

*City of Poulsbo, Washington*  
***Comprehensive Annual Financial Report***



*For the fiscal year ended December 31, 2010*

***Cover Photo – New City Hall Grand Opening Event November 2010***

**CITY OF POULSBO**

**WASHINGTON**

**COMPREHENSIVE ANNUAL FINANCIAL  
REPORT**

For the fiscal year ended

December 31, 2010

Finance Director  
Deborah Booher

PREPARED BY

THE CITY FINANCE TEAM:

Finance Director  
Deborah Booher

Accounting Manager  
Jana McQuade

Accounting Technician  
Leticia Fee

Accounting Technician  
Sandi Nannery

Accounting Technician  
Monica Bernhard

Accounting Technician  
Kelly Ziemann

Accounting Clerk  
Trina Lee

Administrative Assistant  
Dawn Hamrick

For comments or questions, contact  
City of Poulsbo, Finance Department  
360.394.9881

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# City of Poulsbo



June 27, 2011

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, 2010. 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. Throughout this past year, Poulsbo has witnessed 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 completing the construction phase of the new City Hall which is located in the heart of the historic downtown corridor.

On the west side of the City, the Viking Avenue Corridor has been very busy. The City received American Recovery & Reinvestment Act Federal Grant in 2009 that carried over into 2010. This grant was used to improve the entry into the City and improve traffic and pedestrian safety on the north and south end of this avenue. Allowing 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 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 beverage distributing warehouse opened their doors in 2010. Currently a fast food chain restaurant is currently in the construction process and is due to open early 2011.

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. 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.

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 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 eight percent of the operating revenues and the cash and investment balances to be in excess of three 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 2010, 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 2010 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, 2009.

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 2010 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 Finance Department staff. 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,

A handwritten signature in dark ink, reading "Deborah L. Booher". The signature is written in a cursive, flowing style.

Deborah L. 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, 2009

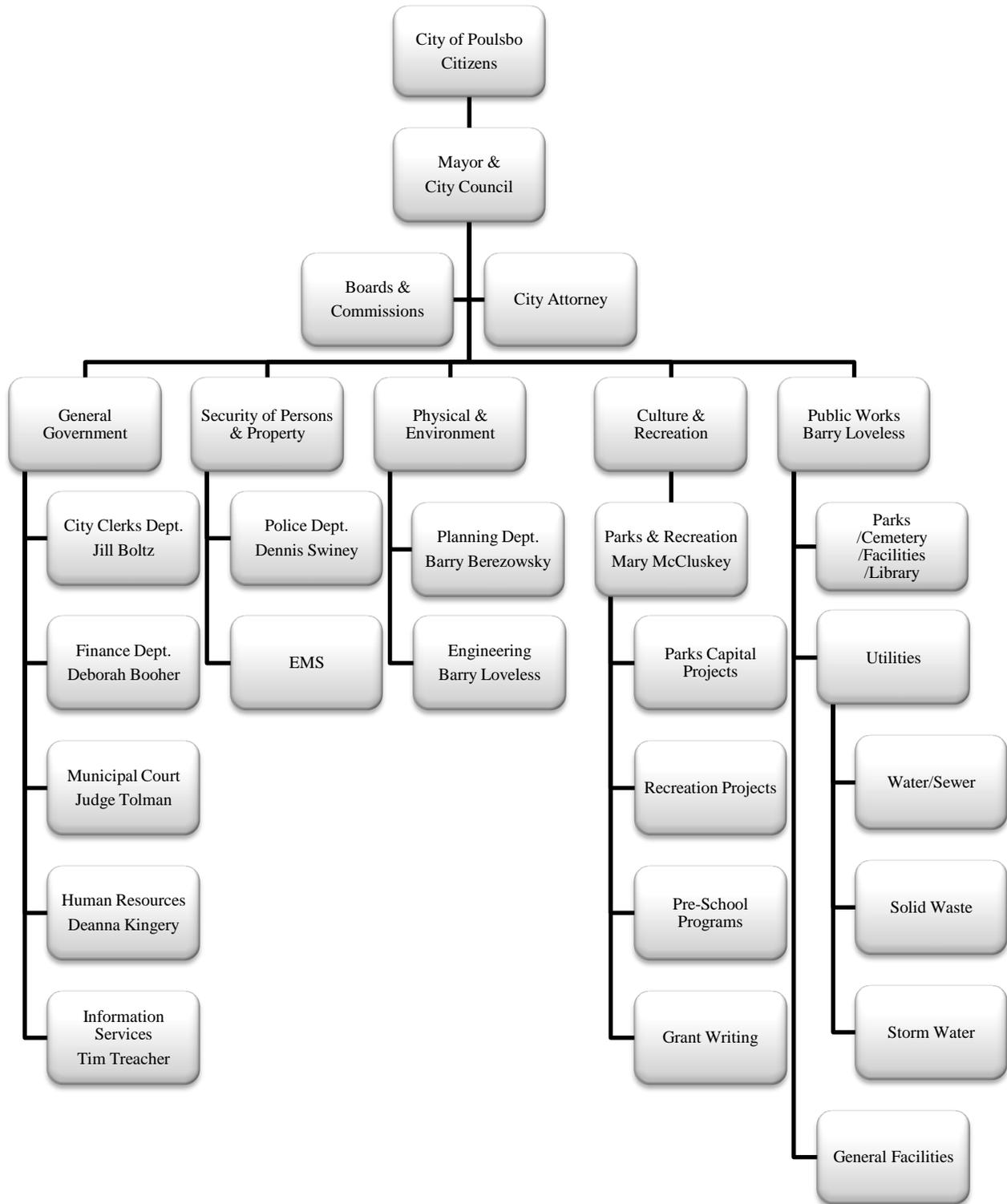
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

Executive Director

### City of Poulsbo Organization Chart



# City of Poulsbo Officials

As of December 31, 2010

## Mayor

Becky Erickson

December 31, 2013

## City Council

Dale Rudolph

December 31, 2013

Ed Stern

December 31, 2013

Jim Henry

December 31, 2013

Linda Berry-Maraist

December 31, 2011

Jeff Bauman

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 20, 2011

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, 2010, 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, 2010, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 8, during the year ended December 31, 2010, the City has implemented the Governmental Accounting Standards Board Statement No. 51 - Accounting and Financial Reporting for Intangible Assets.

In accordance with *Government Auditing Standards*, we will also issue our report dated June 20, 2011, 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 opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying information listed as combining financial statements and supplemental information on pages 71 through 118 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 Statistical Section 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 fluid and cursive, with the first name "Brian" and last name "Sonntag" clearly distinguishable.

**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, 2010. 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 2010 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 2010 fiscal year by \$114 million (net assets). Of this amount \$16.4 million (unrestricted net assets) may be used to meet the city's ongoing obligations to its citizens and creditors.
- Reported net assets increased \$21.8 million. Net assets of governmental activities increased \$20.3 million, or 47%, during 2010. Net assets of business-type activities increased \$1.5 million, or 3.11%, during 2010. The large increase is much higher than prior years, because of a new Governmental Accounting Standard Board's (GASB) requirement to report Intangible Assets. The majority of the large Governmental prior period adjustment (\$19 million) is due to these Intangible Assets. The other portion of the increase is primarily 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 \$22.8 million. This is primarily due to reporting Intangible Assets such as easements and right of ways and other new or ongoing capital improvements.
- Total liabilities increased by \$422 thousand. This is a net amount of a new debt in the form of a Bond Anticipation Note and existing debt principal payments reducing the amount owed for existing issues. A Short Term Note Payable was used in 2010 in the amount of \$1.2 million to temporarily fund the City Hall project until properties sell which have been established as funding piece for the project.
- In 2010 the City purchased a building which houses many of the City's Park and Recreation activities. The City joined the state's debt program to pool with other governmental agencies in a debt issue to partially fund the purchase. A portion of the building will be leased to help fund the debt payments and additional operating costs.
- The City entered an agreement with the Poulsbo Historical Society for a portion of the New City Hall to house their museum. The Society made a down payment of \$20,000 in 2010 and will be making payments based on a 25 year amortization schedule with interest rates comparable to the City's second bond issue. The future annual payments will be deposited directly to the debt service funds and used to support the debt payment.
- Overall, the book value of capital assets increased by \$26.6 million. Total capital assets from governmental activities increased \$27 million or 61.62%. The increase is due to several items; booking of intangible assets, a new City Hall and large transportation projects. Capital assets of business-type activities decreased \$518 thousand or - 1.2%. This is due to accumulated depreciation being more than new capital to offset the expenditure.
- City governmental fund tax revenue has increased an average of 2.75% per year for the last five years. This average is based on the largest increase in 2007 of 8.36% and the lowest which was a decrease of 4.94% in 2009. Poulsbo has done a good job of diversifying. As some businesses have closed their doors and property values have decreased in the past couple years following the trend in the national economy, new businesses and construction have helped offset the declines. Also offsetting these figures is the rising price of utilities, which increases the amount of utility tax vendors are submitting as it is based on gross sales amounts.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$4.8 million. Approximately 96% of this total amount, or \$4.6 million, is available for spending at the government's discretion (unreserved fund balance). 92% or \$4.4 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 \$167,702 or 1.93% 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 \$1.8 million, or 21% of the General Fund expenditures.
- At the end of 2010 the City was officially entering into arbitration hearings for the contract with the Police Association bargaining unit, which expired 12/31/2009. After many months of negotiating, it was declared the parties would need to enter into binding arbitration. The hearings will be held in 2011 with probable retroactive pay back to 2010. Since the parties are at a large variance the funds will be paid from the reserve dollars for the retroactive pay and no liability has been recorded to address the varying amounts.

## OVERVIEW OF THE FINANCIAL STATEMENTS

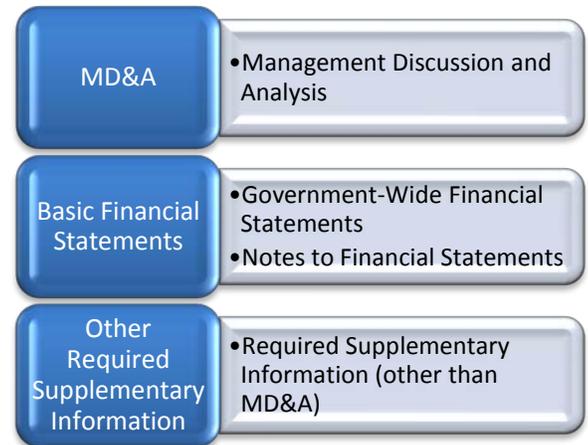
This discussion and analysis provides an introduction and overview to the City of Poulsbo's basic financial statements. The basic financial statements are comprised of three components.

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 2010 and 2009. Governmental Activities net assets have a fairly significant increase of \$20.4 million. The increase is primarily due to a new GASB reporting requirement to account for Intangible Assets. Easements and right of ways account for a majority of the Intangible Assets, which total approximately \$19 million. The remaining amount is primarily increases in capital assets including a New City Hall, major transportation improvements to a main roadway and purchase of the Park & Recreation building. The City completed construction of a New City Hall in 2010, with a few outstanding items to be

completed in 2011. This amount increased the capital assets, but reduced current and other assets as the funds were used to pay for the construction of the building. A main road in the west side of Poulsbo, Viking Way, 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 portion of the increase in capital assets. It is anticipated the final completion will be in 2011.

The Business Type Activities had an increase of \$1.5 million to the Net Assets. The increase was primarily in the category of Current and Other Assets. This can be attributed to increased rates to fund future capital projects established in the long range plans.

The overall financial position for the City of Poulsbo has improved over the prior year. In 2010, assets exceeded liabilities by \$114 million, an increase of \$21.8 million or 23.7%. The largest portion of the City’s net assets, \$96 million or 85% reflects its investment in capital assets (land, buildings, machinery and equipment, infrastructure and intangible); 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	
	2010	2009	2010	2009	2010	2009
Current and Other Assets	\$ 7,386,920	\$ 13,565,083	\$ 12,802,177	\$ 10,956,788	\$ 20,189,097	\$ 24,521,871
Capital Assets Net	71,314,333	44,144,610	42,597,656	43,115,894	113,911,990	87,260,504
<b>TOTAL ASSETS</b>	<b>78,701,254</b>	<b>57,709,693</b>	<b>55,399,833</b>	<b>54,072,682</b>	<b>134,101,087</b>	<b>111,782,375</b>
Long-term Debt	11,787,449	12,107,866	3,984,470	4,294,514	15,771,918	16,402,380
Other Liabilities	3,276,086	2,335,047	881,597	769,498	4,157,684	3,104,545
<b>TOTAL LIABILITIES</b>	<b>15,063,535</b>	<b>14,442,913</b>	<b>4,866,067</b>	<b>5,064,012</b>	<b>19,929,602</b>	<b>19,506,925</b>
<b>NET ASSETS</b>						
Invested in Capital Assets	58,447,929	35,548,551	38,276,261	38,376,953	96,724,190	73,925,503
Restricted	602,068	643,717	434,587	492,011	1,036,655	1,135,728
Unrestricted (deficit)	4,587,722	7,074,512	11,822,918	10,139,706	16,410,640	17,214,218
<b>TOTAL NET ASSETS</b>	<b>\$63,637,719</b>	<b>\$43,266,780</b>	<b>\$50,533,766</b>	<b>\$49,008,669</b>	<b>\$114,171,485</b>	<b>\$92,275,449</b>

The City’s total net assets that are restricted amount to .91%. These represent resources which are subject to external restrictions on how they may be used. The majority of this amount can be attributed to restrictions for debt purposes. The restricted assets for 2010 are fairly consistent with the 2011 amount.

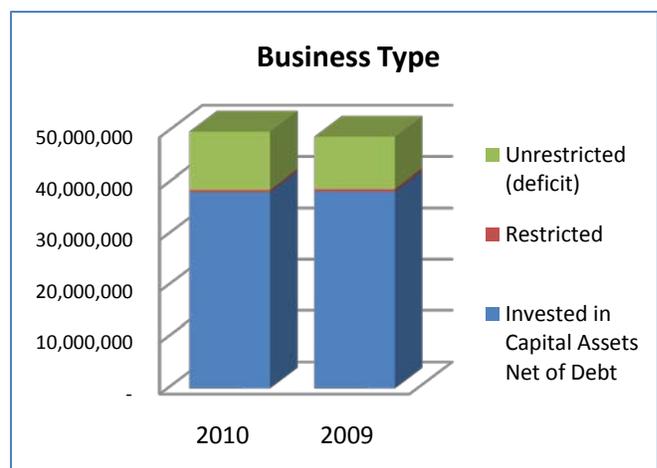
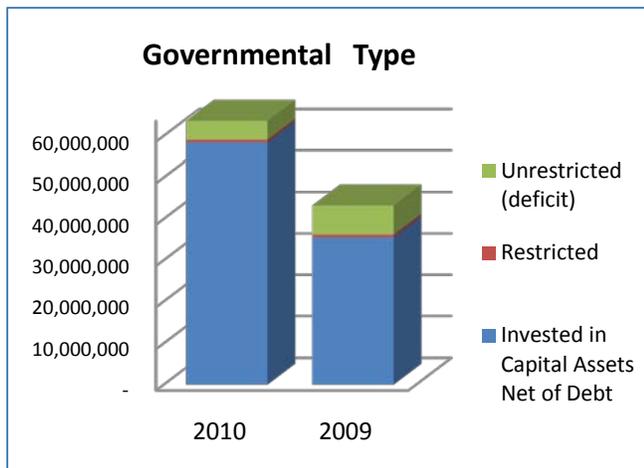


Table 2 illustrates changes in net assets for the years 2010 and 2009. This is a condensed version of the Statement of Activities for the City. The revenues for 2010 show a significant decrease. This is primarily attributed to 2009 transactions of contributed capital for sewer improvements including a new lift station built by a developer.

Table 2-Changes in Net Assets

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL PRIMARY GOVERNMENT	
	2010	2009	2010	2009	2010	2009
<b>Revenues</b>						
<b>Program Revenues</b>						
Charges for Services	\$ 1,443,088	\$ 1,546,273	\$ 5,961,678	\$ 5,819,864	\$ 7,404,766	\$ 7,366,137
Operating Grants/Contribr	477,260	462,488	57,555	53,270	534,815	515,759
Capital Grants / Contribr	1,539,559	2,616,738	221,116	3,180,784	1,760,675	5,797,522
<b>General Revenues</b>						
Property Taxes	2,046,143	1,972,984	-	-	2,046,143	1,972,984
Retail Sales & Use Tax	3,089,028	2,983,521	-	-	3,089,028	2,983,521
Business Taxes	1,873,279	1,926,107	-	-	1,873,279	1,926,107
Other	104,893	882,536	96,415	87,942	201,308	970,478
Total Revenues	10,573,250	12,390,648	6,336,765	9,141,861	16,910,014	21,532,508
<b>Program Expenses</b>						
General government	1,731,193	1,673,197	-	-	1,731,193	1,673,197
Judicial	372,227	363,204	-	-	372,227	363,204
Security of Per & Prop	2,733,363	2,735,396	-	-	2,733,363	2,735,396
Utilities & Environment	478,035	495,083	-	-	478,035	495,083
Transportation	1,731,695	1,590,515	-	-	1,731,695	1,590,515
Economic Environment	861,538	848,002	-	-	861,538	848,002
Mental & Physical Health	14,481	14,213	-	-	14,481	14,213
Culture & Recreation	1,509,164	1,501,571	-	-	1,509,164	1,501,571
Interest Long-Term Debt	561,569	517,679	-	-	561,569	517,679
Water	-	-	1,094,734	1,109,257	1,094,734	1,109,257
Sewer	-	-	1,844,726	1,716,646	1,844,726	1,716,646
Solid Waste	-	-	999,164	999,853	999,164	999,853
Storm Drain	-	-	931,723	881,451	931,723	881,451
Total expenses	9,993,266	9,738,860	4,870,347	4,707,206	14,863,613	14,446,066
Excess (deficiency)	579,984	2,651,788	1,466,417	4,434,655	2,046,401	7,086,442
Changes in net assets	579,984	2,651,788	1,466,417	4,434,655	2,046,401	7,086,442
Beginning Net Assets	43,208,100	40,273,475	49,067,349	45,612,163	92,275,449	85,885,638
Prior Year Adjustments	19,849,634	341,518	-	(1,038,149)	19,849,634	(696,631)
Ending Net Assets	\$63,637,719	\$43,266,780	\$50,533,766	\$49,008,669	\$114,171,485	\$92,275,449

GOVERNMENTAL ACTIVITIES

Revenues

Taxes account for the largest revenue category in the governmental funds, generating 66% of the total revenue. The majority of tax revenue is received in the General Fund accounting for 79% 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 \$7,008,450.

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 Poulsbo for 2010 was \$1,310,033,708. The assessed value did show a significant decrease from the prior year. This is consistent with the national economy as a result of the declining economic conditions. The property tax amount was not affected as the City was still able to levy the full 1% increase above the highest allowable levy. For 2010, the City’s regular property levy tax rate was 1.562678 per \$1,000 of assessed value.

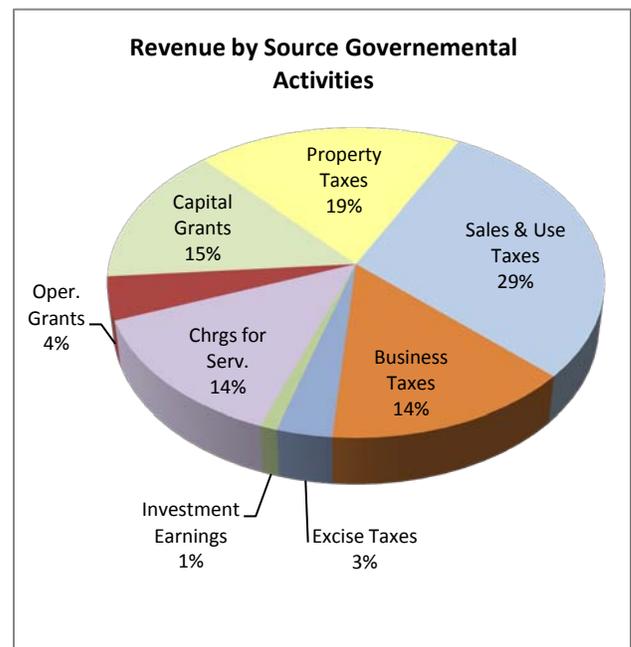
The City continues to follow their policy of transferring 36% of property tax revenue to the City Street Operations Fund, 5% to the Street Reserves Fund and 5% to the Park Reserves Fund. The amount of calculated reserve tax dollars allocated to Street reserves for pavement restoration was decreased in 2010 to \$55,000 leaving more dollars in the General Operating fund.

Sales and Use tax revenue, in contrast to property tax, can be a highly fluctuating tax source. Although the City saw a 3% increase in 2010, the amount remains at the lowest levels since 2006 with the exception of 2009. 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. A major auto dealership closed their doors in 2010. 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 2010, sales tax received in the City’s General Fund totaled \$2,829,893. This is a 3% increase from 2009. The City’s allocation of sales tax revenue was reduced in 2010 to retain more dollars in the General Fund for governmental expenditures: fixed amount of \$110,000 was transferred to the Capital Equipment Acquisition Fund for capital replacement and new capital purchases. A transfer of 3% of the sales tax was transferred into the Revenue Stabilization Fund to build the City’s general government reserves.

The majority of sales tax revenue (61%) comes from the retail trade category. The next largest sales tax category is construction, accounting for 12% 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 2011. The development has been growing at a slower pace than prior years, but much more activity was started in 2010. A new medical facility and distribution center began construction in 2010 with plans to open for operations in 2011. This helps Poulsbo 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 14% 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.

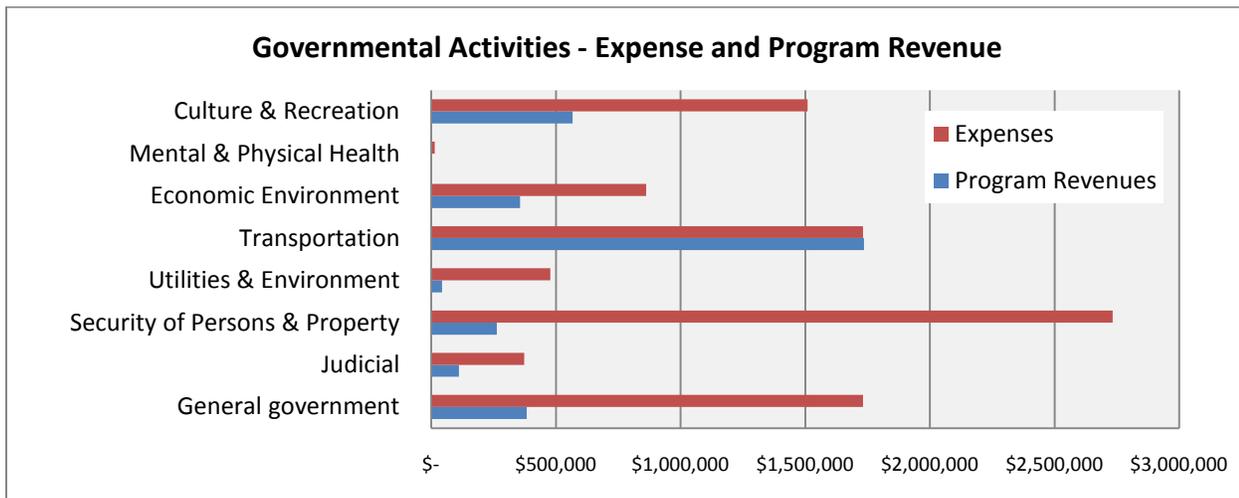
Transportation services provide maintenance of the City’s streets, sidewalks, paths and traffic control signs/signals.

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. As illustrated, very few if any governmental activities are supported by direct revenue, which would mean they are largely supported by tax revenue.

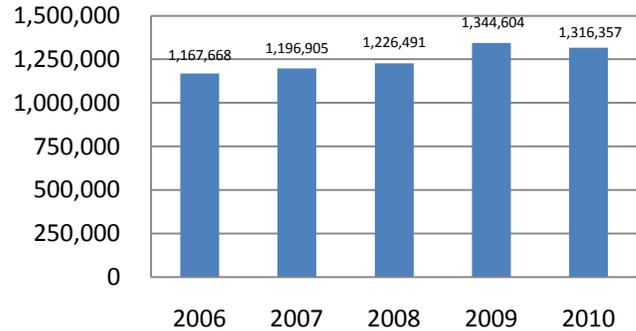


**BUSINESS-TYPE ACTIVITY**

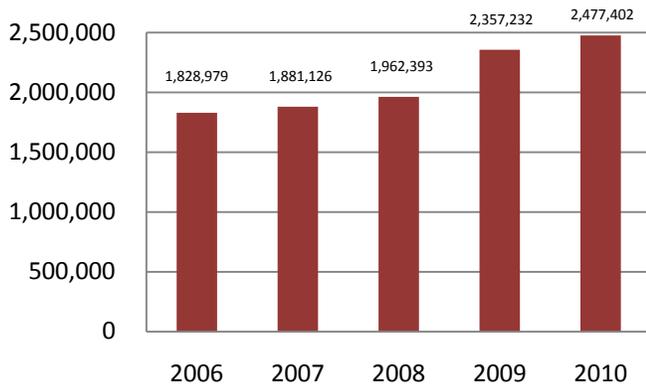
**Enterprise Funds:** The City of Poulsbo owns and fully operates four utilities: water, sewer, storm drain, and solid waste/recycle. These utilities are accounted for in four enterprise funds as part of the City’s fund structure and operations: 1) water utility fund; 2) sewer utility fund; 3) solid 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 2010 was negative, which resulted in no increase in the water rate. The 2010 revenue was fairly consistent with 2009 figures, but showed a slight decline due to the reduction in new connections, which is consistent with a declining building industry.

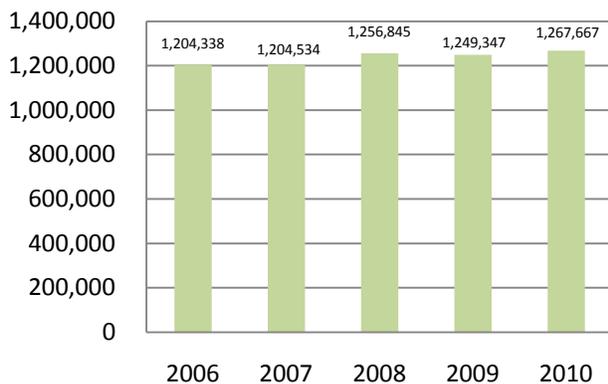
**Water Service Charge Revenue**



**Sewer Service Charge Revenue**



**Solid Waste Service Charge Revenue**

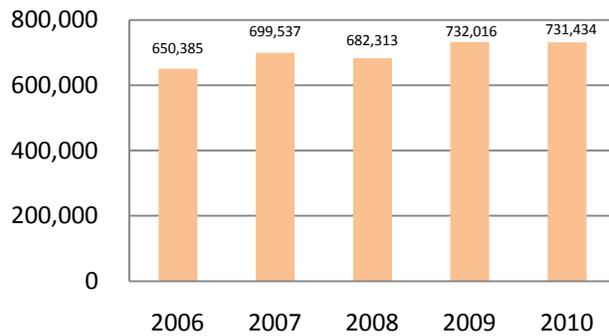


**Sewer Utility:** The City’s sewer utility is also solely supported by its users and revenue is generally derived from three sources: 1) monthly service charges, 2) system connection fees, and 3) miscellaneous revenues. The majority of revenue comes from monthly service charges. The summer months (June 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 2010 was negative, resulting in no cost of living adjustment. However, after a comprehensive review of the sewer system and funds necessary for future sustainability, a new rate structure was put into place in 2009 spanning an increase over three years. 2010 was the second year of this increase, which resulted in a \$120,000 increase in revenues.

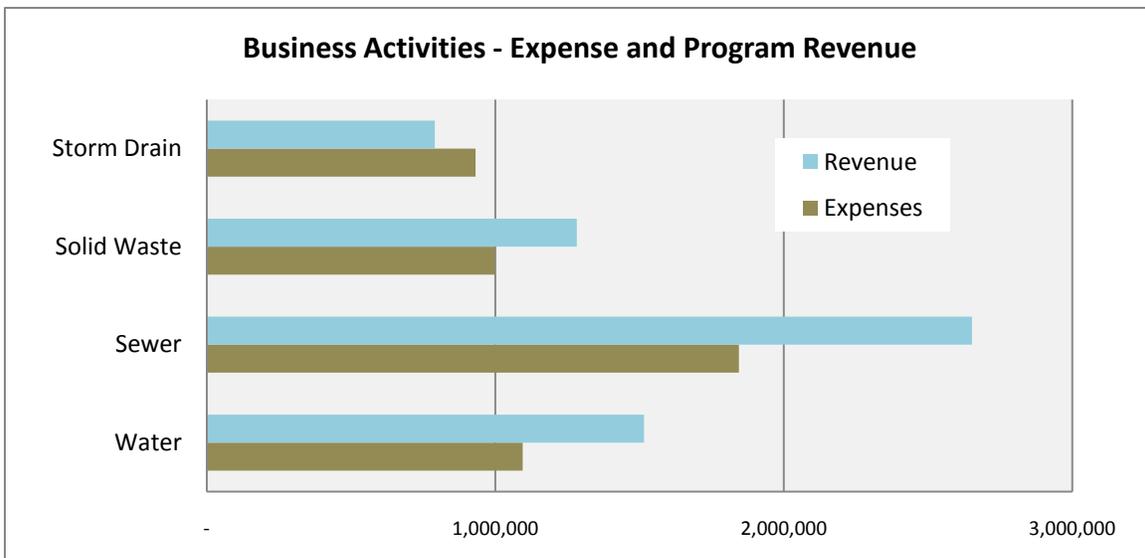
**Solid Waste Utility:** The solid waste utility is supported by its users and revenue is generally derived from service charges which include: 1) service charges for scheduled residential and regular dumpster garbage collection, and 2) service charges for recycling. The majority of revenue comes from monthly service charges. There was no cost inflator for the rates in 2010 keeping the revenues fairly consistent.

**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 storm water projects identified in the City’s Comprehensive Storm Water Management Plan. There was no increase in the rates for 2010, keeping the revenue consistent with 2009 dollars.

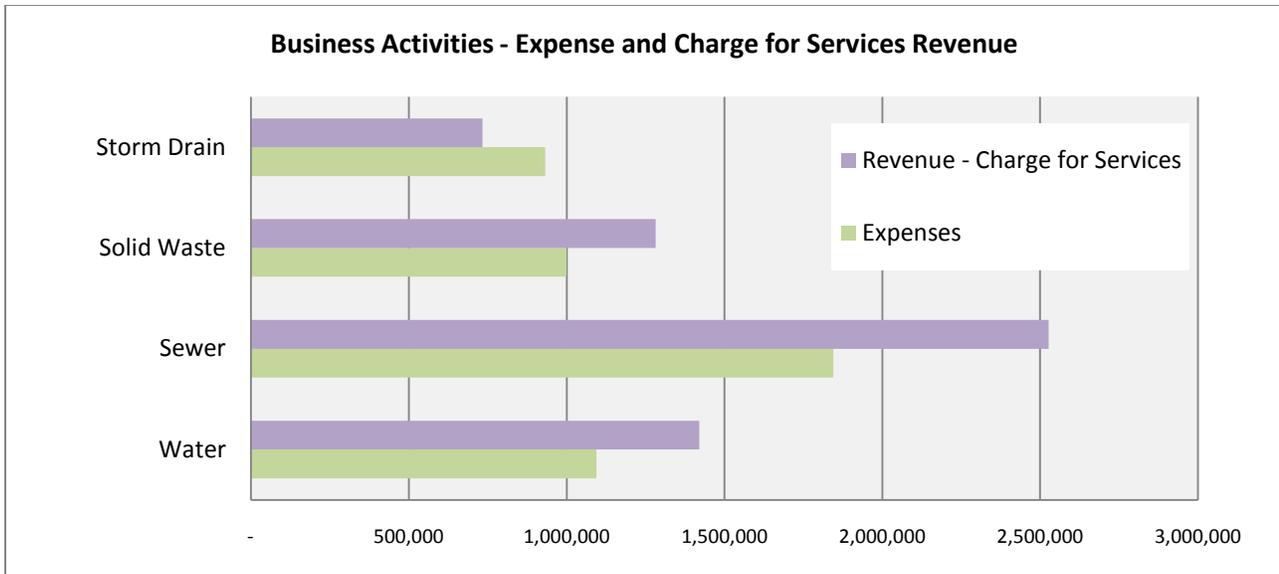
**Storm Drain Service Charge Revenue**



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 2010, business activity program revenues exceeded expenditures because rates were set to accommodate future capital improvements for a fully functioning system. Recently all Utilities either implemented or updated their functional plans to evaluate future improvements and operating costs. Rates have been set to reflect these plans. It is anticipated that a joint project with the County to upgrade the sewer’s processing plant will need a major upgrade in the near future, which is why the sewer revenue has a larger variance between revenues and expenditures than the other utilities.



**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 was reserved for leave cash outs and liabilities generated for a few firefighters as per the agreement when the department annexed into the County. In 2010, the City offered a Voluntary Separation in Lieu of Layoff program to all City employees. Ten employees chose to participate in the program. Reserves from this fund were used as a primary funding source for the cash outs. With minimal dollars remaining and the elimination of the self-insurance program, this fund will be closed in 2011.

## Major Fund Analysis

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 \$11.1 million and expenditures of \$18.7 million.

- **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 63%. This is primarily due to the City's need to offset the budget by using General Fund Reserves. For several years, actual revenue being generated were consistently higher than the City's conservative projections. With the declining economy consistent with the national trend, the revenues are primarily at or below projection figures. The City maintains the bulk of general reserves in a Revenue Stabilization fund which requires a majority of City Council to approve allocation from this fund. The fund balance for the Revenue Stabilization fund remained at approximately the same level, thus creating the shortfall most reflected in the General fund balance. Most revenues stayed at approximately the same levels as 2009 with the exception of investment earnings and development fees. These were offset with the slight increases in utility taxes. Expenditures stayed fairly consistent with minimal increases which were due to expenditures related to the Early Separation in Lieu of Layoff Program cash outs.

- **Street Reserves Fund:** Accounts for major capital improvements to City streets and transportation projects. In 2010 one of the large contributors to the fund continued to be for a project on Viking Avenue, a main thoroughfare in the City, which was funded with federal stimulus funding and state grants. The project has been divided into 3 phases. The majority of Phase 2 was completed in 2009. Phase 3 was mostly complete in 2010, but will have a small remaining portion to be completed in 2011.

The fund balance will fluctuate based on capital projects in construction and use of City reserves to fund the projects.

- **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 2011. The project was substantially completed in the fall of 2010, using the dollars generated from bond proceeds and sale of real estate proceeds to fund the 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.

## BUDGETARY HIGHLIGHTS

**General Fund Budget Analysis:** 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 34 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 increased by approximately 3.15%, or \$269,780 of the original adopted budget. The majority of this variance was mainly due to transferring reserve dollars to fund the Early Voluntary Separation in Lieu of Layoff program and the transfer of dollars to support additional legal fees.
- The final General Fund expenditure budget increased by approximately 2.9%, or \$263,361. The majority of this variance was due to cash outs and expenditures related to fund the Early Voluntary Separation in Lieu of Layoff Program, and increased legal fees associated with unanticipated costs related to the Comprehensive Plan update and bargaining unit negotiations.

Copies of the City's Budget and Budget-in-Brief are available on our website [www.cityofpoulsbo.com](http://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 360-394-9720 or [dboohar@cityofpoulsbo.com](mailto:dboohar@cityofpoulsbo.com).

## CASH MANAGEMENT

Aggressive efforts to maximize interest earnings of temporary cash reserves have been as successful as the economy allows. The City contracts with an investment broker for professional recommendations to maintain security and liquidity of the City's cash in accordance with the City's Investment Policy. 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 City has a Financial Management Policy with recommended levels of cash and reserves. These balances are regularly monitored to assure compliance with the requirements of the policy. In order to use the reserves, a majority of City Council must approve the expenditure which are most often used for one time expenditures. Ongoing obligations will be built into future budgets supported by City revenues. Quarterly, the City Council receives and reviews an extensive variance report including cash levels and budgetary compliance, noting items which are less or greater than the recommended variance.

## DEBT ADMINISTRATION

The City participates in various forms of debt, which is summarized as follows: \$12.2 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 \$743,683 and one is recorded in Business-Type Activities with a principal balance of \$229,239.

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 \$2,997,000.

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 is also 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 two 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.

In 2010 the City participated in the state's program of pooling with other governmental agencies for debt issues to fund the purchase of the governmental use portion of the City's Park and Recreation building in the amount of \$310,000.

In 2010 the City took a Short Term Note in the amount of \$2 million, to complete the City Hall project. It is anticipated that when some City properties which have been identified as a funding piece for the project sell, the proceeds will be used to pay this note. With the real estate market continuing to see a decline, it is anticipated to possibly renew the line or issue long term bonds. At the end of 2010 the City had drawn \$1.2 million from this line.

Additional information on the City's debt is provided in Note 11, "Long-Term Debt and Capital Lease" and may be found on page 62 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 2010 these transfers continued to be reduced to cover only the list of necessary items approved through the budget process.

The City's budget continues to primarily focus on operation and maintenance costs. Annually the City updates the City Improvement Plan (CIP) to prioritize and establish funding sources for capital outlay costs to maintain and upgrade the existing infrastructure. With revenue streams continually being challenged, the City has had the fortune of securing grants for many of the capital transportation and park projects. The City continues to allocate funds for pavement restoration, but the amount was reduced in 2010 to allow more funds to remain in the General Fund for operations. These funds have normally been incorporated into larger projects to complete the restoration and receive the biggest benefit for the dollars. It has become apparent the City must continue to direct more efforts to building maintenance programs and begin to plan for future renovation and replacement. The City continues to look for energy savings measures and revenue streams to support ongoing maintenance of City facilities.

Much of the increase in Capital Assets in 2010 is accounted for in the Governmental Activities. There are many projects contributing to the capital increase, such as construction of the new City Hall, improvements to Viking Avenue, a main thoroughfare through the City, purchase of the Park and Recreation building the City has been utilizing for several years and smaller miscellaneous transportation and park projects. The largest increase in capital assets is due to new reporting requirements from GASB. The GASB pronouncement requires intangible assets to be recorded. Intangible assets include easements and right of ways. The City recorded more than \$19 million related to the intangible assets. Additional information on the City's capital assets is provided in Note 5, beginning on page 52.

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

	<u>GOVERNMENTAL</u> <u>ACTIVITIES</u>		<u>BUSINESS-TYPE</u> <u>ACTIVITIES</u>		<u>TOTAL</u>	
	2010	2009	2010	2009	2010	2009
Land/Intangibles	26,258,300	\$6,397,064	942,823	\$942,823	\$27,201,123	\$7,339,887
Buildings	1,584,616	1,691,041	129,912	136,270	\$1,714,529	1,827,311
Other Improvements	2,998,560	4,045,533	38,396,581	39,246,231	\$41,395,142	43,291,764
Infrastructure	18,504,096	18,504,096	-	-	\$18,504,096	18,504,096
Intangibles (Depreciable)	554,815		415,655	-	\$970,470	-
Machinery & Equipment	679,978	683,848	827,619	934,318	\$1,507,597	1,618,166
Work in Progress	20,733,968	12,823,028	1,885,066	1,856,267	\$22,619,034	14,679,295
<b>Totals</b>	<b>\$71,314,333</b>	<b>\$44,144,610</b>	<b>\$42,597,656</b>	<b>\$43,115,909</b>	<b>\$113,911,990</b>	<b>\$87,260,519</b>

## 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 tax represents a major revenue source for governmental funds and provides 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 3% increase in 2010, which was primarily due to onetime revenues for construction. The City anticipates growth, but at a much slower pace than prior to 2009. Overall the average for the five years preceding 2010 reflected a 5% 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. Construction seemed to be slightly growing in 2010 due to a couple new commercial buildings in the College Market Place development and construction of the City Hall. It appears 2011 will maintain the 2010 levels with a housing development resuming construction and a couple more large developments starting the planning and permitting process. These new projects will supplement the projects which were completed in 2010.

Although there has been a decline, some areas of the City are reflecting growth. A new fast food restaurant, medical center and bottle distribution center will be opening their doors in 2011. A housing development has started construction of their model homes with another 70 planned for construction.

The City Council increased the utility tax by 2% in October of 2010. The increase will continue to be evaluated annually in conjunction with the budget process and utility rates. At this time the increase was absorbed into the rates showing no additional increase due to the tax increase.

Several new large construction projects continued in 2010. The City constructed a new 30,000 square foot City Hall and continued with a large transportation project widening a main corridor on Viking Avenue to include a center turn lane and sidewalks. The majority of the project has been funded with state or federal grants. Construction is anticipated to begin for two large transportation projects in 2011; Fjord Drive and Noll Road. Fjord Drive was damaged in the storm of 2009 and

has been shut down to one way traffic since that time. Construction will commence in 2011 to make repairs incorporated with the improvements. Noll Road will receive major traffic and pedestrian improvements. This road is parallel to the heavily travelled State Route 305 and serves a major elementary school and recreation fields used by the entire community. The school district will partner for some of the safety improvements.

The City's population in 2010 has grown by 65 people as reported by the Office of Financial Management (OFM). The daytime population will continue to grow as Poulsbo becomes a destination for many county residents to shop, conduct medical treatments and send students to school for all grade levels including Community College. This continues to be a challenge to allow for utilities to provide services in peak hours. The City has established an agreement with the Kitsap PUD to provide water services in a new development which is adjacent to their service area. This will continue to allow development but not tax the City's water system for fire protection and peak hours. The City will provide sewer, garbage and storm drain service and receive utility tax for all of these services.

A major revision to the City's Comprehensive Plan began in 2007 and continued through 2009 with adoption in December of 2009. Once adopted the Comprehensive Plan was immediately appealed. Substantial legal fees were incurred to go through the process, but all findings were in favor of the City. The City will continue to update the functional plans related to the updated Comprehensive Plan. New traffic and park impact fees are anticipated to be implemented in 2011.

Washington continues to be a state impacted by tax limiting initiatives. The City Council continues to be proactive with other agencies to monitor and lobby for regulations to minimize the impact to the City and provide funds for City services. The City continues to support a possible street utility to provide funding to maintain streets and pay for growing electricity charges related to street lights. Poulsbo's neighbor, Silverdale, is an area with a strong retail sales tax base because of a local mall and all the surrounding major establishments which normally locate within the shopping corridor. It is anticipated there will be a strong push to incorporate Silverdale within the next couple years, which will greatly impact the County. The City will continue to work with these surrounding agencies for sharing of services opportunities, to minimize expenses.

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, 200 NE Moe Street, Poulsbo, Washington, 98370. Personal inquiries may be directed to Jana McQuade, Accounting Manager at (360) 394-9721, [jmcquade@cityofpoulsbo.com](mailto:jmcquade@cityofpoulsbo.com) or Deborah Booher, Finance Director at (360) 394-9720, [dbooher@cityofpoulsbo.com](mailto:dbooher@cityofpoulsbo.com).

**STATEMENT OF NET ASSETS**  
**DECEMBER 31, 2010**

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
<b>Assets</b>			
Cash and Cash Equivalents	\$ 303,228	\$ 274,256	\$ 577,484
Investments	5,232,088	11,454,094	16,686,182
Receivables:			
Taxes	995,465	-	995,465
Accounts	39,199	529,195	568,394
Special Assessments	11,984	-	11,984
Other Receivables	215,364	-	215,364
Due from Other Governments	182,480	1,692	184,172
Materials and Supplies Inventory	7,503	32,299	39,802
Deferred Charges	95,828	18,631	114,458
Restricted Assets:			
Investments	123,782	492,011	615,793
Note Receivable	180,000		180,000
Capital Assets (net of accumulated depreciation)			
Land & Right of Ways	26,258,300	942,823	27,201,123
Buildings and Structures	1,584,616	129,912	1,714,529
Other Improvements	21,502,656	38,396,581	59,899,238
Machinery and Equipment	619,535	827,619	1,447,154
Construction in Progress	20,733,968	1,885,066	22,619,034
Intangibles	615,258	415,655	1,030,912
<b>Total Assets</b>	<b>78,701,254</b>	<b>55,399,833</b>	<b>134,101,087</b>
<b>Liabilities</b>			
Accounts Payable and other current liabilities	791,004	272,734	1,063,738
Due to Other Governmental Units	49,116	-	49,116
Accrued Interest Payable	54,983	57,423	112,406
Custodial Accounts	374,328	37,158	411,485
Deferred Revenue	110,454	2,773	113,226
Short-Term Note Payable	1,200,000	-	1,200,000
Long-Term Liabilities:			
Due within one year	696,201	511,510	1,207,711
Due in more than one year	11,787,449	3,984,470	15,771,918
<b>Total Liabilities</b>	<b>15,063,535</b>	<b>4,866,067</b>	<b>19,929,602</b>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	58,447,929	38,276,261	96,724,190
Restricted for:			
Capital Purpose	64,160	-	64,160
Drug Enforcement	24,055	-	24,055
Criminal Justice	228,190	-	228,190
Promoting Downtown Businesses	56,667	-	56,667
Promoting Tourism	32,452	-	32,452
City Beautification-Expendable	32,766	-	32,766
City Beautification-Nonexpendable	91,016	-	91,016
Debt Service	72,761	434,587	507,349
Unrestricted	4,587,722	11,822,918	16,410,640
<b>Total Net Assets</b>	<b>\$ 63,637,719</b>	<b>\$ 50,533,766</b>	<b>\$ 114,171,485</b>

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

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2010**

Page 1 of 2

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental activities:</b>				
General government	\$ 1,731,193	\$ 266,497	\$ 116,522	\$ -
Judicial	372,227	111,022	143	-
Security of Persons & Property	2,733,363	175,358	87,658	-
Utilities & Environment	478,035	43,703	-	-
Transportation	1,731,695	9,239	191,996	1,534,628
Economic Environment	861,538	332,333	24,270	-
Mental & Physical Health	14,481	-	-	-
Culture & Recreation	1,509,164	504,935	56,671	4,930
Interest on Long-Term Debt	561,569	-	-	-
<b>Total Governmental Activities</b>	<b>9,993,266</b>	<b>1,443,088</b>	<b>477,260</b>	<b>1,539,559</b>
<b>Business-Type Activities:</b>				
Water	1,094,734	1,420,038	-	95,081
Sewer	1,844,726	2,526,708	-	126,035
Solid Waste	999,164	1,282,151	-	-
Storm Drain	931,723	732,782	57,555	-
<b>Total Business-Type Activities</b>	<b>4,870,347</b>	<b>5,961,678</b>	<b>57,555</b>	<b>221,116</b>
<b>Total Primary Government</b>	<b>\$ 14,863,613</b>	<b>\$ 7,404,766</b>	<b>\$ 534,815</b>	<b>\$ 1,760,675</b>

**General Revenues:**

- Property Taxes
- Retail Sales & Use Taxes
- Business and Occupation Taxes
- Excise Taxes
- Investment earnings

**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, 2010**

Page 2 of 2

<b>Net (Expenses) Revenue and Changes in Net Assets</b>			
<b>Primary Government</b>			
<b>Governmental Activities</b>	<b>Business-Type Activities</b>		<b>Total</b>
\$ (1,348,174)	\$ -		\$ (1,348,174)
(261,062)	-		(261,062)
(2,470,347)	-		(2,470,347)
(434,332)	-		(434,332)
4,169	-		4,169
(504,935)	-		(504,935)
(14,481)	-		(14,481)
(942,629)	-		(942,629)
(561,569)	-		(561,569)
<b>(6,533,359)</b>	<b>-</b>		<b>(6,533,359)</b>
-	420,385		420,385
-	808,017		808,017
-	282,987		282,987
-	(141,386)		(141,386)
-	<b>1,370,003</b>		<b>1,370,003</b>
<b>\$ (6,533,359)</b>	<b>\$ 1,370,003</b>		<b>\$ (5,163,357)</b>
2,046,143	-		2,046,143
3,089,028	-		3,089,028
1,532,771	-		1,532,771
340,508	-		340,508
104,893	96,415		201,308
<b>7,113,343</b>	<b>96,415</b>		<b>7,209,758</b>
579,984	1,466,417		2,046,401
43,208,100	49,067,349		92,275,449
19,849,634			19,849,634
<b>\$ 63,637,719</b>	<b>\$ 50,533,766</b>		<b>\$ 114,171,485</b>

**BALANCE SHEET-GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2010**

	General Fund	Street Reserve Fund	Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and Cash Equivalents	\$ 232,503	\$ 2,878	\$ 3,450	\$ 64,397	\$ 303,228
Investments	808,032	575,115	167,200	3,680,143	5,230,490
Receivables:					
Taxes	26,840	-	-	19,743	46,583
Accounts	26,515	191,157	-	1,527	219,199
Special Assessments	-	-	-	11,984	11,984
Due from other govern units	4,827	175,243	-	2,410	182,480
Inventories	7,503	-	-	-	7,503
Cash and Investments-Restricted	-	-	-	123,782	123,782
<b>Total Assets</b>	<b>\$ 1,106,220</b>	<b>\$ 944,392</b>	<b>\$ 170,650</b>	<b>\$ 3,903,987</b>	<b>\$ 6,125,249</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts Payable	\$ 499,339	\$ 178,252	\$ 32,375	\$ 81,038	\$ 791,004
Due to Other Governments	49,116	-	-	-	49,116
Custodial Accounts	372,857	-	-	1,471	374,328
Deferred Revenue	17,206	-	-	93,248	110,454
<b>Total Liabilities</b>	<b>\$ 938,518</b>	<b>\$ 178,252</b>	<b>\$ 32,375</b>	<b>\$ 175,757</b>	<b>\$ 1,324,902</b>
<b>Fund Balances:</b>					
Reserved, reported in:					
Debt Service	\$ -	\$ -	\$ -	\$ 72,761	\$ 72,761
Permanent fund	-	-	-	123,782	123,782
Unreserved, reported in:					
General fund	167,702	-	-	-	167,702
Special revenue funds	-	-	-	2,534,045	2,534,045
Capital project funds	-	766,141	138,274	997,642	1,902,056
<b>Total Fund Balances</b>	<b>167,702</b>	<b>766,141</b>	<b>138,274</b>	<b>3,728,230</b>	<b>4,800,346</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,106,220</b>	<b>\$ 944,392</b>	<b>\$ 170,650</b>	<b>\$ 3,903,987</b>	<b>\$ 6,125,249</b>

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: \$ 4,800,346

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. 71,314,333

These assets consist of:

Land	\$	26,258,300
Buildings and structures		3,926,055
Improvements		29,303,484
Machinery and Equipment		2,369,488
Construction in Progress		20,733,968
Intangibles		618,661
Less: Accumulated Depreciation		(11,895,622)

Other Assets that are not available to pay for current-period expenditures and therefore are not reported in governmental funds. 1,260,074

Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the governmental funds. (13,738,633)

Interest Payable		54,983
Long-term Liabilities		13,683,649

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		1,598
Less: Total Liabilities		-
		1,598

Net assets of governmental activities \$ 63,637,719

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, 2010**

	General Fund	Street Reserve Fund	Facilities Fund	Non-Major Governmental Funds	Total
<b>Revenues</b>					
Taxes	\$ 6,426,160	\$ -	\$ -	\$ 521,678	\$ 6,947,838
Licenses and Permits	388,738	-	-	8,775	397,513
Intergovernmental	199,132	1,484,559	-	214,190	1,897,881
Charges for Services	969,878	-	-	531,241	1,501,119
Fines and Forfeitures	87,184	-	-	-	87,184
Interest and Other Earnings	71,631	2,330	3,304	27,424	104,688
Miscellaneous	23,662	-	-	98,938	122,600
<b>Total Revenues</b>	<b>8,166,385</b>	<b>1,486,889</b>	<b>3,304</b>	<b>1,402,245</b>	<b>11,058,823</b>
<b>Expenditures</b>					
Current:					
General Government	2,591,028	-	-	32,102	2,623,129
Security of Persons & Property	2,617,339	-	-	31,280	2,648,619
Utilities and Environment	442,795	-	-	17,622	460,417
Transportation	-	-	-	819,169	819,169
Economic Environment	857,604	-	-	-	857,604
Mental and Physical Health	14,481	-	-	-	14,481
Culture and Recreation	376,249	-	-	833,057	1,209,305
Debt Service:					
Principal	-	-	-	604,368	604,368
Interest & Fiscal Charges	-	-	-	506,692	506,692
Capital Outlay	-	2,081,702	6,610,419	215,138	8,907,259
<b>Total Expenditures</b>	<b>6,899,496</b>	<b>2,081,702</b>	<b>6,610,419</b>	<b>3,059,428</b>	<b>18,651,045</b>
<i>Excess of Revenues Over (Under) Expenditures</i>	<i>1,266,889</i>	<i>(594,813)</i>	<i>(6,607,115)</i>	<i>(1,657,183)</i>	<i>(7,592,223)</i>
<b>Other Financing Sources (Uses)</b>					
Transfers In	251,332	197,027	-	2,397,964	2,846,324
Transfers Out	(1,798,101)	-	-	(949,423)	(2,747,524)
Governmental Obligation Bond Proceeds	-	-	305,429	4,571	310,000
Premium on Bonds Sold	-	-	1,044	-	1,044
Proceeds of Other Long-Term Debt	-	-	1,200,000	-	1,200,000
Issuance Discount on Long-Term Debt	-	-	(6,473)	-	(6,473)
Sale of Capital Assets	-	-	20,000	-	20,000
<b>Total Other Financing Sources and Uses</b>	<b>(1,546,769)</b>	<b>197,027</b>	<b>1,520,000</b>	<b>1,453,112</b>	<b>1,623,371</b>
<i>Net Change in Fund Balances</i>	<i>(279,880)</i>	<i>(397,786)</i>	<i>(5,087,115)</i>	<i>(204,071)</i>	<i>(5,968,852)</i>
<i>Fund Balances Beginning of Year</i>	<i>459,184</i>	<i>1,163,926</i>	<i>5,225,390</i>	<i>3,912,300</i>	<i>10,760,800</i>
<i>Prior Year Adjustment</i>	<i>(11,602)</i>	<i>-</i>	<i>-</i>	<i>20,000</i>	<i>8,398</i>
<b>Fund Balances End of Year</b>	<b>\$ 167,702</b>	<b>\$ 766,141</b>	<b>\$ 138,274</b>	<b>\$ 3,728,230</b>	<b>\$ 4,800,346</b>

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, 2010**

Net change in Fund balance--total governmental funds \$ (5,968,852)

*Amounts reported for Governmental activities in the statement of activities are different because:*

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	8,907,259
This is the amount of depreciation	(1,378,772)
This is the amount of proceeds from sale of Capital Assets	(20,000)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the government funds.	64,738
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Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net 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.

Proceeds on Long-Term Debt	(1,510,000)
Premium on Bonds sold	(1,044)
Issuance Discount on Long-Term Debt	6,473
Principal payments	604,368

Some expenses reported in the statement of activities do not require the use of the governmental funds.	(25,592)
---	----------

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.

Investment Interest	205
Transfer out	(98,800)

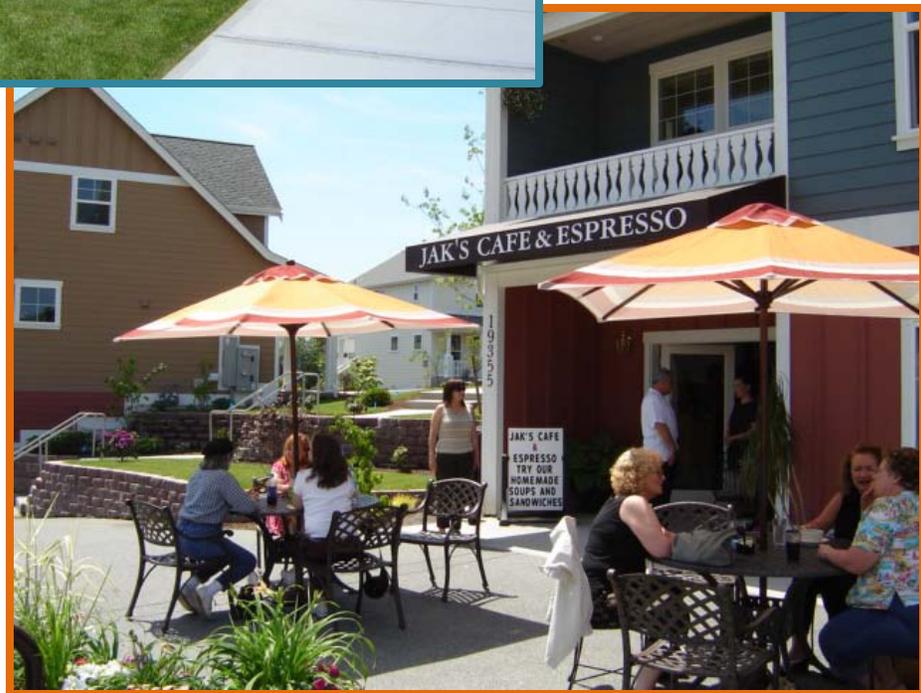
Change in net assets of governmental activities	\$ 579,984
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The notes to the financial statements are an integral part of this statement.

**STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
<b>Revenues</b>				
Taxes	\$ 6,278,063	\$ 6,303,063	\$ 6,426,160	\$ 123,097
Licenses and Permits	413,780	413,780	388,738	(25,042)
Intergovernmental	178,014	202,570	199,132	(3,438)
Charges for Services	913,509	953,995	969,878	15,883
Fines and Forfeitures	84,600	84,600	87,184	2,584
Interest and Other Earnings	211,500	211,500	71,631	(139,869)
Miscellaneous	15,001	15,001	23,662	8,661
<b>Total Revenues</b>	<b>8,094,467</b>	<b>8,184,509</b>	<b>8,166,385</b>	<b>(18,124)</b>
<b>Expenditures</b>				
Current:				
General Government	2,646,296	2,752,395	2,591,028	161,367
Security of Persons & Property	2,662,895	2,787,047	2,617,339	169,708
Utilities and Environment	565,800	513,871	442,795	71,075
Economic Environment	841,489	869,578	857,604	11,974
Mental and Physical Health	14,083	14,083	14,481	(398)
Culture and Recreation	429,805	427,258	376,249	51,009
<b>Total Expenditures</b>	<b>7,160,368</b>	<b>7,364,231</b>	<b>6,899,496</b>	<b>464,735</b>
Excess of Revenues Over Expenditures	934,099	820,278	1,266,889	446,611
<b>Other Financing Sources (Uses)</b>				
Transfers in	446,861	626,599	251,332	(375,267)
Transfers out	(1,830,960)	(1,890,458)	(1,798,101)	92,357
<b>Total Other Financing Sources (Uses)</b>	<b>(1,384,099)</b>	<b>(1,263,859)</b>	<b>(1,546,769)</b>	<b>(282,910)</b>
Net Change in Fund Balance	(450,000)	(443,581)	(279,880)	163,701
Fund Balance Beginning of Year	450,000	449,871	459,184	9,313
<i>Prior Year Adjustment</i>			(11,602)	(11,602)
<b>Fund Balance End of Year</b>	<b>\$ -</b>	<b>\$ 6,290</b>	<b>\$ 167,702</b>	<b>\$ 161,412</b>

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



**STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
DECEMBER 31, 2010**

	<b>Business-type Activities Enterprise Funds</b>					
	Water	Sewer	Solid Waste	Storm Drain	Total	Internal Service Funds
<b>Assets</b>						
<b>Current Assets:</b>						
Cash and Cash Equivalents	\$ 39,028	\$ 178,021	\$ 14,321	\$ 28,578	\$ 259,948	\$ 14,308
Investments	3,557,945	4,027,285	1,821,823	1,786,029	11,193,082	262,609
Accounts Receivable	114,019	232,426	115,320	66,896	528,662	533
Due from other Governments	-	-	-	1,692	1,692	-
Inventories	25,591	6,230	-	-	31,821	478
<b>Total Current Assets</b>	<b>3,736,583</b>	<b>4,443,963</b>	<b>1,951,464</b>	<b>1,883,195</b>	<b>12,015,205</b>	<b>277,928</b>
<b>Noncurrent Assets:</b>						
Restricted cash, cash equivalents, and invests.:						
Custodial trust funds						
Revenue bond covenant investment	108,242	383,768	-	-	492,010	-
Deferred Charges	4,099	14,532	-	-	18,631	-
<b>Capital Assets:</b>						
Land	319,700	277,676	124,678	214,179	936,233	6,590
Buildings and Structures	105,521	253,933	-	16,184	375,638	-
Intangibles	95,439	104,032	-	178,908	378,379	43,582
Other Improvements	14,097,688	23,058,569	-	10,203,466	47,359,723	32,424
Machinery and Equipment	497,596	785,691	884,346	309,093	2,476,727	65,218
Construction in Progress	814,876	928,262	35,761	106,166	1,885,066	-
Less: Accumulated Depreciation	(3,574,204)	(5,073,071)	(629,425)	(1,600,251)	(10,876,951)	(84,971)
<b>Total Noncurrent Assets</b>	<b>12,468,956</b>	<b>20,733,393</b>	<b>415,361</b>	<b>9,427,746</b>	<b>43,045,456</b>	<b>62,842</b>
<b>Total Assets</b>	<b>\$ 16,205,539</b>	<b>\$ 25,177,356</b>	<b>\$ 2,366,824</b>	<b>\$ 11,310,941</b>	<b>\$ 55,060,661</b>	<b>\$ 340,769</b>
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Accounts payable	\$ 53,439	\$ 81,143	\$ 50,938	\$ 30,859	216,380	\$ 56,354
Accrued interest payable	12,478	44,946	-	-	57,423	-
Rev. bonds payable (net of deferred amt refunded)	80,535	295,015	-	-	375,550	-
Custodial	4,681	32,477	-	-	37,158	-
Deferred Revenue	2,773	-	-	-	2,773	-
Compensated Absences	1,652	1,850	1,190	2,500	7,191	-
Notes Payable	-	-	-	-	-	-
Due to Other Governmental Units	8,161	37,687	-	-	45,848	-
<b>Total Current Liabilities</b>	<b>163,718</b>	<b>493,117</b>	<b>52,128</b>	<b>33,360</b>	<b>742,322</b>	<b>56,354</b>
<b>Noncurrent Liabilities:</b>						
Rev. bonds payable (net of deferred amt refunded)	552,729	1,950,193	-	-	2,502,921	-
Compensated absences	14,868	16,648	10,706	22,501	64,724	84,038
Notes Payable	-	1,232,317	-	-	1,232,317	-
Due to Other Governmental Units	32,644	150,747	-	-	183,391	-
<b>Total Noncurrent Liabilities</b>	<b>600,241</b>	<b>3,349,904</b>	<b>10,706</b>	<b>22,501</b>	<b>3,983,353</b>	<b>84,038</b>
<b>Total Liabilities</b>	<b>\$ 763,959</b>	<b>\$ 3,843,021</b>	<b>\$ 62,834</b>	<b>\$ 55,861</b>	<b>\$ 4,725,675</b>	<b>\$ 140,392</b>
<b>Net Assets</b>						
Invested in capital assets, net of related debt	\$ 11,686,646	\$ 16,683,667	\$ 415,361	\$ 9,427,746	38,213,419	\$ 62,842
Restricted for debt service	95,765	338,823	-	-	434,587	-
Unrestricted	3,659,170	4,311,846	1,888,629	1,827,335	11,686,980	137,535
<b>Total net assets</b>	<b>\$ 15,441,581</b>	<b>\$ 21,334,335</b>	<b>\$ 2,303,990</b>	<b>\$ 11,255,080</b>	<b>\$ 50,334,987</b>	<b>\$ 200,377</b>

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

Total business-type Internal Service Fund assets	339,172
Less total business-type Internal Service Fund liabilities	(140,392)
Net assets of business-type activities	<u>\$ 50,533,766</u>

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, 2010

	Business-type Activities Enterprise Funds					
	Water	Sewer	Solid Waste	Storm Drain	Total	Internal Service Funds
<b>Operating Revenues:</b>						
Charges for Services	\$ 1,321,959	\$ 2,493,605	\$ 1,267,437	723,329	\$ 5,806,330	\$ 1,197,014
Other Operating Revenues	98,079	33,103	14,714	9,452	155,349	1,342
<b>Total Operating Revenues</b>	<b>1,420,038</b>	<b>2,526,708</b>	<b>1,282,151</b>	<b>732,782</b>	<b>5,961,678</b>	<b>1,198,356</b>
<b>Operating Expenses:</b>						
Administrative and General	390,745	428,218	254,915	347,053	1,420,933	1,115,446
Depreciation	321,100	464,184	30,609	294,372	1,110,266	7,977
Maintenance	34,201	12,572	60,140	10,246	117,159	-
Contracted Processing and Operations	-	571,747	407,947	0	979,694	-
Customer Service	-	-	-	0	-	-
Operating	312,073	264,991	235,967	271,847	1,084,878	110,096
<b>Total Operating Expenses</b>	<b>1,058,120</b>	<b>1,741,712</b>	<b>989,578</b>	<b>923,519</b>	<b>4,712,930</b>	<b>1,233,519</b>
Operating Income (Loss)	361,918	784,995	292,573	(190,737)	1,248,749	(35,163)
<b>Nonoperating Revenues (Expenses):</b>						
Interest and Other Earnings	36,061	31,018	13,762	14,965	95,806	814
Interest Expense	(23,122)	(79,567)	-	0	(102,689)	-
State Grants	-	-	-	57,555	57,555	-
Other Miscellaneous Revenues	-	-	-	0	-	-
Amortization of Debt Issue Costs	(4,304)	(15,261)	-	0	(19,565)	-
Gain (loss) on Disposition of Cap. Assets	-	-	-	0	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	0	-	(98,800)
<b>Total Nonoperating Revenue (Expenses)</b>	<b>8,634</b>	<b>(63,810)</b>	<b>13,762</b>	<b>72,520</b>	<b>31,106</b>	<b>(97,986)</b>
Income (loss) Before Contributions	370,552	721,186	306,335	(118,218)	1,279,855	(133,149)
Capital Contributions	95,081	126,035	-	0	221,116	-
Change in Net Assets	465,633	847,221	306,335	(118,218)	1,500,971	(133,149)
Total Net Assets Beginning of Year	14,975,948	20,487,115	1,997,655	11,373,298		333,526
Prior Year Adjustments	-	-	-	-		-
<b>Total Net Assets End of Year</b>	<b>\$ 15,441,581</b>	<b>\$ 21,334,335</b>	<b>\$ 2,303,990</b>	<b>11,255,080</b>		<b>\$ 200,377</b>

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.

(34,554)  
*Change in Net Assets of Business-type Activities* \$ 1,466,417

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, 2010**

Page 1 of 2

	Business-type Activities Enterprise Funds					
	Water	Sewer	Solid Waste	Storm Drain	Total	Internal Service Funds
<b>Cash Flows from Operating Activities</b>						
Receipts from customers and users	1,417,543	2,531,863	1,286,450	735,803	5,971,659	1,198,079
Payments for interfund services provided	(197,640)	(184,631)	(127,470)	(183,797)	(693,538)	-
Payments to suppliers	(311,320)	(925,421)	(633,070)	(89,801)	(1,959,613)	(612,457)
Payments to employees	(203,320)	(225,501)	(178,188)	(327,978)	(934,986)	(546,844)
<b>Net cash provided (used) by operating activities</b>	<b>705,263</b>	<b>1,196,310</b>	<b>347,722</b>	<b>134,227</b>	<b>2,383,522</b>	<b>38,778</b>
<b>Cash Flows From Noncapital Financing Activities</b>						
State & Federal Grants	-	-	-	57,555	57,555	-
Transfers in (out) to other funds	-	-	-	-	-	(98,800)
<b>Net cash provided (used) by noncapital and related financing activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>57,555</b>	<b>57,555</b>	<b>(98,800)</b>
<b>Cash Flows from Capital and Related Financing Activities</b>						
Proceeds from Capital Debt	-	-	-	-	-	-
Capital contributions	95,081	126,035	-	-	221,116	-
Purchase of capital assets	-	(26,606)	(22,723)	-	(49,329)	-
Acquisition and construction of capital assets	(266,284)	(55,928)	-	(118,575)	(440,787)	-
Principal paid on capital debt	(89,561)	(326,287)	-	-	(415,848)	-
Interest paid on capital debt	(28,617)	(103,036)	-	-	(131,653)	-
Proceeds from Disposition of capital assets	-	-	-	-	-	-
<b>Net cash provided (used) by capital and related financing activities</b>	<b>(289,381)</b>	<b>(385,822)</b>	<b>(22,723)</b>	<b>(118,575)</b>	<b>(816,501)</b>	<b>-</b>
<b>Cash Flows from Investing Activities</b>						
Proceeds from sales and maturities of investments	3,461,028	3,563,330	955,001	1,533,493	9,512,852	241,372
Purchase of investment	(4,000,333)	(4,395,323)	(1,326,859)	(1,650,738)	(11,373,253)	(188,977)
Interest and dividends received	36,061	31,018	13,762	14,965	95,806	814
<b>Net cash used by investing activities</b>	<b>(503,244)</b>	<b>(800,975)</b>	<b>(358,096)</b>	<b>(102,280)</b>	<b>(1,764,595)</b>	<b>53,209</b>
Net increase in cash and cash equivalents	(87,361)	9,513	(33,098)	(29,073)	(140,019)	(6,813)
Cash and cash equivalents Beginning of Year	126,390	168,507	47,418	57,651	399,966	21,121
<b>Cash and cash equivalents End of Year</b>	<b>39,029</b>	<b>178,020</b>	<b>14,321</b>	<b>28,578</b>	<b>259,947</b>	<b>14,308</b>

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, 2010**

Page 2 of 2

	Business-type Activities Enterprise Funds						Internal Service Funds
	Water	Sewer	Solid Waste	Storm Drain	Total		
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>							
Operating Income (Loss)	361,918	784,995	292,573	(190,737)	1,248,749	(35,163)	
Adjustments to reconcile operating income to net cash provided (used) by operating activities							
Depreciation	321,100	464,184	30,609	294,372	1,110,266	7,977	
(Increase)decrease due to prior period adjustments					-		
(Increase) decrease in accounts receivable	(6,145)	(18,096)	4,299	3,076	(16,865)	(276)	
(Increase) decrease in inventories	1,033	18	-	-	1,050	567	
Increase (decrease) in accounts payable	20,501	(53,154)	12,225	24,301	3,874	53,466	
Increase (decrease) in Custodial Funds	3,723	23,252	-	-	26,975	-	
Increase (decrease) in compensated absences payable	3,132	(4,888)	8,015	3,215	9,474	12,207	
<b>Total Adjustments</b>	<b>343,346</b>	<b>411,315</b>	<b>55,149</b>	<b>324,964</b>	<b>1,134,773</b>	<b>73,941</b>	
<b>Net Cash Provided By Operating Activities</b>	<b>705,263</b>	<b>1,196,310</b>	<b>347,722</b>	<b>134,227</b>	<b>2,383,522</b>	<b>38,778</b>	

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

**STATEMENT OF FIDUCIARY NET ASSETS  
AGENCY FUND  
DECEMBER 31, 2010**

	Agency Fund
<b>Assets</b>	
Cash and cash equivalents	\$ 44,275
Investments	22,494
Accounts Receivable	4,160
<b>Total Assets</b>	<b>70,929</b>
<b>Liabilities</b>	
Accounts Payable and accrued expenses	1,039
Retainage Payable	40,270
Custodial funds	29,620
<b>Total Liabilities</b>	<b>70,929</b>
<b>Net Assets</b>	<b>\$ -</b>

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 and recreation, 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 consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

The government-wide financial statements 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.

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.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. 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.

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. Each year it is necessary to calculate the activity to determine if services are mostly governmental or business-type in nature. In 2010 the General Facilities Fund was found to be more business-type in nature and thus reflected as such on the government-wide financial statements.

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 assets held in an agency capacity for others. 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 \$32,766. 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 2010, \$548,016 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 or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, 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 and demand deposits with banks. 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.

In accordance with City policy and Washington State law, authorized investment purchases include Certificates of Deposit with financial institutions qualified by the Washington Public Deposit Protection Commission, US Treasury and Agency Securities, bankers' acceptances, bonds of Washington state and any local government in Washington state which have, at the time of purchase, one of the three highest credit ratings of a nationally recognized rating agency, repurchase agreements, the State Investment Pool (which is a 2a7 pool), and mutual funds used specifically for debt issues related to arbitrage.

The City reports its deposit and investment risk disclosures in accordance with GASB 40 (see note 3).

All investments are stated at fair value as of December 31, 2010.

**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 2010.

The City levies a 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, 2010 were as follows:

Transfers In:	Transfers Out:					Total
	General Fund	Street Reserve	Facilities Fund	Non-Major Gov'l	Internal Service Funds	
General Fund	\$ -	\$ -	\$ -	\$ 152,532	\$ 98,800	\$ 251,332
Street Reserve Fund	60,972	-	-	136,055	-	197,027
Facilities Fund	-	-	-	-	-	-
Non-Major Gov'l Funds	1,737,129	-	-	660,835	-	2,397,964
Internal Service Funds	-	-	-	-	-	-
<b>Total Transfers</b>	<b>\$ 1,798,101</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 949,423</b>	<b>\$ 98,800</b>	<b>\$ 2,846,324</b>

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 construction and debt service in enterprise funds. Certain proceeds of the enterprise fund revenue bonds, as well as certain resources set aside for their repayment are classified as restricted assets on the balance sheet because they may be maintained in separate accounts and their use is limited by applicable bond covenants. The amount listed in the governmental funds represents the permanent trust fund.

8. Note Receivable

Note Receivable consists of the amount owed to the City from the Poulsbo Historical Society for a portion of real estate sold to house the Poulsbo Historical Museum.

9. 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</u> <u>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

**10. 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.

**11. Other Post-Employment Benefits**

Lifetime full medical coverage is provided to uniformed Police and Fire personnel who became members of the Law Enforcement Officers and Fire Fighters (LEOFF 1) retirement system prior to October 1, 1977. A liability for the accumulated unfunded actuarially required contribution is reported in the Statement of Net Assets. The actual medical costs are reported as expenditures in the year they are incurred.

**12. Custodial Accounts**

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

**13. 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.

**14. 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.

**15. 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."

**16. 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 prepares an annual budget in accordance with the Revised Code of Washington (RCW) 35.33 that is on a basis consistent with accounting principles generally accepted in the United States of America. All funds except custodial agency funds and permanent funds are budgeted to the fund level. Annual appropriated budgets are adopted for all funds and lapse at the end of each year. However, some of the special revenue and capital funds may carry forward budgeted amounts beyond the year for completion of certain projects.

Budget amounts shown in the basic financial statements include the original budget amount and all appropriation transfers and adjustments approved by the City Council, as required. The Mayor is authorized to approve intra-fund budget transfers from one department to another or between line items of the same department. Only the City Council has the authority to increase a given fund's budget. This is executed by City ordinance.

In addition to authorizing the budget, the City Council approves the Capital Improvement Plan. This is a five year plan for capital project expenditures and anticipated revenue sources. Expenditures and revenue for these projects are budgeted in the Capital Project Funds.

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.

**B. BUDGETARY COMPLIANCE**

In 2010, 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 entirely 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). The FDIC insured the City's Deposits up to \$250,000; the WPDPC covers amounts over \$250,000. State statute permits additional amounts to be assessed on a pro rata basis to members of the WPDPC pool in the event the pool's collateral should be insufficient to cover a loss.

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, 2010, the City held the following deposits and investments:

Investment Type	Fair Value	Modified Duration	% of Portfolio
<b>Cash</b>			
FDIC or PDPC insured bank deposits	\$ 924,884		
In-transit items	(283,355)		
Custodial funds held in agency funds	(66,769)		
Petty Cash on hand	2,725		
<b>Total Cash</b>	<b>577,484</b>		
<b>Investments</b>			
US agency securities			
US Treasury Bills, Notes & Bonds	\$ 3,008,360	0.40	17%
Federal Farm Credit Banks	1,022,590	1.30	6%

Federal Home Loan Bank	4,051,430	1.40	23%
Federal Home Loan Mortgage Corporation	1,996,480	2.00	12%
Federal National Mortgage Association	1,000,640	1.70	6%
Certificates of deposits	-	0.83	0%
Washington State Local Government Inv. Pool	6,222,474	0.00	38%
<b>Total Investments</b>	<b>17,301,974</b>	<b>1.090</b>	<b>100%</b>
<b>Total Cash, Cash Equivalents, Investments</b>	<b>\$ 17,879,458</b>		

The Local Government Investment Pool (LGIP) is an unrated 2a-7 like pool, as defined by GASB 31. Accordingly, participants’ balances in the LGIP are not subject to interest rate risk, as the weighted average maturity of the portfolio will not exceed 90 days. Per GASB 40 guidelines the balances are also not subject to custodial credit risk. The credit risk of the LGIP is limited as most investments are either obligations of the US government, government sponsored enterprises, or insured demand deposit accounts and certificates of deposit. Investments or deposits held by the LGIP are either insured or held by a third-party custody provider in the LGIP’s name. The fair value of the City’s pool investments is determined by the pool’s share price. The City has no regulatory oversight responsibility for the LGIP which is governed by the Washington State Finance Committee and is administered by the State Treasurer. The LGIP is audited annually by the Office of the State Auditor, an independently elected public official.

*Interest Rate Risk:* As a means of limiting its exposure to interest rate risk, the City diversifies its investments by security type and institution, and limits holdings in any one type of investment with any one issuer. The City coordinates its investment maturities to closely match cash flow needs and restricts the maximum investment term to less than five year from the purchase date.

*Credit Risk:* State law and City policy limit investment to those authorized by the State Statute including commercial paper, bankers’ acceptances, and corporate bonds. It is the City’s policy to limit its credit risk by only investing in commercial paper or bankers’ acceptances with a credit rating of A1 or P1.

*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.

**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 one percent per year or IPD, whichever is less, after adjustments for new construction and annexations, unless an increase greater than this limit is approved by the voters. If the assessed valuation increases by more than one percent due to revaluation, the levy rate will be decreased.
- The Washington State Constitution limits the total regular property taxes to one percent of assessed valuation, or \$10 per \$1,000 of the market value of a property. If the taxes of all districts exceed this amount, each is proportionately reduced until the total is at or below the one percent limit.

For property taxes to be collected in 2010, the City's levy for general governmental services was \$1.562678 per \$1,000 on the assessed valuation of \$1,310,033,708 for a total of \$2,047,161.

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.

**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, 2010, was as follows:

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
<b>Governmental-Type Activities</b>				
Capital assets, not being depreciated:				
Land	6,397,064	-	-	6,397,064
Intangible - Right of Way	-	19,861,236	-	19,861,236
Construction Work in Progress	12,823,028	8,741,777	(830,836)	20,733,968
<b>Total capital assets not being depreciated</b>	<b>19,220,092</b>	<b>28,603,013</b>	<b>(830,836)</b>	<b>46,992,268</b>
Capital assets, being depreciated:				
Buildings	3,926,055	200,000	(200,000)	3,926,055
Other Improvements	4,832,784	12,176	(20,000)	4,824,960
Machinery and Equipment	2,204,006	165,483	-	2,369,488
Intangible	-	618,661	-	618,661
Infrastructure	24,478,524	-	-	24,478,524
<b>Total capital assets being depreciated</b>	<b>35,441,369</b>	<b>996,319</b>	<b>(220,000)</b>	<b>36,217,688</b>
Less accumulated depreciation for:				
Buildings	(2,235,014)	(106,425)	-	(2,341,439)
Other Improvements	(787,252)	(1,039,148)	-	(1,826,400)
Machinery and Equipment	(1,520,157)	(169,353)	-	(1,689,510)
Intangible	-	(63,846)	-	(63,846)
Infrastructure	(5,974,427)	-	-	(5,974,427)
<b>Total accumulated depreciation</b>	<b>(10,516,851)</b>	<b>(1,378,772)</b>	<b>-</b>	<b>(11,895,622)</b>
Total capital assets, being depreciated, net	24,924,518	(382,453)	(220,000)	24,322,066
<b>Governmental activity capital assets, net</b>	<b>\$ 44,144,610</b>	<b>\$ 28,220,560</b>	<b>\$(1,050,836)</b>	<b>71,314,333</b>

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
<b>Business-Type Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 942,823	\$ -	\$ -	\$ 942,823
Construction Work in Progress	1,856,267	573,384	(544,585)	1,885,066
<b>Total capital assets not being depreciated</b>	<b>2,799,090</b>	<b>573,384</b>	<b>(544,585)</b>	<b>2,827,889</b>
Capital assets, being depreciated:				
Buildings	375,637	-	-	375,637
Other Improvements	47,269,523	122,624	-	47,392,147
Machinery and Equipment	2,515,338	26,606	-	2,541,944
Intangible	-	421,961	-	421,961
<b>Total capital assets being depreciated</b>	<b>50,160,499</b>	<b>571,191</b>	<b>-</b>	<b>50,731,690</b>
Less accumulated depreciation for:				
Buildings	(239,367)	(6,358)	-	(245,725)
Other Improvements	(8,023,292)	(972,274)	-	(8,995,566)
Machinery and Equipment	(1,581,020)	(133,305)	-	(1,714,325)
Intangible	-	(6,306)	-	(6,306)
<b>Total accumulated depreciation</b>	<b>(9,843,680)</b>	<b>(1,118,243)</b>	<b>-</b>	<b>(10,961,922)</b>
Total capital assets, being depreciated, net	40,316,819	(547,052)	-	39,769,768
<b>Business-type activity capital assets, net</b>	<b>\$ 43,115,909</b>	<b>\$ 26,332</b>	<b>\$ (544,585)</b>	<b>42,597,656</b>

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

<b>Governmental activities:</b>	
General Government	\$ 52,305
Security of Persons and Property	80,061
Utilities and Environment	20,445
Transportation	923,939
Economic Environment	1,504
Culture and Recreation	300,518
<b>Total depreciation expense - governmental activities</b>	<b>\$ 1,378,772</b>

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

<b>Business-type activities:</b>	
Water	\$ 321,100
Sewer	464,184
Solid Waste	30,609
Storm Drain	294,372
Public Works Administration	7,977
<b>Total depreciation expense - business-type activities</b>	<b>\$ 1,118,243</b>

**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 I 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 Plan 1 and Plan 2 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.

PERS Plan 1 retirement benefits are vested after an employee completes five years of eligible service. Plan 1 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 monthly benefit is 2 percent of the average final compensation (AFC) per year of service. (AFC is the monthly average of the 24 consecutive highest-paid service credit months.) The retirement benefit may not exceed 60 percent of AFC. The monthly benefit is subject to a minimum for PERS Plan 1 retirees who have 25 years of service and have been retired 20 years, or who have 20 years of service and have been retired 25 years. Plan 1 members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits. If a survivor option is chosen, the benefit is further reduced. A cost-of-living allowance (COLA) is granted at age 66 based upon years of service times the COLA amount, which is increased 3 percent annually. Plan 1 members may also elect to receive an optional COLA that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

Plan 2 retirement benefits are vested after an employee completes five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is 2 percent of the AFC per year of service. (AFC is the monthly average of the 60 consecutive highest-paid service credit months.)

PERS Plan 2 member who have at least 20 years of service credit and are 55 years of age or older are eligible for early retirement with a reduced benefit. The benefit is reduced by an early retirement factor (ERF) that varies according to age, for each year before age 65.

PERS Plan 2 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

- With a benefit that is reduced by 3 percent for each year before age 65.
- With a benefit that has a smaller (or no) reductions (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2 retirement benefits are also actuarially reduced to reflect the choice, if made, of a survivor option. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

The surviving spouse or eligible child or children of a PERS Plan member who dies after leaving eligible employment having earned ten years of service credit may request a refund of the member's accumulated contributions. Effective July 22, 2007, said refund (adjusted as needed for specified legal reductions) is increased from 100 percent to 200 percent of the accumulated contributions if the member's death occurs in the uniformed service to the United States while participating in *Operation Enduring Freedom or Persian Gulf, Operation Iraqi Freedom*.

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 AFC per year of service. (AFC is the monthly average of the 60 consecutive highest-paid service credit months.)

Effective June 7, 2006, PERS Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service, if twelve months of that service are earned after age 44; or after five service credit years earned in PERS Plan 2 prior to June 1, 2003. Plan 3 members are immediately vested in the defined contribution portion of their plan.

Vested Plan 3 members are eligible for normal retirement at age 65, or they may retire early with the following conditions and benefits:

- If they have at least ten service credit years and are 55 years old, the benefit is reduced by the ERF that varies with age, for each year before age 65.
- If they have 30 service credit years and are at least 55 years old, they have the choice of a benefit that is reduced by 3 percent for each year before age 65; or a benefit with a smaller (or no) reduction factor (depending on age) that imposes stricter return-to-work rules.

PERS Plan 3 defined benefit retirement benefits are also actuarially reduced to reflect the choice, if made, of a survivor option. There is no cap on years of service credit and Plan 3 provides the same cost-of-living allowance as Plan 2.

PERS Plan 3 defined contribution retirement benefits are solely dependent upon the results of investment activities.

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 director of the Department of Retirement Systems.

PERS Plan 2 and Plan 3 provide disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 monthly benefit amount is 2 percent of the AFC per year of service. For Plan 3, the monthly benefit amount is 1 percent of the AFC per year of service.

These disability benefit amounts are actuarially reduced for each year that the member's age is less than 65, and to reflect the choice of a survivor option. There is no cap on years of service credit, and a cost-of-living allowance is granted (based on the Consumer Price Index) capped at 3 percent annually.

PERS Plan 2 and Plan 3 members may have up to ten years of interruptive military service credit; five years at no cost and five years that may be purchased by paying the required contributions. Effective July 24, 2005, a member who becomes totally incapacitated for continued employment while serving the uniformed services, or a surviving spouse or eligible children, may apply for interruptive military service credit. Additionally, PERS Plan 2 and Plan 3 members can also purchase up to 24 months of service credit lost because of an on-the-job injury.

PERS members may also purchase up to five years of additional service credit once eligible for retirement. This credit can only be purchased at the time of retirement and can be used only to provide the member with a monthly annuity that is paid in addition to the member's retirement benefit.

Beneficiaries of a PERS Plan 2 or Plan 3 member with ten years of service who is killed in the course of employment receive retirement benefits without actuarial reduction, if the member was not at normal retirement age at death. This provision applies to any member killed in the course of employment, on or after June 10, 2004, if found eligible by the Department of Labor and Industries.

A one-time-duty-related death benefit is provided to the estate (or duly designated nominee) of a PERS member who dies in the line of service as a result of injuries sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of said member's covered employment, if found eligible by the Department of Labor and Industries.

#### *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) enacted in 2006. 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 1,189 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2009:

Retirees and Beneficiaries Receiving Benefits	\$ 74,857
Terminated Plan Members Entitled To But Not Yet Receiving Benefits	28,074
Active Plan Members Vested	105,339
Active Plan Members Non-vested	53,896
<b>Total</b>	<b>\$ 262,166</b>

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 payroll, as of December 31, 2010, 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 7.89% for Plan 1 and 5.31% 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 3.9% 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 Poulso and its employees made the required contributions. The City of Poulso’s required contributions for the years ending December 31, 2010 were as follows:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
2010	\$ -	\$ 168,988	\$ 47,554
2009	\$ -	\$ 217,322	\$ 58,400
2008	\$ 2,822	\$ 225,571	\$ 52,616

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

Plan Description:

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	2.0%
10 but less than 20 years	1.5%
5 but less than 10 years	1.0%

The FAS is the basic monthly salary received at the time of retirement, provided a member has held the same position or rank for 12 months preceding the date of retirement. Otherwise, it is the average of the highest consecutive 24 months' salary within the last 10 years of service. A cost-of-living allowance is granted (indexed to the Seattle Consumer Price Index).

LEOFF Plan 1 provides death and disability benefits. Death benefits for survivors of Plan 1 members on active duty consist of the following: (1) If eligible spouse, 50 percent of the FAS, plus 5 percent of FAS for each eligible surviving child, with a limitation on the combined allowances of 60 percent of the FAS; or (2) If no eligible spouse, eligible children receive 30 percent of FAS for the first child plus 10 percent for each additional child, subject to a 60 percent limitation of FAS, divided equally.

A one-time duty-related death benefit is provided to the estate (or duly designated nominee) of a LEOFF Plan 1 member who dies as a result of injuries or illness sustained in the course of employment, if found eligible by the Department of Labor and Industries.

The LEOFF Plan 1 disability allowance is 50 percent of the FAS plus 5 percent for each child up to a maximum of 60 percent. Upon recovery from disability before the age of 50, a member is restored to service with full credit for service while disabled. Upon recovery after the age of 50, the benefit continues as the greater of the member's disability allowance or service retirement allowance.

LEOFF Plan 1 members may purchase up to five years of additional service credit once eligible for retirement. This credit can only be purchased at the time of retirement and can be used only to provide the member with a monthly annuity that is paid in addition to the member's allowance.

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.

LEOFF Plan 2 provides disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 allowance amount is 2 percent of the FAS for each year of service. Benefits are actuarially reduced for each year that the member's age is less than 53, unless the disability is duty-related, and to reflect the choice of a survivor option. If the member has at least 20 years of service and is age 50, the reduction is 3 percent for each year prior to age 53. A catastrophic disability benefit equals to 70 percent of their FAS, subject to offsets for workers' compensation and Social Security disability benefits received, is also available to those LEOFF Plan 2 members who are severely disabled in the line of duty and incapable of future substantial gainful employment in any capacity.

Effective June 2010, benefits to LEOFF Plan 2 members who are catastrophically disabled include payment of eligible health care insurance premiums.

Members of LEOFF Plan 2 who leave service because of a line of duty disability are allowed to withdraw 150 percent of accumulated member contributions. This withdrawal benefit is not subject to federal income tax. Alternatively, members of LEOFF Plan 2 who leave service because of a line of duty disability may be eligible to receive a retirement allowance of at least 10 percent of FAS and 2 percent per year of service beyond five years. The first 10 percent of the FAS is not subject to federal income tax.

LEOFF Plan 2 retirees may return to work in an eligible position covered by another retirement system, choose membership in that system and suspend their pension benefits, or not choose membership and continue receiving pension benefits without interruption.

LEOFF Plan 2 members who apply for retirement may purchase up to five years of additional service credit. The cost of this credit is the actuarial equivalent of the resulting increase in the member's benefit. LEOFF Plan 2 members can purchase service credit for military service that interrupts employment. Additionally, LEOFF Plan 2 members who become totally incapacitated for continued employment while servicing in the uniformed services may apply for interruptive military

service credit. Should any such member die during this active duty, the member’s surviving spouse or eligible child (ren) may purchase service credit on behalf of the deceased member.

LEOFF Plan 2 members may also purchase up to 24 consecutive months of service credit for each period of temporary duty disability.

Beneficiaries of a LEOF Plan 2 member who is killed in the course of employment receive retirement benefits without actuarial reduction, if found eligible by the Director of the Department of Labor and Industries.

Benefits to eligible surviving spouses and dependent children of LEOFF Plan 2 members killed in the course of employment include the payment of on-going health care insurance premiums paid to the Washington state Health Care Authority.

A one-time duty-related death benefit is provided to the estate (or duly designated nominee) of a LEOFF Plan 2 member who dies as a result of injuries or illness sustained in the course of employment, if found eligible by the Department of Labor and Industries.

There are 372 participating employers in LEOFF. Membership in LEOFF consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2009:

Retirees and Beneficiaries Receiving Benefits	\$	9,454
Terminated Plan Members Entitled To But Not Yet Receiving Benefits		674
Active Plan Members Vested		13,363
Active Plan Members Non-vested		3,944
<b>Total</b>	<b>\$</b>	<b>27,435</b>

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
2010	\$ -	\$ 70,711
2009	\$ -	\$ 70,861
2008	\$ -	\$ 64,004

**NOTE 7: RISK MANAGEMENT****C. 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 AWC RMSA 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, 2010, 85 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 \$250,000 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 with limits up to \$250 million, 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 approved by membership in 2010. In accordance with WAC 82.60.02023, the Pool elected its first Board of Directors, comprised of elected officials that are members of AWC RMSA, elected at large.

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.

The City has not had any settlement exceeding the insurance coverage over the past three years.

**NOTE 8: ADOPTION OF NEW GASB PRONOUNCEMENTS****A. GASB STATEMENT NO 51 ACCOUNTING AND FINANCIAL REPORTING FOR INTANGIBLE ASSETS**

The Statement provides needed guidance regarding how to identify, account for, and report intangible assets. This Statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. This pronouncement provides additional guidance that specifically addresses the unique nature of intangible assets, including 1) establishing a specified conditions approach to recognizing intangible assets that are internally generated, 2) providing guidance on recognizing internally generated computer software, and 3) establishing specific guidance for the amortization of intangible assets. Intangible assets with indefinite

useful lives should not be amortized. Consequently, all City Street Right-of Way easements have been recorded and now reflected in the details of Capital Assets (Note 5)

**B. GASB STATEMENT NO 53 ACCOUNTING AND FINANCIAL REPORTING FOR DERIVATIVE INSTRUMENTS**

The Statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. This pronouncement specifically requires governments to measure most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. GASB Statement No. 53 has no impact to the City as derivatives are not utilized.

**C. GASB STATEMENT NO 55 THE HIERARCHY OF GENERALLY ACCEPTED ACCOUNTING PRINCIPLES FOR STATE AND LOCAL GOVERNMENTS**

This Statement is intended to make it easier for preparers of state and local government financial statements to identify and apply the hierarchy of authoritative literature. The order of priority for accounting and financial reporting guidance will remain unchanged in practice. The City will follow this guidance.

**D. GASB STATEMENT NO 56 CODIFICATION OF ACCOUNTING AND FINANCIAL REPORTING GUIDANCE CONTAINED IN THE AICPA STATEMENTS ON AUDITING STANDARDS**

The objective of this Statement is to incorporate into the Governmental Accounting Standards Board's (GASB) authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' Statements on Auditing Standards. This Statement addresses three issues not included in the authoritative literature that establishes accounting principles—related party transactions, going concern considerations, and subsequent events. The presentation of principles used in the preparation of financial statements is more appropriately included in accounting and financial reporting standards rather than in the auditing literature.

This Statement does not establish new accounting standards but rather incorporates the existing guidance (to the extent appropriate in a governmental environment) into the GASB standards. The City will follow this guidance.

**E. GASB STATEMENT NO 58 ACCOUNTING AND FINANCIAL REPORTING FOR CHAPTER 9 BANKRUPTCIES**

The Statement provides guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. It establishes requirements for recognizing and measuring the effects of the bankruptcy process on assets and liabilities, and for classifying changes in those items and related costs. GASB Statement No 58 has no impact to the City.

**NOTE 9: FUTURE ADOPTION OF GASB PRONOUNCEMENTS**

The following GASB pronouncements have been issued, but are not yet effective at December 31, 2010:

- GASB Statement No. 54 Fund Balance Reporting and Governmental Fund Type Definitions
- GASB Statement No. 57 OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans
- GASB Statement No. 59 Financial Instruments Omnibus
- GASB Statement No. 60 Accounting and Financial Reporting for Service concession Arrangements
- GASB Statement No. 61 The Financial Reporting Entity: Omnibus
- GASB Statement No. 62 Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements

The City of Poulso will implement the new GASB pronouncements in the fiscal year no later than the required effective date. The City has not yet determined if the above listed new GASB pronouncements will have a significant financial impact to the City of in issuing its financial statements.

**NOTE 10: CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS**

At December 31, 2010 the City had 15 significant contractual obligations with the following balances:

3rd Avenue Survey	AES Consultants	\$ 10,670
Noll/Storhoff	AES Consultants	6,840
Traffic Analysis Services	David Evans & Associates	15,338
City Hall Construction	Fisher & Sons	108,522
Shoreline Master Program Update	Grette & Associates	9,836
Fjord Drive Road Improvements	Krazan & Associates	3,106
Water Tank Seismic Evaluations	Krazan & Associates	11,480
Bjorgen Creek Crossing	Parametrix, Inc	4,849
Fjord Drive Road Improvements	Parametrix, Inc	3,097
Noll Road Improvement	Parametrix, Inc	2,305
Viking Ave Phase 3A	Parametrix, Inc	986
Viking Ave Phase 3B	Parametrix, Inc	19,627
Noll Road Improvement	Stan Palmer Construction	643,134
Viking 3A Construction	Tri-State Construction	37,215
Viking 3B Construction	Tri-State Construction	182,977
		\$ 1,059,981

**NOTE 11: SHORT-TERM DEBT**

The City had three different parcels up for sale as a funding piece for the New City Hall Project. However, due to the economic downturn those parcels did not sale. In order for the City to finish the New City Hall Project, it was necessary to maintain a line of credit with KeyBank with the anticipation the City will go out for additional bonding in the near future. The City had the following short-term debt activity during the fiscal year ended December 31, 2010:

Date	Transaction	Principal Draw	Interest Rate	Interest Calculated	Debt Principal Outstanding
10/21/2010	Principal Advance	400,000			400,000
10/29/2010	Principal Advance	350,000			750,000
12/8/2010	Principal Advance	450,000			1,200,000
12/31/2010	Interest Accrued		variable based on Prime Rate	4,122	

The interest rate will be determined by the formula noted: (Prime Rate minus 0.08%) times 65.01%=2.06%. "Prime Rate" shall mean the rate announced from time to time by bank as its Prime Rate, with the Prime Rate changing on the date each change in said Prime Rate is announced by Bank. The Prime Rate may not be the lowest interest rate charged by the Bank on commercial or other extensions of credit. Prime Rate as of March 8, 2010 is 3.25%.

**NOTE 12: 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, 2010, 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	30,000
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%	2017	810,000
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	4,215,000
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	5,620,000
2010	LOCAL Program GO Bonds: Issued to provide funds to purchase the Park and Rec building.	310,000	4.10%	2030	310,000
Total					<b>\$10,985,000</b>

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

As of December 31, 2010, 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	\$ 345,000
2005	Refunding of 1998 Water/Sewer Revenue Bonds	3,134,000	3.45%	2017	2,652,000
Total					<b>\$ 2,997,000</b>

**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 \$1,406,930 which will be repaid from governmental funds, is for Front Street reconstruction. In 2010, payments for interest of \$32,794 and principal retirement of \$120,216 were made.

As of December 31, 2010, 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	\$ 229,239
2000	Street Improvements to Front Street	1,406,930	3.0%	2020	743,683
Total					<b>\$ 972,922</b>

**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 \$ 5,101,894. The parties agreed Olhava Associates, LP’s share is \$ 2,959,098 and the City of Poulsbo’s share was \$2,142,796. The original agreement stated reimbursement would be paid with no interest applied and by using sewer connections fees collected from those whose properties benefited with the completed improvement. As of December, 2010 the City has paid \$ 910,479.

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
2011	\$ 560,000	\$ 469,898	\$ 1,029,898	\$ 383,000	\$ 107,969	\$ 490,969
2012	550,000	453,123	1,003,123	396,000	92,546	488,546
2013	500,000	435,765	935,765	414,000	76,521	490,521
2014	515,000	419,365	934,365	429,000	62,238	491,238
2015	535,000	401,110	936,110	443,000	47,438	490,438
2016-2020	2,630,000	1,699,751	4,329,751	932,000	48,542	980,542
2021-2025	2,965,000	1,141,944	4,106,944	-	-	-
2026-2030	1,610,000	571,248	2,181,248	-	-	-
2031-2033	1,120,000	125,400	1,245,400	-	-	-
	<b>\$ 10,985,000</b>	<b>\$ 5,717,603</b>	<b>\$ 16,702,603</b>	<b>\$ 2,997,000</b>	<b>\$ 435,253</b>	<b>\$ 3,432,253</b>

Year Ended Dec 31	Public Works Trust Fund Loans					
	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
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	74,368	13,386	87,755	45,848	1,375	47,223
2016-2020	371,841	33,466	405,307	-	-	-
	<b>\$ 743,683</b>	<b>\$ 122,708</b>	<b>\$ 866,391</b>	<b>\$ 229,239</b>	<b>\$ 20,631</b>	<b>\$ 249,870</b>

E. LONG-TERM LIABILITIES

1. Long-term liability activity:

	Beginning Balance	Additions	Reductions	Ending Balance
<b>Governmental Activities</b>				
Bonds payable:				
General obligation bonds	\$ 11,205,000	\$ 310,000	\$ 530,000	\$ 10,985,000
Less Unamortized Bond Discount	(45,164)	(3,740)	(3,970)	(44,935)
Plus Unamortized Bond Premium	81,515	1,044	4,076	78,483
Compensated Absences	645,529	-	26,191	619,338
Due to Other Governmental Units	818,051	-	74,368	743,683
Misc NonCurrent Liability	71,962	30,118	-	102,080
<b>Total Governmental activity long-term liabilities</b>	<b>\$ 12,776,893</b>	<b>\$ 337,422</b>	<b>\$ 630,665</b>	<b>\$ 12,483,649</b>

	Beginning Balance	Additions	Reductions	Ending Balance
<b>Business-type Activities</b>				
Bonds payable:				
Revenue Bonds	\$ 3,367,000	\$ -	\$ 370,000	\$ 2,997,000
Less Deferred Amount Refunded	(135,462)	-	(16,933)	(118,529)
Compensated Absences	121,740	39,102	4,888	155,954
Notes Payable	1,232,317	-	-	1,232,317
Due to Other Governmental Units	275,086	-	45,848	229,239
<b>Total Business-type activity long-term liabilities</b>	<b>\$ 4,860,681</b>	<b>\$ 39,102</b>	<b>\$ 403,803</b>	<b>\$ 4,495,980</b>

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)	30,000
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.	150,000
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	210,000
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	160,000
2010	Certificate of Participation to finance the acquisition of the Parks and Recreation facility.	10,000
2000	Due to Other Governmental Units (PWTF)-Street Improvements to Front Street	74,368
	Unamortized premium on GO Bond	4,128
	Unamortized Bond Discount	(4,229)
	Compensated Absences	61,934
	<b>Total Governmental Activities</b>	<b>\$ 696,201</b>

Date of Issue	Liabilities Due Within One Year - Business-Type Activities	Due within one year
1998	Water/Sewer Revenue Bonds	\$ 170,000
2005	Water/Sewer Refunded Revenue Bonds	213,000
1995	Due to Other Governmental Units (PWTF)-Sewer Improvements to Jensen Way	45,848
2009	Note Payable	84,000
	Deferred Amount Refunded	(16,933)
	Compensated Absences	15,595
	<b>Total Business-Type Activities</b>	<b>\$ 511,510</b>

**NOTE 13: CONTINGENCIES AND COMMITMENTS**

As of December 31, 2010, several related claims have been filed in state and 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. Most of the claims were dismissed due to a motion of summary judgment. Since the motion didn't 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.

One item which could result in significant impact to the City's funds is the agreement of the bargaining unit for the Poulsbo Police Association. The contract had an expiration date of December 31, 2009 and is currently under negotiation headed for arbitration in early 2011. No liabilities or estimated liabilities have been included in the City's financial statements however; a reasonable amount has been budgeted.

The City participates in federally assisted grant programs. These programs are subject to program compliance audits by the grantors and their representatives. The audits of these programs for or including the year ended December 31, 2010, have not yet been conducted. Accordingly, the City's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures that may be disallowed by the granting agencies cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

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 balance of \$6,918 is included with the City's compensated absences.

#### **NOTE 14: 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](http://www.kitsapgov.com).

#### **NOTE 15: 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. A separate post employment benefit plan report is not available.

##### 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 actuarially determined in accordance with the parameters of GASB No. 45. The ARC represents a level of funding that if paid on an ongoing basis is projected to cover the normal cost each year and amortized any unfunded actuarial liabilities over a period of ten years as of December 31, 2010. 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 (NOO) of \$102,080 is included as a non-current liability on the Statement of Net Assets.

	<u>Year</u> <u>Ending</u> <u>2008</u>	<u>Year</u> <u>Ending</u> <u>2009</u>	<u>Year</u> <u>Ending</u> <u>2010</u>
<b><u>Determination of Annual Required Contribution:</u></b>			
Normal Cost at Year End	\$ 0	\$ 0	\$ 0
Amortization of Unfunded Actuarial Accrued Liability (UAAL)	65,964	61,726	61,726
Annual Required Contribution	<u>\$65,964</u>	<u>\$61,726</u>	<u>\$61,726</u>
<b><u>Determination of Net OPEB Obligation:</u></b>			
Annual Required Contribution	\$65,964	\$61,726	\$61,726
Interest prior year Net OPEB Obligation	0	1,766	3,238
Adjustments to ARC	0	(3,654)	(6,701)
Annual OPEB Cost	\$65,964	\$59,838	\$58,264
Contributions	(26,720)	(27,120)	(28,146)
Increase in Net OPEB Obligations	<u>\$39,244</u>	<u>\$32,718</u>	<u>\$30,118</u>
Net OPEB Obligation-Beginning of Year	\$0	\$39,244	\$71,962
NET OPEB Obligation-End of Year	<u>\$39,244</u>	<u>\$71,962</u>	<u>\$102,080</u>

The City’s OPEB cost, the percentage of OPEB cost contributed to the plan, and the net OPEB obligation for 2010 were as follows:

<u>Year Ending</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Contribution as a</u> <u>Percentage of</u> <u>OPEB Cost</u>	<u>Net OPEB</u> <u>Obligation</u>
12/31/2008	65,964	40.5%	39,244
12/31/2009	59,838	45.3%	71,962
12/31/2010	58,264	48.3%	102,080

**Funded Status and Funding Progress**

As of December 31, 2010, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability (AAL) for benefits was \$662,910 and the actuarial value of the assets was \$0 resulting in a UAAL of \$662,910. 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**

The City used the alternative measurement method permitted under GASB Statement 45. Actual retirement ages are used of the City’s two LEOFF members who benefit for the purpose of determining the AAL and normal cost. Mortality rates were assumed to follow the LEOFF I rates used in the June 30, 2007 actuarial valuation report issued by the Office of the State Actuary (OSA). Healthcare costs and trends were determined by Milliman and used by OSA in the state-wide LEOFF I medical study 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 AAL was Projected Unit Credit. The AAL and NOO are amortized on an open basis as a level dollar over 10 years. These assumptions are individually and collectively reasonable for the purposes of this valuation.

**NOTE 16: 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:

<b>General Fund</b>	-\$11,602	This is the accumulation of five building permits that were started and billed to developers; however due to the economic challenges and a stop to growth it was determined to expire permits and remove the charges.
 <b>Park Reserve Fund</b>	 \$20,000	 Previous year accrual that was for the Waterfront Shoreline stabilization that once completed was deemed overstated by the accrual
 <i>Adjustment only for the Government-wide Statements</i>	 \$19,861,236	 Due to GASB Statement 51 it was necessary to add all easements and Right-of-Ways for Reporting purposes.

Due to the General Facilities Fund changing classification from governmental to business-type based on 2010 function test, it was necessary to adjust the Net Assets carried forward on the Statement of Activities.

**NOTE 17: SUBSEQUENT EVENTS**

On March 9, 2011, the City approved Demolition of the old City Hall building to enhance the salability of the property. In order to fund this cost, it was decided to extend the Bond Anticipation Note which was a bridge loan to finish the “new” City Hall Project due to property on the market not selling. The Bond Anticipation Note was extended on April 20, 2011.

**NOTE 18: RECONCILIATION OF INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT**

<u><b>Governmental Activities:</b></u>		<u><b>Business-Type Activities:</b></u>	
Capital Assets, Net of Depreciation	\$ 71,314,333	Capital Assets, Net of Depreciation	\$ 42,597,656
Unamortized Debt issuance costs	95,828	Unamortized Debt issuance costs	18,631
General Obligation Bonds Payable	(12,185,000)	Revenue Bonds Payable	(2,997,000)
Unamortized premium on Bonds	(78,483)	Unamortized discount on Bonds	118,529
Unamortized discount on Bonds	44,935	Notes Payable	(1,232,317)
Due to Other Governments	(743,683)	Due to Other Governments	(229,239)
<b><i>Invested in Capital Assets, Net of Related Debt</i></b>	<b><u>\$ 58,447,929</u></b>	<b><i>Invested in Capital Assets, Net of Related Debt</i></b>	<b><u>\$ 38,276,261</u></b>

**REQUIRED SUPPLEMENTARY INFORMATION  
LEOFF I RETIREE MEDICAL BENEFITS  
SCHEDULE OF FUNDING PROGRESS  
December 31, 2010**

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]
12/31/2008	\$ -	\$ 708,423	\$ 708,423	0%	-	N/A*
12/31/2009	\$ -	\$ 662,910	\$ 662,910	0%	-	N/A*
12/31/2010	\$ -	\$ 662,910	\$ 662,910	0%	-	N/A*

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



## 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, 2010**  
 Page 1 of 6

	Special Revenue			
	City Streets	Recreation Activity	Capital Improvements	Cumulative Reserve/Rev Stablization
<b>Assets</b>				
Cash and Cash Equivalents	\$ 30,039	\$ 29,298	\$ -	\$ -
Investments	373,851	108,132	44,417	1,640,106
Receivables:				
Taxes	-	-	19,743	-
Accounts	-	1,527	-	-
Special Assesments	-	-	-	-
Due from Other Governments	-	-	-	-
Cash and Investments-Restricted	-	-	-	-
<b>Total Assets</b>	<b>\$ 403,890</b>	<b>\$ 138,958</b>	<b>\$ 64,160</b>	<b>\$ 1,640,106</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts Payable	\$ 35,155	\$ 34,753	\$ -	\$ -
Custodial Accounts	-	84	-	-
Deferred Revenue	-	81,379	-	-
<b>Total Liabilities</b>	<b>35,155</b>	<b>116,217</b>	<b>-</b>	<b>-</b>
<b>Fund Balances</b>				
Reserved fund balance for debt service	\$ -	\$ -	\$ -	\$ -
Reserved fund balance for city beautification				
Unreserved Fund Balance	368,735	22,741	64,160	1,640,106
<b>Total Fund Balance</b>	<b>368,735</b>	<b>22,741</b>	<b>64,160</b>	<b>1,640,106</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 403,890</b>	<b>\$ 138,958</b>	<b>\$ 64,160</b>	<b>\$ 1,640,106</b>

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS (continued)  
DECEMBER 31, 2010  
Page 2 of 6**

Special Revenue								
Cumulative Reserve	Historic Downtown Poulso Association	Marine Science Center	Paths and Trails	Drug Enforcement	Transient Occupancy	Police Restricted Funds	Total Non-Major Special Revenue Funds	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,060	\$ 64,397	
83,390	57,794	3,940	9,610	24,055	36,070	222,588	2,603,953	
-	-	-	-	-	-	-	19,743	
-	-	-	-	-	-	-	1,527	
-	11,984	-	-	-	-	-	11,984	
-	-	-	-	-	-	2,410	2,410	
-	-	-	-	-	-	-	-	
<b>\$ 83,390</b>	<b>\$ 69,778</b>	<b>\$ 3,940</b>	<b>\$ 9,610</b>	<b>\$ 24,055</b>	<b>\$ 36,070</b>	<b>\$ 230,058</b>	<b>\$ 2,704,014</b>	
\$ -	\$ 2,242	\$ -	\$ -	\$ -	\$ 3,618	\$ 1,868	\$ 77,637	
-	-	-	-	-	-	-	84	
-	10,869	-	-	-	-	-	92,248	
-	13,111	-	-	-	3,618	1,868	169,969	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-	
83,390	56,667	3,940	9,610	24,055	32,452	228,190	2,534,045	
83,390	56,667	3,940	9,610	24,055	32,452	228,190	2,534,045	
<b>\$ 83,390</b>	<b>\$ 69,778</b>	<b>\$ 3,940</b>	<b>\$ 9,610</b>	<b>\$ 24,055</b>	<b>\$ 36,070</b>	<b>\$ 230,058</b>	<b>\$ 2,704,014</b>	

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

December 31, 2010

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		
<b>Assets</b>						
Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	-
Investments	1,186	72,582	1,698	22		75,489
Receivables:						-
Taxes	-	-	-	-		-
Accounts	-	-	-	-		-
Special Assessments	-	-	-	-		-
Due from Other Governments	-	-	-	-		-
Cash and Investments-Restricted	-	-	-	-		-
<b>Total Assets</b>	<b>\$ 1,186</b>	<b>\$ 72,582</b>	<b>\$ 1,698</b>	<b>\$ 22</b>		<b>\$ 75,489</b>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities</b>						
Accounts Payable	\$ -	\$ 341	\$ -	\$ -		341
Custodial Accounts	-	1,386	-	-		1,386
Deferred Revenue	-	1,000	-	-		1,000
<b>Total Liabilities</b>	<b>-</b>	<b>2,728</b>	<b>-</b>	<b>-</b>		<b>2,728</b>
<b>Fund Balances</b>						
Reserved fund balance for debt service	\$ 1,186	\$ 69,854	\$ 1,698	\$ 22		72,761
Reserved fund balance for city beautification						-
Unreserved Fund Balance	-	-	-	-		-
<b>Total Fund Balance</b>	<b>1,186</b>	<b>69,854</b>	<b>1,698</b>	<b>22</b>		<b>72,761</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,186</b>	<b>\$ 72,582</b>	<b>\$ 1,698</b>	<b>\$ 22</b>		<b>\$ 75,489</b>

**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS (continued)**  
**December 31, 2010**  
**Page 4 of 6**

Capital Project

Equipment Acquisition	Park Reserve	Library Improvement	Recreation Reserve	Park Acquisition	Museum Reserve
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
406,510	219,407	110	120	70,135	6,574
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<b>\$ 406,510</b>	<b>\$ 219,407</b>	<b>\$ 110</b>	<b>\$ 120</b>	<b>\$ 70,135</b>	<b>\$ 6,574</b>
\$ 451	\$ 2,609	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
451	2,609	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
406,059	216,798	110	120	70,135	6,574
406,059	216,798	110	120	70,135	6,574
<b>\$ 406,510</b>	<b>\$ 219,407</b>	<b>\$ 110</b>	<b>\$ 120</b>	<b>\$ 70,135</b>	<b>\$ 6,574</b>

**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS (continued)**  
**December 31, 2010**  
**Page 5 of 6**

	<u>Capital Project</u>			<u>Permanent</u>
	Cemetery Reserve	Street Equipment Reserve	Total Non-Major Capital Project Funds	Bernice Borgen Beautification
<b>Assets</b>				
Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -
Investments	57,444	240,402	1,000,702	-
Receivables:			-	-
Taxes	-	-	-	-
Accounts	-	-	-	-
Special Assesments	-	-	-	-
Due from Other Governments	-	-	-	-
Cash and Investments-Restricted	-	-	-	123,782
<b>Total Assets</b>	<b>\$ 57,444</b>	<b>\$ 240,402</b>	<b>\$ 1,000,702</b>	<b>\$ 123,782</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts Payable	\$ -	\$ -	\$ 3,060	\$ -
Custodial Accounts	-	-	-	-
Deferred Revenue	-	-	-	-
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>3,060</b>	<b>-</b>
<b>Fund Balances</b>				
Reserved fund balance for debt service		\$ -	\$ -	\$ -
Reserved fund balance for city beautification			-	123,782
Unreserved Fund Balance	57,444	240,402	997,642	-
<b>Total Fund Balances</b>	<b>57,444</b>	<b>240,402</b>	<b>997,642</b>	<b>123,782</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 57,444</b>	<b>\$ 240,402</b>	<b>\$ 1,000,702</b>	<b>\$ 123,782</b>

**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS (continued)**  
**December 31, 2010**  
**Page 6 of 6**

<b>Total Non-Major Governmental Funds</b>	
	64,397
	3,680,143
	-
	19,743
	1,527
	11,984
	2,410
	123,782
	<b>\$ 3,903,987</b>
	81,038
	1,471
	93,248
	175,757
	\$ 72,761
	123,782
	3,531,686
	3,728,230
	<b>\$ 3,903,987</b>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR YEAR ENDED DECEMBER 31, 2010**

Page 1 of 6

	Special Revenue			Cumulative Reserve Revenue Stabilization
	City Streets	Recreation	Capital Improvements	
<b>Revenues</b>				
Taxes	\$ -	\$ -	\$ 311,894	\$ -
Licenses and Permits	8,775	-	-	-
Intergovernmental	191,996	-	-	-
Charges for Services	-	479,971	-	-
Fines and Forfeitures	-	-	-	-
Interest and Other Earnings	1,631	211	569	12,949
Miscellaneous	464	32,036	-	-
<b>Total Revenues</b>	<b>202,866</b>	<b>512,218</b>	<b>312,464</b>	<b>12,949</b>
<b>Expenditures</b>				
Current:				
General Government	-	-	-	-
Security of Persons & Property	-	-	-	-
Utilities and Environment	-	-	-	-
Transportation	819,169	-	-	-
Economic Environment	-	-	-	-
Mental and Physical Health	-	-	-	-
Culture and Recreation	-	695,383	-	-
Debt Service:				
Principal	-	-	-	-
Interest & Fiscal Charges	-	-	-	-
Capital Outlay	-	-	-	-
<b>Total Expenditures</b>	<b>819,169</b>	<b>695,383</b>	<b>-</b>	<b>-</b>
Excess of Revenues over Expenditures	(616,304)	(183,165)	312,464	12,949
<b>Other Financing Sources (Uses)</b>				
Transfers In	751,515	202,178	-	84,664
Transfers Out	(244,720)	(1,474)	(392,280)	(128,481)
Disposal of Capital Assets	-	-	-	-
Governmental Obligation Bond Proceeds	-	-	-	-
<b>Total Other Financing Sources and Uses</b>	<b>506,795</b>	<b>200,704</b>	<b>(392,280)</b>	<b>(43,817)</b>
Net Change in Fund Balances	(109,509)	17,539	(79,816)	(30,868)
Fund Balances - Beginning	478,243	5,202	143,976	1,670,973
Prior Year Adjustment				
<b>Fund Balances - Ending</b>	<b>\$ 368,735</b>	<b>\$ 22,741</b>	<b>\$ 64,160</b>	<b>\$ 1,640,106</b>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS (continued)  
FOR YEAR ENDED DECEMBER 31, 2010**

Page 2 of 6

Special Revenue								
Cumulative Reserve	Historic Downtown Poulso Association	Marine Science Center	Paths and Trails	Drug Enforcement	Transient Occupancy	Police Restricted Funds	Total Non-Major Special Revenue Funds	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 106,930	\$ 101,628	\$ 520,452	
-	-	-	-	-	-	-	8,775	
-	-	-	-	-	-	21,020	213,016	
50,069	-	-	-	-	-	-	530,041	
-	-	-	-	-	-	-	-	
155	354	17	19	55	26	1,308	17,295	
-	51,627	-	-	441	-	1,506	86,074	
<b>50,225</b>	<b>51,982</b>	<b>17</b>	<b>19</b>	<b>496</b>	<b>106,956</b>	<b>125,463</b>	<b>1,375,654</b>	
-	-	-	-	-	-	-	-	
-	-	-	-	4,105	-	21,393	25,497	
-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	819,169	
-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	
-	25,373	4,316	-	-	94,637	-	819,708	
-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	
-	-	-	-	-	-	54,072	54,072	
-	<b>25,373</b>	<b>4,316</b>	-	<b>4,105</b>	<b>94,637</b>	<b>75,465</b>	<b>1,718,447</b>	
50,225	26,609	(4,299)	19	(3,608)	12,319	49,997	(342,794)	
-	-	-	960	-	-	5,060	1,044,377	
(38,500)	-	(27,027)	-	-	-	(28,000)	(860,483)	
-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	
<b>(38,500)</b>	-	<b>(27,027)</b>	<b>960</b>	-	-	<b>(22,940)</b>	<b>183,894</b>	
11,725	26,609	(31,326)	979	(3,608)	12,319	27,057	(158,899)	
71,665	30,058	35,266	8,631	27,664	20,133	201,133	2,692,944	
-	-	-	-	-	-	-	-	
<b>\$ 83,390</b>	<b>\$ 56,667</b>	<b>\$ 3,940</b>	<b>\$ 9,610</b>	<b>\$ 24,055</b>	<b>\$ 32,452</b>	<b>\$ 228,190</b>	<b>\$ 2,534,045</b>	

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS (continued)**  
**FOR YEAR ENDED DECEMBER 31, 2010**

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	Debt Service				
	Misc Governmental Debt	Non-Voted G.O. Debt	Voted G.O. Bonds	LID Fund	Total Non- Major Debt Service Funds
<b>Revenues</b>					
Taxes	\$ -	\$ -	\$ 1,226	\$ -	\$ 1,226
Licenses and Permits	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Charges for Services	-	-	-	-	-
Fines and Forfeitures	-	-	-	-	-
Interest and Other Earnings	30	1,096	2	0	1,128
Miscellaneous	-	11,664	-	-	11,664
<b>Total Revenues</b>	<b>30</b>	<b>12,760</b>	<b>1,227</b>	<b>0</b>	<b>14,017</b>
<b>Expenditures</b>					
Current:					
General Government	-	-	-	-	-
Security of Persons & Property	-	-	-	-	-
Utilities and Environment	-	-	-	-	-
Transportation	-	-	-	-	-
Economic Environment	-	-	-	-	-
Mental and Physical Health	-	-	-	-	-
Culture and Recreation	-	-	-	-	-
Debt Service:					
Principal	74,368	530,000	-	-	604,368
Interest & Fiscal Charges	24,542	482,151	-	-	506,692
Capital Outlay	-	-	-	-	-
<b>Total Expenditures</b>	<b>98,910</b>	<b>1,012,151</b>	<b>-</b>	<b>-</b>	<b>1,111,060</b>
Excess of Revenues over Expenditures	(98,880)	(999,391)	1,227	0	(1,097,043)
<b>Other Financing Sources (Uses)</b>					
Transfers In	98,650	968,511	-	-	1,067,161
Transfers Out	-	-	-	-	-
Disposal of Capital Assets	-	-	-	-	-
Governmental Obligation Bond Proceeds	-	4,571	-	-	4,571
<b>Total Other Financing Sources and Uses</b>	<b>98,650</b>	<b>973,082</b>	<b>-</b>	<b>-</b>	<b>1,071,732</b>
Net Change in Fund Balances	(230)	(26,309)	1,227	0	(25,312)
Fund Balances - Beginning	1,416	96,164	471	22	98,073
Prior Year Adjustment	-	-	-	-	-
<b>Fund Balances - Ending</b>	<b>\$ 1,186</b>	<b>\$ 69,854</b>	<b>\$ 1,698</b>	<b>\$ 22</b>	<b>\$ 72,761</b>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS (continued)  
FOR YEAR ENDED DECEMBER 31, 2010**

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Capital Project

Equipment Acquisition	Park Reserve	Library Improvement	Recreation Reserve	Park Acquisition	Museum Reserve
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	1,174	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
4,705	621	0	1	1,507	14
-	1,200	-	-	-	-
<b>4,705</b>	<b>2,994</b>	<b>0</b>	<b>1</b>	<b>1,507</b>	<b>14</b>
32,102	-	-	-	-	-
5,783	-	-	-	-	-
1,446	16,176	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	12,716	-	633	-	-
-	-	-	-	-	-
-	-	-	-	-	-
120,064	41,002	-	-	-	-
<b>159,394</b>	<b>69,894</b>	<b>-</b>	<b>633</b>	<b>-</b>	<b>-</b>
(154,689)	(66,900)	0	(631)	1,507	14
110,000	128,871	-	-	-	-
(31,500)	(8,711)	-	-	(26,500)	-
-	-	-	-	-	-
-	-	-	-	-	-
<b>78,500</b>	<b>120,160</b>	<b>-</b>	<b>-</b>	<b>(26,500)</b>	<b>-</b>
(76,189)	53,260	0	(631)	(24,993)	14
482,248	143,538	110	752	95,128	6,560
	20,000				
<b>\$ 406,059</b>	<b>\$ 216,798</b>	<b>\$ 110</b>	<b>\$ 120</b>	<b>\$ 70,135</b>	<b>\$ 6,574</b>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS (continued)  
FOR YEAR ENDED DECEMBER 31, 2010**

Page 5 of 6

	Cemetery Reserve	Street Equipment Reserve	Total Non-Major Capital Project Funds
<b>Revenues</b>			
Taxes	\$ -	\$ -	\$ -
Licenses and Permits	-	-	-
Intergovernmental	-	-	1,174
Charges for Services	1,200	-	1,200
Fines and Forfeitures	-	-	-
Interest and Other Earnings	150	901	7,899
Miscellaneous	-	-	1,200
<b>Total Revenues</b>	<b>1,350</b>	<b>901</b>	<b>11,473</b>
<b>Expenditures</b>			
Current:			
General Government	-	-	32,102
Security of Persons & Property	-	-	5,783
Utilities and Environment	-	-	17,622
Transportation	-	-	-
Economic Environment	-	-	-
Mental and Physical Health	-	-	-
Culture and Recreation	-	-	13,348
Debt Service:			
Principal	-	-	-
Interest & Fiscal Charges	-	-	-
Capital Outlay	-	-	161,066
<b>Total Expenditures</b>	<b>-</b>	<b>-</b>	<b>229,920</b>
Excess of Revenues over Expenditures	1,350	901	(218,448)
<b>Other Financing Sources (Uses)</b>			
Transfers In	-	47,555	286,426
Transfers Out	(22,229)	-	(88,940)
Disposal of Capital Assets	-	-	-
Governmental Obligation Bond Proceeds	-	-	-
<b>Total Other Financing Sources and Uses</b>	<b>(22,229)</b>	<b>47,555</b>	<b>197,486</b>
Net Change in Fund Balances	(20,879)	48,456	(20,962)
Fund Balances - Beginning	78,323	191,946	998,603
Prior Year Adjustment	-	-	20,000
<b>Fund Balances - Ending</b>	<b>\$ 57,444</b>	<b>\$ 240,402</b>	<b>\$ 997,642</b>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS (continued)  
FOR YEAR ENDED DECEMBER 31, 2010**

Page 6 of 6

Permanent	
Bernice Borgen Beautification	Total Nonmajor Governmental Funds
\$ -	\$ 521,678
-	8,775
-	214,190
-	531,241
-	-
1,102	27,424
-	98,938
<b>1,102</b>	<b>1,402,245</b>
-	32,102
-	31,280
-	17,622
-	819,169
-	-
-	-
-	833,057
-	604,368
-	506,692
-	215,138
-	<b>3,059,428</b>
1,102	(1,657,183)
-	2,397,964
-	(949,423)
-	-
-	4,571
-	<b>1,453,112</b>
1,102	(204,071)
122,680	3,912,300
-	20,000
<b>\$ 123,782</b>	<b>\$ 3,728,230</b>



**CITY STREET FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET TO ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenue</b>			
License and Permits	\$ 3,000	\$ 8,775	\$ 5,775
Intergovernmental	200,389	191,996	(8,393)
Interest and Other Earnings	-	1,631	1,631
Miscellaneous	-	464	464
<b>Total Revenues</b>	<b>203,389</b>	<b>202,866</b>	<b>(523)</b>
<b>Expenditures</b>			
Transportation:			
Street Maintenance	926,952	819,169	107,783
<b>Total Expenditures</b>	<b>926,952</b>	<b>819,169</b>	<b>107,783</b>
Excess of Revenues Under Expenditures	(723,563)	(616,304)	107,259
<b>Other Financing Sources (Uses)</b>			
Transfers in	799,916	751,515	(48,401)
Transfers out	(244,770)	(244,720)	50
<b>Total Other Financing Sources (Uses)</b>	<b>555,146</b>	<b>506,795</b>	<b>(48,351)</b>
<b>Net Change in Fund Balance</b>	<b>(168,417)</b>	<b>(109,509)</b>	<b>58,908</b>
Fund Balance Beginning of Year	478,243	478,243	1
<b>Fund Balance End of Year</b>	<b>\$ 309,826</b>	<b>\$ 368,735</b>	<b>\$ 58,909</b>

**RECREATION ACTIVITY FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET TO ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>			
Culture and Recreation:			
Amusement and Recreation	\$ 473,000	\$ 74,893	\$ (398,107)
Adult Program	-	17,198	17,198
Adventure Program	-	24,662	24,662
Arts and Crafts Program	-	14,928	14,928
Body & Mind Program	-	3,077	3,077
Bus & Computer Program	-	195	195
Dance Program	-	40,047	40,047
Music Program	-	39,941	39,941
Senior Program	-	22,259	22,259
Sport and Fitness Program	-	206,669	206,669
Youth Program	-	36,102	36,102
Interest and Other Earnings	500	211	(289)
Miscellaneous	32,000	32,036	36
<b>Total Revenues</b>	<b>505,500</b>	<b>512,218</b>	<b>6,718</b>
<b>Expenditures</b>			
Culture and Recreation:			
Administration	474,754	461,403	13,351
Adventure Program	12,800	14,665	(1,865)
Adult Program	13,700	9,241	4,459
Arts and Crafts Program	6,150	8,574	(2,424)
Body & Mind Program	-	490	(490)
Bus & Computer Program	-	-	-
Dance Program	18,450	22,413	(3,963)
Music Program	19,550	27,533	(7,983)
Senior Program	13,050	12,714	336
Sport and Fitness Program	125,650	115,474	10,176
Youth Program	11,350	22,876	(11,526)
<b>Total Expenditures</b>	<b>695,454</b>	<b>695,383</b>	<b>71</b>
Excess of Revenues Under Expenditures	(189,954)	(183,165)	6,789
<b>Other Financing Sources (Uses)</b>			
Transfers in	202,179	202,178	(1)
Transfers Out	(1,474)	(1,474)	-
<b>Total Other Financing Sources (Uses)</b>	<b>200,705</b>	<b>200,704</b>	<b>(1)</b>
<b>Net Change in Fund Balance</b>	<b>10,751</b>	<b>17,539</b>	<b>6,788</b>
<b>Fund Balance Beginning of Year</b>	<b>5,202</b>	<b>5,202</b>	<b>-</b>
<b>Fund Balance End of Year</b>	<b>\$ 15,953</b>	<b>\$ 22,741</b>	<b>\$ 6,788</b>

**CAPITAL IMPROVEMENT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET TO ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>			
Taxes:			
Excise Tax	\$ 362,000	\$ 311,894	\$ (50,106)
Interest and Other Earnings	1,200	569	(631)
<b>Total Revenues</b>	<b>363,200</b>	<b>312,464</b>	<b>(50,736)</b>
<b>Expenditures</b>			
Current:			
Miscellaneous	-	-	-
<b>Total Expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess of Revenues Over Expenditures	363,200	312,464	(50,736)
<b>Other Financing Sources (Uses)</b>			
Transfers out	(431,000)	(392,280)	38,720
<b>Total Other Financing Sources (Uses)</b>	<b>(431,000)</b>	<b>(392,280)</b>	<b>38,720</b>
<b>Net Change in Fund Balance</b>	<b>(67,800)</b>	<b>(79,816)</b>	<b>(12,016)</b>
Fund Balance Beginning of Year	143,976	143,976	-
<b>Fund Balance End of Year</b>	<b>\$ 76,176</b>	<b>\$ 64,160</b>	<b>\$ (12,016)</b>

**CUMULATIVE RESERVE/REVENUE STABILIZATION FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET TO ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>			
Interest and Other Earnings	\$ 15,000	\$ 12,949	\$ (2,051)
Miscellaneous	-	-	-
<b>Total Revenues</b>	<b>15,000</b>	<b>12,949</b>	<b>(2,051)</b>
<b>Expenditures</b>			
Current:			
Professional Services	-	-	-
<b>Total Expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess of Revenues Over Expenditures	15,000	12,949	(2,051)
<b>Other Financing Sources (Uses)</b>			
Transfers in	84,240	84,664	424
Transfers out	(503,748)	(128,481)	375,267
Capital Leases	-	-	-
Disposal of Capital Assets	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>(419,508)</b>	<b>(43,817)</b>	<b>375,691</b>
<b>Net Change in Fund Balance</b>	<b>(404,508)</b>	<b>(30,868)</b>	<b>373,640</b>
Fund Balance Beginning of Year	1,670,973	1,670,973	-
<b>Fund Balance End of Year</b>	<b>\$ 1,266,465</b>	<b>\$ 1,640,106</b>	<b>\$ 373,641</b>

**CUMULATIVE RESERVE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET TO ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>			
Transportation Impact Fees	\$ -	\$ 50,069	\$ 50,069
Interest and Other Earnings	550	155	(395)
<b>Total Revenues</b>	<b>550</b>	<b>50,225</b>	<b>49,675</b>
<b>Expenditures</b>			
Current:			
Miscellaneous	-	-	-
<b>Total Expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess of Revenues Over Expenditures	550	50,225	49,675
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	-	-
Transfers out	(38,500)	(38,500)	-
<b>Total Other Financing Sources (Uses)</b>	<b>(38,500)</b>	<b>(38,500)</b>	<b>-</b>
<b>Net Change in Fund Balance</b>	<b>(37,950)</b>	<b>11,725</b>	<b>49,675</b>
Fund Balance Beginning of Year	71,665	71,665	0
<b>Fund Balance End of Year</b>	<b>\$ 33,715</b>	<b>\$ 83,390</b>	<b>\$ 49,675</b>

**HISTORIC DOWNTOWN POULSBO ASSOCIATION FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET TO ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>			
Special Assessments	\$ 40,000	\$ 42,732	\$ 2,732
Gifts and Pledges	5,750	8,867	3,117
Interest and Other Earnings	-	354	354
Miscellaneous	-	28	28
<b>Total Revenues</b>	<b>45,750</b>	<b>51,982</b>	<b>6,232</b>
<b>Expenditures</b>			
Bad Debt Expense	-	1	(1)
Office & Operating Supplies	1,000	51	949
Small Tools & Minor Equipment	16,804	507	16,297
Professional Services	19,250	10,105	9,145
Communication	1,900	1,124	776
Advertising	8,500	5,220	3,280
Insurance	750	674	76
Repairs and Maintenance	9,100	7,556	1,544
Miscellaneous	500	134	366
<b>Total Expenditures</b>	<b>57,804</b>	<b>25,373</b>	<b>32,431</b>
Excess of Revenues Over Expenditures	(12,054)	26,609	38,663
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	-	-
Transfers out	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balance</b>	<b>(12,054)</b>	<b>26,609</b>	<b>38,663</b>
Fund Balance Beginning of Year	30,058	30,058	-
<b>Fund Balance End of Year</b>	<b>\$ 18,004</b>	<b>\$ 56,667</b>	<b>\$ 38,663</b>

**MARINE SCIENCE CENTER FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET TO ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>			
Interest and Other Earnings	\$ 250	\$ 17	\$ (233)
<b>Total Revenues</b>	<b>250</b>	<b>17</b>	<b>(233)</b>
<b>Expenditures</b>			
Current:			
Education Service	-	-	-
Facilities	5,600	4,316	1,284
<b>Total Expenditures</b>	<b>5,600</b>	<b>4,316</b>	<b>1,284</b>
Excess of Revenues Over Expenditures	(5,350)	(4,299)	1,051
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	-	-
Transfers out	(27,028)	(27,027)	1
<b>Total Other Financing Sources (Uses)</b>	<b>(27,028)</b>	<b>(27,027)</b>	<b>1</b>
<b>Net Change in Fund Balance</b>	<b>(32,378)</b>	<b>(31,326)</b>	<b>1,052</b>
Fund Balance Beginning of Year	35,266	35,266	-
<b>Fund Balance End of Year</b>	<b>\$ 2,888</b>	<b>\$ 3,940</b>	<b>\$ 1,052</b>

**PATH AND TRAILS RESERVE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET TO ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>			
Interest and Other Earnings	\$ -	\$ 19	\$ 19
Miscellaneous	-	-	-
<b>Total Revenues</b>	<b>-</b>	<b>19</b>	<b>19</b>
<b>Expenditures</b>			
Current:			
Miscellaneous	-	-	-
<b>Total Expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess of Revenues Over Expenditures	-	19	19
<b>Other Financing Sources (Uses)</b>			
Transfers in	1,002	960	(42)
Transfers out	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>1,002</b>	<b>960</b>	<b>(42)</b>
<b>Net Change in Fund Balance</b>	<b>1,002</b>	<b>979</b>	<b>(23)</b>
Fund Balance Beginning of Year	8,631	8,631	-
<b>Fund Balance End of Year</b>	<b>\$ 9,633</b>	<b>\$ 9,610</b>	<b>\$ (23)</b>

**DRUG ENFORCEMENT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET TO ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>			
Kitsap County -Westnet Grant	\$ 10,000	\$ -	\$ (10,000)
Interest and Other Earnings	150	55	(95)
Miscellaneous	-	441	441
<b>Total Revenues</b>	<b>10,150</b>	<b>496</b>	<b>(9,654)</b>
<b>Expenditures</b>			
Current:			
LIBNET Program	17,680	4,105	13,576
Drug Enforcement Agency	-	-	-
<b>Total Expenditures</b>	<b>17,680</b>	<b>4,105</b>	<b>13,576</b>
Excess of Revenues Over Expenditures	(7,530)	(3,608)	3,922
<b>Other Financing Sources (Uses)</b>			
Disposal of Capital Assets	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balance</b>	<b>(7,530)</b>	<b>(3,608)</b>	<b>3,922</b>
Fund Balance Beginning of Year	27,664	27,664	(0)
<b>Fund Balance End of Year</b>	<b>\$ 20,134</b>	<b>\$ 24,055</b>	<b>\$ 3,921</b>

**TRANSIENT OCCUPANCY TAX FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET TO ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>			
Hotel/Motel Tax	\$ 55,000	\$ 53,465	\$ (1,535)
Additional 2% Hotel/Motel Tax	55,000	53,465	(1,535)
Interest and Other Earnings	-	26	26
<b>Total Revenues</b>	<b>110,000</b>	<b>106,956</b>	<b>(3,044)</b>
<b>Expenditures</b>			
Economic Environment:			
Spectator and Community Events:			-
Administration	53,000	41,839	11,161
Special Events	57,000	52,799	4,201
Miscellaneous	-	-	-
<b>Total Expenditures</b>	<b>110,000</b>	<b>94,637</b>	<b>15,363</b>
Excess of Revenues Over Expenditures	-	12,319	12,319
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	-	-
Transfers out	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balance</b>	<b>-</b>	<b>12,319</b>	<b>12,319</b>
Fund Balance Beginning of Year	20,133	20,133	-
<b>Fund Balance End of Year</b>	<b>\$ 20,133</b>	<b>\$ 32,452</b>	<b>\$ 12,319</b>

**POLICE RESTRICTED FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET TO ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>			
Sales Tax	\$ 75,000	\$ 101,628	\$ 26,628
Suquamish Indian Tribe Mitigation	-	-	-
Vessel Registration	9,000	9,166	166
Criminal Justice	7,578	11,854	4,276
Interest and Other Earnings	600	1,308	708
Miscellaneous	800	1,506	706
<b>Total Revenues</b>	<b>92,978</b>	<b>125,463</b>	<b>32,485</b>
<b>Expenditures</b>			
Security of Persons & Property	32,953	21,393	11,560
Capital Outlay	64,389	54,072	10,317
<b>Total Expenditures</b>	<b>97,342</b>	<b>75,465</b>	<b>21,877</b>
Excess of Revenues Over Expenditures	(4,364)	49,997	54,361
<b>Other Financing Sources (Uses)</b>			
Transfers in	5,060	5,060	-
Transfers out	(28,000)	(28,000)	0
<b>Total Other Financing Sources (Uses)</b>	<b>(22,940)</b>	<b>(22,940)</b>	<b>(0)</b>
<b>Net Change in Fund Balance</b>	<b>(27,304)</b>	<b>27,057</b>	<b>54,361</b>
Fund Balance Beginning of Year	201,132	201,133	1
<b>Fund Balance End of Year</b>	<b>\$ 173,828</b>	<b>\$ 228,190</b>	<b>\$ 54,362</b>

**MISCELLANEOUS GOVERNMENTAL DEBT**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET TO ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>			
Interest and Other Earnings	\$ -	\$ 30	\$ 30
<b>Total Revenues</b>	<b>-</b>	<b>30</b>	<b>30</b>
<b>Expenditures</b>			
Debt Service:			
Intergovernmental Loan-Principal	74,369	74,368	1
Interest and Related Costs	24,542	24,542	-
<b>Total Expenditures</b>	<b>98,911</b>	<b>98,910</b>	<b>1</b>
Excess of Revenues Over Expenditures	(98,911)	(98,880)	31
<b>Other Financing Sources (Uses)</b>			
Transfers in	98,650	98,650	0
Transfers out	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>98,650</b>	<b>98,650</b>	<b>0</b>
<b>Net Change in Fund Balance</b>	<b>(261)</b>	<b>(230)</b>	<b>31</b>
Fund Balance Beginning of Year	1,416	1,416	-
<b>Fund Balance End of Year</b>	<b>\$ 1,155</b>	<b>\$ 1,186</b>	<b>\$ 31</b>

**NON-VOTED GENERAL OBLIGATION DEBT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET TO ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>			
Interest and Other Earnings	\$ -	\$ 1,096	\$ 1,096
Rentals & Leases	10,635	11,664	1,029
<b>Total Revenues</b>	<b>10,635</b>	<b>12,760</b>	<b>2,125</b>
<b>Expenditures</b>			
Debt Service:			
General Obligation Bond-Principal	530,000	530,000	-
Interest and Related Costs	482,847	482,151	696
<b>Total Expenditures</b>	<b>1,012,847</b>	<b>1,012,151</b>	<b>696</b>
Excess of Revenues Over Expenditures	(1,002,212)	(999,391)	2,821
<b>Other Financing Sources (Uses)</b>			
Transfers in	968,493	968,511	18
Transfers out	-	-	-
Governmental Obligation Bond Proceeds	4,570	4,571	1
<b>Total Other Financing Sources (Uses)</b>	<b>973,063</b>	<b>973,082</b>	<b>19</b>
<b>Net Change in Fund Balance</b>	<b>(29,149)</b>	<b>(26,309)</b>	<b>2,840</b>
Fund Balance Beginning of Year	96,163	96,164	1
<b>Fund Balance End of Year</b>	<b>\$ 67,014</b>	<b>\$ 69,854</b>	<b>\$ 2,840</b>

VOTED GENERAL OBLIGATION DEBT FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 BUDGET TO ACTUAL  
 FOR THE YEAR ENDED DECEMBER 31, 2010

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>			
Property Taxes	\$ -	\$ 1,226	\$ 1,226
Interest and Other Earnings	-	2	2
<b>Total Revenues</b>	<b>-</b>	<b>1,227</b>	<b>1,227</b>
<b>Expenditures</b>			
Debt Service:			
General Obligation Bonds-Principal	-	-	-
Interest and Related Costs	-	-	-
<b>Total Expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess of Revenues Over Expenditures	-	1,227	1,227
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	-	-
Transfers out	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balance	-	1,227	1,227
Fund Balance Beginning of Year	471	471	(0)
<b>Fund Balance End of Year</b>	<b>\$ 471</b>	<b>\$ 1,698</b>	<b>\$ 1,227</b>

**LOCAL IMPROVEMENT DISTRICT (LID) FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET TO ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

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

**EQUIPMENT ACQUISITION FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET TO ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>			
Interest and Other Earnings	\$ -	\$ 4,705	\$ 4,705
<b>Total Revenues</b>	<b>-</b>	<b>4,705</b>	<b>4,705</b>
<b>Expenditures</b>			
Small Tools and Minor Equipment:			
General Government	54,500	32,102	22,398
Security of Persons & Property	7,500	5,783	1,717
Utilities and Environment	1,500	1,446	54
Economic Environment	-	-	-
Culture and Recreation	-	-	-
Capital Outlay	352,687	120,064	232,623
<b>Total Expenditures</b>	<b>416,187</b>	<b>159,394</b>	<b>256,793</b>
Excess of Revenues Over Expenditures	(416,187)	(154,689)	261,498
<b>Other Financing Sources (Uses)</b>			
Transfers in	110,000	110,000	-
Transfers out	(31,500)	(31,500)	-
<b>Total Other Financing Sources (Uses)</b>	<b>78,500</b>	<b>78,500</b>	<b>-</b>
Net Change in Fund Balance	(337,687)	(76,189)	261,498
Fund Balance Beginning of Year	482,248	482,248	(0)
<b>Fund Balance End of Year</b>	<b>\$ 144,561</b>	<b>\$ 406,059</b>	<b>\$ 261,498</b>

**PARK RESERVE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET TO ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>			
Intergovernmental:			
ALEA / Dept of Natural Resources	\$ -	\$ 103	\$ 103
Youth Athletic Facilities Grant / Strwbry Field	-	1,071	1,071
Gifts and Pledges	1,200	1,200	-
Interest and Other Earnings	-	621	621
Rental and Lease	-	-	-
<b>Total Revenues</b>	<b>1,200</b>	<b>2,994</b>	<b>1,794</b>
<b>Expenditures</b>			
Current:			
Natural Resources	23,710	16,176	7,534
Administration	5,300	12,716	(7,416)
Capital Outlay:			
American Legion Park Paths	20,000		20,000
Centennial Park	67,434	528	66,906
College Market Place Fields	10,000		10,000
Fish Park	28,407	24,057	4,350
Havn Vei	6,176	12,176	(6,000)
Kvelstad Pavilion	6,250		6,250
Nelson Park	10,000		10,000
Park & Recreation Building Improvements	65,000		65,000
Trail Plan	4,931	4,241	690
<b>Total Expenditures</b>	<b>247,208</b>	<b>69,894</b>	<b>177,314</b>
Excess of Revenues Over Expenditures	(246,008)	(66,900)	179,108
<b>Other Financing Sources (Uses)</b>			
Transfers in	176,171	128,871	(47,300)
Transfers out	(8,711)	(8,711)	-
<b>Total Other Financing Sources (Uses)</b>	<b>167,460</b>	<b>120,160</b>	<b>(47,300)</b>
Net Change in Fund Balance	(78,548)	53,260	131,808
Fund Balance Beginning of Year	143,538	143,538	(0)
Prior Year Adjustment		20,000	20,000
<b>Fund Balance End of Year</b>	<b>\$ 64,990</b>	<b>\$ 216,798</b>	<b>\$ 151,808</b>

LIBRARY IMPROVEMENT FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 BUDGET TO ACTUAL  
 FOR THE YEAR ENDED DECEMBER 31, 2010

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>			
Interest and Other Earnings	\$ -	\$ 0	\$ 0
<b>Total Revenues</b>	<b>-</b>	<b>0</b>	<b>0</b>
<b>Expenditures</b>			
Current:			
General Government	-	-	-
<b>Total Expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess of Revenues Over Expenditures	-	0	0
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	-	-
Transfers out	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balance	-	0	0
Fund Balance Beginning of Year	110	110	-
<b>Fund Balance End of Year</b>	<b>\$ 110</b>	<b>\$ 110</b>	<b>\$ (0)</b>

RECREATION RESERVE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 BUDGET TO ACTUAL  
 FOR THE YEAR ENDED DECEMBER 31, 2010

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>			
Donations	\$ -	\$ -	\$ -
Interest and Other Earnings	-	1	1
Miscellaneous	-	-	
<b>Total Revenues</b>	<b>-</b>	<b>1</b>	<b>1</b>
<b>Expenditures</b>			
Current:			
Culture and Recreation	633	633	0
Capital Outlay	-	-	
<b>Total Expenditures</b>	<b>633</b>	<b>633</b>	<b>0</b>
Excess of Revenues Over Expenditures	(633)	(631)	2
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	-	-
Transfers out	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balance	(633)	(631)	2
Fund Balance Beginning of Year	752	752	-
<b>Fund Balance End of Year</b>	<b>\$ 119</b>	<b>\$ 120</b>	<b>\$ 1</b>

**STREET RESERVE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET TO ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>			
Indirect Federal Grants	\$ 1,723,649	\$ 1,019,182	\$ (704,467)
State Dept of Ecology Grant	11,015	2,030	(8,985)
State Dept of Transportation Grant	880,000	-	(880,000)
CTED Grant	-	423,347	423,347
North Kitsap School District	40,000	40,000	-
Interest and Other Earnings	-	2,330	2,330
<b>Total Revenues</b>	<b>2,654,664</b>	<b>1,486,889</b>	<b>(1,167,775)</b>
<b>Expenditures</b>			
Current:			
Caldart Signal Project	11,015	2,030	8,985
Long Range Tip Planning	36,696	28,150	8,546
Mesford Sidewalk	404,946	377,946	27,000
Road Improvements - Moe to Jensen	53,098	53,098	-
Road Improvements - Noll Road	782,049	179,193	602,856
Road Improvements - 3rd Ave (Moe to Iverson)	60,000	23,920	36,080
6th Ave Traffic Safety Design	10,000	9,716	284
Viking Avenue at Bovela	1,769,166	1,310,230	458,936
Viking Avenue at McDonalds	288,479	97,420	191,059
<b>Total Expenditures</b>	<b>3,415,449</b>	<b>2,081,702</b>	<b>1,333,747</b>
Excess of Revenues Over Expenditures	(760,785)	(594,813)	165,972
<b>Other Financing Sources (Uses)</b>			
Proceeds From Sale of Capital Assets	-	-	-
Transfers in	278,849	197,027	(81,822)
Transfers out	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>278,849</b>	<b>197,027</b>	<b>(81,822)</b>
Net Change in Fund Balance	(481,936)	(397,786)	84,150
Fund Balance Beginning of Year	1,163,925	1,163,926	1
Prior Year Adjustment	-	-	-
<b>Fund Balance End of Year</b>	<b>\$ 681,989</b>	<b>\$ 766,141</b>	<b>\$ 84,152</b>

**PARK ACQUISITION FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET TO ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>			
Park Mitigation	\$ -	\$ -	\$ -
Interest and Other Earnings	-	1,507	1,507
Miscellaneous	-	-	
<b>Total Revenues</b>	<b>-</b>	<b>1,507</b>	<b>1,507</b>
<b>Expenditures</b>			
Current:			
General Government	-	-	-
<b>Total Expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess of Revenues Over Expenditures	-	1,507	1,507
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	-	-
Transfers out	(72,500)	(26,500)	46,000
<b>Total Other Financing Sources (Uses)</b>	<b>(72,500)</b>	<b>(26,500)</b>	<b>46,000</b>
Net Change in Fund Balance	(72,500)	(24,993)	47,507
Fund Balance Beginning of Year	95,128	95,128	-
<b>Fund Balance End of Year</b>	<b>\$ 22,628</b>	<b>\$ 70,135</b>	<b>\$ 47,507</b>

**MUSEUM RESERVE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET TO ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>			
Interest and Other Earnings	\$ 10	\$ 14	\$ 4
Miscellaneous	-	-	-
<b>Total Revenues</b>	<b>10</b>	<b>14</b>	<b>4</b>
<b>Expenditures</b>			
Current:			
Culture & Recreation	6,570	-	6,570
<b>Total Expenditures</b>	<b>6,570</b>	<b>-</b>	<b>6,570</b>
Excess of Revenues Over Expenditures	(6,560)	14	6,574
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	-	-
Transfers out	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balance	(6,560)	14	6,574
Fund Balance Beginning of Year	6,560	6,560	-
<b>Fund Balance End of Year</b>	<b>\$ -</b>	<b>\$ 6,574</b>	<b>\$ 6,574</b>

**CEMETERY RESERVE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET TO ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

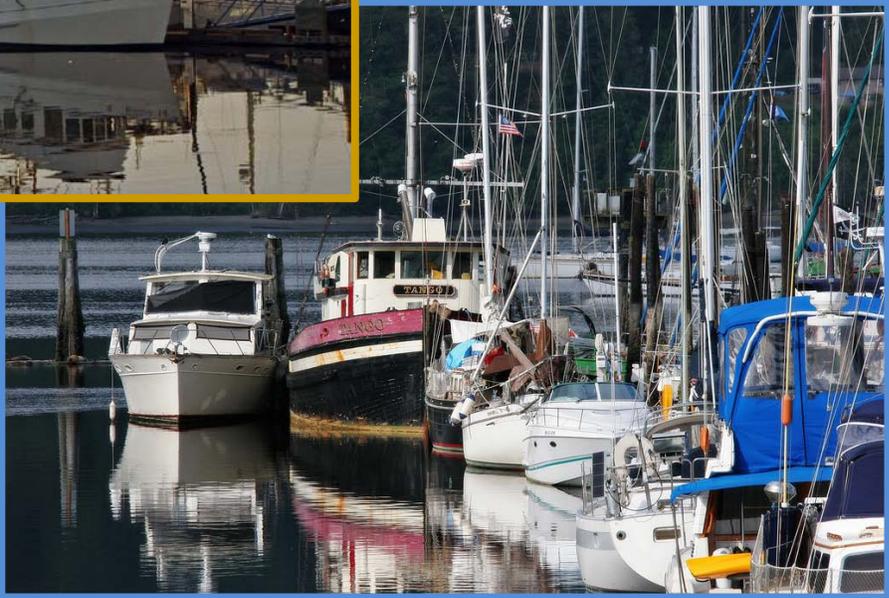
	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>			
Gravesites	\$ 1,000	\$ 1,200	\$ 200
Interest and Other Earnings	500	150	(350)
Miscellaneous	-	-	-
<b>Total Revenues</b>	<b>1,500</b>	<b>1,350</b>	<b>(150)</b>
<b>Expenditures</b>			
Current:			
General Government	-	-	-
<b>Total Expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess of Revenues Over Expenditures	1,500	1,350	(150)
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	-	-
Transfers out	(22,229)	(22,229)	0
<b>Total Other Financing Sources (Uses)</b>	<b>(22,229)</b>	<b>(22,229)</b>	<b>(0)</b>
Net Change in Fund Balance	(20,729)	(20,879)	(150)
Fund Balance Beginning of Year	78,323	78,323	-
<b>Fund Balance End of Year</b>	<b>\$ 57,594</b>	<b>\$ 57,444</b>	<b>\$ (150)</b>

**CITY STREET EQUIPMENT RESERVE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET TO ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>			
Interest and Other Earnings	\$ 500	\$ 901	\$ 401
Miscellaneous	-	-	-
<b>Total Revenues</b>	<b>500</b>	<b>901</b>	<b>401</b>
<b>Expenditures</b>			
Capital Outlay	-	-	-
<b>Total Expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess of Revenues Over Expenditures	500	901	401
<b>Other Financing Sources (Uses)</b>			
Transfers in	47,559	47,555	(4)
Transfers out	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>47,559</b>	<b>47,555</b>	<b>(4)</b>
Net Change in Fund Balance	48,059	48,456	397
Fund Balance Beginning of Year	191,946	191,946	-
<b>Fund Balance End of Year</b>	<b>\$ 240,005</b>	<b>\$ 240,402</b>	<b>\$ 397</b>

**FACILITIES FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET TO ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>			
Interest and Other Earnings	\$ 15,000	\$ 3,304	\$ (11,696)
Miscellaneous	1,230,024	-	(1,230,024)
<b>Total Revenues</b>	<b>1,245,024</b>	<b>3,304</b>	<b>(1,241,720)</b>
<b>Expenditures</b>			
Capital Outlay:			
Marine Science Center	-	6,132	(6,132)
Municipal Campus Project	7,498,417	6,032,612	1,465,805
Park & Recreation Building	1,176,887	571,675	605,212
<b>Total Expenditures</b>	<b>8,675,304</b>	<b>6,610,419</b>	<b>2,064,885</b>
Excess of Revenues Over Expenditures	(7,430,280)	(6,607,115)	823,165
<b>Other Financing Sources (Uses)</b>			
Governmental Obligation Bond Proceeds	300,000	305,429	5,429
Premium on Bonds Sold	-	1,044	1,044
Proceeds of Other Long Term Debt	-	1,200,000	1,200,000
Proceeds From Sale of Capital Assets	2,225,450	20,000	(2,205,450)
Issuance Discount on Long-Term Debt	-	(6,473)	(6,473)
Transfers in	-	-	-
Transfers out	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>2,525,450</b>	<b>1,520,000</b>	<b>(1,005,450)</b>
Net Change in Fund Balance	(4,904,830)	(5,087,115)	(182,285)
Fund Balance Beginning of Year	5,225,390	5,225,390	-
<b>Fund Balance End of Year</b>	<b>\$ 320,560</b>	<b>\$ 138,274</b>	<b>\$ (182,286)</b>



**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, 2010**

	<b>Governmental</b>		<b>Business-type Activities</b>	
	<b>Medical Reimbursement</b>	<b>General Facilities</b>	<b>Public Works Admin</b>	<b>Total</b>
<b>Assets</b>				
Current Assets:				
Cash and Cash Equivalents	\$ -	\$ 6,892	\$ 7,416	\$ 14,308
Investments	1,598	63,718	197,294	262,609
Accounts Receivable	-	-	533	533
Inventories	-	478	-	478
<b>Total Current Assets</b>	<b>1,598</b>	<b>71,088</b>	<b>205,242</b>	<b>277,928</b>
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	-	-	-	-
Intangibles	-	-	43,582	43,582
Other Improvements	-	-	32,424	32,424
Less: Accumulated Depreciation	-	(9,000)	(75,971)	(84,971)
<b>Total Noncurrent Assets</b>	<b>-</b>	<b>-</b>	<b>62,842</b>	<b>62,842</b>
<b>Total Assets</b>	<b>\$ 1,598</b>	<b>\$ 71,088</b>	<b>\$ 268,084</b>	<b>\$ 340,769</b>
<b>Liabilities</b>				
Current Liabilities:				
Accounts Payable	\$ -	\$ 4,744	\$ 51,610	\$ 56,354
<b>Total Current Liabilities</b>	<b>-</b>	<b>4,744</b>	<b>51,610</b>	<b>56,354</b>
Non Current Liabilities:				
Compensated Absences	-	14,276	69,762	84,038
<b>Total Non Current Liabilities</b>	<b>-</b>	<b>14,276</b>	<b>69,762</b>	<b>84,038</b>
<b>Total Liabilities</b>	<b>-</b>	<b>19,020</b>	<b>121,373</b>	<b>140,392</b>
<b>Net Assets</b>				
Invested in capital assets	-	-	62,842	62,842
Unrestricted	1,598	52,068	83,870	137,535
<b>Total Net Assets</b>	<b>\$ 1,598</b>	<b>\$ 52,068</b>	<b>\$ 146,712</b>	<b>\$ 200,377</b>

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<b>Governmental</b>		<b>Business-type Activities</b>		
	<b>Activities</b>				
	Medical Reimbursement	General Facilities	Public Works Admin	Total	
<b>Operating Revenues:</b>					
Charges for Services	\$ -	156,206	1,040,808	\$ 1,197,014	
Miscellaneous	-	64	1,277	1,342	
<b>Total operating revenues</b>	<b>-</b>	<b>156,271</b>	<b>1,042,085</b>	<b>1,198,356</b>	
<b>Operating Expenses:</b>					
Administrative and General	-	52,921	1,062,525	1,115,446	
Depreciation	-	-	7,977	7,977	
Operating	-	110,096	-	110,096	
<b>Total Operating Expenses</b>	<b>-</b>	<b>163,017</b>	<b>1,070,502</b>	<b>1,233,519</b>	
Operating Income (loss)	-	(6,746)	(28,417)	(35,163)	
<b>Nonoperating Revenues (Expenses):</b>					
Interest and Other Earnings	205	134	475	814	
Gain (loss) on Dispositon of Cap. Assets	-	-	-	-	
Other Nonoperating Expense	-	-	-	-	
Transfer In	-	-	-	-	
Transfer Out	(98,800)	-	-	(98,800)	
<b>Total Nonoperating Revenue (Expenses)</b>	<b>(98,595)</b>	<b>134</b>	<b>475</b>	<b>(97,986)</b>	
Change in Net Assets	(98,595)	(6,612)	(27,942)	(133,149)	
Total Net Assets Beginning of Year	100,193	58,680	174,654	333,526	
Prior Year Adjustments	-	-	-	-	
<b>Total Net Assets End of Year</b>	<b>\$ 1,598</b>	<b>52,068</b>	<b>146,712</b>	<b>\$ 200,377</b>	

**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

	Governmental Activities		Business-type Activities		
	Medical Reimbursement	General Facilities	Public Works Admin	Total	
<b>Cash Flows from Operating Activities</b>					
Receipts from customers and users	\$ -	\$ 156,271	\$ 1,041,809	\$ 1,198,079	
Payments to suppliers for goods and services	-	(74,712)	(537,745)	(612,457)	
Payments to employees	-	(82,333)	(464,511)	(546,844)	
<b>Net cash provided (used) by operating activities</b>	<b>\$ -</b>	<b>\$ (774)</b>	<b>\$ 39,553</b>	<b>\$ 38,778</b>	
<b>Cash Flows From Noncapital Financing Activities</b>					
Operating Transfer-In (out)	\$ (98,800)	\$ -	\$ -	\$ (98,800)	
<b>Net cash provided (used) by noncapital and related financing activities</b>	<b>\$ (98,800)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (98,800)</b>	
<b>Cash Flows from Capital and Related Financing Activities</b>					
Proceeds from sale of assets	\$ -	\$ -	\$ -	\$ -	
Purchase of capital assets	-	-	-	-	
Acquisition and construction of capital assets	-	-	-	-	
<b>Net Cash provided (used) by capital and related financing activities</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
<b>Cash Flows from Investing Activities</b>					
Proceeds from sales and maturities of investments	\$ 98,800	\$ 22,050	\$ 120,522	\$ 241,372	
Purchase of investments	(517)	(27,077)	(161,383)	(188,977)	
Interest and dividends received	205	134	475	814	
<b>Net cash used by investing activities</b>	<b>\$ 98,488</b>	<b>\$ (4,893)</b>	<b>\$ (40,386)</b>	<b>\$ 53,209</b>	
Net increase in cash and cash equivalents	\$ (312)	\$ (5,667)	\$ (833)	\$ (6,812)	
Cash and cash equivalents Beginning of Year	312	12,559	8,250	21,121	
<b>Cash and cash equivalents End of Year</b>	<b>\$ (0)</b>	<b>\$ 6,892</b>	<b>\$ 7,416</b>	<b>\$ 14,308</b>	
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>					
Operating Income	\$ -	\$ (6,746)	\$ (28,417)	\$ (35,163)	
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation	-	-	7,977	7,977	
(Increase) decrease in accounts receivable	-	-	(276)	(276)	
(Increase) decrease in inventories	-	567	-	567	
Increase (decrease) in accounts payable	-	3,660	49,806	53,466	
Increase(decrease) in comp. absences payable	-	1,744	10,463	12,207	
<b>Total Adjustments</b>	<b>\$ -</b>	<b>\$ 5,972</b>	<b>\$ 67,970</b>	<b>\$ 73,941</b>	
<b>Net Cash Provided By Operating Activities</b>	<b>\$ -</b>	<b>\$ (774)</b>	<b>\$ 39,553</b>	<b>\$ 38,778</b>	

**FIDUCIARY FUNDS**

Fiduciary Funds are used to account for assets held by a by a government in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds.

**The Agency Fund** accounts for assets held in an agency capacity for others. All assets reported in agency funds are offset by a liability to another party on whose behalf they are being held.

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**AGENCY FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

	1/1/10 Balance	Additions	Deletions	12/31/10 Balance
<b>Assets</b>				
Cash and cash equivalents	\$ 74,649	\$ 228,205	\$ 258,579	\$ 44,275
Accounts Receivable	-	87,120	82,960	4,160
Investments	40,383	7,584	25,473	22,494
<b>Total Assets</b>	<b>115,032</b>	<b>322,909</b>	<b>367,011</b>	<b>70,929</b>
<b>Liabilities</b>				
Retainage Payable	\$ 46,669	\$ 582,934	\$ 588,293	\$ 41,309
Custodial funds	68,363	94,204	132,947	29,620
<b>Total Liabilities</b>	<b>115,032</b>	<b>677,138</b>	<b>721,240</b>	<b>70,929</b>
<b>Net Assets</b>	<b>\$ -</b>			<b>\$ -</b>

## 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

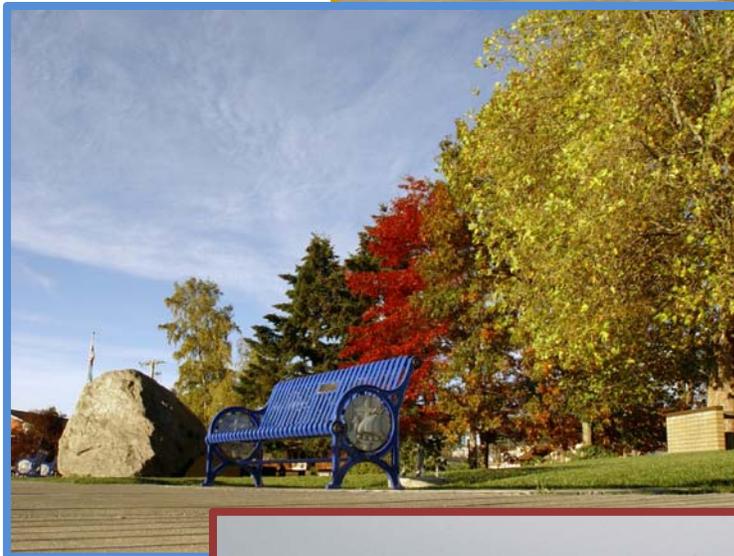
These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

#### 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.

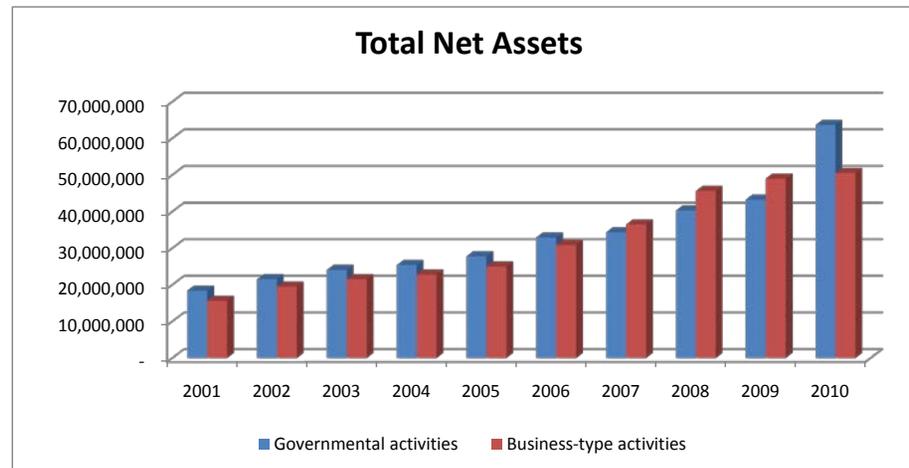
#### *Data Sources:*

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



NET ASSETS BY COMPONENT  
Last Ten Fiscal Years

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Governmental activities</b>										
Invested in capital assets, net of related debt	\$ 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	\$ 58,447,929
Restricted	307,815	295,090	293,256	287,739	866,364	974,441	946,843	683,649	643,717	602,068
Unrestricted	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	4,587,722
<b>Total governmental activities net assets</b>	<b>\$ 18,396,769</b>	<b>\$ 21,534,645</b>	<b>\$ 24,065,915</b>	<b>\$ 25,366,996</b>	<b>\$ 27,760,589</b>	<b>\$ 32,929,444</b>	<b>\$ 34,334,811</b>	<b>\$ 40,273,475</b>	<b>\$ 43,266,780</b>	<b>\$ 63,637,719</b>
<b>Business-type activities</b>										
Invested in capital assets, net of related debt	\$ 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	\$ 38,276,261
Restricted	666,500	595,500	595,000	-	496,499	623,042	491,489	492,011	492,011	434,587
Unrestricted	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	11,822,918
<b>Total business-type activities net assets</b>	<b>\$ 15,628,311</b>	<b>\$ 19,470,497</b>	<b>\$ 21,542,808</b>	<b>\$ 22,819,397</b>	<b>\$ 25,005,720</b>	<b>\$ 30,851,818</b>	<b>\$ 36,460,925</b>	<b>\$ 45,612,163</b>	<b>\$ 49,008,669</b>	<b>\$ 50,533,766</b>
<b>Primary government</b>										
Invested in capital assets, net of related debt	\$ 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	\$ 96,724,190
Restricted	974,315	890,590	888,256	287,739	1,362,863	1,597,483	1,438,331	1,175,659	1,135,728	1,036,655
Unrestricted	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	16,410,640
<b>Total primary government net assets</b>	<b>\$ 34,025,080</b>	<b>\$ 41,005,142</b>	<b>\$ 45,608,724</b>	<b>\$ 48,186,392</b>	<b>\$ 52,766,309</b>	<b>\$ 63,781,263</b>	<b>\$ 70,795,736</b>	<b>\$ 85,885,638</b>	<b>\$ 92,275,449</b>	<b>\$ 114,171,485</b>



CHANGES IN NET ASSETS  
Last Ten Fiscal Years

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Expenses</b>										
Governmental Activities:										
General government	\$ 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	\$ 1,731,193
Judicial	303,704	317,756	265,053	260,744	257,550	272,248	303,106	338,206	363,204	372,227
Security of Persons & Property	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	2,733,363
Utilities & Environment	301,774	308,421	593,399	502,815	436,786	502,929	579,460	605,326	495,083	478,035
Transportation	630,446	758,662	930,344	1,086,014	1,069,701	1,105,132	3,303,834	3,473,777	1,590,515	1,731,695
Economic Environment	367,099	392,359	446,585	595,488	650,391	751,947	846,131	894,507	848,002	861,538
Mental & Physical Health	948,433	9,457	9,909	10,767	12,489	12,838	13,489	13,694	14,213	14,481
Culture & Recreation	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	1,509,164
Interest on Long-Term Debt	138,906	108,317	195,895	161,767	150,670	332,355	323,951	303,190	517,679	561,569
Total Governmental Activities Expenses	5,845,991	6,384,393	7,083,381	7,283,256	7,320,381	8,193,199	11,352,964	11,933,818	9,738,860	9,993,266
Business-Type Activities:										
Water <sup>1</sup>	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	1,094,734
Sewer	-	-	-	-	-	1,368,353	1,518,045	1,520,839	1,716,646	1,844,726
Solid Waste	1,349,846	1,200,968	936,477	870,166	807,384	945,221	1,158,976	961,512	999,853	999,164
Storm Drain	143,376	146,834	243,174	283,778	323,217	417,209	559,800	675,448	881,451	931,723
Total Business-Type Activities	3,767,617	3,309,590	3,250,377	3,250,724	3,325,902	3,601,742	4,254,402	4,085,952	4,707,206	4,870,347
Total Primary Government Expenses	\$ 9,613,608	\$ 9,693,982	\$ 10,333,757	\$ 10,533,980	\$ 10,646,283	\$ 11,794,941	\$ 15,607,366	\$ 16,019,770	\$ 14,446,066	\$ 14,863,613
<b>Program Revenues</b>										
Governmental Activities:										
Charges for services										
General Government	\$ 172,281	\$ 171,951	\$ 246,939	\$ 198,872	\$ 224,133	\$ 230,890	\$ 259,258	\$ 268,307	\$ 269,871	\$ 266,497
Judicial	81,723	97,351	243,979	112,403	109,137	123,309	123,489	106,268	100,989	111,022
Security of Persons & Property	109,622	121,576	139,548	74,405	73,172	108,076	180,967	142,855	149,761	175,358
Utilities & Environment	70,781	37,788	135,636	123,440	144,532	186,395	147,659	58,143	41,545	43,703
Transportation	23,516	22,357	6,631	3,750	7,776	7,315	6,625	7,096	8,428	9,239
Economic Environment	266,115	329,635	339,070	385,157	580,137	667,550	1,111,693	508,805	529,054	332,333
Mental & Physical Health	-	-	-	-	-	-	-	-	-	-
Culture & Recreation	458,106	512,776	519,855	606,882	529,938	524,913	485,590	488,532	446,626	504,935
Interest on Long-Term Debt	-	-	-	-	-	-	-	-	-	-
Operating grants and contributions	366,162	387,942	361,691	401,880	453,211	421,073	697,301	403,541	462,488	477,260
Capital grants and contributions	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	1,539,559
Total Governmental Activities Program Revenues	1,912,804	4,435,384	4,415,896	3,161,378	3,452,396	5,622,522	6,971,232	10,154,333	4,625,500	3,459,906

**CITY OF POULSBO**

**STATISTICAL SECTION**

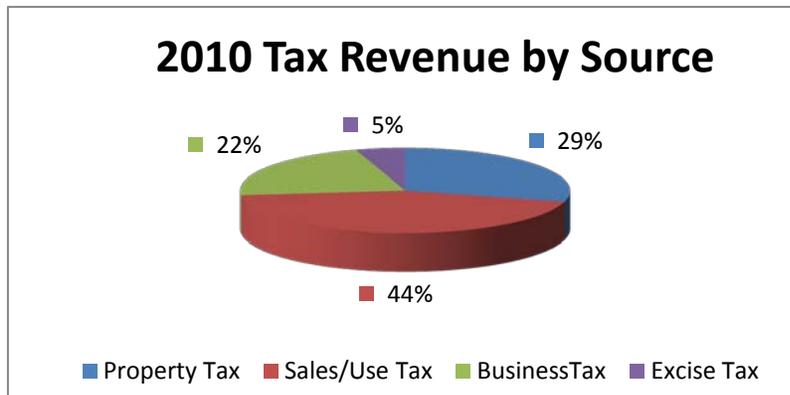
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Business-Type Activities:										
Charges for services:										
Water <sup>1</sup>	2,832,620	3,216,115	3,390,905	3,250,588	3,449,272	1,261,909	1,278,995	1,314,880	1,436,637	1,420,038
Sewer	-	-	-	-	-	1,845,779	1,903,284	1,988,486	2,388,293	2,526,708
Solid Waste	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	1,282,151
Storm Drain	404,906	474,779	538,291	549,545	602,950	655,959	708,002	701,872	732,023	732,782
Operating grants and contributions	-	-	-	-	-	-	-	56,428	53,270	57,555
Capital grants and contributions	-	2,456,114	537,062	494,143	-	4,476,680	4,372,821	7,612,412	3,180,784	221,116
Total Business-Type Activities Program										
Revenues	4,442,860	7,318,843	5,544,960	5,389,156	5,201,303	9,453,991	9,499,408	12,961,838	9,053,919	6,240,350
Total Primary Government Program Revenues	<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>	<u>\$ 9,700,256</u>
<b>Net (Expense)/Revenue</b>										
Governmental Activities	\$ (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)	\$ (6,533,359)
Business-type activities	675,243	4,009,253	2,294,584	2,138,432	1,875,401	5,852,249	5,245,005	8,875,886	4,346,712	1,370,003
Total Primary Government Net Expense	<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>	<u>\$ (5,163,357)</u>
<b>General Revenues and Other Changes in Net Assets</b>										
Governmental Activities:										
Taxes:										
Property Taxes	\$ 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	\$ 2,046,143
Retail Sales & Use Taxes	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	3,089,028
Utility Taxes	372,107	-	-	-	6,121	-	-	-	-	-
Business Taxes	869,086	932,001	949,054	978,923	1,014,777	979,088	1,110,212	1,452,140	1,527,557	1,532,771
Excise Taxes	268,194	244,399	344,003	477,220	645,992	656,366	739,141	565,800	398,550	340,508
Motor Fuel Taxes	-	-	-	-	-	-	-	-	-	-
Penalties & Interest	366	32	75	-	33	95	-	-	-	-
Investment earnings	361,457	233,694	126,445	130,220	237,180	718,819	818,379	579,695	157,625	104,893
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	-	-
Total Governmental Activities	<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>	<u>7,113,343</u>
Business-Type Activities										
Penalties & Interest	-	6	-	-	-	-	-	-	-	-
Investment earnings	134,787	102,315	36,629	42,439	101,882	239,850	334,691	275,353	87,942	96,415
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	<u>146,787</u>	<u>(153,723)</u>	<u>(227,957)</u>	<u>(223,478)</u>	<u>(171,514)</u>	<u>(6,151)</u>	<u>335,491</u>	<u>275,353</u>	<u>87,942</u>	<u>96,415</u>
Total Primary Government	<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>	<u>\$ 7,209,758</u>
<b>Change in Net Assets</b>										
Governmental Activities	\$ 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	\$ 579,984
Business-Type Activities	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	1,466,417
Total Primary Government	<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>	<u>\$ 2,046,401</u>

Note:

<sup>1</sup> Water and Sewer activities were reported together until the 2006 CAFR.

**GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE**  
**Last Ten Fiscal Years**

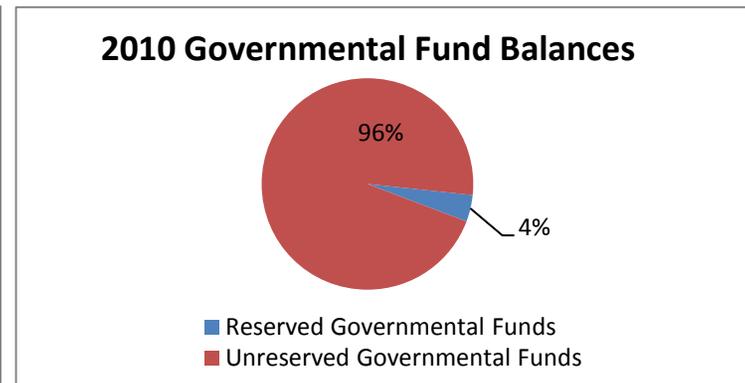
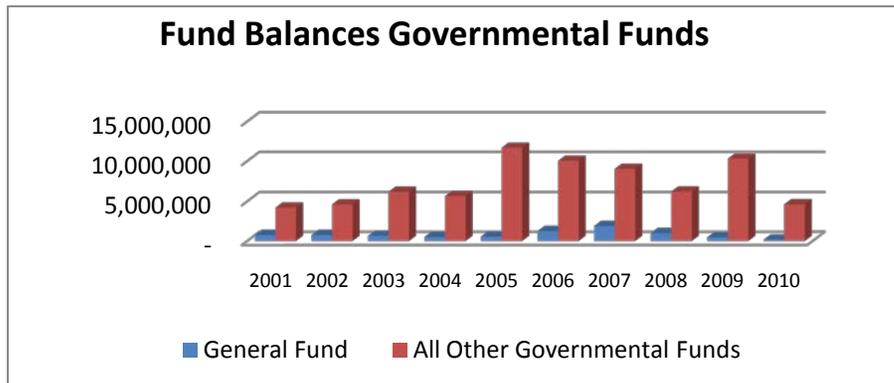
Fiscal Year	Property Tax	Sales/Use Tax	BusinessTax	Excise Tax	Total Taxes
2001	1,029,889	2,172,814	780,620	268,194	4,251,517
2002	1,092,128	2,317,288	809,756	258,523	4,477,695
2003	1,197,063	2,415,924	820,791	360,105	4,793,883
2004	1,246,453	2,387,791	856,207	493,968	4,984,419
2005	1,590,561	2,641,392	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
2010	2,046,143	3,089,028	1,532,771	340,508	7,008,450



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	
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
2010	167,702	167,702	196,543	2,534,045	1,902,056	4,632,645

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.

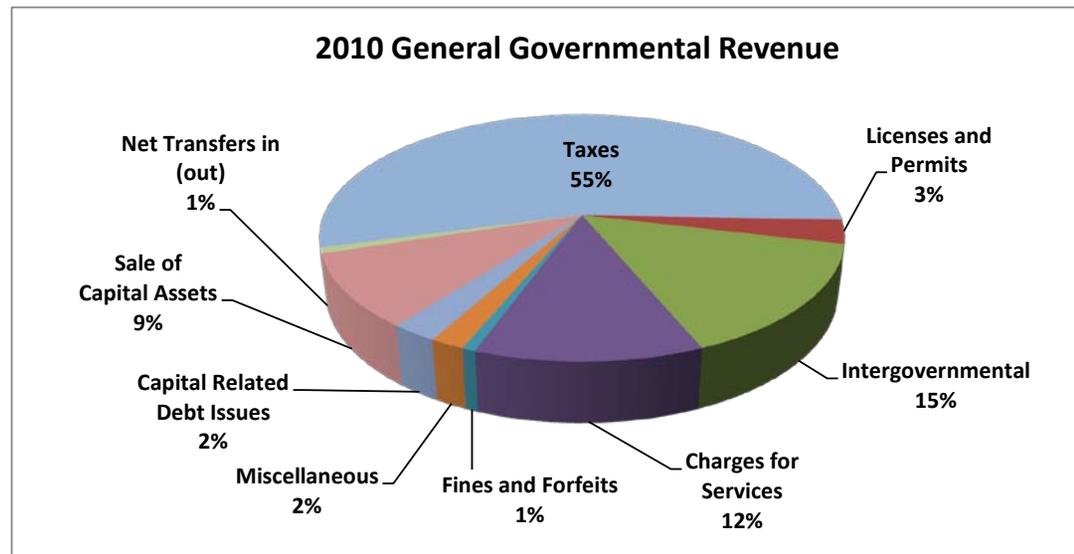


CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
Last Ten Fiscal Years

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Revenues</b>										
Taxes	\$ 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	\$ 6,947,838
Licenses and Permits	268,823	333,424	335,050	382,285	614,391	517,095	860,178	386,251	460,321	397,513
Intergovernmental Revenues	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	1,897,881
Charges for Services	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	1,501,119
Fines and Forfeitures	80,325	97,953	236,840	104,859	97,108	108,781	106,704	103,210	89,382	87,184
Investment Earnings	348,667	217,459	126,750	127,181	231,415	710,248	811,654	576,967	156,803	104,688
Miscellaneous	196,388	178,731	238,156	268,953	226,861	124,439	213,682	65,517	143,996	122,600
<b>Total Revenues</b>	<b>7,286,465</b>	<b>8,393,958</b>	<b>9,797,711</b>	<b>8,654,718</b>	<b>9,930,555</b>	<b>12,080,967</b>	<b>14,193,041</b>	<b>12,130,988</b>	<b>12,113,024</b>	<b>11,058,823</b>
<b>Expenditures</b>										
General Government	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	2,623,129
Security of Persons and Property	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	2,648,619
Utilities and Environment	445,240	480,445	579,134	479,589	425,839	497,437	566,156	585,591	474,649	460,417
Transportation	489,213	470,602	461,682	604,561	612,296	675,217	2,756,203	2,657,624	837,427	819,169
Economic Development	360,209	381,475	440,816	572,399	634,263	738,917	839,269	891,608	845,073	857,604
Mental and Physical Health	8,494	9,457	9,909	10,767	12,489	12,838	13,489	13,694	14,213	14,481
Culture and Recreation	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	1,209,305
Capital Outlay	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	8,907,259
Debt Service										
Principal	329,110	356,427	958,608	348,608	384,323	579,323	574,323	1,199,323	704,323	604,368
Interest & Fiscal Charges	138,906	98,777	153,941	160,605	150,670	332,355	323,951	303,190	430,172	506,692
<b>Total Expenditures</b>	<b>6,986,070</b>	<b>9,242,803</b>	<b>10,813,837</b>	<b>9,413,193</b>	<b>8,999,932</b>	<b>13,169,345</b>	<b>13,979,345</b>	<b>15,854,538</b>	<b>17,414,810</b>	<b>18,651,045</b>
<b>Excess of revenues over (under) expenditures</b>	<b>300,395</b>	<b>(848,845)</b>	<b>(1,016,126)</b>	<b>(758,475)</b>	<b>930,623</b>	<b>(1,088,379)</b>	<b>213,696</b>	<b>(3,723,550)</b>	<b>(5,301,785)</b>	<b>(7,592,223)</b>
<b>Other financing sources (uses)</b>										
Proceeds Gen Long Term Debt	229,095	1,560,475	2,550,000	42,944	5,185,000	-	-	-	6,096,515	310,000
Premium on Bonds Sold	-	-	-	-	-	-	-	-	-	1,044
Proceeds of Other Long-Term Debt	-	-	-	-	-	-	-	-	-	1,200,000
Payment to Refund Bond Escrow Agent	-	(405,000)	-	-	-	-	-	-	-	-
Issuance Discount on Long-Term Debt	-	9,540	41,954	1,162	(82,451)	-	-	-	(54,071)	(6,473)
Net Transfers In (Out)	-	38,488	-	58,079	15,260	51,985	67,350	-	-	98,800
Intergovernmental Payment	-	-	-	-	-	-	-	(15,000)	-	-
Disposal of Capital Assets	5,260	4,979	3,782	1,878	4,913	865	-	2,180	2,800,000	20,000
<b>Total other financing sources (uses)</b>	<b>234,355</b>	<b>1,208,482</b>	<b>2,595,736</b>	<b>104,064</b>	<b>5,122,722</b>	<b>52,850</b>	<b>67,350</b>	<b>(12,820)</b>	<b>8,842,445</b>	<b>1,623,371</b>
<b>Net change in fund balances</b>	<b>\$ 534,750</b>	<b>\$ 359,637</b>	<b>\$ 1,579,610</b>	<b>\$ (654,411)</b>	<b>\$ 6,053,345</b>	<b>\$ (1,035,529)</b>	<b>\$ 281,046</b>	<b>\$ (3,736,370)</b>	<b>\$ 3,540,659</b>	<b>\$ (5,968,852)</b>
Debt service as a percentage of noncapital expenditures	7.58%	6.90%	14.80%	7.08%	7.32%	10.77%	7.87%	12.29%	11.79%	11.40%

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 Forfeits	Miscellaneous	Total Revenues	Capital Related Debt Issues	Sale of Capital Assets	Net Transfers in (out)	Financing Sources (Uses)	
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
2010	6,947,838	397,513	1,897,881	1,501,119	87,184	227,288	11,058,823	311,044	1,213,527	98,800	1,623,371	12,682,193



**ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY  
Last Ten Fiscal Years**

<b>Fiscal Year Ended December 31</b>	<b>Real Property</b>	<b>Personal Property</b>	<b>Less: Tax Exempt Real Property</b>	<b>Total Taxable Assessed Value<sup>1</sup></b>	<b>Total Direct Tax Rate</b>	<b>Estimated Actual Taxable Value</b>	<b>Assessed Value as a Percentage of Actual Value</b>
2001	609,434,614	38,229,154	76,722,244	570,941,524	14.124	648,797,186	88.0
2002	631,605,477	35,662,271	76,893,725	590,374,023	13.868	670,879,572	88.0
2003	687,861,685	34,377,866	81,937,703	640,301,848	13.537	743,672,297	86.1
2004	811,445,976	32,598,832	104,902,292	739,142,516	13.000	849,589,099	87.0
2005	998,820,555	37,296,158	130,764,431	905,352,282	11.380	1,004,830,502	90.1
2006	1,359,944,770	37,817,375	202,658,963	1,195,103,182	9.522	1,359,616,817	87.9
2007	1,500,268,177	55,589,284	218,520,151	1,337,337,310	9.156	1,523,163,223	87.8
2008	1,524,122,775	40,675,295	186,579,815	1,378,218,255	9.616	1,598,861,085	86.2
2009	1,435,423,041	52,673,622	178,062,955	1,310,033,708	10.474	1,519,760,682	86.2
2010	1,427,087,076	52,724,550	199,102,348	1,280,709,278	11.190	1,448,766,152	88.4

<sup>1</sup> Figure represents current year assessed value payable in following year  
Source: Kitsap County Assessor's Office

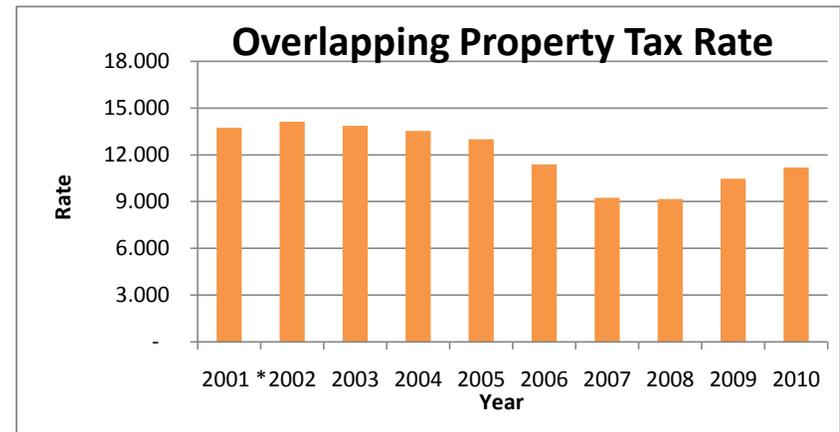
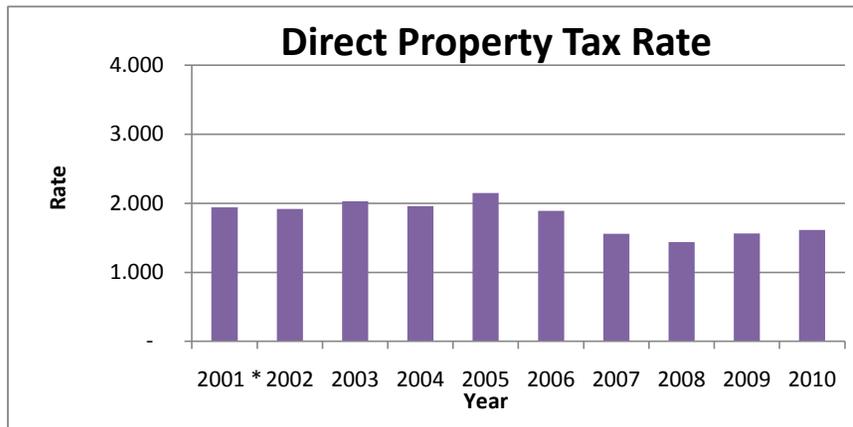
PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS  
Last Ten Fiscal Years

Fiscal Year	City			School			Other Overlapping Rates					Total 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		
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	10.474
2010	1.615	-	1.615	1.068	2.378	3.400	0.272	2.000	0.074	0.347	0.036	9.575	11.190

\*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

\*\*Note: The last year for debt service for a voted bond was in 2007

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



PRINCIPAL TAXPAYERS  
Current Year and Nine Years Ago

Taxpayer	2010			2011*		
	2010 Assessed Valuation	Rank	% of Total Assessed Valuation	2011 Assessed Valuation	Rank	% of Total Assessed Valuation
Olhava Associates LMTD Partnership	\$ 19,792,910	1	1.55%	\$ 8,910,000	1	1.56%
Walmart LLC - Store #5272	18,419,580	2	1.44%	7,494,000	2	1.31%
Laurelhurst Apartments Company	14,611,610	3	1.14%	7,324,000	3	1.28%
Liberty Ridge Apartments LLC	12,420,900	4	0.97%	7,269,028	4	1.27%
HD Development of Maryland Inc	11,792,650	5	0.92%	6,446,000	5	1.13%
College Marketplace LLC	11,693,310	6	0.91%	5,351,000	6	0.94%
Tim Ryan Properties LP	11,133,990	7	0.87%	4,868,000	7	0.85%
Poulsbo Retirement Center	10,066,240	8	0.79%	4,747,000	8	0.83%
John & Terri Hern	9,524,440	9	0.74%	4,344,000	9	0.76%
Montclair Park LLC	8,491,930	10	0.66%	4,286,000	10	0.75%
<b>TOTALS:</b>	<b>\$ 127,947,560</b>		<b>9.99%</b>	<b>\$ 61,039,028</b>		<b>10.69%</b>

Source: Kitsap County Assessor's Office

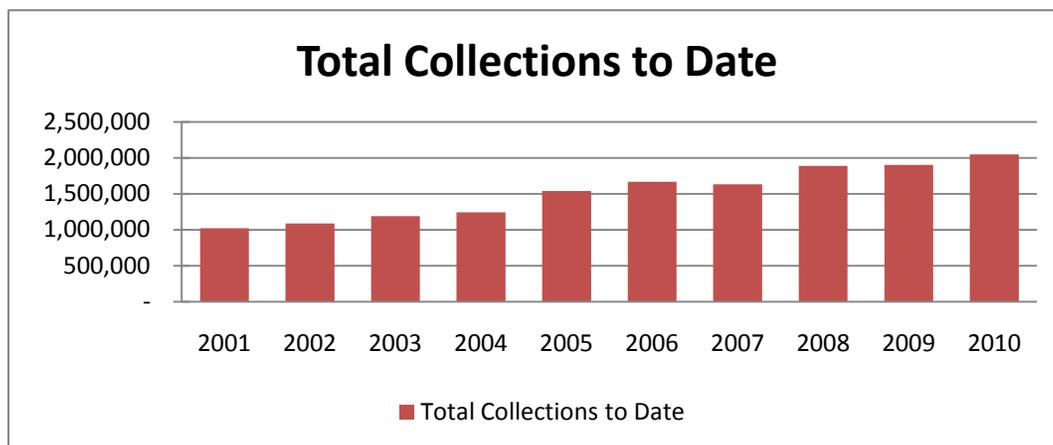


PROPERTY TAX LEVIES AND COLLECTIONS  
2001 - 2010

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		
2001 <sup>1</sup>	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%
2010	2,044,564	1,981,228	96.90%	67,826	2,049,053	100.22%	(4,489)	-0.22%

<sup>1</sup> 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**

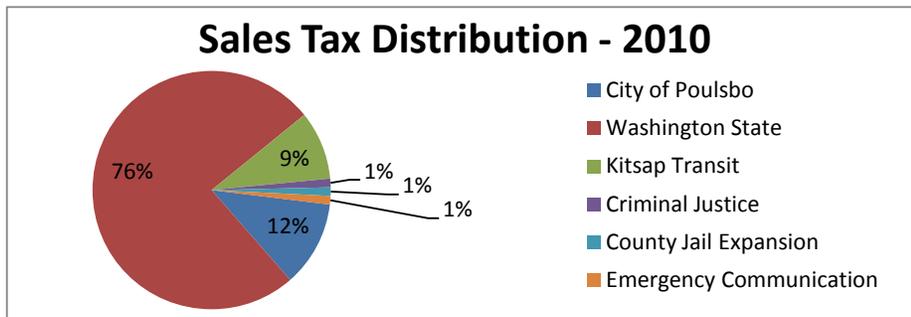
	2001	2002 <sup>(a)</sup>	2003	2004 <sup>(b)</sup>	2005	2006	2007	2008	2009	2010
<b>Basic Sales Tax Rates</b>										
City of Poulsbo	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Washington State	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%
Kitsap Transit	0.5%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	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%	0.1%
<b>Total Basic Combined Sales Tax Rate</b>	<b>8.2%</b>	<b>8.5%</b>	<b>8.5%</b>	<b>8.6%</b>	<b>8.6%</b>	<b>8.6%</b>	<b>8.6%</b>	<b>8.6%</b>	<b>8.6%</b>	<b>8.6%</b>
<b>Special Sales Tax Rates</b>										
Hotel/Motel <sup>(c)</sup>	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%

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

<sup>(b)</sup> 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

<sup>(c)</sup> 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	2010
<b>Major Industry Sector</b>										
Unknown	4,293	19,337	11,287	8,142	8,044	13,373	15,140	8,529	4,721	22,144
Agriculture, Forestry Fishing	854	172	264	301	232	567	459	526	665	620
Mining	125	177	67	285	298	334	150	96	252	556
Utilities	1,974	1,742	2,469	1,222	1,018	1,538	1,694	2,866	2,618	1,876
Construction	290,411	341,598	404,472	325,656	427,005	467,266	454,627	420,541	273,295	318,387
Manufacturing	20,793	23,137	20,749	22,842	21,837	27,855	38,137	34,999	30,774	34,968
Wholesale Trade	110,584	103,561	102,716	122,172	144,851	135,929	150,273	144,849	91,669	86,317
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	1,747,160
Transportation and Warehousing	2,139	1,729	1,465	1,568	2,172	2,094	1,593	1,093	1,188	1,566
Information	126,642	113,463	121,953	122,665	101,994	108,898	78,940	103,749	101,511	104,216
Finance and Insurance	5,097	21,475	17,352	12,277	11,817	19,385	18,841	15,116	7,962	7,174
Real Estate, Rental, Leasing	54,855	49,592	64,056	58,020	64,113	68,775	66,251	59,476	75,948	55,022
Prof Sci, Technical Svcs	26,290	26,033	22,014	30,799	34,326	33,269	38,658	42,981	43,304	31,335
Company Management	-	61	23	158	208	214	175	89	37	17
Admin, Supp, Remed Svcs	39,610	37,075	37,133	38,253	32,093	38,446	37,446	39,076	32,001	31,310
Educational Services	6,245	4,193	4,289	5,877	4,615	4,058	7,017	6,380	5,988	6,393
Health Care Social Assistance	5,046	8,988	9,755	7,503	6,210	6,927	13,924	10,820	13,310	8,280
Arts, Entertain, Recreation	2,601	3,716	5,907	8,501	6,484	11,650	12,997	13,749	6,971	10,245
Accommodation and Food Svcs.	185,994	193,388	206,333	222,014	236,119	241,044	237,134	249,801	273,308	282,394
Other Services	52,796	65,337	65,468	79,221	79,433	86,062	90,581	88,906	80,180	83,445
Public Administration	86	17	1,403	13	567	12	21	245	18,365	16,806
<b>Total Retail Sales Tax Revenues*</b>	<b>\$2,016,012</b>	<b>\$2,135,194</b>	<b>\$2,226,382</b>	<b>\$2,198,397</b>	<b>\$2,415,900</b>	<b>\$3,083,160</b>	<b>\$3,152,807</b>	<b>\$3,024,044</b>	<b>\$2,776,543</b>	<b>\$2,850,232</b>

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

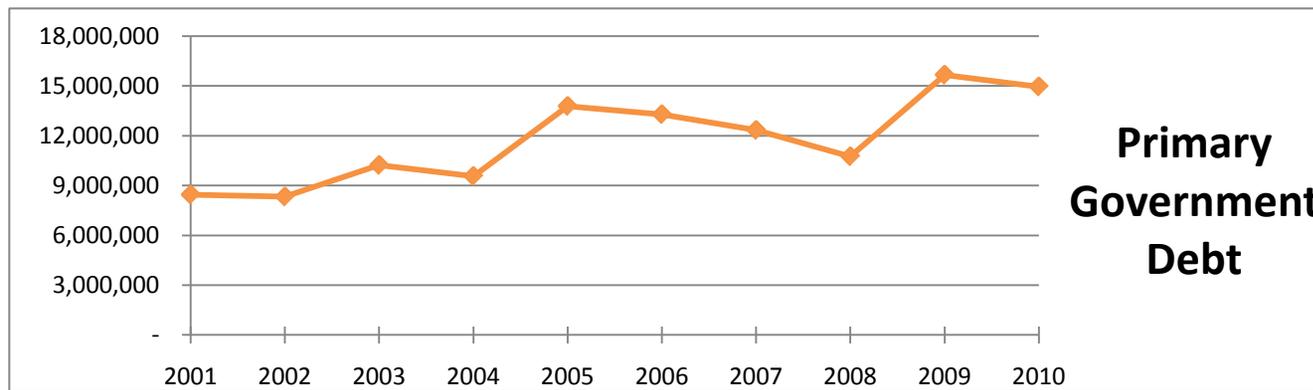
Sources: City of Poulsbo Finance Department and Washington State Department of Revenue

**RATIOS OF OUTSTANDING DEBT BY TYPE**  
Last Ten Fiscal Years

Fiscal Year	Governmental Activities		Business-Type Activities			Total Primary Government	Percentage of Personal Income <sup>1</sup>	Per Capita <sup>1</sup>
	General Obligation Bonds	PWTF Loans	Water Bonds	Sewer Bonds	PWTF Loans			
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	10,226,312	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	13,782,821	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	3.28%	1,371
2009	11,205,000	818,051	740,740	2,626,260	275,086	15,665,137	-	1,769
2010	10,985,000	743,683	659,340	2,337,660	229,239	14,954,922	-	1,677

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

<sup>1</sup> See the Schedule of Demographic and Economic Statistics for personal income and population data.



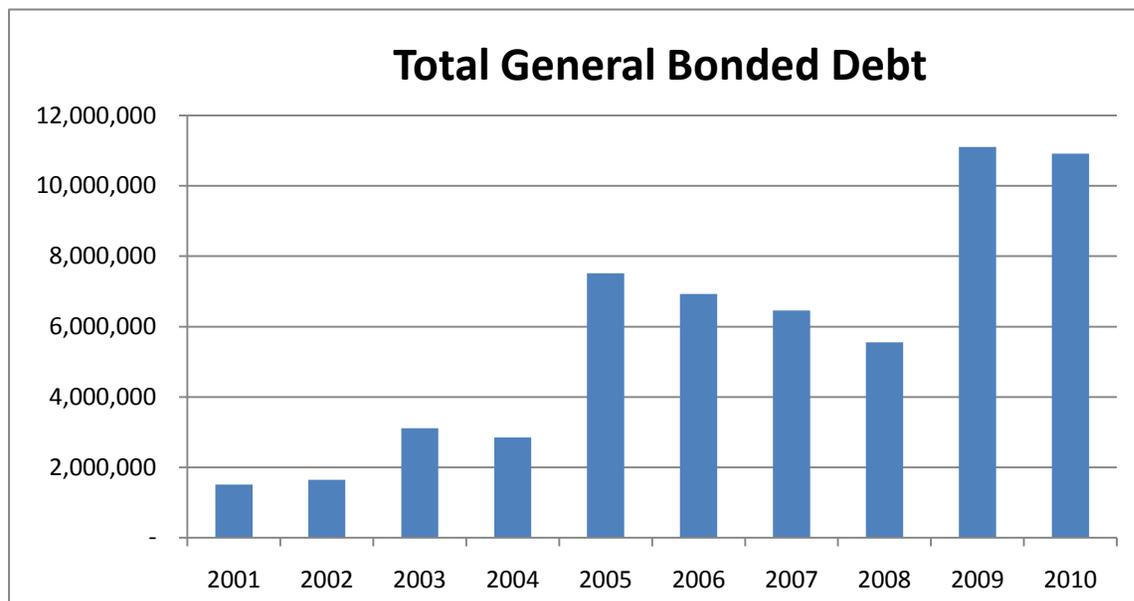
**RATIOS OF GENERAL BONDED DEBT OUTSTANDING**  
Last Ten Fiscal Years

<b>Fiscal Year</b>	<b>General Obligation Bonds</b>	<b>Less: Amounts Available in Debt Service Fund</b>	<b>Total</b>	<b>% of Estimated Actual Taxable Value<sup>1</sup> of Property</b>	<b>Per Capita<sup>2</sup></b>
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
2010	10,985,000	72,582	10,912,418	0.75%	1,223

Note: Details regarding the city's outstanding debt can be found in the Notes to the Financial Statements.

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

<sup>2</sup> Population data can be found in the Schedule of Demographic and Economic Statistics.



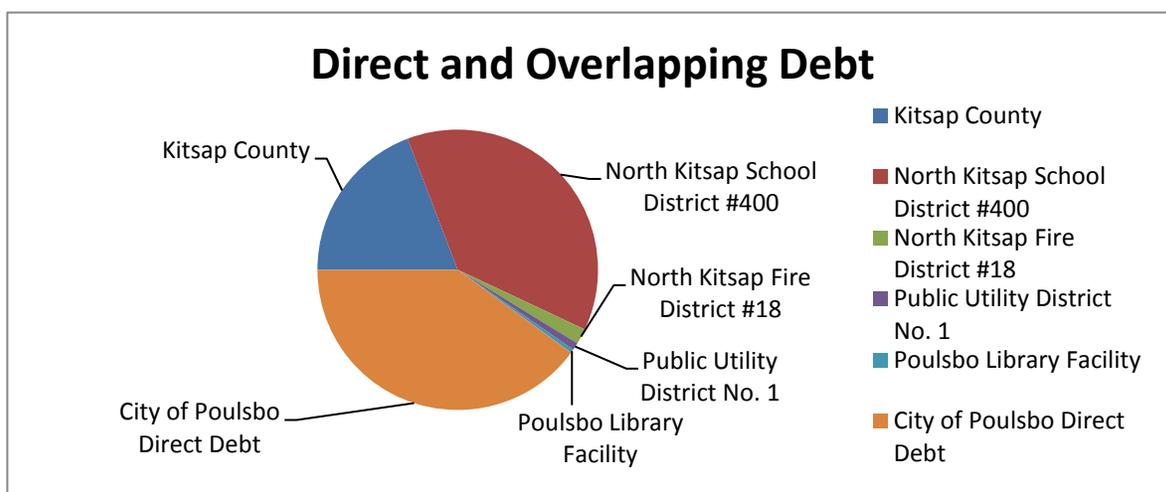
**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**  
As of December 31, 2010

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated % Applicable<sup>1</sup></u>	<u>Estimated Share of Overlapping Debt</u>
Kitsap County	\$ 125,232,212	4.50%	\$ 5,635,450
North Kitsap School District #400	54,313,834	20.44%	\$ 11,101,748
North Kitsap Fire District #18	1,120,000	46.68%	\$ 522,816
Public Utility District No. 1	5,465,000	4.50%	\$ 245,925
Poulsbo Library Facility	420,000	30.05%	\$ 126,210
<i>Subtotal, Overlapping Debt</i>			17,632,149
City of Poulsbo Direct Debt	11,728,683	100%	11,728,683
<b>Total Direct and Overlapping Debt</b>			<u><u>\$ 29,360,832</u></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.

<sup>1</sup> 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

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Debt Limit	\$ 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	\$ 96,053,196
Total net debt applicable to limit	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	10,912,418
Legal debt margin	\$ 41,059,564	\$ 42,792,629	\$ 44,914,406	\$ 52,231,646	\$ 60,386,928	\$ 82,701,084	\$ 93,839,288	\$ 97,810,401	\$ 87,146,890	\$ 85,140,778
Total net debt applicable to the limit as a % of debt limit	4.11%	3.35%	6.47%	5.78%	11.07%	7.73%	6.44%	5.38%	11.30%	11.36%

**Legal Debt Margin Calculation for Fiscal Year 2010**

Assessed value	1,280,709,278
Debt limit (7.5% of total assessed value)	96,053,196
Debt applicable to limit:	
General obligation bonds	10,985,000
Less: Amount set aside for repayment of GO Debt	72,582
Total net debt applicable to limit	10,912,418
Legal debt margin	\$ 85,140,778

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

Note: Under state finance law, the City of Poulsbo's outstanding general obligation debt should not exceed 7.5 percent of total assessed property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for

**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	
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 <sup>1</sup>	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	1,043,402	352,000	148,164	209%
2010	3,815,564	2,799,832	1,015,732	370,000	122,885	206%

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.

<sup>1</sup> In 2005, A portion of the 1998 Revenue Bonds were refunded.

**DEMOGRAPHIC AND ECONOMIC STATISTICS**  
Last Ten Fiscal Years

FISCAL YEAR	COUNTY POPULATION	KC PERSONAL INCOME* <sup>1</sup>	PERSONAL INCOME <sup>1</sup>	PER CAPITA INCOME*	UNEMPLOYMENT RATE**	SCHOOL ENROLLMENT <sup>2</sup> ***	
2001	6,965	233,400	7,172,131	214,027	30,732	6.0%	3,365
2002	7,005	234,700	7,475,565	223,120	31,571	6.7%	3,405
2003	7,010	237,000	7,806,826	230,911	32,652	6.7%	3,433
2004	7,200	239,500	8,284,815	249,063	34,746	5.8%	3,324
2005	7,450	240,400	8,706,269	269,807	36,308	5.1%	3,367
2006	7,490	243,400	9,398,583	289,217	39,343	4.8%	3,524
2007	7,560	244,800	9,888,582	305,383	41,521	4.4%	3,330
2008	7,840	246,800	10,312,169	327,583	42,992	5.4%	3,013
2009	8,855	247,600	---	--	--	7.6%	3,060
2010	8,920	248,300	---	--	--	7.9%	3,124

<sup>1</sup> Thousands of Dollars and information only available through 2008

<sup>2</sup> 2001-2010 are totals for only schools in city limits

\* Source: US Bureau of Economic Analysis-Kitsap County based on population of City only available through 2008

\*\* 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>2010</u>			<u>2001</u>		
		<u>TOTAL EMPLOYEES <sup>1</sup></u>	<u>Rank</u>	<u>% of Total City Employment</u>	<u>TOTAL EMPLOYEES <sup>1</sup></u>	<u>Rank</u>	<u>% of Total City Employment</u>
North Kitsap School District	Public Educaiton	795	1	8.62%	700	1	9.09%
Martha & Mary Lutheran Services	Social Services	450	2	4.88%	240	4	3.12%
Walmart	Retail Trade	314	3	3.40%			
Central Market	Retail Trade	230	4	2.49%	311	2	4.04%
Watson Furniture Group	Retail Trade	135	5	1.46%			
Trulife	Healthcare	119	6	1.29%			
Masterworks	Advertising	115	7	1.25%			
Sound Publishing	Publishing	101	8	1.09%			
City of Poulsbo	Government	91	9	0.99%			
Christ Memorial Children's Learning	Education	70	10	0.76%	79	10	1.03%
Raytheon Systems	Government Contracting	-		-	250	3	3.25%
Lockheed Martin Bangor	Government Contracting	-		-	220	5	2.86%
Seattle Orthopedic Group		-		-	150	6	1.95%
Courtesy Chevrolet	Auto Sales	-		-	135	7	1.75%
EDS Corporation <sup>2</sup>	Technical Services	-		-	130	8	1.69%
General Construction Company	Construction	-		-	100	9	1.30%
Windermere Real Estate Company	Real Estate	-		-			
<b>Subtotal of Ten Largest Employers</b>		<b>2420</b>		<b>26.23%</b>	<b>2315</b>		<b>30.05%</b>
All Other Employers		<b>6807</b>		<b>73.77%</b>	<b>5388</b>		<b>69.95%</b>
<b>Total Poulsbo Employment <sup>3</sup></b>		<b>9227</b>		<b>100.00%</b>	<b>7703</b>		<b>100.00%</b>

<sup>1</sup> Full and part-time employees are tracked.

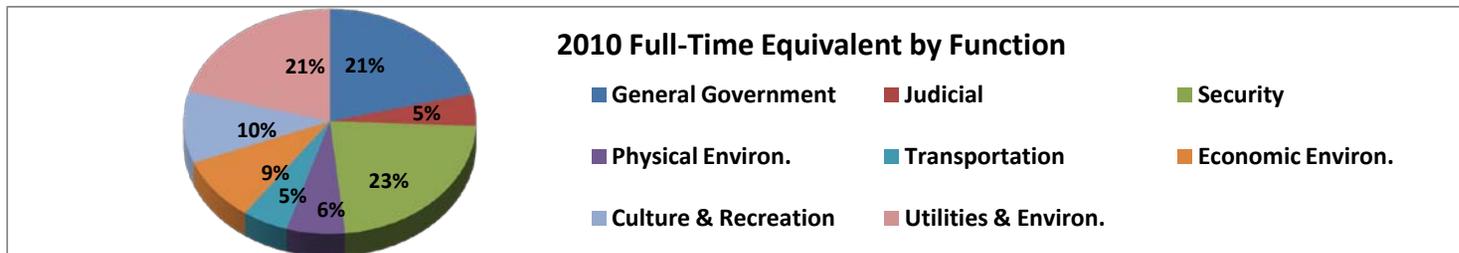
<sup>2</sup> Office closed, telework, number currently unknown.

<sup>3</sup> 2010 Total Poulsbo Employment number not available until May, used 2009 amount.

Source: Kitsap Economic Development Council Survey

**FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION**  
As of December 31, 2010

Function		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General Government:	Executive (Mayor)	1.00	1.00	1.00	1.00	1.00	1.00	1.63	1.63	2.00	2.00
	Clerk's Department	3.50	3.50	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
	Finance Department	7.81	8.33	7.50	7.00	6.50	7.00	7.00	8.00	8.00	8.00
	Grant Writer	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40
	Information Services	-	-	-	-	1.00	1.00	1.00	2.00	2.00	2.00
	Purchasing	2.50	2.50	2.50	2.00	-	-	-	-	-	-
	Personnel	-	-	0.50	1.00	1.00	1.00	1.00	1.00	1.00	1.15
	Central Services	1.97	1.72	1.79	1.79	1.90	1.90	1.90	1.90	1.90	1.90
Judicial:	Municipal Court	4.90	4.90	4.90	3.90	3.39	3.39	3.90	4.26	4.21	4.21
Security:	Police Department	19.00	19.00	20.00	20.00	20.00	20.00	20.00	22.00	22.00	21.00
Physical Environ.:	Engineering	4.38	5.38	6.38	6.50	5.00	6.00	6.00	6.45	5.95	5.95
Transportation:	Streets	2.98	2.96	3.91	3.91	4.36	4.36	4.70	4.70	4.70	4.70
Economic Environ.:	Planning & Building	5.63	5.63	5.63	5.75	7.50	8.50	9.00	9.45	8.45	8.45
Culture & Recreation:	Parks & Recreation	5.91	5.92	5.92	5.92	5.92	6.32	6.42	6.42	6.42	6.62
	Parks & Cemetery	2.81	2.65	2.90	2.90	3.48	3.98	3.25	3.25	2.25	2.25
Utilities & Environ.:	Library	-	-	0.49	0.49	0.54	0.54	0.60	0.60	0.60	0.60
	Water	3.16	3.20	2.28	2.28	3.46	3.46	2.90	2.90	2.90	2.90
	Sewer	2.59	1.54	1.37	1.37	1.80	1.80	3.15	3.15	3.15	3.15
	Solid Waste	3.34	3.61	2.88	2.88	3.49	3.99	3.55	3.55	3.05	3.05
	Storm Drain	2.35	0.66	1.85	1.85	1.97	2.97	2.95	3.95	3.95	3.95
	General Facilities	0.94	0.86	0.89	0.89	1.00	1.00	1.00	1.00	1.00	1.00
	Administration	5.86	7.80	7.64	7.64	5.00	6.00	5.00	5.10	5.10	5.10
<b>Total Number of Full-Time Equivalent Employees:</b>		<b>81.03</b>	<b>81.56</b>	<b>84.73</b>	<b>83.47</b>	<b>82.71</b>	<b>88.61</b>	<b>89.35</b>	<b>95.71</b>	<b>93.03</b>	<b>92.38</b>



Source: City of Poulsbo, Human Resources

**OPERATING INDICATORS BY FUNCTION**  
Last Ten Fiscal Years

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Governmental Functions</b>										
<b>General Government Other</b>										
Number of Unions Represented	2	2	2	2	2	2	2	2	2	2
Number of passports processed	1,155	993	878	858	806	1,119	1,024	1,018	1,015	617
Number of Business Licenses Issued	*	*	*	907	914	1,375	1,575	1,351	1,563	1,404
Number of City Council meetings	38	38	40	37	38	42	40	44	43	39
Number of public records requests processed	*	*	*	56	57	44	73	79	87	88
<b>Public Safety</b>										
Number of case reports filed	1,889	1,769	1,753	1,611	1,586	1,998	2,090	1,783	1,698	1,746
Number of citations issued	2,262	2,648	2,321	2,191	2,162	2,167	2,325	985	1,223	1,250
Number of calls for service	9,302	9,926	10,039	10,458	11,229	13,374	12,942	12,234	12,842	13,744
Number of responses to motor vehicle accidents	197	168	145	160	211	175	271	235	302	347
Number of driving impaired citations issued	72	83	78	49	58	110	72	71	103	84
Number of vacation house checks	1,700	1,605	1,819	1,350	909	1,034	1,049	847	847	1,114
Number of parking citations issued	117	101	155	171	177	231	63	230	114	568
<b>Transportation</b>										
Miles of streets maintained	30	30	32	35	37	39	45	45	45	45
Miles of sidewalks maintained	*	*	*	42	42	44	47	48	48	49
Number of hours spent street sweeping	30	396	420	420	490	546	550	468	468	468
Number of street signs maintained	900	910	1,213	1,553	1,805	1,875	2,174	2,174	2,204	2,204
<b>Culture and Recreation</b>										
Number of parks maintained	12	12	13	16	16	16	16	17	17	17
Total acreage of parks/open space maintained	48	48	48	48	61	64	64	65	65	65
<b>Economic Environment</b>										
Number of single family building permits issued	94	103	100	132	75	227	265	154	105	78
Number of commercial building permits	32	50	30	53	40	108	86	68	47	84
Number of all other building permits	*	*	*	*	*	91	117	74	61	74
<b>Physical Environment</b>										
Number of Right of Way Permits issued	*	*	35	37	47	41	42	46	40	57

OPERATING INDICATORS BY FUNCTION  
Last Ten Fiscal Years

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Physical Environment (continued)</b>										
Number of Land Use Applications reviewed	*	*	52	97	108	96	156	89	90	26
Number of grading/site construction permits/applications	*	*	*	*	20	19	10	42	4	9
Number of land use applications reviewed for commercial sites	*	*	*	*	9	6	19	14	7	11
Number of land use applications reviewed for residential sites	*	*	*	*	217	1,189	500	8	9	6
<b>Business-Type Functions</b>										
Total Number of Employees	26	26	26	27	27	30	29	30	28	28
<b>Water</b>										
Number of active water services	2,428	2,412	3,495	2,674	2,707	2,820	2,990	3,142	3,133	3,304
Miles of watermain lines maintained	45	47	53	57	58	60	61	61	61	62
Average number of water meters read monthly	2,195	2,412	2,433	2,554	2,663	2,758	3,051	3,093	3,147	3,259
<b>Sewer</b>										
Number of active sewer services	2,502	2,349	2,600	2,525	2,561	2,631	2,778	2,869	2,963	3,006
Miles of sewermain lines maintained	27	27	28	31	31	32	33	34	34	34
Number of pump stations maintained	7	7	8	8	8	8	9	9	9	9
<b>Solid Waste</b>										
Number of residential garbage accounts	1,770	1,990	2,129	2,217	2,273	2,310	2,430	2,746	2,623	2,954
Number of multi-family units	1,016	1,016	1,012	1,016	1,030	1,038	1,012	1,012	1,102	1,102
Number of commercial accounts	181	182	182	192	224	229	201	231	197	195
Number of tons of waste to landfill	5,054	5,221	4,878	5,181	5,200	5,690	5,700	4,794	4,894	4,810
Number of 3 day free dumpsters for residential clean-up provided	*	341	393	420	363	326	350	308	312	356
<b>Storm Drain</b>										
Number of detention ponds maintained	12	13	20	20	22	29	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**

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Governmental Functions</b>										
<b>General Government</b>										
Number of City Vehicles (not listed below)	*	*	*	*	*	15	3	2	3	3
Generators	*	*	*	*	*	1	-	-	-	-
<b>Public Safety</b>										
Number of police vehicles						24	23	22	22	20
Number of police boats	1	1	1	1	1	1	1	1	1	1
<b>Transportation</b>										
Number of Vehicles (not specified below)							6	11	6	7
Number of Street Sweepers	1	1	1	1	1	1	1	1	1	1
Number of Dump Trucks	8	8	8	8	8	8	4	4	4	4
Miles of streets	30	30	32	35	37	39	39	45	47	48
Number of Traffic Signals	8	8	8	8	8	8	9	8	8	8
Number of bridges	1	1	1	1	1	1	1	1	1	1
<b>Culture and Recreation</b>										
Number of vehicles	*	1	1	1	1	1	1	1	1	1
Neighborhood parks	*	*	2	3	3	3	3	8	10	10
Community parks	*	*	11	13	13	13	13	8	5	5
Indoor recreational facilities	1	1	1	1	1	1	1	1	1	1
<b>Economic Environment</b>										
Number of Planning vehicles	*	*	*	1	1	1	1	1	1	1
<b>Physical Environment</b>										
Number of Engineering vehicles	*	*	*	*	3	4	4	4	4	4

**CAPITAL ASSETS STATISTICS BY FUCTION**  
**Last Ten Fiscal Years**

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b><u>Business-Type Functions</u></b>										
<b>Water</b>										
Generators	2	2	2	2	2	2	2	2	2	2
Miles of water mains	45	47	53	57	58	58	60	61	62	63
Number of vehicles	*	*	*	*	*	4	4	4	4	4
Number of construction vehicles	*	*	*	*	*	4	3	1	1	1
Number of hydrants	*	*	*	*	*	299	315	399	400	402
<b>Sewer</b>										
Generators	*	*	*	*	*	3	3	5	5	5
Number of vehicles	*	*	*	*	*	4	4	2	2	2
Number of construction vehicles	*	*	*	*	*	3	3	6	3	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	1
Treatment plants (Pumping Stations)	7	7	8	8	8	8	8	9	9	9
Miles of sewer mains	27	27	28	31	31	31	33	33	34	34
<b>Solid Waste</b>										
Number of garbage trucks	*	*	*	4	4	5	5	4	6	6
<b>Storm Drain</b>										
Number of vehicles	*	*	*	*	*	2	2	5	5	3
Number of Vacuum Trucks	-	-	-	1	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

