

2018 Kitsap County Popular Annual Financial Report





To the Citizens of Kitsap County, Washington:

Here at the Kitsap County Auditor's Office we are committed to open, transparent government that is accessible to all citizens. That is why I am proud to present our seventh annual Popular Annual Financial Report (PAFR).

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 2017 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 Kitsap County's Comprehensive Annual Financial Report (CAFR) for the fiscal year ending December 31, 2018. 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, awarding it an "unmodified opinion" – the best review possible.

For the past 21 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, Paul Andrews

Sincerely,

A handwritten signature in black ink, appearing to read "Paul Andrews". The signature is fluid and cursive, written over a white background.

Paul Andrews

Kitsap County occupies a unique portion of the State of Washington, directly between the urban areas of Seattle and Tacoma and the wilderness of the Olympic Mountains. It is bounded by the Hood Canal on the west, Puget Sound on the east, and Mason and Pierce Counties to the south.

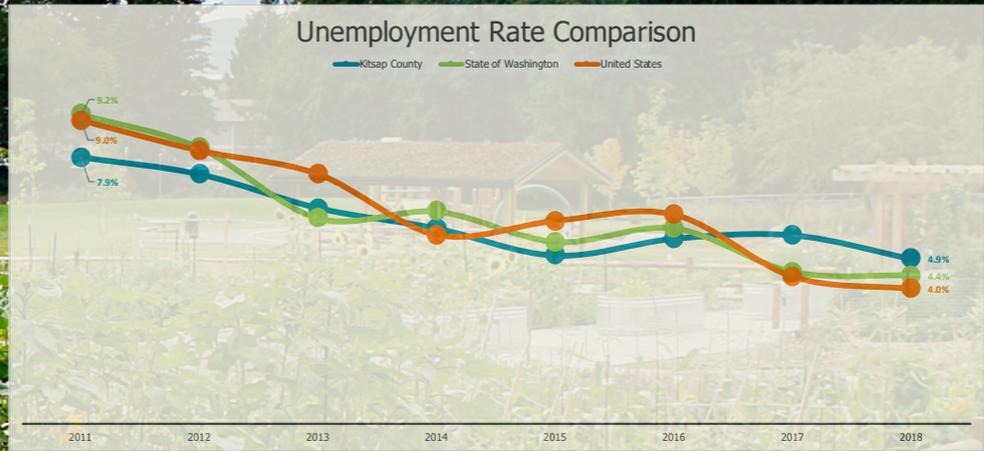
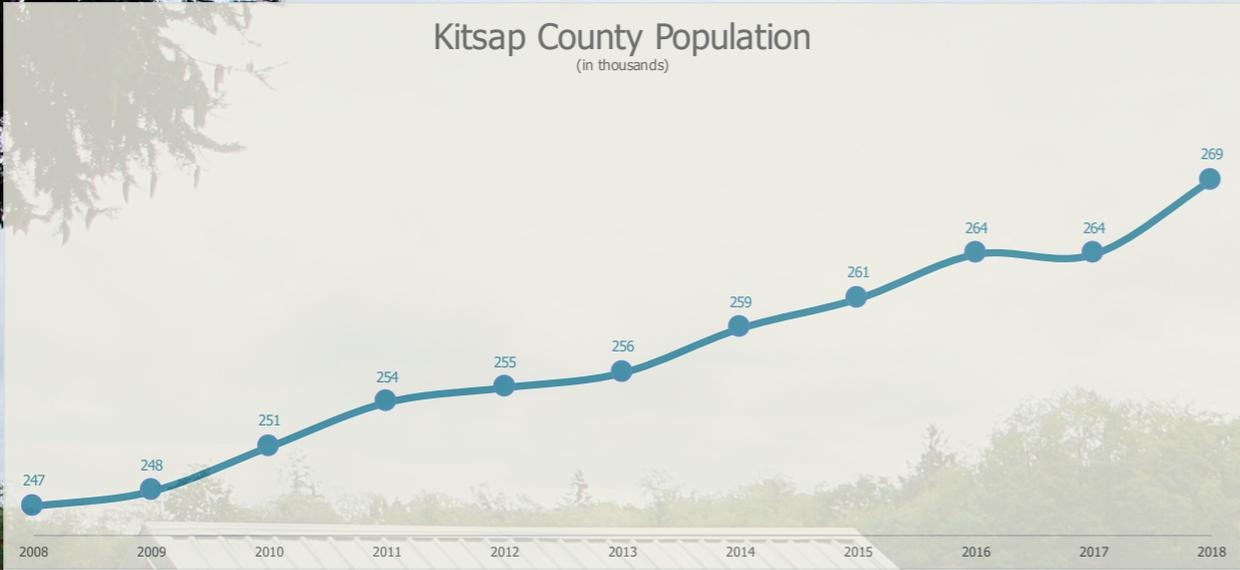
The topography is mostly low, flat-topped, rolling hills separated by valleys and bays, with altitudes from sea level to 600 feet above, except for Green and Gold mountains, which rise to 1,761 feet above sea level. The climate is moderate, with mild, wet winters and cool, dry summers. Average annual precipitation ranges from 26 inches in the north to nearly 80 inches in the mountains. Kitsap County was incorporated in 1857. Locally elected officials include the County Assessor, Auditor, Clerk, Prosecuting Attorney, Sheriff, Treasurer, eight Superior Court Judges, four District Court Judges, and a three-member Board of County Commissioners. Policy-making and legislative authority are vested in the governing Board of County Commissioners, who 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 County provides a full range of services directed by statute, including public safety; construction and maintenance of streets, and other infrastructure; judicial administration; planning and development; parks and recreation; health and social services; sewer services; representative government and ensuring the integrity of the people's historic birth, death, marriage, real estate and election records; and general administrative services.

Kitsap County has the seventh-largest population of Washington State's 39 counties. In 2018, the County's population rose to an estimated 269,805. Although Kitsap County appears to be rural due to the vistas of water, mountains, and trees, it actually has the third-highest population density in the state of Washington, only surpassed by Clark and King Counties. Total employment was at 126,601 in 2018 while unemployment remained at 4.9%. The strong work ethic of a labor pool associated with military employment continues to attract attention from national employers.



"Good government is one of the most important factors in economic growth and social well-being." - Joe Lonsdale





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

General Government Services are the general operations of the county and include 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 Services are law enforcement, corrections, detention, emergency services, Juvenile Services, Coroner operations and boating safety.

Physical Environment Services include a portion of the operation of the Community Development Department as well Noxious Weed Control.

Transportation Services consist of operation and maintenance of countywide road and transit systems, including construction and maintenance of roads and streets to ensure safe and proper movement of traffic.

Health & Human Services provide for the care, treatment, and control of human illness, injury, or handicap. The County's Human Services department provides for mental health, development disabilities, substance abuse, agency on aging, employment training, recovery center operations and veterans' relief services for the residents of Kitsap County.

Economic Environment Services includes the remainder of the Department of Community Development, Community Development Block Grant program (CDBG), HOME Entitlement program, and the operational expenditures of the Kitsap Regional Coordinating Council (KRCC).

Culture and Recreation Services consists of programs provided by the County's Parks department, including the annual Kitsap County Fair and Stampede, Parks facilities, and capital costs related to Parks projects.



Robert Gelder, Charlotte Garrido, and Edward Wolfe, Commissioners for Kitsap County

– The Board of County Commissioners governs and legislates Kitsap County. It has three members elected on a countywide basis for four-year terms. The Board of County Commissioners provides budget and funding for the various county departments and operations of the other elected officials.

Phil Cook, Assessor – The primary role of the Assessor is to establish the assessed valuation of all real and personal property. 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 has four distinct functions to perform. The first is to conduct all elections in Kitsap County, whether national, state or regional. The Auditor is also the recorder of deeds and other instruments

in writing, which by law are 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 Court. The Clerk also manages the jury system, public defenders and passport services.

Greg Sandstrom, Coroner – The Coroner has the responsibility for determining the cause and manner of death of all persons who pass within the jurisdictional boundaries of the county. The Coroner's Office is instrumental in the investigation and prevention of deaths.

Tina R. Robinson, Prosecutor – The Prosecutor is charged with trying all felonies and misdemeanors in Kitsap County, and provides advice and representation for all of the

County's elected officials and departments. The Prosecutor provides legal advice to all county law enforcement agencies, establishes and enforces child support obligations and provides witness assistance services.

Gary Simpson, Sheriff – The Sheriff provides law enforcement services; including uniformed police response service, correctional facilities, work release facility, 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, schools districts, fire districts, water districts, and other local governments. The Treasurer disburses receipts, invests, and accounts for the funds of each entity within the county's jurisdiction.

Claire A. Bradley, Jeffrey J. Jahns, Marylyn Paja and Kevin P. Kelly, District Court Judges

– 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.

Jeanette Dalton, Michelle Adams, Melissa A. Hemstreet, William C. Houser, Jeffrey P. Bassett, Kevin D. Hull, Jennifer A. Forbes, Sally F. Olsen, Superior Court Judges

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

“Good government only happens when the people working in it do their jobs, and do them well.” - Matthew Lesko



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 next year’s budget no later than the close of the current fiscal year.

The budget is adopted and systematically monitored on the fund level for special revenue and capital projects funds and on the departmental level for the general fund. Personnel costs in each fund are controlled by position. Long-term capital acquisition plans determine capital item purchases.

The Comprehensive Annual Financial Report (CAFR) includes budget-to-actual comparisons. Kitsap’s annual budget is audited every year by the State Auditor’s Office to ensure it is compliant with state law and Generally Accepted Accounting Principles (GAAP). All amounts, unless otherwise indicated, are expressed in millions of dollars.

Budget

Fund Type	Funds by Activity	Adopted	
		FY 2018	FY 2017
General		\$95.37	\$93.68
Special Revenue	Transportation	\$46.54	\$50.16
	Emergency Services	\$0.85	\$1.12
	Special Revenue Grants	\$74.31	\$71.94
	Community Development	\$7.36	\$6.86
	Public Safety	\$4.67	\$6.19
	Real Estate Excise Tax	\$6.85	\$3.90
	Impact Fees	\$0.19	\$0.19
	Other Special Revenue	\$17.74	\$10.66
Debt Service		\$9.96	\$9.94
Capital Projects		\$2.15	\$4.58
Business Type	Solid Waste	\$21.75	\$20.06
	Sewer Utilities	\$48.71	\$45.06
	Surface and Stormwater	\$13.66	\$12.62
Internal Service		\$46.15	\$41.71
Total		\$396.26	\$378.67

Summary of Financial Information

This section includes a Condensed Statement of Net Position. The Statement below includes information about all Assets and Liabilities of the County, with the difference between assets and liabilities reported as Net Position.

Condensed Statement of Net Position
December 31, 2018

	Governmental Activities	Business Type Activities	Total 2018	2017
Assets:				
Cash and investments	\$158.65	\$75.60	\$234.25	\$217.81
Receivables, net	\$13.09	\$3.58	\$16.67	\$12.92
Capital Assets, net	\$400.97	\$163.04	\$564.00	\$550.94
Other Assets	\$49.21	\$2.23	\$51.44	\$51.80
Total Assets	\$621.92	\$244.45	\$866.37	\$833.47
Deferred Outflows	\$6.82	\$0.85	\$7.67	\$8.32
Total Assets and Deferred Outflows	\$628.73	\$245.30	\$874.04	\$841.79
Liabilities:				
Short Term Liabilities	\$35.24	\$6.84	\$42.08	\$37.90
Long Term Liabilities	\$112.30	\$64.84	\$177.13	\$195.32
Total Liabilities	\$147.53	\$71.68	\$219.21	\$233.22
Deferred Inflows	\$17.03	\$2.03	\$19.06	\$12.19
Total Liabilities and Deferred Inflows	\$164.56	\$73.71	\$238.27	\$245.41
Net Position	\$464.17	\$171.60	\$635.77	\$596.38

Condensed Statement of Activities

The Condensed Statement of Activities below presents information about all Revenues and Expenses of the County. The difference between revenues and expenses is Change in Net Position.

Governmental Revenues & Expenses

Kitsap County operations are divided into two categories: Governmental and Business Type.

Governmental activities include general government, judicial services, public safety, physical environment, transportation, health and human services, economic environment, and culture and recreation. Business Type activities are solid waste, sewer utility and surface and stormwater services, which are fully supported by user fees.

The fund financial statements in the CAFR present financial information for the county's various funds, by fund category or type.

Condensed Statement of Activities
For the Year Ended December 31, 2018

	Governmental Activities	Business Type Activities	Total 2018	2017	% Change
Expenses	\$239.28	\$49.65	\$288.93	\$264.54	9.22%
Revenues	\$264.92	\$72.44	\$337.36	\$300.15	12.40%
Change in Net Position	\$25.64	\$22.79	\$48.43	\$35.62	35.98%

Revenues

(in millions)



Expenditures

(in millions)



Business Type Operations

The Kitsap County Utilities Division provides solid waste, sewer, and surface and stormwater services to all unincorporated areas of the County. These services are paid for by user fees and are known as Business Type Operations.

Solid Waste Operations

The Solid Waste Division plans, develops, and implements solid waste management programs which conserve natural resources and minimize impacts to land, water, and air.

Sanitary Sewer Operations

The Sewer Utility Division provides sanitary sewer service for various unincorporated areas of the County, the City of Poulsbo, the Suquamish Tribe, and the Bangor and Keyport Naval facilities. The Sewer Utility is supported by user fees.

Surface and Stormwater Management

The Surface and Stormwater Management Division of Kitsap County promotes public health, safety, and welfare by establishing a comprehensive, sustainable approach to surface and stormwater management.

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.

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



Capital Asset Activity

The County's total investment in capital assets as of December 31, 2018, amounted to \$1.13 billion, \$563 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:

- Sewer projects \$5.73 million
- Various infrastructure projects \$26.59 million
- Purchased land for conservation purposes \$2.08 million
- Updated equipment rental fleet \$3.71 million



"The essence of good government is trust." - Kathleen Sebelius

Long-Term Liabilities

The County acquires debt as part of its regular operations. There are numerous types of long-term liabilities, or debts, the county is required to pay. Long-term liabilities are those liabilities that are due and payable in one year or more.

As of December 31, 2018, the County had \$189.87 million in outstanding debt, of which \$12.73 million will mature during fiscal year 2019.

Long Term Liabilities December 31, 2018

Liabilities:	Governmental Activities		Business Type Activities		Total		% Change
	2018	2017	2018	2017	2018	2017	
Bonds Payable	\$66.03	\$72.28	\$54.90	\$56.88	\$120.93	\$129.15	-6.37%
Notes Payable	\$1.70	\$1.79	\$0.00	\$0.00	\$1.70	\$1.79	-4.98%
Pension Liability	\$29.91	\$44.25	\$3.96	\$5.47	\$33.87	\$49.71	-31.86%
OPEB Liability	\$18.05	\$18.67	\$0.00	\$0.00	\$18.05	\$18.67	-3.29%
Other Liabilities	\$6.35	\$6.27	\$8.96	\$9.86	\$15.31	\$16.12	-5.02%
Total	\$122.05	\$143.24	\$67.82	\$72.20	\$189.87	\$215.45	-11.87%

Kitsap County Property Values

(in millions)

■ Taxable Value ■ Tax Collections



Kitsap County's Largest Taxpayers

(in millions)





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This report includes an overview of Kitsap County; budget comparisons for Fiscal Years 2017 and 2018; 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.