Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Peninsula Metropolitan Park District

(PenMet Parks)

For the period January 1, 2021 through December 31, 2022

Published December 14, 2023

Report No. 1033761

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Office of the Washington State Auditor
Pat McCarthy

December 14, 2023

Board of Commissioners
PenMet Parks
Gig Harbor, Washington

Report on Financial Statements

Please find attached our report on PenMet Parks's financial statements.

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

Sincerely,

Pat McCarthy, State Auditor

Olympia, WA

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

PenMet Parks
January 1, 2021 through December 31, 2022

This schedule presents the status of findings reported in prior audit periods.

Audit Period:	**Report Ref. No.:**	**Finding Ref. No.:**
January 1, 2019 through December 31, 2020	1030453	2020-001

Finding Caption:

The District's internal controls were inadequate for ensuring accurate financial reporting.

Background:

Our audit found the following internal control deficiencies that represent a material weakness. The District did not establish control processes to:

- Identify and apply new accounting changes in the BARS manual for reporting the liability for postemployment benefits other than pensions (OPEB)
- Identify and eliminate intrafund activity when combining managerial funds for financial reporting purposes
- Perform an effective secondary review to detect errors in the financial statements submitted for audit

Status of Corrective Action: (check one)

☒ Fully Corrected	☐ Partially Corrected	☐ Not Corrected	☐ Finding is considered no longer valid

Corrective Action Taken:

PenMet Parks has taken steps to fully correct the internal control matters identified above and has initiated ongoing procedures to prevent future occurrences.

PenMet Parks engaged an independent Certified Public Accountant (CPA) firm to strengthen the internal controls related to the preparation of financial statements. The independent CPA augments District finance staff to provide sufficient internal control framework to ensure that financial statements are accurate, complete, and in compliance with the Washington State Auditor's Cash Basis BARS Manual. In addition, the District engaged the independent CPA to perform an effective secondary review to detect errors in the financial statements submitted for audit

PenMet Parks' decision to engage an independent CPA firm demonstrates its commitment to improving its financial reporting process and maintaining compliance with relevant accounting standards through an effective system of internal controls.

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*

PenMet Parks
January 1, 2021 through December 31, 2022

Board of Commissioners
PenMet Parks
Gig Harbor, 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 PenMet Parks, as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated December 8, 2023.

We issued an unmodified opinion on the fair presentation of the District's financial statements in accordance with its regulatory basis of accounting. We issued an adverse opinion on the fair presentation with regard to accounting principles generally accepted in the United States of America (GAAP) because the financial statements are prepared by the District using accounting practices prescribed by state law and the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual described in Note 1, which is a basis of accounting other than GAAP. The effects on the financial statements of the variances between the basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audits of the financial statements, we considered the District'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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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 District'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 District'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 District'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 District'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.

Pat McCarthy, State Auditor

Olympia, WA

December 8, 2023

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

PenMet Parks
January 1, 2021 through December 31, 2022

Board of Commissioners
PenMet Parks
Gig Harbor, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Unmodified and Adverse Opinions

We have audited the financial statements of PenMet Parks, as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, as listed in the financial section of our report.

Unmodified Opinion on the Regulatory Basis of Accounting (BARS Manual)

As described in Note 1, the District has prepared these financial statements to meet the financial reporting requirements of state law and accounting practices prescribed by the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) Manual. Those accounting practices differ from accounting principles generally accepted in the United States of America (GAAP). The differences in these accounting practices are also described in Note 1.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the cash and investments of PenMet Parks, and its changes in cash and investments, for the years ended December 31, 2022 and 2021, on the basis of accounting described in Note 1.

Adverse Opinion on U.S. GAAP

The financial statements referred to above were not intended to, and in our opinion, they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of PenMet Parks, as of December 31, 2022 and 2021, or the changes in financial position or cash flows thereof for the years then ended, because of the significance of the matter discussed below.

Basis for Unmodified and Adverse Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and *Government Auditing Standards*. 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 District, 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 unmodified and adverse opinions.

Matter Giving Rise to Adverse Opinion on U.S. GAAP

Auditing standards issued by the American Institute of Certified Public Accountants (AICPA) require auditors to formally acknowledge when governments do not prepare their financial statements, intended for general use, in accordance with GAAP. As described in Note 1 of the financial statements, the financial statements are prepared by the District in accordance with state law using accounting practices prescribed by the BARS Manual, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of state law and the BARS Manual described in Note 1. This includes determining that the basis of accounting is acceptable for the presentation of the financial statements in the circumstances. Management is also responsible 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 District'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 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 District'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 District's ability to continue as a going concern for a reasonable period of time; and
- We are required to 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.

Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements. The Schedules of Liabilities are presented for purposes of additional analysis, as required by the prescribed BARS manual. These schedules are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other

records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2023 on our consideration of the District's internal control over financial reporting and on the 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 District'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 District's internal control over financial reporting and compliance.

Pat McCarthy, State Auditor

Olympia, WA

December 8, 2023

FINANCIAL SECTION

PenMet Parks
January 1, 2021 through December 31, 2022

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2022
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Notes to Financial Statements – 2022
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SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2022
Schedule of Liabilities – 2021

Peninsula Metropolitan Park District
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2022

		Total for All Funds (Memo Only)	001 General Expense Fund	201 Debt Service Fund	202 Debt Contingency Fund
Beginning Cash and Investments					
308	Beginning Cash and Investments	36,122,832	4,382,794	-	600,000
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	8,390,569	8,390,569	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	234,300	234,300	-	-
340	Charges for Goods and Services	764,417	764,417	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	728,321	453,127	-	-
Total Revenues:		10,117,607	9,842,413	-	-
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	4,425,805	4,425,795	-	-
Total Expenditures:		4,425,805	4,425,795	-	-
Excess (Deficiency) Revenues over Expenditures:		5,691,802	5,416,618	-	-
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	5,927,204	-	951,758	200,000
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		5,927,204	-	951,758	200,000
Other Decreases in Fund Resources					
594-595	Capital Expenditures	4,324,058	-	-	-
591-593, 599	Debt Service	1,045,787	94,029	951,758	-
597	Transfers-Out	5,927,204	5,927,204	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		11,297,049	6,021,233	951,758	-
Increase (Decrease) in Cash and Investments:		**321,957**	**(604,615)**	**-**	**200,000**
Ending Cash and Investments					
50821	Nonspendable	428,910	-	-	-
50831	Restricted	14,066,388	-	-	-
50841	Committed	-	-	-	-
50851	Assigned	19,020,211	848,899	-	800,000
50891	Unassigned	2,929,280	2,929,280	-	-
Total Ending Cash and Investments		**36,444,789**	**3,778,179**	**-**	**800,000**

The accompanying notes are an integral part of this statement.

Peninsula Metropolitan Park District
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2022

		300 Capital Projects	350 Unresticted Maintenance Fund	365 Equipment Replacement Fund	701 Unrestricted Endowment
Beginning Cash and Investments					
308	Beginning Cash and Investments	30,212,402	-	505,686	276,985
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	268,224	-	-	208
Total Revenues:		268,224	-	-	208
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	10
Total Expenditures:		-	-	-	10
Excess (Deficiency) Revenues over Expenditures:		268,224	-	-	198
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	4,511,722	180,613	83,111	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		4,511,722	180,613	83,111	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	4,324,058	-	-	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		4,324,058	-	-	-
Increase (Decrease) in Cash and Investments:		**455,888**	**180,613**	**83,111**	**198**
Ending Cash and Investments					
50821	Nonspendable	-	-	-	277,183
50831	Restricted	14,066,388	-	-	-
50841	Committed	-	-	-	-
50851	Assigned	16,601,902	180,613	588,797	-
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		**30,668,290**	**180,613**	**588,797**	**277,183**

The accompanying notes are an integral part of this statement.

Peninsula Metropolitan Park District
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2022

		750 Restricted Endowment Fund
Beginning Cash and Investments		
308	Beginning Cash and Investments	144,965
388 / 588	Net Adjustments	-
Revenues		
310	Taxes	-
320	Licenses and Permits	-
330	Intergovernmental Revenues	-
340	Charges for Goods and Services	-
350	Fines and Penalties	-
360	Miscellaneous Revenues	6,762
Total Revenues:		6,762
Expenditures		
510	General Government	-
520	Public Safety	-
530	Utilities	-
540	Transportation	-
550	Natural/Economic Environment	-
560	Social Services	-
570	Culture and Recreation	-
Total Expenditures:		-
Excess (Deficiency) Revenues over Expenditures:		6,762
Other Increases in Fund Resources		
391-393, 596	Debt Proceeds	-
397	Transfers-In	-
385	Special or Extraordinary Items	-
381, 382, 389, 395, 398	Other Resources	-
Total Other Increases in Fund Resources:		-
Other Decreases in Fund Resources		
594-595	Capital Expenditures	-
591-593, 599	Debt Service	-
597	Transfers-Out	-
585	Special or Extraordinary Items	-
581, 582, 589	Other Uses	-
Total Other Decreases in Fund Resources:		-
Increase (Decrease) in Cash and Investments:		**6,762**
Ending Cash and Investments		
50821	Nonspendable	151,727
50831	Restricted	-
50841	Committed	-
50851	Assigned	-
50891	Unassigned	-
Total Ending Cash and Investments		**151,727**

The accompanying notes are an integral part of this statement.

Peninsula Metropolitan Park District
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2021

		Total for All Funds (Memo Only)	001 General Expense Fund	201 Debt Service Fund	202 Debt Contingency Fund
Beginning Cash and Investments					
308	Beginning Cash and Investments	15,570,015	3,196,349	-	600,000
388 / 588	Net Adjustments	(9,142)	(9,142)	-	-
Revenues					
310	Taxes	7,836,738	7,836,738	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	470,507	470,507	-	-
340	Charges for Goods and Services	684,992	684,992	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	193,003	149,889	-	-
Total Revenues:		9,185,240	9,142,126	-	-
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	3,181,400	3,181,378	-	-
Total Expenditures:		3,181,400	3,181,378	-	-
Excess (Deficiency) Revenues over Expenditures:		6,003,840	5,960,748	-	-
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	16,000,000	-	-	-
397	Transfers-In	4,765,162	-	789,288	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		20,765,162	-	789,288	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	652,593	-	-	-
591-593, 599	Debt Service	789,288	-	789,288	-
597	Transfers-Out	4,765,162	4,765,162	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		6,207,043	4,765,162	789,288	-
Increase (Decrease) in Cash and Investments:		**20,561,959**	**1,195,586**	**-**	**-**
Ending Cash and Investments					
50821	Nonspendable	421,950	-	-	-
50831	Restricted	16,008,829	-	-	-
50841	Committed	-	-	-	-
50851	Assigned	15,926,778	617,519	-	600,000
50891	Unassigned	3,765,275	3,765,275	-	-
Total Ending Cash and Investments		**36,122,832**	**4,382,794**	**-**	**600,000**

The accompanying notes are an integral part of this statement.

Peninsula Metropolitan Park District
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2021

		300 Capital Projects	365 Equipment Replacement Fund	701 Unrestricted Endowment	750 Restricted Endowment Fund
Beginning Cash and Investments					
308	Beginning Cash and Investments	10,953,573	398,754	276,374	144,965
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	42,482	-	632	-
Total Revenues:		42,482	-	632	-
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	22	-
Total Expenditures:		-	-	22	-
Excess (Deficiency) Revenues over Expenditures:		42,482	-	610	-
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	16,000,000	-	-	-
397	Transfers-In	3,868,942	106,932	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		19,868,942	106,932	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	652,593	-	-	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		652,593	-	-	-
Increase (Decrease) in Cash and Investments:		**19,258,831**	**106,932**	**610**	**-**
Ending Cash and Investments					
50821	Nonspendable	-	-	276,985	144,965
50831	Restricted	16,008,829	-	-	-
50841	Committed	-	-	-	-
50851	Assigned	14,203,573	505,686	-	-
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		**30,212,402**	**505,686**	**276,985**	**144,965**

The accompanying notes are an integral part of this statement.

Peninsula Metropolitan Park District
Fiduciary Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2022

		Custodial
308	Beginning Cash and Investments	1,731
388 & 588	Net Adjustments	-
310-390	Additions	22,723
510-590	Deductions	22,898
	Net Increase (Decrease) in Cash and Investments:	(175)
508	Ending Cash and Investments	1,556

The accompanying notes are an integral part of this statement.

Peninsula Metropolitan Park District
Fiduciary Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2021

		Custodial
308	Beginning Cash and Investments	-
388 & 588	Net Adjustments	9,142
310-390	Additions	18,062
510-590	Deductions	25,473
	Net Increase (Decrease) in Cash and Investments:	(7,411)
508	Ending Cash and Investments	1,731

The accompanying notes are an integral part of this statement.

Peninsula Metropolitan Park District
5717 Wollochet Drive #3, Gig Harbor, WA 98335
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E-mail: Info@PenMetParks.org

MCAG NO. 2865

NOTES TO FINANCIAL STATEMENTS
JANUARY 1, 2022 THROUGH DECEMBER 31, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Peninsula Metropolitan Park District was formed by a special election certified on May 28, 2004 and operates under the laws of the State of Washington applicable to a metropolitan park district. The Peninsula Metropolitan Park District is a special purpose local government and provides for the management, control, improvement, maintenance and acquisition of parks, and recreational facilities.

The Peninsula Metropolitan Park District (PenMet Parks) reports financial activity 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. This manual prescribes a financial reporting framework that differs from Generally Accepted Accounting Principles (GAAP) in the following manner:

- Financial transactions are recognized on a cash basis of accounting as described below.
- Component units are required to be disclosed, but are not included in the financial statements.
- Government-wide statements, as defined in GAAP, are not presented.
- All funds are presented, rather than a focus on major funds.
- The *Schedule of Liabilities* is required to be presented with the financial statements as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances for fiduciary funds are presented using classifications that are different from the ending net position classifications in GAAP.

A. Fund Accounting

Financial transactions of the government 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, except for fiduciary funds, which are presented by fund types. The total column is presented as "memo only" because any interfund activities are not eliminated. The following fund types are used:

GOVERNMENTAL FUND TYPES:

General Fund
This fund is the primary operating fund of the government. It accounts for all financial resources except those required or elected to be accounted for in another fund.

Special Revenue Funds
These funds account for specific revenue sources that are restricted or committed to expenditures for specified purposes of the government.

Debt Service Funds
These funds account for the financial resources that are restricted, committed or assigned to expenditures for principal, interest and related costs on general long-term debt.

Capital Projects Funds
These funds account for financial resources which are restricted, committed or assigned for the acquisition or construction of capital facilities or other capital assets.

Permanent Funds
These funds account for financial resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support programs for the benefit of the government or its citizenry.

FIDUCIARY FUND TYPES:

Custodial Funds
These funds are used to account for assets that the government holds on behalf of others in a custodial capacity.

B. Basis of Accounting and Measurement Focus
Financial statements are prepared using the cash basis of accounting and measurement focus. Revenues are recognized when cash is received and expenditures are recognized when paid.

In accordance with state law the Peninsula Metropolitan Park District also recognizes expenditures paid during the twenty days after the close of the fiscal year for claims incurred during the previous period.

C. Cash and Investments
See Note 3 – *Deposits and Investments.*

D. Capital Assets
Capital assets are assets with an initial individual cost of more than $25,000 and an estimated useful life in excess of ten years. Capital assets are recorded as capital expenditures when purchased.

E. Compensated Absences

Vacation leave may be accumulated up to 240 hours and is payable upon separation or retirement. Sick leave may be accumulated up to 960 hours. Upon death or retirement employees receive 25% payment for unused sick leave. Payments are recognized as expenditures when paid.

The total value of accrued vacation and eligible sick leave hours for employees is $127,094.

F. Long Term Debt

See Note 4 -*Long-term Debt*

G. Restricted and Committed Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments are reported as restricted or committed when it is subject to restrictions on use imposed by external parties or due to internal commitments established by the Board of Commissioners. When expenditures that meet restrictions are incurred, the Peninsula Metropolitan Park District intends to use the most restricted resources first.

The current service policy as adopted by the Board of Commissioners is:
The General Fund's targeted unreserved fund balance will be a minimum of 25 percent of expenditures, excluding capital expenditures.

The current balance in the general fund reserve account is $2,929,280 and the Peninsula Metropolitan Park District is in compliance with current policies. This amount does not meet the BARS definition of restricted or committed so it is designated as unassigned.

The District reports restricted, assigned, and unassigned Ending Cash and Investments. The restricted balance is 2021 bond issuance funds of $14,066,388 in the Capital Fund. These funds are restricted for capital construction.

Ending Cash and Investments also consists of the following assigned amounts by the Board of Commissioners:

– Bond Debt Contingency Fund	$ 800,000
– Capital Fund	$ 16,601,902
– General Fund	$ 848,899
– Unrestricted Endowment Fund	$ 277,183
– Unrestricted Maintenance Reserve Fund	$ 180,613
– Equipment Replacement Fund	$ 588,797

NOTE 2 – BUDGET COMPLIANCE

Budgets

The Peninsula Metropolitan Park District adopts annual appropriated budgets for the general, debt service, debt service contingency, capital projects, equipment replacement, recreation revolving, fiduciary and endowment funds. These budgets are appropriated at the fund level except the general fund, where budget is adopted at the department level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

Annual appropriated budgets are adopted on the same basis of accounting as used for financial reporting.

The appropriated and actual expenditures for the legally adopted budgets were as follows:

Fund/Department	Final Appropriated Amounts	Actual Expenditures	Remaining
General Fund			
Legislative Department	$184,133	$106,803	$77,330
Debt Service Department	300	900	(600)
Executive Department	483,540	464,474	19,066
Finance & Administration Department	1,097,334	1,129,286	(31,952)
Recreational Services Department	271,125	285,539	(14,414)
Parks Maintenance & Operating Department	1,267,326	1,136,552	130,774
Parks Services Department	533,327	382,348	150,979
Transfers	4,866,915	6,127,204	(1,260,289)
Total General Fund	8,704,000	9,633,106	(929,106)
Managerial Fund: Recreation Revolving Fund	940,302	1,013,922	(73,620)
Total	9,644,302	10,647,028	(1,002,726)
	Transfer Elimination	200,000	
	Total General Fund, per Financial Statements	$ 10,447,028	
Debt Service Fund	951,758	951,758	-
Capital Projects Fund	33,228,493	4,324,058	28,904,435
Equipment Replacement Fund	2,739	-	2,739
Unrestricted Endowment Fund	15	10	5
Total District	$ 43,827,307	$ 15,722,854	$ 28,104,453

The $31,952 overage in the Finance & Administration Department is due to an increase in office lease expense. The $14,414 overage in the Recreational Services Department is due to an increase in employee wage/benefit expenses. The $1,260,289 overage in transfers is due to the additional transfers processed in accordance with the Comprehensive Financial Management Policy P40-101. The $73,620 overage in the Managerial Fund: Recreation Revolving Fund is due to increased expenses in sports & fitness, and events.

The table above includes transfers between funds that are consolidated for reporting purposes on the Fund Resources and Uses Arising from Cash Transactions financial statement. As such,

actual expenditures in the table above do not match the reported expenditures. The variance is due to an expense funding transfer between the General Fund and the Recreation Revolving Fund.

Significant transfers occurred to the Capital Projects Fund from the General Fund, totaling $4,511,722 to pay for project funding per budget.

Budgeted amounts are authorized to be transferred between departments within any fund with the exception of the legislative department; however, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the district's legislative body.

NOTE 3 – DEPOSITS & INVESTMENTS

Investments are reported at original cost. Deposits and investments by type at December 31, 2022 are as follows:

Type of Deposit or Investment	District's own deposits & investments	Deposits & investments held by the District as custodian for other local governments, individuals, or private organizations.	Combined
Bank Deposits	$635,595	$1,556	$637,151
Pierce County Cash Deposits	2,826,349		2,826,349
Local Government Investment Pool	32,981,945		32,981,945
Petty Cash	900		900
Totals	$36,444,789	$1,556	$36,446,345

It is the district's policy to invest all temporary cash surpluses. The interest on these investments is prorated to the various funds.

Deposits and Investments in Pierce County Investment Pool

The Peninsula Metropolitan Park District is a voluntary participant in the Pierce County treasury pool, an external investment pool operated by the County Treasurer. The pool is not rated or registered with the SEC. Rather, oversight is provided by the County Finance Committee in accordance with RCW 36.48.070. The district reports its investment in the pool at amortized cost, which is the same as the value of the pool per share. The pool does not impose liquidity fees or redemption gates on participant withdrawals.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the district would not be able to recover deposits or would not be able to recover collateral securities that are in possession of an outside party. The district's deposits and certificates of deposit are mostly 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).

All investments are insured, registered or held by the district or its agent in the government's name.

NOTE 4 – LONG-TERM DEBT

Debt Service
The accompanying Schedule of Liabilities provides more details of the outstanding debt and liabilities of the district and summarizes the district's debt transactions for the year ended December 31, 2022.

The debt service requirements for general obligation bonds are as follows:

Debt Service Requirements

Year	Principal	Interest	Total
2023	$860,000	$488,959	$1,348,959
2024	885,000	468,771	1,353,771
2025	760,000	446,667	1,206,667
2026	780,000	428,230	1,208,230
2027	795,000	408,117	1,203,117
2028-2032	2,205,000	1,844,869	4,049,869
2033-2037	2,475,000	1,564,627	4,039,627
2038-2042	2,860,000	1,188,350	4,048,350
2043-2047	3,310,000	732,950	4,042,950
2048-2050	2,260,000	164,650	2,424,650
Total	$17,190,000	$7,736,190	$24,926,190

NOTE 5 – LEASES (LESSEES)

During the year ended December 31, 2022 the District adopted guidance for the presentation and disclosure of leases, as required by the BARS manual. This requirement resulted in the addition of a lease liability reported on the Schedule of Liabilities.

The district leases office space and office equipment from a local Realty company and Pacific Office Automation. The office rent is approximately $7,000 per month whereas the office equipment leases for between $78 and $96 per month per piece of equipment under lease agreements having initial terms from 3 to 5 years. The leases began in 2019 and 2020 expiring between 2023 and 2026. See details by lease below:

Lease Description	Lease Type	Start Date	Initial Term	Extensions up to:	Payment Timing	Cancelation Clause
ADT - Wollochet Drive	Equipment	8/2019	5 Year	N/A	Monthly	None
ADT - NW Office	Equipment	1/2014	5 Year	7 years	Monthly	60 days
ADT - NW Maintenance	Equipment	2/2014	5 Year	7 years	Monthly	60 days
Office Space - Agrovista	Building Space	9/2019	3 Year	3 years	Monthly	None
Pacific Office Automation Copier	Equipment	3/2020	5 Year	N/A	Monthly	None
Pacific Office Automation Copier	Equipment	8/2020	5 Year	N/A	Monthly	None
Pacific Office Automation Copier	Equipment	3/2022	4 Year	N/A	Monthly	None

The total amount paid for leases in 2022 was $93,129. As of December 31, 2022, the future minimum lease payments are as follows:

	Total
2023	$52,417
2024	4,907
2025	3,338
2026	1,554
Totals	$62,216

NOTE 6 – PENSION PLANS

A. State Sponsored Pension Plans

Substantially all of the District's full-time and qualifying part-time employees participate in the Public Employees' Retirement System (PERS) which is a statewide retirement system 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, 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 be obtained by writing to:

Department of Retirement Systems
Communications Unit
PO Box 48380
Olympia, WA 98540-8380

Also, the DRS ACFR may be downloaded from the DRS website at www.drs.wa.gov.

At June 30, 2022 (the measurement date of the plans), the District's proportionate share of the collective net pension liabilities (assets), was as follows:

	Employer Contributions	Allocation %	Liability (Asset)
PERS 1	$50,126	0.008179%	$227,733
PERS 2/3	$85,251	0.010612%	($393,576)

Only the net pension liabilities are reported on the Schedule 09.

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The District is a participating employer in the state's Public Employees Benefits Board (PEBB) program, a defined benefit plan administered by the Washington State Health Care Authority. The plan provides medical, dental, and life insurance benefits for public employees and retirees and their dependents on a pay-as-you-go basis. The plan provides OPEB benefits through both explicit and implicit subsidies. The explicit subsidy is a set dollar amount that lowers the monthly premium paid by members over the age of 65 enrolled in Medicare Parts A and B. PEBB determines the amount of the explicit subsidy annually. The implicit subsidy results from the inclusion of active and non-Medicare eligible retirees in the same pool when determining premiums. There is an implicit subsidy from active employees since the premiums paid by retirees are lower than they would have been if the retirees were insured separately.

The District had 27 active plan members and 5 retired plan members as of December 31, 2022. As of December 31, 2021, the District's total OPEB liability was $971,246 as calculated using the alternative measurement method. The District reported $301,678 in contributions to the plan for the calendar year 2022.

NOTE 8 – PROPERTY TAXES

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.

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

The District's regular levy for the year 2022 was $.670647609517 per $1,000 on an assessed valuation of $11,672,864,883 for a total regular levy of $7,828,379.

NOTE 9 – RISK MANAGEMENT

The Peninsula Metropolitan Park District is a member of the Enduris Washington (Pool). Chapter 48.62 RCW provides the exclusive source of local government entity authority to individually or jointly self-insure risks, jointly purchase insurance or reinsurance, and to contract for risk management, claims, and administrative services. The Pool was formed July 10, 1987 pursuant to the provisions of Chapter 48.62 RCW, Chapter 200-100 WAC, and Chapter 39.34 RCW when two counties and two cities in the

State of Washington joined together by signing an interlocal governmental agreement to fund their self-insured losses and jointly purchase insurance and administrative services. For the Pool's fiscal year ending August 31, 2022, there were 527 Enduris members representing a broad array of special purpose districts throughout the state.

The Enduris' program provides for various forms of joint self-insurance and reinsurance coverage for its members: Liability coverage, which includes: General Liability, Automobile Liability, Public Officials' Errors and Omissions liability, Terrorism liability and Employment Practices liability; Property coverage, which includes: Building and Contents, Mobile Equipment, Boiler and Machinery, and Business Interruption/Extra Expense; Automobile Physical Damage coverage; Cyber coverage; Crime blanket coverage; Named Position coverage; and an Identity Fraud reimbursement program. Pollution and cyber coverage are provided on a "claims made" coverage form. Crime coverage is provided on a discovery form. All other coverage is provided on an "occurrence" coverage form.

Members are responsible for a coverage deductible or co-pay on each covered loss. Each policy year members receive a Memorandum of Coverage (MOC) outlining the specific coverage, limits, and deductibles/co-pays that are applicable to them. In certain cases the Pool may allow members to elect to participate in the programs at limits, coverage, deductibles, and co-pays that are specific to their needs. Enduris is responsible for payment of all covered losses above the member retention, up to the Pool self-insured retention (SIR). Enduris acquires excess/reinsurance from unrelated insurance companies to cover losses above the Pool's SIR up to the coverage maximum limit of liability. The tables below reflect the Pool's SIR, reinsurance limits and member deductibles/co-pays by coverage type.

Coverage	Coverage Type	Pool Self-Insured Retention	Excess/ Reinsurance Limits	Member Deductibles/ Co-Pays [1]
Liability:				
Comprehensive General Liability	Per Occurrence	$1 million	$20 million	$1,000 - $100,000
Automobile Liability	Per Occurrence	$1 million	$20 million	$1,000 - $100,000
Public Officials Errors and Omissions Liability	Each Wrongful Act Member Aggregate	$1 million	$20 million $20 million	$1,000 - $100,000
Terrorism Liability[2]	Per Occurrence Pool Aggregate	$500,000 $1 million	$0 Fully funded by Pool	$1,000 - $100,000
Employment Practices Liability	Per Occurrence Member Aggregate	$1 million	$20 million $20 million	20% Copay[3]

(1) Members may request or be required to pay a higher deductible than the minimum for certain coverage and certain types of losses require a specific co-pay or deductible
(2) Terrorism liability is fully funded by the Pool i.e. no excess/reinsurance is procured.
(3) Members pay a 20% co-pay of costs. By meeting established guidelines, the co-pay may be waived.

Property [2]:				
Buildings and Contents	Per Occurrence	$250,000	$1 billion	$1,000 - $250,000
Mobile Equipment	Per Occurrence	$250,000	$1 billion	$1,000 - $250,000
Boiler and Machinery [3]	Per Occurrence	Varies	$100 million	Varies
Business Interruption (BI)/ Extra Expense(EE) [4]	Per Occurrence	$250,000	$100 million (BI)/ $50 million (EE)	$1,000 - $250,000
Sublimit [5]:				
Flood	Per Occurrence	$250,000	$50 million	$1,000 - $250,000

Coverage	Coverage Type	Pool Self-Insured Retention	Excess/ Reinsurance Limits	Member Deductibles/ Co-Pays [1]
			(shared by Pool members)	
Earthquake	Per Occurrence	5% of indemnity, subject to $250,000 minimum	$10 million (shared by Pool members)	$1,000 - $250,000
Terrorism Primary	Per Occurrence Pool Aggregate	$250,000	$100 million per occurrence $200 million aggregate	$1,000 - $250,000
Terrorism Excess	Per Occurrence APIP Per Occurrence APIP Aggregate	$500,000	$600 million/ Pool aggregate $1.1 billion/ per occurrence APIP program $1.4 billion/ APIP program aggregate	$0
Automobile Physical Damage [6]	Per Occurrence	$25,000; $100,000 for Emergency Vehicles; $250,000 for Emergency Vehicles valued >$750,000	$1 billion	$250 - $1,000
Crime Blanket [7]	Per Occurrence	$50,000	$1 million	$1,000
Named Position [8]	Per Occurrence	$50,000	$1 million	$1,000
Cyber [9]	Each Claim APIP Aggregate	$100,000	$2 million $40 million	20% Copay
Identity Fraud Expense Reimbursement [10]	Member Aggregate	$0	$25,000	$0

(1) Members may request or be required to pay a higher deductible than the minimum for certain coverage and certain types of losses require a specific co-pay or deductible.
(2) Property coverage for each member is based on detailed property schedule. Scheduled items are covered to the extent of the cost of repair or replacement pursuant to the excess/reinsurance policy terms. Under the Alliant Property Insurance Program (APIP) Reinsurance carriers cover insured losses over $250,000 to the limit of $1 billion except for certain types of sub-limited property losses such as flood, earthquake, and terrorism.
(3) Boiler and Machinery self-insured retention for the Pool varies depending on motor horsepower.
(4) Business Interruption/ Extra expense coverage is based on scheduled revenue generating locations/operations. A limited number of members schedule and the rest are limited to $500,000 of coverage with a $2.5 million Pool maximum for undeclared exposure. The waiting period (deductible) is typically 24 hours but there are exceptions specific to the type of exposure covered.
(5) This sublimit list is simplified and is not all-inclusive. In addition, sub-limits are often shared or aggregated by all pool members and, in a few cases, are shared by all APIP members. Deductibles often vary by coverage sub-limit.
(6) Auto Physical Damage coverage includes comprehensive, named perils and collision. Coverage for each member is based on a detail vehicle schedule.
(7) Crime Blanket coverage (also referred to as "Employee Dishonesty Coverage with Faithful Performance" of $2,500 is provided to each member. Member's may elect to "buy-up" the level of coverage from $5,000 to $2 million.
(8) Named Position coverage is optional. Members may elect to schedule various employees, directors, and commissioners, with individual limits of between $5,000 and $1 million.
(9) Cyber coverage is included under the Pool's Property program. Members are subject to a 20% co-pay per loss and the Pool's SIR is tiered between $50,000 and $100,000 depending on the insured/members property TIV with an 8 hour waiting period. By meeting established guidelines, the co-pay may be waived. The reinsurance maximum limit of liability is $2 million, with various declared sub-limits.
(10) Identity Fraud Expense Reimbursement coverage is purchased by Enduris. Member claims do not have a deductible. There is a $25,000 limit per member.

Members make an annual contribution to fund the Pool. Since Enduris is a cooperative program, there is joint liability among the participating members. There were no claim settlements in excess of the insurance coverage in any of the last three policy years.

Upon joining the Pool, members are contractually obligated to remain in the Pool for a minimum of one year and must give notice 60 days before renewal in order to terminate participation. The Interlocal Governmental Agreement (formerly known as the Master Agreement) is automatically renewed each year unless provisions for withdrawal or termination are applied. Even after termination, a member is still responsible for contribution to Enduris for any unresolved, unreported and in process claims for the period they were a signatory to the Interlocal Governmental Agreement.

Enduris is fully funded by its member participants. Claims are filed by members with the Pool who determines coverage and administers the claims.

The Pool is governed by a Board of Directors which is comprised of seven board members. The Pool's members elect the Board, and the positions are filled on a rotating basis. The Board meets quarterly and is responsible for overseeing the business affairs of Enduris and providing policy direction to the Pool's Executive Director.

NOTE 10 – Other Disclosures

Construction Commitments

The District has active construction projects as of December 31, 2022. The projects include: the Community Recreation Center, the Hale Pass Arletta School House Renovation, the Rosedale Hall Renovation, the District – Key access control project, and the Sehmel Homestead Park Turf Replacement.

At year end the district's commitments are as follows:

Project		Remaining Commitment
Community Recreation Center	$	1,363,023
Hale Pass Arletta School House Renovation		145,811
Rosedale Hall Renovation		141,995
District - Key access control project		440
Sehmel Homestead Park Turf Replacement		8,542

Peninsula Metropolitan Park District
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Office: 253-858-3400 Fax: 253-858-3401
E-mail: Info@PenMetParks.org

MCAG NO. 2865

NOTES TO FINANCIAL STATEMENTS
JANUARY 1, 2021 THROUGH DECEMBER 31, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Peninsula Metropolitan Park District was formed by a special election certified on May 28, 2004 and operates under the laws of the State of Washington applicable to metropolitan park districts. The Peninsula Metropolitan Park District is a special purpose local government and provides for the management, control, improvement, maintenance and acquisition of parks, and recreational facilities.

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These funds are used to account for assets that the government holds on behalf of others in a custodial capacity.

B. Basis of Accounting and Measurement Focus
Financial statements are prepared using the cash basis of accounting and measurement focus. Revenues are recognized when cash is received and expenditures are recognized when paid.

In accordance with state law the Peninsula Metropolitan Park District also recognizes expenditures paid during the twenty days after the close of the fiscal year for claims incurred during the previous period.

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See Note 5 – *Deposits and Investments.*

D. Capital Assets
Capital assets are assets with an initial individual cost of more than $25,000 and an estimated useful life in excess of ten years. Capital assets are recorded as capital expenditures when purchased.

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Vacation leave may be accumulated up to 240 hours and is payable upon separation or retirement. Sick leave may be accumulated up to 960 hours. Upon death or retirement employees receive 25% payment for unused sick leave. Payments are recognized as expenditures when paid.

The total value of accrued vacation and eligible sick leave hours for employees is $80,261.

F. Long Term Debt

See Note 4 -*Long-term Debt*

G. Restricted and Committed Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments are reported as reserved when it is subject to restrictions on use imposed by external parties or due to internal commitments established by the Board of Commissioners. When expenditures that meet restrictions are incurred, the Peninsula Metropolitan Park District intends to use reserved resources first.

The current service policy as adopted by the Board of Commissioners is:
The General Fund's targeted unreserved fund balance will be a minimum of 25 percent of expenditures, excluding capital expenditures.

The current balance in the general fund reserve account is $3,763,544 and the Peninsula Metropolitan Park District is in compliance with current policies.

The District reports restricted, assigned, and committed Ending Cash and Investments. The restricted balance is 2021 bond issuance funds of $16,008,829 in the Capital Fund. These funds are restricted for capital construction.

Ending Cash and Investments also consists of the following assigned amounts by the Board of Commissioners:

– Bond Debt Contingency Fund	$ 600,000
– Capital Fund	$ 14,203,573
– General Fund	$ 617,519
– Equipment Replacement Fund	$ 505,686

NOTE 2 – BUDGET COMPLIANCE

Budgets

The Peninsula Metropolitan Park District adopts annual appropriated budgets for the general, debt service, debt service contingency, capital projects, equipment replacement, recreation revolving, fiduciary and endowment funds. These budgets are appropriated at the fund level except the general fund, where budget are adopted at the department level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

Annual appropriated budgets are adopted on the same basis of accounting as used for financial reporting.

The appropriated and actual expenditures for the legally adopted budgets were as follows:

Fund/Department	Final Appropriated Amounts	Actual Expenditures	Remaining
General Fund			
Legislative Department	$216,118	$92,794	$123,324
Debt Service Department	300	-	300
Executive Department	962,856	1,022,539	(59,683)
Budget & Finance Department	244,554	229,449	15,105
Recreational Services Department	124,662	85,596	39,066
Parks & Grounds Department	1,303,287	954,872	348,415
Capital Department	356,797	156,423	200,374
Non-Expenditures Department	4,276	(80,314)	84,590
Transfers	4,916,012	4,916,012	-
Total General Fund	8,128,862	7,377,371	751,491
Managerial Fund: Recreation Revolving Fund	581,975	720,017	(138,042)
Total	8,710,837	8,097,388	613,449
	Transfer Elimination	150,848	
	Total General Fund, per Financial Statements	$ 7,946,540	
Debt Service Fund	789,288	789,288	-
Capital Projects Fund	7,359,540	652,593	6,706,947
Equipment Replacement Fund	142,897	-	142,897
Unrestricted Endowment Fund	34	22	12
Total District	$ 17,002,596	$ 9,388,443	$ 7,614,153

The $68,933 overage in the Executive Department is due mainly to an increased expense in legal professional services and the $138,042 overage in the Recreation Replacement Fund is due to an increased expense in sports & professional fees.

The table above include transfers between funds that are consolidated for reporting purposes on the Fund Resources and Uses Arising from Cash Transactions financial statement. As such, actual expenditures in the table above do not match the reported expenditures. The variance is due to an expense funding transfer between the General Fund and the Recreation Revolving Fund.

Significant transfers occurred from the Capital Projects Fund to the General totaling $3,868,942 to pay for project funding per budget resolution 2020-019.

Budgeted amounts are authorized to be transferred between departments within any fund with the exception of the legislative department; however, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the district's legislative body.

NOTE 3 – COVID-19 Pandemic Disclosure Details

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of COVID-19. Precautionary measures to slow the spread of the virus continued throughout 2021. These measures included limitations on business operations, public events, gatherings, travel, and in-person interactions.

The Peninsula Metropolitan Park District is currently operating on a limited basis with small group recreation programs and field rentals. The ongoing maintenance of its parks, and all finance and administrative functions are operating normal. The County is currently in the process of cautiously reopening under the Governor's evolving regulations. Full-time staff have been busy and are working toward reopening and resuming all programming as regulations permit.

The length of time these measures will continue to be in place, and the full extent of the direct or indirect financial impact on the district is unknown at this time.

NOTE 4 – LONG-TERM DEBT

Debt Service

The accompanying Schedule of Liabilities provides more details of the outstanding debt and liabilities of the district and summarizes the district's debt transactions for the year ended December 31, 2021.

The debt service requirements for general obligation bonds are as follows:

Debt Service Requirements

Year	Principal	Interest	Total
2022	$445,000	$506,759	$951,759
2023	$860,000	$488,959	$1,348,959
2024	$885,000	$468,771	$1,353,771
2025	$760,000	$446,667	$1,206,667
2026	$780,000	$428,230	$1,208,230
2027-2031	$2,540,000	$1,902,403	$4,442,403
2032-2036	$2,415,000	$1,628,610	$4,043,610
2037-2041	$2,775,000	$1,271,600	$4,046,600
2042-2046	$3,215,000	$829,400	$4,044,400
2047-2050	$2,960,000	$271,550	$3,231,550
Total	$17,635,000	$8,242,949	$25,877,949

NOTE 5 – DEPOSITS & INVESTMENTS

Investments are reported at original cost. Deposits and investments by type at December 31, 2021 are as follows:

Type of Deposit or Investment	District's own deposits & investments	Deposits & investments held by the District as custodian for other local governments, individuals, or private organizations.	Combined
Bank Deposits	$613,662	$1,731	$615,393
Pierce County Cash Deposits	3,068,438		3,068,438
Local Government Investment Pool	32,439,832		32,439,832
Petty Cash	900		900
Totals	$36,122,832	$1,731	$36,124,563

It is the district's policy to invest all temporary cash surpluses. The interest on these investments is prorated to the various funds.

Deposits and Investments in Pierce County Investment Pool

The Peninsula Metropolitan Park District is a voluntary participant in the Pierce County treasury pool, an external investment pool operated by the County Treasurer. The pool is not rated or registered with the SEC. Rather, oversight is provided by the County Finance Committee in accordance with RCW 36.48.070. The district reports its investment in the pool at amortized cost, which is the same as the value of the pool per share. The pool does not impose liquidity fees or redemption gates on participant withdrawals.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the district would not be able to recover deposits or would not be able to recover collateral securities that are in possession of an outside party. The district's deposits and certificates of deposit are mostly covered by federal depository insurance (FDIC) or by collateral held in multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

All investments are insured, registered or held by the district or its agent in the government's name.

NOTE 6 – PENSION PLANS

A. State Sponsored Pension Plans

Substantially all of the District's full-time and qualifying part-time employees participate in the Public Employees' Retirement System (PERS) which is a statewide retirement system 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, 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 be obtained by writing to:

Department of Retirement Systems
Communications Unit
PO Box 48380
Olympia, WA 98540-8380

Also, the DRS ACFR may be downloaded from the DRS website at www.drs.wa.gov.

At June 30, 2021 (the measurement date of the plans), the District's proportionate share of the collective net pension liabilities (assets), was as follows:

	Employer Contributions	Allocation %	Liability (Asset)
PERS 1	$49,384	0.006630%	$80,968
PERS 2/3	$80,837	0.008534%	($850,124)

The net pension liabilities are reported on the Schedule 09.

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The District is a participating employer in the state's Public Employees Benefits Board (PEBB) program, a defined benefit plan administered by the Washington State Health Care Authority. The plan provides medical, dental, and life insurance benefits for public employees and retirees and their dependents on a pay-as-you-go basis. The plan provides OPEB benefits through both explicit and implicit subsidies. The explicit subsidy is a set dollar amount that lowers the monthly premium paid by members over the age of 65 enrolled in Medicare Parts A and B. PEBB determines the amount of the explicit subsidy annually. The implicit subsidy results from the inclusion of active and non-Medicare eligible retirees in the same pool when determining premiums. There is an implicit subsidy from active employees since the premiums paid by retirees are lower than they would have been if the retirees were insured separately.

The District had 15 active plan members and 3 retired plan members as of December 31, 2021. As of December 31, 2020, the District's total OPEB liability was $556,533 as calculated using the alternative measurement method. The District reported $174,222 in contributions to the plan for the calendar year 2021.

NOTE 8 – PROPERTY TAXES

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.

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

The District's regular levy for the year 2021 was $.715790637893 per $1,000 on an assessed valuation of $10,210,755,594 for a total regular levy of $7,308,763.

NOTE 9 – RISK MANAGEMENT

The Peninsula Metropolitan Park District is a member of the Enduris Washington (Pool). Chapter 48.62 RCW provides the exclusive source of local government entity authority to individually or jointly self-insure risks, jointly purchase insurance or reinsurance, and to contract for risk management, claims, and administrative services. The Pool was formed July 10, 1987 pursuant to the provisions of Chapter 48.62 RCW, Chapter 200-100 WAC, and Chapter 39.34 RCW when two counties and two cities in the State of Washington joined together by signing an interlocal governmental agreement to fund their self-insured losses and jointly purchase insurance and administrative services. For the Pool's fiscal year ending August 31, 2021, there were 539 Enduris members representing a broad array of special purpose districts throughout the state.

The Enduris' program provides for various forms of joint self-insurance and reinsurance coverage for its members: Liability coverage, which includes: General Liability, Automobile Liability, Public Officials' Errors and Omissions liability, Terrorism liability and Employment Practices liability; Property coverage, which includes: Building and Contents, Mobile Equipment, Boiler and Machinery, and Business Interruption/Extra Expense; Automobile Physical Damage coverage; Cyber coverage; Crime blanket coverage; Named Position coverage; and an Identity Fraud reimbursement program. Pollution coverage is provided on a "claims made" coverage form. All other coverage is provided on an "occurrence" coverage form.

Members are responsible for a coverage deductible or co-pay on each covered loss. Each policy year members receive a Memorandum of Coverage (MOC) outlining the specific coverage, limits, and deductibles/co-pays that are applicable to them. In certain cases the Pool may allow members to elect to participate in the programs at limits, coverage, deductibles, and co-pays that are specific to their needs. Enduris is responsible for payment of all covered losses above the member retention, up to the Pool self-insured retention (SIR). Enduris acquires excess/reinsurance from unrelated insurance companies to cover losses above the Pool's SIR up to the coverage maximum limit of liability. The tables below reflect the Pool's SIR, reinsurance limits and member deductibles/co-pays by coverage type.

Coverage	Coverage Type	Pool Self-Insured Retention	Excess/ Reinsurance Limits	Member Deductibles/ Co-Pays [1]
Liability:				
Comprehensive General Liability	Per Occurrence	$1 million	$20 million	$1,000 - $100,000
Automobile Liability	Per Occurrence	$1 million	$20 million	$1,000 - $100,000
Public Officials Errors and Omissions Liability	Each Wrongful Act Member Aggregate	$1 million	$20 million $20 million	$1,000 - $100,000
Terrorism Liability[2]	Per Occurrence Pool Aggregate	$500,000 $1 million	$0 Fully funded by Pool	$1,000 - $100,000
Employment Practices Liability	Per Occurrence Member Aggregate	$1 million	$20 million $20 million	20% Copay[3]

Coverage	Coverage Type	Pool Self-Insured Retention	Excess/ Reinsurance Limits	Member Deductibles/ Co-Pays [1]

(1) Members may request or be required to pay a higher deductible than the minimum for certain coverage and certain types of losses require a specific co-pay or deductible
(2) Terrorism liability is fully funded by the Pool i.e. no excess/reinsurance is procured.
(3) Members pay a 20% co-pay of costs up to a maximum of $100,000. By meeting established guidelines, the co-pay may be waived.

Property [2]:				
Buildings and Contents	Per Occurrence	$250,000	$800 million	$1,000 - $250,000
Mobile Equipment	Per Occurrence	$250,000	$800 million	$1,000 - $250,000
Boiler and Machinery [3]	Per Occurrence	Varies	$100 million	Varies
Business Interruption (BI)/ Extra Expense(EE) [4]	Per Occurrence	$250,000	$100 million (BI)/ $50 million (EE)	$1,000 - $250,000
Sublimit [5]:				
Flood	Per Occurrence	$250,000	$50 million (shared by Pool members)	$1,000 - $250,000
Earthquake	Per Occurrence	5%; $500,000 maximum	$10 million (shared by Pool members)	$1,000 - $250,000
Terrorism Primary	Per Occurrence Pool Aggregate	$250,000	$100 million/ Pool member $200 million	$1,000 - $250,000
Terrorism Excess	Per Occurrence APIP Per Occurrence APIP Aggregate	$500,000	$600 million/Pool member $1.2 billion/APIP $1.4 billion/APIP	$0
Automobile Physical Damage[6]	Per Occurrence	$25,000; $100,000 for Emergency Vehicles	$800 million	$250 - $1,000
Crime Blanket [7]	Per Occurrence	$50,000	$1 million	$1,000
Named Position [8]	Per Occurrence	$50,000	$1 million	$1,000
Cyber [9]	Each Claim APIP Aggregate	$100,000	$2 million $25 million	20% Copay
Identity Fraud Expense Reimbursement [10]	Member Aggregate	$0	$25,000	$0

(1) Members may request or be required to pay a higher deductible than the minimum for certain coverage and certain types of losses require a specific co-pay or deductible.
(2) Property coverage for each member is based on detailed property schedule. Scheduled items are covered to the extent of the cost of repair or replacement pursuant to the excess/reinsurance policy terms. Under the Alliant Property Insurance Program (APIP) Reinsurance carriers cover insured losses over $250,000 to the limit of $800 million except for certain types of sub-limited property losses such as flood, earthquake, and terrorism.
(3) Boiler and Machinery self-insured retention for the Pool varies depending on motor horsepower.
(4) Business Interruption/ Extra expense coverage is based on scheduled revenue generating locations/operations. A limited number of members schedule and the rest are limited to $500,000 of coverage with a $2.5 million Pool maximum for undeclared exposure. The waiting period (deductible) is typically 24 hours but there are exceptions specific to the type of exposure covered.
(5) This sublimit list is simplified and is not all-inclusive. In addition, sub-limits are often shared or aggregated by all pool members and, in a few cases, are shared by all APIP members. Deductibles often vary by coverage sub-limit.
(6) Auto Physical Damage coverage includes comprehensive, named perils and collision. Coverage for each member is based on a detail vehicle schedule.
(7) Crime Blanket coverage (also referred to as "Employee Dishonesty Coverage with Faithful Performance" of $2,500 is provided to each member. Member's may elect to "buy-up" the level of coverage from $5,000 to $1 million.
(8) Named Position coverage is optional. Members may elect to schedule various employees, directors, and commissioners, with individual limits of between $5,000 and $1 million.
(9) Cyber coverage is included under the Pool's Property program. Members are subject to a 20% co-pay per loss and the Pool's SIR is tiered between $50,000 and $100,000 depending on the insured/members property TIV with an 8 hour waiting period. By meeting established guidelines, the co-pay may be waived. The reinsurance maximum limit of liability is $2 million, with various declared sub-limits.
(10) Identity Fraud Expense Reimbursement coverage is purchased by Enduris. Member claims do not have a deductible. There is a $25,000 limit per member.

Members make an annual contribution to fund the Pool. Since Enduris is a cooperative program, there is joint liability among the participating members. There were no claim settlements in excess of the insurance coverage in any of the last three policy years.

Upon joining the Pool, members are contractually obligated to remain in the Pool for a minimum of one year and must give notice 60 days before renewal in order to terminate participation. The Interlocal Governmental Agreement (formerly known as the Master Agreement) is automatically renewed each year unless provisions for withdrawal or termination are applied. Even after termination, a member is still responsible for contribution to Enduris for any unresolved, unreported and in process claims for the period they were a signatory to the Interlocal Governmental Agreement.

Enduris is fully funded by its member participants. Claims are filed by members with the Pool who determines coverage and administers the claims.

The Pool is governed by a Board of Directors which is comprised of seven board members. The Pool's members elect the Board, and the positions are filled on a rotating basis. The Board meets quarterly and is responsible for overseeing the business affairs of Enduris and providing policy direction to the Pool's Executive Director.

NOTE 10 – Other Disclosures

Prior Period Adjustments

Leasehold activity to the State was included in the General Fund in 2020 and has been removed in 2021 to record the custodial activity separately.

Construction Commitments

The District has active construction projects as of December 31, 2021. The projects include: the Community Recreation Center, the Hale Pass Arletta School House Renovation, and the Sehmel Homestead Park Turf Replacement.

At year end the district's commitments are as follows:

Project		Remaining Commitment
Community Recreation Center	$	2,237,998
Hale Pass Arletta School House Renovation		67,977
Sehmel Homestead Park Turf Replacement		934,482

Peninsula Metropolitan Park District
Schedule of Liabilities
For the Year Ended December 31, 2022

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
251.12	Reissued LTGO Bonds 2012	12/1/2027	2,490,000	-	445,000	2,045,000
251.12	LTGO Bonds 2021 A	12/1/2050	9,000,000	-	-	9,000,000
251.12	LTGO Bonds 2021 B	12/1/2036	6,145,000	-	-	6,145,000
	Total General Obligation Debt/Liabilities:		**17,635,000**	**-**	**445,000**	**17,190,000**
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absences		80,261	46,833	-	127,094
263.57	Leases - Equipment		15,167	4,608	4,847	14,928
263.57	Leases - Building Space		135,570	-	88,282	47,288
264.30	Net Pension Liability		80,968	146,765	-	227,733
264.40	2022 OPEB Liability		556,533	414,713	-	971,246
	Total Revenue and Other (non G.O.) Debt/Liabilities:		**868,499**	**612,919**	**93,129**	**1,388,289**
	Total Liabilities:		**18,503,499**	**612,919**	**538,129**	**18,578,289**

Peninsula Metropolitan Park District
Schedule of Liabilities
For the Year Ended December 31, 2021

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
251.12	Reissued LTGO Bonds 2012	12/1/2027	2,915,000	-	425,000	2,490,000
251.12	LTGO Bonds 2021 A	12/1/2050	-	9,000,000	-	9,000,000
251.12	LTGO Bonds 2021 B	12/1/2036	-	6,145,000	-	6,145,000
	Total General Obligation Debt/Liabilities:		**2,915,000**	**15,145,000**	**425,000**	**17,635,000**
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absences		121,358	-	41,097	80,261
264.30	Net Pension Liability		342,223	-	261,255	80,968
264.40	2021 OPEB Liability		768,740	-	212,207	556,533
	Total Revenue and Other (non G.O.) Debt/Liabilities:		**1,232,321**	**-**	**514,559**	**717,762**
	Total Liabilities:		**4,147,321**	**15,145,000**	**939,559**	**18,352,762**

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.

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