



Washington State Auditor's Office

Government that works for citizens

Financial Statements Audit Report

Bainbridge Island Metropolitan Park and Recreation District

Kitsap County

For the period January 1, 2014 through December 31, 2015

Published December 8, 2016

Report No. 1018068





Washington State Auditor's Office

December 8, 2016

Board of Commissioners
Bainbridge Island Metropolitan Park and Recreation District
Bainbridge Island, Washington

Report on Financial Statements

Please find attached our report on the Bainbridge Island Metropolitan Park and Recreation District's financial statements.

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

Sincerely,

TROY KELLEY
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 Metropolitan Park and Recreation District
Kitsap County
January 1, 2014 through December 31, 2015**

Board of Commissioners
Bainbridge Island Metropolitan Park and Recreation District
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 the Bainbridge Island Metropolitan Park and Recreation District, Kitsap County, Washington, as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated November 29, 2016.

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 Washington State statutes 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.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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 November 29, 2016.

COMPLIANCE AND OTHER MATTERS

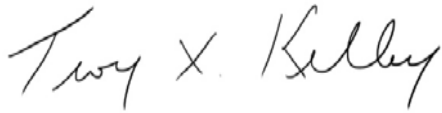
As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of the District's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and 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 "Troy X. Kelley". The signature is written in a cursive style with a large, stylized 'T' and 'K'.

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

November 29, 2016

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Bainbridge Island Metropolitan Park and Recreation District Kitsap County January 1, 2014 through December 31, 2015

Board of Commissioners
Bainbridge Island Metropolitan Park and Recreation District
Bainbridge Island, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Bainbridge Island Metropolitan Park and Recreation District, Kitsap County, Washington, for the years ended December 31, 2015 and 2014, 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 Washington State statutes 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 an opinion on these financial statements based on our audits. We conducted our audits 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, the Bainbridge Island Metropolitan Park and Recreation District has prepared these financial statements to meet the financial reporting requirements of Washington State statutes 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 financial position and results of operations of the Bainbridge Island Metropolitan Park and Recreation District, for the years ended December 31, 2015 and 2014, 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 the Bainbridge Island Metropolitan Park and Recreation District, as of December 31, 2015 and 2014, or the changes in financial position or cash flows for the years then ended, due to the significance of the matter discussed in the above “Basis for Adverse Opinion on U.S. GAAP” paragraph.

Other Matters

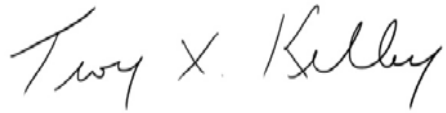
Supplementary and Other Information

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying 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 taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2016 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 cursive script that reads "Troy X. Kelley". The signature is written in black ink and is positioned above the printed name.

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

November 29, 2016

FINANCIAL SECTION

**Bainbridge Island Metropolitan Park and Recreation District
Kitsap County
January 1, 2014 through December 31, 2015**

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2015
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Schedule of Liabilities – 2015
Schedule of Liabilities – 2014

**Bainbridge Island Metropolitan Park and Recreation District
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2015**

		Total for All Funds (Memo Only)	001 General Fund	200 Debt Service Fund
Beginning Cash and Investments				
30810	Reserved	7,163	7,163	-
30880	Unreserved	2,549,558	1,825,626	491,555
388 & 588	Prior Period Adjustments, Net	-	-	-
Operating Revenues				
310	Taxes	4,347,944	4,276,241	71,703
330	Intergovernmental Revenues	74,471	-	-
340	Charges for Goods and Services	2,329,786	2,329,786	-
350	Fines and Penalties	-	-	-
360	Miscellaneous Revenues	644,688	423,003	530
Total Operating Revenues:		<u>7,396,888</u>	<u>7,029,030</u>	<u>72,233</u>
Operating Expenditures				
570	Culture and Recreation	6,979,061	6,717,155	-
598	Miscellaneous Expenses	-	-	-
Total Operating Expenditures:		<u>6,979,061</u>	<u>6,717,155</u>	<u>-</u>
Net Operating Increase (Decrease):		417,828	311,875	72,233
Nonoperating Revenues				
370-380, 395 & 398	Other Financing Sources	172,114	172,114	-
391-393	Debt Proceeds	6,211,882	-	274,470
397	Transfers-In	510,350	88,350	-
Total Nonoperating Revenues:		<u>6,894,346</u>	<u>260,464</u>	<u>274,470</u>
Nonoperating Expenditures				
580, 596 & 599	Other Financing Uses	150,785	150,785	-
591-593	Debt Service	60,704	-	60,704
594-595	Capital Expenditures	6,329,644	89,581	-
597	Transfers-Out	510,350	422,000	-
Total Nonoperating Expenditures:		<u>7,051,483</u>	<u>662,366</u>	<u>60,704</u>
Net Increase (Decrease) in Cash and Investments:		<u>260,691</u>	<u>(90,027)</u>	<u>285,999</u>
Ending Cash and Investments				
5081000	Reserved	8,168	8,168	-
5088000	Unreserved	2,809,243	1,734,593	777,554
Total Ending Cash and Investments		<u>2,817,411</u>	<u>1,742,761</u>	<u>777,554</u>

The accompanying notes are an integral part of this statement.

300 Capital Project Fund	310 Land Acquisition Fund
-	-
109,596	122,781
-	-
-	-
74,471	-
-	-
-	-
206,693	14,462
<u>281,163</u>	<u>14,462</u>
179,382	82,523
-	-
<u>179,382</u>	<u>82,523</u>
<u>101,781</u>	<u>(68,061)</u>
-	-
-	5,937,412
322,000	100,000
<u>322,000</u>	<u>6,037,412</u>
-	-
-	-
476,352	5,763,711
-	88,350
<u>476,352</u>	<u>5,852,061</u>
<u>(52,571)</u>	<u>117,290</u>
-	-
57,025	240,071
<u>57,025</u>	<u>240,071</u>

The accompanying notes are an integral part of this statement.

**Bainbridge Island Metropolitan Park and Recreation District
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2014**

		Total for All Funds (Memo Only)	001 General Fund	200 Debt Service Fund
Beginning Cash and Investments				
30810	Reserved	6,158	6,158	-
30880	Unreserved	2,608,263	1,928,140	444,140
388 & 588	Prior Period Adjustments, Net	-	-	-
Operating Revenues				
310	Taxes	4,847,515	3,946,284	901,232
330	Intergovernmental Revenues	379,475	3,945	-
340	Charges for Goods and Services	2,263,089	2,263,089	-
350	Fines and Penalties	-	-	-
360	Miscellaneous Revenues	580,815	354,783	472
Total Operating Revenues:		8,070,894	6,568,101	901,703
Operating Expenditures				
570	Culture and Recreation	6,374,282	6,372,264	-
Total Operating Expenditures:		6,374,282	6,372,264	-
Net Operating Increase (Decrease):		1,696,612	195,837	901,703
Nonoperating Revenues				
370-380, 395 & 398	Other Financing Sources	324,827	324,827	-
391-393	Debt Proceeds	-	-	-
397	Transfers-In	342,427	-	-
Total Nonoperating Revenues:		667,254	324,827	-
Nonoperating Expenditures				
580, 596 & 599	Other Financing Uses	263,635	63,635	-
591-593	Debt Service	854,289	-	854,289
594-595	Capital Expenditures	961,216	216,113	-
597	Transfers-Out	342,427	342,427	-
Total Nonoperating Expenditures:		2,421,566	622,174	854,289
Net Increase (Decrease) in Cash and Investments:		(57,700)	(101,511)	47,415
Ending Cash and Investments				
5081000	Reserved	7,163	7,163	-
5088000	Unreserved	2,549,558	1,825,626	491,555
Total Ending Cash and Investments		2,556,721	1,832,789	491,555

The accompanying notes are an integral part of this statement.

300 Capital Project Fund	310 Land Acquisition Fund
-	-
113,612	122,370
-	-
-	-
375,529	-
-	-
-	-
225,149	411
<u>600,679</u>	<u>411</u>
2,018	-
<u>2,018</u>	<u>-</u>
598,661	411
-	-
-	-
342,427	-
<u>342,427</u>	<u>-</u>
200,000	-
-	-
745,103	-
-	-
<u>945,103</u>	<u>-</u>
(4,016)	411
-	-
109,596	122,781
<u>109,596</u>	<u>122,781</u>

The accompanying notes are an integral part of this statement.

**Bainbridge Island Metropolitan Park and Recreation District
Fiduciary Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2015**

		Total for All Funds (Memo Only)	631 Deposit Fund
308	Beginning Cash and Investments	1,441	1,441
388 & 588	Prior Period Adjustments, Net	-	-
310-360	Revenues	-	-
380-390	Other Increases and Financing Sources	-	-
510-570	Expenditures	-	-
580-590	Other Decreases and Financing Uses	-	-
Net Increase (Decrease) in Cash and Investments:		-	-
508	Ending Cash and Investments	1,441	1,441

The accompanying notes are an integral part of this statement.

**Bainbridge Island Metropolitan Park and Recreation District
Fiduciary Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2014**

		Total for All Funds (Memo Only)	631 Deposit Fund
308	Beginning Cash and Investments	1,441	1,441
388 & 588	Prior Period Adjustments, Net	-	-
310-360	Revenues	-	-
380-390	Other Increases and Financing Sources	-	-
510-570	Expenditures	-	-
580-590	Other Decreases and Financing Uses	-	-
Net Increase (Decrease) in Cash and Investments:		-	-
508	Ending Cash and Investments	1,441	1,441

The accompanying notes are an integral part of this statement.

BAINBRIDGE ISLAND METROPOLITAN
PARK AND RECREATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED DECEMBER 31, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Bainbridge Island Park & Recreation District was incorporated in May 1965 in accordance with RCW 36.69. From 2004 to 2007 the District simultaneously operated as a park and recreation district as well as a metropolitan park district under the provisions of Chapter 35.61 Revised Code of Washington (RCW). Bainbridge Island Park and Recreation District was dissolved on 12/21/2007. Since that time the District solely operates as a metropolitan park district under the laws of the State of Washington applicable to a municipality with a commissioner form of government. The District's name effective January 1, 2006 is Bainbridge Island Metropolitan Park and Recreation District.

The District's Board of Commissioners are composed of five members elected at large who each serve a six year term

The District's is a general purpose government and provides for the management, control, improvement, maintenance and acquisition of parks and recreation facilities.

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 are not presented using the classifications defined in GAAP.

The District reports the following governmental funds:

General Fund:

The general fund is the operating fund of the District. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Capital Improvement Fund:

These funds account for financial resources which are designated for the acquisition, improvement or construction of general capital projects.

Debt Service Fund:

These funds account for the accumulation of resources to pay principal, interest and related cost on general long-term debt.

Land Acquisition Fund:

This fund is designated by the board to account for financial resources which are designated for the acquisition of land for use in furtherance of the District's purpose.

The District has the following fiduciary fund:

Deposit Fund:

Fund 94954 was designated by the board to place deposits paid to the Park District by the caretakers living at various parks.

NOTE 2: BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Revenues are recognized only when cash is received and expenditures are recognized when paid, including those properly chargeable against the report year(s) budget appropriations as required by state law.

Purchases of capital assets are expensed during the year of acquisition. There is no capitalization of capital assets, nor allocation of depreciation expense. Inventory is expensed when purchased.

The basis of accounting described above represents a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

NOTE 3: BUDGETARY INFORMATION

The District adopts annual budgets for all funds. These budgets are appropriated at the fund level (except the general (current expense) fund, where the budget is adopted at the department). The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

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

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

	Final Budget	Actual	Variance
General Fund			
Administration	2,159,815.00	1,952,413.00	(207,402.00)
Park Services	1,536,501.00	1,572,877.63	36,376.63
Recreation	3,654,779.00	3,738,710.39	83,931.39
TOTAL			
General Fund	7,351,095.00	7,264,001.02	(87,093.98)
Land Acquisition Fund	5,953,903.00	5,934,583.59	(19,319.41)
Bond Redemption Fund	60,225.00	60,703.64	478.64
Capital Improvement Fund	1,605,663.00	655,735.00	(949,928.00)

The District Executive Director, Terry Lande, is authorized to transfer budgeted amounts between departments within any fund, however, any revisions that alter the total expenditures of the District must be approved by the District Board of Commissioners.

Amended budget resolutions are reviewed in public session.

NOTE 4: ASSETS, LIABILITIES AND EQUITIES

Cash: It is the District's policy to invest all temporary cash surpluses. The amount is included in the net cash and investments shown on the statements of fund resources and uses arising from cash transactions.

Deposits: The District deposits are covered by the FDIC and/or Washington Public Deposit Protection Commission.

Investments: At December 31, 2015 the Kitsap County Treasurer was holding \$1,324,374.46 in short-term residual investments. Interest on these investments is apportioned to the various funds. In addition, there is \$8,168.08 held in a CD at Columbia Bank.

Capital Assets: Capital assets are long-lived assets of the District and are recorded as expenditures when purchased.

Compensated absences: Vacation pay, which may accumulate up to a maximum of twice the annual accrual rate, is payable upon resignation, retirement or death. Sick leave is paid into a VEBA HSA account for employees eligible to receive sick leave payout upon retirement or resignation. The total liability as of 12/31/15 for vested sick and vacation leave and compensatory time benefits is: \$399,738.00.

Sick leave may be accumulated indefinitely. Upon separation (after 5 years of employment) employees receive payment of up to 25% of accumulated sick leave or 173.33 hours whichever is less.

Long Term Debt: See note

Other Financing Sources or Uses: The District's "Other Financing Sources or Uses" consist of interfund transfers, agency type transactions and bond/debt payments.

Risk Management:

The District 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. Enduris was formed July 10, 1987 pursuant to the provisions of Chapter 48.62 RCW, Chapter 200-100 WAC, and Chapter 39.34 RCW. Two (2) counties and two (2) 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, 2015, there are 507 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 Enduris and share in the self-insured retention of the jointly purchased excess and/or reinsurance coverage. The self-insured retention is:

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

Enduris acquires reinsurance from unrelated insurance companies on a “per occurrence” basis to cover all losses over the deductibles 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, and automobile physical damage to insured vehicles. Liability coverage limit is \$10 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 a joint liability among the participating members.

The contract requires members to continue membership for a period of not less than one (1) 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 Enduris and are administered in house.

NOTE 5: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

There have been no material violations of finance-related legal or contractual provisions.

NOTE 6 - INVESTMENTS

The District investments are insured, registered or held by the Kitsap County Treasurer or its agent in the Kitsap County Treasurer’s name.

Investments are presented at Fair Market Value.

Investments by type at December 31, 2015 are as follows:

Type of Investment	The Districts Own		Total
	Investments	Kitsap County *	
L.G.I.P	\$ -	\$ 1,324,374.46	\$ 1,324,374.46
U.S. Gov. Securities	\$ -	\$ -	\$ -
Other-CD	\$ 8,168.08	\$ -	\$ 8,168.08
Total	\$ 8,168.08	\$ 1,324,374.46	\$ 1,332,542.54
*Investments Held by Kitsap County as an agent for other local governments, individuals or private organizations			

NOTE 7: PROPERTY TAXES

The County Treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities.

Property tax revenues are recognized when cash is received by the District. Delinquent taxes are considered fully collectible because of lien affixes to the property after taxes are levied.

The District's regular levy for the year 2015 was \$.75 per \$1,000 on an assessed valuation of \$ 5,708,210,309. for a total regular levy of \$4,281,425

NOTE 8: INTERFUND LOAN ACTIVITY

There was a loan from the General Fund to the Land Acquisition Fund in the amount of \$150,000.00 in 2012 that was unpaid at year end.

NOTE 9: LONG TERM DEBT

The accompanying schedule of long term debt provides a listing of the outstanding debt of the District and summarized the District's debt transactions at the year end of 2015. The General Obligation Bond dated 05/1/99 was refunded in 2009.

Purpose	Interest Rate	Amount
General Obligation Bond	3.13%	5,900,000.00
General Obligation Bond	2.88%	1,865,000.00
Pension Liability		2,234,081.00
Compensated Absence		317,650.00
TOTAL		10,316,731.00

The debt service requirements are as follows:

Year	Principal	Interest
2016	925,000.00	337,970.00
2017	490,000.00	239,725.00
2018	940,000.00	225,025.00
2019	250,000.00	189,775.00
2020 to 2034	5,160,000.00	1,673,625.00
Total	\$7,765,000.00	\$2,666,120.00

NOTE 10 – PENSION PLANS

Substantially all the District’s full-time and qualifying part-time employees participate in PERS plan 1, 2 or 3 administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. Actuarial information is on a system-wide basis and is not considered pertinent to the District’s financial statements. Contributions to the systems by both employee and employer are based upon gross wages covered by plan benefits.

Historical trend or other information regarding each plan is presented in the Washington State Department of Retirement Systems annual financial report. A copy of this report may be obtained by writing to:

Department of Retirement Systems
 Communications Unit
 PO Box 48380
 Olympia, WA 98504-8380

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

At June 30, 2015 (the measurement date of the plans), the Districts proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

	Allocation Percentage	Liability
PERS 1	0.0015270%	79,876
PERS 1 UAAL	0.0218780%	1,144,423
PERS 2 and 3	0.028261%	1,009,782
		2,234,081

NOTE 11 – OTHER DISCLOSURES

The Park District entered into an agreement with a citizen regarding the care of maintenance for the bridge on the Forest to Sky Trail. The District has an easement to use the bridge. The district places \$900 per year and the citizen \$100 per year in a separate account currently located at Columbia Bank. These funds are intended to be used for maintenance and repairs to the bridge upon agreement between the District and the Citizen. This balance is reported in the general fund.

BAINBRIDGE ISLAND METROPOLITAN
PARK AND RECREATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED DECEMBER 31, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Bainbridge Island Metropolitan Park & Recreation District (District) uses the revenue and expenditure classifications contained in the Budgeting, Accounting and Reporting System Manual. This manual is prescribed by the State Auditors Office under the authority of Washington State Law, Chapter 43.09 RCW.

The District uses single-entry, cash basis accounting which is a departure from generally accepted accounting principals (GAAP).

Bainbridge Island Park & Recreation District was incorporated in May 1969 in accordance with RCW 36.69. Effective January 1, 2006, The Bainbridge Island Park & Recreation District changed its status and began operating as a metropolitan park district under the provisions of Chapter 35.61 Revised Code Of Washington (RCW) and operates under the laws of the State of Washington applicable to a municipality with a commissioner form of government. The District's name effective January 1, 2006 is the Bainbridge Island Metropolitan Park and Recreation District

The District's Board of Commissioners are composed of five members elected at large who each serve a six year term

The District's is a general purpose government and provides for the management, control, improvement, maintenance and acquisition of parks and recreation facilities.

The District reports the following governmental funds:

General Fund:

The general fund is the operating fund of the District. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Capital Improvement Fund:

These funds account for financial resources which are designated for the acquisition, improvement or construction of general capital projects.

Debt Service Fund:

These funds account for the accumulation of resources to pay principal, interest and related cost on general long-term debt.

Land Acquisition Fund:

This fund is designated by the board to account for financial resources which are designated for the acquisition of land for use in furtherance of the Districts purpose.

The District has the following fiduciary fund:

Deposit Fund:

Fund 94954 was designated by the board to place deposits paid to the Park District by the caretakers living at various parks.

NOTE 2: BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Revenues are recognized only when cash is received and expenditures are recognized when paid, including those properly chargeable against the report year(s) budget appropriations as required by state law.

Purchases of capital assets are expensed during the year of acquisition. There is no capitalization of capital assets, nor allocation of depreciation expense. Inventory is expensed when purchased.

The basis of accounting described above represents a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

NOTE 3: BUDGETARY INFORMATION

The District adopts annual budgets for all funds. These budgets are appropriated at the fund level (except the general (current expense) fund, where the budget is adopted at the department and cost center level). The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

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

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

	Final Budget	Actual	Variance
General Fund			
Administration	1,800,615.00	1,791,315.00	(9,300.00)
Park Services	1,519,149.00	1,519,149.00	-
Recreation	3,665,238.00	3,642,293.00	(22,945.00)
Non Expenditures/Agency Type	-	41,681.00	41,681.00
TOTAL General Fund	6,985,002.00	6,994,438.00	9,436.00
Land Acquisition Fund	40,310.59	-	(40,310.59)
Bond Redemption Fund	854,287.00	854,288.00	1.00
Capital Improvement Fund	947,121.00	947,121.00	-

The District Executive Director, Terry Lande, is authorized to transfer budgeted amounts between departments within any fund, however, any revisions that alter the total expenditures of the District must be approved by the District Board of Commissioners.

Amended budget resolutions are reviewed in public session.

NOTE 4: ASSETS, LIABILITES AND EQUITIES

Cash: It is the District’s policy to invest all temporary cash surpluses. The amount is included in the net cash and investments shown on the statements of fund resources and uses arising from cash transactions.

Deposits: The District deposits are covered by the FDIC and/or Washington Public Deposit Protection Commission.

Investments: At December 31, 2014 the Kitsap County Treasurer was holding \$1,855,176.59 in short-term residual investments. Interest on these investments is apportioned to the various funds. In addition, there is \$7,162.89 held in a CD at Columbia Bank.

Capital Assets: Capital assets are long-lived assets of the District and are recorded as expenditures when purchased.

Compensated absences: Vacation pay, which may accumulate up to a maximum of twice the annual accrual rate, is payable upon resignation, retirement or death. Sick leave is paid into a VEBA HSA account for employees eligible to receive sick leave payout upon retirement or resignation. The total liability as of 12/31/14 for vested sick and vacation leave and compensatory time benefits is: \$328,890.00.

Sick leave may be accumulated indefinitely. Upon separation (after 5 years of employment) employees receive payment of up to 25% of accumulated sick leave or 173.33 hours whichever is less. The maximum amount to be paid out is 173.33.

Long Term Debt: See note

Other Financing Sources or Uses: The District's "Other Financing Sources or Uses" consist of interfund transfers, agency type transactions and bond/debt payments.

Risk Management: The District is a member of Enduris. Chapter 48.62 RCW authorizes the governing body of any one or more governmental entity to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. Enduris was formed July 10, 1987, when two (2) counties and two (2) cities in the State of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of August 31, 2008, there are 427 Enduris members representing a broad range of special purpose districts.

Enduris allows members to jointly purchase excess insurance coverage, share in the self-insured retention, establishes a plan for total self-insurance, and provides excellent risk management services and other related services. Enduris provides "occurrence" policies for all lines of liability coverage including Public Official's Liability. The Property coverage is written on an "all risk" basis, blanket form using current Statement of Values. The Property coverage includes mobile equipment, electronic data processing equipment, valuable papers, building ordinance coverage, property in transit, extra expense, consequential loss, accounts receivable, fine arts, inventory or appraisal cost, automobile physical damage to insured vehicles. Boiler and machinery coverage is included on a blanket limit of \$100 million for all members. Enduris offers employee dishonesty coverage up to a liability limit of \$1,000,000.

Members make an annual contribution to fund Enduris. Enduris acquires insurance from unrelated insurance companies that is subject to a "per occurrence" \$500,000 deductible on liability loss, \$100,000 deductible on property loss and \$5,000 deductible on boiler and machinery loss. The member is responsible for the first \$1,000 of the deductible amount of each claim, while Enduris is responsible for the remaining \$499,000 on liability losses, \$99,000 on property loss, \$4,000 on boiler and machinery loss. Insurance

carriers cover all losses over the deductibles as shown to the policy maximum limits. Since Enduris is a cooperative program, there is a joint liability among the participating members.

The contract requires members to continue membership for a period of not less than one (1) year and must give notice 60 days before terminating participation. The Intergovernmental Contract (Master Agreement) 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 Intergovernmental Contract.

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

A Board of Directors consisting of seven (7) board members governs Enduris. Its 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 5: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

There have been no material violations of finance-related legal or contractual provisions.

NOTE 6 - INVESTMENTS

The District investments are insured, registered or held by the Kitsap County Treasurer or its agent in the Kitsap County Treasurer’s name.

Investments are presented at Fair Market Value.

Investments by type at December 31, 2014 are as follows:

Type of Investment	The District’s own investments	Investments held by Kitsap County as an agent for other local governments, individual or private organizations.	Total
L.G.I.P.	\$0	\$1,855,176.49	\$1,855,176.49
U.S. Gov. Securities		\$ 0.00	\$ 0.00
Other-CD	\$7,162.89		\$ 7,162.89
Total	\$7,162.89	\$1,855,176.49	\$1,862,339.38

NOTE 7: PROPERTY TAXES

The County Treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities.

Property tax revenues are recognized when cash is received by the District. Delinquent taxes are considered fully collectible because of lien affixes to the property after taxes are levied.

The District's regular levy for the year 2014 was \$.75 per \$1,000 on an assessed valuation of \$5,232,391,419 for a total regular levy of \$3,924,531.00.

NOTE 8: INTERFUND LOAN ACTIVITY

There was a loan from the General Fund to the Land Acquisition Fund in the amount of \$150,000.00 in 2012 that was unpaid at year end. In addition a loan from the General fund to the Capital Improvement fund of \$200,000 was made in 2013 and was paid back to the General Fund in 2014.

NOTE 9: LONG TERM DEBT

The accompanying schedule of long term debt provides a listing of the outstanding debt of the District and summarized the District's debt transactions at the year end of 2014. The General Obligation Bond dated 05/1/99 was refunded in 2009.

9/3/2003 General Obligation Bond	2.50%	-
9/10/2009 General Obligation Bond	2.88%	1,865,000.00
Compensated Absence		328,890.00
TOTAL		<u>2,193,890.00</u>

The debt service requirements are as follows:

Year	Principal	Interest
2015	0.00	60,225.00
2016	925,000.00	60,225.00
2017		35,250.00
2018	940,000.00	35,250.00
Total	\$1,865,000.00	\$190,950.00

NOTE 10 – PENSION PLANS

Substantially all the District’s full-time and qualifying part-time employees participate in PERS plan 1, 2 or 3 administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. Actuarial information is on a system-wide basis and is not considered pertinent to the District’s financial statements. Contributions to the systems by both employee and employer are based upon gross wages covered by plan benefits.

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NOTE 11 – OTHER DISCLOSURES

The Park District entered into an agreement with a citizen regarding the care of maintenance of a bridge on the Forest to Sky Trail. The District has an easement to use the bridge. The district places \$900 per year and the citizen \$100 per year in a separate account currently located at Columbia Bank. These funds are intended to be used for maintenance and repairs to the bridge upon agreement between the District and the Citizen. This balance is reported in the general fund.

Bainbridge Island Metropolitan Park and Recreation District
Schedule of Liabilities
For the Year Ended December 31, 2015

<u>ID. No.</u>	<u>Description</u>	<u>Due Date</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
General Obligation Debt/Liabilities						
251.12	Voted General Obligation Bond	12/31/2018	1,865,000	-	-	1,865,000
251.12	Vote General Obligation Bond	12/31/1934	-	5,900,000	-	5,900,000
	Total General Obligation Debt/Liabilities:		1,865,000	5,900,000	-	7,765,000
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Abscense	12/31/2015	328,890	-	11,240	317,650
264.30	Pension Liability	12/31/2015	-	2,234,081	-	2,234,081
	Total Revenue and Other (non G.O.) Debt/Liabilities:		328,890	2,234,081	11,240	2,551,731
	Total Liabilities:		2,193,890	8,134,081	11,240	10,316,731

**Bainbridge Island Metropolitan Park and Recreation District
Schedule of Liabilities
For the Year Ended December 31, 2014**

<u>ID. No.</u>	<u>Description</u>	<u>Due Date</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
General Obligation Debt/Liabilities						
251.11	2003 Bond	12/1/2014	115,000	-	115,000	-
251.11	2009 Bond	12/1/2018	2,525,000	-	660,000	1,865,000
259.11	Compensated Absence	12/31/2014	299,903	28,987	-	328,890
Total General Obligation Debt/Liabilities:			2,939,903	28,987	775,000	2,193,890
Total Liabilities:			2,939,903	28,987	775,000	2,193,890

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	
Public Records requests	PublicRecords@sao.wa.gov
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov