



**Office of the Washington State Auditor**  
**Pat McCarthy**

**Financial Statements Audit Report**  
**Central Kitsap Fire and Rescue**  
**Kitsap County**

**For the period January 1, 2015 through December 31, 2016**

**Published December 7, 2017**

**Report No. 1020309**





**Office of the Washington State Auditor**  
**Pat McCarthy**

December 7, 2017

Board of Commissioners  
Central Kitsap Fire and Rescue  
Silverdale, Washington

**Report on Financial Statements**

Please find attached our report on Central Kitsap Fire and Rescue's financial statements.

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

Sincerely,

Pat McCarthy  
State Auditor  
Olympia, WA

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**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**

**Central Kitsap Fire and Rescue  
Kitsap County  
January 1, 2015 through December 31, 2016**

Board of Commissioners  
Central Kitsap Fire and Rescue  
Silverdale, 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 Central Kitsap Fire and Rescue, Kitsap County, Washington, as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated November 29, 2017.

We issued an unmodified opinion on the fair presentation of the District's financial statements in accordance with its regulatory basis of accounting. We issued an adverse opinion on the fair presentation with regard to accounting principles generally accepted in the United States of America (GAAP) because the financial statements are prepared by the District using accounting practices prescribed by Washington State statutes and the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual described in Note 1, which is a basis of accounting other than GAAP. The effects on the financial statements of the variances between the basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audits of the financial statements, we considered the District'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's

internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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 District'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. However, material weaknesses may exist that have not been identified.

## COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of the District'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*.

## 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 District'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 District'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.

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Pat McCarthy

State Auditor

Olympia, WA

November 29, 2017

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## **Central Kitsap Fire and Rescue Kitsap County January 1, 2015 through December 31, 2016**

Board of Commissioners  
Central Kitsap Fire and Rescue  
Silverdale, Washington

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

We have audited the accompanying financial statements of Central Kitsap Fire and Rescue, Kitsap County, Washington, for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the District's financial statements, as listed on page 11.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of Washington State statutes and the *Budgeting, Accounting and Reporting System* (BARS) manual prescribed by the State Auditor described in Note 1. This includes determining that the basis of accounting is acceptable for the presentation of the financial statements in the circumstances. Management is also responsible for 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 audits. We conducted our audits 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 District'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 District'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.

### **Unmodified Opinion on Regulatory Basis of Accounting (BARS Manual)**

As described in Note 1, Central Kitsap Fire and Rescue has prepared these financial statements to meet the financial reporting requirements of Washington State statutes using accounting practices prescribed by the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual. Those accounting practices differ from accounting principles generally accepted in the United States of America (GAAP). The differences in these accounting practices are also described in Note 1.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of Central Kitsap Fire and Rescue, for the years ended December 31, 2016 and 2015, on the basis of accounting described in Note 1.

### **Basis for Adverse Opinion on U.S. GAAP**

Auditing standards issued by the American Institute of Certified Public Accountants (AICPA) require auditors to formally acknowledge when governments do not prepare their financial statements, intended for general use, in accordance with GAAP. The effects on the financial statements of the variances between GAAP and the accounting practices the District used, as described in Note 1, although not reasonably determinable, are presumed to be material. As a result, we are required to issue an adverse opinion on whether the financial statements are presented fairly, in all material respects, in accordance with GAAP.



## **Adverse Opinion on U.S. GAAP**

The financial statements referred to above were not intended to, and in our opinion they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Central Kitsap Fire and Rescue, as of December 31, 2016 and 2015, or the changes in financial position or cash flows for the years then ended, due to the significance of the matter discussed in the above “Basis for Adverse Opinion on U.S. GAAP” paragraph.

## **Other Matters**

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

Our audits were performed for the purpose of forming opinions on the financial statements taken as a whole. The Schedules of Liabilities are presented for purposes of additional analysis, as required by the prescribed BARS manual. These schedules are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 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 November 29, 2017 on our consideration of the District’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 District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy

State Auditor

Olympia, WA

November 29, 2017

## **FINANCIAL SECTION**

### **Central Kitsap Fire and Rescue Kitsap County January 1, 2015 through December 31, 2016**

#### **FINANCIAL STATEMENTS**

Fund Resources and Uses Arising from Cash Transactions – 2016  
Fund Resources and Uses Arising from Cash Transactions – 2015  
Notes to Financial Statements – 2016  
Notes to Financial Statements – 2015

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

Schedule of Liabilities – 2016  
Schedule of Liabilities – 2015

**Central Kitsap Fire and Rescue**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2016**

		<b>Total for All Funds (Memo Only)</b>	<b>001 General</b>	<b>201 Bond Debt Service</b>	<b>301 Capital</b>
<b>Beginning Cash and Investments</b>					
30810	Reserved	6,751,380	-	-	6,751,380
30880	Unreserved	13,984,641	9,537,590	-	4,447,051
388 / 588	Prior Period Adjustments, Net	-	-	-	-
<b>Revenues</b>					
310	Taxes	17,250,769	15,807,957	1,442,812	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	349,089	334,061	15,028	-
340	Charges for Goods and Services	1,576,185	1,576,185	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	218,102	142,743	4,355	71,004
Total Revenues:		19,394,145	17,860,945	1,462,196	71,004
<b>Expenditures</b>					
510	General Government	-	-	-	-
520	Public Safety	16,417,938	16,417,938	-	-
Total Expenditures:		16,417,938	16,417,938	-	-
Excess (Deficiency) Revenues over Expenditures:		2,976,207	1,443,008	1,462,196	71,004
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	283,442	275,012	-	8,430
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	1,649	1,649	-	-
381, 395, 398	Other Resources	227,484	31,004	-	196,480
Total Other Increases in Fund Resources:		512,576	307,666	-	204,910
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	3,246,270	523,366	-	2,722,904
591-593, 599	Debt Service	1,254,028	45,750	1,208,019	259
597	Transfers-Out	283,442	8,430	-	275,012
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	1,226	1,226	-	-
Total Other Decreases in Fund Resources:		4,784,966	578,772	1,208,019	2,998,175
<b>Increase (Decrease) in Cash and Investments:</b>		<b>(1,296,184)</b>	<b>1,171,901</b>	<b>254,176</b>	<b>(2,722,261)</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	4,048,846	-	254,177	3,794,669
5088000	Unreserved	15,390,995	10,709,493	-	4,681,502
<b>Total Ending Cash and Investments</b>		<b>19,439,841</b>	<b>10,709,493</b>	<b>254,177</b>	<b>8,476,170</b>

The accompanying notes are an integral part of this statement.

**Central Kitsap Fire and Rescue**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2015**

		<b>Total for All Funds (Memo Only)</b>	<b>001 Expense</b>	<b>301 Capital</b>
<b>Beginning Cash and Investments</b>				
30810	Reserved	25,137	-	25,137
30880	Unreserved	14,101,712	9,181,466	4,920,246
388 & 588	Prior Period Adjustments, Net	-	-	-
<b>Operating Revenues</b>				
310	Taxes	13,868,895	13,868,895	-
320	Licenses and Permits	-	-	-
330	Intergovernmental Revenues	249,154	249,154	-
340	Charges for Goods and Services	1,821,488	1,821,488	-
350	Fines and Penalties	-	-	-
360	Miscellaneous Revenues	107,586	78,928	28,658
Total Operating Revenues:		16,047,123	16,018,465	28,658
<b>Operating Expenditures</b>				
510	General Government	-	-	-
520	Public Safety	15,402,792	15,402,792	-
598	Miscellaneous Expenses	-	-	-
Total Operating Expenditures:		15,402,792	15,402,792	-
Net Operating Increase (Decrease):		644,331	615,673	28,658
<b>Nonoperating Revenues</b>				
370-380, 395 & 398	Other Financing Sources	367,346	347,521	19,825
391-393	Debt Proceeds	6,725,000	-	6,725,000
397	Transfers-In	582,491	551,463	31,028
Total Nonoperating Revenues:		7,674,837	898,984	6,775,853
<b>Nonoperating Expenditures</b>				
580, 596 & 599	Other Financing Uses	-	-	-
591-593	Debt Service	64,443	64,443	-
594-595	Capital Expenditures	1,063,057	1,063,057	-
597	Transfers-Out	582,491	31,028	551,463
Total Nonoperating Expenditures:		1,709,991	1,158,528	551,463
<b>Net Increase (Decrease) in Cash and Investments:</b>		<b>6,609,177</b>	<b>356,129</b>	<b>6,253,048</b>
<b>Ending Cash and Investments</b>				
5081000	Reserved	6,751,380	-	6,751,380
5088000	Unreserved	13,984,641	9,537,590	4,447,051
<b>Total Ending Cash and Investments</b>		<b>20,736,021</b>	<b>9,537,590</b>	<b>11,198,431</b>

*The accompanying notes are an integral part of this statement.*

**CENTRAL KITSAP FIRE & RESCUE**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2016**

**Note 1 - Summary of Significant Accounting Policies**

Central Kitsap Fire and Rescue (“CKF&R” and the “District”) was originally incorporated in June of 1942 as Kitsap County Fire Protection District No. 1 (FD#1). After several subsequent mergers with smaller districts, FD#1 changed its name to Central Kitsap Fire and Rescue. CKF&R operates under the laws of the state of Washington applicable to a fire district. CKF&R is a special purpose local government and provides emergency medical treatment, fire suppression and rescue services to the community.

CKF&R reports financial activity in accordance with the *Cash Basis Budgeting, Accounting and Reporting System* (BARS) Manual prescribed by the State Auditor’s Office under the authority of Washington State law, Chapter 43.09 RCW. This manual prescribes a financial reporting framework that differs from generally accepted accounting principles (GAAP) in the following manner:

- Financial transactions are recognized on a cash basis of accounting as described below.
- Component units are required to be disclosed, but are not included in the financial statements.
- Government-wide statements, as defined in GAAP, are not presented.
- All funds are presented, rather than a focus on major funds.
- The Schedule of Liabilities is required to be presented with the financial statements as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances are not presented using the classifications defined in GAAP.

A. Fund Accounting

Financial transactions of the government are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues and expenditures. The government’s resources are allocated to and accounted for in individual funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements. The following fund types are used:

GOVERNMENTAL FUND TYPES:

General Fund

This fund is the primary operating fund of the government. It accounts for all financial resources except those required or elected to be accounted for in another fund. CKF&R’s reserve fund has been included in the General Fund for reporting purposes.

Debt Service Fund

This fund accounts for the financial resources that are restricted, committed, or assigned to expenditures for principal, interest and related costs on general long-term debt. This fund is used

to receive bond levy proceeds and expend debt service payments for the Unlimited Tax Obligation Bond (UTGO) issued by the District in 2015.

#### Capital Project Funds

These funds account for financial resources which are restricted, committed, or assigned for the acquisition or construction of capital facilities or other capital assets.

#### B. Basis of Accounting and Measurement Focus

Financial statements are prepared using the cash basis of accounting and measurement focus. Revenues are recognized when cash is received and expenditures are recognized when paid.

#### C. Budgets

Central Kitsap Fire & Rescue adopts annual appropriated budgets for its general fund. The budget is appropriated at the fund level and constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

Annual appropriated budgets are adopted on the same basis of accounting as used for financial reporting. The appropriated and actual expenditures for the legally adopted budget was as shown in table 1.

*Table 1 - Budgeted Appropriations*

Fund/Department	Final Appropriated* Amount	Actual Expenditures	Variance
Total General Fund	\$17,775,617	\$16,996,708	\$778,909

\*Excludes \$976,285 in carry forward funds shown as revenue in the adopted 2016 budget.

Budgeted amounts are authorized to be transferred between any object classes within departments; however, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the District's legislative body.

#### D. Cash and Investments

See Note 2, *Deposits and Investments*.

#### E. Capital Assets

Capital assets are assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one (1) year.

#### F. Compensated Absences

For represented, non-uniformed employees the total number of leave hours accrued annually is the maximum number of hours that may be carried forward to the next year. Annual leave is payable upon separation or retirement. For represented, uniformed employees, a maximum of 768 hours of annual leave, including holiday leave, may be carried forward from one year to the next and annual leave is payable upon separation or retirement.

For non-represented employees, no more than 360 hours of annual leave may be carried forward to the next year and annual leave is payable upon separation or retirement. In the most recent labor agreements, maximum limits for annual leave were revised in an effort to reduce the District's total liability for compensated leave—this included a one-time payout of annual leave in either January or April 2016.

Sick leave can be used for paid time off for the illness or injury of the employee, medical condition of a minor or disabled child for which the employee's presence is required, to care for a family member with a serious illness, or other emergency. Sick leave may be accumulated up to 1440 hours. Upon retirement, eligible employees receive partial payment for unused sick leave (per schedules in Resolution 15-15 for management/supervisory employees and the collective bargaining agreements for represented uniformed and non-uniformed employees). Upon resignation and/or termination, any remaining sick leave hours are not compensated.

As of December 31, 2016, the District's total liability for any compensated leave buy-outs was \$1,768,412 as presented in Schedule 9. CKF&R maintains adequate monetary reserves to fund this liability.

#### G. Long-Term Debt

See Note 4, *Debt Service Requirements*.

#### H. Risk Management

Central Kitsap Fire & Rescue is a member of Enduris. Chapter 48.62 RCW provides the exclusive source of local government entity authority to individually or jointly self-insure risks, jointly purchase insurance or reinsurance, and to contract for risk management, claims, and administrative services. Enduris was formed July 10, 1987 pursuant to the provisions of Chapter 48.62 RCW, Chapter 200-100 WAC, and Chapter 39.34 RCW. Two (2) counties and two (2) cities in the State of Washington joined together by signing an interlocal governmental agreement to fund their self-insured losses and jointly purchase insurance and administrative services. As of August 31, 2016, there are 524 Enduris members representing a broad array of special purpose districts throughout the state. Enduris provides property and liability coverage as well as risk management services and other related administrative services.

Members make an annual contribution to fund Enduris and share in the self-insured retention of the jointly purchased excess and/or reinsurance coverage. The self-insured retention is:

- \$1,000,000 deductible on liability loss - the member is responsible for the first \$1,000 of the deductible amount of each claim, while Enduris is responsible for the remaining \$999,000 on a liability loss.
- \$250,000 deductible on property loss - the member is responsible for the first \$1,000 of the deductible amount of each claim, while Enduris is responsible for the remaining \$249,000 on a property loss.
- Enduris is responsible for the \$4,000 deductible on boiler and machinery loss.

Enduris acquires reinsurance from unrelated insurance companies on a "per occurrence" basis to cover all losses over the deductibles as shown on the policy maximum limits. Liability coverage is for all lines of liability coverage including Public Official's Liability. The Property coverage is written on an "all risk", blanket basis using current Statement of Values. The Property coverage includes but is not limited to mobile equipment, boiler and machinery, electronic data processing



equipment, business interruption, course of construction and additions, property in transit, fine arts, cyber and automobile physical damage to insured vehicles. Liability coverage limit is \$20 million per occurrence and property coverage limit is \$1 billion per occurrence. Enduris offers crime coverage up to a limit of \$1 million per occurrence.

Since Enduris is a cooperative program, there is a joint liability among the participating members.

The contract requires members to continue membership for a period of not less than one (1) year and must give notice 60 days before terminating participation. The Master Agreement (Intergovernmental Contract) is automatically renewed after the initial one (1) full fiscal year commitment. Even after termination, a member is still responsible for contribution to Enduris for any unresolved, unreported and in-process claims for the period they were a signatory to the Master Agreement.

Enduris is fully funded by its member participants. Claims are filed by members with Enduris and are administered in house.

A Board of Directors consisting of seven (7) board members governs Enduris. Its members elect the Board and the positions are filled on a rotating basis. The Board meets quarterly and is responsible for conducting the business affairs of Enduris.

#### I. Reserved Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments is reported as reserved when it is subject to restrictions on use imposed by external parties or due to internal commitments established by the District's Board of Commissioners. When expenditures that meet restrictions are incurred, the District intends to use reserved resources first before using unreserved amounts. Reservations of ending cash and investments consist of voluntary mitigation fees, bond proceeds and debt service funds.

*Table 2 - Reserved Portion of Ending Cash & Investments*

Fund Name	Reserved Portion
Debt Service (Bond)	\$ 254,177
Capital Projects (Bond)	3,769,223
Fire Mitigation	25,446
<b>Total</b>	<b>\$ 4,048,846</b>

Central Kitsap Fire & Rescue entered into a Voluntary Mitigation Agreement with Harrison Medical Center pursuant to RCW 82.02.020 and received \$25,000 in mitigation fees in October 2013. These fees are restricted for the purchase of capital equipment as identified in Resolution 12-04 adopted May 29, 2012. If the mitigation fees paid to the District are not spent within five (5) years of payment they must be fully repaid with applicable interest.

In 2015 the District issued Unlimited Tax General Obligation (UTGO) bonds for financing the purchase of fire and life safety equipment. The proceeds are restricted pursuant to Resolution 15-23 for upgrades of fire and life and safety equipment. A debt service fund has been established and expenditures are restricted for paying debt service on the bond. See Note 4 for more information.

As of December 31, 2016 the reserved portions of ending cash balances were as shown in table 2.

## **Note 2 – Deposits and Investments**

It is the District's policy to invest all temporary cash surpluses. The interest on these investments is prorated to the various funds.

All deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commission. All investments are insured, registered or held by the Kitsap County Treasurer as its agent in the District's name and reported at original cost.

Investments by type at December 31, 2016 are as follows:

*Table 3 - Investments by Type*

Investment Type	District's Own Investments	Investments Held for Other Organizations	Total
FHLB	\$ 1,708,878	\$ -	\$ 1,708,878
FFCB	7,352,977	-	7,352,977
FHLMC	2,190,905	-	2,190,905
FNMA	1,038,842	-	1,038,842
US Treasuries	1,344,651	-	1,344,651
Municipal Securities	254,536	-	254,536
Money Market Savings	557,526	-	557,526
Washington LGIP	4,821,967	-	4,821,967
<b>Total</b>	<b>\$ 19,270,282</b>	<b>\$ -</b>	<b>\$ 19,270,282</b>

## **Note 3 - Property Tax**

The county treasurer acts as an agent to collect property tax levied in the county for all taxing authorities. Collections are distributed at the end of each month.

Property tax revenues are recognized when cash is received by the District. Delinquent taxes are considered fully collectible because a lien affixes to the property after tax is levied. The levies and rates for 2016 are provided in table 4.

*Table 4 - Property Tax Information*

2016 CKF&R Levy	Rate per \$1,000 of Assessed Value*	Total Valuation	Total Levy
Regular Levy	\$ 1.5000	\$ 7,011,375,602	\$ 10,517,063
Maintenance & Operation (M&O)	\$ 0.2582	\$ 6,971,377,478	\$ 1,800,000
Emergency Medical Services (EMS)	\$ 0.5000	\$ 7,044,408,061	\$ 3,522,204
Bond	\$ 0.2099	\$ 6,971,377,478	\$ 1,461,830

\*Rounded to the nearest ten thousandth

## **Note 4 – Debt Service Requirements**

### **Debt Service**

The accompanying Schedule of Liabilities 09 provides more details of CKF&R's outstanding debt and liabilities and summarizes the District's debt transactions for year ended December 31, 2016.

The debt service requirements for CKF&R's general obligation bonds provided in table 5.

Table 5 - Debt Service Requirements

Year	Interest (June/December)	Principal (December)	Total
2016	\$ 82,279	1,125,740	<b>\$ 1,208,019</b>
2017	78,403	1,352,164	<b>1,430,567</b>
2018	63,530	1,383,569	<b>1,447,099</b>
2019	45,128	1,415,516	<b>1,460,644</b>
2020	24,037	1,448,011	<b>1,472,048</b>
<b>Total</b>	<b>\$ 293,377</b>	<b>\$ 6,725,000</b>	<b>\$ 7,018,377</b>

## Note 5 – Pension Plans

Substantially all of Central Kitsap Fire & Rescue’s full-time and qualifying part-time employees participate in the Law Enforcement Officers and Firefighters Plan 2 and Public Employees Retirement Plans 2 & 3 administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans.

The State Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems, 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  
PO Box 48380  
Olympia, WA 98504□8380

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The District also participates in the Volunteer Fire Fighters’ and Reserve Officers’ Relief and Pension Fund (VFFRPF) administered by the State Board for Volunteer Fire Fighters and Reserve Officers. Detailed information about the plan is included in the State of Washington CAFR available from the Office of Financial Management website at [www.ofm.wa.gov](http://www.ofm.wa.gov).

At June 30, 2016 (the measurement date of the plans), the District’s proportionate share of the collective net pension liabilities, as reported on Schedule 9, was as shown in the table on the following table.

Table 6 - Pension Liabilities & Assets

	Allocation %	Liability (Asset)
PERS 1 UAAL	.011042%	\$ 593,007
PERS 2/3	.014131%	\$ 711,485
LEOFF 1	.009426%	(\$ 97,115)
LEOFF 2	.275323%	(\$ 1,601,361)
VFFRPF	.250000%	(\$ 42,921)

## PERS 1 UAAL

The District has only prior service participation under this plan.

## LEOFF Plan 1

The District has only prior service participation under this plan. The LEOFF Plan 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. Starting on July 1, 2000, employers and employees contribute zero percent.

## LEOFF Plan 2

The District also participates in the LEOFF Plan 2. 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.

## **Note 6 - Other Disclosures**

### **A. Related Party Transactions and Agreements**

The District entered into a Memorandum of Agreement with the Kitsap County Parks Department (KCPD) in 2015 to establish guidelines and responsibilities regarding an exchange of services. The contract values the annual services provided at \$4,667 and \$6,470 for KCPD and CKF&R respectively. The term of the contract is two (2) years and expires on June 1, 2017.

CKF&R entered into a Service Level Agreement for Document and Preparation and Imaging Services with the State of Washington, Office of the Secretary of State Archives and Records Management Division (Archives). The agreement expires on December 31, 2018 and total compensation for services rendered is not to exceed \$50,000.

The District entered into an Affiliation Agreement with the Tacoma Community College (TCC) to provide desirable clinical learning experiences and facilities for TCC students. The Agreement renews annually and will be reviewed no later than in three years. No financial compensation between either parties will occur as part of the Agreement.

In March of 2016 the District authorized the transfer of any interests and liabilities in the assets of Cencom identified and approved in Resolution 16-09 from CKF&R to Kitsap County for the reorganization and re-establishment of Cencom as a separate legal entity.

### **B. Contingencies and Litigation**

In April of 2015 a former District employee filed a complaint against the District in Kitsap County Superior Court for breach of contract and unpaid wages. The case was later removed to US District Court (cause no. 3:15-cv-5269). A Settlement Agreement was signed in March of 2016 and the Civil Action was subsequently dismissed with prejudice.

The District (Defendant) is being sued by the Wilkersons (Plaintiffs), Cause No. 16-2-01225-8. They are alleging that Mr. Wilkerson was injured during a CKFR response to his house. The allegation is that he was dropped twice by our personnel and sustained significant injuries. The District has denied the allegations. The case was turned over to another law firm, Roy, Simmons, Smith & Parsons, P.S., (hired by our insurance company) to defend the District. The case was mediated on October 17, 2017 and a settlement was reached during mediation. The District's insurance company agreed to a payment and a CR2A Agreement was signed. Upon final payment by the insurance company, the case will be dismissed with prejudice.

In April of 2017 CKF&R was named as a co-defendant in a lawsuit (Cause No. 17-2-02343-34) brought by a subcontractor (Crescent Mechanical, Inc.) who was hired by CKFR's general contractor (Christensen, Inc.) to assist with major HVAC upgrades at Station 56. The suit is primarily a dispute between the subcontractor (plaintiff) and CKFR's general contractor (co-defendant); however, CKF&R has been named in the suit because the District is holding retainage. At this time, the plaintiff has not alleged any wrong doing on the part of CKF&R and the District does not anticipate any significant liability associated with the case.

C. Other Post-Employment Benefits

CKF&R has a commitment to pay for post-employment benefits for employees that belong to LEOFF1. These benefits include retiree medical insurance, out-of-pocket reimbursable expenses, and long-term care insurance. Four (4) retirees received benefits in 2016 and \$74,165 was paid out for those benefits during the year.

D. Subsequent Events

Pursuant to RCW 82.02.020 CKF&R entered into a Voluntary Mitigation Agreement with CHI Franciscan Health System (CHI) to compensate the District for the increased service demands placed upon the fire district in properly addressing firefighting and life safety issues to structures higher than 35 feet from ground level. The Agreement, signed in March of 2017, provides that CHI will pay the District \$25,000 per floor per building for a total of \$50,000. Payment will be made upon substantial completion of the project and must be used in within five (5) years to fund the purchase of a rescue truck and items appurtenant thereto.

In March of 2017 the District entered into an Office Space Lease Agreement with the Kitsap County EMS and Trauma Care Council (EMS) for the purpose of renting office space to EMS. The term of the Agreement is month to month and the lease rate is \$1,000 per month.

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**NOTES TO FINANCIAL STATEMENTS****For the year ended December 31, 2015****NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Central Kitsap Fire & Rescue was incorporated in 1942 and operates under the laws of the state of Washington applicable to a fire district. Central Kitsap Fire & Rescue is a special purpose local government that provides fire protection and emergency medical services to the general public.

**A. Fund Accounting**

The accounts of Central Kitsap Fire & Rescue are organized on the basis of funds, each of which is considered a separate accounting entity. Each fund is accounted for with a separate set of single-entry accounts that comprises its cash, investments, revenues and expenditures, as appropriate. The District's resources are allocated to and accounted for in individual funds depending on their intended purpose. The following are the fund types used by the District

**GOVERNMENTAL FUND TYPES:****General (Current Expense) Fund**

This fund is the primary operating fund of the District. It accounts for all financial resources except those required or elected to be accounted for in another fund. The District's Reserve Fund has been rolled up into the General (Current Expense) Fund for reporting purposes.

**Debt Service Fund**

This fund accounts for the financial resources that are restricted, committed, or assigned to expenditures for principal, interest and related costs on general long-term debt. This fund was reactivated in December 2015 to receive bond levy proceeds and to prepare for debt service activity beginning in 2016.

**Capital Projects Funds**

These funds account for financial resources which are restricted, committed, or assigned for the acquisition or construction of capital facilities or other capital assets.

**B. Basis of Accounting and Management Focus**

Central Kitsap Fire & Rescue reports financial activity in accordance with the *Cash Basis Budgeting, Accounting and Reporting* system (BARS) Manual prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW. This manual prescribes a financial reporting framework that differs from generally accepted accounting practices (GAAP) in the following manner:

- Financial transactions are recognized on a cash basis of accounting as described below.
- Component units are required to be disclosed, but are not included in the financial statements.
- Government-wide statements, as defined in GAAP, are not presented.
- All funds are presented, rather than a focus on major funds.
- The *Schedule of Liabilities* is required to be presented with the financial statements as supplementary information.

- Supplementary information required by GAAP is not presented.
- Ending balances are not presented using the classifications defined in GAAP.

Financial statements are prepared using the cash basis of accounting and measurement focus. Revenues are recognized when cash is received and expenditures are recognized when paid.

In accordance with state law the District also recognizes expenditures paid during twenty days after the close of the fiscal year for claims incurred during the previous period.

C. **Budgets**

The District adopts an annual appropriated budget for the general (current expense) fund. This budget is appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

Annual appropriated budgets are adopted on the same basis of accounting as used for financial reporting.

The appropriated and actual expenditures for the legally adopted budgets were as follows:

Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance
General Fund:	\$16,465,670	\$16,035,759	\$429,911
Total General Fund	\$16,465,670	\$16,035,759	\$429,911

D. **Cash and Investments**

See Note 3, *Deposits and Investments*

E. **Capital Assets**

Capital assets are assets with an individual cost of more than \$5,000.00 and an estimated useful life in excess of one (1) year. Capital assets and inventory are recorded as capital expenditures when purchased.

F. **Compensated Absences**

For represented, non-uniformed employees, the total number of annual leave hours accrued annually is the maximum number of hours that may be carried forward to the next year and annual leave is payable upon separation or retirement. For represented, uniformed employees, a maximum of seven hundred and sixty-eight (768) hours of annual leave, including holiday leave, may be carried forward from one year to the next and annual leave is payable upon separation or retirement. For non-represented employees, no more than three hundred sixty (360) hours of annual leave may be carried forward to the next year and annual leave is payable upon separation or retirement. In the most recent labor agreements, maximum limits for annual leave were revised in an effort to reduce the District's total liability for compensated leave—this included a one-time payout of annual leave in either January or April 2015, which is reflected in Schedule 09.

Sick leave can be used for paid time off for the illness or injury of the employee, medical condition of a minor or disabled child for which the employee's presence is required, to care for a family member with a serious illness, or other emergency. Sick leave may be accumulated up to



1440 hours. Upon retirement, eligible employees receive partial payment for unused sick leave (per schedules in Resolution 15-15 for management/supervisory employees and the collective bargaining agreements for represented uniformed and non-uniformed employees). Upon resignation and/or termination, any remaining sick leave hours are not compensated.

As of 12/31/15, the District's total liability for any compensated leave buy-outs was \$1,685,955 (also shown in Schedule 09). The District maintains adequate monetary reserves to fund this liability.

G. **Long-Term Debt**

The District issues general obligation bonds to finance the purchase of major capital items, including construction of facilities, acquisition or upgrade of apparatus and equipment purchases. General obligation bonds have been issued for governmental activities and are being repaid from applicable resources. The District had the following General Obligation Bonds outstanding at the end of 2015:

On 12/31/15, a voted general obligation bond was issued to pay the cost of acquiring, constructing and installing capital improvements and betterments to the District's fire protection apparatus, equipment, and facilities.

Specific bond: 2015 Unlimited Tax General Obligation Bond (voter approved)  
(Tax-exempt, 5 year repayment term, callable anytime)

Original issue amount: \$6,725,000

Maturity Date: 12/01/2020

Balance payable 12/31/2015: \$6,725,000

See Note No. 4, *Debt Service Requirements*.

H. **Other Financing Sources or Uses**

The District's *Other Financing Sources or Uses* consist of inter-fund transfers between the General (Current Expense) Fund and Capital Project Funds to either reimburse the General Fund for capital projects authorized and completed in the current year or to fund future capital projects in an amount identified in the current year's operating budget for transfer to Capital Project Funds from the General Fund.

I. **Risk Management**

See Risk Management Note No. 6.

J. **Reserved Portion of Ending Cash and Investments**

In October 2013, the District received voluntary mitigation fees in the amount of \$25,000. Pursuant to RCW 82.02.020, the District must expend these monies for the capital equipment as identified in its Resolution 12-04 adopted May 29, 2012. If the monies are not expended within five years of receipt of payment, the District must return the fees collected, including any interest earned. In 2015 the District issued Unlimited Tax General Obligation (UTGO) bonds for financing the purchase of fire and life safety equipment. The proceeds are restricted pursuant to Resolution 15-23 for upgrades of fire and life and safety equipment.



As of 12/31/15, Reservations of Ending Cash and Investments consist of these voluntary mitigation fees and interest earned to date totaling \$25,280 and the UTGO bond proceeds and interest earned to date totaling \$6,726,100

**NOTE 2 - PROPERTY TAX**

The county treasurer acts as an agent to collect property tax levied in the county for all taxing authorities. Collections are distributed at the end of each month.

Property tax revenues are recognized when cash is received by Central Kitsap Fire & Rescue. Delinquent taxes are considered fully collectible because a lien affixes to the property after tax is levied.

The Central Kitsap Fire & Rescue regular levy for the year 2014 for collection in year 2015 was \$1.50 per \$1,000 on an assessed valuation of \$6,909,425,290 for a total regular levy of \$10,364,137.

The Central Kitsap Fire & Rescue emergency medical services (EMS) levy for the year 2014 for collection in year 2015 was \$.50 on an assessed valuation of \$6,942,968,080 for a total EMS levy of \$3,471,484.

**NOTE 3 – DEPOSITS AND INVESTMENTS**

It is the District's policy to invest all temporary cash surpluses. The interest on those investments is prorated to the various funds.

All deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commission. All investments are either insured, registered or held by the Kitsap County Treasurer as its agent in the District's name.

Investments by type at December 31, 2015, are as follows:

<u>Type of Investment</u>	<u>Balance</u>
Kitsap County Investment Pool	\$20,918,447.48
Total	\$20,918,447.48

**NOTE 4 – DEBT SERVICE REQUIREMENTS**

The accompanying Schedule of Long-Term Liabilities (09) provides more details of the outstanding debt and liability of the District and summarizes the District's debt transactions for year ended December 31, 2015.

The debt service requirements for general obligation bonds and lease-purchase agreement are as follows:

	Principal	Interest	Total Debt
2015	\$ 63,129.93	\$ 1,313.10	\$ 64,443.03
2016	\$1,125,739.96	\$ 82,406.02	\$1,208,145.98
2017	\$1,352,163.92	\$ 78,538.66	\$1,430,702.58
2018	\$1,383,569.15	\$ 63,529.64	\$1,447,098.79
2019	\$1,415,515.55	\$ 45,128.18	\$1,460,643.73
2020	\$1,448,011.42	\$ 24,036.98	\$1,472,048.40
Totals	\$6,788,129.93	\$294,952.58	\$7,083,082.51

**NOTE 5 - PENSION PLANS**

Substantially all of Central Kitsap Fire & Rescue's full-time and qualifying part-time employees participate in the Law Enforcement Officers and Firefighters Plan 2 and Public Employees Retirement Plans 2 & 3 administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans.

The State Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

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The District also participates in the Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund (VFFRPF) administered by the State Board for Volunteer Fire Fighters and Reserve Officers. Detailed information about the plan is included in the State of Washington CAFR available from the Office of Financial Management website at [www.ofm.wa.gov](http://www.ofm.wa.gov).

At June 30, 2015 (the measurement date of the plans), the District's proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

	Allocation %	Liability (Asset)
PERS 1 UAAL	.011256 %	\$588,793
PERS 2/3	.014537 %	\$519,415
LEOFF 1	.010322 %	(\$124,403)
LEOFF 2	.277666%	(\$2,853,851)
VFFRPF	.63%	(\$122,256)

**PERS 1 UAAL**

The District has only prior service participation under this plan.

**LEOFF Plan 1**

The District has only prior service participation under this plan. The LEOFF Plan 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. Starting on July 1, 2000, employers and employees contribute zero percent.

**LEOFF Plan 2**

The District also participates in the LEOFF Plan 2. 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.

#### **NOTE 6 – RISK MANAGEMENT**

Central Kitsap Fire & Rescue is a member of Enduris. Chapter 48.62 RCW provides the exclusive source of local government entity authority to individually or jointly self-insure risks, jointly purchase insurance or reinsurance, and to contract for risk management, claims, and administrative services. Enduris was formed July 10, 1987, pursuant to the provisions of Chapter 48.62 RCW, Chapter 200-100 WAC, and Chapter 39.34 RCW. Two (2) counties and two (2) cities in the State of Washington joined together by signing an interlocal governmental agreement to fund their self-insured losses and jointly purchase insurance and administrative services. As of August 31, 2015, there are 507 Enduris members representing a broad array of special purpose districts throughout the state. Enduris provides property and liability coverage as well as risk management services and other related administrative services.

Members make an annual contribution to fund Enduris and share in the self-insured retention of the jointly purchased excess and/or reinsurance coverage. The self-insured retention is:

- \$1,000,000 deductible on liability loss - the member is responsible for the first \$1,000 of the deductible amount of each claim, while Enduris is responsible for the remaining \$999,000 on a liability loss.
- \$250,000 deductible on property loss - the member is responsible for the first \$1,000 of the deductible amount of each claim, while Enduris is responsible for the remaining \$249,000 on a property loss.
- Enduris is responsible for the \$4,000 deductible on boiler and machinery loss.

Enduris acquires reinsurance from unrelated insurance companies on a “per occurrence” basis to cover all losses over the deductibles as shown on the policy maximum limits. Liability coverage is for all lines of liability coverage including Public Official’s Liability. The Property coverage is written on an “all risk”, blanket basis using current Statement of Values. The Property coverage includes but is not limited to mobile equipment, boiler and machinery, electronic data processing equipment, business interruption, course of construction and additions, property in transit, fine arts, and automobile physical damage to insured vehicles. Liability coverage limit is \$10 million per occurrence and property coverage limit is \$1 billion per occurrence. Enduris offers crime coverage up to a limit of \$1 million per occurrence.

Since Enduris is a cooperative program, there is a joint liability among the participating members.

The contract requires members to continue membership for a period of not less than one (1) year and must give notice 60 days before terminating participation. The Master Agreement (Intergovernmental Contract) is automatically renewed after the initial one (1) full fiscal year commitment. Even after termination, a member is still responsible for contribution to Enduris for any unresolved, unreported and in-process claims for the period they were a signatory to the Master Agreement.

Enduris is fully funded by its member participants. Claims are filed by members with Enduris and are administered in house.

A Board of Directors consisting of seven (7) board members governs Enduris. Its members elect the Board and the positions are filled on a rotating basis. The Board meets quarterly and is responsible for conducting the business affairs of Enduris.

**NOTE 8 - OTHER DISCLOSURES**

1. There have been no expenditures exceeding legal appropriations in any of the funds of the District.
2. Central Kitsap Fire & Rescue is party to an inter-local cooperative agreement between Bremerton Fire Department, South Kitsap Fire & Rescue, the Kitsap County Sheriff's Office, CENCOM/DEM, the Kitsap County Coroner's Office, and the Military in the joint maintenance and operation of the Kitsap Readiness Center located at 1211 Carver Street, Bremerton, WA. The Kitsap Readiness Center Joint Management Group is a separate, legal entity as authorized by RCW 39.34.030(3) (b).
3. On March 26, 2015 a prior employee of the District filed a complaint in Kitsap County Superior Court Cause No. 15-2-00577-6. The complaint alleged breach of contract and claimed unpaid wages. As of March 2016, the case was resolved out of court.
4. On September 16, 2015 the District received a claim for personal injury related to an incident where the District was called to a residence to assist with an injured person. To date there has been no further action taken by the claimant.
5. Reconciliation of year end cash balances between Central Kitsap Fire & Rescue and Kitsap County Treasurer's Cash Report (Schedule C-4) Fund 001 Expense:

<b>Reconciliation to 12/31/15 Treasurer's Cash Report Balance</b>	<b>\$9,853,487</b>
13 <sup>th</sup> Month 2015 Accts Payable not in y/e cash report until 2016	(205,303)
December 2015 Dept. of Retirement not deducted until 1/16	(110,594)
<b>Reconciled ending cash balance</b>	<b>\$9,537,590</b>

**Central Kitsap Fire and Rescue**  
**Schedule of Liabilities**  
**For the Year Ended December 31, 2016**

<b>ID. No.</b>	<b>Description</b>	<b>Due Date</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
<b>General Obligation Debt/Liabilities</b>						
251.12	Unlimited Tax General Obligation Bonds	12/1/2020	6,725,000	-	1,125,740	5,599,260
<b>Total General Obligation Debt/Liabilities:</b>			<b>6,725,000</b>	<b>-</b>	<b>1,125,740</b>	<b>5,599,260</b>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
259.12	Buy-out value of vested leave balances as of year-end 2016		1,685,955	254,967	172,510	1,768,412
264.30	Net Pension Liability		1,108,209	196,283	-	1,304,492
<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>			<b>2,794,164</b>	<b>451,250</b>	<b>172,510</b>	<b>3,072,904</b>
<b>Total Liabilities:</b>			<b>9,519,164</b>	<b>451,250</b>	<b>1,298,250</b>	<b>8,672,164</b>

**Central Kitsap Fire and Rescue**  
**Schedule of Liabilities**  
**For the Year Ended December 31, 2015**

<b>ID. No.</b>	<b>Description</b>	<b>Due Date</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
<b>General Obligation Debt/Liabilities</b>						
251.12	Unlimited Tax General Obligation Bonds, 2015	12/1/2020	-	6,725,000	-	6,725,000
263.51	Lease-Purchase Agreement for monitors/defibrillators, issued 06/12/12	6/1/2015	63,130	-	63,130	-
<b>Total General Obligation Debt/Liabilities:</b>			<b>63,130</b>	<b>6,725,000</b>	<b>63,130</b>	<b>6,725,000</b>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
259.12	Buy-out value of vested leave balances as of year-end 2015		1,545,452	206,470	65,967	1,685,955
264.30	Total net pension liability		-	1,108,209	-	1,108,209
<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>			<b>1,545,452</b>	<b>1,314,679</b>	<b>65,967</b>	<b>2,794,164</b>
<b>Total Liabilities:</b>			<b>1,608,582</b>	<b>8,039,679</b>	<b>129,097</b>	<b>9,519,164</b>

## 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.

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

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Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	<a href="http://www.sao.wa.gov">www.sao.wa.gov</a>