



Office of the Washington State Auditor  
Pat McCarthy

# Financial Statements Audit Report

## Kitsap 911 Public Authority

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

*Published December 26, 2024*

Report No. 1036407



Scan to see another great way  
we're helping advance  
#GoodGovernment



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

December 26, 2024

Board of Directors  
Kitsap 911 Public Authority  
Bremerton, Washington

**Report on Financial Statements**

Please find attached our report on the Kitsap 911 Public Authority's financial statements.

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

Sincerely,

Pat McCarthy, State Auditor  
Olympia, WA

***Americans with Disabilities***

*In accordance with the Americans with Disabilities Act, we will make this document available in alternative formats. For more information, please contact our Office at (564) 999-0950, TDD Relay at (800) 833-6388, or email our webmaster at [webmaster@sao.wa.gov](mailto:webmaster@sao.wa.gov).*

## TABLE OF CONTENTS

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	4
Independent Auditor's Report on the Financial Statements .....	7
Financial Section .....	11
About the State Auditor's Office .....	29

## 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*

#### **Kitsap 911 Public Authority January 1, 2023 through December 31, 2023**

Board of Directors  
Kitsap 911 Public Authority  
Bremerton, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Kitsap 911 Public Authority, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Authority's financial statements, and have issued our report thereon dated December 20, 2024.

We issued an unmodified opinion on the fair presentation of the Authority'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 Authority 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 Authority'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 Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 Authority'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 Authority'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 Authority'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 Authority'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 style with a large, stylized "P" and "M".

Pat McCarthy, State Auditor

Olympia, WA

December 20, 2024

# INDEPENDENT AUDITOR'S REPORT

## Report on the Audit of the Financial Statements

### **Kitsap 911 Public Authority January 1, 2023 through December 31, 2023**

Board of Directors  
Kitsap 911 Public Authority  
Bremerton, Washington

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

### **Unmodified and Adverse Opinions**

We have audited the financial statements of the Kitsap 911 Public Authority, 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 Authority 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 the Kitsap 911 Public Authority, 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 the Kitsap 911 Public Authority, 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 Authority, 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 Authority 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 Authority'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 Authority'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 Authority'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 Authority'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 December 20, 2024 on our consideration of the Authority'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 Authority'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 Authority's internal control over financial reporting and compliance.

A handwritten signature in black ink, reading "Pat McCarthy". The signature is fluid and cursive, with the first name "Pat" and last name "McCarthy" clearly distinguishable.

Pat McCarthy, State Auditor

Olympia, WA

December 20, 2024

## **FINANCIAL SECTION**

### **Kitsap 911 Public Authority January 1, 2023 through December 31, 2023**

#### **FINANCIAL STATEMENTS**

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

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

Schedule of Liabilities – 2023

**Kitsap 911 Public Authority**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2023**

**Beginning Cash and Investments**

308	Beginning Cash and Investments	10,921,096
388 / 588	Net Adjustments	-

**Revenues**

310	Taxes	-
320	Licenses and Permits	-
330	Intergovernmental Revenues	16,731,138
340	Charges for Goods and Services	2,463,092
350	Fines and Penalties	-
360	Miscellaneous Revenues	864,442
Total Revenues:		20,058,672

**Expenditures**

510	General Government	-
520	Public Safety	13,626,316
530	Utilities	-
540	Transportation	-
550	Natural/Economic Environment	-
560	Social Services	-
570	Culture and Recreation	-
Total Expenditures:		13,626,316
Excess (Deficiency) Revenues over Expenditures:		6,432,356

**Other Increases in Fund Resources**

391-393, 596	Debt Proceeds	-
397	Transfers-In	-
385	Special or Extraordinary Items	-
381, 382, 389, 395, 398	Other Resources	-
Total Other Increases in Fund Resources:		-

**Other Decreases in Fund Resources**

594-595	Capital Expenditures	4,994,323
591-593, 599	Debt Service	170,712
597	Transfers-Out	-
585	Special or Extraordinary Items	-
581, 582, 589	Other Uses	45,000
Total Other Decreases in Fund Resources:		5,210,035

**Increase (Decrease) in Cash and Investments:** **1,222,321**

**Ending Cash and Investments**

50821	Nonspendable	-
50831	Restricted	-
50841	Committed	7,434,752
50851	Assigned	2,510,702
50891	Unassigned	2,197,960
<b>Total Ending Cash and Investments</b>		<b>12,143,414</b>

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

**Kitsap 911 Public Authority**  
**Fiduciary Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2023**

		<u>Custodial</u>
308	Beginning Cash and Investments	9,375
388 & 588	Net Adjustments	-
310-390	Additions	45,000
510-590	Deductions	<u>37,985</u>
	Net Increase (Decrease) in Cash and Investments:	7,015
508	Ending Cash and Investments	16,390

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

**Kitsap 911 Public Authority**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2023**

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

Kitsap 911 Public Authority (“Kitsap 911” or the “Authority”) was incorporated on December 26<sup>th</sup>, 2016, and operates under the laws of the state of Washington applicable to a Public Development Authority. The Authority is a special purpose local government and provides Enhanced 911 Operations and Emergency Dispatch Services to local governments and residents in Kitsap County, Washington.

The Authority 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 the 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 in GAAP.

**A. Fund Accounting**

Financial transactions of the Authority 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 Authority’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 Authority. It accounts for all financial resources, except those required or elected to be accounted for in another fund.

**FIDUCIARY FUND TYPES:**

Fiduciary funds account for assets held by the Authority in a trustee capacity or as a custodian on behalf of others.

Custodial Fund – These funds are used to account assets that the Authority holds on behalf of others in a custodial capacity.

**Kitsap 911 Public Authority**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2023**

**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 \$5,000 and an estimated useful life of more than 1 year. Infrastructure assets are considered capital assets when the cost exceeds \$25,000 with an estimated useful life of more than 1 year. Capital assets and inventory are recorded as capital expenditures when purchased.

**E. Compensated Absences**

Annual Leave

Annual leave may be accumulated up to three hundred sixty (360) hours and is payable upon separation or retirement. As of December 31, 2023, the estimated cost of unpaid annual leave was \$456,718.

Compensatory Time

Compensatory time is leave that may be accrued in lieu of receiving overtime pay. The employee may accrue any amount of compensatory time, but it must be used within the calendar year in which the time was earned. At the discretion of the employee, he/she may cash-out their unused compensatory time at any point during the year. Any unused compensatory time earned during the year will be automatically cashed out on the first pay cycle in December, upon separation or retirement. Any compensatory time earned during December that is not used on or before December 31 will be cashed out on the first pay cycle in the following year. Payments are recognized as expenditures when paid. As of December 31, 2023, the estimated cost of unpaid compensatory time was \$10,635.

Schedule Correction Hours

The Authority also tracks schedule-correction hours to adjust for certain work shifts. Qualifying employees may use up to thirty (30) schedule-correction hours each calendar year; the number of hours is prorated based on the employee's FTE status. Unless reserved by the employee for use in December, any unused schedule-correction hours earned during the year will be automatically cashed out on the first pay cycle in December, upon separation or retirement. Any schedule correction hours not taken as leave on or before December 31 will be cashed out on the first pay cycle in the following year. As of December 31, 2023, the estimated cost of unpaid schedule correction hours was \$621.

**Kitsap 911 Public Authority**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2023**

Sick Leave

Non-exempt employees have two sick leave banks, designated as “Regular Sick Leave” (“Regular”) and “Washington Sick Leave” (“WASL”), while exempt employees have only the Regular bank. A full-time employee (“FTE”) hired before 2004 accrues 4.62 hours per pay period (120 hours annually) while an FTE hired thereafter accrues 3.69 hours per pay period (96 hours annually). The rate of accrual is prorated based on the employee’s FTE status.

For every 40 hours worked by a non-exempt employee (excluding any leave taken), the Authority fractionally deducts one hour from the employee’s total sick leave accrual and credits an equal amount of time to the employee’s WASL bank, not to exceed the employee’s total accrual, except when the WASL hours earned would exceed the total accrual. Up to a combined one thousand two hundred (1,200) hours may be accumulated and carried over to the following year. By no later than December 31 of each year, the Authority will transfer any balance in excess of 40 hours in each non-exempt employee’s WASL bank to their Regular bank.

At the discretion of the employee, and subject to certain contractual criteria, he/she may convert their unused sick leave to annual leave on a 5-to-1 ratio (5:1); no such leave is eligible for a cash-out option, whether upon separation or retirement. Additionally, on the first pay cycle in December, the Authority offers to buy back unused Regular sick leave at the employee’s then-current hourly rate subject to the following limits during the trailing 12-month period between November 16 and November 15 (“Buy Back Option”):

1. An employee that uses zero hours of regular sick leave in that calendar year may sell back up to 30 hours of regular sick leave.
2. An employee that uses one to 15 hours of regular sick leave in that calendar year may sell back up to 20 hours of regular sick leave.
3. An employee that uses 16 to 30 hours of regular sick leave in that calendar year may sell back up to 10 hours of regular sick leave.

As of December 31, 2023, the estimated cost of sick leave preliminarily eligible for the Buy Back Option was \$104,114.

As December 31, 2023, the total estimated cost of unpaid compensated absences was \$572,088.

**Kitsap 911 Public Authority**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2023**

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

Beginning and Ending Cash and Investments are reported as restricted or committed when they are subject to restrictions on use imposed by external parties or due to internal commitments established by the Authority's Board of Directors. When expenditures that meet restrictions are incurred, the Authority intends to use the most restricted resources first.

As of December 31, 2023, restrictions and commitments of Ending Cash and Investments in the Authority's General Fund consisted of:

Fund Name	Restricted Portion of Ending Balance	Committed Portion of Ending Balance	Combined	Reason for Restriction or Commitment
001 - Operating Fund	-	7,434,752	<b>7,434,752</b>	This is the amount committed by the Authority's Board of Directors, primarily for the Radio Replacement Project, as well as various technical systems upgrades and other projects which are non-operational in nature.

**G. SBITA Liability**

SBITA liabilities consist of amounts recorded in compliance with GASB 96, Subscription-Based Information Technology Arrangements ("SBITAs"). The Authority has recorded its long-term SBITA liability, and payments are expensed as incurred for both long- and short-terms SBITAs.

At the commencement of a SBITA, the Authority determines whether the agreement qualifies as a long-term SBITA as defined by GASB 96, and estimates the liability based on the payments due during the term. Subsequently, the liability is reduced by the principal portion of the SBITA payments made, and adjusted for any additions, reductions, or other modifications to the term, pricing, rates, or other material elements, as applicable. See Note 8.

**H. Asset Retirement Obligations**

See Note 7, Asset Retirement Obligations.

**Note 2 – Budget Compliance**

The Authority adopts annual appropriated budgets for all funds. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

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

The 2023 appropriated and actual expenditures for the legally adopted budget were as follows:

**Kitsap 911 Public Authority**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2023**

Fund	Final Appropriated Amounts	Actual Expenses	Variance	Explanation of Variances
001 - Operating Fund	26,505,728	18,836,351	7,669,377	Of this variance, \$5.6M is due to the uncertain milestone payment timing for the Radio Replacement Project, \$1.8M was due to other capital projects not completed in 2023, and \$0.2M in operating costs that were lower than anticipated, primarily driven by payroll costs.

Budgeted amounts are authorized to be transferred between departments within any fund or 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 Authority's legislative body.

**Note 3 – Deposits and Investments**

Investments are reported at fair market value. As of December 31, 2023, deposits and investments by type were as follows:

Type of Deposit or Investment	The Authority's own deposits & investments	Deposits & investments held by the Authority as custodian for other local governments, individuals, or private organizations.	Combined
Kitsap County Investment Pool	\$ 9,818,556	\$ -	\$ 9,818,556
Bank Deposits	2,324,858	16,390	2,341,248
<b>Total</b>	<b>\$ 12,143,414</b>	<b>\$ 16,390</b>	<b>\$ 12,159,804</b>

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

**Investments in the Kitsap County Investment Pool**

The Authority is an involuntary participant in the Kitsap County Investment Pool ("KCIP" or "Pool"), an external investment pool operated by the Kitsap County Treasurer. The Pool is not rated and not registered with the SEC. Rather; oversight is provided by the State Finance Committee in accordance with Chapter 43.250 RCW. Investments in the LGIP are reported at amortized cost, which is the same as the value of the Pool per share. The KCIP does not impose any restrictions on participant withdrawals.

The Office of the State Treasurer prepares a stand-alone financial report for the Pool. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, online at [www.tre.wa.gov](http://www.tre.wa.gov).

**Kitsap 911 Public Authority**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2023**

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in event of a failure of a depository financial institution, the Authority 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 Authority'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 Authority or its agent in the Authority's name.

**Note 4 – Pension Plans**

Substantially all the Authority's full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (the "DRS"), under cost-sharing, multiple-employer public employee defined benefit retirement plans PERS 1, PERS 2, & PERS 3.

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

The DRS, 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).

As of June 30, 2023 (the measurement date of the plans), the Authority had its proportionate share of the collective net pension asset ("NPA") and net pension liability ("NPL") as follows:

Plan Type	Employer Contributions	Allocation Percentage	Plan Liability / Asset	NPL	NPA
PERS 1 UAAL	\$ 313,268	0.04597200%	\$ 2,282,732,000	\$ 1,049,418	\$ -
PERS 2/3	520,687	0.05922100%	(4,098,683,000)	-	2,427,281
<b>Totals</b>	<b>\$ 833,955</b>		<b>\$ (1,815,951,000)</b>	<b>\$ 1,049,418</b>	<b>\$ 2,427,281</b>

The Authority's NPL is reported on the Schedule of Liabilities.

**Note 5 – Risk Management**

Kitsap 911 Public Authority is a member of the Washington Cities Insurance Authority (WCIA). Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and / or jointly contracting for risk management services. WCIA has a total of 169 members.

**Kitsap 911 Public Authority**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2023**

New members initially contract for a three-year term, and thereafter automatically renew on an annual basis. A one-year withdrawal notice is required before membership can be terminated. Termination does not relieve a former member from its unresolved loss history incurred during membership.

Liability coverage is written on an occurrence basis, with deductibles of \$25,000 and \$1,000 for the Property Program and Automobile Physical Damage Program, respectively. Coverage includes general, automobile, police errors or omissions, stop gap, employment practices, and employee benefits liability. Limits are \$4 million per occurrence in the self-insured layer, and \$16 million in limits above the self-insured layer is provided by reinsurance. Total limits are \$20 million per occurrence subject to aggregates and sublimits. The Board of Directors determines the limits and terms of coverage annually.

All Members are provided a separate cyber risk policy and premises pollution liability coverage group purchased by WCIA. The cyber risk policy provides coverage and separate limits for security & privacy, event management, and cyber extortion, with limits up to \$1 million and subject to member deductibles, sublimits, and a \$5 million pool aggregate. Premises pollution liability provides Members with a \$2 million incident limit and \$10 million pool aggregate subject to a \$100,000 per incident Member deductible.

Insurance for property, automobile physical damage, fidelity, inland marine, and equipment breakdown coverage are purchased on a group basis. Various deductibles apply by type of coverage:

- Property coverage is self-funded from the members' deductible to \$1,000,000, for all perils other than flood and earthquake, and insured above that to \$400 million per occurrence subject to aggregates and sublimits.
- Automobile physical damage coverage is self-funded from the members' deductible to \$1,000 and insured above that to the actual cash value for scheduled vehicles subject to aggregates and sublimits.

Insurance for equipment breakdown, pollution liability, crime/fidelity, and information security coverage are purchased on an individual basis. Various deductibles apply by type of coverage:

- Equipment breakdown (boiler and machinery) coverage is self-funded from the members' deductible to \$50,000 and insured above that to a maximum limit of \$100 million subject to aggregates and sublimits.
- Pollution liability coverage is self-funded from the members' deductible to \$100,000 and five days and insured above that to \$2 million per condition subject to aggregates and sublimits.
- Crime/fidelity coverage is self-funded from the members' deductible to \$50,000 and insured above that to \$2.5 million per occurrence subject to aggregates and sublimits.
- Information security coverage is self-insured from the members' deductible to \$50,000 and insured above that to \$1 million subject to aggregates and sublimits.

In-house services include risk management consultation, loss control field services, and claims and litigation administration. WCIA contracts for certain claims investigations, consultants for personnel and land use issues, insurance brokerage, actuarial, and lobbyist services.

WCIA is fully funded by its members, who make annual assessments on a prospectively rated basis, as determined by an outside, independent actuary. The assessment covers loss, loss adjustment, reinsurance and other administrative expenses. As outlined in the interlocal, WCIA retains the right to additionally assess the membership for any funding shortfall.

**Kitsap 911 Public Authority**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2023**

An investment committee, using investment brokers, produces additional revenue by investment of WCIA's assets in financial instruments which comply with all State guidelines.

A Board of Directors governs WCIA, which is comprised of one designated representative from each member. The Board elects an Executive Committee and appoints a Treasurer to provide general policy direction for the organization. The WCIA Executive Director reports to the Executive Committee and is responsible for conducting the day to day operations of WCIA.

**Note 6 - Leases**

As of December 31, 2023, no debt issuances or installment purchases were noted, and long-term leases were as follows:

- The Authority leases land, buildings, and other structures from various vendors and government agencies to facilitate the use of its emergency telecommunication equipment ("Tower Site"). The duration of each Tower Site agreement term varies but as of the date of this report, all extensions are likely, and no early terminations are expected.
  - Gold Mountain Tower – WA State Department of Natural Resources
    - The annual payment of \$54,309 is subject to a 3.0% increase per year. The length of the initial term, which began in 2020, is 20 years, after which the State may extend the lease for a period not exceeding one year. Upon expiration of the extension period, the State may issue a temporary permit not to extend beyond a five-year period. Including all extension periods, the remaining term of this lease is approximately 23 years.
    - The Authority may terminate this lease at any time with 180 days' notice, provided no amounts are due to the State and all applicable equipment and improvements have been removed.
  - Simon Point Tower - WA State Department of Natural Resources
    - The annual payment of \$18,629 is subject to a 3.0% increase per year. The length of the term, which began in 2010, is 20 years, after which there is no explicit option to extend. The remaining term of this lease is approximately 7 years.
    - The Authority may terminate this lease at any time with 360 days' notice, provided no amounts are due to the State and all applicable equipment and improvements have been removed.
  - View Park Tower – GTP Towers I, LLC
    - The monthly payments of \$4,853 are subject to a 4.25% increase per year. The length of the initial term, which began in 2005, is 15 years, followed by up to two additional five-year terms which renew automatically, unless the Authority notifies the lessor of its intent not to renew at least ninety days prior to the end of the then-current term, followed by month-to-month terms. The remaining term of this lease is approximately 7 years.
    - The Authority may terminate this lease with 90 days' notice, provided that the termination is necessitated by any governmental action resulting in the withdrawal of funding which supports the lease.

**Kitsap 911 Public Authority**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2023**

- Teal Lake Tower – Rayonier
  - The annual payment of \$2,619 is subject to a 5.0% increase per year. The length of the initial term, which began in 2003, is 10 years, after which the lease automatically renews for up to three five-year terms, unless the Authority notifies the lessor of its intent not to renew at least ninety days prior to the end of the then-current term. Upon the expiration of the third renewal period, the lease may be extended for up to two additional five-year renewal periods upon mutual agreement. The remaining term of this lease is approximately 14 years.
  - The Authority may terminate the lease if due to certain materially significant conditions, subject to various prior notice requirements.
- Suquamish Tower – Suquamish Tribe
  - The annual payment of \$32,168 is subject to a 2.25% increase per year. The length of the initial term, which began in 2006, is 30 years and upon expiration, may be extended by one additional 30-year term with 360 days' prior notice, provided first that the Authority is not in default of any material term of the lease and then that the lessor has no other preferred use for the tower or tower site; the lessor shall provide one years' advance written notice to the Authority, if the lessor has some other preferred use at the end of the initial term. The remaining term of this lease is approximately 42 years.
  - The Authority may terminate the lease if due to certain materially significant conditions, subject to various prior notice requirements.
- Mandus Olson Tower – Bainbridge Island School District
  - The annual payment of \$1 is due on or before the first day of each year. The length of the initial term, which began in 1996, is 99 years and upon expiration, may be "held over" on a month-to-month basis. If held over, which is subject to the implied or express consent of the Lessor, all other terms remain in effect and the month-to-month rate transitions to 1.25 times the fair market rent as of the termination date.
  - The Authority may terminate the lease with one year's written notice and removal of all equipment identified in the agreement.
- The Authority leases a Toshiba photocopier. The term of this lease, which began in 2021, is 5 years and is non-cancellable. Payments of \$243 are paid monthly and the remaining term of this lease is approximately 3 years.

**Kitsap 911 Public Authority**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2023**

The total amount paid for leases in 2023 was approximately \$166,080, and the Authority's estimated future lease payment obligations are as follows:

<b>Year</b>	<b>Lease Payments</b>
2024	173,829
2025	188,197
2026	184,557
2027	187,154
2028	192,861
2029-2033	673,689
2034-2038	633,334
2039-2043	702,882
2044-2048	369,490
2049-2053	300,051
2054-2058	335,360
2059-2063	374,824
2064-2068	107,404
<b>Total</b>	<b>4,423,633</b>

Certain of our lease agreements contain provisions which allow for a periodic market rate reassessment, as well as for the inclusion of variable costs which cannot be reasonably determined in advance (e.g., utilities, permitting, administrative fees). While inherent, the financial impact of this variability is expected to be immaterial, and future lease payments may differ from our current expectations as a result.

**Note 7 – Asset Retirement Obligations**

The Authority's Tower Site agreements contain various contractual requirements that, upon termination, the site will be decommissioned to a certain degree. While the Authority does not expect to decommission any of its Tower Sites due to their integral roles in ensuring the continuity and reliability of the telecommunications network they support, the following are the significant elements of what would be required upon termination of each respective agreement:

**Kitsap 911 Public Authority**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2023**

- Gold Mountain Tower Site
  - The leased area must be returned to the same or better condition as on the effective date, reasonable wear and damage from casualty or natural disaster excepted. All equipment and improvements constructed or installed must be removed, except as otherwise agreed.
  - The State may require the Authority to provide a Phase I – environmental site assessment or equivalent to identify any environmental contamination.
- Simon Point Tower Site
  - All lease-owned improvements, including fixtures, must be removed from the site within 60 days of the termination date.
- View Park Tower Site
  - All equipment must be removed from the site within 60 days of the termination or expiration of the lease term, and the property must be surrendered in as good a condition as when initially leased, normal wear and tear excepted.
- Teal Lake Tower Site
  - Any antennae and other equipment that is not a fixture to the property must be removed; however, within 30 days after expiration or termination, the lessor will provide notice to the Authority as to whether the facility, road, fence, concrete pad, tower, and utility facilities may remain and be assumed by the lessor.
  - The easement, as well as any areas not included in the notification from the lessor, must be restored to a condition suitable for the planting and cultivation of trees for timber harvesting purposes.
- Suquamish Tribe Tower Site
  - Within 30 days of expiration or termination, all communications equipment must be removed, and the leased facilities must be surrendered in as good a condition as when initially leased, normal wear and tear excepted, as well as any damage caused by casualty or by intentional misconduct or negligence of other lessees or the lessor.
- Apple Cove Tower Site
  - All personal property and fixtures must be removed from the site within 60 days of the termination date and restore the site to its original condition, reasonable wear and tear excepted.
- Mandus Olson Tower Site
  - The radio transmitter building and antenna, and any other fixtures furnishings, or equipment must be removed from the site without notice upon the termination date. Any property not removed by the Authority becomes property of the Lessor and any subsequent removal, disposal, and repair costs associated with the property shall be borne by the Authority.
- Newberry Hill Backup Center
  - Upon termination or default, the Authority must peacefully quit and surrender the premises without notice, leaving the premises neat and clean. The Lessor may require that any or all alterations, additions, or improvements made by the Authority be removed, and the premises must be restored to their previous condition, less reasonable wear and tear.

Excluding tax, permitting, analysis, engineering, and other fees that cannot be reasonably estimated without a formal bid, the combined demolition and remediation cost for all tower sites is approximately \$3.34M. The estimated cost is adjusted annually based on the Consumer Price Index.

**Kitsap 911 Public Authority**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2023**

**Note 8 – Subscription-Based Information Technology Arrangements (SBITAs)**

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

For the year ended December 31, 2023, the Authority used its SBITA policy to evaluate financial agreements that are potential SBITAs. As of December 31, 2023, the following agreement was noted:

- Power DMS – Effective 11/07/2021
  - This agreement has a noncancellable initial term of 60 months, and thereafter a noncancellable term of 30 days for each successive 12-month renewal period. While renewal is likely, the agreement is subject to repricing at the beginning of the renewal period. The cost basis for initial term is approximately \$25K.

The total amount paid for SBITAs in 2023 was approximately \$5K. As of December 31, 2023, the future SBITA payment obligations are as follows:

SBITA	
Year	Payments
2024	5,676
2025	6,722
<b>Total</b>	<b>12,398</b>

**Note 9 - Other Disclosures**

**Radio Replacement Project**

The Authority is currently in the process of a large, multi-year project to replace its radio and microwave system (the “Radio Project”). Primarily for this purpose, on November 2, 2021, voters in Kitsap County approved Proposition 2, which increased the Authority’s allocation of total sales tax revenues from 1/10th of 1.0% to 2/10ths (or 1/5th) of 1.0%. The Authority began receiving this additional allocation in June 2022 and all revenues have been assigned for the purpose of funding the Radio Project. The total capital outlay for the Radio Project is estimated to be approximately \$41M, of which approximately \$11-13M will likely need to be financed through a bond or a loan in the latter part of 2025.

On March 7, 2023, Resolution 2023-002 was adopted. This resolution does not commit the Authority to take any specific financing action and no decision has been made as to whether the Authority will issue a bond or a series of bonds, but this resolution serves as the Authority’s official intent to reimburse up to \$6.0M (this amount may be adjusted through future amendments, if needed) in expenditures with proceeds of a borrowing, if such a decision is made.

As of the date of this report, the Authority has sufficient revenues and reserves to meet the current cost obligations of the Radio Project.

**Alerting Project**

In 2018, the Authority began work to deploy a digital alerting solution ("Alerting Project") in all career fire stations, which includes a text-to-speech component to voice call details. The Alerting Project was completed in the Fall of 2022, and the remaining unspent funds allocated to this project were spent in 2024 on software as requested by the fire agencies.

**Kitsap 911 Public Authority**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2023**

Assignment of Tower Site at Mandus Olson

On May 1, 2023, Bainbridge Island Fire Department (“BIFD”), a municipal corporation, assigned its entire interest in a Tower Site lease between BIFD and the Bainbridge Island School District No. 303 (“BISD”). The original lease agreement dated November 27, 1996, has a term of 99 years, and includes a tower and building on the property owned by BISD. The rent payable to BISD is one dollar per year and the Authority may terminate the lease with one year’s notice and agreement to surrender the site and remove all real property upon termination.

Termination of the Department of Emergency Management’s Daily Operations at Kitsap 911

Effective July 31, 2023, the Department of Emergency Management (“DEM”) terminated its presence from and ceased its daily operations at Kitsap 911’s headquarters. Prior to that date, DEM maintained a significant physical presence in the building, including office spaces, a reception desk, and a large meeting space primarily used to coordinate the activities of multiple agencies during emergencies or other large events; and as a result, it paid a pro rata share of the operations and maintenance expenses. While DEM will no longer pay for any such expenses going forward, it still maintains access to the building and continues to provide insurance coverage for the facility structure and communication tower.

Subsequent Events

- Senate Bill 5808
  - Senate Bill 5808, which was signed into law on March 15, 2024, and becomes effective on June 6, 2024, grants interest arbitration rights to Public Safety Telecommunicators in Washington State, except those employed by the Washington State Patrol. The term of the Authority’s current collective bargaining agreement ends on December 31, 2025, and negotiations for the subsequent agreement will begin sometime in 2025.
- Changes in Management
  - On January 30, 2024, Richard Kirton resigned from his position as Executive Director. Maria Jameson-Owens, the then-current Deputy Director, was appointed as the interim Executive Director until May 1, 2024, when the Authority’s Board of Directors made this appointment permanent.
  - On October 7, 2024, Brandon Wecker was hired as Deputy Director to fill the vacancy left by Maria Jameson-Owens’ appointment as Executive Director. This was a promotion from his previous position as Technology Services Manager.

**Kitsap 911 Public Authority**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2023**

Interlocal Agreements

The Authority enters into interlocal agreements with other governments, primarily for the provision of dispatch services. The following are those agencies for whom dispatch services are provided and with whom such agreements were in effect as of December 31, 2023:

- Bainbridge Island Fire Department
- City of Bainbridge Island
- Central Kitsap Fire & Rescue
- City of Port Orchard
- City of Poulsbo
- City of Bremerton
- Kitsap County
- Kitsap County Fire District #18/Poulsbo Fire Department
- Kitsap County Humane Society
- North Kitsap Fire & Rescue
- Port Gamble S'Klallam Tribe
- South Kitsap Fire & Rescue
- Suquamish Tribal Council

**Kitsap 911 Public Authority  
Schedule of Liabilities  
For the Year Ended December 31, 2023**

<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>Revenue and Other (non G.O.) Debt/Liabilities</b>						
259.12	Compensated Absences		442,644	129,445	-	572,089
264.30	Pension Liabilities		1,112,995	-	63,577	1,049,418
263.57	Gold Mountain Tower Site Lease		1,658,407	-	54,309	1,604,098
263.57	Simon Point Tower Site Lease		149,616	-	18,365	131,251
263.57	View Park Tower Site Lease		474,581	-	58,028	416,553
263.57	Teal Lake Tower Site Lease		56,643	-	540	56,103
263.57	Suquamish Tribe Tower Site Lease		2,237,638	-	32,168	2,205,470
263.57	Mandus Olson Tower Site		-	72	-	72
263.57	Toshiba Photocopier		12,756	-	2,670	10,086
263.57	SBITAs		17,030	-	4,632	12,398
<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>			<b>6,162,310</b>	<b>129,517</b>	<b>234,289</b>	<b>6,057,538</b>
<b>Total Liabilities:</b>			<b>6,162,310</b>	<b>129,517</b>	<b>234,289</b>	<b>6,057,538</b>

## 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](http://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.

### Stay connected at [sao.wa.gov](http://sao.wa.gov)

- [Find your audit team](#)
- [Request public records](#)
- Search BARS Manuals ([GAAP](#) and [cash](#)), and find [reporting templates](#)
- Learn about our [training workshops](#) and [on-demand videos](#)
- Discover [which governments serve you](#) — enter an address on our map
- Explore public financial data with the [Financial Intelligence Tool](#)

### Other ways to stay in touch

- Main telephone:  
(564) 999-0950
- Toll-free Citizen Hotline:  
(866) 902-3900
- Email:  
[webmaster@sao.wa.gov](mailto:webmaster@sao.wa.gov)