

**Washington State Auditor's Office**  
**Financial Statements and Federal Single Audit Report**

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**Kitsap County**

Audit Period  
**January 1, 2013 through December 31, 2013**

**Report No. 1012226**

Issue Date  
**July 17, 2014**  
ReIssue Date  
**September 19, 2016**



**Washington State Auditor**  
**Troy Kelley**

Independence • Respect • Integrity



## Washington State Auditor Troy Kelley

September 19, 2016

Board of Commissioners  
Kitsap County  
Port Orchard, Washington

### *Report on Financial Statements and Federal Single Audit*

Please find attached our report on Kitsap County's financial statements and compliance with federal laws and regulations.

We are issuing this report in order to provide information on the County's financial condition.

Sincerely,

**TROY KELLEY**  
STATE AUDITOR

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# Federal Summary

## Kitsap County January 1, 2013 through December 31, 2013

The results of our audit of Kitsap County are summarized below in accordance with U.S. Office of Management and Budget Circular A-133.

### ***FINANCIAL STATEMENTS***

An unmodified opinion was issued on the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information.

#### ***Internal Control Over Financial Reporting:***

- ***Significant Deficiencies:*** We identified deficiencies in the design or operation of internal control over financial reporting that we consider to be significant deficiencies.
- ***Material Weaknesses:*** We identified no deficiencies that we consider to be material weaknesses.

We noted no instances of noncompliance that were material to the financial statements of the County.

### ***FEDERAL AWARDS***

#### ***Internal Control Over Major Programs:***

- ***Significant Deficiencies:*** We reported no deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.
- ***Material Weaknesses:*** We identified no deficiencies that we consider to be material weaknesses.

We issued an unmodified opinion on the County's compliance with requirements applicable to each of its major federal programs.

We reported no findings that are required to be disclosed under section 510(a) of OMB Circular A-133.

***Identification of Major Programs:***

The following were major programs during the period under audit:

| <u>CFDA No.</u> | <u>Program Title</u>   |
|-----------------|--|
| 20.205          | Highway Planning and Construction  |
| 66.123          | Puget Sound Action Agenda: Technical Investigations and<br>Implementation Assistance Program |
| 93.959          | Block Grants for Prevention and Treatment of Substance Abuse                                 |

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was \$478,001.

The County qualified as a low-risk auditee under OMB Circular A-133.

|   |
|---|
| <b>Schedule of Audit Findings and Responses</b> |
|---|

**Kitsap County**  
**January 1, 2013 through December 31, 2013**

**2013-001    The County's internal controls were inadequate to ensure accurate and timely federal grant reporting, resulting in a missed major federal program audit.**

***Background***

It is the responsibility of County management to design and follow internal controls that provide reasonable assurance regarding the reliability of financial reporting.

Entities that receive federal money are required to prepare a Schedule of Expenditures of Federal Awards (SEFA) as part of their annual financial report. The SEFA should include all federal expenditures made by the County for the fiscal year, and is the basis for determining major programs audited in accordance with U.S. Office of Management and Budget (OMB) Circular A-133.

***Description of Condition***

The County lacked internal controls to ensure expenditures of federal awards were reported properly on its SEFA. The County Financial Services Manager notified the State Auditor's Office in March 2016 that the County had misidentified \$122,526 of federal expenditures as state expenditures on its fiscal year 2013 SEFA. Our audit identified the following deficiencies in internal controls that, when taken together, represent a significant deficiency:

- Program managers did not properly identify the funding source(s) within grant contracts.
- County staff did not accurately identify all federal grant revenue in its accounting system.

***Cause of Condition***

- Program managers lacked knowledge to properly determine whether grant funds were indirectly from federal sources.
- Personnel responsible for creating and posting account codes were given inaccurate information when establishing the grant-funded project in the accounting system.

### ***Effect of Condition***

The significant deficiency in internal controls over SEFA preparation caused the County to under-report federal expenditures for CFDA 66.123 – Environmental Protection Agency, Puget Sound Action Agenda by \$122,526 in its financial records and annual financial report.

The error was identified in March 2016, resulting in the reclassification of the program as a major program requiring audit. This caused the County to fail to meet its single audit reporting deadline for 2013. Noncompliance with this requirement can put future federal funding in jeopardy.

### ***Recommendation***

We recommend the County establish internal controls to ensure:

- Program managers are adequately trained and knowledgeable to properly identify all funding sources within a grant contract.
- Grant activity coding in the accounting system accurately reflects the funding source.

### ***County's Response***

*The Auditor's Office will provide training for the program managers on how to review each grant contract to ensure they are properly classified as federal, state or local grants. In addition, the Auditors Office has added a review of all grants to ensure they have been properly reported. Both of these steps focus on examining contract boilerplate language to ensure revenue coding is correct.*

### ***Auditor's Remarks***

We thank the County for its assistance throughout the audit, and the steps it is taking to address these issues. We will review the status of the County's corrective action during our next scheduled audit.

### ***Applicable Laws and Regulations***

*Budgeting, Accounting and Reporting System (BARS) Manual – Accounting, Accounting Principles and Internal Control, Internal Control states in part:*

3.1.3.20 Internal control is a process – affected by those charged with governance, management and other personnel designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- Effectiveness and efficiency of operations
- Compliance with applicable laws and regulations
- Reliability of financial reporting

3.1.3.30 Management and the governing body are responsible for the government's performance, compliance and financial reporting. Therefore, the adequacy of internal control to provide reasonable assurance of achieving these objectives is also the responsibility of management and the governing body. The governing body has *ultimate* responsibility for ensuring adequate controls to achieve objectives, even though *primary* responsibility has been delegated to management.

*Government Auditing Standards*, December 2011 Revision, paragraph 4.23 states in part:

4.23 When performing GAGAS financial audits, auditors should communicate in the report on internal control over financial reporting and compliance, based on the work performed, (1) significant deficiencies and material weaknesses in internal control;

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its Codification of Statements on Auditing Standards, section 265, as follows:

.07 For purposes of generally accepted auditing standards, the following terms have the meanings attributed as follows:

Material weakness. A deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Significant deficiency. A deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

RCW 43.09.200 Local government accounting—Uniform system of accounting, states in part:

The state auditor shall formulate, prescribe, and install a system of accounting and reporting for all local governments, which shall be uniform for every public institution, and every public office, and every public account of the same class.

*Budgeting Accounting and Reporting System (BARS) Manual – Supplemental Schedules – Expenditures of Federal Awards (Schedule 16)*, states in part:



The purpose of this schedule is to summarize federal grant expenditures as a basis for planning and conducting the single audit. It also serves to provide assurance to those agencies that award financial assistance that their programs or grants were included in the audit. It is important to prepare this schedule carefully to ensure that it is accurate and complete. Any program or grant omitted from this schedule will be considered unaudited. This schedule should be prepared on the same basis of accounting as the financial statements.

U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, states in part:

Section 200:

(a) Audit required. Non-federal entities that expend \$300,000 (\$500,000 for fiscal years ending after December 31, 2003) or more in a year in Federal awards shall have a single or program-specific audit conducted for that year in accordance with the provisions of this part. Guidance on determining Federal awards expended is provided in §\_\_\_\_.205.

Section 205:

Basis for determining Federal awards expended.

(a) Determining Federal awards expended. The determination of when an award is expended should be based on when the activity related to the award occurs. Generally, the activity pertains to events that require the non-federal entity to comply with laws, regulations, and the provisions of contracts or grant agreements, such as: expenditure/expense transactions associated with grants, cost-reimbursement contracts, cooperative agreements, and direct appropriations; the disbursement of funds passed through to subrecipients, the use of loan proceeds under loan and loan guarantee programs . . .

Section 300:

The auditee shall:

- (a) Identify, in its accounts, all Federal awards received and expended and the Federal programs under which they are received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the Federal agency, and the name of the pass-through entity.
- (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.
- (c) Comply with laws, regulations, and the provisions of contracts or grant agreements related to each of its major federal programs.
- (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with §\_\_\_\_.310

Section 310:

- (b) Schedule of expenditures of federal awards. The auditee shall ... prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements.

Section 320 Report submission:

- (a) General. The audit shall be completed and the data collection form described in paragraph (b) of this section and reporting package described in paragraph (c) of this section shall be submitted within the earlier of 30 days after receipt of the auditor's report(s), or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit. Unless restricted by law or regulation, the auditee shall make copies available for public inspection.

Circular A-102, *Uniform Administrative Requirements for Grants and Cooperative Agreements With State and Local Governments*, Section 20 [7 CFR 3016.20], states in part:

(b) The financial management systems of other grantees and subgrantees must meet the following standards:

- (1) Financial reporting. Accurate, current and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant.
- (2) Accounting records. Grantees and subgrantees must maintain records, which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income.

# **Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

**Kitsap County**  
**January 1, 2013 through December 31, 2013**

Board of Commissioners  
Kitsap County  
Port Orchard, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Kitsap County, Washington, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated July 17, 2014. As discussed in Note 1 to the financial statements, during the year ended December 31, 2013, the County implemented Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

## ***INTERNAL CONTROL OVER FINANCIAL REPORTING***

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Audit Findings and Responses as Finding 2013-001 that we consider to be a significant deficiency.

## ***COMPLIANCE AND OTHER MATTERS***

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of the County's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## ***COUNTY'S RESPONSE TO FINDINGS***

The County's response to the finding identified in our audit is described in the accompanying Schedule of Audit Findings and Responses. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## ***PURPOSE OF THIS REPORT***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.



**TROY KELLEY**  
STATE AUDITOR

July 17, 2014, except for our report on the Schedule of Expenditures of Federal Awards and the matters discussed in the Schedule of Audit Findings and Responses 2013-001, for which the date is September 16, 2016.

# **Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance in Accordance with OMB Circular A-133**

**Kitsap County**  
**January 1, 2013 through December 31, 2013**

Board of Commissioners  
Kitsap County  
Port Orchard, Washington

## ***REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM***

We have audited the compliance of Kitsap County, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013. The County's major federal programs are identified in the accompanying Federal Summary.

### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the County's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

### ***Other Matters – Report Reissuance***

This report, which replaces a previously issued report, has been reissued to report on CFDA 66.123 Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program as an additional major program.

## ***REPORT ON INTERNAL CONTROL OVER COMPLIANCE***

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## ***PURPOSE OF THIS REPORT***

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It

also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in cursive script that reads "Troy X. Kelley".

**TROY KELLEY**  
STATE AUDITOR

July 17, 2014, except for our report on the CFDA 66.123 Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program, for which the date is September 16, 2016.



# **Independent Auditor's Report on Financial Statements**

## **Kitsap County January 1, 2013 through December 31, 2013**

Board of Commissioners  
Kitsap County  
Port Orchard, Washington

### ***REPORT ON THE FINANCIAL STATEMENTS***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Kitsap County, Washington, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed on page 17.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Kitsap County, as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General, County Roads, Real Estate Excise Tax and Mental Health Medicaid funds, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Matters of Emphasis***

As discussed in Note 1 to the financial statements, in 2013, the County adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 19 through 30 and information on postemployment benefits other than pensions on page 107 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Supplementary and Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. This schedule is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and

reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

### ***OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 17, 2014, except for the matters discussed in the Schedule of Audit Findings and Responses 2013-001, for which the date is September 16, 2016, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.



**TROY KELLEY**  
STATE AUDITOR

July 17, 2014, except for our report on the Schedule of Expenditures of Federal Awards, for which the date is September 16, 2016.

## **Financial Section**

### **Kitsap County January 1, 2013 through December 31, 2013**

#### ***REQUIRED SUPPLEMENTARY INFORMATION***

Management's Discussion and Analysis – 2013

#### ***BASIC FINANCIAL STATEMENTS***

Statement of Net Position – 2013

Statement of Activities – 2013

Balance Sheet – Governmental Funds – 2013

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position – 2013

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds – 2013

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities – 2013

Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund – 2013

Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – County Roads, Fund 101 and 102 – 2013

Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Real Estate Excise Tax Fund 131 – 2013

Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Mental Health Medicaid 187 – 2013

Statement of Net Position – Proprietary Funds – 2013

Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds – 2013

Statement of Cash Flows – Proprietary Funds – 2013

Statement of Fiduciary Net Position – 2013

Notes to Financial Statements – 2013

#### ***REQUIRED SUPPLEMENTARY INFORMATION***

Law Enforcement Officers and Firefighters (LEOFF1) – Schedule of Funding Progress – 2013

## ***SUPPLEMENTARY AND OTHER INFORMATION***

Schedule of Expenditures of Federal Awards – 2013

Notes to the Schedule of Expenditures of Federal Awards – 2013

# Kitsap County, Washington

## ***Management's Discussion and Analysis For the Year Ended December 31, 2013***

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As management of Kitsap County, we offer readers of Kitsap County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended December 31, 2013. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found section II of this report. All amounts, unless otherwise indicated, are expressed in millions of dollars.

### **Financial Highlights**

- The assets of Kitsap County exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$539.20 (net position). Of this amount, \$141.70 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$ 25.30 with a \$24.63 increase on the Governmental side and a \$.68 increase on the Business-Type side. The Governmental side saw an increase of \$24.63 in large part to a Special Item, a \$16.1 receivable signed to repay the county for assuming debt in 2009. This had previously been recognized as a loss. Also the economy continues to show signs of recovery. Further details of these items can be found in the notes to the financial statements, see Note 15.
- As of the close of the current fiscal year, Kitsap County's governmental funds reported combined ending fund balances of \$92.21, an increase of \$5.43 from the prior year. Approximately \$18.13 of this amount is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$18.40, or 24.25 percent of the total general fund expenditures. \$1.10 of this balance was from funds formerly reported as special revenue funds that no longer qualified under GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.
- Kitsap County's total general obligation debt decreased by \$5.30 (5 percent) during the current fiscal year. This represented 2013 principle payments, plus refunding bonds issued.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to Kitsap County's basic financial statements. Kitsap County's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of Kitsap County's finances, in a manner similar to a private-sector business.

# Kitsap County, Washington

## *Management's Discussion and Analysis For the Year Ended December 31, 2013*

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The *statement of net position* presents information on all of Kitsap County's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of Kitsap County is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of Kitsap County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of Kitsap County include general government, public safety, highways and streets, economic development, and culture and recreation. The business-type activities of Kitsap County include solid waste, sewer and surface water operations.

The government-wide financial statements can be found on pages 17 -18 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Kitsap County, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Kitsap County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

# Kitsap County, Washington

## *Management's Discussion and Analysis For the Year Ended December 31, 2013*

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Kitsap County maintains one hundred and ten individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, county roads fund, real estate excise tax fund, mental health Medicaid fund and KC LTGO 2013 Refunding Bond fund, all of which are considered major funds.

Fifteen funds were rolled up into the General Fund because they did not meet the Special Revenue Fund criteria as stated in GASB Statement No. 54 (also see Note 1.E.12). Data from the other ninety governmental funds is combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

Kitsap County implemented GASB Statement No. 65 in 2013. As a result, deferred items such as taxes receivable are now recorded as deferred outflows and inflows rather than assets and liabilities.

Kitsap County adopts an annual appropriated budget for all its funds, with the exception of those listed in the notes to the financial statements, see Note 1D. A budgetary comparison statement has been provided for each of the major funds to demonstrate compliance with this budget. The basic governmental fund financial statements can be found on pages 19 – 28 of this report.

**Proprietary funds.** Kitsap County maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. Kitsap County uses enterprise funds to account for its Sanitary Sewer operations, Solid Waste activities and Surface Water Utility activities. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the County's various functions. Kitsap County uses internal service funds to account for its management information systems, self-insurance activities, elections activities, employer medical benefits, building repair & replacement and fleet of equipment. Because all these services predominantly benefit governmental rather than business-type functions, they have been included within the governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Solid Waste, and Sewer funds and Surface Water Utility, which are considered major funds of Kitsap County. Conversely, all the internal service funds are combined into single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report. The basic proprietary fund financial statements can be found on pages 29 – 31 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to



# Kitsap County, Washington

## *Management's Discussion and Analysis For the Year Ended December 31, 2013*

support Kitsap County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on page 32 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 33 – 92 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 94 – 215 of this report.

### **Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Kitsap County, assets exceeded liabilities by \$539.20 at the close of the most recent fiscal year. The County's fiscal condition remains stable.

The largest portion of Kitsap County's net position (77.1 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets to provide services to citizens; consequently, these assets are not available for future spending. Although Kitsap County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

| <b>Kitsap County's Net Position</b> |                         |           |                          |           |                          |           |
|-------------------------------------|-------------------------|-----------|--------------------------|-----------|--------------------------|-----------|
|                                     | Governmental Activities |           | Business-type Activities |           | Total Primary Government |           |
|                                     | 2012                    | 2013      | 2012                     | 2013      | 2012                     | 2013      |
| Assets:                             |                         |           |                          |           |                          |           |
| Current & other assets              | \$ 139.26               | \$ 163.88 | \$ 91.68                 | \$ 76.03  | \$ 230.94                | \$ 239.91 |
| Capital assets                      | 399.68                  | 393.74    | 91.63                    | 108.08    | 491.31                   | 501.82    |
| Total assets                        | 538.94                  | 557.62    | 183.31                   | 184.11    | 722.25                   | 741.73    |
| Deferred outflows                   |                         |           |                          |           |                          |           |
| Liabilities                         |                         |           |                          |           |                          |           |
| Other liabilities                   | 50.18                   | 29.8      | 5.97                     | 7.62      | 56.15                    | 37.42     |
| Long-term liabilities               | 93.15                   | 106.11    | 58.46                    | 56.91     | 151.61                   | 163.03    |
| Total liabilities                   | \$143.33                | 135.91    | 64.43                    | 64.53     | 207.76                   | 200.46    |
| Deferred inflows                    | 2.14                    | 2.08      |                          |           |                          | 2.08      |
| Net position                        |                         |           |                          |           |                          |           |
| Invested in capital                 | 325.88                  | 319.65    | 53.33                    | 61.48     | 379.21                   | 381.13    |
| Restricted                          | 13.68                   | 13.02     | 3.34                     | 3.34      | 17.02                    | 16.36     |
| Unrestricted                        | 53.90                   | 86.96     | 62.21                    | 54.74     | 116.11                   | 141.70    |
| Total net position                  | \$ 393.46               | \$ 419.63 | \$ 118.88                | \$ 119.56 | \$ 512.34                | \$ 539.20 |

# Kitsap County, Washington

## *Management's Discussion and Analysis For the Year Ended December 31, 2013*

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An additional portion of Kitsap County's net position (3.0 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$141.70) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, Kitsap County is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true last fiscal year.

The government's net position increased by \$25.30 during the current fiscal year. However, when excluding the special items detailed on page 3 and in Note 15 of the notes to the financial statements, the County actually had increases of \$9.20. The major reason was increase in sales tax as the economy began to rebound and the sale of the local mall.

Refer to the Notes to the Financial Statements (Note 6) for a more in depth discussion of capital assets.

The government's restricted net position decreased by 3.88% (from \$17.02 to \$16.36). This was caused by an overall reduction in outstanding debt. Unrestricted net position increased by 22.04% (from \$116.11 to \$141.70).

**Governmental activities.** Governmental activities increased the County's net position by \$24.63. The key elements of this net change are as follows:

# Kitsap County, Washington

## Management's Discussion and Analysis For the Year Ended December 31, 2013

|  | Governmental<br>Activities |           | Business-type<br>Activities |           | Total<br>Primary Government |           |
|--|----------------------------|-----------|-----------------------------|-----------|-----------------------------|-----------|
|  | 2012                       | 2013      | 2012                        | 2013      | 2012                        | 2013      |
| Revenues:                                      |                            |           |                             |           |                             |           |
| Program revenues                               |                            |           |                             |           |                             |           |
| Charges for services                           | \$ 23.66                   | \$ 23.38  | \$ 35.59                    | \$ 37.71  | \$ 59.25                    | \$ 61.09  |
| Operating grants                               | 66.45                      | 66.65     | 0.99                        | 1.16      | 67.44                       | 67.81     |
| Capital grants                                 | 2.56                       | 3.04      | 1.92                        | 1.19      | 4.48                        | 4.23      |
| General revenues                               |                            |           |                             |           |                             |           |
| Property taxes                                 | 56.25                      | 57.36     | -                           | -         | 56.25                       | 57.36     |
| Sales taxes                                    | 27.01                      | 27.67     | -                           | -         | 27.01                       | 27.67     |
| Other taxes                                    | 11.06                      | 12.29     | -                           | -         | 11.06                       | 12.29     |
| Investment earnings                            | 1.68                       | 1.51      | 0.65                        | 0.44      | 2.33                        | 1.95      |
| Other income                                   | 3.43                       | 3.36      | -                           | -         | 3.43                        | 3.36      |
| Total revenues                                 | 192.10                     | 195.26    | 39.15                       | 40.50     | 231.25                      | 235.76    |
| Expenses                                       |                            |           |                             |           |                             |           |
| General government                             | 24.93                      | 19.29     | -                           | -         | 24.93                       | 19.29     |
| Judicial services                              | 13.33                      | 13.95     | -                           | -         | 13.33                       | 13.95     |
| Public safety                                  | 49.14                      | 49.93     | -                           | -         | 49.14                       | 49.93     |
| Physical environment                           | 3.29                       | 3.34      | -                           | -         | 3.29                        | 3.34      |
| Transportation                                 | 38.06                      | 37.84     | -                           | -         | 38.06                       | 37.84     |
| Health & human services                        | 43.97                      | 43.86     | -                           | -         | 43.97                       | 43.86     |
| Economic environment                           | 6.75                       | 6.47      | -                           | -         | 6.75                        | 6.47      |
| Culture & recreation                           | 6.91                       | 6.49      | -                           | -         | 6.91                        | 6.49      |
| Interest on LT debt                            | 5.40                       | 4.72      | -                           | -         | 5.40                        | 4.72      |
| Utilities                                      | -                          | -         | 37.63                       | 39.47     | 37.63                       | 39.47     |
| Total expenses                                 | 191.78                     | 185.89    | 37.63                       | 39.47     | 229.41                      | 225.36    |
| Incr (decr) in net position before             | 0.32                       | 9.37      | 1.52                        | 1.03      | 1.84                        | 10.40     |
| Special Items, Transfers & Extraordinary items |                            |           |                             |           |                             |           |
| Special items                                  | (4.56)                     | 14.90     |                             |           | (4.56)                      | 14.90     |
| Transfers                                      | 0.35                       | 0.35      | (0.35)                      | (0.35)    | -                           | -         |
| Extraordinary item                             | (1.08)                     | -         |                             |           | (1.08)                      | -         |
| Incr (decr) in net position                    | (4.97)                     | 24.62     | 1.17                        | 0.68      | (3.80)                      | 25.30     |
| Beginning Net position                         | 398.44                     | 393.47    | 117.42                      | 118.88    | 515.86                      | 512.35    |
| Prior period adjustments                       | (0.01)                     | 1.54      | 0.29                        | -         | 0.29                        | 1.54      |
| Ending Net position                            | \$ 393.47                  | \$ 419.63 | \$ 118.88                   | \$ 119.56 | \$ 512.35                   | \$ 539.20 |

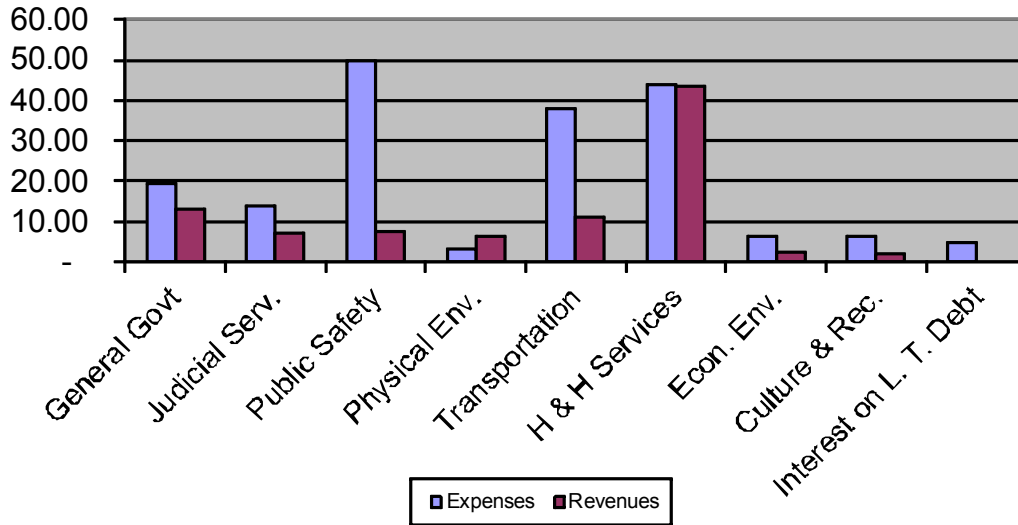
- Recognized and additional loss of \$1.18 writing off receivable from KCCHA related to debt assumed by the county in 2009.
- Housing Kitsap agreed to pay back the County was losses recognized by the County in prior years related to assuming their debt. This resulted in a receivable from Housing Kitsap for \$16.09.

# Kitsap County, Washington

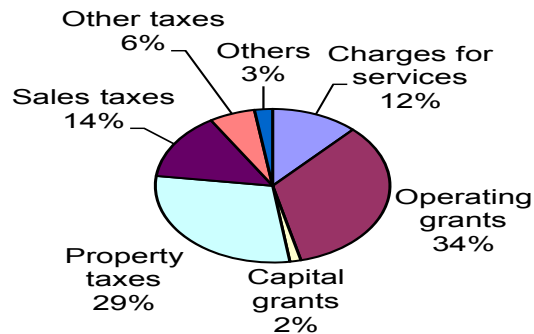
## Management's Discussion and Analysis For the Year Ended December 31, 2013

### Expenses and Program Revenues - Governmental

#### Activities



### Revenues by Source – Governmental Activities



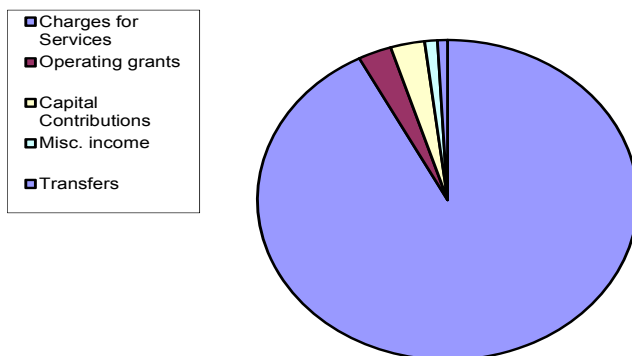
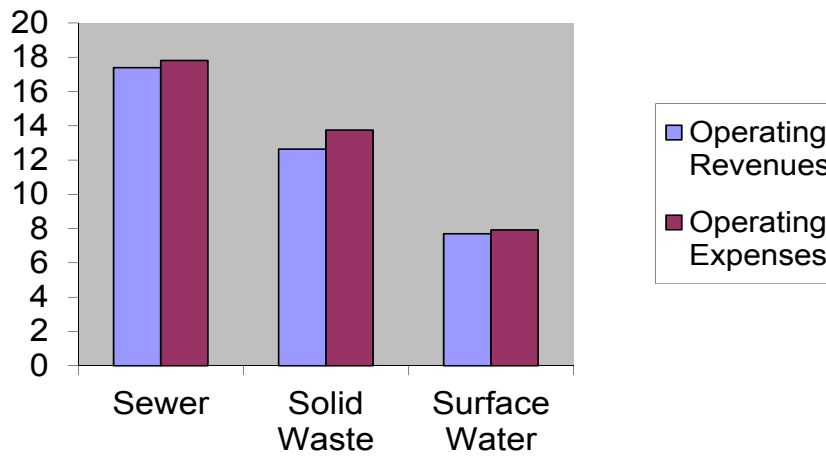
# Kitsap County, Washington

## Management's Discussion and Analysis For the Year Ended December 31, 2013

*Business-type activities.* Business-type activities increased the County's net position by \$.68. The primary element of this increase was:

- Profitability of the Sanitary Sewer operation

### Expenses and Program Revenues – Business-type Activities



# Kitsap County, Washington

## *Management's Discussion and Analysis For the Year Ended December 31, 2013*

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### **Financial Analysis of the Government's Funds**

As noted earlier, Kitsap County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of Kitsap County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financial requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, Kitsap County's governmental funds reported combining ending fund balances of \$92.21, an increase of \$5.43 in comparison with the prior year.

The general fund is the chief operating fund of Kitsap County. At the end of the current fiscal year, unassigned fund balance of the general fund was \$18.40, while the total fund balance increased to \$18.81. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 24.25 percent of the total general fund expenditures.

Apart from the change noted in the previous paragraph, the fund balance of Kitsap County's general fund increased by \$.35 during the current fiscal year. The key factor was the cost cutting measures taken by the County to reverse declining fund balances. A portion of the fund balance is due to the inclusion of fund balances of a number of funds formerly reported as special revenue funds now reported in the general fund, as a result of implementation of GASB 54. These funds accounted for \$1.10 added to the general fund's balance in 2013, which was a decrease of \$2.23 from 2012. Excluding these funds the general fund balance actually increased by \$2.50 in 2013.

County Roads fund balance increased by \$2.94 primarily due to fewer capital projects in 2013.

Real Estate Excise Tax fund balance increased from \$2.49 in 2012 to \$3.01 in 2013. This was due a large commercial property being sold in 2013 helping increase Real Estate Excise Tax collected.

Mental Health Medicaid fund had a balance of \$2.43 in 2013 up from \$1.69 in 2012. This was due to increased state funding for the program.

Debt service funds have a total fund balance of \$10.46, all of which is reserved for the payment of debt service. This was a decrease of \$.05 from 2012.

**Proprietary funds.** Kitsap County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

# Kitsap County, Washington

## *Management's Discussion and Analysis For the Year Ended December 31, 2013*

The Sewer fund's total net position was \$73.05 in 2013, up \$.90 from 2012. This increase was caused by operating income as operating revenues exceeded operating expenses.

Solid Waste fund's total net position was \$24.44 for 2013, down \$.50 from 2012, as operating expenses exceeded operating revenues.

Surface Water fund's total net position was \$22.07 for 2013 up \$.90 from 2012. This was all due to operating income exceeding operating expenses.

### **General Fund Budgetary Highlights**

Actual general fund revenues exceeded final budgeted revenues by \$1.48 during fiscal year 2013. The biggest reasons for this were property taxes exceeding budget by \$.43, sales taxes exceeding budget by \$.47 and other taxes exceeded budget by \$.66.

Budget amendments and supplemental appropriations are typically made during the year to prevent budget overruns and to increase appropriations for unanticipated expenditures after adoption of the original budget.

During the year there was a \$1.08 increase in appropriations between the original and final amended budget, however, the actual expenditures of the general fund came in well under the final budget total of \$77.06, with a total of \$775.83.

### **Capital Assets**

At the end of fiscal year 2013, Kitsap County's investment in capital assets for its governmental activities was \$781.13 as reflected in the following schedule, which represents a net increase of \$9.54 or .1 percent from last year. See Note 6 to the financial statements for further details on Capital Assets.

#### Change in Capital Assets (millions)

|                                | Governmental Activities |           | Business-type Activities |           | Total     |           |
|--------------------------------|-------------------------|-----------|--------------------------|-----------|-----------|-----------|
|                                | 2012                    | 2013      | 2012                     | 2013      | 2012      | 2013      |
| Land                           | \$ 58.42                | \$ 58.42  | \$ 2.89                  | \$ 2.89   | \$ 61.31  | \$ 61.31  |
| Infrastructure                 | 482.61                  | 485.85    | -                        | -         | 482.61    | 485.85    |
| Building                       | 129.19                  | 129.27    | 56.3                     | 56.35     | 185.49    | 185.62    |
| Building Improv                | 33.47                   | 33.47     | 83.41                    | 90.63     | 116.88    | 124.1     |
| Machinery & Equipment          | 57.05                   | 57.82     | 9.61                     | 9.69      | 66.66     | 67.51     |
| Construction in progress       | 10.85                   | 16.31     | 14.84                    | 29.54     | 25.69     | 45.85     |
| Total                          | 771.59                  | 781.14    | 167.05                   | 189.10    | 938.64    | 970.24    |
| Less: accumulated depreciation | 371.92                  | 387.39    | 75.42                    | 81.03     | 447.34    | 468.42    |
| Net capital assets             | \$ 399.67               | \$ 393.75 | \$ 91.63                 | \$ 108.07 | \$ 491.30 | \$ 501.82 |

# Kitsap County, Washington

## *Management's Discussion and Analysis For the Year Ended December 31, 2013*

Governmental activities.

Following are the major additions to Capital Assets for Governmental Activities:

- Various infrastructure projects were completed during the year at a cost of \$3.13
- The County updated the Equipment Rental Fleet at a cost of \$4.51

Business-type activities.

Following are the major activities in this area in 2013:

- Infrastructure continues to make up the majority of construction in progress with projects in Central Kitsap about \$8.0

### **Long-term Liabilities**

At year-end, the County had \$172.10 in long-term liabilities versus \$177.68 last year, a net decrease of \$5.58 and 3.1 percent.

Long-term liabilities, at Year-End

|                               | 2012      | Additions | Reductions | 2013      |
|-------------------------------|-----------|-----------|------------|-----------|
| <b>Government activities:</b> |           |           |            |           |
| Capital leases                | \$ -      | \$ 0.48   | \$ -       | \$ 0.48   |
| Bonds Payable                 | 84.64     | 48.28     | 34.03      | 98.89     |
| Compensated absences          | 4.67      | 2.70      | 2.25       | 5.12      |
| Internal Services debt        | 0.34      | 0.23      | 0.20       | 0.37      |
| Notes Payable                 | 22.06     | 0.22      | 20.20      | 2.08      |
| Net OPEB Obligation           | 3.75      | 1.03      | -          | 4.78      |
| Other items                   | 0.43      | -         | 0.05       | 0.38      |
| Total                         | \$ 115.89 | \$ 52.94  | \$ 56.73   | \$ 112.10 |
| <b>Enterprise activities:</b> |           |           |            |           |
| Bonds Payable                 | \$ 48.65  | \$ -      | \$ 2.05    | \$ 46.60  |
| Compensated absences          | 0.59      | 0.40      | 0.38       | 0.60      |
| Other items                   | 12.38     | 1.62      | 1.20       | 12.80     |
| Total                         | \$ 61.62  | \$ 2.02   | \$ 3.63    | \$ 60.00  |
| Total Debt                    | \$ 177.51 | \$ 54.96  | \$ 60.36   | \$ 172.10 |

See Notes 10 and 12 for more information on Long-term debt.

There were no major long-term debt additions for 2013.

Refer to the Notes to the Financial Statements to obtain more details on these issues (Notes 10 and 12).

The Standard and Poor's Corporation and Moody's Investors Service provided a bond rating of AA+ and Aa3 respectively for Kitsap County's debt as of April 2013.



# Kitsap County, Washington

## ***Management's Discussion and Analysis For the Year Ended December 31, 2013***

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The State limits the amount of general obligation debts the County can issue without the vote of the people to 1.5% of the total assessed value. As of the end of the fiscal year, the County has \$374.91 remaining in debt capacity (non-voted). More detail information on capital assets and long-term debt are provided in the Notes to the Financial Statements (Notes 6, 10 and 12).

### **ECONOMIC FACTORS**

The economy of the County is based mostly on government services. The largest employer by far is Kitsap Naval Base with over 30,500 employees including military personnel. Kitsap County has the only shipyard on the West Coast capable of overhauling nuclear aircraft carriers. Harrison Medical Center is next, employing over 2,379, Kitsap County is third employing over 1,160.

### **Contacting the County's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives.

If you have questions about this report or need additional financial information, contact  
Dave Schureman, Financial Services Manager  
Kitsap County Auditor's Office  
619 Division Street, MS-31  
Port Orchard, Washington, 98366.  
Telephone (360) 337-7132 or visit the County's web site at [www.kitsapgov.com](http://www.kitsapgov.com)

**KITSAP COUNTY, WASHINGTON**

## Statement of Net Position

December 31, 2013

|  | <b>Governmental</b>   | <b>Business-type</b>  |                       | <b>Component</b>      |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
|  | <b>Activities</b>     | <b>Activities</b>     | <b>Total</b>          | <b>Unit</b>           |
|  |                       |                       |                       | <b>PFD</b>            |
| <b>ASSETS</b>                              |                       |                       |                       |                       |
| Cash and Cash equivalents                  | \$ 96,170,766         | \$ 5,490,191          | \$ 101,660,957        | 124,471               |
| Deposits with fiscal agents                | 58,889                | -                     | 58,889                | -                     |
| Investments                                | 12,715,646            | 63,268,587            | 75,984,233            | 635,481               |
| Receivables(net)                           |                       |                       |                       |                       |
| Property taxes                             | 3,299,091             | -                     | 3,299,091             | -                     |
| Special assessments                        | 2,365                 | 30,547                | 32,912                | -                     |
| Accounts                                   | 49,332                | 2,620,898             | 2,670,230             | -                     |
| Others                                     | 348,554               | -                     | 348,554               | -                     |
| Due from agency agency fund                | 13,063                | -                     | 13,063                | -                     |
| Internal balances                          | 146,896               | (146,895)             | 1                     | -                     |
| Due from other governments                 | 7,699,948             | 789,482               | 8,489,430             | -                     |
| Prepayments                                | 361,067               | -                     | 361,067               | -                     |
| Inventories                                | 1,706,675             | 225,345               | 1,932,020             | -                     |
| Restricted assets:                         |                       |                       |                       | -                     |
| Cash and cash equivalents                  | 1,304,493             | -                     | 1,304,493             | -                     |
| Deposits with fiscal agents                | 15,000                | -                     | 15,000                | 250,000               |
| Investments                                | 4,162,820             | 3,352,114             | 7,514,934             | -                     |
| Notes/Contracts                            | 11,021,327            | -                     | 11,021,327            | -                     |
| Special Assessment Receivable              |                       | 399,335               | 399,335               | -                     |
| Long-term Receivable from Comp. Unit       | 8,710,000             | -                     | 8,710,000             | -                     |
| Long-term Receivable from KCCHA            | 16,090,040            | -                     | 16,090,040            | -                     |
| Capital assets, net (Note1)                |                       |                       |                       |                       |
| Land                                       | 58,419,033            | 2,889,181             | 61,308,214            | -                     |
| Infrastructure                             | 188,254,877           | -                     | 188,254,877           | -                     |
| Buildings                                  | 92,722,891            | 22,964,709            | 115,687,600           | -                     |
| Improvements & Other Buildings             | 18,995,235            | 50,080,321            | 69,075,556            | -                     |
| Machinery & Equipment                      | 19,040,905            | 2,601,997             | 21,642,902            | -                     |
| Construction In Progress                   | 16,310,809            | 29,541,820            | 45,852,629            | -                     |
| Total assets                               | <u>557,619,722</u>    | <u>184,107,632</u>    | <u>741,727,354</u>    | <u>1,009,952</u>      |
| <b>DEFERRED OUTFLOWS</b>                   | -                     | -                     | -                     | -                     |
| <b>LIABILITIES</b>                         |                       |                       |                       |                       |
| Accounts payable and accrued expenses      | 4,685,045             | 3,510,191             | 8,195,236             | -                     |
| Due to agency fund                         | 26,165                | -                     | 26,165                | -                     |
| Due to other governments                   | 832,345               | 257,719               | 1,090,064             | -                     |
| Other liabilities                          | 13,505,862            | 474,277               | 13,980,139            | 483                   |
| Debt interest payable                      |                       | 287,832               | 287,832               | -                     |
| Unearned revenue                           | 4,516,080             | -                     | 4,516,080             | -                     |
| Non current Liabilities (Note 2):          |                       |                       |                       |                       |
| Due within one year                        | 6,230,067             | 3,094,590             | 9,324,657             | 560,000               |
| Due in more than one year                  | 106,107,223           | 56,919,733            | 163,026,956           | 8,150,000             |
| Total liabilities                          | <u>135,902,787</u>    | <u>64,544,342</u>     | <u>200,447,129</u>    | <u>8,710,483</u>      |
| <b>DEFERRED INFLOWS</b>                    |                       |                       |                       |                       |
| Golf course service concession arrangement | 2,083,245             | -                     | 2,083,245             | -                     |
| <b>NET POSITION</b>                        |                       |                       |                       |                       |
| Net investment in capital assets           | 319,653,790           | 61,483,031            | 381,136,821           | -                     |
| Restricted:                                |                       |                       |                       |                       |
| Capital Projects                           | 2,560,705             | -                     | 2,560,705             | -                     |
| Debt service                               | 10,461,643            | 3,352,114             | 13,813,757            | -                     |
| Unrestricted                               | 86,957,552            | 54,728,145            | 141,685,697           | (7,700,531)           |
| Total net position                         | <u>\$ 419,633,690</u> | <u>\$ 119,563,290</u> | <u>\$ 539,196,980</u> | <u>\$ (7,700,531)</u> |

The notes to the financial statements are an integral part of this statement.

# KITSAP COUNTY, WASHINGTON

## Statement of Activities

For the Year Ended December 31, 2013

| Functions/Programs  | Program Revenues |                      |                                    |                                  | Net (Expense) Revenue and Changes in Net Position |                          |                | Component Unit           |
|---|------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|----------------|--------------------------|
|   | Expenses         | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government                                |                          | Total          |                          |
|   |                  |                      |                                    |                                  | Governmental Activities                           | Business-Type Activities |                |                          |
| Primary Government:   |                  |                      |                                    |                                  |   |                          |                | Public Facility District |
| Governmental Activities   |                  |                      |                                    |                                  |   |                          |                |                          |
| General Government  | \$ 19,289,575    | \$ 9,077,308         | \$ 4,155,027                       | \$ -                             | \$ (6,057,239)                                    | \$ -                     | \$ (6,057,239) | \$ -                     |
| Judicial Services   | 13,954,193       | 5,254,598            | 1,831,167                          | -                                | (6,868,429)                                       | -                        | (6,868,429)    | -                        |
| Public Safety   | 49,930,637       | 867,584              | 6,717,561                          | -                                | (42,345,492)                                      | -                        | (42,345,492)   | -                        |
| Physical Environment  | 3,342,421        | 4,361,227            | 1,909,747                          | -                                | 2,928,552   | -                        | 2,928,552      | -                        |
| Transportation  | 37,841,940       | 2,400,599            | 5,781,788                          | 3,035,423                        | (26,624,130)                                      | -                        | (26,624,130)   | -                        |
| Health & Human Services   | 43,858,017       | 195,309              | 43,399,093                         | -                                | (263,615)   | -                        | (263,615)      | -                        |
| Economic Environment  | 6,459,374        | 100,280              | 2,154,799                          | -                                | (4,204,296)                                       | -                        | (4,204,296)    | -                        |
| Culture & Recreation  | 6,494,466        | 1,123,682            | 701,805                            | -                                | (4,668,979)                                       | -                        | (4,668,979)    | -                        |
| Interest on Long-term Debt  | 4,714,892        | -                    | -                                  | -                                | (4,714,892)                                       | -                        | (4,714,892)    | -                        |
| Total Governmental Activities   | 185,885,517      | 23,380,587           | 66,650,987                         | 3,035,423                        | (92,818,520)                                      | 0                        | (92,818,520)   | -                        |
| Business-type Activities  |                  |                      |                                    |                                  |   |                          |                |                          |
| Solid Waste   | 13,748,835       | 12,631,984           | 519,019                            | -                                | -   | (597,832)                | (597,832)      | -                        |
| Sewer Utility   | 17,805,153       | 17,390,779           | -                                  | 1,186,381                        | -   | 772,007                  | 772,007        | -                        |
| Surface Water   | 7,917,766        | 7,689,444            | 641,506                            | -                                | -   | 413,184                  | 413,184        | -                        |
| Total business-type activities  | 39,471,754       | 37,712,207           | 1,160,525                          | 1,186,381                        | -   | 587,359                  | 587,359        | -                        |
| Total Primary Government  | \$ 225,357,271   | \$ 61,092,794        | \$ 67,811,512                      | \$ 4,221,804                     | (92,818,520)                                      | 587,359                  | (92,231,161)   | -                        |
| Component Units:  |                  |                      |                                    |                                  |   |                          |                |                          |
| Public Facility District(PFD)   | 467,606          | -                    | -                                  | -                                |   |                          |                | (467,606)                |
| General revenues:   |                  |                      |                                    |                                  |   |                          |                |                          |
| Taxes:  |                  |                      |                                    |                                  |   |                          |                |                          |
| Property taxes, levied for general purposes                                 |                  |                      |                                    |                                  | 57,359,720  | -                        | 57,359,720     | -                        |
| Property taxes, levied for debt service                                     |                  |                      |                                    |                                  | -   | -                        | -              | -                        |
| Sales & use taxes   |                  |                      |                                    |                                  | 27,666,837  | -                        | 27,666,837     | 1,133,785                |
| Other taxes   |                  |                      |                                    |                                  | 12,288,597  | -                        | 12,288,597     | -                        |
| Investment earnings   |                  |                      |                                    |                                  | 1,512,553   | 442,431                  | 1,954,984      | 3,278                    |
| Miscellaneous   |                  |                      |                                    |                                  | 3,356,700   | -                        | 3,356,700      | 3,275                    |
| Special item - gain(loss) write off remaining balance of KCCHA - Receivable |                  |                      |                                    |                                  | (1,181,099)                                       | -                        | (1,181,099)    | -                        |
| Special item - gain(loss) on receivable from Housing Kitsap                 |                  |                      |                                    |                                  | 16,090,040  |                          | 16,090,040     | -                        |
| Transfers   |                  |                      |                                    |                                  | 350,194   | (350,194)                | -              | -                        |
| Total general revenues, special items, and transfers                        |                  |                      |                                    |                                  | 117,443,541                                       | 92,237                   | 117,535,778    | 1,140,338                |
| Change in net position  |                  |                      |                                    |                                  | 24,625,021  | 679,596                  | 25,304,617     | 672,732                  |
| Net position - beginning  |                  |                      |                                    |                                  | 393,466,760                                       | 118,883,698              | 512,350,458    | (8,373,263)              |
| Prior Period Adjustments  |                  |                      |                                    |                                  | 1,541,910   | -                        | 1,541,910      | -                        |
| Net position - ending   |                  |                      |                                    |                                  | \$ 419,633,690                                    | \$ 119,563,292           | \$ 539,196,984 | \$ (7,700,531)           |

The notes to the financial statements are an integral part of this statement.

**KITSAP COUNTY, WASHINGTON**

Page 1 of 2

Balance Sheet  
 Governmental Funds  
 December 31, 2013

|  | Special Revenue Funds |                      |                        |
|--|-----------------------|----------------------|------------------------|
|  | General Fund          | County Roads         | Real Estate Excise Tax |
| <b>ASSETS</b>                              |                       |                      |                        |
| Cash and Cash equivalents                  | \$ 18,876,122         | \$ 29,878,005        | \$ 1,507,675           |
| Deposits with fiscal agents                | -                     | -                    | 58,889                 |
| Investments                                | 429,460               | 2,671,946            | 1,447,949              |
| Receivables(net)                           |                       |                      |                        |
| Property Taxes                             | 2,015,733             | 1,190,393            | -                      |
| Special assessments                        | -                     | 1,622                | -                      |
| Accounts                                   | 9,355                 | -                    | -                      |
| Notes/Contracts                            | -                     | 2,196                | 4,470,000              |
| Others                                     | -                     | -                    | -                      |
| Due from other funds                       | 234,376               | 25,976               | -                      |
| Due from other governments                 | 1,305,973             | 2,807,720            | -                      |
| Interfund loan receivable                  | 1,150,000             | -                    | -                      |
| Prepayments                                | 237,617               | -                    | -                      |
| Advance to other funds                     | 180,000               | -                    | -                      |
| Total assets                               | <u>\$ 24,438,636</u>  | <u>\$ 36,577,858</u> | <u>\$ 7,484,514</u>    |
| <b>DEFERRED OUTFLOWS</b>                   |                       |                      |                        |
|  | -                     | -                    | -                      |
| Total assets and deferred outflows         | <u>\$ 24,438,636</u>  | <u>\$ 36,577,858</u> | <u>\$ 7,484,514</u>    |
| <b>LIABILITIES AND FUND BALANCES</b>       |                       |                      |                        |
| <b>Liabilities</b>                         |                       |                      |                        |
| Accounts payable                           | 903,178               | 724,198              | -                      |
| Due to other funds                         | 252,493               | 288,698              | -                      |
| Due to other governments                   | -                     | -                    | -                      |
| Other liabilities                          | 2,372,719             | 533,085              | -                      |
| Advance from other fund                    | -                     | -                    | -                      |
| Revenues collected in advance              | 5,569                 | 400                  | 7,480                  |
| Unearned revenue                           | -                     | -                    | 4,470,000              |
| Interfund loan payable                     | 75,000                | -                    | -                      |
| Total liabilities                          | <u>3,608,958</u>      | <u>1,546,381</u>     | <u>4,477,480</u>       |
| <b>DEFERRED INFLOWS</b>                    |                       |                      |                        |
|  | 2,016,797             | 1,192,016            | -                      |
| <b>Fund balances</b>                       |                       |                      |                        |
| Nonspendable                               | 417,617               | -                    | -                      |
| Restricted                                 | -                     | -                    | 3,007,034              |
| Committed                                  | -                     | 33,839,461           | -                      |
| Assigned                                   | -                     | -                    | -                      |
| Unassigned                                 | 18,395,264            | -                    | -                      |
| Total fund balance                         | <u>18,812,880</u>     | <u>33,839,461</u>    | <u>3,007,034</u>       |
| Total inflows, liabilities & fund balances | <u>\$ 24,438,636</u>  | <u>\$ 36,577,858</u> | <u>\$ 7,484,514</u>    |

The notes to the financial statements are an integral part of this statement

**KITSAP COUNTY, WASHINGTON**

Page 2 of 2

**Balance Sheet****Governmental Funds**

December 31, 2013

|  | Special<br>Revenue<br>Fund        | Debt Service<br>Fund  |                                |                                |
|--|-----------------------------------|-----------------------|--------------------------------|--------------------------------|
|  | Mental Health<br>Medicaid<br>Fund | KCLTGO<br>2013 Refund | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
| <b>ASSETS</b>                                |                                   |                       |                                |                                |
| Cash and Cash equivalents                    | \$ 1,055,961                      | \$ 284,273            | \$ 15,104,701                  | \$ 66,706,737                  |
| Deposits with fiscal agents                  | -                                 |                       | 15,000                         | 73,889                         |
| Investments                                  | 1,410,537                         |                       | 10,918,573                     | 16,878,466                     |
| Receivables(net)                             |                                   |                       |                                |                                |
| Property Taxes                               | -                                 |                       | 91,343                         | 3,297,469                      |
| Special assessments                          | -                                 |                       | 742                            | 2,365                          |
| Accounts                                     | -                                 |                       | 39,977                         | 49,332                         |
| Notes/Contracts                              | -                                 | 16,090,040            | 15,259,131                     | 35,821,367                     |
| Others                                       | -                                 |                       | 345,141                        | 345,141                        |
| Due from other funds                         | -                                 |                       | 464,880                        | 725,232                        |
| Due from other governments                   | 131,931                           | 250,000               | 3,108,921                      | 7,604,544                      |
| Interfund loan receivable                    | -                                 |                       | 75,000                         | 1,225,000                      |
| Prepayments                                  | -                                 |                       | -                              | 237,617                        |
| Advance to other funds                       | -                                 |                       | -                              | 180,000                        |
| Total assets                                 | <u>\$ 2,598,429</u>               | <u>\$ 16,624,313</u>  | <u>\$ 45,423,409</u>           | <u>\$ 133,147,159</u>          |
| <b>DEFERRED OUTFLOWS</b>                     |                                   |                       |                                |                                |
|  |                                   |                       | -                              | -                              |
|  | <u>\$ 2,598,429</u>               | <u>\$ 16,624,313</u>  | <u>\$ 45,423,409</u>           | <u>\$ 133,147,159</u>          |
| <b>LIABILITIES AND FUND BALANCES</b>         |                                   |                       |                                |                                |
| <b>Liabilities</b>                           |                                   |                       |                                |                                |
| Accounts payable                             | 139,963                           |                       | 2,401,560                      | 4,168,899                      |
| Due to other funds                           | 1,158                             |                       | 356,834                        | 899,182                        |
| Due to other governments                     | -                                 |                       | 832,345                        | 832,345                        |
| Other liabilities                            | 29,418                            |                       | 660,017                        | 3,595,239                      |
| Advance from other fund                      | -                                 |                       | 180,000                        | 180,000                        |
| Revenues collected in advance                | -                                 |                       | 265,000                        | 278,449                        |
| Unearned revenues                            | -                                 |                       | 17,631                         | 4,487,631                      |
| Interfund loan payable                       | -                                 |                       | 1,150,000                      | 1,225,000                      |
| Total liabilities                            | <u>170,539</u>                    | <u>-</u>              | <u>5,863,387</u>               | <u>15,666,745</u>              |
| <b>DEFERRED INFLOWS</b>                      |                                   |                       |                                |                                |
|  |                                   | 16,090,040            | 5,971,217                      | 25,270,070                     |
| <b>Fund Balances</b>                         |                                   |                       |                                |                                |
| Nonspendable                                 | -                                 |                       | 8,710,000                      | 9,127,617                      |
| Restricted                                   | 2,427,890                         | 534,273               | 23,677,307                     | 29,646,503                     |
| Committed                                    | -                                 |                       | 1,469,313                      | 35,308,775                     |
| Assigned                                     | -                                 |                       |                                | -                              |
| Unassigned                                   | -                                 |                       | (267,814)                      | 18,127,450                     |
| Total fund balances                          | <u>2,427,890</u>                  | <u>534,273</u>        | <u>33,588,806</u>              | <u>92,210,344</u>              |
| Total inflows, liabilities and fund balances | <u>\$ 2,598,429</u>               | <u>\$ 16,624,313</u>  | <u>\$ 45,423,409</u>           | <u>\$ 133,147,159</u>          |

The notes to the financial statements are an integral part of this statement

# KITSAP COUNTY, WASHINGTON

Page 2 of 2

## Balance Sheet

### Governmental Funds

December 31, 2013

|  | Special<br>Revenue<br>Fund        | Debt Service<br>Fund  |                                |                                |
|--|-----------------------------------|-----------------------|--------------------------------|--------------------------------|
|  | Mental Health<br>Medicaid<br>Fund | KCLTGO<br>2013 Refund | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
| <b>ASSETS</b>                                |                                   |                       |                                |                                |
| Cash and Cash equivalents                    | \$ 1,055,961                      | \$ 284,273            | \$ 15,104,701                  | \$ 66,706,737                  |
| Deposits with fiscal agents                  | -                                 |                       | 15,000                         | 73,889                         |
| Investments                                  | 1,410,537                         |                       | 10,918,573                     | 16,878,466                     |
| Receivables(net)                             |                                   |                       |                                |                                |
| Property Taxes                               | -                                 |                       | 91,343                         | 3,297,469                      |
| Special assessments                          | -                                 |                       | 742                            | 2,365                          |
| Accounts                                     | -                                 |                       | 39,977                         | 49,332                         |
| Notes/Contracts                              | -                                 | 16,090,040            | 15,259,131                     | 35,821,367                     |
| Others                                       | -                                 |                       | 345,141                        | 345,141                        |
| Due from other funds                         | -                                 |                       | 464,880                        | 725,232                        |
| Due from other governments                   | 131,931                           | 250,000               | 3,108,921                      | 7,604,544                      |
| Interfund loan receivable                    | -                                 |                       | 75,000                         | 1,225,000                      |
| Prepayments                                  | -                                 |                       | -                              | 237,617                        |
| Advance to other funds                       | -                                 |                       | -                              | 180,000                        |
| Total assets                                 | \$ 2,598,429                      | \$ 16,624,313         | \$ 45,423,409                  | \$ 133,147,159                 |
| <b>DEFERRED OUTFLOWS</b>                     |                                   |                       |                                |                                |
|  |                                   |                       | -                              | -                              |
|  | \$ 2,598,429                      | \$ 16,624,313         | \$ 45,423,409                  | \$ 133,147,159                 |
| <b>LIABILITIES AND FUND BALANCES</b>         |                                   |                       |                                |                                |
| <b>Liabilities</b>                           |                                   |                       |                                |                                |
| Accounts payable                             | 139,963                           |                       | 2,401,560                      | 4,168,899                      |
| Due to other funds                           | 1,158                             |                       | 356,834                        | 899,182                        |
| Due to other governments                     | -                                 |                       | 832,345                        | 832,345                        |
| Other liabilities                            | 29,418                            |                       | 660,017                        | 3,595,239                      |
| Advance from other fund                      | -                                 |                       | 180,000                        | 180,000                        |
| Revenues collected in advance                | -                                 |                       | 15,000                         | 28,449                         |
| Unearned revenues                            | -                                 |                       | 17,631                         | 4,487,631                      |
| Interfund loan payable                       | -                                 |                       | 1,150,000                      | 1,225,000                      |
| Other long term liabilities                  |                                   |                       | 250,000                        | 250,000                        |
| Total liabilities                            | 170,539                           | -                     | 5,863,387                      | 15,666,745                     |
| <b>DEFERRED INFLOWS</b>                      |                                   |                       |                                |                                |
|  |                                   | 16,090,040            | 5,971,217                      | 25,270,070                     |
| <b>Fund Balances</b>                         |                                   |                       |                                |                                |
| Nonspendable                                 | -                                 |                       | 8,710,000                      | 9,127,617                      |
| Restricted                                   | 2,427,890                         | 534,273               | 23,677,307                     | 29,646,503                     |
| Committed                                    | -                                 |                       | 1,469,313                      | 35,308,775                     |
| Assigned                                     | -                                 |                       |                                | -                              |
| Unassigned                                   | -                                 |                       | (267,814)                      | 18,127,450                     |
| Total fund balances                          | 2,427,890                         | 534,273               | 33,588,806                     | 92,210,344                     |
| Total inflows, liabilities and fund balances | \$ 2,598,429                      | \$ 16,624,313         | \$ 45,423,409                  | \$ 133,147,159                 |

The notes to the financial statements are an integral part of this statement

## KITSAP COUNTY

### RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION December 31, 2013

Fund balances of governmental funds - page 20 \$ 92,210,344

Amounts reported for the governmental activities in the statement of net position are different because:

Capital assets net of depreciation have not been included as financial resources in governmental fund activity.

|                                   |               |             |
|-----------------------------------|---------------|-------------|
| Capital assets                    | 781,131,787   |             |
| Depreciation                      | (387,388,037) |             |
| Capital asset net of depreciation |               | 393,743,750 |

Long term debt and compensated absences that have not been included in the governmental fund activity.

|                      |            |               |
|----------------------|------------|---------------|
| Capital lease        | 476,168    |               |
| Bond payable         | 98,890,000 |               |
| Compensated absences | 5,111,688  |               |
| Notes payable        | 2,083,245  |               |
| OPEB Liability       | 4,776,428  |               |
| PWTF Loans           | 378,026    |               |
| Long-term debt       |            | (111,715,555) |

Other assets not available to pay for current-period expenditures and, therefore, are deferred in the funds. 292,706

|   |            |
|---|------------|
| Taxes/Assessments receivable            | 3,299,091  |
| Housing Kitsap receivable               | 16,090,040 |
| Loans receivable CDBG and Home programs | 3,795,886  |

Internal service funds are used by management to charge the costs of certain activities, such as equipment management and self-insurance, to individual funds. The assets and liabilities of the internal service funds must be added to the statement of net position.

|                            |              |            |
|----------------------------|--------------|------------|
| Assets                     | 33,030,429   |            |
| Liabilities                | (11,113,001) |            |
| Uses Other than Operations | -            |            |
| Asset less liabilities     |              | 21,917,428 |

Net position of governmental activities - page 17 \$ 419,633,690

The notes to the financial statements are an integral part of this statement.

## Statement of Revenue, Expenditures, and Changes in Fund Balances

Governmental Funds

For the Year Ended December 31, 2013

|  | Special Revenue Funds |               |                        |
|--|-----------------------|---------------|------------------------|
|  | General Fund          | County Roads  | Real Estate Excise Tax |
| <b>REVENUES:</b>                                 |                       |               |                        |
| Property taxes                                   | \$ 31,338,137         | \$ 23,812,982 | \$ -                   |
| Retail sales & use taxes                         | 20,550,682            | -             | -                      |
| Other taxes                                      | 5,526,127             | 67,047        | 4,275,020              |
| Licenses and permits                             | 204,927               | 170,275       | -                      |
| Intergovernmental                                | 8,794,641             | 8,817,211     | -                      |
| Charges for services                             | 9,125,894             | 635,149       | -                      |
| Fines & forfeits                                 | 2,394,366             | -             | -                      |
| Investment earnings                              | 731,929               | 13,475        | 235,539                |
| Miscellaneous                                    | 1,081,821             | 81,567        | 127,500                |
| Total revenues                                   | 79,748,524            | 33,597,706    | 4,638,059              |
| <b>EXPENDITURES:</b>                             |                       |               |                        |
| Current:   |                       |               |                        |
| General government                               | 22,756,891            | -             | -                      |
| Judicial Services                                | 13,600,541            | -             | -                      |
| Public safety                                    | 35,289,005            | -             | -                      |
| Physical Environment                             | 22,603                | -             | -                      |
| Transportation                                   | -                     | 25,142,020    | -                      |
| Health & Human Services                          | -                     | -             | -                      |
| Economic Environment                             | -                     | -             | -                      |
| Culture & recreation                             | 4,136,703             | -             | -                      |
| Debt service                                     | -                     | -             | -                      |
| Principal  | -                     | 47,253        | 41,667                 |
| Interest and other charges                       | 416                   | 2,126         | 77,032                 |
| Capital outlay                                   | 129,611               | 5,126,910     | -                      |
| Total expenditures                               | 75,935,769            | 30,318,309    | 118,699                |
| Excess(deficiency) of revenues over expenditures | 3,812,755             | 3,279,397     | 4,519,360              |
| <b>OTHER FINANCING SOURCES (USES):</b>           |                       |               |                        |
| Proceeds from BANS                               | -                     | -             | -                      |
| Write off of Note                                | -                     | -             | -                      |
| Proceeds from Refunding Bonds                    | -                     | -             | -                      |
| Payment to bond refunding escrow agent           | -                     | -             | -                      |
| Sale of capital asset                            | -                     | 73,985        | -                      |
| Transfers in                                     | 2,232,357             | -             | -                      |
| Transfers out                                    | (5,693,356)           | (353,993)     | (4,005,713)            |
| Premiums on bonds                                | -                     | -             | -                      |
| Total other financing sources & uses             | (3,460,999)           | (280,008)     | (4,005,713)            |
| <b>SPECIAL ITEMS:</b>                            |                       |               |                        |
| Sales of pledged assets                          | -                     | -             | -                      |
| Net change in fund balance                       | 351,756               | 2,999,390     | 513,647                |
| Fund balances-beginning                          | 18,461,125            | 30,896,116    | 2,493,387              |
| Prior period adjustments                         | -                     | (56,045)      | -                      |
| Fund balances                                    | \$ 18,812,881         | \$ 33,839,461 | \$ 3,007,034           |

The notes to the financial statements are an integral part of this statement.



## Statement of Revenue, Expenditures, and Changes in Fund Balances

Governmental Funds

For the Year Ended December 31, 2013

Special Revenue

|  | Fund          |              |               |               |
|--|---------------|--------------|---------------|---------------|
|  | Mental Health | KCLTGO       | Other         | Total         |
|  | Medicaid      | 2013 Refund  | Governmental  | Governmental  |
|  | Fund          |              | Funds         | Funds         |
| <b>REVENUES:</b>                                 |               |              |               |               |
| Property taxes                                   | \$ -          | \$ -         | \$ 2,208,602  | \$ 57,359,721 |
| Retail sales & use taxes                         | -             | -            | 7,116,155     | 27,666,837    |
| Other taxes                                      | -             | -            | 2,420,403     | 12,288,597    |
| Licenses and permits                             | -             | -            | 2,541,726     | 2,916,928     |
| Intergovernmental                                | 23,509,285    | 540,311      | 28,024,960    | 69,686,408    |
| Charges for services                             | -             | -            | 4,807,061     | 14,568,104    |
| Fines & forfeits                                 | -             | -            | 265,536       | 2,659,902     |
| Investment earnings                              | 7,103         | 559          | 523,950       | 1,512,554     |
| Miscellaneous                                    | -             | -            | 2,051,898     | 3,342,786     |
| Total revenues                                   | 23,516,388    | 540,869      | 49,960,291    | 192,001,837   |
| <b>EXPENDITURES:</b>                             |               |              |               |               |
| Current:   |               |              |               |               |
| General government                               | -             | -            | 2,242,865     | 24,999,756    |
| Judicial Services                                | -             | -            | 337,689       | 13,938,230    |
| Public safety                                    | -             | -            | 9,910,943     | 45,199,948    |
| Physical Environment                             | -             | -            | 3,319,818     | 3,342,421     |
| Transportation                                   | -             | -            | 50,915        | 25,192,935    |
| Health & Human Services                          | 22,774,364    | -            | 20,943,889    | 43,718,252    |
| Economic Environment                             | -             | -            | 6,455,348     | 6,455,348     |
| Culture & recreation                             | -             | -            | 1,129,029     | 5,265,731     |
| Debt service                                     | -             | -            | -             | -             |
| Principal  | -             | 750,000      | 22,217,709    | 23,056,629    |
| Interest and other charges                       | -             | 1,220,597    | 3,252,611     | 4,552,782     |
| Capital outlay                                   | -             | -            | 959,819       | 6,216,339     |
| Total expenditures                               | 22,774,364    | 1,970,597    | 70,820,636    | 201,938,373   |
| Excess(deficiency) of revenues over expenditures | 742,024       | (1,429,727)  | (20,860,345)  | (9,936,537)   |
| <b>OTHER FINANCING SOURCES (USES):</b>           |               |              |               |               |
| Proceeds from BANS                               | -             | -            | 220,364       | 220,364       |
| Write Off of Note                                | -             | -            | -             | -             |
| Proceeds from Refunding Bonds                    | -             | 53,277,617   | -             | 53,277,617    |
| Payment to bond refunding escrow agent           | -             | (37,914,468) | -             | (37,914,468)  |
| Sale of capital asset                            | -             | -            | 43,000        | 116,985       |
| Transfers in                                     | -             | 1,476,025    | 27,873,893    | 31,582,275    |
| Transfers out                                    | -             | (14,875,173) | (7,053,628)   | (31,981,863)  |
| Premiums on bonds                                | -             | -            | -             | -             |
| Total other financing sources & uses             | -             | 1,964,001    | 21,083,629    | 15,300,911    |
| <b>SPECIAL ITEMS:</b>                            |               |              |               |               |
| Sales of pledged assets                          | -             | -            | 121,392       | 121,392       |
| Net change in fund balance                       | 742,025       | 534,273      | 344,677       | 5,485,766     |
| Fund balances-beginning                          | 1,685,866     | -            | 33,246,929    | 86,783,423    |
| Prior period adjustments                         | -             | -            | (2,799)       | (58,844)      |
| Fund balances-ending                             | \$ 2,427,890  | \$ 534,273   | \$ 33,588,804 | \$ 92,210,344 |

The notes to the financial statements are an integral part of this statement.

## KITSAP COUNTY

### RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2013

Net change in fund balances-total governmental funds - page 23 \$ 5,485,766

Amounts reported for governmental activities in the statement of activities differs  
from the amounts reported in the statement of activities because:

Governmental funds report capital outlays as expenditures. However, in the  
statement of activities the cost of those assets is allocated over their estimated  
useful lives and reported as depreciation expense. This is the amount by which  
capital outlays exceeded depreciation in the current period.

|                 |              |
|-----------------|--------------|
| Capital out-lay | 6,216,339    |
| Depreciation    | (19,632,213) |

#### Capital Asset Transactions

|  |           |
|--|-----------|
| Proceeds from the sale of capital assets not recognized in the Statement of Activity | (116,985) |
|--|-----------|

The issuance of long-term debt (e.g. bonds, leases) provides current financial  
resources to governmental funds, while the repayment of the principal of long-term  
debt consumes the current financial resources of governmental funds. Neither  
transaction, however, has any effect on net position. Also, governmental funds  
report the effect of issuance costs, premiums, discounts, and similar items when  
debt is first issued, whereas these amounts are deferred and amortized in the  
statement of activities. This amount is the net effect of these differences in the  
treatment of long-term debt and related items

|   |              |
|---|--------------|
| Proceeds from BANS                                  | (220,364)    |
| Receipts from bond sales                            | (53,277,617) |
| Receipts from sales of non-county contracted assets | (121,392)    |
| Payment to bond funding escrow agent                | 37,914,468   |
| Special item loss on write-off of KCCHA receivable  | (1,181,099)  |
| Other debt issuance costs amortized                 | (162,110)    |
| Bond principal                                      | 23,056,629   |
| Recording of Net OPEB Obligation                    | (1,026,511)  |

Revenues in statement of activities that do not provide current financial resources  
are not reported as revenues in the funds.

(39,243)

|                                      |            |
|--------------------------------------|------------|
| Accounts Receivable - Housing Kitsap | 16,090,040 |
| Property taxes receivable            | 3,297,469  |
| Special Assessments                  | 1,622      |

#### Internal services Activities

|                                     |           |
|-------------------------------------|-----------|
| Net Transfers                       | 749,782   |
| Depreciation already included above | 2,191,575 |
| Net profit                          | 5,398,864 |

Change in net position of governmental activities - page 18

\$ 24,625,021

# KITSAP COUNTY, WASHINGTON

## Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

### General Fund

Year Ended December 31, 2013

2013

|   | Original<br>Budget | Final<br>Budget      | Actual             | Variance<br>With<br>Final Budget | Budget to<br>GAAP Basis<br>Differences | Actual<br>GAAP<br>Basis |
|---|--------------------|----------------------|--------------------|----------------------------------|--|-------------------------|
| <b>REVENUES:</b>                                    |                    |                      |                    |                                  |  |                         |
| Property taxes                                      | \$ 30,663,245      | \$ 30,904,245        | \$ 31,338,098      | \$ 433,853                       | \$ 39                                  | \$ 31,338,137           |
| Retail sales & use taxes                            | 20,088,004         | 20,088,004           | 20,550,682         | 462,678                          | -                                      | 20,550,682              |
| Other taxes   | 4,867,150          | 4,867,150            | 5,523,310          | 656,160                          | 2,817                                  | 5,526,127               |
| Licenses and permits                                | 148,650            | 148,650              | 204,927            | 56,277                           | -                                      | 204,927                 |
| Intergovernmental                                   | 8,778,883          | 8,740,739            | 8,725,447          | (15,292)                         | 69,194                                 | 8,794,641               |
| Charges for services                                | 9,012,201          | 9,012,201            | 9,125,894          | 113,693                          | -                                      | 9,125,894               |
| Fines & forfeits                                    | 2,506,893          | 2,506,893            | 2,393,353          | (113,540)                        | 1,013                                  | 2,394,366               |
| Investment Earnings                                 | 825,415            | 829,015              | 729,766            | (99,249)                         | 2,163                                  | 731,929                 |
| Miscellaneous                                       | 1,092,127          | 1,092,953            | 1,080,462          | (12,491)                         | 1,359                                  | 1,081,821               |
|   | <u>77,982,568</u>  | <u>78,189,850</u>    | <u>79,671,939</u>  | <u>1,482,089</u>                 | <u>76,585</u>                          | <u>79,748,524</u>       |
| <b>EXPENDITURES:</b>                                |                    |                      |                    |                                  |  |                         |
| Current:  |                    |                      |                    |                                  |  |                         |
| Administrative Services                             | \$ 725,875         | \$ 746,021           | \$ 738,435         | \$ 7,586                         | \$ -                                   | 738,435                 |
| Assessor  | 2,087,069          | 2,162,363            | 2,058,331          | 104,032                          | -                                      | 2,058,331               |
| Auditor   | 1,653,846          | 1,708,265            | 1,684,538          | 23,727                           | -                                      | 1,684,538               |
| Commissioners                                       | 1,282,587          | 1,283,703            | 1,220,648          | 63,055                           | -                                      | 1,220,648               |
| General Administration                              | 6,172,189          | 4,498,077            | 5,457,849          | (959,772)                        | -                                      | 5,457,849               |
| Personnel & Human resources                         | 1,166,345          | 1,196,893            | 1,122,105          | 74,788                           | -                                      | 1,122,105               |
| Prosecuting attorney                                | 7,750,772          | 8,128,361            | 8,059,266          | 69,095                           | -                                      | 8,059,266               |
| Facilities Maintenance                              | 1,679,735          | 1,716,465            | 1,614,331          | 102,134                          | -                                      | 1,614,331               |
| Treasurer   | 822,406            | 850,704              | 801,388            | 49,316                           | -                                      | 801,388                 |
| Total general government                            | <u>23,340,824</u>  | <u>\$ 22,290,852</u> | <u>22,756,891</u>  | <u>(466,039)</u>                 | <u>-</u>                               | <u>22,756,891</u>       |
| Judicial Services                                   |                    |                      |                    |                                  |  |                         |
| Clerk   | \$ 2,839,025       | \$ 2,966,767         | \$ 2,915,223       | \$ 51,544                        | \$ -                                   | 2,915,223               |
| District court                                      | 2,488,092          | 2,572,374            | 2,553,350          | 19,024                           | -                                      | 2,553,350               |
| Superior court                                      | 2,617,012          | 2,678,516            | 2,534,725          | 143,791                          | -                                      | 2,534,725               |
| Juvenile  | 2,336,772          | 2,399,552            | 2,332,863          | 66,689                           | -                                      | 2,332,863               |
| Public defense                                      | 2,719,007          | 3,248,411            | 3,264,381          | (15,970)                         | -                                      | 3,264,381               |
| Total Judicial services                             | <u>12,999,908</u>  | <u>13,865,620</u>    | <u>13,600,541</u>  | <u>265,079</u>                   | <u>-</u>                               | <u>13,600,541</u>       |
| Public safety                                       |                    |                      |                    |                                  |  |                         |
| Sheriff   | \$ 17,714,259      | \$ 18,208,935        | \$ 17,384,103      | \$ 824,832                       | \$ 1,532                               | 17,385,635              |
| Jail  | 11,988,261         | 12,552,457           | 12,439,732         | 112,725                          | -                                      | 12,439,732              |
| Juvenile  | 4,692,022          | 4,802,246            | 4,508,418          | 293,828                          | -                                      | 4,508,418               |
| Coroner   | 954,908            | 987,740              | 955,141            | 32,600                           | -                                      | 955,141                 |
| Personnel & Human Resources                         | -                  | -                    | 79                 | (79)                             | -                                      | 79                      |
| Total Public Safety                                 | <u>35,349,450</u>  | <u>36,551,378</u>    | <u>35,287,473</u>  | <u>1,263,905</u>                 | <u>1,532</u>                           | <u>35,289,005</u>       |
| Physical Environment                                |                    |                      |                    |                                  | 22,603                                 | 22,603                  |
| Culture & recreation                                |                    |                      |                    |                                  |  |                         |
| Parks   | \$ 3,422,918       | \$ 3,503,484         | \$ 3,433,770       | \$ 69,714                        | \$ 78,967                              | 3,512,737               |
| Cooperative Extension                               | 332,344            | 354,703              | 356,138            | (1,435)                          | -                                      | 356,138                 |
| Personnel & Human Resources                         | 270,856            | 274,610              | 267,828            | 6,782                            | -                                      | 267,828                 |
| Total Culture & Recreation                          | <u>4,026,118</u>   | <u>4,132,797</u>     | <u>4,057,736</u>   | <u>75,061</u>                    | <u>78,967</u>                          | <u>4,136,703</u>        |
| Interest and other charges                          | -                  | -                    | -                  | -                                | 416                                    | 416                     |
| Capital outlay                                      | 264,783            | 221,627              | 129,611            | 92,016                           | -                                      | 129,611                 |
| Total expenditures                                  | <u>75,981,083</u>  | <u>77,062,274</u>    | <u>75,832,251</u>  | <u>1,230,023</u>                 | <u>103,519</u>                         | <u>75,935,769</u>       |
| Excess(deficiency) of revenues<br>over expenditures | 2,001,485          | 1,127,576            | 3,839,688          | 2,712,112                        | (26,934)                               | 3,812,754               |
| <b>OTHER FINANCING SOURCES (USES):</b>              |                    |                      |                    |                                  |  |                         |
| Transfers in  | 2,406,775          | 2,475,728            | 2,232,357          | (243,371)                        | -                                      | 2,232,357               |
| Transfers out                                       | (4,408,260)        | (4,462,778)          | (3,523,540)        | 939,238                          | (2,169,816)                            | (5,693,356)             |
| Total other financing sources & uses                | <u>(2,001,485)</u> | <u>(1,987,050)</u>   | <u>(1,291,183)</u> | <u>695,867</u>                   | <u>(2,169,816)</u>                     | <u>(3,460,999)</u>      |
| Net change in fund balance                          | -                  | (859,474)            | 2,548,505          | 3,407,979                        | (2,196,750)                            | 351,755                 |
| Fund balances-beginning                             | 15,230,661         | 15,230,661           | 15,230,661         | -                                | 3,230,465                              | 18,461,126              |
| Prior period adjustments                            |                    |                      | -                  | -                                |  |                         |
| Fund balances-ending                                | <u>15,230,661</u>  | <u>14,371,187</u>    | <u>17,779,166</u>  | <u>3,407,979</u>                 | <u>1,033,715</u>                       | <u>18,812,881</u>       |

The notes to the financial statements are an integral part of this statement.

# KITSAP COUNTY, WASHINGTON

## County Roads Fund 101 & 102

Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
For the Year Ended December 31, 2013

|   | Budget               |                      | Actual               | Variance with<br>Final Budget |
|---|----------------------|----------------------|----------------------|-------------------------------|
|   | Original             | Final                |                      |                               |
| <b>REVENUES:</b>                                    |                      |                      |                      |                               |
| Property taxes                                      | \$ 23,817,531        | \$ 23,817,531        | \$ 23,812,982        | \$ (4,549)                    |
| Other taxes   | 30,000               | 30,000               | 67,047               | 37,047                        |
| Licenses and permits                                | 120,000              | 120,000              | 170,275              | 50,275                        |
| Intergovernmental                                   | 9,003,776            | 9,003,776            | 8,817,211            | (186,565)                     |
| Charges for services                                | 615,947              | 615,947              | 635,149              | 19,202                        |
| Investment earnings                                 | 10,000               | 10,000               | 13,475               | 3,475                         |
| Miscellaneous                                       | 1,174,000            | 1,174,000            | 81,567               | (1,092,433)                   |
| Total revenues                                      | <u>34,771,254</u>    | <u>34,771,254</u>    | <u>33,597,706</u>    | <u>(1,173,548)</u>            |
| <b>EXPENDITURES:</b>                                |                      |                      |                      |                               |
| Current:  |                      |                      |                      |                               |
| Transportation                                      | 29,885,549           | 29,885,549           | 25,142,020           | 4,743,529                     |
| Debt service  |                      |                      |                      |                               |
| Principal   | 48,000               | 48,000               | 47,253               | 747                           |
| Interest and other charges                          | 2,600                | 2,600                | 2,126                | 474                           |
| Capital outlay                                      | 9,093,000            | 9,093,000            | 5,126,910            | 3,966,090                     |
| Total expenditures                                  | <u>39,029,149</u>    | <u>39,029,149</u>    | <u>30,318,309</u>    | <u>8,710,840</u>              |
| Excess(deficiency) of revenues<br>over expenditures | <u>(4,257,895)</u>   | <u>(4,257,895)</u>   | <u>3,279,397</u>     | <u>7,537,292</u>              |
| <b>OTHER FINANCING SOURCES (USES):</b>              |                      |                      |                      |                               |
| Sale of capital asset                               |                      |                      | 73,985               | 73,985                        |
| Transfers in  | -                    | -                    | -                    | -                             |
| Transfers out                                       | (353,902)            | (479,459)            | (353,993)            | 125,466                       |
| Total other financing sources & uses                | <u>(353,902)</u>     | <u>(479,459)</u>     | <u>(280,008)</u>     | <u>199,451</u>                |
| Net change in fund balance                          | <u>(4,611,797)</u>   | <u>(4,737,354)</u>   | <u>2,999,390</u>     | <u>7,736,744</u>              |
| Fund balances-beginning                             | 30,896,116           | 30,896,116           | 30,896,116           | -                             |
| Prior period adjustments                            | -                    | -                    | (56,045)             | (56,045)                      |
| Fund balances-ending                                | <u>\$ 26,284,319</u> | <u>\$ 26,158,762</u> | <u>\$ 33,839,461</u> | <u>\$ 7,680,699</u>           |

The notes to the financial statements are an integral part of this statement

## KITSAP COUNTY, WASHINGTON

### Real Estate Excise Tax Fund 131

Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
For the Year Ended December 31, 2013

|   | Budget              |                     | Actual              | Variance with<br>Final Budget |
|---|---------------------|---------------------|---------------------|-------------------------------|
|   | Original            | Final               |                     |                               |
| <b>REVENUES:</b>                                    |                     |                     |                     |                               |
| Other taxes   | \$ 2,199,486        | \$ 3,065,582        | \$ 4,275,020        | 1,209,438                     |
| Investment earnings                                 | 249,978             | 249,978             | 235,539             | (14,439)                      |
| Miscellaneous                                       | 127,506             | 127,506             | 127,500             | (6)                           |
| Total revenues                                      | <u>2,576,970</u>    | <u>3,443,066</u>    | <u>4,638,059</u>    | <u>1,194,993</u>              |
| <b>EXPENDITURES:</b>                                |                     |                     |                     |                               |
| Current:  |                     |                     |                     |                               |
| General government                                  | -                   | -                   | -                   | -                             |
| Debt service  | -                   | -                   | -                   | -                             |
| Principal   | 112,803             | 112,803             | 41,667              | 71,136                        |
| Interest and other charges                          | 241,492             | 241,492             | 77,032              | 164,460                       |
| Capital Outlay                                      | -                   | -                   | -                   | -                             |
| Total expenditures                                  | <u>354,295</u>      | <u>354,295</u>      | <u>118,699</u>      | <u>235,596</u>                |
| Excess(deficiency) of revenues<br>over expenditures | <u>2,222,675</u>    | <u>3,088,771</u>    | <u>4,519,360</u>    | <u>1,430,589</u>              |
| <b>OTHER FINANCING SOURCES (USES):</b>              |                     |                     |                     |                               |
| GO Bond proceeds                                    | -                   | -                   | -                   | -                             |
| Sale of capital assets                              | -                   | -                   | -                   | -                             |
| Transfers in  | -                   | -                   | -                   | -                             |
| Transfers out                                       | (3,532,521)         | (4,398,617)         | (4,005,713)         | 392,904                       |
| Premiums on bonds                                   | -                   | -                   | -                   | -                             |
| Total other financing sources & uses                | <u>(3,532,521)</u>  | <u>(4,398,617)</u>  | <u>(4,005,713)</u>  | <u>392,904</u>                |
| Net change in fund balance                          | <u>(1,309,846)</u>  | <u>(1,309,846)</u>  | <u>513,647</u>      | <u>1,823,493</u>              |
| Fund balances-beginning                             | 2,493,387           | 2,493,387           | 2,493,387           | -                             |
| Prior period adjustments                            | -                   | -                   | -                   | -                             |
| Fund balances-ending                                | <u>\$ 1,183,541</u> | <u>\$ 1,183,541</u> | <u>\$ 3,007,034</u> | <u>\$ 1,823,493</u>           |

The notes to the financial statements are an integral part of this statement

# KITSAP COUNTY, WASHINGTON

## Mental Health Medicaid 187

Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
For the Year Ended December 31, 2013

|   | Budget        |               | Actual        | Variance with<br>Final Budget |
|---|---------------|---------------|---------------|-------------------------------|
|   | Original      | Final         |               |                               |
| <b>REVENUES:</b>                                    |               |               |               |                               |
| Intergovernmental                                   | \$ 24,609,000 | \$ 24,609,000 | \$ 23,509,285 | \$ (1,099,715)                |
| Investment earnings                                 | -             | -             | 7,103         | 7,103                         |
| Miscellaneous                                       | -             | -             | -             | -                             |
| Total revenues                                      | 24,609,000    | 24,609,000    | 23,516,388    | (1,092,612)                   |
| <b>EXPENDITURES:</b>                                |               |               |               |                               |
| Current:  |               |               |               |                               |
| Health & Human Services                             | 24,609,000    | 24,609,000    | 22,774,364    | 1,834,636                     |
| Total expenditures                                  | 24,609,000    | 24,609,000    | 22,774,364    | 1,834,636                     |
| Excess(deficiency) of revenues<br>over expenditures | -             | -             | 742,024       | 742,024                       |
| <b>OTHER FINANCING SOURCES (USES):</b>              |               |               |               |                               |
| Transfers out                                       | -             | -             | -             | -                             |
| Total other financing sources & uses                | -             | -             | -             | -                             |
| Net change in fund balance                          | -             | -             | 742,024       | 742,024                       |
| Fund balances-beginning                             | 1,685,866     | 1,685,866     | 1,685,866     | -                             |
| Prior period adjustments                            | -             | -             | -             | -                             |
| Fund balances-ending                                | \$ 1,685,866  | \$ 1,685,866  | \$ 2,427,890  | \$ 742,024                    |

The notes to the financial statements are an integral part of this statement

# KITSAP COUNTY, WASHINGTON

## Statement of Net Position

Proprietary Funds

December 31, 2013

|  | Sanitary<br>Sewer | Solid<br>Waste | Surface<br>Water<br>Utility | Total          | Governmental<br>Activities<br>Internal<br>Services Funds |
|--|-------------------|----------------|-----------------------------|----------------|--|
| <b>ASSETS</b>                            |                   |                |                             |                |  |
| Current assets:                          |                   |                |                             |                |  |
| Cash and Cash equivalents                | \$ 2,550,824      | \$ 2,247,353   | \$ 692,014                  | \$ 5,490,191   | \$ 30,768,522  |
| Deposits with fiscal agents              | -                 | -              | -                           | -              | -  |
| Investments                              | 38,317,781        | 21,337,907     | 3,612,899                   | 63,268,587     | -  |
| Receivables(net)                         |                   |                | -                           |                | 3,413  |
| Special assessments                      | 30,547            | -              | -                           | 30,547         | -  |
| Accounts                                 | 1,626,028         | 909,178        | 85,692                      | 2,620,898      | -  |
| Due from other funds                     | 116,996           | 4,904          | 46,123                      | 168,023        | 332,965  |
| Due from other governments               | -                 | 224,544        | 564,938                     | 789,482        | 95,404   |
| Prepayments                              | -                 | -              | -                           | -              | 123,450  |
| Inventories                              | 225,345           | -              | -                           | 225,345        | 1,706,675  |
| Restricted assets:                       |                   |                | -                           |                | -  |
| Cash and cash equivalents                | -                 | -              | -                           | -              | -  |
| Deposits with fiscal agents              | -                 | -              | -                           | -              | -  |
| Investments                              | 3,352,114         | -              | -                           | 3,352,114      | -  |
| Total current assets                     | 46,219,635        | 24,723,886     | 5,001,666                   | 75,945,187     | 33,030,429   |
| Noncurrent assets:                       |                   |                |                             |                |  |
| Special Assessment Receivable            | 399,335           |                |                             | 399,335        | -  |
| Capital assets                           |                   |                |                             |                | -  |
| Land                                     | 1,040,362         | 472,444        | 1,376,375                   | 2,889,181      | -  |
| Buildings                                | 55,493,066        | 802,991        | 62,235                      | 56,358,292     | -  |
| Improvements & Other Buildings           | 77,193,445        | 1,651,625      | 11,785,363                  | 90,630,433     | -  |
| Machinery & Equipments                   | 9,330,371         | 150,629        | 210,759                     | 9,691,759      | 32,711,596   |
| Construction In Progress                 | 20,692,333        | 63,519         | 8,785,968                   | 29,541,820     | 414,505  |
| Less accumulated depreciation            | (75,160,661)      | (1,778,762)    | (4,094,034)                 | (81,033,457)   | (18,729,357)   |
| Total noncurrent assets                  | 88,988,251        | 1,362,446      | 18,126,666                  | 108,477,363    | 14,396,744   |
| Total assets                             | 135,207,886       | 26,086,332     | 23,128,332                  | 184,422,550    | 47,427,173   |
| <b>LIABILITIES</b>                       |                   |                |                             |                |  |
| Current liabilities:                     |                   |                |                             |                |  |
| Accounts payable & accrued expenses      | 2,357,490         | 739,679        | 413,022                     | 3,510,191      | 516,146  |
| Due to other funds                       | 70,758            | 83,966         | 160,194                     | 314,918        | 25,221   |
| Due to other governments                 | 7,452             | 29,719         | 220,548                     | 257,719        | -  |
| Other liabilities                        | 272,886           | 76,536         | 124,855                     | 474,277        | 9,966,583  |
| Debt interest payable                    | 287,832           | -              | -                           | 287,832        | -  |
| Current portion of long term liabilities | 3,065,365         | 29,225         | -                           | 3,094,590      | -  |
| Total current liabilities                | 6,061,783         | 959,125        | 918,619                     | 7,939,527      | 10,507,950   |
| Non current Liabilities (Note 2):        |                   |                |                             |                |  |
| Due in more than one year                | 56,092,555        | 686,313        | 140,865                     | 56,919,733     | 605,051  |
| Total noncurrent liabilities             | 56,092,555        | 686,313        | 140,865                     | 56,919,733     | 605,051  |
| Total liabilities                        | 62,154,338        | 1,645,438      | 1,059,484                   | 64,859,260     | 11,113,001   |
| <b>NET POSITION</b>                      |                   |                |                             |                |  |
| Net investment in capital assets         | 41,993,916        | 1,362,446      | 18,126,666                  | 61,483,028     | 14,396,744   |
| Restricted:                              |                   |                | -                           |                | -  |
| Debt service                             | 3,352,114         | -              | -                           | 3,352,114      | -  |
| Unrestricted                             | 27,707,518        | 23,078,448     | 3,942,182                   | 54,728,148     | 21,917,428   |
| Total net position                       | \$ 73,053,548     | \$ 24,440,894  | \$ 22,068,848               | \$ 119,563,290 | \$ 36,314,172  |

The notes to the financial statements are an integral part of this statement.

# KITSAP COUNTY, WASHINGTON

## Statement of Revenues, Expenses, and Changes in Fund Net Position

### Proprietary Funds

For the Year Ended December 31, 2013

|   | Sanitary<br>Sewer | Solid<br>Waste | Surface<br>Water<br>Utility | Total          | Governmental<br>Activities<br>Internal<br>Service Funds |
|---|-------------------|----------------|-----------------------------|----------------|---|
| Operating revenues:                               |                   |                |                             |                |   |
| Charges for services                              | \$ 17,386,911     | \$ 12,628,002  | \$ 7,682,741                | \$ 37,697,654  | \$ 33,768,946   |
| Miscellaneous                                     | 3,868             | 3,982          | 6,703                       | 14,553         | 106,273   |
| Total operating revenues                          | 17,390,779        | 12,631,984     | 7,689,444                   | 37,712,207     | 33,875,219  |
| Operating expenses:                               |                   |                |                             |                |   |
| Personal services                                 | 5,405,002         | 1,827,100      | 2,524,508                   | 9,756,610      | 6,988,913   |
| Contractual services                              | 1,555,838         | 1,267,758      | 1,899,225                   | 4,722,821      | 13,336,955  |
| Utilities   | 1,215,679         | 9,950,402      | 72,994                      | 11,239,075     | 27,158  |
| Repair and maintenance                            | 234,532           | 71,302         | 342,898                     | 648,732        | 1,136,403   |
| Other supplies and expenses                       | 2,654,131         | 512,759        | 2,455,722                   | 5,622,612      | 4,208,258   |
| Insurance claims and expenses                     | 24,289            | 8,472          | 76,046                      | 108,807        | 2,075,954   |
| Depreciation                                      | 4,957,915         | 111,042        | 546,376                     | 5,615,333      | 2,191,859   |
| Total operating expenses                          | 16,047,386        | 13,748,835     | 7,917,769                   | 37,713,990     | 29,965,500  |
| Operating income (loss)                           | 1,343,393         | (1,116,851)    | (228,325)                   | (1,783)        | 3,909,719   |
| Nonoperating revenue (expenses)                   |                   |                |                             |                |   |
| Interest and investment revenue                   | 269,953           | 107,483        | 64,995                      | 442,431        | 216   |
| Miscellaneous revenue                             | -                 | 519,019        | 641,506                     | 1,160,525      | -   |
| Interest expense                                  | (1,757,767)       | -              | -                           | (1,757,767)    | -   |
| Miscellaneous expense                             | -                 | -              | -                           | -              | (3,571)   |
| Total nonoperating expenses                       | (1,487,814)       | 626,502        | 706,501                     | (154,811)      | (3,355)   |
| Income (loss) before<br>contributions & transfers | (144,421)         | (490,349)      | 478,176                     | (156,594)      | 3,906,364   |
| Capital contributions                             | 1,186,381         | -              | -                           | 1,186,381      | 742,718   |
| Transfers in                                      | -                 | -              | -                           | -              | 767,007   |
| Transfers out                                     | (137,357)         | -              | (212,837)                   | (350,194)      | (17,225)  |
| Change in net position                            | 904,603           | (490,349)      | 265,339                     | 679,593        | 5,398,864   |
| Total net position - beginning                    | 72,148,945        | 24,931,243     | 21,803,509                  | 118,883,697    | 29,367,958  |
| Prior Period Adjustments                          | -                 | -              | -                           | -              | 1,547,350   |
| Total net position - ending                       | \$ 73,053,547     | \$ 24,440,894  | \$ 22,068,848               | \$ 119,563,290 | \$ 36,314,172   |

The notes to the financial statements are an integral part of this statement.



# KITSAP COUNTY, WASHINGTON

## Statement of Cash Flows

### Proprietary Funds

For the Year Ended December 31, 2013

|   | Business-type Activities - Enterprise Funds |                |                             |               | Governmental<br>Activities<br>Internal service<br>Funds |
|---|---|----------------|-----------------------------|---------------|---|
|   | Sanitary<br>Sewer                           | Solid<br>Waste | Surface<br>Water<br>Utility | Total         |   |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |   |                |                             |               |   |
| Receipts from customers   | \$ 17,412,015                               | \$ 12,668,576  | \$ 7,527,544                | \$ 37,608,135 | \$ 34,281,418   |
| Payments to suppliers   | (4,017,344)                                 | (11,947,001)   | (5,123,242)                 | (21,087,587)  | (19,535,701)  |
| Payments to employees   | (5,383,578)                                 | (1,845,197)    | (2,512,273)                 | (9,741,048)   | (6,951,254)   |
| Net cash provided by operating activities   | 8,011,093                                   | (1,123,622)    | (107,971)                   | 6,779,500     | 7,794,463   |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>  |   |                |                             |               |   |
| Operating grants received   | -   | 431,868        | 501,716                     | 933,584       | -   |
| Transfers in  | -   | -              | -                           | -             | 767,007   |
| Transfers out   | (137,357)                                   | -              | (212,837)                   | (350,194)     | (17,225)  |
| Net cash provided by noncapital activities  | (137,357)                                   | 431,868        | 288,879                     | 583,390       | 749,782   |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>                                       |   |                |                             |               |   |
| Capital contributions   | 1,121,257                                   | -              | -                           | 1,121,257     | -   |
| Proceeds from sales of bonds  | 1,617,997                                   | -              | -                           | 1,617,997     | -   |
| Purchases of capital assets   | (16,092,564)                                | (49,443)       | (5,880,303)                 | (22,022,310)  | (4,274,362)   |
| Principal paid on capital debt  | (3,138,633)                                 | -              | -                           | (3,138,633)   | -   |
| Interest paid on capital debt   | (1,757,767)                                 | -              | -                           | (1,757,767)   | -   |
| Net cash from related financing activities  | (18,249,710)                                | (49,443)       | (5,880,303)                 | (24,179,456)  | (4,274,362)   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |   |                |                             |               |   |
| Proceeds from sales and maturities of investments   | 15,700,000                                  | 2,150,000      | 4,700,000                   | 22,550,000    | -   |
| Purchase of investment  | (9,147,096)                                 | (1,107,481)    | (1,929,757)                 | (12,184,334)  | -   |
| Interest and dividends  | 269,953                                     | 107,483        | 64,995                      | 442,431       | 217   |
| Net cash provided by investing activities   | 6,822,857                                   | 1,150,002      | 2,835,238                   | 10,808,097    | 217   |
| Net (decrease) in cash and cash equivalents   | (3,553,117)                                 | 408,805        | (2,864,157)                 | (6,008,469)   | 4,270,100   |
| Balances - beginning of the year  | 6,103,941                                   | 1,838,548      | 3,556,171                   | 11,498,660    | 26,498,422  |
| Balances - end of the year  | \$ 2,550,824                                | \$ 2,247,353   | \$ 692,014                  | \$ 5,490,192  | \$ 30,768,522   |
| <b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b> |   |                |                             |               |   |
| Operating income (loss)   | \$ 1,343,393                                | \$ (1,116,851) | (228,325)                   | \$ (1,783)    | 3,909,719   |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: |   |                |                             |               |   |
| Depreciation expense  | 4,957,915                                   | 111,042        | 546,376                     | 5,615,333     | 2,191,859   |
| Change in assets and liabilities:   |   |                |                             |               |   |
| Receivables, net  | (17,935)                                    | (59,660)       | 3,440                       | (74,155)      | (3,413)   |
| Due from other funds  | 39,171                                      | 96,252         | (165,340)                   | (29,917)      | 396,344   |
| Due from other governments  | -   | -              | -                           | -             | 27,411  |
| Inventories   | (9,473)                                     | -              | -                           | (9,473)       | (14,142)  |
| Prepaid   | -   | -              | -                           | -             | (87,998)  |
| Accounts and other payables   | 1,659,191                                   | (98,497)       | (42,004)                    | 1,518,690     | 249,334   |
| Due to other funds  | (21,339)                                    | (28,568)       | (434,579)                   | (484,486)     | (57,194)  |
| Due to other governments  | (1,362)                                     | 2,339          | 179,110                     | 180,087       | -   |
| Employee benefits   | 21,424                                      | (18,097)       | 12,235                      | 15,562        | 37,659  |
| Accrued expenses  | 40,108                                      | (11,582)       | 21,115                      | 49,641        | 1,144,884   |
| Net cash provided by operating activities   | \$ 8,011,093                                | \$ (1,123,622) | \$ (107,972)                | \$ 6,779,499  | \$ 7,794,463  |

### Noncash investing, capital and financing Activities

Contribution of capital assets 65,124 65,124 742,718

The notes to the financial statements are an integral part of this statement.

# KITSAP COUNTY, WASHINGTON

## Statement of Fiduciary Net Position December 31, 2013

|                             | Agency<br>Funds       |
|-----------------------------|-----------------------|
| <b>ASSETS</b>               |                       |
| Cash                        | \$ 25,142,161         |
| Deposits with Fiscal Agents | 20,000                |
| Investments                 | 205,059,268           |
| Taxes Receivable            | 10,034,777            |
| Other Current Receivables   | 308,624               |
| Due From Other Funds        | 26,165                |
| Due From Other Governments  | 259,719               |
| Total Assets                | <u>\$ 240,850,713</u> |
| <b>LIABILITIES</b>          |                       |
| Warrants Payable            | \$ 2,879,567          |
| Accounts Payable            | -                     |
| Sales Tax Payable           | -                     |
| Other Accrued Liabilities   | -                     |
| Due to Other Funds          | 13,063                |
| Due to Other Governments    | -                     |
| Interfund loans             | -                     |
| Custodial Account           | 237,958,083           |
| Total Liabilities           | <u>\$ 240,850,713</u> |

The notes to the financial statements are an integral part of this statement.

# Kitsap County, Washington

## Notes to Financial Statements

December 31, 2013

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### **NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Kitsap County's financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described below.

#### **A. Reporting entity**

Kitsap County is a municipal corporation of Washington State, governed under the commissioner form of government. The accompanying financial statements present the government and entities for which the government is considered to be financially accountable. The voters of Kitsap County elected the three-member board on a partisan basis to serve overlapping 4-year terms. The Board of County Commissioners is the legislative body and also has a quasi-judicial role in dealing with land use matters. The body is also responsible for all administrative duties of running the County, which are not expressly given to any other County position. As required by generally accepted accounting principles the financial statements present Kitsap County, the primary government, and its component units. The component units discussed below are included in the County reporting entity because of the significance of their operational or financial relationships with the County.

Discretely presented component units. The Public Facility District (PFD) is governed by the seven member board appointed by the Board of County Commissioners. It is a legally separate entity. The PFD was responsible for the construction of the Kitsap Conference Center at Bremerton Harborside (City of Bremerton) and the County's Event Center, using sales tax revenues. The PFD was created and the Kitsap County Board of Commissioners appointed its board members, therefore the County is financially responsible for its operations. The County financed the PFD projects through an \$11.395 million bond issue and the PFD pledged its tax revenues to the County through an interlocal government agreement. The debt is reported on the County's books. The component unit does not issue separate financial statements, therefore, we have included these statements in our basic Financial Statement section.

Blended component units. The Industrial Development Corporation of Kitsap County was created and approved by the Kitsap County Board of County Commissioners on May 17, 1999 to construct and maintain industrial facilities throughout Kitsap County. All three County Commissioners are on its board of directors, therefore, the County is financially responsible for the operation of the corporation. IDC sold \$2 million in non-recourse revenue bonds in 2003 which neither the County, nor IDC is responsible to repay under the loan agreement. The issuer (IDC) loaned the proceeds of the bonds to CARA Group, LLC, a Washington limited liability company (the Borrower) pursuant to a loan agreement dated March 1, 2003. The Borrower is obligated to make payments to the trustee in amounts sufficient to pay the principal and premium, if any, interest on the bonds, and certain other fees and expenses and to make payments sufficient to pay the purchase price of bonds tendered or deemed tendered for purchase to the extent that other moneys are not

# Kitsap County, Washington

## Notes to Financial Statements

December 31, 2013

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available. The corporation did not have any activity during the current year; therefore there is nothing to report.

### **B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Interfund services provided and used are not eliminated in the process of consolidation. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Our policy is to allocate indirect costs to a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements or a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

### **C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The County considers property taxes as available if they are collected within 60 days after year end. Expenditures generally are recorded when a liability is incurred, as under accrual

# Kitsap County, Washington

## Notes to Financial Statements

December 31, 2013

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accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses, and interest associated within the current period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered measurable and available only when cash is received by the County.

The County reports the following major governmental funds:

The General Fund is the County's operating fund. It accounts for all financial resources of the general government, except those required or elected to be accounted for in another fund.

The County Roads Fund receives most of its revenue from property taxes and federal and state grants. The Fund is used to account for the maintenance and the construction of County roads and bridges.

The Real Estate Excise Tax Fund is used to account for the collection of real estate excise taxes to be used for capital projects.

The Mental Health Medicaid fund is used to account for Medicaid grant funds received by the mental health program and the spending of those funds.

The 2013 LTGO Refunding Bonds Fund is used to account for activity related to the issuance of refunding bonds in 2013.

The County reports the following major proprietary funds:

The Solid Waste Fund is used to account for the costs of providing solid waste services to the residents of Kitsap County.

The Sanitary Sewer Fund is used to account for the costs of providing sewage disposal services to the residents of Kitsap County.

The Surface Water Utility Fund is used to account for costs of providing surface water utilities to the residents of Kitsap County.

Additionally, the County reports the following fund types:

Internal Service Funds provide Equipment Rental & Revolving fund services, Building Repair & Replacement fund services, Self Insurance program services, Elections fund services, Employer Benefits program services, and Information & Computer fund services to other departments or agencies of the County on a cost reimbursement basis.

The Fiduciary Funds for Kitsap County are as follows:

# Kitsap County, Washington

## Notes to Financial Statements

December 31, 2013

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*Agency funds* are used to account for the funds held in a custodial nature for other governmental entities, the vast majority in the form of cash and investments. The entities include school districts, the public utility district, recreation districts, the public health district, the library district, cities and towns, ports, water districts, fire districts and sewer districts.

As a general rule, the effect of the inter-fund activity has been eliminated for the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than program revenues. General revenues include all taxes.

Indirect costs are allocated by either the number of staff, or the square footage of the office occupancy. Insurance costs are allocated by the number of staff covered, and information services costs that are not direct costs are allocated by the number of users.

*Proprietary funds* distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are use charges for sewer, collection fees for solid waste, and use charges for surface water. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

### D. Budgetary Information

#### 1. Scope of Budget

Annual appropriated budgets are adopted for all of the Governmental funds of the County on the modified accrual basis of accounting except those funds listed below:

- Human Resources Board Fund
- Cumulative Reserve Fund
- GMA Transportation Impact Fees Fund – Central Kitsap
- USDOJ BJA JAG Grants Fund
- Bucklin Ridge Park Development Fund
- Clear Creek Ed/Awareness Fund
- Indianola Forest Fund
- Service Area 1 Road Impact Fee Fund
- Service Area 2 Road Impact Fee Fund
- Service Area 3 Road Impact Fee Fund
- Service Area 4 Road Impact Fee Fund

# Kitsap County, Washington

## Notes to Financial Statements

December 31, 2013

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Regional Service Area Roads Fund  
McCormick Village Traffic Impact Fee Fund  
McCormick Village Park Impact Fee Fund  
Youth Commission Fund

Budgets were not adopted for these funds in 2013 because no expenditures were anticipated in 2013.

Budgets for debt service and capital project funds are adopted at the level of the individual debt issue or project and for one fiscal year. Budgets for these types of funds are adopted every year throughout the lives of the debt issues or projects.

Other budgets are adopted at the level of the fund, except in the General (Current Expense) fund, where expenditures may not exceed appropriations at the department level and the budgets constitute the legal authority for expenditures at that level.

Appropriations for general and special revenue funds lapse at year-end (except for appropriations for capital outlays, which are carried forward from year to year until fully expended or the purpose of the appropriation has been accomplished or abandoned).

Encumbrances accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year.

## 2. Amending the Budget

Kitsap County's budget procedures comply with chapter 36.40 of the Revised Code of Washington. Budgets may be administratively revised within all funds except the General fund, as long as total appropriations are not changed. General fund department budgets may be revised administratively as long as the department total appropriation is not changed. In accordance with the laws of the State of Washington, any unexpended appropriation balances lapse at the close of the fiscal year.

The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

The financial statements contain the original and final budget information. The original budget is the first complete appropriated budget. The final budget is the original budget adjusted by all transfers, allocations, supplemental appropriations, and other legally authorized changes applicable for the fiscal year.

The budgets are integrated into the accounting system. The budgetary data, as presented in the financial statements for all funds with annual budgets, compare the expenditures with the amended budgets. All budgets are presented on the modified accrual basis of accounting. Accordingly, the budgetary comparison statement for the General fund and Special Revenue funds present actual expenditures in accordance

# Kitsap County, Washington

## Notes to Financial Statements

December 31, 2013

with the accounting principles generally accepted in the United States on a basis consistent with the legally adopted budgets as amended. The General Fund statement includes information about Budget to Actual Basis Differences which arose as a result of including non-qualifying Special Revenue funds in the General Fund for financial statement presentation purposes. Fifteen Special Revenue funds did not meet the GASB 54 classification criteria and were rolled up into the General Fund. See Note 1.12.E Fund Balance Classification, for further details.

### Budget revisions

Revisions were made to the original budgets of the following funds during the year:

| Fund Description | Original Budget | Budget Change | Final Budget   |
|------------------|-----------------|---------------|----------------|
| General Fund     | \$80,389,343    | 1,135,709     | \$ 81,525,052  |
| Major Funds      | \$67,878,867    | 55,684,368    | \$ 123,563,235 |
| Non Major Funds  | \$70,931,344    | 21,767,804    | \$ 92,699,148  |
|                  |                 | \$78,587,881  |                |

### 3. Excess of expenditures over appropriations

For the year ended December 31, 2013 expenditures did not exceed appropriations in any of the general fund departments.

### 4. Deficit Balance

At December 31, 2013, the following fund reported a deficit balance of fund net position, which is a violation of state statute:

|           |  |           |
|-----------|--|-----------|
| Fund #104 | Department of Emergency Management (DEM) | \$ 58,958 |
| Fund #106 | Kitsap Preparedness (KPREP)              | \$115,599 |

The year-end fund balance deficit for the Department of Emergency Management was reversed in 2014.

Kitsap Preparedness (KPREP) anticipates that its fund balance deficit will also be reversed in 2014.

## **E. Assets, Liabilities and Equity**

### 1. Cash and Cash Equivalents

It is the County's policy to invest all temporary cash surpluses. At December 31, 2013, the Treasurer was holding \$ 117.49 million in short-term residual investments of surplus



# Kitsap County, Washington

## Notes to Financial Statements

December 31, 2013

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cash. This amount is classified on the balance sheet as cash and cash equivalents in various funds. The interest on these investments is credited to the General fund.

For purposes of the statement of cash flows, the County considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

### 2. Investments

Investments for the government are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares (see *Note 4, Deposits and Investments*).

### 3. Receivables

Taxes receivable consists of property taxes and related interest and penalties (see *Note 5, Property Tax*). Accrued interest receivable consists of amounts earned on investments, notes, and contracts at the end of the year.

Special assessments are recorded when levied. Special assessments receivable consist of current and delinquent assessments and related interest and penalties. Deferred assessments on the fund financial statements consist of unbilled special assessments that are liens against the property benefited. As of December 31, 2013, no special assessments receivables were delinquent.

Customer accounts receivable consist of amounts owed from private individuals or organizations for goods and services including amounts owed for which billings have not been prepared. Notes and contracts receivable consist of amounts owed on open account from private individuals or organizations for goods and services rendered.

### 4. Amounts Due to and from Other Funds and Governments, Interfund Loans and Advances Receivable

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either interfund loans receivable/payable or advances to/from other funds. All other outstanding balances between funds are reported as due to/from other funds. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances. A separate schedule of interfund loans receivable and payable is furnished in *Note 14, Interfund Balances and Transfers*.

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

# Kitsap County, Washington

## Notes to Financial Statements

December 31, 2013

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### 5. Inventories and Prepaid Items

Inventories in governmental funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased. A comparison to market value is not considered necessary.

Inventories in proprietary funds are valued at cost using the weighted average method.

The County pays annual insurance premiums for various insurance policies it purchases during the year. The portion of these premiums that covers future periods are recorded as prepaid insurance.

The County entered into a 25-year land lease with Washington State Military Department in 2008. The new Coroner Facility was constructed on the leased property. Upon execution of the contract, the entire cost of the lease was paid to the lessor. Prepaid rent is being expensed annually over the life of the lease.

### 6. Restricted Assets and Liabilities

Certain proceeds of the County's enterprise fund revenue bonds, capital project funds, and debt service funds as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position because they are maintained in separate funds and their use is limited by applicable bond covenants. They are mainly resources for construction and debt service.

### 7. Capital Assets (See Note 6, *Capital Assets*)

Capital assets include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), and are reported in applicable governmental or business-type activities columns in the government-wide financial statements. The County defines capital assets as items with an initial, individual cost of more than \$5,000 for capital assets and \$25,000 for infrastructure assets (amounts not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Costs for additions and improvements to capital assets are capitalized when they increase the effectiveness or efficiency of the asset.

The costs for normal maintenance and repairs are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current fiscal year, the total interest expense incurred by County proprietary funds attributable to capital projects was \$2,300,961. Of this amount, \$540,879 was included as part of the cost of capital assets under construction in connection sewer projects and \$2,315 was capitalized as part of the cost of a project that was completed during 2013.

# Kitsap County, Washington

## Notes to Financial Statements

December 31, 2013

Property, plant and equipment of Kitsap County are depreciated using the straight-line method over the following estimated useful lives:

| Assets               | Years   |
|----------------------|---------|
| Buildings            | 20 - 45 |
| Other Improvements   | 20 - 45 |
| Road System          | 7 - 25  |
| Bridges              | 40      |
| Sidewalks            | 30      |
| Machinery            | 6 - 12  |
| Pipes                | 50      |
| Sheriff Vehicles     | 6       |
| Non Sheriff Vehicles | 6 - 10  |
| Office Equipment     | 10      |
| Computer Equipment   | 4 - 6   |
| Trucks and Trailers  | 7 - 15  |

### 8. Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation and sick leave. All vacation and sick pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements.

Vacation pay, which may be accumulated up to 45 days (360 hours), is payable upon resignation, retirement or death.

### 9. Other Accrued Liabilities

These accounts consist of accrued wages and accrued employee benefits.

### 10. Long-Term Debt

See *Note 10, Long Term Debt*.

### 11. Unearned Revenues

This account includes amounts recognized as receivables but not revenues in governmental funds because the revenue recognition criteria have not been met.

### 12. Fund Balance Classification

The County implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in 2011. Fund balance amounts for governmental funds have been reclassified in accordance with GASB Statement No. 54. As a result,

# Kitsap County, Washington

## Notes to Financial Statements

December 31, 2013

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amounts previously reported as reserved and unreserved are now reported as nonspendable, restricted, committed, assigned or unassigned.

The County uses restricted resources first, then unrestricted resources as needed, when both restricted and unrestricted resources are available for use. When expenditures are incurred that can be paid from unrestricted resources, the County uses committed fund balance first, then assigned fund balance, then unassigned fund balance.

- *Nonspendable Fund Balance* includes items that cannot be spent because the related assets are not in spendable form or must be maintained intact. This includes nonspendable resources such as advances and prepaid amounts in the general fund and the long-term portion of notes receivable in a debt service fund.
- *Restricted Fund Balance* represents resources that have constraints placed upon their use either by external parties or imposed by law through a constitutional provision or enabling legislation.
- *Committed Fund Balance* includes amounts that can be used only for specific purposes pursuant to constraints imposed by a formal action of the Kitsap County Board of Commissioners, the County's highest level of decision making authority. By formal action (Resolution #203-2011 dated 12/19/2011), the Board of County Commissioners identified committed fund balances.
- *Assigned Fund Balance* represents amounts that are constrained by the County's intent to be used for specific purposes, but are neither restricted nor committed. Use of assigned fund balance may be established by the Board of County Commissioners or an official designated by the Board, for this purpose. The County had no Assigned Fund Balance in 2013.
- *Unassigned fund balance* is the residual amount of the General Fund not included in the four categories described above. Any deficit fund balances within governmental fund types are also reported as unassigned.

As a result of 2013 analysis of the County's special revenue funds, fifteen funds did not meet the special revenue fund definition of GASB 54 and their fund balances were reported as unassigned fund balance in the General Fund.

The following table shows the composition of the General Fund's fund balance as of December 31, 2013:

# Kitsap County, Washington

## Notes to Financial Statements

December 31, 2013

| Funds  | Unassigned<br>Fund Balance | Total<br>Fund Balance |
|--|----------------------------|-----------------------|
| General Fund (prior to inclusion of other funds) | \$ 17,361,549              | \$ 17,779,165         |
| Disqualified funds                               |                            |                       |
| Human Resources Board                            | 70,726                     | 70,726                |
| Special Purpose Path                             | 72,981                     | 72,981                |
| 1% for Art Program                               | 41,566                     | 41,566                |
| Cumulative Reserve Fund                          | -                          | -                     |
| Drug Forfeiture Enforcement                      | 41,192                     | 41,192                |
| Wetland Mitigation                               | 28,878                     | 28,878                |
| Bucklin Ridge Park                               | 1,217                      | 1,217                 |
| Clear Creek Education                            | 2                          | 2                     |
| Kingston Commuter Parking                        | 26,438                     | 26,438                |
| Kitsap County Grants                             | 54                         | 54                    |
| Indianola Forest                                 | 270,644                    | 270,644               |
| McCormick Village Traffic                        | 384,470                    | 384,470               |
| McCormick Village Park                           | 165,544                    | 165,544               |
| USDOJ BJA JAG Grant                              | -                          | -                     |
| KC Forest Stewardship                            | (69,997)                   | (69,997)              |
| General Fund (after inclusion of other funds)    | \$ 18,395,264              | \$ 18,812,880         |

The composition of the fund balances of the County's governmental funds for the fiscal year ended December 31, 2013 is presented on the following pages:

# Kitsap County, Washington

## Notes to Financial Statements

December 31, 2013

|                         | General       | County<br>Roads | Real Estate<br>Excise Tax | Mental<br>Health<br>Medicaid |
|-------------------------|---------------|-----------------|---------------------------|------------------------------|
| Nonspendable:           |               |                 |                           |                              |
| Advances                | \$ 180,000    |                 |                           |                              |
| Prepaid Items           | 237,617       |                 |                           |                              |
| Note Receivable         |               |                 |                           |                              |
| Total Nonspendable      | 417,617       |                 |                           |                              |
| Restricted:             |               |                 |                           |                              |
| Transportation          |               | -               |                           |                              |
| General Government      |               |                 | 3,007,034                 |                              |
| Health & Human Services |               |                 |                           | 2,427,890                    |
| Public Safety           |               |                 |                           |                              |
| Judicial Services       |               |                 |                           |                              |
| Physical Environment    |               |                 |                           |                              |
| Culture & Recreation    |               |                 |                           |                              |
| Economic Environment    | -             |                 |                           |                              |
| Debt service            |               |                 |                           |                              |
| Total Restricted        | -             | -               | 3,007,034                 | 2,427,890                    |
| Committed:              |               |                 |                           |                              |
| Transportation          |               | 33,839,461      |                           |                              |
| General Government      |               |                 |                           |                              |
| Public Safety           |               |                 |                           |                              |
| Physical Environment    |               |                 |                           |                              |
| Culture & Recreation    |               |                 |                           |                              |
| Economic Environment    |               |                 |                           |                              |
| Total Committed         | -             | 33,839,461      | -                         | -                            |
| Unassigned:             | 18,395,264    |                 |                           |                              |
| Total Fund Balance      | \$ 18,812,881 | \$ 33,839,461   | \$ 3,007,034              | \$ 2,427,890                 |

# Kitsap County, Washington

## Notes to Financial Statements

December 31, 2013

| Cencom       | Emergency<br>Services | Law<br>Library | KPREP<br>Fund | Election<br>Reserve | Auditor's<br>Document<br>Preservation |
|--------------|-----------------------|----------------|---------------|---------------------|---------------------------------------|
|              |                       |                |               |                     |                                       |
|              |                       |                |               |                     |                                       |
|              |                       |                |               |                     |                                       |
|              |                       |                |               | 152,407             | 404,128                               |
| 3,248,956    |                       |                | -             |                     |                                       |
|              |                       | 175,373        |               |                     |                                       |
|              |                       |                |               |                     |                                       |
| 3,248,956    | -                     | 175,373        | -             | 152,407             | 404,128                               |
|              |                       |                |               |                     |                                       |
|              |                       |                |               |                     |                                       |
| -            | -                     | -              | -             | -                   | -                                     |
|              | (58,958)              |                | (115,599)     |                     |                                       |
| \$ 3,248,956 | \$ (58,958)           | \$ 175,373     | \$ (115,599)  | \$ 152,407          | \$ 404,128                            |

# Kitsap County, Washington

## Notes to Financial Statements

December 31, 2013

|                         | Housing<br>Affordability | Westnet<br>Fund | Boating<br>Safety<br>Program | Noxious<br>Weed<br>Control |
|-------------------------|--------------------------|-----------------|------------------------------|----------------------------|
| Nonspendable:           |                          |                 |                              |                            |
| Advances                |                          |                 |                              |                            |
| Prepaid Items           |                          |                 |                              |                            |
| Note Receivable         |                          |                 |                              |                            |
| Total Nonspendable      |                          |                 |                              |                            |
| Restricted:             |                          |                 |                              |                            |
| Transportation          |                          |                 |                              |                            |
| General Government      | 2,753,403                |                 |                              |                            |
| Health & Human Services |                          |                 |                              |                            |
| Public Safety           |                          | 373,534         | 201,119                      |                            |
| Judicial Services       |                          |                 |                              |                            |
| Physical Environment    |                          |                 |                              | 228,217                    |
| Culture & Recreation    |                          |                 |                              |                            |
| Economic Environment    |                          |                 |                              |                            |
| Debt service            |                          |                 |                              |                            |
| Total Restricted        | 2,753,403                | 373,534         | 201,119                      | 228,217                    |
| Committed:              |                          |                 |                              |                            |
| Transportation          |                          |                 |                              |                            |
| General Government      |                          |                 |                              |                            |
| Public Safety           |                          | 281,789         |                              |                            |
| Physical Environment    |                          |                 |                              |                            |
| Culture & Recreation    |                          |                 |                              |                            |
| Economic Environment    |                          |                 |                              |                            |
| Total Committed         | -                        | 281,789         | -                            | -                          |
| Unassigned:             |                          |                 |                              |                            |
| Total Fund Balance      | \$ 2,753,403             | \$ 655,323      | \$ 201,119                   | \$ 228,217                 |



# Kitsap County, Washington

## Notes to Financial Statements

December 31, 2013

| Treasurer's<br>M&O | Electronic<br>Technology | Veterans<br>Relief | Expert<br>Witness | Conservation<br>Futures | Community<br>Service |
|--------------------|--------------------------|--------------------|-------------------|-------------------------|----------------------|
| 909,588            | 178,078                  | 200,191            | 46,561            | 1,111,652               |                      |
| 909,588            | 178,078                  | 200,191            | 46,561            | 1,111,652               | -                    |
|                    |                          |                    |                   |                         | 95,500               |
| -                  | -                        | -                  | -                 | -                       | 95,500               |
| \$ 909,588         | \$ 178,078               | \$ 200,191         | \$ 46,561         | \$ 1,111,652            | \$ 95,500            |

# Kitsap County, Washington

## Notes to Financial Statements

December 31, 2013

|                         | County<br>Stadium | County<br>Fair | Prisoner<br>Commissary | SIU<br>Revenue |
|-------------------------|-------------------|----------------|------------------------|----------------|
| Nonspendable:           |                   |                |                        |                |
| Advances                |                   |                |                        |                |
| Prepaid Items           |                   |                |                        |                |
| Note Receivable         |                   |                |                        |                |
| Total Nonspendable      |                   |                |                        |                |
| Restricted:             |                   |                |                        |                |
| Transportation          |                   |                |                        |                |
| General Government      |                   |                |                        |                |
| Health & Human Services |                   |                |                        |                |
| Public Safety           |                   |                | 92,319                 | 511,034        |
| Judicial Services       |                   |                |                        |                |
| Physical Environment    |                   |                |                        |                |
| Culture & Recreation    | 131,047           |                |                        |                |
| Economic Environment    |                   |                |                        |                |
| Debt service            |                   |                |                        |                |
| Total Restricted        | 131,047           | -              | 92,319                 | 511,034        |
| Committed:              |                   |                |                        |                |
| Transportation          |                   |                |                        |                |
| General Government      |                   |                |                        |                |
| Public Safety           |                   |                |                        |                |
| Physical Environment    |                   |                |                        |                |
| Culture & Recreation    |                   | 91,595         |                        |                |
| Economic Environment    |                   |                |                        |                |
| Total Committed         | -                 | 91,595         | -                      | -              |
| Unassigned:             |                   |                |                        |                |
| Total Fund Balance      | \$ 131,047        | \$ 91,595      | \$ 92,319              | \$ 511,034     |

# Kitsap County, Washington

## Notes to Financial Statements

December 31, 2013

| Kitsap<br>S.A.I.V.S | Anti-<br>Profiteering | Family<br>Court | Trial<br>Court | Public<br>Defense | Pooling<br>Fees |
|---------------------|-----------------------|-----------------|----------------|-------------------|-----------------|
| 34,556              | 12,386                |                 |                |                   | 402,369         |
|                     |                       | 59,408          | 183,724        | 145,712           |                 |
| 34,556              | 12,386                | 59,408          | 183,724        | 145,712           | 402,369         |
| -                   | -                     | -               | -              | -                 | -               |
| \$ 34,556           | \$ 12,386             | \$ 59,408       | \$ 183,724     | \$ 145,712        | \$ 402,369      |

# Kitsap County, Washington

## Notes to Financial Statements

December 31, 2013

|                         | GMA Park<br>Impact Fees | GMA Trans.<br>Impact Fee<br>Central Kitsap | County Parks<br>Acq & Dev | Pt No Pt<br>Lighthouse |
|-------------------------|-------------------------|--|---------------------------|------------------------|
| Nonspendable:           |                         |  |                           |                        |
| Advances                |                         |  |                           |                        |
| Prepaid Items           |                         |  |                           |                        |
| Note Receivable         |                         |  |                           |                        |
| Total Nonspendable      |                         |  |                           |                        |
| Restricted:             |                         |  |                           |                        |
| Transportation          |                         | 7,543                                      |                           |                        |
| General Government      |                         |  |                           |                        |
| Health & Human Services |                         |  |                           |                        |
| Public Safety           |                         |  |                           |                        |
| Judicial Services       |                         |  |                           |                        |
| Physical Environment    |                         |  |                           |                        |
| Culture & Recreation    | 140,390                 |  |                           | 41,828                 |
| Economic Environment    |                         |  |                           |                        |
| Debt service            |                         |  |                           |                        |
| Total Restricted        | 140,390                 | 7,543                                      | -                         | 41,828                 |
| Committed:              |                         |  |                           |                        |
| Transportation          |                         |  |                           |                        |
| General Government      |                         |  |                           |                        |
| Public Safety           |                         |  |                           |                        |
| Physical Environment    |                         |  |                           |                        |
| Culture & Recreation    |                         |  | 208,945                   |                        |
| Economic Environment    |                         |  |                           |                        |
| Total Committed         | -                       | -  | 208,945                   | -                      |
| Unassigned:             |                         |  |                           |                        |
| Total Fund Balance      | \$ 140,390              | \$ 7,543                                   | \$ 208,945                | \$ 41,828              |

# Kitsap County, Washington

## Notes to Financial Statements

December 31, 2013

| Crime<br>Prevention | Regional<br>Septic Loan | Recovery<br>Center | Dispute<br>Resolution | CDBG<br>Entitlement | HOME<br>Entitlement |
|---------------------|-------------------------|--------------------|-----------------------|---------------------|---------------------|
|                     |                         |                    |                       |                     |                     |
|                     |                         |                    |                       |                     |                     |
|                     |                         | 1,623,288          |                       |                     |                     |
|                     | 97                      |                    | 10,590                |                     |                     |
|                     |                         |                    |                       | -                   | 5,213               |
| -                   | 97                      | 1,623,288          | 10,590                | -                   | 5,213               |
| 101,938             |                         |                    |                       |                     |                     |
| 101,938             | -                       | -                  | -                     | -                   | -                   |
| \$ 101,938          | \$ 97                   | \$ 1,623,288       | \$ 10,590             | \$ -                | \$ 5,213            |

# Kitsap County, Washington

## Notes to Financial Statements

December 31, 2013

|                         | Kitsap<br>Abatement | Community<br>Development | Jail &<br>Juvenile | Service Area 1<br>Road<br>Impact |
|-------------------------|---------------------|--------------------------|--------------------|----------------------------------|
| Nonspendable:           |                     |                          |                    |                                  |
| Advances                |                     |                          |                    |                                  |
| Prepaid Items           |                     |                          |                    |                                  |
| Note Receivable         |                     |                          |                    |                                  |
| Total Nonspendable      |                     |                          |                    |                                  |
| Restricted:             |                     |                          |                    |                                  |
| Transportation          |                     |                          |                    | 176,290                          |
| General Government      |                     |                          |                    |                                  |
| Health & Human Services |                     |                          |                    |                                  |
| Public Safety           |                     |                          | 1,123,757          |                                  |
| Judicial Services       |                     |                          |                    |                                  |
| Physical Environment    |                     | -                        |                    |                                  |
| Culture & Recreation    |                     |                          |                    |                                  |
| Economic Environment    |                     |                          |                    |                                  |
| Debt service            |                     |                          |                    |                                  |
| Total Restricted        | -                   | -                        | 1,123,757          | 176,290                          |
| Committed:              |                     |                          |                    |                                  |
| Transportation          |                     |                          |                    |                                  |
| General Government      |                     |                          |                    |                                  |
| Public Safety           |                     |                          |                    |                                  |
| Physical Environment    | 127,764             |                          |                    |                                  |
| Culture & Recreation    |                     |                          |                    |                                  |
| Economic Environment    |                     | 235,396                  |                    |                                  |
| Total Committed         | 127,764             | 235,396                  | -                  | -                                |
| Unassigned:             |                     |                          |                    |                                  |
| Total Fund Balance      | \$ 127,764          | \$ 235,396               | \$ 1,123,757       | \$ 176,290                       |

# Kitsap County, Washington

Notes to Financial Statements

December 31, 2013

| Service Area 2<br>Road<br>Impact | Service Area 3<br>Road<br>Impact | Service Area 4<br>Road<br>Impact | Regional<br>Service<br>Area Roads | PEG<br>Fund | Mental<br>Health |
|----------------------------------|----------------------------------|----------------------------------|-----------------------------------|-------------|------------------|
| 333,991                          | 33,485                           | 172,070                          | 207,753                           |             | 1,183,844        |
| 333,991                          | 33,485                           | 172,070                          | 207,753                           | -           | 1,183,844        |
|                                  |                                  |                                  |                                   | 101,734     |                  |
| -                                | -                                | -                                | -                                 | 101,734     | -                |
| \$ 333,991                       | \$ 33,485                        | \$ 172,070                       | \$ 207,753                        | \$ 101,734  | \$ 1,183,844     |

# Kitsap County, Washington

## Notes to Financial Statements

December 31, 2013

|                         | Developmental<br>Disabilities | Youth Services/<br>Juvenile<br>Services | Substance<br>Abuse | Mental<br>Health<br>Non-Medicaid |
|-------------------------|-------------------------------|---|--------------------|----------------------------------|
| Nonspendable:           |                               |   |                    |                                  |
| Advances                |                               |   |                    |                                  |
| Prepaid Items           |                               |   |                    |                                  |
| Note Receivable         |                               |   |                    |                                  |
| Total Nonspendable      |                               |   |                    |                                  |
| Restricted:             |                               |   |                    |                                  |
| Transportation          |                               |   |                    |                                  |
| General Government      |                               |   |                    |                                  |
| Health & Human Services | 1,147,848                     |   | 269,341            | 995,704                          |
| Public Safety           |                               | 59,511                                  |                    |                                  |
| Judicial Services       |                               |   |                    |                                  |
| Physical Environment    |                               |   |                    |                                  |
| Culture & Recreation    |                               |   |                    |                                  |
| Economic Environment    |                               |   |                    |                                  |
| Debt service            |                               |   |                    |                                  |
| Total Restricted        | 1,147,848                     | 59,511                                  | 269,341            | 995,704                          |
| Committed:              |                               |   |                    |                                  |
| Transportation          |                               |   |                    |                                  |
| General Government      |                               |   |                    |                                  |
| Public Safety           |                               |   |                    |                                  |
| Physical Environment    |                               |   |                    |                                  |
| Culture & Recreation    |                               |   |                    |                                  |
| Economic Environment    |                               |   |                    |                                  |
| Total Committed         | -                             | -                                       | -                  | -                                |
| Unassigned:             |                               |   |                    |                                  |
| Total Fund Balance      | \$ 1,147,848                  | \$ 59,511                               | \$ 269,341         | \$ 995,704                       |



# Kitsap County, Washington

Notes to Financial Statements

December 31, 2013

| Commute<br>Trip<br>Reduction | Area<br>Agency On<br>Aging | Employment<br>&<br>Training | KRCC       | ARRA<br>EECBG | Debt<br>Service |
|------------------------------|----------------------------|-----------------------------|------------|---------------|-----------------|
|                              |                            |                             |            |               | 8,710,000       |
|                              |                            |                             |            |               | 8,710,000       |
| -                            |                            |                             |            |               |                 |
|                              | 590,101                    | 120,920                     |            |               |                 |
|                              |                            |                             |            | 6,645         |                 |
|                              |                            |                             |            |               | 1,751,643       |
| -                            | 590,101                    | 120,920                     | -          | 6,645         | 1,751,643       |
| 122,252                      |                            |                             |            |               |                 |
|                              |                            |                             | 102,399    |               |                 |
| 122,252                      | -                          | -                           | 102,399    | -             | -               |
| \$ 122,252                   | \$ 590,101                 | \$ 120,920                  | \$ 102,399 | \$ 6,645      | \$ 10,461,643   |

# Kitsap County, Washington

## Notes to Financial Statements

December 31, 2013

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|                         |                     |
|-------------------------|---------------------|
|                         | Capital<br>Projects |
| Nonspendable:           |                     |
| Advances                |                     |
| Prepaid Items           |                     |
| Note Receivable         |                     |
| Total Nonspendable      |                     |
| Restricted:             |                     |
| Transportation          | 63,558              |
| General Government      | 1,763               |
| Health & Human Services |                     |
| Public Safety           | 19,678              |
| Judicial Services       |                     |
| Physical Environment    | 831,021             |
| Culture & Recreation    | 1,644,685           |
| Economic Environment    |                     |
| Debt service            |                     |
| Total Restricted        | 2,560,705           |
| Committed:              |                     |
| Transportation          |                     |
| General Government      |                     |
| Public Safety           |                     |
| Physical Environment    |                     |
| Culture & Recreation    |                     |
| Economic Environment    |                     |
| Total Committed         | -                   |
| Unassigned:             |                     |
| Total Fund Balance      | \$ 2,560,705        |

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# Kitsap County, Washington

## Notes to Financial Statements

December 31, 2013

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### 13. Service Concession Arrangements

The County implemented GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, in 2012. See Note 18, *Service Concession Arrangements* for more information.

### 14. Deferred Outflows, Deferred Inflows and Net Position, Items Previously Reported as Assets and Liabilities

The County implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* in 2012 and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* in 2013. See Note 17 for more information.

Also see Note 21, *Other Note Disclosures* for more information about Accounting and Reporting Changes.

## **NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

### A. Explanation of Certain Differences Between the Governmental Funds Balance Sheet and the Government-Wide Statement of Net Position

The governmental funds' balance sheet includes reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the government-wide statement of net position.

### B. Explanation of Certain Differences Between the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental funds' statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains, "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense."

## **NOTE 3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

There have been no material violations of finance-related legal or contractual provisions.

# Kitsap County, Washington

## Notes to Financial Statements

December 31, 2013

### NOTE 4. DEPOSITS AND INVESTMENTS

The 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 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. All temporary investments are stated at fair value. Other property and investments are shown on the statement of net position at cost.

All securities purchased by the County are held by a third-party custody provider, the Bank of New York Mellon.

At year-end, the County held the following investment balances. The credit exposure as a percentage of total investments is listed. Included are floating rate note securities that adjust weekly, monthly or quarterly to rates resembling current market.

As of December 31, 2013, the County had the following investments:

| Investment Type        | Rating  | Weighted Average Maturities | %     | Amortized Cost | Fair Value of County's Investments | Fair Value of Investments Held by County as Agent for Other Local Governments | Total Fair Value |
|------------------------|---------|-----------------------------|-------|----------------|------------------------------------|---|------------------|
| FHLB                   | AAA/AA+ | 2.17                        | 14.8% | \$ 60.17       | \$ 29.46                           | \$ 30.67  | \$ 60.13         |
| FFCB                   | AAA/AA+ | 2.33                        | 14.8% | \$ 60.07       | \$ 29.38                           | \$ 30.58  | \$ 59.96         |
| FHLMC                  | AAA/AA+ | 1.77                        | 20.5% | \$ 83.36       | \$ 40.90                           | \$ 42.56  | \$ 83.46         |
| FNMA                   | AAA/AA+ | 2.64                        | 15.5% | \$ 63.13       | \$ 30.81                           | \$ 32.07  | \$ 62.87         |
| US Treasuries          | AAA/AA+ | 4.50                        | 2.4%  | \$ 9.94        | \$ 4.73                            | \$ 4.92   | \$ 9.65          |
| Money Mkt Svgs         | NR      | 0.50                        | 5.3%  | \$ 21.57       | \$ 10.57                           | \$ 11.00  | \$ 21.57         |
| WA ST LGIP             | NR      | 0.50                        | 19.2% | \$ 77.96       | \$ 38.20                           | \$ 39.76  | \$ 77.96         |
| Certificate of Deposit | NR      | 0.50                        | 1.2%  | \$ 5.07        | \$ 2.48                            | \$ 2.59   | \$ 5.07          |
| Municipal Securities   | A1*     | 1.21                        | 6.3%  | \$ 25.43       | \$ 12.47                           | \$ 12.98  | \$ 25.45         |
|                        |         | Years                       | 100%  | \$ 406.69      | \$ 199.00                          | \$ 207.12   | \$ 406.12        |

Both Cost and Fair Value include accrued interest of \$0.86; amortized cost and total fair value stated in millions.

The portfolio contains a variety of municipal issuers within the states of Washington, Idaho and Wisconsin. The rating on each issue is at least A1 by Moody's and if rated by S&P is at least A+ or better.

**Interest Rate Risk.** In accordance with its investment policy, the government manages its exposure to declines in fair values by limiting the final maturity of its investments to less than five years.

**Credit Risk.** It is the government's policy to limit its investment types to the top rated by nationally recognized statistical rating organizations, the Washington State Investment Pool and

# Kitsap County, Washington

## Notes to Financial Statements

December 31, 2013

money market accounts either covered by the FDIC or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission. The County did not hold any mortgage-backed securities or commercial paper of any type.

Custodial Credit Risk is the risk that in the event of a failure of the counterparty to complete an investment transaction the County would not be able to recover the value of the investment or collateral securities. County policy dictates that all investment instruments other than non-negotiable certificates of deposit, bank money market deposits, and funds placed with Washington LGIP be transacted on a delivery-versus-payment basis. The County does not have custodial risk as all investments and deposits are either insured or held by a third party custody provider in the County's name.

The Washington State LGIP is an unrated 2a-7 like pool, as defined by GASB 31, and therefore is not subject to interest rate risk, as the weighted average maturity of the portfolio will not exceed 90 days. The balance in the LGIP is not subject to custodial risk since all investments or deposits held by the LGIP are either insured or held by a third party custody provider in the LGIP's name. The County may withdraw its participation for same or next day settlement.

All cash, certificates of deposits, and money market accounts are entirely covered by federal deposit insurance or the collateralization program administered by the Washington Public Deposit Protection Commission.

### **NOTE 5. PROPERTY TAX**

The County Treasurer acts as an agent to collect property tax levied in the County for all taxing authorities.

| Property Tax Calendar |  |
|-----------------------|--|
| January 1             | Tax is levied and becomes an enforceable lien against properties.                              |
| February 14           | Tax bills are mailed.  |
| April 30              | First of two equal installment payments is due.  |
| May 31                | Assessed value of property is established for next year's levy at 100 percent of market value. |
| October 31            | Second installment is due.   |

Property tax is recorded as a receivable and revenue when levied. Property tax collected in advance of the fiscal year to which it applies is recorded as a deferred inflow and recognized as revenue of the period to which it applies. The balance of taxes receivable includes related interest and penalties. No allowance for uncollectible taxes is established because delinquent taxes are considered fully collectible. Prior year tax levies were recorded using the same principal, and delinquent taxes are evaluated annually.

## **Kitsap County, Washington**

### Notes to Financial Statements

December 31, 2013

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The County's regular levy for the year 2013 was \$1.1534 per \$1,000 on an assessed valuation of \$26,119,626,948 for a total regular levy of \$30,180,428.

The County's road levy for the year 2013 was \$1.6186 per \$1,000 on an assessed valuation of \$15,974,350,029 for total road levy of \$25,920,903.

Washington State Constitution and Washington State law, RCW 84.55.010, limit the rate.

Assessments are levied against properties located within sewer utility local improvement districts and are recorded as Assessments Receivable and Contributed Capital when assessment rolls are issued. The proceeds are restricted for payment of revenue bond principal and interest.

Special assessments for road improvement districts are recorded as Assessments Receivable and Deferred Revenue when assessment rolls are issued. Special assessments are recognized as revenue only to the extent those individual installments are considered current assets. The proceeds are restricted for payment of special assessment bond principal and interest.

# Kitsap County, Washington

## Notes to Financial Statements

December 31, 2013

### **NOTE 6. CAPITAL ASSETS**

Capital assets activity for the year ended December 31, 2013 was as follows:

| Governmental activities                      | Beginning<br>Balance<br>1/1/2013 | Increases       | Decreases    | Ending<br>Balance<br>12/31/2013 |
|--|----------------------------------|-----------------|--------------|---------------------------------|
| Capital assets, not being depreciated:       |                                  |                 |              |                                 |
| Land   | \$ 58,419,033                    | \$ -            | \$ -         | \$ 58,419,033                   |
| Land - Infrastructure                        | 69,451,228                       | 2,792,137       | 2,687,240    | 69,556,126                      |
| Construction in progress                     | 10,852,540                       | 8,713,312       | 3,255,042    | 16,310,809                      |
| Total capital assets, not being depreciated  | \$ 138,722,801                   | \$ 11,505,449   | \$ 5,942,282 | \$ 144,285,968                  |
| Capital assets, being depreciated:           |                                  |                 |              |                                 |
| Buildings                                    | \$ 129,194,495                   | \$ 71,334       |              | \$ 129,265,829                  |
| Building Improvements                        | 33,467,580                       |                 |              | 33,467,580                      |
| Machinery and equipment                      | 57,048,533                       | 5,107,213       | 4,338,345    | 57,817,402                      |
| Infrastructure                               | 413,160,971                      | 3,177,785       | 43,749       | 416,295,007                     |
| Total capital assets being depreciated       | \$ 632,871,579                   | \$ 8,356,332    | \$ 4,382,093 | \$ 636,845,819                  |
| Less accumulated depreciation for:           |                                  |                 |              |                                 |
| Buildings                                    | \$ 36,687,740                    | \$ 2,917,901    |              | \$ 39,605,641                   |
| Building Improvements                        | 13,048,173                       | 1,495,506       |              | 14,543,679                      |
| Machinery and equipment                      | 38,059,667                       | 4,103,254       | 4,155,293    | 38,007,628                      |
| Infrastructure                               | 284,121,661                      | 11,115,553      | 6,125        | 295,231,089                     |
| Total accumulated depreciation               | \$ 371,917,241                   | \$ 19,632,213   | \$ 4,161,418 | \$ 387,388,037                  |
| Total capital assets, being depreciated, net | \$ 260,954,338                   | \$ (11,275,881) | \$ 220,675   | \$ 249,457,783                  |
| Governmental activities capital assets, net  | \$ 399,677,139                   | \$ 229,569      | \$ 6,162,957 | \$ 393,743,750                  |

# Kitsap County, Washington

## Notes to Financial Statements

December 31, 2013

| Business-type activities                           | Beginning<br>Balance<br>1/1/2013 | Increase      | Decrease     | Ending<br>Balance<br>12/31/2013 |
|--|----------------------------------|---------------|--------------|---------------------------------|
| Capital assets, not being depreciated              |                                  |               |              |                                 |
| Land   | \$ 2,889,181                     | \$ -          | \$ -         | \$ 2,889,181                    |
| Construction in progress                           | 14,841,666                       | 20,903,320    | 6,203,166    | 29,541,820                      |
| Total capital assets, not being depreciated        | \$ 17,730,847                    | \$ 20,903,320 | \$ 6,203,166 | \$ 32,431,001                   |
| Capital assets, being depreciated                  |                                  |               |              |                                 |
| Buildings  | \$ 56,301,536                    | \$ 56,756     | \$ -         | \$ 56,358,292                   |
| Building Improvements                              | 83,410,563                       | 7,219,870     | -            | 90,630,433                      |
| Equipment & Machinery                              | 9,609,734                        | 82,025        | -            | 9,691,759                       |
| Total capital assets being depreciated             | \$ 149,321,833                   | \$ 7,358,651  | \$ -         | \$ 156,680,484                  |
| Less accumulated depreciation for:                 |                                  |               |              |                                 |
| Buildings  | \$ 31,261,539                    | \$ 2,132,044  | \$ -         | \$ 33,393,583                   |
| Building Improvements                              | 37,818,082                       | 2,732,030     | -            | 40,550,112                      |
| Machinery and equipment                            | 6,338,503                        | 751,259       | -            | 7,089,762                       |
| Total accumulated depreciation                     | \$ 75,418,124                    | \$ 5,615,333  | \$ -         | \$ 81,033,457                   |
| Total business-type assets, being depreciated, net | \$ 73,903,709                    | \$ 1,743,318  | \$ -         | \$ 75,647,027                   |
| Business-type activities capital assets, net       | \$ 91,634,556                    | \$ 22,646,638 | \$ 6,203,166 | \$ 108,078,028                  |



# Kitsap County, Washington

## Notes to Financial Statements

December 31, 2013

Depreciation expense was charged to functions/programs of the primary government as follows:

|  |               |
|--|---------------|
| Governmental Activities:                     |               |
| General government                           | \$ 1,880,542  |
| Judicial Services                            | 15,963        |
| Public safety                                | 3,704,178     |
| Transportation                               | 12,659,005    |
| Health & Human service                       | 139,765       |
| Economic environment                         | 4,026         |
| Culture & recreation                         | 1,228,735     |
|  |               |
| Total Depreciation - Governmental Activities | \$ 19,632,213 |

|   |              |
|---|--------------|
| Business-Type Activities:                     |              |
| Utilities                                     | \$ 5,615,333 |
|   |              |
| Total Depreciation - Business Type Activities | \$ 5,615,333 |

### Construction commitments

The County had no active construction projects as of December 31, 2013.

### **NOTE 7. PENSION PLANS**

Substantially all County full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit retirement plans. The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

Department of Retirement Systems  
Communications Unit  
P.O. Box 48380  
Olympia, WA 98504-8380

or it may be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov). The following disclosures are made pursuant to the GASB Statement 27, *Accounting for Pensions by State and Local Government Employers* and the GASB Statement 50, *Pension Disclosures, an Amendment of GASB Statements No. 25 and No. 27*.

# Kitsap County, Washington

## Notes to Financial Statements

December 31, 2013

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### Public Employees' Retirement System (PERS) Plans 1, 2, and 3

#### Plan Description

The Legislature established PERS in 1947. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts; employees of legislative committees; employees of district and municipal courts; and employees of local governments. Membership also includes higher education employees not participating in higher education retirement programs. Approximately 49 percent of PERS salaries are accounted for by state employment. PERS retirement benefit provisions are established in Chapters 41.34 and 41.40 RCW and may be amended only by the State Legislature.

PERS is a cost-sharing multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a defined benefit plan with a defined contribution component.

PERS members who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 and by either February 28, 2002 for state and higher education employees or August 31, 2002 for local government employees, are Plan 2 members unless they exercised an option to transfer their membership to Plan 3. PERS members joining the system on or after March 1, 2002 for state and higher education employees, or September 1, 2002 for local government employees have the irrevocable option of choosing membership in either PERS Plan 2 or Plan 3. The option must be exercised within 90 days of employment. Employees who fail to choose within 90 days default to Plan 3.

PERS is comprised of and reported as three separate plans for accounting purposes: Plan 1, Plan 2/3, and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3 accounts for the defined benefits of Plan 2 members, and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered to be a single plan for accounting purposes.

PERS Plan 1 and Plan 2 retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to the PERS Plan 1 and Plan 2 defined benefit plans accrue interest at a rate specified by the Director of DRS. During DRS' Fiscal Year 2013, the rate was five and one-half percent compounded quarterly. Members in PERS Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest thereon, in lieu of any retirement benefit, upon separation from PERS-covered employment.

PERS Plan 1 members are vested after the completion of five years of eligible service.

PERS Plan 1 members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with 25 years of service, or at age 60 with at least 5 years of service. Plan 1 members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits.

## Kitsap County, Washington

### Notes to Financial Statements

December 31, 2013

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The monthly benefit is 2 percent of the average final compensation (AFC) per year of service, but the benefit may not exceed 60 percent of the AFC. The AFC is the monthly average of the 24 consecutive highest-paid service credit months.

PERS Plan 1 retirement benefits are actuarially reduced to reflect the choice, if made, of a survivor option.

Plan 1 members may elect to receive an optional COLA that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 1 provides duty and non-duty disability benefits. Duty disability retirement benefits for disablement prior to the age of 60 consist of a temporary life annuity. The benefit amount is \$350 a month, or two-thirds of the monthly AFC, whichever is less. The benefit is reduced by any workers' compensation benefit and is payable as long as the member remains disabled or until the member attains the age of 60, at which time the benefit is converted to the member's service retirement amount.

A member with five years of covered employment is eligible for non-duty disability retirement. Prior to the age of 55, the benefit amount is 2 percent of the AFC for each year of service reduced by 2 percent for each year that the member's age is less than 55. The total benefit is limited to 60 percent of the AFC and is actuarially reduced to reflect the choice of a survivor option. Plan 1 members may elect to receive an optional COLA amount (based on the Consumer Price Index), capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is 2 percent of the AFC per year of service. The AFC is the monthly average of the 60 consecutive highest paid service months. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

PERS Plan 2 members who have at least 20 years of service credit, and are 55 years of age or older, are eligible for early retirement with a reduced benefit. The benefit is reduced by an early retirement factor (ERF) that varies according to age, for each year before age 65.

PERS Plan 2 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions, if hired prior to May 1, 2013:

With a benefit that is reduced by 3 percent for each year before age 65; or

With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of 5 percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service.

PERS Plan 2 retirement benefits are actuarially reduced to reflect the choice, if made, of a

# Kitsap County, Washington

## Notes to Financial Statements

December 31, 2013

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survivor option.

PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component and member contributions finance a defined contribution component. As established by Chapter 41.34 RCW, employee contribution rates to the defined contribution component range from 5 percent to 15 percent of salaries, based on member choice. Members who do not choose a contribution rate default to a 5 percent rate. There are currently no requirements for employer contributions to the defined contribution component of PERS Plan 3.

PERS Plan 3 defined contribution retirement benefits are dependent upon the results of investment activities. Members may elect to self-direct the investment of their contributions. Any expenses incurred in conjunction with self-directed investments are paid by members. Absent a member's self-direction, PERS Plan 3 contributions are invested in the Retirement Strategy Fund that assumes the member will retire at age 65.

For DRS' Fiscal Year 2013, PERS Plan 3 employee contributions were \$99.0 million, and plan refunds paid out were \$69.4 million.

The defined benefit portion of PERS Plan 3 provides members a monthly benefit that is 1 percent of the AFC per year of service. The AFC is the monthly average of the 60 consecutive highest-paid service months. There is no cap on years of service credit, and Plan 3 provides the same cost-of-living allowance as Plan 2.

Effective June 7, 2006, PERS Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service, if twelve months of that service are earned after age 44; or after five service credit years earned in PERS Plan 2 by June 1, 2003. Plan 3 members are immediately vested in the defined contribution portion of their plan.

Vested Plan 3 members are eligible for normal retirement at age 65, or they may retire early with the following conditions and benefits:

If they have at least ten service credit years and are 55 years old, the benefit is reduced by an ERF that varies with age, for each year before age 65.

If they have 30 service credit years and are at least 55 years old, and were hired before May 1, 2013, they have the choice of a benefit that is reduced by 3 percent for each year before age 65; or a benefit with a smaller (or no) reduction factor (depending on age) that imposes stricter return-to-work rules.

If they have 30 service credit years, are at least 55 years old, and were hired after May 1, 2013, they have the option to retire early by accepting a reduction of 5 percent for each year before age 65.

PERS Plan 3 benefits are actuarially reduced to reflect the choice, if made, of a survivor option.

PERS Plan 2 and Plan 3 provide disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 monthly benefit amount is 2 percent of the AFC per year of service. For Plan 3, the monthly benefit amount is 1 percent of the AFC per year of

# Kitsap County, Washington

## Notes to Financial Statements

December 31, 2013

service. These disability benefit amounts are actuarially reduced for each year that the member's age is less than 65, and to reflect the choice of a survivor option. There is no cap on years of service credit, and a cost-of-living allowance is granted (based on the Consumer Price Index) capped at 3 percent annually.

PERS members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors.

A one-time duty-related death benefit is provided to the beneficiary or the estate of a PERS member who dies as a result of injuries sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of the member's covered employment, if found eligible by the Department of Labor and Industries.

From January 1, 2007 through December 31, 2007, judicial members of PERS were given the choice to elect participation in the Judicial Benefit Multiplier (JBM) Program enacted in 2006. Justices and judges in PERS Plan 1 and Plan 2 were able to make an irrevocable election to pay increased contributions that would fund a retirement benefit with a 3.5 percent multiplier. The benefit would be capped at 75 percent of AFC. Judges in PERS Plan 3 could elect a 1.6 percent of pay per year of service benefit, capped at 37.5 percent of AFC.

Newly elected or appointed justices and judges who chose to become PERS members on or after January 1, 2007, or who had not previously opted into PERS membership, were required to participate in the JBM Program.

There are 1,176 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2012:

|  |                |
|--|----------------|
| Retirees and Beneficiaries Receiving Benefits                      | 82,242         |
| Terminated Plan Members Entitled to But Not Yet Receiving Benefits | 30,515         |
| Active Plan Members Vested   | 106,317        |
| Active Plan Members Non-vested                                     | 44,273         |
| <b>Total</b>   | <b>263,347</b> |

### Funding Policy

Each biennium, the state Pension Funding Council adopts PERS Plan 1 employer contribution rates, PERS Plan 2 employer and employee contribution rates, and PERS Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at 6 percent for state agencies and local government unit employees, and at 7.5 percent for state government elected officials. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. Under PERS Plan 3, employer contributions finance the defined benefit portion of the plan and member contributions finance the defined contribution portion. The Plan 3 employee contribution rates range from 5 percent to 15 percent.

As a result of the implementation of the Judicial Benefit Multiplier Program in January 2007, a second tier of employer and employee rates was developed to fund, along with investment

# Kitsap County, Washington

## Notes to Financial Statements

December 31, 2013

earnings, the increased retirement benefits of those justices and judges that participate in the program.

The methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.40 and 41.45 RCW.

The required contribution rates expressed as a percentage of current-year covered payroll as of December 31, 2013, are as follows:

### Members Not Participating in JBM:

|           | PERS Plan 1 | PERS Plan 2 | PERS Plan 3 |
|-----------|-------------|-------------|-------------|
| Employer* | 9.21%**     | 9.21%**     | 9.21%***    |
| Employee  | 6.00%****   | 4.92%****   | *****       |

\* The employer rates include the employer administrative expense fee currently set at 0.18%.

\*\* The employer rate for state elected officials is 13.73% for Plan 1 and 9.21% for Plan 2 and Plan 3.

\*\*\* Plan 3 defined benefit portion only.

\*\*\*\* The employee rate for state elected officials is 7.50% for Plan 1 and 4.92% for Plan 2.

\*\*\*\*\* Variable from 5.0% minimum to 15.0% maximum based on rate selected by the PERS 3 member.

### Members Participating in JBM:

|                             | PERS Plan 1 | PERS Plan 2 | PERS Plan 3 |
|-----------------------------|-------------|-------------|-------------|
| Employer-State Agency*      | 11.71%      | 11.71%      | 11.71%**    |
| Employer-Local Gov't Units* | 9.21%       | 9.21%       | 9.21%**     |
| Employee-State Agency       | 9.76%       | 9.80%       | 7.50%***    |
| Employee-Local Gov't Units  | 12.26%      | 12.30%      | 7.50%***    |

\* The employer rates include the employer administrative expense fee currently set at 0.16%.

\*\* Plan 3 defined benefit portion only.

\*\*\* Minimum rate.

Both Kitsap County and the employees made the required contributions. The County's required contributions for the years ended December 31 were as follows:

|      | PERS Plan 1 | PERS Plan 2  | PERS Plan 3 |
|------|-------------|--------------|-------------|
| 2013 | \$ 143,925  | \$ 3,592,658 | \$ 837,723  |
| 2012 | \$ 142,413  | \$ 3,145,886 | \$ 694,608  |
| 2011 | \$ 127,928  | \$ 2,597,672 | \$ 555,682  |

# Kitsap County, Washington

## Notes to Financial Statements

December 31, 2013

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### Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plans 1 and 2

#### Plan Description

LEOFF was established in 1970 by the Legislature. Membership includes all full-time, fully compensated, local law enforcement commissioned officers, firefighters and, as of July 24, 2005, emergency medical technicians. LEOFF membership is comprised primarily of non-state employees, with Department of Fish and Wildlife enforcement officers, who were first included prospectively effective July 27, 2003, being an exception. LEOFF retirement benefit provisions are established in Chapter 41.26 RCW and may be amended only by the State Legislature.

LEOFF is a cost-sharing multiple-employer retirement system comprised of two separate defined benefit plans. LEOFF members who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 are Plan 2 members.

Effective July 1, 2003, the LEOFF Plan 2 Retirement Board was established by Initiative 790 to provide governance of LEOFF Plan 2. The Board's duties include adopting contribution rates and recommending policy changes to the Legislature.

LEOFF retirement benefits are financed from a combination of investment earnings, employer and employee contributions, and a special funding situation in which the state pays through state legislative appropriations. Employee contributions to the LEOFF Plan 1 and Plan 2 defined benefit plans accrue interest at a rate specified by the Director of DRS. During DRS' fiscal year 2013, the rate was five and one-half percent compounded quarterly. Members in LEOFF Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest earnings, in lieu of any retirement benefit, upon separation from LEOFF-covered employment.

LEOFF Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement with five years of service at the age of 50.

The benefit per year of service calculated as a percent of final average salary (FAS) is as follows:

| Term of Service           | Percent of Final Average Salary |
|---------------------------|---------------------------------|
| 20 or more years          | 2.0%                            |
| 10 but less than 20 years | 1.5%                            |
| 5 but less than 10 years  | 1.0%                            |

The FAS is the basic monthly salary received at the time of retirement, provided a member has held the same position or rank for 12 months preceding the date of retirement. Otherwise, it is the average of the highest consecutive 24 months' salary within the last 10 years of service. A cost-of-living allowance is granted (based on the Consumer Price Index).

LEOFF Plan 1 provides death and disability benefits. Death benefits for survivors of Plan 1 members on active duty consist of the following: (1) If there is an eligible spouse, 50 percent of the FAS, plus 5 percent of the FAS for each eligible surviving child, with a limitation on the combined benefit of 60 percent of the FAS; or (2) If there is no eligible spouse, eligible children

## Kitsap County, Washington

### Notes to Financial Statements

December 31, 2013

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receive 30 percent of the FAS for the first child plus 10 percent for each additional child, subject to a 60 percent limitation of the FAS, divided equally.

A one-time duty-related death benefit is provided to the beneficiary or the estate of a LEOFF Plan 1 member who dies as a result of injuries or illness sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of the member's covered employment, if found eligible by the Department of Labor and Industries.

The LEOFF Plan 1 disability benefit is 50 percent of the FAS plus 5 percent for each child up to a maximum of 60 percent. Upon recovery from disability before the age of 50, a member is restored to service with full credit for service while disabled. Upon recovery after the age of 50, the benefit continues as the greater of the member's disability benefit or service retirement benefit.

LEOFF Plan 2 members are vested after the completion of five years of eligible service.

Plan 2 members are eligible for retirement at the age of 53 with five years of service, or at age 50 with 20 years of service. Plan 2 members receive a benefit of 2 percent of the FAS per year of service (the FAS is based on the highest consecutive 60 months), actuarially reduced to reflect the choice of a survivor option. Members who retire prior to the age of 53 receive reduced benefits. If the member has at least 20 years of service and is age 50, the reduction is 3 percent for each year prior to age 53. Otherwise, the benefits are actuarially reduced for each year prior to age 53. A cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

LEOFF Plan 2 provides disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 benefit amount is 2 percent of the FAS for each year of service. Benefits are reduced to reflect the choice of survivor option and for each year that the member's age is less than 53, unless the disability is duty-related. If the member has at least 20 years of service and is age 50, the reduction is 3 percent for each year prior to age 53.

A disability benefit equal to 70 percent of their FAS, subject to offsets for workers' compensation and Social Security disability benefits received, is also available to those LEOFF Plan 2 members who are catastrophically disabled in the line of duty and incapable of future substantial gainful employment in any capacity. Effective June 2010, benefits to LEOFF Plan 2 members who are catastrophically disabled include payment of eligible health care insurance premiums.

Members of LEOFF Plan 2 who leave service because of a line of duty disability are allowed to withdraw 150 percent of accumulated member contributions. This withdrawal benefit is not subject to federal income tax. Alternatively, members of LEOFF Plan 2 who leave service because of a line of duty disability may be eligible to receive a retirement benefit of at least 10 percent of FAS and 2 percent per year of service beyond five years. The first 10 percent of the FAS is not subject to federal income tax.

LEOFF Plan 2 retirees may return to work in an eligible position covered by another retirement system, choose membership in that system and suspend their pension benefits, or not choose membership and continue receiving pension benefits without interruption.



## Kitsap County, Washington

### Notes to Financial Statements

December 31, 2013

A one-time duty-related death benefit is provided to the estate of a LEOFF Plan 2 member who dies as a result of injuries or illness sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of the member's covered employment, if found eligible by the Department of Labor and Industries. Benefits to eligible surviving spouses and dependent children of LEOFF Plan 2 members killed in the course of employment include the payment of eligible health care insurance premiums.

Legislation passed in 2009 provides to the Washington state registered domestic partners of LEOFF Plan 2 members the same treatment as married spouses, to the extent that the treatment is not in conflict with federal laws.

LEOFF members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors.

There are 374 participating employers in LEOFF. Membership in LEOFF consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2012:

|  |               |
|--|---------------|
| Retirees and Beneficiaries Receiving Benefits                      | 10,189        |
| Terminated Plan Members Entitled to But Not Yet Receiving Benefits | 689           |
| Active Plan Members Vested   | 14,273        |
| Active Plan Members Nonvested                                      | 2,633         |
| <b>Total</b>   | <b>27,784</b> |

#### Funding Policy

Employer and employee contribution rates are developed by the Office of the State Actuary to fully fund the plans. Starting on July 1, 2000, Plan 1 employers and employees contribute zero percent as long as the plan remains fully funded. Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board.

The Legislature, by means of a special funding arrangement, appropriates money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute. For DRS' fiscal year 2013, the state contributed \$54.2 million to LEOFF Plan 2.

The methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.26 and 41.45 RCW.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2013, are as follows:

|           | LEOFF Plan 1 | LEOFF Plan 2 |
|-----------|--------------|--------------|
| Employer* | 0.18%        | 5.23%**      |
| Employee  | 0.00%        | 8.41%        |
| State     | N/A          | 3.36%        |

\*The employer rates include the employer administrative expense fee currently set at 0.18%.

\*\* The employer rate for ports and universities is 8.59%.

## Kitsap County, Washington

### Notes to Financial Statements

December 31, 2013

Both Kitsap County and the employees made the required contributions. The County's required contributions for the years ended December 31 were as follows:

|      | LEOFF Plan 1 | LEOFF Plan 2 |
|------|--------------|--------------|
| 2013 | \$ 0         | \$ 470,850   |
| 2012 | \$ 0         | \$ 474,611   |
| 2011 | \$ 111       | \$ 456,254   |

### Public Safety Employees' Retirement System (PSERS) Plan 2

#### Plan Description

PSERS was created by the 2004 Legislature and became effective July 1, 2006. PSERS retirement benefit provisions have been established by Chapter 41.37 RCW and may be amended only by the State Legislature.

PSERS is a cost-sharing multiple-employer retirement system comprised of a single defined benefit plan, PSERS Plan 2.

PSERS membership includes:

- PERS 2 or 3 employees hired by a covered employer before July 1, 2006, who met at least one of the PSERS eligibility criteria and elected membership during the period of July 1, 2006 to September 30, 2006; and
- Employees, hired on or after July 1, 2006 by a covered employer, that meet at least one of the PSERS eligibility criteria.

Covered employers include:

- State of Washington agencies: Department of Corrections, Department of Natural Resources, Gambling Commission, Liquor Control Board, Parks and Recreation Commission, and Washington State Patrol;
- Washington State counties;
- Washington State cities except for Seattle, Spokane and Tacoma; and
- Correctional entities formed by PSERS employers under the Interlocal Cooperation Act.

To be eligible for PSERS, an employee must work on a full-time basis and:

- Have completed a certified criminal justice training course with authority to arrest, conduct criminal investigations, enforce the criminal laws of Washington and carry a firearm as part of the job; or
- Have primary responsibility to ensure the custody and security of incarcerated or probationary individuals; or
- Function as a limited authority Washington peace officer, as defined in RCW 10.93.020; or
- Have primary responsibility to supervise eligible members who meet the above criteria.

PSERS retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to the plan accrue interest at a

## Kitsap County, Washington

### Notes to Financial Statements

December 31, 2013

rate specified by the Director of DRS. During DRS' fiscal year 2013, the rate was five and one-half percent compounded quarterly. Members in PSERS Plan 2 can elect to withdraw total employee contributions and interest thereon, in lieu of any retirement benefit, upon separation from PSERS-covered employment.

PSERS Plan 2 members are vested after completing five years of eligible service.

PSERS members may retire with a monthly benefit of 2 percent of the average final compensation (AFC) at the age of 65 with five years of service, or at the age of 60 with at least 10 years of PSERS service credit, or at age 53 with 20 years of service. The AFC is the monthly average of the member's 60 consecutive highest-paid service credit months. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

PSERS members who retire prior to the age of 60 receive reduced benefits. If retirement is at age 53 or older with at least 20 years of service, a 3 percent per year reduction for each year between the age at retirement and age 60 applies.

PSERS Plan 2 provides disability benefits. There is no minimum amount of service credit required for eligibility. The monthly benefit is 2 percent of the AFC for each year of service. The AFC is based on the member's 60 consecutive highest creditable months of service. Benefits are actuarially reduced for each year that the member's age is less than 60 (with ten or more service credit years in PSERS), or less than 65 (with fewer than ten service credit years). There is no cap on years of service credit, and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

PSERS members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors.

A one-time duty-related death benefit is provided to the beneficiary or the estate of a PSERS member who dies as a result of injuries or illness sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of the member's covered employment, if found eligible by the Department of Labor and Industries.

There are 75 participating employers in PSERS. Membership in PSERS consisted of the following as of the latest actuarial valuation date for the plan of June 30, 2012:

|  |              |
|--|--------------|
| Retirees and Beneficiaries Receiving Benefits                      | 27           |
| Terminated Plan Members Entitled to But Not Yet Receiving Benefits | 60           |
| Active Plan Members Vested   | 2,083        |
| Active Plan Members Nonvested                                      | 2,167        |
| <b>Total</b>   | <b>4,337</b> |

#### Funding Policy

Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates. The employer and employee contribution rates for Plan 2 are developed by the Office of the State Actuary to fully fund Plan 2.

# Kitsap County, Washington

## Notes to Financial Statements

December 31, 2013

The methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.37 and 41.45 RCW.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2013, are as follows:

|           | PSERS Plan 2 |
|-----------|--------------|
| Employer* | 10.54%       |
| Employee  | 6.36%        |

\*The employer rate includes an employer administrative expense fee of 0.18%.

Both the County and the employees made the required contributions. The County's required contributions for the years ended December 31 were as follows:

|      | PSERS Plan 2 |
|------|--------------|
| 2013 | \$ 410,675   |
| 2012 | \$ 346,727   |
| 2011 | \$ 332,799   |

### **NOTE 8. RISK MANAGEMENT**

The County is exposed to various risks of loss related to torts, theft, damage to and destruction of assets, errors or omissions, injuries to employees, and natural disasters. Kitsap County uses its Risk Management Fund, an internal service fund, to finance and administer the County's property/casualty and workers' compensation self insurance programs. The County contracts with a plan administrator to process medical and dental claims made against its workers' compensation program. In 2013, the County began self-insuring its employees' medical benefits and contracted with a claims administrator to administer the program.

RCW 48.62 authorizes the governing body of any governmental entity to individually or jointly self-insure risks, jointly purchase insurance or reinsurance, and to contract for risk management, claims, and administrative services. Kitsap County was a member of the Washington Counties Risk Pool until October 2010, when it made the determination to withdraw from the risk pool in order to have more control over decisions made with respect to risk management activities.

Kitsap County self-insures its general liability and workers' compensation risk up to \$500,000 per occurrence. The County purchases excess liability and worker's compensation policies to insure its general, automobile, employment liability, and workers compensation risks, including public officials' errors and omissions.

#### **General liability**

The County purchased an excess insurance policy with a \$20,000,000 limit for liability protection and a \$500,000 self-insured retention. The County is responsible for the first \$500,000 of each

# Kitsap County, Washington

## Notes to Financial Statements

December 31, 2013

claim and the insurer covers up to \$20,000,000 per occurrence. The County has never had a claim in excess of the policy limits. This policy also covers auto liability, employment and public officials' liability. As of December 31, 2013, the County's estimated total undiscounted outstanding liability for general liability is \$6,889,646.

### Property insurance

The county has a \$50,000 per occurrence deductible and is insured for up to \$50 million per occurrence through an independent insurance carrier. The earthquake coverage has a deductible of 2% of the total damage per occurrence with a \$100,000 minimum and \$1,000,000 maximum deductible.

### Crime/dishonesty insurance

The employee crime/dishonesty policy has a \$5,000 deductible and \$1,000,000 in coverage. This policy is endorsed to include a Position bond, which provides certain elected officials with bond coverage as required by the State statute.

### Workers compensation

The County assumes risk for workers' compensation of up to \$500,000 per occurrence, as allowed by State statute. The County purchases an excess workers' compensation policy that provides statutory limits coverage. Interfund premiums are based on each department's loss experience and number and class of employees. As of December 31, 2013, the County's estimated total undiscounted outstanding liability for the workers' compensation program is \$2,824,705.

### Unemployment Risk

The County has elected to retain the risk for unemployment compensation payable to former County employees. The State of Washington Employment Security Department bills the County for the unemployment compensation benefits paid to former employees. Expenditures are then recognized in various County funds. The County's unemployment program is managed by the Human Resources department.

### Self Insured Workers Compensation and General Liability Claims Activity

Following is a summary of the changes in the self-insurance fund liabilities for estimated claim settlements for the years ended December 2013 and 2012:

| Workers Compensation                       | Year ended   |              |
|--|--------------|--------------|
|  | 12/31/2012   | 12/31/2013   |
| Claims liability, beginning of fiscal year | \$ 2,252,566 | \$ 2,659,365 |
| Estimated claims (including IBNRs)         | 1,404,648    | 1,474,144    |
| Claims payments                            | (997,849)    | (1,308,804)  |
| Claims liability, end of fiscal year       | \$ 2,659,365 | \$ 2,824,705 |

| General Liability                          | Year ended   |              |
|--|--------------|--------------|
|  | 12/31/2012   | 12/31/2013   |
| Claims liability, beginning of fiscal year | \$ 5,116,306 | \$ 6,085,972 |
| Estimated claims (including IBNRs)         | 1,117,224    | 1,152,992    |
| Claims payments                            | (147,558)    | (349,318)    |
| Claims liability, end of fiscal year       | \$ 6,085,972 | \$ 6,889,646 |

# Kitsap County, Washington

## Notes to Financial Statements

December 31, 2013

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### Self Funded Employee Welfare Benefit Plan

In 2013, Kitsap County established a self funded employee welfare benefit plan to provide certain health care benefits to eligible employees and their dependents. The County contracted with Premiera Blue Cross and Group Health to perform administrative services to process medical claims. Activity related to the program is accounted for in the Employer Benefits Fund, an internal service fund.

In order to limit its financial liability for large claims, the County purchased a Stop Loss insurance policy. The policy reimburses the County for medical claims in excess of \$165,000 per covered person, per calendar year.

The County's self funded employee welfare benefit plan covers eligible employees and their dependents for medical costs. The County purchases dental, life, AD&D and LTD insurance.

Interfund medical premiums are established based upon a composite rate of expected claims and expenses prior to the beginning of the fiscal year and are charged to departments on an employee by employee basis, each month.

Depending upon the plan and level of coverage selected by an employee, there may be employee contributions towards premiums. These contributions are collected by the Employer Benefits Fund and are used to offset claims expenses.

### **NOTE 9. SHORT-TERM DEBT**

During the year, the County did not obtain any short-term loans.

### **NOTE 10. LONG-TERM DEBT**

In the government-wide financial statements, and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds Payable is reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and are amortized over the term of the related debt.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

# Kitsap County, Washington

## Notes to Financial Statements

December 31, 2013

State law provides that debt cannot be incurred in excess of the following percentages of the value of the taxable property of the County:

1.5% - Without a vote of the people

2.5% - With a vote of the people

5.0% - With a vote of the people, provided the indebtedness in excess of 2.5% is for utilities, parks, or open space development.

As of December 31, 2013 the debt limits for the County were as follows:

|                             | Without<br>a Vote | With a Vote    |                  |
|-----------------------------|-------------------|----------------|------------------|
|                             |                   | 2.50%          | 5.00%            |
| Legal Limit                 | \$ 391,794,404    | \$ 652,990,674 | \$ 1,305,981,347 |
| Applicable Outstanding Debt | 101,827,439       | 101,827,439    | 101,827,439      |
| Margin Available            | \$ 289,966,966    | \$ 551,163,235 | \$ 1,204,153,909 |

### A. General Obligation Bonds

The government issues general obligation and revenue bonds to provide funds for the purchase of assets and the acquisition and construction of major capital facilities. Bonded indebtedness has also been entered into to advance refund several general obligation and revenue bonds. General obligation bonds have been issued for both governmental and business-type activities and are being repaid from the applicable resources. The revenue bonds are being repaid by proprietary fund revenues.

General obligation bonds currently outstanding are as follows:

| Issued Name<br>and Purpose                                  | Maturity<br>Range | Interest<br>Rate % | Original<br>Amount | Amount of<br>Installment |
|---|-------------------|--------------------|--------------------|--------------------------|
| 2004 - Gen. Govt. - Refunding                               | 7/1/14            | 4.00               | \$ 20,664,719      | 580,000                  |
| 2005 - Refunding  | 7/1/14 - 7/1/25   | 5.0                | 18,995,000         | 1,075,000 - 1,500,000    |
| 2006 - Improve Bldgs & Parks                                | 7/1/14 - 7/1/31   | 4.4 - 5.0          | 18,085,000         | 505,000 - 880,000        |
| 2010 - Refunding; Coroner's<br>Bldg & CKCC; BAN (Prop.Acq.) | 12/1/14 - 12/1/30 | 3.0 - 4.0          | 9,220,000          | 190,000 - 530,000        |
| 2011 - Refunding  | 12/1/14 - 12/1/27 | 2.0 - 4.0          | 20,370,000         | 500,000 - 1,550,000      |
| 2013 - Refunding  | 12/1/14 - 12/1/34 | 3.0 - 4.0          | 48,280,000         | 530,000 - 5,265,000      |
| 2001 - Rds PWTF Ln # PW-01-<br>691-037 - Anderson Hill      | 7/1/14 - 7/1/21   | 0.5                | 897,812            | 47,253                   |
| Total   |                   |                    | \$ 136,512,531     |                          |

# Kitsap County, Washington

## Notes to Financial Statements

December 31, 2013

The annual debt service requirements to maturity for general obligation bonds are as follows:

| Year Ending<br>December 31 | Governmental Activities |               |
|----------------------------|-------------------------|---------------|
|                            | Principal               | Interest      |
| 2014                       | \$ 5,425,000            | \$ 3,910,628  |
| 2015                       | 5,645,000               | 3,722,078     |
| 2016                       | 5,850,000               | 3,531,278     |
| 2017                       | 6,105,000               | 3,332,928     |
| 2018                       | 6,350,000               | 3,114,358     |
| 2019-2023                  | 37,335,000              | 11,139,890    |
| 2024-2028                  | 25,250,000              | 4,212,388     |
| 2029-2033                  | 6,320,000               | 678,413       |
| 2034                       | 610,000                 | 22,113        |
| Total                      | \$ 98,890,000           | \$ 33,664,074 |

| Year Ending<br>December 31 | PWTF Loan  |          |
|----------------------------|------------|----------|
|                            | Principal  | Interest |
| 2014                       | \$ 47,253  | \$ 1,890 |
| 2015                       | 47,253     | 1,654    |
| 2016                       | 47,253     | 1,418    |
| 2017                       | 47,253     | 1,181    |
| 2018                       | 47,253     | 945      |
| 2019-2021                  | 141,760    | 1,418    |
| Total                      | \$ 378,025 | \$ 8,506 |

During 2013, the County currently refunded the following obligations:

- 2003B general obligation refunding bond
- 2004 general obligation refunding bond
- 2009 long term general obligation BAN (Bank of America loan)
- 2009 long term general obligation BAN (Key Bank loan)
- KCCHA 2003 revenue Bonds (Bremerton Government Center), issued by Kitsap County Consolidated Housing Authority (KCCHA) dba Housing Kitsap

The County issued \$48,280,000 general obligation refunding bonds.

A portion of the net proceeds was used along with other funds of the County and Housing Kitsap to provide resources to purchase \$25,540,000 of County government securities and \$9,015,000 of KCCHA government securities. The proceeds were placed in an irrevocable trust on April 25, 2013 for the purpose of generating resources for redemption of the 2003B, 2004 and KCCHA 2003 bonds on their respective dates.

The remainder of the net proceeds was used with other funds of the County to pay off \$13,725,000 of County bond anticipation notes (Bank of America and Key Bank lines of credit).

As a result, the refunded County debt and bond anticipation notes were paid in full and the liability has been removed from the County's long-term debt. A note payable to KCCHA for the County's portion of the KCCHA 2003 revenue bonds (Bremerton Government Center) has also



# Kitsap County, Washington

## Notes to Financial Statements

December 31, 2013

been removed from the County's long-term debt, as this obligation is now part of the 2013 refunding debt.

Housing Kitsap entered into an Amended Loan and Repayment Agreement with Kitsap County in May 2013 for its portion of the refunded 2003 revenue bonds (Bremerton Government Center) and other payments the County made in connection with the Harborside Condominiums and other obligations that Housing Kitsap was unable to meet. See Note 15 for more information.

This current and advance refunding was undertaken to reduce total debt service payments over the next twenty-one years by \$4,772,704 and to obtain an economic gain of \$4,057,268 (County); to reduce total debt service payments over the next twenty-one years by \$1,140,916 and to obtain an economic gain of \$895,962 (Housing Kitsap); and to issue long-term debt to pay off bond anticipation notes which matured in April 2013.

### B. Notes Payable

The County has a note payable of \$2.08 million due to the Rolling Hills Golf Course Partnership from the purchase of the Rolling Hills Golf Course in March 2011. Principal and interest payments are due annually for 20 years, beginning in October 2012.

The annual debt service requirement to maturity for the note payable is as follows:

| Year Ending<br>December 31 | Governmental Activities |              |
|----------------------------|-------------------------|--------------|
|                            | Principal               | Interest     |
| 2014                       | \$ 64,148               | \$ 135,852   |
| 2015                       | 68,331                  | 131,669      |
| 2016                       | 72,787                  | 127,213      |
| 2017                       | 77,534                  | 122,466      |
| 2018                       | 82,590                  | 117,410      |
| 2019-2023                  | 501,114                 | 498,886      |
| 2024-2028                  | 687,252                 | 312,748      |
| 2029-2031                  | 529,489                 | 70,511       |
| Total                      | \$ 2,083,245            | \$ 1,516,755 |

### C. Revenue bonds

The revenue bonds and other loans currently outstanding are as follows:

| Issued Name<br>and Purpose | Maturity<br>Range | Interest<br>Rate % | Original<br>Amount | Amount of<br>Installment |
|----------------------------|-------------------|--------------------|--------------------|--------------------------|
| Sewer Refunding 2001       | 7/1/14 - 7/1/16   | 5.25 - 5.625       | \$ 13,075,000      | 1,450,000 - 1,620,000    |
| Sewer Refunding 2010A      | 12/1/14 - 12/1/18 | 3.0 - 4.0          | 5,775,000          | 705,000 - 805,000        |
| Sewer 2010B                | 12/1/28 - 12/1/40 | 6.714 - 7.364      | 37,120,000         | 1,090,000 - 4,100,000    |
| Sewer 2010C                | 12/1/28           | 6.696              | 1,110,000          | 1,110,000                |
| D.O.E. Loan L0400026       | 5/1/14 - 5/1/25   | 1.5                | 14,188,000         | 303,064 - 599,355        |
| PWTF Loan PW-01-691-036    | 7/1/14 - 7/1/21   | 0.5                | 2,605,000          | 150,816                  |
| PWTF Loan PC-12-951-040    | 6/1/14 - 6/1/31   | 1.0                | 5,205,000          | 243,631                  |
| Total                      |                   |                    | \$ 79,078,000      |                          |

# Kitsap County, Washington

## Notes to Financial Statements

December 31, 2013

Debt service requirements for the revenue bonds and loans are as follows:

| Year Ending<br>December 31 | Revenue Bonds |               |
|----------------------------|---------------|---------------|
|                            | Principal     | Interest      |
| 2014                       | \$ 2,155,000  | \$ 2,094,929  |
| 2015                       | 2,260,000     | 1,994,029     |
| 2016                       | 2,365,000     | 1,886,066     |
| 2017                       | 780,000       | 1,768,866     |
| 2018                       | 805,000       | 1,737,666     |
| 2019-2023                  | 0             | 8,527,331     |
| 2024-2028                  | 2,200,000     | 8,527,331     |
| 2029-2033                  | 12,420,000    | 7,082,211     |
| 2034-2038                  | 15,585,000    | 3,910,909     |
| 2039-2040                  | 8,025,000     | 494,444       |
| Total                      | \$ 46,595,000 | \$ 38,023,782 |

| Year Ending<br>December 31 | Ecology & PWTF Loans |              |
|----------------------------|----------------------|--------------|
|                            | Principal            | Interest     |
| 2014                       | \$ 910,365           | \$ 142,813   |
| 2015                       | 918,157              | 133,673      |
| 2016                       | 926,067              | 122,573      |
| 2017                       | 934,096              | 111,353      |
| 2018                       | 942,247              | 100,012      |
| 2019-2023                  | 4,536,236            | 326,325      |
| 2024-2028                  | 2,120,573            | 86,702       |
| 2029-2031                  | 730,892              | 14,618       |
| Total                      | \$ 12,018,633        | \$ 1,038,069 |

### D. Pollution Remediation Obligation

In 2011, the Solid Waste fund recorded a liability of \$742,805 which represents the County's share of cleanup costs of the Hansville Landfill. The liability was adjusted to \$631,225 in 2013 as a result of recalculation of the costs. The Washington State Department of Ecology identified the County and Waste Management, Inc. as Potentially Liable Parties (PLPs) for remediation of the site. See Note 20, *Pollution Remediation Obligation* for additional information.

### E. Compensated absences

It is the policy of the County to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave earned after January 1, 1984. Sick leave earned before January 1, 1984 is payable at 50% at retirement or death, and employees may accumulate up to a maximum of 150 days.

All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. An employee may accumulate up to 360 hours (45 days). All outstanding vacation leave is payable upon resignation, retirement, or death.

# Kitsap County, Washington

## Notes to Financial Statements

December 31, 2013

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### **NOTE 11. LEASES**

#### Operating leases

The County does not have any non-cancelable operating leases.

#### Capital Leases

The County entered into a lease agreement for financing a ballot counting system in April 2013. The system was purchased from Hart InterCivic for \$467,168 and the purchase was financed through SunTrust Equipment Finance and Lease Corp.

The installment loan has a five year term with the first installment payment due on April 8, 2014 and annually on the anniversary date, thereafter. The annual payment amount is \$100,028 and the installment loan bears interest at a rate of 1.66% per annum.

This lease agreement qualifies as a capital lease for accounting purposes, therefore, has been recorded at the present value of its future minimum lease payments as of the inception date.

The assets (capital and non-capitalized) acquired through the capital lease are as follows:

| Asset  | Governmental<br>Activities |
|--|----------------------------|
| Computer equipment (scanners, printers, computers) | \$ 106,131                 |

The remainder of the system cost was for software, installation, licensing and support.

The future minimum lease obligation and the net present value of these minimum lease payments as of December 31, 2013 were as follows:

| Year Ending<br>December 31              | Governmental<br>Activities |
|---|----------------------------|
| 2014                                    | \$ 100,028                 |
| 2015                                    | 100,028                    |
| 2016                                    | 100,028                    |
| 2017                                    | 100,028                    |
| 2018                                    | 100,028                    |
| Total Minimum Lease Payments            | 500,141                    |
| Less: Interest                          | 23,973                     |
| Present Value of Minimum Lease Payments | \$ 476,168                 |

# Kitsap County, Washington

## Notes to Financial Statements

December 31, 2013

### **NOTE 12. CHANGES IN LONG-TERM LIABILITIES**

Long-term liability activity for the year ended December 31, 2013 was as follows:

|   | Beginning<br>Balance  | Additions            | Reductions           | Ending<br>Balance     | Due Within<br>One Year |
|---|-----------------------|----------------------|----------------------|-----------------------|------------------------|
| <b><u>Governmental activities</u></b>             |                       |                      |                      |                       |                        |
| Bonds payable:                                    |                       |                      |                      |                       |                        |
| General obligation bonds                          | \$ 84,644,091         | \$ 48,280,000        | \$ 34,034,091        | \$ 98,890,000         | \$ 5,425,000           |
| Total bonds payable                               | 84,644,091            | 48,280,000           | 34,034,091           | 98,890,000            | 5,425,000              |
| Capital leases                                    | -                     | 476,168              | -                    | 476,168               | 92,124                 |
| Compensated absences                              | 4,665,175             | 2,700,980            | 2,254,466            | 5,111,688             | 564,368                |
| Internal services comp.                           | 334,075               | 233,866              | 196,207              | 371,735               | 37,173                 |
| Notes payable                                     | 22,063,999            | 220,364              | 20,201,118           | 2,083,245             | 64,148                 |
| Net OPEB obligation                               | 3,749,917             | 1,026,511            | -                    | 4,776,428             | -                      |
| Other liabilities                                 | 425,279               | -                    | 47,253               | 378,026               | 47,253                 |
| Governmental-activities<br>Long-term liabilities  | <u>\$ 115,882,536</u> | <u>\$ 52,937,889</u> | <u>\$ 56,733,135</u> | <u>\$ 112,087,289</u> | <u>\$ 6,230,067</u>    |
| <b><u>Business-type activities</u></b>            |                       |                      |                      |                       |                        |
| Bonds payable:                                    |                       |                      |                      |                       |                        |
| Revenue bonds                                     | 48,650,000            | -                    | 2,055,000            | 46,595,000            | 2,155,000              |
| Unamortized premium/<br>discount                  | 244,205               | -                    | 79,795               | 164,410               | 79,795                 |
| Total bonds payable                               | 48,894,205            | -                    | 2,134,795            | 46,759,410            | 2,234,795              |
| Other liabilities                                 | 12,141,640            | 1,617,997            | 1,109,778            | 12,649,859            | 939,590                |
| Compensated absences                              | 589,493               | 398,740              | 383,179              | 605,054               | 80,804                 |
| Business-type activities<br>Long-term liabilities | <u>\$ 61,625,338</u>  | <u>\$ 2,016,737</u>  | <u>\$ 3,627,752</u>  | <u>\$ 60,014,322</u>  | <u>\$ 3,255,189</u>    |
| <b>Total</b>                                      | <b>\$ 177,507,874</b> | <b>\$ 54,954,626</b> | <b>\$ 60,360,888</b> | <b>\$ 172,101,612</b> | <b>\$ 9,485,256</b>    |

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for these are included as part of the above totals for governmental activities. At year end \$371,735 of internal service funds' compensated absences are included in the above amounts. The general fund generally liquidates the claims, judgments, compensated absences and OPEB obligations from governmental activities.

All bond issues comply with arbitrage regulations as verified by an outside consultant, BLX Group. Five-year reports are prepared as required.

# Kitsap County, Washington

## Notes to Financial Statements

December 31, 2013

### **NOTE 13. CONTINGENCIES AND LITIGATIONS**

The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the County's legal advisor the resolution of these matters will not have a material adverse effect on the financial condition of the County.

The County participates in a number of federal and state assisted programs. These grants are subject to audit by the grantors or their representatives. Such audits could result in requests for reimbursement to grantor agencies for expenditures disallowed under the terms of the grants. Other than the instances described above, County management believes that such disallowances, if any, will be immaterial.

### **NOTE 14. INTER-FUND BALANCES AND TRANSFERS**

#### **1. Advances To/From other funds**

The general fund advance balance is the outstanding long-term loan between the CDBG, Home Entitlement, Youth Commission, JTPA funds and the general fund. In each case the Advances from the General fund provide for operating costs to these grant funded programs while they await reimbursements from federal and state agencies.

| Advances     | Advances To     |                 |            |
|--------------|-----------------|-----------------|------------|
| From         | Non Major Funds | Fiduciary Funds | Total      |
| General Fund | \$ 180,000      | \$ -            | \$ 180,000 |
|              |                 |                 |            |
| Total        | \$ 180,000      | \$ -            | \$ 180,000 |

#### **2. Due from other funds/Due to other funds**

The outstanding balances between funds result mainly from the time lag between the dates that a) interfund goods and services are provided; b) transactions are recorded in the accounting system; and c) payments between funds are made.

| DUE FROM OTHER FUNDS |              |              |                    |           |             |               |               |                  |              |           |
|----------------------|--------------|--------------|--------------------|-----------|-------------|---------------|---------------|------------------|--------------|-----------|
| Due to Other Funds   | General Fund | County Roads | Ment Hlth Medicaid | Non Major | Solid Waste | Sewer Utility | Surface Storm | Internal Service | Agency Funds | Total     |
| General Fd           | 68,953       | 29,020       | 872                | 58,030    | 514         | 1,245         | 57,618        | 5,061            | 13,063       | 234,376   |
| County Rds           | 2,866        | -            | -                  | -         | 1,742       | 4,699         | 8,958         | 7,712            | -            | 25,977    |
| Mental Hlth          | -            | -            | -                  | -         | -           | -             | -             | -                | -            | -         |
| Non Major            | 18,637       | 142,998      | 285                | 265,396   | 19,632      | -             | -             | 12,154           | -            | 459,102   |
| Solid Waste          | -            | 1,276        | -                  | -         | -           | 1,929         | 1,699         | -                | -            | 4,904     |
| Sewer Utility        | -            | 190          | -                  | -         | 47,168      | -             | 69,638        | -                | -            | 116,996   |
| Surface Strm         | -            | 11,371       | -                  | -         | 12,921      | 21,537        | -             | 294              | -            | 46,123    |
| Internal Serv.       | 160,538      | 103,843      | -                  | 4,072     | 1,990       | 40,839        | 21,682        | -                | -            | 332,964   |
| Agency               | 1,499        | -            | -                  | 23,558    | -           | 510           | 598           | -                | -            | 26,165    |
| Total                | 252,493      | 288,698      | 1,157              | 351,056   | 83,967      | 70,759        | 160,193       | 25,221           | 13,063       | 1,246,607 |

# Kitsap County, Washington

## Notes to Financial Statements

December 31, 2013

### 3. Transfers

Transfers are used to a) move revenues from funds with collection authorization to the debt service funds as debt principal and interest payments become due; b) move unrestricted revenues to finance various programs that the County must account for in other funds.

| TRANSFERS-FUND FINANCIAL STATEMENTS |           |        |            |            |          |        |            |
|-------------------------------------|-----------|--------|------------|------------|----------|--------|------------|
| IN                                  | General   | County | KCLTGO     | Non        | Internal | Agency |            |
| OUT                                 | Fund      | Roads  | 2013 Refun | Major      | Service  | Fund   | Total      |
| General Fund                        | 68,953    | -      | -          | 4,857,396  | 767,007  | -      | 5,693,356  |
| County Roads                        | -         | -      | -          | 353,993    | -        | -      | 353,993    |
| REET                                | -         | -      | 1,206,327  | 2,799,386  | -        | -      | 4,005,713  |
| KCLTGO 2013 Refund                  | -         | -      | -          | 14,875,173 | -        | -      | 14,875,173 |
| Nonmajor                            | 2,163,404 | -      | 269,698    | 4,620,526  | -        | -      | 7,053,628  |
| Solid Waste                         | -         | -      | -          | -          | -        | -      | -          |
| Surface Stormwater                  | -         | -      | -          | 212,837    | -        | -      | 212,837    |
| Sewer                               | -         | -      | -          | 137,357    | -        | -      | 137,357    |
| Nonmajor Ent                        | -         | -      | -          | -          | -        | -      | -          |
| Int. Serv                           | -         | -      | -          | 17,225     | -        | -      | 17,225     |
| Total                               | 2,232,357 | -      | 1,476,025  | 27,873,893 | 767,007  | -      | 32,349,282 |

### **NOTE 15. RECEIVABLES AND PAYABLES**

#### Federal grants and assistance awards

Federal grants and assistance awards made on the basis of entitlement periods are reported as "due from other governments" (inter-government receivables) and revenues in the year in which entitlement occurs. Federal or state reimbursement type grants for the acquisition of capital assets of proprietary fund types are reported as "due from other governments" (inter-governmental receivables) and "capital contributions" in the year during which the related expenditure occurs. All other federal and state reimbursement type grants are reported as "due from other governments" (inter-governmental receivables) and revenues in the year in which the related expenditure or expenses are incurred.

#### Public Facility District receivable

The County has an \$8.71 million long-term receivable due from the Public Facility District, one of its component units. The County sold G.O. bonds and gave the proceeds to the PFD and the PFD pledged its sales tax revenue to repay the County. The debt is carried on the County's books and the note is reflected on the PFD books as well.

#### Housing Kitsap receivable

The County has a \$16.09 million long-term receivable due from Housing Kitsap.

## Kitsap County, Washington

### Notes to Financial Statements

December 31, 2013

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Housing Kitsap entered into loan and note agreements to finance the costs of the Harborside Condominiums Project and the Poplars Apartments Project. The County signed Contingent Loan Agreements for these loans and notes.

In 2009, Housing Kitsap determined that it was unable to repay or restructure these loans. In order to repay the loans and notes which matured in 2009, The County, together with Housing Kitsap, entered into Tri-Party Credit Agreements with Bank of America and Key Bank, the loan and note holders. Each bank extended to the County a four-year loan, maturing April 30, 2013 ("Credit Facility") that was to be used to repay Housing Kitsap's debt.

The County and Housing Kitsap entered into a loan repayment agreement (County Loan Agreement) establishing the loan and repayment terms and granting the County control of the sale and management of the Harborside condominiums and other properties in order to repay the loans.

In April 2013 when the loans with Bank of America and Key Bank matured, the County issued Long Term General Obligation Refunding 2013 bonds and repaid the loans.

Housing Kitsap and the County entered into an Amended County Loan and Repayment Agreement. The Agreement restated the amount that was owed to the County by Housing Kitsap; provided for repayment of the debt to the County; provided for reimbursement to the County for lost investment income associated with the bonds attributable to Housing Kitsap; and provided funding for a reserve for Housing Kitsap, to be used for the management, marketing and sale of the remaining collateral properties.

The receivable was established at \$16.48 million in April 2013. The receivable balance as of December 31, 2013 was 16.09 million. The term of the note receivable is 41 years, maturing June 30, 2053.

#### **NOTE 16. DEFERRED COMPENSATION**

The County offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all County employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the County (without being restricted to the provisions of the benefits under the plan). The amounts are subject only to the claims of the County's general creditors. Participants' rights under the plan are equal to those of general creditors of the County in an amount equal to the fair value of the deferred account for each participant.

It is the opinion of the County's legal counsel that the County has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor.

# Kitsap County, Washington

## Notes to Financial Statements

December 31, 2013

The County believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

The investment carrying values of the plans as of December 31, 2013, are as follows:

| Investment company | Fair Value    |
|--------------------|---------------|
| Nationwide         | \$ 14,960,180 |
| ING                | 7,343,440     |
| Mass Mutual        | 7,356,337     |
| ICMA               | 1,134,430     |
| Total              | \$ 30,794,387 |

### **NOTE 17. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES**

The County implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

Under GASB 65, a number of items previously reported as assets and liabilities are now reported as deferred outflows and inflows of resources.

For Kitsap County the following items previously reported as Liabilities, are now reported as Deferred Inflows:

| Items Previously Reported as Liabilities       |               |
|--|---------------|
| General Fund - taxes                           | \$ 2,016,797  |
| County Roads Fund - taxes                      | 1,192,016     |
| Noxious Weed Control - taxes                   | 15,202        |
| Veterans Relief Fund - taxes                   | 14,478        |
| Conservation Futures - taxes                   | 61,663        |
| CDBG Entitlement - loans                       | 300,000       |
| HOME Entitlement - loans                       | 3,495,886     |
| Parks Capital - service concession arrangement | 2,083,245     |
| 2013 LTGO Refunding - loan                     | 16,090,040    |
| Crid #39 - taxes                               | 742           |
| Total  | \$ 25,270,070 |

On April 23, 2013, Housing Kitsap (formerly known as Kitsap County Consolidated Housing Authority) agreed to repay debt previously assumed by the County, resulting in a Note Receivable and an offsetting Deferred Inflow of \$16.09 million. For further details of this transaction and see Note 15, *Receivables and Payables*.



# Kitsap County, Washington

## Notes to Financial Statements

December 31, 2013

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### **NOTE 18. SERVICE CONCESSION ARRANGEMENT**

In March 2011, the County purchased a golf course property consisting of approximately 104 acres encompassing the golf course, clubhouse, outbuildings and storage sheds, and various property and equipment items necessary to operate the golf course and clubhouse. The purchase was financed by a note payable to the seller, the terms of which are annual payments of \$200,000 for a period of 20 years. The note bears interest at 6.5% and the note balance was \$2,083,245 as of December 31, 2013.

The cost of the golf course was \$2,200,400 of which \$2,112,855 was capitalized. The County reports the golf course and related equipment as a capital asset which had a net book value of \$2,013,768 at year-end.

The County entered into lease agreement with The Rolling Hills Golf Course, LLC (RHGC) in 2011. Under the agreement RHGC will operate and collect user fees and other revenue from the Rolling Hills Golf Course, Pro Shop and Restaurant facility. The initial term of the lease is five years with three renewal options for subsequent renewal terms of five years each, for a potential total of 20 years.

Beginning in October 2012 and annually thereafter, RHGC will pay the County installment payments of \$200,000 over the course of the arrangement; the present value of these installment payments at the time the agreement was entered into were estimated to be \$2,200,000. Deferred inflows related to the golf course are \$2,083,245 as of December 31, 2013.

In addition to the annual installment payments, RHGC will begin making Lease Reserve Payments of \$10,000 per year beginning in year six through year ten of the lease, then \$20,000 per year beginning in year 11 through year 20 of the lease or until such time as the reserve balance reaches \$200,000. The purpose of the lease reserve payments is to establish a reserve from which the County may draw, should RHGC default on an annual lease payment. If RHGC does not default on an annual lease payment, the reserve balance will be credited against RHGC's annual lease payment for the final year of the lease.

RHGC is required to operate and maintain the golf course and pro shop, restaurant, bar and banquet room in accordance with the Rolling Hills Golf Course Lease Agreement.

### **NOTE 19. OTHER POST-EMPLOYMENT BENEFITS**

#### **Plan Description**

As required by the Revised Code of Washington (RCW) Chapter 41.26, the County provides lifetime medical care for members of the Law Enforcement Officers and Firefighters (LEOFF) retirement system hired before October 1, 1977 under a defined benefit multi-employer healthcare plan. The members necessary hospital, medical, and nursing care expenses not payable by worker's compensation, social security, insurance provided by another employer, other pension plan or any other similar source are covered. Under the authorization of the

# Kitsap County, Washington

## Notes to Financial Statements

December 31, 2013

LEOFF Disability Board, direct payment is made for other retiree medical plan benefit provisions. Financial reporting for the LEOFF retiree healthcare plan is included in the County's Comprehensive Annual Financial Report. As of December 31, 2013 there were 44 active participants in this closed plan.

### Funding Policy

Funding for LEOFF retiree healthcare costs is provided entirely by the County as required by RCW. The County's funding policy is based upon pay-as-you-go financing requirements.

### Annual OPEB Cost and Net OPEB Obligation

The Annual Required Contribution (ARC) represents the level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period of thirty years as of January 1, 2008. The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net OPEB. The net OPEB obligation of \$4,776,428 is included as a noncurrent liability on the Statement of Net Position. The actuarial valuation was performed on December 31, 2013.

| Other Post Employment Benefits Obligation      | Year Ended<br>12/31/2013 |
|--|--------------------------|
| Determination of Annual Required Contribution: |                          |
| Normal Cost at year end                        | \$ -                     |
| Amortization of UAAL*                          | 1,598,714                |
| Annual Required Contribution (ARC)             | \$ 1,598,714             |
| Determination of Net OPEB Obligation:          |                          |
| Annual Required Contribution                   | \$ 1,598,714             |
| Interest on prior year Net OPEB Obligation     | 149,997                  |
| Adjustment to ARC                              | (337,272)                |
| Annual OPEB Cost                               | \$ 1,411,439             |
| Contributions                                  | 384,928                  |
| Increase in Net OPEB Obligations               | \$ 1,026,511             |
| Net OPEB Obligation - beginning of year        | \$ 3,749,917             |
| Increase in Net OPEB Obligations               | \$ 1,026,511             |
| Net OPEB Obligation - end of year              | \$ 4,776,428             |
| *Unfunded Actuarial Accrued Liability          |                          |

# Kitsap County, Washington

## Notes to Financial Statements

December 31, 2013

The County's annual OPEB cost, the contribution, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligations were as follows:

| Year Ended | Annual Cost  | Contribution | Percentage of Annual OPEB cost contributed | Net OPEB Obligations |
|------------|--------------|--------------|--|----------------------|
| 2008       | \$ 1,328,020 | \$ 489,157   | 37%  | \$ 1,597,464         |
| 2009       | 1,072,127    | 450,113      | 42%  | 2,219,478            |
| 2010       | 984,620      | 472,936      | 48%  | 2,731,162            |
| 2011       | 885,327      | 474,752      | 54%  | 3,141,737            |
| 2012       | 1,025,832    | 417,652      | 41%  | 3,749,917            |
| 2013       | \$ 1,411,439 | \$ 384,928   | 27%  | \$ 4,776,428         |

### Funding Status

As of December 31, 2013 the most recent alternative method measurement date, the plan was 0% funded. The accrued liability for benefits was \$17,775,124 and the actuarial value of assets was \$0 resulting in a UAAL of \$17,775,124. Historically Kitsap County has used a pay-as-you-go approach to funding. If Kitsap County were to contribute the ARC to the plan every year, a liability would not be recorded. If the ARC is not fully funded in a given year, a liability is reported for the unpaid portion of the ARC.

### Actuarial Methods and Assumptions

The County's annual other post employment benefit (OPEB) cost is calculated based upon the Annual Required Contribution (ARC), an amount determined using the alternative method permitted under GASB No. 45. A single retirement age of 56.24 was assumed for all active members for the purpose of determining the actuarial liability. Termination and mortality rates were assumed to follow the LEOFF 1 termination and mortality rates used in the June 30, 2011 actuarial valuation issued by the Office of State Actuary (OSA). Healthcare costs and trends were determined by Millman and used by OSA in the state-wide LEOFF 1 medical performed in 2013. The results were based on grouped data with 4 active groupings and 4 inactive groupings. The actuarial cost method used to determine AAL was Projected Unit Credit. The AAL and NOO are amortized on an open basis as a level dollar over 15 years. These assumptions are individually and collectively reasonable for the purpose of this valuation. The healthcare cost inflation rates were the only assumed inflation rates considered.

Actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future.

The Schedule of Funding Progress for this postemployment defined benefit plan is detailed in the Required Supplementary Information section of this report immediately following the notes to the financial statements. This schedule presents multi-year trend information about whether

# Kitsap County, Washington

## Notes to Financial Statements

December 31, 2013

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the actuarial value of the plan assets is increasing or decreasing relative to the actuarial accrued liability for the benefits over time.

### **NOTE 20. POLLUTION REMEDIATION OBLIGATION**

In accordance with Governmental Accounting Standards Board Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, which became effective for fiscal periods beginning after December 15, 2007, liabilities for environmental cleanup obligations were recorded in the Solid Waste fund.

#### **Hansville Landfill**

The Hansville Landfill closed in 1989. Kitsap County, together with Waste Management of Washington, Inc. were identified as Potentially Liable Parties (PLPs) for remediation of contamination at the Hansville Landfill under the Model Toxics Control Act (MTCA). The Cleanup Action Plan (CAP) providing for Natural Attenuation of Groundwater with Enhanced Monitoring and Institutional Controls was approved by the Washington State Department of Ecology in 2011 as part of the Amended Consent Decree.

The current closure cost estimate for the Hansville Landfill site was revised to \$1,803,500 in September 2013, for the years 2014 - 2034. The Solid Waste Fund recognized a liability of \$631,225 for its share of the estimated costs remaining to be recognized as determined by the Washington State Department of Ecology.

The Solid Waste Fund is using the local government financial test as the financial mechanism to assure the total cost of remedial activities at the Hansville Landfill, including Waste Management of Washington, Inc.'s share. The estimated costs are based on current costs of sampling and are updated annually, and the liability is adjusted accordingly.

### **NOTE 21. OTHER NOTE DISCLOSURES**

#### **A. Accounting and Reporting Changes**

The County implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* which clarified the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. Please see Note 17 for further details of changes in reporting as a result of this pronouncement.

#### **B. Special Items**

As reported in the 2009 Comprehensive Annual Financial Report, Kitsap County agreed to assume debt issues of the Kitsap County Consolidated Housing Authority (KCCHA) dba Housing Kitsap. As a result of this agreement certain Housing Kitsap properties were pledged to be sold to pay off these debt issues. During 2013, sales of these properties were reported as a Special Item totaling \$0.12 million in the Statement of Revenues, Expenditures, and Changes in Fund Balances for Governmental funds.

# Kitsap County, Washington

## Notes to Financial Statements

December 31, 2013

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The Housing Kitsap related debt and other County and Housing Kitsap debt issues were refunded by the County on April 25, 2013. As a result of the refunding, the County wrote off the remaining receivable related to the 2009 agreement with Housing Kitsap, \$1.18 million, and established a new receivable in the amount of \$16.48 million. The remaining balance of this receivable as of December 31, 2013 was \$16.09 million. See Note 15, *Receivables and Payables* for more information.

### C. Subsequent Event

Loan from the General Fund to Department of Community Development Fund 168 for the amount of \$1,150,000, was forgiven on February 24, 2014 by resolution of the Board of County Commissioners.

### D. Prior Period Adjustments

1. Employer Benefits Fund. Prior to 2010, County departments and offices were charged the actual cost of their employees' medical insurance premiums. Effective 2010, the County began charging departments a composite rate of expected claims and expenses known as the "benefits bucket" rate rather than the actual costs. The County used the funds collected (and employee contributions and COBRA payments) to pay employees' medical insurance premiums and related expenses.

The County established a self-funded employee welfare benefit plan in 2013, in an effort to control the cost of employees' medical insurance. Departments continued to be charged the composite ("benefits bucket") rate and the County paid an administrative fee for each enrolled employee and actual medical claims (see Note 8, *Risk Management* for more information).

In 2010, the County accounted for this activity in a suspense fund. In 2011, Employer Benefits Fund (internal service fund) was established and the net fund balance from the suspense fund was transferred to the new fund.

Net Position for the years 2011 and 2012 was understated because the Fund's revenues (benefits bucket contributions, employee contributions and COBRA payments) were netted with expenses (medical insurance premiums and expenses) and were netted on the Statement of Net Position when they should have been reported on the Statement of Revenues, Expenses and Changes in Net Position. The Fund is reporting a prior period adjustment of \$1,547,350 in 2013 to correct prior years' Net Position and is correctly reporting revenues and expenses in 2013.

2. Grant Revenue Accruals. The County Roads and Parks Capital Improvements Fund reported prior period adjustments of \$56,045 and \$2,799 respectively to correct 2011 grant revenue accruals.

**REQUIRED SUPPLEMENTARY INFORMATION  
LAW ENFORCEMENT OFFICERS AND FIREFIGHTERS (LEOFF1)  
SCHEDULE OF FUNDING PROGRESS**

| Accuarial<br>Valuation<br>Date | Actuarial<br>Value of<br>Assets<br>(a) | Actuarial<br>Accrued<br>Liability<br>(AAL)-<br>Entry Age<br>(b) | Unfunded<br>AAL<br>(UAAL)<br>(b-a) | Funded<br>Ratio<br>(a/b) | Covered<br>Payroll<br>( c) | UAAL as a<br>Percentage<br>of covered<br>Payroll<br>[(b-a)/c] |
|--------------------------------|--|---|------------------------------------|--------------------------|----------------------------|---|
| 02/11/08                       | \$ -                                   | \$ 13,400,355   | \$ 13,400,355                      | 0%                       | \$ -                       | N/A   |
| 02/10/10                       | -                                      | 12,339,603  | 12,339,603                         | 0%                       | -                          | N/A   |
| 01/20/11                       |  | 11,721,211  | 11,721,211                         | 0%                       | -                          | N/A   |
| 02/14/12                       |  | 10,919,266  | 10,919,266                         | 0%                       | -                          | N/A   |
| 04/16/13                       |  | 12,640,369  | 12,640,369                         | 0%                       | -                          | N/A   |
| 12/31/13                       |  | 17,775,124  | 17,775,124                         | 0%                       | -                          | N/A   |

## Washington State Auditor's Office

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|  |        |                |       |                  |                  |   |
|--|--------|----------------|-------|------------------|------------------|---|
| Office Of Economic Adjustment,<br>Department Of Defense (via Office<br>of Economic Adjustment)                                     | 12.610 | HQ00051310127  | 6,376 | -                | 6,376            | 5 |
| Office Of Community Planning And<br>Development, Department Of<br>Housing And Urban Development                                    | 14.218 | B13-UC-5-30005 | -     | 547,942          | 547,942          |   |
| Office Of Community Planning And<br>Development, Department Of<br>Housing And Urban Development                                    | 14.218 | B12-UC-5-30005 | -     | 479,595          | 479,595          |   |
| Office Of Community Planning And<br>Development, Department Of<br>Housing And Urban Development                                    | 14.218 | N/A            | -     | 81,888           | 81,888           | 3 |
| <b>Total CFDA 14.218:</b>  |        |                | -     | <b>1,109,425</b> | <b>1,109,425</b> |   |
| Office Of Community Planning And<br>Development, Department Of<br>Housing And Urban Development<br>(via WA Department of Commerce) | 14.228 | 08-F6401-010   | 725   | -                | 725              |   |
| Office Of Community Planning And<br>Development, Department Of<br>Housing And Urban Development                                    | 14.239 | M13-DC-5-30205 | -     | 120,809          | 120,809          |   |
| Office Of Community Planning And<br>Development, Department Of<br>Housing And Urban Development                                    | 14.239 | M12-DC-5-30205 | -     | 3,909            | 3,909            |   |
| Office Of Community Planning And<br>Development, Department Of<br>Housing And Urban Development                                    | 14.239 | M11-DC-5-30205 | -     | 694,278          | 694,278          |   |
| Office Of Community Planning And<br>Development, Department Of<br>Housing And Urban Development                                    | 14.239 | M10-DC-5-30205 | -     | 148,828          | 148,828          |   |
| Office Of Community Planning And<br>Development, Department Of<br>Housing And Urban Development                                    | 14.239 | N/A            | -     | 82,074           | 82,074           | 3 |
| <b>Total CFDA 14.239:</b>  |        |                | -     | <b>1,049,897</b> | <b>1,049,897</b> |   |



|   |   |        |                   |              |               |               |
|---|---|--------|-------------------|--------------|---------------|---------------|
| U.s. Geological Survey, Department Of The Interior  | U.S. Geological Survey_ Research and Data Collection    | 15.808 | G12AC20310        | -            | 3,286         | 3,286         |
| U.s. Geological Survey, Department Of The Interior  | U.S. Geological Survey_ Research and Data Collection    | 15.808 | G13AC00206        | -            | 74,835        | 74,835        |
| <b>Total CFDA 15.808:</b>   |   |        |                   | -            | <b>78,121</b> | <b>78,121</b> |
| Office Of Juvenile Justice And Delinquency Prevention, Department Of Justice (via WA Dept of Social & Health Services (DSHS) & Health Services JRA)                 | Juvenile Accountability Block Grants                    | 16.523 | 1263-57957        | 8,855        | -             | 8,855         |
| Violence Against Women Office, Department Of Justice (via WA State Department of Commerce, Community Services & Housing Division, Office of Crime Victims Advocacy) | Violence Against Women Formula Grants                   | 16.588 | F12-31103-080     | 4,210        | -             | 4,210         |
| Violence Against Women Office, Department Of Justice (via WA State Department of Commerce, Community Services & Housing Division, Office of Crime Victims Advocacy) | Violence Against Women Formula Grants                   | 16.588 | F12-31103-080     | 4,646        | -             | 4,646         |
| <b>Total CFDA 16.588:</b>   |   |        |                   | <b>8,855</b> | -             | <b>8,855</b>  |
| Bureau Of Justice Assistance, Department Of Justice   | State Criminal Alien Assistance Program                 | 16.606 | 2013-AP-BX-0212   | -            | 4,719         | 4,719         |
| Bureau Of Justice Assistance, Department Of Justice   | Bulletproof Vest Partnership Program                    | 16.607 | 2011-BOBX11055822 | -            | 940           | 940           |
| Bureau Of Justice Assistance, Department Of Justice   | Bulletproof Vest Partnership Program                    | 16.607 | 2011-BOBX11055822 | -            | 3,458         | 3,458         |
| <b>Total CFDA 16.607:</b>   |   |        |                   | -            | <b>4,398</b>  | <b>4,398</b>  |
| Office Of Community Oriented Policing Services, Department Of Justice   | Public Safety Partnership and Community Policing Grants | 16.710 | 2012-UL-WX-0035   | -            | 187,500       | 187,500       |
| Bureau Of Justice Assistance, Department Of Justice   | Edward Byrne Memorial Justice Assistance Grant Program  | 16.738 | 2012-DJ-BX-0596   | -            | 68,953        | 68,953        |

The accompanying notes are an integral part of this schedule.

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|---|--|--------|---------------|----------------|---------------|----------------|
| Bureau Of Justice Assistance,<br>Department Of Justice (via Bureau<br>of Justice Assistance & WA State<br>Department of Commerce)                             | Edward Byrne Memorial<br>Justice Assistance Grant<br>Program | 16.738 | M13-31440-009 | 70,231         | -             | 70,231         |
| Bureau Of Justice Assistance,<br>Department Of Justice (via Bureau<br>of Justice Assistance & WA State<br>Department of Commerce)                             | Edward Byrne Memorial<br>Justice Assistance Grant<br>Program | 16.738 | M12-34021-009 | 136,602        | -             | 136,602        |
| <b>Total CFDA 16.738:</b>   |  |        |               | <b>206,833</b> | <b>68,953</b> | <b>275,786</b> |
| Employment Training Administration,<br>Department Of Labor (via<br>Employment & Training<br>Administration and WA Dept of<br>Social & Health Services (DSHS)) | Senior Community Service<br>Employment Program               | 17.235 | 1369-78347    | 54,858         | -             | 54,858         |
| Employment Training Administration,<br>Department Of Labor (via<br>Employment & Training<br>Administration and WA Dept of<br>Social & Health Services (DSHS)) | Senior Community Service<br>Employment Program               | 17.235 | 1269-54673    | 73,942         | -             | 73,942         |
| <b>Total CFDA 17.235:</b>   |  |        |               | <b>128,800</b> | -             | <b>128,800</b> |
| <b>WIA Cluster</b>  |  |        |               |                |               |                |
| Employment Training Administration,<br>Department Of Labor (via<br>Employment Training Administration<br>/ WA Employment Security<br>Department (ESD))        | WIA Adult Program  | 17.258 | 6101-1303     | 121,477        | -             | 121,477        |
| Employment Training Administration,<br>Department Of Labor (via<br>Employment Training Administration<br>/ WA Employment Security<br>Department (ESD))        | WIA Adult Program  | 17.258 | 6101-7303     | 3,821          | -             | 3,821          |
| Employment Training Administration,<br>Department Of Labor (via<br>Employment Training Administration<br>/ WA Employment Security<br>Department (ESD))        | WIA Adult Program  | 17.258 | 6101-7302     | 70,231         | -             | 70,231         |
| Employment Training Administration,<br>Department Of Labor (via<br>Employment Training Administration<br>/ WA Employment Security<br>Department (ESD))        | WIA Adult Program  | 17.258 | 6101-1104     | 73,767         | -             | 73,767         |

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|--|---|--------|--------------|------------------|---|------------------|
| Employment Training Administration,<br>Department Of Labor (via<br>Employment Training Administration<br>/ WA Employment Security<br>Department (ESD)) | WIA Adult Program                                       | 17.258 | 6101-1103    | 479,429          | - | 479,429          |
| Employment Training Administration,<br>Department Of Labor (via<br>Employment Training Administration<br>/ WA Employment Security<br>Department (ESD)) | WIA Adult Program                                       | 17.258 | 6101-7103    | 16,686           | - | 16,686           |
| <b>Total CFDA 17.258:</b>  |   |        |              | <b>765,411</b>   | - | <b>765,411</b>   |
| Employment Training Administration,<br>Department Of Labor (via<br>Employment Training Administration<br>/ WA Employment Security<br>Department (ESD)) | WIA Youth Activities                                    | 17.259 | 6101-7003    | 256,272          | - | 256,272          |
| Employment Training Administration,<br>Department Of Labor (via<br>Employment Training Administration<br>/ WA Employment Security<br>Department (ESD)) | WIA Youth Activities                                    | 17.259 | 6101-7002    | 347,931          | - | 347,931          |
| <b>Total CFDA 17.259:</b>  |   |        |              | <b>604,202</b>   | - | <b>604,202</b>   |
| Employment Training Administration,<br>Department Of Labor (via<br>Employment Training Administration<br>/ WA Workforce Association)                   | WIA Dislocated Worker<br>Formula Grants                 | 17.278 | 6101-1204    | 4,005            | - | 4,005            |
| Employment Training Administration,<br>Department Of Labor (via<br>Employment Training Administration<br>/ WA Workforce Association)                   | WIA Dislocated Worker<br>Formula Grants                 | 17.278 | 6101-1203    | 464,619          | - | 464,619          |
| Employment Training Administration,<br>Department Of Labor (via<br>Employment Training Administration<br>/ WA Workforce Association)                   | WIA Dislocated Worker<br>Formula Grants                 | 17.278 | 6101-7203    | 78,854           | - | 78,854           |
| <b>Total CFDA 17.278:</b>  |   |        |              | <b>547,478</b>   | - | <b>547,478</b>   |
| <b>Total WIA Cluster:</b>  |   |        |              | <b>1,917,091</b> | - | <b>1,917,091</b> |
| Employment Training Administration,<br>Department Of Labor (via<br>Employment Training Administration<br>/ WA Workforce Association)                   | WIA Pilots,<br>Demonstrations, and<br>Research Projects | 17.261 | 6101-7620-14 | 4,800            | - | 4,800            |

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|--|---|--------|--------------|---------------|----------|---------------|
| Employment Training Administration,<br>Department Of Labor (via<br>Employment Training Administration<br>/ WA Workforce Association)                           | WIA Pilots,<br>Demonstrations, and<br>Research Projects   | 17.261 | 6101-7620-18 | 29,661        | -        | 29,661        |
| Employment Training Administration,<br>Department Of Labor (via<br>Employment Training Administration<br>/ WA Workforce Association)                           | WIA Pilots,<br>Demonstrations, and<br>Research Projects   | 17.261 | 6101-7620-21 | 6,505         | -        | 6,505         |
| <b>Total CFDA 17.261:</b>  |   |        |              | <b>40,966</b> | <b>-</b> | <b>40,966</b> |
| Employment Training Administration,<br>Department Of Labor (via<br>Employment Training Administration<br>/ WA Workforce Association)                           | Workforce Investment Act<br>(WIA) National<br>Emergency Grants                                  | 17.277 | 6101-6992-02 | 19,176        | -        | 19,176        |
| Employment Training Administration,<br>Department Of Labor (via<br>Employment Training Administration<br>/ Olympic College)                                    | Trade Adjustment<br>Assistance Community<br>College and Career<br>Training (TAACCCCT)<br>Grants | 17.282 | OC 12-1      | 87,932        | -        | 87,932        |
| <b>Highway Planning and Construction Cluster</b>   |   |        |              |               |          |               |
| Federal Highway Administration<br>(fhwa), Department Of<br>Transportation (via Federal Highway<br>Administration and WA State<br>Department of Transportation) | Highway Planning and<br>Construction  | 20.205 | LA 7494      | 24,333        | -        | 24,333        |
| Federal Highway Administration<br>(fhwa), Department Of<br>Transportation (via Federal Highway<br>Administration and WA State<br>Department of Transportation) | Highway Planning and<br>Construction  | 20.205 | LA 7969      | 1,018,552     | -        | 1,018,552     |
| Federal Highway Administration<br>(fhwa), Department Of<br>Transportation (via Federal Highway<br>Administration and WA State<br>Department of Transportation) | Highway Planning and<br>Construction  | 20.205 | LA-6140      | 2,786         | -        | 2,786         |
| Federal Highway Administration<br>(fhwa), Department Of<br>Transportation (via Federal Highway<br>Administration and WA State<br>Department of Transportation) | Highway Planning and<br>Construction  | 20.205 | LA-7089      | 59,596        | -        | 59,596        |

|  |                                    |        |         |   |          |                  |
|--|------------------------------------|--------|---------|---|----------|------------------|
| Federal Highway Administration (fhwa), Department Of Transportation (via Federal Highway Administration and WA State Department of Transportation)                     | Highway Planning and Construction  | 20.205 | LA-7268 | 569,318   | -        | 569,318          |
| Federal Highway Administration (fhwa), Department Of Transportation (via Federal Highway Administration and WA State Department of Transportation)                     | Highway Planning and Construction  | 20.205 | LA-7402 | 41,732  | -        | 41,732           |
| Federal Highway Administration (fhwa), Department Of Transportation (via Federal Highway Administration and WA State Department of Transportation)                     | Highway Planning and Construction  | 20.205 | LA-7404 | 25,981  | -        | 25,981           |
| Federal Highway Administration (fhwa), Department Of Transportation (via Federal Highway Administration and WA State Department of Transportation)                     | Highway Planning and Construction  | 20.205 | LA-7620 | 156,000   | -        | 156,000          |
| Federal Highway Administration (fhwa), Department Of Transportation (via Federal Highway Administration and WA State Department of Transportation)                     | Highway Planning and Construction  | 20.205 | LA-7916 | 535,873   | -        | 535,873          |
| Federal Highway Administration (fhwa), Department Of Transportation (via Federal Highway Administration and WA State Department of Transportation)                     | Highway Planning and Construction  | 20.205 | LA-8191 | 485,929   | -        | 485,929          |
| <b>Highway Safety Cluster</b>  |                                    |        |         | <b>Total Highway Planning and Construction Cluster:</b> | <b>-</b> | <b>2,920,100</b> |
| National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via National Highway Traffic Safety Commission and WA Traffic Safety Commission) | State and Community Highway Safety | 20.600 | N/A     | 7,817   | -        | 7,817            |

The accompanying notes are an integral part of this schedule.

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|--|---|--------|-----|---------------|----------|---------------|---|
| National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via National Highway Traffic Safety Commission and WA Traffic Safety Commission) | State and Community Highway Safety                          | 20.600 | N/A | 731           | -        | 731           | 4 |
| National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via National Highway Traffic Safety Commission and WA Traffic Safety Commission) | State and Community Highway Safety                          | 20.600 | N/A | 984           | -        | 984           | 4 |
| National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via National Highway Traffic Safety Commission and WA Traffic Safety Commission) | State and Community Highway Safety                          | 20.600 | N/A | 513           | -        | 513           | 4 |
| National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via National Highway Traffic Safety Commission and WA Traffic Safety Commission) | State and Community Highway Safety                          | 20.600 | N/A | 585           | -        | 585           | 4 |
| National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via National Highway Traffic Safety Commission and WA Traffic Safety Commission) | State and Community Highway Safety                          | 20.600 | N/A | 4,075         | -        | 4,075         | 4 |
| National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via National Highway Traffic Safety Commission and WA Traffic Safety Commission) | State and Community Highway Safety                          | 20.600 | N/A | 2,844         | -        | 2,844         | 4 |
| <b>Total CFDA 20.600:</b>  |   |        |     | <b>17,548</b> | <b>-</b> | <b>17,548</b> |   |
| National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via National Highway Traffic Safety Commission and WA Traffic Safety Commission) | Alcohol Impaired Driving Countermeasures Incentive Grants I | 20.601 | N/A | 3,086         | -        | 3,086         | 4 |

|  |        |                       |         |         |         |               |
|--|--------|-----------------------|---------|---------|---------|---------------|
| National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via National Highway Traffic Safety Commission and WA Traffic Safety Commission) | 20.602 | N/A                   | 951     | -       | 951     | 4             |
| Occupant Protection Incentive Grants   |        |                       |         |         |         |               |
| <b>Total Highway Safety Cluster:</b>   |        |                       |         |         |         | <b>21,585</b> |
| Environmental Protection Agency  | 66.12  | PO-00J08501-0         | -       | 123,546 | 123,546 | 5             |
| Puget Sound Watershed Management Assistance  |        |                       |         |         |         |               |
| Region 10, Environmental Protection Agency (via WA State Department of Commerce)   | 66.123 | 12-63401-00           | 5,262   | -       | 5,262   | 5             |
| Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program  |        |                       |         |         |         |               |
| Region 10, Environmental Protection Agency (via WA State Department of Ecology)  | 66.123 | G1200454              | 180,271 | -       | 180,271 |               |
| Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program  |        |                       |         |         |         |               |
| Region 10, Environmental Protection Agency (via WA State Department of Fish and Wildlife)  | 66.123 | 12-1114               | 75,653  | -       | 75,653  | 5             |
| Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program  |        |                       |         |         |         |               |
| Region 10, Environmental Protection Agency (via Puget Sound Partnership)   | 66.123 | 2012-59               | 6,262   | -       | 6,262   |               |
| Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program  |        |                       |         |         |         |               |
| Region 10, Environmental Protection Agency (via Puget Sound Partnership)   | 66.123 | 2013-43               | 75,000  | -       | 75,000  |               |
| Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program  |        |                       |         |         |         |               |
| Region 10, Environmental Protection Agency (via Puget Sound Partnership)   | 66.123 | 2014-11               | 21,386  | -       | 21,386  |               |
| Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program  |        |                       |         |         |         |               |
| Region 10, Environmental Protection Agency (via Puget Sound Partnership)   | 66.123 | 2014-01 & PC-00J32101 | 29,678  | -       | 29,678  |               |
| Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program  |        |                       |         |         |         |               |

|  |  |        |            |                |          |                |
|--|--|--------|------------|----------------|----------|----------------|
| Region 10, Environmental Protection Agency (via WA State Department of Ecology)  | Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program                              | 66.123 | G1400021   | 36,279         | -        | 36,279         |
| Region 10, Environmental Protection Agency (via WA State Department of Ecology)  | Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program                              | 66.123 | G1300082   | 57,259         | -        | 57,259         |
| Region 10, Environmental Protection Agency (via WA Satte Department of Ecology)  | Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program                              | 66.123 | G1300082   | 33,398         | -        | 33,398         |
| <b>Total CFDA 66.123:</b>  |  |        |            | <b>520,448</b> | <b>-</b> | <b>520,448</b> |
| Office Of Special Education And Rehabilitative Services, Department Of Education (via Rehabilitation Services-Vocational Rehabilitation Grants to States / Washington State Division of Vocational Rehabilitation) | Rehabilitation Services_Vocational Rehabilitation Grants to States   | 84.126 | 1363-66084 | 42,500         | -        | 42,500         |
| U.s. Election Assistance Commission (via WA Office of the Secretary of State)  | Help America Vote Act Requirements Payments  | 90.401 | G-2843     | 45,796         | -        | 45,796         |
| Administration For Community Living, Department Of Health And Human Services (via Administration on Aging / WA Dept of Social & Health Services (DSHS))  | Special Programs for the Aging_ Title VII, Chapter 3_Programs for Prevention of Elder Abuse, Neglect, and Exploitation | 93.041 | 1369-64758 | 2,596          | -        | 2,596          |
| Administration For Community Living, Department Of Health And Human Services (via Administration on Aging / WA Dept of Social & Health Services (DSHS))  | Special Programs for the Aging_ Title III, Part D_Disease Prevention and Health Promotion Services                     | 93.043 | 1369-64758 | 11,411         | -        | 11,411         |
| <b>Aging Cluster</b>   |  |        |            |                |          |                |



|   |        |  |                             |   |                |                |
|---|--------|--|-----------------------------|---|----------------|----------------|
| Administration For Community Living, Department Of Health And Human Services (via Administration on Aging / WA Dept of Social & Health Services (DSHS))                       | 93.044 | Special Programs for the Aging_ Title III, Part B_ Grants for Supportive Services and Senior Centers | 1369-64758                  | - | 237,292        | 237,292        |
| Administration For Community Living, Department Of Health And Human Services (via Administration on Aging / WA Dept of Social & Health Services (DSHS))                       | 93.044 | Special Programs for the Aging_ Title III, Part B_ Grants for Supportive Services and Senior Centers | 1369-64758                  | - | 18,335         | 18,335         |
| Administration For Community Living, Department Of Health And Human Services (via Administration on Aging / WA Dept of Social & Health Services (DSHS))                       | 93.045 | Special Programs for the Aging_ Title III, Part C_ Nutrition Services                                | <b>Total CFDA 93.044:</b>   | - | <b>255,627</b> | <b>255,627</b> |
| Administration For Community Living, Department Of Health And Human Services (via Administration on Aging / WA Dept of Social & Health Services (DSHS))                       | 93.045 | Special Programs for the Aging_ Title III, Part C_ Nutrition Services                                | 1369-64758                  | - | 160,185        | 160,185        |
| Administration For Community Living, Department Of Health And Human Services (via Administration on Aging / WA Dept of Social & Health Services (DSHS))                       | 93.045 | Special Programs for the Aging_ Title III, Part C_ Nutrition Services                                | 1369-64758                  | - | 233,615        | 233,615        |
| Administration For Community Living, Department Of Health And Human Services (via Administration on Aging / WA Dept of Social & Health Services (DSHS))                       | 93.053 | Nutrition Services Incentive Program   | <b>Total CFDA 93.045:</b>   | - | <b>393,800</b> | <b>393,800</b> |
| Administration For Community Living, Department Of Health And Human Services (via Administration on Aging / WA Dept of Social & Health Services (DSHS))                       | 93.053 | Nutrition Services Incentive Program   | 1369-64758                  | - | 53,151         | 53,151         |
| Administration For Community Living, Department Of Health And Human Services (via Administration on Aging / WA Dept of Social & Health Services (DSHS))                       | 93.052 | National Family Caregiver Support, Title III, Part E   | <b>Total Aging Cluster:</b> | - | <b>702,578</b> | <b>702,578</b> |
| Administration For Community Living, Department Of Health And Human Services (via Administration on Aging / WA Dept of Social & Health Services (DSHS))                       | 93.052 | National Family Caregiver Support, Title III, Part E   | 1369-64758                  | - | 75,203         | 75,203         |
| Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services (via Administration on Aging / WA Dept of Social & Health Services (DSHS)) | 93.150 | Projects for Assistance in Transition from Homelessness (PATH)                                       | 1169-34832                  | - | 12,963         | 12,963         |

The accompanying notes are an integral part of this schedule.

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|---|--------|---|-----------------|------------------|----------|------------------|
| Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services (via Administration on Aging / WA Dept of Social & Health Services (DSHS)) | 93.150 | Projects for Assistance in Transition from Homelessness (PATH)                            | 1269-59272      | 50,878           | -        | 50,878           |
| Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services (via Administration on Aging / WA Dept of Social & Health Services (DSHS)) | 93.150 | Projects for Assistance in Transition from Homelessness (PATH)                            | 1369-83128      | 13,563           | -        | 13,563           |
| <b>Total CFDA 93.150:</b>   |        |   |                 | <b>77,404</b>    | <b>-</b> | <b>77,404</b>    |
| Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services  | 93.243 | Substance Abuse and Mental Health Services_Projects of Regional and National Significance | 1H79TI024190-01 | -                | 88,916   | 88,916           |
| Administration For Community Living, Department Of Health And Human Services (via Administration on Aging / WA Dept of Social & Health Services (DSHS))                       | 93.517 | Affordable Care Act – Aging and Disability Resource Center                                | 1369-78491      | 3,727            | -        | 3,727            |
| <b>TANF Cluster</b>   |        |   |                 |                  |          |                  |
| Administration For Children And Families, Department Of Health And Human Services (via Administration for Children & Families / WA State Dept of Commerce)                    | 93.558 | Temporary Assistance for Needy Families   | S13-32710-008   | 783,987          | -        | 783,987          |
| Administration For Children And Families, Department Of Health And Human Services (via Administration for Children & Families / WA State Dept of Commerce)                    | 93.558 | Temporary Assistance for Needy Families   | S14-32710-008   | 729,115          | -        | 729,115          |
| <b>Total TANF Cluster:</b>  |        |   |                 | <b>1,513,102</b> | <b>-</b> | <b>1,513,102</b> |

|  |  |                           |                            |                  |          |                  |   |
|--|--|---------------------------|----------------------------|------------------|----------|------------------|---|
| Administration For Children And Families, Department Of Health And Human Services (via Administration for Children & Families / WA State Dept of Commerce)                               | Child Support Enforcement  | 93.563                    | 2110-80671                 | 259,727          | -        | 259,727          | 5 |
| Administration For Children And Families, Department Of Health And Human Services (via Administration for Children & Families / WA State Dept of Commerce)                               | Child Support Enforcement  | 93.563                    | 2110-80671                 | 880,865          | -        | 880,865          | 5 |
| Administration For Children And Families, Department Of Health And Human Services (via Administration for Children & Families / WA State Dept of Commerce)                               | Child Support Enforcement  | 93.563                    | 2110-80671 & 0763-15082-01 | 23,329           | -        | 23,329           | 5 |
|  |  | <b>Total CFDA 93.563:</b> |                            | <b>1,163,921</b> | <b>-</b> | <b>1,163,921</b> |   |
| Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via Administration on Aging / WA Dept of Social & Health Services (DSHS))                           | Affordable Care Act State Health Insurance Assistance Program (SHIP) and Aging and Disability Resource Center (ADRC) Options Counseling for Medicare-Medicaid Individuals in States with Approved Financial Alignment Models | 93.626                    | 1369-78347                 | 1,672            | -        | 1,672            |   |
| Administration For Community Living, Department Of Health And Human Services (via Administration on Aging / WA Dept of Social & Health Services (DSHS))                                  | Empowering Older Adults and Adults with Disabilities through Chronic Disease Self-Management Education Programs – financed by 2012 Prevention and Public Health Funds (PPHF-2012)  | 93.734                    | 1269-63930                 | 2,587            | -        | 2,587            |   |
| <b>Medicaid Cluster</b>  |  |                           |                            |                  |          |                  |   |
| Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via Centers for Medicare & Medicaid Services and Dept of Community Trade & Econ Development (CTED)) | Medical Assistance Program   | 93.778                    | 1012-98069                 | 42,690           | -        | 42,690           |   |

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|---|--|--------|------------|------------------|----------|------------------|
| Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via Centers for Medicare & Medicaid Services and WA State Dept of Social & Health Services (DSHS)) | Medical Assistance Program                         | 93.778 | 1163-27312 | 271,264          | -        | 271,264          |
| Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via Centers for Medicare & Medicaid Services and WA State Dept of Social & Health Services (DSHS)) | Medical Assistance Program                         | 93.778 | 1269-54673 | 367,163          | -        | 367,163          |
| Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via Centers for Medicare & Medicaid Services and WA State Dept of Social & Health Services (DSHS)) | Medical Assistance Program                         | 93.778 | 1369-78347 | 388,741          | -        | 388,741          |
| Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via Centers for Medicare & Medicaid Services and WA State Dept of Social & Health Services (DSHS)) | Medical Assistance Program                         | 93.778 | N/A        | 25,946           | -        | 25,946           |
| <b>Total Medicaid Cluster:</b>  |  |        |            | <b>1,095,805</b> | <b>-</b> | <b>1,095,805</b> |
| Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via Centers for Medicare & Medicaid Services and WA State Dept of Social & Health Services (DSHS)) | Money Follows the Person Rebalancing Demonstration | 93.791 | 1269-54673 | 2,506            | -        | 2,506            |
| Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via Centers for Medicare & Medicaid Services and WA State Dept of Social & Health Services (DSHS)) | Money Follows the Person Rebalancing Demonstration | 93.791 | 1369-78347 | 2,726            | -        | 2,726            |
| <b>Total CFDA 93.791:</b>   |  |        |            | <b>5,232</b>     | <b>-</b> | <b>5,232</b>     |

|   |        |  |            |                  |          |                  |
|---|--------|--|------------|------------------|----------|------------------|
| Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services (via Substance Abuse and Mental Health Services Administration and DSHS) | 93.958 | Block Grants for Community Mental Health Services            | 1169-35532 | 177,715          | -        | 177,715          |
| Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services (via Substance Abuse and Mental Health Services Administration and DSHS) | 93.958 | Block Grants for Community Mental Health Services            | 1369-76932 | 171,583          | -        | 171,583          |
| <b>Total CFDA 93.958:</b>   |        |  |            | <b>349,298</b>   | <b>-</b> | <b>349,298</b>   |
| Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services (via Substance Abuse and Mental Health Services Administration and DSHS) | 93.959 | Block Grants for Prevention and Treatment of Substance Abuse | 1163-32818 | 808,193          | -        | 808,193          |
| Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services (via Substance Abuse and Mental Health Services Administration and DSHS) | 93.959 | Block Grants for Prevention and Treatment of Substance Abuse | 1163-27312 | 119,826          | -        | 119,826          |
| Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services (via Substance Abuse and Mental Health Services Administration and DSHS) | 93.959 | Block Grants for Prevention and Treatment of Substance Abuse | 1163-27312 | 276,552          | -        | 276,552          |
| <b>Total CFDA 93.959:</b>   |        |  |            | <b>1,204,571</b> | <b>-</b> | <b>1,204,571</b> |
| Executive Office Of The President (via Office of National Drug Control Policy and Educational School District 105)  | 95.001 | High Intensity Drug Trafficking Areas Program                | 9003000003 | 35,000           | -        | 35,000           |
| Executive Office Of The President (via Office of National Drug Control Policy and Educational School District 105)  | 95.001 | High Intensity Drug Trafficking Areas Program                | 9001000059 | 40,000           | -        | 40,000           |
| <b>Total CFDA 95.001:</b>   |        |  |            | <b>75,000</b>    | <b>-</b> | <b>75,000</b>    |

|   |  |        |         |               |          |               |
|---|--|--------|---------|---------------|----------|---------------|
| Department Of Homeland Security<br>(via WA State Parks & Recreation<br>Commission)  | Boating Safety Financial<br>Assistance     | 97.012 | None    | 8,345         | -        | 8,345         |
| Department Of Homeland Security<br>(via WA State Parks & Recreation<br>Commission)  | Boating Safety Financial<br>Assistance     | 97.012 | None    | 3,401         | -        | 3,401         |
| <b>Total CFDA 97.012:</b>   |  |        |         | <b>11,746</b> | <b>-</b> | <b>11,746</b> |
| Department Of Homeland Security<br>(via Federal Emergency<br>Management Agency (FEMA) & WA<br>State Emergency Management)         | Hazard Mitigation Grant                    | 97.039 | E11-217 | 25,000        | -        | 25,000        |
| Department Of Homeland Security<br>(via FEMA-Emergency Management<br>Performance Grants (EMPG) / WA<br>State Military Department) | Emergency Management<br>Performance Grants | 97.042 | E14-111 | 78,059        | -        | 78,059        |
| Department Of Homeland Security<br>(via FEMA-Emergency Management<br>Performance Grants (EMPG) / WA<br>State Military Department) | Emergency Management<br>Performance Grants | 97.042 | E12-324 | 16,842        | -        | 16,842        |
| <b>Total CFDA 97.042:</b>   |  |        |         | <b>94,901</b> | <b>-</b> | <b>94,901</b> |
| Department Of Homeland Security<br>(via WA State Military Department)   | Interoperable Emergency<br>Communications  | 97.055 | E13-236 | 71,786        | -        | 71,786        |
| Department Of Homeland Security<br>(via WA State Military Department)   | Homeland Security Grant<br>Program         | 97.067 | E13-143 | 19,499        | -        | 19,499        |
| Department Of Homeland Security<br>(via WA State Military Department)   | Homeland Security Grant<br>Program         | 97.067 | E12-178 | 304,854       | -        | 304,854       |
| Department Of Homeland Security<br>(via WA State Military Department)   | Homeland Security Grant<br>Program         | 97.067 | E11-107 | 250,542       | -        | 250,542       |
| Department Of Homeland Security<br>(via WA Commission for National &<br>Community Service and WA State<br>Military Department)    | Homeland Security Grant<br>Program         | 97.067 | K856    | 3,967         | -        | 3,967         |

The accompanying notes are an integral part of this schedule.

|  |                                    |        |       |                   |                  |                   |
|--|------------------------------------|--------|-------|-------------------|------------------|-------------------|
| Department Of Homeland Security<br>(via WA Commission for National &<br>Community Service and WA State<br>Military Department) | Homeland Security Grant<br>Program | 97.067 | K1033 | 5,779             | -                | 5,779             |
| Total CFDA 97.067:   |                                    |        |       | <u>584,641</u>    | <u>-</u>         | <u>584,641</u>    |
| Total Federal Awards Expended:   |                                    |        |       | <u>13,217,890</u> | <u>2,715,476</u> | <u>15,933,364</u> |

# KITSAP COUNTY, WASHINGTON

## NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended December 31, 2013

### NOTE 1 - BASIS OF ACCOUNTING

This schedule is prepared on the same basis of accounting as Kitsap County's financial statements. The County uses the modified accrual basis of accounting.

### NOTE 2 - PROGRAM COSTS

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including Kitsap County's portion, are more than shown.

### NOTE 3 - PROGRAM INCOME

Program Income is receipted reflecting the deductive method. The County requires the grantee to use the income as an offset against expenditures before requesting additional grant funding. Program Income is listed separately for the grant program on Schedule 16.

### NOTE 4 - NOT AVAILABLE (N/A)

The County was unable to obtain an identification number.

### NOTE 5 - INDIRECT COST RATE

The amount expended includes \$84,366 claimed as an indirect cost recovery using an approved indirect cost rate of 9.56 percent.

### NOTE 6 - AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA) of 2009

Expenditures for this program were funded by ARRA.

### NOTE 7 – NONCASH AWARDS – 2013 SFMNP PROGRAM CHECKS (Senior Farmers Market Nutrition Program)

The County participates in the Senior Farmers Market Nutrition Program as authorized by the Legislature and in accordance with 7 CFR 249 SFMNP Regulations, WAC 246-780 Farmers Market Nutrition Program. The 2013 program is based on the USDA approved 2012 Washington State SFMNP Plan.

The amount of Farmers Market checks reported on the schedule is the value of checks issued by the State and shipped to Kitsap County's Aging program to be disbursed to the subcontractor, Bremerton Services Association, during the current year.



Checks have a cash value of \$4 each and are issued in books valued at \$40 (10 checks in each book). The value of the checks and books is established by the Washington State SFMNP Plan, Check Model.

Program participants must meet eligibility requirement and checks for the 2013 Program must be redeemed at participating Farmers Market stalls or authorized farm stores between June 1, 2013 and October 31, 2013.

## Corrective Action Plan For Findings Reported Under OMB Circular A-133

### Kitsap County January 1, 2013 through December 31, 2013

This schedule presents the corrective action planned by the auditee for findings reported in this report in accordance with OMB Circular A-133. The information in this schedule is the representation of the County.

|   |   |
|---|---|
| <b>Finding ref number:</b><br>2013-001  | <b>Finding caption:</b><br>The County's internal controls were inadequate to ensure accurate and timely federal grant reporting, resulting in a missed major federal program audit. |
| <b>Name, address, and telephone of auditee contact person:</b><br>David Schureman<br>619 Division Street<br>Port Orchard, WA 98366<br>(360) 337-7132  |   |
| <b>Corrective action the auditee plans to take in response to the finding:</b><br><i>The Auditor's Office will provide training for the program managers on how to review each grant contract to ensure they are properly classified as federal, state or local grants. In addition, the Auditors Office has added a review of all grants to ensure they have been properly reported. Both of these steps focus on examining contract boilerplate language to ensure revenue coding is correct.</i> |   |
| <b>Anticipated date to complete the corrective action:</b> September 30, 2016   |   |

## About The State Auditor's Office

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

### Contact information for the State Auditor's Office

|                                  |  |
|----------------------------------|--|
| <b>Public Records requests</b>   | <a href="mailto:PublicRecords@sao.wa.gov">PublicRecords@sao.wa.gov</a> |
| <b>Main telephone</b>            | (360) 902-0370   |
| <b>Toll-free Citizen Hotline</b> | (866) 902-3900   |
| <b>Website</b>                   | <a href="http://www.sao.wa.gov">www.sao.wa.gov</a>                     |