



2020 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 ninth 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 2019 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 PAFR.

All of the information is derived from Kitsap's Annual Comprehensive Financial Report (ACFR) for the fiscal year ending December 31, 2020. The ACFR, 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 ACFR and issued an "unmodified opinion" – the best review possible.

For the past 23 consecutive years Kitsap County has received the Certificate of Excellence in Financial Reporting from the Government Finance Officers Association for its ACFR. This Certificate is among the highest forms of recognition in governmental accounting and financial reporting in North America.

This report and the ACFR 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,

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

Paul Andrews

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, Coroner, 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 county 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 2020, the County's population rose to an estimated 272,200. 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.

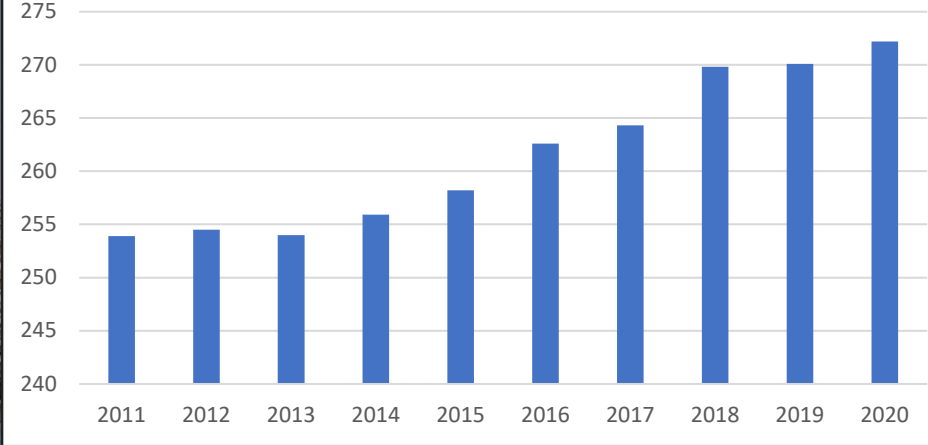
Total employment was at 133,120 in 2020 while unemployment averaged 5.6%. While much of the country saw dramatic employment shifts because of the pandemic, in Kitsap a labor pool associated with military employment continues to keep employment numbers steadier here.



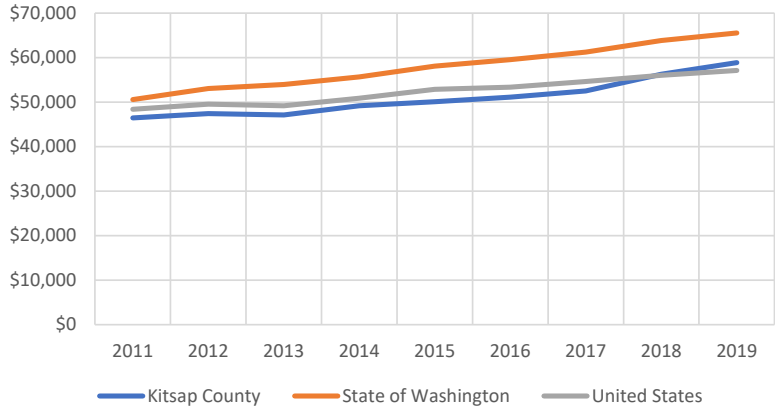
“Good government is one of the most important factors in economic growth and social well-being.” - Joe Lonsdale

Kitsap County Population

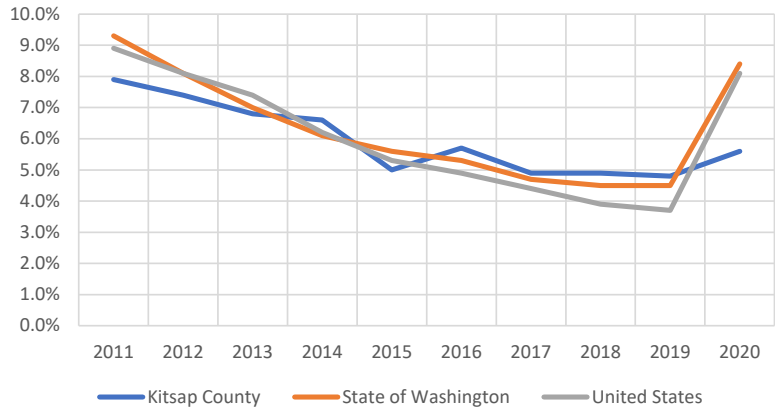
*Last Ten Fiscal Years
(in thousands)*



Per Capita Personal Income



Unemployment Rates, 2011 - 2020





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 operation of the Clerk's office as well as District, Juvenile and Superior Court.

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 as 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 disability. 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 include the Department of Community Development, Community Development Block Grant program (CDBG), and HOME Entitlement program.

Culture and Recreation Services consist 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.



Governmental Functions

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.

David Lewis, 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, as well as to advise and represent 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.

John Gese, 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 misdemeanors. The most common criminal charges include domestic violence, assault, theft, and traffic infractions such as DUIs, driving without a license, 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.

William Houser, Jeffrey Bassett, Jennifer Forbes, Sally Olson, Melissa Hemstreet, Kevin Hull, Tina Robinson and Michelle Adams, 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 for the next year by no later than the close of the current 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 Annual Comprehensive Financial Report (ACFR) includes budget-to-actual comparisons. These comparisons compare 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).

Kitsap County Adopted Budget		
<i>(in millions)</i>		
Fund or Activity (Function)	Adopted FY 2020	Adopted FY 2019
General Fund	\$ 108.34	\$ 104.27
Special Revenue Funds (by Activity)		
Transportation	\$ 47.55	\$ 51.63
Emergency Services	8.40	8.99
Special Revenue Grants ¹	34.49	87.69
Community Development	9.02	8.01
Public Safety	10.05	10.00
Real Estate Excise Tax	6.76	10.27
Impact Fees	1.37	1.33
Other	11.46	10.65
Debt Service	9.34	12.44
Capital Projects	2.88	4.16
Business-Type Activities		
Solid Waste	24.98	24.15
Sewer Utility	38.95	40.74
Surface Water	14.41	11.87
Internal Service Funds	50.98	46.82
Totals ¹	\$ 378.99	\$ 433.05

¹ State funded Mental Health Medicaid program was terminated by the State in 2020 and replaced with the Salish Behavioral Health Administrative Services Organization program (similar program); as a result of the change, significantly less funding reported by the County.

Summary of Financial Information

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

Condensed Statement of Net Position

December 31, 2020

(in millions)

	Governmental Activities	Business-Type Activities	Total 2020	Total 2019
Assets:				
Cash and investments	\$ 175.10	\$ 89.19	\$ 264.29	\$ 246.71
Receivables, net	14.07	4.25	18.32	17.61
Capital assets, net	400.28	159.77	560.05	557.69
Other assets	54.29	(0.54)	53.74	50.28
Total Assets	\$ 643.73	\$ 252.67	\$ 896.41	\$ 872.29
Deferred Outflows	8.61	1.03	9.64	8.40
Total Assets and Deferred Outflows	\$ 652.34	\$ 253.70	\$ 906.04	\$ 880.70
Liabilities:				
Short-Term Liabilities	\$ 35.71	\$ 6.55	\$ 42.26	\$ 41.95
Long-term Liabilities	96.70	66.92	163.62	168.36
Total Liabilities	\$ 132.41	\$ 73.48	\$ 205.88	\$ 210.31
Deferred Inflows	10.74	1.15	11.89	20.40
Total Liabilities and Deferred Inflows	\$ 143.15	\$ 74.63	\$ 217.78	\$ 230.71
Net Position	\$ 509.19	\$ 179.07	\$ 688.27	\$ 649.98

Condensed Statement of Activities

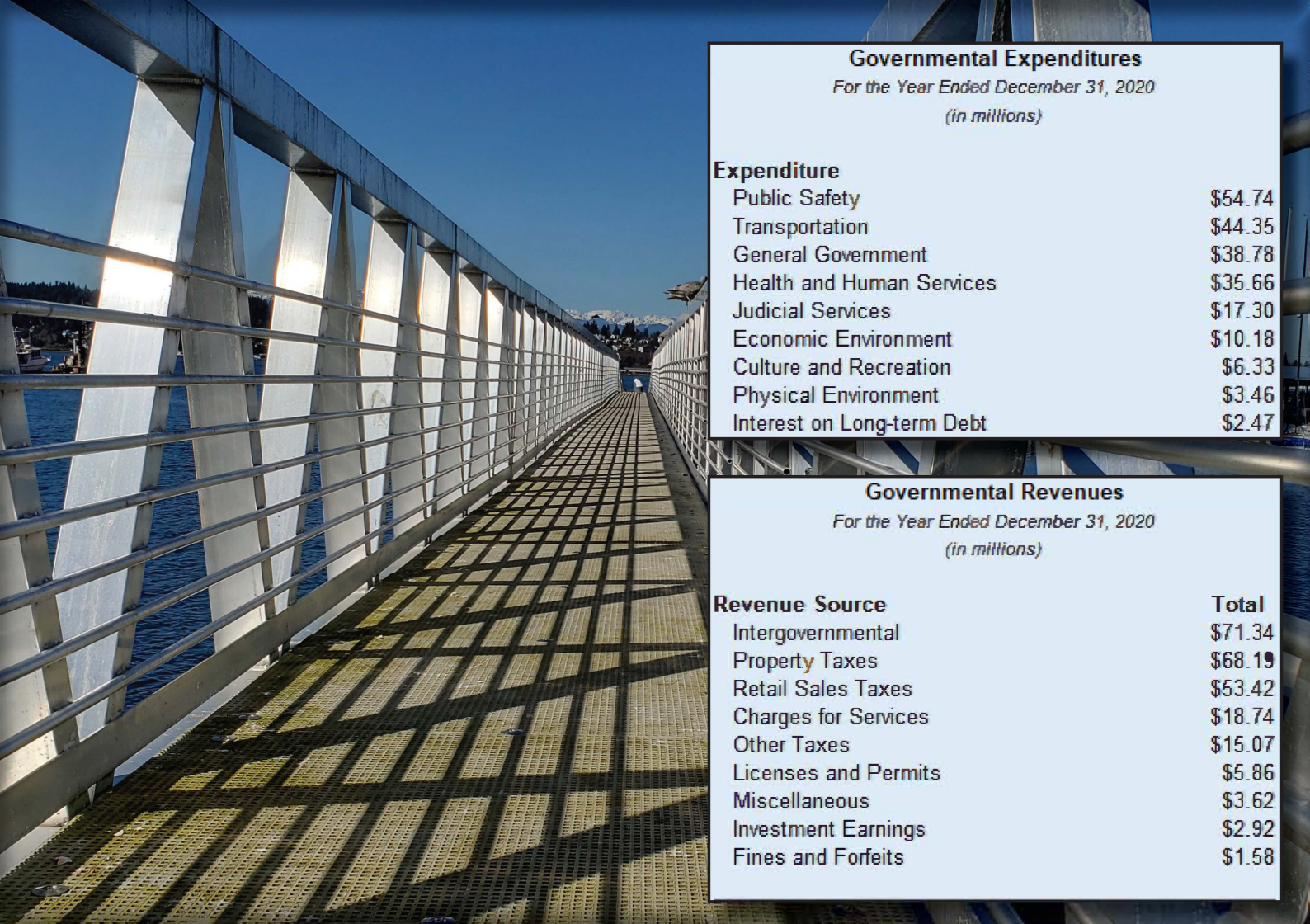
The Condensed Statement of Activities below presents information about revenues and expenses of the county and the change in Net Position.

Governmental Revenues & Expenditures

Kitsap County 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 ACFR present financial information for the county's various funds.

Condensed Statement of Activities For the Year Ended December 31, 2020 (in millions)

	Governmental Activities	Business-Type Activities	Total 2020	Total 2019
Expenses	\$ 213.27	\$ 48.37	\$ 261.64	\$ 303.06
Revenues	<u>240.76</u>	<u>59.89</u>	<u>300.65</u>	<u>326.98</u>
Change in Net Position	<u>\$ 27.49</u>	<u>\$ 11.52</u>	<u>\$ 39.01</u>	<u>\$ 23.92</u>



Governmental Expenditures

For the Year Ended December 31, 2020

(in millions)

Expenditure

Public Safety	\$54.74
Transportation	\$44.35
General Government	\$38.78
Health and Human Services	\$35.66
Judicial Services	\$17.30
Economic Environment	\$10.18
Culture and Recreation	\$6.33
Physical Environment	\$3.46
Interest on Long-term Debt	\$2.47

Governmental Revenues

For the Year Ended December 31, 2020

(in millions)

Revenue Source

Revenue Source	Total
Intergovernmental	\$71.34
Property Taxes	\$68.19
Retail Sales Taxes	\$53.42
Charges for Services	\$18.74
Other Taxes	\$15.07
Licenses and Permits	\$5.86
Miscellaneous	\$3.62
Investment Earnings	\$2.92
Fines and Forfeits	\$1.58

Business Type Operations

Kitsap County Public Works Department 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 Suquamish 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.

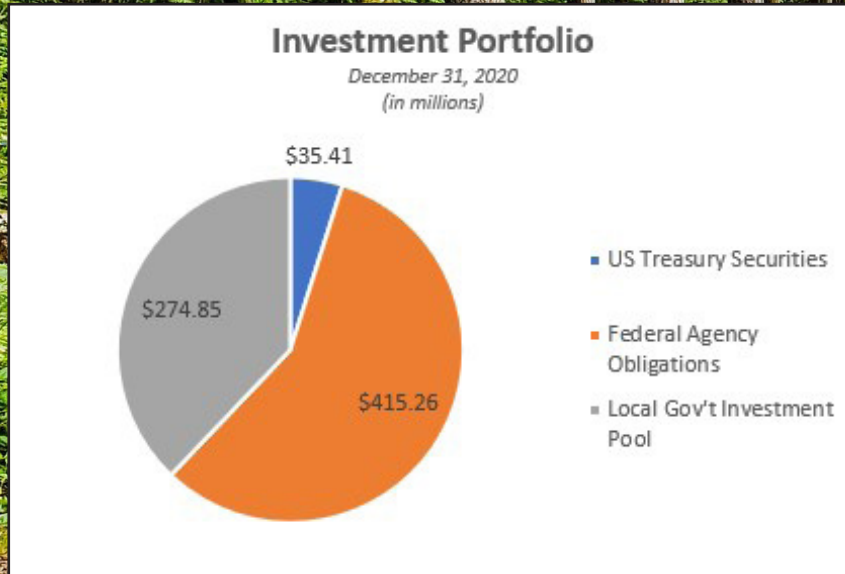


Investment Policy

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:



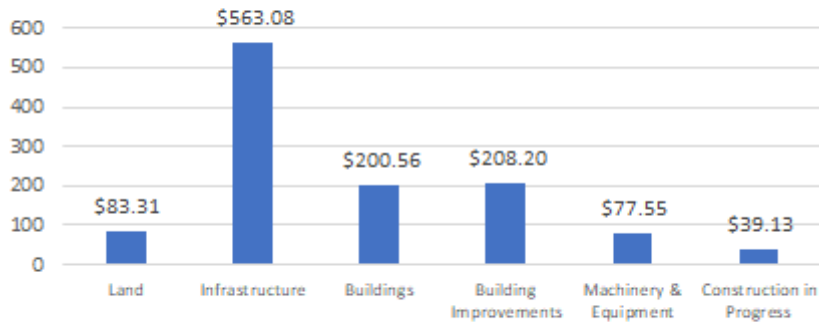
Capital Asset Activity

The County's total investment in capital assets as of December 31, 2020 amounted to \$1.17 billion, or \$612 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 \$20.9 million in various infrastructure projects.

Capital Assets

December 31, 2020
(in millions)



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



Long-Term Liabilities

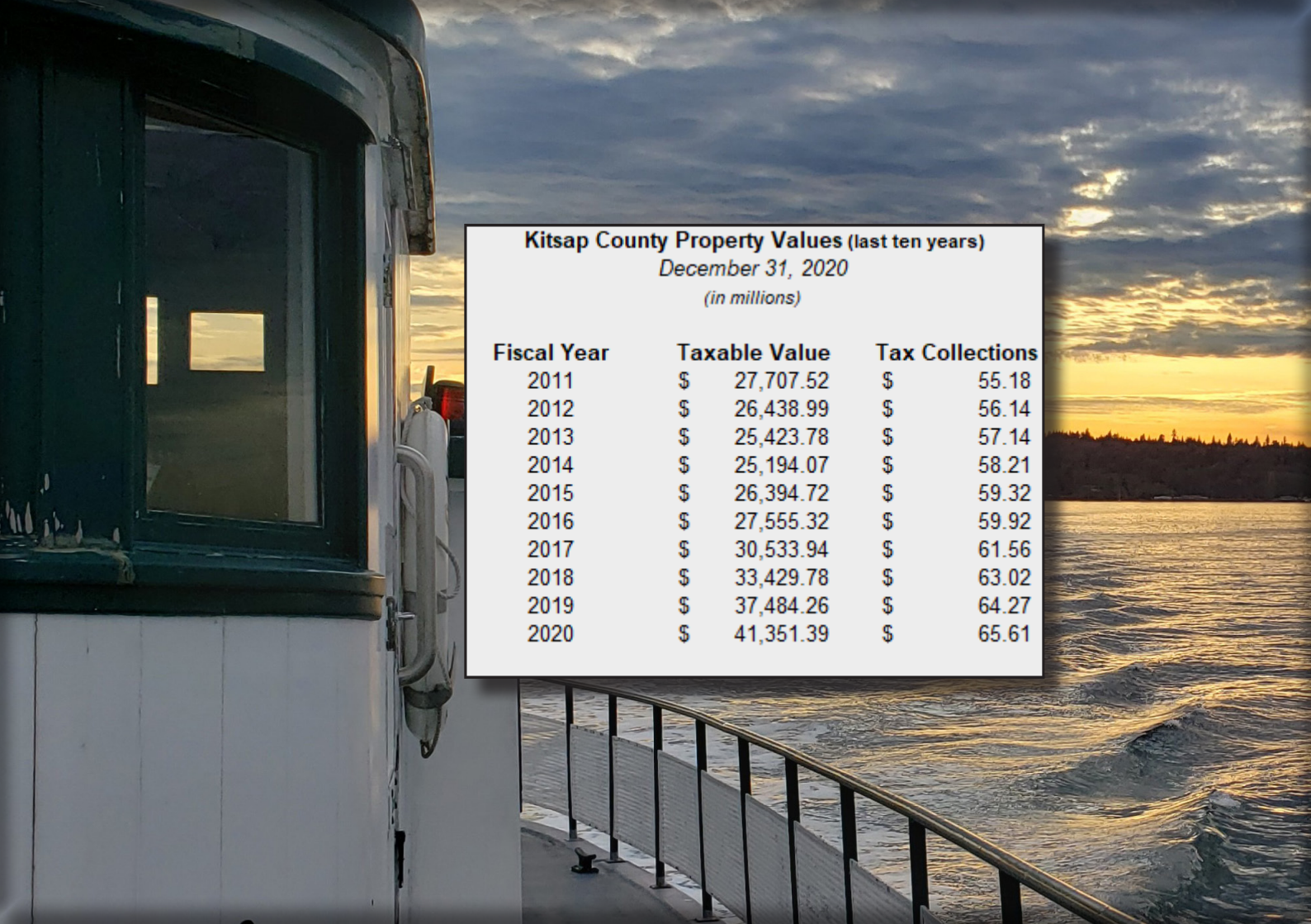
There are numerous types of long-term liabilities – or debts – the county is required to pay. The County acquires debt as part of its regular operations. These long-term liabilities are paid over a period of time one year or greater.

As of December 31, 2020, the County had \$175 million in outstanding debt and other liabilities of which \$11.42 million will mature during fiscal year 2021.

Long-Term Liabilities						
<i>December 31, 2020</i>						
<i>(in millions)</i>						
	Governmental Activities 2020	Governmental Activities 2019	Business-Type Activities 2020	Business-Type Activities 2019	Total 2020	Total 2019
Bonds Payable	\$ 55.85	\$ 57.08	\$ 52.57	\$ 54.72	\$ 108.42	\$ 111.80
Notes Payable	1.52	1.61	-	-	1.52	1.61
Pension Liability ¹	21.50	22.60	2.68	2.98	24.18	25.59
OPEB Liability ²	18.19	16.73	-	-	18.19	16.73
Other Liabilities	6.94	6.78	15.79	16.63	22.74	23.41
Total	\$ 104.00	\$ 104.80	\$ 71.04	\$ 74.33	\$ 175.04	\$ 179.13

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 Benefits (OPEB) Liability is the estimated future cost to the County, to provide health care to members of the Law Enforcement and Firefighters Retirement System (LEOFF) as established by RCW 41.26. The OPEB Plan is closed to new members.



Kitsap County Property Values (last ten years)

December 31, 2020

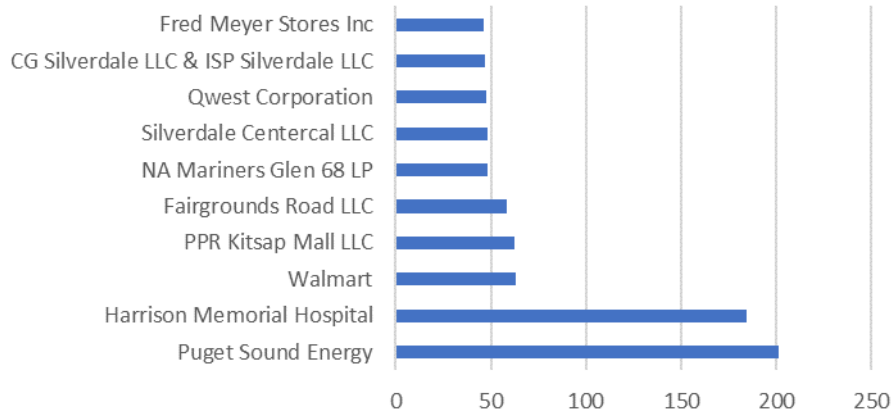
(in millions)

Fiscal Year	Taxable Value	Tax Collections
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	\$ 59.92
2017	\$ 30,533.94	\$ 61.56
2018	\$ 33,429.78	\$ 63.02
2019	\$ 37,484.26	\$ 64.27
2020	\$ 41,351.39	\$ 65.61

Kitsap County's Highest Taxable Property Values

December 31, 2020

(in millions)





Kitsap County Auditor's Office

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360-337-7129



This report includes an overview of Kitsap County; budget comparisons for Fiscal Years 2019 and 2020; statement of net position (assets and deferred outflows, and liabilities and deferred inflows); 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 ACFR.