



Kitsap County Auditor

Popular Annual Financial Report

A Financial Summary for the Citizens of Kitsap County - Fiscal Year 2015



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Cover Photo: View of Mount Rainier from Kitsap County

A Message from the Kitsap County Auditor

To the Citizens of Kitsap County, Washington:

The Kitsap County Auditor's Office is committed to open, and transparent government that is accessible to all citizens. That is why I am proud to present our fourth 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 2014 PAFR received an award for Outstanding Achievement in Popular Annual Financial Reporting from the Government Finance Officers Association.

All of the information is derived from Kitsap's Comprehensive Annual Financial Report (CAFR) for the fiscal year ending December 31, 2015. The CAFR, which was prepared by the Financial Division of the County Auditor's Office and is presented in accordance with Generally Accepted Accounting Principles (GAAP). The State Auditor's Office audited the CAFR, awarding it an "unqualified review" – the best review possible.

This report is 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
Kitsap County Auditor



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Port Orchard, WA 98366

About This Report

Although challenging, county leadership has maintained balanced budgets and lived within our means the past five fiscal years.

We are pleased to report that Kitsap County maintains fund balances at the recommended levels, putting the county in a strong position going forward. We accomplished this while maintaining our commitment to customer service. County government continues to closely examine operations - looking for ways to achieve further savings by implementing innovative efficiencies.

The financial information in this report has been summarized from Kitsap County's Comprehensive Annual Financial Report (CAFR). This report includes an overview of Kitsap County; budget comparisons for Fiscal Years 2014 and 2015; 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.

Throughout this report you will find explanations in the right-hand column to help you better understand the information being presented.

This report is unaudited and does not include many important disclosures and other financial information 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.



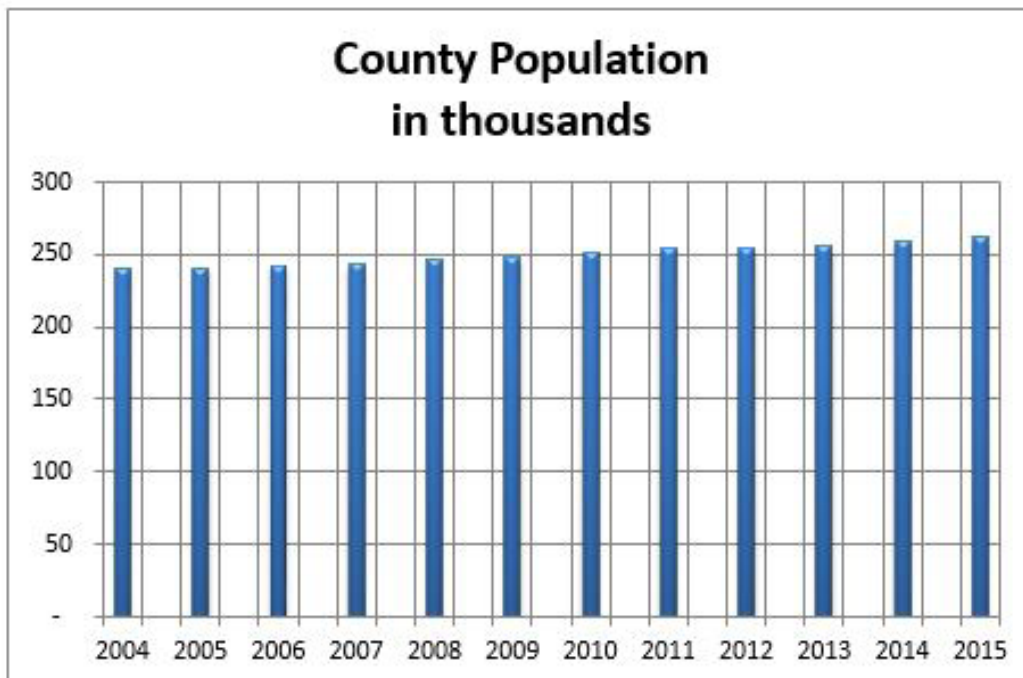
Bremerton sunset, reflected in the Kitsap County Administration Building.

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, who are all elected at-large on a partisan basis for four-year terms and the chair is elected by a majority vote of the Board members. The Board appoints the County Administrator. The County Administrator serves the Board by overseeing county departments and providing leadership for the general administration of the county.



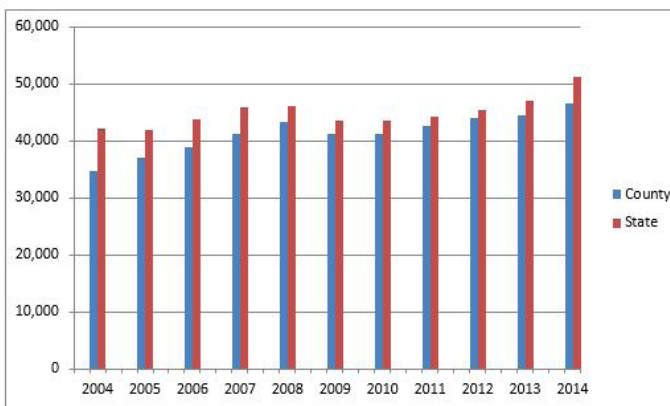
Profile of Kitsap County (continued)

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; selecting our elected representatives, preservation of historic birth, death, marriage, real estate and election records; and general administrative services.

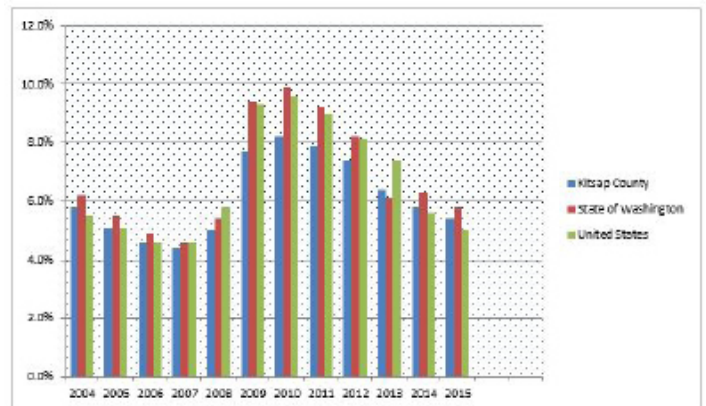
Kitsap County has the seventh largest population of Washington State's 39 counties. In 2015, the county's population rose to an estimated 260,131. Although Kitsap County appears to be rural due to the vistas of water, mountains and trees, it actually has the third highest population density in the state of Washington, only surpassed by Clark and King Counties.

Total employment was at 114,096 in 2015 while unemployment was at 5.0%. The strong work ethic of a labor pool associated with military employment continues to attract attention from national employers.

Per Capita Personal Income



Unemployment Rates



Governmental Functions

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, development 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 operation expenditures of the Kitsap Regional Coordinating Council.

Culture and Recreation includes 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 of Kitsap County

Robert Gelder, Charlotte Garrido and Edward Wolfe, 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. The auditor is also 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, as well as overseeing the payroll and accounts payable functions of the county.



Dave Peterson, 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.



Greg Sandstrom, Coroner

The Coroner has the responsibility for determining the cause and manner of death of all persons who pass away within the jurisdictional boundaries of the county. The Coroner's office is instrumental in the investigation as well as the prevention of deaths.



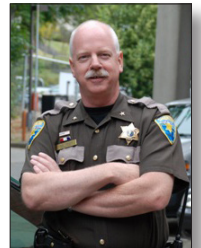
Tina Robinson, Prosecutor

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. In addition she 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, 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

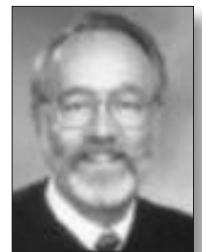
Claire Bradley, Jeffrey Jahns, Marilyn Paja and Stephen Holman, District Court Judges
(left to right, top to bottom)

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.



Leila Mills, Jeanette Dalton, Melissa Hemstreet, William Houser, Jay Roof, Kevin Hull, Jennifer Forbes, Sally Olson, Superior Court Judges
(left to right, top to bottom)

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.



Fiscal Responsibility

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.

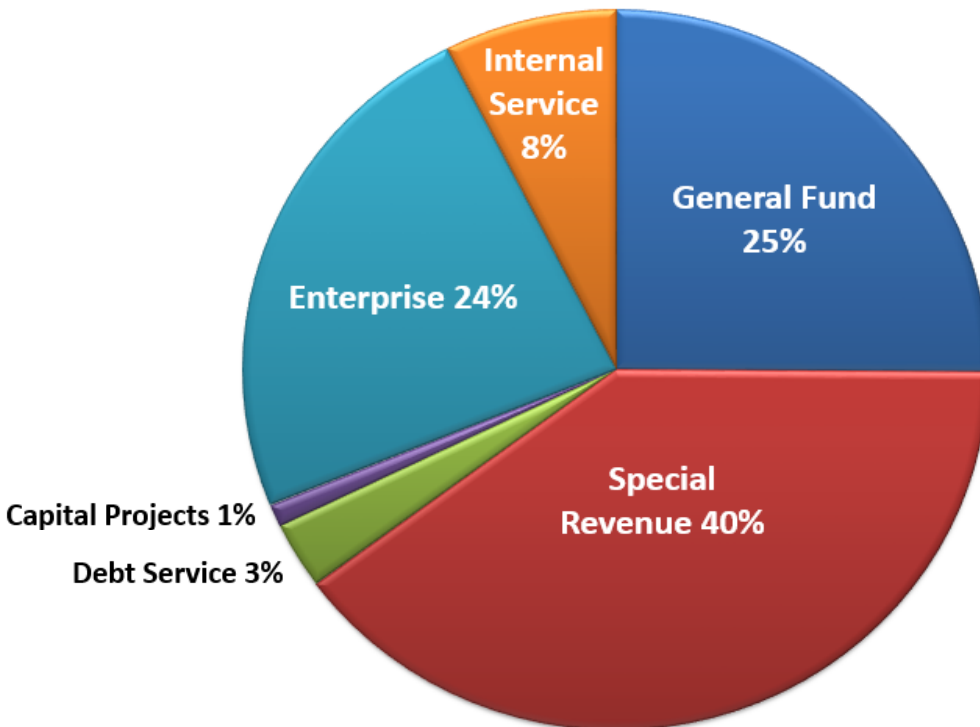
The budget is adopted and systematically monitored on the fund level for special revenue and capital projects funds and on a departmental level for the general fund. Personnel service costs in each fund are controlled by position. The acquisition of capital items are approved on an item-by-item basis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

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The county’s \$339 million annual budget is spread among approximately 106 “funds,” which record revenues and pay expenses associated with various programs.
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**Kitsap County 2015 Adopted Budget
All Funds**



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The pie chart on the left represents the adopted 2015 budget for the county’s primary funds.

Special Revenue funds can only be used for specific purposes.

Capital Projects funds are used to record and report activity related to capital acquisition and construction projects.

The Debt Service funds are used to accumulate resources to pay principle and interest on outstanding debt.

Internal Services includes departments that are primarily billed internally.

Enterprise Services includes departments that are funded by user fees.

See page 10 for a breakdown of the General Fund.
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Fiscal Responsibility (continued)

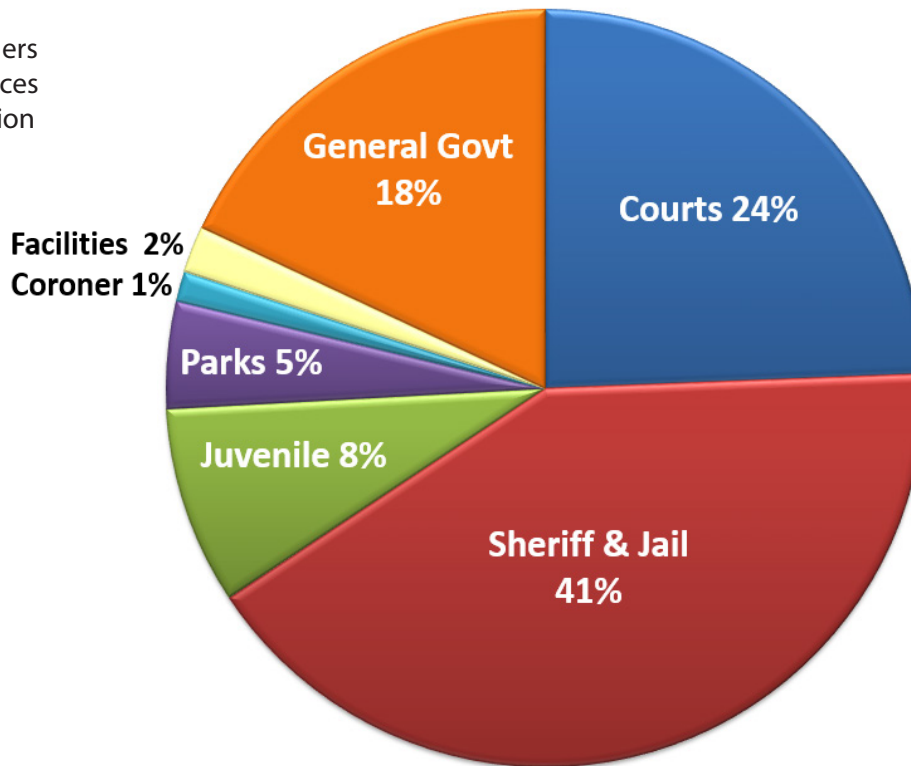
General Government

Auditor
Assessor
Treasurer
Commissioners
Admin Services
WSU Extension
Personnel

Kitsap County General Fund 2015 Adopted Budget

Courts

District Court
Superior Court
County Clerk
Prosecutor



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The General Fund accounts for 25 percent of the county budget and is used to record the cost and revenues to provide essential services to county residents such as the Sheriff's Office and Jail, Courts, Parks Department, Coroner's Office, and Facilities.
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Budget Comparisons

This table shows the approved budget by Fund Type and Activity for fiscal years (FY) 2015 and 2014.

Fund Type	Funds by Activity	Adopted FY 2015	Adopted FY 2014
General		\$85.11	\$82.98
Special Revenue	Transportation (Roads)	42.02	40.18
	Emergency Services	11.58	10.36
	Special Revenue Grants	57.35	53.64
	Community Development	7.86	7.79
	Public Safety	5.51	4.67
	Real Estate Excise Tax	3.04	3.34
	Impact Fees	.21	.21
	Other Special Revenue	7.20	8.64
Debt Service		10.21	10.02
Capital		3.36	3.43
Enterprise	Solid Waste	17.98	17.67
	Sewer Utilities	50.27	63.47
	Surface water	11.96	12.50
Internal Service		25.38	24.32
	Totals	\$339.04	\$343.22

Figures are reported in millions of dollars.

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.

Assets:	Governmental Activities	Business-type Activities	Total 2015	Total 2014
Cash and investments	\$ 135.87	\$ 74.21	\$ 210.08	\$185.01
Receivables, net	2.44	3.40	5.84	6.39
Capital assets, net	388.77	129.62	518.39	514.26
Other assets	47.47	1.04	48.51	44.65
Total assets	574.55	208.27	782.82	750.32
Deferred outflows	6.81	.69	7.50	
Liabilities:				
Short term liabilities	27.08	5.94	33.02	35.74
Long-term liabilities	141.97	75.10	217.07	154.80
Total liabilities	169.05	81.04	250.10	190.53
Deferred inflows	10.17	.86	11.03	2.02
Net position	\$ 402.15	\$ 127.06	\$ 529.21	\$ 557.76

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.

	Governmental Activities	Business Type Activities	Total	
			2015	2014
Expenses	\$204.66	\$40.04	\$244.70	\$238.06
Revenues	222.44	49.59	272.03	256.75
Change in net position	\$17.78	\$9.55	\$27.33	\$18.69

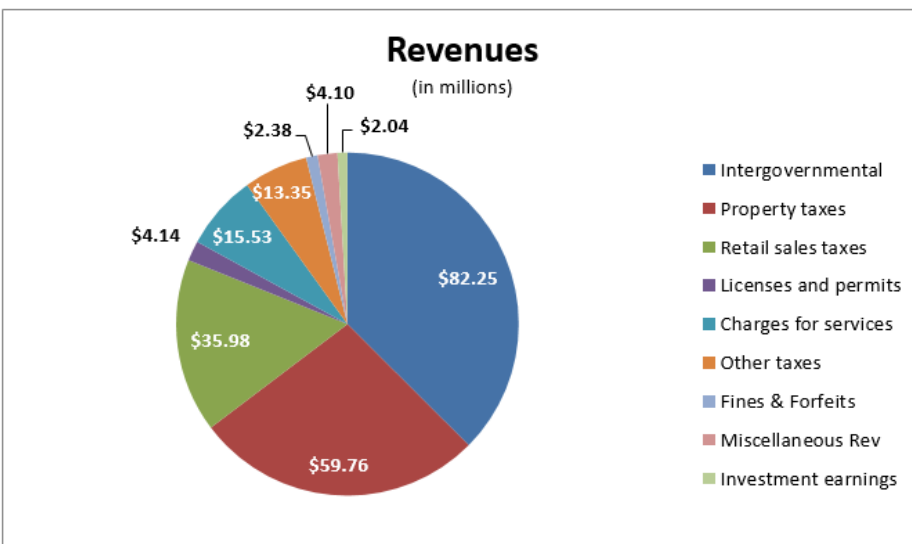
Governmental Revenues & Expenditures

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.

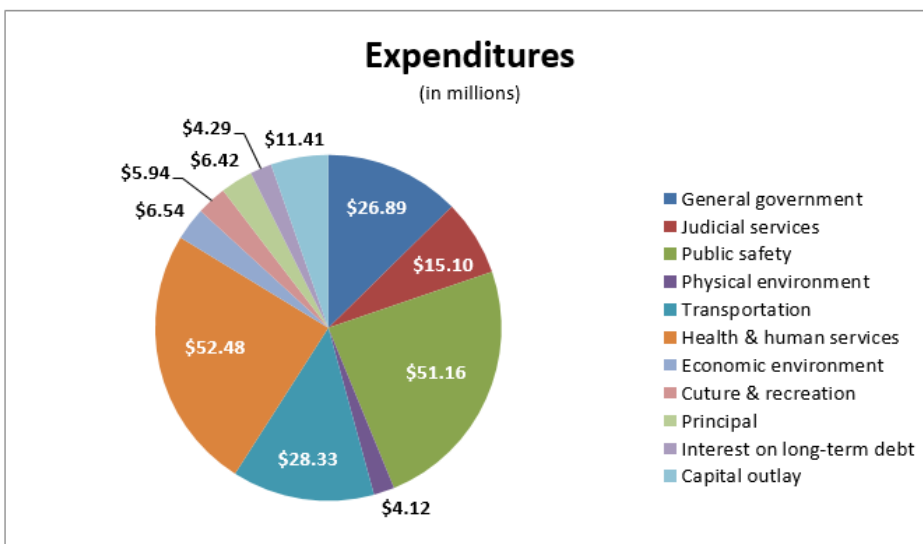
The fund financial statements in the CAFR present financial information for the county's various funds.

Governmental Funds Revenues Fiscal Year 2015



Revenues received from a Federal or State agency are called Intergovernmental revenues. Grants to fund employment training or funding for mental health or substance abuse programs are examples of this.

Governmental Funds Expenditures Fiscal Year 2015



Business Type Operations

The 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 that conserve natural resources and minimize impacts to land, water, air and climate.

Figures are reported in millions of dollars.

Solid Waste		
	2015	2014
Revenues	\$15.59	\$14.39
Expenses	14.91	14.26
Transfers out	(0.04)	
Changes in net position	0.64	0.13

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 Suquamish Tribe and the Bangor and Keyport Naval facilities. The Sewer Utility is supported by user fees.

Figures are reported in millions of dollars.

Sewer Utility		
	2015	2014
Revenues	\$20.98	\$20.09
Expenses	16.93	16.98
Capital contributions	1.73	0.90
Transfers out	(0.22)	(0.17)
Changes in net position	5.56	3.84

Business Type Operations (continued)

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.

Figures are reported in millions of dollars.

Surface & Stormwater Management		
	2015	2014
Revenues	\$11.84	\$10.10
Expenses	8.20	8.06
Transfers out	(0.30)	(0.21)
Changes in net position	3.34	1.83



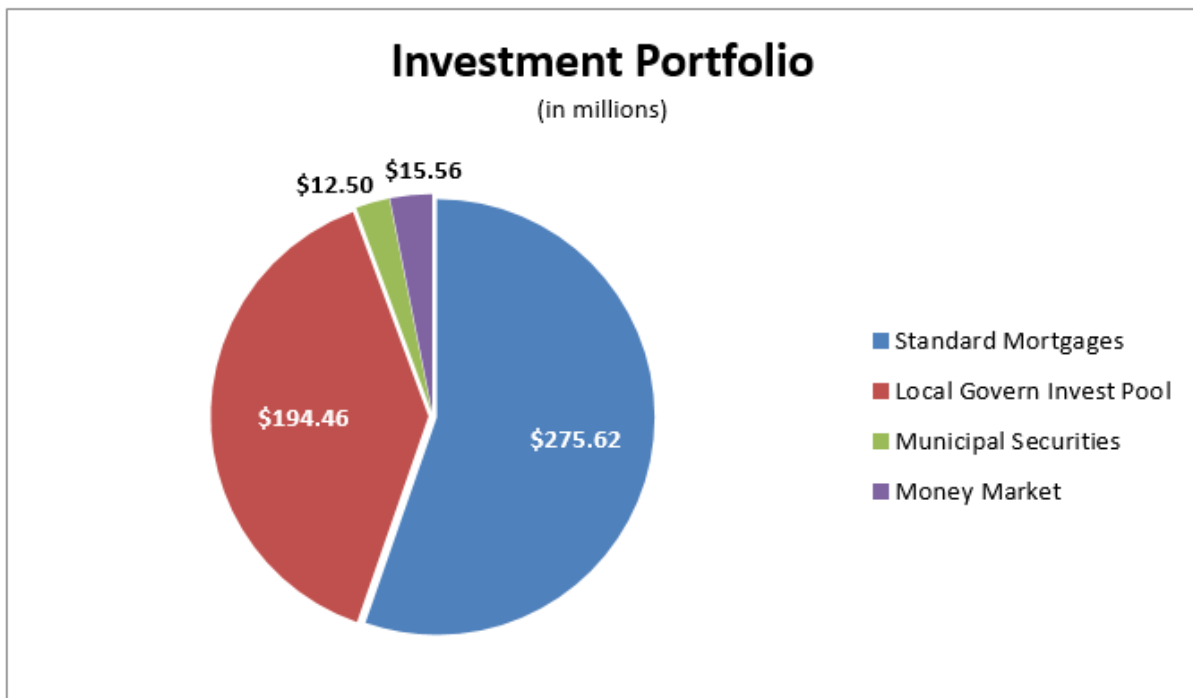
Manchester Stormwater Park in South Kitsap

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 County held the following investment balances. These balances include investments held by the county as agent for other local governments:



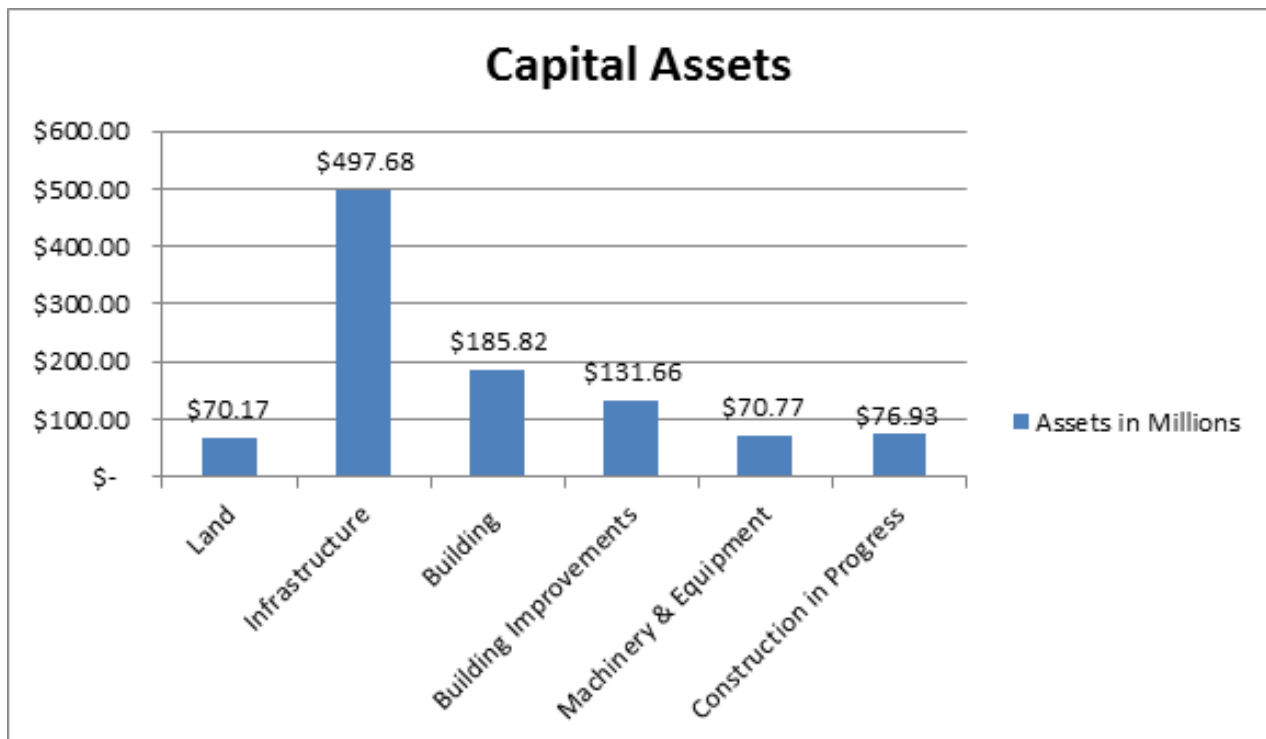
Capital Asset Activity

The county's total investment in capital assets as of December 31, 2015 amounted to \$1.03 billion, \$518 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 – \$11.46 million
- Various infrastructure projects completed – \$5.52 million
- Purchased land for conservation purposes – \$2.97 million
- Updated equipment rental fleet – \$2.46 million

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In accounting, Capital Assets typically include land, machinery and buildings, and are further defined as assets whose benefits are realized over future fiscal periods.

The decrease in value of a Capital Asset over the course of its useful life is known as depreciation. Accumulated Depreciation is the sum of a Capital Asset's depreciation since its acquisition.
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Long-Term Liabilities

There are numerous types of long-term liabilities, or debts, that 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, 2015, the county had \$227.38 million in outstanding debt, of which \$10.30 million will mature during fiscal year 2015.

Figures are reported in millions of dollars.

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Bonds payable	\$86.09	\$93.47	\$61.31	\$44.52	\$147.40	\$ 137.99
Notes payable	1.95	2.02	-	-	2.02	2.02
Other liabilities	60.60	11.94	17.43	12.54	24.48	24.48
Total	\$148.64	\$107.43	\$78.74	\$57.06	\$227.38	\$164.49



Norm Dicks Government Center in Bremerton. The county has \$16.1 million in long-term obligations on this multi-agency building.

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

Figures are reported in millions of dollars.

Fiscal Year	Taxable Value	Tax Collections
2006	23,043.10	48.14
2007	28,291.99	50.83
2008	32,338.20	52.29
2009	32,291.65	53.53
2010	29,918.06	54.38
2011	28,151.15	55.18
2012	26,851.72	56.13
2013	25,818.27	56.93
2014	25,600.72	57.83
2015	26,764.67	58.55

Kitsap County's Largest Taxpayers

Figures are reported in millions of dollars.

Organization	Taxable Property Values
Puget Sound Energy	\$192.02
PPR Kitsap Mall LLC	78.91
Qwest Corporation	52.05
Walmart	46.81
Roundup Co. DBA Fred Meyer	37.21
PK 1 Silverdale Shopping Center LLC	30.99
United Telephone Co of NW	29.74
Fairgrounds Road LLC	29.31
SEA 1800 Sydney Ave	23.50
Kitsap Credit Union	22.15
Total	\$542.69