



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

City of Bainbridge Island

For the period January 1, 2023 through December 31, 2023

Published August 1, 2024

Report No. 1035299



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

August 1, 2024

City Council
City of Bainbridge Island
Bainbridge Island, Washington

Report on Financial Statements

Please find attached our report on the City of Bainbridge Island's financial statements.

We are issuing this report in order to provide information on the City's financial activities and condition.

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

Americans with Disabilities

In accordance with the Americans with Disabilities Act, we will make this document available in alternative formats. For more information, please contact our Office at (564) 999-0950, TDD Relay at (800) 833-6388, or email our webmaster at webmaster@sao.wa.gov.

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INDEPENDENT AUDITOR'S REPORT

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

City of Bainbridge Island January 1, 2023 through December 31, 2023

City Council
City of Bainbridge Island
Bainbridge Island, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the 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, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated July 25, 2024.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

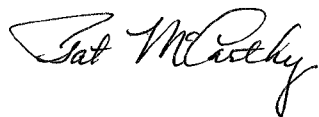
REPORT ON COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink, reading "Pat McCarthy". The signature is fluid and cursive, with the first name "Pat" and last name "McCarthy" clearly distinguishable.

Pat McCarthy, State Auditor

Olympia, WA

July 25, 2024

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

City of Bainbridge Island January 1, 2023 through December 31, 2023

City Council
City of Bainbridge Island
Bainbridge Island, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinions

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, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the financial section of our report.

In our opinion, the accompanying 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, 2023, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Performing an audit in accordance with GAAS and *Government Auditing Standards* includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed;
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time; and
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 financial section of our report be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated July 25, 2024 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. 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 the effectiveness of the City's 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.



Pat McCarthy, State Auditor

FINANCIAL SECTION

City of Bainbridge Island January 1, 2023 through December 31, 2023

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CITY OF BAINBRIDGE ISLAND, WASHINGTON

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2023

This narrative provides an overview and analysis of the City of Bainbridge Island's (City) financial activities for the fiscal year ended December 31, 2023. 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 2023 by \$215,687,605. Of this amount, \$49,030,170, or 23%, 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 \$13,357,155, or 7%. This increase was primarily the result of increases in capital assets due to construction of the City's new police and court facility combined with decreases in unearned revenue when the City recognized American Recovery Plan Act (ARPA) revenue (see below).
- At the close of 2023, the City's governmental funds reported combined ending fund balances of \$40,103,746; an increase of \$1,009,012, or 3%, in comparison to the prior year. This increase was primarily due to significant general fund intergovernmental revenue and investment earnings offset by some large internal transfers.
- Total revenues for governmental activities increased \$5,498,640, or 18%. This was primarily due to significant increases in intergovernmental revenue as the City recognized ARPA revenue in 2023. Property taxes, the single largest tax source, increased by only \$223,542 or 2.6%.
- The City's total liabilities decreased by \$6,575,471, or 20%, to \$26,197,939. This was primarily due to the previously mentioned decrease in unearned revenue related to federal ARPA funding.
- At year-end 2023 the City had pension-related debt of \$1,244,504 as compared to \$1,523,940 at year-end 2022, a decrease of 18%. This change, while significant, is normal with the changing pension assumptions under governmental pension accounting standards. The pension debt also resulted in a year-end 2023 deficit unrestricted net position in the Building and Development Service Fund of \$(546,050). More information about the deficit and pension liability can be found in Note 1.G., Note 6, and Note 8 in the financial statements.
- The City fully funded all policy reserves set by the City Council.

OVERVIEW OF THE FINANCIAL STATEMENTS

This document is 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 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 like 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 outflows, liabilities, and deferred inflows, 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 considered 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 time after the year-end, 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 activity 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 2023 these funds include the General Fund, the American Rescue Plan Act 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 like 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 net position* and a *statement of changes in 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 improved in 2023 despite significant inflationary pressure on City programs. The City's overall financial position and operational results for the past two years are summarized in the two tables presented below. This information is based on data in the government-wide financial statements.

SUMMARY OF NET POSITION

	Governmental Activities		Business-Type Activities		Totals	
	2023	2022	2023	2022	2023	2022
Cash & Cash Equivalents	\$ 45,263,093	\$ 48,989,011	\$ 18,441,918	\$ 17,870,367	\$ 63,705,011	\$ 66,859,378
Other Assets	7,216,454	6,268,506	1,801,666	1,780,190	9,018,120	8,048,696
Capital Assets	119,996,806	113,752,216	48,053,038	46,385,287	168,049,843	160,137,503
Total Assets	172,476,352	169,009,733	68,296,621	66,035,845	240,772,974	235,045,578
Deferred Outflows of Resources	2,660,898	2,567,614	973,864	1,114,424	3,634,762	3,682,038
Other Liabilities	4,916,604	9,554,501	1,668,266	1,355,542	6,584,870	10,910,043
Long-Term Debt	11,868,157	13,275,405	7,744,912	8,587,962	19,613,069	21,863,367
Total Liabilities	16,784,761	22,829,905	9,413,179	9,943,504	26,197,940	32,773,409
Deferred Inflows of Resources	1,669,025	2,270,426	853,170	1,353,330	2,522,195	3,623,756
Net Investment in Capital Assets	111,307,867	104,663,733	40,956,786	38,690,046	152,264,653	143,353,779
Restricted	13,190,617	9,969,932	1,202,162	1,348,885	14,392,779	11,318,817
Unrestricted	32,184,981	31,843,350	16,845,189	15,814,504	49,030,170	47,657,855
Total Net Position	\$ 156,683,465	\$ 146,477,015	\$ 59,004,137	\$ 55,853,435	\$215,687,602	\$202,330,451

In 2023, the total net position of the City increased \$13,357,155, or 7%. Governmental activities net position increased \$10,206,450, or 7%, primarily due to the previously mentioned construction of a new police and court facility combined with decreases in unearned revenue related to recognition of ARPA revenue (see below). Business-type activities net position increased \$3,150,701, or 6%, primarily due to an increase in construction in progress on a number of large utility projects combined with normal long-term debt retirement.

Governmental activities cash and cash equivalents decreased by \$3,725,918, or 8%, while business-type activities cash and cash equivalents increased \$571,551, or only 3%. The governmental activities decrease is primarily the result of significant expenditure on the previously mentioned new police and court facility.

SUMMARY OF CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Totals	
	2023	2022	2023	2022	2023	2022
Program Revenues						
Charges for Services	\$ 1,347,855	\$ 1,194,482	\$10,572,255	\$ 9,658,702	\$ 11,920,110	\$ 10,853,185
Operating Grants & Contributions	4,704,888	731,780	661,528	205,232	5,366,416	937,012
Capital Grants & Contributions	462,922	1,421,135	865,180	450,176	1,328,102	1,871,311
Total Program Revenues	6,515,665	3,347,398	12,098,963	10,314,111	18,614,628	13,661,508
General Revenues						
Property Taxes	8,964,312	8,740,770	-	-	8,964,312	8,740,770
All Other Taxes	17,985,323	17,330,896	-	-	17,985,323	17,330,896
Interest	2,102,215	665,140	778,837	184,840	2,881,052	849,980
Other Revenues	977,689	962,361	53,283	29,370	1,030,972	991,731
Total General Revenues	30,029,539	27,699,166	832,120	214,210	30,861,659	27,913,376
Total Revenues	36,545,204	31,046,564	12,931,083	10,528,321	49,476,288	41,574,884
Program Expenses						
General Government	7,692,235	6,422,455	-	-	7,692,235	6,422,455
Judicial	683,258	583,022	-	-	683,258	583,022
Public Safety	6,673,387	6,182,767	-	-	6,673,387	6,182,767
Physical Environment	999,228	982,733	-	-	999,228	982,733
Transportation	3,961,144	4,150,517	-	-	3,961,144	4,150,517
Health & Human Svcs	1,214,946	857,144	-	-	1,214,946	857,144
Econ. Environment	2,295,578	1,605,958	-	-	2,295,578	1,605,958
Culture & Recreation	1,175,712	1,273,719	-	-	1,175,712	1,273,719
Water	-	-	2,056,312	2,140,519	2,056,312	2,140,519
Sewer	-	-	4,160,336	4,019,805	4,160,336	4,019,805
Storm & Surface Water Management	-	-	2,072,215	2,312,004	2,072,215	2,312,004
Building & Development Svcs	-	-	3,134,784	2,843,708	3,134,784	2,843,708
Total Program Expenses	24,695,488	22,058,314	11,423,647	11,316,035	36,119,135	33,374,349
Excess/(Deficiency)	11,849,716	8,988,249	1,507,436	(787,714)	13,357,152	8,200,535
Other						
Transfers	(1,643,266)	(1,826,325)	1,643,266	1,826,325	-	-
Changes in Net Position	10,206,451	7,161,924	3,150,702	1,038,611	13,357,152	8,200,535
Beginning Net Position	146,477,015	139,315,090	55,853,435	54,814,824	202,330,450	194,129,914
Ending Net Position	\$156,683,465	\$146,477,014	\$59,004,137	\$55,853,435	\$215,687,602	\$202,330,450

GOVERNMENTAL ACTIVITIES

In 2023, the net position of governmental activities increased \$10,206,450, or 7%, to \$156,683,465.

In 2023, governmental activities program revenues increased \$3,168,268, or 95%, almost exclusively due to the previously mentioned recognition of federal ARPA funds. The most significant revenue component of governmental activities is the general tax base. At \$26,949,635, taxes represent 74% of the \$36,545,204 in total revenues for 2023. The 2023 increase in total taxes was only 3%, less than half the average increase over the prior two years. Property tax is the single largest source of governmental activities revenue at \$8,964,312, or 25% of total revenues.

Total governmental activities program expenses increased by \$2,637,173, or 12%, in 2023 as compared to 2022. Expenses increased in all program categories except for modest decreases in Transportation and Culture & Recreation. The largest dollar increase was in General Government at \$1,269,780, or 20%, due to staffing hires in certain departments and significant increases in software and insurance costs. The second largest increase was in Economic Environment at \$689,620, or 43%, due to several large planning projects that started in 2023. The \$189,373 decrease in Transportation, or 5%, was due to delayed street and road maintenance projects. The \$98,007 decrease in Culture and Recreation, or 8%, was due primarily to staffing shortages.

BUSINESS-TYPE ACTIVITIES

In 2023, there was an increase in net position related to business-type activities of \$3,150,707, or 6%, to \$59,004,140.

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 an operating loss of \$(500,826). This loss was entirely offset by interest income and contributed capital resulting in an increase in net position of \$166,805. The Building and Development Services Fund showed an operating loss of \$(1,279,370). The fund's activity recovered only 59% of its operating expenses with operating revenues. While this was a significant increase over the prior year's rate of 45%, it was still far below the City Council's policy goal of 100% cost recovery. Permit revenue was 33% under budget for 2023 despite increased permit fees. Operating transfers from the General Fund provided additional resources to cover program costs.

ANALYSIS OF BALANCES AND TRANSACTIONS OF INDIVIDUAL FUNDS

The General Fund balance increased \$1,380,402, or 6%, over 2022 because of unexpected increases in intergovernmental revenue (see below) and investment interest offset by increases in transfers out to other funds to pay for capital projects already under way. The General Fund ended 2023 with a fund balance of \$25,843,470, which is 94% of total revenues.

The Capital Construction Fund ended 2023 with a fund balance of \$6,357,906, a decrease of \$1,860,597, or 23%, primarily due to increased spending on the City's new police and court building.

The American Rescue Plan Act (ARPA) Fund's cash balance decreased \$4,225,384, or 68%. This decrease was primarily driven by substantial 2023 transfers of these federal funds to other funds for immediate spending. This was prompted by concerns over the potential clawback of these funds by the federal government.

The Building and Development Services fund ended 2023 with a positive net position of \$20,356, a significant increase over the prior year's deficit of \$(139,039). This was the first positive net position for the fund since 2014 when GASB No. 68 was implemented. This was primarily due to a reduction in the restricted net position related to net pension assets.

GENERAL FUND BUDGETARY HIGHLIGHTS

The original 2023 adopted budget anticipated a decrease of \$1,441,393, or 8%, in the budgetary fund balance during the year from \$16,993,000 to \$15,551,607. The budget anticipated increases in both revenues and expenditures. The revised 2023 budget used updated information with revenue unchanged but expenditures up significantly in almost all categories. This resulted in a projected fund balance decrease of \$8,819,541. The actual 2023 ending fund balance was \$25,843,470, an increase of \$1,380,402.

Actual total revenues exceeded the final budget by \$5,967,267. A significant portion of this was due to the unanticipated recognition of federal ARPA revenue 2023. The City had planned to use these funds in subsequent years but was notified of potential federal clawback of the funds. Because of this, the City chose to use the ARPA revenue replacement option and recognized a large portion of the funds in the current year. Actual total expenditures were \$3,655,679 less than the revised budget driven primarily by the number of open positions in the City across all departments.

To learn more about the City's budget process and economic challenges, see Note 1.E. in the *notes to the financial statements*, economic and other factors below, and the required supplementary information.

CAPITAL ASSETS

The City's total investment in capital assets (net of depreciation) increased \$7,912,342 to a total of \$168,049,843 in 2023. Governmental assets represent 71% of the City's overall investment in capital assets. Land represents 49% 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.

Governmental construction in progress increased \$7,009,973, or 45%, primarily due to the ongoing construction of the City's new police and court facility.

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	
	2023	2022	2023	2022	2023	2022
Land	58,476,431	\$ 58,313,867	\$ 1,796,865	\$ 1,796,865	\$ 60,273,296	\$ 60,110,732
Buildings & Improvements	16,524,385	16,524,385	54,728	54,728	16,579,113	16,579,113
Intangible Assets	1,198,565	1,312,112	32,365	32,365	1,230,930	1,344,478
Vehicles & Equipment	10,138,192	9,809,462	1,145,640	1,145,640	11,283,832	10,955,102
Infrastructure	63,783,007	61,992,990	70,523,167	70,317,838	134,306,174	132,310,828
Construction in Progress	22,741,112	15,731,139	6,331,791	3,322,221	29,072,902	19,053,360
Accumulated Depreciation	(52,864,884)	(49,931,739)	(31,831,519)	(30,284,370)	(84,696,403)	(80,216,110)
Totals	\$119,996,806	\$113,752,216	\$48,053,038	\$46,385,287	\$168,049,843	\$160,137,503

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 2023 the City's total long-term debt decreased by \$2,062,485, or 12%, as compared to 2022. Governmental activities long-term debt decreased \$1,291,030, or 14%, due to normal debt retirement. Business-type activities long-term debt decreased \$771,455, or 10%, due to normal debt retirement offset by a smaller increase in new intergovernmental debt. 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.

OUTSTANDING DEBT

	Governmental Activities		Business-Type Activities		Totals	
	2023	2022	2023	2022	2023	2022
General Obligation Bonds	\$ 7,785,000	\$ 9,015,000	\$ 2,165,000	\$ 2,460,000	\$ 9,950,000	\$ 11,475,000
LID Bonds	-	37,364	-	-	-	37,364
Intergovernmental Loans	118,323	141,989	4,509,222	4,985,677	4,627,545	5,127,666
Totals	\$ 7,903,323	\$ 9,194,353	\$ 6,674,222	\$ 7,445,677	\$14,577,545	\$ 16,640,030

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

During 2023 the City saw a significant increase in interest rates which helped the City exceed its expected investment returns by a wide margin. However, those same rising interest rates caused a reduction in real estate sales and development activity resulting in lower than anticipated real estate excise taxes (REET) taxes and development permit revenue. Meanwhile, rising inflation has brought about increases in a whole range of costs from salaries to construction projects.

During 2023, while overall revenue budgets remained relatively flat, expenditure budgets were increased in almost all categories. Year-end actual results showed increases in revenue over amounts anticipated but primarily in intergovernmental revenues and investment income, categories that are both subject to wide swings. Expenditures meanwhile were under budget primarily due to staffing shortages in some departments and underspending on capital projects. Recent 2024 results show continuation of these trends. In addition, during 2023 the City recognized more than \$4.5 million in federal ARPA grant funds revenue that was mostly allocated to salary and benefit reimbursement in the General Fund but also in the Streets and the Building, Development and Services Fund. ARPA revenues were also recognized in specific projects including the Madison Avenue streets improvement, beneficial reuse, and the American with Disabilities Act transition planning.

The City's 2024 budget anticipates modest increases of approximately 2% in most major revenues, except REET, which are expected to continue the downward trend first observed in 2022. The 2024 budgeted REET decrease was forecasted 23% lower than 2023; preliminary 2024 data indicates this is on trend. Investment revenue was budgeted to decrease as the Federal Reserve Bank has signaled interest rate decreases later in 2024 that will affect the City's investment earnings. Expenditures for 2024 are budgeted 7% higher, due to higher-than-average inflation in 2023 expected to continue into 2024. City labor contracts are tied to the previous June Seattle Area Consumer Price Index (CPI-U). Recent economic forecasts indicate the 2024 June CPI-U will likely remain around 4%. This, with an additional 2% increase budgeted for

step increases, will have a significant impact on the 2024 budget. Local area capital spending inflation also remains very high. The City budgeted for a 5% vacancy rate in salary and benefit costs based on vacancy trends.

In April of 2024 the City demolished its old Police station. The City Council has instructed the City Manager to issue an RFQ for the construction and management of affordable housing at the site. A number of funding options are under consideration, including currently available federal and state grants and loans. No project cost has been estimated at this time.

CITY OF BAINBRIDGE ISLAND, WASHINGTON

Statement of Net Position

As of December 31, 2023

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 44,984,696	\$ 18,104,340	\$ 63,089,036
Receivables - Net	2,810,646	176,296	2,986,941
Due from Other Governments	221,564	8,139	229,703
Inventories	100,880	-	100,880
Restricted Cash - Customer Deposits	256,533	337,578	594,111
Restricted Cash - Opioid Settlements	21,864	-	21,864
Prepays	42,112	-	42,112
Special Assessments Receivable	-	310,302	310,302
Restricted Receivable - Opioid Settlements	581,242	-	581,242
Lease Receivable	-	104,768	104,768
Net Pension Asset	3,460,011	1,202,162	4,662,173
Depreciable Capital Assets (Net)	37,580,699	39,924,382	77,505,081
Land	58,476,431	1,796,865	60,273,296
Construction in Progress	22,741,112	6,331,791	29,072,902
Other Capital Assets	1,198,565	-	1,198,565
Total Assets	172,476,352	68,296,621	240,772,974
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows on Debt Refunding	8,654	-	8,654
Deferred Outflows on Pensions	2,639,866	973,864	3,613,730
Deferred Outflows on OPEB	12,378	-	12,378
Total Deferred Outflows of Resources	2,660,898	973,864	3,634,762
LIABILITIES			
Accounts Payable	1,981,964	776,427	2,758,390
Accrued Expenses	662,724	307,341	970,065
Unearned Revenue	2,015,383	246,921	2,262,304
Customer Deposits	256,533	337,578	594,111
Non-Current Liabilities Due Within One Year	1,200,250	1,712,192	2,912,442
Non-Current Liabilities Due in More Than One Year	9,703,143	5,321,768	15,024,911
Compensated Absences Due in More Than One Year	258,914	172,298	431,212
Net Pension Liability Due in More Than One Year	705,850	538,654	1,244,504
Total Liabilities	16,784,761	9,413,179	26,197,940
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows Gain on Refunding	-	68,548	68,548
Deferred Inflows on Pensions	1,669,025	669,362	2,338,387
Deferred Inflows on Leases	-	115,260	115,260
Total Deferred Inflows of Resources	1,669,025	853,170	2,522,195
NET POSITION			
Net Investment in Capital Assets	111,307,867	40,956,786	152,264,653
Restricted for:			
Net Pension Asset	3,460,011	1,202,162	4,662,173
Debt Service	89,275	-	89,275
Public Safety	118,789	-	118,789
PEG Capital	152,785	-	152,785
Economic Development	769,246	-	769,246
Transportation	1,354,680	-	1,354,680
Real Estate Excise Taxes	5,079,602	-	5,079,602
Affordable Housing	1,584,987	-	1,584,987
Opioid Settlements	581,242	-	581,242
Unrestricted	32,184,981	16,845,189	49,030,170
Total Net Position	\$ 156,683,465	\$ 59,004,137	\$ 215,687,602

CITY OF BAINBRIDGE ISLAND, WASHINGTON
Statement of Activities
For the year ended December 31, 2023

	Program Revenues					Net (Expense)/Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions	Primary Government	Total
Primary Government:							
Governmental Activities:							
General Government	\$ 7,454,064	\$ 986,926	\$ 3,484,342	\$ -	-	\$ (2,982,796)	\$ (2,982,796)
Judicial	683,258	68,332	28,077	50,000		(536,850)	(536,850)
Public Safety	6,673,387	77,690	222,390	-		(6,373,306)	(6,373,306)
Physical Environment	999,228	1,713	6,380	12,103		(979,033)	(979,033)
Transportation	3,961,144	60,767	801,199	400,819		(2,698,359)	(2,698,359)
Health and Human Services	1,214,946	-	-	-		(1,214,946)	(1,214,946)
Economic Environment	2,295,578	152,058	162,500	-		(1,981,020)	(1,981,020)
Culture and Recreation	1,175,712	369	-	-		(1,175,343)	(1,175,343)
Interest on Long-Term Debt	238,170	-	-	-		(238,170)	(238,170)
Total Government Activities	24,695,488	1,347,855	4,704,888	462,922		(18,179,823)	(18,179,823)
Business-Type Activities:							
Water	2,056,312	1,550,327	-	353,736		(152,249)	(152,249)
Sewer	4,160,336	4,469,120	61,359	505,871		876,014	876,014
Storm and Surface Water Management	2,072,215	3,218,405	79,159	5,572		1,230,921	1,230,921
Building and Development Services	3,134,784	1,334,403	521,011	-		(1,279,370)	(1,279,370)
Total Business-Type Activities	11,423,647	10,572,255	661,528	865,180		675,316	675,316
Total Primary Government	\$ 36,119,135	\$ 11,920,110	\$ 5,366,416	\$ 1,328,102		\$ (18,179,823)	\$ (17,504,507)

General Revenues:

Property Taxes Levied for General Purposes	\$ 8,310,719	\$ -	\$ 8,310,719
Property Taxes Levied for Debt Service	653,593	-	653,593
Sales and Use Taxes	8,831,742	-	8,831,742
Business and Occupation Taxes	5,295,746	-	5,295,746
Excise Taxes	3,857,836	-	3,857,836
Unrestricted Investment Earnings	2,102,215	778,837	2,881,052
Grants and Contributions not Restricted to Specific Programs	420,692	-	420,692
Gain on Disposal of Capital Assets	33,366	-	33,366
Miscellaneous	523,632	53,283	576,914
Transfers	(1,643,266)	1,643,266	-
Total General Revenues and Transfers	28,386,274	2,475,386	30,861,659
Change in Net Position	10,206,451	3,150,702	13,357,152
Net Position - Beginning	146,477,015	55,853,435	202,330,450
Net Position - Ending	\$ 156,683,465	\$ 59,004,137	\$ 215,687,602

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

CITY OF BAINBRIDGE ISLAND, WASHINGTON

Balance Sheet Statement

Governmental Funds

As of December 31, 2023

	General	American Rescue Plan Act	Capital Construction	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 25,275,176	\$ 2,000,831	\$ 7,235,791	\$ 7,302,554	\$ 41,814,352
Receivables - Net	2,787,622	-	-	604,265	3,391,887
Inventories	-	-	-	100,880	100,880
Due From Other Governments	113,368	-	5,707	102,489	221,564
Restricted Cash - Customer Deposits	256,533	-	-	-	256,533
Restricted Cash - Opioid Settlements	21,864	-	-	-	21,864
Total Assets	<u>\$ 28,454,563</u>	<u>\$ 2,000,831</u>	<u>\$ 7,241,497</u>	<u>\$ 8,110,188</u>	<u>\$ 45,807,081</u>
LIABILITIES					
Accounts Payable	\$ 1,006,739	\$ -	\$ 864,131	\$ 111,095	\$ 1,981,964
Accrued Expenditures	545,260	-	4,910	86,554	636,724
Unearned Revenue	-	2,000,831	14,551	-	2,015,383
Customer Deposits	256,533	-	-	-	256,533
Total Liabilities	<u>\$ 1,808,532</u>	<u>\$ 2,000,831</u>	<u>\$ 883,592</u>	<u>\$ 197,649</u>	<u>\$ 4,890,604</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenues - Property Taxes	\$ 124,489	\$ -	\$ -	\$ -	\$ 124,489
Unavailable Revenues - Other Taxes & Fees	58,607	-	-	10,169	68,776
Unavailable Revenues - Court Fines	38,224	-	-	-	38,224
Unavailable Revenues - Opioid Settlements	581,242	-	-	-	581,242
Total Deferred Inflows of Resources	<u>\$ 802,562</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,169</u>	<u>\$ 812,730</u>
FUND BALANCES					
Nonspendable	\$ -	\$ -	\$ -	\$ 160,051	\$ 160,051
Restricted	271,574	-	2,218,273	6,659,517	9,149,364
Committed	183,546	-	-	412,515	596,061
Assigned	30,804	-	4,139,632	670,288	4,840,724
Unassigned	25,357,545	-	-	-	25,357,545
Total Fund Balances	<u>\$ 25,843,469</u>	<u>\$ -</u>	<u>\$ 6,357,905</u>	<u>\$ 7,902,371</u>	<u>\$ 40,103,745</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 28,454,563</u>	<u>\$ 2,000,831</u>	<u>\$ 7,241,497</u>	<u>\$ 8,110,188</u>	<u>\$ 45,807,079</u>

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

CITY OF BAINBRIDGE ISLAND, WASHINGTON
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
As of December 31, 2023

Ending fund balance - governmental funds	\$ 40,103,745
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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. This does not include internal service fund capital assets which are included in the internal service fund net position below.	117,805,138
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Other Assets are not available to pay current-period expenditures and, therefore, are deferred in the governmental funds.	42,112
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Net pension assets resulting from annual contributions in excess of required contributions are not financial resources and, therefore, are deferred in the governmental funds.	3,460,011
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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	8,654
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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 - Court Fines	38,224
Deferred Inflows of Resources - Opioid Settlements	581,242
Deferred Inflows of Resources - Property Taxes	124,489
Deferred Inflows of Resources - Other Revenues	68,776

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

Accrued expenses	(26,000)
Compensated Absences-Due within one year	(556,585)
Compensated Absences-Due outside one year	(258,914)
Total Compensated absences	(815,499)
Long-term liabilities	(10,346,807)
Net pension liability	(705,850)

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	5,362,011
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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	12,378
Deferred outflow of resources related to pensions	2,639,866
Deferred inflow of resources related to pensions	(1,669,025)

Net Position of Major Governmental Activities	\$ 156,683,464
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CITY OF BAINBRIDGE ISLAND, WASHINGTON
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the year ended December 31, 2023

	General	American Rescue Plan Act	Capital Construction	Non-Major Governmental Funds	Total Governmental Funds
REVENUES					
Property Taxes	\$ 8,291,475	\$ -	\$ -	\$ 653,593	\$ 8,945,068
Sales, Business, and Excise Taxes	12,071,329	-	-	5,913,994	17,985,323
Fees and Fines	65,923	-	-	-	65,923
Licenses and Permits	665,493	-	-	28,850	694,343
Intergovernmental	4,203,925	-	300,359	751,292	5,255,576
Charges for Services	343,219	-	-	156,261	499,480
Interest and Investment Revenue	1,726,804	28,984	-	227,716	1,983,504
Other Revenues	164,499	-	-	102,045	266,543
Total Revenues	27,532,667	28,984	300,359	7,833,750	35,695,760
EXPENDITURES					
Current					
General Government	6,929,029	-	-	477,628	\$ 7,406,657
Judicial	724,705	-	-	-	724,705
Public Safety	6,740,221	-	-	130,603	6,870,824
Physical Environment	980,970	-	-	125,810	1,106,780
Transportation	15,000	-	-	2,334,066	2,349,066
Health and Human Services	1,127,332	-	-	13,840	1,141,172
Economic Environment	1,896,567	-	-	478,755	2,375,322
Culture and Recreation	670,778	-	-	-	670,778
Debt Service - Principal	-	-	-	1,291,028	1,291,028
Debt Service - Interest	1,383	-	-	338,390	339,773
Capital Outlay	6,195	-	8,794,549	-	8,800,744
Total Expenditures	19,092,180	-	8,794,549	5,190,120	33,076,848
Excess/(deficiency) of Revenues over (Under) Expenditures	8,440,487	28,984	(8,494,190)	2,643,630	2,618,912
OTHER FINANCING SOURCES/(USES)					
Sale of Capital Assets	11,136	-	-	22,230	33,366
Transfers In	140,144	-	6,745,706	2,549,758	9,435,608
Transfers Out	(7,211,366)	(28,984)	(112,113)	(3,726,411)	(11,078,874)
Total Other Financing Sources/Uses	(7,060,086)	(28,984)	6,633,593	(1,154,423)	(1,609,900)
Net Change in Fund Balance	1,380,402	-	(1,860,597)	1,489,207	1,009,012
Fund Balances - Beginning	24,463,068	-	8,218,502	6,413,164	39,094,735
Fund Balances - Ending	\$ 25,843,470	\$ -	\$ 6,357,906	\$ 7,902,371	\$ 40,103,746

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

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, 2023

Net change in fund balances - Total governmental funds	\$ 1,009,012
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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	\$ 8,800,744	
Less current year depreciation	(2,538,735)	
		6,262,009

Revenue in the Statement of Activities that does not provide current financial resources is not reported as revenues in the funds.	611,667
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Internal service funds are used by management to charge the costs of equipment rental and replacement activities to individual funds. The net position of internal service funds is included in governmental activities in the Statement of Net	204,411
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Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. This is the amount by which repayments exceeded proceeds.	
Repayment of Long-Term Debt	1,291,028

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.	(137,870)
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Pension expense reported in the governmental funds includes the annual required contributions. In the Statement of Activities, pension expense includes the change in the net pension liability, and related change in pension amounts for deferred outflows of resources and deferred inflows of resources.	966,193

Change in Net Position of Governmental Activities	\$ 10,206,451

CITY OF BAINBRIDGE ISLAND, WASHINGTON
Statement of Net Position
Proprietary Funds
As of December 31, 2023

	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	\$ 5,250,858	\$ 6,215,615	\$ 6,482,757	\$ 155,110	\$ 18,104,340	\$ 3,170,344
Receivables - Net	22,656	116,404	37,236	-	176,296	-
Due From Other Governments	-	8,139	-	-	8,139	-
Subtotal - Current Assets	5,273,514	6,340,158	6,519,993	155,110	18,288,775	3,170,344
Long-Term Assets						
Restricted Cash - Customer Deposits	-	326,134	-	11,443	337,578	-
Special Assessments Receivable	-	310,302	-	-	310,302	-
Lease Receivable	104,768	-	-	-	104,768	-
Net Pension Asset	182,831	260,743	192,182	566,406	1,202,162	-
Depreciable Capital Assets (Net)	13,207,851	16,569,526	10,147,005	-	39,924,382	2,191,667
Land	637,436	834,874	324,555	-	1,796,865	-
Construction in Progress	2,407,251	2,662,638	1,261,901	-	6,331,791	-
Subtotal - Long-Term Assets	16,540,137	20,964,217	11,925,643	577,849	50,007,847	2,191,667
Total Assets	21,813,652	27,304,375	18,445,636	732,959	68,296,621	5,362,011
DEFERRED OUTFLOWS OF RESOURCES						
Deferred outflows on Pensions	147,924	206,694	157,629	461,617	973,864	-
LIABILITIES						
Current Liabilities						
Accounts Payable	140,212	399,896	193,969	42,350	776,427	-
Accrued Expenses	46,477	68,057	55,556	137,252	307,341	-
Unearned Revenue	-	-	-	246,921	246,921	-
Current Portion of Compensated Absences	116,899	78,861	54,912	109,067	359,740	-
Current Portion of Long-Term Debt	46,969	1,254,781	50,702	-	1,352,452	-
Subtotal - Current Liabilities	350,557	1,801,595	355,139	535,590	3,042,881	-
Long-Term Liabilities						
Customer Deposits	-	326,134	-	11,443	337,578	-
Compensated Absences	59,586	37,299	26,511	48,903	172,298	-
Net Pension Liability	82,558	110,824	85,868	259,404	538,654	-
Bonds, Loans, and Other Debt	815,289	4,465,321	41,159	-	5,321,768	-
Subtotal - Long-Term Liabilities	957,432	4,939,578	153,538	319,750	6,370,298	-
Total Liabilities	1,307,989	6,741,173	508,677	855,340	9,413,179	-
DEFERRED INFLOWS OF RESOURCES						
Deferred Inflows Gain on Refunding	-	68,548	-	-	68,548	-
Deferred Inflows on Pensions	101,601	140,794	108,087	318,880	669,362	-
Deferred Inflows on Leases	115,260	-	-	-	115,260	-
Total Deferred Inflows of Resources	216,861	209,342	108,087	318,880	853,170	-
NET POSITION						
Net investment in Capital Assets	15,305,553	14,174,912	11,476,321	-	40,956,786	2,191,667
Restricted for:						
Net Pension Asset	182,831	260,743	192,182	566,406	1,202,162	-
Unrestricted	4,948,342	6,124,899	6,317,998	(546,050)	16,845,189	3,170,344
Total Net Position	\$ 20,436,726	\$ 20,560,554	\$ 17,986,501	\$ 20,356	\$ 59,004,137	\$ 5,362,011

CITY OF BAINBRIDGE ISLAND, WASHINGTON
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the year ended December 31, 2023

	Business-Type Activities - Enterprise Funds					Governmental Activities
	Water	Sewer	Storm and Surface Water Management	Building and Development Services	Totals	Internal Services Fund
OPERATING REVENUES						
Charges for Services	\$ 1,550,327	\$ 4,469,120	\$ 3,218,405	\$ 1,334,403	\$ 10,572,255	\$ 525,000
Operating Grants	-	61,359	79,159	521,011	661,528	-
Total Operating Revenues	1,550,327	4,530,478	3,297,564	1,855,414	11,233,783	525,000
OPERATING EXPENSES						
Personal Services	850,846	1,150,725	913,061	2,728,363	5,642,995	-
Contractual Services	200,468	292,404	328,481	266,056	1,087,408	-
Utilities	174,208	402,479	14,625	-	591,313	-
Repairs and Maintenance	42,686	298,067	122,450	-	463,202	-
Miscellaneous Expense	6,380	13,245	50,508	10,802	80,934	-
Other Supplies and Expenses	369,429	915,807	386,379	16,363	1,687,978	-
Insurance Claims and Expenses	45,484	77,864	45,847	113,200	282,394	-
Depreciation	361,652	975,198	210,299	-	1,547,149	439,299
Total Operating Expenses	2,051,153	4,125,788	2,071,650	3,134,784	11,383,375	439,299
Operating Income (Loss)	(500,826)	404,690	1,225,914	(1,279,370)	(149,591)	85,701
NON-OPERATING REVENUES (EXPENSES)						
Interest & Investment Revenue	227,656	278,507	272,675	-	778,837	118,711
Miscellaneous Revenue	12,648	741	39,644	250	53,283	-
Interest Expense	(5,160)	(34,548)	(565)	-	(40,273)	-
Total Non-Operating Revenues (Expenses)	235,144	244,700	311,754	250	791,847	118,711
Net income (loss) before contributions and transfers	(265,682)	649,390	1,537,668	(1,279,120)	642,256	204,411
Capital Contributions	353,736	505,871	5,572	-	865,180	-
Transfers In	78,750	126,000	-	1,438,516	1,643,266	-
Change in Net Position	166,805	1,281,262	1,543,240	159,395	3,150,702	204,411
Net Position - Beginning	20,269,921	19,279,292	16,443,261	(139,039)	55,853,435	5,157,599
Total Net Position - Ending	\$ 20,436,726	\$ 20,560,554	\$ 17,986,501	\$ 20,356	\$ 59,004,137	\$ 5,362,011

CITY OF BAINBRIDGE ISLAND, WASHINGTON

Statement of Cash Flows

Proprietary Funds

For the year ended December 31, 2023

Page 1 of 2

	Water	Sewer	Storm and Surface Water Management	Building and Development Services	Total	Internal Service Fund
Cash Flows from Operating Activities						
Receipts from Customers	\$ 1,576,076	\$ 4,547,329	\$ 3,241,459	\$ 1,434,006	\$ 10,798,870	\$ 525,000
Operating Grants	-	53,220	138,020	521,011	712,251	-
Payments to Suppliers	(973,460)	(1,794,861)	(857,396)	(451,117)	(4,076,835)	-
Payments to Employees	(975,123)	(1,333,796)	(1,043,449)	(2,953,681)	(6,306,049)	-
Net Cash Provided (Used) by Operating Activities	(372,508)	1,471,892	1,478,635	(1,449,781)	1,128,237	525,000
Cash Flows from Non-Capital Financing Activities						
Transfers from (to) Other Funds	78,750	72,780	-	1,438,516	1,590,046	-
Net Cash Provided (Used) by Non-Capital Financing Activities	78,750	72,780	-	1,438,516	1,590,046	-
Cash Flows from Capital and Related Financing Activities						
Capital Contributions	148,407	505,871	-	-	654,279	-
Fiduciary Transfers from (to) Other Funds	-	15,409	-	(12,809)	2,600	-
Purchase/Acquisition of Capital Assets	(1,212,987)	(634,878)	(919,455)	-	(2,767,320)	(420,052)
Proceeds from Long-Term Debt	498,025	65,648	-	-	563,673	-
Principal Paid on Capital Debt	-	(1,254,279)	(50,703)	-	(1,304,982)	-
Interest Paid on Capital Debt	-	(46,668)	(713)	-	(47,381)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(566,554)	(1,348,897)	(970,871)	(12,809)	(2,899,131)	(420,052)
Cash Flows from Investing Activities						
Interest Income	226,668	253,056	272,675	-	752,398	128,325
Net Cash Provided (Used) by Investing Activities	226,668	253,056	272,675	-	752,398	128,325
Net Increase (Decrease) in Cash and Cash Equivalents	(633,645)	448,831	780,439	(24,075)	571,550	233,273
Cash and Cash Equivalents, January 1	5,884,503	6,092,918	5,702,318	190,628	17,870,367	2,937,071
Cash and Cash Equivalents, December 31	\$ 5,250,858	\$ 6,541,749	\$ 6,482,757	\$ 166,553	\$ 18,441,918	\$ 3,170,344

CITY OF BAINBRIDGE ISLAND, WASHINGTON

Statement of Cash Flows

Proprietary Funds

For the year ended December 31, 2023

Page 2 of 2

	Water	Sewer	Storm and Surface Water Management	Building and Development Services	Total	Internal Service Fund
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities						
Operating Income (Loss)	\$ (500,826)	\$ 404,690	\$ 1,225,914	\$ (1,279,370)	\$ (149,592)	\$ 85,701
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities						
Depreciation	361,652	975,198	210,299	-	1,547,149	439,299
(Increase) Decrease in Accounts Receivable	(473)	(39,224)	(2,247)	-	(41,943)	-
(Increase) Decrease in Lease Receivable	12,473	-	-	-	12,473	-
(Increase) Decrease in Due from Other Governments	-	(8,139)	53,289	-	45,150	-
(Increase) Decrease in Net Pension Asset	(8,304)	(2,898)	(6,302)	(88,220)	(105,724)	-
(Increase) Decrease in Deferred Outflow on Pensions	29,130	50,460	33,038	27,932	140,560	-
Increase (Decrease) in Accounts Payable	(155,514)	304,290	69,328	22,324	240,428	-
Increase (Decrease) in Compensated Absences	8,742	11,333	8,921	25,365	54,361	-
Increase (Decrease) in Other Current Payables	(1,720)	(7,579)	(161)	1,152	(8,307)	-
Increase (Decrease) in Unearned Revenue	-	(53,220)	-	63,226	10,006	-
Increase (Decrease) in Net Pension Liability	(23,841)	(39,392)	(26,523)	(36,198)	(125,954)	-
Increase (Decrease) in Deferred Inflow on Pensions	(80,366)	(123,628)	(86,921)	(185,992)	(476,907)	-
Increase (Decrease) in Deferred Inflow on Leases	(13,461)	-	-	-	(13,461)	-
Net Cash Provided (Used) by Operating Activities	\$ (372,507)	\$ 1,471,892	\$ 1,478,634	\$ (1,449,781)	\$ 1,128,238	\$ 525,000
Noncash Investing, Capital, and Financing Activities						
Developer Infrastructure Contributions	\$ 205,329	\$ -	\$ -	\$ -	\$ 205,329	\$ -

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

CITY OF BAINBRIDGE ISLAND, WASHINGTON
Statement of Net Position
Fiduciary Funds
As of December 31, 2023

ASSETS	Custodial Funds
Cash and Cash Equivalents	\$ 6,651
Total Assets	<u>\$ 6,651</u>
LIABILITIES	
Due to State and Local Governments	\$ 6,651
Total Liabilities	<u>\$ 6,651</u>
NET POSITION	<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, 2023

	Custodial Fund
ADDITIONS	
Court Fines and Forfeitures	\$ 45,961
Other Deposits	19,418
Total Additions	<u>\$ 65,378</u>
DEDUCTIONS	
Payment of Court Fines and Forfeitures to State Government	\$ 45,961
Other Payments to State and Local Governments	19,418
Total Deductions	<u>\$ 65,378</u>
Net Increase (Decrease) in Net Position	\$ -
Net Position - Beginning	<u>-</u>
Net Position - Ending	<u><u>\$ -</u></u>

CITY OF BAINBRIDGE ISLAND, WASHINGTON
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2023

NOTE 1 – 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, as the city of Winslow. Following annexation of the remainder of the island on February 28, 1991, and a vote to change the City's name, the entire island became the City of Bainbridge Island. The City 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 from the island's three wards plus one at-large position; 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 lies within the 23rd State Legislative District and the 6th U.S. Congressional District.

The City is a general-purpose government and provides the following major types of services: general executive and administrative services, police, judicial, water supply/treatment/distribution, sewage collection and treatment, storm water (drainage) collection, street maintenance and construction, planning and zoning, permits and inspections, some parks, and boat docks. 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 the 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, as well as 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

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.

American Rescue Plan Act (ARPA) Fund

This fund accounts for federal grant funds provided to the City under ARPA Coronavirus State and Local Fiscal Recovery Funds.

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 most 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 reports 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 reports one Fiduciary Fund:

The fiduciary fund is a custodial fund. Within this fund are several sub-funds accounting for monies on which the City has no claim. Included are monies the City collected as an agent for other governments. Funds are held for a short time before disbursement 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 to make estimates and assumptions affecting amounts reported in the financial statements. Actual results may differ from those estimates and assumptions.

E. Budgetary Information

1. Scope of Budget

Biennial budgets are adopted for all operating funds on the modified accrual basis of accounting. Budgets for debt service and capital project funds are adopted at the level of the individual debt issue or project and for fiscal periods that correspond to the lives of those debt issues or projects.

Other budgets are adopted at the level of the fund, where expenditures may not exceed appropriations at the fund level and the budgets constitute the legal authority for expenditures at that level.

Most appropriations for general and special revenue funds lapse at year-end, except for certain appropriations for operating and capital outlays carried forward from year to year until fully expended or the purpose of the appropriation is accomplished or abandoned.

Encumbrance accounting is employed in governmental and proprietary funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year, at the City Council's discretion.

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.

The financial statements contain the original and final budget information. The original budget is the first appropriated budget. The final budget is the original budget adjusted by all reserves, transfers, allocations, supplemental appropriations, and other legally authorized changes applicable for the fiscal year.

F. Assets, Liabilities and Fund Balance (or Net Position)

The City's significant assets, liabilities, and fund balance (or net position) are described in the notes that follow.

1. Cash and Cash Equivalents

For financial statements purposes 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. On December 31, 2023, the City was holding \$63,711,661 in cash and cash equivalents which included \$45,263,093 in the governmental funds, \$18,441,918 in the proprietary funds, and \$6,651 in the fiduciary funds.

It is the City's policy to invest temporary cash surpluses. On December 31, 2023, the City was holding \$62,701,569 in short-term investments. This amount is classified on the *balance sheet* with cash and cash equivalents. Interest earned on these investments is distributed to various funds proportional to their cash balances.

2. Receivables

Property taxes unpaid at year-end are recorded as 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 2023, the City's levy for general governmental services was \$0.65 per \$1,000 on assessed valuation of \$12,831,253,642 for a total of \$8,320,915. Levy rates for property taxes are adopted in November of each year but not recognized as 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, 2023 and 2022, the City had total taxes receivable of \$2,653,573 and \$2,171,483, 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, 2023 and 2022, the City had \$5,469 and \$177, 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 2023 is \$133,883 (\$95,659 considered uncollectible) compared to \$159,674 (\$123,859 considered uncollectible) for 2022. 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. For further details see Note 12 – Interfund Balances and Transactions. The City also has reimbursable grants and other receivables due from the State and Federal governments. Those amounts totaled \$229,703 and \$310,693 for fiscal years 2023 and 2022, respectively.

4. Inventories

Inventories consist of expendable supplies held for internal consumption. They are reported on the consumption basis and at cost and recorded as an expenditure at the time individual inventory items are used 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. Prepaids

Prepaids are payments to vendors that benefit future reporting periods and are reported on the purchases method in the governmental funds and the consumption method in the government-wide statements.

6. 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.

For purposes of calculating restricted net position related to the net pension asset, the City includes only the net pension asset.

7. 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 6 – Pension Plans.

8. Capital Assets

Capital assets include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items) and are reported in the applicable governmental or business-type columns of the government-wide financial statement. Capital assets are items with an initial cost, or acquisition value if donated, of more than \$50,000 for

buildings, infrastructure, intangible assets, machinery, software, or artwork, and an estimated useful life of more than one year. Land and right-of-way are considered a capital asset if the initial cost, or acquisition value if donated, is greater than zero. Certain capital assets acquired prior to 2004 are recorded at estimated historical cost. Donated capital asset acquisition value is set at the date of donation.

Costs for additions or improvements to capital assets are capitalized when they increase the effectiveness or efficiency of the asset. Major outlays for capital assets and improvements are capitalized as projects are constructed. The costs of normal maintenance and repairs 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 details see Note 5 – Capital Assets.

9. 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 assets applicable to future reporting periods that will not be expensed until that time.

The City has three items in this category on the *statement of net position*. The first item is a deferred charge on debt refunding resulting from the difference in 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 a deferred outflow related to pensions. This amount is 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. The third item is a deferred outflow related to other post-employment benefits payable (OPEB). This amount is calculated in accordance with GASB Statement No. 75, Accounting and Financial Reporting for Post-employment Benefits other than Pensions. The deferred outflow related to OPEB will be recognized as either OPEB expense, or a reduction in the OPEB liability in future years. Details on the composition of this amount are further disclosed in Note 15 – Defined Benefit Other Post-Employment Benefit (OPEB) Plans.

10. Unearned Revenues

In the governmental funds, certain revenue transactions are reported as unearned revenue. Unearned revenue arises when resources are received by the City before it has a legal claim to them, as when grant monies are received prior to the City incurring qualified expenditures. Revenue cannot be recognized until it has been earned and available to pay for expenditures in the current period. In future periods, when both revenue recognition

criteria are met, or when the City has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenue is recognized.

11. 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, 2023 and 2022, is as follows:

	2023	2022
Vacation	\$ 982,828	\$ 850,177
Compensating Time	188,998	185,775
Standby Time	26,557	26,259
Floating Holidays	149,154	121,881
Total	\$ 1,347,537	\$ 1,184,094

12. 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 6 – Pension Plans.

13. Long-Term Obligations

Liabilities for long-term obligations are recorded in the government-wide and proprietary statements of net position. Bonded debt is reported net of applicable bond premiums or discounts. For governmental fund financial statements bond issuance costs are expensed at the time of issuance and bond proceeds are reported as other financing sources. For further details see Note 8 – Long-Term Liabilities.

14. 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 assets applicable to future reporting periods and, therefore, will not be recognized as revenue until that time.

The City has three items in this category on the *statement of net position*. The first item is a deferred inflow from a gain on a bond refunding. This amount is deferred and amortized over the shorter of the life of the refunded debt or the refunding debt. The second item is an aggregate of pension amounts 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 expenses in future years. Details on the composition of this amount are further disclosed in Note 6 – Pension Plans. The third item is deferred inflow on leases. This amount is deferred and amortized over the life of the lease, including any lease extension provisions reasonably certain to be exercised.

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

- Delinquent property taxes in the general fund
- Other taxes and fees in the general fund and the street fund
- Court fines in the general fund
- Opioid settlements in the general fund

15. Fund Balance

Categories of Fund Balance

Governmental funds use a fund balance presentation. 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: This 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: This 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: This 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: This 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: This 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.

When expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available for use, it is the policy of the City to consider restricted funds to have been reduced first. When expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it shall be the policy of the City that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts, unless otherwise approved by the Council.

Fund balance constraints as listed in aggregate on the governmental funds *balance sheet* on December 31, 2023, were as follows:

	General Fund	ARPA Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:					
Inventory	\$ -	\$ -	\$ -	\$ 100,880	\$ 100,880
Long-term Receivables	-	-	-	59,171	59,171

Total Nonspendable	\$ -	\$ -	\$ -	\$ 160,051	\$ 160,051
Restricted:					
Police Investigations	\$ 46,925	\$ -	\$ -	\$ -	\$ 46,925
Police Marine	50,000	-	-	-	50,000
PEG Capital	152,785	-	-	-	152,785
Opioid Settlement	21,864	-	-	-	21,864
Real Estate Excise Tax	-	-	2,118,411	2,961,191	5,079,603
Hotel/Motel Tax	-	-	-	769,246	769,246
Affordable Housing	-	-	-	1,584,987	1,584,987
Transportation Benefit Tax	-	-	99,862	892,760	992,622
Transportation Impact Fees	-	-	-	362,058	362,058
LID Collections	-	-	-	89,275	89,275
Total Restricted	\$ 271,574	\$ -	\$ 2,218,273	\$ 6,659,517	\$ 9,149,364
Committed:					
Public Art	\$ 183,546	\$ -	\$ -	\$ -	\$ 183,546
Affordable Housing	-	-	-	305,172	305,172
Floor Area Ratio - Public Amen.	-	-	-	14,627	14,627
Floor Area Ratio - Agriculture	-	-	-	91,095	91,095
Tree Preservation	-	-	-	1,621	1,621
Total Committed	\$ 183,546	\$ -	\$ -	\$ 412,515	\$ 596,061
Assigned:					
General Fund	\$ 30,804	\$ -	\$ -	\$ -	\$ 30,804
Street Fund	-	-	-	152,667	152,667
Affordable Housing	-	-	-	513,572	513,572
GO Bond Fund	-	-	-	4,050	4,050
Construction Fund	-	-	4,139,632	-	4,139,632
Total Assigned	\$ 30,804	\$ -	\$ 4,139,632	\$ 670,288	\$ 4,840,725
Unassigned:					
General Fund	\$ 25,357,545	\$ -	\$ -	\$ -	\$ 25,357,545
Total Unassigned	\$ 25,357,545	\$ -	\$ -	\$ -	\$ 25,357,545
Total Fund Balance	\$ 25,843,470	\$ -	\$ 6,357,906	\$ 7,902,371	\$ 40,103,746

General fund stabilization policy: 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 on December 31, 2023. 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 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.

Minimum fund balance policy. In addition to the general fund stabilization arrangement set up as the emergency reserve, in 2022 the City Council reaffirmed, via resolution, a 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. On December 31, 2023 and 2022, the City-Council-specified goal was \$6,883,167 and \$5,604,551, respectively. The unassigned general fund balance on December 31, 2023 and 2022, was \$25,357,545 and \$23,887,872, or \$18,474,378 and \$18,283,321 after reserves.

G. Deficit Unrestricted Net Position

As a result of pension-related debt the building and development services fund had a deficit unrestricted net position of \$(546,050) on December 31, 2023. City management expects this deficit to continue into the foreseeable future; the City transfers only enough general fund cash into the fund to offset expenses not covered through user fees, current payables, and accruals. 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. The interest earned on these investments is prorated to the City's funds. Washington State law limits the type of City's investments. Allowable investments include U.S. government obligations, state and local government obligations, certificate of Deposits with qualified Washington State financial institutions, and Washington State and local government investment pools. At year-end 2023, 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 reported at amortized cost and accounted for at current market values monthly by those entities. 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. The pool is not rated by any financial rating agency, nor is it registered with the Securities and Exchange Commission. Rather, oversight is provided by the State Finance Committee in accordance with RCW 43.250. Participation in the pool is voluntary. The Office of the State Treasurer prepares a stand-alone financial report for the pool. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, online at www.tre.wa.gov.

The KCTIP is managed and operated solely by the Kitsap County Treasurer 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 Kitsap 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). On December 31, 2023, the City held the following investments (at amortized cost) and cash deposits:

Short-term investment held in the Washington State Treasurer's Investment Pool	\$ 52,003,601
Short-term investment held in the Kitsap County Treasurer's Investment Pool	10,697,968
Total Investments	\$ 62,701,569
Cash on hand and on deposit at Umpqua Bank	1,010,092
Total cash and cash equivalents as reported on the financial statements	\$ 63,711,661

It is currently the City's policy to mitigate investment risk, including credit, custodial, concentration of credit, interest rate, and foreign currency 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) delivery versus payment to ensure securities are deposited in an eligible custodial account prior to release of funds, and (b) that all securities will be held in the City's name by an independent third-party custodian selected by the City.

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 2023 levy rates were \$.28 and \$.58, 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 1% 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, 2023, was as follows:

Governmental Activities	Beginning Balance 01/01/2023	Increases	Decreases	Ending Balance 12/31/2023
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Capital Assets not depreciated:				
Land	\$ 58,313,867	\$ 162,563	\$ -	\$ 58,476,430
Construction In Progress	15,731,139	9,128,719	(2,118,746)	22,741,112
Development Rights (Intangible)	1,198,565	-	-	1,198,565
Total Capital Assets not depreciated	\$ 75,243,570	\$ 9,291,282	\$ (2,118,746)	\$ 82,416,107
Capital Assets, Depreciable:				
Buildings	\$ 16,524,384	\$ -	\$ -	\$ 16,524,384
Machinery and Equipment	9,809,462	328,730	-	10,138,192
Infrastructure	61,992,990	1,790,017	-	63,783,007
Leased asset right to use	113,548	-	(113,548)	-
Total Capital Assets, depreciable	\$ 88,440,384	\$ 2,118,746	\$ (113,548)	\$ 90,445,583
Less Accumulated Depreciation for:				
Buildings	\$ (9,736,707)	\$ (427,175)	\$ -	\$ (10,163,882)
Machinery and Equipment	(7,432,749)	(480,738)	-	(7,913,487)
Infrastructure	(32,707,782)	(2,079,735)	-	(34,787,517)
Leased asset right to use	(54,503)	-	54,503	-
Total Accumulated Depreciation	\$ (49,931,741)	* \$ (2,987,648)	\$ 54,503	\$ (52,864,886)
Total Capital Assets, depreciable, net	\$ 38,508,643	\$ (868,901)	\$ (59,045)	\$ 37,580,697
Total Governmental Activities Capital Assets, net	\$ 113,752,214	\$ 8,422,381	\$ (2,177,791)	\$ 119,996,804
Business-Type Activities	Beginning Balance 01/01/2023	Increases	Decreases	Ending Balance 12/31/2023
Capital Assets not depreciated:				
Land	\$ 1,796,865	\$ -	\$ -	\$ 1,796,865
Construction In Progress	3,322,221	3,009,570		6,331,791
Total Capital Assets not depreciated	\$ 5,119,086	\$ 3,009,570	\$ -	\$ 8,128,656
Capital Assets, depreciable:				
Buildings	\$ 54,728	\$ -	\$ -	\$ 54,728
Computer Software	32,365	-	-	32,365
Machinery and Equipment	1,145,640	-	-	1,145,640
Infrastructure	70,317,838	205,329	-	70,523,167
Total Capital Assets, depreciable	\$ 71,550,571	\$ 205,329	\$ -	\$ 71,755,900
Less accumulated depreciation for:				
Buildings	\$ (19,877)	\$ (1,150)	\$ -	\$ (21,026)
Computer Software	(32,365)	-	-	(32,365)
Machinery and Equipment	(468,111)	(50,003)	-	(518,115)
Infrastructure	(29,764,018)	(1,495,996)	-	(31,260,014)
Total Accumulated Depreciation	\$ (30,284,371)	\$ (1,547,149)	\$ -	\$ (31,831,520)
Total Capital Assets, depreciable, net	\$ 41,266,200	\$ (1,341,820)	\$ -	\$ 39,924,380

Total Business-Type Activities	\$ 46,385,286	\$ 1,667,750	\$ -	\$ 48,053,037
Capital Assets, net				

2023 depreciation expense was charged to the functions of the city as follows:

Governmental Activities	2023	2022
General Government	\$ 355,029	\$ 338,316
Judicial	-	54,503
Public Safety	170,486	164,163
Physical Environment	108,902	108,902
Transportation	1,836,019	1,778,739
Health and Human Services	8,673	8,673
Culture and Recreation	498,926	499,444
Total Depreciation - Governmental Activities	* \$ 2,978,034	\$ 2,952,740

Business-Type Activities	2023	2022
Water Utility	\$ 361,652	\$ 361,505
Sewer Utility	975,198	975,197
Storm and Surface Water Management Utility	210,299	210,299
Total Depreciation - Business-Type Activities	\$ 1,547,149	\$ 1,547,001

* The change in governmental activities accumulated depreciation includes an adjustment of \$9,614 in the City's internal service fund.

B. Construction Commitments

On December 31, 2023, the City had contractual construction commitments of \$16,197,199 to construct a new water tank near the high school. Project completion is anticipated in 2025. Nothing had been spent on this commitment at December 31, 2023.

NOTE 6 – PENSION PLANS

The following table represents the aggregate pension amounts for all plans for the year 2023:

Aggregate Pension Amounts – All Plans	
Pension liabilities	\$ (1,244,500)
Pension assets	\$ 4,662,174
Deferred outflows of resources	\$ 3,613,730
Deferred inflows of resources	\$ (2,338,384)
Pension expense/expenditures	\$ (402,098)

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 annual comprehensive financial report (ACFR) that includes financial statements and required supplementary information for each plan.

The DRS ACFR 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 local governments; and higher education employees not participating in higher education retirement programs.

PERS is composed of and reported as three separate plans for accounting purposes. Plan 1, Plan 2/3, and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3 accounts for the defined benefits of Plan 2 members and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members. Although employees can be a member of only Plan 2 or Plan 3, the defined benefits of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of Plan 2/3 may legally be used to pay the defined benefits of any Plan 2 or Plan 3 members or beneficiaries.

PERS Plan 1 provides retirement, disability, and death benefits. Retirement benefits are determined as 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 five years of service. PERS Plan 1 retirement benefits are actuarially reduced if a survivor benefit is chosen. Members retiring from active status prior to the age of 65 may also receive actuarially reduced benefits. Other benefits include an optional cost-of-living adjustment (COLA). PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions

The PERS Plan 1 member contribution rate is established by State statute at 6%. The employer contribution rate is developed by the Office of the State Actuary, adopted by the Pension Funding Council and is subject to change by the legislature. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2023 were as follows:

PERS Plan 1		
Actual Contribution Rates	Employer	Employee*
January – June:		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	3.85%	0.00%
Administrative Fee	0.18%	0.00%
Total	10.39%	6.00%
July – August:		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	2.85%	0.00%
Administrative Fee	0.18%	0.00%
Total	9.39%	6.00%
September – December:		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	2.97%	0.00%
Administrative Fee	0.20%	0.00%
Total	9.53%	6.00%

* For employees participating in IBM, 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. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 retirement benefits are actuarially reduced if a survivor benefit is chosen. Other PERS Plan 2/3 benefits include a COLA based on the CPI, capped at 3% annually. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

PERS Plan 3 defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. Members are eligible to withdraw their defined contributions upon separation. Members have multiple withdrawal options, including purchase of an annuity. 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 rates are adopted by the Pension Funding Council and are subject to change by the Legislature. The employer rate includes a component addressing the PERS Plan 1 Unfunded Actuarial Accrued Liability (UAAL).

As established by Chapter 41.34 RCW, Plan 3 defined contribution rates are set at a minimum of 5% and a maximum of 15%. PERS Plan 3 members choose their contribution rate from six options when joining membership and can change rates only when changing employers. Employers do not contribute to the defined contribution benefits.

The PERS Plan 2/3 defined benefit required contribution rates (expressed as a percentage of covered payroll) for 2023 were as follows:

PERS Plan 2/3			
Actual Contribution Rates:	Employer 2/3	Employee 2*	Employee 3**
January – June:			
PERS Plan 2/3	6.36%	6.36%	Varies
PERS Plan 1 UAAL	3.85%	0.00%	
Administrative Fee	0.18%	0.00%	
Total	10.39%	6.36%	
July – August:			
PERS Plan 2/3	6.36%	6.36%	Varies
PERS Plan 1 UAAL	2.85%	0.00%	
Administrative Fee	0.18%	0.00%	
Total	9.39%	6.36%	
September – December:			
PERS Plan 2/3	6.36%	6.36%	Varies
PERS Plan 1 UAAL	2.97%	0.00%	
Administrative Fee	0.20%	0.00%	
Total	9.53%	6.36%	

* For employees participating in IBM, the contribution rate was 15.90%.

** For employees participating in IBM, the contribution rate was 7.50%.

The City's actual PERS plan contributions were \$341,811 to PERS Plan 1 and \$630,037 to PERS Plan 2/3 for the year ended December 31, 2023.

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

LEOFF was established in 1970, and its retirement benefit provisions are contained in Chapter 41.26 RCW. LEOFF membership includes all the state's full-time, fully compensated, local law enforcement commissioned officers, fire fighters and, as of July 24, 2005, emergency medical technicians.

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-paid consecutive 24 months within the last ten years of service. Members are eligible for retirement with five years of service at the age of 50. Other benefits include periodic COLA. LEOFF 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions

Starting on July 1, 2000, LEOFF Plan 1 employers and employees contribute 0%, as long as the plan remains fully funded. The LEOFF Plan 1 had no required employer or employee contributions for fiscal year 2023. Employers paid only the administrative expense of 0.20% 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-paid consecutive 60 months). Members are eligible for retirement with a full benefit at 53 with at least five years of service credit. Members who retire prior to the age of 53 receive reduced benefits. If the member has at least 20 years of service and is age 50 – 52, 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 a COLA (based on the CPI), capped at 3% annually. LEOFF 2 members are vested after the completion of five years of eligible service.

Contributions

The LEOFF Plan 2 employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2. The rates are adopted by the LEOFF Plan 2 Retirement Board and are subject to change by the Legislature.

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 3.41% in 2023.

The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2023 were as follows:

LEOFF Plan 2		
Actual Contribution Rates:	Employer	Employee
January – August		
State and local governments	5.12%	8.53%
Administrative Fee	0.18%	0.00%
Total	5.30%	8.53%
Ports and Universities	8.53%	8.53%
Administrative Fee	0.18%	0.00%
Total	8.71%	8.53%
September – December		

State and local governments	5.12%	8.53%
Administrative Fee	.020%	0.00%
Total	5.32%	8.53%
Ports and Universities	8.53%	8.53%
Administrative Fee	0.20%	0.00%
Total	8.73%	8.53%

The City's actual contributions to the plan were \$160,268 for the year ended December 31, 2023.

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 Office of the State Actuary 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, 2023, the state contributed \$87,966,142 to LEOFF Plan 2. The amount recognized by the City as its proportionate share of this amount is \$101,471.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2023 with a valuation date of June 30, 2022. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) 2013-2018 Demographic Experience Study and the 2021 Economic Experience Study.

Additional assumptions for subsequent events and law changes are current as of the 2022 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2023. Plan liabilities were rolled forward from June 30, 2022, to June 30, 2023, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- Inflation: 2.75% total economic inflation; 3.25% salary inflation
- Salary increases: In addition to the base 3.25% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- Investment rate of return: 7.00%

Mortality rates were developed using the Society of Actuaries' Pub. H-2010 mortality rates, which vary by member status (e.g. active, retiree, or survivor), as the base table. OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society of Actuaries, to project mortality rates for every year after the 2010 base table. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout their lifetime.

Methods did not change from the prior contribution rate setting June 30, 2021, Actuarial Valuation Report (AVR). OSA did make an assumption change to adjust TRS Plan 1 assets, LEOFF Plan 1/2 assets, and LEOFF participant data to reflect certain material changes occurring after the June 30, 2022, measurement date.

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.0%.

To determine that rate, an asset sufficiency test was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments for current plan members. Based on OSA's 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 7.0% 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 7.0% was determined using a building-block method. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMAs) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the CMA's and their target asset allocation to simulate future investment returns at various future times.

Estimated Rates of Return by Asset Class

The table below summarizes the best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2023. The inflation component used to create the table is 2.2% and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	1.5%
Tangible Assets	7%	4.7%
Real Estate	18%	5.4%
Global Equity	32%	5.9%
Private Equity	23%	8.9%
	100%	

Sensitivity of Net Pension Liability/(Asset)

The table below presents the City's proportionate share of the net pension liability calculated using the discount rate of 7%, as well as what the (city/county/district's) proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6%) or 1-percentage point higher (8%) than the current rate.

	1% Decrease (6%)	Current Discount Rate (7%)	1% Increase (8%)
PERS 1	\$ 1,738,660	\$ 1,244,500	\$ 813,214
PERS 2/3	\$ 3,042,499	\$ (2,797,392)	\$ (7,595,232)
LEOFF 1	\$ (156,274)	\$ (176,241)	\$ (193,556)
LEOFF 2	\$ 279,577	\$ (1,688,541)	\$ (3,299,276)

Pension Plan Fiduciary Net Position

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

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

On June 30, 2023, the City reported its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	\$ 1,244,500
PERS 2/3	\$ (2,797,392)
LEOFF 1	\$ (176,241)
LEOFF 2	\$ (1,688,541)

The amount of the assets 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
City's proportionate share	\$ (176,241)	\$ (1,688,541)
State's proportionate share of the net pension asset associated with the City	(1,192,092)	(1,078,285)
Total	\$ (1,368,333)	\$ (2,766,826)

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

	Proportionate Share 6/30/22	Proportionate Share 6/30/23	Change in Proportion
PERS 1	0.054732%	0.054518%	(0.000214) %
PERS 2/3	0.068182%	0.068251%	0.000069 %
LEOFF 1	0.005795%	0.005938%	0.000143 %
LEOFF 2	0.061348%	0.070397%	0.009049 %

Employer contribution transmittals received and processed by the DRS for each fiscal year ending June 30, 2023, 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 2023. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). 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 2023, the State of Washington contributed 39% of LEOFF 2 employer contributions pursuant to RCW 41.26.725, and all other employers contributed the remaining 61% of employer contributions.

Pension Expense

For the year ended December 31, 2023, the City recognized pension expense as follows:

	Pension Expense
PERS 1	\$ (20,114)
PERS 2/3	(338,574)
LEOFF 1	(19,076)
LEOFF 2	(24,334)
Total	\$ (402,098)

Deferred Outflows of Resources and Deferred Inflows of Resources

On December 31, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS 1	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	-	(140,385)
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	156,503	-
Total	\$ 156,503	\$ (140,385)

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 569,826	\$ (31,255)
Net difference between projected and actual investment earnings on pension plan investments	-	(1,054,226)
Changes of assumptions	1,174,442	(255,982)
Changes in proportion and differences between contributions and proportionate share of contributions	29,309	(66,479)
Contributions subsequent to the measurement date	329,050	-
Total	\$ 2,102,627	\$ (1,407,943)

LEOFF 1	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	-	(11,686)
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	-	-
Total	\$ -	\$ (11,686)

LEOFF 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 689,721	\$ (13,892)
Net difference between projected and actual investment earnings on pension plan investments	-	(357,292)
Changes of assumptions	431,332	(138,700)
Changes in proportion and differences between contributions and proportionate share of contributions	154,120	(268,486)

Contributions subsequent to the measurement date	79,429	-
Total	\$ 1,354,601	\$ (778,370)

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, 2024. 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 1
2024	\$ (95,512)
2025	(120,118)
2026	74,063
2027	1,182
2028	-
Thereafter	-
Total	\$ (140,385)

Year ended December 31:	PERS 2/3
2024	\$ (505,678)
2025	(622,230)
2026	857,841
2027	310,043
2028	313,429
Thereafter	12,228
Total	\$ (365,634)

Year ended December 31:	LEOFF 1
2024	\$ (8,013)
2025	(10,055)
2026	6,237
2027	144
2028	-
Thereafter	-
Total	\$ (11,686)

Year ended December 31:	LEOFF 2
2024	\$ (152,672)
2025	(210,370)
2026	298,052
2027	100,456
2028	113,016
Thereafter	348,320
Total	\$ 496,803

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 169 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, prior wrongful acts, 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.

All members are provided a separate cyber risk policy and premises pollution liability coverage group purchased by WCIA. The cyber risk policy provides coverage and separate limits for security and privacy, event management, and cyber extortion, with limits up to \$1 million and subject to member deductibles, sublimits, and a \$5 million pool aggregate. Premises pollution liability provides members with a \$2 million incident limit and \$10 million pool aggregate subject to a \$100,000 per incident Member deductible.

Insurance for property, automobile physical damage, fidelity, inland marine, and equipment breakdown coverage are purchased on a group basis. Various deductibles apply by type of coverage. Property coverage is self-funded from the members' deductible to \$1,000,000 for all perils other than flood and earthquake and insured above that to \$400 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.

WCIA 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. These financial instruments 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, 2023, there were no material settlements not fully covered by insurance.

NOTE 8 – LONG-TERM LIABILITIES

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

During 2023 the City was awarded a \$9,595,000 low interest federal Environmental Protection Agency loan through the Washington State Department of Health. This is in addition to \$14,623,381 in low interest state and federal loans awarded in 2022. Loan proceeds will be used to fund construction of a water tank, water line extensions, and sewer line upgrades. At year-end 2023 \$22,763,598 was still available to draw on these loans. More information on these loans is shown in the table below.

Two of the City's Washington State Public Works Trust Fund (PWTF) loans are designated as revenue debt and another as LID debt. All four of the City's Washington State Department of Health (DOH) Drinking Water State Revolving Fund (DWSRF) loans are designated as revenue debt. All 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 1.F.2. — Receivables, for information on delinquent LID special assessment receivables.

Long-Term debt reported on the statements of net position on December 31, 2023, is comprised of the following:

Type of Debt or Long-Term Liability	Governmental Activities	Business-Type Activities
Limited Tax General Obligation Bonds	\$ 7,785,000	\$ 2,165,000
Limited Tax General Obligation Long-Term Debt	118,323	636,363
Revenue Obligation Long-Term Debt	-	3,575,358
Local Improvement District Obligation Long-Term Debt	-	297,500
Long-Term Debt analyzed in this Note below	7,903,323	6,674,221
Other Components of Long-Term Liabilities:		
Other Post-Employment Benefits - See Note No. 15	1,235,005	-
Net Pension Liability - See Note No. 6	705,850	538,654
Compensated Absences - See Note No. 1.F.11	815,499	532,038
Landfill Post-Closure Care Costs - See Note No. 10	388,878	-
Unamortized Bond Discounts and Premiums	819,600	-
Total Long-Term Liabilities reported on the Statement of Net Position	\$ 11,868,155	\$ 7,744,913

General Obligation Bonds outstanding are as follows:

Purpose/Original Issue Amount/Bond	Interest Rates	Governmental Activities	Business-Type Activities
Sewer Plant Refunding/\$3,040,000/LTGO 2021	2.00 - 4.00%	\$ -	\$ 2,165,000
Police-Court Facility & Refunding/\$9,990,000/LTGO 2019	3.00 - 5.00%	7,785,000	-
Total General Obligation Bonds		\$ 7,785,000	\$ 2,165,000

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

Year Ending	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2024	\$ 620,000	\$ 280,450	\$ 295,000	\$ 24,681
2025	645,000	252,500	305,000	21,318
2026	660,000	223,750	305,000	17,841
2027	700,000	193,750	310,000	14,364
2028	455,000	167,800	315,000	10,830
2029-2033	1,945,000	600,150	635,000	10,887
2034-2038	2,265,000	282,150	-	-
2039	495,000	14,850	-	-
Total	\$ 7,785,000	\$ 2,015,400	\$ 2,165,000	\$ 99,921

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

Purpose/Original Issue Amount	Interest Rates	Governmental Activities	Business-Type Activities
PWTF Loan - Emergency Street Repairs/\$449,632	3.00%	\$ 118,323	\$ -
PWTF Loan - Storm Drain Decant Facility Design/\$179,025	0.50%	-	9,546
PWTF Loan - Sewage Treatment Plant Design/\$389,215	0.50%	-	21,084
PWTF Loan - Storm Drain Decant Facility Constr./\$782,000	0.50%	-	82,314
PWTF Loan - Sewage Treatment Plant Construction Loan #1/\$3,618,000	0.50%	-	421,249
PWTF Loan - Eagle Harbor Sewer Beach Mains Design/\$383,542	0.50%	-	102,171
Total Other General Obligation Debt		\$ 118,323	\$ 636,363

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
2024	\$ 23,665	\$ 3,550	\$ 302,848	\$ 3,182
2025	23,665	2,840	272,215	1,668
2026	23,665	2,130	20,433	307
2027	23,665	1,420	20,433	204
2028	23,664	710	20,433	102
Total	\$ 118,323	\$ 10,649	\$ 636,362	\$ 5,462

Revenue Obligation Long-Term Debt outstanding is as follows:

Purpose/Original Issue Amount	Interest Rates	Governmental Activities	Business-Type Activities
PWTF Loan - Sewage Treatment Plant Construction Loan #2/\$3,564,500	0.50%	\$ -	\$ 600,025
PWTF Loan - Eagle Harbor Sewer Beach Mains Construction/\$4,167,089	0.50%	-	1,669,792
PWTF Loan - Winslow Water Tank Construction Loan/\$4,500,000	0.94%	-	773,716
PWTF SSLW Loan - Eagle Harbor Sewer Complex Loan/\$2,500,000	0.94%	-	443,285
DOH DWSRF Loan - Water Tank Construction Loan/\$6,831,302	1.75%	-	88,541
Total Revenue Obligation Debt		\$ -	\$ 3,575,358

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
2024	\$ -	\$ -	\$ 458,070	\$ 20,164
2025	-	-	458,070	17,978
2026	-	-	458,070	15,793

2027	-	-	258,062	13,607
2028	-	-	258,062	12,422
2029-2033	-	-	1,104,779	44,328
2034-2038	-	-	362,650	21,649
2039-2042	-	-	217,590	4,330
Total	\$ -	\$ -	\$ 3,575,355	\$ 150,271

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

Purpose/Original Issue Amount	Interest Rates	Governmental Activities	Business-Type Activities
PWTF Loan - South Island Sewer Lines Construction/\$5,600,000	0.50%	\$ -	\$ 297,500
Total LID Obligation Debt		\$ -	\$ 297,500

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
2024	\$ -	\$ -	\$ 297,500	\$ 1,488
Total	\$ -	\$ -	\$ 297,500	\$ 1,488

A. Changes in Long-Term Liabilities

During the year ending December 31, 2023, the following changes occurred in long-term liabilities:

	Beginning Balance Jan. 1, 2023	Additions	Reductions	Ending Balance Dec. 31, 2023	Due Within One Year
Governmental Activities:					
Unlimited Tax General Obligation Bonds	\$ 630,000	\$ -	\$ (630,000)	\$ -	\$ -
Limited Tax General Obligation Bonds	8,385,000	-	(600,000)	7,785,000	620,000
Local Improvement District Bonds	37,361	-	(37,361)	-	-
Unamortized Bond Discounts & Premiums	940,926	-	(121,326)	819,600	-
Total Bonds Payable	9,993,287	-	(1,388,687)	8,604,600	620,000
Loans from Other Gov'ts	141,988	-	(23,665)	118,323	23,665
Compensated Absences	706,415	1,039,786	(930,702)	815,499	556,585
Lease Liabilities	60,098	-	(60,098)	-	-
Net Pension Liability	859,336	-	(153,486)	705,850	-
Total OPEB Liability	1,190,346	82,421	(37,762)	1,235,005	-
Landfill Post-Closure Liability	323,931	64,946	-	388,877	-
Total Governmental Activity long-term liabilities	\$ 13,275,401	\$ 1,187,153	\$ (2,594,400)	\$ 11,868,154	\$ 1,200,250

Business-Type Activities:					
Limited Tax General Obligation Bonds	\$ 2,460,000	\$ -	\$ (295,000)	\$ 2,165,000	\$ 295,000
Loans from Other Gov'ts	4,985,677	563,673	(1,040,129)	4,509,221	1,057,452
Compensated Absences	477,677	518,164	(463,803)	532,038	359,740
Net Pension Liability	664,608	-	(125,954)	538,654	-
Total Business-Type Activity long-term liabilities	\$ 8,587,962	\$ 1,081,837	\$ (1,924,886)	\$ 7,744,913	\$ 1,712,192

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

B. 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 its 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. On December 31, 2023, the City had no arbitrage liability.

NOTE 9 – LEASES

Starting in 2022 the financial statements include adoption of GASB Statement No. 87 – Leases. Under this statement the lessee recognizes lease liability and an intangible right-to-use the leased asset and the lessor recognizes a lease receivable and a deferred inflow of resources. As the interest rates implicit in the City's leases are not readily determinable, the City utilizes its incremental borrowing rate to discount the lease payments.

A. Lessee Lease

As of December 31, 2023, the City had no significant lessee lease liability.

B. Lessor Lease

On December 31, 2023, Verizon Wireless had 105-months remaining on a lease for the use of a City water tank. The initial lease receivable was \$142,182. As of December 31, 2023, the lease receivable was \$117,241. Verizon Wireless is required to make monthly fixed payments of \$1,150 for 2023 with a 2.5% increase each year. The lease has an implicit interest rate of 0.7970%. The water tank's estimated useful life was 50 years as of January 1, 2023. As of December 31, 2023, the deferred inflow of resources was \$115,260, and the City recognized lease revenue of \$12,648 during the fiscal year. Verizon Wireless has two extension option(s), each for an additional five years.

Principal and Interest Expected to Maturity

Fiscal Year	Principal Payments	Interest Payments	Total Payments
2024	\$ 13,259	\$ 883	\$ 14,143
2025	13,720	776	14,496
2026	14,194	665	14,859
2027	14,680	550	15,230
2028	15,135	445	15,579
2029 - 2031	45,915	527	46,443

NOTE 10 – 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 \$388,878 on December 31, 2023, represents the estimated liability for all future post-closure costs as if those costs were performed in 2023. 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 2023 were \$144,912. This cost was offset by \$209,858 due to the annual re-estimation of total post-closure care for the remaining years the City is under obligation to monitor and maintain the closed landfill.

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

NOTE 11 – 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 7 – Risk Management). Currently, 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 accumulated sick leave except as explained in Note 1.F.11. – Compensated Absences. However, sick or injured employees can draw on accumulated sick leave in the future. As of December 31, 2023 and 2022, the value of total accumulated sick leave was \$2,029,501 and \$1,835,952, 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 on December 31, 2023 and 2022, was \$14,733 and \$18,543, respectively.

The City participates in several 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. Currently, 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 12 – INTERFUND BALANCES AND TRANSACTIONS

A. Interfund Balances

The City had no interfund loans outstanding at fiscal year-end 2023.

B. Interfund transfers

Interfund transfers for the year ended December 31, 2023, were as follows:

	Transfer from General Fund	Transfer from Real Estate Excise Tax (REET) Fund	Transfer from Transportation Benefit Fund	Transfer from ARPA Fund	Transfer from Capital Construction Fund	Total	Purpose of Transfer
Disbursed To:							
General Fund	\$ -	\$ -	\$ -	\$ 28,984	\$ 111,160	\$ 140,144	Return of Unused Subsidy
Street Fund	1,013,630	100,000	500,000	-	-	1,613,630	Operating Subsidy
REET Fund	-	-	-	-	953	953	Return of Unused Subsidy
GO Bond Fund	-	935,175	-	-	-	935,175	Debt Service Subsidy
Capital Constr. Fund	4,554,470	1,313,979	877,258	-	-	6,745,706	Construction Subsidy
Water Fund	78,750	-	-	-	-	78,750	Tax Offset
Sewer Fund	126,000	-	-	-	-	126,000	Operating Subsidy
B&DS Fund	1,438,516	-	-	-	-	1,438,516	Operating Subsidy
Total	\$ 7,211,366	\$ 2,349,153	\$ 1,377,258	\$ 28,984	\$ 112,113	\$11,078,874	

As discussed in Note 1.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 13 – RECEIVABLE AND PAYABLE BALANCES

A. Receivables

Receivables (net of amounts determined to be uncollectible) on December 31, 2023, were as follows:

	Accounts	Taxes	Special Assessments and Leases	Due from Other Governments or Non-profits	Total
Governmental Activities:					

General Government	\$ 118,269	\$ 2,225,732	\$ -	\$ 113,368	\$ 2,457,369
Transportation	580	227,974	-	49,025	277,579
Culture & Recreation	-	1,051	-	-	1,051
Judicial	38,224	-	-	-	38,224
Economic Environment	-	53,715	-	-	53,715
Health and Human Service	581,242	145,100	-	59,171	785,513
Total Governmental Activities	\$ 738,315	\$ 2,653,573	\$ -	\$ 221,564	\$ 3,613,451
Business-Type Activities:					
Water	\$ 10,183	\$ -	\$ 117,241	\$ -	\$ 127,424
Sewer	116,404	-	310,302	8,139	434,844
Storm & Surface Water	1,580	-	-	35,655	37,236
Total Business-Type Activities	\$ 128,167	\$ -	\$ 427,543	\$ 43,794	\$ 599,504

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 on December 31, 2023, were as follows:

	Vendors	Salaries and Benefits	Other	Total
Governmental Activities:				
General Government	\$ 366,256	\$ 135,947	\$ 26,000	\$ 528,203
Public Safety	923,515	222,357	-	1,145,873
Transportation	297,900	151,673	-	449,573
Culture and Recreation	20,406	8,175	-	28,581
Judicial	117,088	22,889	-	139,978
Physical Environment	95,908	38,422	-	134,330
Economic Environment	159,766	49,049	-	208,815
Health and Human Service	1,125	8,212	-	9,337
Total Governmental Activities	\$ 1,981,964	\$ 636,724	\$ 26,000	\$ 2,644,688
Business-Type Activities:				
Water	\$ 140,212	\$ 43,711	\$ 2,765	\$ 186,689
Sewer	399,896	57,955	10,249	468,100
Storm & Surface Water	193,969	55,288	268	249,524
Bldg. & Development Services	42,350	137,252	-	179,602
Total Business-Type Activities	\$ 776,427	\$ 294,206	\$ 13,282	\$ 1,083,915

NOTE 14 – 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 2,820 customers, primarily in the historic Winslow area. Its sewer utility provides wastewater collection in the South Island and Lynwood Center areas to roughly 270 customers, and collection and treatment in the historic Winslow area to roughly 2,250 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 15 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS

The City has no termination benefits other than the accrued compensated absences described in Note 1.F.11. – Compensated Absences and Note 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 6 – Pension Plans, the City provides certain post-employment health care benefits via a single employer defined benefit healthcare plan.

LEOFF 1 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. This single employer defined benefit healthcare plan is 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 1 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 with disabilities as well as those retired after reaching the age requirement. As of December 31, 2023, the City's plan had two covered retirees separated from the City. Dental costs and dependents are not covered. The City's LEOFF 1 plan does not issue a publicly available financial report.

Funding Policy

Funding for LEOFF 1 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 \$23,572 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 100 total plan members. The City's total OPEB liability of \$1,235,005 was measured as of June 30, 2023, 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, 2023, 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 2020 LEOFF 1 OPEB Actuarial Valuation Report published by the Washington State Actuary's Office:

Discount Rate: 3.65%

Healthcare cost trend rates: The initial medical cost rate is approximately 4.5% and varies by year. Long-term care is 4.75%. Medicare Part B premiums are approximately 5% and vary by year.

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

Mortality rates were based on the PubS.H-2010 (Public Safety) Blended 50%/50% Healthy/Disabled Table. Age setback is -1 year healthy and 0 years for disabled. Mortality improvements use MP-2017 long-term rates. The projection period is generational. The Medicare participation rate is 100%.

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 (3.5%)	Current Healthcare Cost Trend Rate (4.5%)	1% Increase (5.5%)
Total OPEB Liability	\$ 1,101,042	\$ 1,235,005	\$ 1,391,118

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 (2.65%)	Current Discount Rate (3.65%)	1% Increase (4.65%)
Total OPEB Liability	\$ 1,400,670	\$ 1,235,005	\$ 1,096,156

Change in Total OPEB Liability

Balance at 6/30/2022	\$	1,190,346
Changes for the year:		
Interest Cost		41,476
Changes in Experience Data and Assumptions		40,945
Estimated Benefit Payments		(37,762)
Net changes		44,659
Balance at 6/30/2023	\$	1,235,005

Changes in expense data and assumptions reflect a change in the discount rate from 3.54% in 2022 to 3.65% in 2023.

Deferred outflows of resources of \$12,378 resulting from payments after the measurement date but before December 31, 2023, will be recognized as a reduction of the total OPEB liability in the next fiscal period rather than the current fiscal period.

NOTE 16 – ACCOUNTING CHANGES

New special revenue fund for affordable housing.

Prior to 2023 the affordable housing fund, although accounted for separately on the general ledger, was reported with the general fund. As part of the 2023-2024 biennial budget, the fund was split off from the general fund and reported as a special revenue fund. The fund accounts for several new tax revenues restricted to affordable housing. The 1/1/2023 affordable housing fund beginning fund balance was \$1,432,435 and the 12/31/2023 balance was \$2,462,901.

NOTE 17 – BLAKE DECISION

In February 2021 the Washington State Supreme Court issued an opinion in *State of Washington v. Blake*, declaring RCW 69.50.4013, Washington's simple possession of a controlled substance statute violates the due process clause of the state and federal constitution. Individuals convicted under the statute beginning in 1971 may be eligible to have their convictions vacated and/or be resentenced. All penalties, fines, and restitution (Legal Financial Obligations or LFO) imposed in connection with the simple possession convictions must be refunded.

Beginning in July 2023 the State Administrative Office of the Courts (AOC) assumed responsibility for processing and paying LFO refunds, rather than city and county courts. The Washington State legislature has provided ample funding for the City to process vacations and refund LFOs on behalf of the state, including funding in state's fiscal year 2023 and proviso language suggesting an ongoing state responsibility.

NOTE 18 – SUBSEQUENT EVENTS

A. Water Tank Replacement Project

The City has started construction of a replacement water tank near the high school. Current estimates put the total project at \$22.3 million. This will be the most expensive capital construction project in City history. 93% of the project is funded with low interest State and Federal loans.

B. National Opioid Settlement

In April 2024 the City signed a settlement participation agreement to obtain opioid settlement funds pursuant to the Janssen (Johnson and Johnson) opioid retailer settlement. The City's portion of this settlement is estimated at \$71,536. To date opioid settlements from both distributors and retailers total \$614,309.

C. Affordable Housing

In April 2024 the City demolished its old police station and the City Council authorized a Request for Qualifications for construction and management of a 64-unit affordable housing project on the site.

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, 2023
Last 10 Fiscal Years *

	2023	2022	2021	2020	2019	2018
Total OPEB liability - beginning	\$ 1,190,346	\$ 1,329,594	\$ 1,454,995	\$ 1,236,856	\$ 1,212,886	\$ 1,251,132
Service cost	-	-	-	-	-	-
Interest	41,476	28,331	31,698	42,713	46,347	44,256
Changes in benefit terms	-	-	-	-	-	-
Differences between expected and actual experience	40,945	(131,452)	(115,518)	208,678	8,480	(52,368)
Changes of assumptions	-	-	-	-	-	-
Benefit payments	(37,762)	(36,127)	(41,581)	(33,252)	(30,857)	(30,134)
Other changes	-	-	-	-	-	-
Total OPEB liability - ending	<u>\$ 1,235,005</u>	<u>\$ 1,190,346</u>	<u>\$ 1,329,594</u>	<u>\$ 1,454,995</u>	<u>\$ 1,236,856</u>	<u>\$ 1,212,886</u>
Covered-employee payroll	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total OPEB liability as a % of covered-employee payroll	0.00%	0.00%	0.00%	0.00%	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 1 (PERS 1)
As of June 30, 2023
Last 10 Fiscal Years

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
The City's proportion of the net pension liability (asset)	0.054518%	0.054732%	0.056936%	0.058554%	0.060728%	0.061315%	0.059776%	0.060413%	0.060591%	0.057710%
The City's proportionate share of the net pension liability (asset)	\$ 1,244,500	\$ 1,523,940	\$ 695,322	\$ 2,067,272	\$ 2,335,207	\$ 2,738,349	\$ 2,836,418	\$ 3,244,463	\$ 3,169,473	\$ 2,907,168
Covered payroll	\$ 9,957,698	\$ 8,676,835	\$ 8,523,425	\$ 8,670,078	\$ 8,336,161	\$ 7,983,671	\$ 7,378,058	\$ 7,093,980	\$ 6,812,867	\$ 6,234,704
The City's proportionate share of the net pension liability as a percentage of payroll in PERS 1	12.50%	17.56%	8.16%	23.84%	28.01%	34.30%	38.44%	45.74%	46.52%	46.63%
Plan fiduciary net position as a percentage of the total pension liability	80.16%	76.56%	88.74%	68.64%	67.12%	63.22%	61.24%	57.03%	59.10%	61.19%

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, 2023
Last 10 Fiscal Years

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
The City's proportion of the net pension liability (asset)	0.068251%	0.068182%	0.070107%	0.073259%	0.075525%	0.075801%	0.074148%	0.074798%	0.075592%	0.071618%
The City's proportionate share of the net pension liability (asset)	\$ (2,797,392)	\$ (2,528,721)	\$ (6,983,785)	\$ 936,941	\$ 733,605	\$ 1,294,235	\$ 2,576,289	\$ 3,766,020	\$ 2,700,945	\$ 1,447,658
Covered payroll	\$ 9,849,253	\$ 8,528,905	\$ 8,385,298	\$ 8,540,618	\$ 8,209,384	\$ 7,861,509	\$ 7,261,956	\$ 6,983,641	\$ 6,707,406	\$ 6,131,610
The City's proportionate share of the net pension liability as a percentage of payroll in PERS 2 and 3	-28.40%	-29.65%	-83.29%	10.97%	8.94%	16.46%	35.48%	53.93%	40.27%	23.61%
Plan fiduciary net position as a percentage of the total pension liability	107.02%	106.73%	120.29%	97.22%	97.77%	95.77%	90.97%	85.82%	89.20%	93.29%

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 1 (LEOFF 1)
As of June 30, 2023
Last 10 Fiscal Years

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
The City's proportion of the net pension liability (asset)	0.005938%	0.005795%	0.005640%	0.005504%	0.005386%	0.005292%	0.005237%	0.005163%	0.005108%	0.005066%
The City's proportionate share of the net pension liability (asset)	\$ (176,241)	\$ (166,236)	\$ (193,202)	\$ (103,944)	\$ (106,460)	\$ (96,076)	\$ (79,457)	\$ (53,194)	\$ (61,563)	\$ (61,440)
State's proportionate share of the net pension liability (asset) associated with the City	\$ (1,192,092)	\$ (1,124,417)	\$ (1,306,811)	\$ (703,071)	\$ (720,095)	\$ (649,858)	\$ (537,444)	\$ (359,801)	\$ (416,411)	\$ (415,579)
TOTAL	\$ (1,368,333)	\$ (1,290,653)	\$ (1,500,013)	\$ (807,015)	\$ (826,555)	\$ (745,934)	\$ (616,901)	\$ (412,995)	\$ (477,974)	\$ (477,019)
Covered payroll	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
The City's proportionate share of the net pension liability as a percentage of payroll in LEOFF 1	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	175.99%	169.62%	187.45%	146.88%	148.78%	144.42%	135.96%	123.74%	127.36%	126.91%

The City currently has no employees participating in LEOFF 1 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, 2023
Last 10 Fiscal Years

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
The City's proportion of the net pension liability (asset)	0.070397%	0.061348%	0.064500%	0.068320%	0.067875%	0.071125%	0.064740%	0.065121%	0.063719%	0.062773%
The City's proportionate share of the net pension liability (asset)	\$ (1,688,541)	\$ (1,667,253)	\$ (3,746,427)	\$ (1,393,628)	\$ (1,572,455)	\$ (1,443,993)	\$ (898,381)	\$ (378,763)	\$ (654,904)	\$ (833,025)
State's proportionate share of the net pension liability (asset) associated with the City	\$ (1,078,285)	\$ (1,080,010)	\$ (2,416,854)	\$ (891,120)	\$ (1,029,748)	\$ (934,958)	\$ (582,763)	\$ (246,926)	\$ (433,023)	\$ (544,283)
TOTAL	\$ (2,766,826)	\$ (2,747,263)	\$ (6,163,281)	\$ (2,284,748)	\$ (2,602,203)	\$ (2,378,950)	\$ (1,481,145)	\$ (625,689)	\$ (1,087,927)	\$ (1,377,308)
Covered payroll	\$ 3,231,674	\$ 2,474,496	\$ 2,395,998	\$ 2,371,349	\$ 2,379,275	\$ 2,347,448	\$ 2,025,171	\$ 1,972,785	\$ 1,849,373	\$ 1,746,908
The City's proportionate share of the net pension liability as a percentage of payroll in LEOFF 2	-52.25%	-67.38%	-156.36%	-58.77%	-66.09%	-61.51%	-44.36%	-19.20%	-35.41%	-47.69%
Plan fiduciary net position as a percentage of the total pension liability	113.17%	116.09%	142.00%	115.83%	119.43%	118.50%	113.36%	106.04%	111.67%	116.75%

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Pension Plans

City of Bainbridge Island
Schedule of Employer Contributions
Public Employees Retirement System Plan 1 (PERS 1)
For the Year Ended December 31, 2023
Last 10 Fiscal Years

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contributions (actuarially determined)	\$ 341,811	\$ 357,612	\$ 380,654	\$ 418,857	\$ 437,529	\$ 422,087	\$ 381,731	\$ 350,071	\$ 310,417	\$ 269,414
Contributions in relation to the contractually required contributions	\$ (341,811)	\$ (357,612)	\$ (380,654)	\$ (418,857)	\$ (437,529)	\$ (422,087)	\$ (381,731)	\$ (350,071)	\$ (310,417)	\$ (269,414)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 9,936,998	\$ 9,267,661	\$ 8,522,685	\$ 8,519,638	\$ 8,622,610	\$ 8,157,822	\$ 7,624,452	\$ 7,195,872	\$ 6,989,870	\$ 6,547,257
Contributions as a percentage of covered payroll	3.44%	3.86%	4.47%	4.92%	5.07%	5.17%	5.01%	4.86%	4.44%	4.11%

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)
For the Year Ended December 31, 2023
Last 10 Fiscal Years

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contributions (actuarially determined)	\$ 630,037	\$ 579,543	\$ 604,853	\$ 664,106	\$ 654,423	\$ 602,300	\$ 525,708	\$ 454,418	\$ 384,415	\$ 321,803
Contributions in relation to the contractually required contributions	\$ (630,037)	\$ (579,543)	\$ (604,853)	\$ (664,106)	\$ (654,423)	\$ (602,300)	\$ (525,708)	\$ (454,418)	\$ (384,415)	\$ (321,803)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 9,906,237	\$ 9,112,307	\$ 8,381,523	\$ 8,386,110	\$ 8,494,294	\$ 8,032,195	\$ 7,505,804	\$ 7,083,242	\$ 6,883,331	\$ 6,442,891
Contributions as a percentage of covered payroll	6.36%	6.36%	7.22%	7.92%	7.70%	7.50%	7.00%	6.42%	5.58%	4.99%

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)
For the Year Ended December 31, 2023
Last 10 Fiscal Years

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contributions (actuarially determined)	\$ 160,268	\$ 140,284	\$ 128,687	\$ 130,187	\$ 128,469	\$ 127,607	\$ 116,464	\$ 103,365	\$ 96,865	\$ 90,284
Contributions in relation to the contractually required contributions	\$ (160,268)	\$ (140,284)	\$ (128,687)	\$ (130,187)	\$ (128,469)	\$ (127,607)	\$ (116,464)	\$ (103,365)	\$ (96,865)	\$ (90,284)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 3,122,988	\$ 2,730,786	\$ 2,502,156	\$ 2,526,643	\$ 2,463,014	\$ 2,426,859	\$ 2,180,981	\$ 1,976,382	\$ 1,918,110	\$ 1,787,799
Contributions as a percentage of covered payroll	5.13%	5.14%	5.14%	5.15%	5.22%	5.26%	5.34%	5.23%	5.05%	5.05%

CITY OF BAINBRIDGE ISLAND, WASHINGTON
Notes to Pension Plans Required Supplementary Information
For the Year Ended December 31, 2023

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.

A ten-year schedule of annual money-weighted rate of returns for each pension plan is available in the Washington State Department of Retirement System's (DRS) annual comprehensive financial report (ACFR). The DRS ACFR may be downloaded at www.drs.wa.gov.

NOTE 2 – CONTRIBUTIONS FOR LAW ENFORCEMENT OFFICERS AND FIRE FIGHTERS (LEOFF)
PLAN 1

There is no schedule presented of employer contributions for LEOFF Plan 1 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, 2023

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Revised	(Budgetary Basis)	Final Budget
REVENUES				
Property Taxes	8,280,000	8,280,000	8,291,475	11,475
Other Taxes	11,063,500	11,063,500	12,071,329	1,007,829
Fees and Fines	23,500	23,500	65,923	42,423
Licenses and Permits	664,000	664,000	665,493	1,493
Intergovernmental	612,200	612,200	4,203,925	3,591,725
Charges for Services	304,200	304,200	343,219	39,019
Interest	515,000	515,000	1,726,804	1,211,804
Other Revenues	103,000	103,000	164,499	61,499
TOTAL REVENUES	21,565,400	21,565,400	27,532,667	5,967,267
EXPENDITURES				
General Government	7,418,746	8,221,992	6,929,029	1,292,963
Judicial	733,698	840,818	724,705	116,113
Public Safety	6,715,726	7,336,611	6,740,221	596,391
Physical Environment	1,359,791	1,205,074	980,970	224,104
Transportation	-	15,000	15,000	-
Health and Human Services	707,586	1,677,286	1,127,332	549,955
Economic Environment	1,546,247	2,425,842	1,896,567	529,275
Culture and Recreation	766,078	1,004,384	670,778	333,607
Debt Service - Interest	-	-	1,383	(1,383)
Capital Outlay	-	20,850	6,195	14,655
TOTAL EXPENDITURES	19,247,873	22,747,859	19,092,180	3,655,679
Total Operating Income (Loss)	2,317,527	(1,182,459)	8,440,487	9,622,946
OTHER FINANCING SOURCES/USES				
Proceeds from Sale of Capital Assets	-	-	11,136	11,136
Transfers - Out	(3,822,920)	(7,737,082)	(7,211,366)	525,716
Transfers - In	64,000	100,000	140,144	40,144
TOTAL OTHER FINANCING SOURCES/USES	(3,758,920)	(7,637,082)	(7,060,086)	576,996
Net Change in Fund Balance	(1,441,393)	(8,819,541)	1,380,402	10,199,943
Fund Balance -- Beginning	19,967,000	19,967,000	24,463,068	4,496,068
Total Ending Fund Balance	\$ 18,525,607	\$ 11,147,459	\$ 25,843,470	\$ 14,696,010

CITY OF BAINBRIDGE ISLAND, WASHINGTON
Budgetary Comparison Schedule
ARPA Fund
For The Year Ended December 31, 2023

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Revised	(Budgetary Basis)	Final Budget
REVENUES				
Intergovernmental	2,000,000	2,000,000	-	(2,000,000)
Interest	64,000	64,000	28,984	(35,016)
TOTAL REVENUES	2,064,000	2,064,000	28,984	(2,035,016)
Total Operating Income (Loss)	2,064,000	2,064,000	28,984	(2,035,016)
OTHER FINANCING SOURCES/USES				
Transfers - Out	(2,064,000)	(64,000)	(28,984)	35,016
TOTAL OTHER FINANCING SOURCES/USES	(2,064,000)	(64,000)	(28,984)	35,016
Net Change in Fund Balance	-	2,000,000	-	(2,000,000)
Fund Balance -- Beginning	5,085	5,085	-	(5,085)
Total Ending Fund Balance	\$ 5,085	\$ 2,005,085	\$ -	\$ (2,005,085)

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

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