



# Comprehensive Annual Financial Report

## City of Bainbridge Island, Washington

For the fiscal year ended December 31, 2015

# **City of Bainbridge Island, Washington**

# **2015 Comprehensive Annual Financial Report**

**For the fiscal year ended December 31, 2015**

**Prepared by the  
Finance & Administrative Services Department**



CITY OF BAINBRIDGE ISLAND, WASHINGTON  
2015 Comprehensive Annual Financial Report

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# INTRODUCTORY SECTION

**ELECTED OFFICIALS  
CITY COUNCIL**



**MAYOR**  
VAL TOLLEFSON



SARAH BLOSSOM



KOL MEDINA



RON PELTIER



WAYNE ROTH



MICHAEL SCOTT



ROGER TOWNSEND

**EXECUTIVE STAFF & LEGAL**

CITY MANAGER  
DEPUTY CITY MANAGER  
FINANCE & ADMINISTRATIVE SERVICES DIRECTOR  
HUMAN RESOURCES MANAGER  
PLANNING & COMMUNITY DEVELOPMENT DIRECTOR  
POLICE CHIEF  
DEPUTY POLICE CHIEF  
PUBLIC WORKS DIRECTOR  
CITY ATTORNEY

DOUG SCHULZE  
MORGAN SMITH  
ELLEN SCHROER  
KATE BROWN  
GARY CHRISTIANSON  
MATT HAMNER  
JEFF HORN  
BARRY LOVELESS  
LISA MARSHALL

## **City of Bainbridge Island, Washington**

### **Comprehensive Plan Vision & Goals**

#### **VISION STATEMENT**

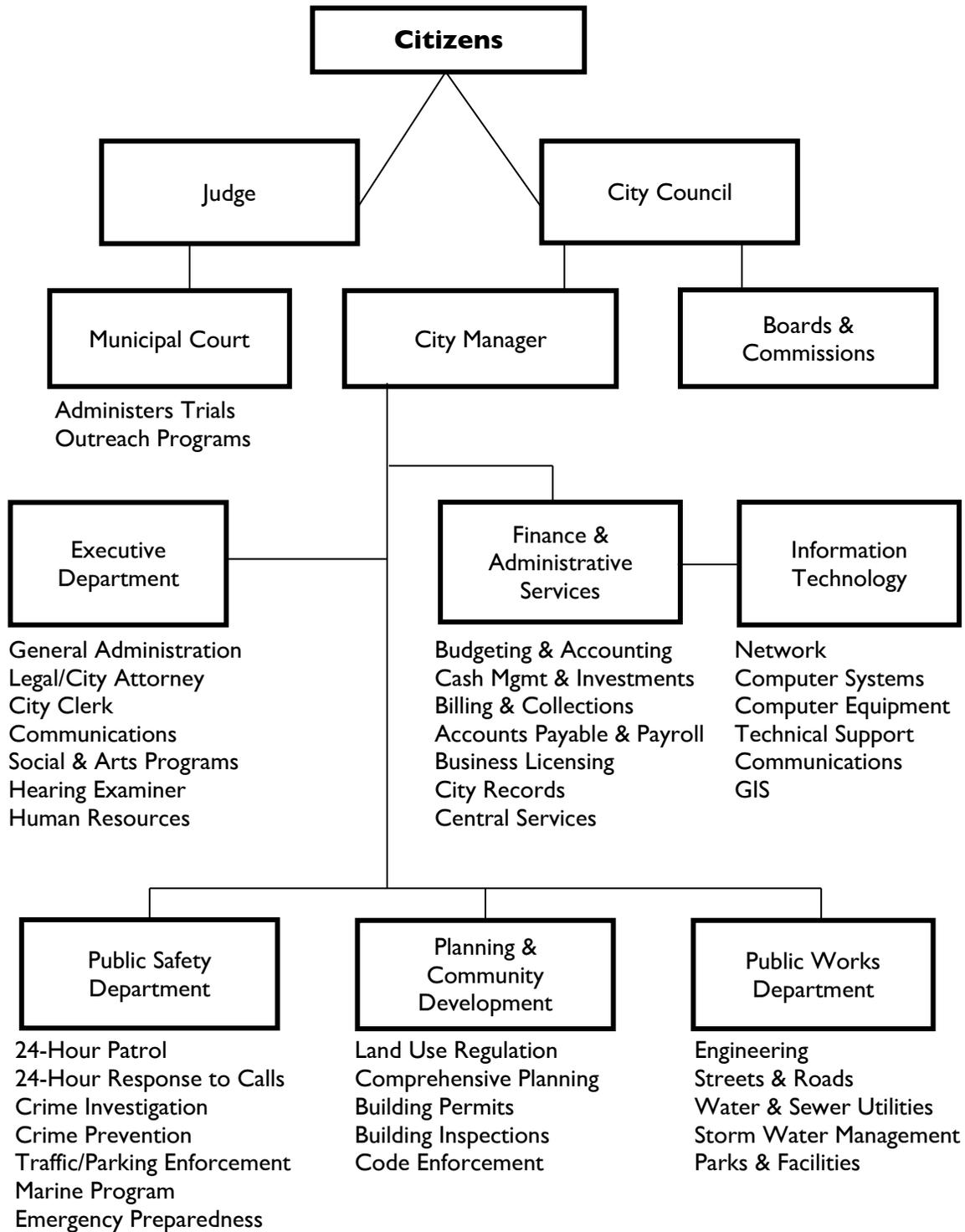
Bainbridge Island is a cohesive community with a distinctive urban center and individual settlements. Winslow is the heart of the Island. It is the place where all residents come to transact daily commerce and to meet for social activities. Its vibrant, pedestrian-oriented core should be enhanced as a center for the Island's commercial activity, a common area or center where the local community can meet. The neighborhood service centers of Rolling Bay, Island Center and Lynwood Center offer small-scale commercial and service activity outside Winslow. These areas should remain much as they are, with some in-fill development.

Outside of Winslow and the service centers, Bainbridge Island should preserve its pastoral heritage that is rooted in its open spaces, winding roads and small-scale agricultural establishments. It should preserve the distinctive qualities of its harbors and small communities. New development should be compatible with the natural landscape.

Bainbridge Island is economically linked to Seattle; however, the artistic, cultural and entrepreneurial spirit of its residents should be encouraged by providing opportunities for environmentally sound businesses and home occupations.

The Island's natural amenities should be linked through corridors of green – trails, wildlife corridors and landscape buffers along scenic roads and major arterials. Public access to the shoreline should be improved and the shoreline should be protected from over development. Development should not be haphazardly imposed upon the landscape, but should be sensitive to its natural environs, recognizing the natural carrying capacity of Bainbridge as an Island, based on the principle that the Island's environmental resources are finite and must be maintained at a sustainable level. Foremost, Bainbridge Island should preserve the diversity of one of its most precious resources – its people. The Island should remain a place where the business people, artists, farmers and long-time residents can all find a place to live.

# CITY OF BAINBRIDGE ISLAND, WASHINGTON ORGANIZATIONAL CHART





June 22, 2016

Honorable Mayor and City Councilmembers  
Citizens of the City of Bainbridge Island  
Washington State Auditor

It is our pleasure to submit the Comprehensive Annual Financial Report (CAFR) of the City of Bainbridge Island, Washington, for the fiscal year ended December 31, 2015. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with City management. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various activities of the City of Bainbridge Island. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

State statute requires an audit by the Washington State Auditor, an independently-elected official. The State Auditor conducts an examination in accordance with generally accepted auditing standards and provides an independent assessment of the report filed by the City.

The CAFR is prepared in accordance with Generally Accepted Accounting Principles (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB). The report is presented in two sections and includes the following information:

1. **Introductory Section** – Letter of Transmittal with comments on the operations of the City, the City's organizational chart and a list of principal officials.
2. **Financial Section** – The Basic Financial Statements include Management's Discussion and Analysis, Government-Wide Financial Statements, Fund Financial Statements, Notes to the Financial Statements and Required Supplementary Information.

Management's Discussion and Analysis (MD&A) provides a narrative introduction, overview and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

## **ABOUT THE CITY OF BAINBRIDGE ISLAND**

The City of Bainbridge Island is a non-charter code City incorporated on September 18, 1947, as the City of Winslow. Following annexation of the remainder of the island on February 28, 1991, and the vote to change the City's name, the entire island became the City of Bainbridge Island. Among Washington cities, it ranks 43<sup>rd</sup> in terms of population at 23,390, according to 2015 Washington State Office of Financial Management estimates. The City, with boundaries incorporating the entire island, has 53 miles of shoreline and is located in the Puget Sound approximately eight miles west of Seattle.

The City has operated under a Council-Manager form of government since 2009 and is headed by a City Manager, who is appointed by the City Council. The City Council is comprised of seven members, elected to staggered four-year terms from three wards plus one at-large position. Primary elections are

280 Madison Avenue North  
Bainbridge Island, Washington 98110-1812  
[www.bainbridgewa.gov](http://www.bainbridgewa.gov)  
206.842.7633

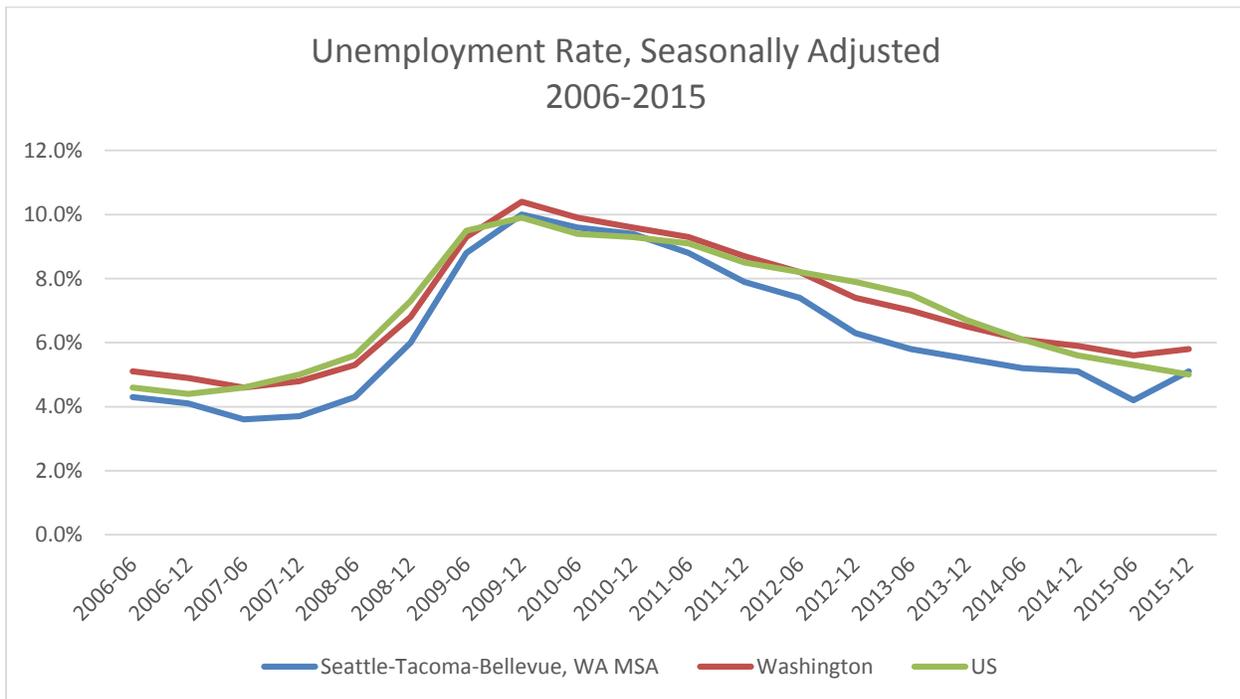
by ward, while general elections are Island-wide. The City contains 22 precincts and is in the 23rd State Legislative District and the first US Congressional District.

The City provides the following services: General Executive and Administrative Services, Police, Planning and Community Development, Public Works, Water, Wastewater and Storm and Surface Water Management.

The City prepares a biennial budget adopted by the City Council at the end of each even-numbered year, in accordance with Washington State law. The adopted budget serves as the foundation of the City's financial planning. It provides information both by fund and department. The adopted budget is modified periodically by Council action through the year.

## LOCAL ECONOMY

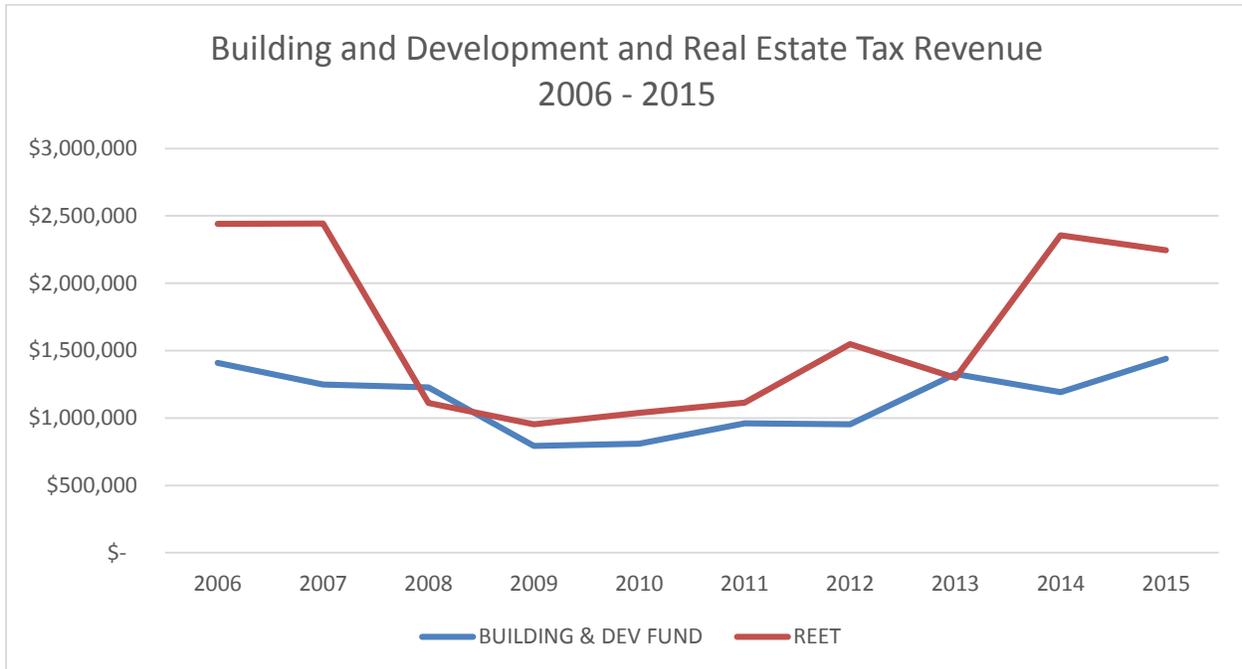
A national and regional economic recession often termed the Great Recession began in late 2007 and ended in June 2009. Economic growth has been slow since that time, with most economists projecting a long, slow recovery with the chance of possible setbacks during the recovery period. Over the past three years, the regional and local economy has been largely flat. In 2015, the region's unemployment rate continued its slow improvement, with the Seattle-Tacoma-Bellevue area's seasonally adjusted unemployment rate for August 2015 at 4.1%, lower than at any time since 2008. The region began and ended 2015 with the unemployment rate at 5.1%. The region's unemployment rate, shown in blue in the chart below, has generally been lower than the state and national rate over the past 10 years. At the end of 2015, the region's unemployment rate was 5.1%, as compared to 5.8% for the state of Washington and 5.0% nationally.



Source: U.S. Bureau of Labor Statistics

Island-based taxable retail sales, and resulting tax revenue to the City, provide a useful indicator of economic performance. After sharp declines, sales tax revenue and the underlying taxable sales have returned to, and in 2014 and 2015 exceeded, the levels of the economic expansion. At \$4,098,716 of revenue, 2015 sales tax revenue showed a 7% increase over the previous year.

The City experienced a large amount of building and growth in the years before 2007, which decreased in the years between 2008 and 2013, as shown by revenue from the Real Estate Excise Tax (REET) and sources within the Building and Development Services (Building and Dev) Fund. Revenue from these sources has returned to levels of about 10 years ago.



Source: City of Bainbridge Island

In 2008, revenue from development-related and many other general government sources decreased sharply. For the years of 2008 to 2010, City revenue remained lower and the City contracted its programs and services. Significant reductions in staffing, from a high point of 152 FTE in 2008 to a low point of 104 FTE in 2012, were a primary method for reducing costs. The City also sharply reduced non-grant-funded capital construction at that time. In 2011 and 2012, revenue stabilized, though at a lower level. From 2013 through 2015 some key revenue sources show positive trends, such as building and development services revenue, sales tax, and REET. City revenue forecasts continue to anticipate stable or moderately increasing revenue levels, beginning to approach the totals seen almost 10 years ago during the height of the economic expansion. To preserve fiscal stability, the City is continuing many of the cost-saving measures implemented during and immediately following the recession.

In 2015, the City's financial performance continued to closely match its financial plan. All Council-approved policy reserves for the General Fund and all three utility funds met or exceeded their targets at the end of 2015.

## MAJOR INITIATIVES AND ACCOMPLISHMENTS

The City of Bainbridge Island identified six primary areas of focus for its programs and services in 2014, and has used this framework to organize its budgeting and reporting since that time.

### Safe City

In 2015, the Council approved a new Comprehensive Emergency Management Plan (CEMP). Developed in coordination with the Kitsap County Department of Emergency Management, the CEMP provides an overall strategic and policy framework for response to emergencies.

In 2015, the Police Department implemented a new motorcycle unit. After purchasing two motorcycles, officers received training and certification. The new motorcycles contributed both to routine patrols and traffic emphasis efforts. The new unit contributes to increased ability to provide public safety in areas that are difficult to access by car.

The Police Department developed and staffed a Community Resource Officer position. By assigning a current patrol officer as a Community Resource Officer, the department increased outreach to Island schools, and to the community. The National Night Out program and the Citizens Police Academy provide direct service to many citizens of Bainbridge Island.

### ***Green, Well-Planned Community***

As required by state law, the City is updating its Comprehensive Plan. In 2015, the City held a dozen community meetings, with more planned for 2016. The Comprehensive Plan provides policy guidance for City development over the coming two decades.

The City completed a comprehensive review of its Storm and Surface Water Management utility, including its programs, the relevant municipal code and applicable impervious surface measurements. The resulting new code reflects current best management practices and the updated measurements rely on current technology.

### ***Reliable Infrastructure and Connected Mobility***

The City made substantial investments in its roads network in 2015. In addition to its annual roads maintenance program of \$1.6 million in 2015, the City also began major projects on Wing Point Way and along State Route 305 near the ferry terminal. The projects contribute to safety of both vehicle and non-motorized travel around the Island.

In 2015, the City installed several digital systems such as a Voice Over IP phone system and moved to cloud back up for its Geographic Information Systems (GIS) to enhance reliability.

### ***Healthy and Attractive Community***

The City has a long-established public art program, financial contributions to which were suspended in 2010. In 2015, the City updated the relevant municipal code, and re-started General Fund contributions to this program. Using existing funds, the City's Public Art Committee completed work related to conservation of existing art, and identified an artist for a new installation at the Waypoint Park.

To support community goals expressed in the Human Services Element of the City's Comprehensive Plan, the City provides significant funding to local nonprofit agencies that provide a range of programs related to mental health, youth services, elder care, housing, and other social services. In recent years, this funding has represented more than \$400,000 or roughly 3% of all General Fund expenditures. In 2015, the City Council worked with local organizations to develop an updated process to award financial support to service agencies. This effort resulted in the creation of a proposal process for City funding, a review of the City Council's goals for funding results, and a new citizen advisory committee tasked with the review of proposals and a funding recommendation to the City Council. These changes helped to ensure that the City's financial support was aligned with current community priorities, and improved transparency and accountability in the allocation of these funds.

### ***Vibrant Economy***

In cooperation with the community's business organizations, the City participated in an update to the City's logo and regional graphic identity. After public meetings and Council process, a local artist began work to develop materials for use by community businesses and organizations, and a logo and other branding materials for the City.

### **Good Governance**

Striving to make the City's government as accessible and transparent as possible to interested community members, the City undertook several initiatives in 2015 to move information to the internet. For example:

- Water and Sewer utility customers now have the ability to choose an e-billing option for their bimonthly bills.
- The public has full access to current land use applications in SmartGov.
- Complete financial data is uploaded monthly to OpenGov.

### **FINANCIAL INFORMATION**

#### ***Long-term Financial Planning***

The City of Bainbridge Island has focused on long-term financial planning, utilizing tools such as Priority-Based Budgeting and performance measurement. These tools highlight the importance of recognizing the long-term results of current financial and programmatic decisions. A fundamental challenge to the City is that recurring revenue is forecast to remain relatively flat or increase only modestly while recurring expenditures continue to increase at a greater pace due to factors outside the City's control (e.g., State Department of Retirement contributions and medical premiums, etc.). This structural imbalance in the City's current financial setting is shared across many jurisdictions, and remains a primary focus for budget development and financial management in current and future years.

The City annually prepares an updated six-year capital improvement plan (CIP) that supports achievement of the City's long-term strategic goals of providing and maintaining public facilities and infrastructure for its citizens and businesses, balanced against available resources. As part of this annual update the City forecasts expenditures and revenues over the same six-year planning horizon, setting internal goals and targets against which to monitor forecasted performance.

Major initiatives for 2016 are outlined in the 2016 Adopted Budget:

- Ongoing funding for the City's transportation network. The 2016 budget includes \$1.1 million for annual road preservation work, and \$1.1 million for major capital road and non-motorized construction projects. The preservation program is funded with current revenues and the construction projects are funded with a combination of current and grant revenues.
- Investing in energy efficient infrastructure. The 2016 budget includes funding for replacement bulbs of most City streetlights with LED bulbs.
- Focusing on customer service. The 2016 budget includes funding for staffing and programming focused on improving response times to both development and utility-related items.

#### **Reserves**

In 2009 the City Council adopted a comprehensive set of financial policies, which were amended in 2010 to set higher policy reserve levels for the General Fund and affirmed by resolution in 2014. The General Fund minimum fund balance target for year-end 2015 was \$3,000,000. The actual unassigned amount at the end of 2015 was \$13,190,306. At the end of 2015, the Emergency Reserve had also reached its target level of \$1.0 million, and the \$800,000 biennial contingency reserve was also funded through the year, with \$200,000 of spending approved from the contingency. The 2016 budget was prepared to also fully fund these reserves.

### ***Cash Management and Investments***

The City pools idle cash from all funds in order to maximize investment opportunities and increase flexibility. Investments are conservatively managed with the three primary objectives of safety of principal, liquidity to meet disbursement needs, and investment yield, pursued in that order.

### ***Risk Management***

The City is a member of the Washington Cities Insurance Authority (WCIA). Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA in 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and jointly contracting for risk management services. WCIA now has over 150 members. Further details of the City's risk management activities are included in the Notes to Financial Statements.

### ***Financial Controls***

Management of the City is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft or misuse. City management must also ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with GAAP. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of those costs and benefits requires estimates and judgments by management.

### ***Budgetary Controls***

The City maintains budgetary controls to ensure compliance with provisions embodied in the biennial appropriated budget. Every other year, a proposed budget is submitted by the City Manager to the City Council and workshops and public hearings are conducted to obtain taxpayer input. The two-year budget is subsequently adopted by the City Council through passage of an ordinance. The second year of the budget is modified by ordinance, as needed, in the fall of the first year of the two-year period. All unspent amounts in the operating budget lapse at year-end.

## **SINGLE AUDIT**

As a recipient of federal, state and local financial assistance, the City is responsible for ensuring that adequate internal controls are in place to ensure compliance with applicable laws and regulations related to those programs. These internal controls are subject to periodic evaluation by management and City staff. Periodically, the City is required to undergo a single audit in conformity with the provisions of the Single Audit Act, as amended, and the United States Code of Federal Regulations 2 CFR 200. The City's single audit report is issued separately and is available upon request.

## **AWARDS**

### ***Certificate of Achievement for Excellence in Financial Reporting***

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report (CAFR) for Fiscal Year 2014. To be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. The City received a Certificate

of Achievement in 2014. Management believes that the current CAFR meets the Certificate of Achievement Program's requirements, and it will be submitted to the GFOA to determine its eligibility for another certificate.

***Distinguished Budget Presentation Award***

The GFOA also presented the City with the Award for Distinguished Budget Presentation for the 2015-2016 Biennial Budget. To receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, operations guide, financial plan, and communications device.

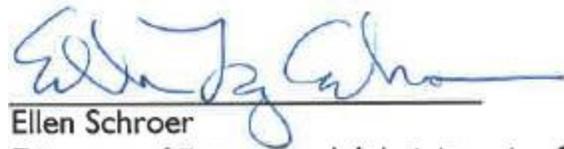
**ACKNOWLEDGMENTS**

The preparation of the Comprehensive Annual Financial Report was made possible by the dedicated service of the Finance and Administrative Services Department, in particular Karl Shaw, CPA, Kim Dunscombe, MBA CMA, and Alain Huggler. Additionally, the entire Finance and Administrative Services Department staff members have our sincere appreciation for their contributions to the preparation of this report. We would also like to thank the principals of the Washington State Auditor's Office for their work, review and comments.

Respectfully submitted,



Douglas Schulze  
City Manager



Ellen Schroer  
Director of Finance and Administrative Services



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**City of Bainbridge Island  
Washington**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**December 31, 2014**

Executive Director/CEO

**Certificate of  
Achievement  
for Excellence in  
Financial Reporting**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting (CAFR) to the City of Bainbridge Island for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2014.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report whose contents conform to the CAFR program standards.

Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to GFOA.

# FINANCIAL SECTION



# Washington State Auditor's Office

## INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

June 22, 2016

City Council  
City of Bainbridge Island  
Bainbridge Island, Washington

### REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Bainbridge Island, Kitsap County, Washington, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 audit. We conducted our audit 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 City'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 City'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.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Bainbridge Island, Kitsap County, Washington, as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Matters of Emphasis**

As described in Note 1, during the year ended December 31, 2015, the City has implemented the Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

## **Other Matters**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 17 through 26, information on postemployment benefits other than pensions on page 71, pension plan information on pages 72 through 80, and budgetary comparison information on pages 81 through 83 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary and Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying information listed as combining financial statements and supplementary information on pages 85 through 95 is presented for purposes of additional analysis and is not a required part of the basic 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. This information has been subjected to auditing procedures applied in the audit of the basic 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 basic financial statements taken as a whole.

The information identified in the table of contents as the Introductory and Statistical Sections is presented for purposes of additional analysis and is not a required part of the basic financial statements of the City. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

#### **OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS**

In accordance with *Government Auditing Standards*, we will also issue our report dated June 22, 2016, on our consideration of the City'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. That report will be issued under separate cover in the City's Single Audit Report. 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 City's internal control over financial reporting and compliance.

Sincerely,



TROY KELLEY  
STATE AUDITOR  
OLYMPIA, WA



## **CITY OF BAINBRIDGE ISLAND, WASHINGTON**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2015**

This narrative provides an overview and analysis of the City of Bainbridge Island's (City) financial activities for the fiscal year ending December 31, 2015. The purpose is to highlight significant financial issues and activities, the resulting changes in financial position and economic factors that affected the City. We encourage readers to consider this information in conjunction with the accompanying transmittal letter, basic financial statements and notes to the financial statements.

#### **FINANCIAL HIGHLIGHTS**

- The City's assets and deferred outflows exceeded its liabilities and deferred inflows at the close of 2015 by \$140,815,377. Of this amount, \$21,951,916 is reported as unrestricted net position and may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$4,717,333 or 3%. This increase was primarily the result of an increase in the City's cash position and a normal decrease in long-term debt through regular debt service.
- At the close of 2015, the City's governmental funds reported combined ending fund balances of \$16,974,221, an increase of \$1,948,519 or 13% in comparison to the prior year.
- Total Revenues for governmental activities decreased \$191,634 compared to 2014, primarily due to a \$1,475,185 or 95% decrease in capital grant revenue. This large decrease was partially offset by increases of \$135,580 or 2% in Property Tax and \$559,025 in Other Taxes.
- The City's total liabilities decreased by \$1,110,852 to \$37,897,176. Governmental activities long-term debt decreased by \$1,398,807 while business-type activities long-term debt increased by \$250,760.
- A significant change in long-term debt for the City occurred with the implementation of Governmental Accounting Standards Board (GASB) Statements No. 68 and 71, as amended, relating to pensions. These new accounting standards resulted in debt related to pensions of \$5,870,419 at year-end 2015 and \$4,354,828 at year-end 2014. This change also resulted in a 2014 adjustment to beginning net position of (\$5,471,782) and a deficit net position in the Building and Development Service Fund of (\$961,154) at year-end 2015.
- The City fully funded all policy reserves set by the City Council.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. These financial statements comprise three sections: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains additional required and other supplementary information.

### Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business. They present governmental activities and business-type activities separately. These statements include all assets of the City (including infrastructure) as well as all liabilities (including long-term debt). Additionally, certain eliminations have been made with regards to interfund activity, payables and receivables.

The statement of net position presents information on all of the City's assets, deferred inflows, liabilities and deferred outflows, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities and changes in net position presents information showing how the City's net position changed during the most recent fiscal year. All current year revenues and expenses are taken into account regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

In the statement of net position and the statement of activities and changes in net position, we distinguish the City's functions that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a portion of their costs through user fees and charges (business-type activities). The activities of these two functional groups are as follows:

- Governmental activities – Most of the City's basic services are reported in this category, including general government, judicial, police, planning and community development, and public works. Property taxes, sales and other taxes, user fees, interest income, franchise fees, and state and federal grants finance these activities.
- Business-type activities – The City charges a fee to customers to recover all or most of the cost of certain services it provides. The City's water system, wastewater system, storm and surface water management system, and building and development services activities are reported in this category.

## FUND FINANCIAL STATEMENTS

Unlike government-wide financial statements, the focus of fund financial statements is directed to specific activities of the City rather than the City as a whole. Except for the General Fund, a specific fund is established to satisfy managerial control over resources or to satisfy finance-related legal requirements established by external parties or governmental statutes or regulations. The City's fund financial statements are divided into three broad categories: Governmental Funds, Proprietary Funds and Fiduciary Funds.

Governmental funds' financial statements consist of a balance sheet and a statement of revenues, expenditures, and changes in fund balances. These statements are prepared on a modified-accrual basis of accounting. In general, these statements have a short-term emphasis and, for the most part, measure and account for cash and other assets that can be easily converted to cash. For example, amounts reported on the balance sheet include items such as cash and receivables collectible within a very short period of time, but do not include capital assets such as land and buildings. Fund liabilities include

amounts that are to be paid within a very short period after the end of the fiscal year. The difference between a fund's total assets and total liabilities is labeled as the fund balance. This generally indicates the amount that can be used to finance the next year's activities. Likewise, the operating statement for governmental funds reports only those revenues and expenditures that were collected in cash or paid with cash, respectively, during the current period or very shortly after the end of the year. The balances and activities accounted for in governmental funds are also reported in the governmental activities columns of the government-wide financial statements.

The City presents, in separate columns, funds that are most significant to the City (major funds). For the City, these funds include the General Fund, the Streets Fund, the Real Estate Excise Tax Fund, and the General Obligation Bond Fund. All other governmental funds are reported in a single column (non-major funds).

Proprietary funds' financial statements consist of a statement of net position, a statement of revenues, expenses and changes in fund net position, and a statement of cash flows. These statements are prepared on an accounting basis similar to that used to prepare the government-wide financial statements. For financial reporting purposes, Proprietary Funds are grouped into Enterprise Funds and Internal Service Funds, although the City has no Internal Service Funds at this time. The City uses Enterprise Funds to account for business-type activities that charge fees to customers for the use of specific goods or services. Balances and activities accounted for in the City's Enterprise Funds are also reported in the business-type activities columns of the government-wide financial statements.

The City presents all Enterprise Funds in separate columns to facilitate review of the information presented. A Statement of cash flows is presented at the fund financial statement level for Proprietary Funds, but no equivalent statement is presented in the government-wide financial statements for governmental activities.

Fiduciary funds' financial statements consist of a statement of fiduciary net position. These assets are held by the City for other parties as an agent and cannot be used to finance City operations. The City is responsible for ensuring that the activities reported in Fiduciary Funds are based on their intended purposes. As noted earlier, Fiduciary Fund activity is not reported in the government-wide financial statements.

### **Notes to the Financial Statements**

The notes to the financial statements provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements.

### **Other Information**

In addition to the basic financial statements and accompanying notes to the financial statements, this report also presents certain required supplementary information concerning the City's budgetary comparisons. Required supplementary information can be found following the notes to the financial statements.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Overall, the City's financial position in 2015 built on the stability achieved since 2011. The City implemented a city-wide reorganization in 2011, including reducing staff and services, which has resulted in revenues exceeding expenditures. The City's overall financial position and results of operations for the past two years are summarized below. This information is based on data in the government-wide financial statements. During 2015, the City implementation (GASB) Statements No. 68 and 71, as amended, relating to pensions. The balances below for 2014 were restated for the implementation of these standards. See Note 6 in the notes to financial statements for more information.

	Governmental Activities		Business-Type Activities		Totals	
	2015	2014 (restated)	2015	2014 (restated)	2015	2014 (restated)
Cash and Cash Equivalents	\$17,339,823	\$ 15,725,041	\$14,430,224	\$12,208,039	\$ 31,770,047	\$ 27,933,080
Other Assets	3,716,274	3,822,753	2,221,038	2,428,132	5,937,312	6,250,886
Capital Assets	96,731,900	97,499,793	44,130,563	45,015,820	140,862,463	142,515,613
<b>Total Assets</b>	<b>117,787,998</b>	<b>117,047,587</b>	<b>60,781,824</b>	<b>59,651,991</b>	<b>178,569,822</b>	<b>176,699,579</b>
<b>Deferred Outflows of Resources</b>	904,311	637,638	346,630	130,431	1,250,941	768,069
Other Liabilities	1,000,993	1,016,530	681,974	629,242	1,682,967	1,645,771
Long Term Debt	17,625,327	19,024,134	18,588,881	18,338,121	36,214,208	37,362,255
<b>Total Liabilities</b>	<b>18,626,321</b>	<b>20,040,664</b>	<b>19,270,855</b>	<b>18,967,362</b>	<b>37,897,176</b>	<b>39,008,027</b>
<b>Deferred Inflows of Resources</b>	723,609	1,545,412	384,601	816,164	1,108,210	2,361,576
Net Investment in Capital Assets	87,556,584	87,355,752	28,856,407	29,366,340	116,412,991	116,722,091
Restricted	891,927	1,062,181	1,558,543	1,985,342	2,450,470	3,047,523
Unrestricted	10,893,868	7,681,217	11,058,048	8,647,214	21,951,916	16,328,431
<b>Total Net Position</b>	<b>\$99,342,379</b>	<b>\$ 96,099,149</b>	<b>\$41,472,999</b>	<b>\$39,998,896</b>	<b>\$140,815,377</b>	<b>\$136,098,045</b>

In 2015, total net position of the City increased \$4,717,333 or 3%. Governmental activities net position increased \$3,243,231, or 3%, due to an increase in cash and cash equivalents and a decrease in long-term debt. Business-type net position increased \$1,474,104 or 4%, due primarily to a \$2,222,185 increase in cash and cash equivalents, with an offsetting decrease of \$885,257 in capital assets primarily due to a normal increase in accumulated depreciation.

Total cash and cash equivalents increased by \$3,836,967, or 14%, of which \$1,614,782, or 42%, was for governmental activities and \$2,222,185 was for business-type activities. The increases in cash are primarily due to recent actions taken by the City to bring budgetary expenditures below revenue estimates and delay in cash-funded capital projects.

	Governmental Activities		Business-Type Activities		Totals	
	2015	2014 (restated)	2015	2014 (restated)	2015	2014 (restated)
<b>Program Revenues</b>						
Charges for Services	\$ 1,206,131	\$ 1,231,127	\$ 8,203,098	\$ 7,815,960	\$ 9,409,229	\$ 9,047,088
Operating Grants & Contributions	1,298,560	574,988	10,701	32,626	1,309,261	607,615
Capital Grants & Contributions	73,161	1,548,346	987,329	494,896	1,060,490	2,043,242
<b>Total Program Revenues</b>	<b>2,577,851</b>	<b>3,354,461</b>	<b>9,201,129</b>	<b>8,343,483</b>	<b>11,778,979</b>	<b>11,697,944</b>
<b>General Revenues</b>						
Property Taxes	7,583,573	7,447,993	-	-	7,583,573	7,447,993
All Other Taxes	11,185,213	10,626,188	-	-	11,185,213	10,626,188
Interest	103,958	93,727	157,103	99,005	261,061	192,732
Other Revenues	348,585	468,444	11,734	12,823	360,319	481,267
<b>Total General Revenues</b>	<b>19,221,328</b>	<b>18,636,352</b>	<b>168,837</b>	<b>111,828</b>	<b>19,390,164</b>	<b>18,748,180</b>
<b>Total Revenues</b>	<b>21,799,179</b>	<b>21,990,813</b>	<b>9,369,965</b>	<b>8,455,311</b>	<b>31,169,144</b>	<b>30,446,124</b>
<b>Program Expenses</b>						
General Government	5,504,960	5,474,862	-	-	5,504,960	5,474,862
Judicial	654,482	593,376	-	-	654,482	593,376
Public Safety	4,211,558	4,043,430	-	-	4,211,558	4,043,430
Physical Environment	884,985	387,958	-	-	884,985	387,958
Transportation	4,624,785	3,942,553	-	-	4,624,785	3,942,553
Health & Human Svcs	273,075	272,680	-	-	273,075	272,680
Econ. Environment	1,230,789	998,365	-	-	1,230,789	998,365
Culture & Recreation	604,565	592,822	-	-	604,565	592,822
Water	-	-	1,310,856	1,260,086	1,310,856	1,260,086
Sewer	-	-	3,454,464	3,278,944	3,454,464	3,278,944
Storm & Surface Water Management	-	-	1,731,690	1,886,197	1,731,690	1,886,197
Building & Development Svcs	-	-	1,965,603	1,911,766	1,965,603	1,911,766
<b>Total Program Expenses</b>	<b>17,989,198</b>	<b>16,306,045</b>	<b>8,462,613</b>	<b>8,336,992</b>	<b>26,451,811</b>	<b>24,643,038</b>
<b>Excess/Deficiency</b>	<b>3,809,980</b>	<b>5,684,767</b>	<b>907,353</b>	<b>118,319</b>	<b>4,717,333</b>	<b>5,803,086</b>
<b>Other</b>						
Transfers	(566,750)	(697,220)	566,750	697,220	-	-
<b>Changes in Net Position</b>	<b>3,243,230</b>	<b>4,987,547</b>	<b>1,474,103</b>	<b>815,539</b>	<b>4,717,333</b>	<b>5,803,086</b>
<b>Beginning Net Position</b>	<b>96,099,147</b>	<b>93,965,904</b>	<b>39,998,896</b>	<b>42,242,597</b>	<b>136,098,043</b>	<b>136,208,501</b>
Prior Period Adjustments	-	(2,854,304)	-	(3,059,240)	-	(5,913,544)
<b>Ending Net Position</b>	<b>\$ 99,342,378</b>	<b>\$ 96,099,147</b>	<b>\$41,472,999</b>	<b>\$39,998,896</b>	<b>\$140,815,376</b>	<b>\$136,098,043</b>

## **GOVERNMENTAL ACTIVITIES**

In 2015 there was an increase in net position related to governmental activities of \$3,243,231 or 3% after prior period adjustments. The prior period adjustment shown for 2014 primarily relates to the cumulative effect of the City's implementation of GASB Statements No. 68 and 71.

Total 2015 program revenues decreased by \$776,610 or 23%, this included a small decrease in revenue from charges for services and a large decrease in revenue from capital grants and contributions. The most significant revenue component of governmental activities is the general tax base. At \$18,768,786, taxes represent 86% of the \$21,799,179 in total revenues for 2015. Property tax is the single largest source of governmental activities revenue, at \$7,583,573 or 35% of total revenues.

Governmental activities program expenses in total increased by \$1,683,153, or 10%, in 2015 as compared to 2014. Expenses increased in all program categories, with the largest dollar increase in the transportation expense category, with an increase of \$682,232 to a total of \$4,624,785 in 2015. The physical environment expense category increased by \$497,027 or 128% to a total of \$884,985 in 2015.

## **BUSINESS-TYPE ACTIVITIES**

In 2015 there was an increase in net position related to business-type activities of \$1,474,103 or 4% after prior period adjustments. The prior period adjustment shown for 2014 primarily relates to the cumulative effect of the City's implementation of GASB Statements No. 68 and 71.

The Sewer Fund and the Storm and Surface Water Management Fund both showed balances of operating revenues over expenses, resulting in modest operating income. The Water Fund showed operating expenses greater than revenues, resulting in a small operating loss. The Building and Development Services Fund showed a net operating loss of \$522,288. The Building and Development Services activity recovered 73% of its costs with program revenues. An operating transfer from the General Fund provided additional revenue to cover program costs.

## **ANALYSIS OF BALANCES AND TRANSACTIONS OF INDIVIDUAL FUNDS**

The General Fund balance increased \$1,292,662, or 9%, partly because of an increase in tax revenue, and also due to a delay in capital projects funded from the General Fund. In addition, transfers out of the General Fund were much lower than anticipated because increased local development activity resulted in higher than expected building and development services revenue and Real Estate Excise Tax revenue. As a result, the General Fund ended the year with a fund balance of \$15,055,214 as compared to \$13,762,552 in 2014.

The Water, Sewer and Storm and Surface Water Management Funds ended 2015 with unrestricted net position of \$6,470,785, \$5,135,939 and \$412,479, respectively. The Building and Development Services fund ended 2015 with a deficit unrestricted net position of (\$961,154) due to the net pension liability of \$997,971. The net pension liability is shown in this fund due to the City's implementation of GASB Statements No. 68 and 71.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

The original 2015 adopted budget anticipated a decrease of \$3,678,007 or 35% in the budgetary fund balance during the year. The budget anticipated relatively flat revenue trends and expenditure increases in only a few select functions. The actual 2015 ending fund balance was \$15,055,214, an increase of \$1,292,662 during the year. Actual revenues exceeded the final budget by \$836,859 due mostly to taxes, franchise fees, and grants that were higher than budgeted. Actual expenditures were \$1,182,494 less than the final budget. In addition to lower than anticipated personnel and professional services costs, a reduced need for operating support to other funds due to higher than budgeted revenues in those funds contributed to the General Fund's lower expenditures. The increased fund balance is also the result of

reductions in programs and services as the City continues to adjust to the economic challenges common to many municipalities. The current revenue levels and commensurate service levels are expected to continue. To learn more about the City's budget process and economic challenges, see Note I.F. in the notes to the financial statements, economic and other factors below and the required supplementary information.

### **OTHER FUND BUDGETARY HIGHLIGHTS**

Total Street Fund expenditures were \$454,487, or 11%, under the final revised budget due to delay in major repair and maintenance activities and delay in equipment purchases.

Real Estate Excise Tax Fund final revenues of \$2,245,366 exceeded the original budget of \$1,700,000 by \$545,483, or 32%.

The Building and Development Services Fund revenues from outside sources exceeded budget by \$427,107 or 41% due to higher than budgeted building permit and zoning and plan checking fees.

Water Fund revenues were \$214,498, or 17%, over budget due primarily to higher than budgeted revenue from participation fees, or fees paid to join the water utility. Sewer Fund revenues were \$1,343,744, or 33%, higher than budgeted due to the timing of loan proceeds related to a debt-funded capital project and higher than budgeted revenue from participation fees, or fees paid to join the sewer utility. Storm and Surface Water Management Fund revenues were \$77,073, or 4%, higher than budget due to the timing of grant revenue.

**CAPITAL ASSETS**

The City's net invested in capital assets (net of depreciation) decreased \$1,653,150, or 1%, from the previous year. Governmental assets represent 69% of the City's overall net investment in capital assets. Land represents 66% of the governmental activities capital assets, net of depreciation, while for the business-type activities, land represents only 4% of the capital assets, net of depreciation. Capital assets held by the City at the end of the current and previous years are summarized as follows:

	Governmental Activities		Business-Type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Land	\$ 63,633,748	\$ 63,633,748	\$ 1,796,865	\$ 1,796,865	\$ 65,430,614	\$ 65,430,614
Buildings & Improvements	16,400,829	16,364,451	40,619	40,619	16,441,449	16,405,070
Intangible Assets	880,000	880,000	32,365	32,365	912,365	912,365
Vehicles & Equipment	6,651,767	6,446,254	1,658,256	1,569,005	8,310,023	8,015,259
Infrastructure	39,334,761	38,977,110	62,019,309	61,299,796	101,354,069	100,276,906
Construction in Progress	1,635,926	1,044,698	171,332	336,321	1,807,258	1,381,020
Accumulated Depreciation	(31,805,132)	(29,846,469)	(21,588,184)	(20,059,152)	(53,393,316)	(49,905,621)
<b>Totals</b>	<b>\$ 96,731,900</b>	<b>\$ 97,499,793</b>	<b>\$ 44,130,563</b>	<b>\$ 45,015,820</b>	<b>\$ 140,862,463</b>	<b>\$ 142,515,613</b>

Additional information about the City's capital assets is presented in Note 5 in the notes to the financial statements.

## LONG-TERM OBLIGATIONS

At the end of the 2015 the City's total long-term obligations decreased by \$1,148,049, or 3%. Governmental activities obligations decreased \$1,398,809, or 7%, due to normal debt retirements offset by an increase in net pension liability. Business-type activities obligations increased \$250,760, or 1%, due to an increase in net pension liability. Of the debt outstanding at the end of 2015, 100% was backed by the full faith and credit of the City. The City makes a general pledge on its tax levy for all bonded debt service and, for utility bonds, an additional pledge of utility revenue, after operating and maintenance expenses.

The debt position of the City is summarized below and in Note 8 in the notes to the financial statements. During 2015, the City adopted Governmental Accounting Standards Board (GASB) Statements No. 68 and 71, as amended, relating to pensions. The balances for 2014 were restated for the implementation of this standard.

	Governmental Activities		Business-Type Activities		Totals	
	2015	2014 (restated)	2015	2014 (restated)	2015	2014 (restated)
General Obligation Bonds	\$12,405,000	\$14,450,000	\$ 4,050,000	\$ 4,250,000	\$ 16,455,000	\$ 18,700,000
LID Bonds	298,909	336,273	-	-	298,909	336,273
Intergovernmental Loans	407,643	466,164	11,077,268	11,242,799	11,484,911	11,708,963
Land Purchase Contracts	49,000	149,000	-	-	49,000	149,000
Compensated Absences	441,682	406,875	346,644	329,026	788,326	735,901
Other Post-Employment Benefits	228,780	212,383	-	-	228,780	212,383
Net Pension Liability	3,346,140	2,482,253	2,524,279	1,872,575	5,870,419	4,354,828
Landfill Post-Closure Care Costs	-	-	443,801	487,039	443,801	487,039
Unamortized Bond Discounts & Premiums	448,173	521,189	146,888	156,681	595,061	677,870
<b>Totals</b>	<b>\$17,625,327</b>	<b>\$19,024,136</b>	<b>\$18,588,881</b>	<b>\$18,338,121</b>	<b>\$ 36,214,208</b>	<b>\$ 37,362,257</b>

## ECONOMIC AND OTHER FACTORS

The national and regional economic slowdown that began in 2008 has bottomed out but recovery continues to be slow. The City has responded by conservatively estimating revenues and adopting cost containment measures to reduce expenditures.

After staff reductions beginning in 2009 and continuing through 2013, in 2014 and 2015, staffing levels increased slightly. Changes to the operating budgets from 2012 through 2015 primarily updated revenue estimates to match current projections and adjusted cost factors based on external information such as changes to required state retirement contributions and health plan costs. New programmatic activities in 2015 included an expanded focus on community outreach and engagement, and investment in training and software to support customer service and process improvement.

During the recession, the City's Capital Improvement Plan was curtailed as revenues decreased. However, starting in 2011 and continuing through 2015, the City has undertaken several large capital projects to replace aging utility and street infrastructure, and began discussions regarding potential sites for a new combined public safety and court facility. These projects will draw funding from several sources, including federal and state grants, developer contributions, utility revenue and local sources. In 2015, the City's Transportation Benefit District (TBD) Board authorized expenditures of \$300,000 of TBD funds on qualifying transportation and right-of-way acquisition projects. On December 31, 2015, the TBD was absorbed by the City.

The local economy showed signs of stabilization beginning in 2011, continuing through 2015. However, the City does not expect to receive pre-recession levels of revenue growth in the near future. The City has made difficult choices that brought recurring expenses to levels below recurring revenues, and has established prudent financial reserves. These efforts will continue into future years.

**CITY OF BAINBRIDGE ISLAND, WASHINGTON**

**Statement of Net Position**

**As of December 31, 2015**

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 17,339,823	\$ 14,430,224	\$ 31,770,047
Receivables - Net	1,935,202	497,291	2,432,493
Due from Other Governments	655,130	200,485	855,615
Inventories	159,800	83,696	243,496
Unamortized Bond Insurance Costs	27,879	-	27,879
Special Assessments Receivable	221,796	1,439,565	1,661,361
Net Pension Asset	716,467	-	716,467
Depreciable Capital Assets (Net)	30,582,225	42,162,365	72,744,591
Land	63,633,748	1,796,865	65,430,614
Construction in Progress	1,635,926	171,332	1,807,258
Other Capital Assets	880,000	-	880,000
<b>Total Assets</b>	<b>117,787,998</b>	<b>60,781,824</b>	<b>178,569,822</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Charge on Debt Refunding	335,315	-	335,315
Deferred Charge on Pensions	568,996	346,630	915,626
<b>Total Deferred Outflows of Resources</b>	<b>904,311</b>	<b>346,630</b>	<b>1,250,941</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 118,692,309</b>	<b>\$ 61,128,454</b>	<b>\$ 179,820,763</b>
<b>LIABILITIES</b>			
Accounts Payable	\$ 517,494	\$ 209,728	\$ 727,222
Accrued Expenses	483,499	244,870	728,369
Unearned Revenue	-	227,376	227,376
Compensated Absences	441,682	346,644	788,326
Special Assessment Debt with Governmental Commitment	298,909	-	298,909
Net Pension Liability	3,346,140	2,524,279	5,870,419
Non-Current Liabilities Due Within One Year	2,182,665	1,190,093	3,372,758
Non-Current Liabilities Due in More Than One Year	11,355,931	14,527,865	25,883,796
<b>Total Liabilities</b>	<b>18,626,321</b>	<b>19,270,855</b>	<b>37,897,176</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Inflows on Pensions	723,609	384,601	1,108,210
<b>NET POSITION</b>			
Net Investment in Capital Assets	87,556,584	28,856,407	116,412,991
Restricted for:			
Debt Service	129,569	1,558,543	1,688,113
Public Safety	54,200	-	54,200
PEG Capital	71,003	-	71,003
Economic Development	195,125	-	195,125
Transportation	416,746	-	416,746
Other Purposes	25,284	-	25,284
Unrestricted	10,893,868	11,058,048	21,951,916
<b>Total Net Position</b>	<b>\$ 99,342,379</b>	<b>\$ 41,472,998</b>	<b>\$ 140,815,377</b>

**CITY OF BAINBRIDGE ISLAND, WASHINGTON**

**Statement of Activities**

**For the Year Ended December 31, 2015**

Primary Government:	Program Revenues				Net Expense/Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating		Primary Government		
			Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General Government	\$ 4,883,926	\$ 990,459	\$ -	\$ -	\$ (3,893,467)	\$ -	\$ (3,893,467)
Judicial	654,482	85,443	-	-	(569,039)	-	(569,039)
Public Safety	4,211,558	85,971	139,036	5,435	(3,981,117)	-	(3,981,117)
Physical Environment	884,985	1,695	130,870	44,359	(708,061)	-	(708,061)
Transportation	4,624,785	40,653	1,028,654	-	(3,555,478)	-	(3,555,478)
Health and Human Services	273,075	-	-	-	(273,075)	-	(273,075)
Economic Environment	1,230,789	1,910	-	-	(1,228,879)	-	(1,228,879)
Culture and Recreation	604,565	-	-	23,367	(581,198)	-	(581,198)
Interest on Long Term Debt	621,033	-	-	-	(621,033)	-	(621,033)
Total Government Activities	<u>17,989,198</u>	<u>1,206,131</u>	<u>1,298,560</u>	<u>73,161</u>	<u>(15,411,347)</u>	<u>-</u>	<u>(15,411,347)</u>
Business-Type Activities:							
Water	1,310,856	1,190,628	-	241,912	-	121,684	121,684
Sewer	3,454,464	3,544,816	-	544,700	-	635,052	635,052
Storm and Surface Water Management	1,731,690	2,024,339	10,701	200,717	-	504,067	504,067
Building and Development Services	1,965,603	1,443,315	-	-	-	(522,288)	(522,288)
Total Business-Type Activities	<u>8,462,613</u>	<u>8,203,098</u>	<u>10,701</u>	<u>987,329</u>	<u>-</u>	<u>738,516</u>	<u>738,516</u>
Total Primary Government	<u>\$ 26,451,811</u>	<u>\$ 9,409,229</u>	<u>\$ 1,309,261</u>	<u>\$ 1,060,490</u>	<u>\$ (15,411,347)</u>	<u>\$ 738,516</u>	<u>\$ (14,672,832)</u>
General Revenues:							
Property Taxes Levied for General Purposes					\$ 6,976,992	\$ -	\$ 6,976,992
Property Taxes Levied for Other Purposes					606,581	-	606,581
Sales and Use Taxes					4,098,716	-	4,098,716
Business and Occupation Taxes					4,392,447	-	4,392,447
Excise Taxes					2,694,050	-	2,694,050
Penalties and Interest					23,092	92,507	115,600
Unrestricted Investment Earnings					80,866	64,595	145,461
Grants and Contributions not Restricted to Specific Programs					268,651	-	268,651
Miscellaneous					79,934	11,734	91,668
Transfers					(566,750)	566,750	-
Total General Revenues, Extraordinary, Special Items, and Transfers					<u>18,654,578</u>	<u>735,587</u>	<u>19,390,164</u>
Change in Net Position					3,243,230	1,474,103	4,717,333
Net Position - Beginning					96,099,148	39,998,896	136,098,044
Net Position - Ending					<u>\$ 99,342,379</u>	<u>\$ 41,472,999</u>	<u>\$ 140,815,377</u>

The accompanying notes are an integral part of this financial statement.

**CITY OF BAINBRIDGE ISLAND, WASHINGTON**

**Balance Sheet Statement**

**Governmental Funds**

**As of December 31, 2015**

	General	Streets	Real Estate Excise Tax	General Obligation Bonds	Non-Major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and Cash Equivalents	\$ 15,656,185	\$ 201,743	\$ 25,284	\$ 90	\$ 1,456,521	\$ 17,339,823
Receivables - Net	174,068	2,050	-	6,687	64,741	247,546
Inventories	12,784	147,016	-	-	-	159,800
Due From Other Governments	183,226	284,249	-	-	87,655	555,130
Unmatured Assessments	-	-	-	-	221,796	221,796
<b>Total Assets</b>	<b>\$ 16,026,263</b>	<b>\$ 635,059</b>	<b>\$ 25,284</b>	<b>\$ 6,777</b>	<b>\$ 1,830,713</b>	<b>\$ 18,524,095</b>
<b>LIABILITIES</b>						
Accounts Payable	\$ 358,192	\$ 67,761	\$ -	\$ -	\$ 90,475	\$ 516,428
Accrued Expenses	350,380	61,232	-	-	-	411,611
<b>Total Liabilities</b>	<b>708,572</b>	<b>128,992</b>	<b>-</b>	<b>-</b>	<b>90,475</b>	<b>928,039</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable Revenues - Grants	110,192	-	-	-	67,740	177,932
Unavailable Revenues - Property Taxes	152,285	-	-	5,082	-	157,367
Unavailable Revenues - Special Assessments	-	-	-	-	286,537	286,537
<b>Total Deferred Inflows of Resources</b>	<b>262,477</b>	<b>-</b>	<b>-</b>	<b>5,082</b>	<b>354,276</b>	<b>621,835</b>
<b>FUND BALANCES</b>						
Nonspendable	71,955	147,016	-	-	-	218,971
Restricted	125,203	75,786	25,284	-	665,654	891,927
Committed	1,667,751	283,264	-	1,695	597,636	2,550,346
Assigned	-	-	-	-	122,671	122,671
Unassigned	13,190,306	-	-	-	-	13,190,306
<b>Total Fund Balances</b>	<b>15,055,214</b>	<b>506,066</b>	<b>25,284</b>	<b>1,695</b>	<b>1,385,961</b>	<b>16,974,221</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 16,026,263</b>	<b>\$ 635,059</b>	<b>\$ 25,284</b>	<b>\$ 6,777</b>	<b>\$ 1,830,713</b>	<b>\$ 18,524,095</b>

**CITY OF BAINBRIDGE ISLAND, WASHINGTON**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**To the Statement of Net Position**  
**As of December 31, 2015**

Ending fund balance - governmental funds	\$ 16,974,221
 <b>Amounts reported for governmental activities in the Statement of Net Position are different because of the following:</b>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	96,731,900
Net pension assets resulting from annual contributions in excess of required contributions are not financial resources and, therefore, are deferred in the governmental funds.	716,467
 <b>For debt refundings resulting in defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources.</b>	
Deferred charge on refunding of debt	335,315
 <b>Other long-term assets are not available to pay current-period expenditures and, therefore, are deferred in the governmental funds.</b>	
Unamortized Bond Insurance Costs	27,879
Accounts Receivable - Earned but Unavailable	1,787,656
 <b>Some of the city's receivables will not be collected soon enough to pay for current-period expenditures and, therefore, are reported as deferred inflows in the governmental funds.</b>	
Deferred Inflows of Resources - Grants	177,932
Deferred Inflows of Resources - Special Assessments	286,537
Deferred Inflows of Resources - Property Taxes	157,367
 <b>Certain liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.</b>	
Accrued expenses	(72,954)
Compensated absences	(441,682)
Long-term liabilities	(13,837,505)
Net Pension Liability	(3,346,140)
 <b>Amounts reported as deferred outflows and inflows of resources related to pensions will be amortized and recognized as components of pension expense in future years.</b>	
Deferred outflow of resources related to pensions	568,996
Deferred inflow of resources related to pensions	(723,609)
<b>Net Position of Major Governmental Activities</b>	\$ 99,342,379

**CITY OF BAINBRIDGE ISLAND, WASHINGTON**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the year ended December 31, 2015**

	General	Streets	Real Estate Excise Tax	General Obligation Bond	Non-Major Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
Property Taxes	\$ 6,979,100	\$ -	\$ -	\$ 606,581	\$ -	\$ 7,585,681
Other Taxes	7,437,152	808,943	2,245,366	-	566,861	11,058,321
Fees and Fines	111,339	-	-	-	-	111,339
Licenses and Permits	633,732	37,388	-	-	-	671,120
Intergovernmental	379,005	1,018,613	-	-	466,809	1,864,427
Charges for Services	437,314	3,620	-	-	-	440,934
Interest and Investment Revenue	77,717	-	117	-	3,032	80,866
Other Revenues	123,373	10,041	-	-	28,690	162,104
Total Revenues	<u>16,178,733</u>	<u>1,878,604</u>	<u>2,245,483</u>	<u>606,581</u>	<u>1,065,392</u>	<u>21,974,793</u>
<b>EXPENDITURES</b>						
<b>Current</b>						
General Government	4,100,753	395,262	-	-	6,257	4,502,272
Judicial	649,812	-	-	-	-	649,812
Public Safety	4,055,747	32,795	-	-	-	4,088,542
Physical Environment	810,442	68,043	-	-	-	878,485
Transportation	-	2,988,676	-	-	-	2,988,676
Health and Human Services	272,783	-	-	-	-	272,783
Economic Environment	1,092,291	-	-	-	135,000	1,227,291
Culture and Recreation	310,533	541	-	-	-	311,074
Debt Service - Principal	100,000	-	-	2,103,520	37,364	2,240,884
Debt Service - Interest	13,556	-	-	587,770	15,358	616,685
Capital Outlay	740,335	41,508	-	-	907,104	1,688,947
Total Expenditures	<u>12,146,253</u>	<u>3,526,825</u>	<u>-</u>	<u>2,691,291</u>	<u>1,101,082</u>	<u>19,465,451</u>
Excess/(deficiency) of Revenue over Expenditures	4,032,479	(1,648,221)	2,245,483	(2,084,710)	(35,690)	2,509,342
<b>OTHER FINANCING SOURCES/(USES)</b>						
Disposition of Capital Assets	5,926	-	-	-	-	5,926
Transfers In	67,100	2,040,409	-	2,083,950	779,244	4,970,703
Transfers Out	(2,812,844)	-	(2,224,200)	-	(500,409)	(5,537,453)
Total Other Financing Sources/Uses	<u>(2,739,818)</u>	<u>2,040,409</u>	<u>(2,224,200)</u>	<u>2,083,950</u>	<u>278,834</u>	<u>(560,824)</u>
Net Change in Fund Balance	1,292,662	392,189	21,283	(760)	243,144	1,948,518
Fund Balances - Beginning	13,762,552	113,877	4,001	2,455	1,142,817	15,025,702
Fund Balances - Ending	<u>\$ 15,055,214</u>	<u>\$ 506,066</u>	<u>\$ 25,284</u>	<u>\$ 1,695</u>	<u>\$ 1,385,961</u>	<u>\$ 16,974,221</u>

**CITY OF BAINBRIDGE ISLAND, WASHINGTON**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**of Governmental Funds**  
**to the Statement of Activities**  
**For the Year Ended December 31, 2015**

Net change in fund balances - Total governmental funds \$ 1,948,518

*Amounts reported for governmental activities in the Statement of Activities are different because:*

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. This is the amount by which capital outlays exceeded depreciation in the current period.

Expenditures for capital assets	\$ 1,688,947	
Less current year depreciation	(2,446,111)	
		(757,164)

Revenue in the Statement of Activities that does not provide current financial resources is not reported as revenues in the funds. (181,540)

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. This is the amount by which repayments exceeded proceeds. 2,240,884

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. (74,903)

Pension expense reported in the governmental funds includes the annual required contributions. In the Statement of Activities, pension expense includes the change in the net pension liability, and related change in pension amounts for deferred outflows of resources and deferred inflows of resources. 67,436

Change in Net Position of Governmental Activities	\$ 3,243,230
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**CITY OF BAINBRIDGE ISLAND, WASHINGTON**

**Statement of Net Position**

**Proprietary Funds**

**As of December 31, 2015**

	Business-Type Activities - Enterprise Funds				Total
	Water	Sewer	Storm and Surface	Building and	
			Water Management	Development Services	
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash and Cash Equivalents	\$ 6,906,026	\$ 5,877,815	\$ 1,195,332	\$ 451,050	\$ 14,430,224
Receivables - Net	16,080	266,129	215,083	-	497,291
Due From Other Governments	-	-	200,485	-	200,485
Inventories	61,640	5,214	16,841	-	83,696
<b>Long-Term Assets</b>					
Special Assessments Receivable	-	1,439,565	-	-	1,439,565
Depreciable Capital Assets (Net)	11,576,456	21,260,439	9,325,471	-	42,162,366
Land	637,436	834,874	324,555	-	1,796,865
Construction in Progress	13,570	10,339	147,424	-	171,332
<b>Total Assets</b>	<u>19,211,208</u>	<u>29,694,375</u>	<u>11,425,191</u>	<u>451,050</u>	<u>60,781,824</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred Charge on Pensions	40,305	88,673	80,612	137,040	346,630
<b>Combined Assets and Deferred Outflows of Resources</b>	<u>\$ 19,251,513</u>	<u>\$ 29,783,048</u>	<u>\$ 11,505,803</u>	<u>\$ 588,090</u>	<u>\$ 61,128,454</u>
<b>LIABILITIES</b>					
<b>Current Liabilities</b>					
Accounts Payable	40,112	72,084	80,782	16,751	209,728
Accrued Expenses	23,788	92,852	50,263	77,967	244,870
Unearned Revenue	-	-	-	227,376	227,376
Current Portion of Long-Term Debt	-	1,139,390	50,703	-	1,190,093
<b>Long-Term Liabilities</b>					
Compensated Absences	151,127	73,846	44,545	77,127	346,644
Net Pension Liability	293,520	645,746	587,042	997,971	2,524,279
Bonds, Loans, and Other Debt	-	13,637,282	890,583	-	14,527,865
<b>Total Liabilities</b>	<u>508,546</u>	<u>15,661,199</u>	<u>1,703,917</u>	<u>1,397,192</u>	<u>19,270,855</u>
<b>DEFERRED INFLOW OF RESOURCES</b>					
Deferred inflow on Pensions	44,721	98,386	89,442	152,052	384,601
<b>NET POSITION</b>					
Net investment in Capital Assets	12,227,462	7,328,980	9,299,965	-	28,856,406
Restricted for:					
Debt Service	-	1,558,543	-	-	1,558,543
Unrestricted	6,470,785	5,135,939	412,479	(961,154)	11,058,049
<b>Total Net Position</b>	<u>\$ 18,698,246</u>	<u>\$ 14,023,463</u>	<u>\$ 9,712,444</u>	<u>\$ (961,154)</u>	<u>\$ 41,472,999</u>

The accompanying notes are an integral part of this financial statement.

**CITY OF BAINBRIDGE ISLAND, WASHINGTON**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Funds**  
**For the year ended December 31, 2015**

	Water	Sewer	Storm and Surface Water Management	Building and Development Services	Totals
<b>OPERATING REVENUES</b>					
Charges for Services	\$ 1,190,628	\$ 3,544,816	\$ 2,024,339	\$ 1,443,315	\$ 8,203,098
Total Operating Revenues	1,190,628	3,544,816	2,024,339	1,443,315	8,203,098
<b>OPERATING EXPENSES</b>					
Personal Services	508,905	1,087,211	1,035,723	1,667,184	4,299,024
Contractual Services	131,016	152,937	135,788	218,337	638,077
Utilities	110,053	219,205	27,373	1,558	358,188
Repairs and Maintenance	15,920	80,484	21,701	6,491	124,597
Miscellaneous Expense	6,564	10,709	25,078	5,209	47,560
Other Supplies and Expenses	224,232	618,659	250,295	20,932	1,114,118
Insurance Claims and Expenses	19,685	38,020	32,692	45,890	136,288
Depreciation	294,481	1,040,217	200,334	0	1,535,032
Total Operating Expenses	1,310,856	3,247,442	1,728,983	1,965,603	8,252,883
Operating Income (Loss)	(120,228)	297,374	295,356	(522,288)	(49,785)
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
Interest and Investment Revenue	31,908	27,165	5,522	-	64,595
Miscellaneous Revenue	8,250	97,085	207,074	3,250	315,660
Interest Expense	-	(207,022)	(2,707)	-	(209,729)
Total Non-Operating Revenues (Expenses)	40,158	(82,772)	209,890	3,250	170,526
Net income/(loss) before contributions and transfers	(80,069)	214,602	505,246	(519,038)	120,740
Capital Contributions	241,912	544,700	-	-	786,612
Transfers In	2,500	-	-	564,250	566,750
Change in Net Position	164,343	759,302	505,246	45,212	1,474,103
Net Position - Beginning	18,533,904	13,264,160	9,207,198	(1,006,366)	39,998,896
Total Net Position - Ending	\$ 18,698,246	\$ 14,023,463	\$ 9,712,444	\$ (961,154)	\$ 41,472,999

**CITY OF BAINBRIDGE ISLAND, WASHINGTON**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended December 31, 2015**

Page 1 of 2

	Water	Sewer	Storm and Surface Water Management	Building and Development Services	Total
<b>Cash Flows from Operating Activities</b>					
Receipts from Customers	\$1,190,005	\$3,623,392	\$1,928,474	\$1,463,857	\$8,205,728
Payments to Suppliers	(510,644)	(1,117,017)	(533,927)	(295,273)	(2,456,860)
Payments to Employees	(503,749)	(1,088,985)	(1,027,917)	(1,652,684)	(4,273,334)
Net Cash Provided (Used) by Operating Activities	175,612	1,417,391	366,630	(484,100)	1,475,534
<b>Cash Flows from Non-Capital Financing Activities</b>					
Transfers from Other Funds	2,500	-	-	564,250	566,750
Non Capital Grant Proceeds	-	-	10,701	-	10,701
Net Cash Provided (Used) by Non-Capital Financing Activities	2,500	-	10,701	564,250	577,451
<b>Cash Flows from Capital and Related Financing Activities</b>					
Capital Contributions and Grants	241,912	544,700	200,717	-	987,329
Special Assessment Receipts	-	331,984	-	-	331,984
Purchases of Capital Assets	(5,142)	(178,003)	(466,630)	-	(649,775)
Proceeds from Long-Term Debt	-	812,595	-	-	812,595
Principal Paid on Capital Debt	-	(1,127,423)	(50,703)	-	(1,178,126)
Interest Paid on Capital Debt	-	(208,624)	(2,513)	-	(211,136)
Net Cash Provided (Used) by Capital and Related Financing Activities	236,770	175,229	(319,128)	-	92,870
<b>Cash Flows from Investing Activities</b>					
Interest, Dividends and Rents	40,158	31,742	1,179	3,250	76,329
Net Cash Provided (Used) by Investing Activities	40,158	31,742	1,179	3,250	76,329
Net Increase/(Decrease) in Cash and Cash Equivalents	455,040	1,624,362	59,382	83,400	2,222,185
Balances - Beginning of the Year	6,450,986	4,253,453	1,135,950	367,650	12,208,039
Balances - End of the Year	<u>\$6,906,026</u>	<u>\$5,877,815</u>	<u>\$1,195,332</u>	<u>\$451,050</u>	<u>\$14,430,224</u>

The accompanying notes are an integral part of this financial statement.

**CITY OF BAINBRIDGE ISLAND, WASHINGTON**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended December 31, 2015**

Page 2 of 2  
(Continued)

	Water	Sewer	Storm and Surface Water Management	Building and Development Services	Total
<hr/>					
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used)					
Operating Income/(Loss)	\$(120,228)	\$297,374	\$295,356	\$(522,288)	\$(49,785)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities					
Depreciation	294,481	1,040,217	200,334	-	1,535,032
Change in Assets and Liabilities					
Receivables - Net	(623)	78,577	(95,865)	845	(17,067)
Inventories	(8,049)	(2,486)	(4,780)	-	(15,315)
Accounts Payable	4,875	5,482	7,018	3,146	20,521
Accrued Expenses	2,626	(7,253)	2,567	6,189	4,130
Unearned Revenue	-	-	-	19,697	19,697
Compensated Absences	2,071	4,472	4,323	6,752	17,618
Net Pension Liability	459	1,008	916	1,559	3,942
Post Closure Landfill Liability	-	-	(43,238)	-	(43,238)
Net Cash Provided by Operating Activities	<u>\$175,612</u>	<u>\$1,417,391</u>	<u>\$366,630</u>	<u>\$(484,100)</u>	<u>\$1,475,534</u>

The accompanying notes are an integral part of this financial statement.

**CITY OF BAINBRIDGE ISLAND, WASHINGTON**

**Statement of Net Position**

**Fiduciary Funds**

**As of December 31, 2015**

ASSETS	<u>Agency Funds</u>
Cash and Cash Equivalents	\$ 413,087
Total Assets	<u>\$ 413,087</u>
LIABILITIES	
Custodial Accounts Payable	<u>\$ 413,087</u>
Total Liabilities	<u>\$ 413,087</u>

## **NOTES TO THE FINANCIAL STATEMENTS**

### **For the year ended December 31, 2015**

#### **NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements and underlying accounting policies of the City of Bainbridge Island (City) conform to Generally Accepted Accounting Principles (GAAP) as applied to governmental units in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for governmental accounting and financial reporting principles. The City's significant accounting policies are described below.

##### **A. Reporting Entity**

The City of Bainbridge Island was incorporated on September 18, 1947, and operates under the laws of the State of Washington applicable to a non-charter code city with a Council-Manager form of government. The seven part-time council members are elected to four-year staggered terms; the mayor is selected by the council from among its members to serve a two-year term. The City Manager is appointed by the City Council for an indefinite term. The City is a general-purpose government and provides the following major types of services: police, water supply/treatment/distribution, sewage collection and treatment, storm water (drainage) collection, street maintenance and construction, planning and zoning, permits and inspections, some parks, boat docks, judicial and general administration. Other local governments provide public education, fire suppression, library and most park services.

The accompanying financial statements represent the activities of the City and the component unit for which it is financially accountable. The City is considered financially accountable for a component unit if it appoints a voting majority of the governing body and, 1) is able to impose its will on the organization by significantly influencing the programs, projects, activities or levels of service; or 2) there is a potential for the organization to provide financial benefits to, or impose financial burdens on, the City. Blended component units are, in substance, part of the primary government's operations due to the closely linked nature of their relationship, even though they are legally separate entities.

##### **Blended Component Unit**

The City has one component unit, the Bainbridge Island Transportation Benefit District (TBD), presented as a blended component unit. The TBD was established in August 2012 through City Ordinance No. 2012-14 under the authority of the Revised Code of Washington (RCW) 35.21.225. On December 31, 2015, the TBD was dissolved and assumed by the City through City Ordinance No. 2015-31 under the authority of RCW 36.74.010. The TBD's boundaries are the same as the City's and its governing board is comprised of the City Council members. The TBD is funded by a \$20 vehicle registration fee used for transportation improvements as defined by RCW 36.73.015. The TBD's sole purpose is to finance transportation improvements within its boundaries and although it is a legally separate entity, the operations of the TBD are so closely related to those of the City that it is reported as if it were part of the City. The TBD is reported as a non-major special revenue fund in the City's financial statements. The TBD issues a separate financial report which may be obtained by contacting the City of Bainbridge Island Finance Department at 280 Madison Ave. N., Bainbridge Island, WA 98110-1812 or emailing [finance@bainbridgewa.gov](mailto:finance@bainbridgewa.gov).

##### **B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the City. Generally, the effect of interfund activity has been removed from these statements to avoid double counting of internal activity although interfund services provided and used are not removed. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for support.

The *statement of net position* presents the City's year-end balances in non-fiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. Net position is reported in three categories:

*Net investment in capital assets* consists of capital assets, net of accumulated depreciation and any outstanding debt attributable to those assets.

*Restricted net position* consists of restricted assets reduced by any liabilities and deferred outflow of resources related to those assets. Net position is restricted when constraints are placed on its use (1) by external parties such as creditors, grantors or laws of other governments or (2) by the City's own enabling legislation or constitutional provisions.

*Unrestricted net position* consists of the residual amount which does not meet the definition of the two preceding categories.

The *statement of activities* demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items that are inappropriate for inclusion among program revenues are reported instead as general revenues.

Separate *fund financial statements* are provided for governmental funds, proprietary funds, and fiduciary funds, even though the fiduciary funds are excluded from the government-wide financial statements. Major governmental and enterprise funds are reported in separate columns in the fund financial statements.

### **C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied and legally due. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the fund's primary ongoing activity. The principal operating revenues of the City's proprietary funds are user fees for services, connection charges paid by new users, and permit fees paid for processing regulatory permits and approvals. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, it is City policy to consider revenues available if they are collected within 60 days of the end of the current fiscal period. Property taxes, sales taxes, business and occupation taxes, utility taxes, excise taxes, licenses and interest associated with the current fiscal period are all considered susceptible to accrual and so have been recognized in the current fiscal period. Expenditure-driven grants are recognized as revenue, within the 60-day window, when the qualifying expenditures have been incurred and all eligibility requirements have been met. Only that portion of special assessments due within the current fiscal period is considered susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the City.

Expenditures in the governmental fund financial statements are generally recorded when a liability is incurred, as under accrual accounting. However, certain expenditures, such as debt service, compensated absences and claims and judgments, are recorded only when payment is due.

The City reports the following major **Governmental Funds**:

**General Fund**

The general fund is the primary operating fund of the City. It accounts for all financial resources of the general government except those required to be accounted for in another fund. Major revenue sources are property taxes, sales taxes and business and occupation taxes. Major expenditures are for administration and public safety.

**Street Fund**

This special revenue fund accounts for restricted gas tax revenue received from the State of Washington. Supplemental funding, as needed, comes from the general fund and the real estate excise tax fund. These resources are used for non-capital transportation-related activities such as the City's annual street preservation program.

**Real Estate Excise Tax Fund**

This special revenue fund accounts for revenue from real estate excise taxes. These resources are used primarily for street maintenance and construction and payments on related debt service.

**General Obligation Bond Fund**

This debt service fund accounts for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

The City reports the following major **Proprietary Funds**:

**Water Fund**

The water fund accounts for all activities related to providing water services to City water customers, primarily located in the historic Winslow area.

**Sewer Fund**

The sewer fund accounts for all activities related to providing wastewater (sewer) services to City sewer customers, primarily located in the historic Winslow area.

**Storm & Surface Water Management (SSWM) Fund**

The SSWM fund accounts for all activities related to providing storm drainage and related services to the island-wide community.

**Building & Development Services Fund**

The City classifies its building and development services fund as an enterprise fund because a majority of land use and building permitting costs are recovered through user charges. Costs not covered by user charges are funded through transfers from the general fund. The building and development services fund consists of two sub-funds for these activities that separately track costs and related revenues.

The City maintains one **Fiduciary Fund**:

This fund is an agency fund, is custodial in nature (assets always equal liabilities) and does not involve the measurement of results of operations or changes in net position. Within this fund are a number of sub-funds representing monies on which the City has either no claim or has a junior claim to a third party. Included are construction retainage accounts, performance bonds and guarantees, court trust funds and money held in transit to Kitsap County or the State of Washington.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed. In addition, in general when resources are available that may be spent from committed, assigned or unassigned fund balance it is the City's policy to use the most restrictive category first.

**D. New Accounting Standards Adopted**

During 2015 the City implemented three new GASB accounting standards.

*GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27 and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date.* These two new standards represent a significant change in reporting and disclosure requirements for governmental pension plans. They improve the decision-usefulness of pension information and enhance its value for assessing accountability and inter-period equity by requiring recognition of the net pension liability, or asset, and a more comprehensive measure of pension expense. Decision-usefulness and accountability are also enhanced through new note disclosures and required supplementary information. For defined benefit pension plans, these new standards identify the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. See Note No. 6 – Pension Plans for detailed disclosures about the City’s pension plans and Note No. 15 – Restatement of Beginning Net Position for the cumulative effect on beginning net position of the implementation of these new standards.

*GASB Statement No. 69, Government Combinations and Disposals of Government Operations.* This standard establishes accounting and reporting requirements for combining and/or disposing of government operations and had no impact on the City’s financial statements for 2015.

During 2014 the City implemented GASB Statement No. 18, *Accounting for Municipal Solid Waste Landfill Closure and Post-Closure Care Costs.* See Note No. 9 – Landfill Post-Closure Care Costs.

## **E. Use of Estimates**

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect amounts reported in the financial statements. Actual results may differ from those estimates and assumptions.

## **F. Budgetary Information**

### **1. Scope of Budget**

In accordance with RCW 35A.34 budgets are adopted for all operating funds. Expenditures are limited to total current year fund budgets, any long-term debt proceeds and expenditures required for emergencies. All unencumbered budget amounts lapse at year-end and must be reauthorized by the City Council. All budgets are prepared using the modified accrual basis of accounting.

Encumbrance accounting is used and encumbrances (e.g., purchase orders, contracts) outstanding at year-end are closed and reappropriated, at the City Council’s discretion, in the subsequent year.

The City Council also annually approves a capital improvement plan (CIP). The CIP is a six-year plan for capital expenditures and related funding. It is revised and extended annually. The City Council adopts the CIP as a planning document but does not appropriate the multi-year expenditures identified in the CIP. The current year CIP expenditures are legally authorized through the annual fund budgets.

Proprietary fund budgets are for management purposes only and as such are not required by GAAP to be presented in these financial statements.

### **2. Amending the Budget**

Under City law, the City Manager may authorize transfers of budgetary spending within any fund. However, any revisions that transfer appropriations between funds, increase any fund’s total expenditures, increase any capital construction project’s total budget, or affect the number of authorized employee positions must be approved by the City Council. When the City Council determines that it is in the best interest of the City to make any of the stated revisions, it must do so by ordinance approved by a simple majority.

## **G. Assets, Liabilities and Equities**

The City's significant assets, liabilities and equities are described in the notes that follow.

### **1. Cash and Cash Equivalents**

For purposes of the financial statements, including the statement of cash flows, the city considers cash and cash equivalents to include cash on hand, demand deposits, and all short-term investments with original maturities of three months or less from date of acquisition. At December 31, 2015, the City was holding \$32,183,134 in cash and cash equivalents which included \$17,339,823 in the governmental funds, \$14,430,224 in the proprietary funds, and \$413,087 in the fiduciary funds.

It is the City's policy to invest temporary cash surpluses. At December 31, 2015, the City was holding \$30,948,201 in short-term investments. This amount is classified on the balance sheet with cash and cash equivalents. Interest on these investments is distributed to various funds proportional to their cash balances.

### **2. Receivables**

Property taxes unpaid at year-end are recorded as a receivable. Property tax revenue not expected to be collected within 60 days of year-end is reported as unavailable revenue in the deferred inflows section of the fund financial statements. For property taxes collectible in 2015 the City's levy for general governmental services was \$1.22 per \$1,000 on assessed valuation of \$5,708,210,319 for a total of \$6,992,891. Levy rates for property taxes are adopted in November of each year but are not recognized as a receivable until the following year when the amounts are legally levied and due and the City has a legal claim to the taxpayers' resources. Due to the property foreclosure provision in state law, no allowance for uncollectible amounts is made.

Other types of taxes receivable are not recognized on the fund financial statements because, although they are often measurable, the City cannot tell when they might be available. These taxes receivable are recognized together with the related revenue adjustments on the government-wide financial statements.

As of December 31, 2015 and 2014, the City had total taxes receivable of \$1,557,197 and \$1,430,832, respectively.

Special assessments are recorded when levied, in the local improvement district (LID) debt service fund for regular LIDs and in the enterprise funds for utility LIDs. Assessment revenue not expected to be collected within 60 days of year-end is reported as unavailable revenue in the deferred inflows section of the fund financial statements. Long-term assessments receivable in the fund financial statements consist of unbilled special assessments that are liens against the property benefited. As of December 31, 2015 and 2014, the City had \$17,384 and \$31,425, respectively, in delinquent special assessments receivable. Because special assessments are secured by liens against related properties, no allowance for uncollectible amounts is made.

For Municipal Court receivables the City recognizes only those fines or forfeits that are on a court-ordered time payment plan or that have been sent to collection. This is partly because amounts that have been levied are still subject to adjudication and possible commutation and because the State's software system used by the City converts the amounts owed to fee amounts set by the State. The receivable recognized for 2015 is \$1,461,124 (\$1,282,136 considered uncollectible) compared to \$1,515,608 (\$1,310,849 considered uncollectible) for 2014.

Customer accounts receivable, including utility fund receivables, consist of amounts owed from private individuals or organizations for goods and services rendered, including amounts owed for which billings have not yet been prepared.

### **3. Amounts Due to and from Other Funds and Governments, Interfund Loans and Advances Receivable**

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as interfund loans receivable/payable. The City also has reimbursable grants and other receivables

due from the State and Federal governments. Those amounts totaled \$855,615 and \$749,043 for fiscal years 2015 and 2014, respectively.

#### 4. Inventories

Inventories consist of expendable supplies held for consumption. Costs are recorded as expenditures at the time of invoicing or during the year-end count process. Inventories are valued by the normal average cost method, which uses a weighted average cost for items in inventory rather than actual cost for each specific item.

#### 5. Net Pension Asset

As discussed in Note No. I.D. the City implemented GASB Statements No. 68 and 71 regarding pension plans. Net pension assets are reported when the City's proportionate share of pension assets exceeds its proportionate share of pension liabilities.

#### 6. Capital Assets

Capital assets include property, plant, equipment and infrastructure assets (e.g. roads, sidewalks, and similar items). Capital assets are defined as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. These assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

A full year's depreciation is taken in the year capital assets are acquired or when assets under construction are substantially complete and in service. For constructed assets, all associated costs necessary to bring such assets to the condition and location necessary for their intended use are capitalized. The amount of construction period interest capitalized depends on materiality and the specific project's circumstances. During 2015 no interest was capitalized.

Land, land rights, construction-in-progress and intangible assets are not depreciated. Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

Type of Asset	Years
Computer Systems & Equipment	5 to 10
Light and Heavy Vehicles, Equipment	5 to 10
Police Vehicles	5
Buildings & Improvements	20 to 40
Roads – Unpaved and Paved	2 and 25
Sewage Treatment Plant	20
Water & Sewer Mains	66
Other Utility Infrastructure	10 to 20

For further detail see Note No. 5 – Capital Assets.

#### 7. Deferred Outflows of Resources

In addition to assets, the statement of net position and the governmental funds balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents the consumption of net position applicable to future reporting periods and will not be expensed until that time. The City has two items that qualify for reporting in this category, both on the statement of net position. The first item is a deferred charge on debt refunding resulting from the difference in the carrying value of refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded debt or the refunding debt. The second item is the deferred outflow related to pensions. This amount represents an aggregate of items related to pensions as calculated in accordance with GASB Statement No. 68, Accounting and Financial Reporting for Pensions. The deferred outflows related to pensions will be recognized as either pension expense or a reduction in

the net pension liability in future years. Details on the composition of this amount are further disclosed in Note 6 – Pension Plans.

## 8. Compensated Absences

Compensated absences are absences from work for which employees will be paid. They consist of vacation, sick leave, accrued compensating time off for overtime hours worked, floating holidays and time spent on standby. Only compensated absences for which the employee may be paid upon separation are accrued at year-end.

Vacation pay may be accumulated up to a maximum of 320 hours and is payable upon termination, resignation, retirement or death. Compensating time off may be accumulated up to a maximum of 160 hours (120 for law enforcement officers) and may be taken at any time or paid out at the employee's request. Standby time represents compensating time off for employees who are required to be available on standby during non-working hours and may be taken at any time or paid out at the employee's request. Floating holidays represent holidays worked and subsequently accrued by law enforcement officers that may be taken at any time, paid out at the officer's request or paid upon separation.

Sick leave may accumulate up to 1,040 hours. Except as noted below for law enforcement officers, upon separation from City employment outstanding sick leave is not paid to the employee. Accumulations of over 1,040 hours are paid down annually at 1/2 the employee's current rate of pay. In addition, law enforcement officers, upon retirement, are paid 1/4 of their sick leave balance at their current rate of pay. Because there is no commitment to pay out accrued but unpaid management leave, wellness time or sick leave, and because law enforcement retirement dates are not generally known in advance, they are not shown as liabilities.

### Total liability for compensated absences as of December 31, 2015 and 2014, is as follows:

	2015	2014
Vacation	\$608,266	\$584,347
Compensating Time	81,751	68,622
Standby Time	29,010	31,934
Floating Holidays	69,299	50,998
<b>Total</b>	<b>\$788,326</b>	<b>\$735,901</b>

## 9. Net Pension Liability

As discussed in Note No. I.D. the City implemented GASB Statements No. 68 and 71 regarding pension plans. Net pension liabilities are reported when the City's proportionate share of pension liabilities exceeds its proportionate share of pension assets.

## 10. Long-Term Obligations

Liabilities for long-term obligations are recorded in the government-wide and proprietary statements of net position. Bonds payable are reported net of applicable bond premiums or discounts. For governmental fund financial statements bond issuance costs are expended at the time of issuance and bond proceeds are reported as other financing sources. For further details see Note No. 8 – Long-Term Liabilities.

## 11. Deferred Inflows of Resources

In addition to liabilities, the statement of net position and the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents the acquisition of net position applicable to future reporting periods and, therefore, will not be recognized as revenue until that time.

Deferred inflows of resources on the statement of net position represent amounts related to an aggregate of pension items calculated in accordance with GASB Statement No. 68, Accounting and Financial Reporting for Pensions. The deferred inflows related to pensions will be recognized as a reduction to pension expense in future years. Details on the composition of this amount are further disclosed in Note No. 6 – Pension Plans.

Deferred inflows of resources on the governmental funds balance sheet include the following items not received within 60 days of year-end.

- Grants in the general fund and the capital construction fund
- Delinquent property taxes in the general fund and the bond fund
- Special assessments as deferred inflows in the LID bond fund

## 12. Fund Balance

### Categories of Fund Balance

Governmental funds use a fund balance presentation of equity. Fund balance is categorized as non-spendable, restricted, committed, assigned or unassigned. The use of a particular category is based largely upon the extent to which the City must observe constraints imposed on the use of the resources.

Non-spendable fund balance represents amounts that cannot be spent because they are either not in a spendable form (such as long-term receivables or inventory) or legally required to remain intact (such as the principal of a permanent fund).

Restricted fund balance represents amounts with external constraints placed on their use (such as debt covenants, grantors, other governments, etc.) or imposed by enabling legislation.

Committed fund balance represents amounts that can only be used for specific purposes imposed by the City's highest level of decision-making authority, a City Council ordinance. Committed resources cannot be used for any other purpose unless the City Council removes or changes the specified use through passage of another ordinance.

Assigned fund balance represents amounts reflecting the City's intended use of resources. Assigned fund balance can be designated at any level of decision making authority below an ordinance (resolution, City Council motion or by a committee or official delegated by the City Council).

Unassigned fund balance represents either amounts with no restrictions on their use or general fund stabilization reserves (see below) set up by City Council action at an authority level below an ordinance. The general fund is the only fund that may show a positive unassigned fund balance although other funds may report a negative unassigned fund balance.

Fund balance constraints as listed in aggregate on the governmental funds balance sheet statement at December 31, 2015, were as follows:

	General Fund	Street Fund	Real Estate Excise Tax Fund	GO Bond Fund	Other Governmental Funds	Total Governmental Funds
<b>Nonspendable:</b>						
Inventory	\$ 12,784	\$ 147,016	\$ -	\$ -	\$ -	\$ 159,800
Long-term Receivables	59,171	-	-	-	-	59,171
<b>Total Nonspendable</b>	<b>\$ 71,955</b>	<b>\$ 147,016</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 218,971</b>
<b>Restricted:</b>						
Police Investigations	\$ 30,200	\$ -	\$ -	\$ -	\$ -	\$ 30,200
Police Marine	24,000	-	-	-	-	24,000
PEG Capital	71,003	-	-	-	-	71,003
Real Estate Excise Tax	-	-	25,284	-	-	25,284
Hotel/Motel Tax	-	-	-	-	195,125	195,125
Transportation Benefit Tax	-	75,786	-	-	340,960	416,746

LID Collections	-	-	-	-	129,569	129,569
LID Bond Proceeds	-	-	-	-	-	-
<b>Total Restricted</b>	<b>\$ 125,203</b>	<b>\$ 75,786</b>	<b>\$ 25,284</b>	<b>\$ -</b>	<b>\$ 665,654</b>	<b>\$ 891,927</b>
<b>Committed:</b>						
Capital Impr. Opportunity Reserve	\$ 1,538,433	\$ -	\$ -	\$ -	\$ -	\$ 1,538,433
Public Art	104,316	-	-	-	-	104,316
Street Fund	-	283,264	-	-	-	283,264
Affordable Housing	25,002	-	-	-	-	25,002
Floor Area Ratio - Public Amenities	-	-	-	-	13,990	13,990
Floor Area Ratio - Agriculture	-	-	-	-	79,920	79,920
GO Bond Fund	-	-	-	1,695	-	1,695
Construction Fund	-	-	-	-	503,726	503,726
<b>Total Committed</b>	<b>\$ 1,667,751</b>	<b>\$ 283,264</b>	<b>\$ -</b>	<b>\$ 1,695</b>	<b>\$ 597,636</b>	<b>\$ 2,550,346</b>
<b>Assigned:</b>						
Construction Fund	\$ -	\$ -	\$ -	\$ -	\$ 122,671	\$ 122,671
<b>Total Assigned</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 122,671</b>	<b>\$ 122,671</b>
<b>Unassigned:</b>						
General Fund	\$ 13,190,306	\$ -	\$ -	\$ -	\$ -	\$ 13,190,306
<b>Total Unassigned</b>	<b>\$ 13,190,306</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 13,190,306</b>
<b>Total Fund Balance</b>	<b>\$ 15,055,214</b>	<b>\$ 506,066</b>	<b>\$ 25,284</b>	<b>\$ 1,695</b>	<b>\$ 1,385,961</b>	<b>\$ 16,974,221</b>

In recent years the City Council has passed, via resolution, two general fund stabilization policies in the form of reserves. These reserves are included in the general fund unassigned balance above and are as follows.

The emergency reserve is built up through annual budget appropriations and has a balance of \$1,020,446 at December 31, 2015. The reserve was set up to provide for unexpected emergencies that cannot be reasonably accommodated in the current budget or by the contingency reserve (see below). Items specifically allowed for expenditure of emergency reserve funds are as follows:

- Major financial losses caused by fire, flood, explosion, storm, earthquake, terrorism or similar incident.
- Immediate preservation of order or public health, or restoration of public property which has been destroyed.
- Payment of claims for personal injuries or property damage that are not covered by insurance.
- Mandatory expenditures required by law enacted since the previous budget was adopted.

The contingency reserve is built up through annual budget appropriations and has a balance of \$600,000 at December 31, 2015. This reserve was set up to provide for unexpected needs not included in the annual budget and minor shortfalls in budgeted appropriations. The funds may not be used for items that can be reasonably deferred to the following year. It may also not be used for items considered but not funded in the current budget unless conditions or circumstances have substantially changed. No single appropriation can exceed 20% of the original contingency reserve balance at the beginning of the year.

Expenditures from the emergency reserve and the contingency reserve require a vote of not less than five City Council members or a unanimous quorum.

In addition to these two general fund stabilization arrangements set up as the emergency and contingency reserves, the City Council adopted, via resolution, a general fund minimum fund balance policy. This was defined as the excess of current assets over current liabilities that are unreserved, undesignated and unrestricted. For December 31, 2015 and 2014, the City Council specified goal was \$3,000,000. Unassigned general fund balance at December 31, 2015 and 2014, was \$13,190,306 and \$11,488,201, or \$11,569,860 and \$9,745,755 after emergency and contingency reserves.

## **H. Deficit Net Position**

As noted above, during 2015 the City implemented GASB Statements No. 68 and 71 related to pensions. As a result of this change the building and development services fund had a deficit net position of \$(961,154) at December 31, 2015. The City's management expects this deficit to continue into the foreseeable future as the City transfers only enough cash into the fund to offset expenses, current payables and accruals not covered through user fees. At this time the fund's cash position is sufficient to cover the current costs related to the fund's operations.

## **NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

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

## **NOTE 3 – DEPOSITS AND INVESTMENTS**

### **A. Deposits**

The City's deposits are entirely covered by the Federal Deposit Insurance Corporation or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission.

### **B. Investments**

All surplus cash is invested in accordance with an investment policy approved by the City Council. It is the City's policy to pool all available cash for investment purposes that isn't required to be kept separate. Washington State law limits the City's investment vehicles. Allowable investments include U.S. government obligations, state and local government obligations, bankers' acceptances and deposits in Washington State financial institutions. At year-end 2015 all city funds were invested in short-term cash equivalent investment in the Washington State Treasurer's Local Government Investment Pool (LGIP), the Kitsap County Treasurer's Investment Pool (KCTIP) or Umpqua Bank's Government Investment Pool (UBGIP). These funds are marked to market monthly by those entities and the City's position in the pools is the same as the value of the shares. All of these pools are non-rated 2a7-like pools.

The LGIP is managed and operated solely by the Washington State Treasurer's Office. The State Treasurer created an LGIP Advisory Committee to provide advice on the pool's operation. The Advisory Committee includes 12 members selected from the pool's active participants. Eight members are appointed by the participants and four by the State Treasurer. The pool is not rated by financial rating agencies.

The KCTIP is managed and operated solely by the Kitsap County Treasurer's Office and is not registered with the SEC. It includes participating funds of the County, from the local governmental entities where the County Treasurer serves as ex-officio treasurer and from cities located within the county. Participation in the pool is voluntary. The pool's investments are those allowed by the County Investment Policy and include savings accounts, CD's and securities. Pool oversight comes from the Kitsap County Finance Committee. The committee consists of the County Treasurer, the County Auditor and the Chair of the Board of County Commissioners. The committee approves the KCTIP investment policy.

The UBGIP is managed and operated by Umpqua Bank as an investment vehicle solely for local governments in Washington State. It is FDIC insured and 100% collateralized through the Washington State Public Deposit Protection Commission.

On the City's balance sheet, these pool investments are considered cash equivalents because they can be withdrawn with one day's notice. As a matter of policy, the City does not use reverse repurchase agreements (because of the difficulty in perfecting collateral) and does not invest in derivatives (because of the difficulty in assessing risk). At December 31, 2015, the City held the following investments and cash deposits:

Short-Term Investment held in the Washington State Treasurer's Investment Pool	\$ 4,013,520
Short-Term Investment held in the Kitsap County Treasurer's Investment Pool	25,230,147
Short-Term Investment held in Umpqua Bank's Governmental Investment Pool	1,704,534
<b>Total Investments</b>	<b>\$30,948,201</b>
Cash deposits held by the Kitsap County Treasurer	13,246
Cash deposits at Umpqua Bank	1,221,687
<b>Total cash and cash equivalents as reported on the financial statements</b>	<b>\$32,183,134</b>

The City mitigates investment risk by investing only in the Washington state or Kitsap county investment pools or in a pool collateralized by the Washington State Public Deposit Protection Commission.

When not investing in pools, it is the City's policy to require investment instrument safekeeping with the trust department of the investment firm or bank, or a third party custodian, and that all investment transactions are to be evidenced by safekeeping receipts.

#### **NOTE 4 – PROPERTY TAXES**

Under state law, the City may levy up to \$3.60 per \$1,000 of assessed property valuation for general governmental services, however, that amount is reduced by the Kitsap Regional Library and Bainbridge Island Fire District levies. The Library District may levy up to \$.50 and the Fire District up to \$1.50 per \$1,000 of assessed valuation resulting in a potential City levy limit of \$1.60 per \$1,000. The Library and Fire District's actual 2015 levy rates were \$.39 and \$.86, respectively.

In addition to the preceding limit, RCW 84.55.010 also limits the growth of regular property taxes to the lesser of one percent per year or the increase in the Implicit Price Deflator, unless a greater amount is approved by a simple majority of the voters. If assessed valuations increase by more than one percent the levy rate is reduced. Amounts above the limit are allowed for increases in the assessed value of new construction, improvements to property and state-assessed property.

A secondary limitation on property tax increases is imposed by article seven of the Washington State Constitution. This article limits the total regular property taxes to one percent of assessed valuation or \$10 per \$1,000 of assessed value. If the combined taxes of all districts exceed this amount, each levy is proportionally reduced until the total is at or below the one percent limit.

The Kitsap County Assessor assesses all property in the county and the Kitsap County Treasurer, acting as the city's agent, collects property taxes. Collections are distributed after the end of each month. Taxes are levied and become an enforceable lien on January 1 of each year and tax statements are mailed in mid-February. The first of two equal installments is due April 30 and the second October 31. By May 31 of each year the assessed value for the next year's levy is established at 100% of market value.

#### **NOTE 5 – CAPITAL ASSETS**

##### **A. Capital Assets**

Capital asset activity for the year ended December 31, 2015, was as follows:

<b>Governmental Activities</b>	<b>Beginning Balance 01/01/2015</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance 12/31/2015</b>
Capital Assets not depreciated:				

Land	\$ 63,633,748	\$ -	\$ -	\$ 63,633,748
Construction In Progress	1,044,698	638,366	(47,138)	1,635,926
Development Rights (Intangible)	880,000	-	-	880,000
<b>Total Capital Assets not depreciated</b>	<b>\$ 65,558,447</b>	<b>\$ 638,366</b>	<b>\$ (47,138)</b>	<b>\$ 66,149,675</b>
Capital Assets, Depreciable:				
Buildings	\$ 16,364,451	\$ 36,378	\$ -	\$ 16,400,829
Machinery and Equipment	6,446,253	698,224	(492,710)	6,651,767
Infrastructure	38,977,111	357,650	-	39,334,761
<b>Total Capital Assets, depreciable</b>	<b>\$ 61,787,815</b>	<b>\$ 1,092,252</b>	<b>\$ (492,710)</b>	<b>\$ 62,387,357</b>
Less Accumulated Depreciation for:				
Buildings	\$ (6,268,886)	\$ (433,012)	\$ -	(6,701,898)
Machinery and Equipment	(5,554,370)	(335,038)	486,670	(5,402,738)
Infrastructure	(18,023,214)	(1,677,283)	-	(19,700,497)
<b>Total Accumulated Depreciation</b>	<b>\$ (29,846,470)</b>	<b>\$ (2,445,333)</b>	<b>\$ 486,670</b>	<b>\$ (31,805,133)</b>
<b>Total Capital Assets, depreciable, net</b>	<b>\$ 31,941,345</b>	<b>\$ (1,353,081)</b>	<b>\$ (6,040)</b>	<b>\$ 30,582,224</b>
<b>Total Governmental Activities Capital Assets, net</b>	<b>\$ 97,499,791</b>	<b>\$ (714,715)</b>	<b>\$ (53,178)</b>	<b>\$ 96,731,898</b>
<b>Business-Type Activities</b>	<b>Beginning Balance 01/01/2015</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance 12/31/2015</b>
Capital Assets not depreciated:				
Land	\$ 1,796,865	\$ -	\$ -	\$ 1,796,865
Construction In Progress	336,321	-	(164,989)	171,332
<b>Total Capital Assets not depreciated</b>	<b>\$ 2,133,187</b>	<b>\$ -</b>	<b>\$ (164,989)</b>	<b>\$ 1,968,198</b>
Capital Assets, depreciable:				
Buildings	\$ 40,619	\$ -	\$ -	\$ 40,619
Computer Software	32,365	-	-	32,365
Machinery and Equipment	1,569,005	95,252	(6,000)	1,658,257
Infrastructure	61,299,795	719,513	-	62,019,308
<b>Total Capital Assets, depreciable</b>	<b>\$ 62,941,784</b>	<b>\$ 814,765</b>	<b>\$ (6,000)</b>	<b>\$ 63,750,549</b>
Less accumulated depreciation for:				
Buildings	\$ (11,244)	\$ (585)	\$ -	\$ (11,829)
Computer Software	(32,365)	-	-	(32,365)
Machinery and Equipment	(1,625,264)	(54,118)	6,000	(1,673,382)
Infrastructure	(18,390,278)	(1,480,329)	-	(19,870,607)
<b>Total Accumulated Depreciation</b>	<b>\$ (20,059,151)</b>	<b>\$ (1,535,032)</b>	<b>\$ 6,000</b>	<b>\$ (21,588,183)</b>
<b>Total Capital Assets, depreciable, net</b>	<b>\$ 42,882,633</b>	<b>\$ (720,267)</b>	<b>\$ -</b>	<b>\$ 42,162,366</b>
<b>Total Business-Type Activities Capital Assets, net</b>	<b>\$ 45,015,820</b>	<b>\$ (720,267)</b>	<b>\$ (164,989)</b>	<b>\$ 44,130,564</b>

2015 depreciation expense was charged to the functions of the city as follows:

<b>Governmental Activities</b>	<b>2015</b>	<b>2014</b>
General Government	\$ 370,616	\$ 316,591
Judicial	2,218	2,218
Public Safety	165,519	146,196
Physical Environment	4,324	4,324
Transportation	1,636,109	1,668,128
Culture and Recreation	266,547	265,876
<b>Total Depreciation - Governmental Activities</b>	<b>\$ 2,445,333</b>	<b>\$ 2,403,333</b>

<b>Business-Type Activities</b>	<b>2015</b>	<b>2014</b>
Water Utility	\$ 294,481	\$ 296,156
Sewer Utility	1,040,217	1,038,099
Storm and Surface Water Management Utility	200,334	289,174
Building and Development Services	-	737
<b>Total Depreciation - Business-Type Activities</b>	<b>\$ 1,535,032</b>	<b>\$ 1,624,166</b>

## **B. Construction Commitments**

At December 31, 2015, the City had contractual commitments of \$1,433,997 for the Wing Point Way reconstruction project.

## **NOTE 6 – PENSION PLANS**

The following table represents the aggregate pension amounts for all plans subject to the requirements of the GASB Statement No. 68, Accounting and Financial Reporting for Pensions for the year 2015:

<b>Aggregate Pension Amounts – All Plans</b>	
Pension liabilities	\$ 5,870,419
Pension assets	\$ 716,467
Deferred outflows of resources	\$ 915,626
Deferred inflows of resources	\$ 1,108,210
Pension expense	\$ 735,576

## **State Sponsored Pension Plans**

Substantially all the City's full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans. The state Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

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

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

The DRS CAFR may also be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov).

**Public Employees’ Retirement System (PERS)**

PERS members include elected officials; state employees; employees of the Supreme, Appeals and Superior Courts; employees of the legislature; employees of district and municipal courts; employees of local governments; and higher education employees not participating in higher education retirement programs. PERS is comprised of three separate pension plans for membership purposes. PERS plans 1 and 2 are defined benefit plans, and PERS plan 3 is a defined benefit plan with a defined contribution component.

PERS Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member’s average final compensation (AFC) times the member’s years of service. The AFC is the average of the member’s 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions

The PERS Plan 1 member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2015 were as follows:

<b>PERS Plan 1</b>		
<b>Actual Contribution Rates:</b>	<b>Employer</b>	<b>Employee</b>
January through June 2015	9.21%	6.00%
July through December 2015	11.18%	6.00%

The City’s actual contributions to the plan were \$310,417 for the year ended December 31, 2015.

PERS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member’s average final compensation (AFC) times the member’s years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member’s 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

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

PERS Plan 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

PERS Plan 3 defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. PERS Plan 3 members choose their contribution rate upon joining membership and have a chance to change rates upon changing employers. As established by statute, Plan 3 required defined contribution rates are set at a minimum of 5 percent and escalate to 15 percent with a choice of six options. Employers do not contribute to the defined contribution benefits. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

### Contributions

The PERS Plan 2/3 employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2015 were as follows:

<b>PERS Plan 2/3</b>		
<b>Actual Contribution Rates:</b>	<b>Employer 2/3</b>	<b>Employee 2</b>
January through June 2015	9.21%	4.92%
July through December 2015	11.18%	6.12%
Employee PERS Plan 3		varies

The City's actual contributions to the plan were \$384,415 the year ended December 31, 2015.

### **Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF)**

LEOFF membership includes all full-time, fully compensated, local law enforcement commissioned officers, firefighters, and as of July 24, 2005, emergency medical technicians. LEOFF is comprised of two separate defined benefit plans.

LEOFF Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined per year of service calculated as a percent of final average salary (FAS) as follows:

- 20+ years of service – 2.0% of FAS
- 10-19 years of service – 1.5% of FAS
- 5-9 years of service – 1% of FAS

The FAS is the basic monthly salary received at the time of retirement, provided a member has held the same position or rank for 12 months preceding the date of retirement. Otherwise, it is the average of the highest consecutive 24 months' salary within the last ten years of service. Members are eligible for retirement with five years of service at the age of 50. Other benefits include duty and non-duty disability payments, a cost-of living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. LEOFF 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

### Contributions

Starting on July 1, 2000, LEOFF Plan 1 employers and employees contribute zero percent, as long as the plan remains fully funded. The LEOFF Plan 1 had no required employer or employee contributions for fiscal year 2015. Employers paid only the administrative expense of 0.18 percent of covered payroll.

LEOFF Plan 2 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the final average salary (FAS) per year of service (the FAS is based on the highest consecutive 60 months). Members are eligible for retirement with a full benefit at 53 with at least five years of service credit. Members who retire prior to the age of 53 receive reduced benefits. If the member has at least 20 years of service and is age 50, the reduction is three percent for each year prior to age 53. Otherwise, the benefits are actuarially reduced for each year prior to age 53.

LEOFF 2 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. LEOFF 2 members are vested after the completion of five years of eligible service.

### Contributions

The LEOFF Plan 2 employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2. The employer rate included an administrative expense component set at 0.18 percent. Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board. The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2015 were as follows:

<b>LEOFF Plan 2</b>		
<b>Actual Contribution Rates:</b>	<b>Employer</b>	<b>Employee</b>
State and local governments	5.23%	8.41%
Ports and Universities	8.59%	8.41%

The City's actual contributions to the plan were \$96,865 for the year ended December 31, 2015.

The Legislature, by means of a special funding arrangement, appropriates money from the state general fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute. For the state fiscal year ending June 30, 2015, the state contributed \$58,339,032 to LEOFF Plan 2.

### **Actuarial Assumptions**

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2015 with a valuation date of June 30, 2014. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) 2007-2012 Experience Study.

Additional assumptions for subsequent events and law changes are current as of the 2014 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2015. Plan liabilities were rolled forward from June 30, 2014, to June 30, 2015, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 3% total economic inflation; 3.75% salary inflation
- **Salary increases:** In addition to the base 3.75% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.5%

Mortality rates were based on the RP-2000 report's Combined Healthy Table and Combined Disabled Table, published by the Society of Actuaries. The OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

There were minor changes in methods and assumptions since the last valuation.

- The OSA updated demographic assumptions, consistent with the changes from the 2007-2012 Experience Study Report, used when valuing the PERS I and TERS I Basic Minimum COLA.
- The OSA corrected how valuation software calculates a member's entry age under the entry age normal actuarial cost method. Previously, the funding age was rounded, resulting in an entry age one year higher in some cases.

- For purposes of calculating the Plan 2/3 Entry Age Normal Cost contribution rates, the OSA now uses the current blend of Plan 2 and Plan 3 salaries rather than using a long-term membership assumption of two-thirds Plan 2 members and one-third Plan 3 members.
- The OSA changed the way it applies salary limits, as described in the 2007-2012 Experience Study Report.

**Discount Rate**

The discount rate used to measure the total pension liability for all DRS plans was 7.5 percent.

To determine that rate, an asset sufficiency test included an assumed 7.7 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. (All plans use 7.7 percent except LEOFF 2, which has assumed 7.5 percent). Consistent with the long-term expected rate of return, a 7.5 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue being made at contractually required rates (including PERS 2/3, PSERS 2, SERS 2/3, and TRS 2/3 employers, whose rates include a component for the PERS 1, and TRS 1 plan liabilities). Based on these assumptions, the pension plans’ fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.5 percent was used to determine the total liability.

**Long-Term Expected Rate of Return**

The long-term expected rate of return on the DRS pension plan investments of 7.5 percent was determined using a building-block-method. The Washington State Investment Board (WSIB) used a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, including inflation) to develop each major asset class. Those expected returns make up one component of WSIB’s capital market assumptions. The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns at various future times. The long-term expected rate of return of 7.5 percent approximately equals the median of the simulated investment returns over a 50-year time horizon.

**Estimated Rates of Return by Asset Class**

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of June 30, 2015, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB’s most recent long-term estimate of broad economic inflation.

<b>Asset Class</b>	<b>Target Allocation</b>	<b>% Long-Term Expected Real Rate of Return Arithmetic</b>
Fixed Income	20%	1.70%
Tangible Assets	5%	4.40%
Real Estate	15%	5.80%
Global Equity	37%	6.60%
Private Equity	23%	9.60%
	<b>100%</b>	

**Sensitivity of NPL**

The table below presents the City’s proportionate share\* of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5 percent) or 1-percentage point higher (8.5 percent) than the current rate.

	<b>1% Decrease (6.5%)</b>	<b>Current Discount Rate</b>	<b>1% Increase (8.5%)</b>

		<b>(7.5%)</b>	
PERS I	\$ 3,858,841	\$ 3,169,473	\$ 2,576,679
PERS 2/3	\$ 7,897,704	\$ 2,700,945	\$ (1,278,018)
LEOFF I	\$ (39,385)	\$ (61,563)	\$ (80,465)
LEOFF 2	\$ 655,844	\$ (654,904)	\$ (1,641,291)

### Pension Plan Fiduciary Net Position

Detailed information about the State's pension plans' fiduciary net position is available in the separately issued DRS financial report.

### Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the City reported a total pension liability of \$5,870,418 and a total pension asset of \$716,467 for its proportionate share of the net pension liabilities and assets as follows:

	<b>Liability (or Asset)</b>
PERS I	\$ 3,169,473
PERS 2/3	\$ 2,700,945
LEOFF I	\$ (61,563)
LEOFF 2	\$ (654,904)

The amount of the liability/(asset) reported above for LEOFF Plan 2 reflects a reduction for State pension support provided to the City. The amount recognized by the City as its proportionate share of the net pension liability/(asset), the related State support, and the total portion of the net pension liability/(asset) that was associated with the City were as follows:

	<b>Liability (or Asset)</b>
LEOFF 2 – employer's proportionate share	\$(654,904)
LEOFF 2 – State's proportionate share of the net pension liability/(asset) associated with the employer	\$ 61,752
<b>TOTAL</b>	<b>\$(593,152)</b>

At June 30, the City's proportionate share of the collective net pension liabilities was as follows:

	<b>Proportionate Share 6/30/14</b>	<b>Proportionate Share 6/30/15</b>	<b>Change in Proportion</b>
PERS I	0.057710%	0.060591%	4.99%
PERS 2/3	0.071618%	0.075592%	5.55%
LEOFF I	0.005066%	0.005108%	0.82%
LEOFF 2	0.062773%	0.063719%	1.51%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the *Schedules of Employer and Non-employer Allocations* for all plans except LEOFF I.

LEOFF Plan I allocation percentages are based on the total historical employer contributions to LEOFF I from 1971 through 2000 and the retirement benefit payments in fiscal year 2015. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2015, the state of Washington contributed 87.12 percent of LEOFF I employer contributions and all other employers contributed the remaining 12.88 percent of employer

contributions. LEOFF 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. The allocation method the plan chose reflects the projected long-term contribution effort based on historical data.

In fiscal year 2015, the state of Washington contributed 39.80 percent of LEOFF 2 employer contributions pursuant to RCW 41.27.726 and all other employers contributed the remaining 60.20 percent of employer contributions.

The collective net pension liability (asset) was measured as of June 30, 2015, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2014, with update procedures used to roll forward the total pension liability to the measurement date.

### Pension Expense

For the year ended December 31, 2015, the City recognized pension expense/(revenue) as follows:

	<b>Pension Expense/(Revenue)</b>
PERS 1	\$ 351,831
PERS 2/3	\$ 358,761
LEOFF 1	\$ (12,495)
LEOFF 2	\$ 37,479
<b>TOTAL</b>	<b>\$ 735,576</b>

### Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>PERS I</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 0	\$ 0
Net difference between projected and actual investment earnings on pension plan investments	\$ 0	\$ 173,405
Changes of assumptions	\$ 0	\$ 0
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 0	\$ 0
Contributions subsequent to the measurement date	\$ 171,050	\$ 0
<b>TOTAL</b>	<b>\$ 171,050</b>	<b>\$ 173,405</b>

<b>PERS 2/3</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 287,111	\$ 0
Net difference between projected and actual investment earnings on pension plan investments	\$ 0	\$ 721,024
Changes of assumptions	\$ 4,352	\$ 0

Changes in proportion and differences between contributions and proportionate share of contributions	\$ 127,869	\$ 0
Contributions subsequent to the measurement date	\$ 215,745	\$ 0
<b>TOTAL</b>	<b>\$ 635,077</b>	<b>\$ 721,024</b>

<b>LEOFF I</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 0	\$ 0
Net difference between projected and actual investment earnings on pension plan investments	\$ 0	\$ 10,393
Changes of assumptions	\$ 0	\$ 0
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 0	\$ 0
Contributions subsequent to the measurement date	\$ 0	\$ 0
<b>TOTAL</b>	<b>\$ 0</b>	<b>\$ 10,393</b>

<b>LEOFF 2</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 57,348	\$ 0
Net difference between projected and actual investment earnings on pension plan investments	\$ 0	\$ 198,432
Changes of assumptions	\$ 1,727	\$ 0
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 0	\$ 4,959
Contributions subsequent to the measurement date	\$ 50,430	\$ 0
<b>TOTAL</b>	<b>\$ 109,505</b>	<b>\$ 203,391</b>

Deferred outflows of resources related to pensions resulting from the City’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended December 31:</b>	<b>PERS I</b>
2016	\$ (43,352)
2017	\$ (43,351)
2018	\$ (43,351)
2019	\$ (43,351)

2020	\$ 0
Thereafter	\$ 0

<b>Year ended December 31:</b>	<b>PERS 2/3</b>
2016	\$ (56,923)
2017	\$ (56,923)
2018	\$ (56,923)
2019	\$ (130,923)
2020	\$ 0
Thereafter	\$ 0

<b>Year ended December 31:</b>	<b>LEOFF 1</b>
2016	\$ (2,599)
2017	\$ (2,598)
2018	\$ (2,598)
2019	\$ (2,598)
2020	\$ 0
Thereafter	\$ 0

<b>Year ended December 31:</b>	<b>LEOFF 2</b>
2016	\$ (39,201)
2017	\$ (39,201)
2018	\$ (39,201)
2019	\$ (39,201)
2020	\$ 10,407
Thereafter	\$ 2,081

## **NOTE 7 – RISK MANAGEMENT**

The City is a member of the Washington Cities Insurance Authority (WCIA).

Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and/or jointly contracting for risk management services. WCIA has a total of 179 Members.

New members initially contract for a three-year term, and thereafter automatically renew on an annual basis. A one-year withdrawal notice is required before membership can be terminated. Termination does not relieve a former member from its unresolved loss history incurred during membership.

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, public officials' errors or omissions, stop gap, and employee benefits liability. Limits are \$4 million per occurrence self insured layer, and \$16 million per occurrence in the re-insured excess layer. The excess layer is insured by the purchase of reinsurance and insurance and is subject to aggregate limits. Total limits are \$20 million per occurrence subject to aggregate sublimits in the excess layers. The Board of Directors determines the limits and terms of coverage annually.

Insurance coverage for property, automobile physical damage, fidelity, inland marine, and boiler and machinery are purchased on a group basis. Various deductibles apply by type of coverage. Property insurance and auto physical damage are self-funded from the members' deductible to \$750,000, for all perils other than flood and earthquake, and insured above that amount by the purchase of insurance.

In-house services include risk management consultation, loss control field services, claims and litigation administration, and loss analyses. WCIA contracts for the claims investigation consultants for personnel issues and land use problems, insurance brokerage, and lobbyist services.

WCIA is fully funded by its members, who make annual assessments on a prospectively rated basis, as determined by an outside, independent actuary. The assessment covers loss, loss adjustment, and administrative expenses. As outlined in the interlocal agreement, WCIA retains the right to additionally assess the membership for any funding shortfall.

An investment committee, using investment brokers, produces additional revenue by investment of WCIA's assets in financial instruments which comply with all State guidelines.

A Board of Directors governs WCIA, which is comprised of one designated representative from each member. The Board elects an Executive Committee and appoints a Treasurer to provide general policy direction for the organization. The WCIA Executive Director reports to the Executive Committee and is responsible for conducting the day to day operations of WCIA.

During the three years ending December 31, 2015, two payments and a credit were made that were not fully covered by insurance. \$487,790 was paid in January 2015 to settle a lawsuit alleging violations of the State of Washington Public Records Act (PRA) relating to the production of certain councilmembers' emails. \$5,408 was paid in March 2013 to settle a boundary line dispute. In June 2015 New Cingular Wireless (AT&T) was issued a credit of \$23,049 against future City utility taxes.

**NOTE 8 – LONG-TERM LIABILITIES**

The City issues general obligation bonds to finance the purchase, acquisition and/or construction of general City facilities, parks and open space, streets and roads, water systems, sewer systems and storm drainage systems. Bonded indebtedness has also been entered into in prior years to advance refund general obligation and revenue bonds. General obligation bonds have been issued for both governmental and business-type activities and are being repaid from the applicable resources.

The City presently has one local improvement district (LID) special assessment bond outstanding and one of its Washington State Public Works Trust Fund (PWTF) loans is designated as revenue debt and another as LID debt. All three of these debt instruments have pledged specific revenue for the repayment of the related debt although there are no pledged debt coverage requirements. In addition, all three debt instruments have an additional general pledge of City revenues in the event that insufficient resources are available to fully repay the debt. See Note I.G.2 for information on delinquent LID special assessment receivables.

Limited tax general obligation bonds still outstanding have been used to refinance revenue bonds. In such cases, the outstanding bonds are being repaid entirely from utility revenues although the bonds also carry the full faith and credit guarantee of the general government. The City is also liable for a note that was entered into for the purchase of agricultural land. This note is considered an obligation of the general government and is being repaid from general government revenue sources.

In April and November 2015 the City received \$694,156 and \$118,439, respectively, in PWTF loan proceeds to fund the remainder of the Eagle Harbor sewer beach mains reconstruction.

Long-Term debt reported on the statements of net position at December 31, 2015, is comprised of the following:

Type of Debt or Related Item	Governmental Activities	Business-Type Activities
------------------------------	-------------------------	--------------------------

Unlimited Tax General Obligation Bonds	\$ 4,170,000	\$ -
Limited Tax General Obligation Bonds	8,235,000	4,050,000
Limited Tax General Obligation Long-Term Debt	356,643	6,199,680
Revenue Obligation Long-Term Debt	-	2,200,089
Local Improvement District Obligation Long-Term Debt	298,909	2,677,500
<b>Long-Term Debt analyzed in this Note below</b>	<b>13,060,552</b>	<b>15,127,269</b>
<b>Other Components of Debt:</b>		
Other Post-Employment Benefits - See Note No. 14	228,780	-
Net Pension Liability - See Note No. 6	3,346,140	2,524,279
Compensated Absences - See Note No. I.G.8.	441,682	346,644
Landfill Post-Closure Care Costs - See Note No. 9	-	443,801
Long-term Washington State EECBG Grant Obligation - See Note No. 8.B.	100,000	-
Unamortized Bond Discounts and Premiums	448,173	146,888
<b>Total General Long-Term Debt reported on the Statement of Net Position</b>	<b>\$ 17,625,327</b>	<b>\$ 18,588,881</b>

General Obligation Bonds currently outstanding are as follows:

Purpose/Original Issue Amount	Interest Rates	Governmental Activities	Business-Type Activities
Open Space Acquisitions/\$5,230,000	2.00 - 4.125%	\$ 4,170,000	\$ -
Roads, Open Space and Parks/\$5,890,000	3.25 - 4.70%	4,160,000	-
Refinance City Hall and Facility Construction Bonds/\$12,630,000	3.00 - 5.00%	4,075,000	-
Wastewater Treatment Plant Upgrade Bonds/\$5,700,000	2.00 - 4.00%	-	4,050,000
<b>Total General Obligation Bonds</b>		<b>\$ 12,405,000</b>	<b>\$ 4,050,000</b>

The annual debt service requirements to maturity for General Obligation Bonds are as follows:

Year Ending	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2016	\$ 2,110,000	\$ 507,606	\$ 205,000	\$ 157,850
2017	2,030,000	422,050	210,000	151,700
2018	1,785,000	338,665	220,000	145,400
2019	1,190,000	264,945	230,000	136,600
2020	830,000	215,725	235,000	127,400
2021 - 2025	3,515,000	563,458	1,330,000	488,000
2026 - 2030	945,000	62,190	1,620,000	199,400
<b>Total</b>	<b>\$ 12,405,000</b>	<b>\$ 2,374,639</b>	<b>\$ 4,050,000</b>	<b>\$ 1,406,350</b>

Other General Obligation Long-Term Debt currently outstanding is as follows:

Purpose/Original Issue Amount	Interest Rates	Governmental Activities	Business-Type Activities
Purchase 15 acres of agricultural land/\$549,000	7.60%	\$ 49,000	\$ -
PWTF Loan for Emergency Storm Street Repairs/\$449,632	3.00%	307,643	-
PWTF Loan Storm Drain Decant Facility Design/\$179,025	0.50%	-	85,906
PWTF Loan Sewage Treatment Plant Design/\$389,215	0.50%	-	189,787
PWTF Loan Storm Drain Decant Facility Constr./\$782,000	0.50%	-	411,578
PWTF Loan Sewage Treatment Plant Constr. Loan #1/\$3,618,000	0.50%	-	2,106,233
PWTF Loan Eagle Harbor Sewer Beach Mains Design/\$383,542	0.50%	-	265,643
PWTF Loan Eagle Harbor Sewer Beach Mains Constr./\$4,167,089	0.50%	-	3,140,533
<b>Total Other General Obligation Debt</b>		<b>\$ 356,643</b>	<b>\$ 6,199,680</b>

The annual debt service requirements to maturity for Other General Obligation Debt are as follows:

Year Ending	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2016	\$ 72,665	\$ 12,953	\$ 487,585	\$ 30,747
2017	23,665	8,519	487,585	28,560
2018	23,665	7,809	487,585	26,123
2019	23,665	7,099	487,585	23,685
2020	23,665	6,390	487,585	21,247
2021 - 2025	118,324	21,298	2,407,292	69,665
2026 - 2030	70,996	4,260	984,988	23,705
2031 - 2035	-	-	369,474	2,771
<b>Total</b>	<b>\$ 356,644</b>	<b>\$ 68,329</b>	<b>\$ 6,199,680</b>	<b>\$ 226,502</b>

Revenue Obligation Long-Term Debt currently outstanding is as follows:

Purpose/Original Issue Amount	Interest Rates	Governmental Activities	Business-Type Activities
PWTF Loan Sewage Treatment Plant Constr. Loan #2/\$3,564,500	0.50%	\$ -	\$ 2,200,089
<b>Total Revenue Obligation Debt</b>		<b>\$ -</b>	<b>\$ 2,200,089</b>

The annual debt service requirements to maturity for Revenue Obligation Debt are as follows:

Year Ending	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2016	\$ -	\$ -	\$ 200,008	\$ 11,000
2017	-	-	200,008	10,001

2018	-	-	200,008	9,000
2019	-	-	200,008	8,000
2020			200,008	7,000
2021 - 2025	-	-	1,000,041	20,001
2026 - 2030	-	-	200,008	1,000
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,200,089</b>	<b>\$ 66,002</b>

Local Improvement District (LID) Obligation Long-Term Debt currently outstanding is as follows:

Purpose/Original Issue Amount	Interest Rates	Governmental Activities	Business-Type Activities
PWTF Loan South Island Sewer Lines Constr./\$5,600,000	0.50%	\$ -	\$ 2,677,500
Local Improvement District No. 22 Bonds Street Constr./\$755,300	4.56%	298,909	-
<b>Total LID Obligation Debt</b>		<b>\$ 298,909</b>	<b>\$ 2,677,500</b>

The annual debt service requirements to maturity for LID Obligation Debt are as follows:

Year Ending	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2016	\$ 37,364	\$ 13,630	\$ 297,500	\$ 13,388
2017	37,364	11,926	297,500	11,900
2018	37,364	10,223	297,500	10,413
2019	37,364	8,519	297,500	8,925
2019	37,364	6,815	297,500	7,438
2021 - 2025	112,089	10,223	1,190,000	14,875
<b>Total</b>	<b>\$ 298,909</b>	<b>\$ 61,336</b>	<b>\$ 2,677,500</b>	<b>\$ 66,939</b>

### A. Changes in Long-Term Liabilities

During the year ending December 31, 2015, the following changes occurred in long-term liabilities:

	Beginning Balance Jan. 1, 2015	Additions	Reductions	Ending Balance Dec. 31, 2015	Due Within One Year
<b>Governmental Activities:</b>					
Unlimited Tax General Obligation Bonds	\$ 4,615,000	\$ -	\$ (445,000)	\$ 4,170,000	\$ 455,000
Limited Tax General Obligation Bonds	9,835,000	-	(1,600,000)	8,235,000	1,655,000
Local Improvement District Bonds	336,273	-	(37,364)	298,909	37,364
<b>Total Bonds Payable</b>	<b>14,786,273</b>	<b>-</b>	<b>(2,082,364)</b>	<b>12,703,909</b>	<b>2,147,364</b>

Land Purchase Contracts	149,000	-	(100,000)	49,000	49,000
Loans from Other Gov'ts	466,166	-	(58,522)	407,644	23,665
Compensated Absences	406,875	554,814	(520,007)	441,682	150,000
Net Pension Liability	2,482,253	863,887	-	3,346,140	-
OPEB Payable	212,383	65,415	(49,018)	228,780	50,000
Unamortized Bond Discounts & Premiums	521,188	551	(73,566)	448,173	73,015
<b>Total Governmental Activity long-term liabilities</b>	<b>\$ 19,024,138</b>	<b>\$ 1,484,667</b>	<b>\$ (2,883,477)</b>	<b>\$ 17,625,327</b>	<b>\$ 2,493,044</b>
<b>Business-Type Activities:</b>					
Limited Tax General Obligation Bonds	\$ 4,250,000	\$ -	\$ (200,000)	\$ 4,050,000	\$ 205,000
Loans from Other Gov'ts	11,242,799	812,595	(978,126)	11,077,268	985,093
Compensated Absences	329,026	280,825	(263,207)	346,644	85,000
Net Pension Liability	1,567,738	956,541	-	2,524,279	-
Landfill Post-Closure Liability	487,039	-	(43,238)	443,801	27,738
Unamortized Bond Discounts & Premiums	156,681	-	(9,794)	146,888	9,794
<b>Total Business-Type Activity long-term liabilities</b>	<b>\$ 18,033,284</b>	<b>\$ 2,049,961</b>	<b>\$ (1,494,365)</b>	<b>\$ 18,588,881</b>	<b>\$ 1,312,624</b>

Compensated absences are expensed in all funds with operating labor costs: General, Street, Water, Sewer, Storm and Surface Water Management and Building and Development Services.

## **B. Long-term Washington State EECBG Grant Obligation**

In 2011 the City entered into a grant agreement with the Washington State Department of Commerce (Commerce) for the U.S. Department of Energy's Energy Efficiency and Conservation Block Grant (EECBG) program. As part of this program the City received \$100,000 in grant funds which it remitted to Kitsap Credit Union (KCU) to fund loan loss reserves allowing KCU to offer lower than market interest rates for energy efficiency home improvement loans. This loan program can run up to 20 years at which time any remaining loan loss reserve funds must be returned to the City for use in other Commerce and EECBG approved programs, or alternatively, returned to Commerce. In March 2016 KCU returned the funds to the City as their loan program had concluded and the loan loss reserves were not used. The City is investigating several options to reprogram the funds under the EECBG program guidelines.

## **C. Leases**

### **I. Operating Leases**

The City has operating leases for office space, storage space and equipment. All leases are cancelable by the City with 30 to 90 days notice.

## **2. Capital Leases**

The City had no capital lease obligations outstanding at December 31, 2015.

## **D. Federal Arbitrage Regulations**

The Federal Tax Reform Act of 1986 requires tax-exempt debt issuers to pay the federal government any investment earnings where the yields exceed the issuer's borrowing rates. The liability is recorded at present value and is payable every five years or 60 days after defeasance of debt. The City has tax-exempt debt susceptible to arbitrage liability but carefully monitors its investments to restrict earnings to a yield less than the bond issue. At December 31, 2015, the City had no arbitrage liability.

## **NOTE 9 – LANDFILL POST-CLOSURE CARE COSTS**

In 2001 the City purchased the closed Vincent Road Landfill from Kitsap County. The landfill was closed in 1977 and by the end of 2001 the City and County had completed Washington State Department of Ecology mandated environmental remedial action for the site. The City maintains several monitoring wells on the site and is responsible, under state and federal laws, for future monitoring and maintenance costs through 2031. The City is also responsible for any remedial expenses that might arise should the earlier remedial efforts fail. In 2010 the City sold a portion of the site to Bainbridge Disposal. The City still retains a majority of the site and the related monitoring, maintenance and potential future remediation expenses.

The \$443,801 reported as landfill post-closure liability at December 31, 2015, represents the estimated liability for all future post-closure costs based on what it would cost to perform all post-closure care in 2015. This estimate is subject to change due to changes in inflation, technology or regulations. Since the landfill is closed, actual post-closure care costs incurred each year are reported as a reduction in the post-closure liability. These costs for 2015 were \$8,388.

Because the landfill was closed prior to 1989, no assets have been restricted to guarantee financial assurance for future costs based on the City's interpretation of the applicability of Washington Administrative Code 173-304-467.

## **NOTE 10 – CLAIMS, CONTINGENCIES, LITIGATION AND OTHER LIABILITIES**

In the opinion of management, the City's insurance policies and/or self-insurance reserves are adequate to pay all known or pending claims, suits and other actions in which payment is considered probable (see Note No. 7 – Risk Management). At this time there are no judgments against the City, and the City has no material contingent liabilities for which it does not also have insurance coverage. As a result, the City has not recorded any contingent liabilities because management believes that it is not probable that payment will be required.

Several smaller suits not covered by the City's insurance have been filed against the City regarding land use actions. All of these suits seek a revised land use decision plus attorneys' costs. All other claims and suits are within the limits of the City's insurance.

There is no requirement to pay out accumulated sick leave except as explained in Note No. 1.G.8. – Compensated Absences. However, employees can draw on that time in the future if sick or injured. As of December 31, 2015, and 2014, the value of total accumulated sick leave was \$1,401,225 and \$1,387,925 respectively. Additionally, the City has a program that encourages employees to engage in healthy practices and rewards them with time off. There is no requirement to pay out accumulated "wellness" time. The value of such time at December 31, 2015 and 2014, was \$65,348 and \$95,533, respectively.

The City participates in a number of state and federal assistance programs. These grants are subject to audit by the grantors or their representatives. Such audits could result in requests for reimbursement to grantor agencies for

expenditures disallowed under the terms of the grants. The City management is not aware of any cause for disallowance and believes that such disallowances, if any, will not be material.

In 2004 and 2006 the City purchased several parcels collectively known as Pritchard Park. These parcels were located in a U.S. Environmental Protection Agency designated superfund site. Prior to the purchase the City entered into an agreement with the Federal Government for protection from liability for cleanup costs. This agreement was entered into under the authority of the Comprehensive Environmental Response, and Liability Act of 1980, 42 U.S.C. § 9601, et seq, as amended. At this time all clean up costs will be paid for by the Federal Government and/or the State of Washington. In addition, in 2006, and again in 2016, the City purchased a 10 year liability policy for protection against personal injury claims.

## NOTE 11 – INTERFUND BALANCES AND TRANSACTIONS

### A. Interfund Balances

The City had no interfund loans outstanding at fiscal year-end 2015.

### B. Interfund transfers

Interfund transfers for the year ended December 31, 2015, were as follows:

	Transfers from General Fund	Transfers from Real Estate Excise Tax Fund	Transfers from Transp. Benefit Fund	Transfers from Construction Fund	Transfers from LID Construction Fund	Total	Purpose of Transfer
<b>Receiving Fund:</b>							
General Fund	\$ -	\$ -	\$ -	\$ 67,100	\$ -	\$ 67,100	Return of Unused Subsidy
Streets Fund	316,200	1,290,900	300,000	100,833	32,477	\$ 2,040,409	Operating Subsidy
General Obl. Bond Fund	1,150,650	933,300	-	-	-	\$ 2,083,950	Debt Service
Construction Fund	779,244	-	-	-	-	\$ 779,244	Construction Support
Water Fund	2,500	-	-	-	-	\$ 2,500	Reimbursement
Bldg. & Dev. Svcs. Fund	564,250	-	-	-	-	\$ 564,250	Operating Subsidy
<b>Total Governmental Activities</b>	<b>\$ 2,812,844</b>	<b>\$ 2,224,200</b>	<b>\$ 300,000</b>	<b>\$ 167,933</b>	<b>\$ 32,477</b>	<b>\$ 5,537,453</b>	

As discussed in Note No. I.C. (Measurement Focus, Basis of Accounting and Financial Statement Presentation) the City also pays internal economic rent, internal utility taxes, internal development permits and internal sewer, water and storm and surface water utility fees for various City facilities. The City chooses to treat these activities as external transactions.

The City does not split most of its tax receipts between funds; rather, it recognizes them in its general fund, certain special revenue funds and the general obligation bond fund (for certain voted bonds). As a result, the City routinely transfers money from the general and the real estate excise tax funds to the street and building development services funds as operating subsidies and to the general obligation bond fund to pay for debt service. As shown above, these transfers are often significant.

Note that although the amounts in the two tables above appear in the individual fund financial statements, certain transactions and related balances have been eliminated for presentation in the consolidated government-wide Statement of Activities and Statement of Net Position.

**NOTE 12 – RECEIVABLE AND PAYABLE BALANCES****A. Receivables**

Receivables (net of amounts determined to be uncollectible) at December 31, 2015, were as follows:

	Accounts	Taxes	Special Assessments	Due from Other Governments or Non-profits	Total
<b>Governmental Activities:</b>					
General Government	\$ 132,227	\$ 1,550,509	\$ -	\$ -	\$ 1,682,737
Public Safety	-	-	-	-	-
Transportation	2,050	-	286,537	351,989	640,576
Culture & Recreation	-	6,687	-	19,915	26,602
Judicial	178,988	-	-	-	178,988
Phys. Environment	-	-	-	124,055	124,055
Economic Environment	-	-	-	100,000	100,000
Health and Human Service	-	-	-	59,171	59,171
<b>Total Governmental Activities</b>	<b>\$ 313,265</b>	<b>\$ 1,557,197</b>	<b>\$ 286,537</b>	<b>\$ 655,130</b>	<b>\$ 2,812,128</b>
<b>Business-Type Activities:</b>					
Water	\$ 16,080	\$ -	\$ -	\$ -	\$ 16,080
Sewer	96,804	-	1,608,891	-	1,705,694
Storm & Surface Water	215,083	-	-	200,485	415,568
Bldg. & Dev. Svcs.	-	-	-	-	-
<b>Total Business-Type Activities</b>	<b>\$ 327,966</b>	<b>\$ -</b>	<b>\$ 1,608,891</b>	<b>\$ 200,485</b>	<b>\$ 2,137,342</b>

Taxes are not considered related to any activity and have been classified as General Government in this schedule except for a small portion specifically related to voter approved open space bonds. At the fund accounting level the City recognizes property taxes as revenue when they are levied and legally due. All other taxes are recognized at the government-wide reporting level when they are measurable and available.

**B. Payables**

Payables at December 31, 2015, were as follows:

	Vendors	Salaries and Benefits	Other	Total
<b>Governmental Activities:</b>				
General Government	\$ 316,272	\$ 201,203	\$ -	\$ 517,476
Public Safety	30,394	129,465	-	159,859
Transportation	131,814	61,232	48,165	241,211
Culture and Recreation	-	-	23,723	23,723
Judicial	1,118	19,712	-	20,830
Physical Environment	-	-	-	-
Economic Environment	26,422	-	-	26,422
Health and Human Service	11,474	-	-	11,474

<b>Total Governmental Activities</b>	<b>\$ 517,494</b>	<b>\$ 411,611</b>	<b>\$ 71,888</b>	<b>\$ 1,000,993</b>
<b>Business-Type Activities:</b>				
Water	\$ 40,112	\$ 23,788	\$ -	\$ 63,899
Sewer	72,084	48,987	43,865	164,935
Storm & Surface Water	80,782	48,812	1,451	131,045
Bldg. & Dev. Svcs.	16,751	77,967	-	94,719
<b>Total Business-Type Activities</b>	<b>\$ 209,728</b>	<b>\$ 199,554</b>	<b>\$ 45,316</b>	<b>\$ 454,598</b>

### NOTE 13 – SEGMENT INFORMATION

The City has neither revenue bonds nor revenue-backed debt outstanding for which full, detailed segment data is required to be provided in the basic financial statements. However, because the City has issued limited tax general obligation bonds backed by a pledge of the revenues of the City's wastewater treatment system, the following information is provided. In addition, the City's general obligation debt pledges all revenues from all sources.

The City's water utility provides domestic water, irrigation water, and fire flow water to roughly 2,300 customers, primarily in the Winslow area. Its sewer utility provides wastewater collection in the South Island and Lynwood Center areas to roughly 200 customers, and collection and treatment in the Winslow area to roughly 1,900 customers. Its storm and surface water management utility provides storm drainage facilities throughout the island as well as watershed protection and education. Development services consists of the land use approval and regulatory process for land use actions, while building services provides the regulatory process for building and related permits.

All segments are presented as major proprietary funds in the City's financial statements.

### NOTE 14 – POST EMPLOYMENT BENEFITS OTHER THAN RETIREMENT

The City has no termination benefits other than the accrued compensated absences described in Note No. 1.G.8. (Compensated Absences) and Note No. 8 (Long-Term Liabilities) and as described below for the Law Enforcement Officers and Firefighters (LEOFF) retirement system for employees hired before October 1, 1977.

In addition to the pension benefits described in Note No. 6 (Pension Plans), the City provides certain post-employment health care benefits via a single-employer defined benefit healthcare plan.

#### LEOFF I Retiree Medical Plan

##### Plan Description

As required by RCW 41.26, the City provides lifetime medical care for members of the Law Enforcement Officers and Firefighters (LEOFF) retirement system hired before October 1, 1977, under a defined benefit healthcare plan administered by the City. The members' necessary hospital, medical, and nursing care expenses are covered by the City if not payable by worker's compensation, social security, insurance provided by another employer, other pension plan or other similar source. The City provides health coverage for LEOFF I eligible members through a separately purchased medical insurance plan. Under the authorization of the State LEOFF Disability Board, direct payment is made for most retiree medical expenses not covered by insurance or other sources. The plan covers retirees who are retired on disability as well as those retired after reaching the age requirement. As of December 31, 2015, the City's plan had two covered retirees. The plan also had one active member who has separated from City service but is still employed elsewhere. Dental costs and dependents are not covered. The City's LEOFF I plan does not issue a publicly available financial report.

##### Funding Policy

Funding for LEOFF I retiree healthcare costs is provided entirely by the City as required by State statute. The City's funding policy is based upon pay-as-you-go financing requirements.

### Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefit (OPEB) cost is calculated based upon the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period of thirty years as of January 1, 2016.

The following table shows the components of the City's annual OPEB cost for 2015 and the prior two years, the amounts actually contributed to the plan, and changes in the City's net OPEB.

	Fiscal Year Ending	Fiscal Year Ending	Fiscal Year Ending
Determination of Annual Required Contribution:	12/31/2015	12/31/2014	12/31/2013
Normal Cost at Year End	\$ -	\$ -	\$ -
Amortization of UAAL*	75,633	79,107	82,512
Interest for Year	-	-	-
<b>Annual Required Contribution</b>	<b>\$ 75,633</b>	<b>\$ 79,107</b>	<b>\$ 82,512</b>

Determination of Net OPEB Obligation:			
Annual Required Contribution	\$ 75,633	\$ 79,107	\$ 82,512
Interest on Prior Year Net OPEB Obligation	9,557	8,641	7,455
Adjustment to ARC	(19,776)	(17,880)	(15,426)
<b>Annual OPEB Cost</b>	<b>\$ 65,414</b>	<b>\$ 69,868</b>	<b>\$ 74,541</b>

Contributions Made	\$ (49,017)	\$ (49,505)	\$ (48,192)
<b>Increase in Net OPEB Obligation</b>	<b>\$ 16,397</b>	<b>\$ 20,363</b>	<b>\$ 26,349</b>

Net OPEB Obligation-Beginning of Year	\$ 212,383	\$ 192,020	\$ 165,671
Net OPEB Obligation-End of Year	<b>\$ 228,780</b>	<b>\$ 212,383</b>	<b>\$ 192,020</b>

\*Unfunded Actuarial Accrued Liability (UAAL)

The City's OPEB cost, the percentage of OPEB cost contributed to the plan and the net OPEB obligation for 2015 and the seven prior years is as follows:

Fiscal Year Ending	Annual OPEB Cost	Employer Contributions	% of OPEB Cost Contributed	Net OPEB Obligation
12/31/2015	\$ 65,415	\$ 49,018	75%	\$ 228,780
12/31/2014	\$ 69,868	\$ 49,505	71%	\$ 212,383
12/31/2013	\$ 74,541	\$ 48,192	65%	\$ 192,020
12/31/2012	\$ 79,129	\$ 53,023	67%	\$ 165,571
12/31/2011	\$ 84,099	\$ 49,366	59%	\$ 139,565
12/31/2010	\$ 89,535	\$ 44,533	50%	\$ 104,832

12/31/2009	\$ 97,778	\$ 37,948	39%	\$ 59,830
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### Funded Status and Funding Progress

As of January 1, 2015, the most recent calculation date, the plan was 0% funded. The accrued liability for benefits was \$812,267 and the actuarial value of the assets was \$0 resulting in a UAAL of \$812,267. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial liabilities for benefits.

### Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The City uses the alternative measurement method permitted under GASB Statement No. 45. A single retirement age of 56.24 was assumed for all active members to determine the actuarial accrued liability. Termination and mortality rates were assumed to follow the LEOFF I termination and mortality rates used in the June 30, 2009, actuarial valuation report issued by the Office of the State Actuary (OSA). Healthcare costs and trends were determined by Milliman and used by OSA in the statewide LEOFF I medical study performed in 2012. The results were based on grouped data with 4 active groupings and 4 inactive groupings. The actuarial cost method used to determine the actuarial accrued liability (AAL) was Projected Unit Credit. The AAL and NOO are amortized on an open basis as a level dollar over 15 years. These assumptions are individually and collectively reasonable for the purposes of this valuation.

### NOTE 15 – RESTATEMENT OF BEGINNING NET POSITION

As discussed in Note No. I.D., during 2015 the City implemented GASB Statements No. 68 and 71 regarding pension plans. These new accounting standards had significant effects on the financial statements and as a result the City restated 2014 beginning net position on the entity-wide Statement of Activities as noted below.

	Governmental Activities	Business-Type Activities	Total
<b>Cumulative effect of the implementation of GASB No. 68 and 71</b>			
Adjustment for net pension liability	\$ (2,482,251)	\$ (1,872,575)	\$ (4,354,826)
Adjustment for net pension asset	894,465	-	894,465
Contributions made after the prior year's pension measurement date but before the prior year's financial reporting date	219,724	130,431	350,155
Difference between expected and actual prior year pension earnings	(1,545,412)	(816,164)	(2,361,576)
<b>Subtotal, cumulative effect of the implementation of GASB No. 68 and 71</b>	<b>(2,913,474)</b>	<b>(2,558,308)</b>	<b>(5,471,782)</b>
<b>Other prior period adjustments</b>			
Reinstatement of previously written off loan	59,171	-	59,171
Capital project abandoned	-	(6,260)	(6,260)

Cumulative effect of the implementation of GASB Statement No. 18	-	(494,671)	(494,671)
<b>Total Prior Period Adjustments for 2014</b>	<b>\$ (2,854,303)</b>	<b>\$ (3,059,239)</b>	<b>\$ (5,913,542)</b>

During 2014 the City implemented GASB Statement No. 18, *Accounting for Municipal Solid Waste Landfill Closure and Post-Closure Care Costs*. This resulted in a \$494,671 cumulative adjustment to beginning net position in 2014.

**REQUIRED SUPPLEMENTAL INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2015**

**LEOFF I RETIREE MEDICAL BENEFITS - SCHEDULE OF FUNDING PROGRESS**

<b>Fiscal Year Ended</b>	<b>Actuarial Value of Assets</b>	<b>Accrued Liability - Entry Age</b>	<b>Unfunded Actuarial Accrued Liabilities (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as a Percentage of Covered Payroll</b>
12/31/2015	\$ -	\$ 812,267	\$ 812,267	0%	\$ -	0%
12/31/2014	\$ -	\$ 849,570	\$ 849,570	0%	\$ -	0%
12/31/2013	\$ -	\$ 886,147	\$ 886,147	0%	\$ -	0%
12/31/2012	\$ -	\$ 921,921	\$ 921,921	0%	\$ -	0%
12/31/2011	\$ -	\$ 957,355	\$ 957,355	0%	\$ -	0%
12/31/2010	\$ -	\$ 992,483	\$ 992,483	0%	\$ -	0%
12/31/2009	\$ -	\$ 1,050,090	\$ 1,050,090	0%	\$ -	0%
12/31/2008	\$ -	\$ 1,083,259	\$ 1,083,259	0%	\$ -	0%

**REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Pension Plans**

City of Bainbridge Island  
 Schedule of Proportionate Share of Net Pension Liability  
 PERS I  
 As of June 30 , 2015  
 Last 10 Fiscal Years\*

	<u>2015</u>	<u>2014</u>
<u>The City's proportion of the net pension liability (asset)</u>	0.060591%	0.057710%
<u>The City's proportionate share of the net pension liability (asset)</u>	\$ 3,169,473	\$ 2,907,168
<u>The City's covered employee payroll in PERS I</u>	\$ 105,461	\$ 103,094
<u>The City's proportionate share of the net pension liability as a percentage of covered employee payroll in PERS I</u>	3005.36%	2819.92%
<u>Plan fiduciary net position as a percentage of the total pension liability</u>	59.10%	61.19%

This schedule is intended to show information for the last 10 years however only two years of data is available. Additional years will be shown as they become available.

**REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Pension Plans**

City of Bainbridge Island  
 Schedule of Employer Contributions  
 PERS I  
 As of December 31, 2015  
 Last 10 Fiscal Years\*

	<u>2015</u>	<u>2014</u>
<u>Contractually required contributions (actuarially determined)</u>	\$ 310,417	\$ 269,414
<u>Contributions in relation to the contractually required contributions</u>	\$ (310,417)	\$ (269,414)
<u>Contribution deficiency (excess)</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Covered employer payroll</u>	\$ 106,539	\$ 104,366
<u>Contributions as a percentage of covered employee payroll</u>	291.36%	258.14%

This schedule is intended to show information for the last 10 years however only two years of data is available. Additional years will be shown as they become available.

**REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Pension Plans**

City of Bainbridge Island  
 Schedule of Proportionate Share of Net Pension Liability  
 PERS 2 and 3  
 As of June 30 , 2015  
 Last 10 Fiscal Years\*

	<u>2015</u>	<u>2014</u>
<u>The City's proportion of the net pension liability (asset)</u>	0.075592%	0.071618%
<u>The City's proportionate share of the net pension liability (asset)</u>	\$ 2,700,945	\$ 1,447,658
<u>The City's covered employee payroll in PERS 2 and 3</u>	\$ 6,707,406	\$ 6,131,610
<u>The City's proportionate share of the net pension liability as a percentage of covered employee payroll in PERS 2 and 3</u>	40.27%	23.61%
<u>Plan fiduciary net position as a percentage of the total pension liability</u>	89.20%	93.29%

This schedule is intended to show information for the last 10 years however only two years of data is available. Additional years will be shown as they become available.

**REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Pension Plans**

City of Bainbridge Island  
 Schedule of Employer Contributions  
 PERS 2 and 3  
 As of December 31, 2015  
 Last 10 Fiscal Years\*

	<u>2015</u>	<u>2014</u>
<u>Contractually required contributions (actuarially determined)</u>	\$ 384,415	\$ 321,803
<u>Contributions in relation to the contractually required contributions</u>	\$ (384,415)	\$ (321,803)
<u>Contribution deficiency (excess)</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Covered employer payroll</u>	\$ 6,883,331	\$ 6,442,891
<u>Contributions as a percentage of covered employee payroll</u>	5.58%	4.99%

This schedule is intended to show information for the last 10 years however only two years of data is available. Additional years will be shown as they become available.

**REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Pension Plans**

City of Bainbridge Island  
 Schedule of Proportionate Share of Net Pension Liability  
 Law Enforcement Officers and Fire Fighters (LEOFF) Plan I  
 As of June 30 , 2015  
 Last 10 Fiscal Years\*

	<u>2015</u>	<u>2014</u>
<u>The City's proportion of the net pension liability (asset)</u>	0.005108%	0.005066%
<u>The City's proportionate share of the net pension liability (asset)</u>	\$ (61,563)	\$ (61,563)
<u>The City's covered employee payroll in LEOFF I</u>	\$ -	\$ -
<u>The City's proportionate share of the net pension liability as a percentage of covered employee payroll in LEOFF I</u>	0.00%	0.00%
<u>Plan fiduciary net position as a percentage of the total pension liability</u>	127.36%	126.91%

This schedule is intended to show information for the last 10 years however only two years of data is available. Additional years will be shown as they become available.

The City currently has no employees participating in LEOFF I and therefore has no covered employee payroll.

**REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Pension Plans**

City of Bainbridge Island  
Schedule of Employer Contributions  
Law Enforcement Officers and Fire Fighters (LEOFF) Plan I  
As of December 31, 2015  
Last 10 Fiscal Years\*

	<u>2015</u>
<u>Contractually required contributions (actuarially determined)</u>	\$ -
<u>Contributions in relation to the contractually required contributions</u>	\$ -
<u>Contribution deficiency (excess)</u>	<u>\$ -</u>
<u>Covered employer payroll</u>	\$ -
 <u>Contributions as a percentage of covered employee payroll</u>	 0.00%

This schedule is intended to show information for the last 10 years however only one year of data is available. Additional years will be shown as they become available.

The City currently has no employees participating in LEOFF I and is therefore not required to make any contributions and has no covered employee payroll.

**REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Pension Plans**

City of Bainbridge Island  
 Schedule of Proportionate Share of Net Pension Liability  
 Law Enforcement Officers and Fire Fighters (LEOFF) Plan 2  
 As of June 30 , 2015  
 Last 10 Fiscal Years\*

	<u>2015</u>	<u>2014</u>
<u>The City's proportion of the net pension liability (asset)</u>	0.063719%	0.062773%
<u>The City's proportionate share of the net pension liability (asset)</u>	\$ (654,904)	\$ (833,025)
<u>The State of Washington's proportionate share of the net pension liability (asset) associated with the City</u>	\$ 61,752	\$ 57,655
TOTAL	\$ (593,152)	\$ (775,370)
<u>The City's covered employee payroll in LEOFF 2</u>	\$ 1,849,373	\$ 1,746,908
<u>The City's proportionate share of the net pension liability as a percentage of covered employee payroll in LEOFF 2</u>	-35.41%	-47.69%
<u>Plan fiduciary net position as a percentage of the total pension liability</u>	111.67%	116.75%

This schedule is intended to show information for the last 10 years however only two years of data is available. Additional years will be shown as they become available.

**REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Pension Plans**

City of Bainbridge Island  
Schedule of Employer Contributions  
Law Enforcement Officers and Fire Fighters (LEOFF) Plan 2  
As of December 31, 2015  
Last 10 Fiscal Years\*

	<u>2015</u>	<u>2014</u>
<u>Contractually required contributions (actuarially determined)</u>	\$ 96,865	\$ 90,284
<u>Contributions in relation to the contractually required contributions</u>	\$ (96,865)	\$ (90,284)
<u>Contribution deficiency (excess)</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Covered employer payroll</u>	\$ 1,918,110	\$ 1,787,799
<u>Contributions as a percentage of covered employee payroll</u>	5.05%	5.05%

This schedule is intended to show information for the last 10 years however only two years of data is available. Additional years will be shown as they become available.

**CITY OF BAINBRIDGE ISLAND, WASHINGTON**  
**Notes to Pension Plans Required Supplementary Information**  
**For the Year Ended December 31, 2015**

**NOTE I – PENSION PLAN TREND DATA**

Ten-year historical trend information is presented as required supplementary information. This information is intended to help users assess each pension's funding status on a going concern basis, assess progress made in accumulating assets to pay benefits when due, and enable comparisons with other public employee retirement systems.

Analysis of the dollar amounts of plan fiduciary net position, total pension liability, and net pension liability in isolation can be misleading. Providing this information over time provides historical context. Trends in the net pension liability and covered employee payroll are both affected by inflation. Expressing the net pension liability as a percentage of covered employee payroll approximately adjusts for the effects of inflation and aids in the analysis of the system's progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller the percentage, the stronger the system.

The Schedule of Proportionate Share of Net Pension Liability illustrates whether the City's net position is increasing or decreasing over time relative to the entire pension system's net pension liability. It also shows the City's net pension liability over time as it relates to the City's covered employee payroll in each pension plan.

The Schedule of Employer Contributions provides historical and economic context for the amount of contributions over time as compared to the actuarially required contributions.

**CITY OF BAINBRIDGE ISLAND, WASHINGTON**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended December 31, 2015**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Revised		
<b>REVENUES</b>				
Property Taxes	\$ 6,953,000	\$ 6,953,000	\$ 6,979,100	\$ 26,100
Other Taxes	6,734,400	6,734,400	7,437,152	702,752
Fees and Fines	123,050	123,050	111,339	(11,711)
Licenses and Permits	574,500	574,500	633,732	59,232
Intergovernmental	222,000	354,624	379,005	24,381
Charges for Services	485,300	485,300	437,314	(47,986)
Interest	40,000	40,000	77,717	37,717
Other Revenues	77,000	77,000	123,373	46,373
<b>Total REVENUES</b>	<b>15,209,250</b>	<b>15,341,874</b>	<b>16,178,733</b>	<b>836,859</b>
<b>EXPENDITURES</b>				
General Government	4,279,242	4,814,373	4,100,753	713,620
Judicial	667,750	676,342	649,812	26,530
Public Safety	4,231,172	4,241,172	4,055,747	185,425
Physical Environment	841,113	940,566	810,442	130,124
Transportation	0	8,000	0	8,000
Health and Human Services	301,577	301,577	272,783	28,794
Economic Environment	1,416,233	1,451,113	1,092,291	358,821
Culture and Recreation	258,811	255,411	310,533	(55,122)
Debt Service - Principal	100,000	100,000	100,000	0
Debt Service - Interest	18,000	18,000	13,556	4,444
Capital Outlay	291,000	522,193	740,335	(218,142)
<b>Total EXPENDITURES</b>	<b>12,404,899</b>	<b>13,328,748</b>	<b>12,146,253</b>	<b>1,182,494</b>
<b>Operating Income (Loss)</b>	<b>2,804,351</b>	<b>2,013,126</b>	<b>4,032,479</b>	<b>2,019,353</b>
<b>OTHER FINANCING SOURCES/USES</b>				
Proceeds from Sale of Capital Assets	5,000	5,000	5,926	926
Transfers - Out	(6,487,358)	(6,501,579)	(2,812,844)	3,688,736
Transfers - In	0	0	67,100	67,100
<b>Total OTHER FINANCING SOURCES/USES</b>	<b>(6,482,358)</b>	<b>(6,496,579)</b>	<b>(2,739,818)</b>	<b>3,756,762</b>
<b>Net Change in Fund Balance</b>	<b>(3,678,007)</b>	<b>(4,483,453)</b>	<b>1,292,662</b>	<b>5,776,115</b>
<b>Fund Balances -- Beginning</b>	<b>10,609,413</b>	<b>13,762,552</b>	<b>13,762,552</b>	<b>0</b>
<b>Total Ending Fund Balance</b>	<b>\$ 6,931,406</b>	<b>\$ 9,279,099</b>	<b>\$ 15,055,214</b>	<b>\$ 5,776,115</b>

**CITY OF BAINBRIDGE ISLAND, WASHINGTON**  
**Budgetary Comparison Schedule**  
**Street Fund**  
**For the Year Ended December 31, 2015**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Revised		
<b>REVENUES</b>				
Other Taxes	\$ 700,000	\$ 700,000	\$ 808,943	\$ 108,943
Licenses and Permits	25,000	25,000	37,388	12,388
Intergovernmental	1,083,000	783,000	1,018,613	235,613
Charges for Services	0	0	3,620	3,620
Other Revenues	0	0	10,041	10,041
<b>Total REVENUES</b>	<b>1,808,000</b>	<b>1,508,000</b>	<b>1,878,604</b>	<b>370,604</b>
<b>EXPENDITURES</b>				
General Government	455,775	455,775	395,262	60,513
Public Safety	0	0	32,795	(32,795)
Physical Environment	0	0	68,043	(68,043)
Transportation	2,866,347	3,410,057	2,988,676	421,381
Culture and Recreation	0	0	541	(541)
Capital Outlay	95,000	115,480	41,508	73,971
<b>Total EXPENDITURES</b>	<b>3,417,122</b>	<b>3,981,312</b>	<b>3,526,825</b>	<b>454,487</b>
<b>Operating Income (Loss)</b>	<b>(1,609,122)</b>	<b>(2,473,312)</b>	<b>(1,648,221)</b>	<b>825,091</b>
<b>OTHER FINANCING SOURCES/USES</b>				
Transfers - In	1,915,000	2,315,000	2,040,409	(274,591)
<b>Total OTHER FINANCING SOURCES/USES</b>	<b>1,915,000</b>	<b>2,315,000</b>	<b>2,040,409</b>	<b>(274,591)</b>
<b>Net Change in Fund Balance</b>	<b>305,878</b>	<b>(158,312)</b>	<b>392,189</b>	<b>550,501</b>
<b>Fund Balances -- Beginning</b>	<b>21,210</b>	<b>113,877</b>	<b>113,877</b>	<b>0</b>
<b>Total Ending Fund Balance</b>	<b>\$ 327,088</b>	<b>\$ (44,434)</b>	<b>\$ 506,066</b>	<b>\$ 550,501</b>

**CITY OF BAINBRIDGE ISLAND, WASHINGTON**  
**Budgetary Comparison Schedule**  
**Real Estate Excise Tax Fund**  
**For the Year Ended December 31, 2015**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Revised		
REVENUES				
Other Taxes	\$ 1,700,000	\$ 2,600,000	\$ 2,245,366	\$ (354,634)
Interest	0	0	117	117
Total REVENUES	1,700,000	2,600,000	2,245,483	(354,517)
Operating Income (Loss)	1,700,000	2,600,000	2,245,483	(354,517)
OTHER FINANCING SOURCES/USES				
Transfers - Out	(1,300,000)	(2,600,000)	(2,224,200)	375,800
Total OTHER FINANCING SOURCES/USES	(1,300,000)	(2,600,000)	(2,224,200)	375,800
Net Change in Fund Balance	400,000	0	21,283	21,283
Fund Balances -- Beginning	188,500	4,001	4,001	0
Total Ending Fund Balance	\$ 588,500	\$ 4,001	\$ 25,284	\$ 21,283

# COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES SECTION

## **NON-MAJOR GOVERNMENTAL FUNDS**

### **Special Revenue Funds**

Special Revenue Funds are established to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

#### **Civic Improvement (Hotel/Motel Tax) Fund**

Accounts for revenues received from a state-imposed tax on the revenues of hotels and motels. Funds are used for aiding tourism according to state guidelines.

#### **Floor Area Ratio Public Amenities Fund**

Accounts for payments from developers to add density above the base level specified in the Winslow Master Plan. Funds may be used to develop public amenities and/or infrastructure in Winslow.

#### **Floor Area Ratio Farmland / Agriculture Fund**

Accounts for payments from developers to add density above the base level specified in the Winslow Master Plan. Funds may be used to preserve agricultural land.

#### **Transportation Benefit District Fund (TBD)**

Accounts for the independent taxing district created and governed by the City Council and accounted for as a blended component unit. The purpose of the district is to fund transportation improvements within the boundaries of the City through an imposed \$20 vehicle registration fee. The TBD is not required to have a budget.

### **Debt Service Funds**

Debt Service Funds account for the accumulation of resources for the payment of general obligation and special assessment debt.

#### **Local Improvement District Bond Fund**

Receives Local Improvement District assessments and pays the interest and principal due on L.I.D. bonds while keeping necessary reserves to ensure that timely bond payments are made.

### **Capital Construction Funds**

Capital Construction Funds account for the acquisition or construction of capital facilities other than those financed primarily by proprietary funds. These funds are financed primarily by general obligation debt, special assessments, federal and state grants and contributions from other funds.

#### **Capital Construction**

Accounts for all major capital construction projects except those paid for with LID debt or accounted for in the City's Water, Sewer or Storm and Surface Water utility funds.

#### **Local Improvement District Capital Construction**

Accounts for the City's LID construction projects.

### **AGENCY FUND**

The City has one agency fund that accounts for monies for which the City has no claim or a junior claim.

**CITY OF BAINBRIDGE ISLAND, WASHINGTON**  
**Combining Balance Sheet Statement**  
**Non-Major Governmental Funds**  
**As of December 31, 2015**

	Special Revenue Funds				Debt Service Fund	Capital Construction Fund	Total Non-major Governmental Funds
	Civic Improvement	Floor Area Ratio Public Amenities	Floor Area Ratio Farmland / Agriculture	Trans. Benefit District	Local Improvement District Bond	Capital Construction	
<b>ASSETS</b>							
Cash and Cash Equivalents	\$ 221,547	\$ 13,990	\$ 79,920	\$ 340,960	\$ 129,569	\$ 670,535	\$ 1,456,521
Receivables - Net	-	-	-	-	64,741	-	64,741
Due From Other Governments	-	-	-	-	-	87,655	87,655
Unmatured Assessments	-	-	-	-	221,796	-	221,796
<b>Total Assets</b>	<b>\$ 221,547</b>	<b>\$ 13,990</b>	<b>\$ 79,920</b>	<b>\$ 340,960</b>	<b>\$ 416,106</b>	<b>\$ 758,190</b>	<b>\$ 1,830,713</b>
<b>LIABILITIES</b>							
Accounts Payable	\$ 26,422	\$ -	\$ -	\$ -	\$ -	\$ 64,053	\$ 90,475
<b>Total Liabilities</b>	<b>26,422</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>64,053</b>	<b>90,475</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Unavailable Revenues - Grants	-	-	-	-	-	67,740	67,740
Unavailable Revenues - Special Assessments	-	-	-	-	286,537	-	286,537
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>286,537</b>	<b>67,740</b>	<b>354,276</b>
<b>FUND BALANCES</b>							
Restricted	195,125	-	-	340,960	129,569	-	665,654
Committed	-	13,990	79,920	-	-	503,726	597,636
Assigned	-	-	-	-	-	122,671	122,671
Unassigned	-	-	-	-	-	-	-
<b>Total Fund Balances</b>	<b>195,125</b>	<b>13,990</b>	<b>79,920</b>	<b>340,960</b>	<b>129,569</b>	<b>626,397</b>	<b>1,385,961</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 221,547</b>	<b>\$ 13,990</b>	<b>\$ 79,920</b>	<b>\$ 340,960</b>	<b>\$ 416,106</b>	<b>\$ 758,190</b>	<b>\$ 1,830,713</b>

**CITY OF BAINBRIDGE ISLAND, WASHINGTON**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Non-Major Governmental Funds**  
**For the year ended December 31, 2015**

	Special Revenue Funds				Debt Service	Capital Construction		
	Civic Improvement	Floor Area Ratio Public Amenities	Floor Area Ratio Farmland / Agriculture	Transportation Benefit District	Local Improvement District Bond	Capital Construction	Local Improvement District Capital Construction	Total Non-major Governmental Funds
<b>REVENUES</b>								
Other Taxes	\$ 174,773	\$ -	\$ -	\$ 392,088	\$ -	\$ -	\$ -	\$ 566,861
Intergovernmental	-	-	-	-	-	466,809	-	466,809
Interest and Investment Revenue	1,023	65	369	1,575	-	-	-	3,032
Other Revenues	-	-	-	-	10,840	17,850	-	28,690
Total Revenues	175,796	65	369	393,663	10,840	484,659	-	1,065,392
<b>EXPENDITURES</b>								
Current								
General Government	-	-	-	6,257	-	-	-	6,257
Economic Environment	135,000	-	-	-	-	-	-	135,000
Debt Service - Principal	-	-	-	-	37,364	-	-	37,364
Debt Service - Interest	-	-	-	-	15,358	-	-	15,358
Capital Outlay	-	-	-	-	-	907,104	-	907,104
Total Expenditures	135,000	-	-	6,257	52,721	907,104	-	1,101,082
Excess/(deficiency) of Revenue over Expenditures	40,796	65	369	387,406	(41,881)	(422,444)	-	(35,690)
<b>OTHER FINANCING SOURCES/(USES)</b>								
Transfers In	-	-	-	-	-	779,244	-	779,244
Transfers Out	-	-	-	(300,000)	-	(167,933)	(32,477)	(500,409)
Total Other Financing Sources/Uses	-	-	-	(300,000)	-	611,311	(32,477)	278,834
Net Change in Fund Balance	40,796	65	369	87,406	(41,881)	188,867	(32,477)	243,144
Fund Balances - Beginning	154,329	13,925	79,551	253,554	171,451	437,530	32,477	1,142,817
Fund Balances - Ending	\$ 195,125	\$ 13,990	\$ 79,920	\$ 340,960	\$ 129,569	\$ 626,397	\$ -	\$ 1,385,961

**CITY OF BAINBRIDGE ISLAND, WASHINGTON**  
**Budgetary Comparison Schedule**  
**Civic Improvement Fund**  
**For the Year Ended December 31, 2015**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Revised		
<b>REVENUES</b>				
Other Taxes	\$ 135,000	\$ 135,000	\$ 174,773	\$ 39,773
Interest	0	0	1,023	1,023
<b>Total REVENUES</b>	<b>135,000</b>	<b>135,000</b>	<b>175,796</b>	<b>40,796</b>
<b>EXPENDITURES</b>				
Economic Environment	135,000	135,000	135,000	0
<b>Total EXPENDITURES</b>	<b>135,000</b>	<b>135,000</b>	<b>135,000</b>	<b>0</b>
Operating Income (Loss)	0	0	40,796	40,796
Net Change in Fund Balance	0	0	40,796	40,796
Fund Balances -- Beginning	97,994	154,329	154,329	0
<b>Total Ending Fund Balance</b>	<b>\$ 97,994</b>	<b>\$ 154,329</b>	<b>\$ 195,125</b>	<b>\$ 40,796</b>

**CITY OF BAINBRIDGE ISLAND, WASHINGTON**  
**Budgetary Comparison Schedule**  
**Floor Area Ratio-Public Amenities Fund**  
**For the Year Ended December 31, 2015**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Revised		
REVENUES				
Interest	\$ 0	\$ 0	\$ 65	\$ 65
Total REVENUES	0	0	65	65
Operating Income (Loss)	0	0	65	65
Net Change in Fund Balance	0	0	65	65
Fund Balances -- Beginning	13,867	13,925	13,925	0
Total Ending Fund Balance	\$ 13,867	\$ 13,925	\$ 13,990	\$ 65

**CITY OF BAINBRIDGE ISLAND, WASHINGTON**  
**Budgetary Comparison Schedule**  
**Floor Area Ratio-Farmland/Agriculture Fund**  
**For the Year Ended December 31, 2015**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Revised		
REVENUES				
Interest	\$ 0	\$ 0	\$ 369	\$ 369
Total REVENUES	0	0	369	369
Operating Income (Loss)	0	0	369	369
Net Change in Fund Balance	0	0	369	369
Fund Balances -- Beginning	79,217	79,551	79,551	0
Total Ending Fund Balance	\$ 79,217	\$ 79,551	\$ 79,920	\$ 369

**CITY OF BAINBRIDGE ISLAND, WASHINGTON**  
**Budgetary Comparison Schedule**  
**General Obligation Fund**  
**For the Year Ended December 31, 2015**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Revised		
<b>REVENUES</b>				
Property Taxes	\$ 611,050	\$ 611,050	\$ 606,581	\$ (4,469)
Total REVENUES	611,050	611,050	606,581	(4,469)
<b>EXPENDITURES</b>				
Debt Service - Principal	2,103,520	2,103,520	2,103,520	0
Debt Service - Interest	588,639	588,639	587,770	869
Total EXPENDITURES	2,692,159	2,692,159	2,691,291	868
Operating Income (Loss)	(2,081,109)	(2,081,109)	(2,084,710)	(3,601)
<b>OTHER FINANCING SOURCES/USES</b>				
Transfers - In	2,200,858	2,200,858	2,083,950	(116,908)
Total OTHER FINANCING SOURCES/USES	2,200,858	2,200,858	2,083,950	(116,908)
Net Change in Fund Balance	119,749	119,749	(760)	(120,509)
Fund Balances -- Beginning	6,154	2,455	2,455	0
Total Ending Fund Balance	\$ 125,903	\$ 122,204	\$ 1,695	\$ (120,509)

**CITY OF BAINBRIDGE ISLAND, WASHINGTON**  
**Budgetary Comparison Schedule**  
**Local Improvement District Bond Fund**  
**For the Year Ended December 31, 2015**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Revised		
<b>REVENUES</b>				
Other Revenues	\$ 70,000	\$ 70,000	\$ 10,840	\$ (59,160)
Total REVENUES	70,000	70,000	10,840	(59,160)
<b>EXPENDITURES</b>				
Debt Service - Principal	37,364	37,364	37,364	0
Debt Service - Interest	15,335	15,360	15,358	2
Total EXPENDITURES	52,699	52,724	52,721	3
Operating Income (Loss)	17,301	17,276	(41,881)	(59,157)
Net Change in Fund Balance	17,301	17,276	(41,881)	(59,157)
Fund Balances -- Beginning	119,617	171,451	171,451	0
Total Ending Fund Balance	\$ 136,918	\$ 188,727	\$ 129,569	\$ (59,157)

**CITY OF BAINBRIDGE ISLAND, WASHINGTON**  
**Budgetary Comparison Schedule**  
**Capital Construction Fund**  
**For the Year Ended December 31, 2015**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Revised		
<b>REVENUES</b>				
Intergovernmental	\$ 4,198,000	\$ 4,198,000	\$ 466,809	\$ (3,731,191)
Other Revenues	0	0	17,850	17,850
<b>Total REVENUES</b>	<b>4,198,000</b>	<b>4,198,000</b>	<b>484,659</b>	<b>(3,713,341)</b>
<b>EXPENDITURES</b>				
Capital Outlay	6,832,000	7,751,383	907,104	6,844,279
<b>Total EXPENDITURES</b>	<b>6,832,000</b>	<b>7,751,383</b>	<b>907,104</b>	<b>6,844,279</b>
Operating Income (Loss)	(2,634,000)	(3,553,383)	(422,444)	3,130,939
<b>OTHER FINANCING SOURCES/USES</b>				
Transfers - Out	0	(100,000)	(167,933)	(67,933)
Transfers - In	2,634,000	2,648,221	779,244	(1,868,978)
<b>Total OTHER FINANCING SOURCES/USES</b>	<b>2,634,000</b>	<b>2,548,221</b>	<b>611,311</b>	<b>(1,936,910)</b>
Net Change in Fund Balance	0	(1,005,162)	188,867	1,194,028
Fund Balances -- Beginning	57,500	437,530	437,530	0
<b>Total Ending Fund Balance</b>	<b>\$ 57,500</b>	<b>\$ (567,631)</b>	<b>\$ 626,397</b>	<b>\$ 1,194,028</b>

**CITY OF BAINBRIDGE ISLAND, WASHINGTON**  
**Budgetary Comparison Schedule**  
**Local Improvement District Construction Fund**  
**For the Year Ended December 31, 2015**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Revised		
OTHER FINANCING SOURCES/USES				
Transfers - Out	0	(33,000)	(32,477)	523
Total OTHER FINANCING SOURCES/USES	0	(33,000)	(32,477)	523
Net Change in Fund Balance	0	(33,000)	(32,477)	523
Fund Balances -- Beginning	32,340	32,477	32,477	0
Total Ending Fund Balance	\$ 32,340	\$ (523)	\$ 0	\$ 523

**CITY OF BAINBRIDGE ISLAND, WASHINGTON**  
**Statement of Changes in Assets and Liabilities**  
**Agency Fund**  
**For the Year Ended December 31, 2015**

	Balance 1/1/2015	Additions	Deductions	Balance 12/31/2015
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 248,577	\$ 58,258,324	\$ (58,093,814)	\$ 413,087
Receivables - Net	400	-	(400)	-
Total Assets	<u>\$ 248,977</u>	<u>\$ 58,258,324</u>	<u>\$ (58,094,214)</u>	<u>\$ 413,087</u>
<b>LIABILITIES</b>				
Custodial Accounts Payable	\$ 248,977	\$ 751,797	\$ (587,687)	\$ 413,087
Total Liabilities	<u>\$ 248,977</u>	<u>\$ 751,797</u>	<u>\$ (587,687)</u>	<u>\$ 413,087</u>

# STATISTICAL SECTION

## **STATISTICAL SECTION**

This portion of the City of Bainbridge Island's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information conveys about the City's overall financial health.

### **CONTENTS**

#### **Financial Trends**

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

#### **Revenue Capacity**

These schedules contain information to help the reader understand the City's tax revenue sources.

#### **Debt Capacity**

These schedules present information to help the reader understand the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

#### **Demographic and Economic Information**

These schedules offer demographic and economic indicators to help the reader understand the economic and demographic backdrop to the City's financial activities.

#### **Operating Information**

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

**Sources.** Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

**Table 1: Net Position by Component**

Last Ten Fiscal Years

Accrual basis of accounting

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Governmental activities</b>										
Net investment in capital assets	\$ 78,693,144	\$ 82,538,097	\$ 79,790,421	\$ 80,634,838	\$ 80,082,643	\$ 83,674,478	\$ 85,768,791	\$ 85,283,250	\$ 87,355,752	\$ 87,556,584
Restricted	2,432,265	859,391	1,335,478	1,126,658	915,530	675,019	1,817,082	1,040,857	1,062,180	891,927
Unrestricted	4,200,433	2,708,285	942,294	1,728,810	5,404,357	9,167,473	5,646,812	7,641,796	7,681,217	10,893,868
<b>Total governmental activities net position</b>	<b>\$ 85,325,842</b>	<b>\$ 86,105,773</b>	<b>\$ 82,068,193</b>	<b>\$ 83,490,306</b>	<b>\$ 86,402,530</b>	<b>\$ 93,516,970</b>	<b>\$ 93,232,685</b>	<b>\$ 93,965,903</b>	<b>\$ 96,099,149</b>	<b>\$ 99,342,379</b>
<b>Business-type activities</b>										
Net investment in capital assets	\$ 26,185,926	\$ 23,571,992	\$ 25,821,017	\$ 30,455,007	\$ 30,823,139	\$ 28,561,022	\$ 28,156,132	\$ 28,836,702	\$ 29,366,340	\$ 28,856,407
Restricted	6,095	-	221,302	-	-	-	-	-	1,985,342	1,558,543
Unrestricted	5,858,922	9,402,463	7,456,222	4,737,585	6,426,319	10,774,561	10,871,171	13,405,895	8,647,214	11,058,048
<b>Total business-type activities net position</b>	<b>\$ 32,050,943</b>	<b>\$ 32,974,455</b>	<b>\$ 33,498,541</b>	<b>\$ 35,192,592</b>	<b>\$ 37,249,458</b>	<b>\$ 39,335,583</b>	<b>\$ 39,027,303</b>	<b>\$ 42,242,597</b>	<b>\$ 39,998,896</b>	<b>\$ 41,472,998</b>
<b>Primary government</b>										
Net investment in capital assets	\$ 104,879,070	\$ 106,110,089	\$ 105,611,438	\$ 111,089,845	\$ 110,905,782	\$ 112,235,500	\$ 113,924,923	\$ 114,119,952	\$ 116,722,092	\$ 116,412,991
Restricted	2,438,360	859,391	1,556,780	1,126,658	915,530	675,019	1,817,082	1,040,857	3,047,522	2,450,470
Unrestricted	10,059,355	12,110,748	8,398,516	6,466,395	11,830,676	19,942,034	16,517,983	21,047,691	16,328,431	21,951,916
<b>Total primary government net position</b>	<b>\$ 117,376,785</b>	<b>\$ 119,080,228</b>	<b>\$ 115,566,734</b>	<b>\$ 118,682,898</b>	<b>\$ 123,651,988</b>	<b>\$ 132,852,553</b>	<b>\$ 132,259,988</b>	<b>\$ 136,208,500</b>	<b>\$ 136,098,045</b>	<b>\$ 140,815,377</b>

Source: City of Bainbridge Island Finance Department

**Table 2: Net Position by Component**  
Last Ten Fiscal Years  
Accrual basis of accounting

Page 1 of 2

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Expenses</b>										
<b>Governmental activities</b>										
General Government	\$ 5,739,014	\$ 5,584,197	\$ 5,329,356	\$ 4,698,215	\$ 4,725,025	\$ 4,246,653	\$ 4,381,734	\$ 4,970,595	\$ 5,393,232	\$ 5,538,408
Security	3,410,178	4,133,261	4,598,494	3,664,897	3,953,939	3,954,194	4,002,552	3,998,794	4,043,430	4,211,558
Physical Environment	359,217	1,113,532	1,112,025	436,173	649,607	675,182	485,523	371,732	387,958	884,985
Economic Environment	1,441,694	2,516,705	2,461,098	1,706,181	1,283,476	1,048,815	1,151,586	929,594	998,365	1,230,789
Transportation	3,088,419	3,587,266	3,581,208	3,138,243	3,024,998	3,199,737	2,977,868	3,606,161	3,942,553	4,624,785
Mental/physical Health	244,664	155,568	452,200	412,184	441,751	285,430	262,013	269,663	272,680	273,075
Culture and recreation	100,252	614,841	1,029,996	416,874	876,286	511,432	533,814	585,554	592,822	604,565
Interest on long-term debt	1,064,644	1,081,220	1,175,214	1,064,437	990,360	1,029,721	939,172	864,118	675,005	621,033
Total governmental activities expense	15,448,082	18,786,590	19,739,591	15,537,204	15,945,442	14,951,164	14,734,262	15,596,211	16,306,045	17,989,198
<b>Business-type activities</b>										
Water	1,510,798	1,774,211	2,092,351	2,042,788	1,725,866	1,549,413	1,224,338	1,235,928	1,260,086	1,310,856
Sewer	1,945,392	2,087,041	2,243,432	2,382,293	2,504,265	2,929,336	2,999,306	3,102,659	3,278,944	3,454,464
Stormwater	1,499,179	1,897,756	1,838,486	1,865,033	2,079,970	1,907,797	2,204,964	1,974,234	1,886,196	1,731,690
Building and Development Services	3,740,674	2,891,751	2,865,175	2,711,577	2,051,961	1,827,442	1,927,468	1,717,341	1,911,765	1,965,603
Total business-type activities	8,696,043	8,650,759	9,039,444	9,001,691	8,362,062	8,213,988	8,356,076	8,030,162	8,336,991	8,462,613
Total primary government expenses	24,144,125	27,437,349	28,779,035	24,538,895	24,307,504	23,165,152	23,090,338	23,626,373	24,643,036	26,451,811
<b>Revenues</b>										
<b>Governmental activities</b>										
<b>Charges for services</b>										
General government	1,546,950	1,570,673	1,633,973	1,009,277	1,112,860	1,192,991	1,209,201	1,124,544	1,085,358	1,075,902
Security	92,229	92,819	109,814	106,364	107,303	118,491	108,790	110,725	89,425	85,971
Physical environment	2,148	2,519	2,057	1,928	1,889	1,664	1,847	1,482	1,277	1,695
Economic environment	63,440	24,566	74,935	1,146	1,910	97,491	-	33,340	1,146	1,910
Transportation	19,660	35,034	51,727	66,214	26,957	18,430	20,000	41,344	53,920	40,653
Mental/physical Health	-	-	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	56,705	-	-	-	-
Operating Grants and contributions	907,415	940,524	515,241	595,857	703,581	761,903	578,756	593,471	574,988	1,298,560
Capital Grants and contributions	2,848,304	436,322	760,675	1,102,371	712,196	4,327,340	1,038,779	1,391,608	1,548,346	73,161
Total governmental activities program revenues	5,480,146	3,102,457	3,148,422	2,883,157	2,666,696	6,575,015	2,957,373	3,296,514	3,354,460	2,577,852
<b>Business-type activities</b>										
<b>Charges for services</b>										
Water	2,007,983	2,080,594	2,170,869	2,355,037	2,409,439	2,277,346	1,424,357	1,421,490	1,078,417	1,190,628
Sewer	1,906,599	2,150,108	2,412,274	2,562,673	2,922,113	3,351,441	3,285,514	3,605,770	3,502,820	3,544,816
Stormwater	1,053,780	1,699,815	2,276,141	2,437,181	2,530,996	2,348,040	1,940,493	2,048,761	2,038,148	2,024,339
Building and Development Services	1,442,729	1,247,266	1,218,751	792,531	864,091	947,653	917,466	1,303,676	1,196,576	1,443,315
Operating Grants and contributions	175,652	50,032	192,801	126,403	89,446	23,259	71,012	114,102	32,626	10,701
Capital Grants and contributions	980,357	818,134	315,506	393,770	91,657	296,342	328,214	710,202	494,896	987,329
Total business-type activities program revenues	7,567,100	8,045,949	8,586,342	8,667,595	8,907,742	9,244,081	7,967,056	9,204,001	8,343,483	9,201,128
Total primary government program revenues	13,047,246	11,148,406	11,734,764	11,550,752	11,574,438	15,819,096	10,924,429	12,500,515	11,697,943	11,778,980
<b>Net (expense)/revenue</b>										
<b>Governmental activities</b>										
(9,967,936)	(15,684,133)	(16,591,169)	(12,654,047)	(13,278,746)	(8,376,149)	(11,776,889)	(12,299,697)	(12,951,585)	(15,411,346)	
<b>Business-type activities</b>										
(1,128,943)	(604,810)	(453,102)	(334,096)	545,680	1,030,093	(389,020)	1,173,839	6,492	738,515	
Total primary government net (expense) revenue	(11,096,879)	(16,288,943)	(17,044,271)	(12,988,143)	(12,733,066)	(7,346,056)	(12,165,909)	(11,125,858)	(12,945,093)	(14,672,831)

**Table 2: Net Position by Component (continued)**

Last Ten Fiscal Years

Accrual basis of accounting

Page 2 of 2

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Revenues and Other Changes in Net Assets										
Governmental activities										
Taxes										
Property tax	6,291,709	6,527,933	6,752,505	6,911,668	6,974,091	7,071,954	7,305,485	7,408,244	7,447,993	7,583,573
Sales tax	3,581,019	3,667,839	3,458,091	2,980,471	2,899,479	2,852,146	3,231,646	3,383,578	3,813,307	4,098,716
Real estate excise tax	2,355,425	2,311,801	1,072,200	945,356	1,061,988	1,117,390	1,575,060	1,822,200	2,349,076	2,694,050
Other taxes	3,294,311	3,800,383	4,049,549	4,072,150	4,120,449	4,215,771	4,056,123	4,456,422	4,463,805	4,392,447
Unrestricted investment interest	411,878	197,600	81,258	31,094	24,986	36,261	51,611	48,266	64,392	80,866
Miscellaneous	791,520	559,525	466,473	676,096	392,659	757,923	136,725	142,416	248,151	103,026
Special items	499,166	570,058	(1,709,621)	272,776	2,301,892	274,144	314,549	223,024	249,627	268,651
Transfers	(2,905,000)	(1,171,075)	(1,073,708)	(1,888,700)	(1,641,000)	(835,000)	(1,009,300)	(1,983,644)	(697,220)	(566,750)
Total governmental activities	14,320,028	16,464,064	13,096,747	14,000,911	16,134,544	15,490,589	15,661,899	15,500,506	17,939,131	18,654,578
Business-type activities										
Unrestricted investment interest	161,219	291,995	102,531	62,863	21,491	34,478	58,536	47,343	49,736	64,595
Miscellaneous	29,127	65,251	41,015	76,583	7,981	186,555	179,607	34,021	62,092	104,241
Special items	-	-	(240,066)	-	(159,285)	-	-	-	-	-
Transfers	2,905,000	1,171,075	1,073,708	1,888,700	1,641,000	835,000	1,009,300	1,983,644	697,220	566,750
Total business-type activities	3,095,346	1,528,321	977,188	2,028,146	1,511,187	1,056,033	1,247,443	2,065,008	809,048	735,587
Total primary government	17,415,374	17,992,385	14,073,935	16,029,057	17,645,731	16,546,622	16,909,342	17,565,514	18,748,179	19,390,164
Change in net position										
Governmental activities	4,352,092	779,931	(3,494,422)	1,346,864	2,855,798	7,114,440	3,885,010	3,200,809	4,987,546	3,243,230
Business-type activities	1,966,403	923,511	524,086	1,694,050	2,056,867	2,086,126	858,423	3,238,847	815,540	1,474,103
Total primary government activities	\$ 6,318,495	\$ 1,703,442	\$ (2,970,336)	\$ 3,040,914	\$ 4,912,665	\$ 9,200,566	\$ 4,743,433	\$ 6,439,656	\$ 5,803,086	\$ 4,717,333

Source: City of Bainbridge Island Finance Department

**Table 3: Fund Balances in Governmental Funds**

Last Ten Fiscal Years

Modified accrual basis of accounting

	Fiscal Year									
	2006	2007	2008	2009	2010	2011*	2012	2013	2014	2015
<b>General Fund</b>										
Reserved	\$ -	\$ 241,503	\$ -	\$ -	\$ 709,807	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	1,894,384	512,403	(199,800)	(47,696)	3,042,827	-	-	-	-	-
Nonspendable	-	-	-	-	-	-	12,583	10,282	68,404	71,955
Restricted	-	-	-	-	-	40,474	168,631	244,179	330,867	125,203
Committed	-	-	-	-	-	216,607	161,520	166,365	1,875,079	1,667,751
Assigned	-	-	-	-	-	2,003,259	2,005,941	1,989,307	-	-
Unassigned	-	-	-	-	-	4,310,504	5,977,986	7,994,719	11,488,201	13,190,306
<b>Total</b>	<u>\$ 1,894,384</u>	<u>\$ 753,906</u>	<u>\$ (199,800)</u>	<u>\$ (47,696)</u>	<u>\$ 3,752,634</u>	<u>\$ 6,570,844</u>	<u>\$ 8,326,661</u>	<u>\$ 10,404,852</u>	<u>\$ 13,762,551</u>	<u>\$ 15,055,214</u>
<b>All other governmental funds</b>										
Reserved	\$ -	\$ 616,276	\$ -	\$ -	\$ 586,615	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved reported in:										
Special revenue funds	1,116,729	(220,508)	361,654	387,341	249,537	-	-	-	-	-
Capital projects funds	3,850	1,613	329,850	384,878	-	-	-	-	-	-
Debt service funds	-	-	47,935	23	55,948	-	-	-	-	-
Nonspendable**	-	-	-	-	-	-	141,657	118,242	106,182	147,016
Restricted**	-	-	-	-	-	634,545	1,648,450	796,678	731,313	766,724
Committed	-	-	-	-	-	97,555	502,109	245,710	391,560	882,595
Assigned	-	-	-	-	-	170,660	-	44,809	34,095	122,671
Unassigned	-	-	-	-	-	-	(178,096)	-	-	-
<b>Total all other governmental funds*</b>	<u>\$ 1,120,579</u>	<u>\$ 397,381</u>	<u>\$ 739,439</u>	<u>\$ 772,242</u>	<u>\$ 892,100</u>	<u>\$ 902,760</u>	<u>\$ 2,114,120</u>	<u>\$ 1,205,439</u>	<u>\$ 1,263,150</u>	<u>\$ 1,919,006</u>

Source: City of Bainbridge Island Finance Department

\*Starting with the fiscal year ended December 31, 2011, the City implemented GASB 54 which required a new classification of fund balances.

**Table 4: Changes in Fund Balance, Governmental Funds**

Last Ten Fiscal Years

Modified accrual basis of accounting

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Revenues</b>										
Property taxes	\$ 6,273,173	\$ 6,517,771	\$ 6,689,601	\$ 6,834,612	\$ 6,960,916	\$ 7,089,677	\$ 7,365,633	\$ 7,497,792	\$ 7,480,256	\$ 7,585,681
Other taxes	9,321,905	9,564,546	8,608,831	8,067,750	8,106,627	8,143,351	8,915,621	9,289,288	10,862,969	11,058,321
Fees and fines	193,411	194,378	196,437	165,488	182,788	191,636	174,172	133,667	111,820	111,339
Licenses and permits	305,340	356,448	491,886	387,742	457,607	560,306	597,535	629,959	663,812	671,120
Intergovernmental	3,341,755	2,886,428	1,713,432	1,688,827	1,887,983	4,464,683	1,406,917	2,078,086	2,282,647	1,864,427
Charges for services	1,173,215	1,127,700	1,188,635	591,675	587,348	665,775	566,176	563,896	473,309	440,934
Interest and investment revenue	389,470	179,048	77,453	31,094	24,983	36,261	51,611	48,266	64,392	80,866
Other revenues	1,136,680	622,058	455,375	428,789	592,964	828,124	736,613	187,766	251,949	162,104
Total revenues	22,134,949	21,448,377	19,421,650	18,195,977	18,801,216	21,979,813	19,814,278	20,428,720	22,191,154	21,974,793
<b>Expenditures</b>										
General government	5,235,161	5,173,672	4,921,357	4,342,437	4,356,182	3,937,936	4,057,281	4,679,417	5,081,110	5,152,084
Security	3,277,867	3,777,428	4,110,406	3,553,578	3,719,305	3,805,661	3,815,163	3,884,064	3,879,466	4,088,542
Physical Environment	348,521	1,177,536	1,098,703	425,563	641,016	772,280	480,336	369,358	384,095	878,485
Transportation	1,910,587	2,200,223	2,240,213	1,653,417	1,767,800	1,708,326	1,447,324	2,170,327	2,289,975	2,988,676
Economic Environment	1,441,694	2,501,644	2,360,682	1,703,554	1,277,762	1,051,910	1,149,185	935,523	999,966	1,227,291
Mental/physical health	310,908	155,568	452,200	412,184	441,751	285,430	261,909	269,669	272,722	272,783
Culture and recreation	302,425	550,411	852,678	368,484	727,600	241,477	238,361	292,545	301,044	311,074
Capital outlay	5,955,450	9,072,411	2,164,000	1,608,866	1,853,337	5,217,669	2,411,956	1,768,621	2,174,248	1,688,947
Debt service:										
Principal	1,245,148	1,452,739	1,624,160	1,771,117	1,631,650	1,875,617	2,397,992	7,657,627	2,224,765	2,240,884
Interest and debt issue costs	1,008,129	1,079,935	1,129,635	1,112,644	1,011,433	982,766	929,687	847,404	695,635	616,685
Total expenditures	21,035,890	27,141,567	20,954,034	16,951,844	17,427,836	19,879,072	17,189,194	22,874,555	18,303,026	19,465,451
Excess of revenues over (under) expenditures	1,099,059	(5,693,190)	(1,532,384)	1,244,133	1,373,380	2,100,741	2,625,084	(2,445,835)	3,888,128	2,509,342
<b>Other finance sources (uses)</b>										
Insurance recoveries	-	-	-	-	-	-	-	-	-	-
Proceeds from borrowing	132,990	4,698,819	1,770,000	449,632	136,534	834,660	-	-	-	-
Disposition of capital assets	197,658	301,770	224,443	191,434	4,051,271	728,466	32,723	84,191	165,330	5,926
Transfers in	5,118,100	3,179,129	3,926,080	2,981,802	3,102,390	3,163,500	4,267,512	3,067,090	3,527,109	4,970,703
Transfers out	(8,023,100)	(4,350,204)	(4,999,788)	(4,870,502)	(4,743,390)	(3,998,500)	(5,276,812)	(5,050,734)	(4,224,329)	(5,537,453)
Bond proceeds	-	-	-	113,155	-	-	-	5,514,803	-	-
Total other financing sources (uses)	(2,574,352)	3,829,514	920,735	(1,134,479)	2,546,805	728,126	(976,577)	3,615,350	(531,890)	(560,824)
Net change in fund balances	\$ (1,475,293)	\$ (1,863,676)	\$ (611,649)	\$ 109,654	\$ 3,920,185	\$ 2,828,867	\$ 1,648,507	\$ 1,169,515	\$ 3,356,238	\$ 1,948,518
Debt service as a percentage of noncapital expenditures	14.9%	14.0%	14.7%	18.8%	17.0%	19.5%	22.5%	40.3%	18.1%	16.1%

Source: City of Bainbridge Island Finance Department

**Table 5: Assessed and Estimated Actual Value of Taxable Property**  
 Last Ten Fiscal Years

<b>Fiscal Year</b>	<b>Total Estimated Taxable Assessed Valuation</b>	<b>Total Direct Tax Rate per \$1,000 of Assessed Value</b>
2006	\$ 4,746,579,812	\$ 9.82
2007	\$ 5,656,139,011	\$ 9.09
2008	\$ 6,611,530,449	\$ 8.17
2009	\$ 6,815,782,164	\$ 8.33
2010	\$ 6,245,647,306	\$ 9.51
2011	\$ 5,642,373,993	\$ 10.10
2012	\$ 5,386,241,967	\$ 10.86
2013	\$ 5,226,583,214	\$ 11.06
2014	\$ 5,232,391,419	\$ 11.32
2015	\$ 5,708,210,319	\$ 10.51

Source: Kitsap County Assessors Office

NOTE: Because of its residential nature, the only significant property category for the City of Bainbridge island is residential real estate.

**Table 6: Direct and Overlapping Property Tax Rates**  
Last Ten Fiscal Years

Fiscal Year	City Direct Rates*			Overlapping Rates*								Total Direct and Overlapping Property Tax Rates
	General Fund	General Obligation Debt Service	Total City Direct Rate	Washington State	Bainbridge Island Fire District	Bainbridge Island School District	Kitsap County	Kitsap Regional Library	Kitsap Public Utility	Bainbridge Island Metro Parks and Rec. District		
2006	\$ 1.21	\$ 0.12	\$ 1.33	\$ 2.60	\$ 0.93	\$ 2.46	\$ 1.13	\$ 0.36	\$ 0.08	\$ 0.94	\$ 9.82	
2007	\$ 1.06	\$ 0.10	\$ 1.15	\$ 2.30	\$ 0.81	\$ 2.74	\$ 0.96	\$ 0.31	\$ 0.07	\$ 0.75	\$ 9.09	
2008	\$ 0.94	\$ 0.09	\$ 1.02	\$ 2.03	\$ 0.72	\$ 2.45	\$ 0.88	\$ 0.28	\$ 0.06	\$ 0.73	\$ 8.17	
2009	\$ 0.94	\$ 0.08	\$ 1.02	\$ 2.03	\$ 0.73	\$ 2.48	\$ 0.90	\$ 0.29	\$ 0.06	\$ 0.82	\$ 8.33	
2010	\$ 1.03	\$ 0.09	\$ 1.12	\$ 2.13	\$ 1.20	\$ 2.78	\$ 0.99	\$ 0.32	\$ 0.07	\$ 0.90	\$ 9.51	
2011	\$ 1.16	\$ 0.10	\$ 1.26	\$ 2.38	\$ 1.30	\$ 2.86	\$ 1.07	\$ 0.35	\$ 0.07	\$ 0.81	\$ 10.10	
2012	\$ 1.24	\$ 0.12	\$ 1.36	\$ 2.50	\$ 1.27	\$ 3.21	\$ 1.14	\$ 0.37	\$ 0.08	\$ 0.93	\$ 10.86	
2013	\$ 1.29	\$ 0.13	\$ 1.42	\$ 2.51	\$ 1.31	\$ 3.34	\$ 1.20	\$ 0.39	\$ 0.08	\$ 0.81	\$ 11.06	
2014	\$ 1.31	\$ 0.12	\$ 1.43	\$ 2.47	\$ 1.32	\$ 3.45	\$ 1.23	\$ 0.40	\$ 0.09	\$ 0.92	\$ 11.31	
2015	\$ 1.22	\$ 0.11	\$ 1.33	\$ 2.18	\$ 1.26	\$ 3.30	\$ 1.20	\$ 0.39	\$ 0.08	\$ 0.76	\$ 10.51	

Source: Kitsap County Assessor's Office

\*Property tax rates are per \$1,000 of assessed value.

**Table 7: Principal Property Taxpayers**  
Current Year and Ten Years Ago

Taxpayer	2015			2006		
	Assessed Value	Rank	Percentage of Total City Taxable Assessed*	Assessed Value	Rank	Percentage of Total City Taxable Assessed**
Puget Sound Energy	\$ 18,674,695	1	0.33%	\$ 14,410,369	2	0.30%
PNW Island Village LLC	\$ 16,539,862	2	0.29%			
Country Club of Seattle	\$ 10,101,160	3	0.18%	\$ 9,135,800	6	0.19%
Town and Country Market, Inc.	\$ 9,132,150	4	0.16%	\$ 9,385,260	5	0.20%
Simmons, Brad	\$ 8,795,980	5	0.15%			
PBPBS LLC	\$ 8,753,460	6	0.15%	\$ 6,308,080	10	0.13%
Island Gateway LLC	\$ 8,123,300	7	0.14%			
VWA Bainbridge Island LLC	\$ 8,019,410	8	0.14%			
Hacker, Robert C & Jo Anne	\$ 7,635,870	9	0.13%			
Qwest Corporation	\$ 6,966,814	10	0.12%			
Joshua Green Corporation				\$ 17,096,160	1	0.36%
Winslow Co-Housing Group				\$ 12,024,320	3	0.25%
Town and Country Market Inc.				\$ 11,984,456	4	0.25%
Madison Avenue Real Estate LLC				\$ 7,564,360	7	0.16%
High School Road LLC				\$ 7,376,690	8	0.16%
Winslow Marine LLC				\$ 7,082,770	9	0.15%
	<u>\$ 102,742,701</u>		<u>1.80%</u>	<u>\$ 102,368,265</u>		<u>2.16%</u>

Source: Kitsap County Assessor's Office

\*In 2015 the estimated assessed value was \$5,708,210,319

\*\*In 2006 the estimated assessed value was \$4,746,579,812

**Table 8: Property Tax Levies and Collections**  
Last Ten Fiscal Years

Fiscal Year	Regular Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2006	\$ 5,741,261	\$ 5,602,553	97.58%	\$ 133,707	\$ 5,736,260	99.91%
2007	\$ 5,972,180	\$ 5,830,234	97.62%	\$ 135,340	\$ 5,965,574	99.89%
2008	\$ 6,213,904	\$ 6,035,928	97.14%	\$ 171,557	\$ 6,207,485	99.90%
2009	\$ 6,383,299	\$ 6,147,309	96.30%	\$ 230,177	\$ 6,377,486	99.91%
2010	\$ 6,456,347	\$ 6,215,344	96.27%	\$ 233,580	\$ 6,448,924	99.89%
2011	\$ 6,546,472	\$ 6,360,530	97.16%	\$ 179,958	\$ 6,540,488	99.91%
2012	\$ 6,656,828	\$ 6,503,116	97.69%	\$ 135,250	\$ 6,638,366	99.72%
2013	\$ 6,747,098	\$ 6,616,015	98.06%	\$ 109,466	\$ 6,725,481	99.68%
2014	\$ 6,857,693	\$ 6,771,943	98.75%	\$ 33,469	\$ 6,805,412	99.24%
2015	\$ 6,996,001	\$ 6,910,310	98.78%	\$ 14,492	\$ 6,924,802	98.98%

Source: Kitsap County Treasurer's Office

**Table 9: General Government Revenue by Source**

Last Ten Fiscal Years

Fiscal Year	Regular Non-Voted Property		Business &	Real Estate Excise
	Tax	Sales and Use Tax	Occupation Tax	Tax
2006	\$ 5,735,012	\$ 3,581,019	\$ 3,294,311	\$ 2,355,425
2007	\$ 5,972,364	\$ 3,667,839	\$ 3,800,383	\$ 2,311,801
2008	\$ 6,203,597	\$ 3,458,091	\$ 4,049,549	\$ 1,072,200
2009	\$ 6,373,106	\$ 2,980,471	\$ 4,072,150	\$ 945,356
2010	\$ 6,439,488	\$ 2,899,479	\$ 4,120,449	\$ 1,061,988
2011	\$ 6,532,698	\$ 2,852,146	\$ 4,215,771	\$ 1,117,390
2012	\$ 6,637,643	\$ 3,231,646	\$ 4,056,123	\$ 1,575,060
2013	\$ 6,734,631	\$ 3,383,587	\$ 4,456,422	\$ 1,822,200
2014	\$ 6,838,430	\$ 3,813,307	\$ 4,463,805	\$ 2,349,076
2015	\$ 6,976,992	\$ 4,098,716	\$ 4,392,447	\$ 2,694,050

Source: City of Bainbridge Island Finance Department

**Table 10: Ratios of Outstanding Debt by Type**  
Last Ten Fiscal Years

Fiscal Year	Government Activities					Business-Type Activities				Total Primary Government	Percentage of Per Capita	
	Voted and General Obligation Bonds	PWTF Loans	LID Obligation Debt	Capital Leases	Other Debt	General Obligation Bonds	Revenue Obligation Debt	LID Obligation Debt	PWTF Loans		Personal Income*	Debt Per Capita
2006	\$ 21,685,000	\$ 313,699	\$ -	\$ 152,614	\$ 748,000	\$ 1,895,000	\$ -	\$ 5,040,000	\$ 1,872,896	\$ 31,707,209	0.13%	\$ 1,427
2007	\$ 24,665,000	\$ 278,843	\$ -	\$ 149,099	\$ 1,010,597	\$ 1,630,000	\$ -	\$ 4,760,000	\$ 1,947,112	\$ 34,440,651	0.12%	\$ 1,509
2008	\$ 25,110,000	\$ 243,988	\$ -	\$ 61,002	\$ 834,389	\$ 1,350,000	\$ 3,360,932	\$ 4,480,000	\$ 3,684,955	\$ 39,125,266	0.11%	\$ 1,707
2009	\$ 23,580,000	\$ 658,765	\$ -	\$ -	\$ 649,130	\$ 1,055,000	\$ 3,198,149	\$ 4,462,500	\$ 4,281,245	\$ 37,884,789	0.11%	\$ 1,648
2010	\$ 22,090,000	\$ 600,246	\$ -	\$ 136,534	\$ 566,000	\$ 860,000	\$ 3,010,022	\$ 4,165,000	\$ 5,709,540	\$ 37,137,342	0.11%	\$ 1,613
2011	\$ 20,435,000	\$ 541,726	\$ 755,300	\$ 170,797	\$ 449,000	\$ 5,490,000	\$ 2,821,896	\$ 3,867,500	\$ 3,742,259	\$ 38,273,478	0.11%	\$ 1,662
2012	\$ 18,595,000	\$ 483,206	\$ 411,000	\$ 115,624	\$ 449,000	\$ 5,085,000	\$ 2,800,113	\$ 3,570,000	\$ 3,713,246	\$ 35,222,189	0.12%	\$ 1,525
2013	\$ 16,420,000	\$ 424,685	\$ 373,637	\$ 58,881	\$ 349,000	\$ 4,675,000	\$ 2,600,105	\$ 3,272,500	\$ 3,664,843	\$ 31,838,651	0.14%	\$ 1,373
2014	\$ 14,450,000	\$ 366,165	\$ 336,273	\$ -	\$ 249,000	\$ 4,250,000	\$ 2,400,097	\$ 2,975,000	\$ 5,867,703	\$ 30,894,238	0.15%	\$ 1,323
2015	\$ 12,405,000	\$ 307,643	\$ 298,909	\$ -	\$ 149,000	\$ 4,050,000	\$ 2,200,089	\$ 2,677,500	\$ 6,199,680	\$ 28,287,821	0.00%	\$ 1,209

Sources: City of Bainbridge Island Finance Department, Washington State Office of Financial Management

\* 2014 per capita income of \$46,573 from US Bureau of Economic Analysis - 2015 data not currently available

**Table 11: Ratios of General Bonded Debt Outstanding**  
Last Ten Fiscal Years

<b>Fiscal Year</b>	<b>General Obligation Bonds</b>	<b>Percentage of Assessed Value of Property</b>	<b>Per Capita</b>
2006	\$ 21,685,000	0.5%	\$ 976
2007	\$ 24,665,000	0.4%	\$ 1,081
2008	\$ 25,110,000	0.4%	\$ 1,095
2009	\$ 23,580,000	0.3%	\$ 1,026
2010	\$ 22,090,000	0.4%	\$ 959
2011	\$ 20,435,000	0.4%	\$ 887
2012	\$ 18,595,000	0.3%	\$ 805
2013	\$ 16,420,000	0.3%	\$ 708
2014	\$ 14,450,000	0.3%	\$ 619
2015	\$ 12,405,000	0.2%	\$ 530

Source: City of Bainbridge Island Finance Department, Kitsap County Assessor's Office

**Table 12: Direct and Overlapping Governmental Activities Debt**

<b>Governmental Entity</b>	<b>Net General Obligation Debt</b>	<b>Percentage Applicable to Bainbridge Island Residents *</b>	<b>Estimated City of Bainbridge Island Residents Share of Overlapping Debt</b>
Kitsap County	\$ 88,818,914	21.92%	\$ 19,473,186
Kitsap County Regional Library	\$ -	21.92%	\$ -
Kitsap Public Utility District No. 1	\$ 5,020,000	21.92%	\$ 1,100,615
Bainbridge Island School District	\$ 79,670,000	100.00%	\$ 79,670,000
Bainbridge Island Fire District	\$ 14,910,000	100.00%	\$ 14,910,000
Bainbridge Island Park District	\$ 7,765,000	100.00%	\$ 7,765,000
<b>Subtotal, overlapping debt</b>			<b>\$ 122,918,801</b>
<b>City of Bainbridge Island direct governmental activities debt</b>			<b>\$ 17,177,154</b>
<b>Total direct and overlapping governmental activities debt</b>			<b>\$ 140,095,955</b>

\* The percentage applicable to the City of Bainbridge Island is based on a ratio of the other governmental entities' assessed valuation to its valuation within the City of Bainbridge Island.

Source: City of Bainbridge Island Financial Advisor

**Table 13: Legal Debt Margin**  
Last Ten Years

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt Limit	\$ 424,210,426	\$ 495,864,784	\$ 511,183,662	\$ 468,423,548	\$ 423,178,049	\$ 403,968,148	\$ 391,993,741	\$ 392,429,356	\$ 428,115,774	\$ 465,840,821
Total net debt applicable to limit	\$ 28,967,228	\$ 33,391,322	\$ 36,313,086	\$ 35,876,227	\$ 32,316,186	\$ 33,167,713	\$ 30,478,943	\$ 27,699,501	\$ 29,357,578	\$ 31,185,313
Legal debt margin	\$ 395,243,198	\$ 462,473,462	\$ 474,870,576	\$ 432,547,321	\$ 390,861,863	\$ 370,800,435	\$ 361,514,798	\$ 364,729,855	\$ 398,758,196	\$ 434,655,508
Total net debt applicable to limit as a percentage of debt limit	6.8%	6.7%	7.1%	7.7%	7.6%	8.2%	7.8%	7.1%	6.9%	6.7%

Note: Under state law voters may approve general obligation debt issues of up to 7.5% of assessed valuation. This 7.5% debt capacity is allocated evenly among general government, parks/open space, and utilities resulting in a 2.5% limit for each. Within the general government 2.5% limit, the City Council has authority to issue bonds with out voter approval for a combined total of up to 1.5% of the City's assessed valuation.

December 31, 2015 Assessed Value: \$6,211,210,950

	General Capacity		Special Purpose Capacity		Total Capacity
	Councilmanic	Excess Levy	Open Space	Utility Purposes	
2.50% of Assessed Value		\$ 155,280,274	\$ 155,280,274	\$ 155,280,274	\$ 465,840,821
1.50% of Assessed Value	\$ 93,168,164	\$ (93,168,164)	-	-	-
<b>Statutory Debt Limit</b>	93,168,164	62,112,110	155,280,274	155,280,274	465,840,821
General Obligations:					
Bonds	12,285,000	-	4,170,000	-	16,455,000
PWTF Loans	11,384,912	-	-	-	11,384,912
Land Contracts and other debt	149,000	-	-	-	149,000
Accounts and Wages Payable	1,415,245	-	-	-	1,415,245
Compensated Absences	788,326	-	-	-	788,326
OPEB debt	228,780	-	-	-	228,780
Net Pension Liability - Governmental Funds	3,346,140	-	-	-	3,346,140
Net Pension Liability - Proprietary Funds	2,524,279	-	-	-	2,524,279
Total Debt Outstanding	32,121,682	-	4,170,000	-	36,291,682
<b>Remaining Debt Capacity</b>	\$ 61,046,482	\$ 62,112,110	\$ 151,110,274	\$ 155,280,274	\$ 429,549,139

Source: Kitsap County Assessor's Office levy assessment books, City of Bainbridge Island Finance Department

**Table 14: Pledged-Revenue Coverage**

The City of Bainbridge Island currently has revenue pledges for both revenue and assessment debt outstanding, however, there have been no coverage requirements since 1995 when the last revenue bonds were refunded.

**Table 15: Demographic and Economic Statistics**  
Last Ten Fiscal Years

Fiscal Year	Population	City of			Number of Households	Public School Enrollment	Unemployment Rate
		Kitsap County Personal Income	Bainbridge Island Personal Income (in thousands)	Kitsap County per capita personal income			
2006	22,220	\$ 9,755,317	\$ 884,553	\$ 39,809	8,958	4,280	4.5%
2007	22,819	\$ 10,134,724	\$ 947,397	\$ 41,518	9,243	4,093	4.0%
2008	22,925	\$ 10,663,393	\$ 990,062	\$ 43,187	9,329	4,016	4.9%
2009	22,992	\$ 10,254,852	\$ 947,667	\$ 41,217	9,415	3,926	9.1%
2010	23,025	\$ 10,441,430	\$ 955,350	\$ 41,492	9,470	3,867	9.6%
2011	23,030	\$ 10,810,421	\$ 978,740	\$ 42,498	9,517	3,838	8.7%
2012	23,090	\$ 11,193,801	\$ 1,014,945	\$ 43,956	9,541	3,889	7.3%
2013	23,190	\$ 11,195,488	\$ 1,025,348	\$ 44,215	9,583	3,928	5.9%
2014	23,360	\$ 11,838,125	\$ 1,087,951	\$ 46,573	9,653	3,896	5.3%
2015	23,390	**	*	**	9,547	3,913	5.5%

Sources: State of Washington Office of Financial Management, U.S. Bureau of Labor Statistics, U.S. Bureau of Economic Analysis, U.S. Census Bureau, Washington State Office of Superintendent of Public Instruction

\* Kitsap County personal income applied to City of Bainbridge Island population. Information lags one year; 2015 will be updated in 2016 CAFR.

\*\* Kitsap County personal income as provided by the US Bureau of Economic Analysis. Information lags one year; 2015 will be updated in 2016 CAFR.

**Table 16: Principal Employers**  
Current Year and Ten Years Ago

Employer	2015			2006		
	Employees**	Rank	Percentage of Total City Employment	Employees**	Rank	Percentage of Total City Employment
Bainbridge Island School District	514	1	7.7%	530	1	9.5%
Sage / Redington	160	2	2.4%	135	4	2.4%
Town and Country Markets, Inc.	151	3	2.3%	137	3	2.5%
Safeway	150	4	2.2%	135	6	2.4%
Washington State Ferry System	125	5	1.9%	164	2	2.9%
Messenger House	125	6	1.9%	112	7	2.0%
Islandwood	125	7	1.9%			
Avalara	119	8	1.8%	-		
City of Bainbridge Island	113	9	1.7%	135	5	2.4%
Virginia Mason, Winslow Clinic	87	10	1.3%	78	9	1.4%
Sound Publishing, Inc.				102	8	1.8%
Net Systems				58	10	1.0%
<b>Subtotal of ten largest employers</b>	<b>1,669</b>		<b>25.0%</b>	<b>1,586</b>		<b>28.4%</b>
All other employers	5,011		75.0%	3,989		71.6%
<b>Total City of Bainbridge Island employment</b>	<b>6,680</b>		<b>100.0%</b>	<b>5,575</b>		<b>100.0%</b>

Sources: Washington State Employment Security Department, City of Bainbridge Island Finance Department

\*\* Includes part-time employees, where applicable

**Table 17: Full-time Equivalent (FTE) City Government Employees by Function**  
Last Ten Fiscal Years

Function/Department	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
City Council	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00
Executive	15.05	18.55	12.80	14.40	14.40	9.50	9.80	9.80	8.30	8.75
Finance and Information Systems	11.00	14.00	14.00	12.00	12.00	9.80	8.80	8.80	11.80	11.80
Municipal Court	4.50	5.57	5.77	6.02	6.02	4.85	5.02	5.02	4.85	4.85
Planning and Community Development	28.47	28.45	32.45	26.80	26.80	20.80	21.00	18.00	18.00	18.00
Public Safety	27.50	28.00	29.00	29.25	29.25	27.75	27.75	26.25	26.25	26.15
Public Works	56.00	58.00	58.00	58.00	58.00	38.00	36.00	36.00	37.00	37.00
	149.52	159.57	159.02	153.47	153.47	117.70	115.37	110.87	113.20	113.55

Source: City of Bainbridge Island Finance Department

**Table 18: Operating Indicators by Function/Program**

Last Ten Fiscal Years

Function / Program	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Police</b>										
Calls for service	*N/A	15823	14857	12993	13741	11855	11021	12849	10714	15001
Case reports	*N/A	2465	2339	2076	1979	1964	1741	1872	1737	1702
Traffic violations	*N/A	1849	1529	1335	1464	908	630	755	585	773
<b>Judicial System</b>										
Hearings Held	4546	5041	4566	3725	3472	3959	3311	2784	2273	2363
<b>Physical and Economic Environment</b>										
Land Use Planning Permits Issued	239	206	205	144	119	151	186	204	215	249
Building permits issued	595	603	370	356	347	477	489	509	670	706
<b>Transportation</b>										
Hours - roadway sweeping		**Data not available			489	713	834	789	841	671
Hours - roadside mowing		**Data not available			1028	1107	1012	1154	768	841
Hours - overhead vegetation control		**Data not available			1400	1086	728	1046	1186	1883
<b>Utility Services</b>										
<b>Water</b>										
Active Service connections	2330	2365	2389	2393	2402	2399	2438	2458	2491	2520
Regulatory bacteria samples	96	96	112	112	138	138	138	138	138	138
Unsatisfactory regulatory samples	0	0	0	0	0	0	0	0	0	0
<b>Sewer</b>										
Number of Service Connections	1972	1995	2026	2046	2055	2067	2085	2101	2127	2130
WWTP ave monthly flow (MGD)	0.59	0.55	0.51	0.51	0.55	0.46	0.49	0.43	0.51	0.50
WWTP ave BOD removal (%)	97.50	98.25	98.25	98.25	98.25	98.41	99.00	99.10	99.00	98.60
<b>Stormwater</b>										
Number of culverts inspected			***Data not available				519	1154	806	696
Number of culverts cleaned			***Data not available				136	125	101	263

Source: City of Bainbridge Island

\* Police data not available for 2006

\*\* Transportation data not available for years prior to 2010

\*\*\* Stormwater data not available for years prior to 2012

**Table 19: Capital Asset Statistics by Function**

Last Ten Fiscal Years

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
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Facilities and Fleet

Square feet of facilities maintained	*Data not available					67007	67007	67007	67007	67007
Number of police stations	1	1	1	1	1	1	1	1	1	1
Number of police vehicles	27	32	32	31	33	32	29	27	25	24
Number of vehicles and equipment maintained	*Data not available						145	143	146	153

Transportation

Number of city maintained gravel roads	29	29	29	29	29	29	29	29	29	29
Traffic Lights	7	7	7	7	7	7	7	7	7	7
Number of bridges	1	2	2	2	2	2	2	2	2	2
Roadway sweeping street waste removed (cubic yards)	**N/A	399	421	322	262	258	349	237	321	194
Total Decant Facility Incoming spoils (cubic yards)	**N/A	2180	4116	1485	1449	2008	2332	2706	1841	1116
Number of city maintained road ends	38	38	38	38	38	38	38	38	38	43

Culture and Recreation

Number of developed parks	3	3	3	4	4	4	4	4	4	4
Acres of developed parks	6.3	6.3	6.3	59.6	59.6	59.6	59.6	59.6	59.6	59.6
Number of developed trails	16	16	16	17	17	18	19	20	21	21
Miles of developed trails	2.2	2.2	2.2	2.5	2.5	2.6	2.7	3.0	3.0	3.0
Number of Community/Senior Centers	1	1	1	1	1	1	1	1	1	1

Water Services

Number of active service connections	2330	2365	2389	2393	2402	2399	2438	2458	2491	2520
Winslow ave SFR daily consumption (gpd)	174	160	151	160	142	141	138	146	146	156
Number of active wells	13	13	13	13	13	13	13	13	13	13
Miles of main	***Data not available							47	47	47
Active storage capacity (MG)	2.63	2.63	2.63	2.63	2.63	2.63	2.63	2.63	2.63	2.63
Number of regulatory bacteria samples	96	96	112	112	138	138	138	138	138	138
Number of unsatisfactory regulatory samples	-	-	-	-	-	-	-	-	-	-

Sewer Services

Number of service connections	1,972	1,995	2,026	2,046	2,055	2,067	2,085	2,101	2,127	2,130
Miles of main	***Data not available								37.4	37.4
Number of pump stations	16	16	16	16	16	16	16	17	17	17
WWTP ave monthly flow (MGD)	0.59	0.55	0.51	0.51	0.55	0.46	0.49	0.43	0.51	0.50
WWTP max monthly flow (MGD)	1.35	1.97	0.75	0.66	1.58	1.38	1.47	0.67	1.23	1.27
WWTP ave BOD removal (%)	98	98	98	98	98	98	99	99	99	99

Stormwater

Number of culverts inspected	***Data not available						519	1154	806	696
Number of catch basins inspected	***Data not available						153	322	375	410
Linear feet of open conveyance ditched	***Data not available						1745	5885	5967	1285
Miles of pipe	***Data not available						17.9	17.9	17.9	17.9
Number of city owned storm water ponds	35	35	35	35	35	41	41	42	42	42

\* Some Facilities and Fleet data not available for years prior to 2011

\*\* Some Transportation data not available for years prior to 2014

\*\*\* Some Water Services data not available for years prior to 2012

\*\*\* Some Sewer Services data not available for years prior to 2014

\*\*\* Some stormwater data not available for years prior to 2014