



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

**Bainbridge Island
Metropolitan Park and
Recreation District**

For the period January 1, 2018 through December 31, 2019

Published June 3, 2021

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

June 3, 2021

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

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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 the Financial Statements.....	7
Financial Section.....	11
About the State Auditor's Office.....	34

INDEPENDENT AUDITOR'S REPORT

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Bainbridge Island Metropolitan Park and Recreation District January 1, 2018 through December 31, 2019

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, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated May 20, 2021.

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

As discussed in Note 10 to the 2019 financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the District is unknown.

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, flowing style.

Pat McCarthy
State Auditor
Olympia, WA

May 20, 2021

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

Bainbridge Island Metropolitan Park and Recreation District January 1, 2018 through December 31, 2019

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, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the District's financial statements, as listed on page 11.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our 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 state law using accounting practices prescribed by the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual. Those accounting practices differ from accounting principles generally accepted in the United States of America (GAAP). The differences in these accounting practices are also described in Note 1.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and investments of the Bainbridge Island Metropolitan Park and Recreation District, and its changes in cash and investments, for the years ended December 31, 2019 and 2018, 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, 2019 and 2018, or the changes in financial position or cash flows thereof 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.

Matters of Emphasis

As discussed in Note 10 to the 2019 financial statements, the full extent of the COVID-19 pandemic’s direct or indirect financial impact on the District is unknown. Our opinion is not modified with respect to this matter.

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 May 20, 2021 on our consideration of the District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral

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

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

Pat McCarthy

State Auditor

Olympia, WA

May 20, 2021

FINANCIAL SECTION

Bainbridge Island Metropolitan Park and Recreation District January 1, 2018 through December 31, 2019

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2019

Fund Resources and Uses Arising from Cash Transactions – 2018

Notes to Financial Statements – 2019

Notes to Financial Statements – 2018

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2019

Schedule of Liabilities – 2018

**Bainbridge Island Metropolitan Park and Recreation District
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2019**

		<u>Total for All Funds (Memo Only)</u>	<u>001 General Fund</u>	<u>200 Debt Service Fund</u>	<u>300 Capital Project Fund</u>
Beginning Cash and Investments					
30810	Reserved	16,793	16,793	-	-
30880	Unreserved	3,634,851	2,451,513	701,403	350,375
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	5,879,167	5,409,405	469,762	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	60,245	1,655	33	58,557
340	Charges for Goods and Services	2,579,843	2,579,843	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	702,893	563,407	2,222	126,542
Total Revenues:		<u>9,222,148</u>	<u>8,554,310</u>	<u>472,017</u>	<u>185,099</u>
Expenditures					
570	Culture and Recreation	8,497,429	7,720,154	-	751,905
Total Expenditures:		<u>8,497,429</u>	<u>7,720,154</u>	<u>-</u>	<u>751,905</u>
Excess (Deficiency) Revenues over Expenditures:		724,719	834,156	472,017	(566,806)
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	656,898	-	-	546,898
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	86,251	86,251	-	-
381, 382, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		<u>743,149</u>	<u>86,251</u>	<u>-</u>	<u>546,898</u>
Other Decreases in Fund Resources					
594-595	Capital Expenditures	194,515	134,515	-	-
591-593, 599	Debt Service	439,775	-	439,775	-
597	Transfers-Out	656,898	656,898	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	67,278	67,278	-	-
581, 582	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		<u>1,358,466</u>	<u>858,691</u>	<u>439,775</u>	<u>-</u>
Increase (Decrease) in Cash and Investments:		109,402	61,716	32,242	(19,908)
Ending Cash and Investments					
5081000	Reserved	62,896	13,395	-	49,501
5088000	Unreserved	3,698,150	2,516,627	733,645	280,966
Total Ending Cash and Investments		3,761,046	2,530,022	733,645	330,467

**Bainbridge Island Metropolitan Park and Recreation District
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2019**

		<u>310 Land Acquisition Fund</u>	<u>320 Turf Field Replacement Fund</u>
Beginning Cash and Investments			
30810	Reserved	-	-
30880	Unreserved	103,147	28,413
388 / 588	Net Adjustments	-	-
Revenues			
310	Taxes	-	-
320	Licenses and Permits	-	-
330	Intergovernmental Revenues	-	-
340	Charges for Goods and Services	-	-
350	Fines and Penalties	-	-
360	Miscellaneous Revenues	282	10,440
Total Revenues:		<u>282</u>	<u>10,440</u>
Expenditures			
570	Culture and Recreation	18,804	6,566
Total Expenditures:		<u>18,804</u>	<u>6,566</u>
Excess (Deficiency) Revenues over Expenditures:		(18,522)	3,874
Other Increases in Fund Resources			
391-393, 596	Debt Proceeds	-	-
397	Transfers-In	110,000	-
385	Special or Extraordinary Items	-	-
386 / 389	Custodial Activities	-	-
381, 382, 395, 398	Other Resources	-	-
Total Other Increases in Fund Resources:		<u>110,000</u>	<u>-</u>
Other Decreases in Fund Resources			
594-595	Capital Expenditures	60,000	-
591-593, 599	Debt Service	-	-
597	Transfers-Out	-	-
585	Special or Extraordinary Items	-	-
586 / 589	Custodial Activities	-	-
581, 582	Other Uses	-	-
Total Other Decreases in Fund Resources:		<u>60,000</u>	<u>-</u>
Increase (Decrease) in Cash and Investments:		<u>31,478</u>	<u>3,874</u>
Ending Cash and Investments			
5081000	Reserved	-	-
5088000	Unreserved	134,624	32,288
Total Ending Cash and Investments		<u>134,624</u>	<u>32,288</u>

**Bainbridge Island Metropolitan Park and Recreation District
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2018**

		<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	10,179	10,179	-	-
30880	Unreserved	3,146,257	2,041,002	629,622	387,272
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	6,558,974	5,330,432	1,228,542	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	274,079	2,324	6,482	265,273
340	Charges for Goods and Services	2,592,450	2,592,450	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	724,715	540,420	1,783	180,946
Total Revenues:		<u>10,150,218</u>	<u>8,465,626</u>	<u>1,236,806</u>	<u>446,219</u>
Expenditures					
570	Culture and Recreation	7,847,419	7,310,220	-	528,830
Total Expenditures:		<u>7,847,419</u>	<u>7,310,220</u>	<u>-</u>	<u>528,830</u>
Excess (Deficiency) Revenues over Expenditures:		2,302,799	1,155,406	1,236,807	(82,611)
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	651,292	-	-	521,292
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	107,486	107,486	-	-
381, 382, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		<u>758,778</u>	<u>107,486</u>	<u>-</u>	<u>521,292</u>
Other Decreases in Fund Resources					
594-595	Capital Expenditures	673,688	118,112	-	475,577
591-593, 599	Debt Service	1,165,025	-	1,165,025	-
597	Transfers-Out	651,292	651,292	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	76,363	76,363	-	-
Total Other Decreases in Fund Resources:		<u>2,566,368</u>	<u>845,766</u>	<u>1,165,025</u>	<u>475,577</u>
Increase (Decrease) in Cash and Investments:		495,209	417,126	71,782	(36,896)
Ending Cash and Investments					
5081000	Reserved	92,250	16,793	-	75,458
5088000	Unreserved	3,559,394	2,451,513	701,403	274,917
Total Ending Cash and Investments		3,651,644	2,468,306	701,403	350,375

**Bainbridge Island Metropolitan Park and Recreation District
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2018**

		310 Land Acquisition Fund	320 Turf Field Replacement Fund
Beginning Cash and Investments			
30810	Reserved	-	-
30880	Unreserved	53,860	34,501
388 / 588	Net Adjustments	-	-
Revenues			
310	Taxes	-	-
320	Licenses and Permits	-	-
330	Intergovernmental Revenues	-	-
340	Charges for Goods and Services	-	-
350	Fines and Penalties	-	-
360	Miscellaneous Revenues	1,226	342
Total Revenues:		1,226	342
Expenditures			
570	Culture and Recreation	1,939	6,429
Total Expenditures:		1,939	6,429
Excess (Deficiency) Revenues over Expenditures:		(713)	(6,087)
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, 382, 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:		49,287	(6,087)
Ending Cash and Investments			
5081000	Reserved	-	-
5088000	Unreserved	103,147	28,413
Total Ending Cash and Investments		103,147	28,413

Bainbridge Island Metropolitan Park & Recreation District
Notes to the Financial Statements
for the Year Ended December 31, 2019

Note 1 - Summary of Significant Accounting Policies

The Bainbridge Island Metropolitan Park & Recreation District (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 (Board) is 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 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 (Bond Redemption 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.

B. Basis of Accounting and Measurement Focus

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

C. Cash and Investments

See Note 3, *Deposits and Investments*.

D. Capital Assets

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

E. 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 12/31/19 for vested sick and vacation leave and compensatory time benefits is: \$455,394.

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. Payment for sick leave is deposited into an HSA account.

F. Long-Term Debt

See Note 6, *Debt Service Requirements*.

G. 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. When expenditures that meet restrictions are incurred, the District typically uses reserved resources first before using unreserved amounts.

Reservations of Ending Cash and Investments in the General Fund consist of donations from the Hawk Estate for the Aquatic Center. In the Capital Improvement Fund, donations for building a pickleball court and donations from various sources for Pru's House.

Note 2 – Budget Compliance

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 2019 budgets were as follows:

Notes for Budget			
	Final Budget	Actual	Variance
General Fund			
Administration	2,638,894.00	2,606,310.00	32,584.00
Park Services	2,024,077.00	2,011,437.00	12,640.00
Recreation	4,135,150.00	3,961,098.00	174,052.00
TOTAL General Fund	8,798,121.00	8,578,845.00	219,276.00
Land Acquisition Fund	110,000.00	78,804.00	31,196.00
Turf Field Replacement Fund	7,000.00	6,566.00	434.00
Bond Redemption Fund	439,775.00	439,775.00	-
Capital Improvement Fund	1,925,648.00	751,905.00	1,173,743.00

Note 3 – 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 9.

Investments are reported at fair market value. Investments by type at December 31, 2019 are as follows:

Type of Investment	The Districts Own		
	Investments	Kitsap County *	Total
L.G.I.P	\$ -	\$ 2,160,289.22	\$ 2,160,289.22
U.S. Gov. Securities	\$ -	\$ -	\$ -
Other-CD	\$ 11,191.72	\$ -	\$ 11,191.72
Total	\$ 11,191.72	\$ 2,160,289.22	\$ 2,171,480.94
*Investments held by Kitsap County as an agent for other local governments, individuals or private organizations			

Investments in the State Local Government Investment Pool (LCIP).

The District is a voluntary participant in the Local Government Investment Pool, an external investment pool operated by the Washington State Treasurer. The pool is not rated and not registered with the SEC. Rather, oversight is provided by the State Finance Committee in accordance with Chapter 43.250 RCW. Investments in the LGIP are reported at amortized cost, which is the same as the value of the pool per share. The LGIP does not impose any restrictions on participant withdrawals.

The Office of the State Treasurer prepares a stand-alone financial report for the pool. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, online at www.tre.wa.gov.

Note 4 – 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 District’s regular levy for the year 2019 was \$.645 per \$1,000 on an assessed valuation of \$8,406,309,515 for a total regular levy of \$5,429,613.

Note 5 – 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 which was forgiven per District resolution 2019-13.

Note 6 – Long Term Debt

Debt Service

The accompanying Schedule of Liabilities provides more details of the outstanding debt and liabilities of the District and summarizes the District's debt transactions for year ended December 31, 2019.

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

	Principal	Interest	Total
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	295,000.00	157,825.00	452,825.00
2023-2034	4,050,000.00	992,675.00	5,042,675.00
Totals	5,160,000.00	1,673,625.00	6,833,625.00

Note 7 – Pension Plans

State Sponsored Pension Plans

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

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

The 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 98540-8380

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

At June 30, 2019 (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	10,918.25	0.001523%	58,564.76
PERS 1 UAAL	144,864.33	0.020203%	776,877.07
PERS 2/3	213,178.00	0.026101%	253,529.45

Note 8 – Risk Management

Bainbridge Island Metro Park & Rec Dist is a member of Enduris. Chapter 48.62 RCW provides the exclusive source of local government entity authority to individually or jointly self-insure risks, jointly purchase insurance or reinsurance, and to contract for risk management, claims, and administrative services. The Pool was formed July 10, 1987 pursuant to the provisions of Chapter 48.62 RCW, Chapter 200-100 WAC, and Chapter 39.34 RCW when two counties and two cities in the State of Washington joined together by signing an interlocal governmental agreement to fund their self-insured losses and jointly purchase insurance and administrative services. As of August 31, 2019, there are 547 Enduris members representing a broad array of special purpose districts throughout the state. Enduris provides property and liability coverage as well as risk management services and other related administrative services.

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

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

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

coverage limit is \$1 billion per occurrence. Enduris offers crime coverage up to a limit of \$1 million per occurrence.

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

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

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

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

Note 9 – Other Disclosures

The District entered into an agreement with a citizen regarding the repair and 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.

Note 10 – Subsequent Events – COVID-19

In February 2020, the Governor of the State of Washington declared a state of emergency in response to the spread of the COVID-19 virus. In the weeks following the declaration, precautionary measures to slow the spread of the virus have been ordered. These measures included closing schools, colleges, and universities, cancelling public events, prohibiting public and private gatherings, and requiring people to stay home unless they are leaving for an essential function. In response to these events, the District cancelled all programming and closed all physical facilities except for limited essential functions. Assuming total revenue loss for the months of March-May and a gradual return to programming June-August, the District estimates a loss of earned revenue of approximately \$800,000. To offset the loss in revenue, the District has laid off all part-time staff and eliminated non-essential spending.

Bainbridge Island Metropolitan Park and Recreation District
Notes to the Financial Statements
For the year ended December 31, 2018

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 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 (Bond Redemption 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.

B. Basis of Accounting and Measurement Focus

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

C. Cash and Investments

See Note 3, *Deposits and Investments*.

D. Capital Assets

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

E. 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 12/31/18 for vested sick and vacation leave and compensatory time benefits is: \$447,518.00

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. Payment for sick leave is deposited into an HSA account.

F. Long-Term Debt

See Note 6, *Debt Service Requirements*.

G. 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 in the General Fund consist of donations from the Hawk Estate for the Pottery Studio and funding from Bainbridge Rotary Club for various projects. In the Capital Improvement fund, reserve balances consist of remaining bond funds for Sakai Park, funding for a playground at Fay Bainbridge Park, and grant funding from various sources for Pru's House.

Note 2 – Budget Compliance

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 2018 budgets were as follows:

Notes for Budget			
	Final Budget	Actual	Variance
General Fund			
Administration	2,525,145.64	2,413,921.01	111,224.63
Park Services	1,901,507.00	1,886,993.00	14,514.00
Recreation	4,070,563.71	3,855,074.00	215,489.71
TOTAL General Fund	8,497,216.35	8,155,988.01	341,228.34
Land Acquisition Fund	130,000.00	81,938.93	48,061.07
Turf Field Replacement Fund	7,000.00	6,429.18	570.82
Bond Redemption Fund	1,165,025.00	1,165,025.00	-
Capital Improvement Fund	1,001,480.00	1,004,407.00	(2,927.00)

Note 3 – 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 9.

Investments are reported at fair market value. Investments by type at December 31, 2018 are as follows:

Type of Investment	The Districts Own		Total
	Investments	Kitsap County *	
L.G.I.P	\$ -	\$ 2,317,454.97	\$ 2,317,454.97
U.S. Gov. Securities	\$ -	\$ -	\$ -
Other-CD	\$ 11,187.82	\$ -	\$ 11,187.82
Total	\$ 11,187.82	\$ 2,317,454.97	\$ 2,328,642.79
*Investments held by Kitsap County as an agent for other local governments, individuals or private organizations			

Investments in the State Local Government Investment Pool (LCIP).

The District is a voluntary participant in the Local Government Investment Pool, an external investment pool operated by the Washington State Treasurer. The pool is not rated and not registered with the SEC. Rather, oversight is provided by the State Finance Committee in accordance with Chapter 43.250 RCW. Investments in the LGIP are reported at amortized cost, which is the same as the value of the pool per share. The LGIP does not impose any restrictions on participant withdrawals.

The Office of the State Treasurer prepares a stand-alone financial report for the pool. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, online at www.tre.wa.gov.

Note 4 - 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 2018 was \$.705 per \$1,000 on an assessed valuation of \$7,542,154,879. for a total regular levy of \$5,319,953.

Note 5 - 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 6 – Long Term Debt

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, 2018.

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

	Principal	Interest	Total
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	295,000.00	157,825.00	452,825.00
2023-2034	4,050,000.00	992,675.00	5,042,675.00
Totals	5,410,000.00	1,863,400.00	7,273,400.00

Note 7 – Pension Plans

State Sponsored Pension Plans

Substantially all the District’s full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans 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, 2018 (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	10,276.00	0.001537%	68,642.94
PERS 1 UAAL	139,545.97	0.020877%	932,373.92
PERS 2/3	205,550.99	0.026639%	454,837.22

Note 8 – 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, 2018, there are 549 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 self-insured retention on liability loss - the member is responsible for the first \$1,000 of the amount of each claim, while Enduris is responsible for the remaining \$999,000 on a liability loss.
- \$250,000 self-insured retention on property loss - the member is responsible for the first \$1,000 of the amount of each claim, while Enduris is responsible for the remaining \$249,000 on a property loss. For property losses related to boiler and machinery Enduris is responsible for the first \$4,000 of the claim.

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

Since Enduris is a cooperative program, there is 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. The Pool's members elect the Board and the positions are filled on a rotating basis. The Board meets quarterly and is responsible for conducting the business affairs of Enduris.

Enduris did not have any claim settlements that exceeded limits in the last three years.

NOTE 9 – 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, 2019**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
251.12	General Obligation Bond	12/31/2034	5,410,000	-	250,000	5,160,000
	Total General Obligation Debt/Liabilities:		5,410,000	-	250,000	5,160,000
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absence	12/31/2019	447,518	7,876	-	455,394
264.30	Pension Liabilities	12/31/2019	1,455,854	-	366,883	1,088,971
263.99	Boys and Girls Club	12/31/2019	60,000	-	60,000	-
	Total Revenue and Other (non G.O.) Debt/Liabilities:		1,963,372	7,876	426,883	1,544,365
	Total Liabilities:		7,373,372	7,876	676,883	6,704,365

**Bainbridge Island Metropolitan Park and Recreation District
Schedule of Liabilities
For the Year Ended December 31, 2018**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
251.11	Voted General Obligation Bond	12/31/2034	5,410,000	-	-	5,410,000
251.11	Voted General Obligation Bond	12/31/2018	940,000	-	940,000	-
Total General Obligation Debt/Liabilities:			6,350,000	-	940,000	5,410,000
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absence	12/31/2018	394,877	52,641	-	447,518
263.99	Boys and Girls Club Lease Payout	12/31/2019	140,000	-	80,000	60,000
264.30	Pension Liabilities	12/31/2018	2,081,288	-	625,434	1,455,854
Total Revenue and Other (non G.O.) Debt/Liabilities:			2,616,165	52,641	705,434	1,963,372
Total Liabilities:			8,966,165	52,641	1,645,434	7,373,372

ABOUT THE STATE AUDITOR'S OFFICE

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

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

Our audits look at financial information and compliance with federal, state and local laws for all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits and cybersecurity audits of state agencies and local governments, as well as state whistleblower, fraud and citizen hotline investigations.

The results of our work are available to everyone through the more than 2,000 reports we publish each year on our website, www.sao.wa.gov. Additionally, we share regular news and other information via an email subscription service and social media channels.

We take our role as partners in accountability seriously. The Office provides training and technical assistance to governments both directly and through partnerships with other governmental support organizations.

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- Main telephone:
(564) 999-0950
- Toll-free Citizen Hotline:
(866) 902-3900
- Email:
webmaster@sao.wa.gov