



Comprehensive Annual Financial Report
City of Bainbridge Island, Washington
For the fiscal year ended December 31, 2018

City of Bainbridge Island, Washington

2018 Comprehensive Annual Financial Report

For the fiscal year ended December 31, 2018

Prepared by the
Finance & Administrative Services
Department



CITY OF
BAINBRIDGE ISLAND

CITY OF BAINBRIDGE ISLAND, WASHINGTON
2018 Comprehensive Annual Financial Report

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INTRODUCTORY SECTION



ELECTED OFFICIALS CITY COUNCIL



MAYOR
KOL MEDINA



SARAH BLOSSOM



JOE DEETS



RON PELTIER



RASHAM NASSAR



LESLIE SCHNEIDER



MATTHEW TIRMAN

EXECUTIVE STAFF & LEGAL COUNSEL

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

MORGAN SMITH
ELLEN SCHROER
KARL SHAW (INTERIM)
KATE BROWN
GARY CHRISTENSEN
MATT HAMNER
BARRY LOVELESS
JOE LEVAN
CHRISTINE BROWN

City of Bainbridge Island, Washington

Comprehensive Plan Vision Statement, Mission Statement, and Values Statement

VISION STATEMENT

A healthy Bainbridge Island, now and for future generations.

MISSION STATEMENT

Serve and respond with skill, trust, and care.

CORE VALUES

Stewardship

We manage our resources with intention.

Professionalism

We bring knowledge to our work and energy to new challenges.

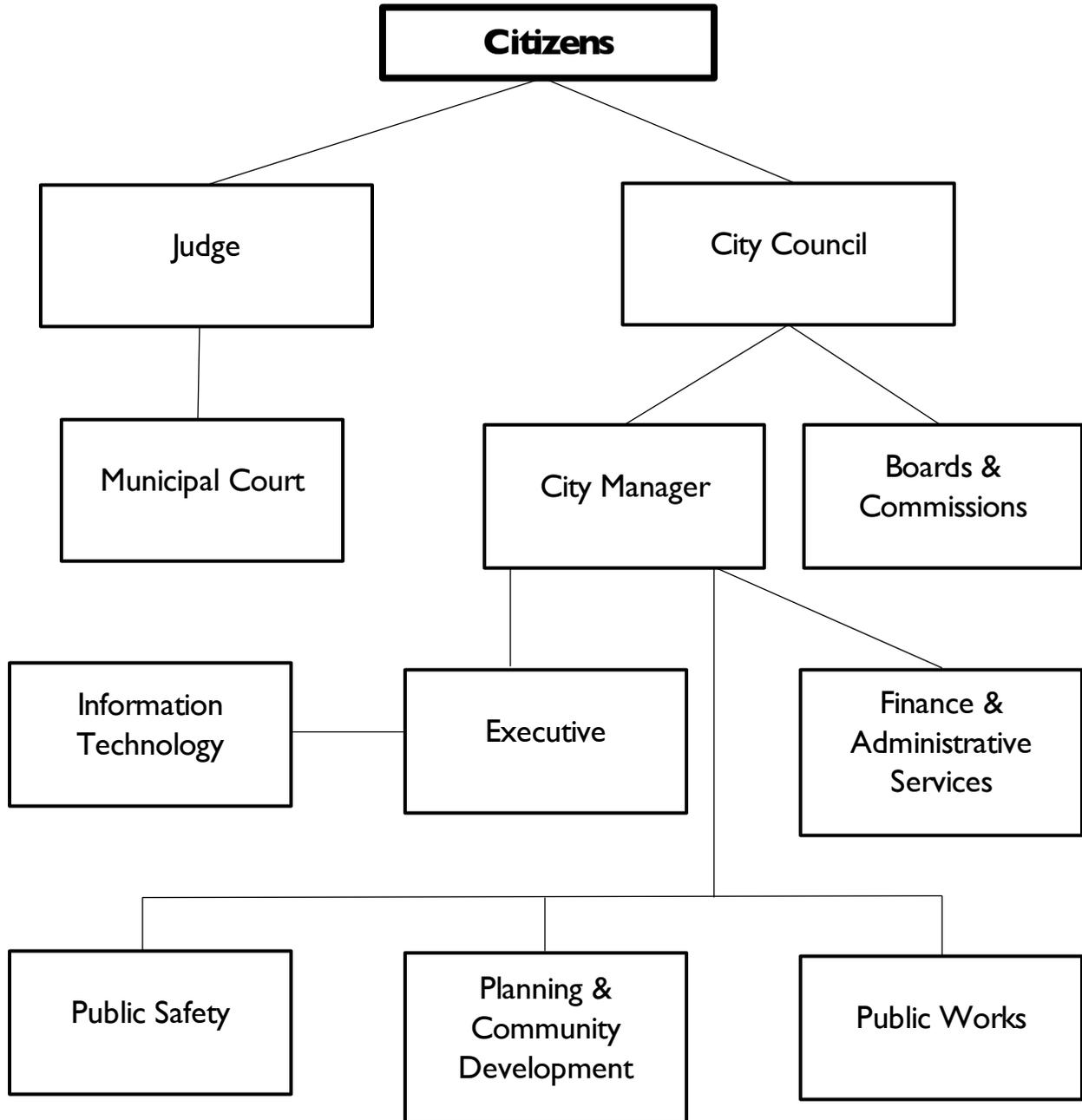
Connection

Respect and communication are central to our success.

Balance

Personal well-being improves our work and makes our organization strong.

CITY OF BAINBRIDGE ISLAND, WASHINGTON ORGANIZATIONAL CHART





June 26, 2019

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, 2018. City management is responsible for the accuracy of the data as well as the completeness and fairness of the presentation, including all disclosures. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and reported in a manner designed to fairly present the financial position and operational results 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 are included.

State statute requires an audit by the Washington State Auditor, an independently elected official. The State Auditor conducts an examination of the City's financial statements in accordance with generally accepted auditing standards and provides an independent assessment of those statements.

The CAFR is prepared in accordance with Generally Accepted Accounting Principles (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB).

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 42nd in terms of population at 24,320 according to 2018 Washington State Office of Financial Management estimates. It is the 14th largest in the State in terms of area at 27.6 square miles, according to the US Gazetteer. 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. The City is led by a City Manager appointed by the City Council. The City Council is comprised of seven members elected to staggered four-year terms from the island's three wards plus one at-large position. Primary elections are by ward while general elections are Island-wide. The City lies within the 23rd State Legislative District and the first US Congressional District.

280 Madison Avenue North
Bainbridge Island, Washington 98110-1812
www.bainbridgewa.gov
206.842.7633

The City provides the following primary 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 throughout 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 continued since that time, and the country is now in the midst of an extended expansion, 119 months long as of April 2019, which is the second-longest in US history. In 2018, the region's unemployment rate continued to decrease, with the Seattle-Tacoma-Bellevue area's unemployment rate for December 2018 at 3.8%, comparable to the 4.5% at the beginning of the year.

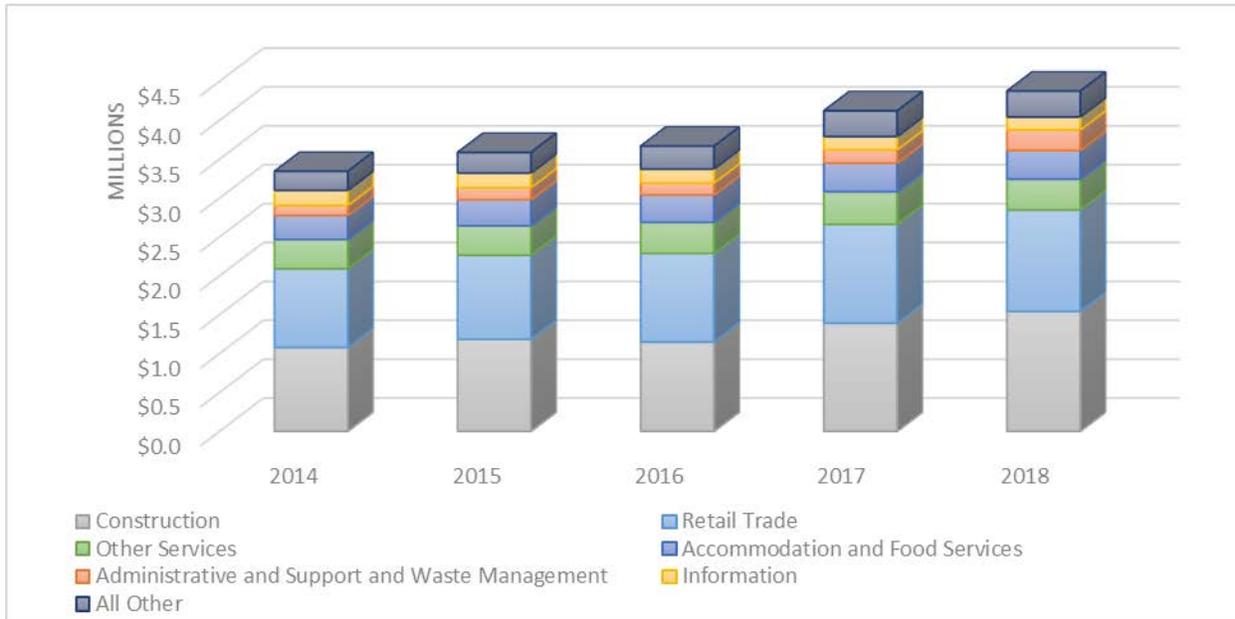
Chart One: Unemployment Rate 2008-2018, not seasonally adjusted



Source: U.S. Bureau of Labor Statistics via Google

Island-based taxable retail sales, and resulting tax revenue to the City, provide a useful indicator of economic performance. Since 2014, sales tax revenue and the underlying taxable sales on Bainbridge Island have exceeded the levels prior to the economic recession. At \$4.8 million of revenue, 2018 base sales and use tax revenue showed a 17% increase over the previous year. As shown in the following chart, the two largest contributors to sales tax revenue are Retail Trade and Construction, accounting for nearly two-thirds of the total.

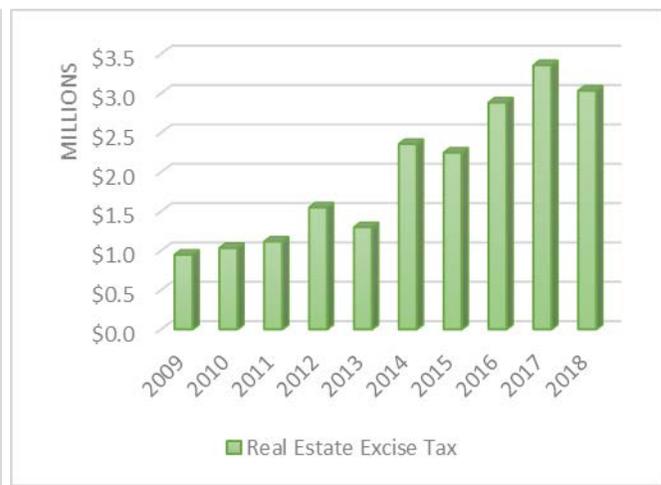
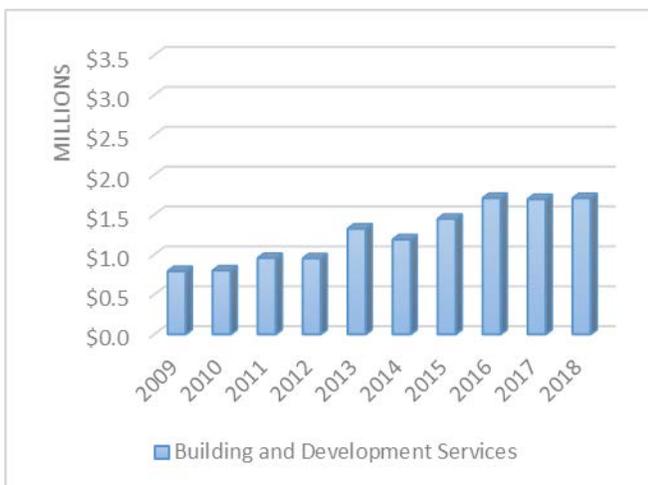
Chart Two: Sales Tax Revenue by Industry Sector 2014-2018



Source: City of Bainbridge Island

Since the economic expansion began in 2009, revenue from building and growth-related revenue sources increased along with sales tax revenue. In contrast to sales tax, revenue from Real Estate Excise Tax (REET) and Building and Development Services appears to have peaked in 2017 and then declined 6% in 2018. The REET revenue transactions in the charts below represent a decrease in both the number and value of real estate transactions, with the median price for houses sold on Bainbridge Island at \$755,000 compared to \$836,000 in 2017. The number of transactions in 2018 at 716 is also 11% lower than the 804 transactions in 2017. This decline continues into the first quarter of 2019.

Charts Three and Four: Building and Development Services and Real Estate Excise Tax Revenue 2009-2018



Source: City of Bainbridge Island

Building and Development Services revenues overall showed a 2% decrease in 2018 as compared to 2017, with an increase of 15% or \$96,000 in building permits offset by a decrease of 31% or \$110,000 in

planning review and zoning and subdivision fees related to the City's moratorium on certain development activities. Since December of 2018 through the first quarter of 2019 there has been a downward trend in our building permit revenues when the months are compared.

Since 2009, City revenue from many general government sources has increased from a low point established in 2007 and 2008. From 2008 through 2010, the City responded to the decreased revenue levels by contracting its programs and services and significantly reducing non-grant funded construction. Significant reductions in staffing were a primary method for reducing costs, although in recent years, staffing has increased. In 2018 FTEs were 126, or 18% lower than in 2009. From 2013 through 2017, key revenue sources showed positive trends, as shown in the charts in the previous sections. While sales tax continues to exceed forecasts, REET revenue began a downward trend in the later part of 2018 resulting in 10% lower revenues for 2018 as compared to 2017. This trend has continued through the first quarter of 2019. City revenue forecasts continue to anticipate stable or moderately increasing revenue levels except in REET revenue and building and development services where we are reflecting a small estimated decrease in our biennial budget in 2020. To preserve fiscal stability, the City uses a 10-year sustainability test for recurring revenues and expenses in its budget process and has adopted and enforced conservative financial policies.

In 2018, the City's financial performance matched its financial plan with some variance due to higher than estimated revenues in both governmental and utility funds and delay in some capital projects. As part of the annual budget development process for the 2017-2018 biennium, the Council updated the City's financial policies to match current best fiscal management practices and City goals. One meaningful change was setting the General Fund minimum fund balance at 25% of recurring revenues, representing approximately \$4.7 million in annual reserve funding, an increase from the previous \$3.0 million target. All Council-approved General Fund and utility funds' policy reserves met or exceeded their targets at the end of 2018.

Moody's Investors Service cited in their issuer comment that the credit position for Bainbridge Island is excellent and that its Aa1 rating is stronger than the median rating for Aa3 for US cities.

MAJOR INITIATIVES AND ACCOMPLISHMENTS

In 2014, through the Priority Based Budgeting process, the City of Bainbridge Island identified six primary areas of focus for its programs and services and has used this framework to organize its budgeting and reporting since that time. These key City "results" include: Safe City; Green, Well-Planned Community; Reliable Infrastructure and Connected Mobility; Healthy and Attractive Community; Vibrant Economy, and Governance.

Some key activities with these focus areas are identified below. In 2018, the City placed additional emphasis on internal and external communication and looked for new ways to inform and involve the public. Some examples are provided in the following sections.

Safe City

In late 2018, the City hired its first full time, dedicated Emergency Management Coordinator. The City continues to prioritize preparedness and resiliency of City staff and the community through training, exercises, and outreach. The largest community outreach initiative, Three Days of Preparedness, occurs every September and provides preparedness and response education to hundreds of residents and visitors.

In 2018, the police department was awarded a FEMA Port Security grant to perform major maintenance on its primary thirty-three-foot vessel.

The City continued work to design and locate a replacement building for the Police Department and Municipal Court. These essential functions are currently housed in undersized and outdated facilities.

Green, Well-Planned Community

In 2017, the City completed its Comprehensive Plan update after extensive public engagement. Since adoption and continuing through 2019-2020, the City has been and will be updating its municipal code and development regulations to implement the comprehensive plan.

City Council established work program priorities include new codes and updates, and programs and strategies to address many areas of community planning including affordable housing, subdivision guidelines and standards, development review process, green building initiatives, and code and comprehensive plan consistency.



Public Input at Bainbridge Island City Hall

Reliable Infrastructure and Connected Mobility

In 2018, the City completed the first segment of the Sound-to-Olympics trail in the State Route 305 corridor from Winslow Way to High School Road. This separated trail provides a dedicated non-motorized connection between the two arterials.

Another significant project widened shoulders on both sides on a 1.8 mile portion of a north-south primary travel route, increasing safety for cyclist and pedestrians.

Stewardship of the City’s water and sewer utility infrastructure is an important responsibility. In 2018, the City completed replacement of the City’s second largest sewer pump station, originally constructed nearly 40 years ago. The project provided additional capacity and updated controls and telemetry.

Healthy and Attractive Community



Iris Flare
by *Lin Mclunkin and*
Milo White

To support community goals expressed in the Cultural Element of the City’s Comprehensive Plan, the City implemented a program to provide significant funding to local nonprofit agencies to support cultural activities and events. This program contributes to the City’s identity, sense of place, and economy. Eleven local non-profit organizations received grants totaling \$300,000 in 2018 and 2019.

To support community health and well-being, the City awards grants to local human services agencies. Nine local organizations received grants totaling \$660,000 in 2017 and 2018.

The City has a long-established public art program. In 2018, the City worked with the Public Art Committee to install three pieces of art in the downtown area of the island as the pilot phase of the “Something New” project. The “Something New” project will continue with rotating artwork in future years.

Vibrant Economy

To respond to long-standing requests for improvements to cellular service coverage, the City is working with vendors to upgrade their equipment.

In order to support more efficient interactions for those who do business on Bainbridge Island and in compliance with state law, the City has transitioned to use of the State of Washington Business License Service. Businesses are now able to complete their City licensing processes on line and in conjunction with requirements for the state and other jurisdictions.

The City completed a major restoration and upgrade of its primary downtown park and City dock, supporting tourism and increasing local use of the downtown area.



Bainbridge Island Waterfront Park

Good Governance

In compliance with federal, state and local priorities, the City updated its code to address regulations for business/industrial zoning and low-impact development.

The City achieved recognition from the Government Finance Officers Association for both financial reporting and budget, receiving the GFOA Certificate of Achievement for Financial Reporting and the Distinguished Budget Presentation Award.

FINANCIAL INFORMATION

Long-term Financial Planning

The City of Bainbridge Island focuses 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 while recurring revenue is forecast to increase modestly, some recurring expenditures continue to increase at a pace outside the City's control (e.g., State Department of Retirement contributions and medical premiums, etc.). This structural tension in the City's current financial setting is shared across many jurisdictions. Balancing recurring revenues and recurring expenditures 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) supporting 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 2019 as outlined in the 2019 Adopted Budget are:

- Implementation of the City's Comprehensive Plan. The 2019 Budget includes \$200,000 for professional services to continue progress on targeted goals and implementing actions included in the comprehensive plan.
- The 2019 budget includes \$20 million for the purchase and renovation of a Police and Municipal Court Facility. The funding plan is split evenly between City cash and Councilmanic bonds.
- The 2019 Budget includes the addition of two new full-time police officers.

- Natural Resources and Environmental Stewardship. The 2019 Budget includes the addition of a Natural Resources Planner and a term-limited Hydrogeologist as well as funding for a groundwater management plan, greenhouse gas inventory, and investigation of tertiary treatment at the City's wastewater treatment plant.
- Investing in major maintenance and stewardship of City assets. The City conducted a facility assessment and increased the maintenance budget to address deferred projects and to achieve a higher state of good repair. The budget also includes annual maintenance funding for road, utility, and facility infrastructure.

Reserves

In 2016 the City Council adopted a comprehensive set of financial policies, updating the policies which were originally adopted in 2009 and amended in subsequent years. The General Fund minimum fund balance target for year-end 2015 was \$3.0 million, increasing for 2016 and subsequent years to 25% of annual recurring revenues, or approximately \$4.7 million. The actual unassigned amount at the end of 2018 was \$20.0 million. At the end of 2018, the Emergency Reserve was at its target level of \$1.0 million. The 2018 budget appropriated a \$300,000 contingency reserve within the Legislative Department budget. The 2018 adopted budget fully funds all reserves for all funds.

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 through three primary objectives: 1) safety of principal; 2) liquidity to meet disbursement needs; and 3) investment yield.

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

City management is responsible for establishing and maintaining an internal control structure designed to ensure assets of the City are protected from loss, theft or misuse. City management must also ensure 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: (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 ensuring compliance with provisions embodied in the biennial appropriated budget. Every other year, the City manager submits a proposed budget to the City Council with workshops and public hearings 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, it is the City's responsibility to establish adequate internal controls ensuring 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 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 2017. This was the fourth consecutive year the City received this award. 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. 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 awarded the City the Distinguished Budget Presentation Award for its 2017-2018 Biennial Budget, the second consecutive biennium for which the City has received this award. To receive this award, the City must publish a budget document that meets the GFOA's budget 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, Alain Huggler, Ron Logghe, MBA, Carrie Christianson and Brigham Huish. 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,

Morgan Smith, City Manager

Ellen Schroer, Deputy City Manager



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, 2017

Christopher P. Morill

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 to the City of Bainbridge Island for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2017.

In order to be awarded a Certificate of Achievement, the 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



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

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

June 25, 2019

Mayor and 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, as of and for the year ended December 31, 2018, 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, as of December 31, 2018, 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 discussed in Note 16 to the financial statements, in 2018, the City adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. 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 and required supplementary information as listed in the table of contents 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 combining financial statements and schedules are presented for the 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 Introductory and Statistical Sections are 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 25, 2019 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,

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

Pat McCarthy

State Auditor

Olympia, WA



CITY OF BAINBRIDGE ISLAND, WASHINGTON

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2018

This narrative provides overview and analysis of the City of Bainbridge Island's (City) financial activities for the fiscal year ended December 31, 2018. The purpose is to highlight significant financial issues and activities, the resulting changes in financial position, and economic factors affecting 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 2018 by \$167,990,302. Of this amount, \$33,621,920 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 \$8,089,478, or 5%. This increase was primarily the result of an increase in the City's cash position, an increase in the net investment in capital assets, and a normal decrease in long-term debt through regular debt service.
- At the close of 2018, the City's governmental funds reported combined ending fund balances of \$27,621,829; an increase of \$5,266,912, or 24%, in comparison to the prior year.
- Total revenues for governmental activities decreased by \$1,000,789. A decrease of \$2,163,845, or 58%, in capital grants and contributions was not entirely offset by increases in other revenue categories. Property taxes, the single largest tax source, increased by \$221,926, or 3%.
- The City's total liabilities decreased by \$4,383,165, or 13%, to \$28,132,449.
- A significant change in long-term obligations for the City's pension debt occurred with the 2015 implementation of Governmental Accounting Standards Board (GASB) Statements No. 68 and 71, as amended. These new accounting standards resulted in pension-related debt of \$4,032,588 at year-end 2018 as compared to \$5,412,711 at year-end 2017, a decrease of 25%. This change also resulted in a deficit net position in the Building and Development Service Fund of (\$917,935) at year-end 2018. More information about the deficit net position and pension liability can be found in note 1.G., note 6, and note 8 to the financial statements.
- The City fully funded all policy reserves set by the City Council.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves 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 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 useful indicators of whether the City's financial position is improving or deteriorating.

The *statement of activities and changes in net position* presents 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 only resulting 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:

- 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 the 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, most funds are established to satisfy managerial control over resources or 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.

Financial statements for Governmental Funds 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 emphasize the short-term measurement and accounting 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. Fund balance is the difference between a fund's total assets and total liabilities. This balance generally indicates the potential amount available to finance activities in the following year. Likewise, the statement of revenues, expenditures, and changes in fund balances reports only those revenues and expenditures 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, in 2018 these funds include the General Fund, the Real Estate Excise Tax Fund, the Streets Fund, and the Capital Construction Fund. All other Governmental Funds are reported in a single column (non-major funds). The City also presents a combining statement for the non-major governmental funds.

Financial statements for Proprietary Funds 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. 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 has one Internal Service Fund, the Equipment Rental and Revolving Fund.

The City presents all Enterprise Funds in separate columns to facilitate review of the information presented. The *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.

Financial statements for Fiduciary Funds consist of a *statement of fiduciary net position*. The City holds assets acting as an agent for third parties. These assets cannot be used to finance City operations. The City is responsible for ensuring 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 presents certain *required supplementary information* concerning the City's budgetary comparisons. *Required supplementary information* is found following the *notes to the financial statements*.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Overall, the City's financial position in 2018 built on the stability and performance achieved in recent years. The City implemented a city-wide reorganization in 2011, including reducing staff and services, which resulted in revenues exceeding expenses. The City's overall financial position and operational results for the past two years are summarized below. This information is based on data in the government-wide financial statements.

SUMMARY OF NET POSITION

	Governmental Activities		Business-Type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Cash and Cash Equivalents	\$27,746,000	\$24,214,129	\$15,518,026	\$16,021,993	\$43,264,026	\$40,236,123
Other Assets	5,898,326	5,153,023	2,021,037	1,536,666	7,919,362	6,689,689
Capital Assets	101,539,312	101,019,064	44,463,620	44,547,564	146,002,932	145,566,628
Total Assets	135,183,638	130,386,216	62,002,682	62,106,224	197,186,320	192,492,440
Deferred Outflows of Resources	710,912	750,584	324,793	345,673	1,035,705	1,096,257
Other Liabilities	1,926,210	2,880,380	684,732	1,189,404	2,610,942	4,069,784
Long Term Debt	11,291,696	12,756,932	14,229,811	15,688,898	25,521,507	28,445,830
Total Liabilities	13,217,906	15,637,312	14,914,543	16,878,302	28,132,449	32,515,614
Deferred Inflows of Resources	1,444,894	786,069	654,380	386,190	2,099,274	1,172,259
Net Investment in Capital Assets	97,817,388	95,883,667	32,797,991	31,666,254	130,615,379	127,549,921
Restricted	2,760,554	2,371,477	992,449	1,696,042	3,753,003	4,067,519
Unrestricted	20,653,807	16,458,276	12,968,113	11,825,108	33,621,920	28,283,384
Total Net Position	\$121,231,750	\$114,713,420	\$46,758,553	\$45,187,405	\$167,990,302	\$159,900,824

In 2018, the total net position of the City increased \$8,089,478, or 5%. Governmental activities net position increased \$6,518,330, or 6%, due to an increase in cash and cash equivalents and a decrease in long-term debt. Business-type activities net position increased \$1,571,148, or 3%.

Governmental activities cash and cash equivalents increased by \$3,531,871, or 15%, while business-type activities cash and cash equivalents decreased \$503,968, or 3%. The cash increases are primarily the result of actions taken by the City to bring budgetary expenditures below revenue estimates, revenues that exceeded forecasts, and delays in cash-funded capital projects.

SUMMARY OF CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Program Revenues						
Charges for Services	\$1,509,876	\$1,400,424	\$9,248,663	\$8,987,512	\$10,758,539	\$10,387,936
Operating Grants & Contributions	909,899	793,665	12,661	-	922,560	793,665
Capital Grants & Contributions	1,549,847	3,713,693	656,181	1,758,613	2,206,028	5,472,306
Total Program Revenues	3,969,623	5,907,782	9,917,505	10,746,125	13,887,127	16,653,907
General Revenues						
Property Taxes	8,116,528	7,894,602	-	-	8,116,528	7,894,602
All Other Taxes	13,764,841	13,451,952	-	-	13,764,841	13,451,952
Interest	501,454	246,493	286,419	189,802	890,765	436,294
Other Revenues	1,228,610	1,081,017	57,750	(22,428)	1,183,468	1,058,588
Total General Revenues	23,611,433	22,674,063	344,169	167,373	23,955,602	22,841,436
Total Revenues	27,581,056	28,581,845	10,261,674	10,913,498	37,842,729	39,495,343
Program Expenses						
General Government	5,373,431	5,253,896	-	-	5,373,431	5,253,896
Judicial	665,610	646,428	-	-	665,610	646,428
Public Safety	5,560,543	5,395,035	-	-	5,560,543	5,395,035
Physical Environment	928,591	1,138,957	-	-	928,591	1,138,957
Transportation	4,295,292	3,208,249	-	-	4,295,292	3,208,249
Health & Human Svcs	259,285	254,445	-	-	259,285	254,445
Econ. Environment	1,748,244	1,478,787	-	-	1,748,244	1,478,787
Culture & Recreation	1,136,416	853,345	-	-	1,136,416	853,345
Water	-	-	1,472,410	1,289,641	1,472,410	1,289,641
Sewer	-	-	3,343,209	3,176,310	3,343,209	3,176,310
Storm & Surface Water Management	-	-	1,802,052	1,778,090	1,802,052	1,778,090
Building & Development Svcs	-	-	2,601,925	2,418,715	2,601,925	2,418,715
Total Program Expenses	19,967,411	18,229,142	9,219,596	8,662,756	29,187,007	26,891,898
Excess/Deficiency	7,613,644	10,352,703	1,042,078	2,250,742	8,655,722	12,603,445
Other						
Transfers	(901,341)	(409,138)	901,341	409,138	-	-
Changes in Net Position	6,712,303	9,943,564	1,943,419	2,659,881	8,655,722	12,603,445
Beginning Net Position	114,713,420	104,996,684	45,187,405	42,527,524	159,900,824	147,524,208
Change in Accounting Principle	(887,091)	-	-	-	(887,091)	-
Prior Period Adjustments	693,119	(226,828)	(372,271)	-	320,848	(226,828)
Ending Net Position	\$121,231,750	\$114,713,419	\$46,758,553	\$45,187,405	\$167,990,304	\$159,900,824

GOVERNMENTAL ACTIVITIES

In 2018, the net position of governmental activities increased \$6,518,330, or 6%, to \$121,231,750.

Total 2018 program revenues decreased by \$1,938,160, or 33%, primarily due to a decrease in revenue from capital grants and contributions. The most significant revenue component of governmental activities is the general tax base. At \$21,881,369, taxes represent 79% of the \$27,581,056 in total revenues for 2018. Property tax is the single largest source of governmental activities revenue at \$8,116,528, or 29% of total revenues.

Governmental activities program expenses in total increased by \$1,738,269, or 10%, in 2018 as compared to 2017. Expenses increased in all the eight program categories, except for Physical Environment. The largest dollar increase was in Transportation at \$1,087,043, or 34%, more in 2018 than 2017. The second largest increase was in Culture and Recreation, at 33%, or \$283,071. Physical Environment-related expenses decreased by 18%, or \$210,366.

BUSINESS-TYPE ACTIVITIES

In 2018, there was an increase in net position related to business-type activities of \$1,571,147, or 3%, to \$46,758,553.

The Sewer Fund and the Storm and Surface Water Management Fund both showed balances of operating revenues over expenses resulting in positive 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 \$868,191. The Building and Development Services activity recovered 67% of its operating expenses with operating revenues, which is less than the City Council's 2018 policy goal of 75% cost recovery. Operating transfers from the General Fund provided additional revenue to cover program costs.

ANALYSIS OF BALANCES AND TRANSACTIONS OF INDIVIDUAL FUNDS

The General Fund balance increased \$3,190,512, before prior period adjustments, or 21%, because of an increase in general revenues and a delay in planned spending for certain professional services and capital projects. The General Fund ended 2018 with a fund balance of \$20,604,843, which is 109% of total revenues.

The Capital Construction Fund ended 2018 with a fund balance of \$3,803,052, which represented a decrease of \$558,077, or 13%, due to delays in planned spending on authorized capital projects.

The Water, Sewer, and Storm and Surface Water Management Funds ended 2018 with unrestricted net positions of \$7,318,540, \$5,624,317, and \$943,191, respectively. The Building and Development Services fund ended 2018 with a deficit unrestricted net position of (\$917,935) primarily due to a net pension liability of \$767,670.

GENERAL FUND BUDGETARY HIGHLIGHTS

The original 2018 adopted budget anticipated a decrease of \$413,589, or 3%, in the budgetary fund balance during the year from \$13,861,500 to \$13,447,911. The budget anticipated relatively flat revenue trends combined with expenditure increases to reflect added personnel and capital investments. The revised 2018 budget used updated information and revised the beginning fund balance upward to \$15,374,830 in accordance with actual performance. This reflected better than anticipated revenue performance partially offset by expenditure increases in general government, public safety, economic environment, culture and recreation, and capital outlay. The actual 2018 ending fund balance was \$20,604,843, an increase of \$3,190,512 from current year's activity plus an increase of \$2,039,501 due to a prior period adjustment.

Actual revenues exceeded the final budget by \$1,878,154. A significant portion of this was due to non-property taxes that were higher than budgeted. Actual expenditures were \$2,696,051 less than the revised budget driven by the lower than anticipated personnel and professional services costs, particularly the number of new and vacant positions that were difficult to fill.

To learn more about the City's budget process and economic challenges, see note I.E. in the *notes to the financial statements*, economic and other factors below, and the required supplementary information.

CAPITAL ASSETS

The City's net amount invested in capital assets (net of depreciation) increased \$436,304 to a total of \$146,002,932 in 2018. Governmental assets represent 70% of the City's overall net investment in capital assets. Land represents 61% 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	
	2018	2017	2018	2017	2018	2017
Land	\$62,053,912	\$61,933,961	\$1,796,865	\$1,796,865	\$63,850,777	\$63,730,826
Buildings & Improvements	16,400,829	16,400,829	54,728	54,728	16,455,558	16,455,558
Intangible Assets	880,000	880,000	32,365	32,365	912,365	912,365
Vehicles & Equipment	8,634,103	8,207,168	696,656	696,656	9,330,760	8,903,824
Infrastructure	51,333,472	44,176,161	65,696,084	65,122,032	117,029,556	109,298,193
Construction in Progress	1,827,769	6,415,459	1,103,466	354,817	2,931,235	6,770,276
Accumulated Depreciation	(39,590,773)	(36,994,514)	(24,916,544)	(23,509,901)	(64,507,317)	(60,504,415)
Totals	\$101,539,312	\$101,019,064	\$44,463,620	\$44,547,564	\$146,002,932	\$145,566,628

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

LONG-TERM DEBT

At the end of the 2018 the City's total long-term debt decreased by \$3,051,917, or 14%, as compared to 2017. Governmental activities long-term debt decreased \$1,846,030, or 21%, due to normal debt retirements. Business-type activities long-term debt decreased \$1,205,888, or 9%, also due to normal debt retirements. Of the debt outstanding at the end of 2018, 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.

LONG-TERM DEBT

	Governmental Activities		Business-Type Activities		Totals	
	2018	2017	2018	2017	2018	2017
General Obligation Bonds	\$6,480,000	\$8,265,000	\$3,415,000	\$3,635,000	\$9,895,000	\$11,900,000
LID Bonds	186,818	224,182	-	-	186,818	224,182
Intergovernmental Loans	236,649	260,314	8,133,119	9,119,007	8,369,768	9,379,321
Totals	\$6,903,467	\$8,749,496	\$11,548,119	\$12,754,007	\$18,451,586	\$21,503,502

Additional information about the City's long-term obligations is presented in note 8 in the *notes to the financial statements*.

ECONOMIC AND OTHER FACTORS

The City experienced strong effects of the 2008/2009 national and regional economic slowdown. Economic recovery for the City of Bainbridge Island began in 2011 and continues at a moderate pace. The City has implemented policies to conservatively estimate revenues and adopted cost containment measures to reduce expenditures.

After staff reductions which began in 2009 and continued through 2013, staffing levels have increased. Approved staffing levels in 2018 were 119.4 full-time equivalent (FTE) positions, still significantly lower than the City's high point of 152 FTE in 2008 but representing an increase of 1.00 FTE over the approved levels for 2017. Changes to the operating budgets from 2012 through 2018 primarily updated revenue estimates to match current projections and adjusted cost factors based on external information (e.g., required changes to state retirement contributions and health plan costs). New 2018 programmatic activities included response to the heightened development activity on the Island with new positions in Planning and Community Development and Public Works, along with increased staffing in the Public Safety Department.

During the recession, the City's Capital Improvement Plan was curtailed as revenues decreased. However, starting in 2011 and continuing through the current year, the City undertook several large capital projects to replace aging utility and street infrastructure, and began discussions on potential sites for a new combined public safety and court facility. These projects draw funding from several sources, including federal and state grants, developer contributions, utility revenue, and local sources. In 2017, the City completed a separated trail between two arterials, creating safe non-motorized travel along a state highway.

The local economy began to stabilize in 2011 and has grown through 2018. However, the City does not expect to achieve pre-recession levels of revenue growth in the near future. During the recession the City made difficult choices which brought recurring expenses to levels below recurring revenues and established prudent financial reserves. In 2016, the City reviewed and updated its financial policies, including increasing the General Fund reserve policy target to 25% of recurring revenues, or approximately \$4,700,000 in the coming years.

CITY OF BAINBRIDGE ISLAND, WASHINGTON
Statement of Net Position
As of December 31, 2018

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 27,746,000	\$ 15,518,026	\$ 43,264,026
Receivables - Net	2,455,910	213,892	2,669,802
Due from Other Governments	1,547,212	8,281	1,555,493
Inventories	119,055	52,567	171,622
Restricted Cash for Debt Service	-	992,449	992,449
Prepays	147,390	-	147,390
Unamortized Bond Insurance Costs	9,425	-	9,425
Special Assessments Receivable	79,265	753,847	833,112
Net Pension Asset	1,540,069	-	1,540,069
Depreciable Capital Assets (Net)	36,777,631	41,563,289	78,340,921
Land	62,053,912	1,796,865	63,850,777
Construction in Progress	1,827,769	1,103,466	2,931,235
Other Capital Assets	880,000	-	880,000
Total Assets	<u>135,183,638</u>	<u>62,002,682</u>	<u>197,186,320</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charge on Debt Refunding	116,821	-	116,821
Deferred Charge on Pensions and OPEB	594,091	324,793	918,884
Total Deferred Outflows of Resources	<u>710,912</u>	<u>324,793</u>	<u>1,035,705</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 135,894,550</u>	<u>\$ 62,327,475</u>	<u>\$ 198,222,025</u>
LIABILITIES			
Accounts Payable	\$ 1,409,284	\$ 206,869	\$ 1,616,153
Accrued Expenses	516,926	266,209	783,135
Unearned Revenue	-	211,654	211,654
Special Assessment Debt with Governmental Commitment	186,818	-	186,818
Non-Current Liabilities Due Within One Year	1,608,450	1,493,225	3,101,675
Non-Current Liabilities Due in More Than One Year	6,944,994	10,843,486	17,788,479
Compensated Absences Due in More Than One Year	245,979	165,967	411,946
Net Pension Liability Due in More Than One Year	2,305,455	1,727,133	4,032,588
Total Liabilities	<u>13,217,906</u>	<u>14,914,543</u>	<u>28,132,449</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows on Pensions	<u>1,444,894</u>	<u>654,380</u>	<u>2,099,274</u>
NET POSITION			
Net Investment in Capital Assets	97,817,388	32,797,991	130,615,379
Restricted for:			
Net Pension Asset	1,540,069	-	1,540,069
Debt Service	218,194	992,449	1,210,642
Public Safety	62,541	-	62,541
PEG Capital	158,858	-	158,858
Economic Development	347,477	-	347,477
Transportation	1,158,376	-	1,158,376
Other Purposes	815,109	-	815,109
Unrestricted	19,113,739	12,968,112.97	32,081,852
Total Net Position	<u>\$ 121,231,750</u>	<u>\$ 46,758,553</u>	<u>\$ 167,990,302</u>

CITY OF BAINBRIDGE ISLAND, WASHINGTON

Statement of Activities

For the Year Ended December 31, 2018

	Program Revenues				Net Expense/Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental Activities:							
General Government	\$ 5,036,285	\$ 1,005,325	\$ 607	\$ -	\$ (4,030,353)	\$ -	\$ (4,030,353)
Judicial	665,610	55,999	-	-	(609,611)	-	(609,611)
Public Safety	5,560,543	69,508	322,641	-	(5,168,393)	-	(5,168,393)
Physical Environment	928,591	2,287	12,488	69,619	(844,197)	-	(844,197)
Transportation	4,295,292	120,049	564,162	1,128,759	(2,482,323)	-	(2,482,323)
Health and Human Services	259,285	-	-	-	(259,285)	-	(259,285)
Economic Environment	1,748,244	256,709	-	-	(1,491,535)	-	(1,491,535)
Culture and Recreation	1,136,416	-	10,000	351,470	(774,947)	-	(774,947)
Interest on Long Term Debt	337,146	-	-	-	(337,146)	-	(337,146)
Total Government Activities	<u>19,967,411</u>	<u>1,509,876</u>	<u>909,899</u>	<u>1,549,847</u>	<u>(15,997,789)</u>	<u>-</u>	<u>(15,997,789)</u>
Business-Type Activities:							
Water	1,472,410	1,277,346	-	418,575	-	223,511	223,511
Sewer	3,343,209	3,706,257	-	237,606	-	600,655	600,655
Storm and Surface Water Management	1,802,052	2,531,325	12,661	-	-	741,934	741,934
Building and Development Services	2,601,925	1,733,734	-	-	-	(868,191)	(868,191)
Total Business-Type Activities	<u>9,219,596</u>	<u>9,248,663</u>	<u>12,661</u>	<u>656,181</u>	<u>-</u>	<u>697,909</u>	<u>697,909</u>
Total Primary Government	<u>\$ 29,187,007</u>	<u>\$ 10,758,539</u>	<u>\$ 922,560</u>	<u>\$ 2,206,028</u>	<u>\$ (15,997,789)</u>	<u>\$ 697,909</u>	<u>\$ (15,299,880)</u>
General Revenues:							
Property Taxes Levied for General Purposes					\$ 7,498,636	\$ -	\$ 7,498,636
Property Taxes Levied for Debt Service					617,892	-	617,892
Sales and Use Taxes					5,649,115	-	5,649,115
Business and Occupation Taxes					4,624,038	-	4,624,038
Excise Taxes					3,491,688	-	3,491,688
Unrestricted Investment Earnings					501,454	286,419	787,873
Grants and Contributions not Restricted to Specific Programs					430,499	-	430,499
Gain on Disposal of Capital Assets					105,194	12,458	117,652
Miscellaneous					692,917	45,292	738,209
Transfers					(901,341)	901,341	-
Total General Revenues and Transfers					<u>22,710,092</u>	<u>1,245,510</u>	<u>23,955,602</u>
Change in Net Position					6,712,303	1,943,419	8,655,721
Change in Accounting Principle					(887,091)	-	(887,091)
Prior Period Adjustments					693,119	(372,271)	320,848
Net Position - Beginning					114,713,420	45,187,405	159,900,824
Net Position - Ending					<u>\$ 121,231,750</u>	<u>\$ 46,758,553</u>	<u>\$ 167,990,302</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, 2018

	General	Real Estate Excise Tax	Streets	Capital Construction	Non-Major Governmental Funds	Total Governmental Funds
ASSETS						
Cash and Cash Equivalents	\$ 19,816,386	\$ 777,649	\$ 400,895	\$ 3,808,103	\$ 1,820,208	\$ 26,623,241
Receivables - Net	1,974,297	37,460	260,671	-	92,833	2,365,262
Inventories	9,524	-	109,531	-	-	119,055
Due From Other Governments	322,334	-	86,045	1,138,833	-	1,547,212
Unmatured Assessments	-	-	-	-	79,265	79,265
Total Assets	\$ 22,122,541	\$ 815,109	\$ 857,143	\$ 4,946,936	\$ 1,992,306	\$ 30,734,034
LIABILITIES						
Accounts Payable	\$ 946,008	\$ -	\$ 176,744	\$ 216,615	\$ 68,015	\$ 1,407,381
Accrued Expenditures	409,095	-	70,711	-	-	479,806
Total Liabilities	1,355,103	-	247,454	216,615	68,015	1,887,187
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenues - Grants	512	-	-	927,269	-	927,780
Unavailable Revenues - Property Taxes	106,585	-	-	-	-	106,585
Unavailable Revenues - Other Taxes & Fees	55,499	-	10,532	-	-	66,030
Unavailable Revenues - Special Assessments	-	-	-	-	124,623	124,623
Total Deferred Inflows of Resources	162,595	-	10,532	927,269	124,623	1,225,019
FUND BALANCES						
Nonspendable	68,695	-	109,531	-	-	178,226
Restricted	221,398	815,109	29,218	-	1,694,829	2,760,554
Committed	115,785	-	-	-	98,426	214,212
Assigned	227,609	-	460,408	3,803,052	6,413	4,497,482
Unassigned	19,971,355	-	-	-	-	19,971,355
Total Fund Balances	20,604,843	815,109	599,157	3,803,052	1,799,668	27,621,829
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 22,122,541	\$ 815,109	\$ 857,143	\$ 4,946,936	\$ 1,992,306	\$ 30,734,034

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

CITY OF BAINBRIDGE ISLAND, WASHINGTON
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
As of December 31, 2018

Ending fund balance - governmental funds \$ 27,621,829

Amounts reported for governmental activities in the Statement of Net Position are different because of the following:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. 99,844,674

Other Assets are not available to pay current-period expenditures and, therefore, are deferred in the governmental funds. 147,390

Net pension assets resulting from annual contributions in excess of required contributions are not financial resources and, therefore, are deferred in the governmental funds. 1,540,069

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.

Deferred charge on refunding of debt 116,821

Other long-term assets are not available to pay current-period expenditures and, therefore, are deferred in the governmental funds.

Unamortized Bond Insurance Costs 9,425

Accounts Receivable - Earned but Unavailable 90,648

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.

Deferred Inflows of Resources - Grants 927,780

Deferred Inflows of Resources - Special Assessments 124,623

Deferred Inflows of Resources - Property Taxes 106,585

Deferred Inflows of Resources - Other Revenues 66,030

Certain liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.

Accrued expenses (433,808)

Compensated absences (245,979)

Long-term liabilities (8,345,477)

Net pension liability (2,305,455)

Internal service funds are used by management to charge the costs of equipment rental and replacement activities to individual funds. The net position of internal service funds is included in governmental activities in the statement of net position.

Net position 2,817,397

Amounts reported as deferred outflows and inflows of resources related to pensions and OPEB will be amortized and recognized as components of pension or OPEB expense in future years.

Deferred outflow of resources related to OPEB 15,036

Deferred outflow of resources related to pensions 579,055

Deferred inflow of resources related to pensions (1,444,894)

Net Position of Major Governmental Activities \$ 121,231,750

CITY OF BAINBRIDGE ISLAND, WASHINGTON
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the year ended December 31, 2018

	General	Real Estate Excise Tax	Streets	Capital Construction	Non-Major Governmental Funds	Total Governmental Funds
REVENUES						
Property Taxes	\$ 7,523,658	\$ -	\$ -	\$ -	\$ 617,892	\$ 8,141,550
Other Taxes	9,031,124	3,046,429	1,004,920	-	689,904	13,772,377
Fees and Fines	56,989	-	-	-	-	56,989
Licenses and Permits	679,380	-	39,350	-	-	718,730
Intergovernmental	635,767	-	553,630	1,336,323	-	2,525,720
Charges for Services	414,582	-	65,536	230	254,799	735,147
Interest and Investment Revenue	438,903	13,869	-	-	28,500	481,272
Other Revenues	105,976	-	142	-	96,538	202,656
Total Revenues	<u>18,886,379</u>	<u>3,060,299</u>	<u>1,663,578</u>	<u>1,336,553</u>	<u>1,687,633</u>	<u>26,634,442</u>
EXPENDITURES						
Current						
General Government	4,395,350	-	414,809	-	-	4,810,159
Judicial	702,714	-	-	-	-	702,714
Public Safety	5,562,764	-	64,199	-	-	5,626,963
Physical Environment	860,241	-	61,502	-	-	921,744
Transportation	36,041	-	2,707,212	-	-	2,743,253
Health and Human Services	259,248	-	-	-	-	259,248
Economic Environment	1,547,671	-	-	-	258,575	1,806,245
Culture and Recreation	622,406	-	730	-	-	623,136
Debt Service - Principal	-	-	-	-	1,846,029	1,846,029
Debt Service - Interest	1,627	-	-	-	356,697	358,324
Capital Outlay	470,404	-	186,619	2,540,238	-	3,197,261
Total Expenditures	<u>14,458,465</u>	<u>-</u>	<u>3,435,072</u>	<u>2,540,238</u>	<u>2,461,300</u>	<u>22,895,075</u>
Excess/(deficiency) of Revenue over Expenditures	4,427,914	3,060,299	(1,771,494)	(1,203,685)	(773,668)	3,739,367
OTHER FINANCING SOURCES/(USES)						
Disposition of Capital Assets	90,399	-	14,795	-	-	105,194
Transfers In	635,992	-	1,184,500	1,281,600	1,540,039	4,642,132
Transfers Out	(1,963,793)	(2,325,039)	-	(635,992)	(723,500)	(5,648,325)
Total Other Financing Sources/Uses	<u>(1,237,402)</u>	<u>(2,325,039)</u>	<u>1,199,295</u>	<u>645,608</u>	<u>816,539</u>	<u>(900,999)</u>
Net Change in Fund Balance	3,190,512	735,259	(572,199)	(558,077)	42,872	2,838,367
Fund Balances - Beginning	15,374,830	56,801	852,718	4,361,129	1,709,439	22,354,917
Prior Period Adjustments	2,039,501	23,048	318,637	-	47,357	2,428,544
Fund Balances - Ending	<u>\$ 20,604,843</u>	<u>\$ 815,109</u>	<u>\$ 599,157</u>	<u>\$ 3,803,052</u>	<u>\$ 1,799,668</u>	<u>\$ 27,621,829</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, 2018

Net change in fund balances - Total governmental funds \$ 2,838,367

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	\$ 3,197,261	
Less current year depreciation	<u>(2,445,865)</u>	
		751,397

Revenue in the Statement of Activities that does not provide current financial resources is not reported as revenues in the funds.	243,584
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Internal service funds are used by management to charge the costs of equipment rental and replacement activities to individual funds. The net position of internal service funds is included in governmental activities in the Statement of Net Position.	874,377
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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.	1,846,029
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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.	(436,236)
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Governmental capital assets contributed to the proprietary fund.	(61,861)
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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.	<u>656,646</u>
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Change in Net Position of Governmental Activities	<u><u>\$ 6,712,302</u></u>
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CITY OF BAINBRIDGE ISLAND, WASHINGTON
Statement of Net Position
Proprietary Funds
As of December 31, 2018

	Business-Type Activities - Enterprise Funds					Governmental Activities
	Water	Sewer	Storm and Surface Water Management	Building and Development Services	Total	Internal Service Fund
ASSETS						
Current Assets						
Cash and Cash Equivalents	\$ 7,719,895	\$ 5,474,132	\$ 1,880,263	\$ 443,736	\$ 15,518,026	\$ 1,122,759
Receivables - Net	7,037	169,379	37,477	-	213,892	-
Due From Other Governments	-	-	8,281	-	8,281	-
Inventories	42,316	1,556	8,695	-	52,567	-
Subtotal - Current Assets	<u>7,769,247</u>	<u>5,645,067</u>	<u>1,934,716</u>	<u>443,736</u>	<u>15,792,766</u>	<u>1,122,759</u>
Long-Term Assets						
Restricted Cash for Debt Service	-	992,449	-	-	992,449	-
Special Assessments Receivable	-	753,847	-	-	753,847	-
Depreciable Capital Assets (Net)	11,524,730	19,510,413	10,528,146	-	41,563,289	1,694,638
Land	637,436	834,874	324,555	-	1,796,865	-
Construction in Progress	64,167	935,963	103,336	-	1,103,466	-
Subtotal - Long-Term Assets	<u>12,226,334</u>	<u>23,027,546</u>	<u>10,956,037</u>	<u>-</u>	<u>46,209,917</u>	<u>1,694,638</u>
Total Assets	<u>19,995,581</u>	<u>28,672,613</u>	<u>12,890,752</u>	<u>443,736</u>	<u>62,002,682</u>	<u>2,817,397</u>
DEFERRED OUTFLOWS OF RESOURCES						
Deferred Charge on Pensions	<u>36,734</u>	<u>79,079</u>	<u>66,176</u>	<u>142,804</u>	<u>324,793</u>	<u>-</u>
LIABILITIES						
Current Liabilities						
Accounts Payable	28,520	86,596	77,326	14,427	206,869	-
Accrued Expenses	26,827	93,956	41,901	103,525	266,209	-
Unearned Revenue	-	-	-	211,654	211,654	-
Current Portion of Compensated Absences	104,514	60,464	40,947	71,412	277,337	-
Current Portion of Long-Term Debt	-	1,165,185	50,703	-	1,215,888	-
Subtotal - Current Liabilities	<u>159,861</u>	<u>1,406,201</u>	<u>210,877</u>	<u>401,018</u>	<u>2,177,957</u>	<u>-</u>
Long-Term Liabilities						
Compensated Absences	58,269	36,550	25,544	45,604	165,967	-
Net Pension Liability	195,231	417,692	346,540	767,670	1,727,133	-
Bonds, Loans, and Other Debt	-	10,155,069	688,417	-	10,843,486	-
Subtotal - Long-Term Liabilities	<u>253,500</u>	<u>10,609,311</u>	<u>1,060,500</u>	<u>813,274</u>	<u>12,736,585</u>	<u>-</u>
Total Liabilities	<u>413,362</u>	<u>12,015,512</u>	<u>1,271,377</u>	<u>1,214,292</u>	<u>14,914,543</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred inflow on Pensions	<u>74,080</u>	<u>158,418</u>	<u>131,699</u>	<u>290,183</u>	<u>654,380</u>	<u>-</u>
NET POSITION						
Net investment in Capital Assets	12,226,334	9,960,996	10,610,661	-	32,797,991	1,694,638
Restricted for:						
Debt Service	-	992,449	-	-	992,449	-
Unrestricted	7,318,540	5,624,317	943,191	(917,935)	12,968,113	1,122,759
Total Net Position	<u>\$ 19,544,873</u>	<u>\$ 16,577,762</u>	<u>\$ 11,553,852</u>	<u>\$ (917,935)</u>	<u>\$ 46,758,553</u>	<u>\$ 2,817,397</u>

CITY OF BAINBRIDGE ISLAND, WASHINGTON
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the year ended December 31, 2018

	Water	Sewer	Storm and Surface Water Management	Building and Development Services	Totals	Internal Service Fund
OPERATING REVENUES						
Charges for Services	\$ 1,277,346	\$ 3,706,257	\$ 2,531,325	\$ 1,733,734	\$ 9,248,663	\$ 577,654
Total Operating Revenues	1,277,346	3,706,257	2,531,325	1,733,734	9,248,663	577,654
OPERATING EXPENSES						
Personal Services	591,686	1,088,692	953,207	2,139,169	4,772,755	-
Contractual Services	220,012	142,378	233,881	367,106	963,377	-
Utilities	125,180	256,830	39,248	1,676	422,934	-
Repairs and Maintenance	18,349	108,858	14,741	196	142,144	-
Miscellaneous Expense	7,269	8,867	44,886	6,085	67,107	-
Other Supplies and Expenses	215,682	592,538	284,513	26,253	1,118,986	-
Insurance Claims and Expenses	15,712	54,954	26,690	61,441	158,797	-
Depreciation	278,520	925,191	202,933	-	1,406,644	313,509
Total Operating Expenses	1,472,410	3,178,308	1,800,100	2,601,925	9,052,743	313,509
Operating Income (Loss)	(195,064)	527,949	731,226	(868,191)	195,920	264,146
NON-OPERATING REVENUES (EXPENSES)						
Interest & Investment Revenue	137,754	184,642	33,213	-	355,609	20,182
Miscellaneous Revenue	-	1,099	20,660	4,959	26,718	-
Miscellaneous Expense	(22,971)	(139)	(2,387)	-	(25,497)	-
Interest Expense	-	(164,900)	(1,953)	-	(166,853)	-
Loss on Disposal of Capital Assets	(39,487)	(79,591)	(47,634)	-	(166,712)	-
Total Non-Operating Revenues (Expenses)	75,295	(58,889)	1,899	4,959	23,264	20,182
Net income (loss) before contributions and transfers	(119,769)	469,060	733,125	(863,232)	219,184	284,327
Capital Contributions	418,575	237,606	61,861	-	718,041	590,050
Transfers In	35,000	-	15,993	955,200	1,006,193	-
Change in Net Position	333,806	706,666	810,979	91,968	1,943,419	874,377
Net Position - Beginning	19,211,068	16,243,366	10,742,873	(1,009,902)	45,187,405	1,943,020
Prior Period Adjustments	-	(372,271)	-	-	(372,271)	-
Total Net Position - Ending	\$ 19,544,873	\$ 16,577,762	\$ 11,553,852	\$ (917,935)	\$ 46,758,553	\$ 2,817,397

CITY OF BAINBRIDGE ISLAND, WASHINGTON

Statement of Cash Flows

Proprietary Funds

As of December 31, 2018

Page 1 of 2

	Water	Sewer	Storm and Surface Water Management	Building and Development Services	Total	Internal Service Fund
Cash Flows from Operating Activities						
Receipts from Customers	\$ 1,319,997	\$ 3,724,542	\$ 2,545,731	\$ 1,711,646	\$ 9,301,916	\$ 577,654
Payments to Suppliers	(637,632)	(1,154,352)	(673,894)	(480,783)	(2,946,661)	-
Payments to Employees	(630,625)	(1,238,201)	(1,096,299)	(2,197,267)	(5,162,392)	-
Net Cash Provided (Used) by Operating Activities	51,740	1,331,989	775,538	(966,404)	1,192,863	577,654
Cash Flows from Non-Capital Financing Activities						
Transfers from Other Funds	35,000	-	-	955,200	990,200	-
Non-Capital Grant Proceeds	-	-	4,380	-	4,380	-
Net Cash Provided (Used) by Non-Capital Financing Activities	35,000	-	4,380	955,200	994,580	-
Cash Flows from Capital and Related Financing Activities						
Transfers from Other Funds	-	-	15,993	-	15,993	-
Proceeds from Sale of Capital Assets	-	-	7,999	4,459	12,458	-
Capital Contributions	298,575	237,606	-	-	536,181	-
Capital Grants	-	-	-	-	-	-
Special Assessment Receipts	-	163,478	-	-	163,478	-
Purchase/Acquisition of Capital Assets	(150,488)	(740,307)	(298,620)	-	(1,189,415)	-
Proceeds from Long-Term Debt	-	(144,705)	-	-	(144,705)	-
Principal Paid on Capital Debt	-	(1,155,185)	(50,703)	-	(1,205,888)	-
Interest Paid on Capital Debt	-	(182,355)	(1,980)	-	(184,335)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	148,087	(1,821,468)	(327,311)	4,459	(1,996,233)	-
Cash Flows from Investing Activities						
Interest, Dividends and Rents	148,107	115,452	33,213	500	297,272	20,182
Net Cash Provided (Used) by Investing Activities	148,107	115,452	33,213	500	297,272	20,182
Net Increase (Decrease) in Cash and Cash Equivalents	382,934	(374,027)	485,820	(6,245)	488,482	597,836
Cash and Cash Equivalents, January 1	7,336,961	6,840,608	1,394,443	449,981	16,021,993	524,923
Cash and Cash Equivalents, December 31	\$ 7,719,895	\$ 6,466,581	\$ 1,880,263	\$ 443,736	\$ 16,510,475	\$ 1,122,759

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

CITY OF BAINBRIDGE ISLAND, WASHINGTON

Statement of Cash Flows

Proprietary Funds

As of December 31, 2018

Page 2 of 2

	Water	Sewer	Storm and Surface Water Management	Building and Development Services	Total	Internal Service Fund
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities						
Operating Income (Loss)	\$ (195,064)	\$ 527,949	\$ 731,226	\$ (868,191)	\$ 195,920	\$ 264,146
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities						
Depreciation	278,520	925,191	202,933	-	1,406,644	313,509
(Increase) Decrease in Accounts Receivable	7,657	46,606	16,167	-	70,430	-
(Increase) Decrease in Inventory	(14,081)	139	1,103	-	(12,839)	-
(Increase) Decrease in Due from Other Governments	-	-	(8,281)	-	(8,281)	-
(Increase) Decrease in Deferred Charge on Pensions	1,926	4,634	12,516	1,804	20,880	-
Increase (Decrease) in Accounts Payable	(1,680)	38,998	(70,468)	(15,532)	(48,682)	-
Increase (Decrease) in Compensated Absences	637	1,277	1,119	2,289	5,322	-
Increase (Decrease) in Other Current Payables	1,636	(149,112)	764	8,226	(138,486)	-
Increase (Decrease) in Unearned Revenue	-	-	-	(32,817)	(32,817)	-
Increase (Decrease) in Net Pension Liability	(58,621)	(129,027)	(168,051)	(189,912)	(545,611)	-
Increase (Decrease) in Deferred Inflow on Pensions	30,810	65,334	44,316	127,730	268,190	-
Increase (Decrease) in Post-Closure Landfill Liability	-	-	12,194	-	12,194	-
Net Cash Provided (Used) by Operating Activities	\$ 51,740	\$ 1,331,989	\$ 775,538	\$ (966,403)	\$ 1,192,864	\$ 577,655
Noncash Investing, Capital, and Financing Activities						
Developer Infrastructure Contributions	\$ 120,000	\$ -	\$ -	\$ -	\$ 120,000	\$ 590,050
Capital Asset Transfers and Acquisitions from Other Funds	(39,487)	(79,591)	(47,634)	-	(166,712)	-
	\$ 80,513	\$ (79,591)	\$ (47,634)	\$ -	\$ (46,712)	\$ 590,050

CITY OF BAINBRIDGE ISLAND, WASHINGTON

Statement of Net Position

Fiduciary Funds

As of December 31, 2018

ASSETS	<u>Agency Funds</u>
Cash and Cash Equivalents	\$ 926,916
Total Assets	<u>\$ 926,916</u>
LIABILITIES	
Custodial Accounts Payable	\$ 926,916
Total Liabilities	<u>\$ 926,916</u>

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

CITY OF BAINBRIDGE ISLAND, WASHINGTON
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2018

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 City has no component units.

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, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities relying primarily 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 improving or deteriorating financial position of the City. 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 are offset by program revenues. Direct expenses are those 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 restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items 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 are 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 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 thus, 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 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 administration and public safety.

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 as well as payments on related debt service.

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, the real estate excise tax fund, and the Transportation Benefit Fund. These resources are used for non-capital, transportation-related activities such as the City's annual roads preservation program.

Capital Construction Fund

This fund accounts for financial resources used for the acquisition or construction of major capital facilities not financed through Proprietary Funds.

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 **Internal Service Fund**:

The internal service fund accounts for equipment replacement and rental to other departments and funds of the city, and to other governments, on a cost-reimbursement basis. This proprietary fund type is reported with governmental activities in the government-wide financial statements.

The City maintains one **Fiduciary Fund**:

The fiduciary 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 upon which the City has either no claim or 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, followed by unrestricted resources as needed. In addition, it is the City's policy to use the most restrictive category first when resources are available from committed, assigned, or unassigned fund balances.

D. Use of Estimates

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

E. Budgetary Information

I. Scope of Budget

In accordance with the Revised Code of Washington (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, 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 (a) transfer appropriations between funds, or (b) increase any fund's total expenditures must be approved by the City Council. When the City Council determines 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.

F. 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 the date of acquisition. At December 31, 2018, the City was holding \$45,183,391 in cash and cash equivalents which included \$27,746,000 in the governmental funds, \$16,510,475 in the proprietary funds, and \$926,916 in the fiduciary funds.

It is the City's policy to invest temporary cash surpluses. At December 31, 2018, the City was holding \$43,478,861 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 2018, the City's levy for general governmental services was \$0.99 per \$1,000 on assessed valuation of \$7,542,154,879 for a total of \$7,500,669. Levy rates for property taxes are adopted in November of each year but 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 determine 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, 2018 and 2017, the City had total taxes receivable of \$2,201,410 and \$1,771,566, 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, 2018 and 2017, the City had \$4,279 and \$4,789, 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 on a court-ordered time payment plan or those sent to collection. This is partly because amounts levied remain subject to adjudication and possible commutation and because the State's software used by the City converts amounts owed to fee amounts set by the State. The receivable recognized for 2018 is \$460,609 (\$369,961 considered uncollectible) compared to \$591,591 (\$499,953 considered uncollectible) for 2017. This decrease in Municipal Court receivables reflects the Court's recent adoption of the State of Washington's best practices, including a write-off policy for receivables over ten years old.

Customer accounts receivables, 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 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 \$1,555,493 and \$1,750,504 for fiscal years 2018 and 2017, 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 with the normal average cost method, which uses a weighted average cost for items in inventory rather than actual cost for each specific item.

5. Pensions

For purposes of measuring the net pension asset, net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all State-sponsored pension plans and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

6. Net Pension Asset

Net pension assets are reported when the City's proportionate share of pension assets exceeds its proportionate share of pension liabilities. For further details see Note No. 6 – Pension Plans.

7. 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 \$50,000 for land, buildings, infrastructure, or intangible assets and more than \$20,000 for machinery, software, or artwork, and an estimated useful life in excess of one year. These assets are recorded at historical cost or estimated historical cost. Donated capital assets and related items are recorded at acquisition value at the date of donation. The costs of normal maintenance and repairs not adding 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 2018, no interest was capitalized. Total interest incurred and expensed in 2018 was \$502,372.

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 15
Light and Heavy Vehicles, Equipment	2 to 20
Police Vehicles	9
Buildings & Improvements	20 to 50
Roads – Unpaved and Paved	2 and 25
Sewage Treatment Plant	20
Water & Sewer Mains	66
Other Utility Infrastructure	20 to 75

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

8. 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 that 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.

9. Compensated Absences

Compensated absences are time away from work for which employees will be paid. They consist of vacation, accrued compensating time off for overtime hours worked, floating holidays, and time spent on standby. Only compensated absences, and the value of the related employee benefits, 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, outstanding sick leave is not paid to employees upon separation from City. Accumulations of over 1,040 hours are paid down annually at ½ the employee's current rate of pay. In addition, law enforcement officers, upon retirement, are paid ¼ 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, 2018 and 2017, is as follows:

	2018	2017
Vacation	\$ 788,929	\$ 800,540
Compensating Time	142,100	131,638
Standby Time	46,108	45,988
Floating Holidays	106,932	89,892
Total	\$ 1,084,069	\$ 1,068,058

10. Net Pension Liability

Net pension liabilities are reported when the City's proportionate share of pension liabilities exceeds its proportionate share of pension assets. For further details see Note No. 6 – Pension Plans.

11. 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.

12. 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.

13. 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 largely based 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 (i.e., 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* at December 31, 2018, were as follows:

	General Fund	Real Estate Excise Tax Fund	Streets Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:						
Inventory	\$ 9,524	\$ -	\$ 109,531	\$ -	\$ -	\$ 119,055
Long-term Receivables	59,171	-	-	-	-	59,171
Total Nonspendable	\$ 68,695	\$ -	\$ 109,531	\$ -	\$ -	\$ 178,226
Restricted:						
Police Investigations	\$ 38,341	\$ -	\$ -	\$ -	\$ -	\$ 38,341
Police Marine	24,200	-	-	-	-	24,200
PEG Capital	158,858	-	-	-	-	158,858
Real Estate Excise Tax	-	815,109	-	-	-	815,109
Hotel/Motel Tax	-	-	-	-	347,477	347,477
Transportation Benefit Tax	-	-	29,218	-	825,699	854,917
Transportation Impact Fees	-	-	-	-	303,458	303,458
LID Collections	-	-	-	-	218,194	218,194
Total Restricted	\$ 221,398	\$ 815,109	\$ 29,218	\$ -	\$ 1,694,829	\$ 2,760,554
Committed:						
Public Art	\$ 115,785	\$ -	\$ -	\$ -	\$ -	\$ 115,785
Floor Area Ratio - Public Amen.	-	-	-	-	14,810	14,810
Floor Area Ratio - Agriculture	-	-	-	-	83,108	83,108
Tree Fund	-	-	-	-	509	509
Total Committed	\$ 115,785	\$ -	\$ -	\$ -	\$ 98,426	\$ 214,212
Assigned:						
General Fund	\$ 27,604	\$ -	\$ -	\$ -	\$ -	\$ 27,604
Affordable Housing	200,005	-	-	-	-	200,005
Street Fund	-	-	460,408	-	-	460,408
GO Bond Fund	-	-	-	-	6,413	6,413
Construction Fund	-	-	-	3,803,052	-	3,803,052
Total Assigned	\$ 227,609	\$ -	\$ 460,408	\$ 3,803,052	\$ 6,413	\$ 4,497,482
Unassigned:						
General Fund	\$ 19,971,355	\$ -	\$ -	\$ -	\$ -	\$ 19,971,355
Total Unassigned	\$ 19,971,355	\$ -	\$ -	\$ -	\$ -	\$ 19,971,355
Total Fund Balance	\$ 20,604,843	\$ 815,109	\$ 599,157	\$ 3,803,052	\$ 1,799,668	\$ 27,621,829

The City Council passed, via resolution, a general fund stabilization policy in the form of an emergency reserve. This reserve is included in the general fund unassigned balance above.

The emergency reserve was funded with General Fund property sales and available fund balance and has a balance of \$1,020,446 at December 31, 2018. The reserve was set up to provide for unexpected emergencies not reasonably accommodated in the current budget. 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.

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

In addition to the general fund stabilization arrangement set up as the emergency reserve, in 2016 the City Council adopted, via resolution, an updated general fund minimum fund balance policy. This updated policy is defined as 25% of general fund ongoing revenues. The resulting minimum fund balance must exclude any funds held in reserve or otherwise committed. At December 31, 2018 and 2017, the City-Council-specified goal was \$4,721,595 and \$4,435,143, respectively. Unassigned general fund balance at December 31, 2018 and 2017, was \$19,971,355 and \$14,823,040, or \$18,950,909 and \$13,802,594 after reserves.

G. Deficit Net Position

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 \$(917,935) at December 31, 2018. City 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 not 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 2018, all city funds were invested in short-term cash equivalent investments in the Washington State Treasurer's Local Government Investment Pool (LGIP) or the Kitsap County Treasurer's Investment Pool (KCTIP). 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. None of these pools limit or restrict withdrawals except the KCTIP which requires one day's notice.

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 neither registered with the SEC nor rated by financial rating agencies. 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.

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, 2018, the City held the following investments (at amortized cost) and cash deposits:

Short-Term Investment held in the Washington State Treasurer's Investment Pool	\$ 20,153,745
Short-Term Investment held in the Kitsap County Treasurer's Investment Pool	23,325,116
Total Investments	\$43,478,861
Cash deposits held by the Kitsap County Treasurer	5,811
Cash deposits at Umpqua Bank	1,698,719
Total cash and cash equivalents as reported on the financial statements	\$45,183,391

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 (a) investment instrument safekeeping with the trust department of the investment firm or bank, or a third-party custodian, and (b) 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 regular non-voted 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 2018 levy rates were \$.39 and \$.85, respectively.

In addition to the preceding limit, RCW 84.55.010 also limits the growth of regular property taxes to the lesser of 1% per year or the increase in the Implicit Price Deflator (IPD). If the IPD increase is less than one percent the City may still increase the levy up to the one percent limit by passing an ordinance demonstrating a substantial need for the increase. If assessed valuations increase by more than 1%, 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. The limit may also be exceeded by a simple majority of the voters.

A secondary limitation on property tax increases is imposed by Article 7 of the Washington State Constitution. This article limits the total regular property taxes to 1% 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 1% 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, 2018, was as follows:

Governmental Activities	Beginning Balance 01/01/2018	Increases	Decreases	Ending Balance 12/31/2018
Capital Assets not depreciated:				
Land	\$ 61,933,961	\$ 119,951	\$ -	\$ 62,053,912
Construction in Progress	6,415,459	3,197,261	(7,784,951)	1,827,769
Development Rights (Intangible)	880,000	-	-	880,000
Total Capital Assets not depreciated	\$ 69,229,420	\$ 3,317,212	\$ (7,784,951)	\$ 64,761,681
Capital Assets, Depreciable:				
Buildings	\$ 16,400,829	\$ -	\$ -	\$ 16,400,829
Machinery and Equipment	8,207,168	590,050	(163,115)	8,634,103
Infrastructure	44,176,161	7,157,311	-	51,333,472
Total Capital Assets, depreciable	\$ 68,784,158	\$ 7,747,361	\$ (163,115)	\$ 76,368,404
Less Accumulated Depreciation for:				
Buildings	\$ (7,567,922)	\$ (433,012)	\$ -	\$ (8,000,934)
Machinery and Equipment	(6,411,469)	(421,838)	163,115	(6,670,192)
Infrastructure	(23,015,125)	(1,904,524)	-	(24,919,649)
Total Accumulated Depreciation	\$ (36,994,516)	\$ (2,759,374)	\$ 163,115	\$ (39,590,775)
Total Capital Assets, depreciable, net	\$ 31,789,642	\$ 4,987,987	\$ -	\$ 36,777,630
Total Governmental Activities Capital Assets, net	\$ 101,019,062	\$ 8,305,199	\$ (7,784,951)	\$ 101,539,310
Business-Type Activities	Beginning Balance 01/01/2018	Increases	Decreases	Ending Balance 12/31/2018
Capital Assets not depreciated:				
Land	\$ 1,796,865	\$ -	\$ -	\$ 1,796,865
Construction in Progress	354,818	768,343	(19,694)	1,103,466
Total Capital Assets not depreciated	\$ 2,151,683	\$ 768,343	\$ (19,694)	\$ 2,900,331
Capital Assets, depreciable:				
Buildings	\$ 54,728	\$ -	\$ -	\$ 54,728
Computer Software	32,365	-	-	32,365
Machinery and Equipment	696,656	-	-	696,656
Infrastructure	65,122,032	2,462,695	(1,888,644)	65,696,083
Total Capital Assets, depreciable	\$ 65,905,782	\$ 2,462,695	\$ (1,888,644)	\$ 66,479,833
Less accumulated depreciation for:				
Buildings	\$ (14,128)	\$ (1,150)	\$ -	\$ (15,278)
Computer Software	(32,365)	-	-	(32,365)
Machinery and Equipment	(669,458)	(6,385)	-	(675,843)
Infrastructure	(22,793,950)	(1,399,109)	-	(24,193,059)

Total Accumulated Depreciation	\$ (23,509,900)	\$ (1,406,644)	\$ -	\$ (24,916,543)
Total Capital Assets, depreciable, net	\$ 42,395,882	\$ 1,056,052	\$ (1,888,644)	\$ 41,563,289
Total Business-Type Activities Capital Assets, net	\$ 44,547,565	\$ 1,824,395	\$ (1,908,338)	\$ 44,463,621

The change in accumulated depreciation for governmental activities includes both regular depreciation and accumulated depreciation on assets contributed by business-type activities. The reduction in governmental activities construction in progress includes several abandoned projects.

2018 depreciation expense was charged to the functions of the city as follows:

Governmental Activities	2018	2017
General Government	\$ 385,956	\$ 383,079
Judicial	2,218	2,218
Public Safety	214,285	191,351
Physical Environment	52,048	37,209
Transportation	1,597,753	1,513,483
Economic Environment	-	-
Culture and Recreation	507,114	385,066
Total Depreciation - Governmental Activities	\$ 2,759,374	\$ 2,512,406

Business-Type Activities	2018	2017
Water Utility	\$ 278,520	\$ 274,744
Sewer Utility	925,191	924,141
Storm and Surface Water Management Utility	202,933	198,482
Building and Development Services	-	-
Total Depreciation - Business-Type Activities	\$ 1,406,644	\$ 1,397,367

B. Construction Commitments

At December 31, 2018, the City had no material outstanding contractual commitments.

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 2018:

Aggregate Pension Amounts – All Plans	
Pension liabilities	\$ (4,032,583)
Pension assets	\$ 1,540,069
Deferred outflows of resources	\$ 903,847
Deferred inflows of resources	\$ (2,099,274)
Pension expense/expenditures	\$ 238,807

State Sponsored Pension Plans

Substantially all City 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.

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 I provides retirement, disability and death benefits. Retirement benefits are 2% 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 5 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 I 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 I member contribution rate is established by State statute at 6%. 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%. Each biennium, the State Pension Funding Council adopts Plan I employer contribution rates. The PERS Plan I required contribution rates (expressed as a percentage of covered payroll) for 2018 were as follows:

PERS Plan I		
Actual Contribution Rates:	Employer	Employee*
January – August 2018:		
PERS Plan I	7.49%	6.00%
PERS Plan I UAAL	5.03%	0.00%
Administrative Fee	0.18%	0.00%
Total	12.70%	6.00%
September – December 2018:		
PERS Plan I	7.52%	6.00%
PERS Plan I UAAL	5.13%	0.00%
Administrative Fee	0.18%	0.00%
Total	12.83%	6.00%

* For employees participating in JBM, the contribution rate was 12.26%.

PERS Plan 2/3 provides retirement, disability, and death benefits. Retirement benefits are determined as 2% of the member's AFC times the member's years of service for Plan 2 and 1% 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 5 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 5% 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 and capped at 3% 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 5 years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after 10 years of service; or after 5 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 with the opportunity to change rates upon changing employers. As established by statute, Plan 3 required defined contribution rates are set at a minimum of 5% and escalate to 15% with a choice of 6 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 currently set at 0.18%. 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 2018 were as follows:

PERS Plan 2/3		
Actual Contribution Rates:	Employer 2/3	Employee 2*
January – August 2018:		
PERS Plan 2/3	7.49%	7.38%
PERS Plan 1 UAAL	5.03%	0.00%
Administrative Fee	0.18%	0.00%
Employee PERS Plan 3		varies
Total	12.70%	7.38%
September – December 2018:		
PERS Plan 2/3	7.52%	7.41%
PERS Plan 1 UAAL	5.13%	0.00%
Administrative Fee	0.18%	0.00%
Employee PERS Plan 3		
Total	12.83%	7.41%

* For employees participating in JBM, the contribution rate was 18.45% to 18.53%.

The City's actual PERS plan contributions were \$422,087 to PERS Plan 1 and \$602,300 to PERS Plan 2/3 for the year ended December 31, 2018.

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 – 1.0% 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 10 years of service. Members are eligible for retirement with 5 years of service at the age of 50. Other benefits include duty and non-duty disability payments, a 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 5 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 0%, as long as the plan remains fully funded. The LEOFF Plan 1 had no required employer or employee contributions for fiscal year 2018. Employers only paid the administrative expense of 0.18% of covered payroll.

LEOFF Plan 2 provides retirement, disability, and death benefits. Retirement benefits are determined as 2% of the 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 5 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 3% 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 and capped at 3% 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 5 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%. Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board.

Effective July 1, 2017, when a LEOFF employer charges a fee or recovers costs for services rendered by a LEOFF 2 member to a non-LEOFF employer, the LEOFF employer must cover both the employer and state contributions on the LEOFF 2 basic salary earned for those services.

The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2018 were as follows:

LEOFF Plan 2		
Actual Contribution Rates:	Employer	Employee
State and local governments	5.25%	8.75%
Administrative Fee	0.18%	0.00%
Total	5.43%	8.75%
Ports and Universities	8.75%	8.75%
Administrative Fee	0.18%	0.00%
Total	8.93%	8.75%

The City's actual contributions to the plan were \$127,607 for the year ended December 31, 2018.

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, 2018, the State contributed \$68,152,127 to LEOFF Plan 2. For 2018, the amount recognized by the City as its proportionate share of this amount was \$69,352.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2018 with a valuation date of June 30, 2017. 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 and the 2017 Economic Experience Study.

Additional assumptions for subsequent events and law changes are current as of the 2017 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2018. Plan liabilities were rolled forward from June 30, 2017, to June 30, 2018, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 2.75% total economic inflation; 3.50% salary inflation
- **Salary increases:** In addition to the base 3.50% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.4%

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% 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 changes in methods and assumptions since the last valuation:

- Lowered the valuation interest rate from 7.70% to 7.50% for all systems except LEOFF 2. For LEOFF 2 the valuation interest rate was lowered from 7.5% to 7.4%.
- Lowered the assumed general salary growth from 3.75% to 6.5% for all systems.
- Lowered assumed inflation from 3.00% to 2.75% for all systems.
- Modified how the valuation software calculates benefits paid to remarries duty-related death survivors of LEOFF 2 members.
- Updated the trend that the valuation software uses to project medical inflation for LEOFF 2 survivors of a duty-related death, and for certain LEOFF 2 medical-related duty disability benefits.

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.4 percent.

To determine that rate, an asset sufficiency test included an assumed 7.5 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. (All plans use 7.5 percent except LEOFF 2, which has assumed 7.4 percent). Consistent with the long-term expected rate of return, a 7.4 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 I, and TRS I 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 7.4 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 7.4 percent was determined using a building-block-method. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered capital market assumptions and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns over various time horizons.

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2018, are summarized in the table below. The inflation component used to create the following table is 2.2% and represents the WSIB's most recent long-term estimate of broad economic inflation:

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	1.70%
Tangible Assets	7%	4.90%
Real Estate	18%	5.80%
Global Equity	32%	6.30%
Private Equity	23%	9.30%
	100%	

Sensitivity of Net Pension Liability/(Asset)

The table below presents the City's proportionate share* of the net pension liability (NPL) calculated using the discount rate of 7.4%, as well as what the City's proportionate share of the NPL would be if it were calculated using a discount rate that is one percentage point lower (6.4%), or one percentage point higher (8.4%), than the current rate.

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
PERS I	\$ 3,365,260	\$ 2,738,349	\$ 2,195,317
PERS 2/3	\$ 5,919,860	\$ 1,294,235	\$ (2,498,261)
LEOFF I	\$ (76,431)	\$ (96,076)	\$ (112,990)
LEOFF 2	\$ (192,024)	\$ (1,443,993)	\$ (2,465,119)

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 and/or Inflows of Resources Related to Pensions

At June 30, 2018, the City reported a total pension liability of \$4,032,583 and a total pension asset of \$1,540,069 for its proportionate share of the net pension liabilities and assets as follows:

	Liability (or Asset)
PERS I	\$ 2,738,349
PERS 2/3	\$ 1,294,235
LEOFF 1	\$ (96,076)
LEOFF 2	\$ (1,443,993)

The amount of the asset reported above for LEOFF Plans 1 and 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 asset, the related State support, and the total portion of the net pension asset that was associated with the City were as follows:

	LEOFF 1 Asset	LEOFF 2 Asset	Total
City's proportionate share	\$ (96,076)	\$ (1,443,993)	\$ (1,540,069)
State's proportionate share of the net pension asset associated with the City	(649,858)	(934,958)	(1,584,816)
Total	\$ (745,935)	\$ (2,378,950)	\$ (3,124,885)

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

	Proportionate Share 6/30/17	Proportionate Share 6/30/18	Change in Proportion
PERS I	0.059776%	0.061315%	0.0015%
PERS 2/3	0.074148%	0.075801%	0.0017%
LEOFF 1	0.005237%	0.005292%	0.0001%
LEOFF 2	0.064740%	0.071125%	0.0064%

Employer contribution transmittals received and processed by the DRS for each fiscal year ending 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 1.

LEOFF Plan 1 allocation percentages are based on the total historical employer contributions to LEOFF 1 from 1971 through 2000 and the retirement benefit payments in fiscal year 2018. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2018, the state of Washington contributed 87.12% of LEOFF 1 employer contributions and all other employers contributed the remaining 12.88% of employer contributions. LEOFF 1 is fully funded with no further employer contributions 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 2018, the state of Washington contributed 39.30% of LEOFF 2 employer contributions pursuant to RCW 41.26.725, and all other employers contributed the remaining 60.70% of employer contributions.

The collective net pension liability (asset) was measured as of June 30, 2018. The actuarial valuation date, upon which the total pension liability (asset) is based, was measured as of June 30, 2017, using update procedures to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2018, the City recognized pension expense as follows:

	Pension Expense
PERS I	\$ 314,747
PERS 2/3	2,336
LEOFF 1	(16,203)

LEOFF 2	(62,074)
Total	\$ 238,807

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS I	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual investment earnings on pension plan investments	-	(108,820)
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	210,884	-
Total	\$ 210,884	\$ (108,820)

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 158,639	\$ (226,597)
Net difference between projected and actual investment earnings on pension plan investments	-	(794,202)
Changes of assumptions	15,140	(368,329)
Changes in proportion and differences between contributions and proportionate share of contributions	73,773	(29,522)
Contributions subsequent to the measurement date	299,739	-
Total	\$ 547,291	\$ (1,418,649)

LEOFF I	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual investment earnings on pension plan investments	-	(7,800)
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	-	-
Total	\$ -	\$ (7,800)

LEOFF 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 77,352	\$ (33,530)
Net difference between projected and actual investment earnings on pension plan investments	-	(252,718)
Changes of assumptions	817	(207,239)
Changes in proportion and differences between contributions and proportionate share of contributions	2,697	(70,518)
Contributions subsequent to the measurement date	64,806	-
Total	\$ 145,672	\$ (564,005)

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, 2018. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	PERS I
2019	\$ 4,761
2020	(23,789)
2021	(71,383)
2022	(18,409)
2023	-
Thereafter	-
Total	\$(108,820)

Year ended December 31:	PERS 2/3
2019	\$ (114,115)
2020	(258,648)
2021	(478,427)
2022	(172,318)
2023	(58,932)
Thereafter	(88,656)
Total	\$ (1,171,097)

Year ended December 31:	LEOFF I
2019	\$ 7
2020	(1,760)
2021	(4,792)
2022	(1,255)
2023	-
Thereafter	-
Total	\$ (7,800)

Year ended December 31:	LEOFF 2
2019	\$ (39,351)
2020	(77,614)
2021	(157,890)
2022	(62,856)
2023	(27,028)
Thereafter	(118,400)
Total	\$(483,138)

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 to provide a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and/or jointly contracting for risk management services. WCIA has a total of 160 members.

New WCIA members initially contract for a three-year term, and thereafter automatically renew annually. Membership termination requires a one-year notice. 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, errors or omissions, stop gap, employment practices, and employee benefits liability. Limits are \$4 million per occurrence in the self-insured layer, and \$16 million above the self-insured layer through reinsurance. Total limits are \$20 million per occurrence subject to aggregates and sublimits. The Board of Directors determines the limits and terms of coverage annually.

Insurance for property, automobile physical damage, fidelity, inland marine, and boiler and machinery coverage are purchased on a group basis. Various deductibles apply by type of coverage. Property coverage is self-funded from the members' deductible to \$750,000 for all perils other than flood and earthquake and insured above that to \$300 million per occurrence subject to aggregates and sublimits. Automobile physical damage coverage is self-funded from the members' deductible to \$250,000 and insured above that to \$100 million per occurrence subject to aggregates and sublimits.

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

WCIA is fully funded by its members, who pay annual assessments on a prospectively rated basis, as determined by an outside, independent actuary. The assessment covers loss, loss adjustment, reinsurance, 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, 2018, there were no material settlements not fully covered by insurance.

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. In prior years, the City

has entered into bonded indebtedness to advance refund certain general obligation and revenue bonds. The City issued general obligation bonds for governmental and business-type activities, which are being repaid from the applicable resources.

The City presently has one outstanding local improvement district (LID) special assessment bond, 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 pledge 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 1.F.2 for information on delinquent LID special assessment receivables.

Long-Term debt reported on the statements of net position at December 31, 2018, is comprised of the following:

Type of Debt or Long-Term Liability	Governmental Activities	Business-Type Activities
Unlimited Tax General Obligation Bonds	\$ 2,760,000	\$ -
Limited Tax General Obligation Bonds	3,720,000	3,415,000
Limited Tax General Obligation Long-Term Debt	236,648	4,748,055
Revenue Obligation Long-Term Debt	-	1,600,065
Local Improvement District Obligation Long-Term Debt	186,817	1,785,000
Long-Term Debt analyzed in this Note below	6,903,465	11,548,120
Other Components of Long-Term Liabilities:		
Other Post-Employment Benefits - See Note No. 14	1,212,886	-
Net Pension Liability - See Note No. 6	2,305,455	1,727,133
Compensated Absences - See Note No. 1.F.9.	640,765	443,304
Landfill Post-Closure Care Costs - See Note No. 9	-	393,744
Unamortized Bond Discounts and Premiums	229,124	117,510
Total Long-Term Liabilities reported on the Statement of Net Position, including the current portion of compensated absences	\$ 11,291,695	\$ 14,229,811

General Obligation Bonds currently outstanding are as follows:

Purpose/Original Issue Amount/Bond	Interest Rates	Governmental Activities	Business-Type Activities
Open Space Acquisitions/\$5,230,000/UTGO 2013	2.00 - 4.00%	\$ 2,760,000	\$ -
Roads, Open Space & Parks/\$5,890,000/LTGO '07 & '08	3.00 - 5.00%	3,330,000	-
Refinance City Hall and Facility Construction Bonds/\$12,630,000/LTGO 2005 & 2009	3.00 - 4.30%	390,000	-
Sewer Treatment Plant Bonds/\$5,700,000/LTGO 2011	2.00 - 4.00%	-	3,415,000
Total General Obligation Bonds		\$ 6,480,000	\$ 3,415,000

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
2019	\$ 1,190,000	\$ 264,945	\$ 230,000	\$ 136,600
2020	830,000	215,725	235,000	127,400
2021	870,000	182,055	245,000	118,000
2022	905,000	146,765	255,000	108,000
2023 - 2027	2,555,000	293,903	1,440,000	379,400
2027 - 2032	130,000	2,925	1,010,000	81,800
Total	\$ 6,480,000	\$ 1,106,318	\$ 3,415,000	\$ 951,400

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

Purpose/Original Issue Amount	Interest Rates	Governmental Activities	Business-Type Activities
PWTF Loan for Emergency Street Repairs/\$449,632	3.00%	\$ 236,648	\$ -
PWTF Loan Storm Drain Decant Facility Design/\$179,025	0.50%	-	57,271
PWTF Loan Sewage Treatment Plant Design/\$389,215	0.50%	-	126,523
PWTF Loan Storm Drain Decant Facility Constr./\$782,000	0.50%	-	288,104
PWTF Loan Sewage Treatment Plant Constr. Loan #1/\$3,618,000	0.50%	-	1,474,364
PWTF Loan Eagle Harbor Sewer Beach Mains Design/\$383,542	0.50%	-	204,341
PWTF Loan Eagle Harbor Sewer Beach Mains Constr./\$4,167,089	0.50%	-	2,597,452
Total Other General Obligation Debt		\$ 236,648	\$ 4,748,055

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
2019	23,665	7,099	488,380	24,416
2020	23,665	6,390	488,380	21,925
2021	23,665	5,680	488,380	19,435
2022	23,665	4,970	488,380	16,945
2023 - 2027	118,323	14,199	1,846,440	49,092
2028 - 2032	23,665	710	948,095	14,741
Total	\$ 236,648	\$ 39,047	\$ 4,748,055	\$ 146,554

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%	\$ -	\$ 1,600,065
Total Revenue Obligation Debt		\$ -	\$ 1,600,065

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
2019	-	-	200,008	8,000
2020	-	-	200,008	7,000
2021	-	-	200,008	6,000
2022	-	-	200,008	5,000
2023 - 2027	-	-	800,033	10,000
Total	\$ -	\$ -	\$ 1,600,065	\$ 36,000

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%	\$ -	\$ 1,785,500
Local Improvement District No. 22 Bonds Street Constr./\$755,300	4.56%	186,817	-
Total LID Obligation Debt		\$ 186,817	\$ 1,785,500

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
2019	37,363	8,519	297,500	8,925
2020	37,364	6,815	297,500	7,438
2021	37,363	5,111	297,500	5,950
2022	37,364	3,408	297,500	4,463
2023 - 2027	37,363	1,704	595,000	4,463
Total	\$ 186,817	\$ 25,557	\$ 1,785,500	\$ 31,238

A. Changes in Long-Term Liabilities

During the year ending December 31, 2018, the following changes occurred in long-term liabilities:

	Beginning Balance Jan. 1, 2018	Additions	Reductions	Ending Balance Dec. 31, 2018	Due Within One Year
Governmental Activities:					
Unlimited Tax General Obligation Bonds	\$ 3,250,000	\$ -	\$ (490,000)	\$ 2,760,000	\$ 500,000
Limited Tax General Obligation Bonds	5,015,000	-	(1,295,000)	3,720,000	690,000
Local Improvement District Bonds	224,181	-	(37,364)	186,817	37,364
Total Bonds Payable	8,489,545	-	(1,822,364)	6,666,817	1,227,364
Loans from Other Gov'ts	\$ 260,313	-	(23,665)	236,648	23,665
Compensated Absences	630,076	10,689	-	640,765	394,785
Net Pension Liability	3,139,967	-	(834,512)	2,305,455	-
OPEB Liability	344,803	2,464,018	(1,595,935)	1,212,886	-
Unamortized Bond Discounts & Premiums	302,140	551	(73,568)	229,122	73,017
Total Governmental Activity long-term liabilities	\$ 13,166,480	\$ 2,475,258	\$ (4,350,044)	\$ 11,291,693	\$ 1,718,831
Business-Type Activities:					
Limited Tax General Obligation Bonds	\$ 3,635,000	\$ -	\$ (220,000)	\$ 3,415,000	\$ 230,000
Loans from Other Gov'ts	9,119,007	-	(985,888)	8,133,119	985,888
Compensated Absences	437,983	5,322	-	443,305	277,337
Net Pension Liability	2,272,744	-	(545,611)	1,727,133	-
Landfill Post-Closure Liability	381,550	56,154	(43,960)	393,744	16,686
Unamortized Bond Discounts & Premiums	127,303	-	(9,793)	117,511	9,793
Total Business-Type Activity long-term liabilities	\$ 15,973,587	\$ 17,516	\$ (1,761,292)	\$ 14,229,811	\$ 1,519,704

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

B. Long-term Washington State EECBG Grant Obligation

In 2011, the City received \$100,000 in grant funds through an 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. The grant funds were remitted to Kitsap Credit Union (KCU) to fund loan loss reserves as part of KCU's program offering lower-than-market interest rates for energy efficiency home improvement loans. In March 2016, at the conclusion of their program, KCU returned the funds to the City in total. With the approval of Commerce, the City reprogrammed the funds and used approximately half the money in 2017 to install LED light bulbs in all City's streetlights. Commerce approved the City to use the remaining funds for energy efficiency upgrades to City Hall's HVAC system. This upgrade was completed in 2018.

C. Leases

1. Operating Leases

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

2. Capital Leases

The City had no capital lease obligations outstanding at December 31, 2018.

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 5 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, 2018, 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 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 earlier remedial efforts fail. In 2010, the City sold a portion of the site to Bainbridge Disposal. The City retains a majority of the site as well as the related monitoring, maintenance, and potential future remediation expenses.

The landfill post-closure liability of \$393,744 at December 31, 2018, represents the estimated liability for all future post-closure costs as if those costs were performed in 2018. This estimate is subject to change each year due to 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 2018 were \$43,960. This cost was offset by \$56,154 due to the annual re-estimation of total post-closure care for the remaining years the City is under obligation to monitor and maintain the closed landfill.

Because the landfill was closed prior to 1989, no assets are 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 no recorded contingent liabilities because management believes it is not probable 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.F.9. – Compensated Absences. However, sick or injured employees can draw on accumulated sick leave in the future. As of December 31, 2018, and 2017, the value of total accumulated sick leave was \$1,983,447 and \$1,533,446 respectively. Additionally, the City has a program encouraging employees to engage in healthy practices and rewarding them with time off. There is no requirement to pay out accumulated "wellness" time. The value of such time at December 31, 2018 and 2017, was \$44,845 and \$60,569, 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 cleanup costs are paid 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-ending 2018.

B. Interfund transfers

Interfund transfers for the year ended December 31, 2018, were as follows:

	Transfers to General Fund	Transfers to Street Fund	Transfers to Gen'l Obl. Bond Fund	Transfers to Capital Constr. Fund	Transfers to Building & Dev. Svcs. Fund	Transfers to Water Utility Fund	Transfers to SSWM Utility Fund	Total
Disbursing From								
General Fund	\$ -	\$ -	\$ -	\$ 957,600	\$ 955,200	\$ 35,000	\$ 15,993	\$ 1,963,793
Real Estate Excise Tax Fund	-	785,000	1,540,039	-	-	-	-	2,325,039
Transportation Benefit Fund	-	399,500	-	-	-	-	-	399,500
Transportation Impact Fee Fund	-	-	-	324,000	-	-	-	324,000

Capital Construction Fund	635,992	-	-	-	-	-	-	635,992
Total Governmental Activities	\$ 635,992	\$1,184,500	\$1,540,039	\$1,281,600	\$ 955,200	\$ 35,000	\$ 15,993	\$ 5,648,324
Transfer Purpose:	Return of Unused Subsidy	Operating Subsidy	Debt Service Subsidy	Construction Support	Operating Subsidy	Tax Offset	Constr. Support	

As discussed in Note No. I.C. (Measurement Focus, Basis of Accounting, and Financial Statement Presentation) the City 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 the 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.

Although the amounts above appear in the individual fund financial statements, certain transactions and related balances were 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, 2018, were as follows:

	Accounts	Taxes	Special Assessments	Due from Other Governments or Non-profits	Total
Governmental Activities:					
General Government	\$ 116,544	\$ 1,867,118	\$ -	\$ 547,871	\$ 2,531,534
Public Safety	-	-	-	-	-
Transportation	1,950	277,451	124,623	655,462	1,059,486
Culture & Recreation	-	11,766	-	284,708	296,474
Judicial	90,648	-	-	-	90,648
Phys. Environment	-	-	-	-	-
Economic Environment	-	45,074	-	-	45,074
Health and Human Service	-	-	-	59,171	59,171
Total Governmental Activities	\$ 209,142	\$ 2,201,410	\$ 124,623	\$ 1,547,212	\$ 4,082,387
Business-Type Activities:					
Water	\$ 7,037	\$ -	\$ -	\$ -	\$ 7,037
Sewer	59,580	-	863,646	-	923,226
Storm & Surface Water	37,477	-	-	8,281	45,758
Bldg. & Dev. Svcs.	-	-	-	-	-
Total Business-Type Activities	\$ 104,093	\$ -	\$ 863,646	\$ 8,281	\$ 976,020

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, 2018, were as follows:

	Vendors	Salaries and Benefits	Other	Total
Governmental Activities:				
General Government	\$ 874,746	\$ 202,305	\$ -	\$ 1,077,050
Public Safety	89,205	315,594	-	404,799
Transportation	367,364	174,938	24,871	567,173
Culture and Recreation	6,386	17,160	12,250	35,795
Judicial	2,443	43,687	-	46,130
Physical Environment	-	51,685	-	51,685
Economic Environment	68,015	66,400	-	134,415
Health and Human Service	1,125	2,822	-	3,947
Total Governmental Activities	\$ 1,409,284	\$ 874,591	\$ 37,120	\$ 2,320,995
Business-Type Activities:				
Water	\$ 28,519	\$ 131,341	\$ -	\$ 159,861
Sewer	86,596	124,111	30,310	241,016
Storm & Surface Water	77,327	81,720	1,127	160,174
Bldg. & Dev. Svcs.	14,427	174,937	-	189,364
Total Business-Type Activities	\$ 206,869	\$ 512,109	\$ 31,437	\$ 750,415

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 2,600 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 2,100 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 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS

The City has no termination benefits other than the accrued compensated absences described in Note No. 1.F.9. (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 on disability as well as those retired after reaching the age requirement. As of December 31, 2018, the City's plan had one covered retiree and one active member who is separated from City service but still employed elsewhere. A third participant that was covered under the benefit terms passed away in August 2018, bringing the City's total LEOFF I participants in 2018 down from 3 to 2. 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 and there are no assets accumulated in a qualifying trust. Expenditures for post-retirement health care benefits are recognized as retirees report claims. During the year, expenditures of \$34,767 were recognized for post-retirement health care.

Total OPEB Liability

The City has elected to calculate the total OPEB liability using the alternative measurement method permitted by GASB Statement No. 75 for employers with plans that have fewer than one hundred total plan members. The City's total OPEB liability of \$1,212,886 was measured as of June 30, 2018 and was determined using the entry age valuation method on that date.

Valuation Assumptions and Other Inputs

The total OPEB liability in the June 30, 2018 valuation was determined using the following assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified. Unless noted otherwise, assumptions and inputs are consistent with the 2016 LEOFF I Medical Benefits Actuarial Valuation Report published by the Washington State Actuary's Office:

Inflation:	3.00%
Discount Rate:	3.87%
Healthcare cost trend rates:	Initial medical cost rate is approximately 12% and trends down to about 5% in 2080. Long-term care is 4.5%. Medicare Part B premiums are approximately 5%.

A 3% general inflation rate was used based on the Consumer Price Index for Urban Wage Earners and Clerical Workers, Seattle-Tacoma-Bremerton, WA – All Items.

The discount rate is based on the Bond Buyer General Obligation 20-Bond Municipal Index.

Mortality rates were based on the RP-2000 Mortality Table for males with adjustments for mortality improvements based on the Mortality Improvement Scale BB Report.

Sensitivity of the Total OPEB Liability

Healthcare Cost Trend Rate

The following presents the total OPEB liability of the City of Bainbridge Island calculated using the current healthcare cost trend rate of 12 percent, as well as what the OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage point lower (11%) or 1-percentage point higher (13%) than the current rate:

	1% Decrease (11%)	Current Healthcare Cost Trend Rate (12%)	1% Increase (13%)
Total OPEB Liability	\$ 1,057,228	\$ 1,212,886	\$ 1,399,080

Discount Rate

The following presents the total OPEB liability of the City of Bainbridge Island calculated using the current discount rate of 3.87 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.87%) or 1-percentage point higher (4.87%) than the current rate:

	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
Total OPEB Liability	\$ 1,409,485	\$ 1,212,886	\$ 1,052,445

Change in Total OPEB Liability

Balance at 6/30/2017	\$	1,251,132
Changes for the year:		
Interest Cost		44,256
Changes in Experience Data and Assumptions		(52,368)
Estimated Benefit Payments		(30,134)
Net changes		<u>(38,246)</u>
Balance at 6/30/2018	<u>\$</u>	<u>1,212,886</u>

Changes in expense data and assumptions reflect a change in the discount rate from 3.58 percent in 2017 to 3.87 percent in 2018.

Deferred outflows of resources of \$15,036 resulting from payments subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended December 31, 2019.

NOTE 15 – PRIOR PERIOD ADJUSTMENT

During 2018 the City recorded the following prior period adjustments:

In the entity-wide statement of activities \$693,119 to correctly record tax and fee revenue accruals.

In the governmental funds, to correctly record tax and fee revenue accruals, \$2,039,501 in the General Fund, \$318,637 in the Street Fund, \$23,048 in the Real Estate Excise Tax Fund, and \$47,357 in the non-major Civic Improvement Fund.

In the proprietary funds \$372,271 was recorded in the Sewer Fund to correct an error in Local Improvement District Receivables.

NOTE 16 – CHANGE IN ACCOUNTING PRINCIPLE

During 2018 the City adopted GASB Statement No. 75 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This required a \$(887,901) restatement of beginning fund balance in the governmental activities section of the statement of activities.

NOTE 17 – SUBSEQUENT EVENT

On March 13, 2019, the City entered into a \$8,975,000 agreement to purchase the Harrison Medical Building. The City plans to renovate the building for use as a combined Police/Court facility. The estimated total cost of the project is \$20,000,000, including the purchase of the building. The City plans to use \$8,000,000 in councilmanic bonds and \$12,000,000 in cash to complete the project.

City of Bainbridge Island
Schedule of Changes in Total OPEB Liability and Related Ratios
City of Bainbridge Island Administered OPEB Plan
For the year ended June 30, 2018
Last 10 Fiscal Years*

	2018
Total OPEB liability - beginning	\$ 1,251,132
Service cost	0
Interest	44,256
Changes in benefit terms	0
Differences between expected and actual experience	(52,368)
Changes of assumptions	0
Benefit payments	(30,134)
Other changes	
Total OPEB liability - ending	\$ 1,212,886
Covered-employee payroll	\$ -
Total OPEB liability as a % of covered payroll	0.00%

Notes to Schedule:

* Until a full 10-year trend is compiled, only information for those years available is presented.

There are no assets accumulated in a trust related to this OPEB plan that meet the criteria in paragraph 4 of GASB Statement No. 75.

There were no changes in assumptions during the measurement period.

Total population covered by this plan was reduced from 3 to 2 following the death of one of the participants in August 2018.

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Pension Plans

City of Bainbridge Island
 Schedule of Proportionate Share of Net Pension Liability
 Public Employees Retirement System Plan I (PERS I)
 As of June 30, 2018
 Last 10 Fiscal Years *

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>The City's proportion of the net pension liability (asset)</u>	0.061315%	0.059776%	0.060413%	0.060591%	0.057710%
<u>The City's proportionate share of the net pension liability (asset)</u>	\$ 2,738,349	\$ 2,836,418	\$ 3,244,463	\$ 3,169,473	\$ 2,907,168
<u>The City's payroll in PERS I</u>	\$ 7,983,671	\$ 7,378,058	\$ 7,093,980	\$ 6,812,867	\$ 6,234,704
<u>The City's proportionate share of the net pension liability as a percentage of payroll in PERS I</u>	34.30%	38.44%	45.74%	46.52%	46.63%
<u>Plan fiduciary net position as a percentage of the total pension liability</u>	63.22%	61.24%	57.03%	59.10%	61.19%

* This schedule is intended to show information for the last 10 years however only five 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
 Public Employees Retirement Systems Plans 2 and 3 (PERS 2 and 3)
 As of June 30, 2018
 Last 10 Fiscal Years *

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>The City's proportion of the net pension liability (asset)</u>	0.075801%	0.074148%	0.074798%	0.075592%	0.071618%
<u>The City's proportionate share of the net pension liability (asset)</u>	\$ 1,294,235	\$ 2,576,289	\$ 3,766,020	\$ 2,700,945	\$ 1,447,658
<u>The City's payroll in PERS 2 and 3</u>	\$ 7,861,509	\$ 7,261,956	\$ 6,983,641	\$ 6,707,406	\$ 6,131,610
<u>The City's proportionate share of the net pension liability as a percentage of payroll in PERS 2 and 3</u>	16.46%	35.48%	53.93%	40.27%	23.61%
<u>Plan fiduciary net position as a percentage of the total pension liability</u>	95.77%	90.97%	85.82%	89.20%	93.29%

* This schedule is intended to show information for the last 10 years however only five 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 Plan I (LEOFF I)
 As of June 30, 2018
 Last 10 Fiscal Years *

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>The City's proportion of the net pension liability (asset)</u>	0.005292%	0.005237%	0.005163%	0.005108%	0.005066%
<u>The City's proportionate share of the net pension liability (asset)</u>	\$ (96,076)	\$ (79,457)	\$ (53,194)	\$ (61,563)	\$ (61,440)
<u>State's proportionate share of the net pension liability (asset) associated with the employer</u>	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL	\$ (96,076)	\$ (79,457)	\$ (53,194)	\$ (61,563)	\$ (61,440)
<u>The City's payroll in LEOFF I</u>	\$ -	\$ -	\$ -	\$ -	\$ -
<u>The City's proportionate share of the net pension liability as a percentage of payroll in LEOFF I</u>	0.00%	0.00%	0.00%	0.00%	0.00%
<u>Plan fiduciary net position as a percentage of the total pension liability</u>	144.42%	135.96%	123.74%	127.36%	126.91%

* This schedule is intended to show information for the last 10 years however only five 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 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 Plan 2 (LEOFF 2)
 As of June 30, 2018
 Last 10 Fiscal Years *

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>The City's proportion of the net pension liability (asset)</u>	0.071125%	0.064740%	0.065121%	0.063719%	0.062773%
<u>The City's proportionate share of the net pension liability (asset)</u>	\$ (1,443,993)	\$ (898,381)	\$ (378,763)	\$ (654,904)	\$ (833,025)
<u>The State of Washington's proportionate share of the net pension liability (asset) associated with the City</u>	\$ (934,958)	\$ (582,763)	\$ (246,926)	\$ (433,023)	\$ (544,283)
TOTAL	<u>\$ (2,378,950)</u>	<u>\$ (1,481,145)</u>	<u>\$ (625,689)</u>	<u>\$ (1,087,927)</u>	<u>\$ (1,377,308)</u>
<u>The City's payroll in LEOFF 2</u>	\$ 2,347,448	\$ 2,025,171	\$ 1,972,785	\$ 1,849,373	\$ 1,746,908
<u>The City's proportionate share of the net pension liability as a percentage of payroll in LEOFF 2</u>	-61.51%	-44.36%	-19.20%	-35.41%	-47.69%
<u>Plan fiduciary net position as a percentage of the total pension liability</u>	118.50%	113.36%	106.04%	111.67%	116.75%

* This schedule is intended to show information for the last 10 years however only five 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
 Public Employees Retirement System Plan I (PERS I)
 As of December 31, 2018
 Last 10 Fiscal Years *

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>Contractually required contributions (actuarially determined)</u>	\$ 422,087	\$ 381,731	\$ 350,071	\$ 310,417	\$ 269,414
<u>Contributions in relation to the contractually required contributions</u>	\$ (422,087)	\$ (381,731)	\$ (350,071)	\$ (310,417)	\$ (269,414)
<u>Contribution deficiency (excess)</u>	\$ -	\$ -	\$ -	\$ -	\$ -
<u>Employer payroll</u>	\$ 8,157,822	\$ 7,624,452	\$ 7,195,872	\$ 6,989,870	\$ 6,547,257
<u>Contributions as a percentage of payroll</u>	5.17%	5.01%	4.86%	4.44%	4.11%

* This schedule is intended to show information for the last 10 years however only five 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
 Public Employees Retirement Systems Plans 2 and 3 (PERS 2 and 3)
 As of December 31, 2018
 Last 10 Fiscal Years *

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>Contractually required contributions (actuarially determined)</u>	\$ 602,300	\$ 525,708	\$ 454,418	\$ 384,415	\$ 321,803
<u>Contributions in relation to the contractually required contributions</u>	\$ (602,300)	\$ (525,708)	\$ (454,418)	\$ (384,415)	\$ (321,803)
<u>Contribution deficiency (excess)</u>	\$ -	\$ -	\$ -	\$ -	\$ -
<u>Employer payroll</u>	\$ 8,032,195	\$ 7,505,804	\$ 7,083,242	\$ 6,883,331	\$ 6,442,891
<u>Contributions as a percentage of payroll</u>	7.50%	7.00%	6.42%	5.58%	4.99%

* This schedule is intended to show information for the last 10 years however only five 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 Plan 2 (LEOFF 2)
 As of December 31, 2018
 Last 10 Fiscal Years *

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>Contractually required contributions (actuarially determined)</u>	\$ 127,607	\$ 116,464	\$ 103,365	\$ 96,865	\$ 90,284
<u>Contributions in relation to the contractually required contributions</u>	\$ (127,607)	\$ (116,464)	\$ (103,365)	\$ (96,865)	\$ (90,284)
<u>Contribution deficiency (excess)</u>	<u>\$ -</u>				
<u>Employer payroll</u>	\$ 2,426,859	\$ 2,180,981	\$ 1,976,382	\$ 1,918,110	\$ 1,787,799
<u>Contributions as a percentage of payroll</u>	5.26%	5.34%	5.23%	5.05%	5.05%

* This schedule is intended to show information for the last 10 years however only five 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, 2018

NOTE 1 – PENSION PLAN TREND DATA

Ten-year historical trend information, when available, 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 payroll are both affected by inflation. Expressing the net pension liability as a percentage of 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 payroll in each pension plan.

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

NOTE 2 – CONTRIBUTIONS FOR LAW ENFORCEMENT OFFICERS AND FIRE FIGHTERS (LEOFF) PLAN I

There is no schedule presented of employer contributions for LEOFF Plan I because there are no contributions required at this time.

CITY OF BAINBRIDGE ISLAND, WASHINGTON

Budgetary Comparison Schedule

General Fund

For the Year Ended December 31, 2018

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Revised	(Budgetary Basis)	Final Budget
REVENUES				
Property Taxes	\$ 7,296,493	\$ 7,296,493	\$ 7,523,658	\$ 227,165
Other Taxes	8,213,647	8,213,647	9,031,124	817,477
Fees and Fines	109,000	109,000	56,989	(52,011)
Licenses and Permits	570,000	570,000	679,380	109,380
Intergovernmental	313,100	313,100	635,767	322,667
Charges for Services	369,052	369,052	414,582	45,530
Interest	82,933	82,933	438,903	355,970
Other Revenues	54,000	54,000	105,976	51,976
Total REVENUES	17,008,225	17,008,225	18,886,379	1,878,154
EXPENDITURES				
General Government	5,356,058	5,359,621	4,395,350	964,271
Judicial	727,394	727,394	702,714	24,680
Public Safety	5,425,586	5,723,089	5,562,764	160,326
Physical Environment	1,360,995	1,370,592	860,241	510,350
Transportation	0	145,000	36,041	108,959
Health and Human Services	264,300	264,300	259,248	5,052
Economic Environment	1,382,963	2,505,480	1,547,671	957,809
Culture and Recreation	473,726	669,433	622,406	47,027
Debt Service - Interest	3,000	3,000	1,627	1,373
Capital Outlay	294,463	386,607	470,404	(83,797)
Total EXPENDITURES	15,288,484	17,154,516	14,458,465	2,696,051
Operating Income (Loss)	1,719,740	(146,291)	4,427,914	4,574,205
OTHER FINANCING SOURCES/USES				
Proceeds from Sale of Capital Assets	5,000	5,000	90,399	85,399
Transfers - Out	(2,138,329)	(1,838,329)	(1,963,793)	(125,464)
Transfers - In	0	0	635,992	635,992
Total OTHER FINANCING SOURCES/USES	(2,133,329)	(1,833,329)	(1,237,402)	595,927
Net Change in Fund Balance	(413,589)	(1,979,620)	3,190,512	5,170,133
Fund Balances -- Beginning	13,861,500	15,374,830	15,374,830	0
Prior Period Adjustment	-	-	2,039,501	2,039,501
Total Ending Fund Balance	\$ 13,447,911	\$ 13,395,209	\$ 20,604,843	\$ 7,209,634

CITY OF BAINBRIDGE ISLAND, WASHINGTON

Budgetary Comparison Schedule

Street Fund

For the Year Ended December 31, 2018

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Revised	(Budgetary Basis)	Final Budget
REVENUES				
Other Taxes	\$ 846,600	\$ 846,600	\$ 1,004,920	\$ 158,320
Licenses and Permits	31,620	31,620	39,350	7,730
Intergovernmental	530,400	530,400	553,630	23,230
Charges for Services	0	0	65,536	65,536
Other Revenues	0	0	142	142
Total REVENUES	1,408,620	1,408,620	1,663,578	254,958
EXPENDITURES				
General Government	478,590	478,590	414,809	63,781
Public Safety	0	0	64,199	(64,199)
Physical Environment	0	0	61,502	(61,502)
Transportation	2,692,777	3,330,995	2,707,212	623,782
Culture and Recreation	0	0	730	(730)
Capital Outlay	208,906	208,906	186,619	22,287
Total EXPENDITURES	3,380,273	4,018,491	3,435,072	583,419
Operating Income (Loss)	(1,971,653)	(2,609,871)	(1,771,494)	838,377
OTHER FINANCING SOURCES/USES				
Proceeds from Sale of Capital Assets	0	0	14,795	14,795
Transfers - In	2,021,653	2,021,653	1,184,500	(837,153)
Total OTHER FINANCING SOURCES/USES	2,021,653	2,021,653	1,199,295	(822,358)
Net Change in Fund Balance	50,000	(588,218)	(572,199)	16,019
Fund Balances -- Beginning	704,000	852,718	852,718	0
Prior Period Adjustment	-	-	318,637	318,637
Total Ending Fund Balance	\$ 754,000	\$ 264,500	\$ 599,157	\$ 334,656

CITY OF BAINBRIDGE ISLAND, WASHINGTON

Budgetary Comparison Schedule

Real Estate Excise Tax Fund

For the Year Ended December 31, 2018

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Revised	(Budgetary Basis)	Final Budget
REVENUES				
Other Taxes	\$ 3,300,000	\$ 3,300,000	\$ 3,046,429	\$ (253,571)
Interest	120	120	13,869	13,749
Total REVENUES	3,300,120	3,300,120	3,060,299	(239,821)
Operating Income (Loss)	3,300,120	3,300,120	3,060,299	(239,821)
OTHER FINANCING SOURCES/USES				
Transfers - Out	(3,300,120)	(3,300,120)	(2,325,039)	975,081
Total OTHER FINANCING SOURCES/USES	(3,300,120)	(3,300,120)	(2,325,039)	975,081
Net Change in Fund Balance	0	0	735,259	735,259
Fund Balances -- Beginning	35,000	56,801	56,801	0
Prior Period Adjustment	-	-	23,048	23,048
Total Ending Fund Balance	\$ 35,000	\$ 56,801	\$ 815,109	\$ 758,308

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.

Tree Fund

Accounts for fines and payments from homeowners and developers for land and tree clearing activities.

Transportation Benefit Fund

Accounts for revenues received from a \$20 per vehicle registration excise tax. Funds are used to pay for transportation improvements.

Transportation Impact Fee Fund

Accounts for payments from developers for projects that impact the City's transportation infrastructure beyond its current capacity. Funds are used to pay for transportation improvements.

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.

General Obligation Bond Fund

Receives property tax revenue and transfers-in from the General Fund and Real Estate Excise Tax Fund and pays the interest and principal due on general obligation bonds.

FIDUCIARY 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, 2018

	Special Revenue Funds						Debt Service Funds		Total Non-Major Governmental Funds
	Civic Improvement	Floor Area Ratio - Public Amenities	Floor Area Ratio - Farmland / Agriculture	Tree	Transp. Benefit	Transp. Impact Fees	Local Improvement District Bond	General Obligation Bond	
ASSETS									
Cash and Cash Equivalents	\$ 370,419	\$ 14,810	\$ 83,108	\$ 509	\$ 825,699	\$ 303,458	\$ 218,194	\$ 4,012	\$ 1,820,208
Receivables - Net	45,074	-	-	-	-	-	45,359	2,401	92,833
Unmatured Assessments	-	-	-	-	-	-	79,265	-	79,265
Total Assets	\$ 415,492	\$ 14,810	\$ 83,108	\$ 509	\$ 825,699	\$ 303,458	\$ 342,817	\$ 6,413	\$ 1,992,306
LIABILITIES									
Accounts Payable	\$ 68,015	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 68,015
Total Liabilities	68,015	-	-	-	-	-	-	-	68,015
DEFERRED INFLOWS OF RESOURCES									
Unavailable Revenues - Special Assessments	-	-	-	-	-	-	124,623	-	124,623
Total Deferred Inflows of Resources	-	-	-	-	-	-	124,623	-	124,623
FUND BALANCES									
Restricted	347,477	-	-	-	825,699	303,458	218,194	-	1,694,829
Committed	-	14,810	83,108	509	-	-	-	-	98,426
Assigned	-	-	-	-	-	-	-	6,413	6,413
Total Fund Balances	347,477	14,810	83,108	509	825,699	303,458	218,194	6,413	1,799,668
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 415,492	\$ 14,810	\$ 83,108	\$ 509	\$ 825,699	\$ 303,458	\$ 342,817	\$ 6,413	\$ 1,992,306

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, 2018

	Special Revenue Funds						Debt Service		Total Non-Major Governmental Funds
	Civic Improvement	Floor Area Ratio - Public Amenities	Floor Area Ratio - Farmland / Agriculture	Tree	Transp. Benefit	Transp. Impact Fees	Local Improvement District Bond	General Obligation Bond	
REVENUES									
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 617,892	\$ 617,892
Other Taxes	256,056	-	-	-	433,848	-	-	-	689,904
Charges for Services	-	-	-	500	-	254,299	-	-	254,799
Interest and Investment Revenue	6,606	264	1,482	9	14,726	5,412	-	-	28,500
Other Revenues	-	-	-	-	-	-	96,538	-	96,538
Total Revenues	262,662	264	1,482	509	448,574	259,711	96,538	617,892	1,687,633
EXPENDITURES									
Current									
Economic Environment	258,575	-	-	-	-	-	-	-	258,575
Debt Service - Principal	-	-	-	-	-	-	37,364	1,808,665	1,846,029
Debt Service - Interest	-	-	-	-	-	-	10,223	346,474	356,697
Total Expenditures	258,575	-	-	-	-	-	47,586	2,155,139	2,461,300
Excess/(deficiency) of Revenue over Expenditures	4,088	264	1,482	509	448,574	259,711	48,952	(1,537,248)	(773,668)
OTHER FINANCING SOURCES/(USES)									
Transfers In	-	-	-	-	-	-	-	1,540,039	1,540,039
Transfers Out	-	-	-	-	(399,500)	(324,000)	-	-	(723,500)
Total Other Financing Sources/Uses	-	-	-	-	(399,500)	(324,000)	-	1,540,039	816,539
Net Change in Fund Balance	4,088	264	1,482	509	49,074	(64,289)	48,952	2,792	42,872
Fund Balances - Beginning	296,032	14,545	81,626	-	776,625	367,747	169,242	3,621	1,709,439
Prior Period Adjustments	47,357	-	-	-	-	-	-	-	47,357
Fund Balances - Ending	\$ 347,477	\$ 14,810	\$ 83,108	\$ 509	\$ 825,699	\$ 303,458	\$ 218,194	\$ 6,413	\$ 1,799,668

CITY OF BAINBRIDGE ISLAND, WASHINGTON

Budgetary Comparison Schedule

Civic Improvement Fund

For the Year Ended December 31, 2018

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Revised	(Budgetary Basis)	Final Budget
REVENUES				
Other Taxes	\$ 180,000	\$ 180,000	\$ 256,056	\$ 76,056
Interest	1,000	1,000	6,606	5,606
Total REVENUES	181,000	181,000	262,662	81,662
EXPENDITURES				
Economic Environment	200,000	273,000	258,575	14,425
Total EXPENDITURES	200,000	273,000	258,575	14,425
Operating Income (Loss)	(19,000)	(92,000)	4,088	96,088
Net Change in Fund Balance	(19,000)	(92,000)	4,088	96,088
Fund Balances -- Beginning	223,000	296,032	296,032	0
Prior Period Adjustment	-	-	47,357	47,357
Total Ending Fund Balance	\$ 204,000	\$ 204,032	\$ 347,477	\$ 143,445

CITY OF BAINBRIDGE ISLAND, WASHINGTON

Budgetary Comparison Schedule

Floor Area Ratio - Public Amenities Fund

For the Year Ended December 31, 2018

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Revised	(Budgetary Basis)	Final Budget
REVENUES				
Interest	\$ 70	\$ 70	\$ 264	\$ 194
Total REVENUES	70	70	264	194
Operating Income (Loss)	70	70	264	194
Net Change in Fund Balance	70	70	264	194
Fund Balances -- Beginning	14,060	14,545	14,545	0
Total Ending Fund Balance	\$ 14,130	\$ 14,615	\$ 14,810	\$ 194

CITY OF BAINBRIDGE ISLAND, WASHINGTON

Budgetary Comparison Schedule

Floor Area Ratio - Farmland/Agriculture Fund

For the Year Ended December 31, 2018

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Revised	(Budgetary Basis)	Final Budget
REVENUES				
Interest	\$ 380	\$ 380	\$ 1,482	\$ 1,102
Total REVENUES	380	380	1,482	1,102
Operating Income (Loss)	380	380	1,482	1,102
Net Change in Fund Balance	380	380	1,482	1,102
Fund Balances -- Beginning	80,380	81,626	81,626	0
Total Ending Fund Balance	\$ 80,760	\$ 82,006	\$ 83,108	\$ 1,102

CITY OF BAINBRIDGE ISLAND, WASHINGTON

Budgetary Comparison Schedule

Tree Fund

For the Year Ended December 31, 2018

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Revised	(Budgetary Basis)	Final Budget
REVENUES				
Charges for Services	\$ 0	\$ 0	\$ 500	\$ 500
Interest	0	0	9	9
Total REVENUES	0	0	509	509
Operating Income (Loss)	0	0	509	509
Net Change in Fund Balance	0	0	509	509
Fund Balances -- Beginning	0	0	0	0
Total Ending Fund Balance	\$ 0	\$ 0	\$ 509	\$ 509

CITY OF BAINBRIDGE ISLAND, WASHINGTON

Budgetary Comparison Schedule

Transportation Benefit Fund

For the Year Ended December 31, 2018

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Revised	(Budgetary Basis)	Final Budget
REVENUES				
Other Taxes	\$ 400,000	\$ 400,000	\$ 433,848	\$ 33,848
Interest	1,500	1,500	14,726	13,226
Total REVENUES	401,500	401,500	448,574	47,074
EXPENDITURES				
Transportation	2,000	2,000	0	2,000
Total EXPENDITURES	2,000	2,000	0	2,000
Operating Income (Loss)	399,500	399,500	448,574	49,074
OTHER FINANCING SOURCES/USES				
Transfers - Out	(399,500)	(399,500)	(399,500)	0
Total OTHER FINANCING SOURCES/USES	(399,500)	(399,500)	(399,500)	0
Net Change in Fund Balance	0	0	49,074	49,074
Fund Balances -- Beginning	732,342	776,625	776,625	0
Total Ending Fund Balance	\$ 732,342	\$ 776,625	\$ 825,699	\$ 49,074

CITY OF BAINBRIDGE ISLAND, WASHINGTON

Budgetary Comparison Schedule

Transportation Impact Fee Fund

For the Year Ended December 31, 2018

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Revised	(Budgetary Basis)	Final Budget
REVENUES				
Charges for Services	\$ 100,000	\$ 100,000	\$ 254,299	\$ 154,299
Interest	400	400	5,412	5,012
Total REVENUES	<u>100,400</u>	<u>100,400</u>	<u>259,711</u>	<u>159,311</u>
Operating Income (Loss)	<u>100,400</u>	<u>100,400</u>	<u>259,711</u>	<u>159,311</u>
OTHER FINANCING SOURCES/USES				
Transfers - Out	(25,000)	(325,000)	(324,000)	1,000
Total OTHER FINANCING SOURCES/USES	<u>(25,000)</u>	<u>(325,000)</u>	<u>(324,000)</u>	<u>1,000</u>
Net Change in Fund Balance	<u>75,400</u>	<u>(224,600)</u>	<u>(64,289)</u>	<u>160,311</u>
Fund Balances -- Beginning	<u>219,400</u>	<u>367,747</u>	<u>367,747</u>	<u>0</u>
Total Ending Fund Balance	<u>\$ 294,800</u>	<u>\$ 143,147</u>	<u>\$ 303,458</u>	<u>\$ 160,311</u>

CITY OF BAINBRIDGE ISLAND, WASHINGTON
Budgetary Comparison Schedule
General Obligation Bond Fund
For the Year Ended December 31, 2018

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Revised	(Budgetary Basis)	Final Budget
REVENUES				
Property Taxes	\$ 607,700	\$ 607,700	\$ 617,892	\$ 10,192
Total REVENUES	607,700	607,700	617,892	10,192
EXPENDITURES				
Debt Service - Principal	1,808,665	1,808,665	1,808,665	0
Debt Service - Interest	346,475	346,475	346,474	1
Total EXPENDITURES	2,155,140	2,155,140	2,155,139	1
Operating Income (Loss)	(1,547,440)	(1,547,440)	(1,537,248)	10,192
OTHER FINANCING SOURCES/USES				
Transfers - In	1,547,440	1,547,440	1,540,039	(7,401)
Total OTHER FINANCING SOURCES/USES	1,547,440	1,547,440	1,540,039	(7,401)
Net Change in Fund Balance	0	0	2,792	2,792
Fund Balances -- Beginning	1,500	3,621	3,621	0
Total Ending Fund Balance	\$ 1,500	\$ 3,621	\$ 6,413	\$ 2,792

CITY OF BAINBRIDGE ISLAND, WASHINGTON

Budgetary Comparison Schedule

Local Improvement District Bond Fund

For the Year Ended December 31, 2018

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Revised	(Budgetary Basis)	Final Budget
REVENUES				
Other Revenues	\$ 62,500	\$ 62,500	\$ 96,538	\$ 34,038
Total REVENUES	62,500	62,500	96,538	34,038
EXPENDITURES				
Debt Service - Principal	37,364	37,364	37,364	0
Debt Service - Interest	10,275	10,275	10,223	52
Total EXPENDITURES	47,639	47,639	47,586	53
Operating Income (Loss)	14,861	14,861	48,952	34,091
Net Change in Fund Balance	14,861	14,861	48,952	34,091
Fund Balances -- Beginning	154,861	169,242	169,242	0
Total Ending Fund Balance	\$ 169,722	\$ 184,103	\$ 218,194	\$ 34,091

CITY OF BAINBRIDGE ISLAND, WASHINGTON

Budgetary Comparison Schedule

Capital Construction Fund

For the Year Ended December 31, 2018

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Revised	(Budgetary Basis)	Final Budget
REVENUES				
Intergovernmental	\$ 3,840,000	\$ 3,840,000	\$ 1,336,323	\$ (2,503,677)
Charges for Services	0	0	230	230
Total REVENUES	3,840,000	3,840,000	1,336,553	(2,503,447)
EXPENDITURES				
Capital Outlay	5,047,000	3,724,939	2,540,238	1,184,701
Total EXPENDITURES	5,047,000	3,724,939	2,540,238	1,184,701
Operating Income (Loss)	(1,207,000)	115,061	(1,203,685)	(1,318,746)
OTHER FINANCING SOURCES/USES				
Proceeds from Sale of Capital Assets	0	0	0	0
Transfers - Out	0	0	(635,992)	(635,992)
Transfers - In	1,207,000	1,207,000	1,281,600	74,600
Total OTHER FINANCING SOURCES/USES	1,207,000	1,207,000	645,608	(561,392)
Net Change in Fund Balance	0	1,322,061	(558,077)	(1,880,138)
Fund Balances -- Beginning	0	4,361,129	4,361,129	0
Total Ending Fund Balance	\$ 0	\$ 5,683,190	\$ 3,803,052	\$ (1,880,138)

CITY OF BAINBRIDGE ISLAND, WASHINGTON
Statement of Changes in Assets and Liabilities
Agency Fund
For the Year Ended December 31, 2018

	Balance 1/1/2018	Additions	Deductions	Balance 12/31/2018
ASSETS				
Cash and Cash Equivalents	\$ 513,824	\$ 207,371,751	\$ (206,958,659)	\$ 926,916
Total Assets	<u>\$ 513,824</u>	<u>\$ 207,371,751</u>	<u>\$ (206,958,659)</u>	<u>\$ 926,916</u>
LIABILITIES				
Custodial Accounts Payable	\$ (513,824)	\$ 1,675,016	\$ (2,088,108)	\$ (926,916)
Total Liabilities	<u>\$ (513,824)</u>	<u>\$ 1,675,016</u>	<u>\$ (2,088,108)</u>	<u>\$ (926,916)</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									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental activities										
Net investment in capital assets	\$ 80,634,838	\$ 80,082,643	\$ 83,674,478	\$ 85,768,791	\$ 85,283,250	\$ 87,355,752	\$ 87,556,584	\$ 89,807,348	\$ 95,883,667	\$ 97,817,388
Restricted	1,126,658	915,530	675,019	1,817,082	1,040,857	1,062,180	891,927	1,626,727	2,371,478	2,760,554
Unrestricted	1,728,810	5,404,357	9,167,473	5,646,812	7,641,796	7,681,217	10,893,868	13,562,609	16,458,275	20,653,808
Total governmental activities net position	\$ 83,490,306	\$ 86,402,530	\$ 93,516,970	\$ 93,232,685	\$ 93,965,903	\$ 96,099,149	\$ 99,342,379	\$104,996,684	\$114,713,420	\$121,231,750
Business-type activities										
Net investment in capital assets	\$ 30,455,007	\$ 30,823,139	\$ 28,561,022	\$ 28,156,132	\$ 28,836,702	\$ 29,366,340	\$ 28,856,407	\$ 30,512,195	\$ 31,666,254	\$ 32,797,991
Restricted	-	-	-	-	-	1,985,342	1,558,543	1,545,482	1,696,042	992,449
Unrestricted	4,737,585	6,426,319	10,774,561	10,871,171	13,405,895	8,647,214	11,058,048	10,469,847	11,825,108	12,968,113
Total business-type activities net position	\$ 35,192,592	\$ 37,249,458	\$ 39,335,583	\$ 39,027,303	\$ 42,242,597	\$ 39,998,896	\$ 41,472,998	\$ 42,527,524	\$ 45,187,404	\$ 46,758,553
Primary government										
Net investment in capital assets	\$111,089,845	\$110,905,782	\$112,235,500	\$113,924,923	\$114,119,952	\$116,722,092	\$116,412,991	\$120,319,543	\$127,549,921	\$130,615,379
Restricted	1,126,658	915,530	675,019	1,817,082	1,040,857	3,047,522	2,450,470	3,172,209	4,067,520	3,753,003
Unrestricted	6,466,395	11,830,676	19,942,034	16,517,983	21,047,691	16,328,431	21,951,916	24,032,456	28,283,383	33,621,921
Total primary government net position	\$118,682,898	\$123,651,988	\$132,852,553	\$132,259,988	\$136,208,500	\$136,098,045	\$140,815,377	\$147,524,208	\$159,900,824	\$167,990,303

Source: City of Bainbridge Island Finance Department

Table 2: Changes in Net Position
 Last Ten Fiscal Years
 Accrual basis of accounting

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses										
Governmental activities										
General Government and Judicial	\$ 4,698,215	\$ 4,725,025	\$ 4,246,653	\$ 4,381,734	\$ 4,970,595	\$ 5,393,232	\$ 5,538,408	\$ 5,012,484	\$ 5,452,888	\$ 5,701,895
Public Safety	3,664,897	3,953,939	3,954,194	4,002,552	3,998,794	4,043,430	4,211,558	4,602,079	5,395,035	5,560,543
Physical Environment	436,173	649,607	675,182	485,523	371,732	387,958	884,985	647,509	1,138,957	928,591
Economic Environment	1,706,181	1,283,476	1,048,815	1,151,586	929,594	998,365	1,230,789	1,481,283	1,478,787	1,748,244
Transportation	3,138,243	3,024,998	3,199,737	2,977,868	3,606,161	3,942,553	4,624,785	3,707,127	3,208,249	4,295,292
Health and Human Services	412,184	441,751	285,430	262,013	269,663	272,680	273,075	242,279	254,445	259,285
Culture and recreation	416,874	876,286	511,432	533,814	585,554	592,822	604,565	591,634	853,345	1,136,416
Interest on long-term debt	1,064,437	990,360	1,029,721	939,172	864,118	675,005	621,033	537,902	447,437	337,146
Total governmental activities expense	15,537,204	15,945,442	14,951,164	14,734,262	15,596,211	16,306,045	17,989,198	16,822,297	18,229,143	19,967,411
Business-type activities										
Water	2,042,788	1,725,866	1,549,413	1,224,338	1,235,928	1,260,086	1,310,856	1,391,412	1,289,641	1,472,410
Sewer	2,382,293	2,504,265	2,929,336	2,999,306	3,102,659	3,278,944	3,454,464	3,416,595	3,176,310	3,343,209
Stormwater	1,865,033	2,079,970	1,907,797	2,204,964	1,974,234	1,886,196	1,731,690	1,794,057	1,778,090	1,802,052
Building and Development Services	2,711,577	2,051,961	1,827,442	1,927,468	1,717,341	1,911,765	1,965,603	2,119,641	2,418,715	2,601,925
Total business-type activities	9,001,691	8,362,062	8,213,988	8,356,076	8,030,162	8,336,991	8,462,613	8,721,706	8,662,756	9,219,596
Total primary government expenses	24,538,895	24,307,504	23,165,152	23,090,338	23,626,373	24,643,036	26,451,811	25,544,003	26,891,899	29,187,007
Revenues										
Governmental activities										
Charges for services										
General government and Judicial	1,009,277	1,112,860	1,192,991	1,209,201	1,124,544	1,085,358	1,075,902	971,728	1,036,881	1,061,324
Public Safety	106,364	107,303	118,491	108,790	110,725	89,425	85,971	64,386	78,737	69,508
Physical environment	1,928	1,889	1,664	1,847	1,482	1,277	1,695	17,545	36,809	2,287
Economic environment	1,146	1,910	97,491	-	33,340	1,146	1,910	178,606	188,445	256,709
Transportation	66,214	26,957	18,430	20,000	41,344	53,920	40,653	37,575	59,554	120,049
Health and Human Services	-	-	-	-	-	-	-	-	-	-
Culture and recreation	-	-	56,705	-	-	-	-	527	-	-
Operating Grants and contributions	595,857	703,581	761,903	578,756	593,471	574,988	1,298,560	866,221	793,665	909,899
Capital Grants and contributions	1,102,371	712,196	4,327,340	1,038,779	1,391,608	1,548,346	73,161	2,031,158	3,713,693	1,549,847
Total governmental activities program revenues	2,883,157	2,666,696	6,575,015	2,957,373	3,296,514	3,354,460	2,577,852	4,167,746	5,907,784	3,969,622
Business-type activities										
Charges for services										
Water	2,355,037	2,409,439	2,277,346	1,424,357	1,421,490	1,078,417	1,190,628	1,174,949	1,231,536	1,277,346
Sewer	2,562,673	2,922,113	3,351,441	3,285,514	3,605,770	3,502,820	3,544,816	3,749,774	3,678,601	3,706,257
Stormwater	2,437,181	2,530,996	2,348,040	1,940,493	2,048,761	2,038,148	2,024,339	1,826,811	2,292,346	2,531,325
Building and Development Services	792,531	864,091	947,653	917,466	1,303,676	1,196,576	1,443,315	1,649,846	1,785,030	1,733,734
Operating Grants and contributions	126,403	89,446	23,259	71,012	114,102	32,626	10,701	5,339	-	12,661
Capital Grants and contributions	393,770	91,657	296,342	328,214	710,202	494,896	987,329	582,729	1,758,612	656,181
Total business-type activities program revenues	8,667,595	8,907,742	9,244,081	7,967,056	9,204,001	8,343,483	9,201,128	8,989,448	10,746,125	9,917,505
Total primary government program revenues	11,550,752	11,574,438	15,819,096	10,924,429	12,500,515	11,697,943	11,778,980	13,157,194	16,653,909	13,887,127
Net (expense)/revenue										
Governmental activities	(12,654,047)	(13,278,746)	(8,376,149)	(11,776,889)	(12,299,697)	(12,951,585)	(15,411,346)	(12,654,551)	(12,321,359)	(15,997,789)
Business-type activities	(334,096)	545,680	1,030,093	(389,020)	1,173,839	6,492	738,515	267,742	2,083,369	697,909
Total primary government net (expense) revenue	(12,988,143)	(12,733,066)	(7,346,056)	(12,165,909)	(11,125,858)	(12,945,093)	(14,672,831)	(12,386,808)	(10,237,990)	(15,299,880)

Table 2: Changes in Net Position (continued)
 Last Ten Fiscal Years
 Accrual basis of accounting

General Revenues and Other Changes in Net Position	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental activities										
Taxes										
Property tax	6,911,668	6,974,091	7,071,954	7,305,485	7,408,244	7,447,993	7,583,573	7,712,507	7,894,602	8,116,528
Sales and use tax	2,980,471	2,899,479	2,852,146	3,231,646	3,383,578	3,813,307	4,098,716	4,261,583	4,779,135	5,649,115
Excise tax	945,356	1,061,988	1,117,390	1,575,060	1,822,200	2,349,076	2,694,050	3,335,908	3,797,243	3,491,688
Other taxes	4,072,150	4,120,449	4,215,771	4,056,123	4,456,422	4,463,805	4,392,447	4,601,715	4,875,573	4,624,038
Unrestricted investment interest	31,094	24,986	36,261	51,611	48,266	64,392	80,866	121,662	234,400	501,454
Miscellaneous	676,096	392,659	757,923	136,725	142,416	248,151	103,026	119,164	760,886	798,111
Unrestricted grants and contributions	272,776	301,892	274,144	314,549	223,024	249,627	268,651	319,192	332,223	430,499
Special and extraordinary items	-	2,000,000	-	-	-	-	-	(1,533,771)	-	-
Transfers	(1,888,700)	(1,641,000)	(835,000)	(1,009,300)	(1,983,644)	(697,220)	(566,750)	(629,104)	(409,138)	(901,341)
Total governmental activities	14,000,911	16,134,544	15,490,589	15,661,899	15,500,506	17,939,131	18,654,578	18,308,855	22,264,923	22,710,092
Business-type activities										
Unrestricted investment interest	62,863	21,491	34,478	58,536	47,343	49,736	64,595	78,618	143,250	286,419
Miscellaneous	76,583	7,981	186,555	179,607	34,021	62,092	104,241	68,936	24,124	57,750
Special items	-	(159,285)	-	-	-	-	-	10,126	-	-
Transfers	1,888,700	1,641,000	835,000	1,009,300	1,983,644	697,220	566,750	629,104	409,138	901,341
Total business-type activities	2,028,146	1,511,187	1,056,033	1,247,443	2,065,008	809,048	735,587	786,785	576,513	1,245,511
Total primary government	16,029,057	17,645,731	16,546,622	16,909,342	17,565,514	18,748,179	19,390,164	19,095,639	22,841,435	23,955,602
Change in net position										
Governmental activities	1,346,864	2,855,798	7,114,440	3,885,010	3,200,809	4,987,546	3,243,230	5,654,302	9,943,562	6,712,301
Business-type activities	1,694,050	2,056,867	2,086,126	858,423	3,238,847	815,540	1,474,103	1,054,528	2,659,883	1,943,421
Total primary government activities	\$ 3,040,914	\$ 4,912,665	\$ 9,200,566	\$ 4,743,433	\$ 6,439,656	\$ 5,803,086	\$ 4,717,333	\$ 6,708,830	\$ 12,603,445	\$ 8,655,722

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									
	2009	2010	2011*	2012	2013	2014	2015	2016	2017	2018
General Fund										
Reserved	\$ -	\$ 709,807	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	(47,696)	3,042,827	-	-	-	-	-	-	-	-
Nonspendable	-	-	-	12,583	10,282	68,404	71,955	68,576	69,287	68,695
Restricted	-	-	40,474	168,631	244,179	330,867	125,203	188,663	273,059	221,398
Committed	-	-	216,607	161,520	166,365	1,875,079	1,667,751	100,484	81,835	115,785
Assigned	-	-	2,003,259	2,005,941	1,989,307	-	-	-	127,609	227,609
Unassigned	-	-	4,310,504	5,977,986	7,994,719	11,488,201	13,190,306	15,032,979	14,823,040	19,971,355
Total	<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>	<u>\$ 15,390,702</u>	<u>\$ 15,374,830</u>	<u>\$ 20,604,843</u>
All other governmental funds										
Reserved	\$ -	\$ 586,615	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved reported in:										
Special revenue funds	387,341	249,537	-	-	-	-	-	-	-	-
Capital projects funds	384,878	-	-	-	-	-	-	-	-	-
Debt service funds	23	55,948	-	-	-	-	-	-	-	-
Nonspendable	-	-	-	141,657	118,242	106,182	147,016	108,157	116,329	109,531
Restricted	-	-	634,545	1,648,450	796,678	731,313	766,724	1,438,063	2,098,418	2,539,665
Committed	-	-	97,555	502,109	245,710	391,560	882,595	2,970,971	96,171	97,918
Assigned	-	-	170,660	-	44,809	34,095	122,671	110,464	4,669,168	4,269,873
Unassigned	-	-	-	(178,096)	-	-	-	-	-	-
Total all other governmental funds*	<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>	<u>\$ 4,627,655</u>	<u>\$ 6,980,086</u>	<u>\$ 7,016,985</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

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues										
Property taxes	\$ 6,834,612	\$ 6,960,916	\$ 7,089,677	\$ 7,365,633	\$ 7,497,792	\$ 7,480,256	\$ 7,585,681	\$ 7,723,093	\$ 7,909,775	\$ 8,141,550
Other taxes	8,067,750	8,106,627	8,143,351	8,915,621	9,289,288	10,862,969	11,058,321	12,073,066	13,351,710	13,772,377
Fees and fines	165,488	182,788	191,636	174,172	133,667	111,820	111,339	89,808	95,260	56,989
Licenses and permits	387,742	457,607	560,306	597,535	629,959	663,812	671,120	678,005	657,863	718,730
Intergovernmental	1,688,827	1,887,983	4,464,683	1,406,917	2,078,086	2,282,647	1,864,427	2,845,732	3,839,470	2,525,720
Charges for services	591,675	587,348	665,775	566,176	563,896	473,309	440,934	595,967	645,231	735,147
Interest and investment revenue	31,094	24,983	36,261	51,611	48,266	64,392	80,866	121,662	229,574	481,272
Other revenues	428,789	592,964	828,124	736,613	187,766	251,949	162,104	185,517	225,587	202,656
Total revenues	<u>18,195,977</u>	<u>18,801,216</u>	<u>21,979,813</u>	<u>19,814,278</u>	<u>20,428,720</u>	<u>22,191,154</u>	<u>21,974,793</u>	<u>24,312,850</u>	<u>26,954,470</u>	<u>26,634,442</u>
Expenditures										
General government	4,342,437	4,356,182	3,937,936	4,057,281	4,679,417	5,081,110	5,152,084	4,685,091	5,055,282	5,512,873
Security	3,553,578	3,719,305	3,805,661	3,815,163	3,884,064	3,879,466	4,088,542	4,405,188	5,141,159	5,626,963
Physical Environment	425,563	641,016	772,280	480,336	369,358	384,095	878,485	649,242	1,098,870	921,744
Transportation	1,653,417	1,767,800	1,708,326	1,447,324	2,170,327	2,289,975	2,988,676	2,122,205	1,614,281	2,743,253
Economic Environment	1,703,554	1,277,762	1,051,910	1,149,185	935,523	999,966	1,227,291	1,494,236	1,475,947	1,806,245
Mental/physical health	412,184	441,751	285,430	261,909	269,669	272,722	272,783	242,234	253,274	259,248
Culture and recreation	368,484	727,600	241,477	238,361	292,545	301,044	311,074	511,590	447,037	623,136
Capital outlay	1,608,866	1,853,337	5,217,669	2,411,956	1,768,621	2,174,248	1,688,947	4,203,584	6,255,296	3,197,261
Debt service:										
Principal	1,771,117	1,631,650	1,875,617	2,397,992	7,657,627	2,224,765	2,240,884	2,220,029	2,091,029	1,846,029
Interest and debt issue costs	1,112,644	1,011,433	982,766	929,687	847,404	695,635	616,685	536,227	444,803	358,324
Total expenditures	<u>16,951,844</u>	<u>17,427,836</u>	<u>19,879,072</u>	<u>17,189,194</u>	<u>22,874,555</u>	<u>18,303,026</u>	<u>19,465,451</u>	<u>21,069,626</u>	<u>23,876,978</u>	<u>22,895,075</u>
Excess of revenues over (under) expenditures	1,244,133	1,373,380	2,100,741	2,625,084	(2,445,835)	3,888,128	2,509,342	3,243,224	3,077,492	3,739,367
Other finance sources (uses)										
Proceeds from borrowing	562,787	136,534	834,660	-	5,514,803	-	-	-	-	-
Disposition of capital assets	191,434	4,051,271	728,466	32,723	84,191	165,330	5,926	430,016	44,966	105,194
Transfers in	2,981,802	3,102,390	3,163,500	4,267,512	3,067,090	3,527,109	4,970,703	7,206,618	8,780,511	4,642,132
Transfers out	(4,870,502)	(4,743,390)	(3,998,500)	(5,276,812)	(5,050,734)	(4,224,329)	(5,537,453)	(7,835,721)	(9,566,411)	(5,648,325)
Total other financing sources (uses)	<u>(1,134,479)</u>	<u>2,546,805</u>	<u>728,126</u>	<u>(976,577)</u>	<u>3,615,350</u>	<u>(531,890)</u>	<u>(560,824)</u>	<u>(199,087)</u>	<u>(740,934)</u>	<u>(900,999)</u>
Net change in fund balances	<u>\$ 109,654</u>	<u>\$ 3,920,185</u>	<u>\$ 2,828,867</u>	<u>\$ 1,648,507</u>	<u>\$ 1,169,515</u>	<u>\$ 3,356,238</u>	<u>\$ 1,948,518</u>	<u>\$ 3,044,137</u>	<u>\$ 2,336,558</u>	<u>\$ 2,838,368</u>
Debt service as a percentage of noncapital expenditures	18.8%	17.0%	19.5%	22.5%	40.3%	18.1%	16.1%	16.3%	14.4%	11.2%

Source: City of Bainbridge Island Finance Department

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

Fiscal Year	Total Estimated Taxable Assessed Valuation	Total Direct Tax Rate per \$1,000 of Assessed Value
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
2016	\$ 6,211,210,950	\$ 10.73
2017	\$ 6,898,602,303	\$ 10.17
2018	\$ 7,542,154,879	\$ 10.81

Source: Kitsap County Assessor's 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 District	Bainbridge Island Metro. Parks and Rec. District		
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	\$ 11.32	
2015	\$ 1.22	\$ 0.11	\$ 1.33	\$ 2.18	\$ 1.26	\$ 3.30	\$ 1.20	\$ 0.39	\$ 0.08	\$ 0.76	\$ 10.51	
2016	\$ 1.15	\$ 0.10	\$ 1.25	\$ 2.36	\$ 1.53	\$ 3.05	\$ 1.17	\$ 0.38	\$ 0.08	\$ 0.92	\$ 10.73	
2017	\$ 1.06	\$ 0.09	\$ 1.15	\$ 2.12	\$ 1.43	\$ 3.09	\$ 1.09	\$ 0.35	\$ 0.07	\$ 0.87	\$ 10.17	
2018	\$ 0.99	\$ 0.08	\$ 1.08	\$ 3.02	\$ 1.35	\$ 2.97	\$ 1.02	\$ 0.43	\$ 0.07	\$ 0.87	\$ 10.81	

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	2018			2009		
	Assessed Value	Rank	Percentage of Total City Taxable Assessed*	Assessed Value	Rank	Percentage of Total City Taxable Assessed**
LBG Bainbridge LLC	\$ 20,784,560	1	0.30%			
Puget Sound Energy	\$ 20,370,189	2	0.30%	\$ 14,129,776	3	
PNW Island Village LLC	\$ 15,772,000	3	0.23%	\$ 17,216,990	1	0.30%
Country Club of Seattle	\$ 12,782,850	4	0.19%	\$ 16,020,270	2	0.28%
Simmons, Brad	\$ 11,560,520	5	0.17%	\$ 10,626,280	5	0.19%
Madison Avneue Real Estate LLC	\$ 10,696,510	6	0.16%	\$ 10,984,058	4	0.19%
PBPBS LLC	\$ 10,213,440	7	0.15%			
Sportsman Park LLC	\$ 9,754,830	8	0.14%	\$ 10,516,200	6	0.19%
Island Gateway LLC	\$ 9,297,720	9	0.13%			
Brandt, James & Linda	\$ 8,860,270	10	0.13%			
Wing Point Golf & Country Club				\$ 10,199,250	7	0.18%
High School Road LLC				\$ 9,266,230	8	0.16%
Bainbridge Community Development LLC				\$ 9,189,490	9	0.16%
Wharfside Associates LLC				\$ 9,094,250	10	0.16%
	<u>\$ 130,092,889</u>		<u>1.89%</u>	<u>\$ 117,242,794</u>		<u>1.82%</u>

Source: Kitsap County Assessor's Office

*In 2018 the estimated assessed value was \$7,542,154,879

**In 2009 the estimated assessed value was \$6,815,782,164

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
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%
2016	\$ 7,126,307	\$ 7,036,520	98.74%	\$ 18,117	\$ 7,054,636	98.99%
2017	\$ 7,313,011	\$ 7,235,506	98.94%	\$ 18,897	\$ 7,254,403	99.20%
2018	\$ 7,500,908	\$ 7,442,137	99.22%	\$ 51,650	\$ 7,493,787	99.91%

Source: Kitsap County Treasurer's Office

Table 9: General Government Revenue by Source

Last Ten Fiscal Years

Fiscal Year	Regular Non-Voted Property Tax	Sales and Use Tax	Business & Occupation Tax	Excise Tax
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
2016	\$ 7,104,654	\$ 4,261,583	\$ 4,601,715	\$ 3,335,908
2017	\$ 7,290,799	\$ 4,779,135	\$ 4,875,573	\$ 3,797,243
2018	\$ 7,498,636	\$ 5,649,115	\$ 4,624,038	\$ 3,491,688

Source: City of Bainbridge Island Finance Department

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

Fiscal Year	Governmental Activities					Business-Type Activities					Percentage of Per Capita		
	Voted and General Obligation Bonds	Premiums & Discounts	PWTF Loans	LID Obligation Debt	Other Debt	General Obligation Bonds	Premiums & Discounts	Revenue Obligation Debt	LID Obligation Debt	PWTF Loans	Total Primary Government	Personal Income	Debt Per Capita
2009	\$ 23,580,000	\$ (183,097)	\$ 658,765	\$ -	\$ 583,000	\$ 1,055,000	\$ -	\$ 3,198,149	\$ 4,462,500	\$ 4,281,245	\$ 37,635,562	0.11%	\$ 1,637
2010	\$ 22,090,000	\$ (175,556)	\$ 600,246	\$ -	\$ 702,534	\$ 860,000	\$ -	\$ 3,010,022	\$ 4,165,000	\$ 5,709,540	\$ 36,961,786	0.11%	\$ 1,605
2011	\$ 20,435,000	\$ (138,324)	\$ 541,726	\$ 755,300	\$ 619,797	\$ 5,490,000	\$ 180,603	\$ 2,821,896	\$ 3,867,500	\$ 3,742,259	\$ 38,315,757	0.11%	\$ 1,664
2012	\$ 18,595,000	\$ (126,997)	\$ 483,206	\$ 411,000	\$ 564,624	\$ 5,085,000	\$ 172,629	\$ 2,800,113	\$ 3,570,000	\$ 3,713,246	\$ 35,267,821	0.12%	\$ 1,527
2013	\$ 16,420,000	\$ 595,021	\$ 424,685	\$ 373,637	\$ 407,881	\$ 4,675,000	\$ 166,473	\$ 2,600,105	\$ 3,272,500	\$ 3,664,843	\$ 32,600,145	0.14%	\$ 1,406
2014	\$ 14,450,000	\$ 521,189	\$ 366,165	\$ 336,273	\$ 249,000	\$ 4,250,000	\$ 156,681	\$ 2,400,097	\$ 2,975,000	\$ 5,867,703	\$ 31,572,108	0.15%	\$ 1,352
2015	\$ 12,405,000	\$ 448,173	\$ 307,643	\$ 298,909	\$ 149,000	\$ 4,050,000	\$ 146,888	\$ 2,200,089	\$ 2,677,500	\$ 6,199,680	\$ 28,882,882	0.17%	\$ 1,235
2016	\$ 10,295,000	\$ 375,157	\$ 283,978	\$ 261,545	\$ -	\$ 3,845,000	\$ 137,096	\$ 2,000,081	\$ 2,380,000	\$ 5,712,095	\$ 25,289,951	0.20%	\$ 1,064
2017	\$ 8,265,000	\$ 302,140	\$ 260,313	\$ 224,181	\$ -	\$ 3,635,000	\$ 127,303	\$ 1,800,073	\$ 2,082,500	\$ 5,236,435	\$ 21,932,945	0.23%	\$ 916
2018	\$ 6,480,000	\$ 229,124	\$ 236,648	\$ 186,817	\$ -	\$ 3,415,000	\$ 117,510	\$ 1,600,065	\$ 1,785,000	\$ 4,748,055	\$ 18,798,220	0.28%	\$ 773

Sources: City of Bainbridge Island Finance Department, Washington State Office of Financial Management, U.S. Department of Commerce, Bureau of Economic Analysis

Table 11: Ratios of General Bonded Debt Outstanding

Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds for which the City is directly obligated	Premiums, Discounts, and Adjustments	Total	Percentage of Assessed Value of Property	Per Capita
2009	\$ 17,995,000	\$ 307,670	\$ 18,302,670	0.3%	\$ 796
2010	\$ 16,560,000	\$ 276,297	\$ 16,836,297	0.3%	\$ 731
2011	\$ 19,795,000	\$ 430,983	\$ 20,225,983	0.4%	\$ 878
2012	\$ 17,950,000	\$ 389,817	\$ 18,339,817	0.3%	\$ 794
2013	\$ 16,050,000	\$ 348,652	\$ 16,398,652	0.3%	\$ 707
2014	\$ 14,085,000	\$ 307,487	\$ 14,392,487	0.3%	\$ 616
2015	\$ 12,285,000	\$ 266,322	\$ 12,551,322	0.2%	\$ 537
2016	\$ 10,425,000	\$ 225,156	\$ 10,650,156	0.2%	\$ 448
2017	\$ 8,650,000	\$ 183,991	\$ 8,833,991	0.1%	\$ 369
2018	\$ 7,135,000	\$ 142,826	\$ 7,277,826	0.1%	\$ 299

Note: The general obligation bonds shown above do not include certain bonds which are fully supported by additional taxpayer voted self-imposed property tax revenue.

Source: City of Bainbridge Island Finance Department, Kitsap County Assessor's Office, Washington State Office of Financial Management

Table 12: Direct and Overlapping Governmental Activities Debt

Governmental Entity	Net General Obligation Debt	Percentage Applicable to Bainbridge Island Residents *	Estimated City of Bainbridge Island Residents Share of Overlapping Debt
Kitsap County	\$ 74,378,485	22.07%	\$ 16,413,447
Kitsap County Regional Library	\$ -	22.07%	\$ -
Bainbridge Island School District	\$ 156,240,000	100.00%	\$ 156,240,000
Bainbridge Island Fire District	\$ 13,920,000	100.00%	\$ 13,920,000
Bainbridge Island Park District	\$ 6,350,000	100.00%	\$ 6,350,000
Subtotal, overlapping debt			\$ 192,923,447
City of Bainbridge Island direct governmental activities debt, net of premiums, discounts, and adjustments			\$ 7,132,589
Total direct and overlapping governmental activities debt			\$ 200,056,036

* 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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Debt Limit	\$ 468,423,548	\$ 423,178,049	\$ 403,968,148	\$ 391,993,741	\$ 392,429,356	\$ 428,115,774	\$ 465,840,821	\$ 517,395,173	\$ 565,661,616	\$ 630,473,214
Total net debt applicable to limit	30,224,139	29,962,318	30,828,782	28,441,076	25,592,409	25,182,868	23,111,323	20,136,073	17,396,748	14,879,703
Legal debt margin	\$ 438,199,409	\$ 393,215,731	\$ 373,139,366	\$ 363,552,665	\$ 366,836,947	\$ 402,932,906	\$ 442,729,498	\$ 497,259,100	\$ 548,264,868	\$ 615,593,511
Total net debt applicable to limit as a percentage of debt limit	6.5%	7.1%	7.6%	7.3%	6.5%	5.9%	5.0%	3.9%	3.1%	2.4%

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, 2018, Assessed Value: \$8,406,309,515

	General Capacity		Special Purpose Capacity		Total Capacity
	Councilmanic	Excess Levy	Open Space	Utility Purposes	
2.50% of Assessed Value	\$ -	\$ 210,157,738	\$ 210,157,738	\$ 210,157,738	\$ 630,473,214
1.50% of Assessed Value	126,094,643	(126,094,643)	-	-	-
Statutory Debt Limit	126,094,643	84,063,095	210,157,738	210,157,738	630,473,214
General Obligations:					
Bonds	7,135,000	-	2,760,000	-	9,895,000
State Public Works Trust Fund Loans	4,984,703	-	-	-	4,984,703
Total Debt Outstanding	12,119,703	-	2,760,000	-	14,879,703
Remaining Debt Capacity	<u>\$ 113,974,940</u>	<u>\$ 84,063,095</u>	<u>\$ 207,397,738</u>	<u>\$ 210,157,738</u>	<u>\$ 615,593,511</u>

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		Kitsap County	Number of	Public School	Unemployment
		Kitsap County	Bainbridge Island	per capita			
		Personal Income (in thousands)	Personal Income (in thousands)	personal income	Households	Enrollment	Rate
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	\$ 12,473,946	\$ 1,129,998	\$ 47,953	9,547	3,913	5.5%
2016	23,760	\$ 13,163,570	\$ 1,191,083	\$ 49,709	9,698	3,910	5.5%
2017	23,950	\$ 13,988,937	\$ 1,265,186	\$ 52,508	9,897	3,887	5.0%
2018	24,320	**	*	**	9,247	3,759	5.0%

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; 2018 will be updated in 2019 CAFR.

** Kitsap County personal income as provided by the US Bureau of Economic Analysis. Information lags one year; 2018 will be updated in 2019 CAFR.

Table 16: Principal Employers
Current Year and Ten Years Ago

Employer	2018			2009		
	Employees*	Rank	Percentage of Total City Employment	Employees*	Rank	Percentage of Total City Employment
Bainbridge Island School District	505	1	7.6%	390	1	8.4%
Sage / Redington/Farbank	135	3	2.0%	160	2	3.5%
Washington State Ferry System	115	4	1.7%	122	3	2.6%
City of Bainbridge Island	119	5	1.8%	126	4	2.7%
Watson Furniture				135	5	2.9%
Avalara				135	6	2.9%
Town and Country Markets, Inc.	155	2	2.3%	126	7	2.7%
Soundcare Inc dba Messenger House			0.0%	107	8	2.3%
Island Fitness	60	10	0.9%	72	9	1.6%
Islandwood	90	7	1.3%	73	10	1.6%
Madrona Assisted Living LLC	80	8	1.2%			
Fairbank Construction	61	9	0.9%			
Safeway	107	6	1.6%			
Subtotal of ten largest employers	1,427		21.4%	1,446		31.3%
All other employers	5,253		78.6%	4,134		68.7%
Total City of Bainbridge Island employment	6,680		100.0%	4,617		100.0%

Sources: Washington State Employment Security Department, City of Bainbridge Island Finance Department, Kitsap Economic Development Alliance

* Includes part-time employees, where applicable

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Function/Department										
City Council	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00
Executive	14.40	14.40	9.50	9.80	9.80	11.75	8.75	8.75	8.80	9.80
Finance and Information Systems	12.00	12.00	9.80	8.80	8.80	8.30	11.80	11.90	13.40	13.40
Municipal Court	6.02	6.02	4.85	5.02	5.02	4.85	4.85	4.85	4.85	4.85
Planning and Community Development	26.80	26.80	20.80	21.00	18.00	18.00	19.00	20.00	20.00	20.00
Public Safety	29.25	29.25	27.75	27.75	26.25	26.25	26.15	26.35	28.35	28.35
Public Works	58.00	58.00	38.00	36.00	36.00	37.00	37.00	39.00	43.00	43.00
	153.47	153.47	117.70	115.37	110.87	113.15	114.55	117.85	125.40	126.40

Source: City of Bainbridge Island Executive Department, Human Resources Division

Table 18: Operating Indicators by Function/Program

Last Ten Fiscal Years

Function / Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Police										
Calls for service	12,993	13,741	11,855	11,021	12,849	10,714	15,001	16,978	17,478	21,752
Case reports	2,076	1,979	1,964	1,741	1,872	1,737	1,702	1,877	1,669	1,805
Traffic violations	1,335	1,464	908	630	755	585	773	602	784	624
Judicial System										
Hearings Held	3,725	3,472	3,959	3,311	2,784	2,273	2,363	2,196	2,366	2,519
Physical and Economic Environment										
Land Use Planning Permits Issued	144	119	151	186	204	215	249	236	215	285
Building permits issued	356	347	477	489	509	670	706	806	971	774
Transportation										
Hours - roadway sweeping	*	489	713	834	789	841	671	364	810	788
Hours - roadside mowing	*	1,028	1,107	1,012	1,154	768	841	705	595	881
Hours - overhead vegetation control	*	1,400	1,086	728	1,046	1,186	1,883	1,632	1,405	1,425
Utility Services										
Water										
Active Service connections	2,393	2,402	2,399	2,438	2,458	2,491	2,520	2,560	2,640	2,671
Regulatory bacteria samples	112	138	138	138	138	138	138	141	145	145
Unsatisfactory regulatory samples	0	0	0	0	0	0	0	0	0	0
Sewer										
Number of Service Connections	2,046	2,055	2,067	2,085	2,101	2,127	2,130	2,167	2,238	2,289
WWTP ave monthly flow (MGD)	0.51	0.55	0.46	0.49	0.43	0.51	0.50	0.60	0.61	0.63
WWTP ave BOD removal (%)	98.25	98.25	98.41	99.00	99.10	99.00	98.60	98.20	98.40	99.00
Stormwater										
Number of culverts inspected	** Data not available			519	1,154	806	696	139	403	228
Number of culverts cleaned	** Data not available			136	125	101	263	40	3	53

Source: City of Bainbridge Island

* 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

2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
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Facilities and Fleet

Square feet of facilities maintained	*		67007	67007	67007	67007	67007	67007	62607	62607
Number of police stations	1	1	1	1	1	1	1	1	1	1
Number of police vehicles	31	33	32	29	27	25	24	25	28	28
Number of vehicles and equipment maintained	*Data not available			145	143	146	153	160	157	164

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	2	2	2	2	2	2	2	2	2	2
Roadway sweeping street waste removed (cubic yards)	322	262	258	349	237	321	194	262	363	463
Total Decant Facility Incoming spoils (cubic yards)	1485	1449	2008	2332	2706	1841	1116	766	3690	895
Number of city maintained road ends	38	38	38	38	38	38	43	44	44	44

Culture and Recreation

Number of developed parks	4	4	4	4	4	4	4	4	4	4
Acres of developed parks	59.6	59.6	59.6	59.6	59.6	59.6	59.6	59.6	59.6	59.6
Number of developed trails	17	17	18	19	20	21	21	22	22	24
Miles of developed trails	2.5	2.5	2.6	2.7	3.0	3.0	3.0	3.0	3.0	4.3
Number of Community/Senior Centers	1	1	1	1	1	1	1	1	1	1

Water Services

Number of active service connections	2393	2402	2399	2438	2458	2491	2520	2560	2640	2671
Winslow ave SFR daily consumption (gpd)	160	142	141	138	146	146	156	152	155	161
Number of active wells	13	13	13	13	13	13	13	13	14	14
Miles of main	**Data not available				47	47	47	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	112	138	138	138	138	138	138	141	145	145
Number of unsatisfactory regulatory samples	-	-	-	-	-	-	-	-	-	-

Sewer Services

Number of service connections	2046	2055	2067	2085	2101	2127	2130	2043	2238	2289	
Miles of main	***Data not available						37.4	37.4	38.5	38.5	38.5
Number of pump stations	16	16	16	16	17	17	17	17	17	17	
WWTP ave monthly flow (MGD)	0.51	0.55	0.46	0.49	0.43	0.51	0.50	0.60	0.61	0.63	
WWTP max monthly flow (MGD)	0.66	1.58	1.38	1.47	0.67	1.23	1.27	1.83	1.77	1.29	
WWTP ave BOD removal (%)	98	98	98	99	99	99	99	98	98	99	

Stormwater

Number of culverts inspected	***			519	1154	806	696	139	403	228
Number of catch basins inspected	***			153	322	375	410	554	739	1112
Linear feet of open conveyance ditched	***			1745	5885	5967	1285	4735	4959	4833
Miles of pipe	***			17.9	17.9	17.9	17.9	17.9	17.9	17.9
Number of city owned storm water ponds	35	35	41	41	42	42	42	42	42	42

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

** Some Water Services data not available for years prior to 2013

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

*** Some stormwater data not available for years prior to 2012