

# SHORE AQUATIC CENTER

**Shore Metro Park District**

## **Annual Financial Report**

**For the Year Ended**

**December 31, 2019**

*Unaudited*

### **BOARD OF DISTRICT COMMISSIONERS**

**Randy Johnson, President**

**Bill Peach, Commissioner**

**Anna Manildi, Commissioner**

**Charlie McCaughan, Commissioner**

**LaTrisha Suggs, Commissioner**

**PREPARED BY**

**Steven D. Burke, Executive Director**  
**Charlie McClain, CPA, District Treasurer**  
**Jessica Compton, Manager**

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## **1. Discussion and Analysis for the Year Ended December 31, 2019**

### **Introduction**

The District is a special-purpose municipality providing recreation services. The District boundaries are the same boundaries of the Port Angeles School District. The District was approved and established by District voters in 2009. The District is independent from other local or state governments and operates within the district boundaries. It is administered by a five-member ex officio Board of Commissioners. The Commission delegates authority to an Executive Director to manage the operations of the District. The District is supported by operating revenues (user charges, admissions, program fees, rental fees) and property tax revenue.

This section contains the Districts' Management Discussion and Analysis (MD&A) of financial activities and performance for the calendar years ending December 31, 2018, and December 31, 2019. It provides an introduction to the District's 2019 financial statements. Information contained in this MD&A has been prepared by District management and should be considered in conjunction with the financial statements and the notes.

The notes to the financial statements provide additional information that may not be readily apparent from the actual financial statements. The notes to the financial statements can be found immediately following the financial statements. Additionally, other factors not shown on the financial reports should be evaluated to assess the District's true financial condition, such as changes in the District's tax base and the condition of the District's asset base.

## **2. Overview of the Financial Statements**

The Annual Financial Report consists of three parts:

- Management's Discussion and Analysis (MD&A)
- Financial Statements, which includes:
  - Statement of Financial Net Position
  - Statement of Revenues, Expenses, and Changes in Net Positions
- Notes to the Financial Statements

The financial statements in the annual report describe whether the District is better or worse off as a result of the year's activities. Following is a brief discussion of the various statements:

Statement of Financial Net Position reflects the District's financial position at year-end. It is one of the main financial statements and it reports an entity's assets, liabilities, and the difference in their totals. The District had no deferred inflows or outflows this reporting period. The amounts reported on the statement of financial position are the amounts as of the final moment of an accounting period. Over time, increases or decreases in the total net position may serve as an indicator of whether the financial position of the District is improving or deteriorating.

Statement of Revenues, Expenses, and Changes in Net Positions reflects changes in the District's financial position (fund balance) during the current year. These changes are reported as the underlying event occurs regardless of the timing of related cash flows. This statement presents changes in fund balance from income or loss from operations as well as non-operating revenues and expenses, capital contributions and extraordinary items.

Statement of Cash Flows reflects the net increases or decreases in cash from the following activities: Operating Activities, which includes a reconciliation of cash flows from operating activities to net income (loss) from operations; Noncapital Financing Activities; Capital and Related Financing Activities; Investing Activities.

### **3. Financial Highlights**

#### **Year Ended December 31, 2019**

**Change in Financial Net Position:** The ending net position (assets minus liabilities) on December 31, 2019 was \$3,722,981, which was an increase of \$1,890,835, an 103% increase. This is the result of:

1. An increase of \$1,455,000 in grant revenue
2. An increase of \$495,708 in Property tax revenue
3. \$144,497 of principal payments on the District's long-term liabilities

- **Assets:** Total assets of the District were \$23,441,376, which was an increase of \$10,834,260 due in part to:

1. Issuance of LTGO bonds in the amount of \$7,565,000
2. A Washington State grant award of \$1,455,000
3. A \$495,708 increase in property tax revenue
4. Investment interest of \$163,914.

A significant portion of the Port's assets were substantially comprised of cash and investments from the bond sale, which have not been spent, for a sum of \$13,851,774, which is restricted for the capital project of facility expansion.

Net capital assets (land, buildings, improvements and equipment comprised \$9,162,007 of total assets

- **Liabilities:** The District's total liabilities increased to \$19,718,395 in 2019 due to the issue of LTGO Bonds in the amount of \$7,565,000.

The District had no deferred inflows or outflows this reporting period.

#### **Statement of Revenues, Expenses, and Changes in Net Positions:**

- In 2019 we moved property tax revenue from operating revenues to non-operating revenues to better reflect actual operating income from the facility use.
- Operating revenues decreased \$215,984 or -43% due to the facility closure in May 2019 for the expansion project.
- Non-Operating revenues decreased by \$422,452 or -3%.

- Operating expenses decreased by \$295,383 or -27% due to the facility closing for expansion in May 2019.
- Non-Operating expenses increased by \$430,195 or 243% due to the increase in bond interest payments.

### **Year Ended December 31, 2018**

- **Change in Financial Net Position:** The ending net position (assets minus liabilities) on December 31, 2018 was \$1,832,145. which was an increase of \$326,993, an 19% increase. This is the result of: \$134,067 of principal payments on the District's long term liabilities; An increase of \$111,222 in program revenue from expanding the SPARK Squad after school care program; In Progress capital projects for the facility expansion project added \$708,265 in non-current assets, and; The District issued \$9,665,000 in public LTGO Bonds with an additional \$333,942 in Premiums for the public works project to expand and renovate the William Shore Pool.
- **Statement of Revenues, Expenses, and Changes in Net Positions:** Operating revenues increased overall by \$122,779 or 33%, due to increase in program revenue. Non-operating revenue increased by \$118,486 due to an increase in property tax revenue.

Operating expenses increased by \$181,869 or 20% primarily due to increase in labor costs and adding additional staff for the SPARK program. Fund balances were dramatically increased with the issuance of \$9,998,941 in LTGO bonds for the facility expansion project and only \$708,265 expensed.

### **4. Condensed Comparative Financial Data**

The Summary Statement of Financial Net Position reflects the District's financial position at year-end. It includes all District assets and liabilities at a specific point in time. Changes in the net position may serve as an indicator of whether the financial position of the District is improving or deteriorating.

<b>Summary Statement of Financial Net Position</b>			
	<b>2018</b>	<b>2019</b>	<b>Increase (Decrease) 2018-2019</b>
Current Assets	\$9,656,161	\$14,279,369	\$4,623,208
Non-Current Assets	\$2,950,955	\$9,162,007	\$6,211,052
<b>Total Assets</b>	<b>\$12,607,116</b>	<b>\$23,441,376</b>	<b>\$10,834,260</b>
Current Liabilities	\$137,782	\$1,666,376	\$1,528,594
Non-Current Liabilities	\$10,637,189	\$18,052,019	\$7,414,830
<b>Total Liabilities</b>	<b>\$10,774,971</b>	<b>\$19,718,395</b>	<b>\$8,943,425</b>
<b>Net Position</b>	<b>\$1,832,145</b>	<b>\$3,722,981</b>	<b>\$1,890,835</b>

The Summary Statement of Revenues, Expenses and Changes in Fund Balances reflects changes in the District's financial position during the year (in contrast to the Statement of Financial Net Position, which is a snapshot on December 31, 2019). This statement presents the inflows of revenues and outflows of expenses.

<b>Summary Statement of Revenues, Expenses and Changes in Fund Balances</b>			
	<b>2018</b>	<b>2019</b>	<b>Increase (Decrease) 2018-2019</b>
Operational Revenues	\$493,018	\$277,034	-43.81%
Non-Operational Revenues	\$10,933,215	\$10,510,763	-3.86%
<b>Total Revenues</b>	<b>\$11,426,233</b>	<b>\$10,787,796</b>	<b>-5.59%</b>
Operational Expenses	\$1,020,217	\$724,834	-28.95%
Non-Operational Expenses	\$176,955	\$607,150	243.11%
<b>Total Expense</b>	<b>\$1,197,171</b>	<b>\$1,331,984</b>	<b>11.26%</b>
<b>Income (Loss) before Capital Contributions</b>	<b>\$10,229,061</b>	<b>\$9,455,812</b>	<b>-7.56%</b>
Total Capital Contributions	\$842,330	\$6,283,277	645.94%
<b>Increase (Loss) in Net Position</b>	<b>\$9,386,731</b>	<b>\$3,172,535</b>	<b>-66.20%</b>

## **5. Operating and Non-Operating Activity**

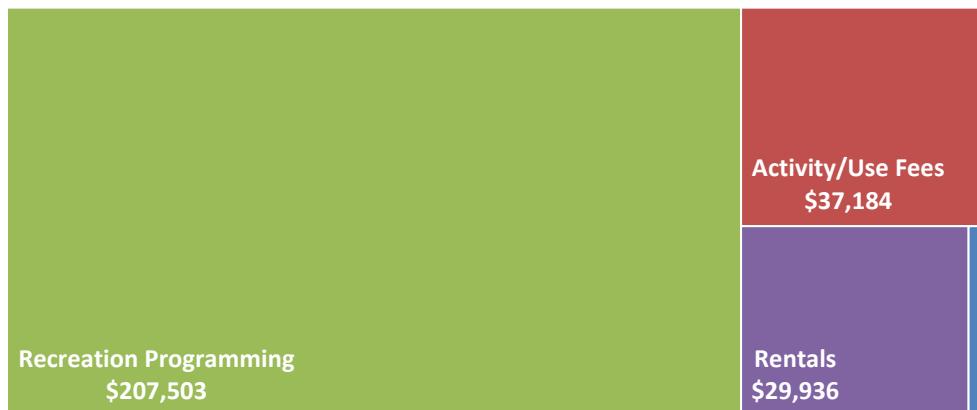
The operating function of the District is the operation of the Shore Aquatic Center. The non-operating functions of the District include: property taxes, property, grants, investment interest, and bond proceed in revenues and capital construction, election and interest payments, bond issue costs on the expenses.

### **Operating Revenue:**

In 2019, the primary sources of operating revenues are from program revenue of \$277,034.

Operating revenues from programming were lower in 2019 from 2018 since the facility was closed in May of 2019. The following graph shows the District's operating revenue sources.

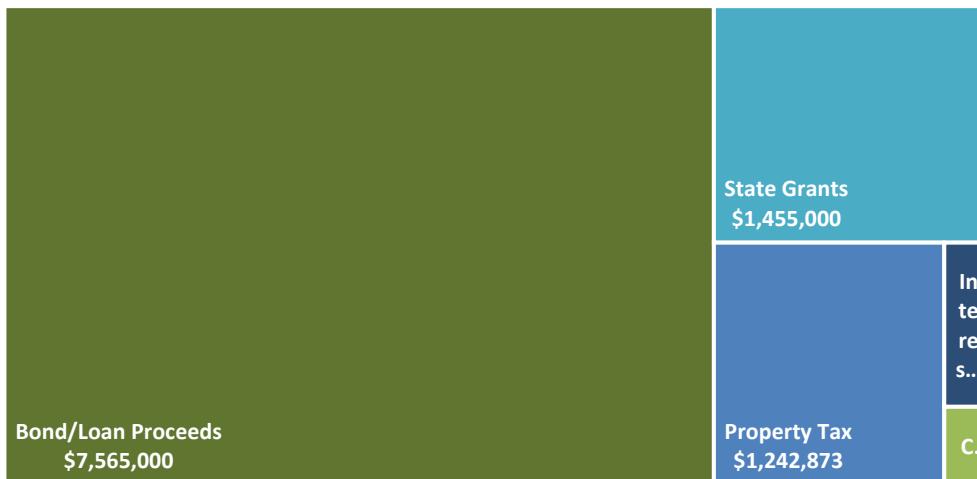
### 2019 Operational Revenue by Source



#### **Non-Operating Revenue:**

In 2019, the primary sources of non-operating revenues were from bond proceeds of \$7,565,000, grant proceeds of \$1,455,000 and property tax revenue of \$1,242,873. Non-operating revenues are high due to the financing of the aquatic center expansion project through bonds and grants. The following graph shows the District's non-operating revenue sources.

### 2019 Non-Operating Revenue by Source



## **6. Current Assets**

### **Year Ended December 31, 2019**

In 2019, the District's Current assets increased by \$4,623,208 over 2018. The increase was due to issuing LTGO Bonds for the expansion of the facility and grant proceeds.

Statement of Financial Net Position		
	2018	2019
<b>Current Assets</b>		
County Fund Balance	\$7,860	\$12,424
Kitsap Bank	\$270,227	\$413,681

Restricted Funds	\$9,370,677	\$13,851,774
Accounts Receivable	\$3,114	\$46
Deposits in Transit	\$4,183	\$1,344
Cash in Till	\$100	\$100
<b>Total Current Assets</b>	<b>\$9,656,161</b>	<b>\$14,279,369</b>

### Year Ended December 31, 2018

In 2018, the District's Current assets increased by \$9,503,566 over 2017. The increase was due to issuing LTGO Bonds for the expansion of the facility.

### 7. Non-Current Assets

#### Year Ended December 31, 2019

In 2019, the District's Non-Current assets increased by \$6,211,054 over 2018. The increase was due to the in-progress capital project for the expansion of the facility

	2018	2019
<b>Non-Current Assets</b>		
Land Investments	\$54,161	\$0
Buildings and Improvements	\$1,998,732	\$1,998,732
Capital Equipment	\$65,653	\$88,292
Capital Expansion In Progress	\$708,265	\$6,892,121
Bond	\$124,144	\$182,862
<b>Total Non-current Assets</b>	<b>\$2,950,955</b>	<b>\$9,162,007</b>

### Year Ended December 31, 2018

In 2018, the District's Non-Current assets increased by \$782,909 or 35% over 2017. The largest item was the in-progress capital project for the expansion of the facility

### 8. Current Liabilities

#### Year Ended December 31, 2019

As of December 31, 2019, the District had current liabilities of \$1,666,376, an increase over 2019, due to higher accounts payable at year-end from the in-progress construction.

Current Liabilities	2018	2019
Accounts Payable	\$91,346	\$1,623,971
Visa Cards	\$3,980	\$11,187
Direct Deposits	\$0	\$136
Wages Payable	\$16,954	\$8,268
Accrued Cafeteria Plan	\$8,772	\$11,423

Deferred Compensation	\$1,566	\$1,161
Payroll	\$10,355	\$4,794
Sales Tax	\$678	\$10
Uncashed Paychecks	\$4,131	\$5,428
<b>Total Current Liabilities</b>	<b>\$137,782</b>	<b>\$1,666,376</b>

### **Year Ended December 31, 2018**

As of December 31, 2018, the District had current liabilities of \$140,443, a 102% increase over 2017, due to higher accounts payable at year-end.

### **9. Non-Current Liabilities:**

#### **Year Ended December 31, 2019**

As of December 31, 2019, the District had general obligation bond debt outstanding (including premium) of \$18,052,019. During 2019 the District made debt principal payments of \$150,170. The terms vary from 3-30 years with interest rates of 3.25%-4.00% depending on issue. The general obligation bonds will be fully amortized on 12-1-2047.

<b>Non-Current Liabilities</b>	<b>2018</b>	<b>2019</b>
2013 GO Bond Kitsap	\$8,014	\$2,461
2012B State Loan	\$59,633	\$45,824
2013A State Loan	\$251,377	\$208,126
2013A GO Bond Kitsap	\$319,223	\$252,232
2018 LTGO Public Bond	\$9,665,000	\$9,650,000
2019 LTGO Bond Kitsap	\$0	\$7,565,000
Deferred Premium on Bond Issues	\$333,942	\$328,376
<b>Total Non-Current Liabilities</b>	<b>\$10,637,189</b>	<b>\$18,052,019</b>

The District uses property taxes and operational revenue for debt service payments. The non-voted debt capacity of the District was \$1,817,556 at December 31, 2019. On November 7, 2017, the District voters approved \$3.5 million increase in our debt capacity in anticipation of our expansion project.

*See Note 5 for additions and reductions in long-term liabilities*

#### **Year Ended December 31, 2018**

As of December 31, 2018, the District had general obligation bond debt outstanding (including premium) of \$10,305,264. During 2018 the District made debt principal payments of \$134,066. The terms vary from 3-30 years with interest rates of 3.25%-4.00% depending on issue. The general obligation bonds will be fully amortized on 12-1-2047.

### **10. Statement of Financial Net Position**

As of December 31, 2019 and December 31, 2018

#### Statement of Financial Net Position

	2018	2019
<b>Current Assets</b>		
County Fund Balance	\$7,860	\$12,424
Kitsap Bank	\$270,227	\$413,681
Restricted Bond Funds	\$9,370,677	\$13,851,774
Accounts Receivable	\$3,114	\$46
Deposits in Transit	\$4,183	\$1,344
Cash in Till	\$100	\$100
<b>Total Current Assets</b>	<b>\$9,656,161</b>	<b>\$14,279,369</b>
<b>Non-Current Assets</b>		
Land Investments	\$54,161	\$0
Buildings and Improvements	\$1,998,732	\$1,998,732
Capital Equipment	\$65,653	\$88,292
Capital Expansion In Progress	\$708,265	\$6,892,121
Bond	\$124,144	\$182,862
<b>Total Non-current Assets</b>	<b>\$2,950,955</b>	<b>\$9,162,007</b>
<b>Total Assets</b>	<b>\$12,607,116</b>	<b>\$23,441,376</b>

<b>Current Liabilities</b>		
Accounts Payable	\$91,346	\$1,623,971
Visa Cards	\$3,980	\$11,187
Direct Deposits	\$0	\$136
Wages Payable	\$16,954	\$8,268
Accrued Cafeteria Plan	\$8,772	\$11,423
Deferred Compensation	\$1,566	\$1,161
Payroll	\$10,355	\$4,794
Sales Tax	\$678	\$10
Uncashed Paychecks	\$4,131	\$5,428
<b>Total Current Liabilities</b>	<b>\$137,782</b>	<b>\$1,666,376</b>
<b>Non-Current Liabilities</b>		
2013 GO Bond Kitsap	\$8,014	\$2,461
2012B State Loan	\$59,633	\$45,824
2013A State Loan	\$251,377	\$208,126
2013A GO Bond Kitsap	\$319,223	\$252,232
2018 LTGO Public Bond	\$9,665,000	\$9,650,000
2019 LTGO Bond Kitsap	\$0	\$7,565,000
Deferred Premium on Bond Issues	\$333,942	\$328,376
<b>Total Non-Current Liabilities</b>	<b>\$10,637,189</b>	<b>\$18,052,019</b>
<b>Total Liabilities</b>	<b>\$10,774,971</b>	<b>\$19,718,395</b>
<b>Net Position</b>	<b>\$1,832,145</b>	<b>\$3,722,981</b>

**11. Statement of Revenues, Expenses and Changes in Net Position.**

For the Fiscal Year Ended December 31, 2019 and December 31, 2018

<b>Statement of Revenue, Expenses and Changes in All Fund Balances</b>		
<b>Operational Revenue</b>	<b>2018</b>	<b>2019</b>
Merchandise Sales	\$7,983	\$2,410
Activity/Use Fees	\$116,825	\$37,184
Recreation Programming	\$310,495	\$207,503
Rentals	\$57,715	\$29,936
<b>Total Operational Revenue</b>	<b>\$493,018</b>	<b>\$277,034</b>
<b>Non-Operational Revenue</b>		
Property Tax	\$747,165	\$1,242,873
County Shared Revenue	\$32,910	\$79,738
State Grants	\$0	\$1,455,000
Interest and Other Misc. Revenue	\$99,938	\$168,152
Gifts from Private Sources	\$1,000	\$0
Bond/Loan Proceeds	\$9,998,041	\$7,565,000
Sale of Capital Assets	\$54,161	\$0
<b>Total Non-Operational Revenue</b>	<b>\$10,933,215</b>	<b>\$10,510,763</b>
		\$
<b>Total Revenue</b>	<b>\$11,426,233</b>	<b>\$10,787,796</b>
<b>Operational Expense</b>		
Wages	\$609,706	\$424,866
Benefits	\$95,617	\$79,105
Supplies	\$78,651	\$64,369
Services	\$236,244	\$156,494
<b>Total Operational Expenses</b>	<b>\$1,020,217</b>	<b>\$724,834</b>
<b>Non-Operational Expenses</b>		
Intergovernmental Services	\$0	\$0
Cost of Debt Issuance	\$147,400	\$23,629
Interest Expense	\$29,555	\$583,521
<b>Total Non-Operational Expenses</b>	<b>\$176,955</b>	<b>\$607,150</b>
<b>Total Expense</b>	<b>\$1,197,171</b>	<b>\$1,331,984</b>
<b>Income (Loss) before Capital Contributions</b>	<b>\$10,229,061</b>	<b>\$9,455,812</b>
<b>Capital Contributions</b>		
Principal Paid on Debt	\$134,066	\$144,603
Capital Projects In-Progress	\$708,264	\$6,138,674

Capital Projects Completed	\$0	\$0
<b>Total Capital Contributions</b>	<b>\$842,330</b>	<b>\$6,283,277</b>
<b>Increase (Loss) in Net Position</b>	<b>\$9,386,731</b>	<b>\$3,172,535</b>

**12. Statements of Cash Flows**

Cash flow as of December 31, 2019 and 2018

Statement of Cash Flows		
	2018	2019
<b>CASH FLOWS FROM OPERATIONS</b>		
<b>Operating Revenues</b>		
Programs and Admissions	\$427,320	\$244,687
Merchandise Sales	\$7,983	\$2,410
Rentals	\$57,715	\$29,936
<b>Total Operating Revenues</b>	<b>\$493,018</b>	<b>\$277,034</b>
<b>Operating Expenditures</b>		
Wages	\$609,706	\$424,866
Benefits	\$95,617	\$79,105
Supplies	\$78,651	\$64,369
Services	\$236,244	\$156,494
<b>Total Operating Expenditures</b>	<b>\$1,020,217</b>	<b>\$724,834</b>
<b>Net Cash Provided by Operating Revenue</b>	<b>-\$527,199</b>	<b>-\$447,800</b>
<b>CASH FLOWS FROM NON-OPERATIONS</b>		
<b>Cash Flows Non-Operating Revenues</b>		
Property Tax	\$747,165	\$1,242,873
County Shared Revenue	\$32,910	\$79,738
State Grants	\$0	\$1,455,000
Interest and Other Misc. Revenue	\$99,938	\$168,152
Gifts from Private Sources	\$1,000	\$0
Bond/Loan Proceeds	\$9,998,041	\$7,565,000
Sale of Capital Assets	\$54,161	\$0
<b>Total Operating Revenues</b>	<b>\$10,933,215</b>	<b>\$10,510,763</b>
<b>Non-Operating Expenditures</b>		
Cost of Debt Issuance	\$147,400	\$23,629
Interest Expense	\$29,555	\$583,521
Capital Projects		
<b>Total Non-Operating Expenditures</b>	<b>\$176,955</b>	<b>\$607,150</b>
<b>Net Cash Provided by Non-Op Revenues</b>	<b>\$10,756,260</b>	<b>\$9,903,613</b>
<b>Capital Contributions</b>		
Principal Paid on Debt	\$134,066	\$144,603
Capital Projects In-Progress	\$708,264	\$6,138,674
<b>Total Capital Contributions</b>	<b>\$842,330</b>	<b>\$6,283,277</b>

<b>NET INCREASE(DECREASE) IN FUND BALANCE (All)</b>	<b>\$9,386,731</b>	<b>\$3,172,535</b>
Cash Beginning of Year (All Funds)	\$120,352	\$9,556,723
<b>CASH END OF YEAR (All Funds)</b>	<b>\$9,507,083</b>	<b>\$12,729,258</b>
<b>Net Cash Flow End of Year</b>	<b>\$9,507,083</b>	<b>\$12,729,258</b>

**13. Notes to Financial Statements**

For the Fiscal Year Ended December 31, 2019

**Note 1: Summary of Significant Accounting Policies**

The William Shore Memorial Pool District was incorporated on June 9, 2009 and operates under the laws of the state of Washington applicable to a Municipal Corporation. The District is a special purpose local government and provides recreation services.

The District reports financial activity to the State Auditor in accordance with the *Cash Basis Budgeting, Accounting and Reporting System* (BARS) Manual prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW.

The District's Annual Financial Report that is submitted to District Board of Commissioners, The Electronic Municipal Market Access (EMMA), and posted on the District's website is done using General Accepted Accounting Principle (GAAP) in Accrual Basis.

**A. Fund Accounting**

Financial transactions of the District are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues and expenditures. The government's resources are allocated to and accounted for in individual funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements. The following fund types are used:

**General Fund**

This fund is the primary operating fund of the District. It accounts for all financial revenues and expenses except those transferred to and accounted for in the Capital/Bond Payment Fund.

**Capital/Bond Payment Fund**

This Fund is the primary fund for capital commitments and debt payments, including General Obligation Bonds. All revenue in this fund is transferred from the General Fund and has restricted use.

**B. Basis of Accounting and Measurement Focus**

This financial statement was prepared using the accrual basis of accounting. The District submits a cash basis financial report to the Washington State Auditor.

**C. Budgets**

The District adopts annual budget. This budget is adopted at the Board of Commission level. Washington State RCW 35.61 does not require for the District's budget to be updated during the year, instead the budget is used as a planning tool and is not used as an appropriation tool. The annual budget is adopted using accrual basis of accounting and is used for monthly and annual financial reporting.

D. Operating and Non-Operating Revenues and Expenses

The District classifies as Operating those revenues and expenses that result from providing services and programming in the District. Tax levy revenues, shared county revenue, admissions, programming fees and rental fees are reported as operating revenues. Expenses associated with these same divisions, such as wages, benefits, supplies and services, are reported as operating expenses.

Other revenues and expenditures not meeting the definition of operating revenues and expenses described above, including, bond proceeds, loan proceeds, grants, gifts, investment earnings, and all other revenues and expenses generated from non-operating sources are classified as non-operating.

E. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the District to make estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates also affect the reported amounts of revenues and expenses during the reporting period.

F. Risks and Uncertainties

The District is subject to certain business risks that could have a material impact on future operations and financial performance. These risks include economic conditions, federal, state and local government regulations, and changes in law.

G. Ad Valorem Taxes (Property Taxes)

Ad valorem taxes received by the District are recognized as revenue based upon the annual amount levied by the District Board of Commissioners and recorded by Clallam County Assessor. These taxes may be used for operational expenses, capital projects, and for the retirement of general obligation bonds which were issued.

H. Shared County Revenue

The District receives shared county revenue as a junior taxing district. These include leasehold excise taxes, timber/harvest excise taxes, timber sales and local grants.

I. Capital Assets and Depreciation

The District's policy is to capitalize all asset additions with a value of \$5,000 or more and with an estimated useful life of at least five years. Major expenditures for capital assets, including capital leases and major repairs that increase useful lives, are capitalized. Major repairs include expenditures with a value in excess of \$2,000 and increase the useful life of the repaired asset by at least five years. Maintenance, repairs, and minor renewals which maintain assets in their current operating condition are recorded as an operating expense.

All capital assets (land, the cost of infrastructure, facilities and equipment) are valued at historical cost, or estimated historical cost where historical cost is not known. Donated capital assets are recorded at the acquisition value at the date of donation.

When an asset is sold, retired or otherwise disposed of, the original cost of the property and the cost of installation, less salvage, are removed from the District's capital asset accounts and the net gain or loss on disposition is credited or charged to income.

J. Cash Equivalents

General operating cash equivalent includes all unrestricted amounts. It is the District's policy to invest all temporary cash surpluses. For financial statement purposes, the District considers all short-term investments, which primarily consist of financial institution deposits and investments in government pools to be cash equivalents on the Statement of Net Position.

K. Investments

See Note 3, *Deposits and Investments*

L. Restricted Cash & Investments

In accordance with bond resolutions and certain related agreements, separate restricted accounts are required to be established. The assets held in these funds are restricted for specific uses, including construction, debt service and other special restricted requirements. Restricted Assets contain resources used for payments on debt service. The current portions of related liabilities are shown as the Current Portion of Long-Term Debt. The Restricted Assets are composed of the following:

Restricted Assets	Dec 31, 2018	Dec 31, 2019
Restricted Bond Funds	\$9,341,547	\$12,344,530

M. Grants

The District periodically receives local, state and federal grant funds for construction or renovation of capital assets. Grants are recognized as non-operating revenue in the accounting period when they become measurable and available.

These include amounts due from other governments for grants, entitlements, and loans from other governmental entities. A Schedule of Financial Assistance, which provides a listing of all federal and state assistance programs in which the District participates and summarizes the District's grant transactions, is available upon request. The following is the list of grants during this reporting period:

Grants	2018	2019
WA State Capital Budget Grant	\$0	\$1,455,000

N. Gifts

These accounts include gifts of personal property, cash, investments, and real property for private parties. Some gifts may have restrictions based upon the donors wishes. All gifts are received by Board Resolution. Gift are recorded as non-operating revenue in the year received. Small non-cash gifts that are used in District programs (i.e., food and prizes) are not recorded this financial report. The following is the list of gifts during this reporting period:

Gifts	2018	2019
Cash Gifts (no restrictions)	\$1,000	\$0

**O. Prepayments and Other Current Assets**

Prepayments include insurance policies premiums. Other current assets consist of accrued interest on investments. The following is the list of prepayments during this reporting period:

Prepayments	2018	2019
Property and Liability Insurance	\$21,788	\$23,075

**P. Compensated Absences**

Unless otherwise provided by separate employment agreements, after 30 days of employment each regular full-time employee (30 or more hours per week) accrues PTO leave as follows:

Years of Service	PTO Hourly Accrual	PTO Annual Accrual	PTO Maximum Accrual
years 0 & 2	.0615	128 hours/16 days	256 hours/32 days
years 3 & 4	.0692	144 hours/18 days	288 hours/36 days
years 5 & 6	.0730	152 hours/19 days	304 hours/38 days
years 7 & 8	.0846	176 hours/22 days	352 hours/44 days
years 9 & 10	.0884	184 hours/23 days	368 hours/46 days
11+	.0923	192 hours/24 days	384 hours/48 days

**Q. Long-Term Debt**

*See Note 4, Long Term Debt and Debt Service Requirements.*

**R. Risk Management and Risk Pool Insurance**

The District is a member of the Washington Cities Insurance Authority (WCIA). Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and / or jointly contracting for risk management services. WCIA has a total of 160 members.

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

Liability coverage is written on an occurrence basis, without deductibles [1]. Coverage includes general, automobile, police, errors or omissions, stop gap, employment practices and employee benefits liability. Limits are \$4 million per occurrence in the self-insured layer, and \$16 million in limits above the self-insured layer is provided by reinsurance. Total limits are \$20 million per occurrence subject to aggregates and sublimit. The Board of Directors determines the limits and terms of coverage annually.

Insurance for property, automobile physical damage, fidelity, inland marine, and boiler and machinery coverage are purchased on a group basis. Various deductibles apply by type of

coverage. Property coverage is self-funded from the members' deductible to \$750,000, for all perils other than flood and earthquake, and insured above that to \$300 million per occurrence subject to aggregates and sublimit. 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 sublimit.

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

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

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

#### **Note 2: Property Tax**

The county treasurer acts as an agent to collect property tax levied in the county for all taxing authorities. Collections are distributed after the end of each month. The District has the same boundaries as the Port Angeles School District.

<b>Property Tax Calendar</b>	
January 1	Taxes levied and become enforceable lien against properties
February 14	Tax bills mailed
April 30	First of two equal installment payments is due
May 31	Assessed property value established for next year's levy at 100 % of market value
October 31	Second installment due
November 31	Certification of next year's levy due

Property tax revenues are recognized when cash is received by District. Delinquent taxes are considered fully collectible because a lien affixes to the property after the tax is levied.

The District's regular levy for the year 2019 was \$0.3681 per \$1,000 on an assessed valuation of \$3,395,499,089 for a total regular levy of \$1,250,000. The lawful legal maximum levy the District is able to levy is \$0.75 per \$1,000. The District's banked levy capacity is \$0.75 per \$1,000.

Year	Assessed Property Value	% Increase/Decrease	Levy Amount	A/V per \$1,000	Remaining Banked Capacity	Amount of Banked Capacity

<b>2016</b>	\$2,747,999,601	2.83%	\$495,000	\$0.1801	\$0.57	\$1,566,000
<b>2017</b>	\$2,854,732,057	3.88%	\$525,000	\$0.1839	\$0.57	\$1,616,049
<b>2018</b>	\$3,089,616,507	8.23%	\$750,000	\$0.2427	\$0.51	\$1,567,212
<b>2019</b>	\$3,395,499,089	9.90%	\$1,250,000	\$0.3681	\$0.38	\$1,296,624

Per the District's bond covenants, the District agreed to provide information on property tax collections. The entire tax or first half must be made on or before April 30, or else the total amount becomes delinquent on May 1. The second half is payable on or before October 31, becoming delinquent on November 1. The following table shows the tax collection record of the District.

Year	Amount Levied	Collected in Levy Year	As of 12/31/2019	% Collected in Levy Year	% collected as of 12/31/2019
<b>2019</b>	\$1,250,000	\$1,242,873	\$1,242,873	99.4%	99.4%
<b>2018</b>	\$750,000	\$727,165	\$734,760	99.6%	99.7%
<b>2017</b>	\$525,000	\$518,254	\$520,481	98.7%	99.8%
<b>2016</b>	\$495,000	\$486,581	\$493,557	98.2%	99.9%
<b>2015</b>	\$480,000	\$470,697	\$479,985	98.0%	99.9%
<b>2014</b>	\$475,000	\$466,950	\$474,977	98.3%	99.9%
<b>2013</b>	\$465,000	\$454,099	\$464,987	97.6%	99.9%

### **Note 3: Deposits and Investments**

#### Deposits

The District's deposits and certificates of deposit are entirely covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). The PDPC (established under Chapter 39.58 of the Revised Code of Washington) constitutes a multiple financial institution collateral pool. Pledged securities under the PDPC collateral pool are held by the PDPC agent in the name of the collateral pool.

#### Investments

The District Commission has authorized the District Treasurer to invest in savings or time deposits in designated public depositories, obligations of the United States or its agencies, obligations of Local and State governments that are rated "A" or higher, and other limited investments. With the exceptions of certain reserve fund investments, the investment policy generally limits the maximum maturity of any security purchased to five years. Investments are purchased through broker relationships with all securities purchased held in the District's name at a third-party custodian.

Investment activity for the year ended December 31, 2018 and December 31, 2017 was as follows:

Deposits and Investments at Fair Value	Dec 31, 2018	Dec 31, 2019
<b>Unrestricted Cash</b>		
Kitsap Money Market	\$270,227	\$413,681
<b>Total</b>	<b>\$270,227</b>	<b>\$413,681</b>
<b>Restricted Cash</b>		
DA Davidson Bank Insured Deposit Program	\$9,370,677	\$13,851,774

Total	\$9,370,677	\$13,851,774
<b>Total Cash and Investments</b>	<b>\$9,656,161</b>	<b>\$14,279,369</b>

Of the above investments, cash and cash equivalents are protected by the Federal Deposit Insurance Corporation (FDIC) or the Public Deposit Protection Commission (PDPC). The US Agencies are guaranteed by the US government.

Custodial credit risk is the risk that in event of a failure of the counterparty to an investment transaction the District would not be able to recover the value of the investment or collateral securities. To minimize this risk, the District's policy requires that all security transactions are settled "delivery versus payment." This means that payment is made simultaneously with the receipt of the security. These securities are delivered to the District's safekeeping custodian. Of the District's total investment position in 2018 and 2017, \$0 is exposed to custodial collateral risk because the investments are held by the District's brokerage firm, which is also the counterparty in those particular securities.

The table below identifies the type of investments, investment rating and maturities of the District's investment portfolio as of December 31, 2019:

Types of Investments	Moody Rating	Less than 1 year	1-2 years
US Gov't Securities	AAA	\$8,197,563	\$0

#### **Note 4: Limitation of Indebtedness**

Limitation of Indebtedness, also known as Debt capacity, is a general term describing the amount of debt the District can borrow in accordance with RCW's. RCW 35.61.100 and 35.61.200 established two types of debt capacity, Non-Voted Debt Capacity and Voted Debt Capacity. The graph below shows how debt capacity is determined for the District.

Year	Assessed Property Value	Change in AV	Non-Voted Debt (.25%) Capacity	Voted Debt Capacity (2.5%)	Total Debt Capacity
2016	\$2,747,999,601	2.83%	\$6,869,999	\$0	\$6,869,999
2017	\$2,854,732,057	3.88%	\$7,136,830	\$0	\$7,136,830
2018	\$3,089,616,507	8.23%	\$7,724,041	\$3,500,000	\$11,224,041
2019	\$3,395,499,089	9.90%	\$8,488,748	\$3,500,000	\$11,988,748

Below is a chart showing the District's use of the debt capacity as of December 31, 2019.

	Total Debt Capacity	Non-Voted Debt	Expansion Non-Voted Debt (Public)	Expansion Voted Debt	Total Debt Used	Available Debt Capacity
2014	\$6,672,396	\$1,091,659	\$0	\$0	\$1,091,659	\$5,580,737
2015	\$6,681,051	\$979,290	\$0	\$0	\$979,290	\$5,701,761
2016	\$6,869,999	\$889,630	\$0	\$0	\$446,897	\$6,423,102
2017	\$10,636,830	\$759,064	\$0	\$0	\$759,064	\$9,877,766
2018	\$11,224,041	\$630,232	\$6,165,000	\$3,500,000	\$10,295,232	\$928,809
2019	\$11,988,748	\$506,182	\$6,165,000	\$3,500,000	\$10,171,182	\$1,817,566

#### **Note 5: Long-Term Liabilities and Debt Service**

The District's long-term liabilities consists of debt service for capital projects. The activity for the year ended December 31, 2019 was as follows:

2019 Long Term Liabilities Activity			
Debt	Principal	Interest	Payment
LOCAL I (2012B)	\$13,809	\$2,636	\$16,446
LOCAL II (2013A)	\$43,251	\$11,488	\$54,738
Kitsap (2013A)	\$66,991	\$9,835	\$76,826
Kitsap (2017A)	\$5,446	\$267	\$5,713
UT Bond (2018)	\$0	\$199,500	\$199,500
LT Bond (2018)	\$15,000	\$359,795	\$374,795
Kitsap Revenue Bond (2019)	\$0	\$0	\$0
<b>TOTAL</b>	<b>\$144,497</b>	<b>\$583,520</b>	<b>\$728,017</b>

The aggregate long-term liability debt service as of December 31, 2019 was as follows:

Aggregate Debt Service Commitments			
Year Ending	Principal	Interest	Total Payment
2019	\$144,497	\$583,520	\$728,017
2020	\$314,625	\$632,046	\$946,671
2021	\$378,734	\$631,807	\$1,010,540
2022	\$483,243	\$607,622	\$1,090,865
2023	\$457,147	\$590,689	\$1,092,320
2024	\$460,000	\$576,705	\$1,036,705

In 2012 the District issued \$650,000 of Limited Tax General Obligation bond to Kitsap Bank with a rate of 3.25%. Proceeds from this bond were used for the energy improvement capital project. Term of Bond is 10 years and will expire on June 1, 2023.

In 2012 and 2013 the District received a State of Washington (LOCAL Loan Program) loans in a total amount of \$650,000 with a rate of 1.933%. Proceeds from this loan were used for the energy improvement capital project. Term of Loans is 10 years and will expire on June 1, 2022 and 2023 respectively.

In 2017 the District issued \$16,000 of Limited Tax General Obligation bond to Kitsap Bank with a rate of 4.0%. Proceeds from this bond were used for the purchasing a van for the after-school care program, SPARK Squad. Term of Bond is 3 years and will expire on June 1, 2020.

In 2018 the District issued \$9,665,000 in Limited and Unlimited Tax General Obligation Bonds on the public market for the 2019 expansion project of the District.

In 2019, the District issued \$7,565,000 in Revenue Bonds to Kitsap Bank for the expansion project of the District.

#### Debt Administration

	<b>Outstand Principal Balance on Debt</b>					
	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
<b>Local I (2012B)</b>	\$45,823	\$31,306	\$16,044	\$0	\$0	\$0
<b>Local II (2013A)</b>	\$208,126	\$154,773	\$107,754	\$59,349	\$0	\$0
<b>Kitsap (2013A)</b>	\$252,232	\$183,046	\$111,593	\$37,799	\$0	\$0
<b>Kitsap (2017A)</b>	\$2,568	\$0	\$0	\$0	\$0	\$0
<b>2018UT</b>	\$3,500,000	\$3,500,000	\$3,500,000	\$3,500,000	\$3,500,000	\$3,500,000
<b>2018LT</b>	\$6,150,000	\$5,975,000	\$5,795,000	\$5,610,000	\$5,415,000	\$5,210,000
<b>Kitsap Revenue (2019)</b>	\$7,565,000	\$7,565,000	\$7,500,000	\$7,340,000	\$7,175,000	\$6,920,000
<b>TOTAL</b>	<b>\$17,725,768</b>	<b>\$17,411,145</b>	<b>\$17,032,412</b>	<b>\$16,549,169</b>	<b>\$16,092,023</b>	<b>\$15,632,024</b>

#### **Note 6: Current Liabilities**

These accounts consist primarily of payroll related liabilities (accrued wages, payroll taxes, employee benefits), estimate of current portion of employee leave benefits (PTO), excise taxes (business and occupation), bond interest and other accrued expenses (audit fees):

<b>Current Liabilities</b>		
<b>Current Liabilities</b>	<b>2018</b>	<b>2019</b>
Accounts Payable	\$91,346	\$1,623,971
Visa Cards	\$3,980	\$11,187
Direct Deposits	\$0	\$136
Wages Payable	\$16,954	\$8,268
Accrued Cafeteria Plan	\$8,772	\$11,423
Deferred Compensation	\$1,566	\$1,161
Payroll	\$10,355	\$4,794
Sales Tax	\$678	\$10
Uncashed Paychecks	\$4,131	\$5,428

<b>Total Current Liabilities</b>	<b>\$137,782</b>	<b>\$1,666,376</b>
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The high accounts payable is due to the construction project which has monthly payables averaging \$1,500,000.

#### **Note 7: Construction Contract Commitments**

The District has one large active construction project, the expansion and renovation of William Shore Aquatic facility. At year-end, the District's construction contract commitments with contractors were as follows:

<b>Company</b>	<b>Amount</b>	<b>w/ Change Orders</b>	<b>TOTAL</b>	<b>Billed</b>	<b>Remaining</b>
Zenovic and Associates	\$6,000.00	\$5,000.00	\$11,000.00	\$11,504.78	-\$504.78
Zenovic and Associates	\$2,000.00	\$0.00	\$2,000.00	\$1,955.00	\$45.00
Purdy and Associates	\$87,255.00	\$0.00	\$87,255.00	\$63,675.59	\$23,579.41
Vanir Construction Management	\$14,248.70	\$0.00	\$14,248.70	\$14,248.70	\$0.00
ARC Architects	\$1,110,764.00	\$152,305.00	\$1,263,069.00	\$1,216,791.72	\$46,277.28
Envirosound Consulting	\$12,400.00	\$0.00	\$12,400.00	\$12,394.00	\$6.00
Zenovic and Associates	\$10,000.00	\$4,000.00	\$14,000.00	\$14,158.74	-\$158.74
Envirosound Consulting	\$2,200.00	\$0.00	\$2,200.00	\$2,200.00	\$0.00
Communication Resources	\$3,778.18	\$0.00	\$3,778.18	\$3,778.18	\$0.00
Neeley Construction	\$326,407.62	-\$109,007.62	\$217,400.00	\$217,401.01	-\$1.01
ZTC	\$63,500.00	\$0.00	\$63,500.00	\$42,100.00	\$21,400.00
Neudorfer	\$37,723.00	\$0.00	\$37,723.00	\$9,600.00	\$28,123.00
KCB Environmental LLC	\$2,453.00	\$0.00	\$2,453.00	\$2,453.00	\$0.00
Aldergrove Construction	\$293,503.04	\$40,997.10	\$334,500.14	\$342,024.94	\$7,861.59
DB Davis LLC	\$72,829.00	\$6,659.70	\$79,488.70	\$79,785.80	-\$297.10
Neeley Construction	\$670,009.14	\$16,733,085.80	\$17,403,094.94	\$13,940,128.46	\$3,720,220.94
Cardno Consulting	\$1,975.00	\$16,292.00	\$18,267.00	\$7,378.16	\$10,888.84
BR Lymangrover Land Surveying	\$4,233.00	\$0.00	\$4,233.00	\$4,690.00	-\$457.00
Construction Inspection Services	\$10,000.00	\$20,000.00	\$30,000.00	\$23,950.63	\$6,049.37
NTI	\$20,400.00	\$0.00	\$20,400.00	\$18,535.00	\$1,865.00
Materials Testing and Consulting	\$4,395.00	\$0.00	\$4,395.00	\$1,725.00	\$2,670.00
ITSS	\$6,000.00	\$0.00	\$6,000.00	\$2,000.00	\$4,000.00
Buell Recreation	\$112,352.32	\$14,041.73	\$126,394.05	\$56,176.16	\$70,217.89
Dan Blood Creative Landscape	\$261,629.00	\$0.00	\$261,629.00	\$106,349.02	\$155,279.98
Angeles Communications	\$3,601.30	\$0.00	\$3,601.30	\$0.00	\$3,601.30
CRTC	\$82,906.00	\$0.00	\$82,906.00	\$19,050.25	\$63,855.75
	<b>\$3,222,562.30</b>	<b>\$16,883,373.71</b>	<b>\$20,105,936.01</b>	<b>\$16,214,054.14</b>	<b>\$4,164,522.72</b>

#### **Note 8: Inter-fund Loans**

The District had no Inter-fund loans during this reporting period.

#### **Note 9: Pension Plans**

The District does not have any pension plans during this reporting period

**Note 10: Stewardship, Compliance, and Accountability**

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

**Note 11. Leasing activities**

The District does not have lease or long-term rental agreements for any assets of the District during this reporting period.

**Note 12: Other Non-Current Assets:**

Transit cash, contracts and notes receivable consist of the following:

Item	Amount 12/31/18	Amount 12/31/19
Port Angeles School District Note	\$301	\$301
Tukwila Park District Note	\$659	\$659
Deposits in Transit	\$3,222	\$1,865
<b>Total</b>	<b>\$4,182</b>	<b>\$2,825</b>

**Note 13: Other Disclosures**

No other Disclosures during this reporting period