

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



*For the fiscal year ended December 31, 2012*

**CITY OF POULSBO**

**WASHINGTON**

**COMPREHENSIVE ANNUAL FINANCIAL  
REPORT**

For the fiscal year ended

December 31, 2012

Finance Director  
Deborah Booher

PREPARED BY

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# City of Poulsbo

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June 28, 2013

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, 2012. 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 the objectives expressed in it will be accomplished by the system. The concept of reasonable assurance recognized 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, work and visit.

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 continues to diversify consistent with the City's long range plan. The City encompasses over 2954 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. Poulsbo has continued to witness new food establishments open in the downtown corridor providing many dining options for City residents and visiting tourists. Many are referring to the increased activity as "Destination Dining". Along with commerce the City Hall is located in the heart of the historic downtown corridor. All City Departments are located in the building, with the exception of Park & Rec and Public Works. The central location provides a one stop shop for City residents. The building also offers multiple meeting rooms available to the public, bringing more opportunities for visitors and citizens to support the local economy.

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. The grant was used to improve the entry into the City and improve traffic and pedestrian safety on the north and south end of the 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 City was donated a parcel of land and able to purchase through grant proceeds an additional land parcel to connect with Fish Park. These parcels will be developed in accordance with the park master plan and allow additional public access for viewing the Poulsbo's natural shoreline.

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. Unfortunate victims of the national economy were automobile dealerships occupying much of the Viking Avenue corridor. The Mayor and City Council continue to work actively with current business owners to support growth, stability and encourage new potential opportunities.

State Highway 305 runs through the east side of Poulsbo providing access to the Bainbridge Island/Seattle ferry, twelve miles to the south. SR 305 includes peak hour high occupancy vehicle (HOV) and is the primary roadway for residents to travel in their morning and afternoon commutes to work and school.

In years past, this was the agricultural area of Poulsbo. Today, "Poulsbo Village," a shopping mall with retail stores, offices, athletic club and medical facilities, occupies the land, which was previously a dairy farm.

The commercial area on both sides of State Highway 305 continues to enjoy a healthy customer base. A business park campus located on Lincoln Hill, east of State Highway 305 changed an old gravel pit into a contemporary business park with a spectacular view of the Olympic Mountains. The campus continues to expand and attract new businesses and professional services to our area. These companies are able to provide family wage earning jobs for professionals who prefer not to commute to the Seattle area.

Poulsbo is the home of several large grocery store options including a large Central Market, which has been deemed a destination market, boasting local produce and many quick gourmet dining options.

Anticipated to begin in 2013 is the construction of a new large Safeway store inclusive of a gas station. This large retail grocery development will enhance the options for residents as well as entice travelers to make a quick stop with easy highway access.

Poulsbo is served by the North Kitsap School District. The Lincoln Hill area includes the North Kitsap Senior High, Poulsbo Middle School, Poulsbo Elementary and the North Kitsap School District Administrative offices.

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 including Wal-Mart, Home Depot, Petco, Big 5 and Office Max are located in the development. Several other businesses are located 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 medical center and beverage distributing warehouse opened their doors in 2010. Two large chain fast food restaurants, Jack in the Box and Wendy's are now open and operating in this development. Conversations regarding future development in this area continue for establishments such as additional medical centers, gas stations, ball fields and a possible addition to the existing college campus.

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 until revenue sources stabilize and grow. 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 amended their Financial Management Policy, to require the Fund Balance be in excess of twelve percent of the operating revenues and cash and investment balances to be in excess of two months of operating expenses. This is consistent with GFOA’s recommended practices. These items are reviewed quarterly with Council Members to assure compliance or bring focus to an area, which may not be meeting the minimum levels.

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 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.

### **Long Range Financial Planning**

The City continues to not only look at current financial conditions, but improve and incorporate long range planning. A model with several years of actual data and using the information to project out five years was developed and used to work with City Staff and elected officials to plan for operating and capital budgets. As with all statistical and trending information, it is used with caution, as there can be conditions and impacts which do not follow the trend. Experiences with the recent economic downturn resulted in an adjusted budget knowing the trend needed to be altered. The 2012 budget was developed, delaying capital acquisitions, postponing capital projects and reducing operating budgets. The City updates the Capital Improvement Plan to

be consistent with the City's long range comprehensive and functional plans; reviewing priorities and assuring there is funding for those projects set for the future years. Due to conservatism and knowledge that the plan is a tool and not an exact science, the City has a healthy reserve balance to support fluctuations from the plan.

The City balanced the 2012 Budget with the intention of using reserve funds, but still maintaining levels consistent with the City's policies. Due to unanticipated revenues and conservative spending, it was not necessary to use reserves in 2012.

### **Risk Management**

During 2012, 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. In 2012, in order to be fiscally responsible, the City requested quotes from three different risk pools. After receiving competing quotes, firms were interviewed by a City panel. The process resulted in an updated lower estimate from our current carrier and a notice of intent to end coverage in 2013 with AWC/RMSA and begin coverage with a new carrier. Due to the larger pool of Cities, the new carrier was able to offer a lower premium and options for more training at no additional cost to the City.

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 2012 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, 2011.

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 2012 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,

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, 2011

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.



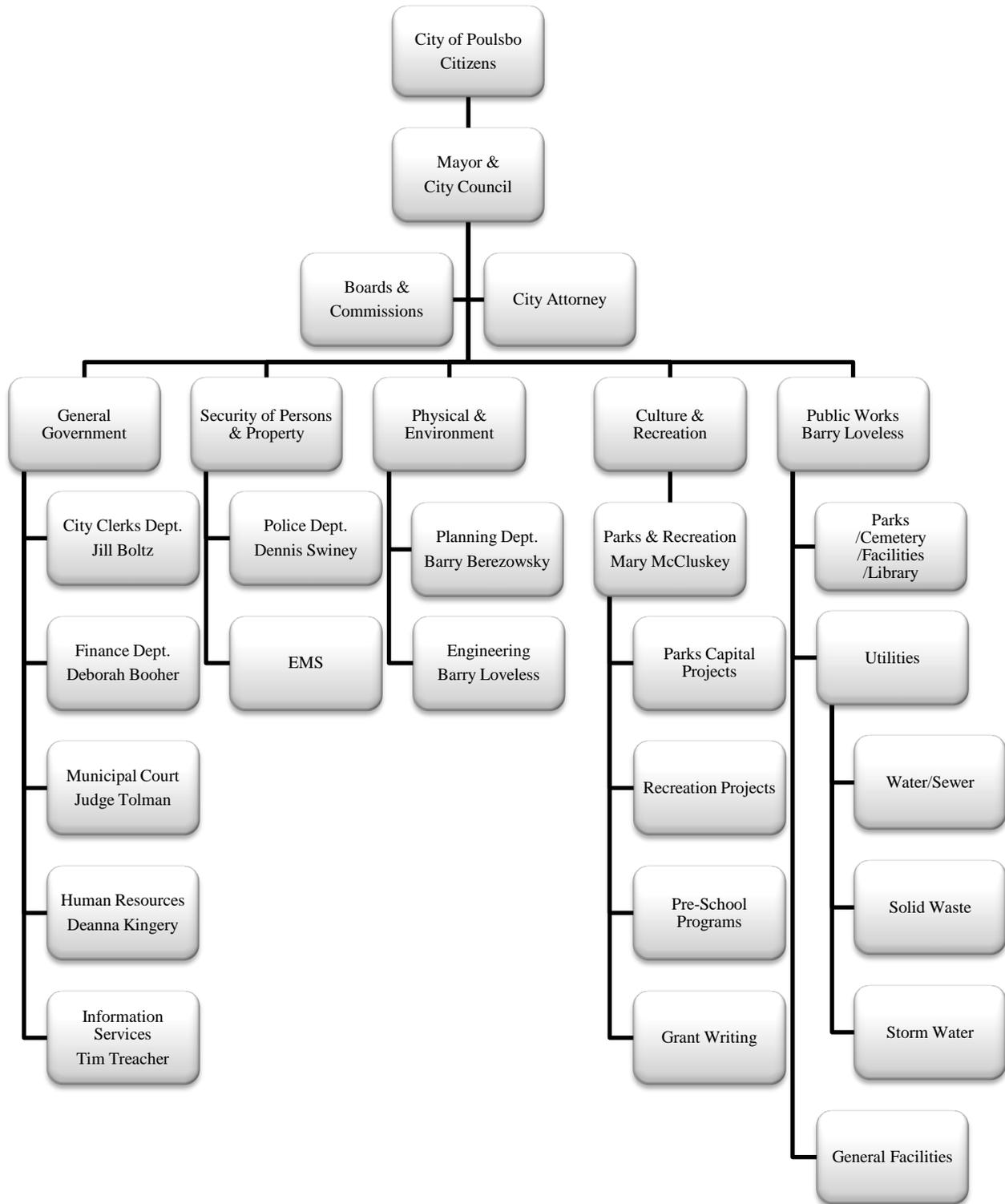
*Christopher P. Moirice*

President

*Jeffrey R. Emer*

Executive Director

### City of Poulsbo Organization Chart



# City of Poulsbo Officials

As of December 31, 2012

## Mayor

Becky Erickson

December 31, 2013

## City Council

David Musgrove

December 31, 2013

Ed Stern

December 31, 2013

Jim Henry

December 31, 2013

Linda Berry-Maraist

December 31, 2015

Gary Nystul

December 31, 2015

Connie Lord

December 31, 2015

Jeff McGinty

December 31, 2015

## 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 Troy Kelley

### INDEPENDENT AUDITOR'S REPORT

June 10, 2013

Mayor and City Council  
City of Poulsbo  
Poulsbo, Washington

### ***REPORT ON FINANCIAL STATEMENTS***

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, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditor's Responsibility***

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the

appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinion***

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, 2012, 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 accordance with accounting principles generally accepted in the United States of America.

### ***Matters of Emphasis***

As described in Note 8, during the year ended December 31, 2012, the City has implemented the Governmental Accounting Standards Board Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 15 through 31 and information on postemployment benefits other than pensions on page 76 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Supplementary and Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The accompanying information listed as Combining and Individual Fund Statements and Schedules on pages 77 through 111 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. This information has been subjected to auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other

records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The information identified in the table of contents as the Introductory Section and 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 do not express an opinion or provide any assurance on it.

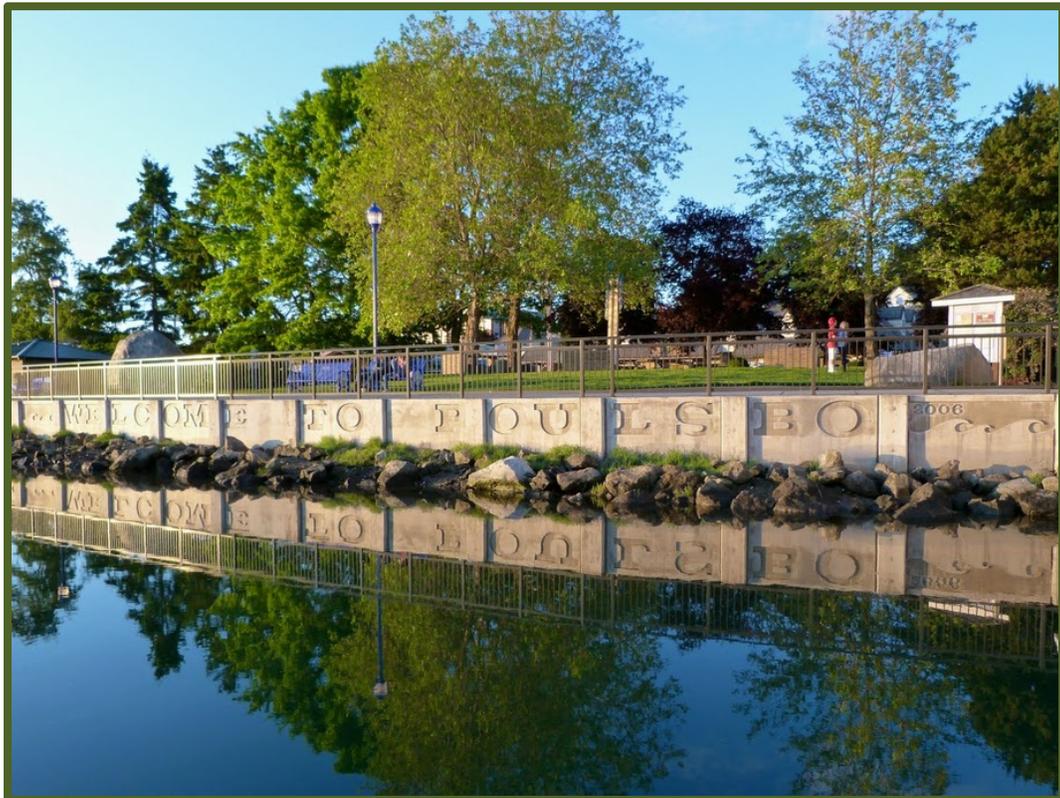
### ***OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS***

In accordance with *Government Auditing Standards*, we will also issue our report dated June 10, 2013, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Sincerely,

A handwritten signature in cursive script that reads "Troy X. Kelley". The signature is written in black ink and is positioned above the printed name and title.

**TROY KELLEY**  
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, 2012. 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 2012 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 2012 fiscal year by \$119 million (net position). Of this amount, \$19.4 million (unrestricted net position) may be used to meet the city's ongoing obligations to its citizens and creditors.
- Reported net position increased \$3.3 million. Net position of governmental activities increased \$896 thousand, or 1.37%, during 2012. Net position of business-type activities increased \$2.4 million, or 4.81%, during 2012. In prior years the variation has been primarily due to change in capital or large prior period adjustments. In 2012 much of the variation can be attributed to increases in cash and investment balances and a decrease in debt as principal payments made in 2012 decreased the outstanding amount due.
- Investments in capital assets net of debt, increased \$1.279 million. A larger percent of the increase is in governmental activities and is due to several large transportation projects such as Noll Road and Lincoln Road improvements.

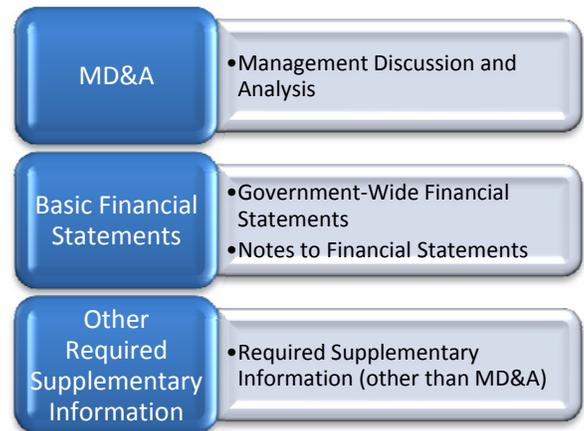
- Total liabilities decreased by \$1.04 million. This is primarily due to debt principal payments reducing the amount owed for existing issues. A major variance is reallocating short-term liabilities to long-term debt in governmental activities. This is due to a short-term bond anticipation note issued for City Hall construction being re-financed in 2012 to a long-term debt issue.
- Overall, the book value of capital assets is almost identical to 2011. Total capital assets from governmental activities increased \$259 thousand or .35%. The increase in capital assets is mostly in the area of transportation projects. Capital assets of business-type activities decreased \$262 thousand or .64%. 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 less than 1% per year for the last five years. This average is based on the largest increase in 2010 of 4% and the lowest which was a decrease of 4.94% in 2009. Sales tax is the largest revenue source for Poulsbo, but in 2012 the City saw a decline in this revenue. The City continues to focus and promote diversification, planning for future growth and not remaining dependent on a single line of business. As some businesses have closed their doors and property values have decreased, new businesses and construction have helped offset the declines. The City of Poulsbo implemented a 2% utility tax rate increase to City Utilities at the end of 2010, which has continued through 2012. The increase in tax rate coupled with the rising price of utilities has helped to offset other tax revenue declines.
- The financial statements represent fund balances as required by GASB. Balance Sheets display fund balances in the following manner:
  - Unassigned – Residual net resources without any of the other fund balance limitations. The only fund which has an unassigned fund balance is General Fund.
  - Assigned – Amounts assigned for specific uses such city road maintenance or law enforcement funds not restricted by law
  - Committed – Self-imposed limitations at the highest level of decision makers that requires formal action at the same level. The City of Poulsbo does not have any committed fund balance for 2012.
  - Restricted – Fund balances which have externally enforceable limitations on use by grantors, creditors or legal restrictions
  - Nonspendable – This is comprised of assets, which will never convert to cash such as inventory or portion of proceeds which cannot be expended because they must be intact such as imprest funds
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$4.98 million. Approximately 85% of this total amount, or \$4.2 million, is available for spending at the government's discretion and 15% or \$757 thousand is non-spendable or restricted per debt or legal requirements.
- At the end of the current fiscal year, the unassigned fund balance for the General Fund was \$514,274 or 5.67% of the total General Fund expenditures. The total General Fund balance inclusive of the amount assigned for revenue stabilization and legal expenditures amounts to \$1.9 million which equates 20.9% of General Fund expenditures.

## OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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



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

### Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City of Poulsbo's finances, in a manner similar to a private-sector business. The government-wide financial statements have separate columns or governmental activities and business-type activities. Governmental activities are primarily supported by taxes, charges for services and grants. Business-type activities are primarily self-supporting through user fees and charges.

The statements are presented in a full accrual basis of accounting including all assets and liabilities and recognizing revenues when they are earned and expenses when they are incurred regardless of when the cash transaction occurred.

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

**The Statement of Activities** presents information showing how the government's revenues and expenditures impacted net assets during 2012. This statement distinguishes revenue generated by specific functions from revenue provided by taxes and other sources not related to a specific function. The statement 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 Position 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. A fund is a fiscal and accounting entity with a self-balancing set of accounts used to account for specific activities or meet certain objectives. Funds are often set up in accordance with special regulations, restrictions or limitations.

The focus is on Major Funds rather than types. A Major Fund has three elements.

- 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 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. These reports use a different "basis of accounting" than that used in 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. To assist with the comparison, reconciliations between the governmental fund statements and the government-wide financial statements are included with the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances.

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, and public works administration. 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 Position 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.

**Other Information:** In addition to the basic financial statements and accompanying notes, this report also contains certain required supplementary information concerning the City of Poulsbo's funding Police employee pension obligation. Required supplementary information may be found immediately following the notes to the financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

The Statement of Net Position looks at the City as a whole. Table 1 provides a summary comparing the City's net position for 2012 and 2011. Governmental Activities net position has an increase of \$897 thousand. The increase is due to a combination of factors such as an increase in capital improvements including major transportation improvements and new park land, and a reduction of liabilities due to principal payment made during 2012.

The Business Type Activities had an increase of \$2.4 million to the Net Position. The increase was primarily due to operating revenues being more than expenditures. This is due to business type rates being set to build reserves for future improvement and maintenance to the systems capital assets as determined in the functional plans for the systems.

The overall financial position for the City of Poulsbo has improved over the prior year. In 2012, assets exceeded liabilities by \$119 million, an increase of \$3.3 million or 2.87%. The largest portion of the City's net assets, \$98.6 million or 83% 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 Position**

	<u>GOVERNMENTAL</u> <u>ACTIVITIES</u>		<u>BUSINESS-TYPE</u> <u>ACTIVITIES</u>		<u>TOTAL PRIMARY</u> <u>GOVERNMENT</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Current and Other Assets	\$ 7,153,619	\$ 7,042,628	\$ 16,033,435	\$ 13,902,856	\$ 23,187,054	\$ 20,945,484
Capital Assets Net	73,415,132	73,156,030	40,663,353	40,925,260	114,078,485	114,081,289
<b>TOTAL ASSETS</b>	<b>80,568,751</b>	<b>80,198,657</b>	<b>56,696,788</b>	<b>54,828,116</b>	<b>137,265,539</b>	<b>135,026,774</b>
Long-term Debt	12,506,505	11,190,917	2,926,782	3,598,603	15,433,287	14,789,520
Other Liabilities	1,593,160	3,389,528	926,238	811,260	2,519,398	4,200,788
<b>TOTAL LIABILITIES</b>	<b>14,099,665</b>	<b>14,580,445</b>	<b>3,853,020</b>	<b>4,409,863</b>	<b>17,952,686</b>	<b>18,990,308</b>
Unearned Revenue	97,141	143,075	3,014	2,814	100,155	145,889
<b>NET POSITION</b>						
Invested in Capital Assets Net of Debt	61,173,480	60,292,177	37,440,865	37,042,937	98,614,345	97,335,114
Restricted	771,117	733,527	442,900	492,011	1,214,017	1,225,538
Unrestricted (deficit)	4,427,348	4,449,433	14,956,989	12,880,492	19,384,337	17,329,924
<b>TOTAL NET POSITION</b>	<b>\$ 66,371,945</b>	<b>\$ 65,475,137</b>	<b>\$ 52,840,754</b>	<b>\$ 50,415,439</b>	<b>\$ 119,212,698</b>	<b>\$ 115,890,576</b>

The City's total net assets that are restricted amount to 1%. 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.

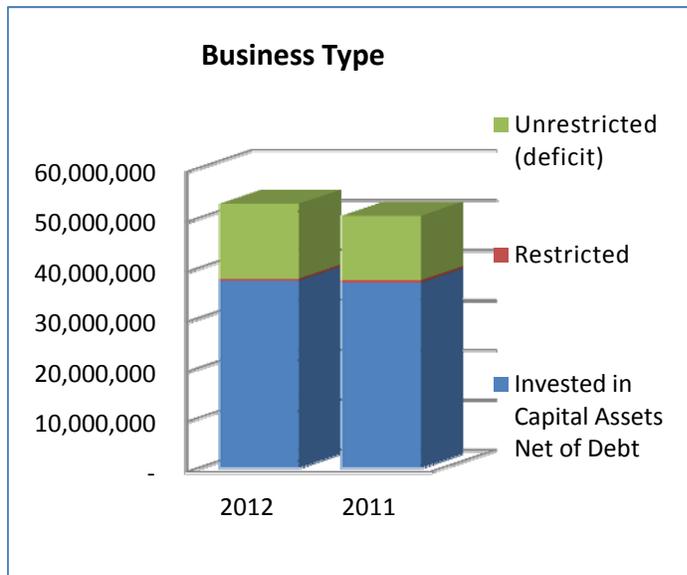
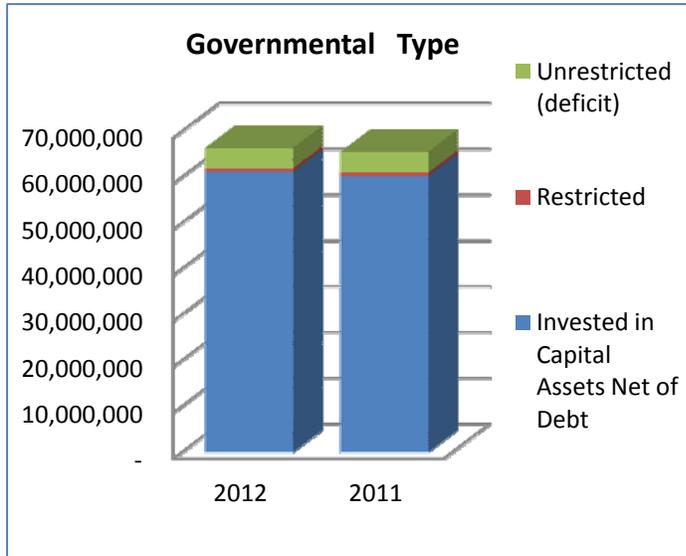


Table 2 illustrates changes in net position for the years 2012 and 2011. This is a condensed version of the Statement of Activities for the City. The revenues for 2012 show a slight increase. The increase is attributed to a combination of increased charges for services and a reduction in program expenses.

**Table 2-Changes in Net Position**

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL PRIMARY GOVERNMENT	
	2012	2011	2012	2011	2012	2011
<b>Revenues</b>						
<b>Program Revenues</b>						
Charges for Services	\$ 1,734,826	\$ 1,650,662	\$ 6,448,887	\$ 5,991,054	\$ 8,183,713	\$ 7,641,716
Operating Grants/Contribr	468,960	425,702	66,936	94,789	535,895	520,491
Capital Grants / Contribr	1,758,099	2,290,353	1,503,112	312,382	3,261,211	2,602,735
<b>General Revenues</b>						
Property Taxes	2,119,770	2,061,784	-	-	2,119,770	2,061,784
Retail Sales & Use Tax	2,700,885	2,905,695	-	-	2,700,885	2,905,695
Business Taxes	2,305,809	1,991,832	-	-	2,305,809	1,991,832
Other	63,979	74,359	56,111	56,345	120,090	130,704
Total Revenues	11,152,327	11,400,387	8,075,046	6,454,571	19,227,373	17,854,958
<b>Program Expenses</b>						
General government	2,148,291	1,758,688	-	-	2,148,291	1,758,688
Judicial	374,672	347,030	-	-	374,672	347,030
Security of Per & Prop	2,651,809	2,631,619	-	-	2,651,809	2,631,619
Utilities & Environment	463,211	493,650	-	-	463,211	493,650
Transportation	1,852,794	1,685,655	-	-	1,852,794	1,685,655
Economic Environment	665,027	633,782	-	-	665,027	633,782
Mental & Physical Health	14,705	14,573	-	-	14,705	14,573
Culture & Recreation	1,427,910	1,468,720	-	-	1,427,910	1,468,720
Interest Long-Term Debt	556,341	553,206	-	-	556,341	553,206
Water	-	-	1,282,886	1,199,529	1,282,886	1,199,529
Sewer	-	-	2,109,868	2,052,589	2,109,868	2,052,589
Solid Waste	-	-	1,247,121	1,161,445	1,247,121	1,161,445
Storm Drain	-	-	1,011,619	935,763	1,011,619	935,763
Total expenses	10,154,759	9,586,922	5,651,494	5,349,326	15,806,253	14,936,248
Excess (deficiency)	997,568	1,813,465	2,423,552	1,105,245	3,421,120	2,918,710
Changes in Net Position	997,568	1,813,465	2,423,552	1,105,245	3,421,120	2,918,710
Beginning Net Position	65,475,137	63,637,719	50,415,439	50,533,766	115,890,576	114,171,485
Prior Year Adjustments	(100,761)	23,953	1,763	(1,223,572)	(98,998)	(1,199,619)
Ending Net Position	\$66,371,945	\$65,475,137	\$52,840,754	\$50,415,439	\$119,212,698	\$115,890,576

GOVERNMENTAL ACTIVITIES

Revenues

Taxes account for the largest revenue category in the governmental funds, generating 65% of the total revenue. The majority of tax revenue is received in the General Fund accounting for 75% of the revenue. Because of this ratio, this category receives the majority of attention. Included in this category are sales, property, utility, criminal justice, and gambling taxes. Governmental fund taxes total \$7,126,464.

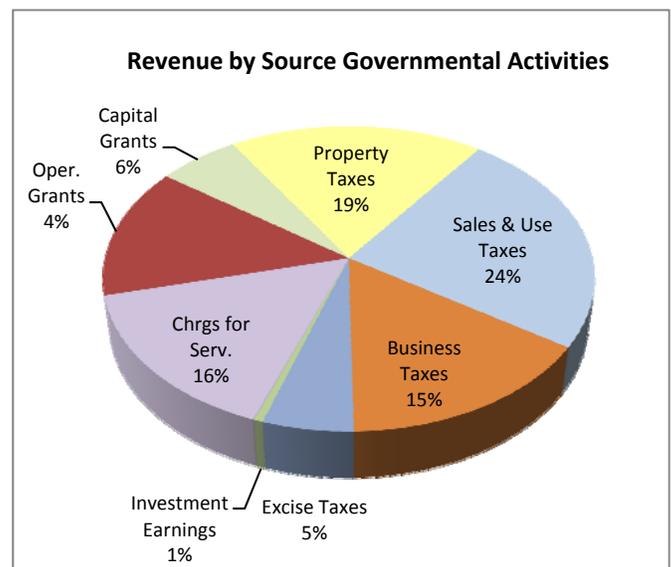
Property tax receipts involve the very predictable effect of the 101% levy lid limitation, and a somewhat more variable consideration of new construction. The assessed valuation for property located within the City limits of Poulso for 2012 was \$1,244,257,146. The assessed value did show a significant decrease from the prior year. This is consistent with the national economy as a result of the declining economic conditions, resulting in decreased values and minimal new construction. 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 2012, the City’s regular property levy tax rate was 1.716992 per \$1,000 of assessed value.

The City continues to follow their policy of transferring 31% of property tax revenue to the City Street Operations Fund, but reduced the transfers by 55% to the Street and Park Reserve Funds for capital projects, transferring 1.94%. The amount transferred for pavement restoration to Street Reserves Fund for capital restoration projects was reduced by 50% to 7%. The reductions allowed more funds to remain in the General Fund for support of operations.

Sales and Use tax revenue, in contrast to property tax, can be a highly fluctuating tax source. The City saw a 7% decrease in 2012 and did not meet revenue projections. The revenue is at the lowest level since 2006. The majority of the decline continues to be in the area of car sales and construction activity; however 3% of the decline was due to a correction for a contractor reporting error in the prior year. This is consistent with many government agencies continuing to be impacted by the declining economy. One of the strongest supporting categories of sales tax was automobile sales. The majority of dealerships closed their doors prior to 2012. Thankfully the City Council made a push for more diversification, so while the City did see substantial reductions in this area; it has been supplemented by growth in other areas with the continued development of retail businesses. Construction continued to see a large decline in 2012, but growth, while slow is still moving forward with new housing developments continuing with new construction and a planned construction of a new large retail grocery store. 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 2012, sales tax received in the City’s General Fund totaled \$2,616,768. The City’s allocation of sales tax revenue was reduced in 2012 to retain more dollars in the General Fund for governmental expenditures: about 1% was transferred to the Capital Equipment Acquisition Fund for capital replacement.

The majority of sales tax revenue (64%) comes from the retail trade category. The next largest sales tax category is accommodations and food services, accounting for 11% of the tax. A large retail development continues to provide an increasing retail tax base with new businesses opening their doors and continued development planned for 2013. A large grocery store is ready to start development along State Route 305. This will support new construction sales tax in 2013 then move the earnings to the retail trade category once the business commences. These new development help Poulso continue to grow a diversified revenue base.



Business Taxes are admissions tax and taxes applied to utilities providing services in the City including City-owned and privately owned utilities. On the whole, these taxes tend to be stable reflecting some growth from year to year making up 21% of the governmental tax revenue. The City increased the tax rate by 2% for City owned utilities. The increase in tax rate represents a portion of the growing revenue, but increases in outside revenues, which did not have the rate increase, support the increase and sustainability of these revenues. As other general revenues decline, this creates a larger piece of the pie for these taxes.

**Expenses**

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

Judicial services provide support of the City’s Municipal Court system.

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.

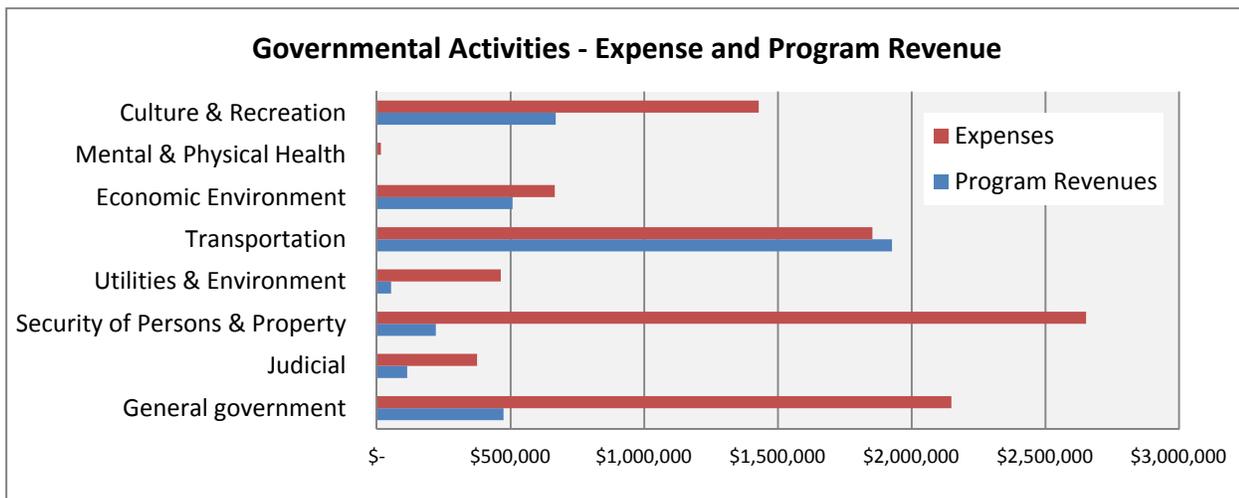
Transportation services provide maintenance of the City’s streets, sidewalks, paths and traffic control signs/signals.

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.



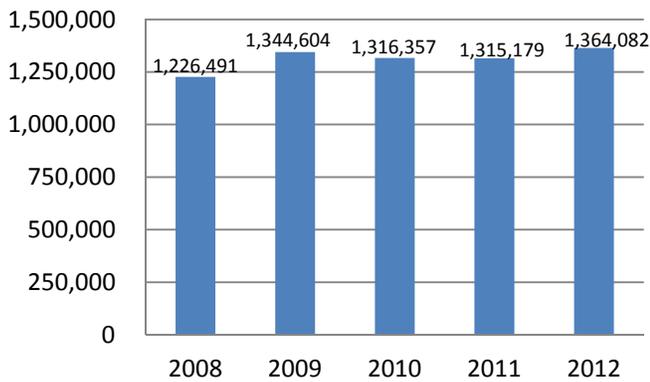
**BUSINESS-TYPE ACTIVITY**

**Enterprise Funds:** The City of Poulsobo 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. These services are supported by user fees, which include building funds for future capital projects to maintain supporting infrastructure.

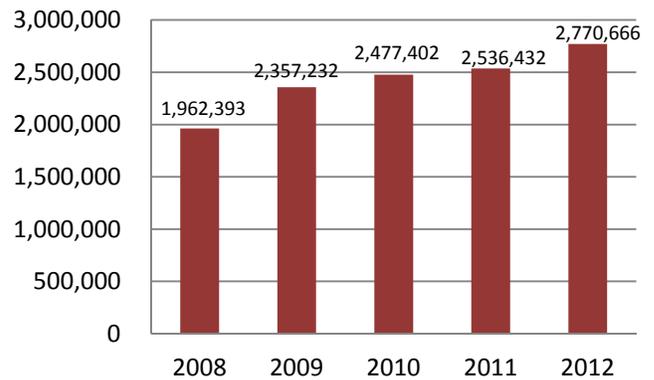
**Key elements of the increases are as follows:**

- There was a cost of living adjustment (COLA) for 2012, which resulted in an increase to the water rate creating an increase of revenue in 2012.
- 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 five years. 2012 was the fourth year of this increase. This rate increase was also a factor in the increased in revenue.
- Solid waste service in annexed areas was under a 5 year moratorium to the prior provider. Several accounts ended the 5 year term and became customers of the City of Poulsobo in 2012, increasing the number of accounts the City serves thus increasing revenue.

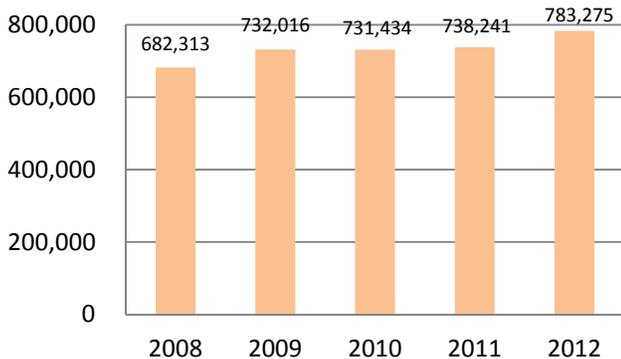
**Water Service Charge Revenue**



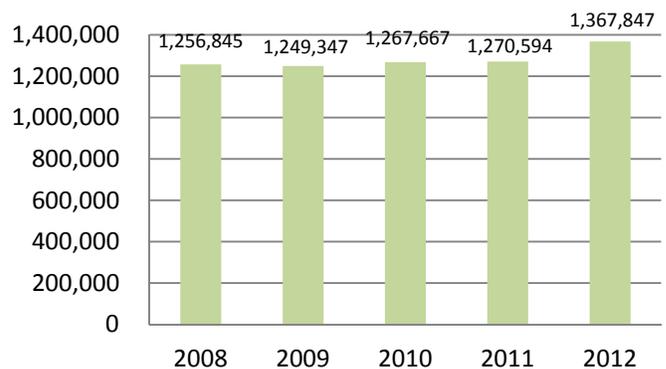
**Sewer Service Charge Revenue**



**Storm Drain Service Charge Revenue**

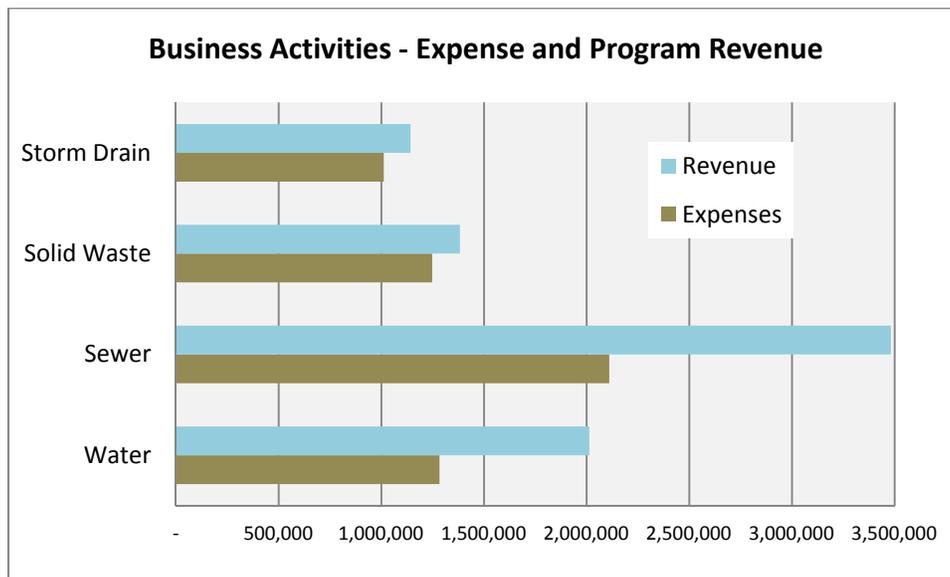


**Solid Waste Service Charge Revenue**



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 2012, 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 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 sewer revenue has a larger variance between revenues and expenditures than the other utilities.

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



**Internal Service Funds:** The City of Poulsbo also has two 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 two funds that fall into this category: General Facilities Fund and Public Works Administration 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. It is anticipated this internal service fund will be eliminated in 2013 and expenses incorporated in the General Fund to support a new Indirect allocation formula being implemented in 2013.

## Major Fund Analysis

The City's Funds: Information about the City's major governmental funds begins on page 36. The City, in accordance with GASB 34, performed the major fund calculation and determined the Street Reserve Fund, Debt Service Fund, 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 \$11.3 million and expenditures of \$13.5 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 increased by 10.2%. The City had anticipated using a portion of their reserves in 2012, but this never occurred. For several years, actual revenue being generated was consistently higher than the City's conservative projections. With the declining economy, the revenues are primarily at or below projection figures; however they have shown modest growth since 2011 in almost every category. Some of the contributing factors are:

- Increases in utility taxes due to an increase rate for City Utilities and increases revenues from outside providers.
- Increase in development revenues for new projects constructing in Poulsbo
- Increase in Business License revenue due to moving on the state system which resulted in a timing difference and an ease of registering increasing the number of City licenses
- Expenditures not reaching their anticipated levels due to conservatism
- Positions remaining vacant for a portion of the year upon employee's exits
- Prior year adjustment for programs moving into the General Fund which did not qualify to be in a special revenue fund

The City maintains the bulk of general reserves in an Assigned Fund Balance which requires a super majority of City Council to approve allocation from the fund balance.

- **Street Reserves Fund:** Accounts for major capital improvements to City streets and transportation projects. The City continues to be successful in receiving grants for transportation projects. Large projects in 2012 included:
  - Noll Road roundabout
  - Hostmark sidewalks and bike lanes.

Both projects were major construction projects supporting traffic and pedestrian safety as well as maintaining the roadway for increased traffic flow.

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

- **Non-Voted General Obligation Debt Fund:** The Debt Service Fund supports the payment of governmental City Debt. In 2012 the City issued bonds to pay off the short term bond anticipation note used to fund a residual amount necessary to complete the construction of the City Hall. The issue also included a refunding of the 2003 transportation issue to achieve a lower interest rate saving the City several thousand dollars over the remaining years of the debt.
- **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 accounted for in the Facilities Fund. The bond proceeds for the bond anticipation note was accounted for in the facilities fund and then transferred to the Debt Service fund to pay off the note.

- **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 increased, 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 40 for the major current expense and special revenue funds. Budget to Actuals for all other funds begin on page 88. The significant budgetary changes in the General Fund include:

- The final General Fund revenue budget increased by almost 0%, or \$86 of the original adopted budget.
- The final General Fund expenditure budget increased by approximately .2%, or \$22,982. The majority of this variance was due increasing wages and benefits to account for a new Information Services Technician and additional fte for Court Security. Although the costs associated with these two expenditures are much more than the total increase, they were offset by partial vacant positions in the Police Department.
- The General Fund anticipated Fund Balance increased \$390,000. This is due to more funds being carried over from the prior year since a transfer from reserves was anticipated but not necessary in 2011.
- 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 [dbooyer@cityofpoulsbo.com](mailto:dbooyer@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, but still maintaining liquidity.

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, which are intended for one time not ongoing expenditures, a super majority of City Council must approve the use. 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: \$11.7 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 \$594,946 and one is recorded in Business-Type Activities with a principal balance of \$137,543..

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 \$2,218,000.

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 (\$1,244,257,146), or \$18,663,857;
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 (\$1,280,709,278). For 2012 the City's limit is \$31,106,429, 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.

In 2012 the City issued bonds to pay the short-term bond anticipation note in the amount of \$1,875,000, which had been used to complete the City Hall project. It was anticipated that when some City properties which have been identified as a funding piece for the project sell, the proceeds would be used to pay this note. However, the properties had not sold and did not have much interest in the current real estate market. It was to issue long term notes at the beginning of 2012.

Additional information on the City's debt is provided in Note 11, "Long-Term Debt" and may be found on page 68 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 2012 these transfers continued to be reduced to leave more operational dollars in the general fund. Capital purchases were delayed or reserve dollars used to purchase necessary capital items.

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 2012 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.

There is minimal increase in Capital Assets in 2012. Any increases recorded have been offset by depreciation creating an almost 0% increase. There are several projects contributing to the capital increase, such as improvements to Noll Road Roundabout and safety improvements to Hostmark, both very active roads for pedestrians and traffic for the local schools, including and elementary, middle and high school. Additional information on the City's capital assets is provided in Note 5, beginning on page 58.

**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>	
	2012	2011	2012	2011	2012	2011
Land/Intangibles	28,645,385	28,645,385	942,823	942,823	29,588,208	29,588,208
Buildings	14,326,432	14,707,904	254,447	264,698	\$14,580,879	14,972,601
Other Improvements	3,493,281	2,998,560	37,643,387	37,458,845	\$41,136,667	40,457,405
Infrastructure	23,714,507	18,737,458			\$23,714,507	18,737,458
Intangibles (Depreciable)	321,591	446,748	310,398	360,566	\$631,988	807,314
Machinery & Equipment	798,894	932,927	600,834	730,461	\$1,399,728	1,663,388
Work in Progress	2,115,044	6,770,226	911,465	1,167,868	\$3,026,509	7,938,094
<b>Totals</b>	<b>\$73,415,132</b>	<b>\$73,239,207</b>	<b>\$40,663,353</b>	<b>\$40,925,260</b>	<b>114,078,485</b>	<b>114,164,467</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 2008 the City began to see the impact of the economic slowdown consistent with the national economy. Sales tax revenue showed a 7% decrease in 2012. Much of the decline can be attributed to the loss of tax generated by vehicle sales. Several of the automobile dealerships have now closed their doors leaving vacant business fronts on the Viking Avenue corridor. Through proactive planning the City Council has promoted diversification. This loss of sales tax prior to 2005 would have devastated the City, but because of diversification and promotion of economic development, the City is able to weather the impact and still remain a growing environment and maintain a healthy level of reserves. The City anticipates continued growth, but at a much slower pace than prior to 2009. Several large and small developments, both commercial and residential, continue to work with the City through the planning stages anticipating construction in 2013. It is with almost certainty a large grocery store inclusive of a gas station and underground parking will be constructed in 2013 and open their doors to business at the end of 2013. Overall the average for the five years preceding 2012 reflected a 2% average decrease. The practice of Council is to not estimate more than received the prior year, which would have meant reducing the revenues almost \$200,000, but due to the certainty of the new development this revenue projection remained flat anticipating the increase will offset any reductions recognized in 2012. New potential commercial projects will not only supplement the construction category of sales tax, but provide an additional revenue stream for retail trade.

Although there has been a decline, some areas of the City continue to reflect growth. A new fast food restaurant opened in 2012 and a new housing development continues to construct and sale homes, with other developments again commencing construction on site developments previously approved but put on hold through the decline in the housing market.

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. The increase will remain in effect for 2013. The increase was absorbed into the rates showing no additional increase due to the tax increase.

Several large construction projects continued in 2012. The City had two large road construction projects completed in 2012. The first was improvements to the intersection of Lincoln and Noll Road. A roundabout was constructed to support safe traffic flow and entrance to the heavily traveled roads. Improvements to Hostmark Road constructing sidewalks and traffic calming devices were completed in 2012. This location is the main road leading from a heavily traveled state highway and adjacent to the local school district facilities including an elementary, middle and high school and a large athletic field. The project included necessary safety improvements for pedestrians and improved vehicle access to all of these sites. The City worked collaboratively with the School District to help meet everyone's needs. Both of these projects were largely funded by federal and state grants. The City has been successful in receiving grants to continue forward with additional transportation projects supporting pedestrian safety. On the horizon of 2013 projects are; continued improvements to Noll Road, Lincoln Road and parking and stormwater improvement to Anderson Parkway, a major parking lot serving the Poulsbo waterfront and historic downtown.

The City's estimated population in 2013 has grown by 115 people or 1% as reported by the Office of Financial Management (OFM). The daytime population is much higher and 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 (KPUD) to provide water services in a new development which is adjacent to their service area and also the ability to purchase water if needed. At this point it has not been necessary for the City to purchase additional water, but some of the new development occurring in the City's formally annexed area will be serviced by the KPUD for water services. 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.

In 2013 it is anticipated the Comprehensive Plan for Storm Drain will be updated and rates most likely increased. It is becoming more difficult for the City to operate the system on current revenues as the regulations have substantially increased requiring an increased level of reporting and monitoring. These regulations have made it necessary for the City to increase the resources allocated to the function, which have been causing the fund to operate at much lower level of return and not allowing to build necessary reserves for future capital improvements. The Council will also be looking at services necessary to maintain streets, which have been previously supported by general government funds, but the services necessary for storm water functions.

Washington continues to be a state impacted by tax limiting initiatives and a struggling state budget. The City receives funds related to liquor sales in two different distributions. The first is liquor profits and the second is liquor excise tax. Both are distributed as a state shared revenue based on population. An initiative in 2011 calling for state operated liquor stores to be closed and the ability for retail establishments to apply for a license to sell liquor from their establishment passed. The initiative eliminated state shared liquor profits but called for local entities to be funded at the same levels which are to be supplemented by the licensing and permitting fees. The state reduced the shared excise taxes, with a potential plan to bring them back on a graduated scale over several years. This of course is contingent on legislators and the state budget they approve.

For several years the law had changed regarding lodging tax revenue, which is set to expire June 30, 2013. The agencies were able to use the tax to support operations of tourism related events. The City has used a portion of the funds to support the necessary overtime to set up, takedown and patrol the events. If the change is not extended the City will need to again absorb these expenditures or pass through the charges to the sponsoring agencies.

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. The City will continue to work with surrounding agencies for sharing of service opportunities and 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 POSITION  
DECEMBER 31, 2012**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and Cash Equivalents	\$ 1,297,619	\$ 1,318,013	\$ 2,615,632
Investments	3,997,782	13,617,534	17,615,316
Receivables:			
Taxes	956,863	-	956,863
Accounts	8,947	608,435	617,382
Special Assessments	16,035	-	16,035
Other Receivables	37,166	-	37,166
Due from Other Governments	468,934	-	468,934
Materials and Supplies Inventory	9,635	32,580	42,215
Debt Issuance Costs	97,473	13,973	111,446
Restricted Assets:			
Investments	91,016	442,900	533,916
Note Receivable	172,150		172,150
Capital Assets (net of accumulated depreciation):			
Land & Right of Ways	28,645,385	942,823	29,588,208
Buildings and Structures	14,326,432	254,447	14,580,879
Other Improvements	27,207,787	37,643,387	64,851,174
Machinery and Equipment	798,894	600,834	1,399,728
Construction in Progress	2,115,044	911,465	3,026,509
Intangibles	321,591	310,398	631,988
<b>Total Assets</b>	<b>80,568,751</b>	<b>56,696,788</b>	<b>137,265,539</b>
<b>Deferred Outflows of Resources</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Liabilities</b>			
Accounts Payable and other current liabilities	510,074	350,617	860,691
Due to Other Governmental Units	49,066	-	49,066
Accrued Interest Payable	41,202	60,873	102,076
Custodial Accounts	342,550	1,473	344,023
Long-Term Liabilities:			
Due within one year	650,267	513,275	1,163,542
Due in more than one year	12,506,505	2,926,782	15,433,287
<b>Total Liabilities</b>	<b>14,099,665</b>	<b>3,853,020</b>	<b>17,952,686</b>
<b>Deferred Inflows of Resources</b>			
<b>Unearned Revenue</b>	<b>97,141</b>	<b>3,014</b>	<b>100,155</b>
<b>Net Position</b>			
Net Investment in Capital Assets	61,173,480	37,440,865	98,614,345
Restricted for:			
Capital Purpose	399,073	-	399,073
Drug Enforcement	25,091	-	25,091
Criminal Justice	76,785	-	76,785
Promoting Downtown Businesses	73,644	-	73,644
Promoting Tourism	64,727	-	64,727
City Beautification-Expendable	9,205	-	9,205
City Beautification-Nonexpendable	91,016	-	91,016
Debt Service	31,575	442,900	474,475
Unrestricted	4,427,348	14,956,989	19,384,337
<b>Total Net Position</b>	<b>\$ 66,371,945</b>	<b>\$ 52,840,754</b>	<b>\$ 119,212,698</b>

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

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

Page 1 of 2

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental activities:</b>				
General government	\$ 2,148,291	\$ 345,044	\$ 128,132	\$ -
Judicial	374,672	112,308	621	-
Security of Persons & Property	2,651,809	168,580	51,971	-
Utilities & Environment	463,211	53,193	-	-
Transportation	1,852,794	12,100	188,898	1,725,242
Economic Environment	665,027	505,177	2,072	-
Mental & Physical Health	14,705	-	-	-
Culture & Recreation	1,427,910	538,424	97,265	32,857
Interest on Long-Term Debt	556,341	-	-	-
<b>Total Governmental Activities</b>	<b>10,154,759</b>	<b>1,734,826</b>	<b>468,960</b>	<b>1,758,099</b>
<b>Business-Type Activities:</b>				
Water	1,282,886	1,461,638	-	551,321
Sewer	2,109,868	2,803,005	-	678,809
Solid Waste	1,247,121	1,382,449	-	-
Storm Drain	1,011,619	801,795	66,936	272,982
<b>Total Business-Type Activities</b>	<b>5,651,494</b>	<b>6,448,887</b>	<b>66,936</b>	<b>1,503,112</b>
<b>Total Primary Government</b>	<b>\$ 15,806,253</b>	<b>\$ 8,183,713</b>	<b>\$ 535,895</b>	<b>\$ 3,261,211</b>

**General Revenues:**  
 Property Taxes  
 Retail Sales & Use Taxes  
 Business and Occupation Taxes  
 Excise Taxes  
 Unrestricted Investment Earnings  
 Gain (loss) on disposal of capital assets  
**Transfers**

**Total General Revenues, Special Items, and Transfers**

Change in Net Position

Net Position Beginning of Year  
 Prior Period Adjustments

**Net Position 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, 2012**

Page 2 of 2

Net (Expenses) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (1,675,115)	-	\$ (1,675,115)
(261,742)	-	(261,742)
(2,431,258)	-	(2,431,258)
(410,017)	-	(410,017)
73,446	-	73,446
(157,778)	-	(157,778)
(14,705)	-	(14,705)
(759,364)	-	(759,364)
(556,341)	-	(556,341)
<b>(6,192,875)</b>	<b>-</b>	<b>(6,192,875)</b>
-	730,073	730,073
-	1,371,946	1,371,946
-	135,328	135,328
-	130,094	130,094
-	<b>2,367,441</b>	<b>2,367,441</b>
<b>(6,192,875)</b>	<b>2,367,441</b>	<b>\$ (3,825,434)</b>
2,119,770	-	2,119,770
2,700,885	-	2,700,885
1,718,219	-	1,718,219
587,590	-	587,590
59,267	56,111	115,378
4,712	-	4,712
-	-	-
<b>7,190,443</b>	<b>56,111</b>	<b>7,246,554</b>
997,568	2,423,552	3,421,120
65,475,137	50,415,439	115,890,576
(100,761)	1,763	(98,998)
<b>\$ 66,371,945</b>	<b>\$ 52,840,754</b>	<b>\$ 119,212,698</b>

**BALANCE SHEET-GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Non-Voted General Obligation			
	General Fund	Debt Fund	Street Reserve Fund	Facilities Fund
<b>Assets</b>				
Cash and Cash Equivalents	\$ 501,163	\$ 3	\$ 208,676	\$ 11
Investments	2,436,708	5,421	27,175	141,842
Receivables:				
Taxes	5,993	-	-	-
Accounts	8,947	-	-	-
Special Assessments	-	-	-	-
Due from other govern units	2,925	-	465,364	-
Inventories	9,635	-	-	-
Cash and Investments-Restricted	-	-	-	-
<b>Total Assets</b>	<b>2,965,370</b>	<b>5,423</b>	<b>701,216</b>	<b>141,853</b>
<b>Deferred Outflows of Resources</b>	-	-	-	-
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts Payable	387,235	-	82,008	-
Due to Other Governments	49,066	-	-	-
Revenues Collected in Advance	79,601	-	-	-
Custodial Accounts	342,508	-	-	-
<b>Total Liabilities</b>	<b>858,411</b>	-	<b>82,008</b>	-
<b>Deferred Inflows of Resources</b>				
Deferred Revenue	5,962	-	-	-
<b>Fund Balances:</b>				
Nonspendable fund balance	9,635	-	-	-
Restricted fund balance	-	5,423	-	-
Assigned fund balance	1,577,089	-	619,207	141,853
Unassigned fund balance	514,274	-	-	-
<b>Total Fund Balances</b>	<b>2,100,998</b>	<b>5,423</b>	<b>619,207</b>	<b>141,853</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 2,965,370</b>	<b>\$ 5,423</b>	<b>\$ 701,216</b>	<b>\$ 141,853</b>

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

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>			
		<b>Total Governmental Fund Balances:</b>		\$ 4,982,894
		<i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
\$ 587,766	\$ 1,297,619			
1,386,637	3,997,782			
85,766	91,759	Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		73,415,132
-	8,947	These assets consist of:		
16,035	16,035	Land	\$ 28,645,385	
645	468,934	Buildings and structures	17,229,405	
-	9,635	Improvements	37,141,282	
91,016	91,016	Machinery and Equipment	2,760,407	
<u>2,167,864</u>	<u>5,981,725</u>	Construction in Progress	2,115,044	
		Intangibles	640,143	
		Less: Accumulated Depreciation	(15,116,534)	
40,831	510,074	Other Assets that are not available to pay for current-period expenditures and therefore are not reported in governmental funds.		1,171,893
-	49,066			
-	79,601			
42	342,550			
<u>40,873</u>	<u>981,292</u>			
		Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the governmental funds.		
<u>11,578</u>	<u>17,540</u>	Interest Payable	41,202	
91,016	100,651	Long-term Liabilities	13,156,773	(13,197,975)
651,739	657,162			
1,372,658	3,710,807			
-	514,274			
<u>2,115,413</u>	<u>4,982,894</u>	Net Position of governmental activities		<u>\$ 66,371,945</u>
<u>\$ 2,167,864</u>	<u>\$ 5,981,725</u>			

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, 2012**

	General Fund	Non-Voted General Obligation Debt Fund	Street Reserve Fund	Facilities Fund
<b>Revenues</b>				
Taxes	\$ 6,543,188	\$ -	\$ -	\$ -
Licenses and Permits	592,350	-	-	-
Intergovernmental	159,118	-	1,076,322	-
Charges for Services	1,644,266	-	-	-
Fines and Forfeitures	79,040	-	-	-
Interest and Other Earnings	56,665	340	432	187
Miscellaneous	105,942	-	-	-
<b>Total Revenues</b>	<b>9,180,569</b>	<b>340</b>	<b>1,076,754</b>	<b>187</b>
<b>Expenditures</b>				
Current:				
General Government	2,765,463	-	-	-
Security of Persons & Property	2,540,509	-	-	-
Utilities and Environment	455,458	-	-	-
Transportation	-	-	-	-
Economic Environment	660,244	-	-	-
Mental and Physical Health	14,705	-	-	-
Culture and Recreation	1,028,165	-	-	-
Debt Service:				
Principal	-	3,040,000	-	-
Interest & Fiscal Charges	-	492,959	-	-
Capital Outlay	-	-	1,390,239	654
<b>Total Expenditures</b>	<b>7,464,544</b>	<b>3,532,959</b>	<b>1,390,239</b>	<b>654</b>
<i>Excess of Revenues Over (Under) Expenditures</i>	<i>1,716,025</i>	<i>(3,532,619)</i>	<i>(313,486)</i>	<i>(466)</i>
<b>Other Financing Sources (Uses)</b>				
Transfers In	-	3,562,835	367,424	-
Transfers Out	(1,609,992)	-	-	(2,524,630)
Bond Proceeds	-	-	-	2,455,000
Premium on Bonds Sold	-	-	-	69,630
Issuance Discount on Long-Term Debt	-	(34,561)	-	-
Sale of Capital Assets	4,712	-	-	-
<b>Total Other Financing Sources and Uses</b>	<b>(1,605,280)</b>	<b>3,528,273</b>	<b>367,424</b>	<b>-</b>
<i>Net Change in Fund Balances</i>	<i>110,745</i>	<i>(4,346)</i>	<i>53,939</i>	<i>(466)</i>
<i>Fund Balances Beginning of Year</i>	<i>1,908,084</i>	<i>9,769</i>	<i>666,030</i>	<i>142,319</i>
<i>Prior Year Adjustment</i>	<i>82,169</i>	<i>-</i>	<i>(100,761)</i>	<i>-</i>
<b>Fund Balances End of Year</b>	<b>\$ 2,100,998</b>	<b>\$ 5,423</b>	<b>\$ 619,207</b>	<b>\$ 141,853</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, 2012**

Non-Major Governmental Funds		Total
\$	650,984	\$ 7,194,171
	12,100	604,450
	235,562	1,471,002
	11,857	1,656,123
	9	79,049
	5,661	63,285
	96,216	202,158
	<u>1,012,390</u>	<u>11,270,239</u>
	-	2,765,463
	16,681	2,557,190
	-	455,458
	744,424	744,424
	-	660,244
	-	14,705
	145,214	1,173,379
	74,368	3,114,368
	20,079	513,038
	132,096	1,522,990
	<u>1,132,863</u>	<u>13,521,260</u>
	(120,474)	(2,251,020)
	857,255	4,787,514
	(652,893)	(4,787,514)
	-	2,455,000
	-	69,630
	-	(34,561)
	-	4,712
	<u>204,363</u>	<u>2,494,781</u>
	83,889	243,760
	2,113,692	4,839,894
	(82,169)	(100,761)
\$	<u>2,115,413</u>	\$ <u>4,982,894</u>

Net change in Fund balance--total governmental funds \$ 243,760

*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 1,522,990  
This is the amount of depreciation (1,904,750)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the government funds. (70,228)

Developers construct and then contributed capital infrastructure assets to the City. These assets are reported on the statement of activities but not reported in the fund statements. 640,863

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which repayments exceeded proceeds.

Proceeds on Long-Term Debt (2,455,000)  
Premium on bonds sold (69,630)  
Insurance Discount on bonds sold 34,561  
Principal payments 3,114,368

Some expenses reported in the statement of activities do not require the use of the governmental funds. (59,366)

Change in net position of governmental activities \$ 997,568

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, 2012**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
<b>Revenues</b>				
Taxes	\$ 6,550,788	\$ 6,676,788	\$ 6,543,188	\$ (133,600)
Licenses and Permits	328,960	328,960	592,350	263,390
Intergovernmental	149,751	163,717	159,118	(4,599)
Charges for Services	1,496,256	1,545,282	1,644,266	98,984
Fines and Forfeitures	75,719	75,719	79,040	3,321
Interest and Other Earnings	93,220	93,220	56,665	(36,555)
Miscellaneous	76,479	81,179	105,942	24,763
<b>Total Revenues</b>	<b>8,771,173</b>	<b>8,964,865</b>	<b>9,180,569</b>	<b>215,704</b>
<b>Expenditures</b>				
Current:				
General Government	2,787,239	2,888,886	2,765,463	123,423
Security of Persons & Property	2,566,418	2,595,271	2,540,509	54,762
Utilities and Environment	488,551	505,266	455,458	49,808
Economic Environment	674,822	684,039	660,244	23,795
Mental and Physical Health	14,358	14,358	14,705	(347)
Culture and Recreation	1,059,682	1,062,572	1,028,165	34,407
<b>Total Expenditures</b>	<b>7,591,069</b>	<b>7,750,391</b>	<b>7,464,544</b>	<b>285,847</b>
Excess of Revenues Over Expenditures	1,180,104	1,214,474	1,716,025	501,551
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	-	-
Transfers out	(1,574,319)	(1,631,585)	(1,609,992)	21,593
Intergovernmental Payment	-	-	-	-
Sale of Capital Assets	3,780	3,780	4,712	932
Comp for Impairment of Capital Assets	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>(1,570,539)</b>	<b>(1,627,805)</b>	<b>(1,605,280)</b>	<b>22,525</b>
Net Change in Fund Balance	(390,435)	(413,331)	110,745	524,076
Fund Balance Beginning of Year	1,567,311	1,980,410	1,908,084	(72,326)
<i>Prior Year Adjustment</i>			82,169	82,169
<b>Fund Balance End of Year</b>	<b>\$ 1,176,876</b>	<b>\$ 1,567,079</b>	<b>\$ 2,100,998</b>	<b>\$ 533,919</b>

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



**STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Business-type Activities Enterprise Funds					
	Water	Sewer	Solid Waste	Storm Drain	Total	Internal Service Funds
<b>Assets</b>						
Current Assets:						
Cash and Cash Equivalents	\$ 370,901	\$ 453,590	\$ 310,540	\$ 124,235	\$ 1,259,265	\$ 58,748
Investments	3,989,438	5,635,907	1,890,393	2,004,408	13,520,146	97,388
Accounts Receivable	114,559	264,176	131,436	96,924	607,095	1,340
Inventories	25,724	6,400	-	-	32,124	456
<b>Total Current Assets</b>	<b>4,500,622</b>	<b>6,360,074</b>	<b>2,332,369</b>	<b>2,225,567</b>	<b>15,418,632</b>	<b>157,931</b>
Noncurrent Assets:						
Restricted cash, cash equivalents, and invests.:						
Revenue bond covenant investment	97,438	345,462	-	-	442,900	-
Deferred Charges	3,074	10,899	-	-	13,973	-
Capital Assets:						
Land	319,700	277,676	124,678	214,179	936,233	6,590
Buildings and Structures	246,899	253,933	-	16,184	517,016	-
Intangibles	74,121	80,697	-	140,145	294,962	15,435
Other Improvements	15,211,234	24,261,089	-	10,583,572	50,055,895	32,424
Machinery and Equipment	478,363	792,541	884,346	323,197	2,478,448	55,313
Construction in Progress	451,763	284,567	61,911	113,224	911,465	-
Less: Accumulated Depreciation	(4,240,863)	(7,447,741)	(689,377)	(2,190,495)	(14,568,475)	(71,953)
<b>Total Noncurrent Assets</b>	<b>12,641,730</b>	<b>18,859,123</b>	<b>381,559</b>	<b>9,200,007</b>	<b>41,082,418</b>	<b>37,809</b>
<b>Total Assets</b>	<b>17,142,352</b>	<b>25,219,197</b>	<b>2,713,928</b>	<b>11,425,574</b>	<b>56,501,050</b>	<b>195,739</b>
<b>Deferred Outflows of Resources</b>						
	-	-	-	-	-	-
<b>Liabilities</b>						
Current Liabilities						
Accounts payable	29,910	181,504	53,037	56,614	321,065	29,552
Accrued interest payable	12,755	48,118	-	-	60,873	-
Rev. bonds payable (net of deferred amt refunded)	87,355	309,712	-	-	397,067	-
Custodial	1,473	-	-	-	1,473	-
Compensated Absences	2,843	3,125	3,026	2,574	11,568	-
Notes Payable	-	50,000	-	-	50,000	-
Due to Other Governmental Units	-	-	-	-	-	-
<b>Total Current Liabilities</b>	<b>134,337</b>	<b>592,459</b>	<b>56,063</b>	<b>59,188</b>	<b>842,048</b>	<b>29,552</b>
Noncurrent Liabilities:						
Rev. bonds payable (net of deferred amt refunded)	381,979	1,354,290	-	-	1,736,269	-
Compensated absences	25,591	28,122	27,238	23,163	104,114	87,914
Notes Payable	-	915,581	-	-	915,581	-
Due to Other Governmental Units	24,483	113,061	-	-	137,543	-
<b>Total Noncurrent Liabilities</b>	<b>432,053</b>	<b>2,411,054</b>	<b>27,238</b>	<b>23,163</b>	<b>2,893,507</b>	<b>87,914</b>
<b>Total Liabilities</b>	<b>566,390</b>	<b>3,003,513</b>	<b>83,302</b>	<b>82,351</b>	<b>3,735,555</b>	<b>117,466</b>
<b>Deferred Inflows of Resources</b>						
<b>Unearned Revenue</b>	<b>3,014</b>	-	-	-	<b>3,014</b>	-
<b>Net Position</b>						
Invested in capital assets, net of related debt	12,050,475	15,771,016	381,559	9,200,006	37,403,056	37,809
Restricted for debt service	97,438	345,462	-	-	442,900	-
Unrestricted	4,425,035	6,099,205	2,249,067	2,143,217	14,916,523	40,465
<b>Total net position</b>	<b>\$ 16,572,948</b>	<b>\$ 22,215,683</b>	<b>\$ 2,630,626</b>	<b>\$ 11,343,223</b>	<b>\$ 52,762,480</b>	<b>\$ 78,274</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	195,739
Less total business-type Internal Service Fund liabilities	(117,466)
<b>Net assets of business-type activities</b>	<b>\$ 52,840,754</b>

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

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Business-type Activities Enterprise Funds					Internal Service Funds
	Water	Sewer	Solid Waste	Storm Drain	Total	
<b>Operating Revenues:</b>						
Charges for Services	\$ 1,361,785	\$ 2,766,701	\$ 1,367,759	\$ 783,275	\$ 6,279,521	\$ 1,224,299
Other Operating Revenues	99,853	36,303	14,690	18,520	169,366	-
<b>Total Operating Revenues</b>	<b>1,461,638</b>	<b>2,803,005</b>	<b>1,382,449</b>	<b>801,795</b>	<b>6,448,887</b>	<b>1,224,299</b>
<b>Operating Expenses:</b>						
Administrative and General	427,650	514,198	348,447	360,730	1,651,025	1,211,652
Depreciation	380,230	590,697	29,596	317,533	1,318,055	12,517
Maintenance	21,633	9,841	60,146	12,677	104,298	-
Contracted Processing and Operations	-	565,259	421,239	-	986,499	-
Operating	404,692	314,953	350,206	300,679	1,370,531	98,935
<b>Total Operating Expenses</b>	<b>1,234,206</b>	<b>1,994,948</b>	<b>1,209,635</b>	<b>991,619</b>	<b>5,430,408</b>	<b>1,323,104</b>
Operating Income (Loss)	227,432	808,057	172,814	(189,824)	1,018,480	(98,805)
<b>Nonoperating Revenues (Expenses):</b>						
Interest and Other Earnings	16,786	21,278	8,047	9,729	55,841	269
Interest Expense	(22,212)	(80,808)	-	-	(103,020)	-
State Grants	-	-	-	81,050	81,050	-
Amortization of Debt Issue Costs	(4,238)	(15,024)	-	-	(19,262)	-
<b>Total Nonoperating Revenue (Expenses)</b>	<b>(9,663)</b>	<b>(74,554)</b>	<b>8,047</b>	<b>90,779</b>	<b>14,610</b>	<b>269</b>
Income (loss) Before Contributions	217,769	733,503	180,862	(99,044)	1,033,090	(98,535)
Capital Contributions	551,321	678,809	-	258,868	1,488,998	-
Change in Net Position	769,090	1,412,312	180,862	159,824	2,522,087	(98,535)
Total Net Position Beginning of Year	15,803,858	20,803,371	2,449,764	11,183,399		175,046
Prior Year Adjustments	-	-	-	-		1,763
<b>Total Net Position End of Year</b>	<b>\$ 16,572,948</b>	<b>\$ 22,215,683</b>	<b>\$ 2,630,626</b>	<b>\$ 11,343,223</b>		<b>\$ 78,274</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.

*Change in Net Position of Business-type Activities*      \$ 2,522,087

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, 2012**

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	\$ 1,448,507	\$ 2,745,176	\$ 1,369,034	\$ 814,456	\$ 6,377,174	\$ 1,223,320
Payments for interfund services provided	(187,780)	(170,065)	(204,368)	(166,039)	(728,253)	-
Payments to suppliers	(367,274)	(901,305)	(700,417)	(145,474)	(2,114,469)	(824,816)
Payments to employees	(293,469)	(271,735)	(270,473)	(362,609)	(1,198,286)	(472,525)
<b>Net cash provided (used) by operating activities</b>	<b>599,984</b>	<b>1,402,070</b>	<b>193,777</b>	<b>140,335</b>	<b>2,336,166</b>	<b>(74,020)</b>
<b>Cash Flows From Noncapital Financing Activities</b>						
State & Federal Grants				81,050	81,050	
Transfers in (out ) to other funds	-	-	-	-	-	-
<b>Net cash provided (used) by noncapital and related financing activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>81,050</b>	<b>81,050</b>	<b>-</b>
<b>Cash Flows from Capital and Related Financing Activities</b>						
Proceeds from Capital Debt	-	-	-	-	-	-
Capital contributions	129,393	390,842	-	-	520,235	-
Purchase of capital assets	-	(88)	(7,593)	-	(7,681)	-
Acquisition and construction of capital assets	(88,665)	(49,489)	-	78,388	(59,767)	-
Principal paid on capital debt	(95,281)	(576,039)	-	-	(671,320)	-
Interest paid on capital debt	(21,339)	(76,708)	-	-	(98,047)	-
Proceeds from Disposition of capital assets	-	-	-	-	-	-
<b>Net cash provided (used) by capital and related financing activities</b>	<b>(75,893)</b>	<b>(311,482)</b>	<b>(7,593)</b>	<b>78,388</b>	<b>(316,579)</b>	<b>-</b>
<b>Cash Flows from Investing Activities</b>						
Proceeds from sales and maturities of investments	1,908,560	2,766,649	700,898	852,590	6,228,697	124,950
Purchase of investment	(2,104,513)	(3,471,519)	(651,536)	(1,055,630)	(7,283,198)	(25,269)
Interest and dividends received	16,788	21,278	8,047	9,729	55,843	269
<b>Net cash used by investing activities</b>	<b>(179,166)</b>	<b>(683,592)</b>	<b>57,410</b>	<b>(193,310)</b>	<b>(998,658)</b>	<b>99,950</b>
Net increase in cash and cash equivalents	344,925	406,996	243,594	106,463	1,101,978	25,930
Cash and cash equivalents Beginning of Year	25,975	46,593	66,946	17,772	157,287	32,818
<b>Cash and cash equivalents End of Year</b>	<b>\$ 370,901</b>	<b>\$ 453,590</b>	<b>\$ 310,540</b>	<b>\$ 124,235</b>	<b>\$ 1,259,265</b>	<b>\$ 58,748</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, 2012**

Page 2 of 2

	Business-type Activities Enterprise Funds					
	Water	Sewer	Solid Waste	Storm Drain	Total	Internal Service Funds
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>						
Operating Income (Loss)	\$ 227,432	\$ 808,057	\$ 172,814	\$ (189,824)	\$ 1,018,480	\$ 1,323,104
Adjustments to reconcile operating income to net cash provided (used) by operating activities						
Depreciation (increase) decrease due to prior period adjustments	380,230	590,697	29,596	317,533	1,318,055	12,517
(Increase) decrease in accounts receivable	(11,704)	(33,012)	(13,415)	12,811	(45,321)	(978)
(Increase) decrease in inventories	(3,492)	(188)	-	-	(3,680)	-
Increase (decrease) in accounts payable	3,896	62,263	2,718	48	68,924	7,903
Increase (decrease) in Custodial Funds	(1,164)	(24,816)	-	-	(25,980)	-
Increase (decrease) in compensated absences payable	4,789	(929)	2,064	(234)	5,689	5,343
<b>Total Adjustments</b>	<b>372,553</b>	<b>594,014</b>	<b>20,962</b>	<b>330,158</b>	<b>1,317,688</b>	<b>24,785</b>
<b>Net Cash Provided By Operating Activities</b>	<b>\$ 599,985</b>	<b>\$ 1,402,070</b>	<b>\$ 193,777</b>	<b>\$ 140,335</b>	<b>\$ 2,336,167</b>	<b>\$ 1,347,888</b>
<b>Noncash investing, financing and capital activities</b>						
Capital Contributions by Developers	421,928	287,967	-	258,868	968,763	
Investment Earnings Unrealized	13,773	5,152	6,205	2,903	28,034	

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

**STATEMENT OF FIDUCIARY NET POSITION  
AGENCY FUND  
DECEMBER 31, 2012**

<b>Agency Fund</b>	
<b>Assets</b>	
Cash and cash equivalents	\$ 30,724
Investments	64,239
Accounts Receivable	49
<b>Total Assets</b>	<b>95,012</b>
<b>Deferred Outflows of Resources</b>	
	-
<b>Liabilities</b>	
Accounts Payable and accrued expenses	730
Retainage Payable	(0)
Custodial funds	94,283
<b>Total Liabilities</b>	<b>95,012</b>
<b>Deferred Inflows of Resources</b>	
	-
<b>Net Position</b>	<b>\$ 0</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 position 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 Position* presents the financial condition of the City's governmental and business-type activities at 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 requirement 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 *Non-Voted General Obligation Debt Fund* accounts for the debt service on Council approved general obligation debt. Due to the final City Hall project financing in 2012 this fund became a major 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 established to fund capital improvements to the City facilities. In 2012 the final costs of the City Hall project accounts for being a major fund.

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 two *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.

*Agency funds* account for assets held by the City as an agent for private individuals or other governments. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of the results of operation.

*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, funds available for expenditure are \$9,205. This amount also represents the designated unrealized investment earnings.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Direct expenses of the functional categories are included in the government-wide statement of activities while indirect expense allocations are eliminated (\$690,259 in 2012). Indirect expenses are primarily charged to the various functions through the use of internal service funds for fleet maintenance and Public Works Administration. Elimination of payments to internal service funds are treated as expense reductions. No other indirect expenses are allocated to the various governmental functions. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's utility functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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 Position 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, 2012.

## 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 2012.

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, 2012 were as follows:

	<b>Transfers Out:</b>			
	<b>General Fund</b>	<b>Facilities Fund</b>	<b>Non-Major Gov'l</b>	<b>Total</b>
<b>Transfers In:</b>				
Non-Voted GO Debt Fund	768,705	2,524,630	269,500	3,562,835
Street Reserve Fund	192,424		175,000	367,424
Non-Major Gov'l Funds	648,863		208,393	857,255
<b>Total Transfers</b>	<b>\$ 1,609,992</b>	<b>\$ 2,524,630</b>	<b>\$ 652,893</b>	<b>\$ 4,787,514</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. 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.

7. Note Receivable

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

8. Capital Assets

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

In the fund financial statements, these assets are accounted for and reported based on the measurement focus of the fund. In other words, in the governmental funds, acquired capital assets are accounted for as expenditures when the asset is purchased. In the proprietary funds, the expense is capitalized and the current year’s depreciation is reported as the expense.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated assets are valued at estimated fair market value at time of acquisition. Where historical cost is not known, assets are recorded at estimated historical costs. The City maintains a capitalization threshold of \$5,000. The City’s infrastructure consists of roads, bridges, storm sewers, and water and sewer distribution and collection systems. Improvements are capitalized but the costs of normal maintenance and repairs, not adding to the value of the asset or materially extending an asset’s life, are not. Property, plant, and equipment of the primary government are depreciated using the straight-line method and reported in the government-wide statements and proprietary funds using the following estimate useful lives:

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

9. Compensated Absences

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

Sick leave accumulation is unlimited, but the annual accrual could be elected to be cashed out for 50% once a 1,000 hour balance is reached. All sick leave is 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 business type-funds and, therefore, their compensated absences liability is included with the business-type activities. 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 and proprietary funds have typically been used to liquidate these liabilities.

#### 10. 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 Position. The actual medical costs are reported as expenditures in the year they are incurred.

#### 11. Custodial Accounts

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

#### 12. 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.

#### 13. 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.

#### 14. Fund Balance Classification

In the fund financial statements, governmental funds report fund balances based on the extent to which the City is bound to observe constraints on the use of the governmental funds' resources. Fund balances are classified in the following manner:

- *Nonspendable* - includes amounts that are either 1) not in spendable form, or 2) legally or contractually required to be maintained intact. Inventories, prepaid items, and permanent trusts are classified as nonspendable fund balances.
- *Restricted* - includes amounts which are constrained for specific purposes that are 1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or 2) imposed by law through enabling legislation.
- *Committed* - includes amounts that can be used for specific purposes with constraints imposed by formal action of the highest level of decision-making authority. The authorization specifying the purposes for which committed funds can be used should have the consent of both the legislative and executive branches of government. The City operates under a Mayor-Council form of government. As Executive Officer, the Mayor supervises the administrative process of the City and works with the City Council. The City Council enacts ordinances and resolutions that may impose, modify or rescind fund balance commitments. (The City does not have any committed balances)

- *Assigned* - includes amounts that are intended to be used for specific purposes, but are neither restricted nor committed. The authority for assignment of funds is not required to be the government’s highest level of decision making authority. Furthermore, the constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on committed fund balances. The City Council may authorize executive officers to assign fund balances for specific purposes through Council files, ordinances and resolutions.
- *Unassigned* - includes amounts that are not assigned to other funds and do not meet the criteria for being classified as restricted, committed, or assigned. Fund balances that can be utilized for economic stabilization, emergencies and contingencies that do not qualify as restricted or committed are reported as unassigned.

The primary flow assumption utilized by the City is: 1) Restricted, 2) Committed, 3) Assigned, 4) Unassigned. However, prior to the commencement of any project, the flow assumption is reviewed to ensure that the proper resources are being used. The following is the breakdown:

	Nonspendable Purposes	Restricted Purposes	Assigned Purposes	Unassigned Purposes	Totals
<b>General Fund</b>					
General Government	\$ 9,635	\$ -	\$ -	\$ 514,274	\$ 523,909
Stabilization Fund			1,352,595		1,352,595
Legal Reserves			224,494		224,494
<b>Subtotals, General Fund</b>	<b>9,635</b>	<b>-</b>	<b>1,577,089</b>	<b>514,274</b>	<b>2,100,998</b>
<b>Non-Voted General Obligation Debt Fund</b>					
Debt service obligations		5,423			5,423
<b>Subtotals, Street Reserve Fund</b>	<b>-</b>	<b>5,423</b>	<b>-</b>	<b>-</b>	<b>5,423</b>
<b>Street Reserve Fund</b>					
Transportation Improvements			619,207		619,207
<b>Subtotals, Street Reserve Fund</b>	<b>-</b>	<b>-</b>	<b>619,207</b>	<b>-</b>	<b>619,207</b>
<b>Facilities Fund</b>					
Capital Improvements on City Facilities			141,853		141,853
<b>Subtotals, Street Reserve Fund</b>	<b>-</b>	<b>-</b>	<b>141,853</b>	<b>-</b>	<b>141,853</b>
<b>Other Governmental Funds</b>					
Transportation Improvements		58,425	741,667		800,091
Parks Improvements		83,866	190,174		274,040
Cemetery Improvements			62,004		62,004
Capital Improvements		256,782	355,876		612,658
Drug Enforcement		25,091			25,091
Criminal Justice		76,785	22,938		99,724
Promote Downtown Businesses		73,644			73,644
Promoting Tourism		64,727			64,727
City Beautification	91,016	9,205			100,221
Debt Service		3,213			3,213
<b>Subtotals, Other Governmental Funds</b>	<b>91,016</b>	<b>651,739</b>	<b>1,372,658</b>	<b>-</b>	<b>2,115,413</b>
<b>Totals</b>	<b>\$ 100,651</b>	<b>\$ 657,162</b>	<b>\$ 3,710,807</b>	<b>\$ 514,274</b>	<b>\$ 4,982,894</b>

15. Minimum Fund Balances

The City has formally adopted a minimum fund balance policy because it is the belief adequate reserve levels are a necessary component of the City’s overall financial management strategy and a key factor in external agencies’ measurement of the City’s financial strength.

General Fund

It will be the policy of the city to maintain a General Fund Reserve at a level of at least equal to twelve percent (12%) of the total General Fund budgeted operating revenue, excluding the beginning fund balance and identified one-time revenue. This shall be in addition to the maintenance of two months operating cash within the General Fund itself.

These operating reserves are maintained to:

- address temporary revenue shortfalls;

- payment of approved expenditures due to cash flow shortage;
- reserves for expenditures deemed necessary by the Mayor and City Council; and
- temporary short-term interfund loans.

Annual contribution will be budgeted from General Fund resources as available to maintain the target reserve level.

#### Capital Reserve Funds

The city shall maintain capital reserve funds to provide funding for the six years Capital Improvement Plan, less proprietary fund projects. The use of any funds within the Capital Improvement Funds shall be approved by the City Council.

Contributions to the capital reserve funds will be made as per the budget recommendations set by the City Council.

All expenditures drawn from reserve accounts shall require prior Council super majority approval unless previously specifically authorized by the City Council for expenditure in the annual budget

## **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 2012, 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 "Beginning Fund Balances" so as to maintain a budget in balance with 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 provides unlimited insurance for the City's non-interest bearing deposits and up to \$250,000 insurance on interest bearing deposits and investments through December 31, 2013; the WPDPC covers amounts over \$250,000. As of June 30, 2009, the State of Washington Public Deposit Protection Commission Act of 1969 was amended to require all public depositories within the State of Washington to fully collateralize their uninsured public deposits at 100%.

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, 2012, the City held the following deposits and investments:

<b>Investment Type</b>	<b>Fair Value</b>	<b>Modified Duration</b>	<b>% of Portfolio</b>
<b>Cash</b>			
FDIC or PDPC insured bank deposits	\$ 2,925,103		
In-transit items	(217,107)		
Custodial funds held in agency funds	(94,964)		
Petty Cash on hand	2,600		
<b>Total Cash</b>	<b>2,615,632</b>		
<b>Investments</b>			
US agency securities			
US Treasury Bills, Notes & Bonds	\$ 1,001,719	0.20	6%
Federal Farm Credit Banks	5,012,865	1.80	28%
Federal Home Loan Bank	2,008,944	0.06	11%
Federal Home Loan Mortgage Corp	1,003,178	2.60	6%
Federal National Mortgage Association	5,026,057	2.00	28%
Washington State Local Government Inv. Pool	4,096,469	0.00	23%
<b>Total Investments</b>	<b>18,149,232</b>	<b>1.110</b>	<b>100%</b>
<b>Total Cash, Cash Equivalents, Investments</b>	<b>\$ 20,764,863</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.

<b>Maximum Allowed Diversification by security type:</b>	
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 2012, the City's levy for general governmental services was \$1.716992 per \$1,000 on the assessed valuation of \$1,244,257,146 for a total of \$2,136,379.

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, 2012, was as follows:

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
<b>Governmental-Type Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 8,784,149	\$ -	\$ -	\$ 8,784,149
Intangible - Right of Way	19,861,236	-	-	19,861,236
Construction Work in Progress	6,770,226	1,472,937	(6,128,119)	2,115,044
<b>Total capital assets not being depreciated</b>	<b>35,415,610</b>	<b>1,472,937</b>	<b>(6,128,119)</b>	<b>30,760,429</b>

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
<b>Governmental-Type Activities Con't</b>				
Capital assets, being depreciated:				
Buildings	17,229,405	-	-	17,229,405
Other Improvements	5,003,815	784,840	-	5,788,655
Machinery and Equipment	2,830,543	45,369	(115,504)	2,760,407
Intangible	634,630	5,513	-	640,143
Infrastructure	25,369,315	5,983,312	-	31,352,627
<b>Total capital assets being depreciated</b>	<b>51,067,708</b>	<b>6,819,034</b>	<b>(115,504)</b>	<b>57,771,238</b>
Less accumulated depreciation for:				
Buildings	(2,521,502)	(381,472)	-	(2,902,973)
Other Improvements	(2,095,373)	(200,002)	-	(2,295,375)
Machinery and Equipment	(1,897,616)	(179,402)	115,504	(1,961,513)
Intangible	(187,882)	(130,670)	-	(318,552)
Infrastructure	(6,631,857)	(1,006,263)	-	(7,638,120)
<b>Total accumulated depreciation</b>	<b>(13,334,229)</b>	<b>(1,897,810)</b>	<b>115,504</b>	<b>(15,116,534)</b>
Total capital assets, being depreciated, net	37,733,479	4,921,225	-	42,654,704
<b>Governmental activity capital assets, net</b>	<b>\$ 73,149,090</b>	<b>\$ 6,394,162</b>	<b>\$ (6,128,119)</b>	<b>\$ 73,415,132</b>
<b>Business-Type Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 942,823	\$ -	\$ -	\$ 942,823
Construction Work in Progress	1,167,868	200,663	(457,066)	911,465
<b>Total capital assets not being depreciated</b>	<b>2,110,691</b>	<b>200,663</b>	<b>(457,066)</b>	<b>1,854,288</b>
Capital assets, being depreciated:				
Buildings	517,016	-	-	517,016
Other Improvements	48,763,251	1,325,068	-	50,088,319
Machinery and Equipment	2,553,492	-	(19,731)	2,533,760
Intangible	421,961	-	-	421,961
<b>Total capital assets being depreciated</b>	<b>52,255,721</b>	<b>1,325,068</b>	<b>(19,731)</b>	<b>53,561,057</b>
Less accumulated depreciation for:				
Buildings	(252,319)	(10,251)	-	(262,570)
Other Improvements	(11,304,407)	(1,140,525)	-	(12,444,932)
Machinery and Equipment	(1,823,031)	(129,627)	19,731	(1,932,927)
Intangible	(61,395)	(50,168)	-	(111,563)
<b>Total accumulated depreciation</b>	<b>(13,441,152)</b>	<b>(1,330,572)</b>	<b>19,731</b>	<b>(14,751,992)</b>
Total capital assets, being depreciated, net	38,814,569	(5,504)	-	38,809,065
<b>Business-type activity capital assets, net</b>	<b>\$ 40,925,260</b>	<b>\$ 195,159</b>	<b>\$ (457,066)</b>	<b>\$ 40,663,353</b>

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

**Governmental activities:**

General Government	\$ 454,872
Security of Persons and Property	68,116
Utilities and Environment	2,740
Transportation	1,116,903
Economic Environment	-
Culture and Recreation	248,238

**Total depreciation expense - governmental activities** \$ 1,890,870 \*

\*Amount does not reconcile to capital asset activity table listed above due to a prior year adjustment

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

<b>Business-type activities:</b>	
Water	\$ 380,230
Sewer	590,697
Solid Waste	29,596
Storm Drain	317,533
Public Works Administration	12,517
<b>Total depreciation expense - business-type activities</b>	<b><u>\$ 1,330,572</u></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:

The Legislature established PERS in 1947. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts (other than judges currently in the Judicial Retirement System); employees of legislative committees; community and technical colleges, college and university employees not participating in higher education retirement programs; judges of district and municipal courts; and employees of local governments. PERS retirement benefit provisions are established in Chapters 41.34 and 41.40RCW and may be amended only by the State Legislature.

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.

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

PERS Plan 1 and Plan 2 defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions.

PERS Plan 1 retirement benefits are vested after the completion of 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.

This benefit was eliminated by Legislature, effective July 1, 2011. Plan 1 members may 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.

PERS Plan 1 provides duty and non-duty disability benefits. Duty disability retirement benefits for disablement prior to the age of 60 consist of a temporary life annuity payable to the age of 60. The allowance amount is \$350 a month, or two-thirds of the monthly AFC, whichever is less. The benefit is reduced by any workers' compensation benefit and is payable as long as the member remains disabled or until the member attains the age of 60. A member with five years of covered employment is eligible for non-duty disability retirement. Prior to the age of 55, the allowance amount is two percent of the AFC for each year of service reduced by two percent for each year that the member's age is less than 55. The total benefit is limited to 60 percent of the AFC and is actuarially reduced to reflect the choice of a survivor option. A cost-of-living allowance was granted at age 66 based upon years of service times the COLA amount. This benefit was eliminated by the Legislature, effective July 1, 2011. Plan 1 members may 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.

PERS Plan 1 members can receive credit for military service. Members can also purchase up to 24 months of service credit lost because of an on-the-job injury.

PERS Plan 2 members are vested after the completion of 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 two percent of the AFC per year of service. (AFC is the monthly average of the 60 consecutive highest-paid service months.)

PERS Plan 2 members who have at least 20 years of service credit and are 55 years of age or older are eligible for early retirement with a 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.

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 or 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 contributions and 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 1,184 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2011:

Retirees and Beneficiaries Receiving Benefits	\$ 79,363
Terminated Plan Members Entitled To But Not Yet Receiving Benefits	29,925
Active Plan Members Vested	105,578
Active Plan Members Non-vested	46,839
<b>Total</b>	<b>\$ 261,705</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, 2012, are as follows:

Members Not Participating in JBM:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer*	7.21%**	7.21%**	7.21%***
Employee	6.00%****	4.64%****	*****

\*The employer rates include the employer administrative expense fee currently set at 0.16%.

\*\*The employer rate for state elected officials is 10.80% for Plan 1 and 7.25% for Plan 2 and Plan 3

\*\*\*Plan 3 defined benefit portion only.

\*\*\*\*The employee rate for state elected officials is 7.5% for Plan 1 and 4.64% 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*	9.71%	9.71%	9.71%
Employer-Local Govt.*	7.21%	7.21%	7.21%
Employee-State Agency	9.76%	9.10%	7.50%***
Employee- Local Govt.	12.26%	11.60%	7.50%***

\*The employer rates include the employer administrative expense fee currently set at 0.16%.

\*\*Plan 3 defined benefit portion only.

\*\*\*Minimum rate.

Both the City of Poulsbo and its employees made the required contributions. The City of Poulsbo’s required contributions for the years ending December 31, 2012 were as follows:

	PERS Plan 2	PERS Plan 3
2012	\$ 216,648	\$ 64,115
2011	\$ 189,702	\$ 51,348
2010	\$ 168,988	\$ 47,554

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

Plan Description:

The Legislature established LEOFF in 1970. Membership in the system includes all full-time, fully compensated, local law enforcement commissioned officers, firefighters and, as of July 24, 2005, emergency medical technicians. LEOFF membership is comprised primarily of non-state employees, with Department of Fish and Wildlife enforcement officers, who were first included prospectively effective July 27, 2003, being an exception. LEOFF retirement benefit provisions are established in Chapter 41.26 RCW and may be amended only by the State Legislature.

LEOFF is a cost-sharing multiple-employer retirement system comprised of two separate defined benefit plans. 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 defined benefit retirement benefits are financed from a combination of investment earnings, employer and employee contributions, and a special funding situation in which the state pays through state legislative appropriations.

Effective July 1, 2003, the LEOFF Plan 2 Retirement Board was established by Initiative 790 to provide governance of LEOFF Plan 2. The Board’s duties include adopting contribution rates and recommending policy changes to the Legislature for the LEOFF Plan 2 retirement plan.

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

LEOFF Plan 1 retirement benefits are vested after an employee completes five years of eligible service. Plan 1 members are eligible for retirement with five years of service at the age of 50.

The benefit per year of service calculated as a percent of final average salary is as follows:

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

The 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 LEOFF 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 373 participating employers in LEOFF. Membership in LEOFF consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2011:

Retirees and Beneficiaries Receiving Benefits	\$ 9,947
Terminated Plan Members Entitled To But Not Yet Receiving Benefits	656
Active Plan Members Vested	13,942
Active Plan Members Non-vested	3,113
<b>Total</b>	<b>\$ 27,658</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, 2011 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 fee currently set at 0.16%

\*\* The employer rate for ports and universities is 8.62%

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
2012	\$ -	\$ 72,623
2011	\$ -	\$ 66,134
2010	\$ -	\$ 70,711

**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, 2012, 91 municipalities/entities participate in the AWC 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 Lexington with limits up to \$250 million, using the Pool's broker, Arthur J. Gallagher Risk Management Services. Since AWC RMSA is a cooperative program, there is a joint liability among the participating members.

Members contract to remain in the AWC RMSA pool for a minimum of one year 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 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.

In accordance with WAC 200.100.02023, the AWC RMSA is governed by a board of directors which is comprised of elected officials of participating members.

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****GASB STATEMENT NO 63 FINANCIAL REPORTING OF DEFERRED OUTFLOWS OF RESOURCES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION.**

This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, Elements of Financial Statements, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities.

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

The following GASB pronouncements have been issued, but are not yet effective at December 31, 2012:

- GASB Statement No. 61 The Financial Reporting Entity: Omnibus-an amendment of GASB Statements No. 14 and No. 34
- GASB STATEMENT NO 65 ITEMS PREVIOUSLY REPORTED AS ASSETS AND LIABILITIES-This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.
- GASB Statement No. 67 Financial Reporting for Pension Plans-an amendment of GASB Statement No. 25

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, 2012 the City had 9 significant contractual obligations with the following balances:

Task #2 - Bjorgen Creek Culvert Replacement	Parametrix	\$	29,624
Task #1 - 6th Avenue	Parametrix		9,690
Task Order - 3rd Ave Improvements Design	MAP Ltd		73,603
Hostmark Safe Routes to School	C&J Excavating		14,009
Noll Road Roundabout Construction	RV Associates, INC.		66,631
Kevo's Pond Basin	Parametrix		19,926
Fish Park	Parametrix		3,000
Demolition	Skelly Works		10,376
Lincoln Road Improvements - Phase 2	Parametrix		226,192
		\$	<u>453,049</u>

**NOTE 11: 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, 2012, the governmental long-term debt of the City consisted of the following:

Issuance Date	Purpose	Original Issue	Interest Rates	Maturity Date	Debt Outstanding
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	3,785,000
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	5,295,000
2010	LOCAL Program GO Bonds: Issued to provide funds to purchase the Park and Rec building.	310,000	4.10%	2030	290,000
2012	Limited GO Bonds: Issued to provide funds to prepay the 2010 Anticipation Note used for City Hall final construction and to refund 2003 GO Bond	2,455,000	.04-3.50%	2031	2,295,000
				Total	<b>\$11,665,000</b>

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

As of December 31, 2012, the long-term debt payable from proprietary fund resources consisted of the following:

Issuance Date	Purpose	Original Issue	Interest Rates	Maturity Date	Debt Outstanding
2005	Refunding of 1998 Water/Sewer Revenue Bonds	3,134,000	3.45%	2017	2,218,000
				Total	<b>\$ 2,218,000</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.

As of December 31, 2012, 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	\$ 137,543
2000	Street Improvements to Front Street	1,406,930	3.0%	2020	594,946
				Total	<b>\$ 732,490</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, 2012 the City has paid \$ 1,136,684.

**D. DEBT SERVICE REQUIREMENTS TO MATURITY FOR PRIMARY GOVERNMENT**

Year Ended Dec 31	General Obligation Bonds			Revenue Bonds		
	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2013	505,000	476,481	981,481	414,000	76,521	490,521
2014	515,000	463,295	978,295	429,000	62,238	491,238
2015	620,000	448,300	1,068,300	443,000	47,438	490,438
2016	630,000	428,995	1,058,995	457,000	32,154	489,154
2017	655,000	408,933	1,063,933	475,000	16,388	491,388
2018-2022	3,095,000	1,707,295	4,802,295	-	-	-
2023-2027	3,005,000	1,033,138	4,038,138	-	-	-
2028-2032	2,245,000	443,538	2,688,538	-	-	-
2033	395,000	21,725	416,725	-	-	-
	<b>\$11,665,000</b>	<b>\$5,431,698</b>	<b>\$17,096,698</b>	<b>\$2,218,000</b>	<b>\$ 234,738</b>	<b>\$2,452,738</b>

Year Ended Dec 31	Public Works Trust Fund Loans					
	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
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	74,368	11,155	85,524			
2017	74,368	8,924	83,292			
2018-2020	223,105	13,386	236,491			
	<b>\$ 594,946</b>	<b>\$ 80,318</b>	<b>\$ 675,264</b>	<b>\$ 137,543</b>	<b>\$ 8,253</b>	<b>\$ 145,796</b>

**E. Arbitrage Rebate**

Rebatable arbitrage is defined by the Internal Revenue Service Code Section 148 as earnings on investments purchased from the gross proceeds of a bond issue that are in excess of the amount that would have been earned if the investments were invested at a yield equal to the yield on the bond issue. The rebatable arbitrage must be paid to the federal government. The City of Poulsbo monitors its investments to restrict earnings to a yield less than the bond issue, and therefore limit any arbitrage liability. As of December 31, 2012 the City has no arbitrage rebate liability.

**F. LONG-TERM LIABILITIES**

1. Long-term liability activity:

	<b>Beginning</b>			<b>Ending</b>
	<b>Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance</b>
<b>Governmental Activities</b>				
Bonds payable:				
General obligation bonds	\$ 10,425,000	\$ 2,455,000	\$ 1,215,000	\$ 11,665,000
Less Unamortized Bond Discount	(40,705)	(19,026)	(4,728)	(55,004)
Plus Unamortized Bond Premium	74,356	69,630	9,803	134,182
Compensated Absences	611,466	45,449	-	656,914
Due to Other Governmental Units	669,315	-	74,368	594,946
Misc NonCurrent Liability	136,900	23,833	-	160,733
<b>Total Governmental activity long-term liabilities</b>	<b>\$ 11,876,330</b>	<b>\$ 2,574,885</b>	<b>\$ 1,294,443</b>	<b>\$ 13,156,773</b>
<b>Business-type Activities</b>				
Bonds payable:				
Revenue Bonds	\$ 2,614,000	\$ -	\$ 396,000	\$ 2,218,000
Less Deferred Amount Refunded	(101,596)	-	(16,933)	(84,664)
Compensated Absences	194,326	12,195	2,926	203,595
Notes Payable	1,202,830	-	237,249	965,581
Due to Other Governmental Units	183,391	-	45,848	137,543
<b>Total Business-type activity long-term liabilities</b>	<b>\$ 4,092,951</b>	<b>\$ 12,195</b>	<b>\$ 665,090</b>	<b>\$ 3,440,056</b>

2. Liabilities due within one year:

<b>Date of Issue</b>	<b>Liabilities Due Within One Year - Governmental Activities</b>	<b>Due within one year</b>
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	225,000
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	165,000
2010	Certificate of Participation to finance the acquisition of the Parks and Recreation facility.	10,000
2012	Limited GO Bonds: Issued to provide funds to prepay the 2010 Anticipation Note used for City Hall final construction and to refund 2003 GO Bond	105,000
2000	Due to Other Governmental Units(PWTF)-Street Improvements to Front Street	74,368
	Unamortized premium on GO Bond	9,803
	Unamortized Bond Discount	(4,595)
	Compensated Absences	65,691
	<b>Total Governmental Activities</b>	<b>\$ 650,267</b>

<b>Date of Issue</b>	<b>Liabilities Due Within One Year - Business-Type Activities</b>	<b>Due within one year</b>
2005	Water/Sewer Refunded Revenue Bonds	414,000
1995	Due to Other Governmental Units (PWTF)-Sewer Improvements to Jensen Way	45,848
2009	Note Payable	50,000
	Deferred Amount Refunded	(16,933)
	Compensated Absences	20,360
	<b>Total Business-Type Activities</b>	<b>\$ 513,275</b>

#### **NOTE 12: CONTINGENCIES AND COMMITMENTS**

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, 2012, 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 \$5,624 is included with the City's compensated absences.

#### **NOTE 13: JOINT VENTURES**

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 14: 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, 2012. 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 \$160,732 is included as a non-current liability on the Statement of Net Assets.

<u>Determination of Annual Required Contribution:</u>	<u>Year Ending 2008</u>	<u>Year Ending 2009</u>	<u>Year Ending 2010</u>	<u>Year Ending 2011</u>	<u>Year Ending 2012</u>
Normal Cost at Year End	\$0	\$0	\$0	\$0	\$0
Amorization of Unfunded Actuarial Accrued Liability (UAAL)	65,964	61,726	61,726	63,714	60,895
Annual Required Contribution	<u>\$65,964</u>	<u>\$61,726</u>	<u>\$61,726</u>	<u>\$63,714</u>	<u>\$60,895</u>
<u>Determination of Net OPEB Obligation:</u>					
Annual Required Contribution	\$65,964	\$61,726	\$61,726	\$63,714	\$60,895
Interest prior year Net OPEB Obligation	0	1,766	3,238	4,594	6,161
Adjustments to ARC	0	(3,654)	(6,701)	(9,505)	(12,747)
Annual OPEB Cost	\$65,964	\$59,838	\$58,264	\$58,803	\$54,309
Contributions	(26,720)	(27,120)	(28,146)	(23,983)	(30,476)
Increase in Net OPEB Obligations	<u>\$39,244</u>	<u>\$32,718</u>	<u>\$30,118</u>	<u>\$34,820</u>	<u>\$23,833</u>
Net OPEB Obligation-Beginning of Year	\$0	\$39,244	71,962	\$102,080	\$136,900
NET OPEB Obligation-End of Year	<u>\$39,244</u>	<u>\$71,962</u>	<u>\$102,080</u>	<u>\$136,900</u>	<u>\$160,732</u>
The City's percentage of annual OPEB cost contributed to the plan for 2012 is 56%					

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

Year Ending	Annual OPEB Cost	Contribution as a Percentage of OPEB Cost	Net OPEB Obligation
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
12/31/2011	58,803	40.8%	136,900
12/31/2012	54,309	56.1%	160,732

Funded Status and Funding Progress

As of December 31, 2012, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability (AAL) for benefits was \$653,990 and the actuarial value of the assets was \$0 resulting in a UAAL of \$653,990. 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.

The following charts show the trends and assumptions used by Milliman in the assumptions:

Medical Inflation Trend			Annual Medical Cost by Age			Aging Factors	
	Medical	Long-Term Care	Age	Non-Medicare	Medicare		
2007	9.0%	4.5%	47	\$5,902	N/A	0-64	6.0%
2008	8.5%	4.5%	52	\$7,898	N/A	65-71	2.5%
2009	8.0%	4.5%	57	\$10,569	N/A	72-76	1.2%
2010	7.5%	4.5%	62	\$14,144	N/A	77+	0.5%
2011	7.0%	4.5%	67	N/A	\$6,526		
2012	6.5%	4.5%	72	N/A	\$7,290		
2013	6.0%	4.5%	77	N/A	\$7,685		
2014	5.5%	4.5%	82	N/A	\$7,879		
2015+	5.0%	4.5%	87	N/A	\$8,078		

**NOTE 15: 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:

Fund #	Fund Description	Amount	Reason
001*	General Fund	\$82,169	Moved Criminal Justice programs beginning balance from 191 Special Revenue Fund to 001 General Fund due to change in use for more general purpose
191*	Police Restricted Fund	\$82,169	Moved Criminal Justice programs beginning balance from 191 Special Revenue Fund to 001 General Fund due to change in use for more general purpose
311	Street Reserve Fund	\$100,761	Reallocation of capital costs between funds for the Fjord Drive Project
501	General Facilities Fund	\$1,763	Compensated absence reduction material enough to be disclosed as prior year expenditure.

*\*The prior year adjustment nets to zero with each other; therefore not reflected on the Statement of Activities*

**NOTE 16: RECONCILIATION OF NET INVESTMENT IN CAPITAL ASSETS**

<b><u>Governmental Activities:</u></b>		<b><u>Business-Type Activities:</u></b>	
Capital Assets, Net of Depreciation	\$ 73,415,132	Capital Assets, Net of Depreciation	\$ 40,663,353
Unamortized Debt issuance costs	97,473	Unamortized Debt issuance costs	13,973
General Obligation Bonds Payable	(11,665,000)	Revenue Bonds Payable	(2,218,000)
Unamortized premium on Bonds	(134,182)	Unamortized discount on Bonds	84,664
Unamortized discount on Bonds	55,004	Notes Payable	(965,581)
Due to Other Governments	(594,946)	Due to Other Governments	(137,543)
<b><i>Invested in Capital Assets, Net of Related Debt</i></b>	<b><i>\$ 61,173,480</i></b>	<b><i>Invested in Capital Assets, Net of Related Debt</i></b>	<b><i>\$ 37,440,865</i></b>

**REQUIRED SUPPLEMENTARY INFORMATION**  
**LEOFF I RETIREE MEDICAL BENEFITS**  
**SCHEDULE OF FUNDING PROGRESS**  
**December 31, 2012**

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]
12/31/2010	\$ -	\$ 662,910	\$ 662,910	0%	-	N/A*
12/31/2011	\$ -	\$ 684,261	\$ 684,261	0%	-	N/A*
12/31/2012	\$ -	\$ 653,990	\$ 653,990	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 **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 **Transportation Development Fund** accounts for all traffic and sidewalk mitigation fees collected from developers.

The **Park Development Fund** was established to account for park mitigation and impact fees paid by 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 **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.

### 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 **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 Borgen 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, 2012  
Page 1 of 4**

	<b>Special Revenue</b>			
	<b>City Streets Funds</b>	<b>Capital Improvements Funds</b>	<b>Transportation Development Funds</b>	<b>Park Development Funds</b>
<b>Assets</b>				
Cash and Cash Equivalents	\$ 290,736	\$ 137,120	\$ 134	\$ 1,000
Investments	244,849	22,351	58,291	82,866
Restricted Investments				
Receivables:				
Taxes	-	85,766	-	-
Accounts	-	-	-	-
Special Assesments	-	-	-	-
Due from Other Governments	-	-	-	-
<b>Total Assets</b>	<b>535,585</b>	<b>245,237</b>	<b>58,425</b>	<b>83,866</b>
<b>Deferred Outflows of Resources</b>	-	-	-	-
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts Payable	28,667	-	-	-
Custodial Accounts	-	-	-	-
<b>Total Liabilities</b>	<b>28,667</b>	-	-	-
<b>Deferred Inflows of Resources</b>				
Deferred Revenue	-	-	-	-
<b>Fund Balances</b>				
Nonspendable fund balance		-	-	-
Restricted fund balance	-	245,237	58,425	83,866
Assigned fund balance	506,919	-	-	-
Unassigned fund balance	-	-	-	-
<b>Total Fund Balance</b>	<b>506,919</b>	<b>245,237</b>	<b>58,425</b>	<b>83,866</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 535,585</b>	<b>\$ 245,237</b>	<b>\$ 58,425</b>	<b>\$ 83,866</b>

**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS (continued)**  
**DECEMBER 31, 2012**  
 Page 2 of 4

Special Revenue						
Historic Downtown Poulsbo Association Funds	Paths and Trails Funds	Drug Enforcement Funds	Transient Occupancy Funds	Police Restricted Funds	Total Non- Major Special Revenue Funds	
\$ 29,733	\$ 1,434	\$ 475	\$ 21,912	\$ 1,253	\$ 483,797	
49,515	10,111	24,658	44,149	98,537	635,328	
-	-	-	-	-	-	
-	-	-	-	-	85,766	
16,035	-	-	-	-	16,035	
-	-	-	-	-	-	
<b>95,283</b>	<b>11,545</b>	<b>25,133</b>	<b>66,060</b>	<b>99,790</b>	<b>1,220,925</b>	
-	-	-	-	-	-	
10,060	-	-	1,333	67	40,127	
-	-	42	-	-	42	
<b>10,060</b>	<b>-</b>	<b>42</b>	<b>1,333</b>	<b>67</b>	<b>40,169</b>	
<b>11,578</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,578</b>	
-	-	-	-	-	-	
73,644	11,545	25,091	64,727	76,785	639,321	
-	-	-	-	22,938	529,857	
-	-	-	-	-	-	
73,644	11,545	25,091	64,727	99,724	1,169,178	
<b>\$ 95,283</b>	<b>\$ 11,545</b>	<b>\$ 25,133</b>	<b>\$ 66,060</b>	<b>\$ 99,790</b>	<b>\$ 1,220,925</b>	

**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS (continued)**  
**DECEMBER 31, 2012**  
 Page 3 of 4

	<u>Debt Service</u>		<u>Capital Project</u>	
	Misc Governmental Debt Funds	Total Non-Major Debt Service Funds	Equipment Acquisition Funds	Park Reserve Funds
<b>Assets</b>				
Cash and Cash Equivalents	\$ 430	\$ 430	\$ 75,375	\$ 25,187
Investments	2,783	2,783	280,501	165,045
Restricted Investments		-		
Receivables:				
Taxes	-	-	-	-
Accounts	-	-	-	-
Special Assesments	-	-	-	-
Due from Other Governments	-	-	-	645
<b>Total Assets</b>	<b>3,213</b>	<b>3,213</b>	<b>355,876</b>	<b>190,877</b>
<b>Deferred Outflows of Resources</b>	-	-	-	-
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts Payable	-	-	-	703
Custodial Accounts	-	-	-	-
<b>Total Liabilities</b>	-	-	-	<b>703</b>
<b>Deferred Inflows of Resources</b>				
Deferred Revenue	-	-	-	-
<b>Fund Balances</b>				
Nonspendable fund balance	-	-	-	-
Restricted fund balance	3,213	3,213	-	-
Assigned fund balance	-	-	355,876	190,174
Unassigned fund balance	-	-	-	-
<b>Total Fund Balance</b>	<b>3,213</b>	<b>3,213</b>	<b>355,876</b>	<b>190,174</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 3,213</b>	<b>\$ 3,213</b>	<b>\$ 355,876</b>	<b>\$ 190,877</b>

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS (continued)  
DECEMBER 31, 2012  
Page 4 of 4**

<u>Capital Project</u>			<u>Permanent</u>	
Cemetery Reserve Funds	Street Equipment Reserves Funds	Total Non-Major Capital Project Funds	Bernice Borgen Beautification Trust Funds	Total Non-Major Governmental Funds
\$ 2,800	\$ 177	\$ 103,539	\$ -	\$ 587,766
59,204	234,571	739,320	9,205	1,386,637
		-	91,016	91,016
		-		-
-		-		85,766
-		-		-
-		-		16,035
		645		645
<b>62,004</b>	<b>234,748</b>	<b>843,504</b>	<b>100,221</b>	<b>2,167,864</b>
-	-	-	-	-
		703		40,831
		-		42
-	-	<b>703</b>	-	<b>40,873</b>
		-		<b>11,578</b>
		-	91,016	91,016
		-	9,205	651,739
62,004	234,748	842,801	-	1,372,658
-	-	-	-	-
62,004	234,748	842,801	100,221	2,115,413
<b>\$ 62,004</b>	<b>\$ 234,748</b>	<b>\$ 843,504</b>	<b>\$ 100,221</b>	<b>\$ 2,167,864</b>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR YEAR ENDED DECEMBER 31, 2012**

Page 1 of 4

	Special Revenue			
	City Streets Funds	Capital Improvements Funds	Transportation Development Funds	Park Development Funds
<b>Revenues</b>				
Taxes	\$ -	\$ 558,074	\$ -	\$ -
Licenses and Permits	12,100	-	-	-
Intergovernmental	188,898	-	-	-
Charges for Services	-	-	8,057	1,000
Fines and Forfeitures	-	-	-	-
Interest and Other Earnings	816	46	223	113
Miscellaneous	-	-	-	-
<b>Total Revenues</b>	<b>201,814</b>	<b>558,120</b>	<b>8,280</b>	<b>1,113</b>
<b>Expenditures</b>				
Current:				
Security of Persons & Property	-	-	-	-
Transportation	744,424	-	-	-
Culture and Recreation	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest & Fiscal Charges	-	-	-	-
Capital Outlay	-	-	-	-
<b>Total Expenditures</b>	<b>744,424</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess of Revenues over Expenditures	(542,610)	558,120	8,280	1,113
<b>Other Financing Sources (Uses)</b>				
Transfers In	681,891	-	-	-
Transfers Out	(95,392)	(351,000)	(150,000)	-
<b>Total Other Financing Sources and Uses</b>	<b>586,498</b>	<b>(351,000)</b>	<b>(150,000)</b>	<b>-</b>
Net Change in Fund Balances	43,888	207,120	(141,720)	1,113
Fund Balances - Beginning	463,030	38,118	200,145	82,754
Prior Year Adjustment				
<b>Fund Balances - Ending</b>	<b>\$ 506,919</b>	<b>\$ 245,237</b>	<b>\$ 58,425</b>	<b>\$ 83,866</b>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS (continued)  
FOR YEAR ENDED DECEMBER 31, 2012**

Page 2 of 4

Special Revenue						
Historic Downtown Poulsbo Association Funds	Paths and Trails Funds	Drug Enforcement Funds	Transient Occupancy Funds	Police Restricted Funds	Total Non-Major Special Revenue Funds	
\$ -	\$ -	\$ -	\$ 92,910	\$ -	\$ 650,984	
-	-	-	-	-	12,100	
-	-	-	-	21,127	210,025	
-	-	-	-	-	9,057	
-	-	-	-	9	9	
572	14	33	60	623	2,501	
87,142	-	428	-	2,327	89,896	
<b>87,713</b>	<b>14</b>	<b>461</b>	<b>92,970</b>	<b>24,086</b>	<b>974,572</b>	
-	-	-	-	16,681	16,681	
-	-	-	-	-	744,424	
77,827	-	-	67,387	-	145,214	
-	-	-	-	-	-	
-	-	-	-	-	-	
-	-	-	-	-	-	
<b>77,827</b>	<b>-</b>	<b>-</b>	<b>67,387</b>	<b>16,681</b>	<b>906,319</b>	
9,886	14	461	25,584	7,405	68,253	
-	944	-	-	-	682,835	
-	-	-	-	-	(596,392)	
-	<b>944</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>86,443</b>	
9,886	958	461	25,584	7,405	154,695	
63,758	10,587	24,630	39,143	174,487	1,096,651	
-	-	-	-	(82,169)	(82,169)	
<b>\$ 73,644</b>	<b>\$ 11,545</b>	<b>\$ 25,091</b>	<b>\$ 64,727</b>	<b>\$ 99,723</b>	<b>\$ 1,169,177</b>	

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS (continued)  
FOR YEAR ENDED DECEMBER 31, 2012**

Page 3 of 4

	Debt Service		Capital Project	
	Misc Governmental Debt Funds	Total Non-Major Debt Service Funds	Equipment Acquisition Funds	Park Reserve Funds
<b>Revenues</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and Permits	-	-	-	-
Intergovernmental	-	-	-	25,537
Charges for Services	-	-	-	-
Fines and Forfeitures	-	-	-	-
Interest and Other Earnings	36	36	1,525	271
Miscellaneous	-	-	-	6,320
<b>Total Revenues</b>	<b>36</b>	<b>36</b>	<b>1,525</b>	<b>32,128</b>
<b>Expenditures</b>				
Current:				
Security of Persons & Property	-	-	-	-
Transportation	-	-	-	-
Culture and Recreation	-	-	-	-
Debt Service:				
Principal	74,368	74,368	-	-
Interest & Fiscal Charges	20,079	20,079	-	-
Capital Outlay	-	-	44,025	81,214
<b>Total Expenditures</b>	<b>94,448</b>	<b>94,448</b>	<b>44,025</b>	<b>81,214</b>
Excess of Revenues over Expenditures	(94,412)	(94,412)	(42,499)	(49,085)
<b>Other Financing Sources (Uses)</b>				
Transfers In	94,448	94,448	45,000	34,972
Transfers Out	-	-	(31,500)	-
<b>Total Other Financing Sources and Uses</b>	<b>94,448</b>	<b>94,448</b>	<b>13,500</b>	<b>34,972</b>
Net Change in Fund Balances	36	36	(28,999)	(14,113)
Fund Balances - Beginning	3,177	3,177	384,875	204,287
Prior Year Adjustment	-	-	-	-
<b>Fund Balances - Ending</b>	<b>\$ 3,213</b>	<b>\$ 3,213</b>	<b>\$ 355,876</b>	<b>\$ 190,174</b>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS (continued)  
FOR YEAR ENDED DECEMBER 31, 2012**

Page 4 of 4

Capital Project			Permanent	
Cemetery Reserve Funds	Street Equipment Reserves Funds	Total Non-Major Capital Project Funds	Bernice Borgen Beautification Trust Funds	Total Non-Major Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 650,984
-	-	-	-	12,100
-	-	25,537	-	235,562
2,800	-	2,800	-	11,857
-	-	-	-	9
80	348	2,225	900	5,661
-	-	6,320	-	96,216
<b>2,880</b>	<b>348</b>	<b>36,882</b>	<b>900</b>	<b>1,012,390</b>
-	-	-	-	16,681
-	-	-	-	744,424
-	-	-	-	145,214
-	-	-	-	74,368
-	-	-	-	20,079
-	6,858	132,096	-	132,096
-	<b>6,858</b>	<b>132,096</b>	-	<b>1,132,863</b>
2,880	(6,510)	(95,214)	900	(120,474)
-	-	79,972	-	857,255
-	-	(31,500)	(25,000)	(652,893)
-	-	<b>48,472</b>	<b>(25,000)</b>	<b>204,363</b>
2,880	(6,510)	(46,742)	(24,100)	83,889
59,123	241,258	889,543	124,321	2,113,692
-	-	-	-	(82,169)
<b>\$ 62,004</b>	<b>\$ 234,748</b>	<b>\$ 842,801</b>	<b>\$ 100,221</b>	<b>\$ 2,115,413</b>

**CITY STREET FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET TO ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenue</b>			
License and Permits	\$ 3,000	\$ 12,100	\$ 9,100
Intergovernmental	195,527	188,898	(6,629)
Interest and Other Earnings	-	816	816
Miscellaneous	-	-	-
<b>Total Revenues</b>	<b>198,527</b>	<b>201,814</b>	<b>3,287</b>
<b>Expenditures</b>			
Transportation:			
Street Maintenance	869,539	744,424	125,115
<b>Total Expenditures</b>	<b>869,539</b>	<b>744,424</b>	<b>125,115</b>
Excess of Revenues Under Expenditures	(671,012)	(542,610)	128,402
<b>Other Financing Sources (Uses)</b>			
Transfers in	695,279	681,891	(13,388)
Transfers out	(144,151)	(95,392)	48,759
<b>Total Other Financing Sources (Uses)</b>	<b>551,128</b>	<b>586,498</b>	<b>35,370</b>
<b>Net Change in Fund Balance</b>	<b>(119,884)</b>	<b>43,888</b>	<b>163,773</b>
Fund Balance Beginning of Year	463,030	463,030	0
<b>Fund Balance End of Year</b>	<b>\$ 343,146</b>	<b>\$ 506,919</b>	<b>\$ 163,773</b>

**CAPITAL IMPROVEMENT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET TO ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>			
Taxes:			
Excise Tax	\$ 426,000	\$ 558,074	\$ 132,074
Interest and Other Earnings	400	46	(354)
<b>Total Revenues</b>	<b>426,400</b>	<b>558,120</b>	<b>131,720</b>
<b>Expenditures</b>			
Current:			
Miscellaneous	-	-	-
<b>Total Expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess of Revenues Over Expenditures	426,400	558,120	131,720
<b>Other Financing Sources (Uses)</b>			
Transfers out	(351,000)	(351,000)	-
<b>Total Other Financing Sources (Uses)</b>	<b>(351,000)</b>	<b>(351,000)</b>	<b>-</b>
<b>Net Change in Fund Balance</b>	<b>75,400</b>	<b>207,120</b>	<b>131,720</b>
Fund Balance Beginning of Year	38,118	38,118	-
<b>Fund Balance End of Year</b>	<b>\$ 113,518</b>	<b>\$ 245,237</b>	<b>\$ 131,719</b>

**TRANSPORTATION DEVELOPMENT FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 BUDGET TO ACTUAL  
 FOR THE YEAR ENDED DECEMBER 31, 2012**

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>			
Transportation Impact Fees	\$ -	\$ 8,057	\$ 8,057
Interest and Other Earnings	100	223	123
<b>Total Revenues</b>	<b>100</b>	<b>8,280</b>	<b>8,180</b>
<b>Expenditures</b>			
Current:			
Miscellaneous	-	-	-
<b>Total Expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess of Revenues Over Expenditures	100	8,280	8,180
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	-	-
Transfers out	(150,000)	(150,000)	-
<b>Total Other Financing Sources (Uses)</b>	<b>(150,000)</b>	<b>(150,000)</b>	<b>-</b>
<b>Net Change in Fund Balance</b>	<b>(149,900)</b>	<b>(141,720)</b>	<b>8,180</b>
Fund Balance Beginning of Year	199,928	200,145	217
<b>Fund Balance End of Year</b>	<b>\$ 50,028</b>	<b>\$ 58,425</b>	<b>\$ 8,397</b>

**PARK DEVELOPMENT FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET TO ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>			
SEPA Mitigation	\$ -	\$ 1,000	\$ 1,000
Interest and Other Earnings	-	113	113
<b>Total Revenues</b>	<b>-</b>	<b>1,113</b>	<b>1,113</b>
<b>Expenditures</b>			
Current:			
Miscellaneous	-	-	-
<b>Total Expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess of Revenues Over Expenditures	-	1,113	1,113
<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>1,113</b>	<b>1,113</b>
Fund Balance Beginning of Year	82,754	82,754	-
<b>Fund Balance End of Year</b>	<b>\$ 82,754</b>	<b>\$ 83,867</b>	<b>\$ 1,113</b>

**HISTORIC DOWNTOWN POULSBO ASSOCIATION FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET TO ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>			
Special Assessments	\$ 42,000	\$ 47,563	\$ 5,563
Gifts and Pledges	44,500	39,578	(4,922)
Interest and Other Earnings	-	572	572
Miscellaneous	-	-	-
<b>Total Revenues</b>	<b>86,500</b>	<b>87,713</b>	<b>1,213</b>
<b>Expenditures</b>			
Bad Debt Expense	-	1,086	(1,086)
Office & Operating Supplies	1,000	74	926
Small Tools & Minor Equipment	5,500	8,183	(2,683)
Professional Services	6,000	2,250	3,750
Communication	1,750	126	1,624
Postage	250	62	188
Advertising	52,000	48,296	3,704
Insurance	1,600	1,553	47
Repairs and Maintenance	14,000	12,274	1,726
Miscellaneous	3,500	3,923	(423)
<b>Total Expenditures</b>	<b>85,600</b>	<b>77,827</b>	<b>7,773</b>
Excess of Revenues Over Expenditures	900	9,886	8,986
<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>900</b>	<b>9,886</b>	<b>8,986</b>
Fund Balance Beginning of Year	63,758	63,758	-
<b>Fund Balance End of Year</b>	<b>\$ 64,658</b>	<b>\$ 73,644</b>	<b>\$ 8,986</b>

**PATH AND TRAILS RESERVE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET TO ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>			
Interest and Other Earnings	\$ -	\$ 14	\$ 14
Miscellaneous	-	-	-
<b>Total Revenues</b>	<b>-</b>	<b>14</b>	<b>14</b>
<b>Expenditures</b>			
Current:			
Miscellaneous	-	-	-
<b>Total Expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess of Revenues Over Expenditures	-	14	14
<b>Other Financing Sources (Uses)</b>			
Transfers in	978	944	(34)
Transfers out	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>978</b>	<b>944</b>	<b>(34)</b>
<b>Net Change in Fund Balance</b>	<b>978</b>	<b>958</b>	<b>(20)</b>
Fund Balance Beginning of Year	10,587	10,587	-
<b>Fund Balance End of Year</b>	<b>\$ 11,565</b>	<b>\$ 11,545</b>	<b>\$ (20)</b>

**DRUG ENFORCEMENT FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET TO ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>			
Kitsap County -Westnet Grant	\$ -	\$ -	\$ -
Interest and Other Earnings	50	33	(17)
Miscellaneous	-	428	428
<b>Total Revenues</b>	<b>50</b>	<b>461</b>	<b>411</b>
<b>Expenditures</b>			
Current:			
LIBNET Program	6,475	-	6,475
Drug Enforcement Agency	-	-	-
<b>Total Expenditures</b>	<b>6,475</b>	<b>-</b>	<b>6,475</b>
Excess of Revenues Over Expenditures	(6,425)	461	6,886
<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>(6,425)</b>	<b>461</b>	<b>6,886</b>
Fund Balance Beginning of Year	24,630	24,630	(0)
<b>Fund Balance End of Year</b>	<b>\$ 18,205</b>	<b>\$ 25,091</b>	<b>\$ 6,886</b>

**TRANSIENT OCCUPANCY TAX FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET TO ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>			
Hotel/Motel Tax	\$ 40,000	\$ 46,455	\$ 6,455
Additional 2% Hotel/Motel Tax	40,000	46,455	6,455
Interest and Other Earnings	-	60	60
<b>Total Revenues</b>	<b>80,000</b>	<b>92,970</b>	<b>12,970</b>
<b>Expenditures</b>			
Economic Environment:			
Spectator and Community Events:			-
Administration	40,000	26,758	13,242
Special Events	42,500	40,628	1,872
Miscellaneous	-	-	-
<b>Total Expenditures</b>	<b>82,500</b>	<b>67,387</b>	<b>15,113</b>
Excess of Revenues Over Expenditures	(2,500)	25,584	28,084
<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>(2,500)</b>	<b>25,584</b>	<b>28,084</b>
Fund Balance Beginning of Year	39,143	39,143	-
<b>Fund Balance End of Year</b>	<b>\$ 36,643</b>	<b>\$ 64,727</b>	<b>\$ 28,084</b>

**POLICE RESTRICTED FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET TO ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>			
Sales Tax	\$ -	\$ -	\$ -
Federal - US Dept of Justice	-	416	416
Vessel Registration	12,800	12,878	78
Criminal Justice	7,225	7,833	608
Fines & Forfeitures	-	9	9
Interest and Other Earnings	200	623	423
Miscellaneous	500	2,327	1,827
<b>Total Revenues</b>	<b>20,725</b>	<b>24,086</b>	<b>3,361</b>
<b>Expenditures</b>			
Security of Persons & Property	19,916	16,681	3,235
Capital Outlay	-	-	-
<b>Total Expenditures</b>	<b>19,916</b>	<b>16,681</b>	<b>3,235</b>
Excess of Revenues Over Expenditures	809	7,405	6,596
<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>809</b>	<b>7,405</b>	<b>6,596</b>
Fund Balance Beginning of Year	92,319	174,487	82,168
Prior Year Adjustment	-	(82,169)	(82,169)
<b>Fund Balance End of Year</b>	<b>\$ 93,128</b>	<b>\$ 99,723</b>	<b>\$ 6,595</b>

**MISCELLANEOUS GOVERNMENTAL DEBT  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET TO ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>			
Interest and Other Earnings	\$ -	\$ 36	\$ 36
<b>Total Revenues</b>	<b>-</b>	<b>36</b>	<b>36</b>
<b>Expenditures</b>			
Debt Service:			
Intergovernmental Loan-Principal	74,368	74,368	(0)
Interest and Related Costs	20,080	20,079	1
<b>Total Expenditures</b>	<b>94,448</b>	<b>94,448</b>	<b>0</b>
Excess of Revenues Over Expenditures	(94,448)	(94,412)	36
<b>Other Financing Sources (Uses)</b>			
Transfers in	94,448	94,448	(0)
Transfers out	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>94,448</b>	<b>94,448</b>	<b>(0)</b>
<b>Net Change in Fund Balance</b>	<b>-</b>	<b>36</b>	<b>36</b>
Fund Balance Beginning of Year	3,177	3,177	0
<b>Fund Balance End of Year</b>	<b>\$ 3,177</b>	<b>\$ 3,213</b>	<b>\$ 36</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, 2012**

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>			
Interest and Other Earnings	\$ -	\$ 340	\$ 340
Rentals & Leases	-	-	-
<b>Total Revenues</b>	<b>-</b>	<b>340</b>	<b>340</b>
<b>Expenditures</b>			
Debt Service:			
General Obligation Bond-Principal	3,040,000	3,040,000	-
Interest and Related Costs	527,846	492,959	34,887
<b>Total Expenditures</b>	<b>3,567,846</b>	<b>3,532,959</b>	<b>34,887</b>
Excess of Revenues Over Expenditures	(3,567,846)	(3,532,619)	35,227
<b>Other Financing Sources (Uses)</b>			
Transfers in	3,566,802	3,562,835	(3,967)
Transfers out	-	-	-
Issuance Discount on Long-Term Debt	-	(34,561)	(34,561)
<b>Total Other Financing Sources (Uses)</b>	<b>3,566,802</b>	<b>3,528,273</b>	<b>(38,529)</b>
<b>Net Change in Fund Balance</b>	<b>(1,044)</b>	<b>(4,346)</b>	<b>(3,302)</b>
Fund Balance Beginning of Year	9,769	9,769	-
<b>Fund Balance End of Year</b>	<b>\$ 8,725</b>	<b>\$ 5,423</b>	<b>\$ (3,302)</b>

**EQUIPMENT ACQUISITION FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET TO ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>			
Interest and Other Earnings	\$ -	\$ 1,525	\$ 1,525
<b>Total Revenues</b>	<b>-</b>	<b>1,525</b>	<b>1,525</b>
<b>Expenditures</b>			
Small Tools and Minor Equipment:			
General Government	-	-	-
Security of Persons & Property	-	-	-
Utilities and Environment	-	-	-
Economic Environment	-	-	-
Culture and Recreation	-	-	-
Capital Outlay	259,034	44,025	215,009
<b>Total Expenditures</b>	<b>259,034</b>	<b>44,025</b>	<b>215,009</b>
Excess of Revenues Over Expenditures	(259,034)	(42,499)	216,535
<b>Other Financing Sources (Uses)</b>			
Transfers in	45,000	45,000	-
Transfers out	(31,500)	(31,500)	0
<b>Total Other Financing Sources (Uses)</b>	<b>13,500</b>	<b>13,500</b>	<b>(0)</b>
Net Change in Fund Balance	(245,534)	(28,999)	216,535
Fund Balance Beginning of Year	384,875	384,875	(0)
<b>Fund Balance End of Year</b>	<b>\$ 139,341</b>	<b>\$ 355,876</b>	<b>\$ 216,535</b>

**PARK RESERVE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET TO ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>			
Intergovernmental:			
IAC - Outdoor Rec (ADP)	\$ -	\$ -	\$ -
RCO - (IAC) ALEA Grant	100,000	25,537	(74,463)
Gifts and Pledges	106,000	6,320	(99,680)
Interest and Other Earnings	-	271	271
Rental and Lease	-	-	-
<b>Total Revenues</b>	<b>206,000</b>	<b>32,128</b>	<b>(173,872)</b>
<b>Expenditures</b>			
Current:			
Capital Outlay:			
American Legion Park Paths	20,000	29,676	(9,676)
Fish Park	247,606	46,269	201,337
Nelson Park	20,000	-	20,000
Skateboard Park Repairs	5,000	4,784	216
Trail Plan	286	485	(199)
<b>Total Expenditures</b>	<b>292,892</b>	<b>81,214</b>	<b>211,678</b>
Excess of Revenues Over Expenditures	(86,892)	(49,085)	37,807
<b>Other Financing Sources (Uses)</b>			
Transfers in	36,079	34,972	(1,107)
Transfers out	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>36,079</b>	<b>34,972</b>	<b>(1,107)</b>
Net Change in Fund Balance	(50,813)	(14,113)	36,700
Fund Balance Beginning of Year	204,287	204,287	0
<b>Fund Balance End of Year</b>	<b>\$ 153,474</b>	<b>\$ 190,174</b>	<b>\$ 36,700</b>

**STREET RESERVE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET TO ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>			
Indirect Federal Grants	\$ 1,295,719	\$ 962,724	\$ (332,995)
State Dept of Ecology Grant	151,000	13,597	(137,403)
State Dept of Transportation Grant	-	-	-
CTED Grant	-	-	-
North Kitsap School District	-	-	-
Interest and Other Earnings	-	100,432	100,432
<b>Total Revenues</b>	<b>1,446,719</b>	<b>1,076,754</b>	<b>(369,965)</b>
<b>Expenditures</b>			
Current:			
3rd Avenue - Moe to Iverson	122,188	5,556	116,632
4th Avenue - Speed Tables	15,674	14,637	1,037
6th Avenue - Traffic Safety Improvements	358,172	41,216	316,956
Anderson Pkwy LID - Lights / Design	-	4,932	(4,932)
Fjord Drive	267,834	91,700	176,134
Hostmark Sidewalk	346,768	348,537	(1,769)
Liberty Bay Waterfront Trail	150,000	45,226	104,774
Lincoln Road	213,973	46,531	167,442
Noll Road	845,086	764,604	80,482
Lindvig Bridge	25,000	27,300	(2,300)
<b>Total Expenditures</b>	<b>2,344,695</b>	<b>1,390,239</b>	<b>954,456</b>
Excess of Revenues Over Expenditures	(897,976)	(313,485)	584,491
<b>Other Financing Sources (Uses)</b>			
Transfers in	419,279	367,424	(51,855)
Transfers out	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>419,279</b>	<b>367,424</b>	<b>(51,855)</b>
Net Change in Fund Balance	(478,697)	53,939	532,636
Fund Balance Beginning of Year	666,031	666,030	(1)
Prior Year Adjustment	-	(100,761)	100,761
<b>Fund Balance End of Year</b>	<b>\$ 187,334</b>	<b>\$ 619,207</b>	<b>\$ 431,873</b>

**CEMETERY RESERVE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET TO ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2012**

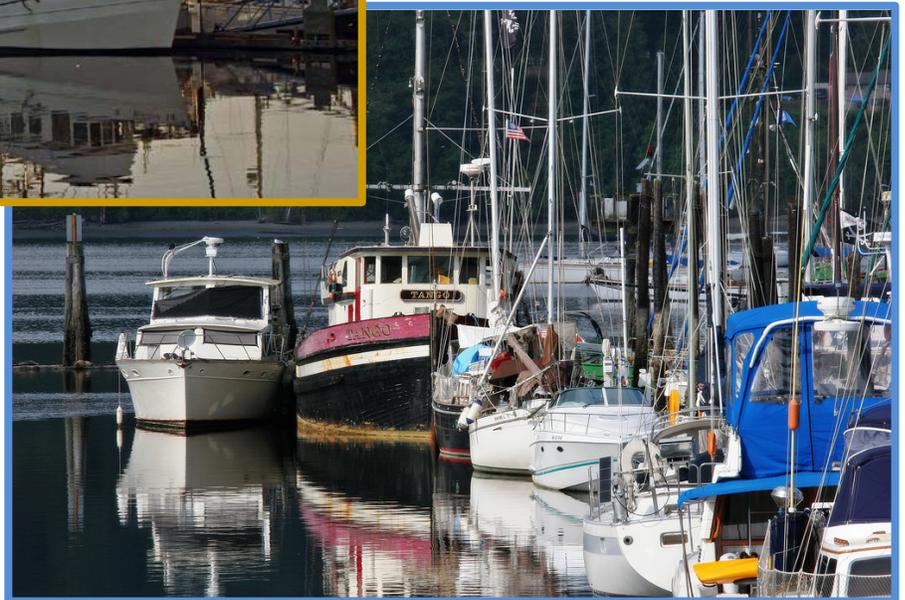
	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>			
Gravesites	\$ 1,000	\$ 2,800	\$ 1,800
Interest and Other Earnings	-	80	80
Miscellaneous			-
<b>Total Revenues</b>	<b>1,000</b>	<b>2,880</b>	<b>1,880</b>
<b>Expenditures</b>			
Current:			
General Government	-	-	-
<b>Total Expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess of Revenues Over Expenditures	1,000	2,880	1,880
<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	1,000	2,880	1,880
Fund Balance Beginning of Year	59,123	59,123	-
<b>Fund Balance End of Year</b>	<b>\$ 60,123</b>	<b>\$ 62,004</b>	<b>\$ 1,881</b>

**CITY STREET EQUIPMENT RESERVE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET TO ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>			
Interest and Other Earnings	\$ -	\$ 348	\$ 348
Miscellaneous	-	-	-
<b>Total Revenues</b>	<b>-</b>	<b>348</b>	<b>348</b>
<b>Expenditures</b>			
Capital Outlay	7,000	6,858	142
<b>Total Expenditures</b>	<b>7,000</b>	<b>6,858</b>	<b>142</b>
Excess of Revenues Over Expenditures	(7,000)	(6,510)	490
<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	(7,000)	(6,510)	490
Fund Balance Beginning of Year	241,258	241,258	-
<b>Fund Balance End of Year</b>	<b>\$ 234,258</b>	<b>\$ 234,748</b>	<b>\$ 490</b>

**FACILITIES FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET TO ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>			
Interest and Other Earnings	\$ -	\$ 187	\$ 187
Miscellaneous	-	-	-
<b>Total Revenues</b>	<b>-</b>	<b>187</b>	<b>187</b>
<b>Expenditures</b>			
Capital Outlay:			
Marine Science Center	17,984	-	17,984
Municipal Campus Project	-	654	(654)
<b>Total Expenditures</b>	<b>17,984</b>	<b>654</b>	<b>17,330</b>
Excess of Revenues Over Expenditures	(17,984)	(466)	17,518
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	-	-
Transfers out	(2,524,630)	(2,524,630)	0
Governmental Obligation Bond Proceeds	2,455,000	2,455,000	-
Premium on Bonds Sold	69,630	69,630	(0)
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balance	(17,984)	(466)	17,518
Fund Balance Beginning of Year	142,319	142,319	-
<b>Fund Balance End of Year</b>	<b>\$ 124,335</b>	<b>\$ 141,853</b>	<b>\$ 17,518</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 **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 POSITION  
INTERNAL SERVICE FUNDS  
DECEMBER 31, 2012**

	<b>Business-type Activities</b>		
	<b>General Facilities</b>	<b>Public Works Admin</b>	<b>Total</b>
<b>Assets</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 27,492	\$ 31,256	\$ 58,748
Investments	9,347	88,040	97,388
Accounts Receivable	-	1,340	1,340
Inventories	456	-	456
<b>Total Current Assets</b>	<b>37,295</b>	<b>120,636</b>	<b>157,931</b>
Noncurrent assets:			
Investments	-	-	-
Capital Assets:			
Land	-	6,590	6,590
Machinery and Equipment	9,000	46,313	55,313
Intangibles	-	15,435	15,435
Other Improvements	-	32,424	32,424
Less: Accumulated Depreciation	(9,000)	(62,953)	(71,953)
<b>Total Noncurrent Assets</b>	<b>-</b>	<b>37,809</b>	<b>37,809</b>
<b>Total Assets</b>	<b>37,295</b>	<b>158,444</b>	<b>195,739</b>
<b>Liabilities</b>			
Current Liabilities:			
Accounts Payable	4,626	24,926	29,552
<b>Total Current Liabilities</b>	<b>4,626</b>	<b>24,926</b>	<b>29,552</b>
Non Current Liabilities:			
Compensated Absences	13,917	73,997	87,914
<b>Total Non Current Liabilites</b>	<b>13,917</b>	<b>73,997</b>	<b>87,914</b>
<b>Total Liabilities</b>	<b>18,543</b>	<b>98,922</b>	<b>117,466</b>
<b>Net Position</b>			
Invested in capital assets	-	37,809	37,809
Unrestricted	18,752	21,713	40,465
<b>Total Net Position</b>	<b>\$ 18,752</b>	<b>\$ 59,522</b>	<b>\$ 78,274</b>

**COMBINING STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET POSITION  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<b>Business-type Activities</b>		
	General Facilities	Public Works Admin	Total
<b>Operating Revenues:</b>			
Charges for Services	\$ 148,855	\$ 1,075,443	\$ 1,224,299
<b>Total operating revenues</b>	<b>148,855</b>	<b>1,075,443</b>	<b>1,224,299</b>
<b>Operating Expenses:</b>			
Administrative and General	74,214	1,137,438	1,211,652
Depreciation	-	12,517	12,517
Operating	98,935	-	98,935
<b>Total Operating Expenses</b>	<b>173,149</b>	<b>1,149,954</b>	<b>1,323,104</b>
Operating Income (loss)	(24,294)	(74,511)	(98,805)
<b>Nonoperating Revenues (Expenses):</b>			
Interest and Other Earnings	38	231	269
<b>Total Nonoperating Revenue (Expenses)</b>	<b>38</b>	<b>231</b>	<b>269</b>
Change in Net Position	(24,256)	(74,279)	(98,535)
Total Net Position Beginning of Year	41,245	133,801	175,046
Prior Year Adjustments	1,763	-	1,763
<b>Total Net Position End of Year</b>	<b>\$ 18,752</b>	<b>\$ 59,522</b>	<b>\$ 78,274</b>

**COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<b>Business-type Activities</b>		
	<b>General Facilities</b>	<b>Public Works Admin</b>	<b>Total</b>
<b>Cash Flows from Operating Activities</b>			
Receipts from customers and users	\$ 148,855	\$ 1,074,465	\$ 1,223,320
Payments to suppliers for goods and services	(99,661)	(725,155)	(824,816)
Payments to employees	(72,850)	(399,675)	(472,525)
<b>Net cash provided (used) by operating activities</b>	<b>(23,655)</b>	<b>(50,365)</b>	<b>(74,020)</b>
<b>Cash Flows from Investing Activities</b>			
Proceeds from sales and maturities of investments	36,950	88,000	124,950
Purchase of investments	(38)	(25,231)	(25,269)
Interest and dividends received	38	231	269
<b>Net cash used by investing activities</b>	<b>36,950</b>	<b>63,000</b>	<b>99,950</b>
Net increase in cash and cash equivalents	13,295	12,635	25,930
Cash and cash equivalents Beginning of Year	14,197	18,621	32,818
<b>Cash and cash equivalents End of Year</b>	<b>\$ 27,492</b>	<b>\$ 31,256</b>	<b>\$ 58,748</b>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>			
Operating Income	(24,294)	(74,511)	(98,805)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	-	12,517	12,517
(Increase) decrease in accounts receivable	-	(978)	(978)
Increase (decrease) in accounts payable	639	7,265	7,903
Increase(decrease) in comp. absences payable	-	5,343	5,343
<b>Total Adjustments</b>	<b>639</b>	<b>24,146</b>	<b>24,785</b>
<b>Net Cash Provided By Operating Activities</b>	<b>\$ (23,655)</b>	<b>\$ (50,365)</b>	<b>\$ (74,020)</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 FIDUCIARY NET POSITION  
AGENCY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	1/1/12 Balance	Additions	Deletions	12/31/12 Balance
<b>Assets</b>				
Cash and cash equivalents	\$ 40,733	\$ 193,973	\$ 203,981	\$ 30,724
Accounts Receivable	5,960	82,442	88,354	49
Investments	23,036	42,084	880	64,239
<b>Total Assets</b>	<b>69,729</b>	<b>318,499</b>	<b>293,215</b>	<b>95,012</b>
<b>Liabilities</b>				
Retainage Payable	\$ 39,212	\$ 71,346	\$ 109,828	\$ 730
Custodial funds	30,516	179,909	116,143	94,283
<b>Total Liabilities</b>	<b>69,729</b>	<b>251,255</b>	<b>225,971</b>	<b>95,012</b>
<b>Net Position</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

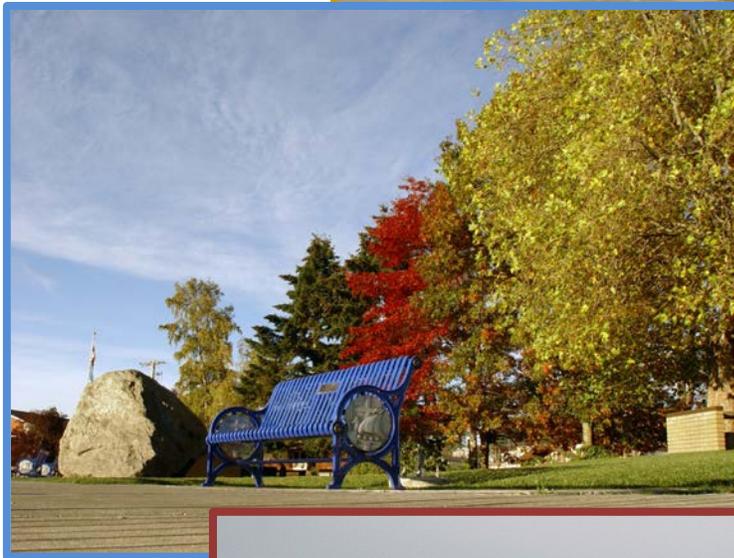
These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

#### 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.

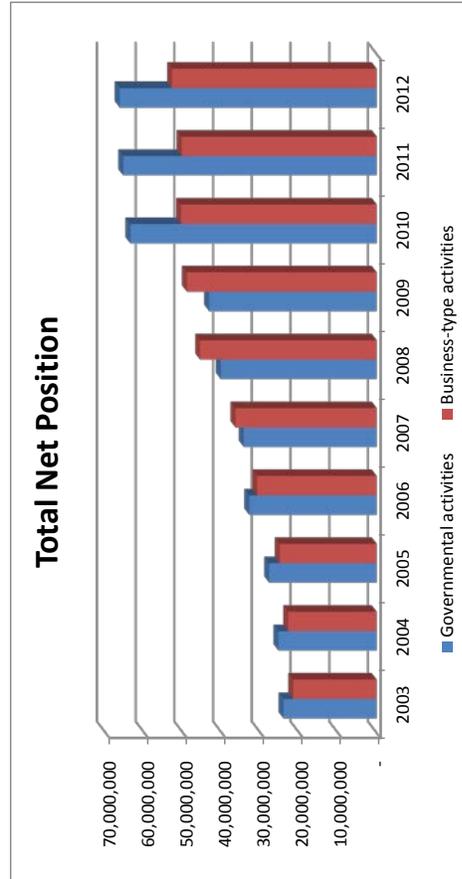
#### *Data Sources:*

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



NET POSITION BY COMPONENT  
Last Ten Fiscal Years

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Governmental activities</b>										
Net investment in Capital Assets	\$ 16,780,634	\$ 18,857,715	\$ 14,526,547	\$ 21,314,960	\$ 22,927,641	\$ 32,758,461	\$ 35,548,551	\$ 58,447,929	\$ 60,292,177	\$ 61,173,480
Restricted	293,256	287,739	866,364	974,441	946,843	683,649	643,717	602,068	733,527	771,117
Unrestricted	6,992,026	6,221,541	12,367,678	10,640,044	10,460,327	6,831,365	7,074,512	4,587,722	4,449,433	4,427,348
<b>Total governmental activities net position</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>\$ 65,475,137</b>	<b>\$ 66,371,945</b>
<b>Business-type activities</b>										
Net investment in Capital Assets	\$ 16,641,475	\$ 16,903,395	\$ 17,250,848	\$ 25,702,744	\$ 25,907,276	\$ 35,806,531	\$ 38,376,953	\$ 38,276,261	\$ 37,042,937	\$ 37,440,865
Restricted	595,000	-	496,499	623,042	491,489	492,011	492,011	434,587	492,011	442,900
Unrestricted	4,306,333	5,916,001	7,258,373	4,526,032	10,062,161	9,313,622	10,139,706	11,822,918	12,880,492	14,956,989
<b>Total business-type activities net position</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>\$ 50,415,439</b>	<b>\$ 52,840,754</b>
<b>Primary government</b>										
Net investment in Capital Assets	\$ 33,422,109	\$ 35,761,110	\$ 31,777,395	\$ 47,017,703	\$ 48,834,917	\$ 68,564,992	\$ 73,925,503	\$ 96,724,190	\$ 97,335,114	\$ 98,614,345
Restricted	888,256	287,739	1,362,863	1,597,483	1,438,331	1,175,659	1,135,728	1,036,655	1,225,538	1,214,017
Unrestricted	11,298,359	12,137,543	19,626,051	15,166,076	20,522,488	16,144,986	17,214,218	16,410,640	17,329,924	19,384,337
<b>Total primary government net position</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>	<b>\$ 115,890,576</b>	<b>\$ 119,212,698</b>



CHANGES IN NET POSITION  
Last Ten Fiscal Years

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Expenses</b>										
Governmental Activities:										
General government	\$ 1,516,489	\$ 1,530,017	\$ 1,356,943	\$ 1,639,401	\$ 1,729,870	\$ 1,752,358	\$ 1,673,197	\$ 1,731,193	\$ 1,758,688	\$ 2,148,291
Judicial	265,053	260,744	257,550	272,248	303,106	338,206	363,204	372,227	347,030	374,672
Security of Persons & Property	1,983,035	1,939,609	2,112,042	2,194,372	2,432,958	2,485,650	2,735,396	2,733,363	2,631,619	2,651,809
Utilities & Environment	593,399	502,815	436,786	502,929	579,460	605,326	495,083	478,033	494,668	463,211
Transportation	930,344	1,086,014	1,069,701	1,105,132	3,303,834	3,473,777	1,590,515	1,731,695	1,685,655	1,852,794
Economic Environment	446,585	595,488	650,391	751,947	846,131	894,507	848,002	861,538	633,782	665,027
Mental & Physical Health	9,909	10,767	12,489	12,838	13,489	13,694	14,213	14,481	14,573	14,705
Culture & Recreation	1,142,670	1,196,036	1,273,809	1,381,978	1,820,165	2,067,109	1,501,571	1,509,164	1,468,720	1,427,910
Interest on Long-Term Debt	195,895	161,767	150,670	332,355	323,951	303,190	517,679	561,569	553,206	556,341
Total Governmental Activities Expenses	7,083,381	7,283,256	7,320,381	8,193,199	11,352,964	11,933,818	9,738,860	9,993,266	9,587,940	10,154,759
Business-Type Activities:										
Water <sup>1</sup>	2,070,725	2,096,780	2,195,301	870,959	1,017,582	928,153	1,109,257	1,094,734	1,199,529	1,282,886
Sewer	-	-	-	1,368,353	1,518,045	1,520,839	1,716,646	1,844,726	2,052,589	2,109,868
Solid Waste	936,477	870,166	807,384	945,221	1,158,976	961,512	999,853	999,164	1,161,445	1,247,121
Storm Drain	243,174	283,778	323,217	417,209	559,800	675,448	881,451	931,723	935,763	1,011,619
Total Business-Type Activities	3,250,377	3,250,724	3,325,902	3,601,742	4,254,402	4,085,952	4,707,206	4,870,347	5,349,326	5,651,494
Total Primary Government Expenses	\$ 10,333,757	\$ 10,533,980	\$ 10,646,283	\$ 11,794,941	\$ 15,607,366	\$ 16,019,770	\$ 14,446,066	\$ 14,863,613	\$ 14,937,266	\$ 15,806,253

**Program Revenues**

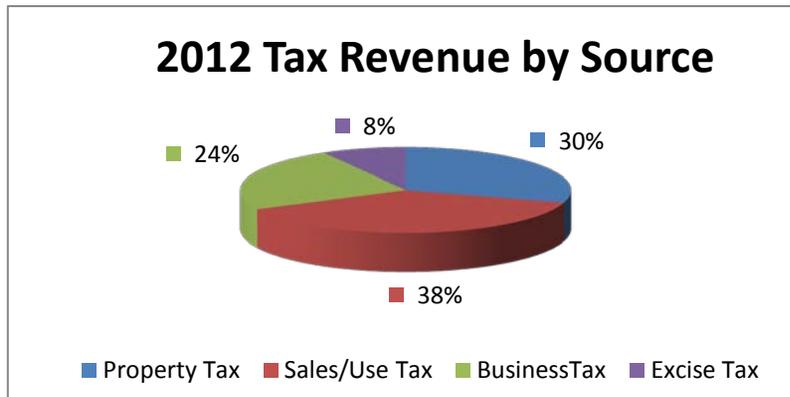
Governmental Activities:										
Charges for services										
General Government	\$ 246,939	\$ 198,872	\$ 224,133	\$ 230,890	\$ 259,258	\$ 268,307	\$ 269,871	\$ 266,497	\$ 540,342	\$ 345,044
Judicial	243,979	112,403	109,137	123,309	123,489	106,268	100,989	111,022	106,027	112,308
Security of Persons & Property	139,548	74,405	73,172	108,076	180,967	142,855	149,761	175,358	169,029	168,580
Utilities & Environment	135,636	123,440	144,532	186,395	147,659	58,143	41,545	43,703	51,162	53,193
Transportation	6,631	3,750	7,776	7,315	6,625	7,096	8,428	9,239	9,225	12,100
Economic Environment	339,070	385,157	580,137	667,550	1,111,693	508,805	529,054	332,333	281,722	505,177
Mental & Physical Health	-	-	-	-	-	-	-	-	-	-
Culture & Recreation	519,855	606,882	529,938	524,913	485,590	488,532	446,626	504,935	493,156	538,424
Interest on Long-Term Debt	-	-	-	-	-	-	-	-	-	-
Operating grants and contributions	361,691	401,880	453,211	421,073	697,301	403,541	462,488	477,260	425,702	468,960
Capital grants and contributions	2,422,547	1,254,588	1,330,358	3,353,002	3,958,650	8,170,785	2,616,738	1,539,559	1,547,093	1,758,099
Total Governmental Activities Program Revenues	4,415,896	3,161,378	3,452,396	5,622,522	6,971,232	10,154,333	4,625,500	3,459,906	3,623,457	3,961,884

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Business-Type Activities:</b>										
Charges for services:										
Water <sup>1</sup>	3,390,905	3,250,588	3,449,272	1,261,909	1,278,995	1,314,880	1,436,637	1,420,038	1,407,214	1,461,638
Sewer	-	-	-	1,845,779	1,903,284	1,988,486	2,388,293	2,526,708	2,558,143	2,803,005
Solid Waste	1,078,703	1,094,879	1,149,082	1,213,664	1,236,305	1,287,759	1,262,911	1,282,151	1,287,617	1,382,449
Storm Drain	538,291	549,545	602,950	655,959	708,002	701,872	732,023	732,782	738,081	801,795
Operating grants and contributions	-	-	-	-	-	56,428	53,270	57,555	94,789	66,936
Capital grants and contributions	537,062	494,143	-	4,476,680	4,372,821	7,612,412	3,180,784	221,116	312,382	1,503,112
Total Business-Type Activities Program Revenues	5,544,960	5,389,156	5,201,303	9,453,991	9,499,408	12,961,838	9,053,919	6,240,350	6,398,226	8,018,935
Total Primary Government Program Revenues	\$ 9,960,856	\$ 8,550,534	\$ 8,653,699	\$ 15,076,513	\$ 16,470,639	\$ 23,116,170	\$ 13,679,418	\$ 9,700,256	\$ 10,021,682	\$ 11,980,819
<b>Net (Expense)/Revenue</b>	\$ (2,667,485)	\$ (4,121,878)	\$ (3,867,985)	\$ (2,570,677)	\$ (4,381,732)	\$ (1,779,485)	\$ (5,113,360)	\$ (6,533,359)	\$ (5,964,483)	\$ (6,192,875)
Governmental Activities	2,294,584	2,138,432	1,875,401	5,852,249	5,245,005	8,875,886	4,346,712	1,370,003	1,048,900	2,367,441
Business-type activities	\$ (372,901)	\$ (1,983,446)	\$ (1,992,584)	\$ 3,281,572	\$ 863,273	\$ 7,096,400	\$ (766,648)	\$ (5,163,357)	\$ (4,915,583)	\$ (3,825,434)
<b>General Revenues and Other Changes in Net Position</b>										
Governmental Activities:										
Taxes:										
Property Taxes	\$ 1,197,063	\$ 1,246,453	\$ 1,590,561	\$ 1,730,490	\$ 1,787,878	\$ 1,898,668	\$ 1,972,984	\$ 2,046,143	\$ 2,061,784	\$ 2,119,770
Retail Sales & Use Taxes	2,303,764	2,281,822	2,506,720	3,323,801	3,509,621	3,241,145	2,983,521	3,089,028	2,905,695	2,700,885
Utility Taxes	-	-	6,121	-	-	-	-	-	-	-
Business Taxes	949,054	978,923	1,014,777	979,088	1,110,212	1,452,140	1,527,557	1,532,771	1,691,487	1,718,219
Excise Taxes	344,003	477,220	645,992	656,366	739,141	565,800	398,550	340,508	300,344	587,590
Motor Fuel Taxes	-	-	-	-	-	-	-	-	-	-
Penalties & Interest	75	-	33	95	-	-	-	-	-	-
Investment earnings	126,445	130,220	237,180	718,819	818,379	579,695	157,625	104,893	61,220	59,267
Gain (loss) on disposal of capital assets	(154)	(79,307)	4,913	865	(6,963)	701	724,911	-	13,139	4,712
Permanent Fund Contributions	-	-	-	-	-	-	-	-	-	-
Specialty Item	-	-	-	-	-	-	-	-	-	-
Transfers	264,753	265,918	249,764	246,000	258,251	0	-	-	-	-
Total Governmental Activities	5,185,003	5,301,247	6,256,059	7,655,524	8,216,519	7,738,149	7,765,148	7,113,343	7,033,670	7,190,443
Business-Type Activities										
Penalties & Interest	-	-	-	-	-	-	-	-	-	-
Investment earnings	36,629	42,439	101,882	239,850	334,691	275,353	87,942	96,415	56,345	56,111
Gain (loss) on disposal of capital assets	167	-	(23,635)	-	800	-	-	-	-	-
Transfers	(264,753)	(265,918)	(249,764)	(246,000)	-	-	-	-	-	-
Total Business-Type Activities	(227,957)	(223,478)	(171,514)	(6,151)	335,491	275,353	87,942	96,415	56,345	56,111
Total Primary Government	\$ 4,957,046	\$ 5,077,769	\$ 6,084,544	\$ 7,649,373	\$ 8,552,010	\$ 8,013,502	\$ 7,853,090	\$ 7,209,758	\$ 7,090,016	\$ 7,246,554
<b>Change in Net Position</b>										
Governmental Activities	\$ 2,517,518	\$ 1,179,370	\$ 2,388,074	\$ 5,084,847	\$ 3,834,787	\$ 5,958,663	\$ 2,651,788	\$ 579,984	\$ 1,069,187	\$ 997,568
Business-Type Activities	2,066,627	1,914,954	1,703,887	5,846,098	5,580,497	9,151,239	4,434,655	1,466,417	1,105,245	2,423,552
Total Primary Government	\$ 4,584,145	\$ 3,094,324	\$ 4,091,961	\$ 10,930,945	\$ 9,415,284	\$ 15,109,902	\$ 7,086,442	\$ 2,046,401	\$ 2,174,432	\$ 3,421,120

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**

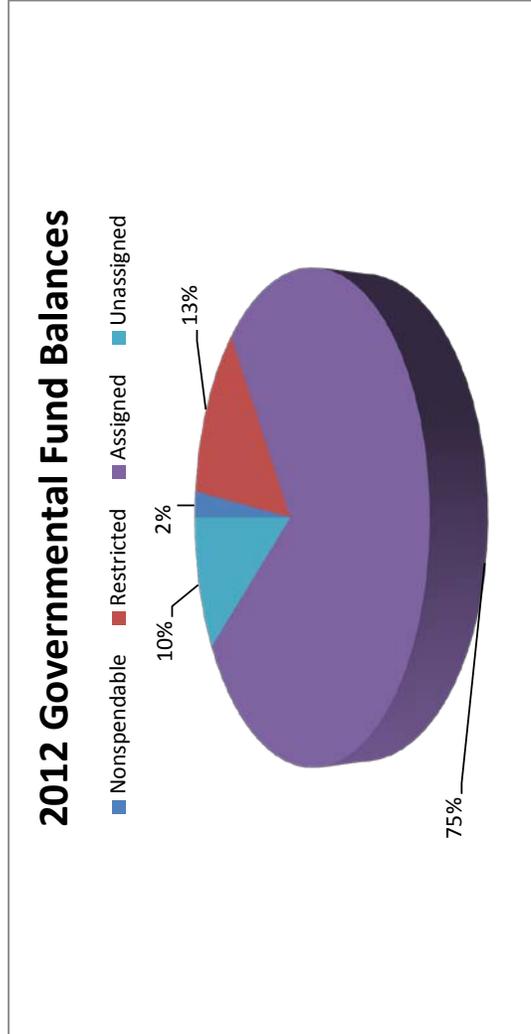
Fiscal Year	Property Tax	Sales/Use Tax	BusinessTax	Excise Tax	Total Taxes
2003	1,197,063	2,415,924	820,791	360,105	4,793,883
2004	1,246,453	2,387,791	856,207	493,968	4,984,419
2005	1,590,561	2,641,392	861,489	664,607	5,758,049
2006	1,730,490	3,322,620	980,268	656,366	6,689,744
2007	1,779,890	3,482,944	1,081,811	738,857	7,083,501
2008	1,888,104	3,340,683	1,475,115	565,813	7,269,716
2009	1,899,846	2,953,050	1,502,823	398,229	6,753,948
2010	2,053,214	3,038,419	1,516,144	340,062	6,947,838
2011	2,062,373	2,917,745	1,695,236	300,104	6,975,458
2012	2,119,770	2,700,885	1,718,219	587,590	7,126,464



FUND BALANCES OF GOVERNMENTAL FUNDS  
Last Ten Fiscal Years

Fiscal Year	General Fund			Total General Fund	All Other Governmental Funds					Total All Other Governmental Funds
	Nonspendable	Assigned	Unassigned		Nonspendable	Restricted	Committed	Assigned	Unassigned	
2011	9,843	1,628,270	269,971	1,908,084	91,016	642,511	-	2,198,283	-	2,931,810
2012	9,635	1,577,089	514,274	2,100,998	91,016	657,162	-	2,133,718	-	2,881,896

Note: The City implemented GASB changes in 2011 and information prior to 2011 is not available.



CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
Last Ten Fiscal Years

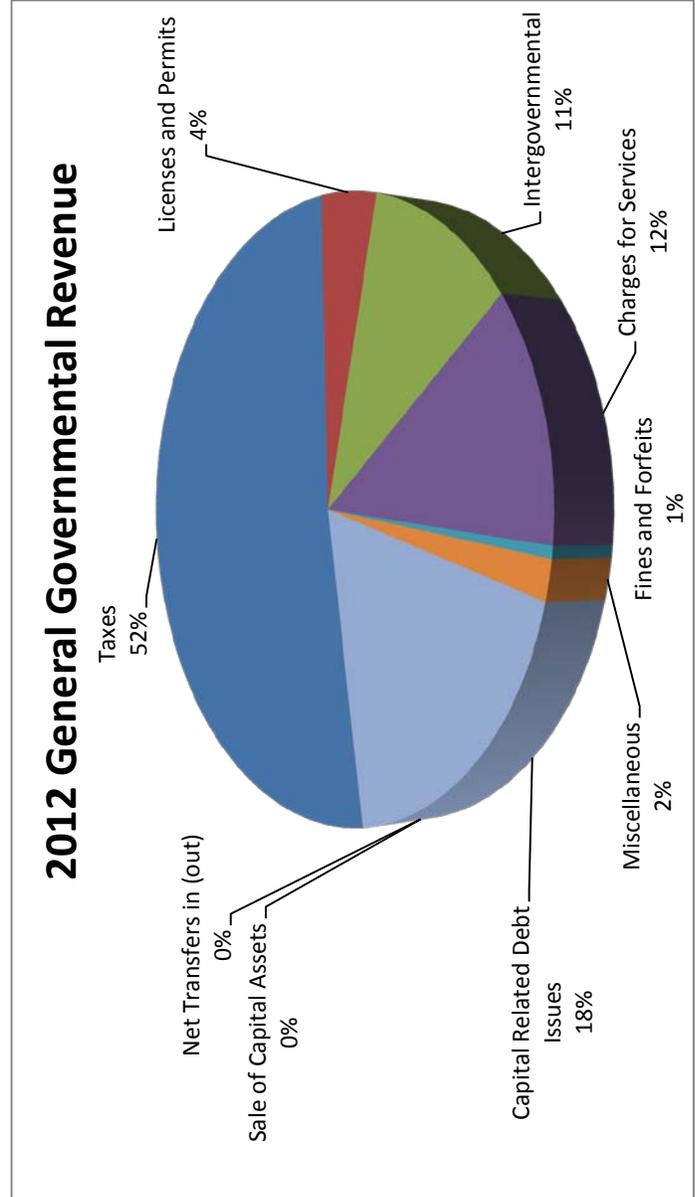
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Revenues</b>										
Taxes	\$ 5,053,820	\$ 5,255,334	\$ 5,876,048	\$ 6,828,714	\$ 7,381,362	\$ 7,269,716	\$ 6,757,754	\$ 6,947,838	\$ 6,975,383	\$ 7,194,171
Licenses and Permits	335,050	382,285	614,391	517,095	860,178	386,251	460,321	397,513	351,107	604,450
Intergovernmental Revenues	2,554,371	1,151,526	432,120	2,155,192	3,014,360	2,117,665	2,893,320	1,897,881	1,682,571	1,471,002
Charges for Services	1,252,724	1,364,581	2,452,611	1,636,497	1,805,101	1,611,662	1,611,449	1,501,119	1,710,343	1,656,123
Fines and Forfeitures	236,840	104,859	97,108	108,781	106,704	103,210	89,382	87,184	85,063	79,049
Interest & Other Earnings	126,750	127,181	231,415	710,248	811,654	576,967	156,803	104,688	61,220	63,285
Miscellaneous	238,156	268,953	226,861	124,439	213,682	65,517	143,996	122,600	138,250	202,158
<b>Total Revenues</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>11,003,936</b>	<b>11,270,239</b>
<b>Expenditures</b>										
General Government	2,021,993	2,068,988	1,880,437	2,222,182	2,401,891	2,510,110	2,557,344	2,623,129	2,609,575	2,765,463
Security of Persons and Property	1,856,410	1,815,863	2,010,463	2,116,770	2,377,818	2,289,655	2,544,115	2,648,619	2,516,324	2,557,190
Utilities and Environment	579,134	479,589	425,839	497,437	566,156	585,591	474,649	460,417	479,286	455,458
Transportation	461,682	604,561	612,296	675,217	2,756,203	2,657,624	837,427	819,169	740,214	744,424
Economic Environment	440,816	572,399	634,263	738,917	839,269	891,608	845,073	857,604	630,374	660,244
Mental and Physical Health	9,909	10,767	12,489	12,838	13,489	13,694	14,213	14,481	14,573	14,705
Culture and Recreation	1,032,864	1,128,611	1,201,711	1,290,717	1,553,747	1,779,008	1,218,559	1,209,305	1,125,459	1,173,379
Capital Outlay	3,298,481	2,223,203	1,687,441	4,703,590	2,572,498	3,624,733	7,788,933	8,907,259	2,662,204	1,522,990
Debt Service										
Principal	958,608	348,608	384,323	579,323	574,323	1,199,323	704,323	604,368	634,368	3,114,368
Interest & Fiscal Charges	153,941	160,605	150,670	332,355	323,951	303,190	430,172	506,692	493,171	513,038
<b>Total Expenditures</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>11,905,548</b>	<b>13,521,260</b>
<b>Excess of revenues over (under) expenditures</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>(901,612)</b>	<b>(2,251,020)</b>
<b>Other financing sources (uses)</b>										
Proceeds of Long Term Debt	2,550,000	42,944	5,185,000	-	-	-	6,096,515	1,510,000	625,000	2,455,000
Premium on Bonds Sold	-	-	-	-	-	-	-	1,044	-	69,630
Disposal of Capital Assets	3,782	1,878	4,913	865	-	2,180	2,800,000	20,000	16,970	4,712
Comp for Impairment of Cap Assets	-	-	-	-	-	-	-	-	-	-
Net Transfers in (Out)	-	58,079	15,260	51,985	67,350	(15,000)	-	98,800	-	-
Intergovernmental Payment	-	-	-	-	-	-	-	-	-	-
Payment to Refund Bond Escrow Agen	-	-	-	-	-	-	-	-	-	-
Issuance Discount on Long-Term Debt	41,954	1,162	(82,451)	-	-	-	(54,071)	(6,473)	-	(34,561)
<b>Total other financing sources (uses)</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>915,609</b>	<b>2,494,781</b>
<b>Net change in fund balances</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>	<b>\$ 13,997</b>	<b>\$ 243,760</b>
Debt service as a percentage of noncapital expenditures	14.80%	7.08%	7.32%	10.77%	7.87%	12.29%	11.79%	11.40%	12.20%	30.23%

GENERAL GOVERNMENTAL REVENUES BY SOURCE  
Last Ten Fiscal Years

OTHER FINANCING SOURCES (USES)

REVENUES

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)					
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				
2011	6,975,383	351,107	1,682,571	1,710,343	85,063	199,470	11,003,936	273,639	641,970	-	915,609	11,919,545				
2012	7,194,171	604,450	1,471,002	1,656,123	79,049	265,444	11,270,239	2,490,069	4,712	-	2,494,781	13,765,020				



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

Fiscal Year Ended December 31	Real Property		Personal Property	Less: Tax Exempt Real Property	Total Taxable Assessed Value <sup>1</sup>	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
	Real Property	Personal Property	Real Property	Assessed Value <sup>1</sup>	Rate	Taxable Value	of Actual Value	
2003	687,861,685	34,377,866	81,937,703	640,301,848	2.027	743,672,297	86.1	
2004	811,445,976	32,598,832	104,902,292	739,142,516	1.960	849,589,099	87.0	
2005	998,820,555	37,296,158	130,764,431	905,352,282	2.151	1,004,830,502	90.1	
2006	1,359,944,770	37,817,375	202,658,963	1,195,103,182	1.891	1,359,616,817	87.9	
2007	1,500,268,177	55,589,284	218,520,151	1,337,337,310	1.561	1,523,163,223	87.8	
2008	1,524,122,775	40,675,295	186,579,815	1,378,218,255	1.440	1,598,861,085	86.2	
2009	1,435,423,041	52,673,622	178,062,955	1,310,033,708	1.434	1,519,760,682	86.2	
2010	1,427,087,076	52,724,550	199,102,348	1,280,709,278	1.563	1,448,766,152	88.4	
2011	1,358,145,256	51,027,470	164,915,580	1,244,257,146	1.615	1,401,190,480	88.8	
2012	1,314,300,278	51,974,423	155,133,100	1,211,141,601	1.717	1,363,898,199	88.8	

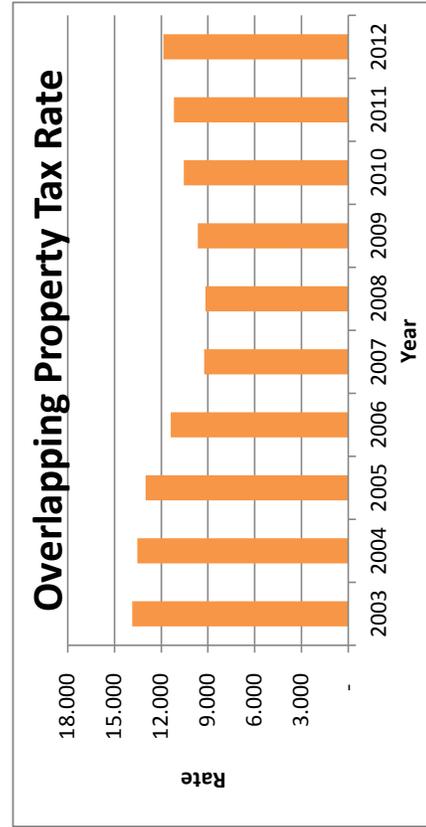
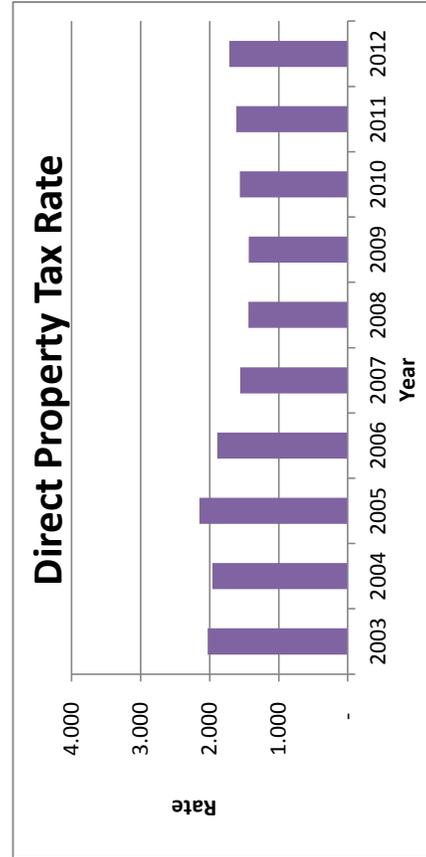
<sup>1</sup> Figure represents current year assessed value payable in following year  
Source: Kitsap County Assessor's Office

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

Fiscal Year	School										Other Overlapping Rates						Total Direct & Overlapping
	Debt Service**		Total City	Kitsap County		State School	NK School District	Port of Poulsbo	Fire District #18	Public Utility	Kitsap Regional Library		Poulsbo Library	Total Overlapping Rates			
	Operating	Debt		Operating	Debt						Regional Library	Library					
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	1.434	-	1.434	0.901	2.026	2.793	0.243	1.837	0.063	0.320	0.031	8.214	9.648				
2010	1.563	-	1.563	0.990	2.134	3.148	0.260	2.042	0.068	0.320	0.033	8.996	10.558				
2011	1.615	-	1.615	1.068	2.378	3.400	0.272	2.000	0.074	0.347	0.036	9.575	11.190				
2012	1.717	-	1.717	1.139	2.497	3.723	0.291	2.000	0.078	0.371	0.038	10.137	11.854				

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

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

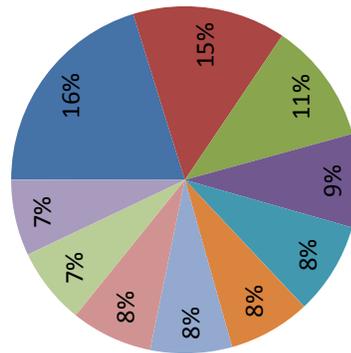


**PRINCIPAL TAXPAYERS**  
Current Year and Nine Years Ago

Taxpayer	2012			2003		
	Assessed Valuation	Rank	% of Total Assessed Valuation	Assessed Valuation	Rank	% of Total Assessed Valuation
OLHAVA ASSOCIATES LMTD PTNSP	\$ 23,739,620	1	1.96%	\$ 16,745,360	1	2.62%
WAL MART TRS LLC STORE 5272 POULSB	\$ 16,723,690	2	1.38%	\$ 9,461,990	2	1.48%
LAURELHURST APARTMENTS CO	\$ 13,279,910	3	1.10%	\$ 8,910,000	3	1.39%
LIBERTY RIDGE APTS LLC	\$ 10,211,710	4	0.84%	\$ 7,836,000	4	1.22%
HD DEVELOPMENT OF MARYLAND INC	\$ 10,070,450	5	0.83%	\$ 7,758,000	5	1.21%
HATTALAND	\$ 8,943,830	6	0.74%	\$ 6,628,000	6	1.04%
NIKKEL WILLIAM A TRUSTEE	\$ 8,938,330	7	0.74%	\$ 6,612,000	7	1.03%
COLLEGE MARKETPLACE LLC	\$ 8,918,790	8	0.74%	\$ 6,532,000	8	1.02%
POULSBO RETIREMENT CENTER	\$ 8,369,240	9	0.69%	\$ 5,181,125	9	0.81%
OLHAVA LLC & BRANDT JAMES & LINDA	\$ 8,319,690	10	0.69%	\$ 4,868,000	10	0.76%
<b>TOTALS:</b>	<b>\$ 117,515,260</b>		<b>9.70%</b>	<b>\$ 80,532,475</b>		<b>12.58%</b>

Source: Kitsap County Assessor's Office

**Assessed Value of Top Ten Taxpayers**

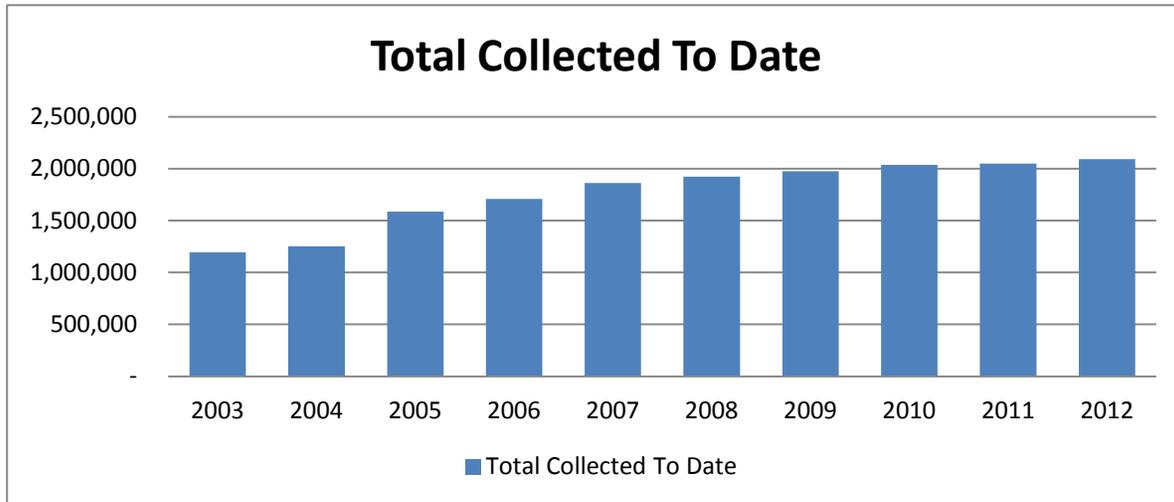


- OLHAVA ASSOCIATES LMTD PTNSP
- WAL MART TRS LLC STORE 5272 POULSBO WA
- LAURELHURST APARTMENTS CO
- LIBERTY RIDGE APTS LLC
- HD DEVELOPMENT OF MARYLAND INC
- HATTALAND
- NIKKEL WILLIAM A TRUSTEE
- COLLEGE MARKETPLACE LLC
- POULSBO RETIREMENT CENTER

**PROPERTY TAX LEVIES AND COLLECTIONS  
2003 - 2012**

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		
2003	1,195,117	1,169,635	97.87%	22,889	1,192,525	99.78%	2,592	0.22%
2004	1,253,074	1,221,213	97.46%	29,935	1,251,148	99.85%	1,926	0.15%
2005	1,589,053	1,550,699	97.59%	35,446	1,586,145	99.82%	2,908	0.18%
2006	1,710,873	1,685,921	98.54%	21,878	1,707,799	99.82%	3,074	0.18%
2007	1,864,277	1,820,831	97.67%	41,149	1,861,980	99.88%	2,297	0.12%
2008	1,925,724	1,873,649	97.30%	49,238	1,922,887	99.85%	2,837	0.15%
2009	1,976,950	1,900,928	96.15%	73,080	1,974,008	99.85%	2,942	0.15%
2010	2,047,191	1,981,228	96.78%	54,453	2,035,681	99.44%	11,510	0.56%
2011	2,067,936	1,995,773	96.51%	53,343	2,049,116	99.09%	18,820	0.91%
2012	2,136,431	2,083,452	97.52%	7,827	2,091,279	97.89%	45,152	2.11%

Source: Kitsap County Treasurer and Assessor's Office



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

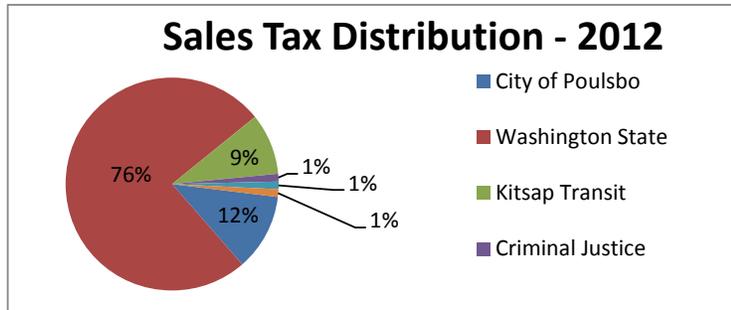
	2003	2004 <sup>(b)</sup>	2005	2006	2007	2008	2009	2010	2011	2012
<b>Basic Sales Tax Rates</b>										
City of Poulsbo	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Washington State	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%
Kitsap Transit	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%
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%	0.1%	0.1%
<b>Total Basic Combined Sales Tax Rate</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>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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Major Industry Sector</b>										
Unknown	11,287	8,142	8,044	13,373	15,140	8,529	4,721	22,144	41,121	36,448
Agriculture, Forestry Fishing	264	301	232	567	459	526	665	620	593	800
Mining	67	285	298	334	150	96	252	556	384	427
Utilities	2,469	1,222	1,018	1,538	1,694	2,866	2,618	1,876	2,081	2,744
Construction	404,472	325,656	427,005	467,266	454,627	420,541	273,295	318,387	316,718	142,181
Manufacturing	20,749	22,842	21,837	27,855	38,137	34,999	30,774	34,968	40,558	34,385
Wholesale Trade	102,716	122,172	144,851	135,929	150,273	144,849	91,669	86,317	89,855	90,710
Retail Trade	1,127,207	1,130,908	1,232,464	1,815,464	1,888,749	1,780,157	1,712,476	1,747,160	1,692,686	1,657,265
Transportation and Warehousing	1,465	1,568	2,172	2,094	1,593	1,093	1,188	1,566	1,921	2,707
Information	121,953	122,665	101,994	108,898	78,940	103,749	101,511	104,216	88,226	84,823
Finance and Insurance	17,352	12,277	11,817	19,385	18,841	15,116	7,962	7,174	9,228	8,760
Real Estate, Rental, Leasing	64,056	58,020	64,113	68,775	66,251	59,476	75,948	55,022	41,234	52,455
Prof Sci, Technical Svcs	22,014	30,799	34,326	33,269	38,658	42,981	43,304	31,335	29,699	27,102
Company Management	23	158	208	214	175	89	37	17	6	-
Admin, Supp, Remed Svcs	37,133	38,253	32,093	38,446	37,446	39,076	32,001	31,310	36,795	36,487
Educational Services	4,289	5,877	4,615	4,058	7,017	6,380	5,988	6,393	6,521	5,096
Health Care Social Assistance	9,755	7,503	6,210	6,927	13,924	10,820	13,310	8,280	8,885	19,078
Arts, Entertain, Recreation	5,907	8,501	6,484	11,650	12,997	13,749	6,971	10,245	12,699	9,239
Accommodation and Food Svcs.	206,333	222,014	236,119	241,044	237,134	249,801	273,308	282,394	286,244	292,749
Other Services	65,468	79,221	79,433	86,062	90,581	88,906	80,180	83,445	76,553	72,163
Public Administration	1,403	13	567	12	21	245	18,365	16,806	18,065	18,032
<b>Total Retail Sales Tax Revenues*</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>	<b>\$2,800,072</b>	<b>\$2,593,651</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**

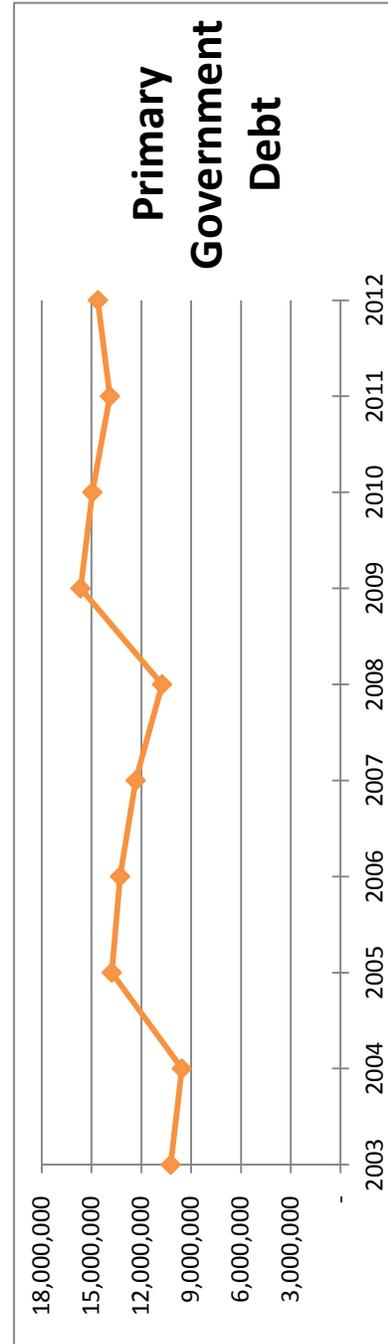
Last Ten Fiscal Years

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	Government			
2003	3,301,261	1,279,878	1,005,400	4,089,600	550,173	10,226,312	4.11%	1,420	
2004	3,025,000	1,207,533	973,500	3,856,500	504,325	9,566,858	3.55%	1,284	
2005	7,465,000	1,155,344	974,380	3,729,620	458,477	13,782,821	4.77%	1,840	
2006	7,415,000	1,071,021	933,900	3,451,100	412,630	13,283,651	4.35%	1,757	
2007	6,925,000	986,698	893,200	3,166,800	366,782	12,338,480	3.77%	1,574	
2008	5,810,000	902,375	818,180	2,900,820	320,934	10,752,309	2.88%	1,214	
2009	11,205,000	818,051	740,740	2,626,260	275,086	15,665,137	4.26%	1,756	
2010	10,985,000	743,683	659,340	2,337,660	229,239	14,954,922	3.79%	1,618	
2011	10,425,000	669,315	575,080	2,038,920	183,391	13,891,706	3.52%	1,484	
2012	11,665,000	594,946	487,960	1,730,040	137,543	14,615,490	0*	1,561	

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.

\*Percentage of Personal Income data only available through 2011.



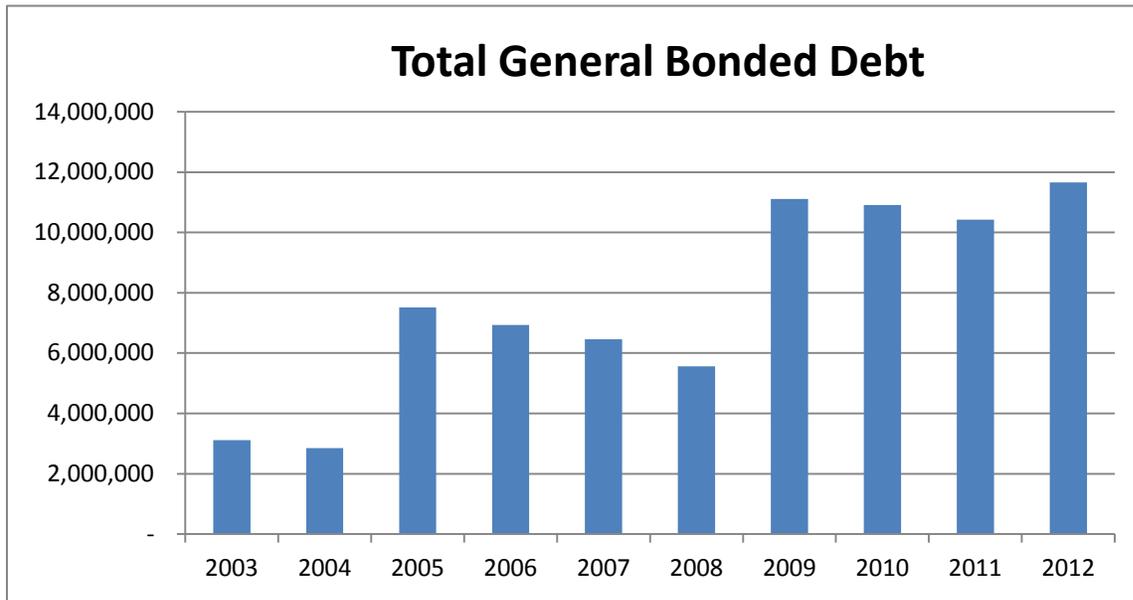
**RATIOS OF GENERAL BONDED DEBT OUTSTANDING**  
**Last Ten Fiscal Years**

<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>
2003	3,301,261	193,028	3,108,233	0.37%	432
2004	3,025,000	179,043	2,845,957	0.28%	382
2005	7,910,000	395,506	7,514,494	0.55%	1,003
2006	7,415,000	483,345	6,931,655	0.46%	917
2007	6,925,000	463,990	6,461,010	0.40%	824
2008	5,810,000	254,032	5,555,968	0.37%	627
2009	11,205,000	99,362	11,105,638	0.77%	1,245
2010	10,985,000	72,582	10,912,418	0.78%	1,180
2011	10,425,000	3,177	10,421,823	0.74%	1,127
2012	11,665,000	3,967	11,661,033	0.85%	1,246

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.



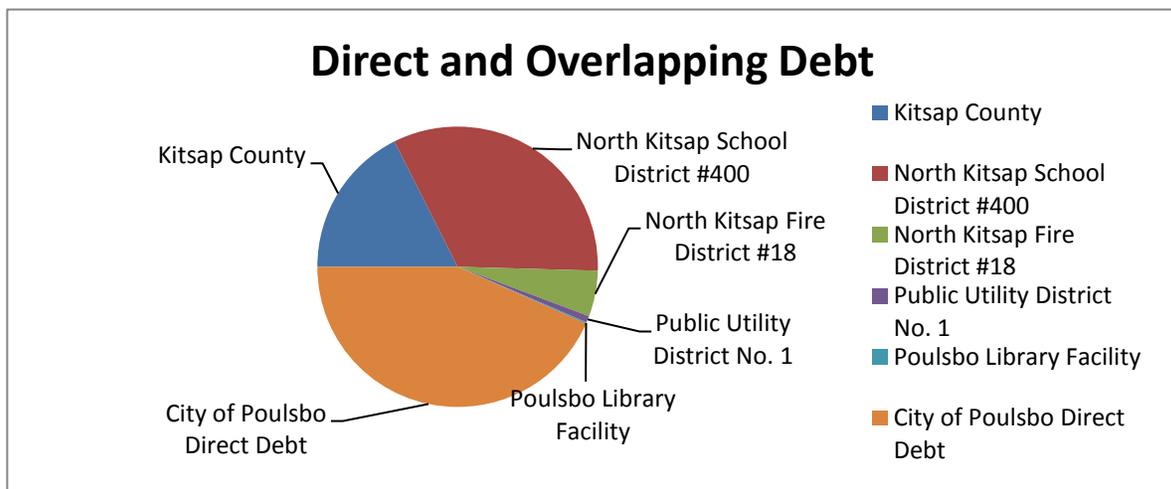
**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**  
As of December 31, 2012

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated % Applicable<sup>1</sup></u>	<u>Estimated Share of Overlapping Debt</u>
Kitsap County	\$ 107,133,369	4.64%	\$ 4,967,670
North Kitsap School District #400	43,921,978	21.16%	\$ 9,295,697
North Kitsap Fire District #18	3,091,929	48.41%	\$ 1,496,656
Public Utility District No. 1	4,565,000	4.64%	\$ 211,675
Poulsbo Library Facility	145,000	31.11%	\$ 45,108
<i>Subtotal, Overlapping Debt</i>			16,016,806
City of Poulsbo Direct Debt	12,259,946	100%	12,259,946
<b>Total Direct and Overlapping Debt</b>			<u><u>\$ 28,276,753</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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Debt Limit	\$ 48,022,639	\$ 55,435,689	\$ 67,901,421	\$ 89,632,739	\$ 100,300,298	\$ 103,366,369	\$ 98,252,528	\$ 96,053,196	\$ 93,319,286	\$ 90,835,620
Total net debt applicable to limit	3,108,233	3,204,043	7,514,494	6,931,655	6,461,010	5,555,968	11,105,638	10,912,418	10,415,231	11,661,033
Legal debt margin	\$ 44,914,406	\$ 52,231,646	\$ 60,386,928	\$ 82,701,084	\$ 93,839,288	\$ 97,810,401	\$ 87,146,890	\$ 85,140,778	\$ 82,904,055	\$ 79,174,587
Total net debt applicable to the limit as a % of debt limit	6.47%	5.78%	11.07%	7.73%	6.44%	5.38%	11.30%	11.36%	11.16%	12.84%

**Legal Debt Margin Calculation for Fiscal Year 2012**

Assessed value	1,211,141,601
Debt limit (7.5% of total assessed value)	90,835,620
Debt applicable to limit:	
General obligation bonds	11,665,000
Less: Amount set aside for repayment of GO Debt	3,967
Total net debt applicable to limit	11,661,033
Legal debt margin	\$ 79,174,587

Sources: Assessed value data used to estimate applicable percentages provided by the Kitsap County

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 repaying general obligation bonds.

**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	
2003	4,127,936	2,967,952	1,159,984	255,000	250,693	229%
2004	3,990,634	2,938,560	1,052,074	265,000	238,599	209%
2005	4,057,152	3,010,151	1,047,001	3,260,000 <sup>1</sup>	211,136	30%
2006	3,108,704	2,195,044	913,660	319,000	188,322	180%
2007	3,182,279	2,355,900	826,379	325,000	177,073	165%
2008	3,303,366	2,850,000	453,366	341,000	165,567	89%
2009	3,824,083	2,658,098	1,165,985	352,000	148,164	233%
2010	3,946,746	2,799,832	1,146,914	370,000	122,885	233%
2011	3,965,357	3,110,144	855,213	383,000	112,324	173%
2012	4,264,643	3,229,154	1,035,489	396,000	103,020	208%

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**

<b>FISCAL YEAR</b>	<b>COUNTY POPULATION</b>	<b>KC PERSONAL INCOME* <sup>1</sup></b>	<b>PERSONAL INCOME <sup>1</sup></b>	<b>PER CAPITA INCOME*</b>	<b>UNEMPLOYMENT RATE**</b>	<b>SCHOOL ENROLLMENT <sup>2</sup> ***</b>	
2003	7,010	237,000	7,806,826	230,911	33,348	6.7%	3,433
2004	7,200	239,500	8,284,815	249,063	35,178	5.8%	3,324
2005	7,450	240,400	8,706,269	269,807	37,769	5.1%	3,367
2006	7,490	243,400	9,398,583	289,217	39,777	4.8%	3,524
2007	7,560	244,800	9,888,582	305,383	42,163	4.4%	3,330
2008	7,840	246,800	10,312,169	327,583	43,851	5.4%	3,013
2009	8,855	247,600	10,454,459	373,886	43,404	7.6%	3,060
2010	8,920	251,133	10,355,171	367,806	41,135	7.3%	3,124
2011	9,245	253,900	10,842,161	394,784	42,580	7.9%	2,992
2012	9,360	254,500	0	0	0	7.4%	2,901

<sup>1</sup> Thousands of Dollars and information only available through 2011

<sup>2</sup> 2003-2012 are totals for only schools in city limits

\* Source: US Bureau of Economic Analysis-Kitsap County based on population of City only available through 2011

\*\* 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

	2012			2002		
	TOTAL EMPLOYEES <sup>1</sup>	Rank	% of Total City Employment	TOTAL EMPLOYEES <sup>1</sup>	Rank	% of Total City Employment
<b>Taxpayer</b>						
North Kitsap School District	1049	1	11.06%	956	1	12.41%
Martha & Mary Lutheran Services	600	2	6.32%	397	3	5.15%
Walmart	314	3	3.31%			
Central Market	230	4	2.42%	362	4	4.70%
Raytheon Systems	195	5	2.06%	225	5	2.92%
Home Depot	116	6	1.22%			
Masterworks	95	7	1.00%			
Paladin Data Systems	81	8	0.85%			
Gateway Fellowship	79	9	0.83%	76	10	0.99%
Sound Publishing	66	10	0.70%			
Powder Hill Group <sup>2</sup>	-		-	108	8	1.40%
Seattle Orthopedic Group <sup>2</sup>	-		-	199	6	2.58%
Courtesy Chevrolet <sup>2</sup>	-		-	135	7	1.75%
EDS Corporation <sup>2</sup>	-		-	100	9	1.30%
General Construction Company <sup>2</sup>	-		-	400	2	5.19%
<b>Subtotal of Ten Largest Employers</b>	2825		29.78%	2958		38.40%
All Other Employers	6662		70.22%	4745		61.60%
<b>Total Poulsbo Employment<sup>3</sup></b>	9487		100.00%	7703		100.00%

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

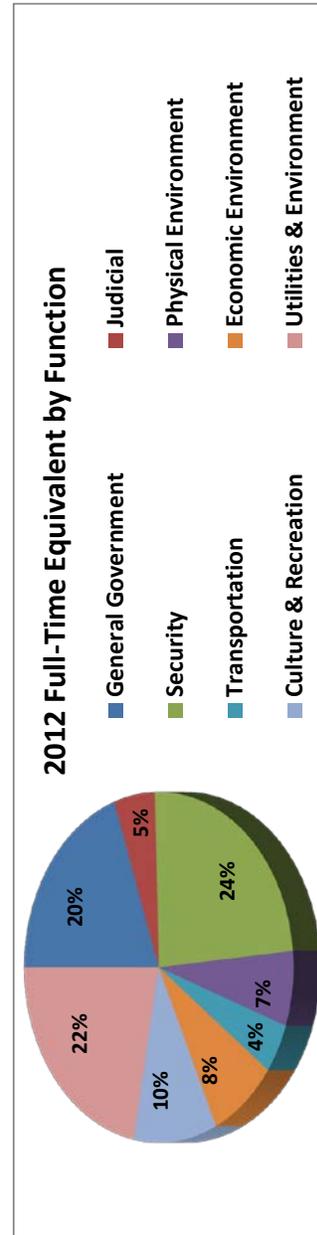
<sup>2</sup> Office closed or moved out of City

<sup>3</sup> 2010 Total Poulsbo Employment number is latest available per ESD

Source: Kitsap Economic Development Council Survey, WA St Employment Security Department

**FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION**  
As of December 31, 2012

Function	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Government:										
Executive (Mayor)	1.00	1.00	1.00	1.00	1.63	1.63	2.00	2.00	1.00	1.00
Clerk's Department	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	3.00	3.00
Finance Department	7.50	7.00	6.50	7.00	7.00	8.00	8.00	8.00	7.00	7.00
Grant Writer	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	1.00	1.50
Purchasing	2.50	2.00	-	-	-	-	-	-	-	-
Personnel	0.50	1.00	1.00	1.00	1.00	1.00	1.00	1.15	1.00	1.00
Central Services	1.79	1.79	1.90	1.90	1.90	1.90	1.90	1.90	2.50	2.50
Municipal Court	4.90	3.90	3.39	3.39	3.90	4.26	4.21	4.21	3.77	3.99
Police Department	20.00	20.00	20.00	20.00	20.00	22.00	22.00	21.00	19.00	19.50
Engineering	6.38	6.50	5.00	6.00	6.00	6.45	5.95	5.95	5.63	5.63
Streets	3.91	3.91	4.36	4.36	4.70	4.70	4.70	4.70	3.70	3.70
Planning & Building	5.63	5.75	7.50	8.50	9.00	9.45	8.45	8.45	6.55	6.55
Parks & Recreation	5.92	5.92	5.92	6.32	6.42	6.42	6.42	6.62	5.87	5.87
Parks & Cemetery	2.90	2.90	3.48	3.98	3.25	3.25	2.25	2.25	2.25	2.25
Library	0.49	0.49	0.54	0.54	0.60	0.60	0.60	0.60	-	-
Water	2.28	2.28	3.46	3.46	2.90	2.90	2.90	2.90	3.30	3.30
Sewer	1.37	1.37	1.80	1.80	3.15	3.15	3.15	3.15	3.05	3.05
Solid Waste	2.88	2.88	3.49	3.99	3.55	3.55	3.05	3.05	3.05	3.05
Storm Drain	1.85	1.85	1.97	2.97	2.95	3.95	3.95	3.95	3.65	3.65
General Facilities	0.89	0.89	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Administration	7.64	7.64	5.00	6.00	5.00	5.10	5.10	5.10	3.88	3.88
<b>Total Number of Full-Time Equivalent Employees:</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>	<b>80.20</b>	<b>81.42</b>



Source: City of Poulsbo, Human Resources

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<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	878	858	806	1,119	1,024	1,018	1,015	617	805	783
Number of Business Licenses Issued	*	907	914	1,375	1,575	1,351	1,563	1,404	1,463	1,639
Number of City Council meetings	40	37	38	42	40	44	43	39	42	39
Number of public records requests processed	*	56	57	44	73	79	87	88	75	83
<b>Public Safety</b>										
Number of case reports filed	1,753	1,611	1,586	1,998	2,090	1,783	1,698	1,746	1,552	1,595
Number of citations issued	2,321	2,191	2,162	2,167	2,325	985	1,223	1,250	1,155	1,031
Number of calls for service	10,039	10,458	11,229	13,374	12,942	12,234	12,842	13,744	13,591	12,139
Number of responses to motor vehicle accidents	145	160	211	175	271	235	302	347	205	182
Number of driving impaired citations issued	78	49	58	110	72	71	103	84	77	50
Number of vacation house checks	1,819	1,350	909	1,034	1,049	847	847	1,114	677	398
Number of parking citations issued	155	171	177	231	63	230	114	568	802	636
<b>Transportation</b>										
Miles of streets maintained	32	35	37	39	45	45	45	45	45	45
Miles of sidewalks maintained	*	42	42	44	47	48	49	50	51	50
Number of hours spent street sweeping	420	420	490	546	550	468	468	323	225	312
Number of street signs maintained	1,213	1,553	1,805	1,875	2,174	2,174	2,204	2,204	2,215	2,255
<b>Culture and Recreation</b>										
Number of parks maintained	13	16	16	16	16	17	17	17	17	17
Total acreage of parks/open space maintained	48	48	61	64	64	65	67	67	67	67
<b>Economic Environment</b>										
Number of single family building permits issued	100	132	75	227	265	154	105	78	51	96
Number of commercial building permits	30	53	40	108	86	68	47	84	51	3
Number of all other building permits	*	*	*	91	117	74	61	74	100	163
<b>Physical Environment</b>										
Number of Right of Way Permits issued	35	37	47	41	42	46	40	57	41	42

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Physical Environment (continued)</b>										
Number of Land Use Applications reviewed	52	97	108	96	156	89	90	26	31	38
Number of grading/site construction permits/applications	*	*	20	19	10	42	4	9	5	11
Number of land use applications reviewed for commercial sites	*	*	9	6	19	14	7	11	3	9
Number of land use applications reviewed for residential sites	*	*	217	1,189	500	8	9	6	3	4
<b>Business-Type Functions</b>										
Total Number of Employees	8	8	11	12	12	13	13	13	13	13
<b>Water</b>										
Number of active water services	3,495	2,674	2,707	2,820	2,990	3,142	3,133	3,156	3,249	3,194
Miles of watermain lines maintained	53	57	58	60	61	61	62	62	62	63
Average number of water meters read monthly	2,433	2,554	2,663	2,758	3,051	3,093	3,147	3,259	3,292	3,355
<b>Sewer</b>										
Number of active sewer services	2,600	2,525	2,561	2,631	2,778	2,869	2,963	2,985	3,015	3,073
Miles of sewermain lines maintained	28	31	31	32	33	34	34	34	34	34
Number of pump stations maintained	8	8	8	8	9	9	9	9	9	9
<b>Solid Waste</b>										
Number of residential garbage accounts	2,129	2,217	2,273	2,310	2,430	2,746	2,623	2,641	2,668	2,785
Number of multi-family units	1,012	1,016	1,030	1,038	1,012	1,012	1,102	1,102	1,102	1,012
Number of commercial accounts	182	192	224	229	201	231	266	277	282	311
Number of tons of waste to landfill	4,878	5,181	5,200	5,690	5,700	4,794	4,894	4,810	487	5,144
Number of 3 day free dumpsters for residential clean-up provided	393	420	363	326	350	308	312	356	300	306
<b>Storm Drain</b>										
Number of detention ponds maintained	20	20	22	29	29	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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Governmental Functions</b>										
<b>General Government</b>										
Number of City Vehicles (not listed below)	*	*	*	15	5	6	6	7	14	14
Generators	*	*	*	1	1	1	1	1	1	1
<b>Public Safety</b>										
Number of police vehicles	*	*	*	24	23	22	22	20	20	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	7	7
Number of Street Sweepers	1	1	1	1	1	1	1	1	1	1
Number of Dump Trucks	8	8	8	8	4	4	4	4	4	4
Miles of streets	32	35	37	39	39	45	47	48	48	48
Number of Traffic Signals	8	8	8	8	9	8	8	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	1
Neighborhood parks	2	3	3	3	3	8	10	10	10	10
Community parks	11	13	13	13	13	8	5	5	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	1	1
<b>Physical Environment</b>										
Number of Engineering vehicles	*	*	3	4	4	4	4	4	1	1

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<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	53	57	58	58	60	61	62	63	63	63
Number of vehicles	*	*	*	4	4	4	4	4	4	4
Number of construction vehicles	*	*	*	4	3	1	1	1	1	1
Number of hydrants	*	*	*	299	315	399	400	402	406	425
<b>Sewer</b>										
Generators	*	*	*	3	3	5	5	5	5	5
Number of vehicles	*	*	*	4	4	2	2	2	2	2
Number of construction vehicles	*	*	*	3	3	6	3	3	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	1
Treatment plants (Pumping Stations)	8	8	8	8	8	9	9	9	9	9
Miles of sewer mains	28	31	31	31	33	33	34	34	34	34
<b>Solid Waste</b>										
Number of garbage trucks	*	4	4	5	5	4	6	6	6	6
<b>Storm Drain</b>										
Number of vehicles	*	*	*	2	3	3	3	3	3	3
Number of Vacuum Trucks	-	1	1	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

