



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report
**Bainbridge Island Metropolitan Park
and Recreation District**

For the period January 1, 2016 through December 31, 2017

Published February 7, 2019

Report No. 1023169





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

February 7, 2019

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,

Pat McCarthy
State Auditor
Olympia, WA

TABLE OF CONTENTS

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.....	4
Independent Auditor's Report on Financial Statements.....	7
Financial Section.....	10
About the State Auditor's Office.....	33

**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
January 1, 2016 through December 31, 2017**

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, as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated January 29, 2019.

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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's

internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However,

this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive style with a large initial "P" and "M".

Pat McCarthy
State Auditor
Olympia, WA

January 29, 2019

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Bainbridge Island Metropolitan Park and Recreation District January 1, 2016 through December 31, 2017

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, for the years ended December 31, 2017 and 2016, 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 opinions 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, 2017 and 2016, 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, 2017 and 2016, 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 conducted for the purpose of forming opinions on the financial statements taken as a whole. The Schedules of Liabilities are presented for purposes of additional analysis, as required by the prescribed BARS manual. These schedules are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements 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 29, 2019 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.



Pat McCarthy

State Auditor

Olympia, WA

January 29, 2019

FINANCIAL SECTION

Bainbridge Island Metropolitan Park and Recreation District January 1, 2016 through December 31, 2017

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2017

Fund Resources and Uses Arising from Cash Transactions – 2016

Notes to the Financial Statements – 2017

Notes to the Financial Statements – 2016

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2017

Schedule of Liabilities – 2016

**Bainbridge Island Metropolitan Park and Recreation District
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2017**

		<u>Total for All Funds (Memo Only)</u>	<u>001 General Fund</u>	<u>200 Debt Service Fund</u>	<u>300 Capital Project Fund</u>
Beginning Cash and Investments					
30810	Reserved	76,559	67,759	-	8,800
30880	Unreserved	2,601,584	1,639,597	568,239	360,661
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	5,952,820	5,162,735	790,085	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	1,551	1,506	45	-
340	Charges for Goods and Services	2,597,481	2,597,481	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	711,689	669,908	979	22,638
Total Revenues:		<u>9,263,541</u>	<u>8,431,630</u>	<u>791,108</u>	<u>22,638</u>
Expenditures					
570	Culture and Recreation	7,769,153	7,235,215	-	521,047
Total Expenditures:		<u>7,769,153</u>	<u>7,235,215</u>	<u>-</u>	<u>521,047</u>
Excess (Deficiency) Revenues over Expenditures:		1,494,388	1,196,415	791,109	(498,409)
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	646,220	-	-	516,220
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	119,985	119,985	-	-
381, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		<u>766,205</u>	<u>119,985</u>	<u>-</u>	<u>516,220</u>
Other Decreases in Fund Resources					
594-595	Capital Expenditures	307,686	227,686	-	-
591-593, 599	Debt Service	730,025	300	729,725	-
597	Transfers-Out	646,220	646,220	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	98,369	98,369	-	-
Total Other Decreases in Fund Resources:		<u>1,782,300</u>	<u>972,575</u>	<u>729,725</u>	<u>-</u>
Increase (Decrease) in Cash and Investments:		<u>478,293</u>	<u>343,825</u>	<u>61,384</u>	<u>17,811</u>
Ending Cash and Investments					
5081000	Reserved	47,298	24,433	-	22,865
5088000	Unreserved	3,109,138	2,026,748	629,622	364,407
Total Ending Cash and Investments		<u>3,156,435</u>	<u>2,051,181</u>	<u>629,622</u>	<u>387,272</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, 2017**

	310 Land Acquisition Fund	320 Turf Field Replacement Fund
Beginning Cash and Investments		
30810	Reserved	-
30880	Unreserved	14,485
388 / 588	Prior Period Adjustments, Net	-
Revenues		
310	Taxes	-
320	Licenses and Permits	-
330	Intergovernmental Revenues	-
340	Charges for Goods and Services	-
350	Fines and Penalties	-
360	Miscellaneous Revenues	124
Total Revenues:		18,041
Expenditures		
570	Culture and Recreation	2,143
Total Expenditures:		10,749
Excess (Deficiency) Revenues over Expenditures:		15,898
Other Increases in Fund Resources		
391-393, 596	Debt Proceeds	-
397	Transfers-In	130,000
385	Special or Extraordinary Items	-
386 / 389	Custodial Activities	-
381, 395, 398	Other Resources	-
Total Other Increases in Fund Resources:		130,000
Other Decreases in Fund Resources		
594-595	Capital Expenditures	80,000
591-593, 599	Debt Service	-
597	Transfers-Out	-
585	Special or Extraordinary Items	-
586 / 589	Custodial Activities	-
Total Other Decreases in Fund Resources:		80,000
Increase (Decrease) in Cash and Investments:		15,898
Ending Cash and Investments		
5081000	Reserved	-
5088000	Unreserved	34,501
Total Ending Cash and Investments		34,501

**Bainbridge Island Metropolitan Park and Recreation District
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2016**

		<u>Total for All Funds (Memo Only)</u>	<u>001 General Fund</u>	<u>200 Debt Service Fund</u>	<u>300 Capital Project Fund</u>
Beginning Cash and Investments					
30810	Reserved	8,168	8,168	-	-
30880	Unreserved	2,810,683	1,736,034	777,554	57,025
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	5,697,793	4,645,225	1,052,568	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	53,585	3,534	51	50,000
340	Charges for Goods and Services	2,446,180	2,446,180	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	827,138	479,147	1,037	346,423
Total Revenues:		<u>9,024,696</u>	<u>7,574,086</u>	<u>1,053,655</u>	<u>396,423</u>
Expenditures					
570	Culture and Recreation	7,523,490	6,999,410	-	509,683
Total Expenditures:		<u>7,523,490</u>	<u>6,999,410</u>	<u>-</u>	<u>509,683</u>
Excess (Deficiency) Revenues over Expenditures:		1,501,206	574,676	1,053,656	(113,260)
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	1,310,808	307,429	-	887,121
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	134,393	134,393	-	-
381, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		<u>1,445,201</u>	<u>441,822</u>	<u>-</u>	<u>887,121</u>
Other Decreases in Fund Resources					
594-595	Capital Expenditures	356,196	38,507	-	237,689
591-593, 599	Debt Service	1,262,970	-	1,262,970	-
597	Transfers-Out	1,310,808	857,696	-	223,737
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	157,139	157,139	-	-
Total Other Decreases in Fund Resources:		<u>3,087,114</u>	<u>1,053,343</u>	<u>1,262,970</u>	<u>461,426</u>
Increase (Decrease) in Cash and Investments:		<u>(140,706)</u>	<u>(36,845)</u>	<u>(209,314)</u>	<u>312,435</u>
Ending Cash and Investments					
5081000	Reserved	76,559	67,759	-	8,800
5088000	Unreserved	2,601,584	1,639,597	568,239	360,661
Total Ending Cash and Investments		<u>2,678,143</u>	<u>1,707,356</u>	<u>568,239</u>	<u>369,461</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, 2016**

	310 Land Acquisition Fund	320 Turf Field Replacement Fund
Beginning Cash and Investments		
30810	Reserved	-
30880	Unreserved	-
388 / 588	Prior Period Adjustments, Net	-
Revenues		
310	Taxes	-
320	Licenses and Permits	-
330	Intergovernmental Revenues	-
340	Charges for Goods and Services	-
350	Fines and Penalties	-
360	Miscellaneous Revenues	1
Total Revenues:		1
Expenditures		
570	Culture and Recreation	-
Total Expenditures:		-
Excess (Deficiency) Revenues over Expenditures:		1
Other Increases in Fund Resources		
391-393, 596	Debt Proceeds	-
397	Transfers-In	18,602
385	Special or Extraordinary Items	-
386 / 389	Custodial Activities	-
381, 395, 398	Other Resources	-
Total Other Increases in Fund Resources:		18,602
Other Decreases in Fund Resources		
594-595	Capital Expenditures	-
591-593, 599	Debt Service	-
597	Transfers-Out	-
585	Special or Extraordinary Items	-
586 / 589	Custodial Activities	-
Total Other Decreases in Fund Resources:		-
Increase (Decrease) in Cash and Investments:		18,603
Ending Cash and Investments		
5081000	Reserved	-
5088000	Unreserved	18,603
Total Ending Cash and Investments		18,603

Bainbridge Island Metropolitan Park and Recreation District
Notes to the Financial Statements
For the year ended December 31, 2017

Note 1 - Summary of Significant Accounting Policies

The Bainbridge Island Metropolitan Park and Recreation District was incorporated on September 14, 2004 and operates under the laws of the State of Washington applicable to a Metropolitan Park and Recreation District. The District is a general-purpose government and provides for the management, control, improvement, maintenance and acquisition of parks and recreation facilities

The District's Board of Commissioners is 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, recreation facilities and programs.

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.

A. Fund Accounting

Financial transactions of the government are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues and expenditures. The District's resources are allocated to and accounted for in individual funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements. The following fund types are used:

GOVERNMENTAL FUND TYPES:

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.

Turf Field Replacement Fund:

This fund is designated by the board to account for funds which will be used for large turf field expenses.

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.

B. Basis of Accounting and Measurement Focus

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

C. Budgets

Budgetary control is established at the fund level (i.e. expenditures for a fund may not

exceed the fund’s total appropriation amount). The board must approve by resolution any increase in total fund appropriations. General fund budgets are typically monitored by Division and/or cost center. General Fund District Divisions: Park Services, Administration and Recreation deviations within cost centers do not need board approval and may be approved by the budget manager (as determined by the Division Director) for that cost center. Deviations within Divisions (between cost centers) do not need board approval but must be approved by the Division Director. Changes in appropriations between Divisions must be approved by the Executive Director and the Board. Some funds have budgets monitored by project: In this case, variations from the appropriated amount for each project must be approved by the board. Changes in projects must be approved by the board. Any unexpended appropriation balances lapse at the end of the budget period (this does not include donated funds). Coding of expenses and revenues are the responsibility of department managers.

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 2017 budgets were as follows:

	Final Budget	Actual	Variance
General Fund			
Administration	2,459,822.00	2,419,502.67	(40,319.33)
Park Services	1,772,700.00	1,783,883.01	11,183.01
Recreation	3,985,459.45	3,906,035.32	(79,424.13)
TOTAL General Fund	8,217,981.45	8,109,421.00	(108,560.45)
Land Acquisition Fund	130,000.00	90,749.00	(39,251.00)
Turf Replacement Fund	7,000.00	2,143.00	(4,857.00)
Bond Redemption Fund	729,725.00	729,725.00	-
Capital Improvement Fund	1,202,283.00	521,047.00	(681,236.00)

D. Cash and Investments

See Note 2, *Deposits and Investments*.

E. Capital Assets

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

F. 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 12/31/17 for vested sick and vacation leave and compensatory time benefits is: \$394,877.00.

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.

G. Long-Term Debt

See Note 5, *Debt Service Requirements*.

H. Reserved Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments is reported as reserved when it is subject to restrictions on use imposed by external parties or due to internal commitments established by the Board of Commissioners. When expenditures that meet restrictions are incurred, the District typically uses reserved resources first before using unreserved amounts.

Reservations of Ending Cash and Investments consist of donations from the Hawk Estate for the Pottery Studio and Aquatics Center in the General Fund. In the Capital Improvement fund, reserve balances consist of remaining bond funds for Sakai park, funding from the Bainbridge Rotary Club for restrooms, and grant funding from various sources for Pru's House, Schel Chelb Park and Blakely Park restoration.

Note 2 – Deposits and Investments

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

All deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commission. All investments are insured,

registered or held by Kitsap County Treasurer in its name or its agent.

The District holds one CD, see note 8.

Investments are reported at fair market value. Investments by type at December 31, 2017 are as follows:

Type of Investment	The Districts Own		Total
	Investments	Kitsap County *	
L.G.I.P	\$ -	\$ 1,829,748.83	\$ 1,829,748.83
U.S. Gov. Securities	\$ -	\$ -	\$ -
Other-CD	\$ 10,178.76	\$ -	\$ 10,178.76
Total	\$ 10,178.76	\$ 1,829,748.83	\$ 1,839,927.59
*Investments Held by Kitsap County as an agent for other local governments, individuals or private organizations			

Note 3 - Property Tax

The County Treasurer acts as an agent to collect property tax levied in the County for all taxing authorities. Collections are distributed at the end of each month.

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

The Districts regular levy for the year 2017 was \$.75 per \$1,000 on an assessed valuation of \$6,905,819,349. for a total regular levy of \$5,179,634.

Note 4 - Interfund Loans

There was a loan from the General Fund to the Land Acquisition Fund in the amount of \$150,000.00 in 2012. \$83,692 was paid in 2016 leaving a balance of \$66,308 unpaid at year end.

Note 5 – Debt Service Requirements

Debt Service

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the District and summarizes the District’s debt transactions for year ended December 31, 2017.

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

	Principal	Interest	Total
2018	940,000.00	225,025.00	1,165,025.00
2019	250,000.00	189,775.00	439,775.00
2020	260,000.00	182,275.00	442,275.00
2021	270,000.00	174,475.00	444,475.00
2022	285,000.00	166,375.00	451,375.00
2023-2034	4,345,000.00	1,150,500.00	5,495,500.00
Totals	6,350,000.00	2,088,425.00	8,438,425.00

Note 6 – Pension Plans

State Sponsored Pension Plans

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

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

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

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

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

At June 30, 2017 (the measurement date of the plans), the District’s proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

	Employer Contributions	Allocation Percentage	Liability/Asset
PERS 1	8,870.01	0.001475%	69,989.90
PERS 1 UAAL	131,300.60	0.021828%	1,035,755.63
PERS 2/3	171,489.63	0.028077%	975,541.54

Note 7 – Risk Management

Bainbridge Island Metropolitan Park & Recreation 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, 2017, there are 540 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, cyber and automobile physical damage to insured vehicles. Liability coverage limit is \$20 million per occurrence and property coverage limit is \$1 billion per occurrence. Enduris offers crime coverage up to a limit of \$1 million per occurrence.

Since Enduris is a cooperative program, there is 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.

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 8 – 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, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Bainbridge Island Metropolitan Park and Recreation District was incorporated on September 14, 2004 and operates under the laws of the State of Washington applicable to a Metropolitan Park and Recreation District. The District is a general-purpose government and provides for the management, control, improvement, maintenance and acquisition of parks and recreation facilities

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

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.

A. Fund Accounting

Financial transactions of the government are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues and expenditures. The government's resources are allocated to and accounted for in individual funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements. The following fund types are used:

GOVERNMENTAL FUND TYPES:

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 restricted, committed or assigned for the acquisition, improvement or construction of capital facilities or other capital assets.

Debt Service Fund:

These funds account for the financial resources that are restricted, committed or assigned for principal, interest and related costs 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.

Turf Field Replacement Fund:

This fund is designated by the board to account for financial resources which will be used for large turf field expenses.

B. Basis of Accounting and Measurement Focus

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

C. Budgets

The District adopts annual appropriated 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 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 Appropriations	Actual Expenditures	Variance
General Fund			
Administration	2,449,008.68	2,262,743.00	(186,265.68)
Park Services	1,615,343.00	1,642,816.79	27,473.79
Recreation	3,802,267.00	3,756,317.00	(45,950.00)
TOTAL General Fund	7,866,618.68	7,661,876.79	(204,741.89)
Land Acquisition Fund	337,847.33	323,772.00	(14,075.33)
Bond Redemption Fund	1,263,578.00	1,262,970.00	(608.00)
Capital Improvement Fund	1,842,103.00	971,108.00	(870,995.00)

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.

D. Cash and Investments

See note 2, Deposits and Investments

E. Capital Assets.

Capital assets are long lived assets. Capital assets and inventory are recorded as expenses when purchased.

F. Compensated Absences

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 12/31/16 for vested sick and vacation leave and compensatory time benefits is: \$358,027.00

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.

G. Long Term Debt: See Note 7, Debt Service Requirements

H. Reserved Portion:

Beginning and Ending Cash and Investments is reported as reserved when it is subject to restrictions on use imposed by external parties or due to internal commitments established by The Board of Commissioners. When expenditures that meet restrictions are incurred, the District intends to use reserved resources first before using unreserved amounts.

NOTE 2: DEPOSITS AND INVESTMENTS

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, 2016 the Kitsap County Treasurer was holding \$1,470,594.53 in short-term residual investments. Interest on these investments is apportioned to the various funds. In addition, there is \$9,173.96 held in a CD at Columbia Bank.

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, 2016 are as follows:

Type of Investment	The Districts Own		Total
	Investments	Kitsap County *	
L.G.I.P	\$ -	\$ 1,470,594.53	\$ 1,470,594.53
U.S. Gov. Securities	\$ -	\$ -	\$ -
Other-CD	\$ 9,173.96	\$ -	\$ 9,173.96
Total	\$ 9,173.96	\$ 1,470,594.53	\$ 1,479,768.49
*Investments Held by Kitsap County as an agent for other local governments, individuals or private organizations			

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

NOTE 3 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, 2016, there are 524 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.
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- 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, cyber and automobile physical damage to insured vehicles. Liability coverage limit is \$20 million per occurrence and property coverage limit is \$1 billion per occurrence. Enduris offers crime coverage up to a limit of \$1 million per occurrence.

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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: 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 2016 was \$.75 per \$1,000 on an assessed valuation of \$6,211,210,950 for a total regular levy of \$4,658,632

NOTE 5 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. \$83,692 was paid in 2016 leaving a balance of \$66,308 unpaid at year end.

NOTE 6: DEBT SERVICE REQUIREMENTS

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 2016. The General Obligation Bond dated 05/1/99 was refunded in 2009.

Date	Purpose	Interest Rate	Amount
7/22/2015	General Obligation Bond	3.13%	5,900,000.00
9/10/2009	General Obligation Bond	2.88%	940,000.00
	Pension Liability		2,622,013.51
	Boys and Girls Club Agreement		220,000.00
	Compensated Absence		356,848.00
	TOTAL		10,355,929.00

The debt service requirements are as follows:

	Principal	Interest
2017	\$ 490,000.00	\$ 239,725.00
2018	\$ 940,000.00	\$ 225,025.00
2019	\$ 250,000.00	\$ 189,775.00
2020	\$ 260,000.00	\$ 182,275.00
2021	\$ 270,000.00	\$ 174,475.00
2021 to 2034	\$ 4,630,000.00	\$ 1,316,875.00
	\$ 6,840,000.00	\$ 2,328,150.00

NOTE 7 – PENSION PLANS

A. State Sponsored Pension Plans

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

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

At June 30, 2016 (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:

PLAN	ALLOCATION	LIABILITY
PERS 1	0.0015200%	81,631.16
PERS 1 UAAL	0.0215060%	1,154,973.49
PERS 2/3	0.027516%	<u>1,385,408.86</u>
	TOTAL	2,622,013.51

NOTE 8 – 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
Schedule of Liabilities
For the Year Ended December 31, 2017**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
251.11	Voted General Obligation Bond	12/31/2034	5,900,000	-	490,000	5,410,000
251.11	General Obligation Bond	12/31/2018	940,000	-	-	940,000
Total General Obligation Debt/Liabilities:			6,840,000	-	490,000	6,350,000
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absence	12/31/2017	358,027	36,850	-	394,877
263.99	Boys and Girls Club Lease payout	12/31/2019	220,000	-	80,000	140,000
264.30	Pension Liabilities	12/31/2017	2,622,014	-	540,726	2,081,288
Total Revenue and Other (non G.O.) Debt/Liabilities:			3,200,041	36,850	620,726	2,616,165
Total Liabilities:			10,040,041	36,850	1,110,726	8,966,165

**Bainbridge Island Metropolitan Park and Recreation District
Schedule of Liabilities
For the Year Ended December 31, 2016**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
251.12	Voted General Obligation Bond	12/31/2018	1,865,000	-	925,000	940,000
251.12	Voted General Obligation Bond	12/31/2034	5,900,000	-	-	5,900,000
Total General Obligation Debt/Liabilities:			7,765,000	-	925,000	6,840,000
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absence	12/31/2016	317,650	40,377	-	358,027
264.30	Pension Liability	12/31/2016	2,234,081	387,933	-	2,622,014
263.99	Boys and Girls Club Lease pay out	5/1/2019	-	220,000	-	220,000
Total Revenue and Other (non G.O.) Debt/Liabilities:			2,551,731	648,310	-	3,200,041
Total Liabilities:			10,316,731	648,310	925,000	10,040,041

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