

City of Poulsbo, Washington
Comprehensive Annual Financial Report



For the fiscal year ended December 31, 2009

Cover Photo: Front Street leading into the downtown corridor, taken by Nick Hoke

**CITY OF POULSBO
WASHINGTON**

**COMPREHENSIVE ANNUAL FINANCIAL
REPORT**

For the fiscal year ended

December 31, 2009

Finance Director
Deborah Booher

PREPARED BY

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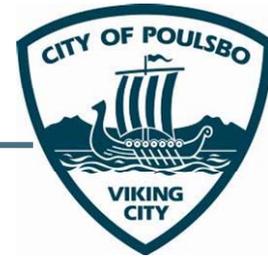
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City of Poulsbo



June 15, 2010

Mayor Erickson,
The Poulsbo City Council, and
Citizens of Poulsbo, Washington:

I am pleased to provide the Comprehensive Annual Financial Report (CAFR) of the City of Poulsbo for the fiscal year ended December 31, 2009. This report is published annually as the official annual financial report and complies with State law (RCW 43.09.230) requiring annual reports for Washington municipal governments to be certified and filed with the State Auditor's Office in a timely fashion.

As management for the City, we are responsible for both the accuracy of the data, and the completeness and fairness of the presentation, including all related disclosures. The City operates under a system of accounting internal controls that are concerned with the safeguarding of assets and the reliability of financial records. The definition of accounting control assumes reasonable, but not absolute, assurance that the objectives expressed in it will be accomplished by the system. The concept of reasonable assurance recognized that the cost of internal control should not exceed the benefits expected to be derived.

Cities and counties of the State of Washington use the Budgeting, Accounting and Reporting System (BARS) developed and prescribed by the Office of the State Auditor. State law provides for an annual independent audit to be conducted by the Office of the State Auditor.

As a recipient of federal, state and county financial assistance the City is required to undergo an annual federal mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. The City's Single Audit Report is issued separately and is available upon request.

Generally Accepted Accounting Principles (GAAP) requires management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of *Management's Discussion and Analysis (MD&A)*. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Poulsbo's MD&A can be found immediately following the independent auditor's report.

Profile of the Government

The City of Poulsbo is located in Kitsap County, west of Seattle. Originally settled by Norwegian immigrants in the late 1800's on Liberty Bay, a fjord of Puget Sound, Poulsbo continues to maintain its Scandinavian atmosphere through its architecture, celebrations and hospitality. Holding to its Scandinavian heritage has earned the city the nickname "Little Norway" and visits from two Norwegian Kings

The City of Poulsbo has a strong Mayor form of government, organized under the Optional Municipal Code as provided in State law. The Optional Municipal code confers a limited form of “home rule” to those municipalities organized under this provision. The independently elected mayor is the executive officer of the city and is responsible for all administrative transactions of the City, for overseeing the day-to-day operations of the city, and for appointment of department heads. The City Council is the policy-making branch and is responsible for, among other things, passing ordinances, exercising legislative and quasi-judicial functions, and adopting the budget. The seven members of the city council and mayor serve four-year staggered terms, with four council positions up for election one year and then two years later, the mayor and remaining the three council positions appear on the ballot.

To provide a full range of services to its citizens, the City of Poulsbo is divided into departments, financial management and control systems. Services provided include: police protection; maintenance of water and sewer services; garbage and recycling disposal; street maintenance, construction and repair of facilities and assets; municipal court; land use administration, and general administration. The City designs and maintains many parks and green spaces, coordinates recreation activities, fosters neighborhood livability and works to preserve the City’s environmental quality and historic legacy. Additional information may be found in the notes to the financial statements, thus readers are encouraged to review this CAFR in its entirety.

Local Economy

Poulsbo has evolved from a small town with fishing and farming as its chief industries into a city that has marketed itself as a very attractive place for people to live and work.

Poulsbo’s economy is largely influenced by the presence of significant Naval bases, its geographic location for a commuting workforce to Seattle and other large cities, as well as an entrance point for access to the Olympic Peninsula. Serving as North Kitsap’s commercial and employment center, Poulsbo has been able to maintain a conservative growth of economy during the on-going national recession.

Economic development appears to be filtering into all areas of the City. The City encompasses over 2949 acres and for economical analysis and contrasting purposes is divided into four geographical areas:

- Central Downtown Poulsbo – the Historic area and waterfront
- West Side Junction Area – Viking Avenue Corridor
- East Side State Highway 305 and Lincoln Hill
- Northwest Corner College Market Place

Centrally located in the heart of Poulsbo, the downtown area has maintained its history including restoration of many of the original buildings. Graced with a photographic waterfront parkway and boardwalk, the area invites tourists to shop and spend an afternoon or weekend. Poulsbo's waterfront is active year round and a favorite destination for day excursions and vacationing boaters. 2009 has seen new food establishments open in the downtown corridor providing many dining options for City residents and visiting tourists. Along with commerce the City assisted the economy by beginning the construction phase of the New City Hall which is located in the heart of the historic downtown corridor. Anticipated opening of the new City hall will be in October of 2010.

On the west side of the City, the Viking Avenue Corridor has been very busy. The City received a Federal Stimulus Grant that was used to improve the entry into the City and improve traffic and pedestrian safety on the north and south end of this avenue. This allows all entry points into the City a smooth and easy transition as well as providing a center turn lane and sidewalks for the entire corridor. Also on the west side, the city, along with hundreds of volunteers have worked on the development of the 20 acre Fish Park that boasts trails, boardwalks, viewing platforms, interpretive signs and numerous forms of wildlife.

The east side of the City had seen several projects started in previous years come to a final completion at the closing of 2008. Much needed improvements to SR 305 and the extension of 7th Avenue improved the traffic flow alleviating much of the congestion felt in the past.

Unfortunately Poulsbo was not exempt from some of the economic challenges as experienced by the rest of the nation. While some new businesses opened their doors, there were also some long time establishments which closed their doors. A long time RV dealership combined with their other locations in Washington vacating the Poulsbo location. A large automobile dealership combined and reduced their offerings locating to one location within the City. The City Council continues to talk with local businesses and promote economic development for this area. The transportation improvements, allowing ease of access to locations has helped entice new developing businesses. Slow growth in 2010 for the Viking Corridor is anticipated but continues to be a focus for Poulsbo's economic development.

The newest and fastest growing area of the City is located in the northwest corner, called College Market Place. This is a 215 acre development which is anticipated to take approximately 10 years to become fully developed. The master plan includes commercial buildings, business parks, single and multi-family units as well as a satellite campus of Olympic Community College. As of today, several anchor stores have come into the area including Wal-Mart, Home Depot, Petco and Office Max. Several other businesses soon followed opening in adjacent strip malls. The growing retail development has significantly helped reduce the impact of the declining revenues in other areas of the City. The local economy has slowed the anticipated construction; however it has not come to a complete standstill. A sporting goods store and fast food restaurant both from large retail chains are anticipated to open their doors in 2010. Planning and development of a large beverage warehouse continues through the permitting process and the Community College is exploring the possibility of expanding their location in this area of the City.

The City of Poulsbo continues to promote smart growth with new businesses coming into the area and providing local employment as well as maintaining our "small town" atmosphere. The depth and impact of the on-going recession has changed the way the City looks at revenues and expenditures; we will have to do more with less for the next couple of years until we stabilize. However, Poulsbo is a very fortunate community where the leaders have been conservative in our spending. Excess funds have been banked in reserves to help stabilize the declining revenues. We feel government, citizens, and developers working together can successfully accomplish the goal of keeping Poulsbo the premier place to live and work on the Kitsap Peninsula.

Cash Management

Careful financial control of the City's daily operations is an important part of Poulsbo's overall fiscal management program. Achieving adequate cash management and investment control requires sound financial planning to ensure sufficient revenues are available to meet the current expenditures of any one operating period.

The City has adopted a Financial Management Policy, which requires the Fund Balance to be in excess of 8% of the operating revenues and the cash and investment balances to be in excess of 3 months of operating expenses. These items are reviewed quarterly with Council Members.

Once steps are taken to ensure the City maintains a protected cash position in its daily operations, it is to the City's advantage to prudently invest idle funds until such time as they are required to make expenditures according to the following guidelines:

- The City's idle cash will be invested on a continuous basis in accordance with the City's adopted investment policies.
- The City has and will maintain a formal investment policy that is reviewed and endorsed by national professional financial organizations.
- The City will invest all funds (in excess of current requirements) based upon the following order of priority: 1) Legality, 2) Safety, 3) Liquidity and yield.
- Investments with City funds will not be made for purposes of speculation.
- The City is prohibited from investing in any financial instruments that are not approved for legal investments for municipalities in the State of Washington.
- Proper security measures will be taken to safeguard investments. The City's designated banking institution will provide adequate collateral to insure City funds.

Risk Management

During 2009, the City continued its liability and property coverage as a member of the Association of Washington Cities Risk Management Service Agency. The City continues to take advantage of the risk management training offered through AWC/RMSA education programs. The City's industrial insurance is provided by Washington State and is administered by the Department of Labor and Industries. Coverage is purchased by means of standard State assessed rates per working hour which are computed using risk categories as well as the City's loss history.

Awards

The City of Poulsbo has committed itself to financial excellence for many years as experienced by the receipt of the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting as well as the Distinguished Budget Presentation Award. Commitment to the residents of the City of Poulsbo has always been full disclosure of the financial position of the City.

The City has received the Distinguished Budget Presentation award for several years, including the 2009 Budget.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Poulsbo, Washington for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2008.

In order to be awarded a Certificate of Achievement a governmental unit must publish an easily readable and efficiently organized CAFR that conforms to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the requirements and standards of the Certificate of Achievement Program, and we are submitting the 2009 Comprehensive Annual Financial Report to the GFOA for review. The Certificate of Achievement is the highest form of recognition in the area of Governmental Financial Reporting, and its award represents significant accomplishment by a government and its management.

Acknowledgements

The preparation of this Comprehensive Annual Financial Report represents the culmination of months of collaborative teamwork by the entire staff of the Finance Department. The preparation of this report could not have been accomplished without the professional, efficient and dedicated staff of the Finance team and to each member I extend my sincere appreciation, in particular to our Accounting Manager, Jana McQuade, who manages the CAFR preparation.

Further appreciation is also offered to the City's management team, the Mayor, and the City Council for their encouragement, interest and support in conducting the financial operations of the City in a sound and progressive manner. In addition, I would express thanks to the efficient assistance of our local auditor from the Washington State Auditor's Office.

Respectfully submitted,



Deborah Booher
Finance Director

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

City of Poulsbo
Washington

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2008

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



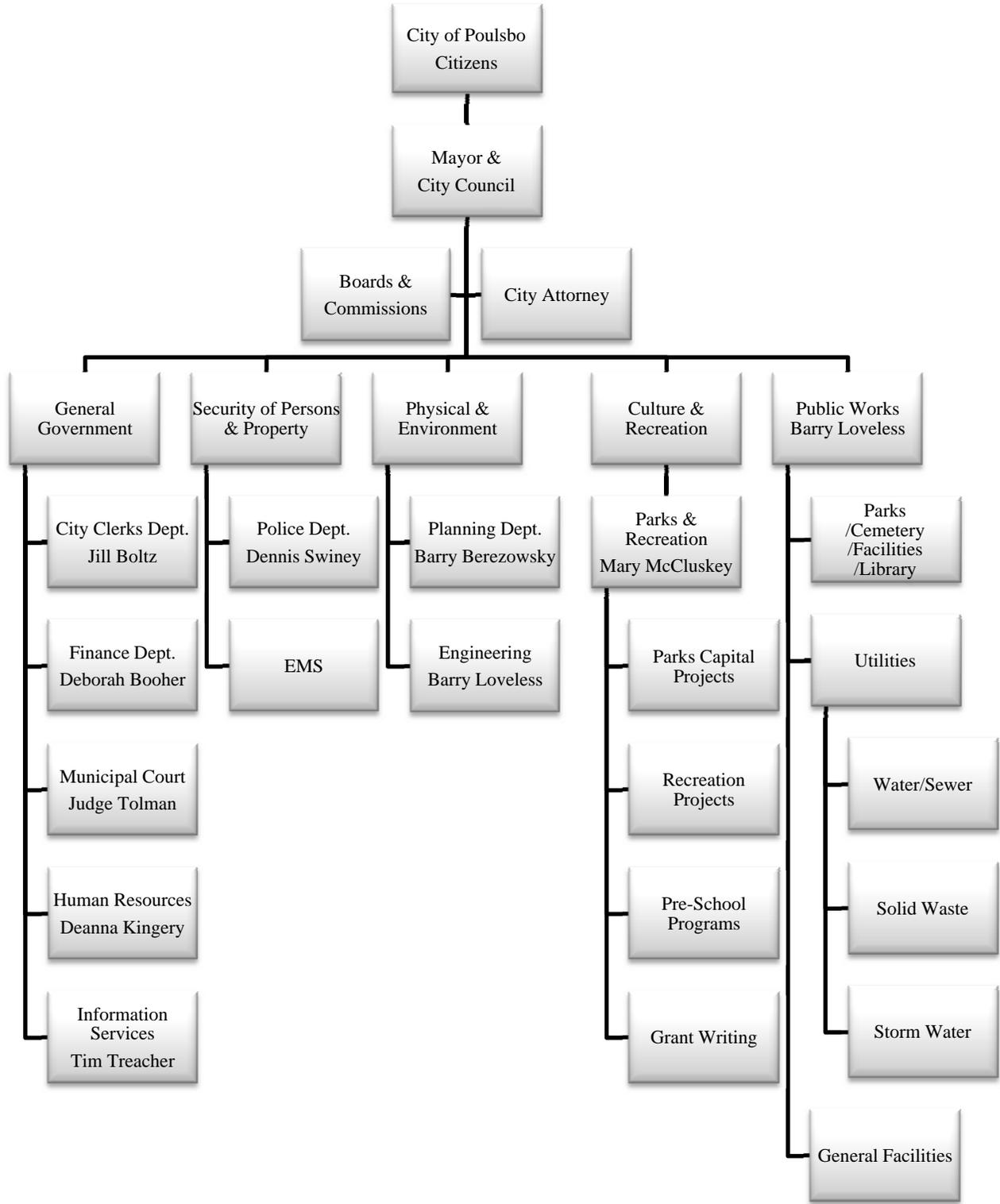
A handwritten signature in black ink, appearing to be "J.R. Emer".

President

A handwritten signature in black ink, appearing to be "Jeffrey R. Emer".

Executive Director

City of Poulsbo Organization Chart



City of Poulsbo Officials

As of December 31, 2009

Mayor

Kathryn Quade

December 31, 2009

City Council

Kimberlee Crowder

December 31, 2009

Dale Rudolph

December 31, 2009

Ed Stern

December 31, 2009

Becky Erickson

December 31, 2011

Linda Berry-Maraist

December 31, 2011

Connie Lord

December 31, 2011

Jeff McGinty

December 31, 2011

Executive Staff and Legal Counsel

City Clerk

Jill Boltz

Finance Director

Deborah Booher

Parks & Recreation Director

Mary McCluskey

Planning Director

Barry Berezowsky

Police Chief

Dennis Swiney

Public Works Director

Barry Loveless

Municipal Judge

Jeffrey Tolman

Prosecutor

Kitsap County Prosecutor

City Attorney

Jim Haney, Ogden Murphy Wallace

Bond Attorney

Preston Gates and Ellis



Washington State Auditor
Brian Sonntag

INDEPENDENT AUDITOR'S REPORT

June 21, 2010

Mayor and City Council
City of Poulsbo
Poulsbo, Washington

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Poulsbo, Kitsap County, Washington, as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Poulsbo, Kitsap County, Washington, as of December 31, 2009, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we will also issue our report dated June 18, 2010, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report will be issued under separate cover in the City's Single Audit Report. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



The management's discussion and analysis on pages 11 through 26 and information on postemployment benefits other than pensions on page 69 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. The accompanying information listed as combining and individual fund statements and schedules on pages 71 through 117 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The information identified in the table of contents as the Introductory and Statistical Sections is presented for purposes of additional analysis and is not a required part of the basic financial statements of the City. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Sincerely,

A handwritten signature in black ink, appearing to read "Brian Sonntag". The signature is written in a cursive, flowing style.

BRIAN SONNTAG, CGFM
STATE AUDITOR

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's discussion and analysis (MD&A) of the City of Poulsbo's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2009. The intent of this discussion and analysis is to look at the City's financial performance as a whole.

This Management's Discussion and analysis (MD&A) combined with the Transmittal Letter, the Financial Statements and the Notes to the Financial Statements represent the complete 2009 financial activities for the City of Poulsbo.

These are all intended to:

- Assist the reader in focusing on significant financial issues
- Provide an overview of the City's financial activity
- Identify changes in the City's financial position
- Identify any material deviations from the financial plan and adopted annual budget
- Identify individual fund issues or concerns

FINANCIAL INFORMATION

The City's government wide financial statements have been prepared on the full-accrual basis of accounting in conformity with generally accepted accounting principles (GAAP). The City's Fund Financial Statements for governmental funds have been prepared on the modified accrual basis in conformity with GAAP. The City's proprietary funds are accounted for on the accrual basis.

The City of Poulsbo's financial system integrates financial and administrative controls that ensure the safeguarding of assets and the reliability of financial reports. These controls are designed to provide:

- Reasonable assurance that transactions are executed in accordance to management understanding and approval
- Reasonable assurance that transactions are executed in accordance to GAAP principles
- Accountability for control of assets and obligations
- Assurance that sufficient reporting and review exists to provide adequate information for analysis and comparability of data

Internal control is a high priority for the City. The Washington State Office of the Auditor (SAO) reviews the City's internal controls, and the City receives and takes action on all recommendations made by SAO.

FINANCIAL HIGHLIGHTS

- City of Poulsbo assets exceeded its liabilities at the close of the 2009 fiscal year by \$92.2 million (net assets). Of this amount \$17.2 million (unrestricted net assets) may be used to meet the city's ongoing obligations to its citizens and creditors.
- Reported net assets increased \$6.4 million. Net assets of governmental activities increased \$2.9 million, or 7.43%, during 2009. Net assets of business-type activities increased \$3.4 million, or 7.45%, during 2009.

Much of the increase is due to construction of City projects including the construction of a New City Hall and transportation improvements to a main highway funded from the Federal Stimulus funding.

- Investments in capital assets net of debt, increased \$5.3 million. This is primarily due to the construction of capital structures and transportation improvements to City highways.
- Total liabilities increased by \$7 million. The majority of the increase is due to a \$6.1 bond issue for the construction of a New City Hall and a \$1.2 million note payable for a \$5 million pump station and force main improvement constructed by a developer.
- Overall, the book value of capital assets increased by \$8.7 million. Total capital assets from governmental activities increased \$4.8 million or 12.12%. Capital assets of business-type activities increased \$3.9 or 10.08%.
- City governmental fund tax revenue has increased an average of 4.64% per year for the last five years. A substantial increase in 2006 because of a large retail development opening with two national anchor stores, offset the reduction in sales tax for the past two years to create the positive average. A large reduction in automobile sales, which is reflective of the current challenging economy, caused 2008 and 2009 to result in declines from the previous years.
- At the close of the current fiscal year, the City’s governmental funds reported combined ending fund balances of \$10.7 million. Approximately 98% of this total amount, or \$10.5 million, is available for spending at the government’s discretion (unreserved fund balance). 94% or \$10 million of the ending fund balances are recorded in the City’s Special Revenue and Capital Project funds.
- At the end of the current fiscal year, the unreserved fund balance for the General Fund was \$459,184 or 5.29% of the total General Fund expenditures. It should also be noted that the Special Revenue Fund, “Cumulative Reserve/Revenue Stabilization Fund,” is used to reserve funds for General Fund purposes. The combined unreserved fund balances for the General Fund and the Cumulative Reserve/Revenue Stabilization Fund total \$2.1 million, or 25% of the General Fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis provides an introduction and overview to the City of Poulsbo’s basic financial statements. The basic financial statements are comprised of three components.

- Government-wide Financial Statements
- Fund Financial Statements
- Notes to the Financial Statements

This report contains other supplementary information in addition to the basic financial statements, including combining statements for non-major funds, budget to actual comparisons and statistical tables.



Financial statements focus on both the City as a whole (government-wide) and on major individual funds. Both perspectives allow the user to address relevant questions, broaden a basis for annual comparisons and enhance the City's accountability. A graphic is provided to illustrate the composition of the reports.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City of Poulsbo's finances, in a manner similar to a private-sector business. The statements include all assets and liabilities using the full accrual basis of accounting recognizing revenues and expenses in the current year regardless of when the cash transaction occurred.

The Statement of Net Assets presents information on all the City's assets and liabilities, with the difference between the two reported as net assets. The Statement of Net Assets serves a purpose similar to that of the Balance Sheet of a private-sector business. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the city is improving or deteriorating.

The Statement of Activities focuses upon both the gross and net cost of various activities that are provided by the government's general tax and other revenues. This is intended to summarize and simplify the user's analysis of cost to various governmental services and/or subsidy to various business-type activities. By separating program revenue from general revenue, users of the financial statements can identify the extent to which each program relies on taxes for funding.

In the Statement of Net Assets and the Statement of Activities, the City activities are divided into two categories:

- *Governmental Activities* - Most of the City's basic services are reported here, including the police, facilities, parks, planning, engineering and general administration. Taxes (property, sales, and utility) and intergovernmental revenues finance most of these activities.
- *Business-Type Activities* - The City charges a fee to customers to help cover all or most of the costs of certain services provided. The City charges fees to recoup the cost of the operations of water, sewer, storm drain, and solid waste utilities as well as all capital and debt expenses associated with the individual utility.

Fund Financial Statements

Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar. The focus is on Major Funds rather than types. A Major Fund has three elements as defined by GASB 34.

- Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise funds are at least ten percent (10%) of the corresponding total (assets, liabilities, etc) for all funds of that category or type (i.e. governmental, proprietary, or fiduciary); and
- Total assets, liabilities, revenues, or expenditures/expenses of the individual government fund or enterprise funds are at least five percent (5%) of the corresponding total for all governmental and enterprise funds combined; or
- Any other governmental or enterprise fund that the government's officials believe is particularly important

Governmental Funds: Governmental Funds are used to account for essentially the same functions reported as governmental activities in the Government-wide Financial Statements. The focus of governmental Fund Financial statements is on near-term inflows and outflows of available resources and on balances of resources available at the end of the fiscal year. Such information is useful in evaluating whether there are more or less financial resources that can be spent in the near future to finance City services.

Because the focus of governmental funds is narrower than that of the governmental-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. This provides the reader a better understanding of the long-term impact of the government's near term financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

The City of Poulsbo maintains budgetary controls over the governmental funds to ensure compliance with state law and council adoption at a fund level.

Proprietary Funds: Proprietary funds are divided into two types: *enterprise funds* provide services to customers outside the City unit; and *internal services funds* that provide services to other City departments. The City uses enterprise funds to account for its water, sewer, solid waste and storm drain activities. Internal service funds are an accounting method used to accumulate and allocate costs internally to the City's various functions. The City uses internal service funds to account for the City's mechanic services, public works administration and self-insurance program. Proprietary funds use the same basis of accounting as business type activities.

Fiduciary Funds: Fiduciary Funds are used to account for resources held for the benefit of parties outside the City. All of the City's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and consist of Agency funds only. These activities are excluded from the City's government-wide financial statements because the assets cannot be used to finance the City's operations.

Notes to the Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided, and are an integral part of the government-wide and fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The Statement of Net Assets looks at the City as a whole. Table 1 provides a summary comparing the City's net assets for 2009 and 2008. Governmental Activities net assets have a fairly significant increase of \$2.9 million. The increase is primarily due to increased Capital Assets. The City continues to construct a New City Hall, with completion anticipated in the 3rd quarter of 2010. A main road in the west side of Poulsbo was greatly improved providing sidewalks, a center turn lane and traffic calming devices. The funds were provided through the Federal Stimulus package. This accounted for a large portion of the increase in capital assets.

The Business Type Activities had an increase of \$3.4 million to the Net Assets. There was a substantial increase to assets which is due primarily from a new sewer force main and pump station.

The overall financial position for the City of Poulsbo has improved over the prior year. In 2009, assets exceeded liabilities by \$92 million, an increase of \$6.4 million or 7.4%. The largest portion of the City’s net assets, \$70 million or 76% reflects its investment in capital assets (land, buildings, machinery and equipment, and infrastructure); less any related outstanding debt used to acquire those assets. The City’s capital assets are used to provide services to citizens. Consequently, these assets are not available for future spending.

Table 1: Condensed Statement of Net Assets

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL PRIMARY GOVERNMENT	
	2009	2008	2009	2008	2009	2008
Current and Other Assets	\$ 13,565,083	\$ 9,117,137	\$ 10,956,788	\$ 10,692,189	\$24,521,871	\$19,809,327
Capital Assets Net	44,144,610	39,372,308	43,115,894	39,166,455	87,260,504	78,538,763
TOTAL ASSETS	57,709,693	48,489,445	54,072,682	49,858,644	111,782,375	98,348,089
Long-term Debt	12,107,866	6,714,144	4,294,514	3,641,043	16,402,380	10,355,187
Other Liabilities	2,335,047	1,501,827	769,498	605,437	3,104,545	2,107,264
TOTAL LIABILITIES	14,442,913	8,215,971	5,064,012	4,246,481	19,506,925	12,462,451
NET ASSETS						
Invested in Capital Assets	35,548,551	32,758,461	38,376,953	35,806,531	73,925,503	68,564,992
Restricted	643,717	683,649	492,011	492,011	1,135,728	1,175,659
Unrestricted (deficit)	7,074,512	6,831,365	10,139,706	9,313,622	17,214,218	16,144,986
TOTAL NET ASSETS	\$43,266,780	\$40,273,475	\$49,008,669	\$45,612,163	\$92,275,449	\$85,885,638

The City’s total net assets that represent resources which are subject to external restrictions on how they may be used are 1.23%. The restricted assets for 2009 are fairly consistent with the 2008 amount.

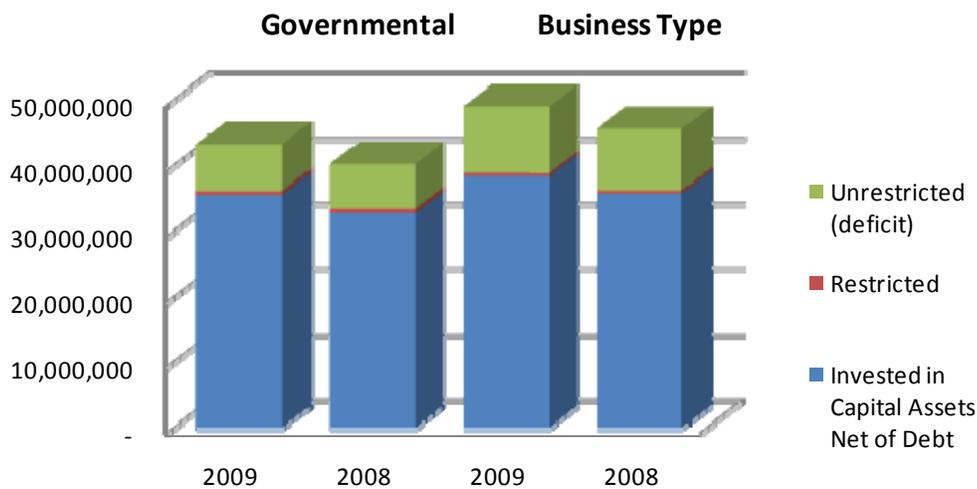


Table 2 illustrates changes in net assets for the years 2009 and 2008. This is a condensed version of the Statement of Activities for the City. The expenditures and revenues for 2009 show a significant decrease. This is primarily attributed to 2008 transactions of contributed capital and a pass-through grant from Washington State Department of Transportation for a state highway which is not an asset of the City but located within the City limits.

Table 2-Changes in Net Assets

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL PRIMARY GOVERNMENT	
	2009	2008	2009	2008	2009	2008
Revenues						
Program Revenues						
Charges for Services	\$ 1,546,273	\$ 1,580,006	5,819,864	5,292,997	\$7,366,137	\$6,873,003
Operating Grants/Contribr	462,488	403,541	53,270	56,428	515,759	459,970
Capital Grants / Contribr	2,616,738	8,170,785	3,180,784	7,612,412	5,797,522	15,783,198
General Revenues						
Property Taxes	1,972,984	1,898,668	-	-	1,972,984	1,898,668
Retail Sales & Use Tax	2,983,521	3,241,145	-	-	2,983,521	3,241,145
Business Taxes	1,926,107	2,017,940	-	-	1,926,107	2,017,940
Other	882,536	580,396	87,942	275,353	970,478	855,749
Total Revenues	12,390,648	17,892,482	9,141,861	13,237,190	21,532,508	31,129,672
Program Expenses						
General government	1,673,197	1,752,358	-	-	1,673,197	1,752,358
Judicial	363,204	338,206	-	-	363,204	338,206
Security of Per & Prop	2,735,396	2,485,650	-	-	2,735,396	2,485,650
Utilities & Environment	495,083	605,326	-	-	495,083	605,326
Transportation	1,590,515	3,473,777	-	-	1,590,515	3,473,777
Economic Environment	848,002	894,507	-	-	848,002	894,507
Mental & Physical Health	14,213	13,694	-	-	14,213	13,694
Culture & Recreation	1,501,571	2,067,109	-	-	1,501,571	2,067,109
Interest Long-Term Debt	517,679	303,190	-	-	517,679	303,190
Water	-	-	1,109,257	928,153	1,109,257	928,153
Sewer	-	-	1,716,646	1,520,839	1,716,646	1,520,839
Solid Waste	-	-	999,853	961,512	999,853	961,512
Storm Drain	-	-	881,451	675,448	881,451	675,448
Total expenses	9,738,860	11,933,818	4,707,206	4,085,952	14,446,066	16,019,770
Excess (deficiency)	2,651,788	5,958,663	4,434,655	9,151,239	7,086,442	15,109,902
Changes in net assets	2,651,788	5,958,663	4,434,655	9,151,239	7,086,442	15,109,902
Beginning Net Assets	40,273,475	34,334,811	45,612,163	36,460,925	85,885,638	70,795,736
Prior Year Adjustments	341,518	(20,000)	(1,038,149)	-	(696,631)	(20,000)
Ending Net Assets	\$43,266,780	\$40,273,475	\$49,008,669	\$45,612,163	\$92,275,449	\$85,885,638

GOVERNMENTAL ACTIVITIES

Revenues

Taxes account for the largest revenue category in the governmental funds, generating 56% of the total revenue. The majority of tax revenue is received in the General Fund accounting for 76% of the revenue. Because of this ratio, the category receives the majority of attention. Included in this category are sales, property, utility, criminal justice, and gambling taxes. Governmental fund taxes total \$6,178,975

Property tax receipts involve the very predictable effect of the 101% levy lid limitation, and a somewhat more variable consideration of new construction. The assessed valuation for property located within the City limits of Poulso for 2009 was \$1,378,218,255. For 2009, the City's regular property levy tax rate was 1.434342 per \$1,000 of assessed value.

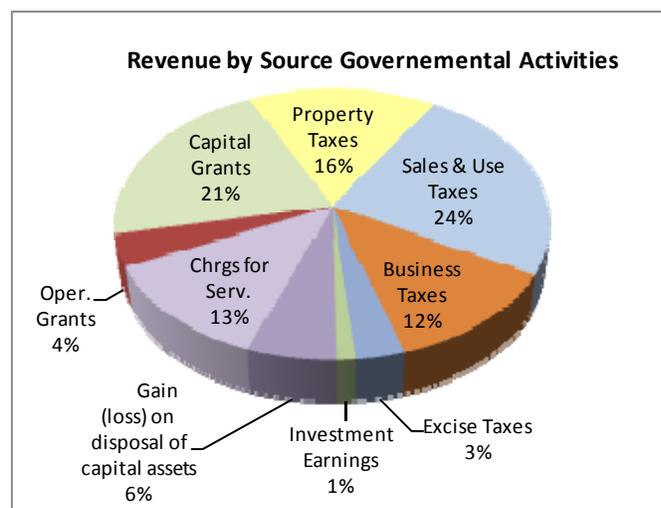
The City continues to follow their policy of transferring the calculated reserve amount to street reserves and then transferring 36% of property tax revenue to the City Street Operations Fund and 5% to the Park Reserves Fund. The 5% transfer to Street Reserve fund was eliminated for 2009 to provide more funding for General Fund expenditures.

Sales and Use tax revenue, in contrast to property tax, can be a highly fluctuating tax source. Although the City has experienced a continual increase in sales tax, in 2009 the City saw a 12% decline. The majority of the decline is due to reduction in car sales and construction activity, which is similar to many government agencies impacted by the declining economy experienced in 2009. A major recreational vehicle retailer and auto dealership both closed their doors in 2009. Sales tax continues to be the City's largest single source of revenue. The City's sales tax rate is 1% on all retail sales taking place within the City limits.

In 2009, sales tax received in the City's General Fund totaled \$2,746,271. This is a 12% reduction from 2008. The City's allocation of sales tax revenue was reduced in 2009 to retain more dollars in the General Fund for governmental expenditures: fixed amount of \$62,000 was transferred to the Capital Equipment Acquisition Fund for capital replacement and new capital purchases. The additional 3% of the sales tax which is normally transferred into the Revenue Stabilization Fund was eliminated for 2009.

The majority of sales tax revenue (62%) comes from the retail trade category. The next largest sales tax category is construction, accounting for 11% of the tax. A newer large retail development continues to provide an increasing retail tax base with new businesses opening their doors and additional development planned for 2010. The development is growing at a slower pace than prior years, but does still reflect an increase. This helps Poulso continue to grow a diversified revenue base.

Business Taxes are admissions tax and taxes applied to utilities providing services in the City including City-owned and privately owned utilities. On the whole, these taxes tend to be stable from year to year making up 20% of the governmental tax revenue.



Expenses

General Government services encompass a variety of services including legislative, executive, financial, legal, judicial, personnel, building maintenance, and audit/risk management.

Security of Persons and Property services are provided by the City’s Police Department who works to provide professional law enforcement services to keep our citizens and their property safe. Special emphasis is placed on community-oriented programs that will prevent crime and forge a partnership between the officers and the citizens they serve.

Utility and Environment services create a satisfactory living environment for the City’s residents. Inspection of private construction projects and coordinating the design of city projects are two examples of physical environment activities.

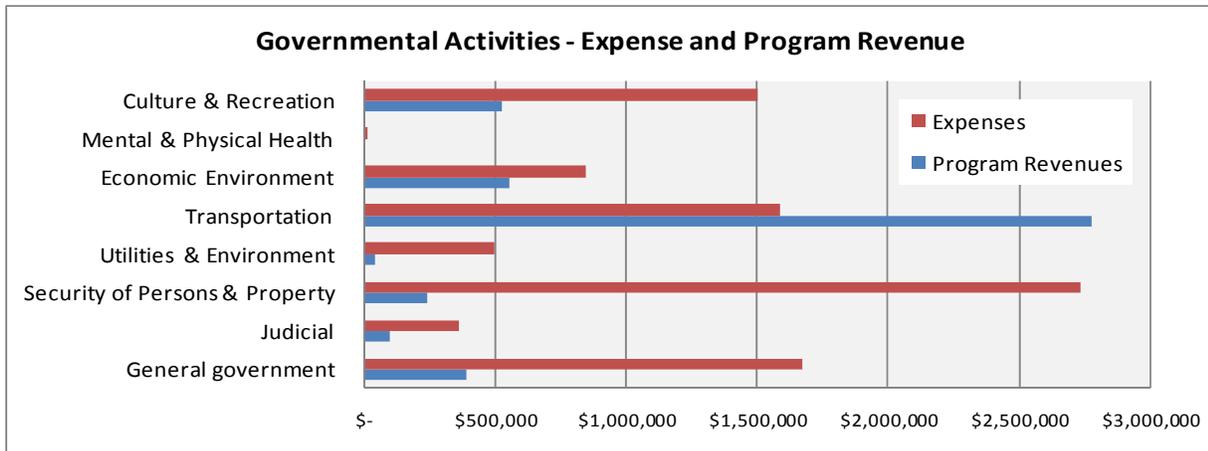
Transportation services provide maintenance of the City’s streets, sidewalks, paths and traffic control signs/signals.

Economic Environment services include land use planning, zoning and community development.

Mental and Physical Health services include the City’s support for the county’s substance abuse program. The City is required by State law to commit 2% of our revenues from liquor profits and liquor tax to this program. The City has a contract with the Kitsap County Health District, which uses a formula based on population and assessed value to determine the City’s level of subsidy.

Culture and Recreation services include expenditures for participant recreation programs and maintenance of the park facilities.

The chart below illustrates the surplus or net subsidy required for different, key City governmental-type programs.

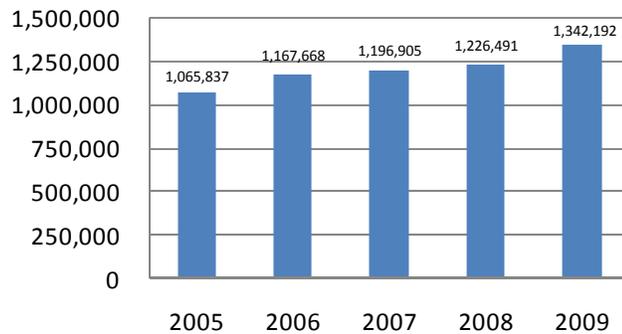


BUSINESS-TYPE ACTIVITY

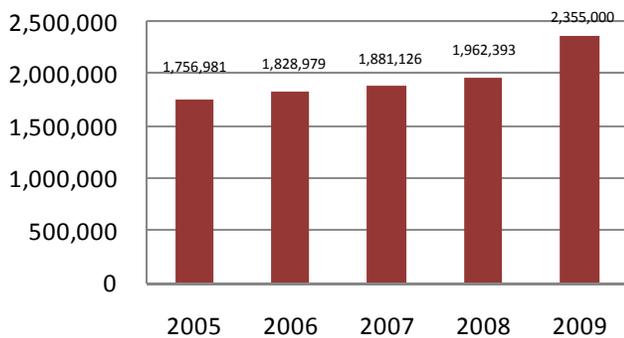
Enterprise Funds: The City of Poulsbo owns and fully operates four utilities: water, sewer, storm drain, and solid waste/recycle. These utilities are accounted for in four enterprise funds as part of the City’s fund structure and operations: 1) water utility fund; 2) sewer utility fund; 3) solid waste utility fund; and 4) storm drain utility fund.

Water Utility: The City’s water utility is solely supported by its customers, and revenue is generally derived from three sources: 1) monthly service charges, 2) system connection fees, and 3) miscellaneous revenues. The majority of revenue comes from monthly service charges. The cost of living adjustment (COLA) for 2009 was substantially higher than prior years which resulted in a higher than average increase of \$118 thousand.

Water Service Charge Revenue

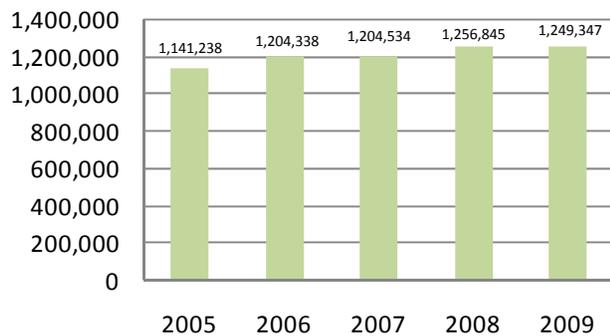


Sewer Service Charge Revenue



Sewer Utility: The City’s sewer utility is also solely supported by its users and revenue is generally derived from three sources: 1) monthly service charges, 2) system connection fees, and 3) miscellaneous revenues. The majority of revenue comes from monthly service charges. The summer months (June through September) charge consumption based on an average water usage during the eight previous months. The rate takes into consideration increased summer usage for watering, which does not produce additional wastewater. The cost of living adjustment (COLA) for 2009 was substantially higher than prior years which resulted in a higher than average increase of \$395 thousand increase. Also contributing to the increase; after a comprehensive review of the sewer system and necessary funds for future sustainability a new rate structure was put into place in 2009.

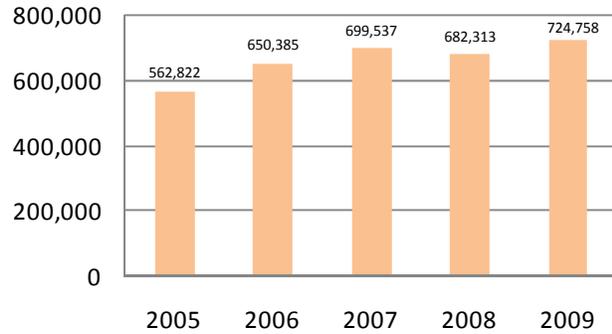
Solid Waste Service Charge Revenue



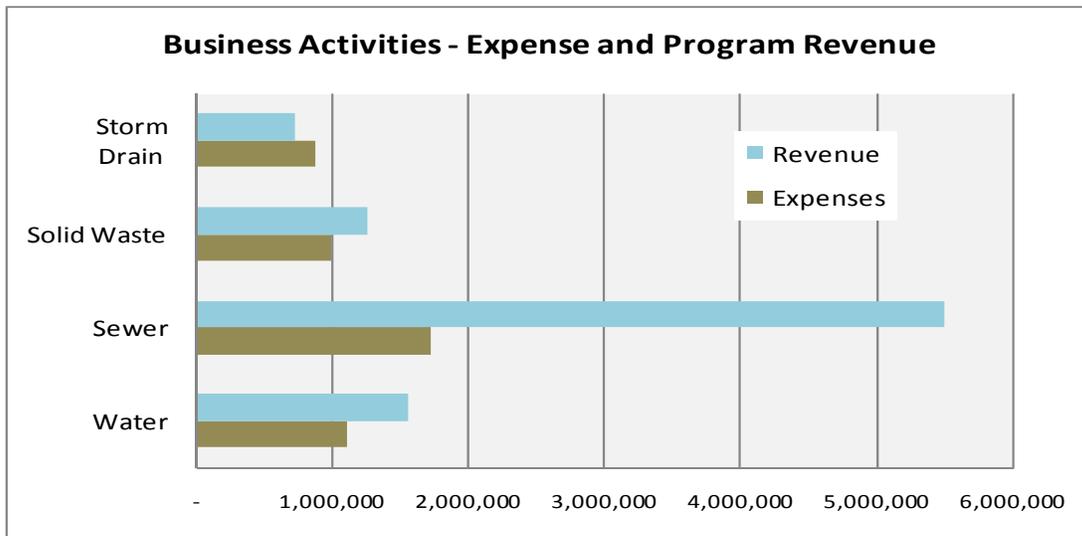
Solid Waste Utility: The solid waste utility is supported by its users and revenue is generally derived from service charges which include: 1) service charges for scheduled residential and regular dumpster garbage collection, and 2) service charges for recycling. The majority of revenue comes from monthly service charges. There was no cost inflator for the rates in 2009 causing a slight decrease in revenue.

Storm Drain Utility: The City’s storm utility is supported by its users and revenue is generally derived from service charges, which include: 1) monthly service charges, and 2) building permit connection charges. The majority of revenue comes from monthly service charges. Rates are charged to residential and commercial customers by the area of impervious surface units (ISU). The rate structure provides funding for many of the stormwater projects identified in the City’s Comprehensive Stormwater Management Plan. The revenues show a slight increase in 2009 due to a cost of living inflator.

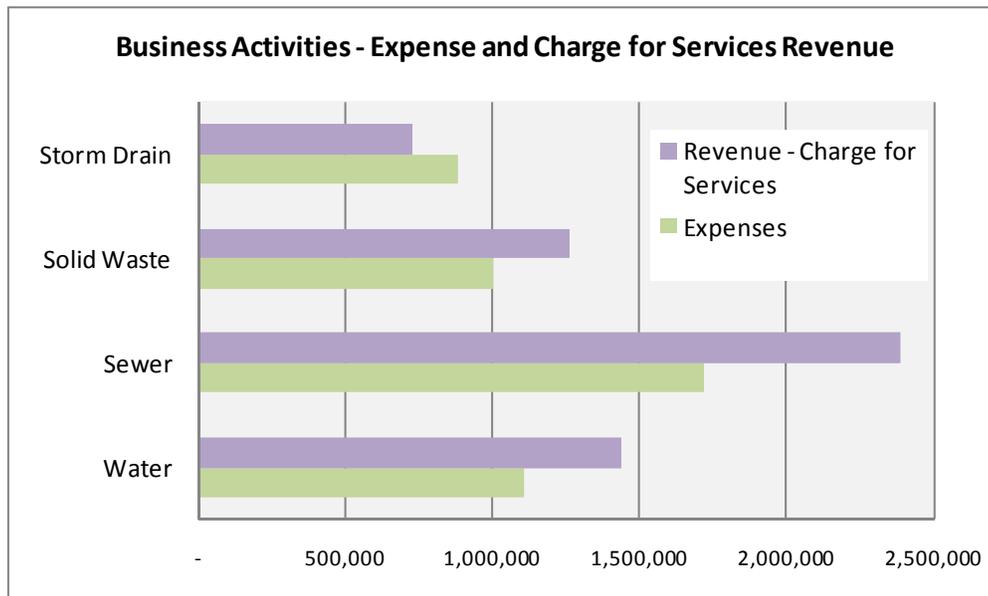
Storm Drain Service Charge Revenue



The chart below illustrates the surplus or net subsidy required for the City’s business-type programs.



The City seeks to supplement business activities, as well as governmental activities, through the prudent application of third party funding sources in the form of grants wherever possible. During 2009 business activity program revenues greatly exceeded expenditures due to large capital contributions from local developers. A large pump station was contributed the City in 2009, accounting for a large portion of the revenue. The following chart better reflects customer charges for services against program operating expenditures. The larger amount of revenue allows the utilities to build the reserves for future capital projects.



Internal Service Funds: The City of Poulsbo also has three Internal Service Funds. These account for the goods and services provided to other units of the entity. Payment by the benefiting unit is intended to fund the costs of providing such service. The City of Poulsbo has three funds that fall into this category: General Facilities Fund, Public Works Administration Fund, and Medical Reimbursement Fund.

General Facilities Fund: The General Facility Fund is an internal service fund that provides the City with in-house mechanic services. The service is responsible for both major and minor repairs of all mechanical equipment used in the business activity funds including cars, trucks, heavy equipment, portable pumps and generators, and small engines. All general governmental department vehicles and equipment including Police, Engineering, Building, and Parks & Recreation are also serviced by the in-house services. Funding is derived from charges for parts, labor, and overhead. This allows the mechanic shop to be fully self-sufficient. No other funding is used to support this operation.

Public Works Administration Fund: Public Works Administration is an internal service support fund responsible for the overall supervision and administration of the Public Works Department. Public Works Administration is supported by those departments, which include the Streets, Water/Sewer, Solid Waste, Stormwater, General Facilities, Parks, Central Building Maintenance and Cemetery Departments. Expenses associated with the operation of Public Works Administration are allocated based on a percentage of the respective department budgets.

Medical Reimbursement Fund: The Medical Reimbursement Fund was previously used to account and reserve funds for self-insurance for one of the City’s employee groups. The City self-insured for the difference between a \$100 and \$500 deductible. In 2009, a new insurance provider was established for all City employees making it no longer necessary for self insurance. The remaining fund balance will be reserved for leave cash out liabilities generated for a few firefighters as per the agreement when the department annexed into the County.

The City's Funds: Information about the City's major governmental funds begins on page 30. The City, in accordance with GASB 34 performed the major fund calculation and determined that the Street Reserve Fund, the Facilities Fund, and the General Fund, met the requirements to qualify as major funds. These funds are accounted for using the modified accrual basis of accounting. As reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances, governmental funds have total revenues of \$12.1 million and expenditures of \$17.4 million.

Major Funds:

- **General Fund:** General Fund accounts for the main operating revenues and expenditures of the City's governmental functions. Revenues and expenditures related to Clerk, Executive, Legislative, Finance, Police, Engineering, Planning and Park Maintenance are some of the primary functions of the general government accounted for in General Fund. The majority of tax revenues are receipted into the General Fund supporting the governmental functions of the City.

The Fund Balance for the General Fund has been reduced by 46%. This is primarily due to the beginning balance portion which is higher than anticipated, is transferred to the City's Revenue Stabilization Fund. A majority of City Council must approve allocation from the stabilization fund. Also attributing to the reduced fund balance is a reduction in the revenue, which is consistent with the national economic challenges. Sales Tax was more than 10% less than the prior year, and investment earnings also reflected more than a 50% reduction.

- **Street Reserves Fund:** Accounts for major capital improvements to City streets and transportation projects. In 2009 one of the large contributors to the fund was a project on Viking Avenue a main thoroughfare in the City, which was funded with federal stimulus funding. The project has been divided into 3 phases. The majority of Phase 2 was completed in 2009. Phase 3 will be completed in 2010 with funds from both federal and state grants.

The fund balance for 2009 is fairly consistent with 2008. The fund balance will tend to fluctuate based on timing of capital projects and associated grants.

- **Capital Facilities Fund:** The Facilities Fund accounts for capital improvements and construction of capital projects related to governmental functions. Bond proceeds and expenditures related to the construction of a New City Hall are being accounted for in the Facilities Fund. The City Hall project commenced in 2005 but encountered delays and a change in location approved by the City Council. Construction began in 2009 and will be ongoing into 2010. In 2009 the City had a bond issue to fund the construction and completion of the new City Hall. As the project continues the fund balance will continue to reduce using the bond proceeds and fund balance to complete the City Hall project.

Enterprise Funds: The City's utilities are accounted for in four enterprise funds: 1) water utility fund; 2) sewer utility fund; 3) solid waste utility fund; and 4) storm drain utility fund. The funds are reported on a full-accrual basis, accounting for all assets and liabilities. Fund balances remained fairly consistent with the prior year, but slightly increasing and building stronger fund balances in anticipation of long-term capital projects to maintain a functioning system. One exception for 2009 was an increase to the Sewer Fund, which was primarily due to contributed capital from a developer.

BUDGETARY HIGHLIGHTS

The following is a brief review of the budgeting changes from the adopted to the amended final budget for the General Fund. Please note budget to actual comparisons start on page 38 for the major current expense and special revenue funds. Budget to Actuals for all other funds begin on page 87. The significant budgetary changes in the General Fund included:

- The final General Fund revenue budget decreased by approximately 3.7%, or \$317,611 of the original adopted budget. The majority of this variance was mainly due to decreasing a projected transfer from reserves to balance the General Fund.
- The final General Fund expenditure budget increased by approximately 1.1%, or \$97,770. The majority of the variance is due to increased professional services in the Planning and Building Department for development of the City's Comprehensive Plan and Shoreline Master Plan.

Copies of the City's Budget and Budget-in-Brief are available on our website www.cityofpoulsbo.com. The complete budget provides details of the City's plans for using its resources during the year hence and may also be obtained by contacting our Finance Director at 360-697-2487 or dboohar@cityofpoulsbo.com.

CASH MANAGEMENT

Aggressive efforts to maximize interest earnings of temporary cash reserves have been successful. The City manages cash accounts by the pooled cash management concept and plans investment maturities to coincide with cash needs. The pool concept provides for investing greater amounts of money at more favorable interest rates. The short-term investment of idle cash continues to be a significant source of revenue for the City and the combined accounts in our Governmental Activities earned \$157,625 in 2009.

DEBT ADMINISTRATION

The City participates in various forms of debt, which is summarized as follows: \$11.25 million of a General Obligation (GO) bond type. There are two types of GO debt; those that are retired by tax levies (Voted GO/Levy) and those that, while secured by the tax base, are actually being retired by revenue from the various sources and funds. The City also has two Public Works Trust Fund loans (PWTF). One is recorded in Governmental Activities with a principal balance of \$818,051 and one that is recorded in Business-Type Activities with a principal balance of \$275,086.

Revenue bonds are retired by means of revenue in the proprietary funds. There is no general tax liability for these obligations. Revenue bond debt in utilities is controlled by bond covenants and the outstanding principal amount is \$3,367,000.

The City's debt obligations are well within the statutory limits for debt capacity. There are three types of statutory limits on general obligation debt capacity:

1. The first limit is on the amount of general obligation debt that can be incurred without a vote of the people. For this type of debt, a city is limited to 1.5% of its assessed value (\$1,310,033,708), or \$19,650,506;
2. The second statutory limit is the amount of general obligation debt a city may incur for general governmental purposes with a vote of the people. This limit is 2.5% of the assessed value (\$1,310,033,708). For 2010 the City's limit is \$32,750,843, less any amount issued as non-voted debt. At this time the City does not have any voted debt.
3. The third limit also is calculated as a percentage of assessed value. This statutory limit allows a City to incur general obligation debt of up to an additional 2.5% of its assessed value for bond issues approved by the voters for the purpose of utility improvements and an additional 2.5% for parks or open space development.

The City issued a second General Obligation debt for the construction of a New City Hall and went through a bond rating with Standard and Poor's. The City's rating was upgraded 2 levels to an AA rating, due to its healthy reserve balances, sound city policies and practices and anticipated local development in an excellent location and visibility to a larger metropolitan city.

Additional information on the City's debt is provided in Note 9, "Long-Term Debt and Capital Lease" and may be found on page 61 of these statements.

CAPITAL EQUIPMENT AND UPGRADING CAPITAL FACILITIES

The City continues to provide for replacement of capital items of \$5,000 or more such as motor vehicles and public works equipment, as well as other miscellaneous equipment through the utilization of the capital replacement fund. These replacements are funded with transfers from the General Fund to the Capital Acquisition Fund. In prior years the Capital Acquisition Fund's resources were transfers from General Fund established by a percent of Sales Tax dollars. For 2009 these transfers were reduced to cover only the reduced list of items approved through the budget process.

For several years the City's budget has been focused almost exclusively on operation and maintenance costs at the expense of capital outlay costs to maintain and upgrade the existing infrastructure. It has become apparent we must be more attentive to building maintenance programs and begin to plan for future renovation and replacement. Much of the increase in Capital Assets in 2009 is due to contributed capital from developers. Several housing developments and a large retail development turned their capital improvements over to the City in the form of Contributed Capital. This capital is primarily infrastructure for utilities and road improvements. Additional information on the City's capital assets is provided in Note 5, beginning on page 53

Table 3-Capital Assets at Year End, Net of Depreciation

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2009	2008	2009	2008	2009	2008
Land	6,397,064	\$5,994,703	942,823	\$288,593	\$7,339,887	\$6,283,296
Buildings	1,691,041	1,748,779	136,270	101,985	\$1,827,311	1,850,764
Other Improvements	4,045,533	3,124,967	39,246,231	34,258,489	\$43,291,764	37,383,456
Infrastructure	18,504,096	18,865,599	-	-	\$18,504,096	18,865,599
Machinery & Equipment	683,848	553,938	934,318	730,601	\$1,618,166	1,284,539
Work in Progress	12,823,028	9,084,322	1,856,267	3,786,786	\$14,679,295	12,871,108
Totals	\$44,144,610	\$39,372,308	\$43,115,909	\$39,166,455	\$87,260,519	\$78,538,763

ECONOMIC FACTORS AND POULSBO IN THE FUTURE

The State of Washington does not have a state personal income tax and therefore the state operates primarily using property, sales, utility, and gas taxes. The City relies on sales, property and utility taxes and a limited array of permitted other taxes, fees, and state and federal grants to support governmental activities.

For the business-type and certain governmental activities (permitting, recreation programs, etc.) the user pays a related fee or associated charge.

Sales taxes represent a major revenue source for governmental funds and provide an economic measurement of the local economy. In 2009 the City was impacted by the slowdown in the general economy. Sales tax revenue showed a 12% decrease in 2009. Overall the average for the five years preceding 2009 reflected a 4% average increase with the exception of 2006. During 2006 sales taxes soared by 29% fueled primarily by two big-box anchor stores, Wal-Mart and Home Depot. Although the trend has reflected an average increase both 2008 and 2009 showed a decrease. This is primarily due to a declining economy in the areas of vehicle sales and a slowdown in home sales and construction. Although there has been a decline, some areas of the City are still reflecting growth. Increased sales, development and new retail continue to increase in the College Market Place.

Several new large construction projects began in 2009. The City is constructing a new 30,000 square foot City Hall and continuing with a large transportation project widening a main corridor on Viking Avenue to include a center turn lane and sidewalks. The majority of work was completed at North Viking Avenue phase 2 and work will begin on the South end of Viking in 2010, almost the entire project has been funded with state or federal grants.

The City's population in 2009 has grown by more than 1,000 people as reported by the Office of Financial Management (OFM). Unfortunately the growth in 2009 is mainly attributed to a prior year reporting error within the City in the process used to count building permits. Although 2009's increase is mostly due to this error the City has significantly grown over the past several years due to approved annexations just under 800 acres or approximately one-half of our urban growth area. All of these annexations have been initiated by property owners who are looking for access to City utilities and greater development densities. Annexations have slowed in 2008 due to the Council asking for a break to evaluate the annexation process and the impact to the City services, availability and related costs to serve these areas. At least two additional annexations have begun the process in 2009.

A major revision to the City's Comprehensive Plan began in 2007 and continued through 2009 with adoption in December of 2009. Several public meetings were held at different venues to encourage public participation. The Planning Commission, Parks Commission and City Council had joint meetings to review the plan and make any necessary recommendations for changes or adoption. The Comprehensive Plan is working congruently with the development of functional plans for each of the City's utilities which were adopted in 2009.

The level of taxes, fees and charges for services (including development related mitigation fees) will have a bearing on the City's competitive ability to encourage retail, office, residential, and industrial development to locate in their jurisdiction. The City places significant emphasis on encouraging economic development to attract family wage paying jobs, and as an incentive does not assess a business and occupation tax.

Request for Financial Information

This financial report is designed to provide our citizens, taxpayers, creditors and investors with a general overview of the City's finances and to show the City's accountability for the monies it receives. Any questions about this report or requests for additional financial information should be addressed to the Finance Department, City of Poulsbo, P.O. Box 98, Poulsbo, Washington, 98370. Personal inquiries may be directed to Jana McQuade, Accounting Manager at (360) 697-8233, jmcquade@cityofpoulsbo.com or Deborah Booher, Finance Director at (360) 697-2487, dbooher@cityofpoulsbo.com.

STATEMENT OF NET ASSETS
DECEMBER 31, 2009

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets			
Cash and Cash Equivalents	\$ 529,631	\$ 408,215	\$ 937,846
Investments	7,026,547	9,489,115	16,515,662
Receivables:			
Taxes	963,131	-	963,131
Accounts	1,334,694	513,616	1,848,310
Special Assessments	12,536	-	12,536
Other Receivables	31,239	-	31,239
Due from Other Governments	7,882	-	7,882
Materials and Supplies Inventory	5,433	32,872	38,305
Deferred Charges	99,631	20,960	120,591
Restricted Assets:			
Cash and Cash Equivalents	314,941	-	314,941
Investments	3,239,418	492,011	3,731,428
Land and Construction Work in Progress	19,220,092	2,799,075	22,019,166
Depreciable Capital Assets, Net	24,924,518	40,316,819	65,241,338
Total Assets	57,709,693	54,072,682	111,782,375
Liabilities			
Accounts Payable	1,219,520	104,422	1,323,942
Due to Other Governmental Units	49,116	-	49,116
Interest Payable	52,281	86,084	138,365
Revenues Collected in Advance	96,618	-	96,618
Custodial Accounts	237,084	10,183	247,267
Deferred Revenue	11,399	2,643	14,042
Long-Term Liabilities:			
Due within one year	669,027	566,167	1,235,194
Due in more than one year	12,107,866	4,294,514	16,402,380
Total Liabilities	14,442,913	5,064,012	19,506,925
Net Assets			
Invested in Capital Assets, Net of Related Debt	35,548,551	38,376,953	73,925,503
Restricted for:			
Capital Purpose	143,976	-	143,976
Drug Enforcement	27,664	-	27,664
Criminal Justice	201,133	-	201,133
Promoting Downtown Businesses	30,058	-	30,058
Promoting Tourism	20,133	-	20,133
City Beautification-Expendable	31,664	-	31,664
City Beautification-Nonexpendable	91,016	-	91,016
Debt Service	98,073	492,011	590,083
Unrestricted	7,074,512	10,139,706	17,214,218
Total Net Assets	\$ 43,266,780	\$ 49,008,669	\$ 92,275,449

The notes to the financial statements are an integral part of this statement.

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009**

Page 1 of 2

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 1,673,197	\$ 269,871	\$ 118,471	\$ -
Judicial	363,204	100,989	-	-
Security of Persons & Property	2,735,396	149,761	89,874	-
Utilities & Environment	495,083	41,545	-	-
Transportation	1,590,515	8,428	170,556	2,598,598
Economic Environment	848,002	529,054	24,918	-
Mental & Physical Health	14,213	-	-	-
Culture & Recreation	1,501,571	446,626	58,669	18,141
Interest on Long-Term Debt	517,679	-	-	-
Total Governmental Activities	9,738,860	1,546,273	462,488	2,616,738
Business-Type Activities:				
Water	1,109,257	1,436,637	-	123,644
Sewer	1,716,646	2,388,293	-	3,108,664
Solid Waste	999,853	1,262,911	-	-
Storm Drain	881,451	732,023	53,270	(51,525)
Total Business-Type Activities	4,707,206	5,819,864	53,270	3,180,784
Total Primary Government	\$ 14,446,066	\$ 7,366,137	\$ 515,759	\$ 5,797,522

General Revenues:

- Property Taxes
- Retail Sales & Use Taxes
- Business and Occupation Taxes
- Excise Taxes
- Investment earnings
- Gain (loss) on disposal of capital assets

Transfers

Total General Revenues, Special Items, and Transfers

Change in Net Assets

Net Assets Beginning of Year

Prior Period Adjustments

Net-Assets End of Year

The notes to the financial statements are an integral part of this statement.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009

Page 2 of 2

Net (Expenses) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (1,284,854)	\$ -	\$ (1,284,854)
(262,215)	-	(262,215)
(2,495,761)	-	(2,495,761)
(453,539)	-	(453,539)
1,187,066	-	1,187,066
(294,030)	-	(294,030)
(14,213)	-	(14,213)
(978,135)	-	(978,135)
(517,679)	-	(517,679)
(5,113,360)	-	(5,113,360)
-	451,025	451,025
-	3,780,312	3,780,312
-	263,058	263,058
-	(147,682)	(147,682)
-	4,346,712	4,346,712
\$ (5,113,360)	\$ 4,346,712	\$ (766,648)
1,972,984	-	1,972,984
2,983,521	-	2,983,521
1,527,557	-	1,527,557
398,550	-	398,550
157,625	87,942	245,567
724,911	-	724,911
-	-	-
7,765,148	87,942	7,853,090
2,651,788	4,434,655	7,086,442
40,273,475	45,612,163	85,885,638
341,518	(1,038,149)	(696,631)
\$ 43,266,780	\$ 49,008,669	\$ 92,275,449

BALANCE SHEET-GOVERNMENTAL FUNDS

DECEMBER 31, 2009

	General Fund	Street Reserve Fund	Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets					
Cash and Cash Equivalents	\$ 5,257	\$ 115,753	\$ 237,512	\$ 158,238	\$ 516,760
Investments	766,038	144,678	2,145,494	3,780,101	6,836,312
Receivables:					
Taxes	14,613	-	-	60,248	74,861
Accounts	35,267	1,297,914	-	1,513	1,334,694
Special Assessments		-	-	12,536	12,536
Due from other govern units	1,453	-	-	6,429	7,882
Inventories	4,388	-	-	-	4,388
Cash and Investments-Restricted	-	-	3,463,343	122,680	3,586,023
Total Assets	\$ 827,016	\$ 1,558,345	\$ 5,846,349	\$ 4,141,745	\$ 12,373,455
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	\$ 67,828	\$ 394,419	\$ 620,960	\$ 135,230	\$ 1,218,437
Due to Other Governments	49,116	-	-	-	49,116
Custodial Accounts	234,147	-	-	2,937	237,084
Deferred Revenue	16,740	-	-	91,278	108,018
Total Liabilities	367,832	394,419	620,960	229,445	1,612,655
Fund Balances:					
Reserved, reported in:					
Debt Service	-	-	-	98,073	98,073
Permanent fund	-	-	-	122,680	122,680
Unreserved, reported in:					
General fund	459,184	-	-	-	459,184
Special revenue funds	-	-	-	2,692,944	2,692,944
Capital project funds	-	1,163,926	5,225,390	998,603	7,387,919
Total Fund Balances	459,184	1,163,926	5,225,390	3,912,300	10,760,800
Total Liabilities and Fund Balances	\$ 827,016	\$ 1,558,345	\$ 5,846,349	\$ 4,141,745	\$ 12,373,455

The notes to the financial statements are an integral part of this statement.

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES**

Total Governmental Fund Balances:

Amounts reported for governmental activities in the statement of net assets are different because: \$ 10,760,800

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. 44,144,610

These assets consist of:

Land	\$	6,397,064
Buildings and structures		3,926,055
Improvements		29,311,308
Machinery and Equipment		2,204,006
Construction in Progress		12,823,028
Less: Accumulated Depreciation		(10,516,851)

Other Assets that are not available to pay for current-period expenditures and therefore are not reported in governmental funds. 1,019,140

Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the governmental funds. (12,816,642)

Interest Payable		(52,281)
Long-term Liabilities		(12,764,361)

Internal service funds (less depreciable capital assets, net listed above) that are used by management to charge the costs of certain activities to individual funds.

Total Assets		172,488
Less: Total Liabilities		(13,615)
		158,872

Net assets of governmental activities \$ 43,266,780

The notes to the financial statements are an integral part of this statement.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009

	General Fund	Street Reserve Fund	Facilities Fund	Non-Major Governmental Funds	Total
Revenues					
Taxes	\$ 6,178,975	\$ -	\$ -	\$ 578,778	\$ 6,757,754
Licenses and Permits	452,621	-	-	7,700	460,321
Intergovernmental	153,782	2,540,758	-	198,780	2,893,320
Charges for Services	1,087,549	-	-	523,900	1,611,449
Fines and Forfeitures	88,709	-	-	673	89,382
Interest and Other Earnings	91,696	6,340	30,394	28,372	156,803
Miscellaneous	38,986	-	1,750	103,260	143,996
Total Revenues	8,092,319	2,547,098	32,144	1,441,463	12,113,024
Expenditures					
Current:					
General Government	2,541,540	-	-	15,804	2,557,344
Security of Persons & Property	2,528,125	-	-	15,990	2,544,115
Utilities and Environment	461,287	-	-	13,363	474,649
Transportation	-	-	-	837,427	837,427
Economic Environment	845,073	-	-	-	845,073
Mental and Physical Health	14,213	-	-	-	14,213
Culture and Recreation	388,372	-	-	830,187	1,218,559
Debt Service:					
Principal	-	-	-	704,323	704,323
Interest & Fiscal Charges	-	-	-	430,172	430,172
Capital Outlay	-	3,008,520	4,516,912	263,501	7,788,933
Total Expenditures	6,778,610	3,008,520	4,516,912	3,110,767	17,414,810
<i>Excess of Revenues Over (Under) Expenditures</i>	<i>1,313,709</i>	<i>(461,422)</i>	<i>(4,484,768)</i>	<i>(1,669,304)</i>	<i>(5,301,785)</i>
Other Financing Sources (Uses)					
Transfers In	64,482	579,863	276,474	2,377,209	3,298,028
Transfers Out	(1,907,031)	-	-	(1,390,997)	(3,298,028)
Governmental Obligation Bond Proceeds	-	-	6,096,515	-	6,096,515
Issuance Discount on Long-Term Debt	-	-	(54,071)	-	(54,071)
Sale of Capital Assets	-	-	2,800,000	-	2,800,000
Total Other Financing Sources and Uses	(1,842,549)	579,863	9,118,919	986,212	8,842,445
<i>Net Change in Fund Balances</i>	<i>(528,841)</i>	<i>118,441</i>	<i>4,634,151</i>	<i>(683,092)</i>	<i>3,540,659</i>
<i>Fund Balances Beginning of Year</i>	<i>988,024</i>	<i>1,045,485</i>	<i>591,238</i>	<i>4,597,576</i>	<i>7,222,324</i>
<i>Prior Year Adjustment</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>(2,184)</i>	<i>(2,184)</i>
Fund Balances End of Year	\$ 459,184	\$ 1,163,926	\$ 5,225,390	\$ 3,912,300	\$ 10,760,800

The notes to the financial statements are an integral part of this statement.

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009**

Net change in Fund balance--total governmental funds	\$	3,540,659
<i>Amounts reported for Governmental activities in the statement of activities are different because:</i>		
Government funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expenditure.		
This is the amount of capital outlays		7,788,933
This is the amount of depreciation		(1,235,794)
This is the amount of Gain (Loss) on Capital Assets		(2,075,089)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the government funds.		
		127,295
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which repayments exceeded proceeds.		
		(5,338,122)
Developers construct and then contributed capital infrastructure assets to the City. These assets are reported on the statement of activities but not reported in the fund statements.		
		-
Some expenses reported in the statement of activities do not require the use of the governmental funds.		
		(165,723)
Internal service funds are used by management to charge the costs of certain activities, such as maintenance, public works administration and insurance to the individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.		
		<u>9,627</u>
Change in net assets of governmental activities	\$	<u>2,651,788</u>

The notes to the financial statements are an integral part of this statement.

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
Revenues				
Taxes	\$ 6,357,544	\$ 6,357,544	\$ 6,178,975	\$ (178,569)
Licenses and Permits	365,990	389,741	452,621	62,880
Intergovernmental	132,365	148,953	153,782	4,829
Charges for Services	893,334	892,466	1,087,549	195,083
Fines and Forfeitures	79,700	79,700	88,709	9,009
Interest and Other Earnings	303,001	288,000	91,696	(196,304)
Miscellaneous	98,169	30,172	38,986	8,814
Total Revenues	8,230,103	8,186,576	8,092,319	(94,258)
Expenditures				
Current:				
General Government	2,705,930	2,759,620	2,541,540	218,081
Security of Persons & Property	2,756,249	2,710,895	2,528,125	182,770
Utilities and Environment	663,401	521,840	461,287	60,553
Economic Environment	786,060	895,257	845,073	50,183
Mental and Physical Health	14,379	14,379	14,213	166
Culture and Recreation	441,730	445,078	388,372	56,706
Total Expenditures	7,367,748	7,347,069	6,778,610	568,459
Excess of Revenues Over Expenditures	862,355	839,507	1,313,709	474,202
Other Financing Sources (Uses)				
Transfers in	338,566	64,482	64,482	-
Transfers out	(1,750,918)	(1,869,368)	(1,907,031)	(37,663)
Sale of Capital Assets	-	-	-	-
Total Other Financing Sources (Uses)	(1,412,352)	(1,804,886)	(1,842,549)	(37,663)
Net Change in Fund Balance	(549,997)	(965,379)	(528,841)	436,538
Fund Balance Beginning of Year	550,000	965,380	988,024	22,644
<i>Prior Year Adjustment</i>			-	-
Fund Balance End of Year	\$ 3	\$ 1	\$ 459,184	\$ 459,183

The notes to the financial statements are an integral part of this statement.

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STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
DECEMBER 31, 2009

	Business-type Activities Enterprise Funds					Internal Service Funds
	Water	Sewer	Solid Waste	Storm Drain	Total	
Assets						
Current Assets:						
Cash and Cash Equivalents	\$ 126,390	\$ 168,507	\$ 47,418	\$ 57,651	\$ 399,966	\$ 21,121
Investments	3,018,640	3,195,293	1,449,965	1,668,785	9,332,682	315,004
Accounts Receivable	107,745	214,330	119,619	71,665	513,359	256
Due from other Governments	-	-	-	-	-	-
Inventories	26,623	6,249	-	-	32,872	1,045
Total Current Assets	3,279,398	3,584,379	1,617,002	1,798,100	10,278,879	337,427
Noncurrent Assets:						
Restricted cash, cash equivalents, and invests.:						
Custodial trust funds	-	-	-	-	-	-
Revenue bond covenant investment	108,242	383,768	-	-	492,011	-
Deferred Charges	4,611	16,349	-	-	20,960	-
Capital Assets:						
Land	319,700	277,676	124,678	214,179	936,233	6,590
Buildings and Structures	105,521	253,933	-	16,184	375,637	-
Other Improvements	14,097,688	23,058,569	-	10,080,842	47,237,100	32,424
Machinery and Equipment	497,596	759,085	884,346	309,093	2,450,121	65,218
Construction in Progress	614,999	895,509	13,038	289,124	1,812,670	43,582
Less: Accumulated Depreciation	(3,253,103)	(4,608,888)	(598,816)	(1,305,879)	(9,766,686)	(76,994)
Total Noncurrent Assets	12,495,254	21,036,002	423,247	9,603,543	43,558,045	70,819
Total Assets	\$ 15,774,651	\$ 24,620,381	\$ 2,040,249	\$ 11,401,643	\$ 53,836,924	\$ 408,245
Liabilities						
Current Liabilities						
Accounts payable	\$ 3,905	\$ 53,441	\$ 38,713	\$ 6,558	\$ 102,617	\$ 2,888
Accrued interest payable	17,906	68,178	-	-	86,084	-
Rev. bonds payable (net of deferred amt refunded)	51,598	182,940	-	-	234,538	-
Custodial	958	9,225	-	-	10,183	-
Deferred Revenue	2,643	-	-	-	2,643	-
Compensated Absences	1,339	2,339	388	2,179	6,244	-
Notes Payable	-	155,078	-	-	155,078	-
Due to Other Governmental Units	8,161	37,687	-	-	45,848	-
Total Current Liabilities	86,510	508,887	39,101	8,737	643,235	2,888
Noncurrent Liabilities:						
Rev. bonds payable (net of deferred amt refunded)	659,340	2,337,660	-	-	2,997,000	-
Compensated absences	12,049	21,047	3,493	19,608	56,197	71,831
Notes Payable	-	1,077,239	-	-	1,077,239	-
Due to Other Governmental Units	40,804	188,434	-	-	229,239	-
Total Noncurrent Liabilities	712,194	3,624,380	3,493	19,608	4,359,674	71,831
Total Liabilities	\$ 798,704	\$ 4,133,266	\$ 42,594	\$ 28,345	\$ 5,002,909	\$ 74,719
Net Assets						
Invested in capital assets, net of related debt	\$ 11,622,496	\$ 16,656,848	\$ 423,247	\$ 9,603,543	\$ 38,306,134	\$ 70,819
Restricted for debt service	108,242	383,768	-	-	492,011	-
Unrestricted	3,245,209	3,446,498	1,574,408	1,769,755	10,035,871	262,708
Total net assets	\$ 14,975,948	\$ 20,487,115	\$ 1,997,655	\$ 11,373,298	\$ 48,834,015	\$ 333,526

Internal service funds are used by management to charge the costs of certain activities to individual funds.

Total business-type Internal Service Fund assets	235,757
Less total business-type Internal Service Fund liabilities	(61,103)
Net assets of business-type activities	\$ 49,008,669

The notes to the financial statements are an integral part of this statement.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

PROPRIETARY FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2009

	Business-type Activities Enterprise Funds						Internal Service Funds
	Water	Sewer	Solid Waste	Storm Drain	Total		
Operating Revenues:							
Charges for Services	\$ 1,344,268	\$ 2,357,232	\$ 1,248,228	\$ 724,525	\$ 5,674,253	\$ 1,258,861	
Other Operating Revenues	92,369	30,215	14,683	7,498	144,764	-	
Total Operating Revenues	1,436,637	2,387,446	1,262,911	732,023	5,819,017	1,258,861	
Operating Expenses:							
Administrative and General	394,726	441,248	225,317	305,626	1,366,917	1,134,207	
Depreciation	314,611	330,519	22,590	292,187	959,907	1,621	
Maintenance	39,877	9,876	70,251	14,981	134,986	-	
Contracted Processing and Operations	-	557,995	398,407	-	956,402	-	
Customer Service	310	-	-	-	310	-	
Operating	323,571	245,365	283,261	268,621	1,120,817	114,365	
Total Operating Expenses	1,073,095	1,585,003	999,826	881,415	4,539,339	1,250,193	
Operating Income (Loss)	363,542	802,443	263,085	(149,392)	1,279,678	8,668	
Nonoperating Revenues (Expenses):							
Interest and Other Earnings	31,426	28,840	12,526	14,244	87,035	1,729	
Interest Expense	(31,818)	(116,346)	-	-	(148,164)	-	
State Grants	-	-	-	53,270	53,270	-	
Other Miscellaneous Revenues	-	-	-	-	-	-	
Amortization of Debt Issue Costs	(4,304)	(15,261)	-	-	(19,565)	-	
Gain (loss) on Disposition of Cap. Assets	-	847	-	-	847	-	
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-	
Total Nonoperating Revenue (Expenses)	(4,697)	(101,919)	12,526	67,514	(26,577)	1,729	
Income (loss) Before Contributions	358,845	700,524	275,610	(81,878)	1,253,101	10,396	
Capital Contributions	123,644	3,108,664	-	(51,525)	3,180,784	-	
Change in Net Assets	482,489	3,809,188	275,610	(133,403)	4,433,885	10,396	
Total Net Assets Beginning of Year	14,310,020	17,093,985	1,597,529	11,337,294		1,373,131	
Prior Year Adjustments	183,439	(416,059)	124,516	169,406		(1,050,001)	
Total Net Assets End of Year	\$ 14,975,948	\$ 20,487,115	\$ 1,997,655	\$ 11,373,298		\$ 333,526	

Some amounts reported for governmental activities in the statement of activities are different because the net revenue (expense) of certain internal services funds are reported with business-type activities.

Change in Net Assets of Business-type Activities

770
\$ 4,434,655

The notes to the financial statements are an integral part of this statement.

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

Page 1 of 2

	Business-type Activities Enterprise Funds					Internal Service Funds
	Water	Sewer	Solid Waste	Storm Drain	Total	
Cash Flows from Operating Activities						
Receipts from customers and users	\$ 1,424,034	\$ 2,345,574	\$ 1,267,879	\$ 736,714	\$ 5,774,202	\$ 1,260,034
Payments for interfund services provided	(203,294)	(188,710)	(137,993)	(187,743)	(717,739)	-
Payments to suppliers	(361,407)	(832,446)	(637,549)	(123,030)	(1,954,431)	(702,023)
Payments to employees	(199,927)	(211,649)	(228,898)	(277,891)	(918,365)	(539,847)
Net cash provided (used) by operating activities	659,407	1,112,770	263,439	148,051	2,183,667	18,164
Cash Flows From Noncapital Financing Activities						
Transfers in (out) to other funds	-	-	-	-	-	-
Net cash provided (used) by noncapital and related financing activities	-	-	-	-	-	-
Cash Flows from Capital and Related Financing Activities						
Proceeds from Capital Debt	-	-	-	-	-	-
Capital contributions	155,370	216,530	-	53,270	425,170	-
Purchase of capital assets	-	(35,406)	(284,857)	-	(320,263)	-
Acquisition and construction of capital ass	(443,093)	(20,818)	-	(182,468)	(646,380)	-
Principal paid on capital debt	(85,601)	(1,222,726)	-	-	(1,308,327)	-
Interest paid on capital debt	(31,819)	(114,653)	-	-	(146,472)	-
Proceeds from Disposition of capital asset:	-	847	-	-	847	-
Net cash provided (used) by capital and related financing activities	(405,144)	(1,176,226)	(284,857)	(129,197)	(1,995,424)	-
Cash Flows from Investing Activities						
Proceeds from sales and maturities of investments	1,733,649	10,165,706	1,983,813	640,223	14,523,392	50,000
Purchase of investment	(1,914,309)	(9,998,081)	(1,952,490)	(621,795)	(14,486,674)	(52,211)
Interest and dividends received	31,426	28,840	12,526	14,244	87,035	1,729
Net cash used by investing activities	(149,234)	196,466	43,849	32,672	123,753	(482)
Net increase in cash and cash equivalents	105,029	133,010	22,431	51,526	311,996	17,682
Cash and cash equivalents Beginning of Year	21,361	35,497	24,987	6,125	87,970	3,439
Cash and cash equivalents End of Year	\$ 126,390	\$ 168,507	\$ 47,418	\$ 57,651	\$ 399,966	\$ 21,121

Noncash financing, capital and investing activities:

In 2009, negative capital contributions were recorded in the water, sewer and storm drain funds resulting from a developer foreclosure that was deemed immaterial. As a result, capital contributions by private sources included (\$52,524.94) to the Storm Drain Fund, (\$31,700.35) to the Water Fund, and (\$66,964.50) to the sewer fund. The sewer fund capital contributions were offset by \$2,959,098.79 from other private sources.

The notes to the financial statements are an integral part of this statement.

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

Page 2 of 2

	Business-type Activities Enterprise Funds					Internal Service Funds
	Water	Sewer	Solid Waste	Storm Drain	Total	
Reconciliation of operating income to net cash provided (used) by operating activities:						
Operating Income (Loss)	\$ 363,542	\$ 802,443	\$ 263,085	\$ (149,392)	\$ 1,279,678	\$ 8,668
Adjustments to reconcile operating income to net cash provided (used) by operating activities						
Depreciation	314,483	330,240	22,590	291,973	959,285	1,621
(Increase)decrease due to prior period adjustments	871	15,855			16,726	
(Increase) decrease in accounts receivable	(12,122)	(42,244)	4,968	6,364	(43,034)	1,173
(Increase) decrease in inventories	(3,017)	550	-	-	(2,467)	147
Increase (decrease) in accounts payable	(4,341)	4,124	3,158	(4,406)	(1,465)	(3,310)
Increase (decrease) in Custodial Funds	(480)	372	-	-	(108)	-
Increase (decrease) in compensated absences payable	472	1,430	(30,362)	3,512	(24,947)	9,865
Total Adjustments	295,865	310,327	355	297,443	903,989	9,496
Net Cash Provided By Operating Activities	\$ 659,407	\$ 1,112,770	\$ 263,439	\$ 148,051	\$ 2,183,667	\$ 18,164

The notes to the financial statements are an integral part of this statement.

STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUND
DECEMBER 31, 2009

	Agency Fund
Assets	
Cash and cash equivalents	\$ 74,649
Investments	40,383
Total Assets	115,032
Liabilities	
Retainage Payable	46,669
Custodial funds	68,363
Total Liabilities	115,032
Net Assets	\$ -

The notes to the financial statements are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Poulsbo have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described below.

A. REPORTING ENTITY

The City of Poulsbo, located in Kitsap County, Washington, was incorporated in 1908. It operates under the laws of the State of Washington applicable to code cities with a Mayor-Council form of government. A full-time mayor and seven council members, all elected at large for four-year terms, administer the City. The City provides what are considered general government services including public safety, streets, parks, planning and zoning, permits and inspection, general administrative, water, sanitary sewer collection, solid waste collection and storm drainage services.

The City's Comprehensive Annual Financial Report (CAFR) includes all funds, agencies and boards controlled by, or dependent on, the City. Control by or dependence on the City was determined on the basis of financial accountability, budget adoption, taxing authority, outstanding debt service secured by revenues or general obligations of the City, obligations of the City to finance any deficits that may occur, or receipt of significant subsidies from the City.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The City's basic financial statements include government-wide statements and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements

The *Statement of Net Assets* and the *Statement of Activities* report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The *Statement of Activities* presents changes in the government-wide net assets by function or program. It focuses on expenses rather than expenditures and shows to what extent direct program revenues offset expenses for a given function. Our policy is to allocate indirect costs to a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from a program; and 2) grants and contributions that are restricted for the purpose of operational or capital use for a particular program. Taxes and other items such as investment interest, not restricted for specific programs, are reported on the statement as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each function is self-financing, or draws from the general revenues of the City.

General revenues on the *Statement of Activities* include transfers between governmental and business type activities. As stated in Note 1. D. 3 (Interfund Transactions), the utility tax paid on the City's internal utilities (Water, Sewer, Solid Waste, and Storm Drain) is recorded as an expenditure in the business type funds and as a revenue in

the governmental funds (General Fund). On the *Statement of Activities* this transaction is presented as a transfer between business-type and governmental activities.

The *Statement of Net Assets* presents the financial condition of the City's governmental and business-type activities of the year-end. It reports all financial and capital assets including infrastructure and all liabilities, including current and long-term.

Fund Financial Statements

During the year, the City segregates transactions related to certain City functions or activities into separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level and include statements for governmental, proprietary, and fiduciary funds, even though the fiduciary funds are excluded from the government-wide statements. In the basic financial statements, the governmental and enterprise fund financial statements focus on major funds. Major individual government funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. Basis relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Agency funds only report assets and liabilities. Agency funds do not have a measurement focus; however, the agency funds do use the accrual basis of accounting to recognize receivables and payables.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses, and interest associated within the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Street Reserve Fund* was established to make improvements to the transportation system. Funding is from State and Federal grants and operating transfers.

The *Facilities Fund* was created to fund capital improvements to the City facilities.

The City reports the following major proprietary funds:

The *Water Fund* accounts for providing water services. Its revenues are mostly received from service charges and system connection charges. Expenses are for maintenance and operations of a water supply, storage and distribution system. This fund also reflects the operation of revenue bonds outstanding, the funds available for redemption of bonds, cumulative reserve and construction funds.

The *Sewer Fund* accounts for providing sewer services. Its revenues are mostly received from service charges and system connection charges. Expenses are for maintenance and extensions of drainage, sewer service facilities, maintaining sewer collection and transmission systems. This fund also reflects the operation of revenue bonds outstanding, the funds available for redemption of bonds, cumulative reserve and construction funds.

The *Solid Waste Fund* accounts for operations of the collection and transportation of solid waste. Its revenues are received from service charges. Expenses are made up of the cost of collection and disposal of solid waste.

The *Storm Drain Fund* accounts for the operation, construction, and maintenance of the storm water management system.

Additionally, the City reports the following fund types:

Special Revenue Funds account for the proceeds of specific revenue sources to finance specific activities as required by law or administration regulation. Their revenues are earmarked to finance certain activities or functions.

Debt Service Funds account for resources accumulated and payment made for principal and interest on the general government except those required to be accounted for in another fund.

Capital Project Funds account for the acquisition or development of capital facilities for governmental activities. The major sources of revenue are from proceeds from general obligation bonds, grants, and contributions from other funds.

Internal Service Funds account for the financing of goods and services provided by one City department or agency to another City department or agency on a cost reimbursement basis. The City has three *Internal Service Funds*:

The *General Facilities' Fund* is used to account for the costs of maintaining all City vehicles and construction equipment used by other City departments on a cost reimbursement basis. The General Facilities Fund is governmental in nature and on the government-wide statements is reported under governmental.

The *Public Works Administration Fund* accounts for the administration support to the City's Streets, Water/Sewer, Solid Waste, Storm Drain, and General Facilities Funds. The Public Works Administration Fund is business type in nature and on the government-wide statements is reported under business type.

The *Medical Reimbursement Fund* was used to fund the City's self-insured portion of the employee's medical deductible until the City changed insurance carriers in 2009. The Medical Reimbursement Fund is governmental in nature and on the government-wide statements is reported under governmental.

Agency funds are custodial in nature and are used to account for state fees collected, unclaimed property, and funds held in trust for others. These assets being held are all for the benefit of a third party and cannot be used for the City obligations. All assets reported in agency funds are offset by a liability to another party on whose behalf they are being held. Agency funds do not report results of operations.

Permanent Funds account for resources that are legally restricted to the extent that only the earnings, and not the principal, may be used for specific purposes that support the City's programs and benefit the City and its citizens. The City has one *Permanent fund*, the Bernice Borgen Beautification Fund. The fund accounts for a trust established from Ms. Borgen's estate of an original donation of \$90,002 in 2000 and an additional contribution of \$1,014 in 2002. Only the interest earned on this donation can be used for beautification of the City. The City Council has the authority to determine what these expenditures will be. As of year-end, interest available for expenditure is \$31,664.22. This amount also represents the designated unrealized investment earnings.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private sector guidance for the business-type activities and enterprise funds, subject to the same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements so that expenses are not reported twice. Business type activities receive services from governmental-type activities. In 2009, \$307,229 in expenses and the associated revenues has been eliminated from the governmental activities. The expenditures for these services are reflected in the business-type expenses.

Amounts reported as program revenues include 1) charges to customers, 2) operating grants and contributions, and 3) Capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than program revenues. General revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a

proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are the charges for goods and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed.

D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

1. Cash and Investments

The City's cash and equivalents are considered to be currency on hand, demand deposits with banks and short-term investments with maturity dates of three months or less. Investments are obligations of the U.S. Government, U.S. agency issues, obligations of the state of Washington, general obligations of Washington State municipalities (the State Treasurer's Local Government Investment Pool (LGIP)), or certificates of deposit with Washington State Banks and savings and loan institutions. It is the City's policy to invest all temporary cash surpluses. Interest on these investments is allocated to each fund on the basis of investments owned. These investments are reported on the Statement of Net Assets and Combining Balance Sheets as cash and cash equivalents or investments.

All investments are stated at fair value as of December 31, 2009.

2. Receivables

The City of Poulsbo recognizes receivables in its various funds using the accounting basis required for that fund. These receivables are as follows:

Property Taxes

The City's annual property tax levy is billed and collected by Kitsap County. Taxes collected by the County, but not remitted to the City by year-end, are reported as receivables. Taxes are levied and become a lien on the first day of the calendar year. When property taxes become three years delinquent, the County is required by State statute to foreclose on the property.

Accounts Receivable

Customer Accounts Receivable consist of amounts owed by private individuals or organizations for goods and services provided. Uncollectable amounts are considered immaterial and the direct write-off method is used.

Special Assessments

Special assessments are recorded when levied. Special assessments receivable consist of current and delinquent assessments and related interest and penalties. Deferred assessments consist of unbilled special assessments that are liens against the property benefited.

3. Interfund Transactions

During the course of normal operations, the City has numerous transactions between City funds. Interfund transactions such as buying goods and services are recorded as revenues and expenditures. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. Transfers between funds are included as "other financing sources or uses." Interfund

loans, when applicable, are recorded as receivables in the lending fund and payables in the borrowing fund. The City had no interfund loans in 2009.

The City levies a 6% utility tax on the revenues of its own enterprise funds (Water/Sewer, Solid Waste, and Storm Drain). On the fund statements, these taxes are recorded as an expense in enterprise funds, and as revenue in the General Fund.

Other interfund transfers at December 31, 2009 were as follows:

Transfers In:	Transfers Out:				Total
	General Fund	Street Reserve	Facilities Fund	Non-Major Gov'l	
General Fund	\$ -	\$ -	\$ -	\$ 64,482	\$ 64,482
Street Reserve Fund	280,932	-	-	298,931	579,863
Facilities Fund	76,474	-	-	200,000	276,474
Non-Major Gov'l Funds	1,549,625	-	-	827,584	2,377,210
Total Transfers	\$ 1,907,031	\$ -	\$ -	\$ 1,390,997	\$ 3,298,029

4. Amounts Due to and from Other Governmental Units

These receivables reflect measurable and available intergovernmental charges for services rendered by, or to, the City for, or by, another government unit.

5. Inventories

Inventories are defined as assets which may be held for internal consumption or for resale. On the government-wide financial statements, inventories are presented at cost on a first-in, first-out basis and are recorded as expenditures when consumed rather than when purchased. On the fund financial statements, the City uses the following policies in valuing and recording inventory items that are used:

- a. Inventories are valued at cost using the average cost method. The costs of inventories in the governmental fund types are recorded as expenditures when consumed rather than when purchased.
- b. In proprietary funds, a perpetual inventory is maintained in which the cost is capitalized when inventory items are purchased, and expensed when the item is consumed. The average cost method of valuation which approximates market is used to value the inventory. A physical inventory is taken at year-end.

6. Deferred Charges

Deferred charges in the Water/Sewer Fund consist of unamortized debt issuance costs.

7. Restricted Assets

Restricted Assets include resources reserved for revenue bond debt and other monies in enterprise funds that are reserved for construction, and system and equipment reserves.

8. Capital Assets

The City defines a capital asset as assets with an initial, individual cost of \$5,000 or greater and an estimated life in excess of three years. Capital assets include property, equipment, and infrastructure (i.e. roads, bridges, sidewalks, and similar items).

In the fund financial statements, these assets are accounted for and reported based on the measurement focus of the fund. In other words, in the governmental funds, acquired capital assets are accounted for as expenditures when

the asset is purchased. In the proprietary funds, the expense is capitalized and the current year's depreciation is reported as the expense.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated assets are valued at estimated fair market value at time of acquisition. Where historical cost is not known, assets are recorded at estimated historical costs. The City maintains a capitalization threshold of \$5,000. The City's infrastructure consists of roads, bridges, storm sewers, and water and sewer distribution and collection systems. Improvements are capitalized but the costs of normal maintenance and repairs, not adding to the value of the asset or materially extending an asset's life, are not.

Property, plant, and equipment of the primary government are depreciated using the straight-line method and reported in the government-wide statements and proprietary funds using the following estimate useful lives:

	<u>Estimated Useful Life in Years</u>
Buildings and Improvements	10-100
Equipment	3-25
Roads-collectors and residential	30
Water and Sewer distribution and collection systems	40

9. Compensated Absences

It is the City's policy to permit employees to accumulate earned, but unused, vacation leave up to a maximum of 240 hours. Vacation pay is payable to the maximum upon resignation, retirement, or the death of an employee. Compensatory time is accruable to a maximum of 80 hours.

Sick leave accumulation is unlimited, but is only payable upon resignation, retirement or the death of an employee for 50% up to a maximum balance of 1,200 hours.

In accordance with GASB Statement No. 16, the City accrues vacation pay and no liability is recorded for non-vesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of the accumulating sick leave benefits that it is estimated will be taken as termination leave prior to resignation. This provides for the termination pay for eligible employees vacation and 50% percent of their sick leave to a maximum of 1,200 hours accrued.

The City's General Facilities internal service fund predominantly serves the governmental funds and, therefore, their compensated absences liability is included with the governmental activities above. The entire compensated absence liability is reported on the government-wide financial statements. In the proprietary funds, the entire amount of compensated absences is reported as a fund liability.

In prior years, the General Fund, City Street Fund, and Recreation Activity Fund have typically been used to liquidate these liabilities.

10. Custodial Accounts

These accounts reflect the liability for net monetary assets being held by the City in its trustee or agency capacity.

11. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. Also, all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities, those once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. When due, bonds, capital leases and long-term loans are recognized as a liability on the governmental fund financial statements.

12. Deferred Revenues

Deferred revenues consist of amounts recognized as receivables but not revenues in governmental funds because the revenue recognition criteria have not been met.

13. Fund Reserves and Designations

The City has established various reserve funds. The purpose of these funds is to build reserves for purposes such as equipment replacement, revenue stabilization, and other capital outlays (structures and improvements, etc.). Designations of fund balance in the fund financial statements represent tentative management plans that are subject to change. The City reserves those portions of fund balance which are legally segregated for a specific use. An example would be the reserved fund balance for city beautification from the permanent fund, "Bernice Borgen Beautification Fund."

14. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

The City adopts an annual appropriated budget for all funds except the agency and permanent fund. Throughout the year, Council can amend the original adopted budget by ordinance. The financial statements include budgetary comparisons for general, special revenue, capital projects and debt service fund types. Budget amounts presented are reported according to GAAP and show the final budget with all approved budget amendments included. The calendar below outlines the process for preparing, reviewing and adopting the annual budget:

MAY – JULY

- Capital Improvement team begins process to update Capital Improvement Plan (CIP)

JULY – AUGUST

- Council meets to review and set budgetary policies
- Budgetary packets with instruction and initial allocations provided
- Revenues are reviewed and forecasted
- Departments meet with Council committees to finalize recommended budget proposals
- Department budget proposals submitted to Finance Department

SEPTEMBER – DECEMBER

- Budget submission reviewed with Mayor
- Mayor's proposed preliminary budget prepared and distributed to Council

- Public Hearings held
- CIP presented to Council
- Additional funding & New Program requests reviewed
- Property tax levy set
- Department budgets presented to full Council for review and discussion
- Preliminary budget with all changed prepared and distributed

DECEMBER

- Final review and adoption of budget

The final budget, as adopted, is published within the first three months of the new budget year and distributed to various governmental agencies as well as to the local library to be available to the citizens and all interested members of the public.

Annual appropriated budgets are adopted at the level of the fund and the budgets constitute the legal authority for expenditures at that level. Subsidiary revenue and expenditure records are used to compare the budgeted amounts with actual revenues and expenditures. As a management control device, the subsidiary ledgers monitor expenditures for individual functions and activities by object class. Transfers or revisions within funds are allowed with executive approval. Legislative authority must approve supplemental or additional appropriations. Annual appropriations for all funds lapse at year-end.

B. BUDGETARY COMPLIANCE

In 2009, there were no City funds that reported actual expenditures above budgeted appropriations. Though specific line items may be exceeded, no fund's appropriations can be legally exceeded. It should be noted, however, that the "Statement of Revenues, Expenditures and Changes in Fund Balances" including the comparisons of "Budget and Actual," could be misinterpreted due to its format and, by so doing, lead one to believe that budgeted expenditures have been exceeded. The City budgets not only expenditures but also "Other Financing Uses" and "Beginning Fund Balances" so as to maintain a budget balance between receipts and disbursements. By increasing expenditure appropriations by the budget values for these items, it can be seen that no City fund has exceeded its legally established appropriation. All budgets lapse at year-end.

Encumbrance accounting is used in all city funds for budgetary control only. Encumbrances (e.g., purchase orders) lapse at year end and, if necessary, are re-appropriated in the following year.

C. DEFICIT FUND EQUITY

The City had no funds with deficit fund equity.

NOTE 3: DEPOSITS AND INVESTMENTS

The City's deposits and certificates of deposit are covered by the Federal Depository Insurance Corporation (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the State of Washington Public Deposit Protection Commission (WPDPC) Act of 1969. The FDIC insured the City's Deposits up to \$100,000; the WPDPC covers amounts over \$100,000.

All surplus cash is invested in accordance with an investment policy approved by Poulsbo City Council. The investment policy has been certified by the Municipal Treasurer's Association and is in compliance with state law. Qualifying investments include obligations of the United States government, Treasury and Agency securities, bankers' acceptances, certificates of deposit and repurchase agreements.

As of December 31, 2009, the City held the following deposits and investments:

Investment Type	Fair Value	Modified Duration	% of Portfolio
Cash			
FDIC or PDPC insured bank deposits	\$ 1,247,863		
Cash on hand	4,925		
Total Cash	1,252,788		
Investments			
US agency securities			
US Treasury Bills, Notes & Bonds	3,004,690	0.91	15%
Federal Farm Credit Banks	2,004,060	1.32	10%
Federal Home Loan Bank	3,040,320	0.98	15%
Federal Home Loan Mortgage Corporation	3,006,720		15%
Federal National Mortgage Association	-	1.84	0%
Certificates of deposits	-	0.83	0%
Washington State Local Government Inv. Pool	9,191,300	0.000	45%
Total Investments	20,247,090	0.980	100%
Total Cash, Cash Equivalents, Investments	\$ 21,499,878		

Interest Rate Risk: In accordance with its investment policy, the City manages its exposure to fair value losses by attempting to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the City will not directly invest in securities maturing more than five (5) years from the date of purchase.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. All agency securities in our portfolio are rated AAA and the Certificates of Deposit are covered by the PDPCA. The Washington State Local Government Investment Pool operated in a manner consistent with the SEC's 2a-7 of the investment Act of 1940, is unrated.

Concentration of credit risk: In accordance with its investment policy, the City will diversify its investments by security type and institution. With the exception of U.S. Treasury securities and authorized pools, no more than twenty-five percent of the City's total investment portfolios will be invested in a single security type or with a single financial institution.

The City will diversify its investments by security type and institution and maturity in accordance with the maximum allowed showed in the table below.

Maximum Allowed Diversification by security type:

U.S. Treasury bills, notes & bonds	100%
U.S. Government Sponsored Enterprises	100%
FNMA	50%
FHLMC	50%
FHLB	50%
FFCB	50%
Other GSEs	10%
Certificates of Deposit & Public Deposits	20%
Bankers Acceptance	10%
WA State LGIP	100%
WA State and Local Bonds	10%
Repurchase Agreement	10%
Other Legal Investments	10%

NOTE 4: PROPERTY TAXES

The City may levy up to \$3.60 per \$1,000 of assessed valuation for general governmental services, however, that amount is reduced by the Kitsap County Library and Kitsap County Fire District 18 annexations. The Library District may levy up to a maximum of \$.50 and Fire District 18 may levy up to a maximum of \$1.50 per \$1,000 of assessed valuation.

This amount may also be reduced subject to the following limitations:

- Washington State RCW 84.55.010 limits the growth of regular property taxes to six percent per year, after adjustments for new construction. If the assessed valuation increases by more than six percent, due to revaluation, the levy rate will be decreased. Since the City of Poulsbo is a taxing district under 10,000 populations, it is able to continue to raise their levy by an amount up to six percent with a simple majority vote and no requirement of a finding of "substantial need" as included in Referendum 47 for larger jurisdictions.
- The Washington State Constitution limits the total regular property taxes to one percent of assessed valuation, or \$10 per \$1,000 of value. If the taxes of all districts exceed this amount, each is proportionately reduced until the total is at or below the one percent limit.
- Washington State Voter Initiation 747, which passed in November 2001, limits property taxes for taxing jurisdictions under 10,000 in population to 1% over the previous year's levy.

For 2009, the City's levy for general governmental services was \$1.434342 per \$1,000 on the assessed valuation of \$1,378,218,255 for a total of \$1,976,950.

The Kitsap County Treasurer acts as agent to collect property taxes levied in the county for all taxing authorities. Collections are distributed after the end of each month.

Property Tax Calendar

Jan 1	Taxes are levied and become an enforceable lien against properties
Feb 14	Tax statements are mailed
April 30	First of two equal installment payments is due
May 31	Assessed value of property is established at 100% of market value for next year's levy
Oct 31	Second installment is due

During the year, property tax revenues are recognized when cash is collected. At year-end, property tax revenues are recognized for collections to be distributed by the County Treasurer in January. No allowance for uncollectible taxes is established because delinquent taxes are considered fully collectible.

All property taxes are received into the General Fund with the exception of the taxes, associated with construction of the Fire Station, which are received in the Voted General Obligation Debt Fund. Transfers are made to the other governmental funds to support various City services.

NOTE 5: CAPITAL ASSETS

All reported capital assets of the City are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement.

Capital asset activity for the primary government for the year ended December 31, 2009, was as follows:

	BEGINNING			
	BALANCE	INCREASES	DECREASES	ENDING BALANCE
Governmental-Type Activities				
Capital assets, not being depreciated:				
Land	\$ 5,994,703	\$ 402,361	\$ -	\$ 6,397,064
Construction Work in Progress	9,084,322	7,623,312	(3,884,607)	12,823,028
Total capital assets not being depreciated	15,079,025	8,025,673	(3,884,607)	19,220,092
Capital assets, being depreciated:				
Buildings	3,875,678	50,378	-	3,926,055
Other Improvements	3,826,406	1,306,138	(299,759)	4,832,784
Machinery and Equipment	1,951,877	455,152	(203,024)	2,204,006
Infrastructure	24,096,252	382,271	-	24,478,524
Total capital assets being depreciated	33,750,213	2,193,939	(502,783)	35,441,369
Less accumulated depreciation for:				
Buildings	(2,126,898)	(108,116)	-	(2,235,014)
Other Improvements	(701,439)	(215,079)	129,266	(787,252)
Machinery and Equipment	(1,397,939)	(165,578)	43,360	(1,520,157)
Infrastructure	(5,230,654)	(747,021)	3,247	(5,974,427)
Total accumulated depreciation	(9,456,930)	(1,235,794)	175,873	(10,516,851)
Total capital assets, being depreciated, net	24,293,283	958,145	(326,909)	24,924,518
Governmental activity capital assets, net	\$ 39,372,308	\$ 8,983,818	\$(4,211,516)	44,144,610

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
Business-Type Activities				
Capital assets, not being depreciated:				
Land	\$ 288,593	\$ 654,230	\$ -	\$ 942,823
Construction Work in Progress	3,786,786	668,320	(2,598,839)	1,856,267
Total capital assets not being depreciated	4,075,379	1,322,550	(2,598,839)	2,799,090
Capital assets, being depreciated:				
Buildings	335,398	40,239	-	375,637
Other Improvements	41,447,402	5,972,311	(150,190)	47,269,523
Machinery and Equipment	2,259,192	324,290	(68,144)	2,515,338
Total capital assets being depreciated	44,041,993	6,336,840	(218,334)	50,160,499
Less accumulated depreciation for:				
Buildings	(233,413)	(5,954)	-	(239,367)
Other Improvements	(7,188,913)	(835,001)	622	(8,023,292)
Machinery and Equipment	(1,528,591)	(120,573)	68,144	(1,581,020)
Total accumulated depreciation	(8,950,917)	(961,528)	68,766	(9,843,680)
Total capital assets, being depreciated, net	35,091,075	5,375,312	(149,568)	40,316,819
Business-type activity capital assets, net	\$ 39,166,455	\$ 6,697,862	\$(2,748,407)	43,115,909

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General Government	\$ 59,166
Security of Persons and Property	93,726
Utilities and Environment	20,445
Transportation	773,266
Economic Environment	2,949
Culture and Recreation	286,241
Total depreciation expense - governmental activities	\$ 1,235,794

Depreciation expense was charged Business-Type Activities of the primary government as follows:

Business-type activities:

Water	\$ 314,611
Sewer	330,519
Solid Waste	22,590
Storm Drain	292,187
Public Works Administration	1,621
Total depreciation expense - business-type activities	\$ 961,528

NOTE 6: EMPLOYEE RETIREMENT AND PENSION PLANS

Substantially, all of the City of Poulsbo's full-time and qualifying part-time employees participate in one of the State's retirement systems described below. The cost-sharing multiple-employer defined benefit public employee retirement plans are administered by the Washington State Department of Retirement Systems (DRS). DRS, a department within the primary government of the State of Washington, issues a publicly available CAFR that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained from the Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380. The following disclosures are made pursuant to GASB Statement 27, *Accounting for Pensions by State and Local Government Employer* and No. 50, *Pension Disclosures, an Amendment of GASB Statements No. 25 and No. 27*.

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS) PLANS 1, 2, and 3**Plan Descriptions:**

PERS is a cost-sharing multiple-employer retirement system comprised of three separate plans for membership purposes: Plan 1 and 2 are defined benefit plans and Plan 3 is a combination defined benefit/defined contribution plan.

Membership in the plan includes elected officials; state employees; employees of the Supreme, Appeals and Superior courts (other than judges in a judicial retirement system); employees of legislative committees; community and technical colleges, college and university employees (not in national higher education retirement programs); judges of district and municipal courts; and employees of local governments.

PERS participants who joined the system by September 30, 1977, are Plan 1 members. Those who joined on or after October 1, 1977 and by either, February 28, 2002 for state and higher education employees, or August 31, 2002 for local government employees, are Plan 2 members unless they exercise an option to transfer their membership to Plan 3. PERS participants joining the system on or after March 1, 2002 for state and higher education employees, or September 1, 2002 for local government employees have the option of choosing membership in either PERS Plan 2 or PERS Plan 3. The option must be exercised within 90 days of employment. An employee is reported in Plan 2 until a choice is made. Employees who fail to choose within 90 days default to PERS Plan 3. Notwithstanding, PERS Plan 2 and Plan 3 members may opt out of plan membership if terminally ill, with less than five years to live.

PERS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions. PERS retirement benefit provisions are established in state statute and may be amended only by the State Legislature.

Plan 1 retirement benefits are vested after an employee completes five years of eligible service. Plan members are eligible for retirement at any age after 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service. The annual pension is 2 percent of the average final compensation per year of service, capped at 60 percent. The average final compensation is based on the greatest compensation during any 24 eligible consecutive compensation months. If qualified, after reaching the age of 66 a cost-of-living allowance is granted based on years of service credit and is capped at 3 percent annually.

Plan 2 retirement benefits are vested after an employee completes five years of eligible service. Plan 2 members may retire at the age of 65 with five years of service, or at the age of 55 with 20 years of service, with an allowance of 2 percent of the average final compensation per year of service. The average final compensation is based on the greatest compensation during any eligible consecutive 60-month period. Plan 2 retirements prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a 3 percent per year reduction applies; otherwise an actuarial reduction will apply. There is no cap on years of service credit; and a cost-of-living allowance is granted (indexed to the Seattle Consumer Price Index), capped at 3 percent annually.

Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. The defined benefit portion provides a benefit calculated at 1 percent of the average final compensation per year of service. The average final compensation is based on the greatest compensation during any eligible consecutive 60-month period. Plan 3 members become eligible for retirement if they have: at least ten years of service; or five years including twelve months that were earned after age 54; or five service credit years earned in PERS Plan 2 prior to June 1, 2003. Plan 3 retirements prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a 3 percent per year reduction applies; otherwise an actuarial reduction will apply. There is no cap on years of service credit; and Plan 3 provides the same cost-of-living allowance as Plan 2.

The defined contribution portion can be distributed in accordance with an option selected by the member, either as a lump sum or pursuant to other options authorized by the Employee Retirement Benefits Board.

Judicial Benefit Multiplier

Beginning January 1, 2007 through December 31, 2007, judicial members of PERS may choose to participate in the Judicial Benefit Multiplier Program (JBM). Current justices or judges in PERS Plan 1 and 2 may make a one-time irrevocable election to pay increased contributions that would fund a retirement benefit with a 3.5 percent multiplier. The benefit would be capped at 75 percent of average financial compensation. Judges in PERS Plan 3 can elect a 1.6 percent of pay per year of service benefit, capped at 37.5 percent of average compensation.

Members who choose to participate in JBM will accrue service credit at the higher multiplier beginning with the date of their election, pay higher contributions, stop contributing to the Judicial Retirement Account (JRA), and be given the option to increase the multiplier on past judicial service. Members who do not choose to participate will: continue to accrue service credit at the regular multiplier; continue to participate in JRA, if applicable; never be a participant in the JBM Program; and continue to pay contributions at the regular PERS rate.

Newly elected or appointed justices and judges who chose to become PERS members on or after January 1, 2007, or who had not previously opted into PERS membership, were required to participate in the JBM Program. Members required into the JBM program would: return to prior PERS Plan if membership had previously been established; be mandated into Plan 2 and not have a Plan 3 transfer choice, if a new PERS member; accrue the higher multiplier for all judicial service; not contribute to JRA; and not have the option to increase the multiplier for past judicial service.

There are 1,192 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2008:

Retirees and Beneficiaries Receiving Benefits	\$ 73,122
Terminated Plan Members Entitled To But Not Yet Receiving Benefits	27,267
Active Plan Members Vested	105,212
Active Plan Members Non-vested	56,456
Total	<u>\$ 262,057</u>

Funding Policy

Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates, Plan 2 employer and employee contribution rates, and Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at six percent for state agencies and local government unit employees, and at 7.5 percent for state government elected officials. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. All employers are required to contribute at the level established by the Legislature. Under PERS Plan 3, employer contributions finance the defined benefit portion of the plan, and member contributions

finance the defined contribution portion. The Employee Retirement Benefits Board sets Plan 3 employee contribution rates. Six rate options are available ranging from 5 to 15 percent; two of the options are graduated rates dependent on the employee's age. As a result of the implementation of the Judicial Benefit Multiplier Program in January 2007, a second tier of employer and employee rates was developed to fund, along with investment earnings, the increased retirement benefits of those justices and judges that participate in the program. The methods used to determine the contribution requirements are established under state statute in accordance with chapters 41.40 and 41.45 RCW.

The required contribution rates expressed as a percentage of current-year covered payrolls, as of December 31, 2009, are as follows:

Members not participating in JBM

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer*	5.31%**	5.31%**	5.31%***
Employee	6.00%****	3.90%****	*****

- *The employer rates include the employer administrative expense fee currently set at 0.16%.
- **The employer rate for state elected officials is 9.12% for Plan 1 and 6.13% for Plan 2 and Plan 3
- ***Plan 3 defined benefit portion only.
- ****The employee rate for state elected officials is 7.5% for Plan 1 and 4.15% for Plan 2.
- *****Variable from 5.0% minimum to 15.0% maximum based on rate selected by the PERS 3 member.

Members participating in JBM

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer-State Agency*	7.81%	7.81%	7.81%**
Employer-Local Govt.*	5.31%	5.31%	5.31%**
Employee-State Agency	9.76%	7.25%	7.50%***
Employee- Local Govt.	12.26%	9.75%	7.50%***

- *The employer rates include the employer administrative expense fee currently set at 0.16%.
- **Plan 3 defined benefit portion only.
- ***Minimum rate.

Both the City of Poulsbo and its employees made the required contributions. The City of Poulsbo's required contributions for the years ending December 31, 2009 were as follows:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
2009	\$ -	\$ 217,322	\$ 58,400
2008	\$ 2,822	\$ 225,571	\$ 52,616
2007	\$ 9,256	\$ 172,911	\$ 34,900

B. LAW ENFORCEMENT OFFICERS AND FIRE FIGHTERS RETIREMENT SYSTEM (LEOFF)

Plan Descriptions:

LEOFF is a cost-sharing multiple-employer retirement system comprised of two separate defined benefit plans. Membership in the system includes all full-time, fully compensated, local law enforcement officers and firefighters. LEOFF is comprised primarily of non-state employees. LEOFF participants who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 are Plan 2 members. LEOFF membership is comprised primarily of non-state employees, with the Department of Fish and Wildlife enforcement officers, who were first included prospectively effective July 27, 2003 being an exception. In addition, effective July 24, 2005, current members of PERS who are emergency medical technicians can elect to become members of LEOFF Plan 2.

Effective July 1, 2003, the LEOFF Plan 2 Retirement Board was established to provide governance of LEOFF Plan 2. The Board’s duties include adopting contribution rates and recommending policy changes to the Legislature for the LEOFF Plan 2 retirement plan.

LEOFF defined benefits are financed from a combination of investment earnings, employer and employee contributions, and a special funding situation in which the state pays the remainder through state legislative appropriations. LEOFF retirement benefit provisions are established in state statute and may be amended by the State Legislature.

LEOFF Plan 1 retirement benefits are vested after an employee completes five years of eligible service. Plan 1 members are eligible for retirement with five years of service at the age of 50. The benefit per year of service calculated as a percent of final average salary is as follows:

Term of Service	Percent of Final Average
20 or more years	2.00%
10 but less than 20 years	1.50%
5 but less than 10 years	1.00%

The final average salary is the basic monthly salary received at the time of retirement, provided a member has held the same position or rank for 12 months preceding the date of retirement. Otherwise, it is the average of the highest consecutive 24 months’ salary within the last 10 years of service. If membership was established in LEOFF after February 18, 1974, the service retirement benefit is capped at 60 percent of final average salary. A cost-of-living allowance is granted (indexed to the Seattle Consumer Price Index).

LEOFF Plan 2 retirement benefits are vested after an employee completes five years of eligible service. Plan 2 members may retire at the age of 50 with 20 years of service, or at the age of 53 with five years of service, with an allowance of 2 percent of the final average salary per year of service. The final average salary is based on the highest consecutive 60 months. Plan 2 retirements prior to the age of 53 are reduced 3 percent for each year that the benefit

commences prior to age 53. There is no cap on years of service credit; and a cost-of-living allowance is granted (indexed to the Seattle Consumer Price Index), capped at 3 percent annually.

There are 375 participating employers in LEOFF. Membership in LEOFF consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2008:

Retirees and Beneficiaries Receiving Benefits	\$ 9,268
Terminated Plan Members Entitled To But Not Yet Receiving Benefits	650
Active Plan Members Vested	13,120
Active Plan Members Non-vested	3,927
Total	<u>\$ 26,965</u>

Funding Policy:

Starting on July 1, 2000, Plan 1 employers and employees will contribute zero percent as long as the plan remains fully funded. Employer and employee contribution rates are developed by the Office of the State Actuary to fully fund the plan. Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board. All employers are required to contribute at the level required by state law. The Legislature, by means of a special funding arrangement, appropriated money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the requirements of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. However, this special funding situation is not mandated by the state constitution and this funding requirement could be returned to the employers by a change of statute.

The required contribution rates expressed as a percentage of current-year covered payrolls, as of December 31, 2009 were as follows:

	LEOFF Plan 1	LEOFF Plan 2
Employer*	0.16%	5.24%**
Employee	0.00%	8.46%
State	n/a	3.38%

*The employer rates include the employer administrative expense free currently set at 0.16%

** the employer rate for ports and universities is 8.80%

Both the City of Poulsbo and the employees made the required contributions. The City of Poulsbo's required contributions for the years ending December 31 were as follows:

	LEOFF Plan 1	LEOFF Plan 2
2009	\$ -	\$ 70,861
2008	\$ -	\$ 64,004
2007	\$ -	\$ 58,609

NOTE 7: RISK MANAGEMENT

A. RISK POOL

The City of Poulsbo is a member of the Association of Washington Cities Risk Management Service Agency (AWC RMSA). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWCMSA was formed on January 1, 1989 when 32 municipalities in the State of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 31, 2009, 86 municipalities/entities participate in the RMSA Pool.

The AWC RMSA allows members to establish a program of joint insurance and provides risk management services to all members. All coverages are on an occurrence basis. The AWC RMSA provides all risk property, comprehensive crime, general liability, automobile liability, police liability, public officials' liability, employee fidelity and faithful performance, and boiler and machinery insurance coverage. Boiler and machinery is included with the property reinsurance carrier and employee fidelity coverage is a stand-alone policy that the AWC RMSA arranges for its members. The AWC RMSA also allows members to group purchase airport liability coverage.

Members pay an annual assessment to the AWC RMSA. The AWC RMSA is responsible for payment of all covered causes of loss against the jurisdiction above the stated retention. AWC RMSA, itself, pays out of its own funds all claims up to \$400,000 for liability and \$50,000 for property, and thereafter purchases excess liability insurance through ACE Insurance Company up to \$1 million, and CV Starr, from \$1 million to \$10 million. The excess property coverage is purchased through Allianz, using the Pool's broker, Arthur J. Gallagher Risk Management Services. AWC RMSA is a cooperative program; the members of the AWC RMSA are jointly liable.

Members contract to remain in the RMSA Pool a minimum of three years and must give a one-year notice before terminating participation. Even after termination, a member is still responsible for contributions to the Pool for any unresolved, unreported, and in-process claims for the period they were signatory to the Interlocal Governmental Agreement.

The Interlocal Governmental Agreement was revised in 2009 and each member is required to approve the new Interlocal Agreement and provide RMSA with a signed copy. The Pool is currently governed by a board of directors serving ex-officio as the AWC Board of Directors. Once 75 percent of the new Interlocal Agreements are signed, RMSA will elect a board comprised of its members.

The AWC RMSA establishes a loss fund for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses.

The specific financials of the AWC RMSA can be seen in the Annual Report on file with the City of Poulsbo.

B. EMPLOYEE MEDICAL REIMBURSEMENT PLAN

For many years the City purchased a medical benefit plan with a \$500 deductible and then self-insured the portion of the deductible between \$100 and \$500. Each employee and their dependants covered by this plan were eligible for an annual reimbursement of up to \$320 ($\{ \$500 - \$100 = \$400 \} \times 80\%$). The reimbursement was for charges over the \$100 deductible, and under the \$500 amount, that would have been covered under a medical benefit with a \$100 deductible plan. The reimbursement plan had a three-dependent per family maximum that mirrored the \$500 deductible medical plan with the out-of-pocket component.

This plan was being phased out with the Police Association being the only group on it for the last four years and this group was completely covered by another plan beginning January 1, 2009. However, the reimbursements continued to be paid out until June of 2009.

To fund this medical reimbursement plan, the City transferred the liability for each employee and the three-dependent maximum into the Employee Medical Reimbursement Fund. All employee claims for medical reimbursement under this plan were paid from this fund.

The residual remaining in the fund builds a reserve to fund employee leave cash-outs upon termination. The fund also provides a reserve for any PERS 1 retirees' excess compensation.

NOTE 8: CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

At December 31, 2009 the City had six significant contractual obligations as follows:

City Hall Construction	Fisher & Sons	\$ 5,730,545
North Viking Road Improvements	Stan Palmer Construction	454,127
City Hall Architecture	Lewis Architecture	94,456
Shoreline Master Program Update	Grette & Associates	35,000
Water Tank Seismic Evaluations	Krazan & Associates	11,480
Shoreline Master Program Update	Karla Boughton Consulting	3,950
		<u>\$ 6,329,558</u>

NOTE 9: LONG-TERM DEBT**A. BONDS**

General Obligation Bonds are a direct obligation of the City for which its full faith and credit are pledged. Debt service is paid from the Debt Service Funds. Debt service for voter-approved issues is funded by special property tax levies. Debt service for non-voted issues is funded from the regular property taxes.

As of December 31, 2009, the governmental long-term debt of the City consisted of the following:

Issuance Date	Purpose	Original Issue	Interest Rates	Maturity Date	Debt Outstanding
2002	Limited GO Refunding Bonds: Issue for the purpose of refunding certain outstanding bond of the Marine Science Center	255,000	2.5 - 4.8%	2011	55,000
2003	Unlimited GO Bonds: Issued to provide funds to payoff the Morris property loan and fund three transportation projects; Finn Hill Rd, Caldart Ave and 10th Avenue.	2,505,000	1.10 - 4.55%	2022	955,000
2005	Limited GO Bonds: Issued to provide funds to finance the Municipal Campus Project that was slated to be on 10th Ave and then was stopped and incorporated into a new City Hall project in the downtown corridor due to public vote	5,185,000	3.25 - 4.30%	2025	4,420,000
2009	Limited GO Bonds: Issued to provide funds for the City Hall Project being constructed at 200 Moe St, which consists of a 30,000 sq ft City Hall facility.	6,015,000	1.4-5.5%	2033	5,775,000
Total					\$11,205,000

Revenue Bonds are payable from revenues generated by the Water/Sewer Enterprise Fund.

As of December 31, 2009, the long-term debt payable from proprietary fund resources consisted of the following:

Issuance Date	Purpose	Original Issue	Interest Rates	Maturity Date	Debt Outstanding
1998	Water/Sewer Revenue Bonds (Unrefunded portion)	\$ 4,810,000	3.75 - 4.95%	2012	\$ 500,000
2005	Refunding of 1998 Water/Sewer Revenue Bonds	3,134,000	3.45%	2017	2,867,000
Total					\$ 3,367,000

B. PUBLIC WORKS TRUST FUND LOANS

State of Washington Public Works Trust Fund Loans (PWTF) are an intergovernmental loan from the Public Works Board to undertake local public works projects. These loans are a direct responsibility of the City. Poulsbo currently has two such loans. The first PWTF loan of \$869,025, which is being repaid from the Water/Sewer Fund, was used for the Jensen Way sewer improvements. The second PWTF loan of \$1,412,514, which will be repaid from governmental funds, is for Front Street reconstruction. In 2009, payments for interest of \$40,007 and principal retirement of \$130,171 were made.

As of December 31, 2009, the long-term debt payable for PWTF loans consisted of the following:

Issuance Date	Purpose	Original Issue	Interest Rates	Maturity Date	Debt Outstanding
1995	Sewer Improvements to Jensen Way	\$ 869,025	3.0%	2015	\$ 275,086
2000	Street Improvements to Front Street	1,406,930	3.0%	2020	818,051
Total					\$ 1,093,138

C. NOTES PAYABLE

In March 2009 the City negotiated an agreement to pay Olhava Associates, LP for the City's share of the Bond Road Pump Station and Force Main improvements needed for the College Market Place Development. It is intended as an addendum to the Olhava Development Agreement entered into between the parties in April 2004. The total cost of the improvement was \$ 5,095,047. The parties agreed that Olhava Associates, LP's share is \$2,955,127 and the City of Poulsbo's share was \$2,139,920. The Original Agreement stated reimbursement would be paid with no interest applied and by using sewer connection fees collected from those whose properties will connect to the completed improvement. As of December 31, 2009 the City has paid \$ 1,602,654.

D. DEBT SERVICE REQUIREMENTS TO MATURITY FOR PRIMARY GOVERNMENT

Year Ended Dec 31	General Obligation Bonds Governmental Activities			Revenue Bonds Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
	2010	\$ 530,000	\$ 474,715	\$ 1,004,715	\$ 370,000	\$ 122,672
2011	550,000	458,778	1,010,789	\$ 383,000	\$ 107,969	490,969
2012	540,000	442,323	982,323	\$ 396,000	\$ 92,546	488,546
2013	490,000	425,165	915,165	\$ 414,000	\$ 76,521	490,521
2014	505,000	408,965	913,965	\$ 429,000	\$ 62,238	491,238
2015-2019	2,365,000	1,756,178	4,121,178	\$1,375,000	\$ 95,979	1,470,979
2020-2024	2,720,000	1,318,280	4,038,280	-	-	-
2025-2029	1,735,000	786,580	2,521,580	-	-	-
2030-2033	1,770,000	389,400	2,159,400	-	-	-
	\$11,205,000	\$6,460,383	\$17,665,383	\$3,367,000	\$ 557,924	\$3,924,924

Year Ended Dec 31	Public Works Trust Fund Loans					
	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2010	\$ 74,368	\$ 24,542	\$ 98,910	\$ 45,848	\$ 8,253	\$ 54,100
2011	74,368	22,310	96,679	45,848	6,877	52,725
2012	74,368	20,079	94,448	45,848	5,502	51,349
2013	74,368	17,848	92,217	45,848	4,126	49,974
2014	74,368	15,617	89,986	45,848	2,751	48,599
2015-2019	371,841	44,621	416,462	45,848	1,375	47,223
2020-2024	74,368	2,231	76,599	-	-	-
	\$ 818,051	\$ 147,249	\$ 965,300	\$ 275,086	\$ 28,884	\$ 303,971

LONG-TERM LIABILITIES

1. Long-term liability activity:

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental Activities				
Bonds payable:				
General obligation bonds	\$ 5,810,000	\$ 6,015,000	\$ 620,000	\$ 11,205,000
Less Unamortized Bond Discount	(49,134)	-	(3,970)	(45,164)
Plus Unamortized Bond Premium		81,515	-	81,515
Compensated Absences	524,459	121,070	-	645,529
Due to Other Governmental Units	902,375	-	84,323	818,051
Misc NonCurrent Liability	39,244	32,718	-	71,962
Total Governmental activity long-term liabilities	\$ 7,226,943	\$ 6,250,303	\$ 700,353	\$ 12,776,893
Business-type Activities				
Bonds payable:				
Revenue Bonds	\$ 3,719,000	\$ -	\$ 352,000	\$ 3,367,000
Less Deferred Amount Refunded	(152,395)	-	(16,933)	(135,462)
Compensated Absences	149,354	13,638	41,252	121,740
Notes Payable	-	2,834,971	1,602,654	1,232,317
Due to Other Governmental Units	320,934	-	45,848	275,086
Total Business-type activity long-term liabilities	\$ 4,036,894	\$ 2,848,609	\$ 2,024,821	\$ 4,860,681

2. Liabilities due within one year:

Date of Issue	Liabilities Due Within One Year - Governmental Activities	Due within one year
2002	Limited GO Refunding Bonds: Issue for the purpose of refunding certain outstanding bond of the PPDA (Marine Science Center)	25,000
2003	Unlimited GO Bonds: Issued to provide funds to payoff the Morris property/Muni campus loan and to fund three transportation projects. The transportation money will be used to improve Finn Hill Rd, Caldart Ave and 10th Avenue.	145,000
2005	Limited GO Bonds: Issued to provide funds to finance the Municipal Campus Project, which consists of a 30,000 square foot City hall facility, including acquisition of land, civil site work and architecture and engineering costs	205,000
2009	Limited GO Bonds: Issued to provide funds to finance the City Hall Project being constructed at 200 Moe St, which consists of a 30,000 square foot City Hall facility, including civil site work and architecture and engineering costs	155,000
2000	Due to Other Governmental Units (PWTF)-Street Improvements to Front Street	74,368
	Unamortized premium on GO Bond	4,076
	Unamortized Bond Discount	(3,970)
	Compensated Absences	64,553
	Total Governmental Activities	\$ 669,027

Date of Issue	Liabilities Due Within One Year - Business-Type Activities	Due within one year
1998	Water/Sewer Revenue Bonds	\$ 155,000
2005	Water/Sewer Refunded Revenue Bonds	215,000
1995	Due to Other Governmental Units(PWTF)-Sewer Improvements to Jensen Way	45,848
	Note Payable	155,078
	Deferred Amount Refunded	(16,933)
	Compensated Absences	12,174
	Total Business-Type Activities	\$ 566,167

NOTE 10: CONTINGENCIES AND COMMITMENTS

In the opinion of management, the City's insurance policies and/or self-insurance reserves are adequate to pay all known or pending claims.

As of December 31, 2009, several related claims were filed in federal court by a former City employee. The suit does not specify the damages sought, however, in the opinion of the City Attorney, liability for any of the claims is unlikely. All claims will be subject to a motion for summary judgment shortly. If the motion does not fully resolve the claims, neither the potential liability for any single claim or lawsuit, nor the aggregate potential liability arising from all actions would materially affect the financial condition of the City. It does appear the City has adequate insurance to cover the claims and all claims are currently being covered by the City's risk loss insurance without a reservation of rights. No liabilities or estimated liabilities have been included in the City's financial statements as a result.

The City's annexation to Fire District #18 in 1999 carried with it two contingencies. The first contingency was the City's obligation to continue paying off the General Obligation bonds for the Fire Hall which were paid off in 2008. The second contingency is to reimburse to the Fire District any leave cashed out by employees that was accrued before the annexation. The City's portion of the reimbursement is calculated at fifty percent of the cash out. The outstanding leave balances are included with the City's compensated absences.

NOTE 11: JOINT VENTURES

In November 1998, the voters approved a measure to create the Poulsbo Library Capital Facilities District along with a voter approved bond issue of \$1.6 million to expand the Poulsbo Library. The Capital Facilities District boundaries reach beyond the City's boundaries including areas in the County which are also served by the Kitsap Regional Library.

The City, Kitsap County, and the Kitsap Regional Library agreed to be jointly responsible for the improvement of the library with the City being the lead agency for the construction management. The City owns the building and grounds and is responsible for its continued maintenance.

The financials for the Kitsap County Library Capital Facilities District are available at Kitsap County, Washington. County information can be obtained from their website at www.kitsapgov.com.

NOTE 12: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**Plan Description**

As required by the Revised Code of Washington (RCW) Chapter 41.26, the City provides lifetime medical care for members of the Law Enforcement Officers and Firefighters (LEOFF) retirement system hired before October 1, 1977 under a defined benefit healthcare plan administered by the City. The members necessary hospital, medical, and nursing care expenses not payable by worker's compensation, social security, insurance provided by another employer, other pension plan, or any other similar source are covered. Most medical coverage for eligible retirees is provided by the City's employee medical insurance program. Under the authorization of the LEOFF Disability Board, direct payment is made for other retiree medical expenses not covered by standard medical plan benefit provisions. Financial reporting for the LEOFF retiree healthcare plan is included in the City's Comprehensive Annual Financial Report.

Funding Policy

Funding for LEOFF retiree healthcare costs is provided entirely by the City as required by RCW. The City's funding policy is based upon pay-as-you-go financing requirements.

Annual OPEB Cost and Net OPEB Obligation

The City's annual other post employment benefit (OPEB) cost is calculated based upon the annual required contribution (ARC), an amount determined using the alternative method permitted under GASB No. 45. A single retirement age of 56.22 was assumed for all active members for the purpose of determining the actuarial liability. Termination and mortality rates were assumed to follow the LEOFF 1 termination and mortality rates used in September 30, 2006 actuarial valuation issued by the Office of State Actuary (OSA). Healthcare costs and trends were determined by Milliman and used by OSA in the state-wide LEOFF 1 medical performed in 2007. The results were based on grouped data with 4 active groupings and 4 inactive groupings. The actuarial cost method used to determine the actuarial accrued liability was Projected Cost Credit. Their assumptions are individually and collectively reasonable for the purposes of this valuation.

The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period of thirty years as of January 1, 2008. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB. The net OPEB obligation of \$71,962 is included as a non-current liability on the Statement of Net Assets.

**OTHER POST EMPLOYMENT BENEFITS OBLIGATION
YEAR ENDING DECEMBER 31, 2009**

Determination of Annual Required Contribution:

Normal Cost at Year End	\$0
Amorization of Unfunded Actuarial Accrued Liability (UAAL)	61,726
Annual Required Contribution	<u>\$61,726</u>

Determination of Net OPEB Obligation:

Annual Required Contribution	\$61,726
Interest prior year Net OPEB Obligation	1,766
Adjustments to ARC	<u>(3,654)</u>
Annual OPEB Cost	\$59,838
Contributions	<u>(27,120)</u>
Increase in Net OPEB Obligations	<u>\$32,718</u>
Net OPEB Obligation-Beginning of Year	\$39,244
NET OPEB Obligation-End of Year	<u>\$71,962</u>

The City's percentage of annual OPEB cost contributed of the plan for 2009 is 45%

Funded Status and Funding Progress

As of January 1, 2009, the most recent actuarial valuation date, the plan was 0% funded. The accrued liability for benefits was \$1,600,503 and the actuarial value of the assets was \$0 resulting in a UAAL of \$1,600,503. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations. In the January 1, 2009 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions used included a 5.50% discount rate, which is based upon the long-term investment yield on the investments that are expected to be used to finance payment of benefits. A medical inflation rate of 9%, graded to 5% over eight years was used along with a long term care inflation rate of 4.5%. The UAAL is being amortized on a closed basis at the assumed discount rate.

NOTE 13: PRIOR PERIOD ADJUSTMENTS

Adjustments related to prior periods were a result of corrections made to the following funds that were considered to be of a material value:

Non-voted General Obligation Debt Fund	-\$2,184	Prior year adjustment for a prior year pay property tax refund
Public Works Admin Internal Service Fund	-\$1,050,001	Public Works property that was purchased the previous year was then appropriated to the individual funds
Storm Drain Fund	\$169,406	Storm Drain portion of the PW property purchased in a prior year
Water Fund	\$183,439	Water portion of the PW property purchased in prior year
Sewer Fund	\$170,279	Sewer portion of the PW property purchased in prior year
Solid Waste Fund	\$124,516	Solid Waste portion of the PW property purchased in prior year
Sewer Fund	-\$586,338	Write-off of a project held in Construction Work in Progress. The City paid for design and then determined not feasible due to budget short-fall project was removed and plans no longer viable with current City standards.

The General Facilities Fund was determined to be governmental in nature for 2009. In 2008 it was deemed business-type in nature. So it was necessary to restate the beginning Fund Balances by \$49,450 for both types on the Statement of Activities.

REQUIRED SUPPLEMENTARY INFORMATION
LEOFF I RETIREE MEDICAL BENEFITS
SCHEDULE OF FUNDING PROGRESS
December 31, 2009

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability Entry Age (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
12/31/2006	\$ -					
12/31/2008*	\$ -	\$ 708,423	\$ 708,423	0%	-	N/A**
12/31/2009	\$ -	\$ 662,910	\$ 662,910	0%	-	N/A**

*Only two years of the three year trend will be completed in the second year of presenting this schedule.

** Since the covered payroll is \$0, the UAAL as a percentage of covered payroll cannot be defined

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NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special Revenue Funds are established to account for the proceeds of specific revenue sources that are internally or legally restricted to expenditures for specific purposes.

The **City Street Fund** accounts for monies received and expenditures made to provide general governmental services for the administration of street-oriented maintenance and repair

The **Recreation Activity Fund** accounts for the transaction of the City's park and recreation activities financed, in part, by user fees.

The **Capital Improvements Fund** accounts for the receipt and expenditure of the first ¼ of 1% real estate excise tax authorized by State RCW 82.46. These revenues are dedicated for capital purposes defined in RCW 35.43.040, including public buildings and facilities.

The **Cumulative Reserve/Revenue Stabilization Fund** is to provide monies for the stabilization of revenues in the event of a revenue shortfall and in order to meet unanticipated expenditures incurred in connection with further operations.

The **Cumulative Reserve Fund** accounts for all traffic and sidewalk mitigation fees collected from developers.

The **Historic Downtown Poulsbo Association** accounts for the assessments collected by the City for the use by the downtown business improvement area expenses to promote downtown business.

The **Marine Science Center Fund** is to receipt and disburse lease payments for the Poulsbo Public Development Authority Marine Science Center Building.

The **Paths & Trails Fund** receives its funding from the .5 of the State fuel taxes to be used specifically for paths and trails reserves.

The **Drug Enforcement Fund** accounts for monies and property seized during drug investigations per RCW 69.50.505. All monies paid into the funds are to be used by the police department for drug enforcement purposes.

The **Transient Occupancy Fund** accounts for the City's share of the hotel-motel taxes for the purpose of promoting tourism.

The **Police Restricted Fund** accounts for various revenues to be used specifically for criminal justice activities.

Debt Service Funds

Debt Service Funds account for the accumulation of resources for and the payment of general obligation and special assessment bonds.

The **Miscellaneous Governmental Debt** was created in 2003 to account for the revenue and debt expenditures associated with miscellaneous governmental debt. Beginning in 2003 the Public Works Trust Fund Loans will be accounted for in this fund. Previously the Public Works Trust Fund loan was accounted for in Fund 204 – Non-Voted General Obligation Debt.

The **Non-Voted General Obligation Debt** accounts for the debt service on Council approved general obligation debt. Currently this includes two bond issues and the postage machine lease.

The **Voted General Obligation Bonds** accounts for the debt service on voter approved general obligation bonds. The Fire Hall bonds are the only bonds outstanding.

The **L.I.D. Fund** includes the guaranty monies authorized by law to insure that no bonds or notes will be left unpaid when all of the assessments from approved local improvement districts have been received. Revenue is from property taxes and from money remaining on L.I.D.'s after all debt obligations have been met. The fund also provides accounting for LID assessments collected and bonds paid. Currently all LID bonds and assessment accounts are paid.

Capital Projects Funds

Capital Projects Funds account for the acquisition or construction of capital facilities (except for those financed primarily by proprietary funds). These funds are financed primarily by general obligation bonds, special assessments, federal and state grants and contributions from other funds. Budget-to-Actual for the one *major* capital project funds is also presented here. The fund name is *italicized* for identification purposes.

The **Equipment Acquisition Fund** was established to account for money used to replace existing capital equipment. Funding for the purchases is from a percentage of sales tax revenues.

The **Park Reserve Fund** was established to account for money used for improvements to the City parks and the urban forestry program. Funding is from a transfer from the General Fund.

The **Library Improvement Fund** was established to make improvements to the library. Currently funding is by donation and transfers from the General Fund as needed.

The **Recreation Reserve Fund** was established to build reserves from donations from individuals and organizations for park and recreation equipment.

The **Park Acquisition Fund** was established to account for park mitigation fees paid by developers.

The **Museum Reserve Fund** was established to account for donations toward the future creation of a city museum.

The **Cemetery Reserve Fund** was established to account for money collected from gravesite sales used to make improvements to the City cemetery.

The **Street Equipment Reserve Fund** was established to build reserves for the purchase of street equipment.

Permanent Fund

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

The **Bernice Borgen Beautification Fund** is used to account for principal trust amounts received from Bernice Bjorgen estate and related interest income. The interest portion of the trust can be used for the beautification of the City.

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2009**

Page 1 of 6

	Special Revenue			
	City Streets	Recreation Activity	Capital Improvements	Cumulative Reserve/Rev Stablization
Assets				
Cash and Cash Equivalents	\$ 30,724	\$ 6,448	\$ 8	\$ 278
Investments	462,889	84,519	83,720	1,670,695
Receivables:				
Taxes	-	-	60,248	-
Accounts	728	480	-	-
Special Assesments	-	-	-	-
Due from Other Governments	-	-	-	-
Cash and Investments-Restricted	-	-	-	-
Total Assets	\$ 494,341	\$ 91,447	\$ 143,976	\$ 1,670,973
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$ 16,098	\$ 6,267	\$ -	\$ -
Custodial Accounts	-	100	-	-
Deferred Revenue	-	79,878	-	-
Total Liabilities	16,098	86,245	-	-
Fund Balances				
Reserved fund balance for debt service	-	-	-	-
Reserved fund balance for city beautification	-	-	-	-
Unreserved Fund Balance	478,243	5,202	143,976	1,670,973
Total Fund Balance	478,243	5,202	143,976	1,670,973
Total Liabilities and Fund Balances	\$ 494,341	\$ 91,447	\$ 143,976	\$ 1,670,973

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (continued)
DECEMBER 31, 2009

Page 2 of 6

Special Revenue

Cumulative Reserve	Historic Downtown Poulsbo Association	Marine Science Center	Paths and Trails	Drug Enforcement	Transient Occupancy	Police Restricted Funds	Total Non-Major Special Revenue Funds
\$ 760	\$ 1,802	\$ 1,857	\$ 1,723	\$ 1,961	\$ 14,071	\$ 21,488	\$ 81,121
70,905	27,884	33,409	6,907	26,812	17,280	256,358	2,741,378
-	-	-	-	-	-	-	60,248
-	-	-	-	-	-	-	1,208
-	12,536	-	-	-	-	-	12,536
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
\$ 71,665	\$ 42,221	\$ 35,266	\$ 8,631	\$ 28,773	\$ 31,352	\$ 277,845	\$ 2,896,490
\$ -	\$ 1,764	\$ -	\$ -	\$ -	\$ 11,218	\$ 76,712	\$ 112,059
-	-	-	-	1,110	-	-	1,210
-	10,399	-	-	-	-	-	90,278
-	12,163	-	-	1,110	11,218	76,712	203,546
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
71,665	30,058	35,266	8,631	27,664	20,133	201,133	2,692,944
71,665	30,058	35,266	8,631	27,664	20,133	201,133	2,692,944
\$ 71,665	\$ 42,221	\$ 35,266	\$ 8,631	\$ 28,773	\$ 31,352	\$ 277,845	\$ 2,896,490

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (continued)**

December 31, 2009

Page 3 of 6

	Debt Service					Total Non-Major Debt Service Funds
	Misc Governmental Debt	Non-Voted G.O. Debt	Voted G.O. Bonds	LID Fund		
Assets						
Cash and Cash Equivalents	\$ 456	\$ 1,754	\$ 253	\$ -	\$ -	\$ 2,462
Investments	960	96,832	218	22		98,033
Receivables:						-
Taxes	-	-	-	-		-
Accounts	-	305	-	-		305
Special Assesments	-	-	-	-		-
Due from Other Governments	-	-	-	-		-
Cash and Investments-Restricted	-	-	-	-		-
Total Assets	\$ 1,416	\$ 98,891	\$ 471	\$ 22	\$ -	\$ 100,800
Liabilities and Fund Balances						
Liabilities						
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	-
Custodial Accounts	-	1,728	-	-		1,728
Deferred Revenue	-	1,000	-	-		1,000
Total Liabilities	-	2,728	-	-	-	2,728
Fund Balances						
Reserved fund balance for debt service	1,416	96,164	471	22		98,073
Reserved fund balance for city beautification	-	-	-	-		-
Unreserved Fund Balance	-	-	-	-		-
Total Fund Balance	1,416	96,164	471	22	-	98,073
Total Liabilities and Fund Balances	\$ 1,416	\$ 98,891	\$ 471	\$ 22	\$ -	\$ 100,800

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (continued)**

December 31, 2009

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Capital Project

Equipment Acquisition	Park Reserve	Library Improvement	Recreation Reserve	Park Acquisition	Museum Reserve
\$ 45,949	\$ 5,906	\$ -	\$ 83	\$ 108	\$ -
436,299	154,375	110	668	95,020	6,560
-	-	-	-	-	-
-	-	-	-	-	-
-	6,429	-	-	-	-
-	-	-	-	-	-
\$ 482,248	\$ 166,709	\$ 110	\$ 752	\$ 95,128	\$ 6,560
\$ -	\$ 23,171	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	23,171	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
482,248	143,538	110	752	95,128	6,560
482,248	143,538	110	752	95,128	6,560
\$ 482,248	\$ 166,709	\$ 110	\$ 752	\$ 95,128	\$ 6,560

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (continued)

December 31, 2009

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	Capital Project		
	Cemetery Reserve	Street Equipment Reserve	Total Non-Major Capital Project Funds
Assets			
Cash and Cash Equivalents	\$ 2,600	\$ 20,010	\$ 74,655
Investments	75,723	171,936	940,690
Receivables:			
Taxes	-	-	-
Accounts	-	-	-
Special Assesments	-	-	-
Due from Other Governments	-	-	6,429
Cash and Investments-Restricted	-	-	-
Total Assets	\$ 78,323	\$ 191,946	\$ 1,021,774
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$ -	\$ -	\$ 23,171
Custodial Accounts	-	-	-
Deferred Revenue	-	-	-
Total Liabilities	-	-	23,171
Fund Balances			
Reserved fund balance for debt service		-	-
Reserved fund balance for city beautification	-	-	-
Unreserved Fund Balance	78,323	191,946	998,603
Total Fund Balances	78,323	191,946	998,603
Total Liabilities and Fund Balances	\$ 78,323	\$ 191,946	\$ 1,021,774

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (continued)

December 31, 2009

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<u>Permanent</u>	
Bernice Borgen Beautification	Total Non-Major Governmental Funds
\$ -	\$ 158,238
-	3,780,101
-	60,248
-	1,513
-	12,536
-	6,429
122,680	122,680
\$ 122,680	\$ 4,141,745
\$ -	\$ 135,230
-	2,937
-	91,278
-	229,445
-	98,073
122,680	122,680
-	3,691,548
122,680	3,912,300
\$ 122,680	\$ 4,141,745

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR YEAR ENDED DECEMBER 31, 2009**

Page 1 of 6

	Special Revenue			Cumulative Reserve Revenue Stabilization
	City Streets	Recreation	Capital Improvements	
Revenues				
Taxes	\$ -	\$ -	\$ 371,628	\$ -
Licenses and Permits	7,700	-	-	-
Intergovernmental	170,556	-	-	-
Charges for Services	-	446,576	-	-
Fines and Forfeitures	-	-	-	-
Interest and Other Earnings	2,736	430	2,265	9,483
Miscellaneous	728	11,038	-	-
Total Revenues	181,720	458,045	373,893	9,483
Expenditures				
Current:				
General Government	-	-	-	-
Security of Persons & Property	-	-	-	-
Utilities and Environment	-	-	-	-
Transportation	837,427	-	-	-
Economic Environment	-	-	-	-
Mental and Physical Health	-	-	-	-
Culture and Recreation	-	659,978	-	-
Debt Service:				
Principal	-	-	-	-
Interest & Fiscal Charges	-	-	-	-
Capital Outlay	-	-	-	-
Total Expenditures	837,427	659,978	-	-
Excess of Revenues over Expenditures	(655,707)	(201,933)	373,893	9,483
Other Financing Sources (Uses)				
Transfers In	779,265	200,124	-	-
Transfers Out	(344,856)	-	(453,345)	(63,162)
Disposal of Capital Assets	-	-	-	-
Total Other Financing Sources and Uses	434,409	200,124	(453,345)	(63,162)
Net Change in Fund Balances	(221,298)	(1,809)	(79,452)	(53,678)
Fund Balances - Beginning	699,542	7,011	223,428	1,724,651
Prior Year Adjustment	-	-	-	-
Fund Balances - Ending	\$ 478,243	\$ 5,202	\$ 143,976	\$ 1,670,973

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS (continued)
FOR YEAR ENDED DECEMBER 31, 2009

Page 2 of 6

Special Revenue

Cumulative Reserve	Historic Downtown Poulsbo Association	Marine Science Center	Paths and Trails	Drug Enforcement	Transient Occupancy	Police Restricted Funds	Total Non-Major Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 114,918	\$ 91,862	\$ 578,407
-	-	-	-	-	-	-	7,700
-	-	-	-	-	-	17,340	187,896
57,839	50	-	-	-	-	-	504,465
-	-	-	-	-	-	673	673
1,006	378	242	36	115	118	316	17,126
-	48,288	-	-	12,686	-	30,520	103,260
58,845	48,715	242	36	12,801	115,035	140,711	1,399,528
-	-	-	-	-	-	-	-
-	-	-	-	1,882	-	11,790	13,672
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	837,427
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	37,791	9,308	-	-	121,204	-	828,281
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	122,073	122,073
-	37,791	9,308	-	1,882	121,204	133,863	1,801,452
58,845	10,924	(9,066)	36	10,919	(6,168)	6,848	(401,925)
-	-	-	853	-	-	15,171	995,412
(202,529)	-	(42,605)	-	-	-	(28,000)	(1,134,497)
-	-	-	-	-	-	-	-
(202,529)	-	(42,605)	853	-	-	(12,829)	(139,084)
(143,684)	10,924	(51,671)	889	10,919	(6,168)	(5,981)	(541,009)
215,349	19,134	86,937	7,742	16,744	26,301	207,114	3,233,954
-	-	-	-	-	-	-	-
\$ 71,665	\$ 30,058	\$ 35,266	\$ 8,631	\$ 27,664	\$ 20,133	\$ 201,133	\$ 2,692,944

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS (continued)
FOR YEAR ENDED DECEMBER 31, 2009

Page 3 of 6

	Debt Service				Total Non-Major Debt Service Funds
	Misc Governmental Debt	Non-Voted G.O. Debt	Voted G.O. Bonds	LID Fund	
Revenues					
Taxes	\$ -	\$ -	\$ 371	\$ -	\$ 371
Licenses and Permits	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Charges for Services	-	10,635	-	-	10,635
Fines and Forfeitures	-	-	-	-	-
Interest and Other Earnings	94	2,041	(1)	0	2,135
Miscellaneous	-	-	-	-	-
Total Revenues	94	12,676	370	0	13,140
Expenditures					
Current:					
General Government	-	-	-	-	-
Security of Persons & Property	-	-	-	-	-
Utilities and Environment	-	-	-	-	-
Transportation	-	-	-	-	-
Economic Environment	-	-	-	-	-
Mental and Physical Health	-	-	-	-	-
Culture and Recreation	-	-	-	-	-
Debt Service:					
Principal	84,323	620,000	-	-	704,323
Interest & Fiscal Charges	26,773	403,400	-	-	430,172
Capital Outlay	-	-	-	-	-
Total Expenditures	111,096	1,023,400	-	-	1,134,496
Excess of Revenues over Expenditures	(111,002)	(1,010,724)	370	0	(1,121,356)
Other Financing Sources (Uses)					
Transfers In	111,155	1,039,592	2,000	-	1,152,747
Transfers Out	-	-	-	-	-
Disposal of Capital Assets	-	-	-	-	-
Total Other Financing Sources and Uses	111,155	1,039,592	2,000	-	1,152,747
Net Change in Fund Balances	153	28,868	2,370	0	31,392
Fund Balances - Beginning	1,263	67,296	284	22	68,865
Prior Year Adjustment	-	-	(2,184)	-	(2,184)
Fund Balances - Ending	\$ 1,416	\$ 96,164	\$ 471	\$ 22	\$ 98,073

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS (continued)
FOR YEAR ENDED DECEMBER 31, 2009

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Capital Project

Equipment Acquisition	Park Reserve	Library Improvement	Recreation Reserve	Park Acquisition	Museum Reserve
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	10,884	-	-	-	-
-	-	-	-	6,600	-
-	-	-	-	-	-
3,856	1,662	1	5	933	34
-	-	-	-	-	-
3,856	12,546	1	5	7,533	34
15,804	-	-	-	-	-
2,318	-	-	-	-	-
-	13,363	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	1,200	-	706	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	73,283	-	-	-	-
18,123	87,845	-	706	-	-
(14,266)	(75,299)	1	(701)	7,533	34
62,000	120,648	-	-	-	-
(31,500)	(130,000)	-	-	(95,000)	-
-	-	-	-	-	-
30,500	(9,352)	-	-	(95,000)	-
16,234	(84,652)	1	(701)	(87,467)	34
466,014	228,189	109	1,453	182,595	6,526
\$ 482,248	\$ 143,538	\$ 110	\$ 752	\$ 95,128	\$ 6,560

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS (continued)
FOR YEAR ENDED DECEMBER 31, 2009

Page 5 of 6

	Cemetery Reserve	Street Equipment Reserve	Total Non-Major Capital Project Funds
Revenues			
Taxes	\$ -	\$ -	\$ -
Licenses and Permits	-	-	-
Intergovernmental	-	-	10,884
Charges for Services	2,200	-	8,800
Fines and Forfeitures	-	-	-
Interest and Other Earnings	393	1,611	8,494
Miscellaneous	-	-	-
Total Revenues	2,593	1,611	28,178
Expenditures			
Current:			
General Government	-	-	15,804
Security of Persons & Property	-	-	2,318
Utilities and Environment	-	-	13,363
Transportation	-	-	-
Economic Environment	-	-	-
Mental and Physical Health	-	-	-
Culture and Recreation	-	-	1,906
Debt Service:			
Principal	-	-	-
Interest & Fiscal Charges	-	-	-
Capital Outlay	-	68,146	141,428
Total Expenditures	-	68,146	174,819
Excess of Revenues over Expenditures	2,593	(66,534)	(146,641)
Other Financing Sources (Uses)			
Transfers In	-	46,402	229,050
Transfers Out	-	-	(256,500)
Disposal of Capital Assets	-	-	-
Total Other Financing Sources and Uses	-	46,402	(27,450)
Net Change in Fund Balances	2,593	(20,133)	(174,092)
Fund Balances - Beginning	75,730	212,078	1,172,695
Prior Year Adjustment	-	-	-
Fund Balances - Ending	\$ 78,323	\$ 191,946	\$ 998,603

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS (continued)
FOR YEAR ENDED DECEMBER 31, 2009

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<u>Permanent</u>	
Bernice Borgen Beautification	Total Nonmajor Governmental Funds
\$ -	\$ 578,778
-	7,700
-	198,780
-	523,900
-	673
618	28,372
-	103,260
618	1,441,463
-	15,804
-	15,990
-	13,363
-	837,427
-	-
-	-
-	830,187
-	704,323
-	430,172
-	263,501
-	3,110,767
618	(1,669,304)
-	2,377,209
-	(1,390,997)
-	-
-	986,212
618	(683,092)
122,063	4,597,576
-	(2,184)
\$ 122,680	\$ 3,912,300

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CITY STREET FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2009

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenue			
License and Permits	\$ 3,000	\$ 8,428	\$ 5,428
Intergovernmental	182,617	170,556	(12,061)
Interest and Other Earnings	-	2,736	2,736
Total Revenues	185,617	181,720	(3,897)
Expenditures			
Transportation:			
Street Maintenance	918,715	837,427	81,288
Total Expenditures	918,715	837,427	81,288
Excess of Revenues Under Expenditures	(733,098)	(655,707)	77,391
Other Financing Sources (Uses)			
Transfers in	887,731	779,265	(108,466)
Transfers out	(353,335)	(344,856)	8,479
Total Other Financing Sources (Uses)	534,396	434,409	(99,988)
Net Change in Fund Balance	(198,702)	(221,298)	(22,596)
Fund Balance Beginning of Year	686,055	699,542	13,487
Fund Balance End of Year	\$ 487,353	\$ 478,243	\$ (9,110)

RECREATION ACTIVITY FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2009

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Culture and Recreation:			
Amusement and Recreation	\$ 453,100	\$ 87,416	\$ (365,684)
Adult Program	-	17,502	17,502
Adventure Program	-	17,971	17,971
Arts and Crafts Program	-	18,324	18,324
Body & Mind Program	-	849	849
Bus & Computer Program	-	90	90
Dance Program	-	24,522	24,522
Music Program	-	33,265	33,265
Senior Program	-	20,904	20,904
Sport and Fitness Program	-	181,729	181,729
Youth Program	-	44,004	44,004
Interest and Other Earnings	11,500	11,469	(31)
Total Revenues	464,600	458,045	(6,555)
Expenditures			
Culture and Recreation:			
Administration	466,814	457,186	9,628
Adventure Program	13,656	11,906	1,750
Adult Program	12,800	13,736	(936)
Arts and Crafts Program	5,600	8,332	(2,732)
Body & Mind Program	-	300	(300)
Bus & Computer Program	-	-	-
Dance Program	12,600	12,335	265
Music Program	21,600	24,712	(3,112)
Senior Program	13,300	12,428	872
Sport and Fitness Program	103,400	100,883	2,517
Youth Program	19,400	18,160	1,240
Total Expenditures	669,170	659,978	9,192
Excess of Revenues Under Expenditures	(204,570)	(201,933)	2,637
Other Financing Sources (Uses)			
Transfers in	200,124	200,124	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	200,124	200,124	-
Net Change in Fund Balance	(4,446)	(1,809)	2,637
Fund Balance Beginning of Year	7,011	7,011	-
Fund Balance End of Year	\$ 2,565	\$ 5,202	\$ 2,637

CAPITAL IMPROVEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2009

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Taxes:			
Excise Tax	\$ 555,000	\$ 371,628	\$ (183,372)
Interest and Other Earnings	7,000	2,265	(4,735)
Total Revenues	562,000	373,893	(188,107)
Expenditures			
Current:			
Miscellaneous	-	-	-
Total Expenditures	-	-	-
Excess of Revenues Over Expenditures	562,000	373,893	(188,107)
Other Financing Sources (Uses)			
Transfers out	(527,500)	(453,345)	74,155
Total Other Financing Sources (Uses)	(527,500)	(453,345)	74,155
Net Change in Fund Balance	34,500	(79,452)	(113,952)
Fund Balance Beginning of Year	223,428	223,428	-
Fund Balance End of Year	\$ 257,928	\$ 143,976	\$ (113,952)

CUMULATIVE RESERVE/REVENUE STABILIZATION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2009

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Interest and Other Earnings	\$ 18,000	\$ 9,483	\$ (8,517)
Miscellaneous	-	-	-
Total Revenues	18,000	9,483	(8,517)
Expenditures			
Current:			
Professional Services	-	-	-
Total Expenditures	-	-	-
Excess of Revenues Over Expenditures	18,000	9,483	(8,517)
Other Financing Sources (Uses)			
Transfers in	-	-	-
Transfers out	(63,162)	(63,162)	0
Capital Leases	-	-	-
Disposal of Capital Assets	-	-	-
Total Other Financing Sources (Uses)	(63,162)	(63,162)	0
Net Change in Fund Balance	(45,162)	(53,678)	(8,516)
Fund Balance Beginning of Year	1,724,651	1,724,651	-
Fund Balance End of Year	\$ 1,679,489	\$ 1,670,973	\$ (8,516)

CUMULATIVE RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2009

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Transportation Impact Fees	\$ -	\$ 57,839	\$ 57,839
Interest and Other Earnings	2,200	1,006	(1,194)
Total Revenues	2,200	58,845	56,645
Expenditures			
Current:			
Miscellaneous	-	-	-
Total Expenditures	-	-	-
Excess of Revenues Over Expenditures	2,200	58,845	56,645
Other Financing Sources (Uses)			
Transfers in	-	-	-
Transfers out	(202,529)	(202,529)	-
Total Other Financing Sources (Uses)	(202,529)	(202,529)	-
Net Change in Fund Balance	(200,329)	(143,684)	56,645
Fund Balance Beginning of Year	215,348	215,349	1
Fund Balance End of Year	\$ 15,019	\$ 71,665	\$ 56,646

HISTORIC DOWNTOWN POULSBO ASSOCIATION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2009

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Special Assessments	\$ 44,100	\$ 40,900	\$ (3,200)
Gifts and Pledges	-	7,388	7,388
Interest and Other Earnings	-	378	378
Miscellaneous	-	50	50
Total Revenues	44,100	48,715	4,615
Expenditures			
Bad Debt Expense	8,000	6,403	1,597
Office & Operating Supplies	800	690	110
Small Tools & Minor Equipment	7,200	68	7,132
Professional Services	8,000	8,239	(239)
Communication	1,900	1,731	169
Advertising	8,500	8,554	(54)
Insurance	1,700	703	997
Repairs and Maintenance	8,910	11,339	(2,429)
Miscellaneous	300	63	237
Total Expenditures	45,310	37,791	7,519
Excess of Revenues Over Expenditures	(1,210)	10,924	12,134
Other Financing Sources (Uses)			
Transfers in	-	-	-
Transfers out	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balance	(1,210)	10,924	12,134
Fund Balance Beginning of Year	19,134	19,134	-
Prior Year Adjustment	-	-	-
Fund Balance End of Year	\$ 17,924	\$ 30,058	\$ 12,134

MARINE SCIENCE CENTER FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2009

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Interest and Other Earnings	\$ 1,500	\$ 242	\$ (1,258)
Total Revenues	1,500	242	(1,258)
Expenditures			
Current:			
Education Service	-	-	-
Facilities	9,517	9,308	209
Total Expenditures	9,517	9,308	209
Excess of Revenues Over Expenditures	(8,017)	(9,066)	(1,049)
Other Financing Sources (Uses)			
Transfers in	-	-	-
Transfers out	(42,605)	(42,605)	-
Total Other Financing Sources (Uses)	(42,605)	(42,605)	-
Net Change in Fund Balance	(50,622)	(51,671)	(1,049)
Fund Balance Beginning of Year	86,937	86,937	-
Fund Balance End of Year	\$ 36,315	\$ 35,266	\$ (1,049)

PATH AND TRAILS RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2009

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Interest and Other Earnings	\$ -	\$ 36	\$ 36
Miscellaneous	-	-	-
Total Revenues	-	36	36
Expenditures			
Current:			
Miscellaneous	-	-	-
Total Expenditures	-	-	-
Excess of Revenues Over Expenditures	-	36	36
Other Financing Sources (Uses)			
Transfers in	918	853	(65)
Total Other Financing Sources (Uses)	918	853	(65)
Net Change in Fund Balance	918	889	(29)
Fund Balance Beginning of Year	7,742	7,742	-
Fund Balance End of Year	\$ 8,660	\$ 8,631	\$ (29)

DRUG ENFORCEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2009

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Kitsap County -Westnet Grant	\$ 10,000	\$ -	\$ (10,000)
Interest and Other Earnings	150	115	(35)
Miscellaneous	-	12,686	12,686
Total Revenues	10,150	12,801	2,651
Expenditures			
Current:			
LIBNET Program	12,680	1,882	10,798
Drug Enforcement Agency	-	-	-
Total Expenditures	12,680	1,882	10,798
Excess of Revenues Over Expenditures	(2,530)	10,919	13,449
Other Financing Sources (Uses)			
Disposal of Capital Assets	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balance	(2,530)	10,919	13,449
Fund Balance Beginning of Year	16,744	16,744	0
Fund Balance End of Year	\$ 14,214	\$ 27,664	\$ 13,450

TRANSIENT OCCUPANCY TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2009

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Hotel/Motel Tax	\$ 60,000	\$ 57,459	\$ (2,541)
Additional 2% Hotel/Motel Tax	60,000	57,459	(2,541)
Interest and Other Earnings	-	118	118
Total Revenues	120,000	115,035	(4,965)
Expenditures			
Economic Environment:			
Spectator and Community Events:			-
Administration	60,000	57,459	2,541
Special Events	61,739	63,745	(2,006)
Miscellaneous	-	-	-
Total Expenditures	121,739	121,204	535
Excess of Revenues Over Expenditures	(1,739)	(6,168)	(4,429)
Other Financing Sources (Uses)			
Transfers in	-	-	-
Transfers out	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balance	(1,739)	(6,168)	(4,429)
Fund Balance Beginning of Year	26,301	26,301	-
Fund Balance End of Year	\$ 24,562	\$ 20,133	\$ (4,429)

POLICE RESTRICTED FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2009

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Sales Tax	\$ 75,000	\$ 91,862	\$ 16,862
Suquamish Indian Tribe Mitigation	30,500	30,500	-
Vessel Registration	9,000	9,194	194
Criminal Justice	6,822	8,164	1,342
Interest and Other Earnings	600	316	(284)
Miscellaneous	1,800	675	(1,125)
Total Revenues	123,722	140,711	16,989
Expenditures			
Security of Persons & Property:			
Domestic Violence Program	1,800	2,790	(990)
Law Enforcement Sales Tax Program	104,185	98,857	5,328
Other Services	58,142	32,216	25,926
Total Expenditures	164,127	133,863	30,264
Excess of Revenues Over Expenditures	(40,405)	6,848	47,253
Other Financing Sources (Uses)			
Transfers in	15,171	15,171	-
Transfers out	(28,000)	(28,000)	0
Total Other Financing Sources (Uses)	(12,829)	(12,829)	(0)
Net Change in Fund Balance	(53,234)	(5,981)	47,253
Fund Balance Beginning of Year	207,115	207,114	(1)
Fund Balance End of Year	\$ 153,881	\$ 201,133	\$ 47,252

MISCELLANEOUS GOVERNMENTAL DEBT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2009

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Interest and Other Earnings	\$ -	\$ 94	\$ 94
Total Revenues	-	94	94
Expenditures			
Debt Service:			
Intergovernmental Loan-Principal	84,323	84,323	-
Interest and Related Costs	26,773	26,773	-
Total Expenditures	111,096	111,096	-
Excess of Revenues Over Expenditures	(111,096)	(111,002)	94
Other Financing Sources (Uses)			
Transfers in	111,155	111,155	0
Transfers out	-	-	-
Total Other Financing Sources (Uses)	111,155	111,155	0
Net Change in Fund Balance	59	153	94
Fund Balance Beginning of Year	494	1,263	769
Fund Balance End of Year	\$ 553	\$ 1,416	\$ 863

NON-VOTED GENERAL OBLIGATION DEBT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2009

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Interest and Other Earnings	\$ -	\$ 2,041	\$ 2,041
Rentals & Leases	10,635	10,635	(0)
Total Revenues	10,635	12,676	2,041
Expenditures			
Debt Service:			
General Obligation Bond-Principal	620,000	620,000	-
Interest and Related Costs	430,547	403,400	27,147
Total Expenditures	1,050,547	1,023,400	27,147
Excess of Revenues Over Expenditures	(1,039,912)	(1,010,724)	29,188
Other Financing Sources (Uses)			
Transfers in	1,039,592	1,039,592	0
Transfers out	-	-	-
Total Other Financing Sources (Uses)	1,039,592	1,039,592	0
Net Change in Fund Balance	(320)	28,868	29,188
Fund Balance Beginning of Year	67,295	67,296	1
Fund Balance End of Year	\$ 66,975	\$ 96,164	\$ 29,189

VOTED GENERAL OBLIGATION DEBT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2009

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Property Taxes	\$ -	\$ 371	\$ 371
Interest and Other Earnings	-	(1)	(1)
Total Revenues	-	370	370
Expenditures			
Debt Service:			
General Obligation Bonds-Principal	-	-	-
Interest and Related Costs	-	-	-
Total Expenditures	-	-	-
Excess of Revenues Over Expenditures	-	370	370
Other Financing Sources (Uses)			
Transfers in	2,000	2,000	-
Transfers out	-	-	-
Total Other Financing Sources (Uses)	2,000	2,000	-
Net Change in Fund Balance	2,000	2,370	370
Fund Balance Beginning of Year	284	284	0
Prior Year Adjustment		(2,184)	(2,184)
Fund Balance End of Year	\$ 2,284	\$ 471	\$ (1,813)

LOCAL IMPROVEMENT DISTRICT (LID) FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2009

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
General property taxes	\$ -	\$ -	\$ -
Interest and Other Earnings	1	-	(1)
Miscellaneous	-	-	-
Total Revenues	1	-	(1)
Expenditures			
Debt:			
Debt service costs	-	-	-
Total Expenditures	-	-	-
Excess of Revenues Over Expenditures	1	-	(1)
Other Financing Sources (Uses)			
Transfers in	-	-	-
Transfers out	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balance	1	-	(1)
Fund Balance Beginning of Year	22	22	0
Fund Balance End of Year	\$ 23	\$ 22	\$ (1)

EQUIPMENT ACQUISITION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2009

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Interest and Other Earnings	\$ -	\$ 3,856	\$ 3,856
Total Revenues	-	3,856	3,856
Expenditures			
Small Tools and Minor Equipment:			
General Government	18,500	15,804	2,696
Security of Persons & Property	3,000	2,318	682
Utilities and Environment	-	-	-
Economic Environment	-	-	-
Culture and Recreation	3,000	-	3,000
Capital Outlay	210,031	-	210,031
Total Expenditures	234,531	18,123	216,408
Excess of Revenues Over Expenditures	(234,531)	(14,266)	220,265
Other Financing Sources (Uses)			
Transfers in	62,000	62,000	-
Transfers out	(31,500)	(31,500)	-
Total Other Financing Sources (Uses)	30,500	30,500	-
Net Change in Fund Balance	(204,031)	16,234	220,265
Fund Balance Beginning of Year	466,015	466,014	(1)
Fund Balance End of Year	\$ 261,984	\$ 482,248	\$ 220,264

PARK RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2009

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Intergovernmental:			
Interagency Committee for Outdoor Recreation	\$ 53,990	\$ 9,749	\$ (44,241)
Port of Poulsbo	-	-	-
Gifts and Pledges	-	1,135	1,135
Interest and Other Earnings	-	1,662	1,662
Rental and Lease	-	-	-
Total Revenues	53,990	12,546	(41,444)
Expenditures			
Current:			
Natural Resources	15,680	13,363	2,317
Administration	5,000	1,200	3,800
Capital Outlay:			
Centennial Park	75,355	45,421	29,934
Fish Park	85,481	22,793	62,688
Trail Plan	10,000	5,069	4,931
Intergovernmental:			
Professional Services	7,500	-	7,500
Total Expenditures	199,016	87,845	111,171
Excess of Revenues Over Expenditures	(145,026)	(75,300)	69,726
Other Financing Sources (Uses)			
Transfers in	175,434	120,648	(54,786)
Transfers out	(130,000)	(130,000)	-
Total Other Financing Sources (Uses)	45,434	(9,352)	(54,786)
Net Change in Fund Balance	(99,592)	(84,652)	14,940
Fund Balance Beginning of Year	226,359	228,189	1,830
Fund Balance End of Year	\$ 126,767	\$ 143,538	\$ 16,771

LIBRARY IMPROVEMENT FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 BUDGET TO ACTUAL
 FOR THE YEAR ENDED DECEMBER 31, 2009

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Interest and Other Earnings	\$ -	\$ 1	\$ 1
Total Revenues	-	1	1
Expenditures			
Current:			
General Government	-	-	-
Total Expenditures	-	-	-
Excess of Revenues Over Expenditures	-	1	1
Other Financing Sources (Uses)			
Transfers in	-	-	-
Transfers out	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balance	-	1	1
Fund Balance Beginning of Year	109	109	-
Fund Balance End of Year	\$ 109	\$ 110	\$ 1

RECREATION RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2009

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Donations	\$ -	\$ -	\$ -
Interest and Other Earnings	-	5	5
Total Revenues	-	5	5
Expenditures			
Current:			
Culture and Recreation	840	706	134
Total Expenditures	840	706	134
Excess of Revenues Over Expenditures	(840)	(701)	139
Other Financing Sources (Uses)			
Transfers in	-	-	-
Transfers out	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balance	(840)	(701)	139
Fund Balance Beginning of Year	1,453	1,453	-
Fund Balance End of Year	\$ 613	\$ 752	\$ 139

STREET RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2009

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Indirect Federal Grants	\$ 3,909,813	\$ 2,537,197	\$ (1,372,616)
State Dept of Ecology Grant	46,739	3,561	(43,178)
State Dept of Transportation Grant	-	-	-
Transportation Improvement Board	-	-	-
North Kitsap School District	40,000	-	(40,000)
Interest and Other Earnings	-	6,340	6,340
Total Revenues	3,996,552	2,547,098	(1,449,454)
Expenditures			
Current:			
Caldart Signal Project	14,803	3,788	11,015
Lindvig Beautification	50,000	-	50,000
Long Range Tip Planning	74,844	38,148	36,696
Mesford Sidewalk	380,391	25,445	354,946
Moe/Jensen to 3rd Ave	96,000	6,902	89,098
Noll Road Improvements	25,333	14,172	11,161
3rd Ave - Moe to Iverson	300,000	-	300,000
Viking Avenue at Bovela	1,479,558	374,674	1,104,884
Viking Avenue at McDonalds	2,852,768	2,545,390	307,378
Total Expenditures	5,273,697	3,008,520	2,265,177
Excess of Revenues Over Expenditures	(1,277,145)	(461,422)	815,723
Other Financing Sources (Uses)			
Proceeds From Sale of Capital Assets	-	-	-
Transfers in	613,482	579,863	(33,619)
Transfers out	-	-	-
Total Other Financing Sources (Uses)	613,482	579,863	(33,619)
Net Change in Fund Balance	(663,663)	118,441	782,104
Fund Balance Beginning of Year	1,097,783	1,045,485	(52,298)
Prior Year Adjustment	-	-	-
Fund Balance End of Year	\$ 434,120	\$ 1,163,926	\$ 729,806

PARK ACQUISITION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2009

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Park Mitigation	\$ -	\$ 6,600	\$ 6,600
Interest and Other Earnings	-	933	933
Total Revenues	-	7,533	7,533
Expenditures			
Current:			
General Government	-	-	-
Total Expenditures	-	-	-
Excess of Revenues Over Expenditures	-	7,533	7,533
Other Financing Sources (Uses)			
Transfers in	-	-	-
Transfers out	(145,000)	(95,000)	50,000
Total Other Financing Sources (Uses)	(145,000)	(95,000)	50,000
Net Change in Fund Balance	(145,000)	(87,467)	57,533
Fund Balance Beginning of Year	182,595	182,595	-
Fund Balance End of Year	\$ 37,595	\$ 95,128	\$ 57,533

MUSEUM RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2009

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Interest and Other Earnings	\$ -	\$ 34	\$ 34
Miscellaneous	-	-	-
Total Revenues	-	34	34
Expenditures			
Current:			
General Government	-	-	-
Total Expenditures	-	-	-
Excess of Revenues Over Expenditures	-	34	34
Other Financing Sources (Uses)			
Transfers in	-	-	-
Transfers out	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balance	-	34	34
Fund Balance Beginning of Year	6,526	6,526	-
Fund Balance End of Year	\$ 6,526	\$ 6,560	\$ 34

CEMETERY RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2009

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Gravesites	\$ 1,000	\$ 2,200	\$ 1,200
Interest and Other Earnings	500	393	(107)
Miscellaneous	-	-	-
Total Revenues	1,500	2,593	1,093
Expenditures			
Current:			
General Government	-	-	-
Total Expenditures	-	-	-
Excess of Revenues Over Expenditures	1,500	2,593	1,093
Other Financing Sources (Uses)			
Transfers in	-	-	-
Transfers out	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balance	1,500	2,593	1,093
Fund Balance Beginning of Year	75,730	75,730	-
Fund Balance End of Year	\$ 77,230	\$ 78,323	\$ 1,093

CITY STREET EQUIPMENT RESERVE FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 BUDGET TO ACTUAL
 FOR THE YEAR ENDED DECEMBER 31, 2009

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Interest and Other Earnings	\$ 1,000	\$ 1,611	\$ 611
Miscellaneous	-	-	-
Total Revenues	1,000	1,611	611
Expenditures			
Capital Outlay	138,000	68,146	69,854
Total Expenditures	138,000	68,146	69,854
Excess of Revenues Over Expenditures	(137,000)	(66,534)	70,466
Other Financing Sources (Uses)			
Transfers in	50,608	46,402	(4,206)
Transfers out	-	-	-
Total Other Financing Sources (Uses)	50,608	46,402	(4,206)
Net Change in Fund Balance	(86,392)	(20,133)	66,259
Fund Balance Beginning of Year	212,078	212,078	-
Fund Balance End of Year	\$ 125,686	\$ 191,946	\$ 66,260

FACILITIES FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2009

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Interest and Other Earnings	\$ 35,000	\$ 30,394	\$ (4,606)
Miscellaneous	1,293,346	1,750	(1,291,596)
Total Revenues	1,328,346	32,144	(1,296,202)
Expenditures			
Capital Outlay:			
Municipal Campus Project	11,136,532	4,516,912	6,619,620
Total Expenditures	11,136,532	4,516,912	6,619,620
Excess of Revenues Over Expenditures	(9,808,186)	(4,484,768)	5,323,418
Other Financing Sources (Uses)			
Governmental Obligation Bond Proceeds	6,000,000	6,096,515	96,515
Proceeds From Sale of Capital Assets	5,025,450	2,800,000	(2,225,450)
Issuance Discount on Long-Term Debt		(54,071)	(54,071)
Transfers in	276,474	276,474	-
Transfers out	-	-	-
Total Other Financing Sources (Uses)	11,301,924	9,118,919	(2,183,005)
Net Change in Fund Balance	1,493,738	4,634,151	3,140,413
Fund Balance Beginning of Year	591,239	591,238	(1)
Prior Year Adjustment		-	
Fund Balance End of Year	\$ 2,084,977	\$ 5,225,390	\$ 3,140,413

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INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for the financing of goods and services provided by one department or agency to another department or agency of the City on a cost reimbursement basis.

The **General Facilities Fund** accounts for the cost of maintaining all City vehicles and construction equipment. All costs, including depreciation, are included in establishing the rate to be charged to each department.

The **Medical Reimbursement Plan Fund** accounts for employee medical reimbursements on the city-funded portion of the employee medical health plan deductible. This fund also provides a reserve for the State Public Employee Retirement System Plan I retiree's excess compensation expenses.

The **Public Works Administration Fund** accounts for administration support to the City's Streets, Water/Sewer, Solid Waste, Storm Drain, and General Facilities Departments.

COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
DECEMBER 31, 2009

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Medical Reimbursement</u>	<u>General Facilities</u>	<u>Public Works Admin</u>	<u>Total</u>
Assets				
Current Assets:				
Cash and Cash Equivalents	\$ 312	\$ 12,559	\$ 8,250	\$ 21,121
Investments	99,881	58,690	156,433	315,004
Accounts Receivable	-	-	256	256
Inventories	-	1,045	-	1,045
Total Current Assets	<u>100,193</u>	<u>72,295</u>	<u>164,939</u>	<u>337,427</u>
Noncurrent assets:				
Investments	-	-	-	-
Capital Assets:				
Land	-	-	6,590	6,590
Building and Structures	-	-	-	-
Machinery and Equipment	-	9,000	56,218	65,218
Construction in Progress	-	-	43,582	43,582
Other Improvements	-	-	32,424	32,424
Less: Accumulated Depreciation	-	(9,000)	(67,994)	(76,994)
Total Noncurrent Assets	<u>-</u>	<u>-</u>	<u>70,819</u>	<u>70,819</u>
Total Assets	<u>\$ 100,193</u>	<u>\$ 72,295</u>	<u>\$ 235,757</u>	<u>\$ 408,245</u>
Liabilities				
Current Liabilities:				
Accounts Payable	\$ -	\$ 1,083	\$ 1,805	\$ 2,888
Total Current Liabilities	<u>-</u>	<u>1,083</u>	<u>1,805</u>	<u>2,888</u>
Non Current Liabilities:				
Compensated Absences	-	12,532	59,299	71,831
Total Non Current Liabilities	<u>-</u>	<u>12,532</u>	<u>59,299</u>	<u>71,831</u>
Total Liabilities	<u>-</u>	<u>13,615</u>	<u>61,103</u>	<u>74,719</u>
Net Assets				
Invested in capital assets	-	-	70,819	70,819
Unrestricted	100,193	58,680	103,835	262,708
Total Net Assets	<u>\$ 100,193</u>	<u>\$ 58,680</u>	<u>\$ 174,654</u>	<u>\$ 333,526</u>

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	Medical Reimbursement	General Facilities	Public Works Admin	Total
Operating Revenues:				
Charges for Services	\$ -	\$ 179,129	\$ 1,079,732	\$ 1,258,861
Miscellaneous	-	-	-	-
Total operating revenues	-	179,129	1,079,732	1,258,861
Operating Expenses:				
Administrative and General	121	55,838	1,078,248	1,134,207
Depreciation	-	-	1,621	1,621
Operating	-	114,365	-	114,365
Total Operating Expenses	121	170,203	1,079,869	1,250,193
Operating Income (loss)	(121)	8,926	(137)	8,668
Nonoperating Revenues (Expenses):				
Interest and Other Earnings	518	304	907	1,729
Gain (loss) on Dispositon of Cap. Assets	-	-	-	-
Other Nonoperating Expense	-	-	-	-
Transfer In	-	-	-	-
Transfer Out	-	-	-	-
Total Nonoperating Revenue (Expenses)	518	304	907	1,729
Change in Net Assets	397	9,230	770	10,396
Total Net Assets Beginning of Year	99,796	49,450	1,223,885	1,373,131
Prior Year Adjustments	-	-	(1,050,001)	(1,050,001)
Total Net Assets End of Year	\$ 100,193	\$ 58,680	\$ 174,654	\$ 333,526

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009

	Governmental Activities		Business-type Activities	
	Medical Reimbursement	General Facilities	Public Works Admin	Total
Cash Flows from Operating Activities				
Receipts from customers and users	\$ 360	\$ 179,268	\$ 1,080,406	\$ 1,260,034
Payments to suppliers for goods and services	-	(79,779)	(622,244)	(702,023)
Payments to employees	(375)	(89,342)	(450,131)	(539,847)
Net cash provided (used) by operating activities	(15)	10,147	8,032	18,164
Cash Flows From Noncapital Financing Activities				
Operating Transfer-In (out)	-	-	-	-
Net cash provided (used) by noncapital and related financing activities	-	-	-	-
Cash Flows from Capital and Related Financing Activities				
Proceeds from sale of assets				
Purchase of capital assets	-	-	-	-
Acquisition and construction of capital assets	-	-	-	-
Net Cash provided (used) by capital and related financing activities	-	-	-	-
Cash Flows from Investing Activities				
Proceeds from sales and maturities of investments	-	-	50,000	50,000
Purchase of investments	(518)	(304)	(51,389)	(52,211)
Interest and dividends received	518	304	907	1,729
Net cash used by investing activities	(0)	0	(482)	(482)
Net increase in cash and cash equivalents	(15)	10,147	7,549	17,682
Cash and cash equivalents Beginning of Year	326	2,412	700	3,439
Cash and cash equivalents End of Year	\$ 312	\$ 12,559	\$ 8,250	\$ 21,121
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating Income	\$ (121)	\$ 8,926	\$ (137)	\$ 8,668
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	-	-	1,621	1,621
(Increase) decrease in accounts receivable	360	139	675	1,173
(Increase) decrease in inventories	-	147	-	147
Increase (decrease) in accounts payable	(254)	(706)	(2,351)	(3,310)
Increase(decrease) in comp. absences payable	-	1,641	8,224	9,865
Total Adjustments	106	1,221	8,169	9,496
Net Cash Provided By Operating Activities	\$ (15)	\$ 10,147	\$ 8,032	\$ 18,164

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
FOR THE YEAR ENDED DECEMBER 31, 2009

	1/1/09 Balance	Additions	Deletions	12/31/09 Balance
Assets				
Cash and cash equivalents	\$ 106,145	\$ 318,049	\$ 349,545	\$ 74,649
Investments	-	99,807	59,424	40,383
Total Assets	106,145	417,856	408,969	115,032
Liabilities				
Retainage Payable	\$ 58,548	\$ 624,723	\$ 636,603	\$ 46,669
Custodial funds	47,597	139,463	118,697	68,363
Total Liabilities	106,145	764,187	755,300	115,032
Net Assets	\$ -	\$ (346,330)	\$ (346,330)	\$ (0)

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STATISTICAL SECTION

This part of the City of Poulsbo's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information say about the government's overall financial health. This information is unaudited.

Contents

Financial Trends

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the government's most significant local revenue sources, property tax and sales tax.

Debt Capacity

These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

Data Sources:

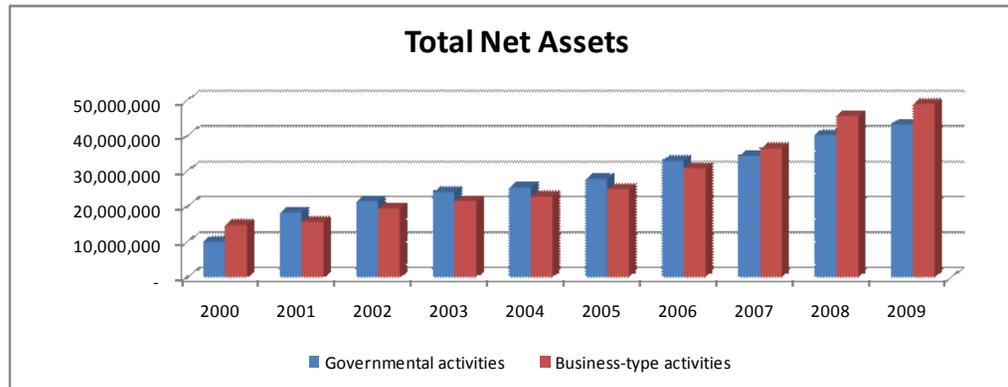
Unless otherwise noted, the information in these schedules are derived from the comprehensive annual financial reports for the relevant year.

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NET ASSETS BY COMPONENT
Last Ten Fiscal Years

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Governmental activities										
Invested in capital assets, net of related debt	\$ 4,583,369	\$12,850,322	\$15,703,725	\$16,780,634	\$18,857,715	\$14,526,547	\$ 21,314,960	\$ 22,927,641	\$ 32,758,461	\$ 35,548,551
Restricted	791,906	307,815	295,090	293,256	287,739	866,364	974,441	946,843	683,649	643,717
Unrestricted	4,690,009	5,238,632	5,535,830	6,992,026	6,221,541	12,367,678	10,640,044	10,460,327	6,831,365	7,074,512
Total governmental activities net assets	\$ 10,065,284	\$ 18,396,769	\$ 21,534,645	\$ 24,065,915	\$ 25,366,996	\$ 27,760,589	\$ 32,929,444	\$ 34,334,811	\$ 40,273,475	\$ 43,266,780
Business-type activities										
Invested in capital assets, net of related debt	\$12,729,523	\$11,612,215	\$15,991,448	\$16,641,475	\$16,903,395	\$17,250,848	\$ 25,702,744	\$ 25,907,276	\$ 35,806,531	\$ 38,376,953
Restricted	666,500	666,500	595,500	595,000	-	496,499	623,042	491,489	492,011	492,011
Unrestricted	1,410,257	3,349,596	2,883,550	4,306,333	5,916,001	7,258,373	4,526,032	10,062,161	9,313,622	10,139,706
Total business-type activities net assets	\$ 14,806,280	\$ 15,628,311	\$ 19,470,497	\$ 21,542,808	\$ 22,819,397	\$ 25,005,720	\$ 30,851,818	\$ 36,460,925	\$ 45,612,163	\$ 49,008,669
Primary government										
Invested in capital assets, net of related debt	\$17,312,892	\$24,462,537	\$31,695,173	\$33,422,109	\$35,761,110	\$31,777,395	\$ 47,017,703	\$ 48,834,917	\$ 68,564,992	\$ 73,925,503
Restricted	1,458,406	974,315	890,590	888,256	287,739	1,362,863	1,597,483	1,438,331	1,175,659	1,135,728
Unrestricted	6,100,266	8,588,228	8,419,379	11,298,359	12,137,543	19,626,051	15,166,076	20,522,488	16,144,986	17,214,218
Total primary government net assets	\$ 24,871,564	\$ 34,025,080	\$ 41,005,142	\$ 45,608,724	\$ 48,186,392	\$ 52,766,309	\$ 63,781,263	\$ 70,795,736	\$ 85,885,638	\$ 92,275,449



CHANGES IN NET ASSETS
Last Ten Fiscal Years

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Expenses										
Governmental Activities:										
General government	\$ 1,586,851	\$ 1,397,344	\$ 1,462,979	\$ 1,516,489	\$ 1,530,017	\$ 1,356,943	\$ 1,639,401	\$ 1,729,870	\$ 1,752,358	\$ 1,673,197
Judicial	281,944	303,704	317,756	265,053	260,744	257,550	272,248	303,106	338,206	363,204
Security of Persons & Property	1,754,692	1,749,792	1,954,963	1,983,035	1,939,609	2,112,042	2,194,372	2,432,958	2,485,650	2,735,396
Utilities & Environment	413,248	301,774	308,421	593,399	502,815	436,786	502,929	579,460	605,326	495,083
Transportation	368,843	630,446	758,662	930,344	1,086,014	1,069,701	1,105,132	3,303,834	3,473,777	1,590,515
Economic Environment	342,245	367,099	392,359	446,585	595,488	650,391	751,947	846,131	894,507	848,002
Mental & Physical Health	4,081	948,433	9,457	9,909	10,767	12,489	12,838	13,489	13,694	14,213
Culture & Recreation	874,218	8,494	1,071,479	1,142,670	1,196,036	1,273,809	1,381,978	1,820,165	2,067,109	1,501,571
Interest on Long-Term Debt	105,964	138,906	108,317	195,895	161,767	150,670	332,355	323,951	303,190	517,679
Total Governmental Activities Expenses	<u>5,732,087</u>	<u>5,845,991</u>	<u>6,384,393</u>	<u>7,083,381</u>	<u>7,283,256</u>	<u>7,320,381</u>	<u>8,193,199</u>	<u>11,352,964</u>	<u>11,933,818</u>	<u>9,738,860</u>
Business-Type Activities:										
Water ¹	2,416,063	2,274,395	1,961,788	2,070,725	2,096,780	2,195,301	870,959	1,017,582	928,153	1,109,257
Sewer	-	-	-	-	-	-	1,368,353	1,518,045	1,520,839	1,716,646
Solid Waste	1,202,177	1,349,846	1,200,968	936,477	870,166	807,384	945,221	1,158,976	961,512	999,853
Storm Drain	158,747	143,376	146,834	243,174	283,778	323,217	417,209	559,800	675,448	881,451
Total Business-Type Activities	<u>3,776,986</u>	<u>3,767,617</u>	<u>3,309,590</u>	<u>3,250,377</u>	<u>3,250,724</u>	<u>3,325,902</u>	<u>3,601,742</u>	<u>4,254,402</u>	<u>4,085,952</u>	<u>4,707,206</u>
Total Primary Government Expenses	<u>\$ 9,509,073</u>	<u>\$ 9,613,608</u>	<u>\$ 9,693,982</u>	<u>\$10,333,757</u>	<u>\$10,533,980</u>	<u>\$10,646,283</u>	<u>\$11,794,941</u>	<u>\$15,607,366</u>	<u>\$16,019,770</u>	<u>\$14,446,066</u>
Program Revenues										
Governmental Activities:										
Charges for services										
General Government	\$ 815,401	\$ 172,281	\$ 171,951	\$ 246,939	\$ 198,872	\$ 224,133	\$ 230,890	\$ 259,258	\$ 268,307	\$ 269,871
Judicial	85,525	81,723	97,351	243,979	112,403	109,137	123,309	123,489	106,268	100,989
Security of Persons & Property	65,523	109,622	121,576	139,548	74,405	73,172	108,076	180,967	142,855	149,761
Utilities & Environment	56,818	70,781	37,788	135,636	123,440	144,532	186,395	147,659	58,143	41,545
Transportation	58,471	23,516	22,357	6,631	3,750	7,776	7,315	6,625	7,096	8,428
Economic Environment	487,089	266,115	329,635	339,070	385,157	580,137	667,550	1,111,693	508,805	529,054
Mental & Physical Health	-	-	-	-	-	-	-	-	-	-
Culture & Recreation	402,642	458,106	512,776	519,855	606,882	529,938	524,913	485,590	488,532	446,626
Interst on Long-Term Debt	-	-	-	-	-	-	-	-	-	-
Operating grants and contributions	242,441	366,162	387,942	361,691	401,880	453,211	421,073	697,301	403,541	462,488
Capital grants and contributions	962,810	364,499	2,754,008	2,422,547	1,254,588	1,330,358	3,353,002	3,958,650	8,170,785	2,616,738
Total Governmental Activities Program Revenues	<u>3,176,721</u>	<u>1,912,804</u>	<u>4,435,384</u>	<u>4,415,896</u>	<u>3,161,378</u>	<u>3,452,396</u>	<u>5,622,522</u>	<u>6,971,232</u>	<u>10,154,333</u>	<u>4,625,500</u>

CHANGES IN NET ASSETS
Last Ten Fiscal Years (continued)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Business-Type Activities:										
Charges for services:										
Water ¹	3,128,515	2,832,620	3,216,115	3,390,905	3,250,588	3,449,272	1,261,909	1,278,995	1,314,880	1,436,637
Sewer	-	-	-	-	-	-	1,845,779	1,903,284	1,988,486	2,388,293
Solid Waste	1,236,305	1,205,335	1,171,835	1,078,703	1,094,879	1,149,082	1,213,664	1,236,305	1,287,759	1,262,911
Storm Drain	1,157,797	404,906	474,779	538,291	549,545	602,950	655,959	708,002	701,872	732,023
Operating grants and contributions									56,428	53,270
Capital grants and contributions	340,597	-	2,456,114	537,062	494,143	-	4,476,680	4,372,821	7,612,412	3,180,784
Total Business-Type Activities Program Revenues	<u>5,863,214</u>	<u>4,442,860</u>	<u>7,318,843</u>	<u>5,544,960</u>	<u>5,389,156</u>	<u>5,201,303</u>	<u>9,453,991</u>	<u>9,499,408</u>	<u>12,961,838</u>	<u>9,053,919</u>
Total Primary Government Program Revenues	<u>\$ 9,039,935</u>	<u>\$ 6,355,664</u>	<u>\$11,754,227</u>	<u>\$ 9,960,856</u>	<u>\$ 8,550,534</u>	<u>\$ 8,653,699</u>	<u>\$15,076,513</u>	<u>\$16,470,639</u>	<u>\$23,116,170</u>	<u>\$13,679,418</u>
Net (Expense)/Revenue										
Governmental Activities	\$ (2,555,366)	\$ (3,933,187)	\$ (1,949,009)	\$ (2,667,485)	\$ (4,121,878)	\$ (3,867,985)	\$ (2,570,677)	\$ (4,381,732)	\$ (1,779,485)	\$ (5,113,360)
Business-type activities	<u>2,086,228</u>	<u>675,243</u>	<u>4,009,253</u>	<u>2,294,584</u>	<u>2,138,432</u>	<u>1,875,401</u>	<u>5,852,249</u>	<u>5,245,005</u>	<u>8,875,886</u>	<u>4,346,712</u>
Total Primary Government Net Expense	<u>\$ (469,138)</u>	<u>\$ (3,257,944)</u>	<u>\$ 2,060,245</u>	<u>\$ (372,901)</u>	<u>\$ (1,983,446)</u>	<u>\$ (1,992,584)</u>	<u>\$ 3,281,572</u>	<u>\$ 863,273</u>	<u>\$ 7,096,400</u>	<u>\$ (766,648)</u>
General Revenues and Other Changes in Net Assets										
Governmental Activities:										
Taxes:										
Property Taxes	\$ 922,365	\$ 1,029,889	\$ 1,092,128	\$ 1,197,063	\$ 1,246,453	\$ 1,590,561	\$ 1,730,490	\$ 1,787,878	\$ 1,898,668	\$ 1,972,984
Retail Sales & Use Taxes	2,024,723	2,084,348	2,209,167	2,303,764	2,281,822	2,506,720	3,323,801	3,509,621	3,241,145	2,983,521
Utility Taxes	496,975	372,107	-	-	-	6,121	-	-	-	-
Business Taxes	764,048	869,086	932,001	949,054	978,923	1,014,777	979,088	1,110,212	1,452,140	1,527,557
Excise Taxes	298,507	268,194	244,399	344,003	477,220	645,992	656,366	739,141	565,800	398,550
Motor Fuel Taxes	143,159	-	-	-	-	-	-	-	-	-
Penalties & Interest	70	366	32	75	-	33	95	-	-	-
Investment earnings	393,220	361,457	233,694	126,445	130,220	237,180	718,819	818,379	579,695	157,625
Gain (loss) on disposal of capital assets	-	(12,656)	2,561	(154)	(79,307)	4,913	865	(6,963)	701	724,911
Permanent Fund Contributions	-	-	1,014	-	-	-	-	-	-	-
Specialty Item	-	-	(181,253)	-	-	-	-	-	-	-
Transfers	-	-	259,049	264,753	265,918	249,764	246,000	258,251	0	0
Total Governmental Activities	<u>5,043,067</u>	<u>4,972,791</u>	<u>4,792,791</u>	<u>5,185,003</u>	<u>5,301,247</u>	<u>6,256,059</u>	<u>7,655,524</u>	<u>8,216,519</u>	<u>7,738,149</u>	<u>7,765,148</u>

CHANGES IN NET ASSETS
Last Ten Fiscal Years (continued)

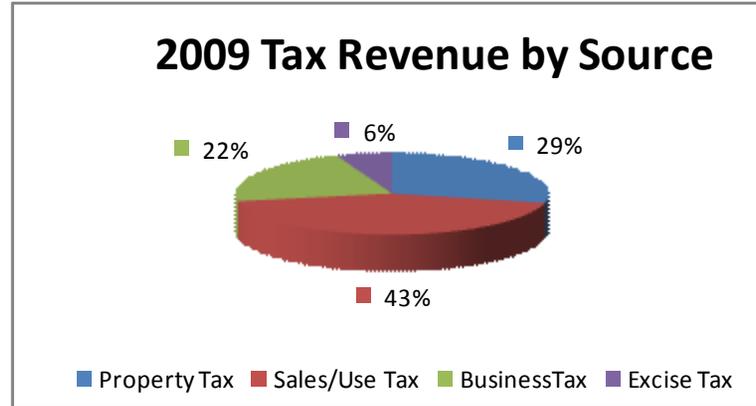
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Business-Type Activities										
Penalties & Interest	-	-	6	-	-	-	-	-	-	-
Investment earnings	227,593	134,787	102,315	36,629	42,439	101,882	239,850	334,691	275,353	87,942
Gain (loss) on disposal of capital assets	-	12,000	3,005	167	-	(23,633)	-	800	-	-
Transfers	-	-	(259,049)	(264,753)	(265,918)	(249,764)	(246,000)	-	-	-
Total Business-Type Activities	227,593	146,787	(153,723)	(227,957)	(223,478)	(171,514)	(6,151)	335,491	275,353	87,942
Total Primary Government	<u>\$ 5,270,661</u>	<u>\$ 5,119,579</u>	<u>\$ 4,639,067</u>	<u>\$ 4,957,046</u>	<u>5,077,769</u>	<u>\$ 6,084,544</u>	<u>\$ 7,649,373</u>	<u>\$ 8,552,010</u>	<u>\$ 8,013,502</u>	<u>\$ 7,853,090</u>
Change in Net Assets										
Governmental Activities	\$ 2,487,701	\$ 1,039,604	\$ 2,843,782	\$ 2,517,518	\$ 1,179,370	\$ 2,388,074	\$ 5,084,847	\$ 3,834,787	\$ 5,958,663	\$ 2,651,788
Business-Type Activities	2,313,821	822,031	3,855,530	2,066,627	1,914,954	1,703,887	5,846,098	5,580,497	9,151,239	4,434,655
Total Primary Government	<u>\$ 4,801,523</u>	<u>\$ 1,861,635</u>	<u>\$ 6,699,312</u>	<u>\$ 4,584,145</u>	<u>\$ 3,094,324</u>	<u>\$ 4,091,961</u>	<u>\$10,930,945</u>	<u>\$ 9,415,284</u>	<u>\$15,109,902</u>	<u>\$ 7,086,442</u>

Note:

¹ Water and Sewer activities were reported together until the 2006 CAFR.

GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE
Last Ten Fiscal Years

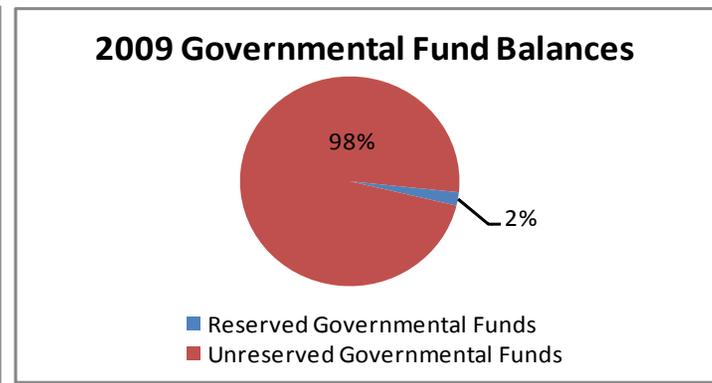
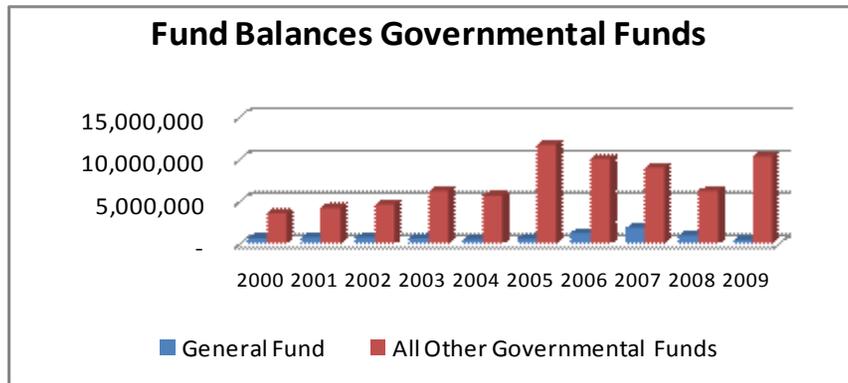
Fiscal Year	Property Tax	Sales/Use Tax	BusinessTax	Excise Tax	Total Taxes
2000	1,144,185	2,024,723	764,228	260,152	4,193,287
2001	1,029,889	2,172,814	780,620	268,194	4,251,517
2002	1,092,128	2,317,288	809,756	258,523	4,477,695
2003	1,197,063	2,415,924	820,791	360,105	4,793,883
2004	1,246,453	2,387,791	856,207	493,968	4,984,419
2005	1,590,561	2,641,392	861,489	664,607	5,758,049
2006	1,730,490	3,322,620	980,268	656,366	6,689,744
2007	1,787,878	3,509,621	1,110,212	739,141	7,146,852
2008	1,898,668	3,241,145	1,452,140	565,800	7,157,753
2009	1,972,984	2,983,521	1,527,557	398,550	6,882,612



FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years

Fiscal Year	General Fund		All Other Governmental Funds			Total All Other Governmental Funds
	Unreserved	Total General Fund	Reserved	Unreserved Special Revenue Funds	Unreserved Capital Projects Funds	
2000	\$ 665,091	\$ 665,091	\$ 269,905	\$ 2,672,437	\$ 641,214	\$ 3,583,556
2001	751,962	751,962	96,914	3,221,276	880,087	4,198,277
2002	751,962	751,962	295,090	3,310,231	996,336	4,601,657
2003	652,042	652,042	293,255	3,367,426	2,545,055	6,205,736
2004	505,964	505,964	287,739	3,407,958	1,981,860	5,677,557
2005	561,075	561,075	866,364	3,745,074	7,069,870	11,681,309
2006	1,250,070	1,250,070	974,441	5,224,094	3,842,259	10,040,794
2007	1,880,660	1,880,660	947,612	3,237,757	4,826,542	9,011,912
2008	988,024	988,024	190,927	3,233,954	2,809,419	6,234,300
2009	459,184	459,184	220,753	2,692,944	7,387,919	10,301,616

Note: The City implemented GASB 44 in 2006 and has reported the information above retroactively. Details regarding the City's outstanding debt can be found in the notes to the financial statements.



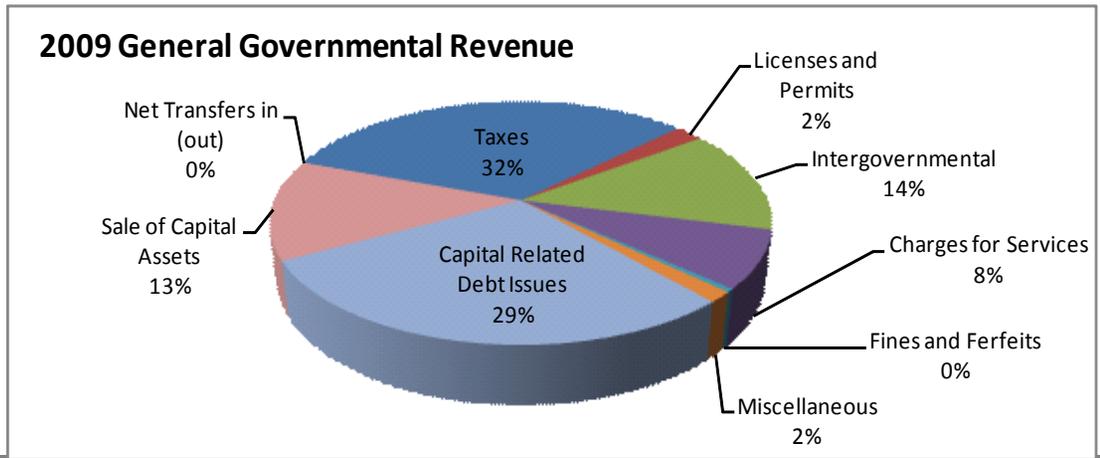
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Revenues										
Taxes	\$ 4,415,521	\$ 4,582,872	\$ 4,702,950	\$ 5,053,820	\$ 5,255,334	\$ 5,876,048	\$ 6,828,714	\$ 7,381,362	\$ 7,269,716	\$ 6,757,754
Licenses and Permits	266,589	268,823	333,424	335,050	382,285	614,391	517,095	860,178	386,251	460,321
Intergovernmental Revenues	1,322,982	581,869	1,506,776	2,554,371	1,151,526	432,120	2,155,192	3,014,360	2,117,665	2,893,320
Charges for Services	1,249,058	1,227,521	1,356,666	1,252,724	1,364,581	2,452,611	1,636,497	1,805,101	1,611,662	1,611,449
Fines and Forfeitures	84,092	80,325	97,953	236,840	104,859	97,108	108,781	106,704	103,210	89,382
Investment Earnings	432,058	348,667	217,459	126,750	127,181	231,415	710,248	811,654	576,967	180,618
Miscellaneous	346,746	196,388	178,731	238,156	268,953	226,861	124,439	213,682	65,517	120,181
Total Revenues	8,117,046	7,286,465	8,393,958	9,797,711	8,654,718	9,930,555	12,080,967	14,193,041	12,130,988	12,113,024
Expenditures										
General Government	1,758,393	1,891,095	2,004,640	2,021,993	2,068,988	1,880,437	2,222,182	2,401,891	2,510,110	2,557,344
Security of Persons and Property	1,645,163	1,663,085	1,828,921	1,856,410	1,815,863	2,010,463	2,116,770	2,377,818	2,289,655	2,544,115
Utilities and Environment	408,168	445,240	480,445	579,134	479,589	425,839	497,437	566,156	585,591	474,649
Transportation	332,303	489,213	470,602	461,682	604,561	612,296	675,217	2,756,203	2,657,624	837,427
Economic Development	336,148	360,209	381,475	440,816	572,399	634,263	738,917	839,269	891,608	845,073
Mental and Physical Health	2,052	8,494	9,457	9,909	10,767	12,489	12,838	13,489	13,694	14,213
Culture and Recreation	817,571	851,309	970,598	1,032,864	1,128,611	1,201,711	1,290,717	1,553,747	1,779,008	1,218,559
Capital Outlay	2,123,124	809,410	2,641,461	3,298,481	2,223,203	1,687,441	4,703,590	2,572,498	3,624,733	7,788,933
Debt Service										
Principal	273,775	329,110	356,427	958,608	348,608	384,323	579,323	574,323	1,199,323	704,323
Interest & Fiscal Charges	105,964	138,906	98,777	153,941	160,605	150,670	332,355	323,951	303,190	430,172
Total Expenditures	7,802,661	6,986,070	9,242,803	10,813,837	9,413,193	8,999,932	13,169,345	13,979,345	15,854,538	17,414,810
Excess of revenues over (under) expenditures	314,385	300,395	(848,845)	(1,016,126)	(758,475)	930,623	(1,088,379)	213,696	(3,723,550)	(5,301,785)
Other financing sources (uses)										
Proceeds Gen Long Term Debt	600,000	229,095	1,560,475	2,550,000	42,944	5,185,000				6,096,515
Payment to Refund Bond Escrow Agent			(405,000)	-	-					
Issuance Discount on Long-Term Debt			9,540	41,954	1,162	(82,451)				(54,071)
Net Transfers In (Out)	15,499	-	38,488	-	58,079	15,260	51,985	67,350	-	-
Intergovernmental Payment									(15,000)	
Disposal of Capital Assets	14,045	5,260	4,979	3,782	1,878	4,913	865	-	2,180	2,800,000
Total other financing sources (uses)	629,545	234,355	1,208,482	2,595,736	104,064	5,122,722	52,850	67,350	(12,820)	8,842,445
Net change in fund balances	\$ 943,930	\$ 534,750	\$ 359,637	\$ 1,579,610	\$ (654,411)	\$ 6,053,345	\$ (1,035,529)	\$ 281,046	\$ (3,736,370)	\$ 3,540,659
Debt service as a percentage of noncapital expenditures	6.69%	7.58%	6.90%	14.80%	7.08%	7.32%	10.77%	7.87%	12.29%	11.79%

GENERAL GOVERNMENTAL REVENUES BY SOURCE
Last Ten Fiscal Years

Fiscal Year	REVENUES							OTHER FINANCING SOURCES (USES)				Total Revenues and Other Sources
	Taxes	Licenses and Permits	Intergovernmental	Charges for Services	Fines and Ferfeits	Miscellaneous	Total Revenues	Capital Related Debt Issues	Sale of Capital Assets	Net Transfers in (out)	Financing Sources (Uses)	
2000	4,415,521	266,589	1,322,982	1,249,058	84,092	778,803	8,117,046	600,000	14,045	15,499	629,545	8,746,591
2001	4,582,872	268,823	581,869	1,227,521	80,325	545,055	7,286,465	229,095	5,260	-	234,355	7,520,820
2002	4,702,950	333,424	1,506,776	1,356,666	97,953	396,190	8,393,958	1,155,475	4,979	38,488	1,198,942	9,592,900
2003	5,053,820	335,050	2,554,371	1,252,724	236,840	364,906	9,797,711	2,550,000	3,782	-	2,553,782	12,351,493
2004	5,255,334	382,285	1,151,526	1,364,581	104,859	396,134	8,654,718	42,944	1,878	58,079	102,901	8,757,619
2005	5,876,048	614,391	432,120	2,452,611	97,108	226,861	9,699,139	5,102,549	4,913	15,260	5,122,722	14,821,861
2006	6,828,714	517,095	2,155,192	1,636,497	108,781	834,687	12,080,967	-	865	51,985	52,850	12,133,817
2007	7,381,362	860,178	3,014,360	1,805,101	106,704	1,025,336	14,193,041	-	-	67,350	67,350	14,260,391
2008	7,269,716	386,251	2,117,665	1,611,662	103,210	642,483	12,130,988	(15,000)	2,180	-	(12,820)	12,118,168
2009	6,757,754	460,321	2,893,320	1,611,449	89,382	300,799	12,113,024	6,042,445	2,800,000	-	8,842,445	20,955,469



ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
Last Ten Fiscal Years
(in thousands of dollars)

Fiscal Year Ended December 31	Real Property	Personal Property	Less: Tax Exempt Real Property	Total Taxable Assessed Value¹	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
2000	589,744,678	23,831,267	76,838,467	536,737,478	13.7365	600,377,492	89.4
2001	609,434,614	38,229,154	76,722,244	570,941,524	14.1245	648,797,186	88.0
2002	631,605,477	35,662,271	76,893,725	590,374,023	13.8677	670,879,572	88.0
2003	687,861,685	34,377,866	81,937,703	640,301,848	13.5369	743,672,297	86.1
2004	811,445,976	32,598,832	104,902,292	739,142,516	12.9997	849,589,099	87.0
2005	998,820,555	37,296,158	130,764,431	905,352,282	11.3797	1,004,830,502	90.1
2006	1,359,944,770	37,817,375	202,658,963	1,195,103,182	9.5220	1,359,616,817	87.9
2007	1,500,268,177	55,589,284	218,520,151	1,337,337,310	9.1556	1,523,163,223	87.8
2008	1,524,122,775	40,675,295	186,579,815	1,378,218,255	9.6156	1,598,861,085	86.2
2009	1,435,423,041	52,673,622	178,062,955	1,310,033,708	10.4736	1,519,760,682	86.2

¹ Figure represents current year assessed value payable in following year

Source: Kitsap County Assessor's Office

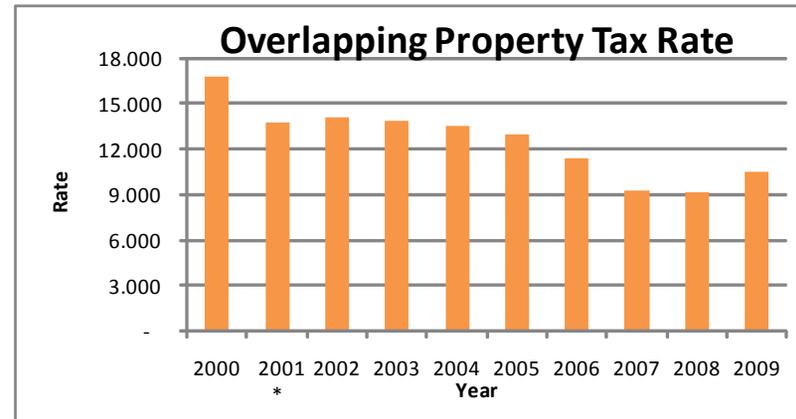
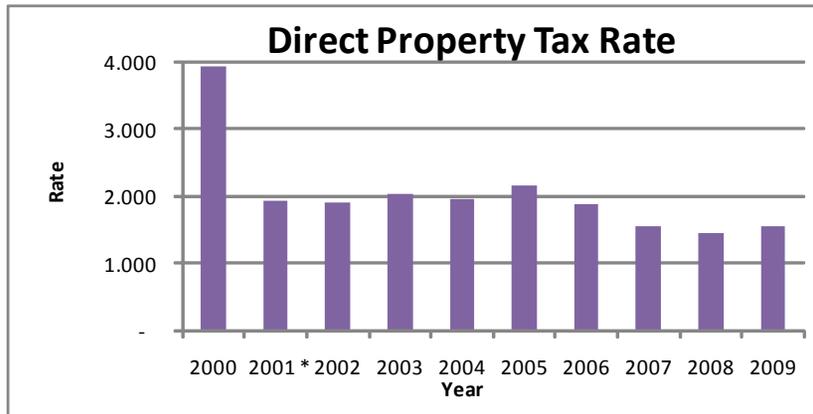
PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS

Last Ten Fiscal Years

Fiscal Year	School			Other Overlapping Rates								Total Direct & Overlapping	
	Operating	Debt Service	Total City	Kitsap County	State School	NK School District	Port of Poulsbo	Fire District #18	Public Utility	Kitsap Regional Library	Poulsbo Library		Total Overlapping Rates
2000	3.581	0.368	3.949	1.855	3.281	4.612	0.402	2.000	0.101	0.500	0.094	12.844	16.793
2001*	1.639	0.305	1.944	1.518	3.095	4.198	0.353	1.948	0.098	0.500	0.083	11.793	13.736
2002	1.633	0.286	1.919	1.670	3.148	4.495	0.347	1.881	0.106	0.483	0.077	12.206	14.125
2003	1.753	0.274	2.027	1.602	2.927	4.421	0.371	1.885	0.102	0.462	0.072	11.840	13.868
2004	1.709	0.251	1.960	1.413	3.080	4.291	0.356	1.826	0.100	0.453	0.058	11.577	13.537
2005	1.930	0.221	2.151	1.309	2.961	3.992	0.338	1.684	0.092	0.420	0.053	10.848	13.000
2006	1.712	0.179	1.891	1.131	2.599	3.497	0.300	1.476	0.080	0.362	0.044	9.489	11.380
2007	1.428	0.133	1.561	0.963	2.296	2.836	0.249	1.208	0.068	0.031	0.035	7.684	9.245
2008	1.440	-	1.440	0.877	2.028	2.594	0.236	1.607	0.062	0.280	0.031	7.716	9.156
2009	1.563	-	1.563	0.990	2.134	3.148	0.260	1.957	0.068	0.320	0.033	8.911	10.4736

*Note: In 2001, Washington State Voter Initiation 747 was passed limiting property taxes for taxing jurisdictions under 10,000 in population to 1% over the previous year's levy

Source: Kitsap County Assessor's Office - Statement of Assessments



PRINCIPAL TAXPAYERS
Current Year and Nine Years Ago*

Taxpayer	2009			2001*			
	2009 Assessed Valuation	Rank	% of Total Assessed Valuation	2001 Assessed Valuation	Rank	% of Total Assessed Valuation	
Olhava Associates LMTD Partnership	\$ 22,872,270	1	1.75%	Poulsbo Retirement Center	\$ 8,910,000	1	1.56%
Walmart LLC - Store #5272	20,133,500	2	1.54%	Hattaland	7,494,000	2	1.31%
Laurelhurst Apartments Company	15,375,950	3	1.17%	Olhava Associates LMTD Partnership	7,324,000	3	1.28%
Poulsbo Retirement Center	13,961,330	4	1.07%	Puget Sound Energy	7,269,028	4	1.27%
Liberty Ridge Apartments LLC	13,079,210	5	1.00%	Tim Ryan Properties LP	6,446,000	5	1.13%
Tim Ryan Properties LP	12,455,170	6	0.95%	Current Development LLC	5,351,000	6	0.94%
College Marketplace LLC	11,696,550	7	0.89%	Emma O Patterson	4,868,000	7	0.85%
HD Development of Maryland Inc	11,065,000	8	0.84%	Liberty Bay Marina LLC	4,747,000	8	0.83%
Montclair Senior Living LLC	10,893,110	9	0.83%	John & Terri Hern	4,344,000	9	0.76%
John & Terri Hern	10,014,680	10	0.76%	Little Valley Storage LLC	4,286,000	10	0.75%
TOTALS:	\$ 141,546,770		10.80%		\$ 61,039,028		10.69%

Source: Kitsap County Assessor's Office

*Note: Data from Nine Years past is not available therefore the earliest year available for comparison is shown.

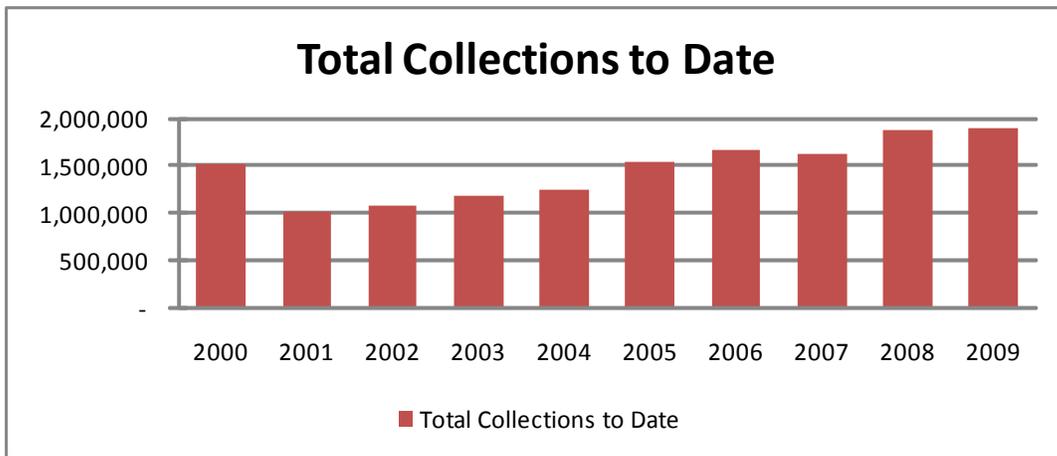


**PROPERTY TAX LEVIES AND COLLECTIONS
2000 - 2009**

Fiscal Year	Total Tax Levy	Collected within the Fiscal Year of the Levy		Delinquent Tax Collected	Total Collections to Date		Outstanding Delinquent Taxes (ODT)	ODT As % of Current Levy
		Amount	% of Levy		Amount	% of Levy		
2000	1,526,899	1,475,900	96.66%	49,726	1,525,626	99.92%	1,273	0.08%
2001 ¹	1,022,115	995,531	97.40%	25,814	1,021,345	99.92%	769	0.08%
2002	1,087,786	914,690	84.09%	171,687	1,086,377	99.87%	1,409	0.13%
2003	1,190,499	1,169,635	98.25%	19,017	1,188,652	99.84%	1,846	0.16%
2004	1,241,641	1,221,213	98.35%	18,949	1,240,162	99.88%	1,479	0.12%
2005	1,539,340	1,550,699	100.74%	(13,829)	1,536,871	99.84%	2,469	0.16%
2006	1,672,273	1,685,921	100.82%	(19,334)	1,666,587	99.66%	5,686	0.34%
2007	1,707,084	1,677,594	98.27%	(47,621)	1,629,973	95.48%	77,111	4.52%
2008	1,931,528	1,873,648	97.00%	12,573	1,886,221	97.65%	45,307	2.35%
2009	1,976,588	1,900,928	96.17%	(1,453)	1,899,475	96.10%	77,112	3.90%

¹ Washington State Voter Initiation 747 was passed limiting property taxes for taxing jurisdictions under 10,000 in population to 1% over the previous year's levy

Source: Kitsap County Treasurer and Assessor's Office



**SALES TAX RATE DIRECT AND OVERLAPPING GOVERNMENTS
Last Ten Fiscal Years***

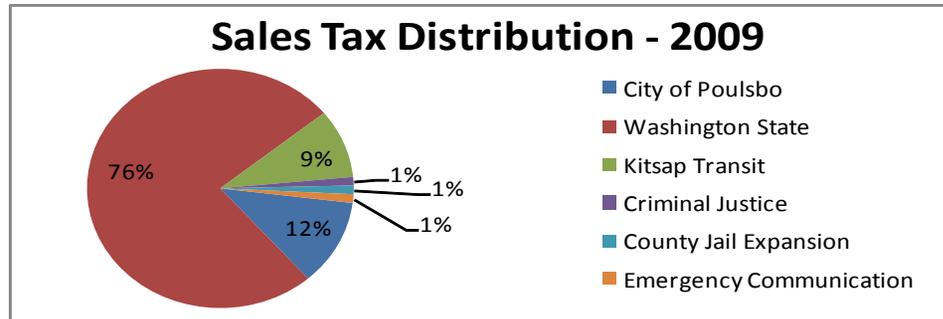
	2000	2001	2002 ^(a)	2003	2004 ^(b)	2005	2006	2007	2008	2009
Basic Sales Tax Rates										
City of Poulsbo	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Washington State	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%
Kitsap Transit	0.5%	0.5%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%
Criminal Justice	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
County Jail Expansion	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Emergency Communication	-	-	-	-	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Total Basic Combined Sales Tax Rate	8.2%	8.2%	8.5%	8.5%	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%
Special Sales Tax Rates										
Hotel/Motel ^(c)	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%

^(a) Eff. Oct 1, 2001, the Kitsap Co. Public Transportation Benefit Area increased their levy by three-tenths of one percent (.003) with voter approval

^(b) Eff. 2004, voters approved an initiative for one-tenth of one percent (.001) to provide a reliable long-term funding source for Kitsap County 911

^(c) In effect since 1998, this 2% Hotel/Motel Tax was approved by Ordinance 98-03 in accordance with RCW 82.08

Source: Washington State Department of Revenue Local Sales and Use Tax Rates



RETAIL SALES TAX REVENUE BY SECTOR
Last Ten Fiscal Years*

	2001	2002	2003	2004	2005	2006	2007	2008	2009
Major Industry Sector									
Unknown	4,293	19,337	11,287	8,142	8,044	13,373	15,140	8,529	4,721
Agriculture, Forestry Fishing	854	172	264	301	232	567	459	526	665
Mining	125	177	67	285	298	334	150	96	252
Utilities	1,974	1,742	2,469	1,222	1,018	1,538	1,694	2,866	2,618
Construction	290,411	341,598	404,472	325,656	427,005	467,266	454,627	420,541	273,295
Manufacturing	20,793	23,137	20,749	22,842	21,837	27,855	38,137	34,999	30,774
Wholesale Trade	110,584	103,561	102,716	122,172	144,851	135,929	150,273	144,849	91,669
Retail Trade	1,079,577	1,120,403	1,127,207	1,130,908	1,232,464	1,815,464	1,888,749	1,780,157	1,712,476
Transportation and Warehousing	2,139	1,729	1,465	1,568	2,172	2,094	1,593	1,093	1,188
Information	126,642	113,463	121,953	122,665	101,994	108,898	78,940	103,749	101,511
Finance and Insurance	5,097	21,475	17,352	12,277	11,817	19,385	18,841	15,116	7,962
Real Estate, Rental, Leasing	54,855	49,592	64,056	58,020	64,113	68,775	66,251	59,476	75,948
Prof Sci, Technical Svcs	26,290	26,033	22,014	30,799	34,326	33,269	38,658	42,981	43,304
Company Management	-	61	23	158	208	214	175	89	37
Admin, Supp, Remed Svcs	39,610	37,075	37,133	38,253	32,093	38,446	37,446	39,076	32,001
Educational Services	6,245	4,193	4,289	5,877	4,615	4,058	7,017	6,380	5,988
Health Care Social Assistance	5,046	8,988	9,755	7,503	6,210	6,927	13,924	10,820	13,310
Arts, Entertain, Recreation	2,601	3,716	5,907	8,501	6,484	11,650	12,997	13,749	6,971
Accommodation and Food Svcs.	185,994	193,388	206,333	222,014	236,119	241,044	237,134	249,801	273,308
Other Services	52,796	65,337	65,468	79,221	79,433	86,062	90,581	88,906	80,180
Public Administration	86	17	1,403	13	567	12	21	245	18,365
Total Retail Sales Tax Revenues**	\$2,016,012	\$2,135,194	\$2,226,382	\$2,198,397	\$2,415,900	\$3,083,160	\$3,152,807	\$3,024,044	\$2,776,543

*Year 2000 data not available

**The revenues reflected here are based on time of reporting so do not represent the same amount as reported in financials

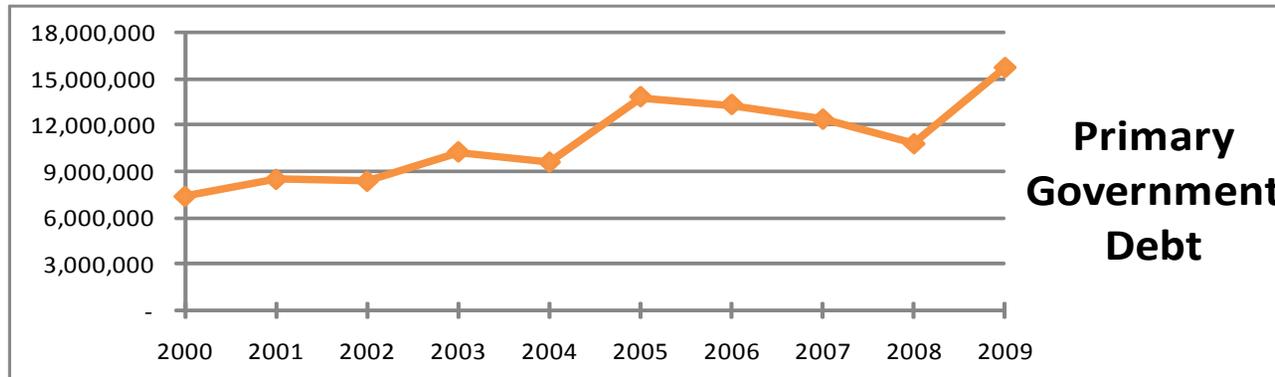
Sources: City of Poulsbo Finance Department and Washington State Department of Revenue

RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years

Fiscal Year	Governmental Activities		Business-Type Activities			Total Primary Government	Percentage of Personal Income ¹	Per Capita ¹
	General Obligation Bonds	PWTF Loans	Water Bonds	Sewer Bonds	PWTF Loans			
2000	1,050,000	-	1,047,200	4,567,800	687,716	7,352,716	3.65%	1,079
2001	940,000	1,374,570	1,043,900	4,451,100	641,868	8,451,438	3.95%	1,213
2002	1,080,000	1,302,224	1,036,200	4,313,800	596,021	8,328,245	3.73%	1,189
2003	3,301,261	1,279,878	1,005,400	4,089,600	550,173	10,226,313	4.43%	1,459
2004	3,025,000	1,207,533	973,500	3,856,500	504,325	9,566,858	3.84%	1,329
2005	7,465,000	1,155,344	974,380	3,729,620	458,477	13,782,822	5.11%	1,850
2006	7,415,000	1,071,021	933,900	3,451,100	412,630	13,283,651	4.59%	1,774
2007	6,925,000	986,698	893,200	3,166,800	366,782	12,338,480	4.04%	1,632
2008	5,810,000	902,375	818,180	2,900,820	320,934	10,752,309	-	1,371
2009	11,205,000	818,051	740,740	2,626,260	275,086	15,665,138	-	1,769

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

¹ See the Schedule of Demographic and Economic Statistics for personal income and population data.



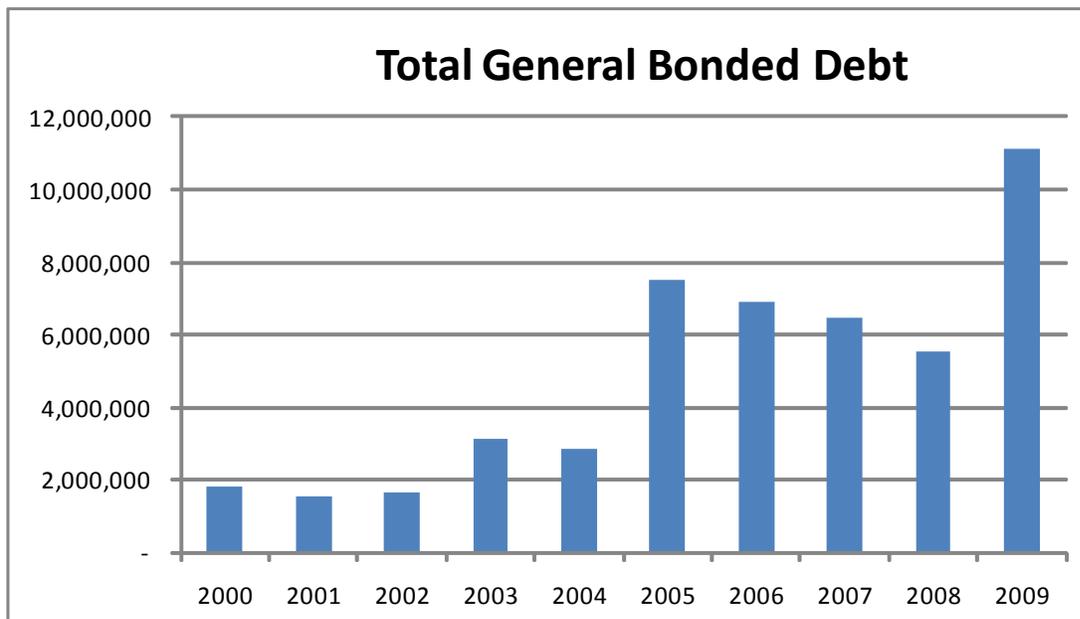
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Less: Amounts Available in Debt Service Fund</u>	<u>Total</u>	<u>% of Estimated Actual Taxable Value¹ of Property</u>	<u>Per Capita²</u>
2000	2,011,683	184,248	1,827,435	0.30%	268
2001	1,697,888	184,248	1,513,640	0.23%	217
2002	1,842,523	197,100	1,645,423	0.25%	235
2003	3,301,261	193,028	3,108,233	0.42%	443
2004	3,025,000	179,043	2,845,957	0.33%	395
2005	7,910,000	395,506	7,514,494	0.75%	1,009
2006	7,415,000	483,345	6,931,655	0.51%	925
2007	6,925,000	463,990	6,461,010	0.42%	855
2008	5,810,000	254,032	5,555,968	0.35%	709
2009	11,205,000	99,362	11,105,638	0.73%	1,254

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

¹ See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property for property value data.

² Population data can be found in the Schedule of Demographic and Economic Statistics.



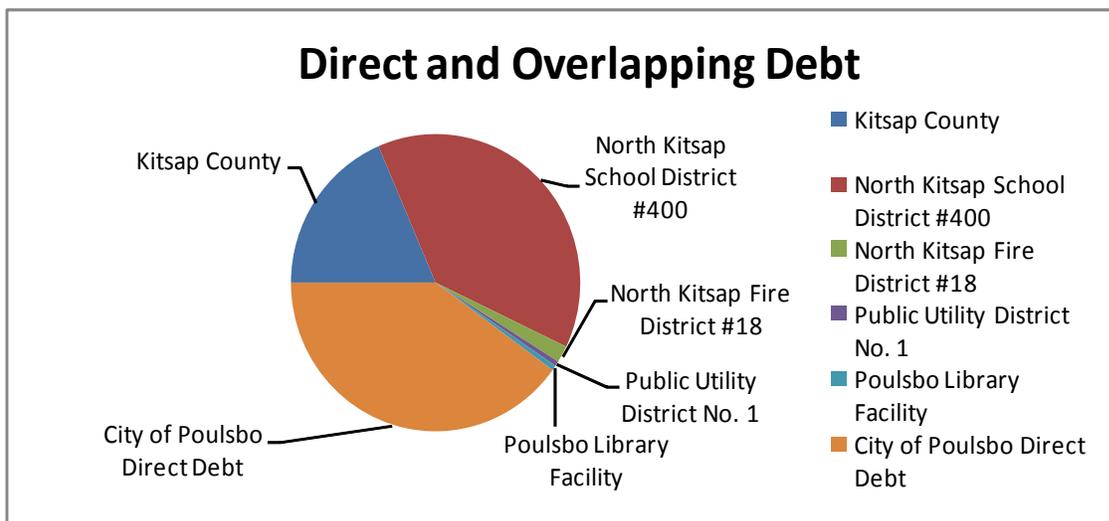
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
As of December 31, 2009

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated % Applicable¹</u>	<u>Estimated Share of Overlapping Debt</u>
Kitsap County	\$ 128,421,511	4.34%	\$ 5,571,366
North Kitsap School District #400	58,973,742	19.64%	11,580,273
North Kitsap Fire District #18	1,250,000	44.36%	554,542
Public Utility District No. 1	3,720,000	4.34%	161,386
Poulsbo Library Facility	545,000	29.16%	158,906
<i>Subtotal, Overlapping Debt</i>			<u>18,026,474</u>
City of Poulsbo Direct Debt	12,023,051	100%	<u>12,023,051</u>
Total Direct and Overlapping Debt			<u>\$ 30,049,525</u>

Sources: Assessed value data used to estimate applicable percentages provided by the Kitsap County Assessor's Office. Debt outstanding data provided by the Kitsap County Treasurer's Office.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Poulsbo. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

¹ The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the unit's taxable assessed value that is within the city's boundaries and dividing it by the units total taxable assessed value.



LEGAL DEBT MARGIN INFORMATION
Last Ten Fiscal Years

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Debt Limit	\$ 47,823,513	\$ 42,820,614	\$ 44,278,052	\$ 48,022,639	\$ 55,435,689	\$ 67,901,421	\$ 89,632,739	\$ 100,300,298	\$ 103,366,369	\$ 98,252,528
Total net debt applicable to limit	2,102,435	1,761,050	1,485,423	3,108,233	3,204,043	7,514,494	6,931,655	6,461,010	5,555,968	11,105,638
Legal debt margin	<u>\$ 45,721,078</u>	<u>\$ 41,059,564</u>	<u>\$ 42,792,629</u>	<u>\$ 44,914,406</u>	<u>\$ 52,231,646</u>	<u>\$ 60,386,928</u>	<u>\$ 82,701,084</u>	<u>\$ 93,839,288</u>	<u>\$ 97,810,401</u>	<u>\$ 87,146,890</u>
Total net debt applicable to the limit as a % of debt limit	4.40%	4.11%	3.35%	6.47%	5.78%	11.07%	7.73%	6.44%	5.38%	11.30%

Legal Debt Margin Calculation for Fiscal Year 2009

Assessed value	1,310,033,708
Debt limit (7.5% of total assessed value)	98,252,528
Debt applicable to limit:	
General obligation bonds	11,205,000
Less: Amount set aside for repayment of GO Debt	<u>99,362</u>
Total net debt applicable to limit	<u>11,105,638</u>
Legal debt margin	<u>\$ 87,146,890</u>

Sources: Assessed value data used to estimate applicable percentages provided by the Kitsap County Auditor's Office.

PLEDGED-REVENUE COVERAGE
Last Ten Fiscal Years

Fiscal Year	Water and Sewer Revenue Bonds					
	Charges for Services & Other	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2000	3,730,952	1,848,390	1,882,562	320,848	314,897	296%
2001	3,764,982	3,068,473	696,509	330,848	298,067	111%
2002	4,512,468	1,475,961	3,036,507	285,848	282,252	535%
2003	4,859,258	1,599,149	3,260,109	300,848	268,574	573%
2004	5,689,568	1,446,543	4,243,025	310,848	255,104	750%
2005	6,093,239	5,487,448	605,791	3,305,848 ¹	226,266	17%
2006	3,108,704	2,195,044	913,660	364,848	210,721	159%
2007	3,182,279	2,355,900	826,379	325,000	177,073	165%
2008	3,188,562	2,850,000	338,562	341,000	165,567	67%
2009	3,701,500	2,658,098	1,043,401	352,000	148,164	209%

Note: Details regarding the government's outstanding debt can be found in the notes to the financial statements. Charges for services and other includes plan checking fees but not tap fees and interest. Operating Expenses include depreciation but not interest.

¹ In 2005, A portion of the 1998 Revenue Bonds were refunded.

DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years

FISCAL YEAR	POPULATION	PERSONAL INCOME ¹	PER CAPITA INCOME*	UNEMPLOYMENT RATE**	SCHOOL ENROLLMENT ^{2 ***}
2000	6,813	201,273	29,493	5.0%	3,507
2001	6,965	214,027	30,732	6.0%	3,365
2002	7,005	223,120	31,571	6.7%	3,405
2003	7,010	230,911	32,652	6.7%	3,433
2004	7,200	249,063	34,746	5.8%	3,324
2005	7,450	269,807	36,308	5.1%	3,367
2006	7,490	289,217	39,343	4.8%	3,524
2007	7,560	305,383	41,521	4.4%	3,330
2008	7,840	--	--	5.4%	3,013
2009	8,855	--	--	7.6%	3,060

¹ Thousands of Dollars and information only available through 2007

² 2000-2009 are totals for only schools in city limits

* Source: US Bureau of Economic Analysis-Kitsap County based on population of City only available through 2007

** Source: Washington State Department of Employment Security-Kitsap County

*** Source: North Kitsap School District & Office of Superintendent of Public Instruction WA State

PRINCIPAL EMPLOYERS
Current Year and Ten Years Ago

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2009</u>			<u>2000</u>		
		<u>TOTAL EMPLOYEES ¹</u>	<u>Rank</u>	<u>% of Total City Employment</u>	<u>TOTAL EMPLOYEES ¹</u>	<u>Rank</u>	<u>% of Total City Employment</u>
North Kitsap School District	Public Educaiton	1000	1	15.44%	713	1	17.46%
Martha & Mary Lutheran Services	Social Services	450	2	6.95%	276	3	6.76%
Walmart	Retail Trade	314	3	4.85%			
Central Market	Retail Trade	230	4	3.55%	350	2	8.57%
Home Depot	Retail Trade	120	5	1.85%			
Masterworks	Advertising	115	6	1.78%			
Sound Publishing	Publishing	101	7	1.56%			
Harbor House at Liberty Shores	Social Services	97	8	1.50%			
City of Poulsbo	Government	81	9	1.25%	76	10	1.86%
Albertsons	Retail Trade	75	10	1.16%			0.00%
Courtesy Chevrolet	Auto Sales	-		-	200	4	4.90%
Raytheon Systems	Government Contracting	-		-	200	5	4.90%
EDS Corporation ²	Technical Services	-		-	175	6	4.29%
Frontier Bank	Banking Services	-		-	99	7	2.42%
Boxlight	computer/software	-		-	97	8	2.38%
Fred Hill Materials	Construction	-		-	94	9	2.30%
Subtotal of Ten Largest Employers		2583		39.88%	2280		55.83%
All Other Employers		3894		60.12%	1804		44.17%
Total Poulsbo Employment		6477		100.00%	4084		100.00%

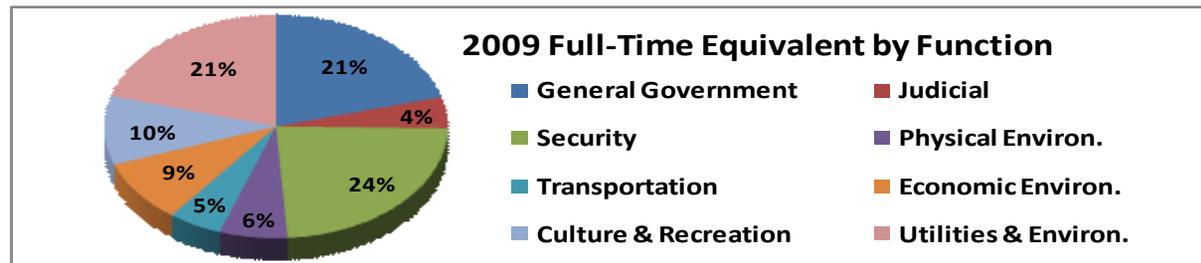
¹ Only full-time employees are tracked.

² Office closed, telework, number currently unknown

Source: Kitsap Economic Development Council Survey, State of Washington Labor & Industries

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
As of December 31, 2009

<u>Function</u>		<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
General Government:	Executive (Mayor)	2.00	1.63	1.63	1.00	1.00	1.00	1.00	1.00	1.00	1.00
	Clerk's Department	4.00	4.00	4.00	4.00	4.00	4.00	4.00	3.50	3.50	3.00
	Finance Department	8.00	8.00	7.00	7.00	6.50	7.00	7.50	8.33	7.81	7.00
	Grant Writer	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40
	Information Services	2.00	2.00	1.00	1.00	1.00	-	-	-	-	-
	Purchasing	-	-	-	-	-	2.00	2.50	2.50	2.50	2.50
	Personnel	1.00	1.00	1.00	1.00	1.00	1.00	0.50	-	-	-
	Central Services	1.90	1.90	1.90	1.90	1.90	1.79	1.79	1.72	1.97	2.00
Judicial:	Municipal Court	4.21	4.26	3.90	3.39	3.39	3.90	4.90	4.90	4.90	4.80
Security:	Police Department	22.00	22.00	20.00	20.00	20.00	20.00	20.00	19.00	19.00	19.00
Physical Environ.:	Engineering	5.95	6.45	6.00	6.00	5.00	6.50	6.38	5.38	4.38	4.00
Transportation:	Streets	4.70	4.70	4.70	4.36	4.36	3.91	3.91	2.96	2.98	3.30
Economic Environ.:	Planning & Building	8.45	9.45	9.00	8.50	7.50	5.75	5.63	5.63	5.63	5.50
Culture & Recreation:	Parks & Recreation	6.42	6.42	6.42	6.32	5.92	5.92	5.92	5.92	5.91	5.92
	Parks & Cemetery	2.25	3.25	3.25	3.98	3.48	2.90	2.90	2.65	2.81	3.00
	Library	0.60	0.60	0.60	0.54	0.54	0.49	0.49	-	-	-
Utilities & Environ.:	Water	2.90	2.90	2.90	3.46	3.46	2.28	2.28	3.20	3.16	4.39
	Sewer	3.15	3.15	3.15	1.80	1.80	1.37	1.37	1.54	2.59	1.88
	Solid Waste	3.05	3.55	3.55	3.99	3.49	2.88	2.88	3.61	3.34	4.60
	Storm Drain	3.95	3.95	2.95	2.97	1.97	1.85	1.85	0.66	2.35	1.83
	General Facilities	1.00	1.00	1.00	1.00	1.00	0.89	0.89	0.86	0.94	1.00
	Administration	5.10	5.10	5.00	6.00	5.00	7.64	7.64	7.80	5.86	4.00
Total Number of Full-Time Equivalent Employees:		93.03	95.71	89.35	88.61	82.71	83.47	84.73	81.56	81.03	79.12



Source: City of Poulsbo, Human Resources

OPERATING INDICATORS BY FUNCTION

Last Ten Fiscal Years

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Governmental Functions										
General Government Other										
Number of Unions Represented	2	2	2	2	2	2	2	2	2	2
Number of passports processed	1,110	1,155	993	878	858	806	1,119	1,024	1,018	1,015
Number of Business Licenses Issued	*	*	*	*	907	914	1,375	1,575	1,351	1,563
Number of City Council meetings	39	38	38	40	37	38	42	40	44	43
Number of public records requests processed	*	*	*	*	56	57	44	73	79	87
Public Safety										
Number of case reports filed	1,987	1,889	1,769	1,753	1,611	1,586	1,998	2,090	1,783	1,698
Number of citations issued	2,044	2,262	2,648	2,321	2,191	2,162	2,167	2,325	985	1,223
Number of calls for service	9,644	9,302	9,926	10,039	10,458	11,229	13,374	12,942	12,234	12,842
Number of responses to motor vehicle accidents	223	197	168	145	160	211	175	271	235	302
Number of driving impaired citations issued	59	72	83	78	49	58	110	72	71	103
Number of vacation house checks	1,900	1,700	1,605	1,819	1,350	909	1,034	1,049	847	847
Number of parking citations issued	110	117	101	155	171	177	231	63	230	114
Transportation										
Miles of streets maintained	*	30	30	32	35	37	39	45	45	45
Miles of sidewalks maintained	*	*	*	*	42	42	44	47	48	48
Number of hours spent street sweeping	*	30	396	420	420	490	546	550	468	468
Number of street signs maintained	895	900	910	1,213	1,553	1,805	1,875	2,174	2,174	2,204
Culture and Recreation										
Number of parks maintained	12	12	12	13	16	16	16	16	17	17
Total acreage of parks/open space maintained	47	48	48	48	48	61	64	64	65	65
Economic Environment										
Number of single family building permits issued	87	94	103	100	132	75	227	265	154	105
Number of commercial building permits	3	32	50	30	53	40	108	86	68	47
Number of all other building permits	*	*	*	*	*	*	91	117	74	61
Physical Environment										
Number of Right of Way Permits issued	*	*	*	35	37	47	41	42	46	40

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Physical Environment (continued)										
Number of Land Use Applications reviewed	*	*	*	52	97	108	96	156	89	90
Number of grading/site construction permits/applications	*	*	*	*	*	20	19	10	42	4
Number of lots reviewed for commercial sites land application	*	*	*	*	*	9	6	19	14	7
Number of lots reviewed for residential sites land applications	*	*	*	*	*	217	1,189	500	8	9
Business-Type Functions										
Total Number of Employees	26	26	26	26	27	27	30	29	29	29
Water										
Number of active water services	2,247	2,428	2,412	3,495	2,674	2,707	2,820	2,990	3,142	3,133
Miles of watermain lines maintained	45	45	47	53	57	58	60	61	61	61
Average number of water meters read monthly	2,188	2,195	2,412	2,433	2,554	2,663	2,758	3,051	3,093	3,147
Sewer										
Number of active sewer services	2,123	2,502	2,349	2,600	2,525	2,561	2,631	2,778	2,869	2,963
Miles of sewermain lines maintained	*	27	27	28	31	31	32	33	34	34
Number of pump stations maintained	7	7	7	8	8	8	8	9	9	9
Solid Waste										
Number of residential garbage accounts	1,711	1,770	1,990	2,129	2,217	2,273	2,310	2,430	2,746	2,623
Number of multi-family units	1,016	1,016	1,016	1,012	1,016	1,030	1,038	1,012	1,012	1,102
Number of commercial accounts	184	181	182	182	192	224	229	201	231	197
Number of tons of waste to landfill	5,096	5,054	5,221	4,878	5,181	5,200	5,690	5,700	4,794	4,894
Number of 3 day free dumpsters for residential clean-up provided	*	*	341	393	420	363	326	350	308	312
Storm Drain										
Number of detention ponds maintained	10	12	13	20	20	22	29	29	29	29

* The City implemented GASB 44 in 2006, prior year data is not readily available

Source: Internal Operating Statistics

CAPITAL ASSETS STATISTICS BY FUCTION
Last Ten Fiscal Years

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
<u>Governmental Functions</u>										
General Government										
Number of City Vehicles (not listed below)	*	*	*	*	*	*	15	3	2	3
Generators	*	*	*	*	*	*	1	-	-	-
Public Safety										
Number of police vehicles							24	23	22	22
Number of police boats	*	1	1	1	1	1	1	1	1	1
Transportation										
Number of Vehicles (not specified below)								6	11	6
Number of Street Sweepers	1	1	1	1	1	1	1	1	1	1
Number of Dump Trucks	8	8	8	8	8	8	8	4	4	4
Miles of streets		30	30	32	35	37	39	39	45	47
Number of Traffic Signals	8	8	8	8	8	8	8	9	8	8
Number of bridges	-	1	1	1	1	1	1	1	1	1
Culture and Recreation										
Number of vehicles	*	*	1	1	1	1	1	1	1	1
Neighborhood parks	*	*	*	2	3	3	3	3	8	10
Community parks	*	*	*	11	13	13	13	13	8	5
Indoor recreational facilities	1	1	1	1	1	1	1	1	1	1
Economic Environment										
Number of Planning vehicles	*	*	*	*	1	1	1	1	1	1
Physical Environment										
Number of Engineering vehicles	*	*	*	*	*	3	4	4	4	4

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
<u>Business-Type Functions</u>										
Water										
Generators	2	2	2	2	2	2	2	2	2	2
Miles of water mains	45	45	47	53	57	58	58	60	61	62
Number of vehicles	*	*	*	*	*	*	4	4	4	4
Number of construction vehicles	*	*	*	*	*	*	4	3	1	1
Number of hydrants	*	*	*	*	*	*	299	315	399	400
Sewer										
Generators	*	*	*	*	*	*	3	3	5	5
Number of vehicles	*	*	*	*	*	*	4	4	2	2
Number of construction vehicles	*	*	*	*	*	*	3	3	6	3
Number of Vacuum Trucks	1	1	1	1	1	1	1	1	1	1
Sewer inspection camera	*	*	1	1	1	1	1	1	1	1
Treatment plants (Pumping Stations)	7	7	7	8	8	8	8	8	9	9
Miles of sewer mains	*	27	27	28	31	31	31	33	33	34
Solid Waste										
Number of garbage trucks	*	*	*	*	4	4	5	5	4	6
Storm Drain										
Number of vehicles	*	*	*	*	*	*	2	2	5	5
Number of Vacuum Trucks	-	-	-	-	1	1	1	1	1	1

* The City implemented GASB 44 in 2006, prior year data is not readily available

Source: City of Poulsbo Fixed Asset Module