

2019 Kitsap County Popular Annual Financial Report



The Kitsap County Auditor



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 eighth 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 2018 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 contained in the PAFR is derived from Kitsap's Comprehensive Annual Financial Report (CAFR) for the fiscal year ending December 31, 2019. The CAFR, which was prepared by the County Auditor's Office, is presented in accordance with Generally Accepted Accounting Principles (GAAP) and contains more detailed information than the PAFR. The State Auditor's Office audited the CAFR awarding it an "unmodified opinion" – the best review possible.

The PAFR's basis of presentation differs from the CAFR in that component units are eliminated and other information is presented in a condensed format.

For the past 22 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

A handwritten signature in black ink, appearing to read 'Paul Andrews', with a stylized flourish at the end.

Profile of Kitsap County

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, 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 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 peoples' 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 2019, 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 128,363 in 2019 while unemployment was 4.8%. The strong work ethic of a labor pool associated with military employment continues to attract attention from national employers.

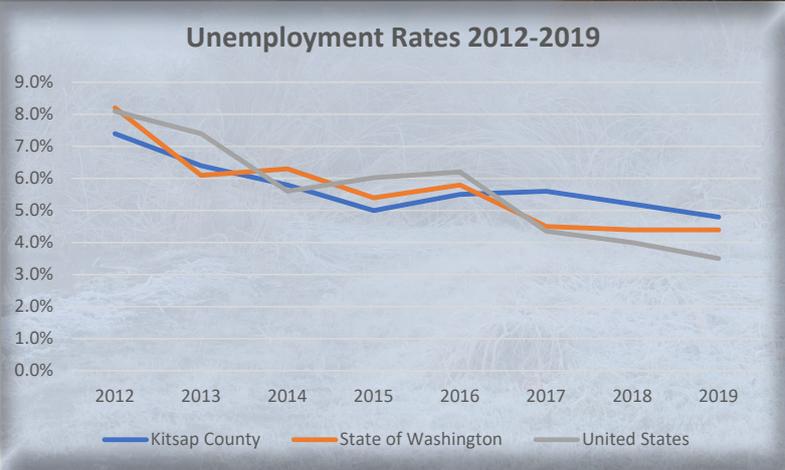
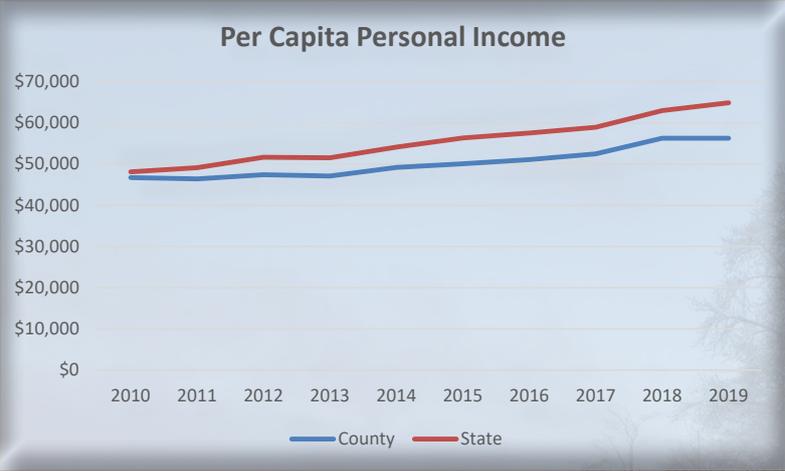


**“Good government is one of the most important factors
in economic growth and social well-being.”** - Joe Lonsdale

Kitsap County Population

(in thousands)







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 county-wide 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, aging, employment training,

recovery center operations and veterans' relief services for the residents of Kitsap County.

Economic Environment Services includes the Department of Community Development, Community Development Block Grant program (CDBG), and HOME Entitlement program.

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.



Elected Officials

Robert Gelder, Charlotte Garrido and Edward Wolfe, Commissioners for Kitsap County – The Board of County Commissioners governs and legislates Kitsap County. Each of its three members is elected on a countywide basis for a four-year term. The Board of County Commissioners provides budget and funding for the various county departments and offices of 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.

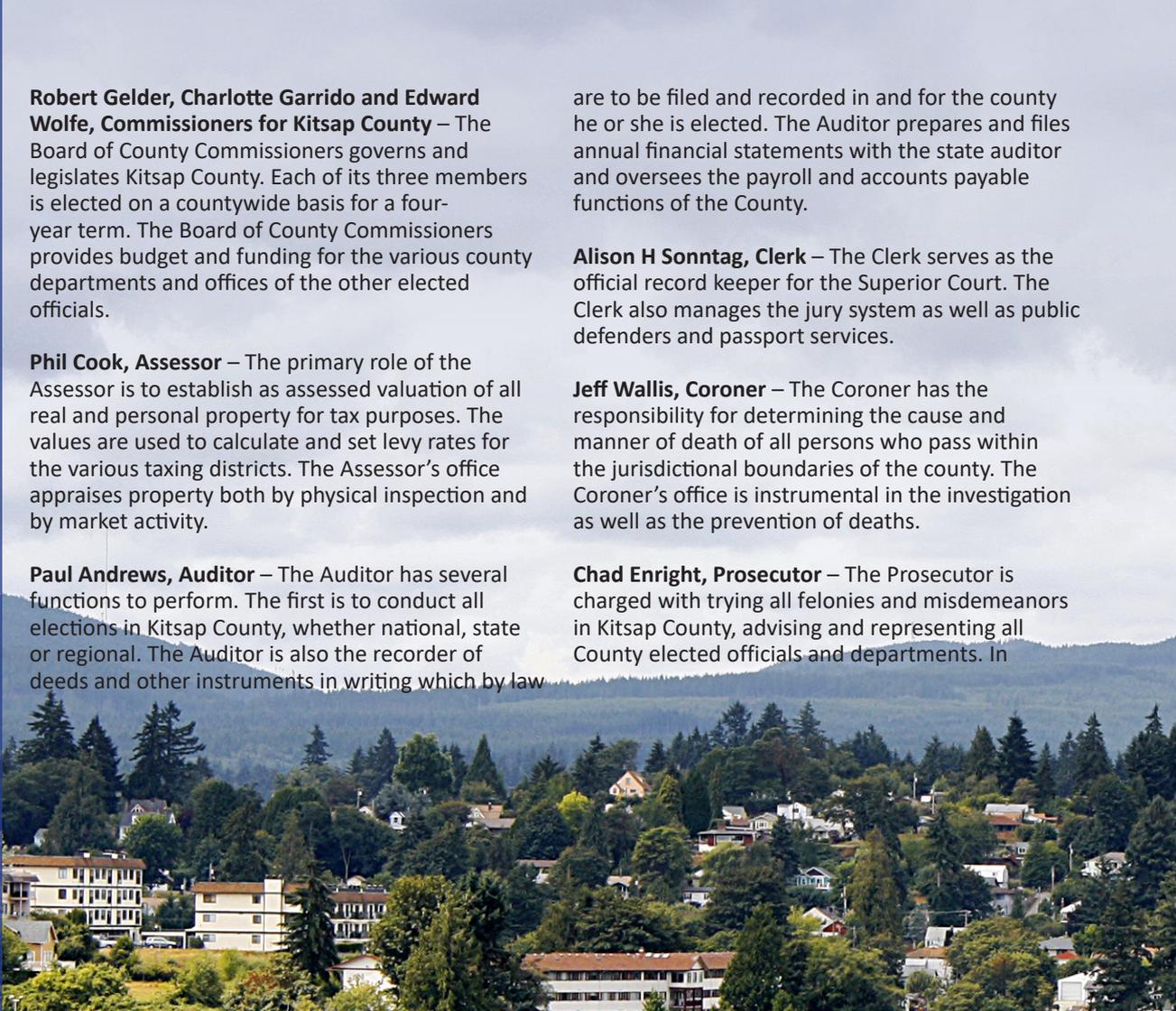
Paul Andrews, Auditor – The Auditor has several functions to perform. The first is to conduct all elections in Kitsap County, whether national, state or regional. The Auditor is also the recorder of deeds and other instruments in writing which by law

are to be filed and recorded in and for the county he or she is elected. 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 as well as public defenders and passport services.

Jeff Wallis, 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 as well as the prevention of deaths.

Chad Enright, Prosecutor – The Prosecutor is charged with trying all felonies and misdemeanors in Kitsap County, advising and representing all County elected officials and departments. In



addition, 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 a full range of law enforcement services including uniformed police response service, correctional facility, 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, school districts, fire districts, water districts, and other local governments. The Treasurer receipts, disburses, invests, and accounts for the funds of each entity within the county's jurisdiction.

Claire Bradley, Jeffrey Jahns, Marylyn Paja and Kevin Kelly, District Court Judges – The District Court judges oversee the district court system which has long been called the “peoples’ 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.

Leila Mills, Jeanette Dalton, William Houser, Jeffrey Bassett, Jennifer Forbes, Sally Olson, Melissa Hemstreet, Kevin Hull, 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 on 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 (RCW36.40) 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 at 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 is approved on an item-by-item basis in accordance with a long-term capital acquisition plan.

The Comprehensive Annual Financial Report (CAFR) includes budget-to-actual comparisons. These comparisons examine budgeted revenue and expenses with actual revenue and expenses.

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).

Approved County Budget 2018-2019			
Fund Type	Funds by Activity	Adopted FY2019	Adopted FY2018
General		\$104.27	\$95.37
Special Revenue			
	Transportation	51.64	46.55
	Emergency Services	9.00	0.86
	Special Revenue Grants	87.69	74.31
	Community Development	8.01	7.36
	Public Safety	10.00	4.67
	Real Estate Excise Tax	10.27	6.85
	Impact Fees	1.34	.19
	Other Special Revenue	10.65	17.74
Debt Service		12.44	9.96
Capital Projects		4.16	2.15
Enterprise			
	Solid Waste	24.16	21.75
	Sewer Utilities	40.73	48.70
	Surface water	11.87	13.66
Internal Service		46.82	46.14
	Totals	\$433.05	\$396.26

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

December 31, 2019

	Governmental Activities	Business-type Activities	Total 2019	Total 2018
Assets:				
Cash and investments	\$164.40	\$82.31	\$246.71	\$234.25
Receivables, net	\$13.52	\$4.09	\$17.61	\$16.67
Capital assets, net	\$397.23	\$160.46	\$557.69	\$564.00
Other assets	\$49.78	\$0.50	\$50.28	\$51.44
Total assets	\$624.93	\$247.36	\$872.29	\$866.37
Deferred outflows	\$7.46	\$0.94	\$8.40	\$7.67
Liabilities:				
Short term liabilities	\$34.89	\$7.07	\$41.95	\$42.08
Long-term liabilities	\$97.70	\$70.07	\$168.36	\$177.13
Total liabilities	\$132.59	\$77.14	\$210.31	\$219.21
Deferred inflows:	\$18.21	\$2.19	20.40	\$19.06
Net position	\$481.59	\$168.39	\$649.98	\$635.77

Condensed 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.

Governmental Revenues & Expenditures

Kitsap County governmental functions and operations are divided into two categories: Governmental and Business Type. Governmental functions include general government, judicial services, public safety, physical environment, transportation, health & human services, economic environment, and culture & recreation. Business Type functions are those fully supported by user fees. The fund financial statements in the CAFR present financial information for the county's various funds.

Condensed Statement of Activities

December 31, 2019

	Governmental Activities	Business-type Activities	Total 2019	Total 2018
Expenses	\$249.71	\$53.35	\$303.06	\$288.93
Revenues	\$266.63	\$60.35	\$326.98	\$337.36
Change in net position	\$16.92	\$7.00	\$23.92	\$48.43

Governmental Revenues

(in millions)

Revenue Source	Total
Intergovernmental	\$100.82
Property Taxes	\$64.59
Retail Sales Taxes	\$50.17
Charges for Services	\$17.56
Other Taxes	\$16.17
Investment Earnings	\$5.81
Licenses and Permits	\$5.18
Miscellaneous	\$4.19
Fines and Forfeits	\$2.15

Governmental Expenditures

(in millions)

Expenditure	Total
Health & Human Services	\$80.82
Public Safety	\$57.96
Transportation	\$32.91
General Government	\$32.71
Judicial Services	\$17.85
Principal on Long-term Debt	\$9.84
Economic Environment	\$8.77
Capital Outlay	\$7.37
Culture and Recreation	\$6.42
Physical Environment	\$4.40
Interest on Long-term Debt	\$2.80

Business Type Operations

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

Solid Waste

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

Sanitary Sewer

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

Surface & Stormwater Management

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

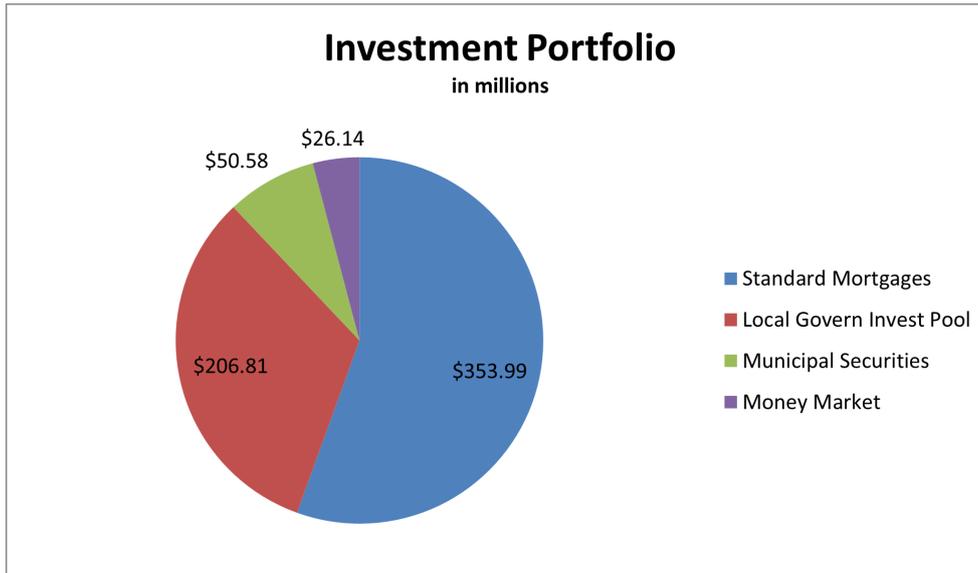


Investment Policy

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 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:

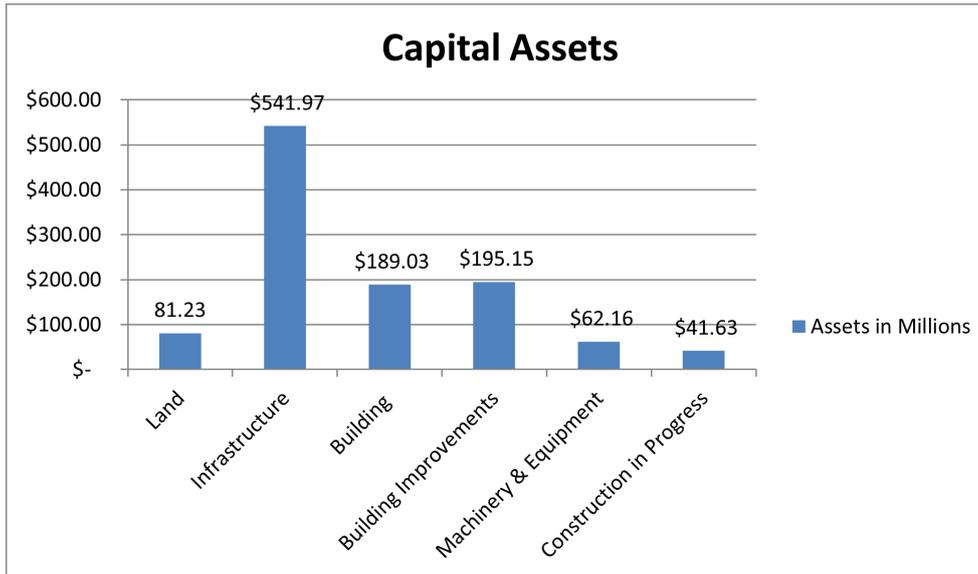


Capital Asset Activity

The County's total investment in capital assets as of December 31, 2019 amounted to \$1.11 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 \$557.69 million
- Various infrastructure projects \$32.73 million



“The essence of good government is trust.” - Kathleen Sebelius



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, 2019, the County had \$179.13 million in outstanding debt of which \$10.87 million will mature during fiscal year 2020.

Long-Term Liabilities

December 31, 2019

	Governmental Activities 2019	Governmental Activities 2018	Business Activities 2019	Business Activities 2018	Total 2019	Total 2018
Bonds Payable	57.08	66.03	54.72	54.90	111.80	120.93
Notes Payable	1.61	1.70	-	-	1.61	1.70
Pension Liability ¹	22.60	29.91	2.98	3.96	25.58	33.87
OPEB Liability ²	16.73	18.05	-	-	16.73	18.05
Other liabilities	6.78	6.36	16.63	8.96	23.41	15.32
Total	104.80	122.05	74.33	67.82	179.13	189.87

¹Pension Liability represents Kitsap County's share of the State of Washington's Retirement Plan liability. The State is responsible for providing retirement benefits for participating county employees.

²Other Post Employment Benefit (OPEB) Liability is the estimated future cost to Kitsap County to provide health care to members of the Law Enforcement and Firefighters Retirement System (LEOFF) as established by RCW 41.26. The plan is closed to new members.

Kitsap County Property Values

(in millions)

December 31, 2019

Fiscal Year	Taxable Value	Tax Collections
2010	29,476.03	54.38
2011	27,707.52	55.18
2012	26,438.99	56.14
2013	25,423.78	57.14
2014	25,194.07	58.21
2015	26,394.72	59.32
2016	27,555.32	59.91
2017	30,533.94	61.45
2018	33,429.78	62.91
2019	37,484.26	63.91

Kitsap County's Highest Taxable Property Values *(in millions)*





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This report includes an overview of Kitsap County; budget comparisons for Fiscal Years 2018 and 2019; 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.