



Comprehensive Annual Financial Report
City of Bainbridge Island, Washington
For the fiscal year ended December 31, 2019

City of Bainbridge Island, Washington

2019 Comprehensive Annual Financial Report

For the fiscal year ended December 31, 2019

Prepared by the
Finance & Administrative Services
Department



CITY OF
BAINBRIDGE ISLAND

CITY OF BAINBRIDGE ISLAND, WASHINGTON
2019 Comprehensive Annual Financial Report

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INTRODUCTORY SECTION

**ELECTED OFFICIALS
CITY COUNCIL**



MAYOR
LESLIE SCHNEIDER



KIRSTEN HYTOPOULOS



JOE DEETS



MICHAEL POLLOCK



RASHAM NASSAR



KOL MEDINA



CHRISTY CARR

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
DEWAYNE PITTS
KATE BROWN
HEATHER WRIGHT
JOE CLARK
CHRIS WIERZBICKI
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

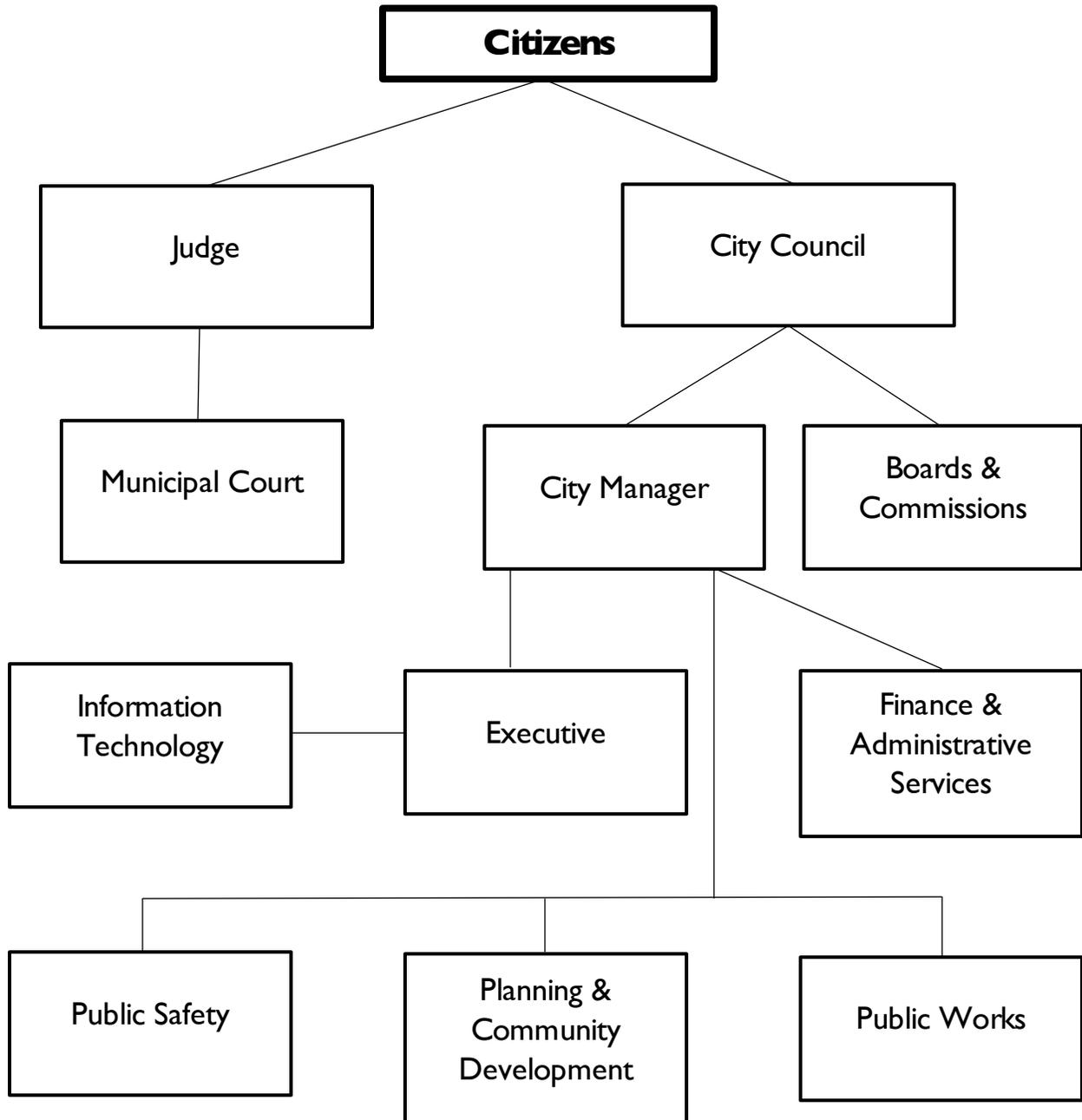
Respect and communication are central to our success.

Balance

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

CITY OF BAINBRIDGE ISLAND, WASHINGTON

ORGANIZATIONAL CHART





May 19, 2020

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, 2019. 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).

The independent audit of the City's financial statements is part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the auditor to report on the fair presentation of the financial statements, as well as the City's internal controls and compliance with legal requirements. The City's Single Audit Report will be issued separately and posted on the City's Finance Department website.

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 24,520 according to April 1, 2019, 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.

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

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 sixth US Congressional District.

The City provides the following primary services: General Executive and Administrative Services, Police, Municipal Court, Planning and Community Development, Street Maintenance and Construction, 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.

LOCAL ECONOMY

The City's economy and tax base remained healthy and consistent during 2019. The tax base reflects diverse revenue streams with property, sales, utility, and real-estate excise taxes comprising the bulk of the governmental tax base. The City's tax base is a credit strength. Predominantly residential with additional growth capacity, the City's 2019 assessed value of \$8.4 billion is 62% higher than its recession-era low of \$5.2 billion in 2013. Property values have benefitted from the strong Puget Sound economy and Bainbridge residents enjoy a median family income 173% higher than the US average, according to estimates from the US Census Bureau. The city is not exposed to any single large property taxpayer, as the 10 largest property taxpayers represent a combined 1.7% of assessed value.

On March 25, 2020, the State of Washington Governor released guidance for his "stay home, stay healthy" order for all state residents and businesses amid the COVID-19 pandemic. The worldwide pandemic will have significant ramifications to both global as well as state and local economies. Due to the sudden and extensive impacts, most local governments will likely see their revenues decrease. In particular, the City of Bainbridge Island and other municipalities are expected to witness modest to large drops in sales tax, real estate excise tax, utility taxes, parking tax, gas tax, building and development fees, and other revenues for the rest of 2020 and beyond. In 2019 these revenues comprised 58% of the City's tax-supported revenues used to provide services to citizens. The City does not anticipate a drop in property taxes, our most stable revenue stream. Since most large revenue streams have a one to two-month delay in receipt at the City, the effects from changes to activities and revenue streams will not begin to be observed until May and June 2020. City staff have completed initial forecasts for anticipated revenue decreases and have developed a preliminary plan to respond. As of May 1, staff estimate that overall, 2020 revenues may decrease by 15 – 20%, roughly \$4.5 million. Much of this impact, roughly \$2.7 million, can be offset through a hold on City hiring and a delay in some discretionary spending plans. The remaining impact of \$1.8 million represents less than 15% of estimated year-end fund balance which can be used to offset 2020 impacts if needed. In this approach, the City's financial reserves would be unchanged and additional fund balance of more than \$2 million would remain available for future needs. During the remainder of 2020, it will be important to continue to refine these forecasts and to monitor financial conditions and plans.

The latest unemployment data from the State of Washington indicates Washington's seasonally adjusted unemployment rate for March 2020 is 5.1 percent or about 198,000 out of a workforce of about 3.9 million. The estimated February 2020 unemployment rate was at 3.8 percent. For comparison, the March 2019 unemployment rate was 4.5 percent. However, it should be noted that the official March survey reference for both the February and March surveys predated many coronavirus-related business and school closures that occurred in the second half of March. Since March 15, 2020, new weekly

unofficial (not finalized) state unemployment claims have totaled over 945,000 (see chart 1 below) or approximately 24% of the current state workforce of 3.9 million. While there is no specific unemployment data available for Bainbridge Island, Kitsap County, with a March 2020 unemployment rate of 4.1%, may continue to experience lower than average unemployment despite recent impacts of COVID due to Department of Defense installations in Kitsap County which are major contributors to the County’s economy. This includes the Puget Sound Naval Shipyard, Submarine Base Bangor, and Keyport. U.S. Naval installations in the County employ over 30,000 civilian and military personnel. However, many Island residents commute to Seattle for employment while others are employed on the Island or elsewhere in Kitsap County. This means the Puget Sound economy and State unemployment in conjunction with Kitsap data needs to be considered when considering impacts to the City going forward.

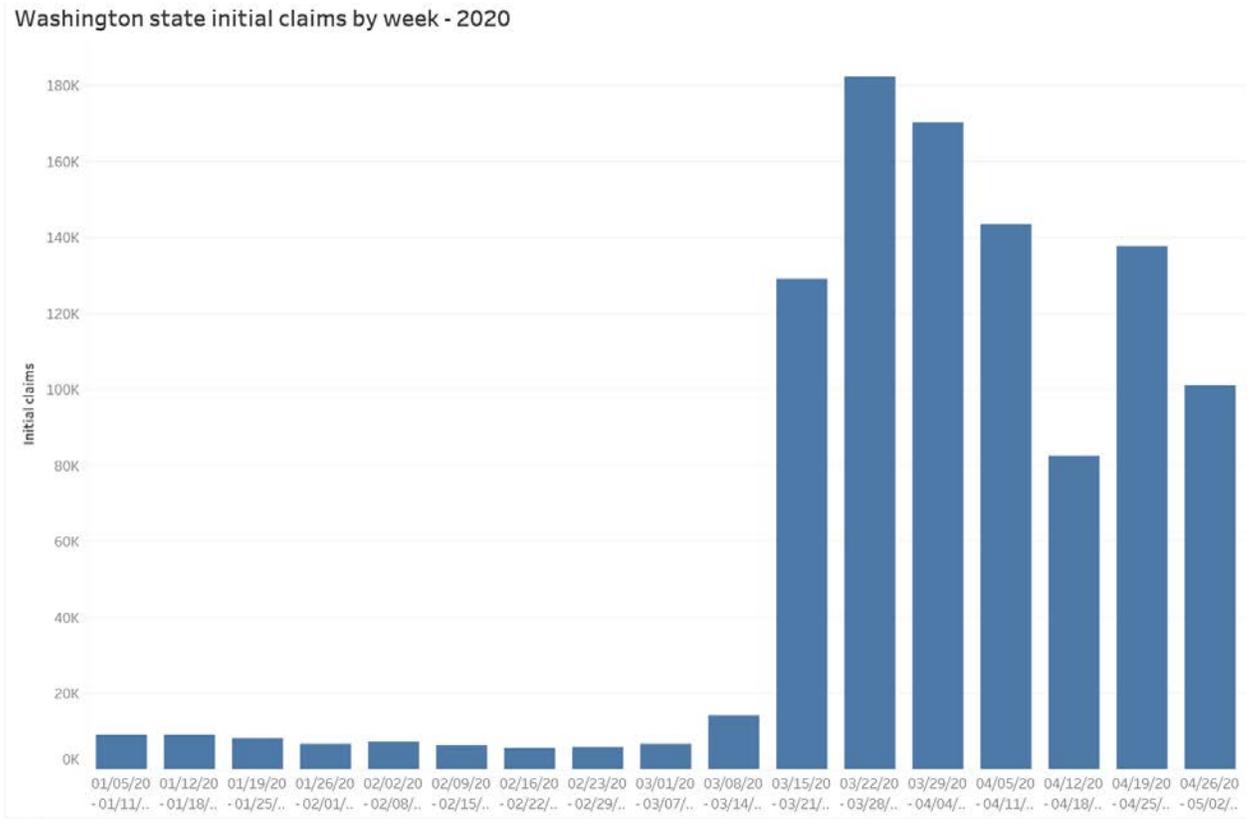
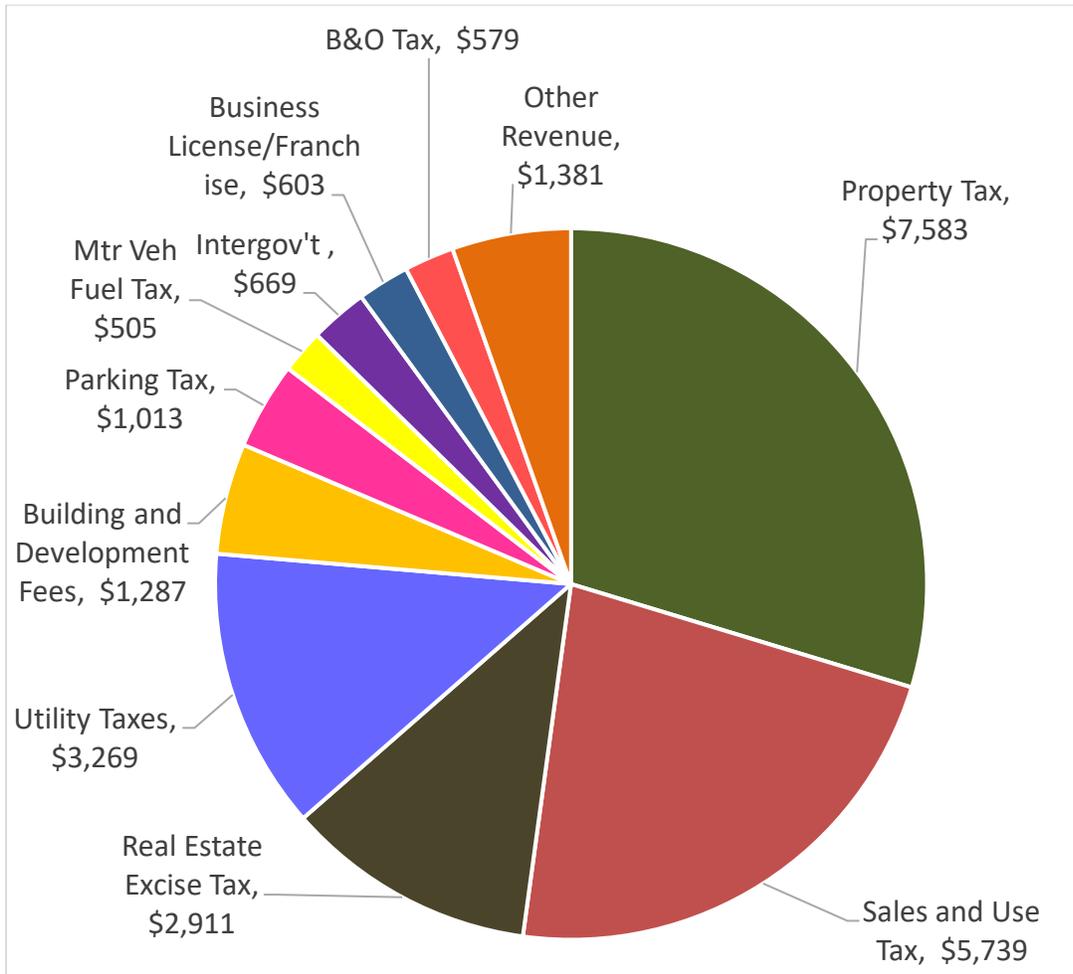


Chart 1: Source: Washington state employment security department.

Bainbridge Island-based taxable retail sales, and resulting City tax revenue, provide a useful indicator of economic performance and resilience in the local economy. Since 2014, sales tax revenue and the underlying taxable sales on Bainbridge Island have exceeded the levels prior to the economic recession. At \$5.7 million of revenue, 2019 base sales and use tax revenue showed a 10% increase over the previous year. As shown in the following chart, the four largest contributors to governmental tax revenue are property, sales, utility, and real estate excise (REET) which account for about 76% of the total tax supported revenue or about \$19.5 million.

Chart Two: 2019 Tax-Supported Revenue (Total = \$25.5 million)

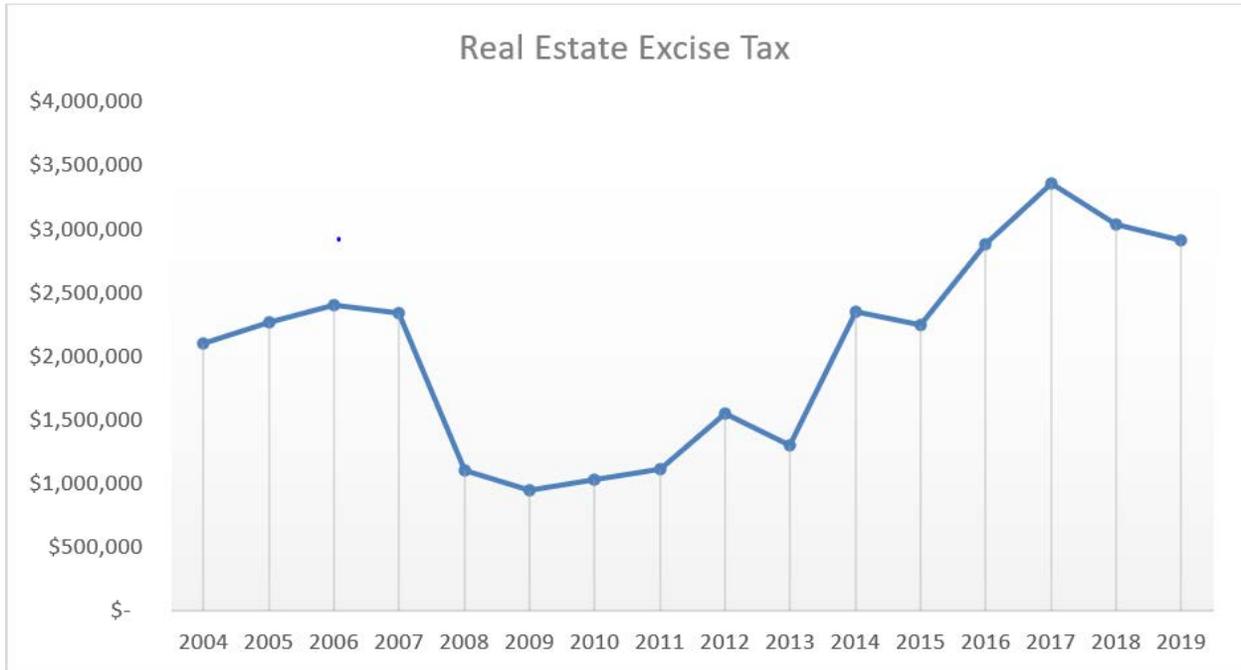


Source: [City of Bainbridge Island](#)

Since the economic expansion began in 2009, these four tax supported revenues as well as most other growth-related revenue sources have remained relatively strong. However, it should be noted that in contrast to sales tax, revenue from REET appears to have peaked in 2017 and has continued to decline in 2018 and 2019 by 10% and 4% respectively (see chart three below).

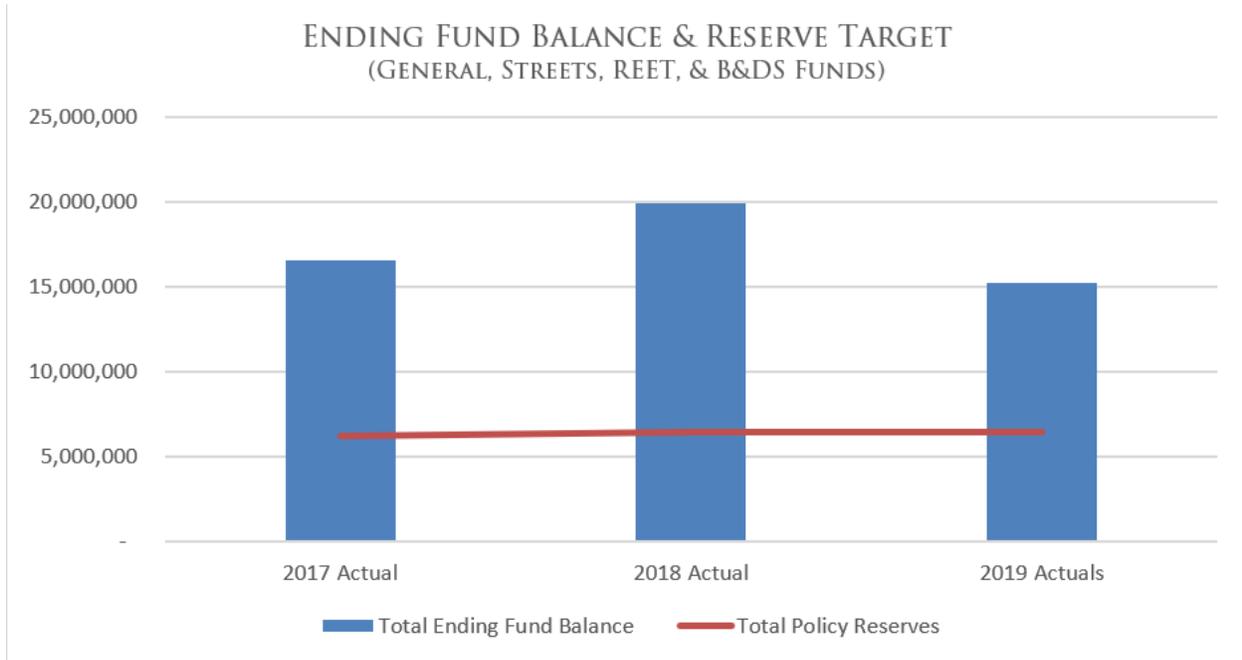
Chart Three: Real Estate Excise Tax Revenue 2004-2019

Source: City of Bainbridge Island



In 2019, 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 2019-2020 biennium, the Council updated the City’s financial policies to match current best fiscal management practices and City goals. One meaningful policy change in recent years was a general fund minimum fund balance of 25% of recurring revenues, representing approximately \$4.9 million in annual reserve funding. The decrease in ending fund balance shown below from 2018 to 2019 represents a transfer of \$4.8 million from the general fund monies to the capital projects fund balance in anticipation and support of the Police Station-Municipal Court purchase closing in January 2020 (see below and major initiatives and accomplishments). All Council-approved general fund and tax supported reserves met or exceeded their targets at the end of 2019 (see Chart 4 below).

Chart Four: Ending Fund Balance & Reserve Target



MAJOR INITIATIVES AND ACCOMPLISHMENTS

Credit Rating Raised to Aaa

In December 2019 Moody's Investors Service raised the City's credit rating to Aaa, the highest rating available for governments or private businesses. Moody's cited the City's excellent tax base, healthy financial profile, ample reserves, strong management team, and low debt and pension liabilities as primary drivers for their decision.

Olympic Drive Improvements Completed

Olympic Drive improvements was one of the most significant capital projects completed in recent years. This nearly \$3.1 million project provided for pedestrian and bicycle improvements along Olympic Drive and State Route 305 from Harborview Drive to Winslow Way. The City secured \$2 million in grant funding from the Washington State Department of Transportation (WSDOT), the State Transportation Improvement Board, and the US Federal Highway Administration. The completed project includes shared-use pathways, sidewalk widening, ADA accessibility improvements, bike lanes, painted bike boxes, a center divider, signal modifications, bike loops, landscaping, and other work necessary to improve safety for all users on the Island's busiest road. According to the WSDOT, over 6.2 million passengers traveled the ferry route between Seattle to Bainbridge in 2019. This includes 1.8 million vehicles and drivers as well as an additional 4.4 million walk-on, vehicle, and bicycle passengers. Wider sidewalks, new bike lanes, and other non-motorized improvements will ensure continued safety and accessibility to and from the ferry.



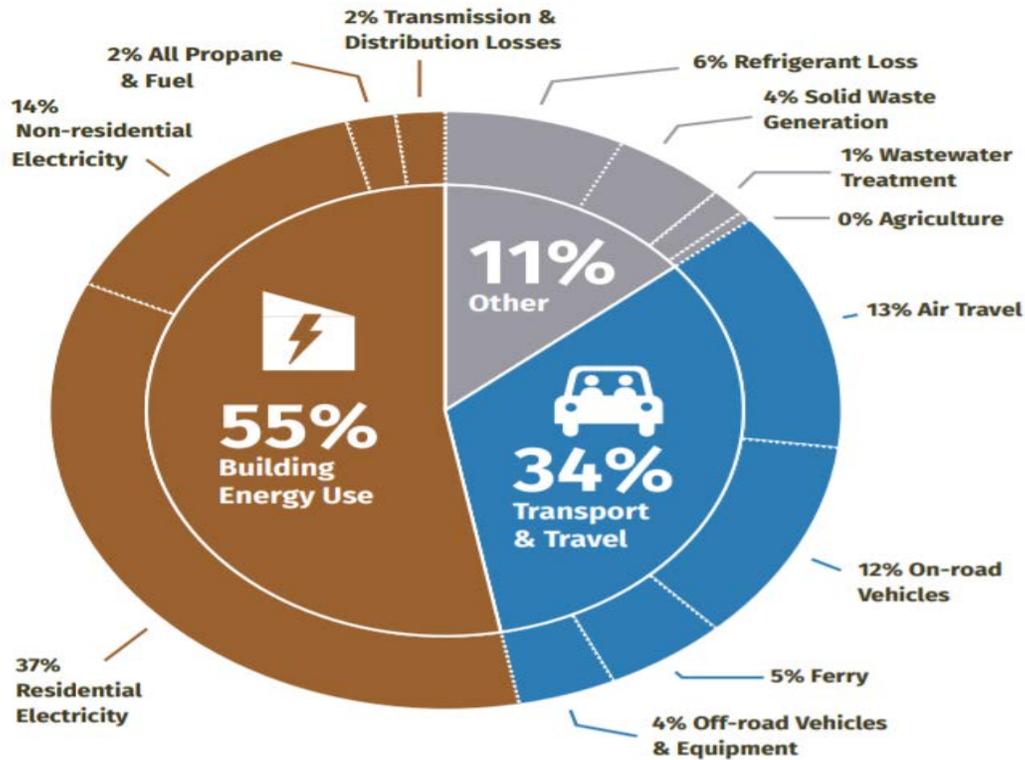
Police Station-Municipal Court Project Launched

In 2019 Council approved a formal purchase and sale agreement for the existing but now vacated Harrison Medical Building for \$9 million as the site for a facility to replace the current police station and municipal court leased building. The 2019-2020 Adopted Budget and Capital Improvement Plan includes funding for a \$20 million project, with funding assumptions of \$12 million from existing City funds and \$8 million from long-term debt. The limited term general obligation bonds were issued in December 2019 and the property purchase completed in January 2020. Work is scheduled to begin later in 2020. The project will take approximately a year to complete.

Greenhouse Gas (GHG) Inventory Completed

The City, working with the Cascadia Consulting Group, recently completed a comprehensive GHG inventory. GHG inventories quantify the amount of climate pollution produced by an entity – in this case, from the Bainbridge Island community and municipal government operations. As the City continues to take action to reduce emissions, this inventory will serve as a helpful tool for tracking progress and making improvements along the way. The City estimates that the Bainbridge Island community emitted 233,998 metric tons of carbon dioxide equivalent (MTCO_{2e}) in 2018. That equates to 9.4 MTCO_{2e} per person - equivalent to the emissions from driving 50,000 passenger vehicles for a year. The majority of those emissions are from consumption of energy in homes and commercial buildings as shown in the chart below.

Community Overall Emissions 233,998 MTCO₂e



Source: Cascadia Consulting Group

The Climate Change Advisory Committee (CCAC) will incorporate ideas and suggestions from planned workshops into a Climate Action Plan (CAP). It's anticipated the CCAC will provide a draft CAP to City Council sometime in 2020. During the same period, the CCAC will provide opportunities for the community to comment on the draft CAP. A final CAP is expected later in 2020.

FINANCIAL INFORMATION

Long-term Financial Planning

The City of Bainbridge Island focuses on long-term financial planning, utilizing tools such as a 10-year forecasting tool which measures Council decisions by calculating their impacts against short and long-term impacts on recurring revenues, expenses and fund balances based on conservative assumptions. 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). This structural tension in the City's current financial setting is shared across many jurisdictions. Balancing recurring

revenues and 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.

Reserves

In 2016 the City Council adopted a comprehensive set of financial policies, updating policies originally adopted in 2009 and amended in subsequent years. The general fund minimum fund balance target is 25% of annual recurring revenues, or approximately \$4.9 million. The actual unassigned fund balance at the end of 2019 was \$14.8 million. At the end of 2019, the Emergency Reserve was at its target level of \$1 million. The 2019 budget appropriated a \$300,000 contingency reserve within the Legislative Department budget. The 2019 adopted budget fully funded all reserves for all funds.

Cash Management and Investments

The City pools idle cash from all funds 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, self-insuring, and contracting for risk management services. WCIA now has over 160 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 City assets are protected from loss, theft, or misuse. City management must also ensure adequate accounting data is compiled to allow 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 to ensure compliance with provisions of 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 is available on the City's Finance Department website.

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 2018. This was the fifth consecutive year the City received the award. To be awarded a Certificate of Achievement, the City 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 2019-2020 Biennial Budget, the third 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

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, Carrie Freitas, Brigham Huish, and Ron Logghe, MBA. 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 Washington State Auditor's Office for their work, review, and comments.

Respectfully submitted,

Morgan Smith, City Manager

DeWayne Pitts, Finance Director

City of Bainbridge Island, Washington



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, 2018

Christopher P. Morrill

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, 2018.

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

August 31, 2020

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, 2019, 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.

Opinions

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, 2019, 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 2019, the City adopted new accounting guidance, Governmental Accounting Standards Board *Statement No. 84, Fiduciary Activities*. Our opinion is not modified with respect to this matter.

As discussed in Note 17 to the financial statements, in February 2020, a state of emergency was declared that could have a negative financial effect on the City. 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 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 as a whole. 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 are 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 August 31, 2020, 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 style with a large initial "P" and "M".

Pat McCarthy
State Auditor
Olympia, WA



CITY OF BAINBRIDGE ISLAND, WASHINGTON

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2019

This narrative provides overview and analysis of the City of Bainbridge Island's (City) financial activities for the fiscal year ended December 31, 2019. 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 2019 by \$178,352,945. Of this amount, \$29,314,528 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 \$10,362,643, or 6%. This increase was primarily the result of an increase in the City's cash position and an increase in the net investment in capital assets offset by a smaller increase in long-term debt.
- At the close of 2019, the City's governmental funds reported combined ending fund balances of \$39,049,612; an increase of \$11,427,784, or 41%, in comparison to the prior year. This increase was primarily due to proceeds from the 2019 general obligation bond issue.
- Total revenues for governmental activities increased by \$2,249,618. This was primarily due to an increase in capital grants and contributions. Property taxes, the single largest tax source, increased by \$102,796, or 1%.
- The City's total liabilities increased by \$5,350,170, or 19%, to \$33,482,619. This was primarily due to issuance of the previously mentioned 2019 general obligation bonds offset by normal debt service on existing bonds.
- 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 \$3,068,816 at year-end 2019 as compared to \$4,032,588 at year-end 2018, a decrease of 24%. This change also resulted in a deficit net position in the Building and Development Service Fund of (\$838,280) at year-end 2019. 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 2019 these funds include the General Fund, the Real Estate Excise Tax Fund, the Street Fund, the General Obligation Bond 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 2019 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	
	2019	2018	2019	2018	2019	2018
Cash and Cash Equivalents	\$ 39,999,557	\$27,746,000	\$18,108,054	\$16,510,475	\$ 58,107,612	\$44,256,475
Other Assets	5,098,828	5,898,326	885,045	1,028,588	5,983,873	6,926,913
Capital Assets	104,490,921	101,539,312	44,468,822	44,463,620	148,959,742	146,002,932
Total Assets	149,589,306	135,183,638	63,461,921	62,002,682	213,051,227	197,186,320
Deferred Outflows of Resources	809,106	710,912	370,257	324,793	1,179,363	1,035,705
Other Liabilities	1,872,540	1,926,210	1,471,003	684,732	3,343,542	2,610,942
Long Term Debt	17,867,715	11,291,697	12,271,361	14,229,811	30,139,077	25,521,507
Total Liabilities	19,740,255	13,217,906	13,742,364	14,914,543	33,482,619	28,132,449
Deferred Inflows of Resources	1,626,027	1,444,894	768,999	654,380	2,395,026	2,099,274
Net Investment in Capital Assets	101,486,340	97,817,388	34,028,873	32,797,991	135,515,213	130,615,379
Restricted	12,692,017	2,760,554	831,188	992,449	13,523,204	3,753,002
Unrestricted	14,853,773	20,653,808	14,460,755	12,968,113	29,314,528	33,621,920
Total Net Position	\$129,032,130	\$121,231,750	\$ 49,320,815	\$46,758,553	\$ 178,352,945	\$167,990,302

In 2019, the total net position of the City increased \$10,362,643, or 6%. Governmental activities net position increased \$7,800,380, or 6%, due to an increase in cash and cash equivalents offset by a smaller increase in long-term debt. Business-type activities net position increased \$2,562,262, or 5%.

Governmental activities cash and cash equivalents increased by \$12,253,557, or 44%, while business-type activities cash and cash equivalents increased \$1,597,579, or 10%. The governmental activities cash increase is primarily the result of the previously mentioned 2019 general obligation bond proceeds. Both governmental and business-type cash increases were also due to actions taken by the City to bring budgetary expenditures below revenue estimates and delays in certain cash-funded capital projects.

SUMMARY OF CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Program Revenues						
Charges for Services	\$ 1,223,523	\$ 1,509,876	\$ 9,008,327	\$ 9,248,663	\$10,231,849	\$10,758,539
Operating Grants & Contributions	756,608	909,899	36,963	12,661	793,571	922,560
Capital Grants & Contributions	3,445,280	1,549,847	1,027,625	656,181	4,472,905	2,206,028
Total Program Revenues	5,425,411	3,969,622	10,072,915	9,917,505	15,498,325	13,887,127
General Revenues						
Property Taxes	8,219,324	8,116,528	-	-	8,219,324	8,116,528
All Other Taxes	14,371,898	13,764,841	-	-	14,371,898	13,764,841
Interest	676,858	501,454	333,035	286,419	1,009,894	787,873
Other Revenues	1,137,182	1,228,611	0	57,750	1,137,182	1,286,360
Total General Revenues	24,405,263	23,611,433	333,035	344,169	24,738,298	23,955,602
Total Revenues	29,830,673	27,581,055	10,405,950	10,261,673	40,236,623	37,842,729
Program Expenses						
General Government	5,643,155	5,373,431	-	-	5,643,155	5,373,431
Judicial	661,881	665,610	-	-	661,881	665,610
Public Safety	5,742,219	5,560,543	-	-	5,742,219	5,560,543
Physical Environment	987,062	928,591	-	-	987,062	928,591
Transportation	4,064,126	4,295,292	-	-	4,064,126	4,295,292
Health & Human Svcs	349,663	259,285	-	-	349,663	259,285
Econ. Environment	1,525,550	1,748,244	-	-	1,525,550	1,748,244
Culture & Recreation	1,048,591	1,136,416	-	-	1,048,591	1,136,416
Water	-	-	1,644,919	1,472,410	1,644,919	1,472,410
Sewer	-	-	3,511,985	3,343,209	3,511,985	3,343,209
Storm & Surface Water Management	-	-	1,744,087	1,802,052	1,744,087	1,802,052
Building & Development Svcs	-	-	2,950,744	2,601,925	2,950,744	2,601,925
Total Program Expenses	20,022,246	19,967,411	9,851,734	9,219,596	29,873,980	29,187,007
Excess/Deficiency	9,808,427	7,613,644	554,216	1,042,077	10,362,643	8,655,721
Other						
Transfers	(1,614,303)	(901,341)	1,614,303	901,341	-	-
Changes in Net Position	8,194,124	6,712,303	2,168,519	1,943,419	10,362,643	8,655,721
Beginning Net Position	121,231,750	114,713,420	46,758,553	45,187,405	167,990,302	159,900,824
Change in Accounting Principle	-	(887,091)	-	-	-	(887,091)
Prior Period Adjustments	(393,744)	693,119	393,744	(372,271)	-	320,848
Ending Net Position	\$129,032,130	\$121,231,750	\$49,320,815	\$46,758,553	\$178,352,945	\$167,990,302

GOVERNMENTAL ACTIVITIES

In 2019, the net position of governmental activities increased \$7,800,380, or 6%, to \$129,032,130.

2019 governmental activities program revenues increased by \$1,455,788, or 37%, primarily due to an increase in governmental capital grants and contributions. The most significant revenue component of governmental activities is the general tax base. At \$22,591,222, taxes represent 76% of the \$29,830,673 in total revenues for 2019. Property tax is the single largest source of governmental activities revenue at \$8,219,324, or 28% of total revenues.

Governmental activities program expenses in total increased by \$54,835, or less than 1%, in 2019 as compared to 2018. Expenses increased in four program categories. The largest dollar increase was in General Government at \$269,724, or 5%, more in 2019 than 2018. The second largest increase was in Public Safety at 3%, or \$181,676. The largest decrease was in Transportation expenses by 5%, or \$231,166. The second largest decrease was in Economic Environment at 13%, or \$222,695.

BUSINESS-TYPE ACTIVITIES

In 2019, there was an increase in net position related to business-type activities of \$2,562,262, or 5%, to \$49,320,815.

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 an operating loss of \$405,304. This loss was offset by significant investment earnings and contributed capital resulting in an increase in net position. The Building and Development Services Fund showed a net operating loss of \$838,280. Building and Development Services activity recovered 44% of its operating expenses with operating revenues, which is significantly less than the City Council's 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 decreased \$5,006,608, or 24%, primarily because of transfers to the Capital Construction Fund for the planned reconstruction of the Harrison Medical building for the City's new Police and Municipal Court facility. The General Fund ended 2019 with a fund balance of \$15,598,236, which is 80% of total revenues.

The Street Fund balance increased \$182,388, or 30%, primarily due to a large increase in transfers from other funds.

The Capital Construction Fund ended 2019 with a fund balance of \$20,013,345, an increase of \$16,210,292, or 426%, primarily due to 2019 bond proceeds and transfers from the General Fund. As noted above, the City plans to use these funds to purchase and reconstruct the Harrison Medical building.

The Water, Sewer, and Storm and Surface Water Management Funds ended 2019 with unrestricted net positions of \$7,265,868, \$5,660,123, and \$2,373,044, respectively. The Building and Development Services fund ended 2019 with a deficit unrestricted net position of (\$838,280) primarily due to a net pension liability of \$660,021.

GENERAL FUND BUDGETARY HIGHLIGHTS

The original 2019 adopted budget anticipated a decrease of \$479,617, or 3%, in the budgetary fund balance during the year from \$10,625,000 to \$10,145,383. The budget anticipated relatively modest revenue increases offset by expenditure increases to reflect added personnel and capital investments. The revised 2019 budget used updated information and revised the beginning fund balance significantly upward to \$18,565,810 reflecting a delay in transferring funds to the Capital Construction Fund in anticipation of the

Harrison Medical building purchase and reconstruction noted above. The actual 2019 ending fund balance was \$15,598,236, a decrease of \$5,006,608 from current year's activity.

Actual total revenues exceeded the final budget by \$347,034. A significant portion of this was due to non-property taxes that were higher than budgeted. Actual total expenditures were \$3,595,918 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 total invested in capital assets (net of depreciation) increased \$2,956,810 to a total of \$148,959,742 in 2019. Governmental assets represent 70% of the City's overall net investment in capital assets. Land represents 60% 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:

CAPITAL ASSETS

	Governmental Activities		Business-Type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Land	\$ 62,988,096	\$ 62,053,912	\$ 1,796,865	\$ 1,796,865	\$ 64,784,961	\$ 63,850,777
Buildings & Improvements	16,467,161	16,400,829	54,728	54,728	16,521,889	16,455,558
Intangible Assets	880,000	880,000	32,365	32,365	912,365	912,365
Vehicles & Equipment	8,662,499	8,634,103	431,430	696,656	9,093,929	9,330,760
Infrastructure	55,491,346	51,333,472	67,302,348	65,696,084	122,793,694	117,029,556
Construction in Progress	2,232,795	1,827,769	613,742	1,103,466	2,846,537	2,931,235
Accumulated Depreciation	(42,230,976)	(39,590,773)	(25,762,656)	(24,916,544)	(67,993,632)	(64,507,317)
Totals	\$104,490,921	\$101,539,312	\$44,468,822	\$44,463,620	\$148,959,742	\$146,002,932

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 2019 the City's total long-term debt increased by \$4,493,083, or 24%, as compared to 2018. Governmental activities long-term debt increased \$5,708,972, or 83%, due to the previously mentioned 2019 general obligation bond issuance offset by normal debt retirements. Business-type activities long-term debt decreased \$1,215,888, or 11%, due to normal debt retirements. Of the debt outstanding at the end of 2019, 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	
	2019	2018	2019	2018	2019	2018
General Obligation Bonds	\$12,250,000	\$ 6,480,000	\$ 3,185,000	\$ 3,415,000	\$15,435,000	\$ 9,895,000
LID Bonds	149,455	186,818	-	-	149,455	186,818
Intergovernmental Loans	212,984	236,649	7,147,231	8,133,119	7,360,215	8,369,768
Totals	\$12,612,438	\$ 6,903,467	\$10,332,231	\$11,548,119	\$22,944,669	\$18,451,586

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 has continued 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 2019 were 126.7 full-time equivalent (FTE) positions, still significantly lower than the City's high point of 152 FTE in 2008 but representing an increase of 7.3 FTE over the approved levels for 2017. Changes to the operating budgets from 2012 through 2019 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 2019 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 transportation infrastructure, and finalized plans for siting the City's planned new public safety and municipal court facility. These projects draw funding from a variety of sources, including general obligation bonds, federal and state grants, developer contributions, utility revenue, and existing fund balance.

Since the "great recession" the City has experienced strong financial growth through 2017 after which certain revenues have started to moderate and REET declined some. During the recession, the City made difficult choices which brought recurring expenses to levels below recurring revenues. The City also established conservative budget policies and set up prudent financial reserves. As a result of these policies the City has seen increasing governmental fund balances.

CITY OF BAINBRIDGE ISLAND, WASHINGTON
Statement of Net Position
As of December 31, 2019

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 39,760,785	\$ 16,548,807	\$ 56,309,592
Receivables - Net	2,479,271	203,481	2,682,752
Due from Other Governments	666,069	-	666,069
Inventories	123,600	77,186	200,786
Restricted Cash - Debt Service	-	831,188	831,188
Restricted Cash - Custodial Accounts	238,772	728,059	966,832
Prepays	126,335	-	126,335
Special Assessments Receivable	24,639	604,378	629,017
Net Pension Asset	1,678,915	-	1,678,915
Depreciable Capital Assets (Net)	38,390,030	42,058,215	80,448,245
Land	62,988,096	1,796,865	64,784,961
Construction in Progress	2,232,795	613,742	2,846,537
Other Capital Assets	880,000	-	880,000
Total Assets	<u>149,589,306</u>	<u>63,461,921</u>	<u>213,051,227</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charges on Debt Refunding	110,766	-	110,766
Deferred Charges on Pensions and OPEB	698,341	370,257	1,068,598
Total Deferred Outflows of Resources	<u>809,106</u>	<u>370,257</u>	<u>1,179,363</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 150,398,412</u>	<u>\$ 63,832,178</u>	<u>\$ 214,230,590</u>
LIABILITIES			
Accounts Payable	\$ 1,118,892	\$ 269,429	\$ 1,388,321
Accrued Expenses	514,875	276,757	791,632
Unearned Revenue	-	196,757	196,757
Other Liabilities	238,772	728,059	966,832
Special Assessment Debt with Governmental Commitment	149,455	-	149,455
Non-Current Liabilities Due Within One Year	1,796,017	1,508,120	3,304,137
Non-Current Liabilities Due in More Than One Year	13,990,655	9,224,061	23,214,716
Compensated Absences Due in More Than One Year	239,492	162,462	401,954
Net Pension Liability Due in More Than One Year	1,692,097	1,376,719	3,068,816
Total Liabilities	<u>19,740,255</u>	<u>13,742,364</u>	<u>33,482,619</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows on Court Fines	80,186	-	80,186
Deferred Inflows on Pensions	1,545,841	768,999	2,314,840
Total Deferred Inflows of Resources	<u>1,626,027</u>	<u>768,999</u>	<u>2,395,026</u>
NET POSITION			
Net Investment in Capital Assets	101,486,340	34,028,873	135,515,213
Restricted for:			
Net Pension Asset	1,678,915	-	1,678,915
Debt Service	201,251	831,188	1,032,438
Public Safety	59,245	-	59,245
PEG Capital	183,813	-	183,813
Economic Development	447,191	-	447,191
Transportation	1,165,050	-	1,165,050
Other Purposes	859,419	-	859,419
Construction - Bond Proceeds	8,097,133	-	8,097,133
Unrestricted	14,853,773	14,460,755	29,314,528
Total Net Position	<u>\$ 129,032,130</u>	<u>\$ 49,320,815</u>	<u>\$ 178,352,945</u>

CITY OF BAINBRIDGE ISLAND, WASHINGTON
Statement of Activities
For the year ended December 31, 2019

	Program Revenues				Net Expense/Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions		Primary Government		
			Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
Primary Government:							
Governmental Activities:							
General Government	\$ 5,273,449	\$ 923,700	\$ 510	\$ -	\$ (4,349,239)	\$ -	\$ (4,349,239)
Judicial	661,881	42,684	-	-	(619,198)	-	(619,198)
Public Safety	5,742,219	72,301	190,122	1,524	(5,478,271)	-	(5,478,271)
Physical Environment	987,062	2,002	15,336	24,639	(945,086)	-	(945,086)
Transportation	4,064,126	25,620	550,640	3,419,117	(68,749)	-	(68,749)
Health and Human Services	349,663	-	-	-	(349,663)	-	(349,663)
Economic Environment	1,525,550	157,216	-	-	(1,368,333)	-	(1,368,333)
Culture and Recreation	1,048,591	-	-	-	(1,048,591)	-	(1,048,591)
Interest on Long Term Debt	369,706	-	-	-	(369,706)	-	(369,706)
Total Government Activities	<u>20,022,246</u>	<u>1,223,523</u>	<u>756,608</u>	<u>3,445,280</u>	<u>(14,596,836)</u>	<u>-</u>	<u>(14,596,836)</u>
Business-Type Activities:							
Water	1,644,919	1,239,614	-	437,928	-	32,624	32,624
Sewer	3,511,985	3,824,118	-	429,760	-	741,893	741,893
Storm and Surface Water Management	1,744,087	2,642,946	36,963	159,937	-	1,095,760	1,095,760
Building and Development Services	2,950,744	1,301,648	-	-	-	(1,649,095)	(1,649,095)
Total Business-Type Activities	<u>9,851,734</u>	<u>9,008,327</u>	<u>36,963</u>	<u>1,027,625</u>	<u>-</u>	<u>221,181</u>	<u>221,181</u>
Total Primary Government	<u>\$ 29,873,980</u>	<u>\$ 10,231,849</u>	<u>\$ 793,571</u>	<u>\$ 4,472,905</u>	<u>\$ (14,596,836)</u>	<u>\$ 221,181</u>	<u>\$ (14,375,655)</u>
General Revenues:							
Property Taxes Levied for General Purposes					\$ 7,611,247	\$ -	\$ 7,611,247
Property Taxes Levied for Other Purposes					608,077	-	608,077
Sales and Use Taxes					6,065,082	-	6,065,082
Business and Occupation Taxes					4,891,876	-	4,891,876
Excise Taxes					3,414,939	-	3,414,939
Unrestricted Investment Earnings					676,858	333,035	1,009,894
Grants and Contributions not Restricted to Specific Programs					376,943	-	376,943
Gain(Loss) on Disposal of Capital Assets					43,089	-	43,089
Miscellaneous					717,151	-	717,151
Transfers					(1,614,303)	1,614,303	-
Total General Revenues and Transfers					<u>22,790,960</u>	<u>1,947,338</u>	<u>24,738,298</u>
Change in Net Position					8,194,124	2,168,519	10,362,643
Change in Accounting Principle					-	-	-
Prior Period Adjustments					(393,744)	393,744	-
Net Position - Beginning					121,231,750	46,758,553	167,990,302
Net Position - Ending					<u>\$ 129,032,130</u>	<u>\$ 49,320,815</u>	<u>\$ 178,352,945</u>

CITY OF BAINBRIDGE ISLAND, WASHINGTON
Balance Sheet Statement
Governmental Funds
As of December 31, 2019

	General	Real Estate Excise Tax	Street	Capital Construction	General Obligation Bonds	Non-Major Governmental Funds	Total Governmental Funds
ASSETS							
Cash and Cash Equivalents	\$ 14,574,564	\$ 751,954	\$ 520,003	\$ 20,352,785	\$ 4,953	\$ 1,819,870	\$ 38,024,129
Receivables - Net	2,091,942	28,295	245,832	-	4,648	108,555	2,479,271
Inventories	9,888	-	113,712	-	-	-	123,600
Due From Other Governments	165,208	-	90,287	410,574	-	-	666,069
Unmatured Assessments	-	-	-	-	-	24,639	24,639
Custodial Accounts	197,004	-	8,290	-	-	33,479	238,772
Total Assets	\$ 17,038,605	\$ 780,249	\$ 978,124	\$ 20,763,358	\$ 9,600	\$ 1,986,543	\$ 41,556,480
LIABILITIES							
Accounts Payable	\$ 541,689	\$ -	\$ 108,509	\$ 438,113	\$ -	\$ 29,116	\$ 1,117,427
Accrued Expenditures	431,537	-	67,680	137	-	-	499,355
Other Liabilities	197,004	-	8,290	-	-	33,479	238,772
Total Liabilities	1,170,230	-	184,479	438,250	-	62,594	1,855,554
DEFERRED INFLOWS OF RESOURCES							
Unavailable Revenues - Grants	3,005	-	-	311,763	-	-	314,768
Unavailable Revenues - Property Taxes	132,116	-	-	-	2,977	-	135,093
Unavailable Revenues - Other Taxes & Fees	54,832	-	12,100	-	-	-	66,932
Unavailable Revenues - Court Fines	80,186	-	-	-	-	-	80,186
Unavailable Revenues - Special Assessments	-	-	-	-	-	54,334	54,334
Total Deferred Inflows of Resources	270,139	-	12,100	311,763	2,977	54,334	651,313
FUND BALANCES							
Nonspendable	69,059	-	113,712	-	-	-	182,771
Restricted	243,058	780,249	29,218	8,192,147	-	1,768,430	11,013,102
Committed	198,750	-	-	-	-	101,185	299,935
Assigned	273,304	-	638,615	11,821,198	6,624	-	12,739,741
Unassigned	14,814,064	-	-	-	-	-	14,814,064
Total Fund Balances	15,598,236	780,249	781,545	20,013,345	6,624	1,869,614	39,049,612
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 17,038,605	\$ 780,249	\$ 978,124	\$ 20,763,358	\$ 9,600	\$ 1,986,543	\$ 41,556,480

CITY OF BAINBRIDGE ISLAND, WASHINGTON
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
As of December 31, 2019

Ending fund balance - governmental funds	\$ 39,049,612
 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.	102,941,548
Other Assets are not available to pay current-period expenditures and, therefore, are deferred in the governmental funds.	126,335
Net pension assets resulting from annual contributions in excess of required contributions are not financial resources and, therefore, are deferred in the governmental funds.	1,678,915
 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	110,766
 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	314,768
Deferred Inflows of Resources - Special Assessments	54,334
Deferred Inflows of Resources - Property Taxes	135,093
Deferred Inflows of Resources - Other Revenues	66,932
 Certain liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Accrued expenses	(439,338)
Compensated absences	(239,492)
Long-term liabilities	(15,513,774)
Net pension liability	(1,692,097)
 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	3,286,029
 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	11,339
Deferred outflow of resources related to pensions	687,002
Deferred inflow of resources related to pensions	(1,545,841)
 Net Position of Major Governmental Activities	 \$ 129,032,130

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

CITY OF BAINBRIDGE ISLAND, WASHINGTON
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the year ended December 31, 2019

	General	Real Estate Excise Tax	Street	Capital Construction	General Obligation Bonds	Non-Major Governmental Funds	Total Governmental Funds
REVENUES							
Property Taxes	\$ 7,582,739	\$ -	\$ -	\$ -	\$ 608,077	\$ -	\$ 8,190,816
Other Taxes	9,652,076	2,901,651	999,667	-	-	828,127	14,381,521
Fees and Fines	42,684	-	-	-	-	-	42,684
Licenses and Permits	605,459	-	35,170	-	-	-	640,629
Intergovernmental	509,778	-	549,072	2,398,457	-	-	3,457,307
Charges for Services	384,282	-	240	-	-	155,688	540,210
Interest and Investment Revenue	584,875	25,496	-	-	-	35,113	645,485
Other Revenues	176,521	-	20	-	-	28,940	205,481
Total Revenues	19,538,414	2,927,148	1,584,169	2,398,457	608,077	1,047,868	28,104,132
EXPENDITURES							
Current							
General Government	4,717,297	-	370,011	-	-	-	5,087,308
Judicial	709,877	-	-	-	-	-	709,877
Public Safety	5,538,870	-	165,998	-	-	-	5,704,868
Physical Environment	906,387	-	68,909	-	-	-	975,296
Transportation	9,733	-	2,446,325	-	-	-	2,456,059
Health and Human Services	376,395	-	-	-	-	-	376,395
Economic Environment	1,345,012	-	-	-	-	239,554	1,584,566
Culture and Recreation	535,357	-	1,633	-	-	-	536,990
Debt Service - Principal	-	-	-	-	1,213,665	37,364	1,251,029
Debt Service - Interest	1,358	-	-	95,259	328,831	8,519	433,966
Capital Outlay	371,929	-	11,735	3,580,147	-	-	3,963,811
Total Expenditures	14,512,215	-	3,064,611	3,675,406	1,542,496	285,436	23,080,165
Excess/(deficiency) of Revenue over Expenditures	5,026,198	2,927,148	(1,480,443)	(1,276,949)	(934,419)	762,431	5,023,967
OTHER FINANCING SOURCES/(USES)							
Disposition of Capital Assets	9,480	-	35,134	-	-	-	44,613
General Obligation Bonds Issued	-	-	-	7,255,000	-	-	7,255,000
Refunding Bonds Issued	-	-	-	-	2,737,534	-	2,737,534
Payment to Bond Refunding Escrow Agent	-	-	-	-	(3,030,000)	-	(3,030,000)
Premium on Refunding Bonds Issued	-	-	-	842,133	291,787	-	1,133,920
Transfers In	110,464	-	1,627,698	9,500,572	935,309	-	12,174,043
Transfers Out	(10,152,750)	(2,962,007)	-	(110,464)	-	(686,072)	(13,911,293)
Total Other Financing Sources/Uses	(10,032,806)	(2,962,007)	1,662,831	17,487,242	934,629	(686,072)	6,403,817
Net Change in Fund Balance	(5,006,608)	(34,859)	182,388	16,210,292	211	76,359	11,427,784
Fund Balances - Beginning	20,604,843	815,109	599,157	3,803,052	6,413	1,793,255	27,621,829
Fund Balances - Ending	\$ 15,598,236	\$ 780,249	\$ 781,545	\$ 20,013,345	\$ 6,624	\$ 1,869,614	\$ 39,049,612

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, 2019

Net change in fund balances - Total governmental funds \$ 11,427,784

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	\$ 3,963,811	
Less current year depreciation	<u>(2,466,541)</u>	
		1,497,269

Revenue in the Statement of Activities that does not provide current financial resources is not reported as revenues in the funds. (2,803,422)

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. 468,631

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. This is the amount by which repayments exceeded proceeds. (2,973,972)

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. (68,864)

Governmental capital assets contributed to the proprietary funds. (30,554)

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. 677,252

Change in Net Position of Governmental Activities \$ 8,194,124

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

CITY OF BAINBRIDGE ISLAND, WASHINGTON
Statement of Net Position
Proprietary Funds
As of December 31, 2019

	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	\$ 7,638,205	\$ 5,615,329	\$ 2,816,714	\$ 478,560	\$ 16,548,807	\$ 1,736,656
Receivables - Net	7,715	161,638	34,128	-	203,481	-
Inventories	57,802	2,603	16,781	-	77,186	-
Subtotal - Current Assets	<u>7,703,721</u>	<u>5,779,570</u>	<u>2,867,623</u>	<u>478,560</u>	<u>16,829,474</u>	<u>1,736,656</u>
Long-Term Assets						
Restricted Cash - Debt Service	-	831,188	-	-	831,188	-
Restricted Cash - Custodial Accounts	-	728,059	-	-	728,059	-
Special Assessments Receivable	-	604,378	-	-	604,378	-
Depreciable Capital Assets (Net)	11,766,701	19,807,665	10,483,848	-	42,058,215	1,549,373
Land	637,436	834,874	324,555	-	1,796,865	-
Construction in Progress	63,253	427,134	123,355	-	613,742	-
Subtotal - Long-Term Assets	<u>12,467,391</u>	<u>23,233,298</u>	<u>10,931,758</u>	<u>-</u>	<u>46,632,447</u>	<u>1,549,373</u>
Total Assets	<u>20,171,112</u>	<u>29,012,868</u>	<u>13,799,381</u>	<u>478,560</u>	<u>63,461,921</u>	<u>3,286,029</u>
DEFERRED OUTFLOWS OF RESOURCES						
Deferred Charge on Pensions	<u>45,394</u>	<u>86,353</u>	<u>63,668</u>	<u>174,842</u>	<u>370,257</u>	<u>-</u>
LIABILITIES						
Current Liabilities						
Accounts Payable	24,711	135,601	80,353	28,764	269,429	-
Accrued Expenses	29,405	79,317	51,764	116,270	276,757	-
Unearned Revenue	-	-	-	196,757	196,757	-
Current Portion of Compensated Absences	106,486	63,867	43,528	78,350	292,232	-
Current Portion of Long-Term Debt	-	1,165,185	50,703	-	1,215,888	-
Subtotal - Current Liabilities	<u>160,602</u>	<u>1,443,970</u>	<u>226,348</u>	<u>420,142</u>	<u>2,251,063</u>	<u>-</u>
Long-Term Liabilities						
Custodial Accounts	-	728,059	-	-	728,059	-
Compensated Absences	57,805	35,749	24,936	43,971	162,462	-
Net Pension Liability	169,939	317,817	228,942	660,021	1,376,719	-
Bonds, Loans, and Other Debt	-	8,980,091	243,970	-	9,224,061	-
Subtotal - Long-Term Liabilities	<u>227,744</u>	<u>10,061,717</u>	<u>497,848</u>	<u>703,992</u>	<u>11,491,301</u>	<u>-</u>
Total Liabilities	<u>388,347</u>	<u>11,505,687</u>	<u>724,196</u>	<u>1,124,134</u>	<u>13,742,364</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred inflow on Pensions	<u>94,901</u>	<u>177,827</u>	<u>128,723</u>	<u>367,548</u>	<u>768,999</u>	<u>-</u>
NET POSITION						
Net investment in Capital Assets	12,467,391	10,924,397	10,637,086	-	34,028,873	1,549,373
Restricted for:						
Debt Service	-	831,188	-	-	831,188	-
Unrestricted	7,265,868	5,660,123	2,373,044	(838,280)	14,460,755	1,736,656
Total Net Position	<u>\$ 19,733,258</u>	<u>\$ 17,415,708</u>	<u>\$ 13,010,130</u>	<u>\$ (838,280)</u>	<u>\$ 49,320,815</u>	<u>\$ 3,286,029</u>

CITY OF BAINBRIDGE ISLAND, WASHINGTON
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the year ended December 31, 2019

	Business-Type Activities - Enterprise Funds					Governmental
			Storm and Surface Water Management	Building and Development Services	Totals	Internal Services Fund
	Water	Sewer				
OPERATING REVENUES						
Charges for Services	\$ 1,239,614	\$ 3,824,118	\$ 2,642,946	\$ 1,301,648	\$ 9,008,327	\$ 582,524
Total Operating Revenues	1,239,614	3,824,118	2,642,946	1,301,648	9,008,327	582,524
OPERATING EXPENSES						
Personal Services	730,493	1,152,290	853,186	2,600,552	5,336,521	-
Contractual Services	191,810	144,713	136,558	237,602	710,682	-
Utilities	128,368	246,755	26,537	1,572	403,232	-
Repairs and Maintenance	34,224	137,780	154,423	30	326,458	-
Miscellaneous Expense	8,866	8,941	40,746	4,172	62,725	-
Other Supplies and Expenses	248,335	651,065	302,919	34,374	1,236,693	-
Insurance Claims and Expenses	17,414	51,419	24,023	72,443	165,299	-
Depreciation	285,409	962,993	204,235	-	1,452,637	298,767
Total Operating Expenses	1,644,919	3,355,956	1,742,628	2,950,744	9,694,246	298,767
Operating Income (Loss)	(405,304)	468,162	900,318	(1,649,095)	(685,919)	283,757
NON-OPERATING REVENUES (EXPENSES)						
Interest & Investment Revenue	171,628	105,251	51,438	-	328,317	31,373
Miscellaneous Revenue	12,500	471	36,963	250	50,184	-
Miscellaneous Expense	(9,645)	(311)	1,453	-	(8,503)	-
Interest Expense	-	(156,029)	(1,459)	-	(157,488)	-
Loss on Disposal of Capital Assets	(27,473)	(9,358)	(86,117)	-	(122,947)	-
Total Non-Operating Revenues (Expenses)	147,011	(59,976)	2,278	250	89,563	31,373
Net income (loss) before contributions and transfers	(258,293)	408,186	902,596	(1,648,845)	(596,356)	315,130
Capital Contributions	437,928	429,760	159,937	-	1,027,625	153,501
Transfers In	8,750	-	-	1,728,500	1,737,250	-
Change in Net Position	188,385	837,946	1,062,533	79,655	2,168,519	468,631
Net Position - Beginning	19,544,873	16,577,762	11,553,852	(917,935)	46,758,553	2,817,397
Prior Period Adjustments	-	-	393,744	-	393,744	-
Total Net Position - Ending	\$ 19,733,258	\$ 17,415,708	\$ 13,010,130	\$ (838,280)	\$ 49,320,815	\$ 3,286,029

CITY OF BAINBRIDGE ISLAND, WASHINGTON
Statement of Cash Flows
Proprietary Funds
As of December 31, 2019

	Water	Sewer	Storm and Surface Water Management	Building and Development Services	Total	Internal Service Fund
Cash Flows from Operating Activities						
Receipts from Customers	\$ 1,263,461	\$ 3,830,215	\$ 2,653,291	\$ 1,274,441	\$ 9,021,407	\$ 582,524
Payments to Suppliers	(655,407)	(1,215,814)	(697,761)	(323,458)	(2,892,440)	-
Payments to Employees	(756,967)	(1,227,324)	(961,909)	(2,644,909)	(5,591,109)	-
Net Cash Provided (Used) by Operating Activities	(148,913)	1,387,077	993,621	(1,693,926)	537,858	582,524
Cash Flows from Non-Capital Financing Activities						
Transfers from Other Funds	8,750	-	-	1,728,500	1,737,250	-
Non-Capital Grant Proceeds	-	-	45,244	-	45,244	-
Net Cash Provided (Used) by Non-Capital Financing Activities	8,750	-	45,244	1,728,500	1,782,494	-
Cash Flows from Capital and Related Financing Activities						
Transfers from Other Funds	-	728,059	-	-	728,059	-
Capital Contributions	120,343	310,026	-	-	430,369	-
Special Assessment Receipts	-	113,610	-	-	113,610	-
Purchase/Acquisition of Capital Assets	(233,499)	(641,958)	(101,422)	-	(976,879)	-
Principal Paid on Capital Debt	-	(1,165,185)	(50,703)	-	(1,215,888)	-
Interest Paid on Capital Debt	-	(169,045)	(1,727)	-	(170,772)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(113,156)	(824,493)	(153,852)	-	(1,091,501)	-
Cash Flows from Investing Activities						
Interest, Dividends and Rents	171,628	145,411	51,438	250	368,727	31,373
Net Cash Provided (Used) by Investing Activities	171,628	145,411	51,438	250	368,727	31,373
Net Increase (Decrease) in Cash and Cash Equivalents	(81,690)	707,995	936,451	34,824	1,597,579	613,897
Cash and Cash Equivalents, January 1	7,719,895	6,466,581	1,880,263	443,736	16,510,475	1,122,759
Cash and Cash Equivalents, December 31	\$ 7,638,204	\$ 7,174,576	\$ 2,816,714	\$ 478,560	\$ 18,108,054	\$ 1,736,656

CITY OF BAINBRIDGE ISLAND, WASHINGTON
Statement of Cash Flows
Proprietary Funds
As of December 31, 2019

	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)	\$ (405,304)	\$ 468,162	\$ 900,318	\$ (1,649,095)	\$ (685,919)	\$ 283,757
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities						
Depreciation	285,409	962,993	204,235	-	1,452,637	298,767
(Increase) Decrease in Accounts Receivable	(678)	7,741	356	-	7,419	-
(Increase) Decrease in Inventory	(15,486)	(1,047)	(8,086)	-	(24,619)	-
(Increase) Decrease in Deferred Charge on Pensions	(8,660)	(7,274)	2,508	(32,038)	(45,464)	-
Increase (Decrease) in Accounts Payable	(3,808)	49,004	3,027	14,337	62,560	-
Increase (Decrease) in Compensated Absences	1,508	2,602	1,974	5,305	11,389	-
Increase (Decrease) in Other Current Payables	2,578	(14,639)	9,863	12,745	10,548	-
Increase (Decrease) in Unearned Revenue	-	-	-	(14,896)	(14,896)	-
Increase (Decrease) in Net Pension Liability	(25,292)	(99,875)	(117,598)	(107,649)	(350,414)	-
Increase (Decrease) in Deferred Inflow on Pensions	20,821	19,409	(2,976)	77,365	114,619	-
Net Cash Provided (Used) by Operating Activities	\$ (148,913)	\$ 1,387,077	\$ 993,621	\$ (1,693,926)	\$ 537,860	\$ 582,524
Noncash Investing, Capital, and Financing Activities						
Developer Infrastructure Contributions	\$ 317,585	\$ 119,734	\$ 159,937	\$ -	\$ 597,256	\$ -
Abandoned Capital Projects	31,410	-	-	-	31,410	-
Equipment Capital Contributions from Governmental Funds to Internal Service Fund	-	-	-	-	-	30,554
Equipment Capital Contributions from Enterprise Funds to Internal Service Fund	(27,473)	(9,358)	(86,117)	-	(122,948)	122,948

CITY OF BAINBRIDGE ISLAND, WASHINGTON
Statement of Net Position
Fiduciary Funds
As of December 31, 2019

ASSETS	<u>Custodial Funds</u>
Cash and Cash Equivalents	<u>\$ -</u>
Total Assets	<u><u>\$ -</u></u>
LIABILITIES	
Due to State and Local Governments	<u>\$ -</u>
Total Liabilities	<u><u>\$ -</u></u>
NET POSITION	<u><u>\$ -</u></u>

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

CITY OF BAINBRIDGE ISLAND, WASHINGTON
Statement of Changes in Net Position
Fiduciary Fund
For the Year Ended December 31, 2019

	Custodial Fund
ADDITIONS	
Court Fines and Forfeitures	\$ 40,110
Other Deposits	9,631
Total Additions	\$ 49,741
DEDUCTIONS	
Payment of Court Fines and Forfeitures to State Government	\$ 41,030
Other Payments to State and Local Governments	8,711
Total Deductions	\$ 49,741
Net Increase (Decrease) in Net Position	\$ -
Net Position - Beginning	-
Net Position - Ending	\$ -

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, 2019

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 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.

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.

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.

General Obligation Bond Fund

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

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 a custodial fund. Within this fund are several sub-funds representing monies upon which the City has no claim. Included are monies held in transit to Kitsap County, the State of Washington, or the federal government.

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, 2019, the City was holding \$58,147,207 in cash and cash equivalents which included \$39,999,557 in the governmental funds, \$18,108,054 in the proprietary funds, and \$39,595 in the fiduciary funds.

It is the City's policy to invest temporary cash surpluses. At December 31, 2019, the City was holding \$56,779,599 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 2019, the City's levy for general governmental services was \$0.91 per \$1,000 on assessed valuation of \$8,406,309,515 for a total of \$7,652,831. 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 receivables are recognized together with the related revenue adjustments on the government-wide financial statements.

As of December 31, 2019 and 2018, the City had total taxes receivable of \$2,249,742 and \$2,201,410, 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, 2019 and 2018, the City had \$5,391 and \$4,279, 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 2019 is \$396,177 (\$315,990 considered uncollectible) compared to \$460,609 (\$369,961 considered uncollectible) for 2018. 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 \$666,069 and \$1,555,493 for fiscal years 2019 and 2018, 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.

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. This 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 outflow 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 is capped at a maximum of 320 hours at year-end and is payable upon termination, resignation, retirement or death. Compensatory time off may be accumulated up to a maximum of 120 hours 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, 2019 and 2018, is as follows:

	2019	2018
Vacation	\$ 807,638	\$ 788,929
Compensating Time	136,941	142,100
Standby Time	54,176	46,108
Floating Holidays	117,783	106,932
Total	\$ 1,116,538	\$ 1,084,069

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.

The City has two items that qualify for reporting in this category on the *statement of net position*. The first item represents 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. The other item represents court fines.

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 general obligation bond fund.
- Other taxes and fees in the general fund and the street fund.
- Court fines in the general fund.
- Special assessments in the local improvement 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 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, 2019, were as follows:

	General Fund	Street Fund	Real Estate Excise Tax Fund	GO Bond Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:							
Inventory	\$ 9,888	\$ 113,712	\$ -	\$ -	\$ -	\$ -	\$ 123,600
Long-term Receivables	59,171	-	-	-	-	-	59,171
Total Nonspendable	\$ 69,059	\$ 113,712	\$ -	\$ -	\$ -	\$ -	\$ 182,771
Restricted:							
Police Investigations	\$ 39,045	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 39,045
Police Marine	20,200	-	-	-	-	-	20,200
PEG Capital	183,813	-	-	-	-	-	183,813
Real Estate Excise Tax	-	-	780,249	-	79,170	-	859,419
Hotel/Motel Tax	-	-	-	-	-	447,191	447,191
Transportation Benefit Tax	-	29,218	-	-	-	941,947	971,165
Transportation Impact Fees	-	-	-	-	15,843	178,041	193,885
LID Collections	-	-	-	-	-	201,251	201,251
Capital Construction	-	-	-	-	8,097,133	-	8,097,133
Total Restricted	\$ 243,058	\$ 29,218	\$ 780,249	\$ -	\$ 8,192,147	\$ 1,768,430	\$ 11,013,102
Committed:							
Public Art	\$ 198,750	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 198,750
Floor Area Ratio - Public Amen.	-	-	-	-	-	15,149	15,149
Floor Area Ratio - Agriculture	-	-	-	-	-	85,013	85,013
Tree Preservation	-	-	-	-	-	1,022	1,022
Total Committed	\$ 198,750	\$ -	\$ -	\$ -	\$ -	\$ 101,185	\$ 299,935
Assigned:							
General Fund	\$ 28,756	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 28,756
Affordable Housing	244,548	-	-	-	-	-	244,548
Street Fund	-	638,615	-	-	-	-	638,615
GO Bond Fund	-	-	-	6,624	-	-	6,624
Construction Fund	-	-	-	-	11,821,198	-	11,821,198
Total Assigned	\$ 273,304	\$ 638,615	\$ -	\$ 6,624	\$ 11,821,198	\$ -	\$ 12,739,741
Unassigned:							
General Fund	\$ 14,814,064	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,814,064
Total Unassigned	\$ 14,814,064	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,814,064
Total Fund Balance	\$ 15,598,236	\$ 781,545	\$ 780,249	\$ 6,624	\$ 20,013,345	\$ 1,869,614	\$ 39,049,612

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, 2019. 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, 2019 and 2018, the City-Council-specified goal was \$4,884,603 and \$4,721,595, respectively. Unassigned general fund balance at December 31, 2019 and 2018, was \$15,598,236 and \$19,971,355, or \$10,713,633 and \$18,950,909 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 \$(838,280) at December 31, 2019. 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 2019, 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, local governmental entities where the County Treasurer serves as ex-officio treasurer, and 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, 2019, the City held the following investments (at amortized cost) and cash deposits:

Short-Term Investment held in the Washington State Treasurer’s Investment Pool	\$ 32,538,576
Short-Term Investment held in the Kitsap County Treasurer’s Investment Pool	24,241,023
Total Investments	\$56,779,599
Cash deposits held by the Kitsap County Treasurer	28,090
Cash deposits at Umpqua Bank	1,339,518
Total cash and cash equivalents as reported on the financial statements	\$58,147,207

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 2019 levy rates were \$.37 and \$.76, 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 1%, 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, 2019, was as follows:

Governmental Activities	Beginning Balance 01/01/2019	Increases	Decreases	Ending Balance 12/31/2019
Capital Assets not depreciated:				
Land	\$ 62,053,912	\$ 934,184	\$ -	\$ 62,988,095
Construction In Progress	1,827,769	3,963,811	(3,558,784)	2,232,795
Development Rights (Intangible)	880,000	-	-	880,000
Total Capital Assets not depreciated	\$ 64,761,681	\$ 4,897,994	\$(3,558,784)	\$ 66,100,891
Capital Assets, Depreciable:				
Buildings	\$ 16,400,829	\$ 66,331	\$ -	\$ 16,467,160
Machinery and Equipment	8,634,103	153,501	(125,105)	8,662,499
Infrastructure	51,333,472	4,157,874	-	55,491,346
Total Capital Assets, depreciable	\$ 76,368,404	\$ 4,377,706	\$ (125,105)	\$ 80,621,005
Less Accumulated Depreciation for:				
Buildings	\$ (8,000,934)	\$ (436,328)	\$ -	\$ (8,437,262)
Machinery and Equipment	(6,670,192)	(404,083)	125,105	(6,949,170)
Infrastructure	(24,919,649)	(1,924,897)	-	(26,844,545)
Total Accumulated Depreciation	\$ (39,590,775)	\$ (2,765,308)	\$ 125,105	\$ (42,230,977)
Total Capital Assets, depreciable, net	\$ 36,777,630	\$ 1,612,398	\$ -	\$ 38,390,028
Total Governmental Activities Capital Assets, net	\$ 101,539,310	\$ 6,510,393	\$(3,558,784)	\$ 104,490,919

Business-Type Activities	Beginning Balance 01/01/2019	Increases	Decreases	Ending Balance 12/31/2019
Capital Assets not depreciated:				
Land	\$ 1,796,865	\$ -	\$ -	\$ 1,796,865
Construction In Progress	1,103,466	50,515	(540,239)	613,742
Total Capital Assets not depreciated	\$ 2,900,331	\$ 50,515	\$ (540,239)	\$ 2,410,607
Capital Assets, depreciable:				
Buildings	\$ 54,728	\$ -	\$ -	\$ 54,728
Computer Software	32,365	-	-	32,365
Machinery and Equipment	696,656	-	(265,227)	431,430
Infrastructure	65,696,083	1,947,563	(341,298)	67,302,347
Total Capital Assets, depreciable	\$ 66,479,833	\$ 1,947,563	\$ (606,525)	\$ 67,820,871
Less accumulated depreciation for:				
Buildings	\$ (15,278)	\$ (1,150)	\$ -	\$ (16,428)
Computer Software	(32,365)	-	-	(32,365)
Machinery and Equipment	(675,843)	(3,235)	265,227	(413,851)

Infrastructure	(24,193,059)	(1,448,253)	341,298	(25,300,013)
Total Accumulated Depreciation	\$ (24,916,545)	\$ (1,452,637)	\$ 606,525	\$ (25,762,657)
Total Capital Assets, depreciable, net	\$ 41,563,288	\$ 494,926	\$ -	\$ 42,058,214
Total Business-Type Activities Capital Assets, net	\$ 44,463,619	\$ 545,440	\$ (540,239)	\$ 44,468,821

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.

2019 depreciation expense was charged to the functions of the city as follows:

Governmental Activities	2019	2018
General Government	\$ 388,141	\$ 385,956
Judicial	2,218	2,218
Public Safety	184,160	214,285
Physical Environment	64,356	52,048
Transportation	1,611,940	1,597,753
Health and Human Services	7,379	-
Culture and Recreation	507,114	507,114
Total Depreciation - Governmental Activities	\$ 2,765,308	\$ 2,759,374
Business-Type Activities	2019	2018
Water Utility	\$ 285,409	\$ 278,520
Sewer Utility	962,993	925,191
Storm and Surface Water Management Utility	204,235	202,933
Total Depreciation - Business-Type Activities	\$ 1,452,637	\$ 1,406,644

B. Construction Commitments

At December 31, 2019, the City had no material outstanding contractual construction 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 2019:

Aggregate Pension Amounts – All Plans	
Pension liabilities	\$ (3,068,812)
Pension assets	\$ 1,678,916
Deferred outflows of resources	\$ 1,057,259
Deferred inflows of resources	\$ (2,314,841)
Pension expense/expenditures	\$ 261,909

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 2019 were as follows:

PERS Plan I		
Actual Contribution Rates:	Employer	Employee*
January – August 2019:		
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%
September – December 2019:		
PERS Plan I	7.92%	6.00%
PERS Plan I UAAL	4.76%	0.00%
Administrative Fee	0.18%	0.00%
Total	12.86%	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 2019 were as follows:

PERS Plan 2/3		
Actual Contribution Rates:	Employer 2/3	Employee 2*
January – August 2019:		
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		varies
Total	12.83%	7.41%
September – December 2019:		
PERS Plan 2/3	7.92%	7.91%
PERS Plan 1 UAAL	4.76%	0.00%
Administrative Fee	0.18%	0.00%
Employee PERS Plan 3		
Total	12.86%	7.91%

* For employees participating in JBM, the contribution rate was 18.53% to 19.75%.

The City’s actual PERS plan contributions were \$437,529 to PERS Plan 1 and \$654,423 to PERS Plan 2/3 for the year ended December 31, 2019.

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 2019. 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 state contribution rate (expressed as a percentage of covered payroll) was 3.44% as of July 1, 2019.

The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2019 were as follows:

LEOFF Plan 2		
Actual Contribution Rates:	Employer	Employee
January – June 2019		
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%
July – December 2019		
State and local governments	5.15%	8.59%
Administrative Fee	0.18%	0.00%
Total	5.33%	8.59%
Ports and Universities	8.59%	8.59%
Administrative Fee	0.18%	0.00%
Total	8.77%	8.59%

The City's actual contributions to the plan were \$128,469 for the year ended December 31, 2019.

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, 2019, the State contributed \$72,959,897 to LEOFF Plan 2. For 2019, the amount recognized by the City as its proportionate share of this amount was \$47,004.

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:

- OSA updated modeling to reflect providing benefit payments to the date of the initial retirement eligibility for terminated vested members who delay application for retirement benefits.
- OSA updated COLA programming to reflect legislation signed during the 2018 legislative session that provides PERS and TRS Plan I annuitants who are not receiving a basic minimum, alternate minimum, or temporary disability benefits with a one-time permanent 1.5% increase to their monthly retirement benefit, not to exceed a maximum of \$62.50 per month.

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, 2019, 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%	2.20%
Tangible Assets	7%	5.10%
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 (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
PERS I	\$ 2,924,423	\$ 2,335,207	\$ 1,823,985
PERS 2/3	\$ 5,626,455	\$ 733,605	\$ (3,281,303)
LEOFF 1	\$ (87,090)	\$ (106,460)	\$ (123,184)
LEOFF 2	\$ (292,386)	\$ (1,572,455)	\$ (2,617,285)

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, 2019, the City reported a total pension liability of \$3,068,812 and a total pension asset of \$1,678,915 for its proportionate share of the net pension liabilities and assets as follows:

	Liability (or Asset)
PERS 1	\$ 2,335,207
PERS 2/3	\$ 733,605
LEOFF 1	\$ (106,460)
LEOFF 2	\$ (1,572,455)

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	\$ (106,460)	\$ (1,572,455)	\$ (1,678,915)
State’s proportionate share of the net pension asset associated with the City	(720,095)	(1,029,748)	(1,749,842)
Total	\$ (823,555)	\$ (2,602,203)	\$ (3,428,758)

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

	Proportionate Share 6/30/18	Proportionate Share 6/30/19	Change in Proportion
PERS 1	0.061315%	0.060728%	-0.0006%
PERS 2/3	0.075801%	0.075525%	-0.0003%
LEOFF 1	0.005292%	0.005386%	0.0001%
LEOFF 2	0.071125%	0.067875%	-0.0033%

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 2019. Historical data was obtained from a 2018 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 2019, the state of Washington contributed 39.57% of LEOFF 2 employer contributions pursuant to RCW 41.26.725, and all other employers contributed the remaining 60.43% of employer contributions.

The collective net pension liability (asset) was measured as of June 30, 2019. The actuarial valuation date, upon which the total pension liability (asset) is based, was measured as of June 30, 2018, using update procedures to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2019, the City recognized pension expense as follows:

	Pension Expense
PERS I	\$ 79,495
PERS 2/3	165,978
LEOFF I	(7,147)
LEOFF 2	23,583
Total	\$ 261,909

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2019, 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	-	(156,011)
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	212,968	-
Total	\$ 212,968	\$ (156,011)

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 210,179	\$ (157,721)
Net difference between projected and actual investment earnings on pension plan investments	-	(1,067,829)
Changes of assumptions	18,785	(307,796)
Changes in proportion and differences between contributions and proportionate share of contributions	49,258	(25,746)
Contributions subsequent to the measurement date	337,326	-
Total	\$ 615,549	\$ (1,559,092)

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	-	(11,037)
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-

Contributions subsequent to the measurement date	-	-
Total	\$ -	\$ (11,037)

LEOFF 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 113,152	\$ (28,277)
Net difference between projected and actual investment earnings on pension plan investments	-	(322,403)
Changes of assumptions	2,590	(176,952)
Changes in proportion and differences between contributions and proportionate share of contributions	44,868	(61,069)
Contributions subsequent to the measurement date	68,132	-
Total	\$ 228,743	\$ (588,700)

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, 2020. 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
2020	\$ (34,440)
2021	(81,579)
2022	(29,112)
2023	(10,879)
2024	-
Thereafter	-
Total	\$ (156,011)

Year ended December 31:	PERS 2/3
2020	\$ (324,740)
2021	(543,713)
2022	(238,718)
2023	(125,746)
2024	(53,376)
Thereafter	5,425
Total	\$ (1,280,869)

Year ended December 31:	LEOFF I
2020	\$ (2,564)
2021	(5,650)
2022	(2,050)
2023	(733)
2024	-

Thereafter	-
Total	\$ (11,037)

Year ended December 31:	LEOFF 2
2020	\$ (89,527)
2021	(166,100)
2022	(75,314)
2023	(41,123)
2024	(15,290)
Thereafter	(40,736)
Total	\$(428,089)

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 163 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, 2019, 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.

In December 2019, the City issued \$7,255,000 in limited tax general obligation (LTGO) bonds to finance the acquisition of an unused hospital building. The City plans to spend general fund reserves over the next two years to reconstruct the building for use as a combined police and municipal court facility. The bonds are payable through 2039 in annual debt service payments ranging from \$482,058 to \$509,850 and bear interest from 3% to 5%. The bonds are payable from general tax revenues and were issued with a Moody's rating of Aaa.

In December 2019, the City also issued \$2,735,000 in LTGO refunding bonds to refund all the City's outstanding 2007 and 2008 LTGO bonds. The original bonds were issued to fund certain capital projects and to purchase open space and agricultural land for future preservation. The bonds had interest ranging from 3.25% to 4.50%. The refunding bonds are payable through 2028 in annual debt service payments ranging from \$112,200 to \$405,500 and bear interest at 4%. The bonds are payable from general tax revenues and were issued with a Moody's rating of Aaa.

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

Long-Term debt reported on the statements of net position at December 31, 2019, is comprised of the following:

Type of Debt or Long-Term Liability	Governmental Activities	Business-Type Activities
Unlimited Tax General Obligation Bonds	\$ 2,260,000	\$ -
Limited Tax General Obligation Bonds	9,990,000	3,185,000
Limited Tax General Obligation Long-Term Debt	212,983	4,259,675
Revenue Obligation Long-Term Debt	-	1,400,057
Local Improvement District Obligation Long-Term Debt	149,453	1,487,500
Long-Term Debt analyzed in this Note below	12,612,436	10,332,232
Other Components of Long-Term Liabilities:		
Other Post-Employment Benefits - See Note No. 14	1,236,856	-
Net Pension Liability - See Note No. 6	1,692,097	1,376,719
Compensated Absences - See Note No. I.E.6.	661,844	454,693
Landfill Post-Closure Care Costs - See Note No. 9	359,576	-
Unamortized Bond Discounts and Premiums	1,304,904	107,718
Total Long-Term Liabilities reported on the Statement of Net Position	\$ 17,867,713	\$ 12,271,362

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%	\$ 2,260,000	\$ -
Sewer Treatment Plant Bonds/\$5,700,000/LTGO 2011	2.00 - 4.00%	-	3,185,000
Ref LTGO '07 & '08 Bonds/Harrison Building Purchase Bond	3.00 - 5.00%	9,990,000	-

Total General Obligation Bonds		\$ 12,250,000	\$ 3,185,000
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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
2020	\$ 990,000	\$ 451,388	\$ 235,000	\$ 127,400
2021	1,100,000	427,650	245,000	118,000
2022	1,145,000	380,900	255,000	108,200
2023	1,230,000	332,450	265,000	98,000
2024	620,000	280,450	275,000	87,400
2025-2029	2,820,000	986,150	1,560,000	261,800
2030-2034	2,010,000	534,600	350,000	14,000
2034-2039	2,335,000	214,200	-	-
Total	\$ 12,250,000	\$ 3,607,788	\$ 3,185,000	\$ 814,800

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

Purpose/Original Issue Amount	Interest Rates	Governmental Activities	Business-Type Activities
PWTF Loan - Emergency Street Repairs/\$449,632	3.00%	\$ 212,983	\$ -
PWTF Loan - Storm Drain Decant Facility Design/\$179,025	0.50%	-	47,726
PWTF Loan - Sewage Treatment Plant Design/\$389,215	0.50%	-	105,435
PWTF Loan - Storm Drain Decant Facility Constr./\$782,000	0.50%	-	246,946
PWTF Loan - Sewage Treatment Plant Constr. Loan #1/\$3,618,000	0.50%	-	1,263,741
PWTF Loan - Eagle Harbor Sewer Beach Mains Design/\$383,542	0.50%	-	183,907
PWTF Loan - Eagle Harbor Sewer Beach Mains Constr./\$4,167,089	0.50%	-	2,411,920
Total Other General Obligation Debt		\$ 212,983	\$ 4,259,675

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
2020	\$ 23,665	\$ 6,390	\$ 488,380	\$ 15,269
2021	23,665	5,680	488,380	13,291
2022	23,665	4,970	488,380	11,312
2023	23,665	4,260	488,380	9,334
2024	23,665	3,550	488,380	7,356
2025-2029	94,659	7,099	1,261,178	16,196
2030-2034	-	-	556,597	2,783
Total	\$ 212,984	\$ 31,948	\$ 4,259,675	\$ 75,541

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%	\$ -	\$ 1,400,057

Total Revenue Obligation Debt		\$	-	\$	1,400,057
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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
2020	\$ -	\$ -	\$ 200,008	\$ 7,000
2021	-	-	200,008	6,000
2022	-	-	200,008	5,000
2023	-	-	200,008	4,000
2024	-	-	200,008	3,000
2025-2029	-	-	400,016	3,000
Total	\$ -	\$ -	\$ 1,400,056	\$ 28,001

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%	\$ -	\$ 1,487,500
Local Improvement District No. 22 Bonds Street Constr./\$755,300	4.56%	149,453	-
Total LID Obligation Debt		\$ 149,453	\$ 1,487,500

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
2020	\$ 37,364	\$ 6,834	\$ 297,500	\$ 7,438
2021	37,364	5,111	297,500	5,950
2022	37,364	3,408	297,500	4,463
2023	37,364	1,704	297,500	2,975
2024	-	-	297,500	1,488
Total	\$ 149,455	\$ 17,056	\$ 1,487,500	\$ 22,313

A. Changes in Long-Term Liabilities

During the year ending December 31, 2019, the following changes occurred in long-term liabilities:

	Beginning Balance Jan. 1, 2019	Additions	Reductions	Ending Balance Dec. 31, 2019	Due Within One Year
Governmental Activities:					
Unlimited Tax General Obligation Bonds	\$ 2,760,000	\$ -	\$ (500,000)	\$ 2,260,000	\$ 520,000
Limited Tax General Obligation Bonds	3,720,000	9,990,000	(3,720,000)	9,990,000	470,000
Local Improvement District Bonds	186,817	-	(37,364)	149,453	37,364
Total Bonds Payable	6,666,817	9,990,000	(4,257,364)	12,399,453	1,027,364
Loans from Other Gov'ts	236,648	-	(23,665)	212,983	23,665
Compensated Absences	640,765	829,067	(807,988)	661,845	422,352

Net Pension Liability	2,305,455	-	(613,358)	1,692,097	-
Total OPEB Liability	1,212,886	1,236,856	(1,212,886)	1,236,856	-
Unamortized Bond Discounts & Premiums	229,122	4,960	(63,102)	170,981	58,141
Total Governmental Activity long-term liabilities	\$ 11,291,693	\$ 12,060,884	\$ (6,978,362)	\$ 16,374,215	\$ 1,531,522
Business-Type Activities:					
Limited Tax General Obligation Bonds	\$ 3,415,000	\$ -	\$ (230,000)	\$ 3,185,000	\$ 235,000
Loans from Other Gov'ts	8,133,119	-	(985,888)	7,147,231	985,888
Compensated Absences	443,305	447,941	(436,552)	454,694	292,232
Net Pension Liability	1,727,133	-	(350,414)	1,376,719	-
Landfill Post-Closure Liability	393,744	-	(34,168)	359,576	22,640
Unamortized Bond Discounts & Premiums	117,511	-	(9,793)	107,718	9,793
Total Business-Type Activity long-term liabilities	\$ 14,229,811	\$ 447,941	\$ (2,046,814)	\$ 12,630,938	\$ 1,545,552

Compensated absences, pension liabilities, and other post-employment benefits payable (OPEB) are expensed in all funds with operating labor costs: general, street, water, sewer, and storm and surface water management, and building and development services. OPEB liabilities are expensed only in the general fund.

B. 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, 2019.

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, 2019, 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 actions 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 most of the site as well as the related monitoring, maintenance, and potential future remediation expenses.

The landfill post-closure liability of \$359,576 at December 31, 2019, represents the estimated liability for all future post-closure costs as if those costs were performed in 2019. 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 2019 were \$10,338. This cost was in addition to \$23,830 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.

During 2019 the City determined that the landfill post-closure liability should be accounted for in the general fund rather than the storm and surface water management fund, as had been past practice. This necessitated a prior period adjustment in 2019 which is further explained in Note No. 15 – Prior Period Adjustment.

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. 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, 2019, and 2018, the value of total accumulated sick leave was \$2,016,275 and \$1,983,447, 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, 2019 and 2018, was \$39,498 and \$44,845, 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 are 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 2019.

B. Interfund transfers

Interfund transfers for the year ended December 31, 2019, were as follows:

	Transfers to General Fund	Transfers to Street Fund	Transfers to Gen'l Obl. Bond Fund	Transfers to Capital Construction Fund	Transfers to Building & Dev. Svcs. Fund	Transfers to Water Utility Fund	Total
Disbursing From:							
General Fund	\$ -	\$ 134,000	\$ 60,000	\$ 8,240,000	\$ 1,728,500	\$ 8,750	\$ 10,171,250
Real Estate Excise Tax Fund	-	1,093,698	875,309	974,500	-	-	2,943,507
Transportation Benefit Fund	-	400,000	-	-	-	-	400,000
Transportation Impact Fee Fund	-	-	-	286,072	-	-	286,072
Capital Construction Fund	110,464	-	-	-	-	-	110,464
Total Governmental Activities	\$ 110,464	\$ 1,627,698	\$ 935,309	\$ 9,500,572	\$ 1,728,500	\$ 8,750	\$ 13,911,293
Transfer Purpose:	Return of Unused Subsidy	Operating Subsidy	Debt Service Subsidy	Construction Support	Operating Subsidy	Tax Offset	

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 voted bonds). As a result, the City routinely transfers money from the general and the certain special revenue funds to the street and building development services funds as operating subsidies, to the capital construction fund as capital construction support, 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, 2019, were as follows:

	Accounts	Taxes	Special Assessments	Due from Other Governments or Non-profits	Total
Governmental Activities:					
General Government	\$ 118,928	\$ 1,921,122	\$ -	\$ 106,037	\$ 2,146,087
Public Safety	-	-	-	-	-
Transportation	720	285,029	54,334	500,861	840,944
Culture & Recreation	-	4,648	-	-	4,648
Judicial	80,186	-	-	-	80,186
Phys. Environment	-	-	-	-	-
Economic Environment	-	38,943	-	-	38,943

Health and Human Service	-	-	-	59,171	59,171
Total Governmental Activities	\$ 199,834	\$ 2,249,742	\$ 54,334	\$ 666,069	\$ 3,169,979
Business-Type Activities:					
Water	\$ 7,715	\$ -	\$ -	\$ -	\$ 7,715
Sewer	54,735	-	711,281	-	766,016
Storm & Surface Water	34,128	-	-	-	34,128
Bldg. & Dev. Svcs.	-	-	-	-	-
Total Business-Type Activities	\$ 96,578	\$ -	\$ 711,281	\$ -	\$ 807,859

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, 2019, were as follows:

	Vendors	Salaries and Benefits	Other	Total
Governmental Activities:				
General Government	\$ 159,345	\$ 109,720	\$ -	\$ 269,065
Public Safety	254,119	176,603	-	430,721
Transportation	546,622	134,030	140,270	820,922
Culture and Recreation	11,824	13,390	-	25,214
Judicial	34,008	23,634	-	57,643
Physical Environment	36,671	25,485	98,502	160,658
Economic Environment	73,500	30,845	-	104,345
Health and Human Service	2,804	1,167	-	3,971
Total Governmental Activities	\$ 1,118,892	\$ 514,875	\$ 238,772	\$ 1,872,540
Business-Type Activities:				
Water	\$ 24,711	\$ 29,405	\$ -	\$ 54,117
Sewer	135,601	79,317	-	214,918
Storm & Surface Water	80,353	51,764	-	132,117
Bldg. & Dev. Svcs.	28,764	116,270	-	145,034
Total Business-Type Activities	\$ 269,429	\$ 276,757	\$ -	\$ 546,186

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, 2019, the City's plan had one covered retiree and one active member who is separated from City service but still employed elsewhere. Dental costs and dependents are not covered. The City's LEOFF I plan does not issue a publicly available financial report.

Funding Policy

Funding for LEOFF I retiree healthcare costs is provided entirely by the City as required by State statute. The City's funding policy is based upon pay-as-you-go financing requirements 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 \$20,825 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 \$1,236,856 was measured as of June 30, 2019 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, 2019 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 2018 LEOFF I Medical Benefits Actuarial Valuation Report published by the Washington State Actuary's Office:

Inflation:	2.75%
Discount Rate:	3.50%
Healthcare cost trend rates:	The initial medical cost rate is approximately 6% and trends down to about 5% in the 2020s. Long-term care is 4.5%. Medicare Part B premiums are approximately 5% but varies by year.

A 2.75% 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 noted above, 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 or 1-percentage point higher than the current rate:

	1% Decrease (5%)	Current Healthcare Cost Trend Rate (6%)	1% Increase (7%)
Total OPEB Liability	\$ 1,081,417	\$ 1,236,856	\$ 1,421,824

Discount Rate

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

	1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
Total OPEB Liability	\$ 1,433,722	\$ 1,236,856	\$ 1,075,506

Change in Total OPEB Liability

Balance at 6/30/2018	\$	1,212,886
Changes for the year:		
Interest Cost		46,347
Changes in Experience Data and Assumptions		8,480
Estimated Benefit Payments		(30,857)
Net changes		23,970
Balance at 6/30/2019	\$	1,236,856

Changes in expense data and assumptions reflect a change in the discount rate from 3.87 percent in 2018 to 3.50 percent in 2019.

Deferred outflows of resources of \$11,339 resulting from payments after 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 2019 the City recorded the following prior period adjustment:

At the entity-wide reporting level, and in the storm and surface water management fund, moved \$393,744 in post-closure landfill liabilities from business-type activities to governmental activities to properly reflect this as a governmental liability.

NOTE 16 – CHANGE IN ACCOUNTING PRINCIPLE

During 2019 the City adopted GASB Statement No. 84 – Fiduciary Activities. This required moving certain items previously reported in the fiduciary fund to the general fund, the street fund, and the sewer fund. No restatement of beginning net position was required in any of these funds.

NOTE 17 – SUBSEQUENT EVENTS

A. Harrison Building Purchase

On January 31, 2020, the City purchased the former Harrison Medical building for \$8,975,000 primarily with proceeds from the 2019 LTGO bonds. Current plans are to use existing fund balance to renovate the building for use as a combined police and municipal court facility. The estimated total cost of the project is \$20,000,000, including the purchase of the building.

B. Global Pandemic

In March 2020, the City began experiencing effects from the global pandemic known as COVID-19. As a result of the Washington State Governor's "Stay Home, Stay Healthy" order the City, and most local businesses, curtailed almost all activities with public interaction. For the City this included, but was not limited to, in-person Council meetings, Court appearances, permit intake, front counters, in-person payments, etc.

The City anticipates declines in certain tax revenues and fees with primary impact on the general fund. Immediate actions are being taken to reduce City expenditures. This includes holding open a dozen unfilled staff positions and postponing certain capital projects and professional service contracts. The length of time these measures will be in place, and their full economic impact on the City, is unknown at this time. The City is closely monitoring revenue trends as data becomes available.

Unlike many Washington governments the City has a very healthy fund balance due to a strong economy and years of conservative budget policies and practices. The City does not anticipate any layoffs or furloughs at this time.

REQUIRED SUPPLEMENTARY INFORMATION

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, 2019
 Last 10 Fiscal Years *

	<u>2019</u>	<u>2018</u>
Total OPEB liability - beginning	\$ 1,212,886	\$ 1,251,132
Service cost	-	-
Interest	46,347	44,256
Changes in benefit terms	-	-
Differences between expected and actual experience	8,480	(52,368)
Changes of assumptions	-	-
Benefit payments	(30,857)	(30,134)
Other changes	-	-
Total OPEB liability - ending	<u><u>\$ 1,236,856</u></u>	<u><u>\$ 1,212,886</u></u>
Covered payroll	\$ -	\$ -
Total OPEB liability as a % of covered payroll	0.00%	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.

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, 2019
 Last 10 Fiscal Years *

	<u>2019</u>	<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>	0.060728%	0.061315%	0.059776%	0.060413%	0.060591%	0.057710%
<u>The City's proportionate share of the net pension liability (asset)</u>	\$ 2,335,207	\$ 2,738,349	\$ 2,836,418	\$ 3,244,463	\$ 3,169,473	\$ 2,907,168
<u>The City's payroll in PERS I</u>	\$ 8,336,161	\$ 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>	28.01%	34.30%	38.44%	45.74%	46.52%	46.63%
<u>Plan fiduciary net position as a percentage of the total pension liability</u>	67.12%	63.22%	61.24%	57.03%	59.10%	61.19%

* This schedule is intended to show information for the last 10 years however only six 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, 2019
 Last 10 Fiscal Years *

	<u>2019</u>	<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>	0.075525%	0.075801%	0.074148%	0.074798%	0.075592%	0.071618%
<u>The City's proportionate share of the net pension liability (asset)</u>	\$ 733,605	\$ 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>	\$ 8,209,384	\$ 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>	8.94%	16.46%	35.48%	53.93%	40.27%	23.61%
<u>Plan fiduciary net position as a percentage of the total pension liability</u>	97.77%	95.77%	90.97%	85.82%	89.20%	93.29%

* This schedule is intended to show information for the last 10 years however only six 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, 2019
 Last 10 Fiscal Years *

	<u>2019</u>	<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>	0.005386%	0.005292%	0.005237%	0.005163%	0.005108%	0.005066%
<u>The City's proportionate share of the net pension liability (asset)</u>	\$ (106,460)	\$ (96,076)	\$ (79,457)	\$ (53,194)	\$ (61,563)	\$ (61,440)
<u>State's proportionate share of the net pension liability (asset) associated with the City</u>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL	\$ (106,460)	\$ (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%	0.00%
<u>Plan fiduciary net position as a percentage of the total pension liability</u>	148.78%	144.42%	135.96%	123.74%	127.36%	126.91%

* This schedule is intended to show information for the last 10 years however only six 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, 2019
 Last 10 Fiscal Years *

	<u>2019</u>	<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>	0.067875%	0.071125%	0.064740%	0.065121%	0.063719%	0.062773%
<u>The City's proportionate share of the net pension liability (asset)</u>	\$ (1,572,455)	\$ (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>	\$ (1,029,748)	\$ (934,958)	\$ (582,763)	\$ (246,926)	\$ (433,023)	\$ (544,283)
TOTAL	<u>\$ (2,602,203)</u>	<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>	\$ 2,379,275	\$ 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>	-66.09%	-61.51%	-44.36%	-19.20%	-35.41%	-47.69%
<u>Plan fiduciary net position as a percentage of the total pension liability</u>	119.43%	118.50%	113.36%	106.04%	111.67%	116.75%

* This schedule is intended to show information for the last 10 years however only six 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, 2019
 Last 10 Fiscal Years *

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contributions (actuarially determined)	\$ 437,529	\$ 422,087	\$ 381,731	\$ 350,071	\$ 310,417	\$ 269,414
Contributions in relation to the contractually required contributions	\$ (437,529)	\$ (422,087)	\$ (381,731)	\$ (350,071)	\$ (310,417)	\$ (269,414)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City payroll	\$ 8,622,610	\$ 8,157,822	\$ 7,624,452	\$ 7,195,872	\$ 6,989,870	\$ 6,547,257
Contributions as a percentage of payroll	5.07%	5.17%	5.01%	4.86%	4.44%	4.11%

* This schedule is intended to show information for the last 10 years however only six 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, 2019
 Last 10 Fiscal Years *

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>Contractually required contributions (actuarially determined)</u>	\$ 654,423	\$ 602,300	\$ 525,708	\$ 454,418	\$ 384,415	\$ 321,803
<u>Contributions in relation to the contractually required contributions</u>	\$ (654,423)	\$ (602,300)	\$ (525,708)	\$ (454,418)	\$ (384,415)	\$ (321,803)
<u>Contribution deficiency (excess)</u>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<u>City payroll</u>	\$ 8,494,294	\$ 8,032,195	\$ 7,505,804	\$ 7,083,242	\$ 6,883,331	\$ 6,442,891
<u>Contributions as a percentage of payroll</u>	7.70%	7.50%	7.00%	6.42%	5.58%	4.99%

* This schedule is intended to show information for the last 10 years however only six 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, 2019
 Last 10 Fiscal Years *

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>Contractually required contributions (actuarially determined)</u>	\$ 128,469	\$ 127,607	\$ 116,464	\$ 103,365	\$ 96,865	\$ 90,284
<u>Contributions in relation to the contractually required contributions</u>	\$ (128,469)	\$ (127,607)	\$ (116,464)	\$ (103,365)	\$ (96,865)	\$ (90,284)
<u>Contribution deficiency (excess)</u>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<u>City payroll</u>	\$ 2,463,014	\$ 2,426,859	\$ 2,180,981	\$ 1,976,382	\$ 1,918,110	\$ 1,787,799
<u>Contributions as a percentage of payroll</u>	5.22%	5.26%	5.34%	5.23%	5.05%	5.05%

* This schedule is intended to show information for the last 10 years however only six 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, 2019

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, 2019

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Revised	(Budgetary Basis)	Final Budget
REVENUES				
Property Taxes	\$ 7,566,000	\$ 7,566,000	\$ 7,582,739	\$ 16,739
Other Taxes	9,227,380	9,447,380	9,652,076	204,696
Fees and Fines	49,000	49,000	42,684	(6,316)
Licenses and Permits	611,500	611,500	605,459	(6,041)
Intergovernmental	608,600	608,600	509,778	(98,822)
Charges for Services	363,900	363,900	384,282	20,382
Interest	50,000	500,000	584,875	84,875
Other Revenues	45,000	45,000	176,521	131,521
Total REVENUES	18,521,380	19,191,380	19,538,414	347,034
EXPENDITURES				
General Government	6,522,915	5,571,277	4,717,297	853,980
Judicial	739,396	739,396	709,877	29,519
Public Safety	6,139,391	6,030,836	5,538,870	491,966
Physical Environment	1,100,771	1,176,486	906,387	270,099
Transportation	-	142,926	9,733	133,193
Health and Human Services	250,000	813,300	376,395	436,905
Economic Environment	1,453,486	2,644,219	1,345,012	1,299,207
Culture and Recreation	647,011	635,194	535,357	99,837
Debt Service - Interest	1,500	1,500	1,358	142
Capital Outlay	328,345	353,000	371,929	(18,929)
Total EXPENDITURES	17,182,814	18,108,134	14,512,215	3,595,918
Operating Income (Loss)	1,338,566	1,083,246	5,026,198	3,942,952
OTHER FINANCING SOURCES/USES				
Proceeds from Sale of Capital Assets	15,000	15,000	9,480	(5,520)
Transfers - Out	(1,833,183)	(10,048,183)	(10,152,750)	(104,567)
Transfers - In	-	-	110,464	110,464
Total OTHER FINANCING SOURCES/USES	(1,818,183)	(10,033,183)	(10,032,806)	377
Net Change in Fund Balance	(479,617)	(8,949,937)	(5,006,608)	3,943,329
Fund Balances -- Beginning	10,625,000	18,565,810	20,604,843	2,039,033
Total Ending Fund Balance	\$ 10,145,383	\$ 9,615,873	\$ 15,598,236	\$ 5,982,362

CITY OF BAINBRIDGE ISLAND, WASHINGTON

Budgetary Comparison Schedule

Street Fund

For the Year Ended December 31, 2019

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Revised	(Budgetary Basis)	Final Budget
REVENUES				
Other Taxes	\$ 851,000	\$ 871,000	\$ 999,667	\$ 128,667
Licenses and Permits	35,000	35,000	35,170	170
Intergovernmental	555,000	555,000	549,072	(5,928)
Charges for Services	-	-	240	240
Other Revenues	-	-	20	20
Total REVENUES	1,441,000	1,461,000	1,584,169	123,169
EXPENDITURES				
General Government	388,563	388,563	370,011	18,552
Public Safety	-	-	165,998	(165,998)
Physical Environment	-	-	68,909	(68,909)
Transportation	3,058,059	3,338,389	2,446,325	892,064
Culture and Recreation	-	-	1,633	(1,633)
Capital Outlay	326,940	353,029	11,735	341,295
Total EXPENDITURES	3,773,562	4,079,982	3,064,611	1,015,370
Operating Income (Loss)	(2,332,562)	(2,618,982)	(1,480,443)	1,138,539
OTHER FINANCING SOURCES/USES				
Proceeds from Sale of Capital Assets	10,000	10,000	35,134	25,134
Transfers - In	2,294,662	2,428,662	1,627,698	(800,964)
Total OTHER FINANCING SOURCES/USES	2,304,662	2,438,662	1,662,831	(775,831)
Net Change in Fund Balance	(27,900)	(180,320)	182,388	362,708
Fund Balances -- Beginning	164,000	264,921	599,157	334,236
Total Ending Fund Balance	\$ 136,100	\$ 84,601	\$ 781,545	\$ 696,944

CITY OF BAINBRIDGE ISLAND, WASHINGTON
Budgetary Comparison Schedule
Real Estate Excise Tax Fund
For the Year Ended December 31, 2019

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Revised	(Budgetary Basis)	Final Budget
REVENUES				
Other Taxes	\$ 3,200,000	\$ 2,800,000	\$ 2,901,651	\$ 101,651
Interest	120	120	25,496	25,376
Total REVENUES	<u>3,200,120</u>	<u>2,800,120</u>	<u>2,927,148</u>	<u>127,028</u>
Operating Income (Loss)	<u>3,200,120</u>	<u>2,800,120</u>	<u>2,927,148</u>	<u>127,028</u>
OTHER FINANCING SOURCES/USES				
Transfers - Out	(3,082,372)	(3,982,372)	(2,962,007)	1,020,365
Total OTHER FINANCING SOURCES/USES	<u>(3,082,372)</u>	<u>(3,982,372)</u>	<u>(2,962,007)</u>	<u>1,020,365</u>
Net Change in Fund Balance	<u>117,748</u>	<u>(1,182,252)</u>	<u>(34,859)</u>	<u>1,147,393</u>
Fund Balances -- Beginning	35,000	777,649	815,109	37,460
Total Ending Fund Balance	<u><u>\$ 152,748</u></u>	<u><u>(\$ 404,603)</u></u>	<u><u>\$ 780,249</u></u>	<u><u>\$ 1,184,852</u></u>

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 Fund

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.

CITY OF BAINBRIDGE ISLAND, WASHINGTON
Combining Balance Sheet Statement
Non-Major Governmental Funds
As of December 31, 2019

	Special Revenue Funds						Debt Service Fund	Total Non-Major Governmental Funds
	Civic Improvement	Floor Area Ratio - Public Amenities	Floor Area Ratio - Farmland / Agriculture	Floor Area Ratio - Tree	Transp. Benefit	Transp. Impact Fees	Local Improvement District Bonds	
ASSETS								
Cash and Cash Equivalents	\$ 437,363	\$ 15,149	\$ 85,013	\$ 1,022	\$ 902,030	\$ 178,041	\$ 201,251	\$ 1,819,870
Receivables - Net	38,943	-	-	-	39,917	-	29,695	108,555
Unmatured Assessments	-	-	-	-	-	-	24,639	24,639
Custodial Accounts	-	-	-	-	33,479	-	-	33,479
Total Assets	\$ 476,306	\$ 15,149	\$ 85,013	\$ 1,022	\$ 975,426	\$ 178,041	\$ 255,585	\$ 1,986,543
LIABILITIES								
Accounts Payable	\$ 29,116	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 29,116
Other Liabilities	-	-	-	-	33,479	-	-	33,479
Total Liabilities	29,116	-	-	-	33,479	-	-	62,594
DEFERRED INFLOWS OF RESOURCES								
Unavailable Revenues - Special Assessments	-	-	-	-	-	-	54,334	54,334
Total Deferred Inflows of Resources	-	-	-	-	-	-	54,334	54,334
FUND BALANCES								
Restricted	447,191	-	-	-	941,947	178,041	201,251	1,768,430
Committed	-	15,149	85,013	1,022	-	-	-	101,185
Total Fund Balances	447,191	15,149	85,013	1,022	941,947	178,041	201,251	1,869,614
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 476,306	\$ 15,149	\$ 85,013	\$ 1,022	\$ 975,426	\$ 178,041	\$ 255,585	\$ 1,986,543

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, 2019

	Special Revenue Funds						Debt Service Fund	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 Bonds	
REVENUES								
Other Taxes	\$ 331,046	\$ -	\$ -	\$ -	\$ 497,081	\$ -	\$ -	\$ 828,127
Charges for Services	-	-	-	500	-	155,188	-	155,688
Interest and Investment Revenue	8,221	340	1,906	13	19,167	5,466	-	35,113
Other Revenues	-	-	-	-	-	-	28,940	28,940
Total Revenues	339,267	340	1,906	513	516,248	160,655	28,940	1,047,868
EXPENDITURES								
Current								
Economic Environment	239,554	-	-	-	-	-	-	239,554
Debt Service - Principal	-	-	-	-	-	-	37,364	37,364
Debt Service - Interest	-	-	-	-	-	-	8,519	8,519
Total Expenditures	239,554	-	-	-	-	-	45,883	285,436
Excess/(deficiency) of Revenue over Expenditures	99,713	340	1,906	513	516,248	160,655	(16,943)	762,431
OTHER FINANCING SOURCES/(USES)								
Transfers Out	-	-	-	-	(400,000)	(286,072)	-	(686,072)
Total Other Financing Sources/Uses	-	-	-	-	(400,000)	(286,072)	-	(686,072)
Net Change in Fund Balance	99,713	340	1,906	513	116,248	(125,417)	(16,943)	76,359
Fund Balances - Beginning	347,477	14,810	83,108	509	825,699	303,458	218,194	1,793,255
Fund Balances - Ending	\$ 447,191	\$ 15,149	\$ 85,013	\$ 1,022	\$ 941,947	\$ 178,041	\$ 201,251	\$ 1,869,614

CITY OF BAINBRIDGE ISLAND, WASHINGTON
Budgetary Comparison Schedule
General Obligation Bond Fund
For the Year Ended December 31, 2019

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Revised	(Budgetary Basis)	Final Budget
REVENUES				
Property Taxes	\$ 610,400	\$ 610,400	\$ 608,077	\$ (2,323)
Total REVENUES	610,400	610,400	608,077	(2,323)
EXPENDITURES				
Debt Service - Principal	1,573,665	1,573,665	1,213,665	360,000
Debt Service - Interest	272,044	328,831	328,831	-
Total EXPENDITURES	1,845,709	1,902,496	1,542,496	360,000
Operating Income (Loss)	(1,235,309)	(1,292,096)	(934,419)	357,677
OTHER FINANCING SOURCES/USES				
Refunding Bonds Issued	-	-	2,737,534	2,737,534
Payment to Bond Refunding Escrow Agent	-	(3,030,000)	(3,030,000)	-
Premium on Refunding Bonds Issued	-	-	291,787	291,787
Transfers - In	1,235,310	1,235,310	935,309	(300,001)
Total OTHER FINANCING SOURCES/USES	1,235,310	(1,794,690)	934,629	2,729,319
Net Change in Fund Balance	1	(3,086,786)	211	3,086,997
Fund Balances -- Beginning	25,000	6,413	6,413	-
Total Ending Fund Balance	\$ 25,001	\$ (3,080,373)	\$ 6,624	\$ 3,086,997

CITY OF BAINBRIDGE ISLAND, WASHINGTON
Budgetary Comparison Schedule
Capital Construction Fund
For the Year Ended December 31, 2019

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Revised	(Budgetary Basis)	Final Budget
REVENUES				
Intergovernmental	\$ 9,000	\$ 9,000	\$ 2,398,457	\$ 2,389,457
Total REVENUES	9,000	9,000	2,398,457	2,389,457
EXPENDITURES				
Debt Service - Interest	-	-	95,259	(95,259)
Capital Outlay	8,508,000	3,373,016	3,580,147	(207,131)
Total EXPENDITURES	8,508,000	3,373,016	3,675,406	(302,390)
Operating Income (Loss)	(8,499,000)	(3,364,016)	(1,276,949)	2,087,066
OTHER FINANCING SOURCES/USES				
Proceeds of general long term debt	10,000,000	8,000,000	7,255,000	(745,000)
Premium on Refunding Bonds Issued	-	-	842,133	842,133
Transfers - Out	-	-	(110,464)	(110,464)
Transfers - In	273,000	9,440,072	9,500,572	60,500
Total OTHER FINANCING SOURCES/USES	10,273,000	17,440,072	17,487,242	47,170
Net Change in Fund Balance	1,774,000	14,076,056	16,210,292	2,134,236
Fund Balances -- Beginning	3,226,000	3,591,488	3,803,052	211,564
Total Ending Fund Balance	<u>\$ 5,000,000</u>	<u>\$ 17,667,544</u>	<u>\$ 20,013,345</u>	<u>\$ 2,345,800</u>

CITY OF BAINBRIDGE ISLAND, WASHINGTON
Budgetary Comparison Schedule
Civic Improvement Fund
For the Year Ended December 31, 2019

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Revised	(Budgetary Basis)	Final Budget
REVENUES				
Other Taxes	\$ 250,000	\$ 280,000	\$ 331,046	\$ 51,046
Interest	3,000	3,000	8,221	5,221
Total REVENUES	253,000	283,000	339,267	56,267
EXPENDITURES				
Economic Environment	262,000	268,250	239,554	28,696
Total EXPENDITURES	262,000	268,250	239,554	28,696
Operating Income (Loss)	(9,000)	14,750	99,713	84,963
Net Change in Fund Balance	(9,000)	14,750	99,713	84,963
Fund Balances -- Beginning	229,000	302,403	347,477	45,074
Total Ending Fund Balance	\$ 220,000	\$ 317,153	\$ 447,191	\$ 130,038

CITY OF BAINBRIDGE ISLAND, WASHINGTON
Budgetary Comparison Schedule
Floor Area Ratio - Public Amenities Fund
For the Year Ended December 31, 2019

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Revised	(Budgetary Basis)	Final Budget
REVENUES				
Interest	\$ 100	\$ 100	\$ 340	\$ 240
Total REVENUES	100	100	340	240
Operating Income (Loss)	100	100	340	240
Net Change in Fund Balance	100	100	340	240
Fund Balances -- Beginning	14,600	14,810	14,810	-
Total Ending Fund Balance	\$ 14,700	\$ 14,910	\$ 15,149	\$ 240

CITY OF BAINBRIDGE ISLAND, WASHINGTON
Budgetary Comparison Schedule
Floor Area Ratio - Farmland/Agriculture Fund
For the Year Ended December 31, 2019

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Revised	(Budgetary Basis)	Final Budget
REVENUES				
Interest	\$ 800	\$ 800	\$ 1,906	\$ 1,106
Total REVENUES	800	800	1,906	1,106
Operating Income (Loss)	800	800	1,906	1,106
Net Change in Fund Balance	800	800	1,906	1,106
Fund Balances -- Beginning	82,000	83,108	83,108	-
Total Ending Fund Balance	<u>\$ 82,800</u>	<u>\$ 83,908</u>	<u>\$ 85,013</u>	<u>\$ 1,106</u>

CITY OF BAINBRIDGE ISLAND, WASHINGTON
Budgetary Comparison Schedule
Tree Fund
For the Year Ended December 31, 2019

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Revised	(Budgetary Basis)	Final Budget
REVENUES				
Charges for Services	\$ -	\$ -	\$ 500	\$ 500
Interest	-	-	13	13
Total REVENUES	<u>-</u>	<u>-</u>	<u>513</u>	<u>513</u>
Operating Income (Loss)	<u>-</u>	<u>-</u>	<u>513</u>	<u>513</u>
Net Change in Fund Balance	<u>-</u>	<u>-</u>	<u>513</u>	<u>513</u>
Fund Balances -- Beginning	500	509	509	-
Total Ending Fund Balance	<u><u>\$ 509</u></u>	<u><u>\$ 509</u></u>	<u><u>\$ 1,022</u></u>	<u><u>\$ 513</u></u>

CITY OF BAINBRIDGE ISLAND, WASHINGTON
Budgetary Comparison Schedule
Transportation Benefit Fund
For the Year Ended December 31, 2019

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Revised	(Budgetary Basis)	Final Budget
REVENUES				
Other Taxes	\$ 439,000	\$ 479,000	\$ 497,081	\$ 18,081
Interest	1,500	1,500	19,167	17,667
Total REVENUES	440,500	480,500	516,248	35,748
EXPENDITURES				
Transportation	2,000	2,000	-	2,000
Total EXPENDITURES	2,000	2,000	-	2,000
Operating Income (Loss)	438,500	478,500	516,248	37,748
OTHER FINANCING SOURCES/USES				
Transfers - Out	(400,000)	(400,000)	(400,000)	-
Total OTHER FINANCING SOURCES/USES	(400,000)	(400,000)	(400,000)	-
Net Change in Fund Balance	38,500	78,500	116,248	37,748
Fund Balances -- Beginning	810,000	825,699	825,699	-
Total Ending Fund Balance	\$ 848,500	\$ 904,199	\$ 941,948	\$ 37,748

CITY OF BAINBRIDGE ISLAND, WASHINGTON
Budgetary Comparison Schedule
Transportation Impact Fee Fund
For the Year Ended December 31, 2019

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Revised	(Budgetary Basis)	Final Budget
REVENUES				
Charges for Services	\$ 200,000	\$ 200,000	\$ 155,188	\$ (44,812)
Interest	400	400	5,466	5,066
Total REVENUES	<u>200,400</u>	<u>200,400</u>	<u>160,655</u>	<u>(39,745)</u>
Operating Income (Loss)	<u>200,400</u>	<u>200,400</u>	<u>160,655</u>	<u>(39,745)</u>
OTHER FINANCING SOURCES/USES				
Transfers - Out	(100,000)	(286,072)	(286,072)	-
Total OTHER FINANCING SOURCES/USES	<u>(100,000)</u>	<u>(286,072)</u>	<u>(286,072)</u>	<u>-</u>
Net Change in Fund Balance	<u>100,400</u>	<u>(85,672)</u>	<u>(125,417)</u>	<u>(39,745)</u>
Fund Balances -- Beginning	331,000	303,458	303,458	-
Total Ending Fund Balance	<u><u>\$ 431,400</u></u>	<u><u>\$ 217,786</u></u>	<u><u>\$ 178,041</u></u>	<u><u>\$ (39,745)</u></u>

CITY OF BAINBRIDGE ISLAND, WASHINGTON
Budgetary Comparison Schedule
Local Improvement District Bond Fund
For the Year Ended December 31, 2019

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Revised	(Budgetary Basis)	Final Budget
REVENUES				
Other Revenues	\$ 48,000	\$ 48,000	\$ 28,940	\$ (19,060)
Total REVENUES	48,000	48,000	28,940	(19,060)
EXPENDITURES				
Debt Service - Principal	37,364	37,364	37,364	-
Debt Service - Interest	8,519	8,519	8,519	-
Total EXPENDITURES	45,883	45,883	45,883	-
Operating Income (Loss)	2,117	2,117	(16,943)	(19,060)
Net Change in Fund Balance	2,117	2,117	(16,943)	(19,060)
Fund Balances -- Beginning	220,000	218,194	218,194	-
Total Ending Fund Balance	<u>\$ 222,117</u>	<u>\$ 220,311</u>	<u>\$ 201,251</u>	<u>\$ (19,060)</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									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental activities										
Net investment in capital assets	\$ 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	\$101,486,340
Restricted	915,530	675,019	1,817,082	1,040,857	1,062,180	891,927	1,626,727	2,371,478	2,760,554	12,692,017
Unrestricted	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	14,853,773
Total governmental activities net position	\$ 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	\$129,032,130
Business-type activities										
Net investment in capital assets	\$ 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	\$ 34,028,873
Restricted	-	-	-	-	1,985,342	1,558,543	1,545,482	1,696,042	992,449	831,188
Unrestricted	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	14,460,755
Total business-type activities net position	\$ 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	\$ 49,320,816
Primary government										
Net investment in capital assets	\$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	\$135,515,213
Restricted	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	13,523,205
Unrestricted	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	29,314,528
Total primary government net position	\$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	\$178,352,946

Source: City of Bainbridge Island Finance Department

Table 2: Changes in Net Position

Last Ten Fiscal Years

Accrual basis of accounting

Page 1 of 2

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Expenses										
Governmental activities										
General Government and Judicial	\$ 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	\$ 5,935,330
Public Safety	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	5,742,219
Physical Environment	649,607	675,182	485,523	371,732	387,958	884,985	647,509	1,138,957	928,591	987,062
Economic Environment	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	1,525,550
Transportation	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	4,064,126
Health and Human Services	441,751	285,430	262,013	269,663	272,680	273,075	242,279	254,445	259,285	349,663
Culture and recreation	876,286	511,432	533,814	585,554	592,822	604,565	591,634	853,345	1,136,416	1,048,591
Interest on long-term debt	990,360	1,029,721	939,172	864,118	675,005	621,033	537,902	447,437	337,146	369,706
Total governmental activities expense	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	20,022,246
Business-type activities										
Water	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	1,644,919
Sewer	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	3,511,985
Stormwater	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	1,744,087
Building and Development Services	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	2,950,744
Total business-type activities	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	9,851,734
Total primary government expenses	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	29,873,980
Revenues										
Governmental activities										
Charges for services										
General government and Judicial	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	966,384
Public Safety	107,303	118,491	108,790	110,725	89,425	85,971	64,386	78,737	69,508	72,301
Physical environment	1,889	1,664	1,847	1,482	1,277	1,695	17,545	36,809	2,287	2,002
Economic environment	1,910	97,491	-	33,340	1,146	1,910	178,606	188,445	256,709	157,216
Transportation	26,957	18,430	20,000	41,344	53,920	40,653	37,575	59,554	120,049	25,620
Health and Human Services	-	-	-	-	-	-	-	-	-	-
Culture and recreation	-	56,705	-	-	-	-	527	-	-	-
Operating Grants and contributions	703,581	761,903	578,756	593,471	574,988	1,298,560	866,221	793,665	909,899	756,608
Capital Grants and contributions	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	3,445,280
Total governmental activities program revenues	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	5,425,411
Business-type activities										
Charges for services										
Water	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	1,239,614
Sewer	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	3,824,118
Stormwater	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	2,642,946
Building and Development Services	864,091	947,653	917,466	1,303,676	1,196,576	1,443,315	1,649,846	1,785,030	1,733,734	1,301,648
Operating Grants and contributions	89,446	23,259	71,012	114,102	32,626	10,701	5,339	-	12,661	36,963
Capital Grants and contributions	91,657	296,342	328,214	710,202	494,896	987,329	582,729	1,758,612	656,181	1,027,625
Total business-type activities program revenues	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	10,072,915
Total primary government program revenues	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	15,498,326
Net (expense)/revenue										
Governmental activities										
	(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)	(14,596,836)
Business-type activities										
	545,680	1,030,093	(389,020)	1,173,839	6,492	738,515	267,742	2,083,369	697,909	221,181
Total primary government net (expense) revenue	(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)	(14,375,655)

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									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental activities										
Taxes										
Property tax	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	8,219,324
Sales and use tax	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	6,065,082
Excise tax	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	3,414,939
Other taxes	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	4,891,876
Unrestricted investment interest	24,986	36,261	51,611	48,266	64,392	80,866	121,662	234,400	501,454	676,858
Miscellaneous	392,659	757,923	136,725	142,416	248,151	103,026	119,164	760,886	798,111	760,240
Unrestricted grants and contributions	301,892	274,144	314,549	223,024	249,627	268,651	319,192	332,223	430,499	376,943
Special and extraordinary items	2,000,000	-	-	-	-	-	(1,533,771)	-	-	-
Transfers	(1,641,000)	(835,000)	(1,009,300)	(1,983,644)	(697,220)	(566,750)	(629,104)	(409,138)	(901,341)	(1,614,303)
Total governmental activities	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	22,790,960
Business-type activities										
Unrestricted investment interest	21,491	34,478	58,536	47,343	49,736	64,595	78,618	143,250	286,419	333,035
Miscellaneous	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	1,641,000	835,000	1,009,300	1,983,644	697,220	566,750	629,104	409,138	901,341	1,614,303
Total business-type activities	1,511,187	1,056,033	1,247,443	2,065,008	809,048	735,587	786,785	576,513	1,245,511	1,947,338
Total primary government	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	24,738,298
Change in net position										
Governmental activities	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	8,194,124
Business-type activities	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	2,168,519
Total primary government activities	\$ 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	\$ 10,362,643

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									
	2010	2011*	2012	2013	2014	2015	2016	2017	2018	2019
General Fund										
Reserved	\$ 709,807	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	3,042,827	-	-	-	-	-	-	-	-	-
Nonspendable	-	-	12,583	10,282	68,404	71,955	68,576	69,287	68,695	69,059
Restricted	-	40,474	168,631	244,179	330,867	125,203	188,663	273,059	221,398	243,058
Committed	-	216,607	161,520	166,365	1,875,079	1,667,751	100,484	81,835	115,785	198,750
Assigned	-	2,003,259	2,005,941	1,989,307	-	-	-	127,609	227,609	273,304
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	14,814,064
Total	<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>	<u>\$ 15,598,236</u>
All other governmental funds										
Reserved	\$ 586,615	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved reported in:										
Special revenue funds	249,537	-	-	-	-	-	-	-	-	-
Debt service funds	55,948	-	-	-	-	-	-	-	-	-
Nonspendable	-	-	141,657	118,242	106,182	147,016	108,157	116,329	109,531	113,712
Restricted	-	634,545	1,648,450	796,678	731,313	766,724	1,438,063	2,098,418	2,539,665	10,770,044
Committed	-	97,555	502,109	245,710	391,560	882,595	2,970,971	96,171	97,918	101,185
Assigned	-	170,660	-	44,809	34,095	122,671	110,464	4,669,168	4,269,873	12,466,437
Unassigned	-	-	(178,096)	-	-	-	-	-	-	-
Total all other governmental funds*	<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>	<u>\$ 23,451,376</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									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenues										
Property taxes	\$ 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	\$ 8,190,816
Other taxes	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	14,381,521
Fees and fines	182,788	191,636	174,172	133,667	111,820	111,339	89,808	95,260	56,989	42,684
Licenses and permits	457,607	560,306	597,535	629,959	663,812	671,120	678,005	657,863	718,730	640,629
Intergovernmental	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	3,457,307
Charges for services	587,348	665,775	566,176	563,896	473,309	440,934	595,967	645,231	735,147	540,210
Interest and investment revenue	24,983	36,261	51,611	48,266	64,392	80,866	121,662	229,574	481,272	645,485
Other revenues	592,964	828,124	736,613	187,766	251,949	162,104	185,517	225,587	202,656	205,481
Total revenues	18,801,216	21,979,813	19,814,278	20,428,720	22,191,154	21,974,793	24,312,850	26,954,470	26,634,442	28,104,132
Expenditures										
General government	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	5,797,185
Security	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	5,704,868
Physical Environment	641,016	772,280	480,336	369,358	384,095	878,485	649,242	1,098,870	921,744	975,296
Transportation	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	2,456,059
Economic Environment	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	1,584,566
Mental/physical health	441,751	285,430	261,909	269,669	272,722	272,783	242,234	253,274	259,248	376,395
Culture and recreation	727,600	241,477	238,361	292,545	301,044	311,074	511,590	447,037	623,136	536,990
Capital outlay	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	3,963,811
Debt service:										
Principal	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	1,251,029
Interest and debt issue costs	1,011,433	982,766	929,687	847,404	695,635	616,685	536,227	444,803	358,324	433,966
Total expenditures	17,427,836	19,879,072	17,189,194	22,874,555	18,303,026	19,465,451	21,069,626	23,876,978	22,895,075	23,080,165
Excess of revenues over (under) expenditures	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	5,023,967
Other finance sources (uses)										
Net Proceeds from borrowing	136,534	834,660	-	5,514,803	-	-	-	-	-	8,096,454
Disposition of capital assets	4,051,271	728,466	32,723	84,191	165,330	5,926	430,016	44,966	105,194	44,613
Transfers in	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	12,174,043
Transfers out	(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)	(13,911,293)
Total other financing sources (uses)	2,546,805	728,126	(976,577)	3,615,350	(531,890)	(560,824)	(199,087)	(740,934)	(900,999)	6,403,817
Net change in fund balances	\$ 3,920,185	\$ 2,828,867	\$ 1,648,507	\$ 1,169,515	\$ 3,356,238	\$ 1,948,518	\$ 3,044,137	\$ 2,336,558	\$ 2,838,368	\$ 11,427,784
Debt service as a percentage of noncapital expenditures	17.0%	19.5%	22.5%	40.3%	18.1%	16.1%	16.3%	14.4%	11.2%	8.8%

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
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
2019	\$ 8,406,309,515	\$ 9.64

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		
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	
2019	\$ 0.91	\$ 0.07	\$ 0.98	\$ 2.66	\$ 1.25	\$ 2.65	\$ 0.93	\$ 0.39	\$ 0.06	\$ 0.70	\$ 9.64	

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	2019			2010		
	Assessed Value	Rank	Percentage of Total City Taxable Assessed*	Assessed Value	Rank	Percentage of Total City Taxable Assessed**
LBG Bainbridge LLC	22,273,990	1	0.26%			
Puget Sound Energy	21,625,437	2	0.26%	9,809,431	6	0.16%
PNW Island Village LLC	18,355,780	3	0.22%	15,496,200	1	0.25%
Country Club of Seattle	14,478,080	4	0.17%	14,438,860	2	0.23%
Sportsman Park LLC	12,986,860	5	0.15%			
Simmons, Brad	12,695,040	6	0.15%	10,119,430	4	0.16%
Madison Avneue Real Estate LLC	11,668,110	7	0.14%	9,964,396	5	0.16%
PBPBS LLC	10,578,475	8	0.13%			
Island Gateway LLC	9,993,320	9	0.12%	11,133,970	3	0.18%
Brandt, James & Linda	9,822,860	10	0.12%	8,293,360	10	0.13%
Bainbridge Community Development LLC				8,993,130	7	0.14%
Wing Point Golf & Country Club				8,902,040	8	0.14%
High School Road LLC				8,340,500	9	0.13%
	<u>\$ 144,477,952</u>		<u>1.72%</u>	<u>\$ 105,491,317</u>		<u>1.69%</u>

Source: Kitsap County Assessor's Office

*In 2019 the estimated assessed value was \$8,406,309,515

**In 2010 the estimated assessed value was \$6,245,647,306

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
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%	\$ 0	\$ 7,442,137	99.22%
2019	\$ 7,652,968	\$ 7,581,323	99.06%	\$ 28,329	\$ 7,609,652	99.43%

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
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
2019	\$ 7,611,247	\$ 6,065,082	\$ 4,891,876	\$ 3,414,939

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
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
2019	\$ 12,250,000	\$ 1,304,904	\$ 212,983	\$ 149,453	\$ -	\$ 3,185,000	\$ 107,718	\$ 1,400,057	\$ 1,487,500	\$ 4,259,675	\$ 24,357,290	0.23%	\$ 993

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
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
2019	\$ 13,175,000	\$ 1,241,638	\$ 14,416,638	0.2%	\$ 588

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	\$ 65,882,879	21.96%	\$ 14,467,880
Kitsap County Regional Library	-	21.96%	-
Bainbridge Island School District	151,410,000	100.00%	151,410,000
Bainbridge Island Fire District	13,360,000	100.00%	13,360,000
Bainbridge Island Park District	5,410,000	100.00%	5,410,000
Subtotal, overlapping debt			\$ 184,647,880
City of Bainbridge Island direct governmental activities debt			12,612,436
Plus premium net of any discounts and adjustments			1,304,904
Total direct and overlapping governmental activities debt			\$ 198,565,220

* 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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Debt Limit	\$ 423,178,049	\$ 403,968,148	\$ 391,993,741	\$ 392,429,356	\$ 428,115,774	\$ 465,840,821	\$ 517,395,173	\$ 517,395,173	\$ 565,661,616	\$ 691,664,469
Total net debt applicable to limit	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	17,495,738
Legal debt margin	<u>\$ 393,215,731</u>	<u>\$ 373,139,366</u>	<u>\$ 363,552,665</u>	<u>\$ 366,836,947</u>	<u>\$ 402,932,906</u>	<u>\$ 442,729,498</u>	<u>\$ 497,259,100</u>	<u>\$ 499,998,425</u>	<u>\$ 550,781,913</u>	<u>\$ 674,168,731</u>
Total net debt applicable to limit as a percentage of debt limit	7.1%	7.6%	7.3%	6.5%	5.9%	5.0%	3.9%	3.4%	2.6%	2.5%

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, 2019, Assessed Value: \$9,222,192,924

	General Capacity		Special Purpose Capacity		Total Capacity
	Councilmanic	Excess Levy	Open Space	Utility Purposes	
2.50% of Assessed Value	\$ -	\$ 230,554,823	\$ 230,554,823	\$ 230,554,823	\$ 691,664,469
1.50% of Assessed Value	138,332,894	(138,332,894)	-	-	-
Statutory Debt Limit	<u>138,332,894</u>	<u>92,221,929</u>	<u>230,554,823</u>	<u>230,554,823</u>	<u>691,664,469</u>
General Obligations:					
Bonds	13,175,000	-	2,260,000	-	15,435,000
State Public Works Trust Fund Loans	2,060,738	-	-	-	2,060,738
Total Debt Outstanding	<u>15,235,738</u>	<u>-</u>	<u>2,260,000</u>	<u>-</u>	<u>17,495,738</u>
Remaining Debt Capacity	<u>\$ 123,097,156</u>	<u>\$ 92,221,929</u>	<u>\$ 228,294,823</u>	<u>\$ 230,554,823</u>	<u>\$ 674,168,731</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	Kitsap County Personal Income (in thousands)	City of Bainbridge Island Personal Income (in thousands)	Kitsap County per capita personal income	Number of Households	Public School Enrollment	Unemployment Rate
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	\$ 14,082,667	\$ 1,285,557	\$ 52,833	9,247	3,759	5.0%
2019	24,520	\$ 15,174,970	\$ 1,379,108	\$ 56,244	10,132	3,762	4.6%

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

Table 16: Principal Employers
Current Year and Ten Years Ago

Employer	2019			2010		
	Employees*	Rank	Percentage of Total City Employment	Employees*	Rank	Percentage of Total City Employment
Bainbridge Island School District	629	1	7.4%	382	1	6.8%
Sage / Redington/Fairbanks	133	4	1.6%	154	2	2.8%
City of Bainbridge Island	128	5	1.5%	146	3	2.6%
Safeway	103	7	1.2%	136	4	2.4%
Watson Furniture				135	5	2.4%
Avalara				135	6	2.4%
Town and Country Markets, Inc.	140	2	1.6%	130	7	2.3%
Washington State Ferry System	115		1.3%	122	8	2.2%
Soundcare Inc dba Messenger House			0.0%	110	9	2.0%
Island Fitness			0.0%	86	10	1.5%
Islandwood	90	8	1.1%			0.0%
Madrona Assisted Living LLC	82	9	1.0%			
Storyville Coffee Company	137	3	1.6%			
Wing Point Golf & Country Club	113	6	1.3%			
Virginia Mason	76	10	0.9%			
Subtotal of ten largest employers	1,746		20.5%	1,536		27.5%
All other employers	6,784		79.5%	4,044		72.5%
Total City of Bainbridge Island employment*	8,530		100.0%	5,580		100.0%

Sources: Washington State Employment Security Department, Kitsap Economic Development Alliance,11 Washington State Department of Revenue - Business Licensing Service

* Includes part-time employees, where applicable

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
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	9.50	9.80	9.80	11.75	8.75	8.75	8.80	9.80	13.90
Finance and Information Systems	12.00	9.80	8.80	8.80	8.30	11.80	11.90	13.40	13.40	10.00
Municipal Court	6.02	4.85	5.02	5.02	4.85	4.85	4.85	4.85	4.85	4.85
Planning and Community Development	26.80	20.80	21.00	18.00	18.00	19.00	20.00	20.00	20.00	23.00
Public Safety	29.25	27.75	27.75	26.25	26.25	26.15	26.35	28.35	28.35	30.35
Public Works	58.00	38.00	36.00	36.00	37.00	37.00	39.00	43.00	43.00	45.80
	153.47	117.70	115.37	110.87	113.15	114.55	117.85	125.40	126.40	134.90

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

Table 18: Operating Indicators by Function/Program

Last Ten Fiscal Years

Function / Program	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Police										
Calls for service	13,741	11,855	11,021	12,849	10,714	15,001	16,978	17,478	21,752	14,943
Case reports	1,979	1,964	1,741	1,872	1,737	1,702	1,877	1,669	1,805	1,557
Traffic violations	1,464	908	630	755	585	773	602	784	624	325
Judicial System										
Hearings Held	3,472	3,959	3,311	2,784	2,273	2,363	2,196	2,366	2,519	1,972
Physical and Economic Environment										
Land Use Planning Permits Issued	119	151	186	204	215	249	236	215	285	278
Building permits issued	347	477	489	509	670	706	806	971	774	737
Transportation										
Hours - roadway sweeping	489	713	834	789	841	671	364	810	788	840
Hours - roadside mowing	1,028	1,107	1,012	1,154	768	841	705	595	881	2,047
Hours - overhead vegetation control	1,400	1,086	728	1,046	1,186	1,883	1,632	1,405	1,425	1,936
Utility Services										
Water										
Active Service connections	2,402	2,399	2,438	2,458	2,491	2,520	2,560	2,640	2,671	2,745
Regulatory bacteria samples	138	138	151	217	156	167	166	169	185	271
Unsatisfactory regulatory samples	0	0	0	0	0	0	0	0	0	2
Sewer										
Number of Service Connections	2,055	2,067	2,085	2,101	2,127	2,130	2,167	2,238	2,289	2,431
WWTP ave monthly flow (MGD)	0.55	0.46	0.49	0.46	0.56	0.54	0.60	0.61	0.55	0.54
WWTP ave BOD removal (%)	98.25	98.41	99	99.1	99	98.6	98.2	98.4	99.0	99.0
Stormwater										
Number of culverts inspected	* Data not available		519	1,154	806	696	139	403	228	177
Number of culverts cleaned	* Data not available		136	125	101	263	40	3	53	13

Source: City of Bainbridge Island

* Stormwater data not available for years prior to 2012

Table 19: Capital Asset Statistics by Function
Last Ten Fiscal Years

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
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Facilities and Fleet

Square feet of facilities maintained	*	67,007	67,007	67,007	67,007	67,007	67,007	62,607	62,607	62,607
Number of police stations	1	1	1	1	1	1	1	1	1	1
Number of police vehicles	33	32	29	27	25	24	25	28	28	28
Number of vehicles and equipment maintained	*	*	145	143	146	153	160	157	164	170

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)	262	258	349	237	321	194.3	262	363	463	371
Total Decant Facility Incoming spoils (cubic yards)	1,449	2,008	2,332.3	2,706	1,840.5	1,116	766	3,690	895	437
Number of city maintained road ends	38	38	38	38	38	43	44	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	18	19	20	21	21	22	22	24	25
Miles of developed trails	2.5	2.6	2.7	3	3	3	3	3	4.3	4.8
Number of Community/Senior Centers	1	1	1	1	1	1	1	1	1	1

Water Services

Number of active service connections	2,402	2,398.6	2,438	2,457.5	2,491	2,520	2,560	2,640	2,671	2,745
Winslow ave SFR daily consumption (gpd)	141.8	141.2	138.3	146.1	146	156	152	155	161	153
Number of active wells	13	13	13	13	13	13	13	14	14	14
Miles of main	**	**	**	47	47	47	47	47	47	47
Active storage capacity (MG)	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6
Number of regulatory bacteria samples	138	138	151	217	156	167	166	169	185	271
Number of unsatisfactory regulatory samples	0	0	0	0	0	0	0	0	0	2

Sewer Services

Number of service connections	2,055	2,067	2,085	2,101	2,127	2,130	2,043	2,238	2,289	2,431
Miles of main	***	***	***	***	37.4	37.4	38.5	38.5	38.5	38.5
Number of pump stations	16	16	16	17	17	17	17	17	17	17
WWTP ave monthly flow (MGD)	0.5	0.5	0.5	0.4	0.5	0.5	0.6	0.6	0.6	0.5
WWTP max monthly flow (MGD)	1.6	1.4	1.5	0.7	1.2	1.3	1.8	1.8	1.3	1.3
WWTP ave BOD removal (%)	98.3	98.4	99	99.1	99	98.6	98.2	98.4	99	99

Stormwater

Number of culverts inspected	****	****	519	1,154	806	696	139	403	228	177
Number of catch basins inspected	****	****	153	322	375	410	554	739	1,112	1,800
Linear feet of open conveyance ditched	****	****	1,745	5,885	5,967	1,285	4,735	4,959	4,833	2,647
Miles of pipe	****	****	17.9	17.9	17.9	17.9	17.9	17.9	17.9	17.9
Number of city owned storm water ponds	35	41	41	42	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