



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Kitsap County Fire Protection District No. 18

(Poulsbo Fire Department)

For the period January 1, 2023 through December 31, 2024

Published December 18, 2025

Report No. 1038661



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



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

December 18, 2025

Board of Commissioners
Poulsbo Fire Department
Poulsbo, Washington

Report on Financial Statements

Please find attached our report on Poulsbo Fire Department's financial statements.

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

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

Americans with Disabilities

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.

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.....	42

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*

Poulsbo Fire Department January 1, 2023 through December 31, 2024

Board of Commissioners
Poulsbo Fire Department
Poulsbo, 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 Poulsbo Fire Department, as of and for the years ended December 31, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated December 10, 2025.

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

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies 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 style with a large, stylized initial "P".

Pat McCarthy, State Auditor

Olympia, WA

December 10, 2025

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Poulsbo Fire Department January 1, 2023 through December 31, 2024

Board of Commissioners
Poulsbo Fire Department
Poulsbo, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Unmodified and Adverse Opinions

We have audited the financial statements of Poulsbo Fire Department, as of and for the years ended December 31, 2024 and 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 Poulsbo Fire Department, and its changes in cash and investments, for the years ended December 31, 2024 and 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 Poulsbo Fire Department, as of December 31, 2024 and 2023, or the changes in financial position or cash flows thereof for the years then ended, because of the significance of the matter discussed below.

Basis for Unmodified and Adverse Opinions

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

Matter Giving Rise to Adverse Opinion on U.S. GAAP

Auditing standards issued by the American Institute of Certified Public Accountants (AICPA) require auditors to formally acknowledge when governments do not prepare their financial statements, intended for general use, in accordance with GAAP. As described in Note 1 of the financial statements, the financial statements are prepared by the District in accordance with state law using accounting practices prescribed by the BARS Manual, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of state law and the BARS Manual described in Note 1. This includes determining that the basis of accounting is acceptable for the presentation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed;
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time; and
- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements. The Schedules of Liabilities are presented for purposes of additional analysis, as required by the prescribed BARS manual. These schedules are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2025 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.



Pat McCarthy, State Auditor

Olympia, WA

December 10, 2025

**Poulsbo Fire Department
January 1, 2023 through December 31, 2024**

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2024
Fund Resources and Uses Arising from Cash Transactions – 2023
Notes to Financial Statements – 2024
Notes to Financial Statements – 2023

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2024
Schedule of Liabilities – 2023

Kitsap County Fire Protection District No. 18
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2024

		Total for All Funds (Memo Only)	001 General Expense Fund	201 Debt Service Fund	301 Capital Projects Fund
Beginning Cash and Investments					
308	Beginning Cash and Investments	17,456,277	10,088,787	47,676	7,319,814
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	13,259,275	13,259,274	1	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	1,191,819	1,191,819	-	-
340	Charges for Goods and Services	1,007,882	1,007,882	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	903,005	660,200	1,587	241,218
Total Revenues:		<u>16,361,981</u>	<u>16,119,175</u>	<u>1,588</u>	<u>241,218</u>
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	13,264,539	13,264,539	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		<u>13,264,539</u>	<u>13,264,539</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) Revenues over Expenditures:		3,097,442	2,854,636	1,588	241,218
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	331,923	-	304,923	27,000
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	21,860	21,860	-	-
Total Other Increases in Fund Resources:		<u>353,783</u>	<u>21,860</u>	<u>304,923</u>	<u>27,000</u>
Other Decreases in Fund Resources					
594-595	Capital Expenditures	3,133,433	7,487	-	3,125,946
591-593, 599	Debt Service	327,258	22,335	304,923	-
597	Transfers-Out	331,923	27,000	-	304,923
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		<u>3,792,614</u>	<u>56,822</u>	<u>304,923</u>	<u>3,430,869</u>
Increase (Decrease) in Cash and Investments:		<u>(341,389)</u>	<u>2,819,674</u>	<u>1,588</u>	<u>(3,162,651)</u>
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	86,485	86,485	-	-
50841	Committed	-	-	-	-
50851	Assigned	4,206,428	-	49,265	4,157,163
50891	Unassigned	12,821,977	12,821,977	-	-
Total Ending Cash and Investments		<u>17,114,890</u>	<u>12,908,462</u>	<u>49,265</u>	<u>4,157,163</u>

The accompanying notes are an integral part of this statement.

Kitsap County Fire Protection District No. 18
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2023

		Total for All Funds (Memo Only)	001 General Expense Fund	201 Debt Service Fund	301 Capital Projects Fund
Beginning Cash and Investments					
308	Beginning Cash and Investments	15,632,777	7,322,839	46,704	8,263,234
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	12,745,277	12,745,261	16	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	424,538	424,538	-	-
340	Charges for Goods and Services	870,014	870,014	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	632,246	407,599	1,150	223,497
Total Revenues:		<u>14,672,075</u>	<u>14,447,412</u>	<u>1,166</u>	<u>223,497</u>
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	11,483,308	11,483,308	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		<u>11,483,308</u>	<u>11,483,308</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) Revenues over Expenditures:		<u>3,188,767</u>	<u>2,964,104</u>	<u>1,166</u>	<u>223,497</u>
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	482,193	-	305,193	177,000
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		<u>482,193</u>	<u>-</u>	<u>305,193</u>	<u>177,000</u>
Other Decreases in Fund Resources					
594-595	Capital Expenditures	1,038,723	-	-	1,038,723
591-593, 599	Debt Service	326,546	21,160	305,386	-
597	Transfers-Out	482,193	177,000	-	305,193
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		<u>1,847,462</u>	<u>198,160</u>	<u>305,386</u>	<u>1,343,916</u>
Increase (Decrease) in Cash and Investments:		<u>1,823,498</u>	<u>2,765,944</u>	<u>973</u>	<u>(943,419)</u>
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	46,550	46,550	-	-
50841	Committed	-	-	-	-
50851	Assigned	7,367,490	-	47,676	7,319,814
50891	Unassigned	10,042,237	10,042,237	-	-
Total Ending Cash and Investments		<u>17,456,277</u>	<u>10,088,787</u>	<u>47,676</u>	<u>7,319,814</u>

The accompanying notes are an integral part of this statement.

Poulsbo Fire Department
Notes to the Financial Statements
For the Year Ended December 31, 2024

Note 1 – Summary of Significant Accounting Policies

The Kitsap County Fire Protection District No. 18 (Poulsbo Fire Department) was incorporated on February 20, 1961 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 and emergency medical services.

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

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

A. Fund Accounting

Financial transactions of the government are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues and expenditures. The government’s resources are allocated to and accounted for in individual funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements, except for fiduciary funds, which are presented by fund types. The total column is presented as “memo only” because any interfund activities are not eliminated. The following fund types are used:

**Poulsbo Fire Department
Notes to the Financial Statements
For the Year Ended December 31, 2024**

Governmental Fund Types:

General Fund

This fund is the primary operating fund of the government. It accounts for all financial resources except those required or elected to be accounted for in another fund.

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. The district's debt service fund is used to account for resources assigned to expenditures for its 2022 LTGO bond.

Capital Projects Funds

These funds account for financial resources which are restricted, committed, or assigned for the acquisition or construction of capital facilities or other capital assets. The district's capital projects fund is used to account for resources assigned to capital expenditures.

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.

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

C. Cash and Investments

It is the district's policy to invest all temporary cash surpluses. The interest on these investments is prorated to the various funds. For further information 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 in excess of 1 year. Capital assets and inventory are recorded as capital expenditures when purchased.

**Poulsbo Fire Department
Notes to the Financial Statements
For the Year Ended December 31, 2024**

E. Compensated Absences

Vacation leave may be accumulated up to 312 hours for uniformed bargaining unit employees, up to 260 hours for non-uniformed bargaining unit employees, and up to 300 hours for exempt employees. Vacation leave is payable upon separation or retirement.

Bargaining unit employees may accrue compensatory time in lieu of receiving overtime pay. Compensatory time accrues at 1.5 hours for each overtime hour worked. Uniformed bargaining unit employees may maintain up to 144 hours of accrued compensatory time and non-uniformed bargaining unit employees may maintain up to 40 hours of accrued compensatory time. Compensatory time is payable upon separation or retirement.

Sick leave may be accumulated with no limit. Upon separation or retirement, uniformed bargaining unit employees receive payment for up to 1440 hours of unused sick leave and non-uniformed bargaining unit and exempt employees receive payment for up to 1200 hours of unused sick leave. Sick leave is compensated at a rate of between 50% and 100%, depending on the contract and amount of notice given.

Payments are recognized as expenditures when paid. As of December 31, 2024, the estimated liability for compensated absences was \$2,532,858.

F. Liabilities

See Note 6 – *Long-Term Liabilities* and Note 7 – *Pension Plans*.

G. Leases and Subscription Based Information Technology Arrangements (SBITA)

Leases and SBITA are reported if they meet the criteria for reporting, regardless of dollar amount. For more information see Note 5 – *Leases* and Note 10 – *SBITA*.

H. 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 resolution of the Board of Commissioners. When expenditures that meet restrictions are incurred, the district intends to use the most restricted resources first.

Restrictions of Ending Cash and Investments consist of funds held for the Kitsap Special Operations and Rescue Team Program. See Note 4 – *Joint Ventures and Related Parties*.

The district had no committed Ending Cash and Investments in 2024.

**Poulsbo Fire Department
Notes to the Financial Statements
For the Year Ended December 31, 2024**

Note 2 – Budget Compliance

The district adopts an annual appropriated budget for the general fund. This budget is appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for this fund lapse at the fiscal year end.

Annual appropriated budgets are adopted on the same basis of accounting as used for financial reporting. The appropriated and actual expenditures for the legally adopted budget were as follows:

Fund	Final Appropriated Amounts	Actual Expenditures	Variance
General Expense Fund	\$ 13,201,802	\$ 13,321,362	\$ (119,560)

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

Note 3 – Deposits and Investments

Investments are reported at amortized cost. Deposits and investments by type at December 31, 2024 are as follows:

Type of Deposit or Investment	District's Own Deposits and Investments
Bank deposits	\$ 410,493
Kitsap County investment pool	\$ 16,906,485
Outstanding items	\$ (202,088)
Total	\$ 17,114,890

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

**Poulsbo Fire Department
Notes to the Financial Statements
For the Year Ended December 31, 2024**

Investments in the Kitsap County Investment Pool

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

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the 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 – Joint Ventures and Related Parties

Kitsap County EMS and Trauma Care Council

Poulsbo Fire Department is a voting member of the Kitsap County EMS and Trauma Care Council. The purpose of the Council is to support the continuing development of high-quality pre-hospital, emergency medical and trauma care services in Kitsap County. It is incorporated as a non-profit corporation under Section 70.168 of the Revised Code of Washington (RCW) and under Section 501(c)3 under the Internal Revenue Code. In 2024, the district paid \$31,866 in assessments as specified by the Council's bylaws. The Council's budget was \$485,427 in 2024 and actual expenditures were \$443,559. More information about the Council can be found at www.kitsapcountyems.org.

Kitsap County Joint Training Consortium

In 2021, the district entered into an interlocal agreement with North Kitsap Fire and Rescue, Central Kitsap Fire and Rescue, South Kitsap Fire and Rescue, Bainbridge Island Fire Department and the City of Bremerton Fire Department to maintain a Kitsap County Joint Training Consortium (KCJTC). The purpose of the Consortium is to develop and deliver superior training to improve performance and safety. The agreement established an

**Poulsbo Fire Department
Notes to the Financial Statements
For the Year Ended December 31, 2024**

Administrative Board responsible for overseeing administration and named Central Kitsap Fire and Rescue as KCJTC’s fiscal agent. The Administrative Board approves an annual budget based on a cost per member. In 2024, the district paid \$26,750 to the Consortium.

Kitsap Special Operations and Rescue Team Program

In 2017, the district entered into an interlocal agreement with North Kitsap Fire and Rescue, Central Kitsap Fire and Rescue, South Kitsap Fire and Rescue, Bainbridge Island Fire Department and the City of Bremerton Fire Department to provide each member agency mutual aid from other member agencies in responding to incidents that require specialized technical rescue skills. Beginning in 2023, Poulsbo Fire Department is the lead agency responsible for administering the agreement and assessing the annual maintenance fee as approved by the Kitsap County Fire Chiefs Executive Board. The district paid an annual maintenance fee of \$6,000 in 2024. In 2024, the Program had revenues of \$72,732 and expenditures of \$32,797, with an ending balance of \$86,485.

Note 5 – Leases

Poulsbo Fire Department leases a postage meter from Pitney Bowes Global Financing for \$78.88 per month. This lease began January 1, 2023 and will end December 31, 2027.

The district also leased a copy machine from Kelley Imaging for \$783 per month. This lease began September 1, 2019 and ended November 30, 2024.

In 2024, the district began leasing a copy machine from Pacific Office Automation for \$225.75 per month. This lease began September 30, 2024 and will end September 29, 2029.

The total amount paid for leases in 2024 was \$10,237. As of December 31, 2024, the future lease payments are as follows:

Year ended December 31	Lease Payments
2025	\$ 3,656
2026	\$ 3,656
2027	\$ 3,656
2028	\$ 2,709
2029	\$ 2,032
Total	\$ 15,707

**Poulsbo Fire Department
Notes to the Financial Statements
For the Year Ended December 31, 2024**

Note 6 - Long-Term Liabilities

The following table provides details of the outstanding debt of the district and summarizes the district's debt transactions for the year ended December 31, 2024.

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

Year	Principal	Interest	Total Debt Service
2025	\$ 175,000	\$ 129,295	\$ 304,295
2026	\$ 180,000	\$ 123,500	\$ 303,500
2027	\$ 185,000	\$ 117,541	\$ 302,541
2028	\$ 195,000	\$ 111,415	\$ 306,415
2029	\$ 200,000	\$ 104,959	\$ 304,959
2030-2034	\$ 1,100,000	\$ 421,159	\$ 1,521,159
2035-2039	\$ 1,290,000	\$ 226,969	\$ 1,516,969
2040-2041	\$ 580,000	\$ 28,971	\$ 608,971
Totals	\$ 3,905,000	\$ 1,263,809	\$ 5,168,809

Compensated Absences

During the year ended December 31, 2024, the district adopted guidance for the presentation and disclosure of compensated absences, as required by the BARS Manual. During the year ended December 31, 2024, the following changes occurred in compensated absences:

	Beginning Balance 01/01/2024	Additions	Reductions	Ending Balance 12/31/2024
Compensated Absences*	\$ 1,411,919	\$ 1,120,939	\$ -	\$ 2,532,858

*Additions and reductions are reported as a net change

Note 7 – Pension Plans

State Sponsored Pension Plans

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

**Poulsbo Fire Department
Notes to the Financial Statements
For the Year Ended December 31, 2024**

Retirement System (PERS) and Law Enforcement Officers’ and Fire Fighters’ Retirement System (LEOFF).

The State Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems. The Department of Retirement Systems, a department within the primary government of the State of Washington, issues a publicly available Annual Comprehensive Financial Report (ACFR) that includes financial statements and required supplementary information for each plan. The DRS ACFR may be downloaded from the DRS website at www.drs.wa.gov.

The district 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.

The district also participates in the VFFRPF administered by the State Board for Volunteer Fire Fighters and Reserve Officers. Detailed information about the plan is included in the State of Washington ACFR available from the Office of Financial Management website at www.ofm.wa.gov.

At June 30, 2024 (the measurement date of the plans), the district’s proportionate share of the collective net pension liabilities (assets), was as follows:

Plan	Employer Contributions	Allocation %	Liability (Asset)
PERS 1	\$ 24,173	0.004038%	\$ 71,749
PERS 2/3	\$ 50,951	0.005176%	\$ (170,631)
LEOFF 2	\$ 393,183	0.160480%	\$ (3,005,381)
VFFRPF	\$ 270	0.160000%	\$ (18,176)

Only the net pension liabilities are reported on the Schedule of Liabilities.

Defined Contribution Pension Plans

The district also participates in 457(b) deferred compensation plans administered by the Washington State Department of Retirement Systems, Voya Financial and Decision Point Financial. The district matches employee contributions up to 2% of the employee’s base wage. In 2024, the district contributed \$121,249.

**Poulsbo Fire Department
Notes to the Financial Statements
For the Year Ended December 31, 2024**

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 at the end of each month.

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

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

The district's regular and special levy rates for 2024 collection are presented below.

2024 Poulsbo Fire Levy	Rate Per \$1,000 of Assessed Value	Assessed Valuation	Total Levy
Regular Levy	\$ 1.499999	\$ 7,080,568,013	\$ 10,620,852
Emergency Medical Services (EMS)	\$ 0.379563	\$ 7,084,091,003	\$ 2,688,861
Total	\$ 1.879562		\$ 13,309,713

Note 9 – Risk Management

Risk Pool

Poulsbo Fire Department is a member of the Enduris Washington (the Pool). Chapter 48.62 provided 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, under 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. During the Pool's fiscal year ending August 31, 2024, there were 507 Enduris members representing a broad array of special purpose districts throughout the state.

**Poulsbo Fire Department
Notes to the Financial Statements
For the Year Ended December 31, 2024**

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 and reported 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 some instances, the Pool may allow members to elect to participate in the programs at limits, coverage, deductibles and co-pays specific to their needs. Enduris is responsible for payment of all covered losses above the member deductible or copay 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/cop-pays by coverage type.

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

**Poulsbo Fire Department
Notes to the Financial Statements
For the Year Ended December 31, 2024**

Coverage	Coverage Type	Pool Self-Insured Retention	Excess/ Reinsurance Limits	Member Deductibles/ Co-Pays ⁽¹⁾
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⁾
Property ⁽⁴⁾:				
Buildings and Contents	Per Occurrence	\$500,000	\$1 billion	\$1,000 - \$250,000
Mobile Equipment	Per Occurrence	\$500,000	\$1 billion	\$1,000 - \$250,000
Boiler and Machinery	Per Occurrence	\$500,000	\$100 million	\$1,000 - \$250,000
Business Interruption (BI)/ Extra Expense (EE) ⁽⁵⁾	Per Occurrence	\$500,000	\$100 million (BI)/ \$50 million (EE)	\$1,000 - \$250,000
Sublimit ⁽⁶⁾:				
Flood	Per Occurrence	\$500,000	\$50 million (shared by Pool members)	\$1,000 - \$250,000
Earthquake	Per Occurrence	5% of indemnity, subject to a \$500,000 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 ⁽⁷⁾	Per Occurrence	\$500,000 with exceptions	\$1 billion	\$250 - \$1,000
Cyber ⁽⁸⁾	Each Claim APIP Aggregate	\$50,000 to \$100,000 with waiting period	\$2 million \$45 million	20% Copay
Pollution ⁽⁹⁾	Each Claim APIP Aggregate	\$250,000 with exceptions	\$2 million \$25 million	\$1,000 - \$250,000
Crime Blanket ⁽¹⁰⁾	Per Occurrence	\$50,000	\$1 million	\$1,000
Named Position ⁽¹¹⁾	Per Occurrence	\$50,000	\$1 million	\$1,000
Identity Fraud Expense Reimbursement ⁽¹²⁾	Member Aggregate	\$0	\$25,000	\$0

- (1) Members may request or be required to pay a higher deductible than the minimum for certain coverage, and certain types of losses require a specific co-pay or deductible.
- (2) Terrorism liability is fully funded by the Pool, i.e., no excess/reinsurance is procured.
- (3) Members are responsible for a 20% co-pay for Employment Practices Liability coverage claim costs. However, the co-pay may be waived if they meet established guidelines.
- (4) 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

**Poulsbo Fire Department
Notes to the Financial Statements
For the Year Ended December 31, 2024**

Coverage	Coverage Type	Pool Self-Insured Retention	Excess/ Reinsurance Limits	Member Deductibles/ Co-Pays ⁽¹⁾
	Program (APIP), reinsurance carriers cover insured losses over \$500,000 to the limit of \$1 billion, except for certain types of sub-limited property losses such as floods, earthquakes, and terrorism.			
	(5) Business Interruption(BI)/Extra Expense (EE) coverage is based on scheduled revenue-generating locations/operations. A limited number of members are scheduled; 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.			
	(6) This Property Program 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.			
	(7) Auto Physical Damage coverage includes comprehensive, collision, and additional coverage (i.e., rental reimbursement, towing, and personal property). Each member's coverage is based on a detailed vehicle schedule. The Pool's Auto Physical Damage coverage deductible is \$500,000 per occurrence with certain exceptions: \$25,000 for on-premises comprehensive and collision; a \$100,000 minimum for emergency vehicles and all other vehicles with an RCV of \$250,000 to \$750,000; \$250,000 for all vehicles with an RCV above \$750,000.			
	(8) Cyber coverage is included under the Pool's Property program on an optional basis. 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.			
	(9) Pollution coverage is included under the Pool's Property program on an optional basis. Members are subject to a 20% co-pay per loss. The Pool's SIR is \$250,000, with certain specific deductibles ranging from \$250,000 to \$1 million. The reinsurance maximum limit of liability is \$2 million, with various declared sub-limits.			
	(10) Each member is provided with \$2,500 of Crime Blanket coverage (also referred to as "Employee Dishonesty Coverage with Faithful Performance"). Members may elect to "buy up" the coverage from \$2,500 to \$1 million.			
	(11) 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.			
	(12) Enduris purchases Identity Fraud Expense Reimbursement coverage. Member claims are not subject to a deductible; the limit is \$25,000 per member.			

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

Upon joining the Pool, members are contractually obligated to remain for at least 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. Any Member terminated or withdrawing from the Pool shall be liable pro-rata for any assessments levied against Members for any year in which that Member belonged to the Pool as if they were still a Member.

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

A seven-member Board of Directors governs the Pool. The Pool's members elect the Board, and the positions are filled on a rotating basis. The Board meets quarterly, oversees Enduris' business affairs, and provides policy direction to the Pool's Executive Director.

**Poulsbo Fire Department
Notes to the Financial Statements
For the Year Ended December 31, 2024**

Self-Insurance

The district self-insures for unemployment compensation benefits and maintains adequate resources for these costs. The district paid \$9,711 for claims in 2024.

Note 10 - Subscription Based Information Technology Arrangements (SBITA)

The district makes subscription payments of \$12,098 per year for Microsoft services under its current contract, which began January 1, 2024 and ends December 31, 2026. The contract is renewed every three years. 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.

The total amount paid for SBITA in 2024 was \$12,098. As of December 31, 2024, the future SBITA payments are as follows.

Year ended December 31	SBITA Payments
2025	\$ 12,098
2026	\$ 12,098
Total	\$ 24,197

Note 11 – Other Disclosures

Construction Commitment

The district has an active construction project as of December 31, 2024, for construction of a new fire station (Station 76). The project is estimated to be completed in late 2025.

At year-end the district’s commitments with contractors are as follows.

Project	Spent to Date	Remaining Commitment
Station 76 - Project Management	\$ 161,373	\$ 83,919
Station 76 - Construction	\$ 572,533	\$ 4,748,746
Total	\$ 733,906	\$ 4,832,665

**Poulsbo Fire Department
Notes to the Financial Statements
For the Year Ended December 31, 2023**

Note 1 – Summary of Significant Accounting Policies

The Kitsap County Fire Protection District No. 18 (Poulsbo Fire Department) was incorporated on February 20, 1961 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 and emergency medical services.

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

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

A. Fund Accounting

Financial transactions of the government are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues and expenditures. The government’s resources are allocated to and accounted for in individual funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements, except for fiduciary funds, which are presented by fund types. The total column is presented as “memo only” because any interfund activities are not eliminated. The following fund types are used:

**Poulsbo Fire Department
Notes to the Financial Statements
For the Year Ended December 31, 2023**

Governmental Fund Types:

General Fund

This fund is the primary operating fund of the government. It accounts for all financial resources except those required or elected to be accounted for in another fund.

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. The district's debt service fund is used to account for resources assigned to expenditures for its 2022 LTGO bond.

Capital Projects Funds

These funds account for financial resources which are restricted, committed, or assigned for the acquisition or construction of capital facilities or other capital assets. The district's capital projects fund is used to account for resources assigned to capital expenditures.

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.

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

C. Cash and Investments

It is the district's policy to invest all temporary cash surpluses. The interest on these investments is prorated to the various funds. For further information 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 in excess of 1 year. Capital assets and inventory are recorded as capital expenditures when purchased.

Poulsbo Fire Department
Notes to the Financial Statements
For the Year Ended December 31, 2023

E. Compensated Absences

Vacation leave may be accumulated up to 260 hours for uniformed and non-uniformed bargaining unit employees and up to 300 hours for exempt employees. Vacation leave is payable upon separation or retirement.

Bargaining unit employees may accrue compensatory time in lieu of receiving overtime pay. Compensatory time accrues at 1.5 hours for each overtime hour worked. Uniformed bargaining unit employees may maintain up to 144 hours of accrued compensatory time and non-uniformed bargaining unit employees may maintain up to 40 hours of accrued compensatory time. Compensatory time is payable upon separation or retirement.

Sick leave may be accumulated with no limit. Upon separation or retirement, uniformed bargaining unit employees receive payment for up to 1440 hours of unused sick leave and non-uniformed bargaining unit and exempt employees receive payment for up to 1200 hours of unused sick leave. Sick leave is compensated at a rate of 50%.

Payments are recognized as expenditures when paid. As of December 31, 2023, the estimated liability for compensated absences was \$1,411,919.

F. Liabilities

See Note 6 – *Long-Term Liabilities* and Note 7 – *Pension Plans*.

G. Leases and Subscription Based Information Technology Arrangements (SBITA)

Leases and SBITA are reported if they meet the criteria for reporting, regardless of dollar amount. For more information see Note 5 – *Leases* and Note 10 – *SBITA*.

H. 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 resolution of the Board of Commissioners. When expenditures that meet restrictions are incurred, the district intends to use the most restricted resources first.

Restrictions of Ending Cash and Investments consist of funds held for the Kitsap Special Operations and Rescue Team Program. See Note 4 – *Joint Ventures and Related Parties*.

The district had no committed Ending Cash and Investments in 2023.

**Poulsbo Fire Department
Notes to the Financial Statements
For the Year Ended December 31, 2023**

Note 2 – Budget Compliance

The district adopts an annual appropriated budget for the general fund. This budget is appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for this fund lapse at the fiscal year end.

Annual appropriated budgets are adopted on the same basis of accounting as used for financial reporting. The appropriated and actual expenditures for the legally adopted budget were as follows:

Fund	Final Appropriated Amounts	Actual Expenditures	Variance
General Expense Fund	\$ 12,199,345	\$ 11,681,468	\$ 517,877

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

Note 3 – Deposits and Investments

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

Type of Deposit or Investment	District's Own Deposits and Investments
Bank deposits	\$ 98,237
Kitsap County investment pool	\$ 17,666,370
Outstanding items	\$ (308,330)
Total	\$ 17,456,277

It is the district’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 district is a voluntary participant in the Kitsap County Investment Pool, an external investment pool operated by the County Treasurer. The pool is not rated or registered with the SEC. Rather, oversight is provided by the County Finance Committee in accordance

**Poulsbo Fire Department
Notes to the Financial Statements
For the Year Ended December 31, 2023**

with [RCW 36.48.070](#). The district reports its investment in the pool at amortized cost, which is the same as the value of the pool per share. The pool does not impose liquidity fees or redemption gates on participant withdrawals.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in event of a failure of a depository financial institution, the district would not be able to recover deposits or would not be able to recover collateral securities that are in possession of an outside party. The district's deposits and certificates of deposit are mostly covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

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

Note 4 – Joint Ventures and Related Parties

Kitsap County EMS and Trauma Care Council

Poulsbo Fire Department is a voting member of the Kitsap County EMS and Trauma Care Council. The purpose of the Council is to support the continuing development of high-quality pre-hospital, emergency medical and trauma care services in Kitsap County. It is incorporated as a non-profit corporation under Section 70.168 of the Revised Code of Washington (RCW) and under Section 501(c)3 under the Internal Revenue Code. In 2023, the district paid \$26,981 in assessments as specified by the Council's bylaws. The Council's budget was \$411,810 in 2023 and actual expenditures were \$386,060. More information about the Council can be found at www.kitsapcountyems.org.

Kitsap County Joint Training Consortium

In 2021, the district entered into an interlocal agreement with North Kitsap Fire and Rescue, Central Kitsap Fire and Rescue, South Kitsap Fire and Rescue, Bainbridge Island Fire Department and the City of Bremerton Fire Department to maintain a Kitsap County Joint Training Consortium (KCJTC). The purpose of the consortium is to develop and deliver superior training to improve performance and safety. The agreement established an Administrative Board responsible for overseeing administration and named Central Kitsap Fire and Rescue as KCJTC's fiscal agent. The Administrative Board approves an annual budget based on a cost per member. In 2023, the district paid \$45,042 to the Consortium.

**Poulsbo Fire Department
Notes to the Financial Statements
For the Year Ended December 31, 2023**

Kitsap Special Operations and Rescue Team Program

In 2017, the district entered into an interlocal agreement with North Kitsap Fire and Rescue, Central Kitsap Fire and Rescue, South Kitsap Fire and Rescue, Bainbridge Island Fire Department and the City of Bremerton Fire Department to provide each member agency mutual aid from other member agencies in responding to incidents that require specialized technical rescue skills. Beginning in 2023, Poulsbo Fire Department is the lead agency responsible for administering the agreement and assessing the annual maintenance fee as approved by the Kitsap County Fire Chiefs Executive Board. The district paid an annual maintenance fee of \$6,000 in 2023. In 2023, the Program had revenues of \$70,237 and expenditures of \$23,687, with an ending balance of \$46,550.

Note 5 – Leases

Poulsbo Fire Department leases a postage meter from Pitney Bowes Global Financing for \$78.88 per month. This lease began January 1, 2023 and will end December 31, 2027.

The district also leases a copy machine from Kelley Imaging for \$783 per month. This lease began September 1, 2019 and ends November 30, 2024.

The total amount paid for leases in 2023 was \$10,343. As of December 31, 2023, the future lease payments are as follows:

Year ended December 31	Lease Payments
2024	\$ 9,560
2025	947
2026	947
2027	947
Total	\$ 12,399

Note 6 - Long-Term Liabilities

The following table provides details of the outstanding debt of the district and summarizes the district's debt transactions for year ended December 31, 2023.

**Poulsbo Fire Department
Notes to the Financial Statements
For the Year Ended December 31, 2023**

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

Year	Principal	Interest	Total Debt Service
2024	\$ 170,000	\$ 134,923	\$ 304,923
2025	175,000	129,295	304,295
2026	180,000	123,500	303,500
2027	185,000	117,541	302,541
2028	195,000	111,415	306,415
2029-2033	1,065,000	456,421	1,521,421
2034-2038	1,250,000	268,357	1,518,357
2039-2041	855,000	57,280	912,280
Totals	\$ 4,075,000	\$ 1,398,732	\$ 5,473,732

Compensated Absences

During the year ended December 31, 2023, the following changes occurred in compensated absences:

	Beginning Balance 01/01/2023	Additions	Reductions	Ending Balance 12/31/2023
Compensated Absences*	\$ 1,318,259	\$ 93,660	\$ -	\$ 1,411,919

*Additions and reductions are reported as a net change

Note 7 – Pension Plans

State Sponsored Pension Plans

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

The State Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems. The Department of Retirement Systems, a department within the primary government of the State of Washington, issues a publicly available Annual Comprehensive Financial Report (ACFR) that includes financial

**Poulsbo Fire Department
Notes to the Financial Statements
For the Year Ended December 31, 2023**

statements and required supplementary information for each plan. The DRS ACFR may be downloaded from the DRS website at www.drs.wa.gov.

The district 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.

The district also participates in the VFFRPF administered by the State Board for Volunteer Fire Fighters and Reserve Officers. Detailed information about the plan is included in the State of Washington ACFR available from the Office of Financial Management website at www.ofm.wa.gov.

At June 30, 2023 (the measurement date of the plans), the district’s proportionate share of the collective net pension liabilities (assets), was as follows:

Plan	Employer Contributions	Allocation %	Liability (Asset)
PERS 1	\$ 22,077	0.003240%	\$ 73,961
PERS 2/3	\$ 36,810	0.004187%	\$ (171,612)
LEOFF 2	\$ 330,436	0.146394%	\$ (3,511,404)
VFFRPF	\$ 180	0.100000%	\$ (20,601)

Only the net pension liabilities are reported on the Schedule of Liabilities.

Defined Contribution Pension Plans

The district also participates in 457(b) deferred compensation plans administered by the Washington State Department of Retirement Systems, Voya Financial and Decision Point Financial. The district matches employee contributions up to 2% of the employee’s base wage. In 2023, the district contributed \$99,905.

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 at the end of each month.

**Poulsbo Fire Department
Notes to the Financial Statements
For the Year Ended December 31, 2023**

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

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

The district's regular and special levy rates for 2023 collection are presented below.

2023 Poulsbo Fire Levy	Rate Per \$1,000 of Assessed Value	Assessed Valuation	Total Levy
Regular Levy	\$ 1.500000	\$ 6,831,268,590	\$ 10,246,903
Emergency Medical Services (EMS)	\$ 0.374247	\$ 6,834,624,190	\$ 2,557,842
Total	\$ 1.874247		\$ 12,804,745

Note 9 – Risk Management

Risk Pool

Poulsbo Fire Department is a member of the Enduris Washington (the Pool). Chapter 48.62 provided 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, under 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. During 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

**Poulsbo Fire Department
Notes to the Financial Statements
For the Year Ended December 31, 2023**

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 and reported 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 some instances, the Pool may allow members to elect to participate in the programs at limits, coverage, deductibles and co-pays specific to their needs. Enduris is responsible for payment of all covered losses above the member deductible or copay 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/cop-pays by coverage type.

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

Coverage	Coverage Type	Pool Self-Insured Retention	Excess/ Reinsurance Limits	Member Deductibles/ Co-Pays ⁽¹⁾
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⁾
Property ⁽⁴⁾:				
Buildings and Contents	Per Occurrence	\$500,000	\$1 billion	\$1,000 - \$250,000
Mobile Equipment	Per Occurrence	\$500,000	\$1 billion	\$1,000 - \$250,000
Boiler and Machinery	Per Occurrence	\$500,000	\$100 million	\$1,000 - \$250,000
Business Interruption (BI)/ Extra Expense (EE) ⁽⁵⁾	Per Occurrence	\$500,000	\$100 million (BI)/ \$50 million (EE)	\$1,000 - \$250,000
Sublimit ⁽⁶⁾:				
Flood	Per Occurrence	\$500,000	\$50 million (shared by Pool members)	\$1,000 - \$250,000

**Poulsbo Fire Department
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⁾
Earthquake	Per Occurrence	5% of indemnity, subject to a \$500,000 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 ⁽⁷⁾	Per Occurrence	\$500,000 with exceptions	\$1 billion	\$250 - \$1,000
Cyber ⁽⁸⁾	Each Claim APIP Aggregate	\$50,000 to \$100,000 with waiting period	\$2 million \$45 million	20% Copay
Pollution ⁽⁹⁾	Each Claim APIP Aggregate	\$250,000 with exceptions	\$2 million \$25 million	\$1,000 - \$250,000
Crime Blanket ⁽¹⁰⁾	Per Occurrence	\$50,000	\$1 million	\$1,000
Named Position ⁽¹¹⁾	Per Occurrence	\$50,000	\$1 million	\$1,000
Identity Fraud Expense Reimbursement ⁽¹²⁾	Member Aggregate	\$0	\$25,000	\$0

- (1) Members may request or be required to pay a higher deductible than the minimum for certain coverage, and certain types of losses require a specific co-pay or deductible.
- (2) Terrorism liability is fully funded by the Pool, i.e., no excess/reinsurance is procured.
- (3) Members are responsible for a 20% co-pay for Employment Practices Liability coverage claim costs. However, the co-pay may be waived if they meet established guidelines.
- (4) 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 \$500,000 to the limit of \$1 billion, except for certain types of sub-limited property losses such as floods, earthquakes, and terrorism.
- (5) Business Interruption(BI)/Extra Expense (EE) coverage is based on scheduled revenue-generating locations/operations. A limited number of members are scheduled; 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.
- (6) This Property Program 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.

**Poulsbo Fire Department
Notes to the Financial Statements
For the Year Ended December 31, 2023**

- (7) Auto Physical Damage coverage includes comprehensive, collision, and additional coverage (i.e., rental reimbursement, towing, and personal property). Each member's coverage is based on a detailed vehicle schedule. The Pool's Auto Physical Damage coverage deductible is \$500,000 per occurrence with certain exceptions: \$25,000 for on-premises comprehensive and collision; a \$100,000 minimum for emergency vehicles and all other vehicles with an RCV of \$250,000 to \$750,000; \$250,000 for all vehicles with an RCV above \$750,000.
- (8) Cyber coverage is included under the Pool's Property program on an optional basis. 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.
- (9) Pollution coverage is included under the Pool's Property program on an optional basis. Members are subject to a 20% co-pay per loss. The Pool's SIR is \$250,000, with certain specific deductibles ranging from \$250,000 to \$1 million. The reinsurance maximum limit of liability is \$2 million, with various declared sub-limits.
- (10) Each member is provided with \$2,500 of Crime Blanket coverage (also referred to as "Employee Dishonesty Coverage with Faithful Performance"). Members may elect to "buy up" the coverage from \$2,500 to \$1 million.
- (11) 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.
- (12) Enduris purchases Identity Fraud Expense Reimbursement coverage. Member claims are not subject to a deductible; the limit is \$25,000 per member.

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

Upon joining the Pool, members are contractually obligated to remain for at least 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. Any Member terminated or withdrawing from the Pool shall be liable pro-rata for any assessments levied against Members for any year in which that Member belonged to the Pool as if they were still a Member.

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

A seven-member Board of Directors governs the Pool. The Pool's members elect the Board, and the positions are filled on a rotating basis. The Board meets quarterly, oversees Enduris' business affairs, and provides policy direction to the Pool's Executive Director.

Self-Insurance

The district self-insures for unemployment compensation benefits and maintains adequate resources for these costs. The district did not pay for any claims in 2023.

**Poulsbo Fire Department
Notes to the Financial Statements
For the Year Ended December 31, 2023**

Note 10 - Subscription Based Information Technology Arrangements (SBITA)

During the year ended December 31, 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 SBITA liability reported on the Schedule of Liabilities, and the beginning balance was restated to account for these additions.

The district makes subscription payments of \$8,678 per year for Microsoft services under its current contract, which began January 1, 2021 and ends December 31, 2023. The contract is renewed every three years. 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.

The district also entered a 3-year subscription agreement for network security services during 2023, which began April 18, 2023 and ends April 17, 2026. The total contract amount was \$2,139, which was paid in full during 2023.

The total amount paid for SBITA in 2023 was \$10,817. As of December 31, 2023, there are no remaining payments outstanding.

Note 11 – Other Disclosures

In July 2022, the district issued and sold limited tax general obligation bonds in the amount of \$4,240,000. The purpose of these funds is for the acquisition, construction and equipping of capital improvements facilities, including a new fire station and paying costs of issuance. The district was approved for a progressive design-build project and contracted with Hill International LLC to facilitate the process. The district spent \$536,218 on the new fire station construction project through the end of 2023. The district is anticipating that construction and a signed commitment for Phase 2 of the project will begin in 2024, with anticipated completion in 2025.

Kitsap County Fire Protection District No. 18
Schedule of Liabilities
For the Year Ended December 31, 2024

ID. No.	Debt ID Title	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities							
251.11	Non-voted General obligation bonds	LTGO Bond 2022 - Key Bank	12/1/2041	4,075,000	-	170,000	3,905,000
Total General Obligation Debt/Liabilities:				4,075,000	-	170,000	3,905,000
Revenue and Other (non G.O.) Debt/Liabilities							
264.30	Pension Liabilities	Pension Liability		73,961	-	2,212	71,749
259.12	Compensated Absences	Compensated Absences		1,411,919	1,120,939	-	2,532,858
263.57	Leases, SBITA, and PPPs	Copy Machine Lease	9/29/2029	8,613	13,545	9,290	12,868
263.57	Leases, SBITA, and PPPs	Postage Machine Lease	12/31/2027	3,786	-	947	2,839
263.57	Leases, SBITA, and PPPs	Subscription Based IT Arrangement	12/31/2026	-	36,295	12,098	24,197
Total Revenue and Other (non G.O.) Debt/Liabilities:				1,498,279	1,170,779	24,547	2,644,511
Total Liabilities:				5,573,279	1,170,779	194,547	6,549,511

Kitsap County Fire Protection District No. 18
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						
251.11	LTO Bond 2022 - Key Bank	12/1/2041	4,240,000	-	165,000	4,075,000
	Total General Obligation Debt/Liabilities:		4,240,000	-	165,000	4,075,000
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absences		1,318,259	93,660	-	1,411,919
263.57	Copy Machine	11/30/2024	18,009	-	9,396	8,613
263.57	Postage Machine	12/31/2027	-	4,733	947	3,786
264.30	Pension Liability		84,199	-	10,238	73,961
263.57	Subscription Based IT Arrangements		8,678	2,139	10,817	-
	Total Revenue and Other (non G.O.) Debt/Liabilities:		1,429,145	100,532	31,398	1,498,279
	Total Liabilities:		5,669,145	100,532	196,398	5,573,279

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.

Stay connected at 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