



# Kitsap County Auditor



## Popular Annual Financial Report

**A FINANCIAL SUMMARY FOR ITS CITIZENS**  
**Fiscal Year 2014**

**Prepared by the**  
**Kitsap County Auditor – Financial Services Division**

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Cover Photo: Harborside Fountain Park, Bremerton, WA

# A Message From Kitsap County Auditor Dolores Gilmore

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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 third 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 2013 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.

All of the information is derived from the County's Comprehensive Annual Financial Report (CAFR) for the fiscal year ending December 31, 2014. 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 result possible.

For the past 17 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.

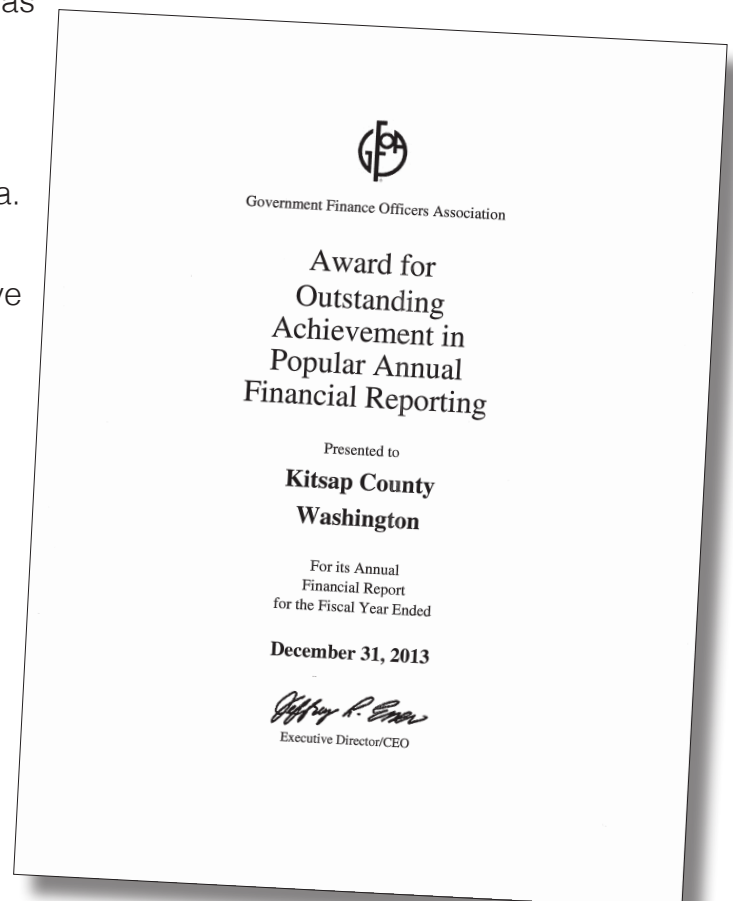
This report and the CAFR are available on our website or by contacting our office. Should you have any comments or suggestions about this report, please do not hesitate to contact me.

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

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

We are pleased to report that Kitsap County has successfully rebuilt fund balances to recommended levels, putting the county in a better 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.

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 2013 and 2014; 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 that are 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.



Agate Pass Bridge, Bainbridge Island

# Profile of Kitsap County

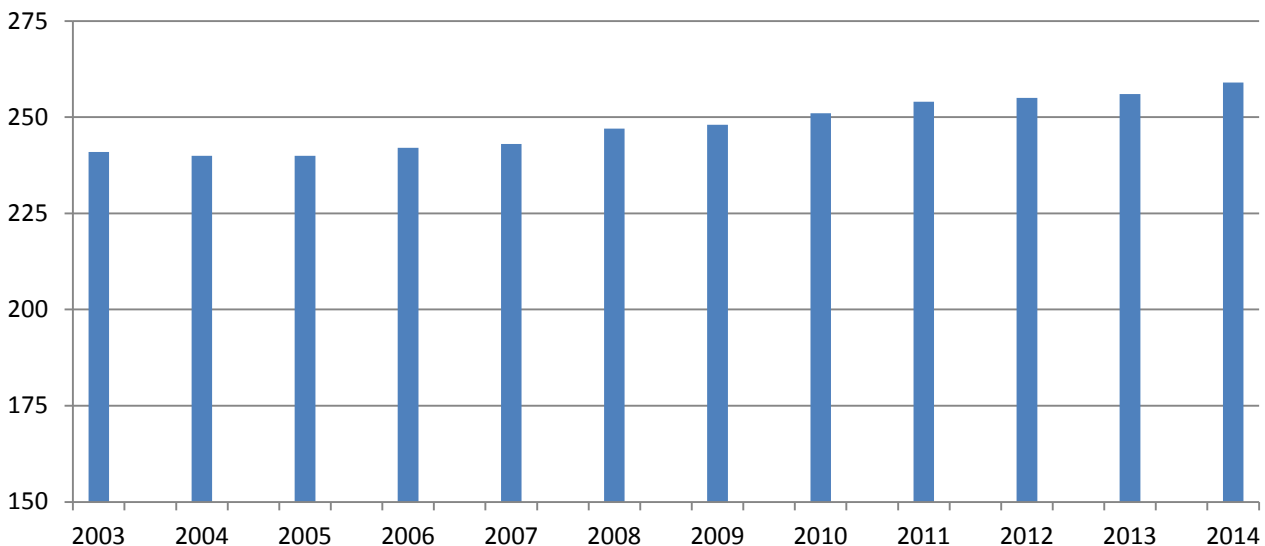
Kitsap County occupies a unique portion of the State of Washington, directly between the urban areas of Seattle and Tacoma and the wilderness of the Olympic Mountains. It is bounded by the Hood Canal on the west, Puget Sound on the east, and Mason and Pierce Counties to the south.

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.



## County Population (in thousands)



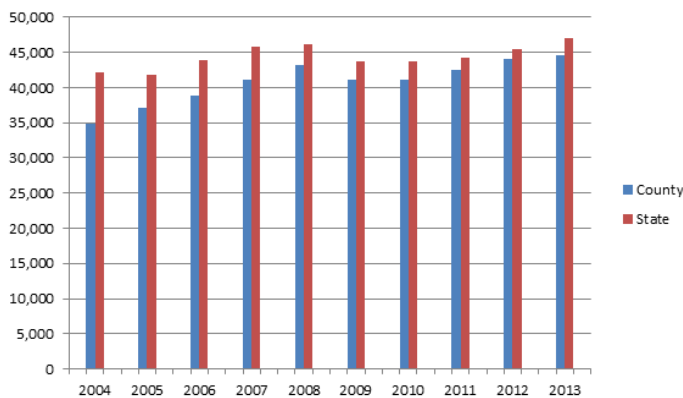
# Profile of Kitsap County (continued)

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; sewer services; representative government ensuring the integrity of the people’s historic birth, death, marriage, real estate and election records; and general administrative services.

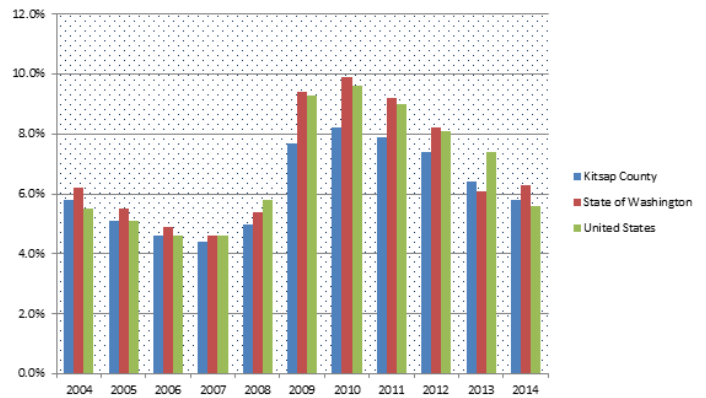
Kitsap County has the seventh largest population of Washington State’s 39 counties. In 2014, the County’s population rose to an estimated 259,047. Although Kitsap County appears to be rural due to the vistas of water, mountains and trees, it actually has the third highest population density in the state of Washington, only surpassed by Clark and King Counties.

Total employment was at 129,782 in 2013 while unemployment was at 5.1%. 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

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

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

**Judicial Services** includes operations of the clerk's office as well as district, juvenile and superior court operation.

**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 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** includes services for care, treatment, and control of human illness, injury, or handicap as well as employment training. These services are mental health, development disabilities, substance abuse, area agency on aging, employment training, recovery center operation and veteran's relief.

**Economic Environment** includes the remainder of the department of community development as well as 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**

(listed from left to right)

The Board of County Commissioners govern and legislate Kitsap County. The three members are elected on a countywide basis to four-year terms.

They provide budget and funding for the operations of the various County departments.



## **Jim Avery, Assessor**

Primary role of the Assessor is to establish the 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.



## **Walt Washington, Auditor**

The Auditor performs a number of functions. The first is to conduct all elections in Kitsap County, whether federal, state or local. The Auditor also records real estate property documents and issues vehicle, vessel, and marriage licenses. The Auditor prepares and files annual financial statements with the State Auditor and oversees the payroll and accounts payable functions of the County.



## **Dave Peterson, 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.



## **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 Coroners office is instrumental in the investigation as well as the prevention of deaths.



## **Russell Hauge, Prosecutor**

The Prosecutor is charged with trying all felonies and misdemeanors in Kitsap County. He also advises and represents all of the County's elected officials and departments, provides legal advice to all county law enforcement agencies, establishes and enforces child support obligations, and provides witness assistance services.



## **Steve Boyer, 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, schools 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.





## Elected Officials of Kitsap County – The Courts

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### **Claire Bradley, Jeffrey Jahns, Marilyn Paja and Stephen Holman, District Court Judges**

(listed from left to right, top to bottom)

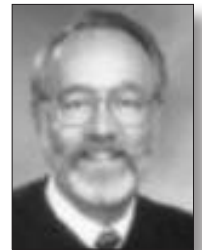
The District Court judges oversee the district court system which has long been called the “peoples court.” District court has a wide variety of matters over which they have jurisdiction, including misdemeanors, and gross misdemeanor crimes. The most common criminal charges include domestic violence,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



### **Leila Mills, Jeanette Dalton, Anna Laurie, Steve Dixon, Jay Roof, Kevin Hull, Jennifer Forbes, Sally Olson, Superior Court Judges**

(listed from left to right, top to bottom)

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.



# Fiscal Responsibility

The county's annual budget serves as the foundation of the County'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.

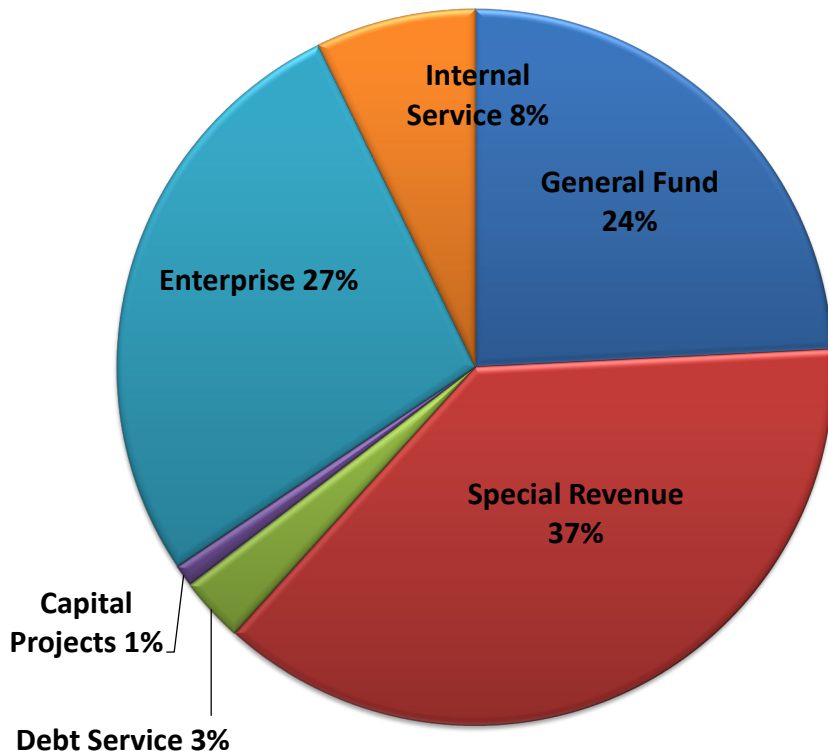
The budget is adopted and systematically monitored on the fund level for special revenue and capital projects funds and on a departmental level for the general fund. Personnel service costs in each fund are controlled by position. The acquisition of capital items are approved on an item-by-item basis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

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).

The county's \$343 million annual budget is spread among approximately 106 "funds," which record revenues and pay expenses associated with various programs.

### Kitsap County 2014 Adopted Budget All Funds



The pie chart on the left represents the adopted 2014 budget for the County's primary funds.

**Special Revenue** funds can only be used for specific purposes.

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

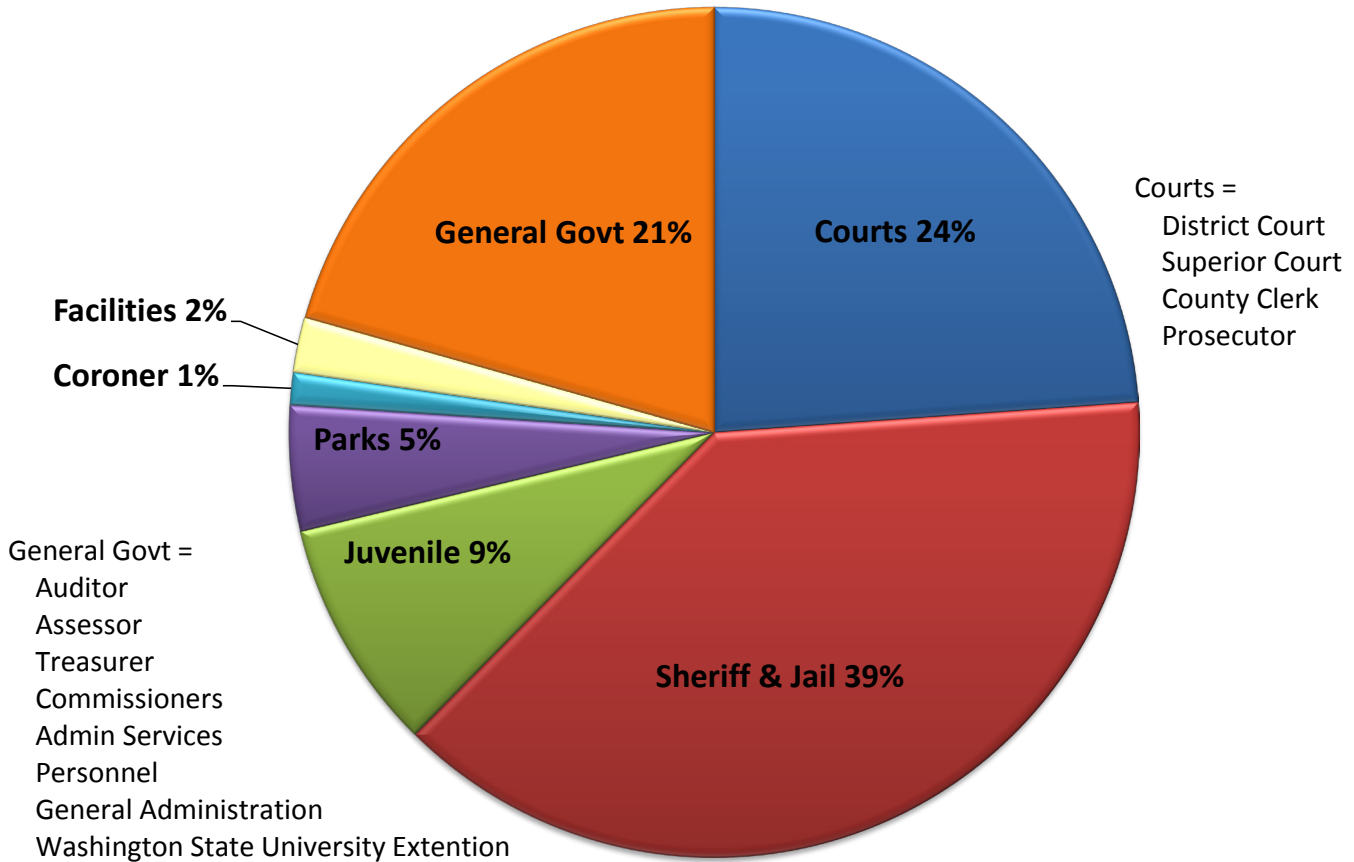
The **Debt Service** funds are used to accumulate resources to pay principle and interest on outstanding debt.

**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.

## Kitsap County General Fund 2014 Adopted Budget



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.

## Budget Comparisons

This table shows the approved budget by Fund Type and Activity for fiscal years (FY) 2014 and 2013.

Fund Type	Funds by Activity	Adopted FY 2014	Adopted FY 2013
General		\$82.98	\$80.39
Special Revenue	Transportation (Roads)	40.18	39.38
	Emergency Services	10.36	10.09
	Special Revenue Grants	53.64	54.67
	Community Development	7.79	6.77
	Public Safety	4.67	4.40
	Real Estate Excise Tax	3.34	3.89
	Impact Fees	.21	0.21
	Other Special Revenue	8.64	6.28
Debt Service		10.02	9.43
Capital		3.43	3.69
Enterprise	Solid Waste	17.67	16.92
	Sewer Utilities	63.47	47.94
	Surface water	12.50	12.06
Internal Service		24.32	24.77
	Totals	\$343.22	\$320.89

Figures are reported in millions of dollars.

# Summary of Financial Information

## Condensed Statement of Net Position

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

Figures are reported in millions of dollars.

<b>Assets:</b>	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total 2014</b>	<b>Total 2013</b>
Cash and investments	\$ 129.24	\$ 55.77	\$ 185.01	\$ 186.54
Receivables, net	3.43	2.96	6.39	6.35
Capital assets, net	388.98	125.28	514.26	501.82
Other assets	43.28	1.37	44.65	47.02
Total assets	564.93	185.38	750.32	741.73
<b>Liabilities:</b>				
Short term liabilities	29.83	5.91	35.74	37.41
Long-term liabilities	100.96	53.84	154.80	163.03
Total liabilities	130.78	59.75	190.53	200.44
Deferred inflows	2.02	-	2.02	2.08
Net position	\$ 432.13	\$ 125.63	\$ 557.76	\$ 539.20

## 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.

	<b>Governmental Activities</b>	<b>Business Type Activities</b>	<b>Total</b>	
			<b>2014</b>	<b>2013</b>
Expenses	\$198.75	\$39.31	\$238.06	\$225.36
Revenues	211.65	45.10	256.75	250.67
Change in net position	\$12.90	\$5.79	\$18.69	\$25.31

# Governmental Revenues & Expenditures

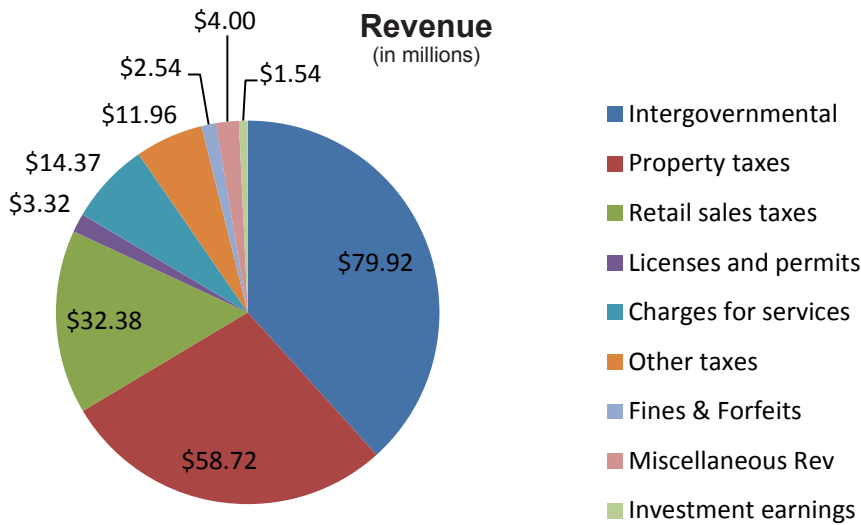
Kitsap County governmental functions and operations are divided into two categories: Governmental and Business Type.

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 services that are fully supported by user fees.

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

## Governmental Funds Revenues

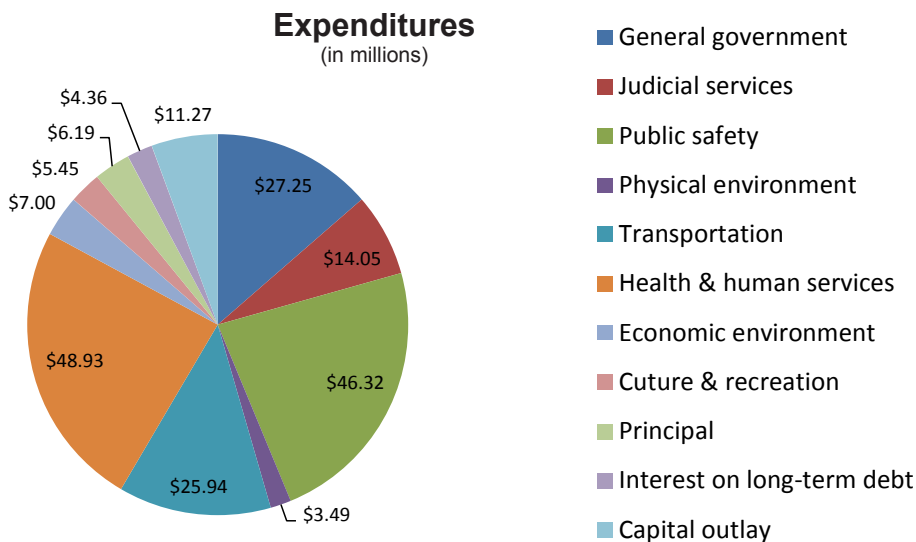
Fiscal Year 2014



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 2014



## Business Type Operations

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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.

Figures are reported in millions of dollars.

<b>Solid Waste</b>		
	<b>2014</b>	<b>2013</b>
Revenues	\$14.39	\$13.26
Expenses	14.26	13.75
Changes in net position	0.13	(0.49)

### Sewer Utility

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.

<b>Sewer Utility</b>		
	<b>2014</b>	<b>2013</b>
Revenues	\$20.09	\$17.66
Expenses	16.98	17.81
Capital contributions	0.9	1.19
Transfers out	(0.17)	(0.14)
Changes in net position	3.84	0.90

## 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		
	2014	2013
Revenues	\$10.10	\$8.40
Expenses	8.06	7.92
Transfers out	(0.21)	(0.21)
Changes in net position	1.83	0.27



Dyes Inlet, Silverdale, WA



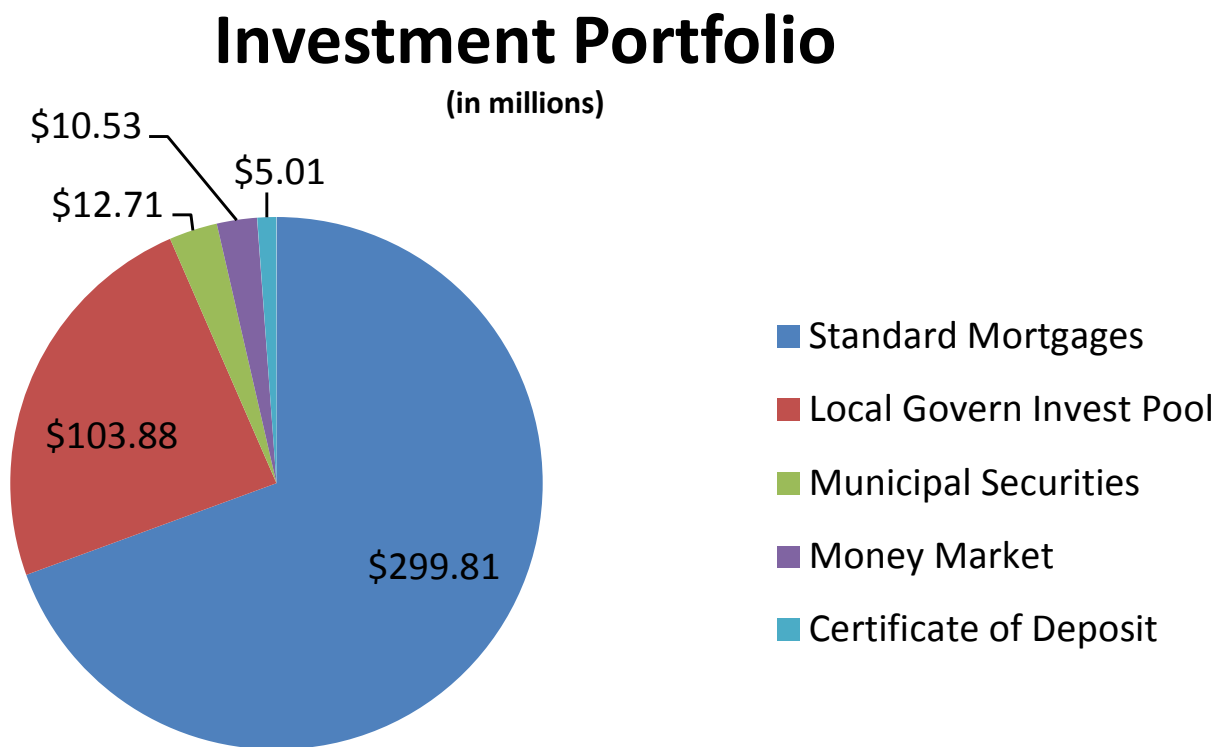
## Investment Policy

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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 County funds are issued by the U.S. Government, U.S. agencies, and the Washington State Local Government Investment Pool (LGIP). Other investments include 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 Dec. 31, 2014 amounted to \$1.01 billion (\$514 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:

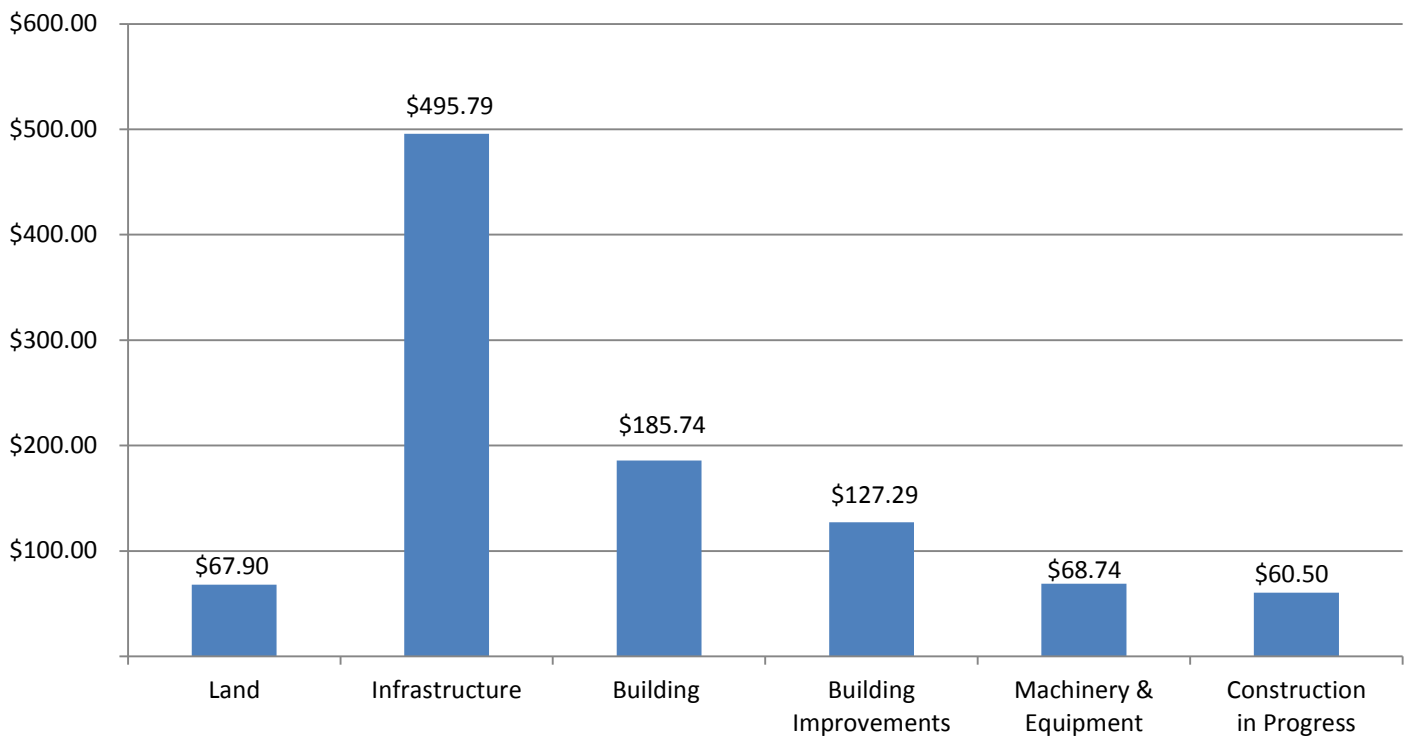
- Sewer projects \$19.38 million
- Various infrastructure projects completed \$12.57 million
- Purchased land for conservation purposes \$6.61 million
- Updated equipment rental fleet \$1.94 million

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.

### Capital Assets (in millions)



## 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 Dec. 31, 2014, the County had \$164.49 million in outstanding debt of which \$9.84 million will mature during fiscal year 2015.

Figures are reported in millions of dollars.

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Bonds payable	\$93.47	\$98.89	\$44.52	\$46.76	\$ 137.99	\$ 145.65
Notes payable	2.02	-	-	-	2.02	2.08
Other liabilities	11.94	11.11	12.54	13.26	24.48	24.37
Total	\$107.43	\$112.08	\$57.06	\$61.74	\$164.49	\$172.10



View of Mount Rainier from Kitsap County

## 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
2005	19,081.91	46.19
2006	23,043.10	48.14
2007	28,291.99	50.81
2008	32,338.20	52.29
2009	32,291.65	53.52
2010	29,918.06	54.36
2011	28,151.15	55.16
2012	26,851.72	55.85
2013	25,818.27	56.64
2014	25,600.72	57.26

### Kitsap County's Largest Taxpayers

Figures are reported in millions of dollars.

Organization	Taxable Property Values
Puget Sound Energy	\$148.74
PPR Kitsap Mall LLC	78.92
Qwest Corporation	50.42
Walmart	47.09
Roundup Co. DBA Fred Meyer	36.53
PK 1 Silverdale Shopping Center LLC	31.48
United Telephone Co of NW	29.69
Fairgrounds Road LLC	27.71
ABS WA O LLC (Albertsons)	24.29
Bethel Garp LLC	24.04
Total	\$462.39