

Bainbridge Island Metropolitan Park & Recreation District

Notes to the Financial Statements

for the Year Ended December 31, 2022

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 for proprietary and fiduciary funds are presented using classifications that are different from the ending net positions classifications 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 restricted, committed, or assigned for the acquisition or construction of capital facilities or other capital assets.

Debt Service Fund (Bond Redemption Fund):

These funds account for the financial resources that are restricted, committed, or assigned to expenditures for 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 12/31/22 for vested sick and vacation leave, and compensatory time benefits is: \$610,810.08.

Sick leave may be accumulated indefinitely. Upon separation (after five 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 4, Long Term Debt (*formerly Debt Service Requirements*)

G. Restricted and Committed 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.

Assigned funds are funds the board has restricted during the budget process.

Reservations of Ending Cash and Investments in the General Fund consist of funds that are reserved for bridge maintenance on the Forest to Sky Trail in the amount of \$15,114.63.

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 2022 budgets were as follows:

Notes for Budget					
	Original Budget	Amended	Final Budget	Actual	Variance
General Fund					
Administration(including Interfund Transfers)	3,595,587.00	4,094,349.00	4,172,049.00	2,967,211.00	1,204,838.00
Park Services	2,847,956.00	2,842,624.00	3,094,676.00	2,795,105.00	299,571.00
Recreation	6,225,039.00	5,963,861.00	6,376,037.00	6,013,596.00	362,441.00
Other changes in cash				284,565.00	(284,565.00)
TOTAL General Fund	12,668,582.00	12,900,834.00	13,642,762.00	12,060,477.00	1,582,285.00
Land Acquisition Fund	600,000.00		600,000.00	-	600,000.00
Turf Field Replacement Fund	7,000.00		7,000.00	-	7,000.00
Bond Redemption Fund	824,286.00		824,286.00	706,933.00	117,353.00
Capital Improvement Fund	2,791,500.00	2,202,200.00	2,202,000.00	351,043.00	1,850,957.00

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 on December 31, 2022, are as follows:

Type of Investment	The District's Own		Total
	Investments	Kitsap County *	
L.G.I.P	\$ -	\$ 5,676,563.25	\$ 5,676,563.25
U.S. Gov. Securities	\$ -	\$ -	\$ -
Other-CD	\$ 15,114.63	\$ -	\$ 15,114.63
Cash	\$ -	\$ 1,980,269.75	\$ 1,980,269.75
Total	\$ 15,114.63	\$ 7,656,833.00	\$ 7,671,947.63
*Investments held by Kitsap County as an agent for other local governments, individuals or private organizations			

Investments in the Local Government Investment Pool

The District is a voluntary participant in the Local Government Investment Pool (LGIP), 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.

Custodial Credit Risk: Custodial credit risk for deposits is the risk that, in event of a failure of a depository financial institution the District would not be able to recover deposits or would not be able to recover collateral securities that are in the possession of an outside party. The District deposits and certificates of deposit are mostly covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). All investments are insured, registered or held by the District or its agent in the government's name.

Note 4 — Long-Term Debt *(formerly Debt Service Requirements)*

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 the year ended December 31, 2022.

Date	Purpose	Interest Rate	Amount
7/22/2015	General Obligation Bond	3.13%	4,345,000.00
	Zion Bank	1.91	13,380,000.00
	Pension Liability		611,085.00
	Compensated Absence		610,810.08
	Long Term Lease (Historic Bakery)		99.00
	TOTAL		18,946,994.08

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

General Obl. Bond	Principal	Interest	Total
2023	295,000.00	157,825.00	452,825.00
2024	310,000.00	148,975.00	458,975.00
2025	320,000.00	139,675.00	459,675.00
2026	325,000.00	130,075.00	455,075.00
2027	340,000.00	120,325.00	460,325.00
2028-2032	1,895,000.00	401,625.00	2,296,625.00
2033-2034	860,000.00	52,000.00	912,000.00
Totals	4,345,000.00	1,150,500.00	5,495,500.00

ZION	Principal	Interest	Total
2023		255,558.00	255,558.00
2024		255,558.00	255,558.00
2025		255,558.00	255,558.00
2026	780,000.00	255,558.00	1,035,558.00
2027	795,000.00	240,660.00	1,035,660.00
2028-2032	4,200,000.00	969,802.50	5,169,802.50
2033-2037	4,620,000.00	553,136.00	5,173,136.00
2038-2040	2,985,000.00	114,791.00	3,099,791.00
Totals	13,380,000.00	2,900,621.50	16,280,621.50

Note 5 — 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 Public Employee Retirement System.

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 Annual Comprehensive Financial Report (ACFR) that includes financial statements and required supplementary information for each plan. The DRS ACFR may be obtained by writing to:

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

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

	Employer Contributions	Allocation Percentage	Liability/Asset
PERS 1	134,504.58	0.021947%	611,085.03
PERS 2/3	229,450.83	0.028561%	1,059,264.94

Note 6 — Property Tax

The County Treasurer acts as an agent to collect property tax levied in the County for all taxing authorities. Collections are distributed 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 2022 was \$.75 per \$1,000 on an assessed valuation of \$10,277,729,157 for a tax levy of \$7,707,296.

Note 7 — Risk Management

Bainbridge Island Metropolitan Park & Recreation District is a member of the Enduris Washington (Pool). 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. For the Pool’s fiscal year ending August 31, 2022, there were 527 Enduris members representing a broad array of special purpose districts throughout the state.

The Enduris program provides for various forms of joint self-insurance and reinsurance coverage for its members: Liability coverage, which includes: General Liability, Automobile Liability, Public Officials’ Errors and Omissions liability, Terrorism liability and Employment Practices liability; Property coverage, which includes: Building and Contents, Mobile Equipment, Boiler and Machinery, and Business Interruption/Extra Expense; Automobile Physical Damage coverage; Cyber coverage; Crime blanket coverage; Named Position coverage; and an Identity Fraud reimbursement policy. Pollution and Cyber coverage are provided on a claims made coverage form. Crime coverage is provided on a discovery form. All other coverage is provided on an occurrence coverage form.

Members are responsible for a coverage deductible or co-pay on each covered loss. Each policy year members receive a Memorandum of Coverage (MOC) outlining the specific coverage, limits, and deductibles/co-pays that are applicable to them. In certain cases, the Pool may allow members to elect to participate in the programs at limits, coverage, deductibles, and co-pays that are specific to their needs. Enduris is responsible for payment of all covered losses above the member retention, up to the Pool self-insured retention (SIR). Enduris acquires excess/reinsurance from unrelated insurance companies to cover losses above the Pool’s SIR up to the coverage maximum limit of liability. The tables below reflect the Pool’s SIR, reinsurance limits and member deductibles/co-pays by coverage type.

Coverage	Coverage Type	Pool Self-Insured Retention	Excess/ Reinsurance Limits	Member Deductibles/ Co-Pays ⁽¹⁾
Liability:				
Comprehensive General Liability	Per Occurrence	\$1 million	\$20 million	\$1,000 - \$100,000
Automobile Liability	Per Occurrence	\$1 million	\$20 million	\$1,000 - \$100,000
Public Officials Errors and Omissions Liability	Each Wrongful Act Member Aggregate	\$1 million	\$20 million \$20 million	\$1,000 - \$100,000
Terrorism Liability ⁽²⁾	Per Occurrence	\$500,000	\$0	\$1,000 - \$100,000
	Pool Aggregate	\$1 million	Fully funded by Pool	
Employment Practices Liability	Per Occurrence Member Aggregate	\$1 million	\$20 million \$20 million	20% Copay ⁽³⁾

Coverage	Coverage Type	Pool Self-Insured Retention	Excess/ Reinsurance Limits	Member Deductibles/ Co-Pays ⁽¹⁾
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(1) Members may request or be required to pay a higher deductible than the minimum for certain coverage and certain types of losses require a specific co-pay or deductible.

(2) Terrorism liability is fully funded by the Pool i.e., no excess/reinsurance is procured.

(3) Members pay a 20% co-pay of costs. By meeting established guidelines, the co-pay may be waived.

Property ⁽²⁾:

Buildings and Contents	Per Occurrence	\$250,000	\$1 billion	\$1,000 - \$250,000
Mobile Equipment	Per Occurrence	\$250,000	\$1 billion	\$1,000 - \$250,000
Boiler and Machinery ⁽³⁾	Per Occurrence	Varies	\$100 million	Varies
Business Interruption (BI)/ Extra Expense (EE) ⁽⁴⁾	Per Occurrence	\$250,000	\$100 million (BI)/ \$50 million (EE)	\$1,000 - \$250,000

Sublimit ⁽⁵⁾:

Flood	Per Occurrence	\$250,000	\$50 million (Shared by Pool members)	\$1,000 - \$250,000
Earthquake	Per Occurrence	5% of indemnity, subject to \$250,000 minimum	\$10 million (Shared by Pool members)	\$1,000 - \$250,000
Terrorism Primary	Per Occurrence Pool Aggregate	\$250,000	\$100 million per occurrence \$200 million aggregate	\$1,000 - \$250,000
Terrorism Excess	Per Occurrence APIP Per Occurrence APIP Aggregate	\$500,000	\$600 million/ Pool aggregate \$1.1 billion/ per occurrence APIP program \$1.4 billion/ APIP program aggregate	\$0

Automobile Physical Damage ⁽⁶⁾	Per Occurrence	\$25,000. \$100,000 for Emergency Vehicles; \$250,000 for Emergency	\$1 billion	\$250 - \$1,000
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Coverage	Coverage Type	Pool Self-Insured Retention	Excess/ Reinsurance Limits	Member Deductibles/ Co-Pays ⁽¹⁾
		Vehicles valued >\$750,000		
Crime Blanket ⁽⁷⁾	Per Occurrence	\$50,000	\$1 million	\$1,000
Named Position ⁽⁸⁾	Per Occurrence	\$50,000	\$1 million	\$1,000
Cyber ⁽⁹⁾	Each Claim	\$100,000	\$2 million	20% Copay
	APIP Aggregate		\$40 million	
Identity Fraud Expense Reimbursement ⁽¹⁰⁾	Member Aggregate	\$0	\$25,000	\$0

- (1) Members may request or be required to pay a higher deductible than the minimum for certain coverage and certain types of losses require a specific co-pay or deductible.
- (2) Property coverage for each member is based on a detailed property schedule. Scheduled items are covered to the extent of the cost of repair or replacement pursuant to the excess/reinsurance policy terms. Under the Alliant Property Insurance Program (APIP) Reinsurance carriers cover insured losses over \$250,000 to the limit of \$1 billion except for certain types of sub-limited property losses such as flood, earthquake, and terrorism.
- (3) Boiler and Machinery self-insured retention for the Pool varies depending on motor horsepower.
- (4) Business Interruption/ Extra expense coverage is based on scheduled revenue generating locations/operations. A limited number of members schedule and the rest are limited to \$500,000 of coverage with a \$2.5 million Pool maximum for undeclared exposure. The waiting period (deductible) is typically 24 hours but there are exceptions specific to the type of exposure covered.
- (5) This sublimit list is simplified and is not all-inclusive. In addition, sub-limits are often shared or aggregated by all pool members and, in a few cases, are shared by all APIP members. Deductibles often vary by coverage sub-limit.
- (6) Auto Physical Damage coverage includes comprehensive, named perils and collision. Coverage for each member is based on a detailed vehicle schedule.
- (7) Crime Blanket coverage (also referred to as "Employee Dishonesty Coverage with Faithful Performance" of \$2,500 is provided to each member. Members may elect to "buy-up" the level of coverage from \$5,000 to \$2 million.
- (8) Named Position coverage is optional. Members may elect to schedule various employees, directors, and commissioners, with individual limits of between \$5,000 and \$1 million.
- (9) Cyber coverage is included under the Pool's Property program. Members are subject to a 20% co-pay per loss and the Pool's SIR is tiered between \$50,000 and \$100,000 depending on the insured/members property TIV with an 8-hour waiting period. By meeting established guidelines, the co-pay may be waived. The reinsurance maximum limit of liability is \$2 million, with various declared sub-limits.
- (10) Identity Fraud Expense Reimbursement coverage is purchased by Enduris. Member claims do not have a deductible. There is a \$25,000 limit per member.

Members make an annual contribution to fund the Pool. Since Enduris is a cooperative program, there is joint liability among the participating members. There were no claim settlements in excess of the insurance coverage in any of the last three policy years.

Upon joining the Pool, members are contractually obligated to remain in the Pool for a minimum of one year and must give notice 60 days before renewal to terminate participation. The Interlocal Governmental Agreement (formerly known as the Master Agreement) is automatically renewed each year unless provisions for withdrawal or termination are applied. 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 Interlocal Governmental Agreement.

Enduris is fully funded by its member participants. Claims are filed by members with the Pool who determines coverage and administers the claims.

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 overseeing the business affairs of Enduris and providing policy direction to the Pool's Executive Director.

Note 8 — Other Disclosures

The District entered into an agreement with a citizen regarding 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 9 – Leases

During the year ended December 31, 2022, the District adopted guidance for the presentation and disclosure of leases, as required by the BARS manual. This requirement resulted in the addition of a lease liability reported on the Schedule of Liabilities.

The District leases land and buildings from the Kitsap County Sewer District #7 for \$1 per year under lease agreements that continue for 99 years. The lease began July 24, 2018. At the end of 2022, the lease payments had not begun.

Note 10 – Environmental and Certain Asset Retirement Liabilities

Blakely Harbor Park was a lumber mill and operated at the site from 1860's to early 1900's, its operation is the cause for the clean-up. It is currently under active investigation and clean-up led by the previous owners, Port Blakely Tree Farms under an Agreed Order from Washington State.

Port Blakely Tree Farms is named for liability not the Park District – see WA Ecology’s website on active site clean-ups, <https://apps.ecology.wa.gov/cleanupsearch/site/14770>. The District is not a party to liability nor any potential settlements thereof.