



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report
Bainbridge Island Fire Department

For the period January 1, 2019 through December 31, 2019

Published January 14, 2021

Report No. 1027470





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

January 14, 2021

Board of Commissioners
Bainbridge Island Fire Department
Bainbridge Island, Washington

Report on Financial Statements

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

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

Sincerely,

Pat McCarthy
State Auditor
Olympia, WA

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

**Bainbridge Island Fire Department
January 1, 2019 through December 31, 2019**

Board of Commissioners
Bainbridge Island Fire Department
Bainbridge Island, 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 Bainbridge Island Fire Department, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated January 7, 2021.

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.

As discussed in Note 8 to the financial statements, during the year ended December 31, 2019, the District adopted new accounting guidance for presentation and disclosure of postemployment benefits other than pensions, as required by the BARS manual.

As discussed in Note 10 to the 2019 financial statements, in February 2020, a state of emergency was declared that could have a negative financial effect on the District.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the 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 in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

In addition, we noted certain matters that we have reported to the management of the District in a separate letter dated January 7, 2021.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of the District's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

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

Pat McCarthy
State Auditor
Olympia, WA

January 7, 2021

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Bainbridge Island Fire Department January 1, 2019 through December 31, 2019

Board of Commissioners
Bainbridge Island Fire Department
Bainbridge Island, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Bainbridge Island Fire Department, for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the District's financial statements, as listed on page 11.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control

relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Unmodified Opinion on Regulatory Basis of Accounting (BARS Manual)

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and investments of Bainbridge Island Fire Department, and its changes in cash and investments, for the year ended December 31, 2019, on the basis of accounting described in Note 1.

Basis for Adverse Opinion on U.S. GAAP

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

Adverse Opinion on U.S. GAAP

The financial statements referred to above were not intended to, and in our opinion they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Bainbridge Island Fire Department, as of December 31, 2019, or the changes in financial position or cash flows thereof for the year then ended, due to the significance of the matter discussed in the above "Basis for Adverse Opinion on U.S. GAAP" paragraph.

Matters of Emphasis

As discussed in Note 8 to the financial statements, during the year ended December 31, 2019, the District adopted new accounting guidance for presentation and disclosure of postemployment benefits other than pensions, as required by the BARS manual. Our opinion is not modified with respect to this matter.

As discussed in Note 10 to the 2019 financial statements, in February 2020, a state of emergency was declared that could have a negative financial effect on the District. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. 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 taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated January 7, 2021 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an

integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Pat McCarthy

State Auditor

Olympia, WA

January 7, 2021

FINANCIAL SECTION

Bainbridge Island Fire Department January 1, 2019 through December 31, 2019

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2019
Notes to Financial Statements – 2019

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2019

Bainbridge Island Fire Department
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2019

		<u>Total for All Funds (Memo Only)</u>	<u>001 General</u>	<u>201 Debt Service</u>	<u>301 Capital</u>
Beginning Cash and Investments					
30810	Reserved	751,212	-	-	751,212
30880	Unreserved	8,831,252	7,341,255	59,005	1,430,992
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	10,502,733	9,397,525	1,105,208	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	1,189,065	1,188,988	77	-
340	Charges for Goods and Services	994,362	994,362	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	226,726	194,714	6,852	25,160
Total Revenues:		<u>12,912,886</u>	<u>11,775,589</u>	<u>1,112,137</u>	<u>25,160</u>
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	9,636,239	9,636,239	-	-
Total Expenditures:		<u>9,636,239</u>	<u>9,636,239</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) Revenues over Expenditures:		3,276,647	2,139,350	1,112,137	25,160
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	1,100,047	47	-	1,100,000
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 382, 395, 398	Other Resources	12,319	12,319	-	-
Total Other Increases in Fund Resources:		<u>1,112,366</u>	<u>12,366</u>	<u>-</u>	<u>1,100,000</u>
Other Decreases in Fund Resources					
594-595	Capital Expenditures	2,926,785	-	-	2,926,785
591-593, 599	Debt Service	1,108,538	-	1,108,538	-
597	Transfers-Out	1,100,047	1,100,000	-	47
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581, 582	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		<u>5,135,370</u>	<u>1,100,000</u>	<u>1,108,538</u>	<u>2,926,832</u>
Increase (Decrease) in Cash and Investments:		(746,357)	1,051,716	3,599	(1,801,672)
Ending Cash and Investments					
5081000	Reserved	-	-	-	-
5088000	Unreserved	8,836,104	8,392,967	62,605	380,532
Total Ending Cash and Investments		8,836,104	8,392,967	62,605	380,532

**Bainbridge Island Fire Department
Notes to the Financial Statements
For the year ended 12/31/2019**

Note 1 - Summary of Significant Accounting Policies

The Bainbridge Island Fire Department was incorporated on October 19, 1942 and operates under the laws of the state of Washington applicable to a fire district. The Bainbridge Island Fire Department is a special purpose local government and provides fire protection and emergency medical services.

The Bainbridge Island Fire Department 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.
- Government-wide statements, as defined in GAAP, are not presented.
- All funds are presented, rather than a focus on major funds.
- The *Schedule of Liabilities* is required to be presented with the financial statements as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances are not presented using the classifications defined in GAAP.

A. Fund Accounting

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

GOVERNMENTAL FUND TYPES:

General Fund

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

Debt Service Funds

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

Capital Projects Funds

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

B. Basis of Accounting and Measurement Focus

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

C. Cash and Investments

See Note 4 - Deposits and Investments.

D. Capital Assets

Capital assets are assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of 5 years. Capital assets and inventory are recorded as capital expenditures when purchased.

E. Compensated Absences

Vacation leave may be accumulated up to a maximum of one year's accrual and is payable upon separation or retirement. For represented employees, sick leave accrued prior to January 1, 2015 is paid out at 100%. Sick leave accrued after January 1, 2015 is paid out at 75%. Upon separation or retirement employees receive a calculated distribution to their Health Retirement Account for unused sick leave. Payments are recognized as expenditures when paid.

F. Long-Term Debt

See Note 3 – Debt Service Requirements.

G. Other Financing Sources or Uses

The Department's *Other Financing Sources* consist of insurance recoveries for \$12,319.

Note 2 – Budget Compliance

The Bainbridge Island Fire Department adopts annual appropriated budgets for all of its 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 calendar year end.

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

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

Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance
General Fund	\$ 10,916,297	\$ 10,744,929	\$ 171,368
Debt Service Fund	\$ 1,108,538	\$ 1,108,537	\$ 1
Capital Fund	\$ 3,533,600	\$ 2,926,749	\$ 606,851

Budgeted amounts are authorized to be transferred between funds; 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 Bainbridge Island Fire Department Board of Commissioners.

Note 3– Debt Service Requirements

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the Bainbridge Island Fire Department and summarizes the Department’s debt transactions for year ended December 31, 2019.

The debt service requirements for capital bonds are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 620,000	\$ 489,038	\$ 1,109,038
2021	\$ 650,000	\$ 458,038	\$ 1,108,038
2022	\$ 680,000	\$ 425,538	\$ 1,105,538
2023	\$ 715,000	\$ 391,538	\$ 1,106,538
2024	\$ 750,000	\$ 355,788	\$ 1,105,788
2025 – 2029	\$ 4,305,000	\$ 1,229,888	\$ 5,534,888
2030 – 2034	\$ 5,050,000	\$ 485,863	\$ 5,535,863
TOTALS	<u>\$ 12,770,000</u>	<u>\$ 3,835,688</u>	<u>\$ 16,605,688</u>

Note 4 – Deposits and Investments

Investments are reported at original cost. Deposits and investments by type at December 31, 2019 are as follows:

Type of Deposit or Investment

Bank deposits	\$ 66,154
Kitsap County Investment Pool	<u>\$ 8,769,951</u>
Total	<u>\$ 8,836,105</u>

It is the Bainbridge Island Fire Department’s policy to invest all temporary cash surpluses. The interest on these investments is deposited into the fund in which it was earned.

Investments in Kitsap County Investment Pool (KCIP)

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

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in event of a failure of a depository financial institution, the Bainbridge Island Fire Department 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 Bainbridge Island Fire Department 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 Kitsap County or its agent in the government’s name.

Note 5 – Pension Plans

A. State Sponsored Pension Plans

Substantially all Bainbridge Island Fire Department full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans PERS Plan 2, PERS Plan 3 and LEOFF Plan 2.

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

The Department of Retirement Systems, a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

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

Also, the DRS CAFR may be downloaded from the DRS website at www.drs.wa.gov.

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

At June 30, 2019, the Bainbridge Island Fire Department's proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

	Employer Contributions	Allocation %	Liability (Asset)
PERS 1	\$14,280	%.001992	\$76,599
PERS 2/3	\$20,933	%.002563	\$24,895
LEOFF 1	0	%.005399	(106,717)
LEOFF 2	\$260,089	%.141067	(3,268,089)
VFFRPF	\$720	%.36	(246,538)

PERS Plans 1, 2 and 3

Beginning January 1, 2019 the Bainbridge Island Fire Department's administrative full-time and qualifying part-time employees joined PERS Plan 2 or 3. These employees transitioned from the Department offered Defined Contribution Pension Plan to the State Sponsored Pension PERS 2 or 3 Plans. Upon joining the PERS plans, a portion of the Bainbridge Island Fire Department contribution is allocated to funding the PERS Plan 1 per the DRS.

LEOFF Plan 1

The Bainbridge Island Fire Department also participates in LEOFF Plan 1. The LEOFF Plan 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. Starting on July 1, 2000, employers and employees contribute zero percent.

LEOFF Plan 2

The Bainbridge Island Fire Department also participates in the LEOFF Plan 2. The Legislature, by means of a special funding arrangement, appropriates money from the state general fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute.

B. Defined Contribution Pension Plan

Beginning on January 1, 2019 the Bainbridge Island Fire Department transitioned most administrative full-time and qualifying part-time employees from a defined contribution pension plan to state sponsored pension plans administered by DRS.

The Bainbridge Island Fire Department continues to offer a defined contribution pension plan to one administrative employee per an employment contract with the Board of Fire Commissioners. The 401 (a) defined contribution pension plan is administered by:

ICMA Retirement Corporation
777 North Capitol Street, NE
Washington, DC 20002

The employee was fully vested upon enrollment in the plan and contributions are made monthly. As a percent of salary, the employee contribution rate is 5.08% and the employer contribution rate is 7.62%. Employer paid contributions for 2019 were \$14,810.26.

Note 6 - Property Tax

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

Property tax revenues are recognized when cash is received by Bainbridge Island Fire Department. Delinquent taxes are considered fully collectible because a lien affixes to the property after tax is levied.

The Bainbridge Island Fire Department's regular levy for the year 2019 was \$.802020 per \$1,000 on an assessed valuation of \$8,406,309,515 for a total regular levy of \$6,742,497.

The Bainbridge Island Fire Department's voted bond levy for the year 2019 was \$.132538 per \$1,000 on an assessed valuation of \$8,363,906,107 for a total voted bond levy of \$1,108,538.

The Bainbridge Island Fire Department's EMS levy for the year 2019 was \$.320108 per \$1,000 on an assessed valuation of \$8,406,309,515 for a total EMS levy of \$2,691,118.

On February 12, 2019 a general election approved a permanent EMS levy with a cap of \$0.40 per \$1,000 assessed value. Collection for the permanent levy began January 1, 2020.

Note 7 – Risk Management

Bainbridge Island Fire Department is a member of Enduris. Chapter 48.62 RCW provides the exclusive source of local government entity authority to individually or jointly self-insure risks, jointly purchase insurance or reinsurance, and to contract for risk management, claims, and administrative services. The Pool was formed July 10, 1987 pursuant to the provisions of Chapter 48.62 RCW, Chapter 200-100 WAC, and Chapter 39.34 RCW when

two counties and two cities in the State of Washington joined together by signing an interlocal governmental agreement to fund their self-insured losses and jointly purchase insurance and administrative services. As of August 31, 2019, there are 547 Enduris members representing a broad array of special purpose districts throughout the state. Enduris provides property and liability coverage as well as risk management services and other related administrative services.

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

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

Enduris acquires reinsurance from unrelated insurance companies on a “per occurrence” basis to cover all losses over the self-insured retentions as shown on the policy maximum limits. Liability coverage is for all lines of liability coverage including Public Official’s Liability. The Property coverage is written on an “all risk”, blanket basis using current Statement of Values. The Property coverage includes but is not limited to mobile equipment, boiler and machinery, electronic data processing equipment, business interruption, course of construction and additions, property in transit, fine arts, cyber and automobile physical damage to insured vehicles. Liability coverage limit is \$20 million per occurrence and property coverage limit is \$1 billion per occurrence. Enduris offers crime coverage up to a limit of \$1 million per occurrence.

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

The contract requires members to remain in the Pool for a minimum of one year and must give notice 60 days before terminating participation. The Master Agreement (Intergovernmental Contract) is automatically renewed after the initial one (1) full fiscal year commitment. Even after termination, a member is still responsible for contribution to Enduris for any unresolved, unreported and in-process claims for the period they were a signatory to the Master Agreement.

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

The Pool is governed by a Board of Directors which is comprised of seven board members. The Pool’s members elect the Board and the positions are filled on a rotating basis. The Board meets quarterly and is responsible for conducting the business affairs of Enduris.

Note 8 – Post Employment Benefit Commitments

During the year ended December 31, 2019 the Bainbridge Island Fire Department adopted guidance for the presentation and disclosure of post-employment benefits other than pensions, as required by the BARS manual. This requirement resulted in the addition of a post-employment benefit liability reported on the Schedule of Liabilities. As of December 31, 2019. The Department’s total OPEB liability was \$1,668,136 as calculated using the alternative measurement method.

The LEOFF 1 Retiree Medical Plan is a closed, single-employer, defined-benefit OPEB plan administered by the Bainbridge Island Fire Department as required by RCW 46.26.150. The plan pays for 100% of eligible retirees’ healthcare costs on a pay-as-you-go basis. As of December 31, 2019, the plan had 3 members, all retirees. For the year ended December 31, 2019, the Bainbridge Island Fire Department paid \$25,277 in benefits.

Note 9 – Construction Commitment

The Bainbridge Island Fire Department has two active projects as of December 31, 2019. The projects include architecture for Station 21 and 22, and replacement of Station 21 and Station 22. At year-end the Department’s commitments were as follows:

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Station 21 Construction	\$ 8,686,149	\$ 7,950
Station 22 Construction	\$ 4,899,371	\$ 0
Architecture St 21 & St 22	\$ 1,235,313	\$ 4,961

Note 10 – Subsequent Events

A. COVID-19

In early 2020, a federal and state disaster declaration was announced due to the COVID-19 pandemic. The Bainbridge Island Fire Department is tracking the direct costs of the pandemic and is planning to request a Public Assistance grant from FEMA to reimburse the majority of these direct costs. On April 17, 2020 the Federal Department of Health and Human Services provided a pandemic relief fund payment of \$24,109.43 which the Bainbridge Island Fire Department accepted.

B. Check reissue

In March 2020, a vendor informed the Bainbridge Island Fire Department that a December 2019 warrant for \$387,429 was lost and a reissue was required. The transaction changed the reported year-end cash position of the Bainbridge Island Fire Department.

**Bainbridge Island Fire Department
Schedule of Liabilities
For the Year Ended December 31, 2019**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
251.12	Rebuild Fire Stations	12/1/2034	13,360,000	-	590,000	12,770,000
	Total General Obligation Debt/Liabilities:		13,360,000	-	590,000	12,770,000
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absences		1,617,770	231,507	-	1,849,277
264.30	DRS Net Pension		-	101,495	-	101,495
264.40	OPEB Liability		-	1,668,136	-	1,668,136
	Total Revenue and Other (non G.O.) Debt/Liabilities:		1,617,770	2,001,138	-	3,618,908
	Total Liabilities:		14,977,770	2,001,138	590,000	16,388,908

ABOUT THE STATE AUDITOR'S OFFICE

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

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

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

Contact information for the State Auditor's Office	
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