



Office of the Washington State Auditor  
Pat McCarthy

# Financial Statements Audit Report

## Central Kitsap Fire and Rescue

For the period January 1, 2020 through December 31, 2021

*Published October 13, 2022*

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

October 13, 2022

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 activities and condition.

Sincerely,

Pat McCarthy, State Auditor  
Olympia, WA

***Americans with Disabilities***

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## INDEPENDENT AUDITOR'S REPORT

### 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 January 1, 2020 through December 31, 2021**

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, as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated October 6, 2022.

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 state law 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.

#### **REPORT ON 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) as a basis for designing 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 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 above 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 or significant deficiencies may exist that were not identified.

## **REPORT ON 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 its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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.

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

October 6, 2022

# INDEPENDENT AUDITOR'S REPORT

## Report on the Audit of the Financial Statements

### **Central Kitsap Fire and Rescue January 1, 2020 through December 31, 2021**

Board of Commissioners  
Central Kitsap Fire and Rescue  
Silverdale, Washington

## **REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

### **Unmodified and Adverse Opinions**

We have audited the financial statements of Central Kitsap Fire and Rescue, as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, as listed in the table of contents.

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

As described in Note 1, the District has prepared these financial statements to meet the financial reporting requirements of state law and 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 accompanying financial statements referred to above present fairly, in all material respects, the cash and investments of Central Kitsap Fire and Rescue, and its changes in cash and investments, for the years ended December 31, 2021 and 2020, on the basis of accounting described in Note 1.

### **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, 2021 and 2020, or the changes in financial position or cash flows thereof for the years then ended, because of the significance of the matter discussed below.

## **Basis for Unmodified and Adverse Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and *Government Auditing Standards*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit unmodified and adverse opinions.

## **Matter Giving Rise to 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. As described in Note 1 of the financial statements, the financial statements are prepared by the District in accordance with state law using accounting practices prescribed by the BARS manual, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

## **Responsibilities of Management 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 state law and the BARS manual 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and



*Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Performing an audit in accordance with GAAS and *Government Auditing Standards* includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed;
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time; and
- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## **Supplementary Information**

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements. The Schedules of Liabilities are presented for purposes of additional analysis. 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 Schedules are 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 October 6, 2022 on our consideration of the District's internal control over financial reporting and on the 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 the effectiveness of the District's 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

October 6, 2022

## **FINANCIAL SECTION**

### **Central Kitsap Fire and Rescue January 1, 2020 through December 31, 2021**

#### **FINANCIAL STATEMENTS**

Fund Resources and Uses Arising from Cash Transactions – 2021  
Fund Resources and Uses Arising from Cash Transactions – 2020  
Notes to the Financial Statements – 2021  
Notes to the Financial Statements – 2020

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

Schedule of Liabilities – 2021  
Schedule of Liabilities – 2020

**Central Kitsap Fire and Rescue**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2021**

		<b>Total for All Funds (Memo Only)</b>	<b>001 GENERAL FUND</b>	<b>201 BOND FUND- DEBT SERVICE</b>	<b>301 CAPITAL FUND</b>
<b>Beginning Cash and Investments</b>					
308	Beginning Cash and Investments	52,978,185	14,909,765	49,706	38,018,714
388 / 588	Net Adjustments	-	-	-	-
<b>Revenues</b>					
310	Taxes	23,430,637	19,866,358	3,564,279	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	2,605,825	2,595,365	10,460	-
340	Charges for Goods and Services	2,124,744	2,124,744	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	268,019	105,628	5,277	157,114
Total Revenues:		28,429,225	24,692,095	3,580,016	157,114
<b>Expenditures</b>					
510	General Government	-	-	-	-
520	Public Safety	21,948,574	21,917,502	885	30,187
Total Expenditures:		21,948,574	21,917,502	885	30,187
Excess (Deficiency) Revenues over Expenditures:		6,480,651	2,774,593	3,579,131	126,927
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	892,948	411,798	-	481,150
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	107,404	107,404	-	-
Total Other Increases in Fund Resources:		1,000,352	519,202	-	481,150
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	2,311,269	1,094,252	-	1,217,017
591-593, 599	Debt Service	3,107,830	-	3,107,380	450
597	Transfers-Out	892,948	481,150	-	411,798
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		6,312,047	1,575,402	3,107,380	1,629,265
<b>Increase (Decrease) in Cash and Investments:</b>		<b>1,168,956</b>	<b>1,718,393</b>	<b>471,751</b>	<b>(1,021,188)</b>
<b>Ending Cash and Investments</b>					
50821	Nonspendable	-	-	-	-
50831	Restricted	29,464,375	58,849	521,456	28,884,070
50841	Committed	8,113,455	-	-	8,113,455
50851	Assigned	4,151,053	4,151,053	-	-
50891	Unassigned	12,418,255	12,418,255	-	-
<b>Total Ending Cash and Investments</b>		<b>54,147,138</b>	<b>16,628,157</b>	<b>521,456</b>	<b>36,997,525</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, 2020**

		<b>Total for All Funds (Memo Only)</b>	<b>001 GENERAL FUND</b>	<b>201 BOND DEBT SERVICE</b>	<b>301 CAPITAL FUND</b>
<b>Beginning Cash and Investments</b>					
308	Beginning Cash and Investments	22,240,106	16,091,911	333,926	5,814,269
388 / 588	Net Adjustments	-	-	-	-
<b>Revenues</b>					
310	Taxes	19,498,853	18,325,210	1,173,643	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	1,988,107	1,985,744	2,363	-
340	Charges for Goods and Services	1,834,956	1,834,956	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	697,939	268,951	6,404	422,584
Total Revenues:		24,019,855	22,414,861	1,182,410	422,584
<b>Expenditures</b>					
510	General Government	-	-	-	-
520	Public Safety	20,809,485	20,803,750	569	5,166
Total Expenditures:		20,809,485	20,803,750	569	5,166
Excess (Deficiency) Revenues over Expenditures:		3,210,370	1,611,111	1,181,841	417,418
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	30,192,948	-	5,986	30,186,962
397	Transfers-In	1,904,944	24,693	-	1,880,251
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	102,780	102,780	-	-
Total Other Increases in Fund Resources:		32,200,672	127,473	5,986	32,067,213
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	1,106,937	1,040,478	-	66,459
591-593, 599	Debt Service	1,661,082	-	1,472,048	189,034
597	Transfers-Out	1,904,944	1,880,251	-	24,693
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		4,672,963	2,920,729	1,472,048	280,186
<b>Increase (Decrease) in Cash and Investments:</b>		<b>30,738,079</b>	<b>(1,182,145)</b>	<b>(284,221)</b>	<b>32,204,445</b>
<b>Ending Cash and Investments</b>					
50821	Nonspendable	-	-	-	-
50831	Restricted	30,536,093	74,101	49,706	30,412,286
50841	Committed	7,606,428	-	-	7,606,428
50851	Assigned	4,474,991	4,474,991	-	-
50891	Unassigned	10,360,673	10,360,673	-	-
<b>Total Ending Cash and Investments</b>		<b>52,978,185</b>	<b>14,909,765</b>	<b>49,706</b>	<b>38,018,714</b>

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

**CENTRAL KITSAP FIRE AND RESCUE**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2021**

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

Kitsap County Fire Protection District No. 1 was incorporated in June of 1942 and after several subsequent mergers, the district changed its name to Central Kitsap Fire and Rescue (CKFR). The district operates under the laws of the state of Washington applicable to a fire protection district. The district is a special purpose local government that provides emergency medical treatment, ambulance transports, fire suppression, and rescue services.

The district 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 (see [Note 6 – Component Unit\(s\), Joint Ventures, and Related Parties](#)).
- 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 for proprietary and fiduciary funds are presented using classifications that are different from the ending net position classifications 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, except for fiduciary funds, which are presented by fund types. The total column is presented as "memo only" because any interfund activities are not eliminated. 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. The district's General Liability Reserve, Technical Rescue Program and Kitsap County Joint Training Consortium (KCJTC) program activity are included in the general fund for reporting purposes.

**CENTRAL KITSAP FIRE AND RESCUE**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2021**

Debt Service Funds

These funds account for the financial resources that are restricted, committed, or assigned to expenditures for principal, interest, and related costs on general long-term debt.

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. The district maintains separate capital funds for fire mitigation, facilities, apparatus and equipment, and bond projects.

**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. Cash and Investments**

See Note 4 – Deposits and Investments.

**D. 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. Capital assets and inventory are recorded as capital expenditures when purchased.

**E. Compensated Absences**

Annual Vacation Leave

The total number of annual leave hours accrued for represented, non-uniformed employees is the maximum number of hours that may be carried forward to the next year and ranges from 100 to 204 hours depending on years of service. Annual vacation 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 500 hours of annual leave may be carried forward to the next year unless approved by the Fire Chief or Board of Commissioners. Annual leave is payable upon separation or retirement and payments are recognized as expenditures when paid.

Sick Leave

Sick leave is used to provide employees paid time off as described in the district's Sick Leave / Emergency Leave Standard Operating Procedure (SOP). All employees receive regular sick leave and eligible employees also receive Washington State sick leave. Total sick leave balances may accumulate to a maximum of 1440 hours including accruals for both regular and Washington State sick leave. Amounts accumulated over 1440 hours for are cashed out at a rate of 0.25 times and 0.50 times the employee's base hourly rate of pay and deposited into the employees' HRA account in accordance with the collective bargaining agreement and Management Wage and Benefit plan

**CENTRAL KITSAP FIRE AND RESCUE**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2021**

respectively. Upon retirement, eligible employees receive partial payment for unused sick leave as identified in the respective Management and Supervisory Employees Wage and Benefit Plan, and collective bargaining agreements. Payments are recognized as expenditures when paid. Upon resignation and/or termination, any remaining sick leave hours are not compensated.

Compensatory Time

Represented employees may accrue compensatory time in lieu of receiving overtime pay. Compensatory time accrues at one and one half (1.5) hours for each overtime hour worked. Represented non-uniform employees may maintain up to 72 hours of accrued compensatory time which will be cashed out upon separation at the employee's regular, straight-time rate of pay. Represented uniformed employees may carry over up to 48 hours of accrued compensatory time each year. Amounts over 48 hours will be cashed out at the end of each year at the employee's regular rate of pay. Uniformed employees may cash out accrued compensatory time at any point throughout the year.

**F. Long-Term Debt**

See Note 7– Long-term Debt

**G. Restricted and Committed Portion of Ending Cash and Investments**

Beginning and Ending Cash and Investments are reported as restricted or committed when it is subject to restrictions on use imposed by external parties or due to internal commitments established by Resolution of the district's Board of Commissioners. When expenditures that meet restrictions are incurred, the district intends to use the most restricted resources first. Restrictions and commitments of Ending Cash and Investments are provided in the following table:

*Table 1: Restricted and committed ending balances*

<b>Fund Type – Name</b>	<b>Restricted Ending Balance</b>	<b>Committed Ending Balance</b>	<b>Purpose</b>
General– Technical Rescue ILA*	\$ 58,849	\$ -	County-wide technical rescue program expenditures pursuant to the terms of the inter-local agreement.
Debt Service – Bond	521,456	-	Bond debt service payments.
Capital – Apparatus & Equipment	-	3,343,679	The purchase of new or used apparatus and vehicles, major equipment, and major reconditioning of apparatus.
Capital – Facilities	-	4,769,775	Land procurement, facility construction, and major facility repair or maintenance projects.
Capital – Fire Mitigation	413,656	-	The purchase of apparatus and equipment appurtenant thereto as specified in the specific Height Mitigation Agreements.
Capital – Bond Projects	28,470,414	-	To finance the cost of combining and replacing five stations, remodeling four fire stations and performing related capital improvements and pay other costs as described in the Resolution.
<b>Total</b>	<b>\$29,464,375</b>	<b>\$ 8,113,454</b>	

\* Managerial sub-fund rolled into the general fund for reporting purposes.



**CENTRAL KITSAP FIRE AND RESCUE**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2021**

**Note 2 – Budget Compliance**

The district adopts annual appropriated budgets for its general (operating), capital apparatus and capital facilities funds. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level.

Annual appropriated budgets are adopted on the same basis of accounting as used for financial reporting and appropriations for these funds lapse at the fiscal year end. The appropriated and actual expenditures for the legally adopted budgets were as presented in the following table.

*Table 2: Annual budget appropriations*

Fund	Final		Variance
	Appropriated Amount	Actual Expenditures	
General*	\$ 24,653,835	\$ 23,461,579	\$ 1,192,256
Capital**	\$ 2,783,560	\$ 6,104	\$ 2,777,456
*Excludes general liability and Technical Rescue fund activity			
**Capital apparatus and equipment and capital facilities funds only.			

Budgeted amounts are authorized to be transferred between departments within any fund and 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 Board of Commissioners.

Actual general fund expenditures presented in table 2 exclude \$31,325 of net expenditures and eliminations in the Technical Rescue and General Liability funds for better comparison with the district's adopted general fund operating budget. General fund expenditures were favorably under budget primarily from lower personnel costs due to vacant positions, lower professional services, contract costs, and unused contingency.

The 2021 capital facilities fund budget included \$1.5 million for phase one of the administrative building remodel project as well as funding to replace the training tower at station 41 and perform other seismic upgrades. The district was billed for \$150,758 for phase one remodel project which was paid from the general fund, and the training tower replacement will be delayed until after the station 41 remodel.

Continuing appropriations for the debt service, bond projects and fire mitigation funds are authorized through their respective Board Resolutions and Voluntary Mitigation Agreements and excluded from table 2.

**Note 3 – COVID-19 Pandemic**

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of COVID-19. Precautionary measures to slow the spread of the virus continued throughout 2021. These measures included limitations on business operations, public events, gatherings, travel, and in-person interactions.

**CENTRAL KITSAP FIRE AND RESCUE**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2021**

In March of 2020, the district's Board of Commissioners adopted Resolution 20-06 declaring an emergency and authorizing the Fire Chief to take all necessary action to ensure the health and safety of employees and the public. The Resolution authorized the waiver of certain public contracting and purchasing requirements and allowed district staff to take other steps in response to the emergency. The district's Emergency Declaration will remain in effect until rescinded in writing by the Board Chair or Fire Chief.

The district proactively implemented safety measures, and most fire stations and the administrative building remain closed to the public. Operations have continued with administrative staff periodically working remotely as directed by the Fire Chief. Management continues to monitor the situation for any operational or financial effects and is ready to respond appropriately as needed. To date, the district has not experienced substantial financial impacts due to the pandemic.

The length of time these measures will continue to be in place, and the full extent of the direct or indirect financial impact on the district is unknown at this time.

**Note 4 – Deposits and Investments**

Investments are reported at amortized cost. Deposits and investments by type on December 31, 2021, are provided in table 3 below. It is the district's policy to invest all temporary cash surpluses. The interest on these investments is prorated to the various funds.

*Table 3: Deposits and investments*

Type of Deposit or Investment	District's Own Deposits and Investments
Bank Deposits	\$ 193,579
Kitsap County Investment Pool	53,953,559
<b>Total</b>	<b>\$ 54,147,138</b>

**Investments in the County Investment Pool**

The district is an involuntary participant in the county investment pool, an external investment pool operated by the County Treasurer. The pool is not rated or registered with the SEC. Rather, oversight is provided by the County Finance Committee in accordance with RCW 36.48.070. The district reports its investment in the pool at amortized cost, which is the same as the value of the pool per share. The pool does not impose liquidity fees or redemption gates on participant withdrawals.

**Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in event of a failure of a depository financial institution, the district would not be able to recover deposits or would not be able to recover collateral securities that are in possession of an outside party. The district's deposits and certificates of deposit are mostly 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).

All investments are insured, registered, or held by the district or its agent in the government's name.

**CENTRAL KITSAP FIRE AND RESCUE**  
**Notes to the Financial Statements**  
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**Note 5 – Environmental and Certain Asset Retirement Liabilities**

The district has one well requiring capping in 2022 to facilitate construction of Station 52. Due to state law and in coordination with Kitsap Public Health, the district will incur estimated costs of \$12,194 related to the capping. This liability is reported on the Schedule of Liabilities.

**Note 6 – Joint Ventures and Related Parties**

**Kitsap Readiness Center Joint Management Group**

In May of 2012, Central Kitsap Fire and Rescue entered into an agreement with the Bremerton Fire Department (BFD), South Kitsap Fire and Rescue (SKFR) the Kitsap County's Sherriff's Office (KCSO), Kitsap County Central Communications (CENCOM)/Department of Emergency Management (DEM), and the Kitsap County Coroners (KCC) to establish and participate in joint management of the Kitsap Readiness Center and established the Kitsap Readiness Center Joint Management Group (KRCJMG). In 2013 the KRCJMG applied for and became a separate limited liability company (LLC). The district is a voting member and paid \$12,000 in annual fees as assessed by the KRCJMG in 2021.

**Kitsap County EMS and Trauma Care Council**

Central Kitsap Fire and Rescue is a voting member of the Kitsap County EMS and Trauma Care Council (KCEMS&TCC). The purpose of the KCEMS&TCC is to support the continuing development of high-quality pre-hospital, emergency medical and trauma care services in Kitsap County and is incorporated as a non-profit corporation under section 70.168 of the Revised Code of Washington (RCW) and under section 501(c)3 under the Internal Revenue Code. In 2021, Central Kitsap Fire and Rescue's Fire Chief served as the Board Chair for KCEMS&TCC and the district paid \$46,032 in assessments as specified in the Council's Bylaws. KCEMS&TCC leased approximately 360 square feet of office space from Central Kitsap Fire and Rescue at Station 56 located on Seabeck Highway for a monthly lease amount of \$1,000. This lease was terminated in May of 2021.

**Kitsap County Joint Training Consortium**

In March of 2021 Central Kitsap Fire and Rescue's Board of Commissioners authorized the district to enter an Interlocal Agreement (ILA) with North Kitsap Fire and Rescue, South Kitsap Fire and Rescue, Bainbridge Island Fire Department, the City of Bremerton Fire Department, and the City of Poulsbo Fire Department to maintain a Kitsap County Joint Training Consortium (KCJTC). The Agreement establishes an Administrative Board responsible for overseeing administration and named Central Kitsap Fire and Rescue as the KCJTC's fiscal agent. In 2021, the Administrative Board approved a budget for 2022 based on a cost per member and the district's estimated obligation is \$149,350.

**South Kitsap Fire and Rescue**

In June of 2021, the district held a joint Board of Commissioner meetings with South Kitsap Fire and Rescue to discuss five program areas for potential collaboration between the two districts. These program areas included the chaplain program, rehabilitation and air support for volunteers, peer support teams, emergency coverage, and purchasing of medical supplies. The respective agency Boards approved staff to move forward in researching and implementing these collective efforts.

**CENTRAL KITSAP FIRE AND RESCUE**  
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**Silverdale Water District**

In June of 2021 the district entered into an Interlocal Joint Construction Agreement with the Silverdale Water District for the purpose of providing terms and conditions for which the parties will cooperate and share the costs for the shared administration and maintenance building remodel and construction projects. The agreement remains in effect until the lesser of the completion of the project or five years and may be terminated with a 90-day written notice by either party. The estimated total cost of both projects for the district is \$1,452,760.

**Note 7 – Long-Term Debt**

The accompanying Schedule of Liabilities provides more details of the outstanding debt and liabilities of the district and summarizes the district's debt transactions for year ended December 31, 2021. The debt service requirements for general obligation bonds are presented in table 4 on the following page.

*Table 4: 2022-2038 long-term debt*

Year	Principal	Interest	Total
2022	\$ 2,675,000	\$ 842,750	\$ 3,517,750
2023	700,000	709,000	1,409,000
2024	765,000	674,000	1,439,000
2025	835,000	635,750	1,470,750
2026	900,000	594,000	1,494,000
2027-2031	6,060,000	2,193,000	8,253,000
2032-2036	8,750,000	935,400	9,685,400
2037-2038	3,390,000	87,800	3,477,880
<b>Total</b>	<b>\$ 24,075,000</b>	<b>\$ 6,671,700</b>	<b>\$ 30,746,700</b>

**Assets Pledged as Collateral for Debt**

The district's 2020 UTGO Capital Facilities Bonds are secured by or payable from excess property taxes levied by the district which, when collected, are required to be applied solely for the purpose of payment of principal and interest on the Bonds.

**Significant Debt Agreement Terms**

The district's 2020 UTGO Capital Facilities Bonds require that if the principal of any bond is not paid when the bond is properly presented at its maturity or date fixed for redemption, the district will be obligated to pay interest on that bond at the same rate provided in the bond form and after its maturity or the date fixed for redemption until that bond, both principal and interest, is paid in full or until sufficient money for its payment in full is on deposit in the UTGO Debt Service account and the bond has been called for payment by giving notice of that call to the Registered Owner. The bonds are not subject to acceleration under any circumstances. In the event of multiple defaults in payment of principal or interest on the bonds, the Registered Owners would be required to bring a separate action for each such payment not made.

**Note 8 – Other Disclosures**

**Contingencies and Litigations**

**CENTRAL KITSAP FIRE AND RESCUE**  
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As of April 30, 2022, the District is involved in litigation regarding a claim that was disclosed in the prior year's annual report. A complaint was filed against the District on June 24, 2021, in Kitsap County Superior Court. The district's insurance is providing defense costs and will cover damages, if any. Litigation is ongoing.

The district is also involved in two separate labor disputes that have been scheduled for arbitration. The district does not believe that there is a reasonable possibility of an unfavorable outcome, but in the interests of full disclosure, the district believes that informing the Auditor's office is appropriate.

#### Subsequent Events

In January of 2022, the Board authorized the district to enter into a Shared Staffing Interlocal Agreement with the City of Bremerton Fire Department, Bainbridge Island Fire Department, Poulsbo Fire Department, North Kitsap Fire and Rescue, and South Kitsap Fire & Rescue. The agreement authorizes the respective agency Fire Chiefs to work cooperatively to provide necessary resources to maintain emergency response levels. Each requesting agency will be required to compensate the assisting agency for the direct costs of providing the emergency response services. The agreement is effective until terminated by either party with a 30-day written notice.

In February of 2022, the district entered into an agreement with Berschauer Group Inc. to construct station 52. The agreement is for a total of \$6,400,000 plus Washington State and local sales taxes and the district will make progress payments according to the agreement. Substantial completion is expected to be February of 2023. The district paid \$448,050 to the contractor as of April 2022 and all costs are to be paid from bond proceeds.

In April of 2022, the Board authorized the Fire Chief to sign an agreement with architect Rice Fergus Miller for design services related to construction of station 51. The agreement designates lump sum compensation of \$1,396,967 for basic services as outlined in the agreement which is to be invoiced monthly based on completed phases. Substation completion for the project is estimated to be the second quarter of 2024.

#### Construction Commitments

The district has active construction projects as of December 31, 2021. The projects include construction of stations 52, 57, and 45. At year-end the district's commitments with contractors are provided in table 5 and funding for these costs are from bond proceeds.

*Table 5: Construction commitments*

Project	Spent to Date	Remaining Commitment
Station 52 Construction	\$ 534,174	\$ 264,988
Station 45 Construction	\$ 421,279	\$ 389,373
Station 57 Construction	\$ 85,845	\$ 667,278

The district has also entered into an agreement with Silverdale Water District for the administration building remodel and Shop expansion project (see Note 6). As of December 2021, Central Kitsap Fire and Rescue paid \$150,758 to Silverdale Water for costs associated with the project and estimates

**CENTRAL KITSAP FIRE AND RESCUE**  
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\$1,302,002 in remaining amounts to be paid. These costs are budgeted to be reimbursed from the capital fund.

**Note 9 – Other Post-Employment Benefits**

The LEOFF I Retiree Medical Plan is a closed, single-employer, defined-benefit OPEB plan administered by the district as required by RCW 41.26. The plan pays for 100% of eligible retirees' healthcare costs on a pay-as-you-go basis. As of December 31, 2021, the plan had two members, all retirees. As of December 31, 2021, the district's total OPEB liability was \$1,178,033 as calculated using the alternative measurement method. For the year ended December 31, 2021, the district paid \$33,602 in benefits.

**Note 10 – Pension Plans**

**A. State Sponsored Pension Plans**

Substantially all the district's full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans Public Employees' Retirement System (PERS), and Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF).

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 Annual Comprehensive Financial Report (ACFR) that includes financial statements and required supplementary information for each plan. The DRS ACFR may be obtained by writing to:

Department of Retirement Systems  
Communications Unit  
P.O. Box 48380  
Olympia, WA 98540-8380

Also, the DRS ACFR may be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov).

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 ACFR available from the Office of Financial Management website at [www.ofm.wa.gov](http://www.ofm.wa.gov).

At June 30, 2021 (the measurement date of the plans), the district's proportionate share of the collective net pension (assets) and liabilities are shown in table 6. Only the district's portion of the liabilities are reported on Schedule 09, the Schedule of Liabilities.

**CENTRAL KITSAP FIRE AND RESCUE**  
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*Table 6: CKFR's proportionate share of net pension assets and liabilities*

Plan	Employer Contributions	Allocation Percent	Liability (Asset)
PERS 1	\$ 77,515	0.010406%	\$ 127,082
PERS 2/3	\$ 126,838	0.013390%	\$ (1,333,859)
LEOFF 1	-	0.005373%	\$ (184,055)
LEOFF 2	\$ 595,674	0.298817%	\$ (17,356,528)
VFFRPF	\$ 600	0.310000%	\$ (67,875)

**LEOFF Plan 1**

The district also participates in LEOFF Plan 1. 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.

**B. Defined Contribution Pension Plans**

Eligible uniformed and non-uniformed bargaining unit members participate in a 457(b) defined contribution plan administered by Voya Financial or the Washington State Department of Retirement Systems (DRS). Central Kitsap Fire and Rescue contributes \$100 to every non-uniformed bargaining unit member and matches up to \$300 in elective contributions. The district contributes \$300 to every uniformed bargaining unit member and matches 33% up to \$100. Employees may contribute up to the IRS annual maximum.

Management employees may make elective contributions to a 457(b) defined contribution plan also administered by Voya Financial or the DRS. These contributions can be up to the IRS maximum and are not matched by the district. Management employees also participate in a district funded 401(a) plan administered by Voya Financial. The district contributes either \$500 or \$600 per month for each employee, based on attainment of a bachelor's degree. The Fire Chief may make elective contributions to a district sponsored 401(a) plan up to the current IRS maximum. The district's total contribution for defined contribution plans during the year was \$407,400.

**Note 11 – 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.

**CENTRAL KITSAP FIRE AND RESCUE**  
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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 district's regular and special levy rates and amounts collected in 2021 are presented in table 7 below.

*Table 7: Levy rates and assessed valuation*

2021 CKFR Levy	Rate per \$1,000 of Assessed Value*	Assessed Valuation	Total Levy
Regular Levy	\$ 1.421066	\$ 11,100,134,719	\$ 15,774,034
Emergency Medical Services (EMS)	\$ 0.362429	\$ 11,132,574,489	\$ 4,034,776
Capital Facilities Bond	\$ 0.323000	\$ 11,069,633,650	\$ 3,568,220
*Excludes timber excise distribution; See the <a href="#">Kitsap County's 2021 Assessment Book</a> for more information			

**Note 12 – Risk Management**

Central Kitsap Fire and Rescue is a member of the Enduris Washington (Pool). 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. The Pool was formed July 10, 1987, pursuant to the provisions of Chapter 48.62 RCW, Chapter 200-100 WAC, and Chapter 39.34 RCW when two counties and two 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. For the Pool's fiscal year ending August 31, 2021, there were 539 Enduris members representing a broad array of special purpose districts throughout the state.

The Enduris' program provides for various forms of joint self-insurance and reinsurance coverage for its members: Liability coverage, which includes: General Liability, Automobile Liability, Public Officials' Errors and Omissions liability, Terrorism liability and Employment Practices liability; Property coverage, which includes: Building and Contents, Mobile Equipment, Boiler and Machinery, and Business Interruption/Extra Expense; Automobile Physical Damage coverage; Cyber coverage; Crime blanket coverage; Named Position coverage; and an Identity Fraud reimbursement program. Pollution coverage is provided on a "claims made" coverage form. All other coverage is provided on an "occurrence" coverage form.

Members are responsible for a coverage deductible or co-pay on each covered loss. Each policy year members receive a Memorandum of Coverage (MOC) outlining the specific coverage, limits, and deductibles/co-pays that are applicable to them. In certain cases, the Pool may allow members to elect to participate in the programs at limits, coverage, deductibles, and co-pays that are specific to their needs. Enduris is responsible for payment of all covered losses above the member retention, up to the Pool self-insured retention (SIR). Enduris acquires excess/reinsurance from unrelated insurance companies to cover losses above the Pool's SIR up to the coverage maximum limit of liability. The tables on the following pages reflect the Pool's SIR, reinsurance limits and member deductibles/co-pays by coverage type.



**CENTRAL KITSAP FIRE AND RESCUE**  
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Coverage	Coverage Type	Pool Self-Insured Retention	Excess/ Reinsurance Limits	Member Deductibles/ Co-Pays <sup>(1)</sup>
Liability:				
Comprehensive General Liability	Per Occurrence	\$1 million	\$20 million	\$1,000 - \$100,000
Automobile Liability	Per Occurrence	\$1 million	\$20 million	\$1,000 - \$100,000
Public Officials Errors and Omissions Liability	Each Wrongful Act Member Aggregate	\$1 million	\$20 million \$20 million	\$1,000 - \$100,000
Terrorism Liability <sup>(2)</sup>	Per Occurrence Pool Aggregate	\$500,000 \$1 million	\$0 Fully funded by Pool	\$1,000 - \$100,000
Employment Practices Liability	Per Occurrence Member Aggregate	\$1 million	\$20 million \$20 million	20% Copay <sup>(3)</sup>

(1) Members may request or be required to pay a higher deductible than the minimum for certain coverage and certain types of losses require a specific co-pay or deductible

(2) Terrorism liability is fully funded by the Pool i.e. no excess/reinsurance is procured.

(3) Members pay a 20% co-pay of costs up to a maximum of \$100,000. By meeting established guidelines, the co-pay may be waived.

Property <sup>(2)</sup>:

Buildings and Contents	Per Occurrence	\$250,000	\$800 million	\$1,000 - \$250,000
Mobile Equipment	Per Occurrence	\$250,000	\$800 million	\$1,000 - \$250,000
Boiler and Machinery <sup>(3)</sup>	Per Occurrence	Varies	\$100 million	Varies
Business Interruption (BI)/ Extra Expense (EE) <sup>(4)</sup>	Per Occurrence	\$250,000	\$100 million (BI)/ \$50 million (EE)	\$1,000 - \$250,000

Sublimit <sup>(5)</sup>:

Flood	Per Occurrence	\$250,000	\$50 million (shared by Pool members)	\$1,000 - \$250,000
Earthquake	Per Occurrence	5%; \$500,000 maximum	\$10 million (shared by Pool members)	\$1,000 - \$250,000
Terrorism Primary	Per Occurrence Pool Aggregate	\$250,000	\$100 million/ Pool member \$200 million	\$1,000 - \$250,000
Terrorism Excess	Per Occurrence APIP Per Occurrence APIP Aggregate	\$500,000	\$600 million/Pool member \$1.2 billion/APIP \$1.4 billion/APIP	\$0

Automobile Physical Damage <sup>(6)</sup>	Per Occurrence	\$25,000; \$100,000 for Emergency Vehicles	\$800 million	\$250 - \$1,000
Crime Blanket <sup>(7)</sup>	Per Occurrence	\$50,000	\$1 million	\$1,000
Named Position <sup>(8)</sup>	Per Occurrence	\$50,000	\$1 million	\$1,000
Cyber <sup>(9)</sup>	Each Claim APIP Aggregate	\$100,000	\$2 million \$25 million	20% Copay

**CENTRAL KITSAP FIRE AND RESCUE**  
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Coverage	Coverage Type	Pool Self-Insured Retention	Excess/ Reinsurance Limits	Member Deductibles/ Co-Pays <sup>(1)</sup>
Identity Fraud Expense Reimbursement <sup>(10)</sup>	Member Aggregate	\$0	\$25,000	\$0

- (1) Members may request or be required to pay a higher deductible than the minimum for certain coverage and certain types of losses require a specific co-pay or deductible.
- (2) Property coverage for each member is based on detailed property schedule. Scheduled items are covered to the extent of the cost of repair or replacement pursuant to the excess/reinsurance policy terms. Under the Alliant Property Insurance Program (APIP) Reinsurance carriers cover insured losses over \$250,000 to the limit of \$800 million except for certain types of sub-limited property losses such as flood, earthquake, and terrorism.
- (3) Boiler and Machinery self-insured retention for the Pool varies depending on motor horsepower.
- (4) Business Interruption/ Extra expense coverage is based on scheduled revenue generating locations/operations. A limited number of members schedule and the rest are limited to \$500,000 of coverage with a \$2.5 million Pool maximum for undeclared exposure. The waiting period (deductible) is typically 24 hours but there are exceptions specific to the type of exposure covered.
- (5) This sublimit list is simplified and is not all-inclusive. In addition, sub-limits are often shared or aggregated by all pool members and, in a few cases, are shared by all APIP members. Deductibles often vary by coverage sub-limit.
- (6) Auto Physical Damage coverage includes comprehensive, named perils and collision. Coverage for each member is based on a detail vehicle schedule.
- (7) Crime Blanket coverage (also referred to as "Employee Dishonesty Coverage with Faithful Performance" of \$2,500 is provided to each member. Member's may elect to "buy-up" the level of coverage from \$5,000 to \$1 million.
- (8) Named Position coverage is optional. Members may elect to schedule various employees, directors, and commissioners, with individual limits of between \$5,000 and \$1 million.
- (9) Cyber coverage is included under the Pool's Property program. Members are subject to a 20% co-pay per loss and the Pool's SIR is tiered between \$50,000 and \$100,000 depending on the insured/members property TIV with an 8 hour waiting period. By meeting established guidelines, the co-pay may be waived. The reinsurance maximum limit of liability is \$2 million, with various declared sub-limits.
- (10) Identity Fraud Expense Reimbursement coverage is purchased by Enduris. Member claims do not have a deductible. There is a \$25,000 limit per member.

Members make an annual contribution to fund the Pool. Since Enduris is a cooperative program, there is joint liability among the participating members. There were no claim settlements in excess of the insurance coverage in any of the last three policy years.

Upon joining the Pool, members are contractually obligated to remain in the Pool for a minimum of one year and must give notice 60 days before renewal in order to terminate participation. The Interlocal Governmental Agreement (formerly known as the Master Agreement) is automatically renewed each year unless provisions for withdrawal or termination are applied. 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 Interlocal Governmental Agreement.

Enduris is fully funded by its member participants. Claims are filed by members with the Pool who determines coverage and administers the claims.

The Pool is governed by a Board of Directors which is comprised of seven board members. The Pool's members elect the Board, and the positions are filled on a rotating basis. The Board meets quarterly and is responsible for overseeing the business affairs of Enduris and providing policy direction to the Pool's Executive Director.

#### Self-Insurance

The district self-insures for unemployment compensation benefits and maintains adequate resources for these costs. There were two claims made during 2021 and the district paid \$13,174.

**CENTRAL KITSAP FIRE AND RESCUE**  
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**Note 1 - Summary of Significant Accounting Policies**

Central Kitsap Fire and Rescue (CKFR) was incorporated in June of 1942 as Kitsap County Fire Protection District No. 1 (FD# 1). After several subsequent mergers FD#1 changed its name to Central Kitsap Fire and Rescue in 1999. The district operates under the laws of the state of Washington applicable to a fire district. CKFR is a special purpose local government and provides emergency medical treatment, ambulance transports, fire suppression, and rescue services.

The district 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 (see *Note 3- Component Unit(s), Joint Ventures, and Related Parties*).
- 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 presented using classifications that are similar to the ending balance classification 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, except for fiduciary funds, which are presented by fund types. The total column is presented as "memo only" because any interfund activities are not eliminated. 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. The district's General Liability Reserve and Technical Rescue Fund have been included in the general fund for reporting purposes.

**Debt Service Funds**

These funds account for the financial resources that are restricted, committed, or assigned to expenditures for principal, interest and related costs on general long-term debt.

**CENTRAL KITSAP FIRE AND RESCUE**  
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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. The district maintains separate capital funds for fire mitigation, facilities, apparatus and equipment, and bond projects.

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. Cash and Investments

See Note 5 - *Deposits and Investments*.

D. 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. Capital assets and inventory are recorded as capital expenditures when purchased.

E. Compensated Absences

Annual Vacation Leave

The total number of annual leave hours accrued for represented, non-uniform employees is the maximum number of hours that may be carried forward to the next year and ranges from 100 to 204 hours depending on years of service. Annual vacation 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 500 hours of annual leave may be carried forward to the next year and annual leave is payable upon separation or retirement. Payments are recognized as expenditures when paid.

Sick Leave

Sick leave is used to provide employees paid time off as described in the district's Sick Leave / Emergency Leave Standard Operating Procedure (SOP). All employees receive regular sick leave and eligible employees also receive Washington State sick leave. Total sick leave balances may accumulate to a maximum of 1440 hours including accruals for both regular and Washington State sick leave. Amounts accumulated over 1440 hours for represented uniformed members are cashed out at a rate of 0.25 times the employee's base hourly rate of pay and deposited in to the employees' HRA account in accordance with the collective bargaining agreement. Upon retirement, eligible employees receive partial payment for unused sick leave as identified in the respective Management and Supervisory Employees Wage and Benefit Plan, and collective bargaining agreements. Payments are recognized as expenditures when paid. Upon resignation and/or termination, any remaining sick leave hours are not compensated.

**CENTRAL KITSAP FIRE AND RESCUE**  
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Compensatory Time

Represented employees may accrue compensatory time in lieu of receiving overtime pay. Compensatory time accrues at one and one half (1 ½) hours for each overtime hour worked. Represented non-uniform employees may maintain up to 72 hours of accrued compensatory time which will be cashed out upon separation at the employee's regular, straight-time rate of pay. Represented uniformed employees may carry over up to 48 hours of accrued compensatory time each year. Amounts over 48 hours will be cashed out at the end of each year at the employee's regular rate of pay. Uniformed employees may cash out accrued compensatory time at any point throughout the year.

F. Long-Term Debt

See Note 6 – *Long-Term Debt*

G. Restricted and Committed Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments are reported as restricted or committed when it is subject to restrictions on use imposed by external parties or due to internal commitments established by Resolution of the district's Board of Commissioners. When expenditures that meet restrictions are incurred, the district intends to use the most restricted resources first. Restrictions and commitments of Ending Cash and Investments are provided in the following table:

Fund Type – Name	Restricted Ending Balance	Committed Ending Balance	Purpose
General– Technical Rescue ILA*	\$ 74,101	-	County-wide technical rescue program expenditures pursuant to the terms of the inter-local agreement.
Debt Service – Bond	49,706	-	Bond debt service payments.
Capital – Apparatus & Equipment	-	3,052,139	The purchase of new or used apparatus and vehicles, major equipment, and major reconditioning of apparatus.
Capital – Facilities	-	4,554,289	Land procurement, facility construction, and major facility repair or maintenance projects.
Capital – Fire Mitigation	412,256	-	The purchase of apparatus and equipment appurtenant thereto as specified in the specific Height Mitigation Agreements.
Capital – Bond Projects	30,000,030	-	To finance the cost of combining and replacing five stations, remodeling four fire stations and performing related capital improvements and pay other costs as described in the Resolution.
<b>Total</b>	<b>\$30,536,093</b>	<b>\$7,606,428</b>	

\* Managerial sub-fund rolled into the general fund for reporting purposes.

Table 1: Restricted and committed ending balances.

**Note 2 - Budget Compliance**

The district adopts annual appropriated budgets for its general (operating), capital apparatus and capital facilities funds. These budgets are appropriated at the fund level and 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.

**CENTRAL KITSAP FIRE AND RESCUE**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2020**

*Table 2: Annual budget appropriations*

Fund	Appropriated Amount	Actual Expenditures	Variance
General	\$ 25,227,625	\$ 23,699,660	\$ 1,527,965
Capital*	\$ 2,137,055	\$ 5,026	\$ 2,132,029
*Capital apparatus and equipment and capital facilities funds only.			

The appropriated and actual expenditures for the legally adopted budgets are presented in table 2. Budgeted amounts are authorized to be transferred between object classes within departments; however, any revisions that alter the total expenditures of a fund, or that affect the number of salary ranges, hours, or other conditions of employment must be approved by the district's Board of Commissioners.

Actual general fund expenditures presented in table 2 exclude \$24,818 of net expenditures in the Technical Rescue and General Liability funds for better comparison with the district's adopted general fund operating budget. General fund expenditures were under budget primarily from lower overall personnel costs, travel and training, professional services and use of contingency. The reduction in personnel costs and travel and training expenses were primarily the result of a hiring freeze and reduced training due to the impact of COVID-19.

The 2020 capital fund budget included funds for phase one of the administrative building remodel project as well as upgrades to the fuel system and installation of keycard door security for all stations. The fuel system upgrade was much lower than expected and paid from the general fund. The door security and administrative building remodel projects were both delayed during the year.

Continuing appropriations for the debt service, bond projects and Fire Mitigation funds are authorized through their respective Board Resolutions and Voluntary Mitigation Agreements and excluded from table 2.

### **Note 3 – Component Unit(s), Joint Ventures, and Related Parties**

In May of 2012 Central Kitsap Fire and Rescue entered into an agreement with the Bremerton Fire Department (BFD), South Kitsap Fire and Rescue (SKFR) the Kitsap County's Sheriff's Office (KCSO), Kitsap County Central Communications (CENCOM)/Department of Emergency Management (DEM), and the Kitsap County Coroners (KCC) to establish and participate in joint management of the Kitsap Readiness Center and established the Kitsap Readiness Center Joint Management Group (KRCJMG). In 2013 the KRCJMG applied for and became a separate limited liability company (LLC). The district is a voting member and paid \$10,000 in annual fees as assessed by the KRCJMG in 2020.

Central Kitsap Fire and Rescue is a voting member of the Kitsap County EMS & Trauma Care Council (KCEMS&TCC). The purpose of the KCEMS&TCC is to support the continuing development of high quality pre-hospital, emergency medical and trauma care services in Kitsap County and is incorporated as a non-profit corporation under section 70.168 of the Revised Code of Washington (RCW) and under

**CENTRAL KITSAP FIRE AND RESCUE**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2020**

section 501(c)3 under the Internal Revenue Code. In 2020 Central Kitsap Fire and Rescue's Fire Chief served as the Board Chair for KCEMS&TCC and the district paid \$41,742 in assessments as specified in the Council's Bylaws. KCEMS&TCC leases approximately 360 square feet of office space from Central Kitsap Fire and Rescue at Station 56 located on Seabeck Highway. The monthly lease amount of \$1,000 is paid to CKFR on a month-to-month basis in accordance with the terms of the lease.

**Note 4 – COVID-19 Pandemic**

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of the deadly new virus known as COVID-19. In the months following the declaration, precautionary measures to slow the spread of the virus were ordered. These measures included closing schools, cancelling public events, limiting public and private gatherings, and restricting business operations, travel and non-essential activities.

In March of 2020, the district's Board of Commissioners adopted Resolution 20-06 declaring an emergency and authorizing the Fire Chief to take all necessary action to ensure the health and safety of employees and the public. The Resolution authorized the waiver of certain public contracting and purchasing requirements and allowed district staff to take other steps in response to the emergency. The district's Emergency Declaration will remain in effect until rescinded in writing by the Board Chair or Fire Chief.

In March of 2020, the district entered into a Shared Staffing Interlocal Agreement with South Kitsap Fire and Rescue. The Agreement authorizes the Fire Chiefs to work cooperatively to assign administrative staff members between the two agencies on an as needed basis to address temporary staffing shortages resulting from the COVID-19 pandemic. The Assisting Agency is not entitled to compensation from the Assisted Agency unless the respective Fire Chiefs or their designees agree in writing in advance to a cost sharing arrangement. The Agreement remains effective until terminated by either party with 30 days of advanced written notice.

The length of time these measures will continue to be in place, and the full extent of the financial impact on the district is unknown at this time.

**Note 5 – Deposits and Investments**

Investments are reported at original cost. Deposits and investments by type at December 31, 2020 are presented in table 3 on the following page. It is the district's policy to invest all temporary cash surpluses. The interest on these investments is prorated to the various funds.

**CENTRAL KITSAP FIRE AND RESCUE**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2020**

Type of deposit or investment	District's own deposits and investments
Bank Deposits*	\$ 115,670
Kitsap County Investment Pool	52,862,515
<b>Total</b>	<b>\$ 52,978,185</b>
*Reported net of \$79,062 in outstanding warrants as of December 31, 2020	

*Table 3: Deposits and investments*

**Investments in the County Investment Pool**

The district is an involuntary participant in the Kitsap County Investment Pool (KCIP), an external investment pool operated by the County Treasurer. The pool is not rated or registered with the SEC. Rather, oversight is provided by the County Finance Committee in accordance with RCW 36.48.070. The district reports its investment in the pool at amortized cost which is the same as the value of the pool per shares. The KCIP does not impose liquidity fees or redemption gates on participant withdrawals.

**Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in event of a failure of a depository financial institution, the district would not be able to recover deposits or would not be able to recover collateral securities that are in possession of an outside party. The district's deposits and certificates of deposit are mostly 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). All investments are insured, registered or held by the district or its agent in the government's name.

**Note 6 – Long-Term Debt** *(formerly Debt Service Requirements)*

The accompanying Schedule of Liabilities provides more details of the outstanding debt and liabilities of Central Kitsap Fire and Rescue and summarizes the district's debt transactions for year ended December 31, 2020. The debt service requirements for the district's unlimited tax general obligation bonds are as follows:

Year	Principal	Interest	Total
<b>2021</b>	2,230,000	877,380	3,107,380
<b>2022</b>	2,675,000	842,750	3,517,750
<b>2023</b>	700,000	709,000	1,409,000
<b>2024</b>	765,000	674,000	1,439,000
<b>2025</b>	835,000	635,750	1,470,750
<b>2026 - 2030</b>	5,540,000	2,470,000	8,010,000
<b>2031 - 2035</b>	8,170,000	1,144,600	9,314,600
<b>2036 - 2038</b>	5,390,000	195,600	5,585,600
<b>Total</b>	<b>\$26,305,000</b>	<b>\$7,549,080</b>	<b>\$33,854,080</b>

*Table 4: Long-term debt for the district's capital facilities bond*



**CENTRAL KITSAP FIRE AND RESCUE**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2020**

Assets Pledged as Collateral for Debt

The following debt is secured by assets that are pledged as collateral:

Debt	Asset
<b>2020 UTGO Bond – Capital Facilities</b>	The Bonds are secured by or payable from excess property taxes levied by the district which, when collected, are required to be applied solely for the purpose of payment of principal and interest on the Bonds.

Significant Debt Agreement Terms

The following financial instruments contain debt agreement terms with finance related consequences:

Debt	Clause
<b>2020 UTGO Bond – Capital Facilities</b>	If the principal of any Bond is not paid when the Bond is properly presented at its maturity or date fixed for redemption, the district will be obligated to pay interest on that Bond at the same rate provided in the Bond form and after its maturity or the date fixed for redemption until that Bond, both principal and interest, is paid in full or until sufficient money for its payment in full is on deposit in the UTGO Debt Service account and the Bond has been called for payment by giving notice of that call to the Registered Owner. The Bonds are not subject to acceleration under any circumstances. In the event of multiple defaults in payment of principal or interest on the Bonds, the Registered Owners would be required to bring a separate action for each such payment not made.

**Note 7 – OPEB Plans**

The LEOFF I Retiree Medical Plan is a closed, single-employer, defined-benefit OPEB plan administered by the district as required by Chapter 41.26 RCW. The plan pays for 100% of eligible retirees' healthcare costs on a pay-as-you-go basis. As of December 31, 2020, the plan had two (2) members, all retirees. As of December 31, 2020, the district's total OPEB liability was \$1,151,313 as calculated using the alternative measurement method. For the year ended December 31, 2020, the district paid \$37,437 in benefits.

**Note 8 – Pension Plans**

A. State Sponsored Pension Plans

Substantially all Central Kitsap Fire and Rescue's full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), 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.

**CENTRAL KITSAP FIRE AND RESCUE**  
**Notes to the Financial Statements**  
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The Department of Retirement Systems, a department within the primary government of the State of Washington, issues a publicly available Comprehensive Annual Financial Report that includes financial statements and required supplementary information for each plan. The DRS Comprehensive Annual Financial Report may be obtained by writing to:

Department of Retirement Systems  
Communications Unit  
P.O. Box 48380  
Olympia, WA 98540-8380

Also, the DRS Comprehensive Annual Financial Report may be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov).

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 Comprehensive Annual Financial Report available from the Office of Financial Management website at [www.ofm.wa.gov](http://www.ofm.wa.gov).

At June 30, 2020, the district's proportionate share of the collective net pension liabilities, as reported on the Schedule of Liabilities, was as follows:

*Table 5: Net pension liability (asset) totals*

Plan	Employer Contributions	Allocation %	Liability (Asset)
<b>PERS 1</b>	\$ 73,492	0.010140%	\$ 357,997
<b>PERS 2/3</b>	\$ 122,281	0.013274%	\$ 169,767
<b>LEOFF 1</b>	-	0.005926%	\$ (111,913)
<b>LEOFF 2</b>	\$ 627,363	0.320705%	\$ (6,541,914)
<b>VFFRPF</b>	\$ 420	0.220000%	\$ (76,195)

**LEOFF Plan 1**

The district also participates in LEOFF Plan 1. 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.

**CENTRAL KITSAP FIRE AND RESCUE**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2020**

**C. Defined Contribution Pension Plans**

Eligible uniformed and non-uniformed bargaining unit members participate in a 457(b) defined contribution plan administered by Voya Financial or the Washington State Department of Retirement Systems (DRS). Central Kitsap Fire and Rescue contributes \$100 to every non-uniformed bargaining unit member and matches up to \$300 in elective contributions. The district contributes \$300 to every uniformed bargaining unit member and matches 33% up to \$100. Employees may contribute up to the IRS annual maximum.

Management employees may make elective contributions to a 457(b) defined contribution plan also administered by Voya Financial or the DRS. These contributions can be up to the IRS maximum and are not matched by the district. Management employees also participate in a district funded 401(a) plan. The district contributes either \$500 or \$600 per month for each employee, based on attainment of a bachelor's degree, and \$1,930 per month for the Fire Chief. The district's total contribution for defined contribution plans during the year was \$572,337.

**Note 9 - 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 district. Delinquent taxes are considered fully collectible because a lien affixes to the property after tax is levied. The district's regular and special levy rates and amounts to be collected in 2020 are presented in table 6.

*Table 6: Levy rates and assessed valuation*

2020 CKFR Levy	Rate per \$1,000 of Assessed Value*	Assessed Valuation	Total Levy
Regular Levy	\$ 1.3928	\$ 10,406,034,209	\$ 14,493,616
Emergency Medical Services (EMS)	\$ 0.3739	\$ 10,436,959,744	\$ 3,902,476
Bond	\$ 0.1137	\$ 10,343,148,469	\$ 1,174,555

\*Rounded to the nearest ten thousandth

**Note 10 – 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. The Pool was formed July 10, 1987 pursuant to the provisions of Chapter 48.62 RCW, Chapter 200-100 WAC, and Chapter 39.34 RCW when two counties and two 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, 2020, there are 547 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.

**CENTRAL KITSAP FIRE AND RESCUE**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2020**

Members make an annual contribution to fund the Pool and share in the self-insured retention. The self-insured retention is:

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

Enduris acquires reinsurance from unrelated insurance companies on a “per occurrence” basis to cover all losses over the self-insured retentions 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 \$800 million per occurrence. Enduris offers crime coverage up to a limit of \$1 million per occurrence.

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

The contract requires members to remain in the Pool for a minimum of one 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 the Pool and are administered in house.

The Pool is governed by a Board of Directors which is comprised of seven board members. The Pool’s 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. Enduris did not have any claim settlements that exceeded the limits in the last 3 years.

Self-Insurance

The district self-insures for unemployment compensation benefits and maintains adequate resources for these costs. There was one claim made during 2020 and the district paid \$3,163.

**Note 11 – Other Disclosures**

A. Subsequent Events

In February of 2021 Central Kitsap Fire and Rescue’s Board of Commissioners authorized the district to enter into Professional Services Agreements with Rice Fergus Miller (Project Architect) to design Projects consistent with the district’s Capital Facilities Plan for Station 45, Station 52, and Station 57.

**CENTRAL KITSAP FIRE AND RESCUE**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2020**

The combined total compensation to the Architect is \$2,362,937 payable as a percentage of completion of each phase of the Project as outlined in the Agreements. The Agreements may be terminated by the district with a seven-day written notice to the Architect. As of April 2021 the district paid \$75,149 to the Architect from bond proceeds for services rendered.

In March of 2021 Central Kitsap Fire and Rescue's Board of Commissioners authorized the district to enter into an Interlocal Agreement (ILA) with North Kitsap Fire and Rescue, South Kitsap Fire and Rescue, Bainbridge Island Fire Department, the City of Bremerton Fire Department and the City of Poulsbo Fire Department. The purpose of the Agreement is to maintain a Training Consortium to enable joint training activities and operations. The Agreement establishes an Administrative Board responsible for overseeing administration of the fiscal arrangements and approving an annual budget for the Training Consortium's operations that identifies each participating agency's personnel and financial responsibilities for the following year. Additional agencies may join the Consortium as approved by the Administrative Board, and any agency may withdraw from the agreement at the end of any calendar year by submitting a notice of termination to the Administrative Board by December 31<sup>st</sup> of the preceding calendar year.

In April of 2021 Central Kitsap Fire and Rescue's Board of Commissioners authorized the district to enter into a Memorandum of Understanding (MOU) with South Kitsap Fire and Rescue (SKFR) to explore collaborative opportunities mutually beneficial to both fire districts and ensure that the citizens of Kitsap County receive high quality fire and emergency medical services response. Both agencies seek to find efficiencies, reduce duplication and enhance existing services in five program areas as outlined in the MOU. The Agreement may be terminated with a 90-day written notice given by either party.

In April of 2021 Central Kitsap Fire and Rescue's Board of Commissioners authorized the district to enter into a Memorandum of Understanding (MOU) with Kitsap County to explore opportunities for partnership on the acquisition of a portion of the Ridgetop DNR property for a future fire facility. Each agency commits to several activities intended to further the interest of each party and to provide for the public health, safety and welfare of the community. The Agreement may be terminated with a 60-day written notice given by either party.

**B. Contingencies and Litigation**

In April of 2021, the District received a claim alleging \$750,000 in damages. The claim is covered by the District's insurance and legal counsel has been assigned. The District intends on vigorously defending itself against the claim.

**Central Kitsap Fire and Rescue  
Schedule of Liabilities  
For the Year Ended December 31, 2021**

<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	12/1/2038	26,305,000	-	2,230,000	24,075,000
<b>Total General Obligation Debt/Liabilities:</b>			<b>26,305,000</b>	<b>-</b>	<b>2,230,000</b>	<b>24,075,000</b>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
264.30	Net Pension Liability		527,764	-	400,682	127,082
259.12	Buy-out value of vested leave balances		2,754,997	383,126	180,636	2,957,487
264.40	OPEB Liability		1,151,313	26,720	-	1,178,033
263.93	Required well capping		-	12,194	-	12,194
<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>			<b>4,434,074</b>	<b>422,040</b>	<b>581,318</b>	<b>4,274,796</b>
<b>Total Liabilities:</b>			<b>30,739,074</b>	<b>422,040</b>	<b>2,811,318</b>	<b>28,349,796</b>

**Central Kitsap Fire and Rescue**  
**Schedule of Liabilities**  
**For the Year Ended December 31, 2020**

<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	1,448,011	-	1,448,011	-
251.12	Unlimited Tax General Obligation Bonds	12/1/2038	-	26,305,000	-	26,305,000
<b>Total General Obligation Debt/Liabilities:</b>			<b>1,448,011</b>	<b>26,305,000</b>	<b>1,448,011</b>	<b>26,305,000</b>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
259.12	Buy-out value of vested leave balances		2,261,074	615,773	121,850	2,754,997
264.30	Net Pension Liability		632,529	-	104,765	527,764
264.40	OPEB Liability		1,071,487	79,826	-	1,151,313
<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>			<b>3,965,090</b>	<b>695,599</b>	<b>226,615</b>	<b>4,434,074</b>
<b>Total Liabilities:</b>			<b>5,413,101</b>	<b>27,000,599</b>	<b>1,674,626</b>	<b>30,739,074</b>

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