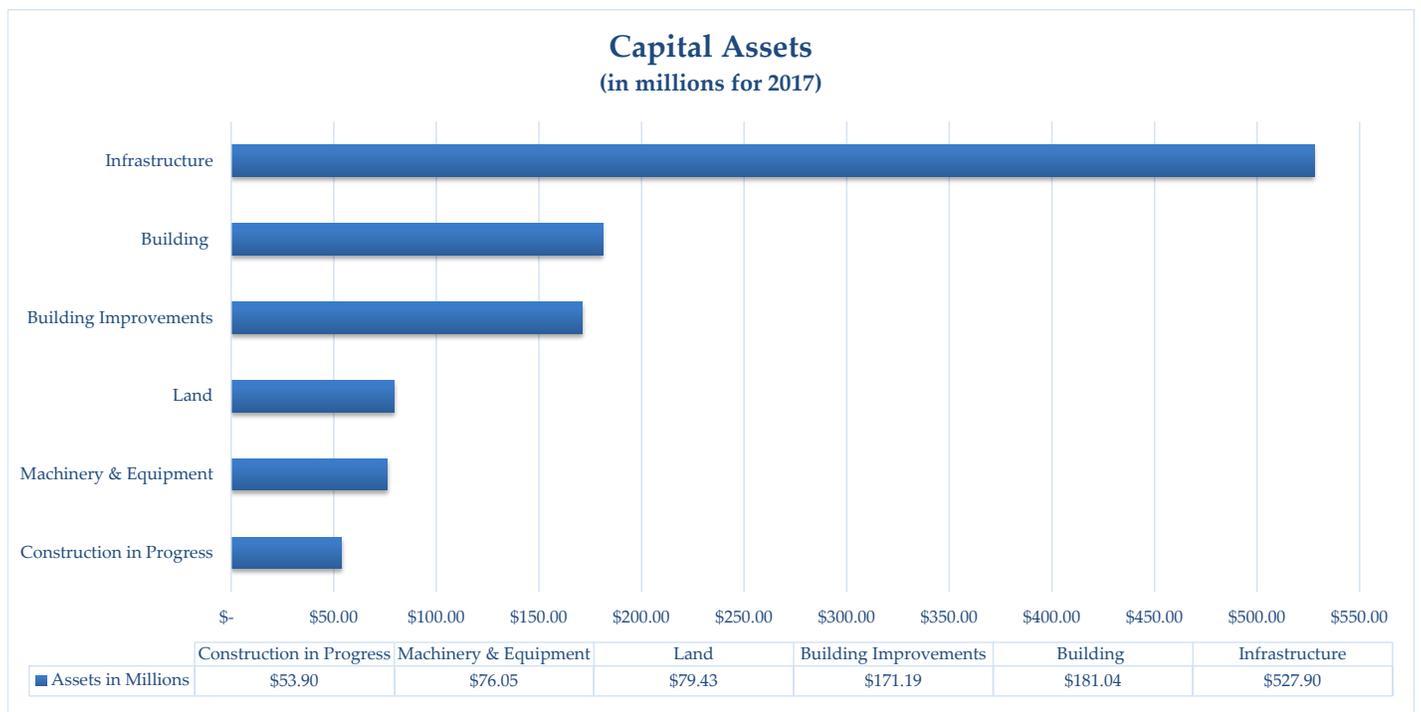
Capital Assets Activity

Kitsap County Auditor | Financial Division

Capital Asset Activity

The County's total investment in capital assets as of December 31, 2017 amounted to \$1.09 billion, \$551 million net of accumulated depreciation. This investment includes land, infrastructure, buildings and improvements, machinery and equipment and construction in progress. Major additions for the year included:

- Various infrastructure projects completed \$38.15 million
- Purchased land for conservation purposes \$5.31 million
- Updated equipment rental fleet \$3.8 million



Long-term Liabilities

There are numerous types of long-term liabilities – or debts – the county is required to pay. The County acquires debt as part of its regular operations. These long-term liabilities are paid over a period of time one year or greater. As of December 31, 2017, the County had \$205.24 million in outstanding debt of which \$10.18 million will mature during the fiscal year 2018.

Long-term Liabilities (in millions)							
Assets:	Governmental Activities		Business-type Activity		Total		% of Change
	2017	2016	2017	2016	2017	2016	
Bonds Payable	72.27	\$ 80.27	\$ 56.89	\$ 58.72	\$ 129.16	\$ 138.99	-7%
Notes Payable	1.79	\$ 1.88	\$ -	\$ -	\$ 1.79	\$ 1.88	-5%
Other Liabilities	58.98	\$ 72.02	\$ 15.32	\$ 17.82	\$ 74.30	\$ 89.84	-17%
Total	133.04	154.17	72.21	76.54	205.25	230.71	-11%



Photo taken by J. Stephen

“The best way to find yourself is to lose yourself in the service of others.”

- Mahatma Gandhi

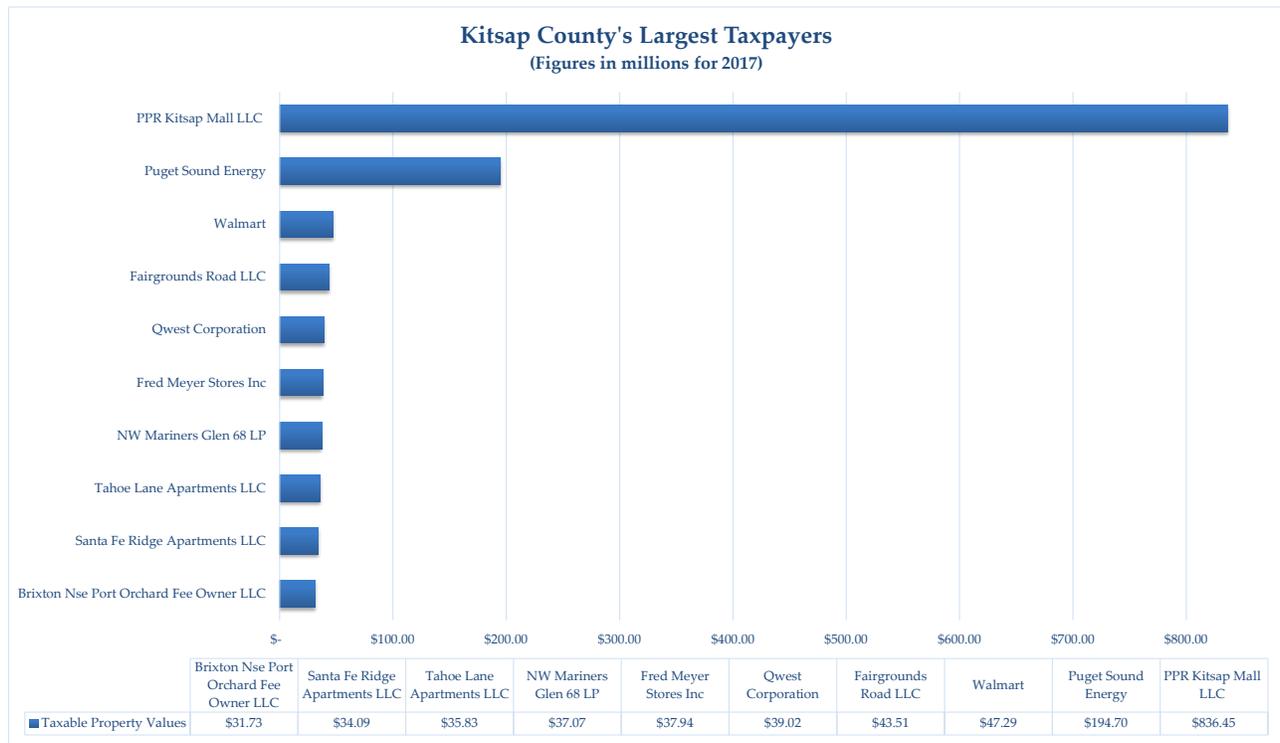
Property Tax Information

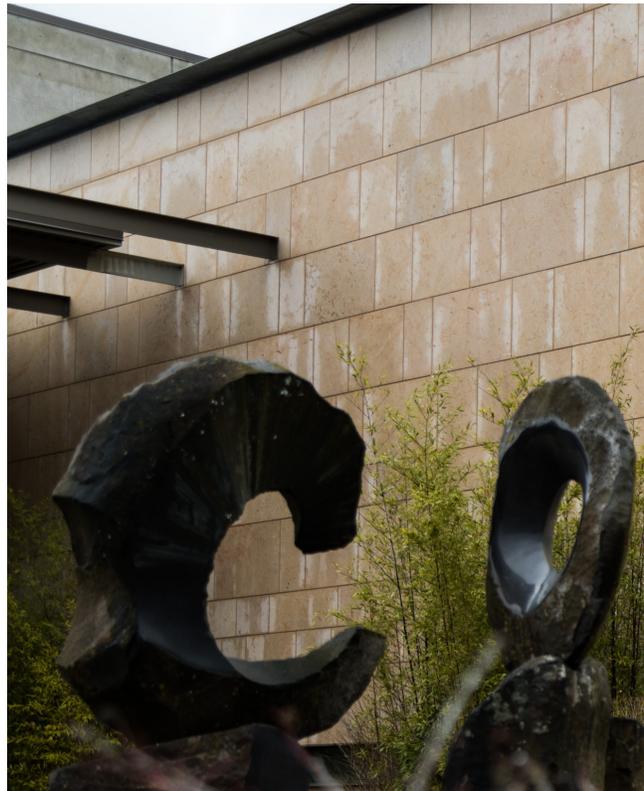
Kitsap County Auditor | Financial Division

Property Tax Information

The Kitsap County Assessor's Office establishes the assessed value of all personal property for tax purposes. The values are used to calculate and set levy rates for the various taxing districts. The Assessor's Office appraises property both by physical inspection and by market activity.

Kitsap County Property Values & Property Taxes (in millions)		
Fiscal Year	Taxable Property Values	Tax Collections
2008	\$32,338.20	\$52.29
2009	\$32,291.65	\$53.51
2010	\$29,918.06	\$54.05
2011	\$28,151.15	\$54.60
2012	\$26,851.72	\$54.76
2013	\$25,818.27	\$55.93
2014	\$25,600.72	\$57.26
2015	\$26,794.67	\$58.55
2016	\$27,952.75	\$59.25
2017	\$30,928.63	\$60.96





Contact

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