Washington State Auditor's Office

Troy Kelley

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Financial Statements Audit Report

Bainbridge Island Metropolitan Park and Recreation District

Kitsap County

For the period January 1, 2012 through December 31, 2013

Published January 29, 2015

Report No. 1013504

Washington State Auditor
Troy Kelley

January 29, 2015

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 X Kelley

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

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Bainbridge Island Metropolitan Park and Recreation District
Kitsap County
January 1, 2012 through December 31, 2013

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, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated January 20, 2015.

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.

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.

Troy X Kelley

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

January 20, 2015

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Bainbridge Island Metropolitan Park and Recreation District
Kitsap County
January 1, 2012 through December 31, 2013

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, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the District's financial statements, as listed on page 10.

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, 2013 and 2012, 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, 2013 and 2012, 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 January 20, 2015 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.

Troy X Kelley

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

January 20, 2015

FINANCIAL SECTION

Bainbridge Island Metropolitan Park and Recreation District
Kitsap County
January 1, 2012 through December 31, 2013

FINANCIAL STATEMENTS

SUPPLEMENTARY AND OTHER INFORMATION

MCAG NO. 1685 Bainbridge Island Metropolitan Park and Recreation District STATEMENT C-4

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2013

BARS Code		Total for All funds*	001 General Fund	200 Debt Service Fund	300 Capital Project Fund
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	5,152	5,152	0	0
30880	Beg Fund Bal-Unreserved	2,828,682	2,274,923	410,354	21,440
38800/58800	Prior Period Adjustments, net	0	0	0	0
Operating Revenues					
310	Taxes	4,283,664	3,947,456	336,208	0
330	Intergovernmental Revenues	126,100	0	0	126,100
340	Charges for Goods and Services	2,035,768	2,035,768	0	0
350	Fines & Penalties	0	0	0	0
360	Miscellaneous Revenues	583,084	340,294	465	241,920
Total Operating Revenues		7,028,616	6,323,518	336,673	368,020
Operating Expenditures					
570	Culture And Recreation	6,132,652	5,916,563	0	216,089
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures		6,132,652	5,916,563		216,089
Net Operating Increase (Decrease)		895,964	406,955	336,673	151,931
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	260,571	60,571	0	200,000
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	252,500	0	0	252,500
Total Nonoperating Revenues		513,071	60,571		452,500
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	264,976	264,976	0	0
591-593	Debt Service	302,887	0	302,887	0
594-595	Capital Expenditures	808,086	295,826	0	512,260
597	Transfers-Out	252,500	252,500	0	0
Total Nonoperating Expenditures		1,628,449	813,302	302,887	512,260
Increase (Decrease) in Cash and Investments		-219,414	-345,776	33,786	92,171
Ending Cash and Investments					
50810	End Fund Bal-Reserved	6,158	6,158	0	0
50880	End Fund Balance-Unreserved	2,608,263	1,928,141	444,140	113,612

The accompanying notes are an integral part of this Statement

BARS Code		310 Land Acquisition Fund
Beginning Cash and Investments		
30810	Beg Fund Bal-Reserved	0
30880	Beg Fund Bal-Unreserved	121,965
38800/58800	Prior Period Adjustments, net	0
Operating Revenues		
310	Taxes	0
330	Intergovernmental Revenues	0
340	Charges for Goods and Services	0
350	Fines & Penalties	0
360	Miscellaneous Revenues	405
Total Operating Revenues		405
Operating Expenditures		
570	Culture And Recreation	0
598	Intergovernmental Payments	0
Total Operating Expenditures		
Net Operating Increase (Decrease)		405
Nonoperating Revenues		
370, 380, 395, 398	Other Financing Sources	0
391-393	Debt Proceeds	0
397	Transfers-In	0
Total Nonoperating Revenues		
Nonoperating Expenditures		
580, 596, 599	Other Financing Uses	0
591-593	Debt Service	0
594-595	Capital Expenditures	0
597	Transfers-Out	0
Total Nonoperating Expenditures		
Increase (Decrease) in Cash and Investments		405
Ending Cash and Investments		
50810	End Fund Bal-Reserved	0
50880	End Fund Balance-Unreserved	122,370

The accompanying notes are an integral part of this Statement.

MCAG NO. 1685 Bainbridge Island Metropolitan Park and Recreation District STATEMENT C-4

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2012

BARS Code		Total for All funds*	001 General Fund	200 Debt Service Fund	300 Capital Project Fund
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	3,100	3,100	0	0
30880	Beg Fund Bal-Unreserved	3,770,009	2,168,860	360,351	115,641
38800/58800	Prior Period Adjustments, net	2,615	2,615	0	0
Operating Revenues					
310	Taxes	5,060,655	4,080,033	980,622	0
330	Intergovernmental Revenues	211,024	24	0	0
340	Charges for Goods and Services	1,872,435	1,872,435	0	0
350	Fines & Penalties	0	0	0	0
360	Miscellaneous Revenues	306,363	265,728	659	38,812
Total Operating Revenues		7,450,477	6,218,220	981,281	38,812
Operating Expenditures					
570	Culture And Recreation	5,674,509	5,611,027	0	10,611
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures		5,674,509	5,611,027		10,611
Net Operating Increase (Decrease)		1,775,968	607,193	981,281	28,201
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	207,942	57,942	0	0
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	323,739	0	0	200,000
Total Nonoperating Revenues		531,681	57,942		200,000
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	193,995	193,995	0	0
591-593	Debt Service	931,278	0	931,278	0
594-595	Capital Expenditures	1,800,526	41,900	0	322,402
597	Transfers-Out	323,739	323,739	0	0
Total Nonoperating Expenditures		3,249,538	559,634	931,278	322,402
Increase (Decrease) in Cash and Investments		-941,889	105,501	50,003	-94,201
Ending Cash and Investments					
50810	End Fund Bal-Reserved	5,152	5,152	0	0
50880	End Fund Balance-Unreserved	2,828,682	2,274,923	410,354	21,440

The accompanying notes are an integral part of this Statement.

BARS Code		310 Land Acquisition Fund
Beginning Cash and Investments		
30810	Beg Fund Bal-Reserved	0
30880	Beg Fund Bal-Unreserved	1,125,157
38800/58800	Prior Period Adjustments, net	0
Operating Revenues		
310	Taxes	0
330	Intergovernmental Revenues	211,000
340	Charges for Goods and Services	0
350	Fines & Penalties	0
360	Miscellaneous Revenues	1,164
Total Operating Revenues		212,164
Operating Expenditures		
570	Culture And Recreation	52,871
598	Intergovernmental Payments	0
Total Operating Expenditures		52,871
Net Operating Increase (Decrease):		159,293
Nonoperating Revenues		
370, 380, 395, 398	Other Financing Sources	150,000
391-393	Debt Proceeds	0
397	Transfers-In	123,739
Total Nonoperating Revenues		273,739
Nonoperating Expenditures		
580, 596, 599	Other Financing Uses	0
591-593	Debt Service	0
594-595	Capital Expenditures	1,436,224
597	Transfers-Out	0
Total Nonoperating Expenditures		1,436,224
Increase (Decrease) in Cash and Investments		-1,003,192
Ending Cash and Investments		
50810	End Fund Bal-Reserved	0
50880	End Fund Balance-Unreserved	121,965

The accompanying notes are an integral part of this Statement.

MCAG NO. 1685 Bainbridge Island Metropolitan Park and Recreation District **STATEMENT C-5**

FIDUCIARY FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2013

BARS Code		Total for All funds	630 Deposit fund
308	Beginning Cash and Investments	1,441	1,441
388 and 588	Prior Period Adjustments, net	0	0
310-360	Revenues	0	0
380-390	Other Increases and Financing Sources	0	0
510-570	Expenditures	0	0
580-590	Other Decreases and Financing Uses	0	0
Increase (Decrease) in Cash and Investments		0	0
508	Ending Cash and Investments	1,441	1,441

The accompanying notes are an integral part of this Statement.

MCAG NO. 1685 Bainbridge Island Metropolitan Park and Recreation District **STATEMENT C-5**

FIDUCIARY FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2012

BARS Code		Total for All funds	631 Deposit Fund
308	Beginning Cash and Investments	1,441	1,441
388 and 588	Prior Period Adjustments, net	0	0
310-360	Revenues	0	0
370-390	Other Increases and Financing Sources	0	0
510-570	Expenditures	0	0
580-590	Other Decreases and Financing Uses	0	0
Increase (Decrease) in Cash and Investments		0	0
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, 2013

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 districts 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 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	1,889,372.00	1,877,482.94	11,889.06
Park Services	1,379,680.18	1,379,680.18	-
Recreation	3,430,624.00	3,407,726.51	22,897.49
TOTAL General Fund	6,699,676.18	6,664,889.63	34,786.55
Land Acquistion Fund	40,310.59	-	40,310.59
Bond Redemption Fund	302,892.00	302,886.86	5.14
Capital Improvement Fund	728,347.00	728,346.74	0.26

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, or that affect the number of authorized employee positions, salary ranges, hours or other conditions of employment 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 districts 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, 2013 the Kitsap County Treasurer was holding $1,776,945.96 in short-term residual investments. Interest on these investments is apportioned to the various funds. In addition, there is $6,158.40 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 12/31/13 for vested sick and vacation leave benefits is: $299,903.00.

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

Long Term Debt: See note

Other Financing Sources or Uses: The Districts "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 Treasurers name.

Investments are presented at Fair Market Value.

Investments by type at December 31, 2013 are as follows:

Type of Investment	The Districts own investments	Investments held by Kitsap County as an agent for other local governments, individual or private organizations.	Total
L.G.I.P.	$0	$1,776,945.96	$1,776,945.96
U.S. Gov. Securities		$ 0.00	$ 0.00
Other-CD	0	$ 6,158.40	$ 6,158.40
Total	$	$1,783,104.36	$1,783,104.36

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 Districts regular levy for the year 2013 was $.75 per $1,000 on an assessed valuation of $5,227,050,569.00 for a total regular levy of $3,920,287.00.

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 that remains unpaid.

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 Districts debt transactions at the year end of 2013. The General Obligation Bond dated 05/1/99 was refunded in 2009

9/3/2003 General Obligation Bond	2.50%	115,000.00
9/10/2009 General Obligation Bond	2.88%	2,525,000.00
Compensated Absence		299,903.00
TOTAL		2,939,903.00

The debt service requirements are as follows:

	Year	Principal	Interest
	2014	775,000.00	78,685.00
	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		$2,640,000.00	$269,635.00

NOTE 10 – PENSION PLANS

Substantially all the Districts full-time and qualifying part-time employees participate in the retirement program administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit retirement plans. The Department of Retirement Systems (DRS), 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 98504-8380; or it may be downloaded from the DRS website at www.drs.wa.gov. The following disclosures are made pursuant to GASB Statements 27, *Accounting for Pensions by State and Local Government Employers* and 50, *Pension Disclosures, an Amendment of GASB Statements 25 and 27.*

Public Employees' Retirement System (PERS) Plans 1, 2, and 3

B. Plan Description

The Legislature established PERS in 1947. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts; employees of legislative committees; employees of district and municipal courts; and employees of local governments. Membership also includes higher education employees not participating in higher education retirement programs. Approximately 49 percent of PERS salaries are accounted for by state employment. PERS retirement benefit provisions are established in Chapters 41.34 and 41.40 RCW and may be amended only by the State Legislature.

PERS is a cost-sharing multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a defined benefit plan with a defined contribution component.

PERS members who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 and by either, February 28, 2002 for state and higher education employees, or August 31, 2002 for local government employees, are Plan 2 members unless they exercised an option to transfer their membership to Plan 3. PERS members joining the system on or after March 1, 2002 for state and higher education employees, or September 1, 2002 for local government employees have the irrevocable option of choosing membership in either PERS Plan 2 or Plan 3. The option must be exercised within 90 days of employment. Employees who fail to choose within 90 days default to Plan 3.

PERS is comprised of and reported as three separate plans for accounting purposes: Plan 1, Plan 2/3, and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3 accounts for the defined benefits of Plan 2 members, and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered to be a single plan for accounting purposes.

PERS Plan 1 and Plan 2 retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to the PERS Plan 1 and Plan 2 defined benefit plans accrue interest at a rate specified by the Director of DRS. During DRS' Fiscal Year 2013, the rate was five and one-half percent compounded quarterly. Members in PERS Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest thereon, in lieu of any retirement benefit, upon separation from PERS-covered employment. PERS Plan 1 members are vested after the completion of five years of eligible service.

PERS Plan 1 members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with 25 years of service, or at age 60 with at least 5 years of service. Plan 1 members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits.

The monthly benefit is 2 percent of the average final compensation (AFC) per year of service, but the benefit may not exceed 60 percent of the AFC. The AFC is the monthly average of the 24 consecutive highest-paid service credit months.

PERS Plan 1 retirement benefits are actuarially reduced to reflect the choice, if made, of a survivor option.

Plan 1 members may elect to receive an optional COLA that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 1 provides duty and non-duty disability benefits. Duty disability retirement benefits for disablement prior to the age of 60 consist of a temporary life annuity. The benefit amount is $350 a month, or two-thirds of the monthly AFC, whichever is less.

The benefit is reduced by any workers' compensation benefit and is payable as long as the member remains disabled or until the member attains the age of 60, at which time the benefit is converted to the member's service retirement amount.

A member with five years of covered employment is eligible for non-duty disability retirement. Prior to the age of 55, the benefit amount is 2 percent of the AFC for each year of service reduced by 2 percent for each year that the member's age is less than 55. The total benefit is limited to 60 percent of the AFC and is actuarially reduced to reflect the choice of a survivor option. Plan 1 members may elect to receive an optional COLA amount (based on the Consumer Price Index), capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is 2 percent of the AFC per year of service. The AFC is the monthly average of the 60 consecutive highest-paid service months. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

PERS Plan 2 members who have at least 20 years of service credit, and are 55 years of age or older, are eligible for early retirement with a reduced benefit. The benefit is reduced by an early retirement factor (ERF) that varies according to age, for each year before age 65.

PERS Plan 2 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions, if hired prior to May 1, 2013:

- With a benefit that is reduced by 3 percent for each year before age 65; or

- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of 5 percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service.

PERS Plan 2 retirement benefits are actuarially reduced to reflect the choice, if made, of a survivor option.

PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component and member contributions finance a defined contribution component. As established by Chapter 41.34 RCW, employee contribution rates to the defined contribution component range from 5 percent to 15 percent of salaries, based on member choice. Members who do not choose a contribution rate default to a 5 percent rate. There are currently no requirements for employer contributions to the defined contribution component of PERS Plan 3.

PERS Plan 3 defined contribution retirement benefits are dependent upon the results of investment activities. Members may elect to self-direct the investment of their contributions. Any expenses incurred in conjunction with self-directed investments are paid by members. Absent a member's self-direction, PERS Plan 3 contributions are invested in the Retirement Strategy Fund that assumes the member will retire at age 65.

For DRS' Fiscal Year 2013, PERS Plan 3 employee contributions were $99.0 million, and plan refunds paid out were $69.4 million.

The defined benefit portion of PERS Plan 3 provides members a monthly benefit that is 1 percent of the AFC per year of service. The AFC is the monthly average of the 60 consecutive highest-paid service months. There is no cap on years of service credit, and Plan 3 provides the same cost-of-living allowance as Plan 2.

Effective June 7, 2006, PERS Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service, if twelve months of that service are earned after age 44; or after five service credit years earned in PERS Plan 2 by June 1, 2003. Plan 3 members are immediately vested in the defined contribution portion of their plan.

Vested Plan 3 members are eligible for normal retirement at age 65, or they may retire early with the following conditions and benefits:

- If they have at least ten service credit years and are 55 years old, the benefit is reduced by an ERF that varies with age, for each year before age 65.
- If they have 30 service credit years and are at least 55 years old, and were hired before May 1, 2013, they have the choice of a benefit that is reduced by 3 percent for each year before age 65; or a benefit with a smaller (or no) reduction factor (depending on age) that imposes stricter return-to-work rules.
- If they have 30 service credit years, are at least 55 years old, and were hired after May 1, 2013, they have the option to retire early by accepting a reduction of 5 percent for each year before age 65.

PERS Plan 3 benefits are actuarially reduced to reflect the choice, if made, of a survivor option.

PERS Plan 2 and Plan 3 provide disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 monthly benefit amount is 2 percent of the AFC per year of service. For Plan 3, the monthly benefit amount is 1 percent of the AFC per year of service. These disability benefit amounts are actuarially reduced for each year that the member's age is less than 65, and to reflect the choice of a survivor option. There is no cap on years of service credit, and a cost-of-living allowance is granted (based on the Consumer Price Index) capped at 3 percent annually.

PERS members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors.

A one-time duty-related death benefit is provided to the beneficiary or the estate of a PERS member who dies as a result of injuries sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of the member's covered employment, if found eligible by the Department of Labor and Industries.

From January 1, 2007 through December 31, 2007, judicial members of PERS were given the choice to elect participation in the Judicial Benefit Multiplier (JBM) Program enacted in 2006. Justices and judges in PERS Plan 1 and Plan 2 were able to make an irrevocable election to pay increased contributions that would fund a retirement benefit with a 3.5 percent multiplier. The benefit would be capped at 75 percent of AFC. Judges in PERS Plan 3 could elect a 1.6 percent of pay per year of service benefit, capped at 37.5 percent of AFC.

Newly elected or appointed justices and judges who chose to become PERS members on or after January 1, 2007, or who had not previously opted into PERS membership, were required to participate in the JBM Program.

C. <u>Funding Policy</u>

Each biennium, the state Pension Funding Council adopts PERS Plan 1 employer contribution rates, PERS Plan 2 employer and employee contribution rates, and PERS Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at 6 percent for state agencies and local government unit employees, and at 7.5 percent for state government elected officials. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. Under PERS Plan 3, employer contributions finance the defined benefit portion of the plan and member contributions finance the defined contribution portion. The Plan 3 employee contribution rates range from 5 percent to 15 percent.

As a result of the implementation of the Judicial Benefit Multiplier Program in January 2007, a second tier of employer and employee rates was developed to fund, along with investment earnings, the increased retirement benefits of those justices and judges that participate in the program

The methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.40 and 41.45 RCW.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2013, are as follows:

Members Not Participating in JBM:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer*	9.21%**	9.21%**	9.21%***
Employee	6.00%****	4.92%****	*****

* The employer rates include the employer administrative expense fee currently set at 0.18%.

** The employer rate for state elected officials is 13.73% for Plan 1 and 9.21% for Plan 2 and Plan 3.

*** Plan 3 defined benefit portion only.

**** The employee rate for state elected officials is 7.50% for Plan 1 and 4.92% for Plan 2.

***** Variable from 5.0% minimum to 15.0% maximum based on rate selected by the PERS 3 member.

Members Participating in JBM:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer-State Agency*	11.71%	11.71%	11.71%**
Employer-Local Gov't Units*	9.21%	9.21%	9.21%**
Employee-State Agency	9.76%	9.80%	7.50%***
Employee-Local Gov't Units	12.26%	12.30%	7.50%***

* The employer rates include the employer administrative expense fee currently set at 0.18%.

** Plan 3 defined benefit portion only.

***Minimum rate.

Both the District and the employees made the required contributions. The Districts required contributions for the years ended December 31 were as follows.

	PERS Plan 1	PERS Plan 2	PERS Plan 3
2013	$ 5,991.81	$ 140,296.80	$ 52,883.24
2012	$ 4,994.72	$ 123,493.70	$ 38,282.38
2011	$ 3,580.49	$ 102,586.13	$ 34,195.12

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 NOTES TO FINANCIAL STATEMENTS

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 districts 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 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 reports 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: 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	1,602,316.00	1,570,309.00	32,007.00
Park Services	1,310,590.00	1,316,458.00	(5,868.00)
Recreation	3,319,039.00	3,279,893.00	39,146.00
TOTAL General Fund	6,231,945.00	6,166,660.00	65,285.00
Land Acquistion Fund	1,713,764.00	1,489,095.00	224,669.00
Bond Redemption Fund	931,279.00	931,277.00	2.00
Capital Improvement Fund	1,458,454.00	333,013.00	1,125,441.00

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, or that affect the number of authorized employee positions, salary ranges, hours or other conditions of employment must be approved by the District Board of Commissioners.

Amended budget resolutions are reviewed in public session.

NOTE 3: ASSETS, LIABILITES AND EQUITIES

Cash: It is the districts 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, 2012 the Kitsap County Treasurer was holding $2,326,027.02 in short-term residual investments. Interest on these investments is apportioned to the various funds. In addition, there is $5152.00 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 12/31/12 for vested sick and vacation leave benefits is: $286,754.00

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

Long Term Debt: See note

Other Financing Sources or Uses: The Districts "Other Financing Sources or Uses" consist of interfund transfers 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 4: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

NOTE 5 - INVESTMENTS

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

Investments are presented at Fair Market Value.

Investments by type at December 31, 2012 are as follows:

Type of Investment	(City/County/District's) own investments	Investments held by (City/County/District) as an agent for other local governments, individual or private organizations.	Total
L.G.I.P.	$0	$2,326,027.29	$2,326,027.29
U.S. Gov. Securities			
Other-CD	0	$ 5,152.00	$ 5,152.00
Total	$	$2,331,179.29	$2,331,179.29

NOTE 6: 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.

NOTE 7: 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 8: LONG TERM DEBT

The accompanying schedule of Long Term Debt provides a listing of the outstanding debt of the District and summarized the Districts debt transactions at the year end of 2012. The General Obligation Bond dated 05/1/99 was refunded in 2009

9/3/2003 General Obligation Bond	2.50%	330,000.00
9/10/2009 General Obligation Bond	2.88%	2,525,000.00
Compensated Absence		286,754.00
TOTAL		3,141,754.00

The debt service requirements are as follows:

	Year	Principal	Interest
	2013	215,000.00	87,285.00
	2014	775,000.00	78,685.00
	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		$2,855,000.00	$356,920.00

NOTE 9 – PENSION PLANS

Substantially all the Districts full-time and qualifying part-time employees participate in the pension plan 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 Districts financial statements. Contributions to the system 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

Plan Description

The Legislature established PERS in 1947. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts; employees of legislative committees; community and technical colleges, college and university employees not participating in higher education retirement programs; employees of district and municipal courts; and employees of local governments. Approximately 50 percent of PERS salaries are accounted for by state employment. PERS retirement benefit provisions are established in Chapters 41.34 and 41.40 RCW and may be amended only by the State Legislature.

PERS is a cost-sharing multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a defined benefit plan with a defined contribution component.

PERS members who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 and by either, February 28, 2002 for state and higher education employees, or August 31, 2002 for local government employees, are Plan 2 members unless they exercised an option to transfer their membership to Plan 3. PERS members joining the system on or after March 1, 2002 for state and higher education employees, or September 1, 2002 for local government employees have the irrevocable option of choosing membership in either PERS Plan 2 or Plan 3. The option must be exercised within 90 days of employment. Employees who fail to choose within 90 days default to Plan 3. Notwithstanding, PERS Plan 2 and Plan 3 members may opt out of plan membership if terminally ill, with less than five years to live.

PERS is comprised of and reported as three separate plans for accounting purposes: Plan 1, Plan 2/3, and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3 accounts for the defined benefits of Plan 2 members and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 defined benefit plan may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered to be a single plan for accounting purposes.

PERS Plan 1 and Plan 2 retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to the PERS Plan 1 and Plan 2 defined benefit plans accrue interest at a rate specified by the Director of DRS. During DRS' Fiscal Year 2012, the rate was five and one-half percent compounded quarterly. Members in PERS Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest thereon upon separation from PERS-covered employment.

PERS Plan 1 members are vested after the completion of five years of eligible service.

PERS Plan 1 members are eligible for retirement after 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service. The monthly benefit is 2 percent of the average final compensation (AFC) per year of service, but the benefit may not exceed 60 percent of the AFC. The AFC is the monthly average of the 24 consecutive highest-paid service credit months.

The monthly benefit is subject to a minimum for retirees who have 25 years of service and have been retired 20 years, or who have 20 years of service and have been retired 25 years. If a survivor option is chosen, the benefit is reduced. Plan 1 members retiring from inactive status prior to the age of 65 may also receive actuarially reduced benefits. Plan 1 members may elect to receive an optional COLA that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 1 provides duty and non-duty disability benefits. Duty disability retirement benefits for disablement prior to the age of 60 consist of a temporary life annuity. The benefit amount is $350 a month, or two-thirds of the monthly AFC, whichever is less. The benefit is reduced by any workers' compensation benefit and is payable as long as the member remains disabled or until the member attains the age of 60, at which time the benefit is converted to the member's service retirement amount. A member with five years of covered employment is eligible for non-duty disability retirement. Prior to the age of 55, the benefit amount is 2 percent of the AFC for each year of service reduced by 2 percent for each year that the member's age is less than 55. The total benefit is limited to 60 percent of the AFC and is actuarially reduced to reflect the choice of a survivor option. Plan 1 members may elect to receive an optional COLA amount (based on the Consumer Price Index), capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 1 members can receive credit for military service while actively serving in the military if such credit makes them eligible to retire. Members can also purchase up to 24 months of service credit lost because of an on-the-job injury.

The survivor of a PERS Plan 1 member who dies after having earned ten years of service credit has the option, upon the member's death, of either a monthly survivor benefit or the lump sum of contributions plus interest.

PERS Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is 2 percent of the AFC per year of service. The AFC is the monthly average of the 60 consecutive highest-paid service months. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

PERS Plan 2 members who have at least 20 years of service credit and are 55 years of age or older are eligible for early retirement with a reduced benefit. The benefit is reduced by an early retirement factor (ERF) that varies according to age, for each year before age 65.

PERS Plan 2 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

- With a benefit that is reduced by 3 percent for each year before age 65; or.
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2 retirement benefits are also actuarially reduced to reflect the choice, if made, of a survivor option. The surviving spouse or eligible child(ren) of a PERS Plan 2 member who dies after having earned ten years of service credit has the option of either a monthly benefit or a lump sum payment of the member's contributions plus interest.

PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component and member contributions finance a defined contribution component. As established by Chapter 41.34 RCW, employee contribution rates to the defined contribution component range from 5 percent to 15 percent of salaries, based on member choice. There are currently no requirements for employer contributions to the defined contribution component of PERS Plan 3.

PERS Plan 3 defined contribution retirement benefits are dependent upon the results of investment activities. Members may elect to self-direct the investment of their contributions. Any expenses incurred in conjunction with self-directed investments are paid by members. Absent a member's self-direction, PERS Plan 3 investments are made in the same portfolio as that of the PERS 2/3 defined benefit plan.

For DRS' fiscal year 2012, PERS Plan 3 employee contributions were $95.2 million, and plan refunds paid out were $66.2 million.

The defined benefit portion of PERS Plan 3 provides members a monthly benefit that is 1 percent of the AFC per year of service. The AFC is the monthly average of the 60 consecutive highest-paid service months. There is no cap on years of service credit, and Plan 3 provides the same cost-of-living allowance as Plan 2.

Effective June 7, 2006, PERS Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service, if twelve months of that service are earned after age 44; or after five service credit years earned in PERS Plan 2 by June 1, 2003. Plan 3 members are immediately vested in the defined contribution portion of their plan.

Vested Plan 3 members are eligible for normal retirement at age 65, or they may retire early with the following conditions and benefits:

- If they have at least ten service credit years and are 55 years old, the benefit is reduced by an ERF that varies with age, for each year before age 65.
- If they have 30 service credit years and are at least 55 years old, they have the choice of a benefit that is reduced by 3 percent for each year before age 65; or a benefit with a smaller (or no) reduction factor (depending on age) that imposes stricter return-to-work rules.

PERS Plan 3 benefit retirement benefits are also actuarially reduced to reflect the choice, if made, of a survivor option.

PERS Plan 2 and Plan 3 provide disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 monthly benefit amount is 2 percent of the AFC per year of service. For Plan 3, the monthly benefit amount is 1 percent of the AFC per year of service. These disability benefit amounts are actuarially reduced for each year that the member's age is less than 65, and to reflect the choice of a survivor option. There is no cap on years of service credit, and a cost-of-living allowance is granted (based on the Consumer Price Index) capped at 3 percent annually.

PERS Plan 2 and Plan 3 members may have up to ten years of interruptive military service credit; five years at no cost and five years that may be purchased by paying the required contributions.

PERS Plan 2 and Plan 3 members who become totally incapacitated for continued employment while serving the uniformed services, or a surviving spouse or eligible child(ren), may request interruptive military service credit.

PERS Plan 2 and Plan 3 members can purchase up to 24 months of service credit lost because of an on-the-job injury.

PERS members may also purchase up to five years of additional service credit once eligible for retirement. This credit can only be purchased at the time of retirement and can be used only to provide the member with a monthly annuity that is paid in addition to the member's retirement benefit.

Beneficiaries of a PERS Plan 2 or Plan 3 member with ten years of service who is killed in the course of employment receive retirement benefits without actuarial reduction. This provision applies to any member killed in the course of employment, on or after June 10, 2004, if found eligible by the Director of the Department of Labor and Industries.

A one-time duty-related death benefit is provided to the estate (or duly designated nominee) of a PERS member who dies in the line of service as a result of injuries sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of the member's covered employment, if found eligible by the Department of Labor and Industries.

Funding Policy

Each biennium, the state Pension Funding Council adopts PERS Plan 1 employer contribution rates, PERS Plan 2 employer and employee contribution rates, and PERS Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at 6 percent for state agencies and local government unit employees, and at 7.5 percent for state government elected officials. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. Under PERS Plan 3, employer contributions finance the defined benefit portion of the plan and member contributions finance the defined contribution portion. The Plan 3 employee contribution rates range from 5 percent to 15 percent, based on member choice. Two of the options are graduated rates dependent on the employee's age.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2012, are as follows:

Members Not Participating in JBM:

	PERS Plan 1	**PERS Plan 2**	**PERS Plan 3**
Employer*	7.21%**	7.21%**	7.21%***
Employee	6.00%****	4.64%****	*****

* The employer rates include the employer administrative expense fee currently set at 0.16%.

** The employer rate for state elected officials is 10.74% for Plan 1 and 7.21% for Plan 2 and Plan 3.

*** Plan 3 defined benefit portion only.

**** The employee rate for state elected officials is 7.50% for Plan 1 and 4.64% for Plan 2.

***** Variable from 5.0% minimum to 15.0% maximum based on rate selected by the PERS 3 member.

NOTE 10 – 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.

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Bainbridge Island Metropolitan Park and Recreation District

Schedule 09

Schedule of Liabilities

For the year ended December 31, 2013

Debt Type	ID. No.	Description	Maturity/Payment Due Date	Beginning Balance January 1, 2013	Additions	Reductions	Ending Balance December 31, 2013
General Obligations							
	251.11	2003 Bond	12/1/2014	330,000	0	215,000	115,000
	251.11	2009 Bond	12/1/2018	2,525,000	0	0	2,525,000
	259.11	Compensated absence	12/31/2013	286,754	13,149	0	299,903
			Total General Obligations:	**3,141,754**	**13,149**	**215,000**	**2,939,903**
			Total Liabilities:	**3,141,754**	**13,149**	**215,000**	**2,939,903**

The accompanying notes to the financial statements are an integral part of this schedule

MCAG NO. 1685

Schedule 09

Bainbridge Island Metropolitan Park and Recreation District

Schedule of Liabilities

For the year ended December 31, 2012

Debt Type	ID. No.	Description	Maturity/Payment Due Date	Beginning Balance January 1, 2012	Additions	Reductions	Ending Balance December 31, 2012
General Obligations							
	251.12	2003 Bond	12/1/2014	540,000	0	210,000	330,000
	251.12	2009 Bond	12/1/2018	3,135,000	0	610,000	2,525,000
	259.11	Compensated Absence	12/31/2012	264,667	22,087	0	286,754
	263.51	Kubota Tractor	3/1/2013	10,248	0	10,248	0
			Total General Obligations:	**3,949,915**	**22,087**	**830,248**	**3,141,754**
			Total Liabilities:	**3,949,915**	**22,087**	**830,248**	**3,141,754**

The accompanying notes to the financial statements are an integral part of this schedule

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.

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