



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Kitsap County Fire Protection District No 10

(North Kitsap Fire and Rescue)

For the period January 1, 2023 through December 31, 2023

Published November 7, 2024

Report No. 1035868



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

November 7, 2024

Board of Commissioners
North Kitsap Fire and Rescue
Kingston, Washington

Report on Financial Statements

Please find attached our report on North 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

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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*

North Kitsap Fire and Rescue January 1, 2023 through December 31, 2023

Board of Commissioners
North Kitsap Fire and Rescue
Kingston, 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 North Kitsap Fire and Rescue, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated October 30, 2024.

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 audit 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

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 30, 2024

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

North Kitsap Fire and Rescue January 1, 2023 through December 31, 2023

Board of Commissioners
North Kitsap Fire and Rescue
Kingston, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Unmodified and Adverse Opinions

We have audited the financial statements of North Kitsap Fire and Rescue, as of and for the year ended December 31, 2023, and the related notes to the financial statements, as listed in the financial section of our report.

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 North Kitsap Fire and Rescue, and its changes in cash and investments, for the year ended December 31, 2023, 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 North Kitsap Fire and Rescue, as of December 31, 2023, or the changes in financial position or cash flows thereof for the year 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 audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's financial statements. The Schedule of Liabilities is presented for purposes of additional analysis, as required by the prescribed BARS manual. This schedule is 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 as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2024 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, reading "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy, State Auditor

Olympia, WA

October 30, 2024

FINANCIAL SECTION

North Kitsap Fire and Rescue January 1, 2023 through December 31, 2023

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2023
Notes to the Financial Statements – 2023

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2023

Kitsap County Fire Protection District No 10
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2023

		Total for All Funds (Memo Only)	001 Expense Fund	201 Bond Fund	301 Capital Project Fund
Beginning Cash and Investments					
308	Beginning Cash and Investments	6,628,806	3,600,754	55,095	2,972,957
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	10,427,136	10,427,136	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	1,312,802	1,312,802	-	-
340	Charges for Goods and Services	1,670,159	1,670,159	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	340,499	259,110	1,100	80,289
Total Revenues:		13,750,596	13,669,207	1,100	80,289
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	11,579,746	11,579,746	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		11,579,746	11,579,746	-	-
Excess (Deficiency) Revenues over Expenditures:		2,170,850	2,089,461	1,100	80,289
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	883,262	827,066	-	56,196
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		883,262	827,066	-	56,196
Other Decreases in Fund Resources					
594-595	Capital Expenditures	964,634	964,634	-	-
591-593, 599	Debt Service	423,088	423,088	-	-
597	Transfers-Out	883,262	-	56,196	827,066
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		2,270,984	1,387,722	56,196	827,066
Increase (Decrease) in Cash and Investments:		783,128	1,528,805	(55,096)	(690,581)
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	2,888	2,888	-	-
50841	Committed	-	-	-	-
50851	Assigned	2,282,376	-	-	2,282,376
50891	Unassigned	5,126,673	5,126,673	-	-
Total Ending Cash and Investments		7,411,937	5,129,561	-	2,282,376

The accompanying notes are an integral part of this statement.

North Kitsap Fire & Rescue
Notes to the Financial Statements
For the year ended December 31, 2023

Note 1 - Summary of Significant Accounting Policies

North Kitsap Fire & Rescue was incorporated on May 17, 1947, and operates under the laws of the state of Washington applicable to a fire protection district. The district is a special purpose local government and provides fire protection, emergency medical services as well as accident and injury prevention services to the general public.

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 *Notes to 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 for proprietary and fiduciary funds are presented using classifications that are different from the ending net position classifications

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 district. It accounts for all financial resources except those required or elected to be accounted for in another fund. All EMS Levy revenue is collected and deposited into this fund. All operational expenses are tracked through this fund.

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. In October 2023

North Kitsap Fire & Rescue
Notes to the Financial Statements
For the year ended December 31, 2023

following advice from legal counsel and by Resolution, the Board transferred funds from the Bond Fund into the Capital Project Fund as the Bond requirements had been fulfilled. The Bond fund has a \$0.00 balance and is inactive.

Capital Projects Funds

These funds account for financial resources that 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. Cash and Investments

See Note 3 - *Deposits and Investments*.

D. Capital Assets

Capital assets are assets with an initial individual cost of more than \$2,500 and an estimated useful life in excess of 10 years. When purchased, capital assets and inventory are recorded as capital expenditures.

E. Compensated Absences

Vacation leave may be accumulated as reported on the Vacation Issuance Chart and vacation leave schedule, up to two years' worth of accrual, and is payable at the employee's regular hourly rate upon separation or retirement. Exempt and Non-Exempt employees, as specified in their individual employment agreement may request a cash out up to forty (40) hours of vacation leave annually at the employee's regular hourly rate.

Sick leave is accumulated up to 1,456 hours for shift personnel and 1,040 for daytime personnel.

Employees covered by a collective bargaining agreement are eligible to receive payment for unused sick leave upon separation or retirement. Payment for eligible hours is calculated at one-half times the employee's regular rate multiplied by eligible hours.

Employees classified as Exempt and Non-Exempt are also eligible to receive payment for unused sick leave. Exempt employees must provide a one-year notice of separation and are paid out according to the sick leave pay schedule depending on years of service. Non-Exempt employees must provide ninety (90) days advance notice of separation and are paid according to the sick leave pay schedule depending upon years of service.

Payments are recognized as expenditures when paid. The district's total cost of Compensated Absences is \$2,155,377

F. Long-Term Debt

See Note 5 – *Long-Term Debt*.

North Kitsap Fire & Rescue
Notes to the Financial Statements
For the year ended December 31, 2023

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 by the Governing Body. When expenditures that meet restrictions are incurred, the district intends to use the most restricted resources first.

The total of restrictions at fiscal year-end was \$2,888.

Restrictions and commitments of Ending Cash and Investments consist of donations whereby donated monies are designated by the donor for a specific use other than day-to-day operations. These monies are a part of the General Fund.

Note 2 - Budget Compliance

The district adopts annual appropriated budgets for its General Expense Fund. These budgets are appropriated at the department 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 Expenses	Variance
001 - Expense Fund	\$ 12,232,332.00	\$ 12,967,465.89	\$ (735,133.89)

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 authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the district's legislative body.

The variance depicted in the expenditures above can be attributed to overtime costs for career personnel: A significant portion of the overtime costs resulted from wildland mobilizations (deployed personnel and backfill of personnel deployed). The district receives reimbursement for these costs from the agency that requested assistance. Finally, the district had not planned on pre-paying for a new pumper. However, we realized significant cost savings by pre-paying for the apparatus. The Board, through resolution, moved monies held in the Capital Project Fund to cover the cost.

Note 3 – Deposits and Investments

North Kitsap Fire & Rescue
Notes to the Financial Statements
For the year ended December 31, 2023

Investments are reported at original cost. Deposits and investments by type at December 31, 2023, are as follows:

Type of Deposit or Investment	District's own deposits & investments	Deposits & investments held by the District as custodian for other local governments, individuals, or private organizations.	Combined
Bank Deposits	\$ 373,699.39	\$	\$ 373,699.39
Kitsap County Investment Pool (KCIP)	\$ 7,038,237.77	\$ -	\$ 7,038,237.77
<i>Totals</i>	\$ 7,411,937.16	\$ -	\$ 7,411,937.16

It is the district's policy to invest all temporary cash surpluses. The interest on these investments is deposited into the fund in which it was earned.

Investments in Kitsap County Investment Pool (KCIP)

The district is an involuntary participant in the 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 share. The KCIP does not impose liquidity fees or redemption gates on participant withdrawals/disclose any liquidity fees or redemption gates.

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 4 – Leases (Lessees)

The district leases two copiers from Pacific Office Automation; A Lexmark, for a 3-year lease term at \$85.96/month, ending April 2024 and a Konica for a 5-year lease term at \$133.00/month, ending October 2024. The district leases a postage meter from Pitney Bowes for \$145.65/quarter for a 5-year lease term, ending December 2024. For contracts under Pacific Office, the District would be responsible to fulfill the remaining lease payments on the contract period. For Pitney Bowes, the district must give 30 days' written notice by creating a case through their website. We then must return all items or purchase the equipment. And the district would be responsible for paying all taxes in full. Cancellation of all specified agreements would result in significant financial impact to the district as well as operational issues as these pieces of equipment are used in day-to-day administrative operations.

North Kitsap Fire & Rescue
Notes to the Financial Statements
For the year ended December 31, 2023

The total amount paid for leases in 2023 was \$3,432. As of December 31, 2023, the future lease payments are as follows:

Year Ended December 31	Lease Payments Total
2024	\$1,930
<i>Total</i>	\$1,930

Note 5 – 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 the year ending December 31, 2023. The debt service has been paid in full as of June 1, 2023.

Note 6 – Other Disclosures

In October 2023, the Board consulted with legal counsel with regard to the balance remaining in its GO Bond Fund. It was determined that the district was able to transfer the funds contained in the account into the Capital Projects Fund. Through Resolution, the transfer of \$56,195.64 was completed, leaving a \$0.00 balance. The Bond fund remains open per Kitsap Co to account for any spot equity distributions based on the previous 12 months. Should the district decide to run a measure in the future, this fund would be utilized.

Note 7 – 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 PERS 1/PERS 2/3, and LEOFF 2.

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

North Kitsap Fire & Rescue
Notes to the Financial Statements
For the year ended December 31, 2023

P.O. Box 48380
Olympia, WA 98540-8380

Also, the DRS ACFR may be downloaded from the DRS website at 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 and is available from the Office of Financial Management website at www.ofm.wa.gov.

At June 30, 2023 (the measurement date of the plans), the district's proportionate share of the collective net pension liabilities, as reported on the Schedule of Liabilities, was as follows:

Plan Type	Employer Contributions	Allocation Percentage	Liability (Asset)
PERS 1	\$ 43,230.51	0.006344%	\$ 144,816.52
PERS 2/3	\$ 71,828.35	0.008170%	\$ (334,862.40)
LEOFF 2	\$ 363,706.09	0.161134%	\$ (3,864,956.90)
VFFRPF	\$ 240.00	0.14%	\$ (27,467.36)

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 8 - Property Tax

The county treasurer acts as an agent to collect property tax levied in the county for all taxing authorities. Collections are distributed as they are received.

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 levy for the year 2023 was \$1.50 per \$1,000 on an assessed valuation of \$5,565,793,505 for a total regular levy of \$8,348,690.

The district's EMS levy for the year 2023 was \$0.370090 per \$1,000 on an assessed valuation of \$5,566,092,685 for a total EMS levy of \$2,059,955.

North Kitsap Fire & Rescue
Notes to the Financial Statements
For the year ended December 31, 2023

Note 9 – Risk Management

The district individually purchases our insurance for medical/vision and dental. We pay the Department of Labor & Industries premiums for Workman’s Compensation. We are classified as a reimbursable account with the Employment Security Department (ESD) for unemployment insurance. We also pay premiums to the ESD for WA Paid Family Medical Leave.

North Kitsap Fire & Rescue became a member of the Enduris Washington (Pool) effective September 1, 2023. Prior, the District purchased insurance through McNeil & Co. 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 contract for risk management, claims, and administrative services. The Pool was formed on 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, 2023, there were 518 Enduris members representing a broad array of special purpose districts throughout the state.

The Enduris program provides 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 policy. Pollution and Cyber coverage are provided on a claims-made coverage form. Crime coverage is provided on a discovery 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 apply 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 below reflect the Pool’s SIR, reinsurance limits, and member deductibles/co- pays by coverage type.

North Kitsap Fire & Rescue
Notes to the Financial Statements
For the year ended December 31, 2023

Coverage	Coverage Type	Pool Self-Insured Retention	Excess/Reinsurance Limits	Member Deductibles/Co-Pays (1)
Liability:				
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(2)	Per Occurrence Pool Aggregate	\$500,000 \$1 million	None	\$1,000 - \$100,000
Employment Practices Liability	Per Occurrence Member Aggregate	\$1 million	\$20 million \$20 million	20% Copay(3)

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

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

Members pay a 20% co-pay of costs. By meeting established guidelines, the co-pay may be waived.

North Kitsap Fire & Rescue
Notes to the Financial Statements
For the year ended December 31, 2023

Coverage	Coverage Type	Pool Self-Insured Retention	Excess/ Reinsurance Limits	Member Deductibles/ Co-Pays (1)
Property (2):				
Buildings and Contents	Per Occurrence	\$250,000	\$1 billion	\$1,000 - \$250,000
Mobile Equipment	Per Occurrence	\$250,000	\$1 billion	\$1,000 - \$250,000
Boiler and Machinery (3)	Per Occurrence	Varies	\$100 million	Varies
Business Interruption (BI)/ Extra Expense (EE) (4)	Per Occurrence	\$250,000	\$100 million (BI)/ \$50 million (EE)	\$1,000 - \$250,000
Sublimit (5):				
Flood	Per Occurrence	\$250,000	\$50 million (shared by Pool members)	\$1,000 - \$250,000
Earthquake	Per Occurrence	5% of indemnity, subject to a \$250,000 minimum	\$10 million (shared by Pool members)	\$1,000 - \$250,000
Terrorism Primary	Per Occurrence Pool Aggregate	\$250,000	\$100 million per occurrence \$200 million aggregate	\$1,000 - \$250,000
Terrorism Excess	Per Occurrence APIP Per Occurrence APIP Aggregate	\$500,000	\$600 million/ Pool aggregate \$1.1 billion/ per occurrence APIP program \$1.4 billion/ APIP program aggregate	\$0
Automobile Physical Damage(6)	Per Occurrence	\$25,000; \$100,000 for Emergency Vehicles; \$250,000 for Emergency Vehicles valued >\$750,000	\$1 billion	\$250 - \$1,000
Crime Blanket (7)	Per Occurrence	\$50,000	\$1 million	\$1,000

North Kitsap Fire & Rescue
Notes to the Financial Statements
For the year ended December 31, 2023

Named Position (8)	Per Occurrence	\$50,000	\$1 million	\$1,000
Cyber (9)	Each Claim APIP	\$100,000	\$2 million	20% Copay
	Aggregate		\$40 million	
Identity Fraud Expense Reimbursement (10)	Member	\$0	\$25,000	\$0
	Aggregate			

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.

Property coverage for each member is based on a detailed property schedule. Scheduled items are covered to the extent of the cost of repair or replacement according 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 \$1 billion except for certain types of sub-limited property losses such as flood, earthquake, and terrorism.

Boiler and Machinery self-insured retention for the Pool varies depending on motor horsepower.

Business Interruption/ Extra expense coverage is based on scheduled revenue-generating locations/operations. A limited number of members are scheduled, 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.

This sub-limit 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.

Auto Physical Damage coverage includes comprehensive, named perils and collision. Coverage for each member is based on a detailed vehicle schedule.

Crime Blanket coverage (also referred to as "Employee Dishonesty Coverage with Faithful Performance" of \$2,500 is provided to each member. Members may elect to "buy up" the level of coverage from \$5,000 to \$2 million.

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.

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/member's 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.

Enduris purchases Identity Fraud Expense Reimbursement coverage. Member claims do not have a deductible. There is a \$25,000 limit per member.

North Kitsap Fire & Rescue
Notes to the Financial Statements
For the year ended December 31, 2023

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 above 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. They must give notice 60 days before renewal 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 contributing to Enduris for any unresolved, unreported, and in-process claims for the period they were a signatory to the Interlocal Governmental Agreement.

Its member participants fully fund Enduris. Members file claims with the Pool, which determines coverage and administers the claims.

The Pool is governed by a Board of Directors comprising seven 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 Enduris's business affairs and providing policy direction to the Pool's Executive Director.

Note 10 – SBITA (Lessees)

During 2023, the district adopted guidance for the presentation and disclosure of Subscription Based Information Technology Arrangements (SBITA), as required by the BARS manual. This requirement resulted in the addition of a subscription liability reported on the Schedule of Liabilities.

This district has determined in the current reporting period, it has one year left of a multi-year agreement, followed by a three-year (36-month) software agreement with Insight for bundled Microsoft O365 products, including G1 and G3 licenses, MS Exchange Online Archiving, Home and Business 2021, and Audioconferencing that is subject to the disclosure mentioned in the paragraph above. The agreement is renewed every three years. The district can extend by completing a True Up Order between 60 and 30 days before the end of the three-year term. In the final year of enrollment, the order is due 30 days before the enrollment expiration date. The district can decide not to renew the agreement; however, the licenses will be canceled and terminated as of the expiration date. Any associated media must be uninstalled and destroyed, and its use must be discontinued. Microsoft may require certification of these terms.

Year	SBITA Payments
2024	\$12,651.28
2025	\$12,651.28
2026	\$12,651.28
<i>Total</i>	\$37,953.84

Kitsap County Fire Protection District No 10
Schedule of Liabilities
For the Year Ended December 31, 2023

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
263.96	LP_2019D (WASCOP19D)	6/1/2023	310,592	-	310,592	-
Total General Obligation Debt/Liabilities:			310,592	-	310,592	-
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absences		3,761,827	-	1,606,450	2,155,377
264.30	Pension Liabilities		163,944	-	19,127	144,817
263.52	2018 Ambulance Lease Purchase	2/1/2023	85,490	-	85,490	-
263.57	Konica Copier	10/3/2024	2,793	-	1,596	1,197
263.57	Lexmark Copier	4/26/2024	1,404	-	1,108	296
263.57	SendProC Postage Meter	12/29/2024	1,165	-	728	437
263.57	Microsoft 365	1/31/2027	12,286	37,954	12,286	37,954
Total Revenue and Other (non G.O.) Debt/Liabilities:			4,028,909	37,954	1,726,785	2,340,078
Total Liabilities:			4,339,501	37,954	2,037,377	2,340,078

ABOUT THE STATE AUDITOR'S OFFICE

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

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

Our audits look at financial information and compliance with federal, state and local laws for all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits and cybersecurity audits of state agencies and local governments, as well as state whistleblower, fraud and citizen hotline investigations.

The results of our work are available to everyone through the more than 2,000 reports we publish each year on our website, www.sao.wa.gov. Additionally, we share regular news and other information via an email subscription service and social media channels.

We take our role as partners in accountability seriously. The Office provides training and technical assistance to governments both directly and through partnerships with other governmental support organizations.

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