

City of Poulsbo, Washington
Comprehensive Annual Financial Report



For the fiscal year ended December 31, 2015

Cover Photo –N Hoke

CITY OF POULSBO

WASHINGTON

**COMPREHENSIVE ANNUAL FINANCIAL
REPORT**

For the fiscal year ended

December 31, 2015

Finance Director
Deborah Booher

PREPARED BY

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City of Poulsbo



June 29, 2016

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, 2015. 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, if the proceeds are in excess of \$750,000 per annum. 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 single audit report would be issued in a separate document. The City did not meet the dollar threshold in 2015 resulting in not requiring a single audit.

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, 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 & Recreation and Public Works operation. 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 is a five lane highway including a turn-lane spanning the length of the City limits. The avenue contains sidewalks on both sides allowing for pedestrian and bicycle safety. The corridor hosts various small businesses and restaurants and provides access to two busy City parks. 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, small natural amphitheater and numerous forms of wildlife. The City was donated two parcels 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.

Poulsbo has been strongly rebounding in 2015 from the prior economic downturn. Development revenues grew significantly in 2015 with many additional developments beginning the planning process. Growth is diversified in fairly equal scatterings among single family, multifamily, industrial and commercial development. Sonic, a fast food restaurant chain opened a store to much local excitement at the north end of Viking and continues to see growing activity. A new drive up Starbucks and retail car wash is under construction and anticipated to open early 2015. Construction of a new transit center is under construction at the end of the Viking Corridor. Several housing developments and multifamily homes are under construction. Many of the new developments have been completely sold prior to construction completion. At present there is a shortage of housing availability for both purchase and rental. Current and planned development should help to alleviate the demands, and help the local economy grow and remain strong. Much of Viking Avenue, which took a hard hit during the economic downturn, has rebounded with new businesses taking up residence on this corridor. The Mayor and City Council continue to work actively with current business owners to support growth, stability and encourage new potential opportunities. Fishline, who provides meals and support to those who are in need of this assistance, also relocated their food bank to Viking Avenue, while maintaining their second hand store in the historic downtown section.

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.

In 2014, a new large Safeway store inclusive of a gas station opened for business. This large retail grocery development enhanced the options for residents as well as entices travelers to make a quick stop with easy highway access and a covered parking option to help protect from any climate impacts. In 2015 due to Albertson's purchasing Safeway, the Albertson's which had been located in the village for more than 30 years closed their doors to focus their customer base to the new Safeway, a larger and newer facility. At this time the old Albertson's site remains vacant and the Mayor with Council continue to support finding a new occupant supporting the local economic plan.

Also located on the Highway 305 corridor is Central Market, which has been deemed a destination market, boasting local produce, in-store dining, full grocery products, extensive wine and beer selections and many quick gourmet dining options.

A new CVS full service pharmacy opened for business in 2014, providing more options for resident's pharmacy and other needs.

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. The college continues to enhance their program and partner with Western Washington University offering several 4 year baccalaureate programs. 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 diversify Poulsbo's resources. In 2015 the bank holding the debt for the remaining parcels in the development foreclosed on the property. Looking at the bright side, all back property taxes are now current and the hope is for a new developer with a renewed energy level for marketing the remaining properties. The area keeps developing and growing. The City will be working with the local YMCA, community and Western College to look at the potential of locating a new YMCA in this area with a possible combined use for YMCA to also host a student center of the college and locating the City's recreation programs at the facility to join and share efforts. A feasibility study will be performed in 2016 to establish the want and need for the program.

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 but sophisticated" atmosphere. Poulsbo is a very fortunate community where leaders have been conservative in spending. Excess funds have been banked in reserves to help stabilize revenues support one-time specific expenses. We feel government, citizens, and developers working together can successfully accomplish the goal of keeping Poulsbo the premier place to live work and play 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 continues to operate under their Financial Management Policy, requiring 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. The City updates the Capital Improvement Plan to be consistent with the City's long range comprehensive and functional plans; reviewing priorities and assuring funding for projects set in 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 2015 General Fund operating budget with the intention of using reserve funds, but still maintaining levels consistent with the City's policies. Due to increased and unanticipated revenues and conservative spending, it was not necessary to use reserves in 2015 to stabilize the fund. The General Fund current operating revenues supported expenditures and reserves were used for specific items outside on-going operations.

Risk Management

Effective January 1, 2014, the City changed carriers for its liability and property coverage to Washington Cities Insurance Authority (WCIA). Due to the larger pool of Cities, WCIA is able to offer a lower premium and options for more training at no additional cost to the City. The carrier also requires mandatory levels of training, attendance at board meetings and internal audits which makes the City much more active and accountable with the change in coverage. In 2014 the City reorganized and created a Risk Manager/Prosecutor combined position to support the risk management function, be more proactive and monitor the City's program to maintain our eligibility compliance. Both of these changes provide more tools and resources to help minimize the risk exposure to the City protecting the City's assets.

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 2015 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, 2014.

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 2015 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



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

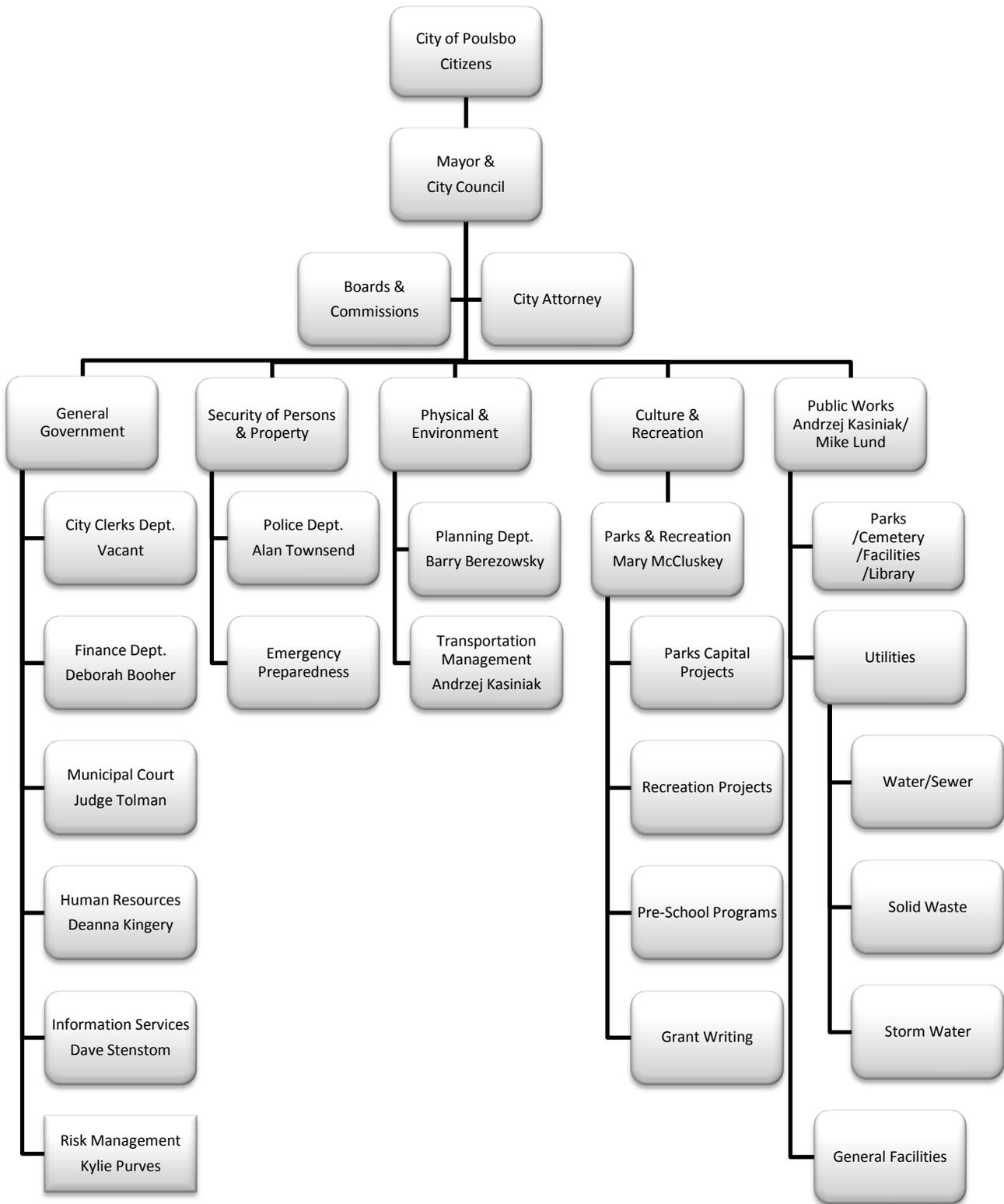
**City of Poulsbo
Washington**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2014

Executive Director/CEO

City of Poulsbo Organization Chart



City of Poulsbo Officials

As of December 31, 2015

Mayor

Becky Erickson

December 31, 2017

City Council

David Musgrove

December 31, 2017

Ed Stern

December 31, 2017

Jim Henry

December 31, 2017

Kenneth Thomas

December 31, 2015

Gary Nystul

December 31, 2015

Connie Lord

December 31, 2015

Jeff McGinty

December 31, 2015

Executive Staff and Legal Counsel

Police Chief

Alan Townsend

Finance Director

Deborah Booher

Planning Director

Barry Berezowsky

Parks & Recreation Director

Mary McCluskey

City Engineer

Andrzej Kasiniak

Public Works Superintendent

Dan Wilson

City Clerk

Vacant

Municipal Judge

Jeffrey Tolman

Prosecutor

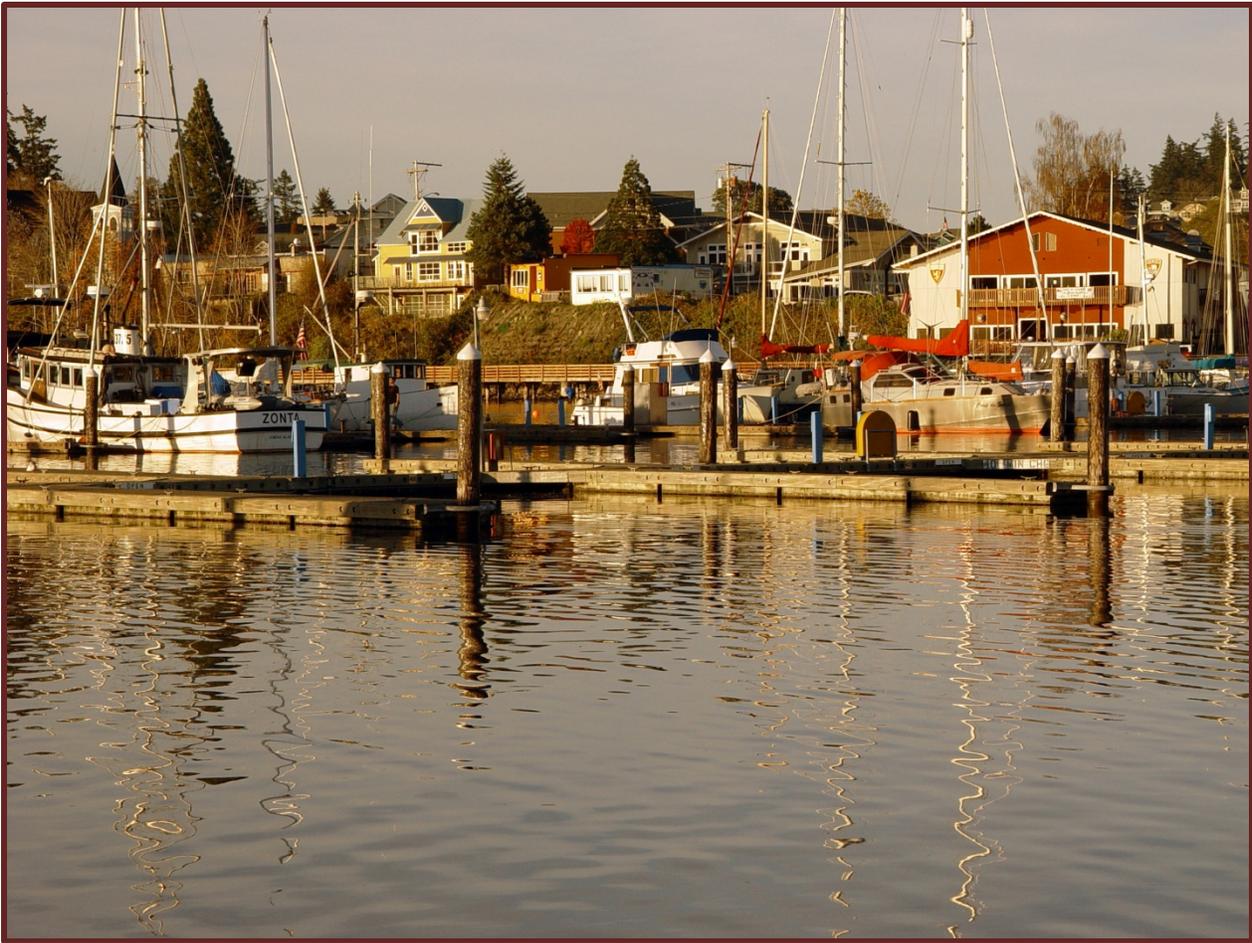
Kylie Purves

City Attorney

Jim Haney, Ogden Murphy Wallace

Bond Attorney

Preston Gates and Ellis





Washington State Auditor's Office

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

June 30, 2016

Mayor and City Council
City of Poulsbo
Poulsbo, Washington

REPORT ON THE 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, 2015, 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, 2015, and the respective changes in financial position and, where applicable, cash flows thereof 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, 2015, the City has implemented the Governmental Accounting Standards Board *Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27 and Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. 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, information on postemployment benefits other than pensions on page 76 and pension plan information on pages 77 through 85 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. The accompanying information listed as combining financial statements and supplementary information on pages 87 through 113 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 and Statistical Sections is presented for purposes of additional analysis and is not a required part of the basic financial statements of the City. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we 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 30, 2016, 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. 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,



TROY KELLEY

STATE AUDITOR

OLYMPIA, WA



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, 2015. 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 2015 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 Auditor's Office (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 2015 fiscal year by \$136 million (net position). Of this amount, \$16.8 million (unrestricted net position) may be used to meet the city's ongoing obligations to its citizens and creditors.
- Reported net position increased \$8.8 million. Net position of governmental activities increased \$2.8 million, or 4.07%, during 2015. Net position of business-type activities increased \$6 million, or 10.3%, during 2015. In 2015 much of the variation can be attributed to increases in capital assets due to developments contributing capital such as infrastructure and street lights to the City. Another impact to 2015 was the implementation of Governmental Accounting Standard Board (GASB) Statement 68 which requires the posting of long term liabilities related to Pension Obligations. The Pension Obligation was a substantial increase for governmental funds of \$2.7 million and \$1 million in business type activities.

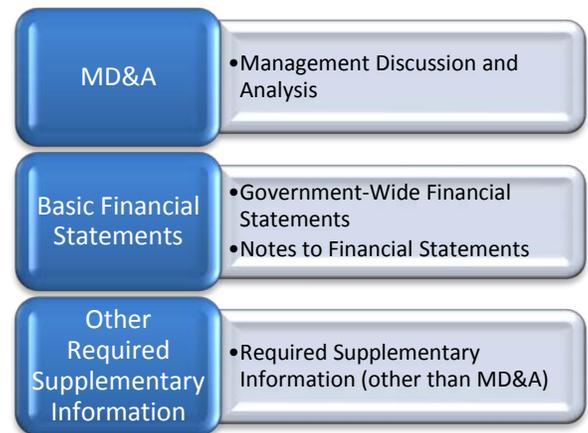
- Net investment in capital assets, increased \$11.5 million with the bulk of the increase occurring in the business-type activities. Much of this is due to contributed capital from developers to the utility funds.
- Total liabilities increased by \$2.9 million because of the new accounting requirements of GASB 68 statement requiring the reporting of long term liability for future pension obligations. Another large contributor for the change is debt principal payments made reducing the amount owed to a developer for the City's portion of the infrastructure improvements.
- The book value of capital assets has increased \$9.7 million over 2014. Total capital assets from governmental activities increased \$2.6 million or 3.41%. The increase in capital assets is primarily attributed to several contributed capital items associated with infrastructure from new residential developments and construction of two road projects of Lincoln Road and 3rd Avenue. Capital assets of business-type activities increased \$7.1 million or 16.08%. This is due to many large utility projects being constructed including a decant facility for storm drain, new water mains, a solid waste transfer station and a new sewer pump station.
- City governmental fund tax revenue has increased an average of 4.67% for the past several years, but most of the increase is due to the last two years. This average is based on the largest increase in 2015 of 11.14% and the lowest of -.54% in 2013. Sales tax is the largest revenue source for Poulsbo. In 2015 the City saw an increase over the prior year of \$149 thousand. Much of the increase is in the category of Retail Trade and Food Services, which provides assurance the increase is not attributable to one time revenues, proving the hard work the Mayor and Council have done to diversify development. Utility taxes have seen an increase due to a combination of the number of new homes in the area and Council increasing the City utility tax rates for water and sewer services. The City continues to focus and promote diversification, planning for future growth and not remaining dependent on a single line of business.
- 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 2015.
 - 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 \$7.1 million. Approximately 73% of this total amount, or \$5.2 million, is available for spending at the government's discretion and 27% or \$1.9 million 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 \$1,643,946 or 15.82% of the total General Fund expenditures. The total General Fund balance inclusive of the amount assigned for revenue stabilization and legal expenditures amounts to \$3.2 million which equates 30.55% 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 for 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, deferred outflows, deferred inflows 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 expenses impacted net position during 2015. 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 plus deferred outflows, liabilities plus deferred inflows, 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 plus deferred outflows, liabilities plus deferred inflows, 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 Pouslbo maintains budgetary controls over the governmental funds to ensure compliance with state law and council adoption at a fund level.

Proprietary Funds: The City's Proprietary funds are the *enterprise funds* which provide services to customers. The City uses enterprise funds to account for its water, sewer, solid waste and storm drain activities. The services and necessary capital expenditures are supported by rate payers. 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 2015 and 2014. Governmental Activities net position has an increase of \$2.8 million. The increase is due to several factors including growing cash balances, and the largest being an increase in capital assets. Contributed capital of land, and Improvements to City property with the largest being Lincoln Road improvements were the two largest factors of the increase. Restricted Assets also show an increase primarily in the category restricted for Capital Purpose, which can be attributed to increases in Real Estate Excise Tax and Traffic Impact Fee revenues in 2015 needing to be restricted for capital uses. Although the Net Position shows an increase, it is also important to highlight the increase in assets and liabilities due to the recording of Pension Asset and Pension Obligations in accordance with the new GASB 68 requirements.

The Business Type Activities had an increase of \$6 million to the Net Position. The increase is due to a combination of several items. Capital assets increased because of increases to construction of capital projects and contributed capital and reduction of debt balances due to principal payments reducing the outstanding amount. A large residential development contributed their retention facility to the Storm Drain fund increasing the assets. Construction of several business type facilities including new pump stations, decant and solid waste transfer station, and new mains in congruence with road projects were completed or under construction in 2015. Also to highlight in Business type activity was the increase to the liabilities due to the recording of Pension Obligations in accordance with the new GASB 68 requirements.

The overall financial position for the City of Poulsbo has improved over the prior year. In 2015, assets exceeded liabilities by \$136.4 million, an increase of \$8.9 million or 7%. The largest portion of the City's net position, \$117.4 million or 86% 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>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Current and Other Assets	\$ 9,545,920	\$ 8,008,656	\$ 16,259,610	\$ 16,827,891	\$25,805,530	\$24,836,548
Capital Assets Net	77,473,108	74,919,753	51,506,911	44,372,705	128,980,019	119,292,458
Pension Asset	615,157	-	-	-	615,157	-
TOTAL ASSETS	87,634,185	82,928,410	67,766,521	61,200,597	155,400,706	144,129,006
Deferred Outflows of	1,076,138	-	162,865	50,798	1,239,003	50,798
Long-term Debt	11,431,890	11,389,060	742,392	1,741,246	12,174,282	13,130,307
Pension Obligation	2,682,048	-	999,017	-	3,681,065	-
Other Liabilities	2,091,922	2,445,030	1,534,120	1,033,671	3,626,042	3,478,701
TOTAL LIABILITIES	16,205,860	13,834,091	3,275,529	2,774,918	19,481,389	16,609,008
Deferred Inflows of Resources	599,844	-	154,044	-	753,887	-
NET POSITION						
Net investment in Capital	67,037,545	63,759,780	50,368,250	42,142,755	117,405,795	105,902,534
Restricted	1,931,830	879,424	313,400	313,400	2,245,230	1,192,824
Unrestricted (deficit)	2,935,244	4,455,115	13,818,164	16,020,323	16,753,408	20,475,438
TOTAL NET POSITION	\$71,904,619	\$69,094,319	\$64,499,813	\$58,476,477	\$136,404,432	\$127,570,796

The City's total restricted net position amounts to 1.65%. 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.

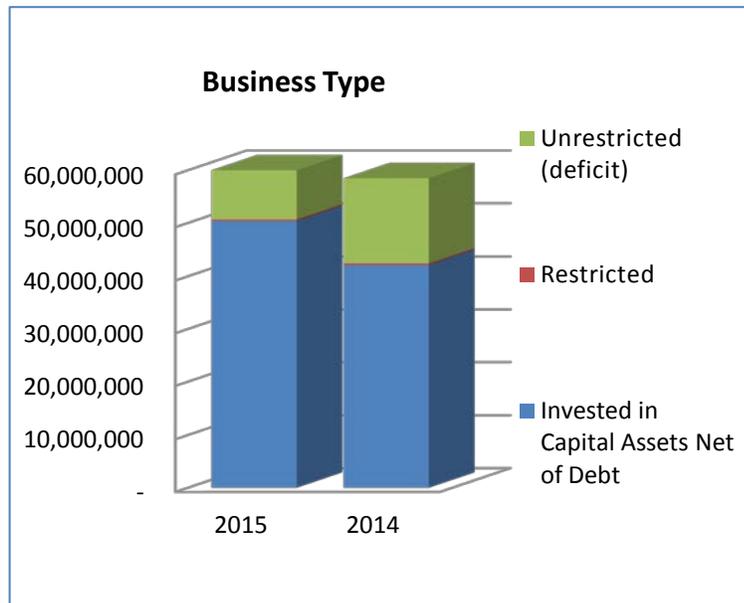
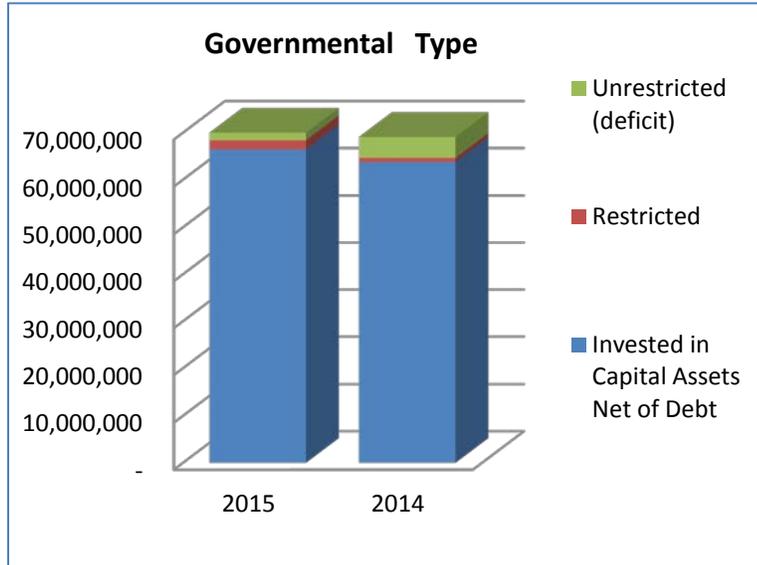


Table 2 illustrates changes in net position for the years 2015 and 2014. This is a condensed version of the Statement of Activities for the City. The revenues for 2015 show increases attributed to a combination of grant revenue and increased charges for services largely related to development revenues in governmental activities and rate increases in utilities.

Table 2-Changes in Net Position

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL PRIMARY GOVERNMENT	
	2015	2014	2015	2014	2015	2014
Revenues						
Program Revenues						
Charges for Services	\$ 2,152,681	\$ 1,693,704	\$ 8,254,566	\$ 7,314,605	\$ 10,407,247	\$ 9,008,309
Operating Grants/Contribr	605,198	496,338	115,058	-	720,256	496,338
Capital Grants / Contribr	5,027,389	3,673,904	5,784,476	862,361	10,811,865	4,536,266
General Revenues						
Property Taxes	2,191,189	2,085,784	-	-	2,191,189	2,085,784
Retail Sales & Use Tax	3,393,849	3,227,329	-	-	3,393,849	3,227,329
Business Taxes	2,786,469	2,251,856	-	-	2,786,469	2,251,856
Investment Earnings	40,329	47,924	30,716	39,785	71,045	87,709
Other	12,182	5,715	14,211	11,885	26,393	17,600
Total Revenues	16,209,286	13,482,555	14,199,027	8,228,636	30,408,313	21,711,191
Program Expenses						
General government	1,539,405	1,572,173	-	-	1,539,405	1,572,173
Judicial	370,046	357,993	-	-	370,046	357,993
Security of Per & Prop	3,146,848	3,009,996	-	-	3,146,848	3,009,996
Utilities & Environment	481,077	456,860	-	-	481,077	456,860
Transportation	2,703,349	2,820,286	-	-	2,703,349	2,820,286
Economic Environment	963,163	890,459	-	-	963,163	890,459
Mental & Physical Health	29,772	14,356	-	-	29,772	14,356
Culture & Recreation	1,422,703	1,338,814	-	-	1,422,703	1,338,814
Interest Long-Term Debt	458,869	518,677	-	-	458,869	518,677
Water	-	-	1,670,634	1,484,034	1,670,634	1,484,034
Sewer	-	-	2,531,582	2,236,003	2,531,582	2,236,003
Solid Waste	-	-	1,493,671	1,320,150	1,493,671	1,320,150
Storm Drain	-	-	1,433,190	1,088,006	1,433,190	1,088,006
Total expenses	11,115,232	10,979,613	7,129,077	6,128,192	18,244,309	17,107,805
Excess (deficiency)	5,094,055	2,502,942	7,069,950	2,100,444	12,164,004	4,603,386
Changes in Net Position	5,094,055	2,502,942	7,069,950	2,100,444	12,164,004	4,603,386
Beginning Net Position	69,094,319	66,595,127	58,476,477	56,376,033	127,570,796	122,971,160
Prior Year Adjustments	122,185	(3,750)	-	-	122,185	(3,750)
Prior Period Adjustments	(2,405,939)	-	(1,046,614)	-	(3,452,553)	-
Pension Obligation (GASB 68)						
Ending Net Position	\$ 71,904,619	\$ 69,094,319	\$ 64,499,813	\$ 58,476,477	\$ 136,404,432	\$ 127,570,796

GOVERNMENTAL ACTIVITIES

Revenues

Taxes account for the largest revenue category in the governmental funds, generating 52% of the total revenue. The majority of tax revenue is received in the General Fund accounting for 68% of the revenue. This category tends to receive the majority of attention because of the percentage ratio. Included in this category are sales, property, utility, criminal justice, and gambling taxes. Governmental fund taxes total \$8,371,507

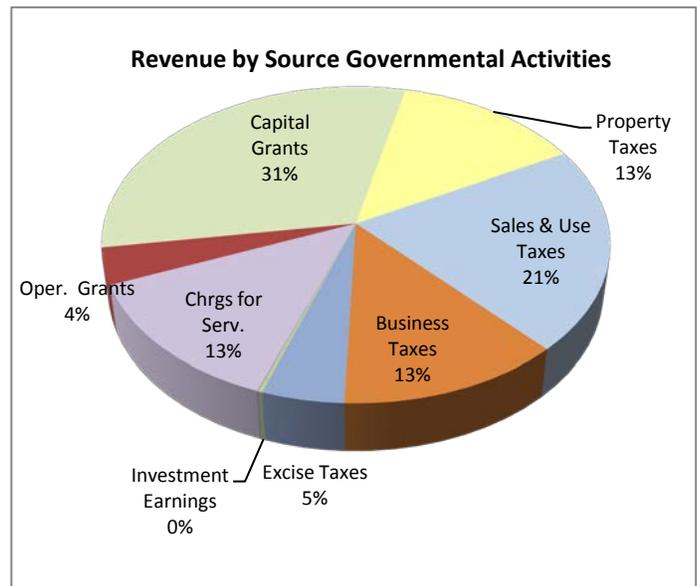
Property tax receipts involve the very predictable effect of the 101% levy lid limitation, and a somewhat more variable consideration of new construction. The assessed valuation for property located within the City limits of Poulsbo for 2015 was \$1,282,347,366. The assessed value showed an increase from the prior year primarily due to new construction of several new housing developments and some commercial development. The property tax amount continued to be affected as the City was able to levy slightly less than the full 1% increase above the highest allowable levy. For 2015, the City's regular property levy tax rate was \$1.71 per \$1,000 of assessed value.

Sales and Use tax revenue, in contrast to property tax, can be a highly fluctuating tax source. The City saw a 5% increase in 2015. The revenue is an anticipated increase over the prior year, due to a growing economy and development. Previous vacant retail establishments are now open with new businesses and construction of commercial properties continuing at a steady stream. Many categories saw increases, with the largest being in retail trade and food services. A new car dealership grew in 2015 and the opening of new eating establishments including a new Sonic fast food restaurant opened for business in 2015. It is anticipated to continue to see growth due to the strategic planning by the Mayor and Council for diversification. 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 2015, sales tax received in the City's General Fund totaled \$3,220,020. The City's allocates a portion of sales tax revenue to other funds supporting capital equipment purchases.

The majority of sales tax revenue (61%) comes from the retail trade category. The next largest sales tax categories are Accommodations and Food Services (11%) and Construction (9%). A large retail development referred to as the College Market Development continues to provide an increasing retail tax base with new businesses opening their doors and continued development planned for 2015. These new developments help Poulsbo continue to grow a diversified revenue base.

Business Taxes are 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 24% of the governmental tax revenue. The utility rate for City and water and sewer City owned utilities was changed from 9% to 12% and the other City utilities of storm drain and solid waste maintained a 6% rate consistent with other utility tax rates. The increase in taxes represents a portion of the growing revenue and the increase rate to City utilities.



Excise Taxes are admissions tax, leasehold and real estate excise tax (REET). The majority of these taxes are the REET which make up 84% of the category. Revenues fluctuate due to the change in the economy and home sales, but saw significant growth (27%) in 2015 over 2014. The City uses the revenue generated by REET to fund debt payments related to the City Hall and transportation capital projects. Another portion is used to support the operations of street maintenance.

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.

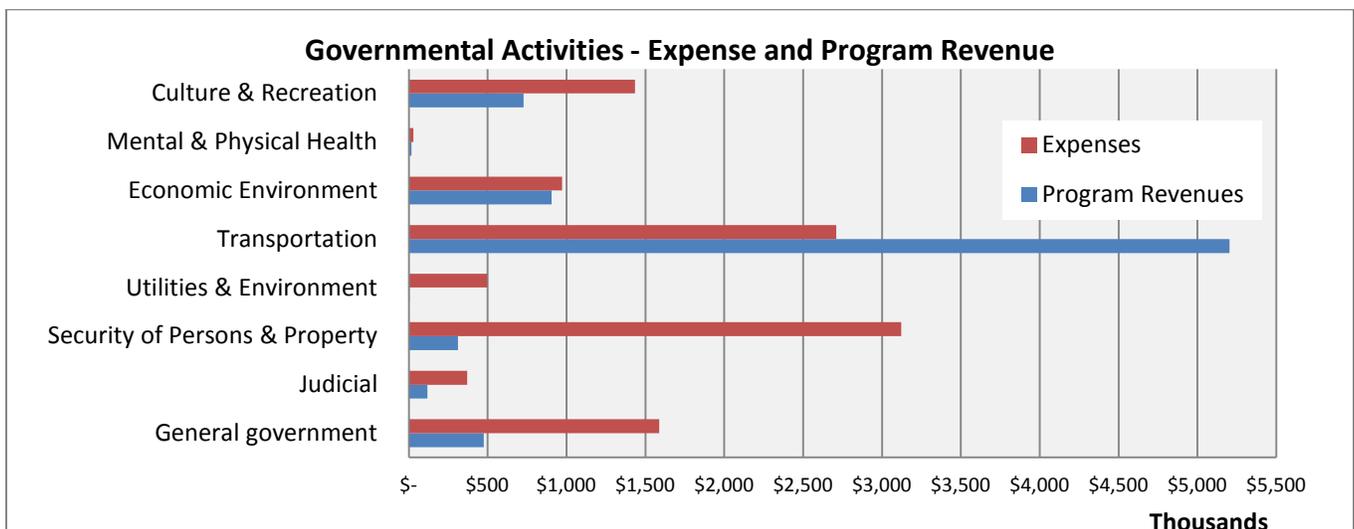
Transportation services provide maintenance of the City’s streets, sidewalks, paths and traffic control signs/signals. In 2015 revenues greatly exceed expenditures due to the receipt of capital grants for capital projects and mitigation funds for future capital transportation projects which will then be reported on a balance sheet as an asset and not an operational expenditure.

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

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

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

The chart below illustrates the surplus or net subsidy required for different, key City governmental-type programs. As illustrated, very few if any governmental activities are supported by direct revenue, which would mean they are largely supported by tax revenue.



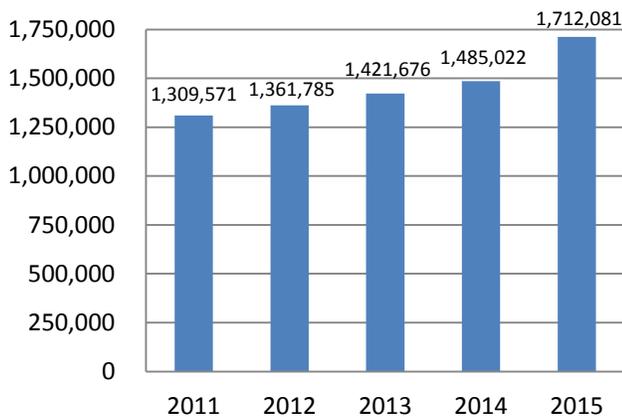
BUSINESS-TYPE ACTIVITY

Enterprise Funds: The City of Poulsbo owns and fully operates four utilities: water, sewer, storm drain, and solid waste/recycle. These utilities are accounted for in four enterprise funds as part of the City’s fund structure and operations: 1) water utility fund; 2) sewer utility fund; 3) solid waste utility fund; and 4) storm drain utility fund. These services are supported by user fees, which include building funds for future capital projects to maintain and provide services to the planned growth.

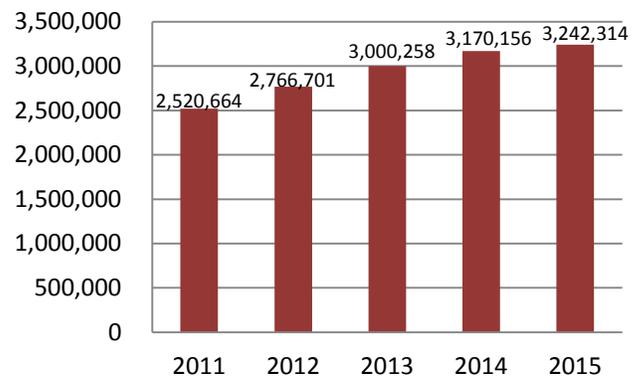
Key elements of the increases are as follows:

- There was a cost of living adjustment (COLA) for 2015, which resulted in an increase to utility rates creating an increase of revenue in 2015.
- The functional plan update for Storm Drain was completed in 2015 and rates significantly increased to fund the operating costs as well as build a reserve balance for anticipated capital improvements.
- The functional plan update for Water was completed in 2015 and rates increased to fund the operating costs as well as build a reserve balance for anticipated capital improvements.
- Several residential developments were completed in 2015 creating a larger customer base increasing operating revenues.

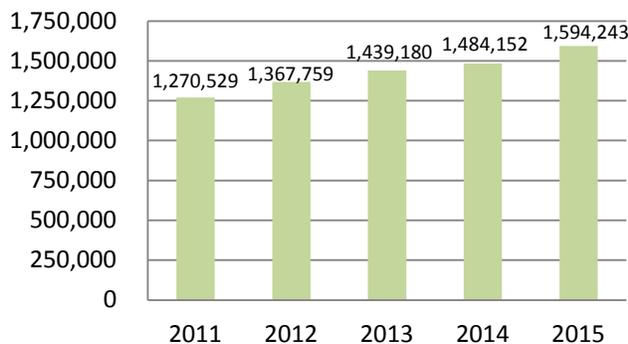
Water Service Charge Revenue



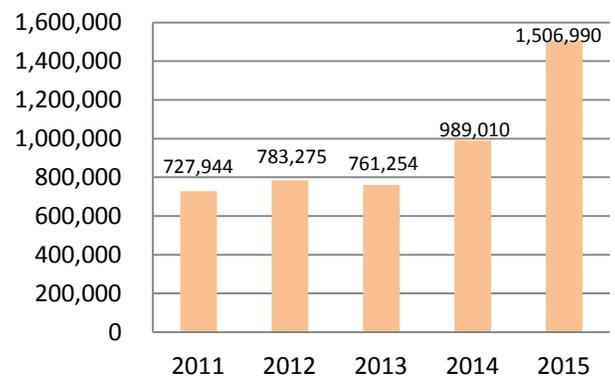
Sewer Service Charge Revenue



Solid Waste Service Charge Revenue

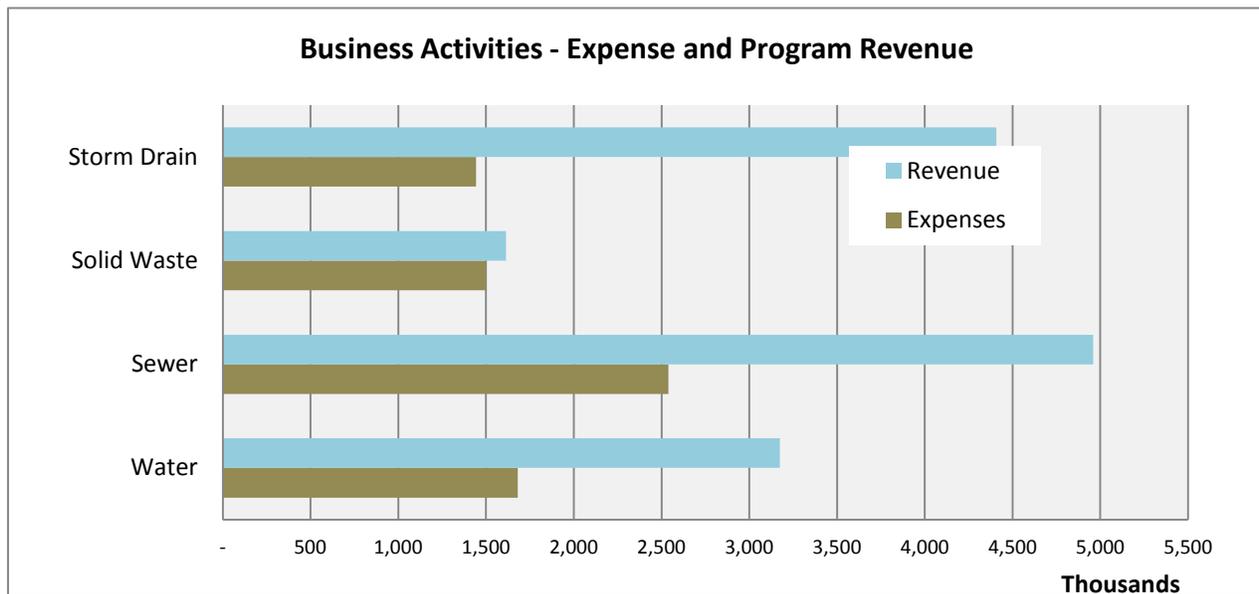


Storm Drain Service Charge Revenue



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 2015, business activity program revenues exceeded expenditures because rates were set to accommodate future capital improvements for a fully functioning system. Although all utilities either implemented or continue work on updating functional plans to evaluate future improvements and operating costs, the City will address future needs and implementation of new and ever changing regulatory requirements. Rates will be set to reflect these updated plans. It is anticipated a joint project with the County to upgrade the sewer’s processing plant will occur in the near future. The City will need to financially support the improvements based on the capacity of the plant owned by the City.

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



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 Non Voted General Obligation Debt 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 \$14.2 million and expenditures of \$20.5 million.

- **General Fund:** General Fund accounts for the main operating revenues and expenditures of the City’s governmental functions. Revenues and expenditures related to Administrative Services, 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 46%. The City’s revenues were greater than expenditures in 2015 increasing the fund balance. Although increased revenues can somewhat be attributed to development, creating one time fees, revenues such as sales tax and utility taxes are increasing because of the growing economy. Also contributing to the increased fund balance are prior period adjustments, including an amount received for cable franchise fees which were not submitted correctly in the past and a correction to a billing amount liability. Transfers to other funds for projects or reserving for future use were less in 2015 leaving more funds in the General Fund.

Although the use of reserves was anticipated to balance the fund, it was not necessary and reserves were only used for specific one time allocations as approved by City Council through budget amendments. Revenues have shown modest growth in almost every category. Some of the contributing factors are:

- Increases in utility taxes due to an increased rate for City utilities and increased revenues from outside providers.
- A new utility tax for cable services
- Increase in development revenues for new projects constructing in Poulsbo
- Increase in Business License revenue as the number of City licenses grew
- Additional grant revenues for new grants received in 2015
- Expenditures not reaching their anticipated levels due to conservatism

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.

- **Non-Voted General Obligation Debt Fund:** The Debt Service Fund supports the payment of governmental City Debt. In 2015 the City refunded the 2005 and 2009 issues which were used for the construction of City Hall. A portion of the 2009 issue was advanced refunding as it all did not fall before the 10 year call window. The refunding of the debt allowed the city to achieve lower interest rates saving the City several thousand dollars over the remaining years of the debt.
- **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. Revenue is primarily charges for services by rate payers. Rates are developed to support ongoing operation as well as build reserves to support future capital needs. 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.
 - In 2015 there was a large increase in Capital Grants due to several housing developments contributing capital in the form of infrastructure improvements.
 - Both Sewer and Storm Drain Funds saw increases in charges for services as both services had rate increases due to update of their functional plans.

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 5%, or \$507 thousand of the original adopted budget. This was primarily due to increase in development revenues, grant revenue for mental health mediation, police services supporting a School Resource Officer at the local schools and transportation planning, transfers from street capital reserves to fund development of a neighborhood streets plan, and midyear sales tax projection increase in order to fund the related transfers to reserves.
- The final General Fund expenditure budget increased by approximately 4.5%, or \$475 thousand. The majority of increase can be attributed to:
 - Items such as professional services and small tools carried over from the prior year's budget to expend in 2015

- Professional services to support economic development and advertising to support the new bus route circling within the City limits
 - Expenditures related to reorganizing city personnel, including adding a new police officer, and bringing the prosecutor services in-house in lieu of contracting with the County
 - Expenditures related with mental health grant
 - Transfers from General Fund reserves to fund repair of a retaining rock wall, purchase of a new police vehicle and beautification of Lindvig Bridge
 - Salary and Wage increases due to leave cash outs and city reorganization
- The General Fund amended budget anticipated the ending Fund Balance to increase \$493,180 over the original projected ending Fund Balance. This increase is primarily due to the actual beginning balance being higher than the original projection and increased sales tax revenue projection.
 - Budget verses Actual is monitored regularly for any variations per Council direction of more than 15% highlighted. Most areas of the budgets in 2015 were within the 15% variance. Some areas of variance highlighted were:
 - Revenues related to development fees were larger than anticipated.
 - Capital projects and grants were not completed as per projected and most will carry over into 2016
 - Real Estate Excise Taxes were larger than anticipated and higher than the previous trend.
 - Copies of the City's Budget and Budget-in-Brief are available on our website www.cityofpoulsbo.com. The complete budget provides details of the City's plans for using its resources during the year and may also be obtained by contacting our Finance Director at 360-394-9720 or dboohier@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 certified 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. The policy calls for 12% of operating revenues and/or 2 months operating cash. These balances are regularly monitored to assure compliance with the requirements of the policy. In order to use 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: \$9.9 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 \$371,841 and the second is recorded in Business-Type Activities with the final payment made in 2015.

In 2015 the City refunded the 2005 and 2009 issues used to pay for construction of City Hall. The refunding provided a substantial cost savings in interest over the life of the debt. The large transactions related to the refunding were recorded in the Debt Service Fund, creating amounts to qualify the fund as a Major Fund.

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. The outstanding principal amount is \$932,000.

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 (\$1,342,195,739), or \$20,132,936;
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 (\$1,342,195,739). For 2016 the City’s limit is \$33,554,893 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.

Below is a chart showing the debt limits as of the end of 2015:

				2016 Assessed Valuation	\$ 1,342,195,739	Outstanding Debt	\$ 9,930,000
X	0.025	=	\$	33,554,893	Limited for Combined Debt	Balance Available	\$ 23,624,893
X	0.015	=	\$	20,132,936	Limited for Non-Voted Debt	Balance Available	\$ 10,202,936

Additional information on the City’s debt is provided in Note 11, “Long-Term Debt” and may be found on page 67 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. The Capital Acquisition Fund’s resources are transfers from General Fund established by a percent of Sales Tax dollars. For 2015 these transfers continued to be reduced to leave more operational dollars in the general fund. Capital purchases are prioritized and items not falling within the funding levels 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 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 prioritized the funds and specified the use would be for a neighborhood streets program. These funds have normally been incorporated into larger projects to complete the restoration and receive the biggest benefit for the dollars, but as neighborhood streets do not qualify for grant funding, the Council wanted to establish a funding source to and establish a process to maintain the infrastructure. The City continually struggles to direct more efforts to building maintenance

programs and plan for future renovation and replacement, but does address the requirement during the Capital Improvement Plan process by highlighting the necessary ongoing maintenance costs. The City continues to look for energy savings measures and revenue streams to support ongoing maintenance of City facilities.

The increase in capital assets in 2015 is primarily in the business type activities. Large projects on Lincoln Road and 3rd Avenue including utility infrastructure updates were the main projects in the governmental type funds. There were several business type projects constructed in 2015 including a decant/solid waste transfer station, sewer pump station upgrade and water main replacements. Another large contributor to capital assets is contributed capital from new housing developments including a large retention pond for storm drain functions and streets through the developments. There will be many Capital projects in 2016 with much of the focus on utility projects. 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>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Land/Intangibles	30,658,826	28,890,752	2,160,490	1,025,036	32,819,316	29,915,787
Buildings	13,304,812	13,639,127	226,685	236,060	\$13,531,497	13,875,186
Other Improvements	10,450,869	6,287,874	43,145,043	40,850,727	\$53,595,912	47,138,601
Infrastructure	21,781,858	22,436,583			\$21,781,858	22,436,583
Intangibles (Depreciable)	112,851	140,508	174,150	214,421	\$287,000	354,928
Machinery & Equipment	669,715	739,984	599,700	693,609	\$1,269,415	1,433,593
Work in Progress	494,178	2,784,926	5,200,843	1,352,853	\$5,695,021	4,137,779
Totals	\$77,473,108	\$74,919,753	51,506,911	\$44,372,705	128,980,019	119,292,458

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. For several years the City saw a decline in sales tax from the prior year, but in 2013 the City began to see an increase. The increase continued in 2015 and with new development continuing in the City, it is anticipated growth in the revenue will continue. The good news is the increase is diversified and not attributed to one category helping to sustain and provide assured future revenues. Residential development continued in 2015 and is expected to continue at a strong pace in 2016 with many projects going through the planning and permitting process. At present there is an inventory shortage for housing in both owning and renting. There are several multifamily structures expected to be completed in 2016 helping to provide housing and alleviate some of the demand. Commercial construction continued in 2015 with new establishments expected to open for business in 2016, including two local car washes and a new drive-up Starbucks. The City continues to grow and maintain strong revenues because of diversification and promotion of economic development. The City was able to weather the impact, continue growing, while maintaining a healthy level of reserves. Overall the average for the five years preceding 2015 reflected a 3% increase. The practices of Council is very conservative and does not estimate more revenue than received the prior year, which has supported a larger beginning balance as the revenues continue to increase.

The City Council set a new utility rate of 12% for water and sewer. The amount is slightly higher than the statewide average, but lower than some of our surrounding cities. The goal of Council is to review the utility rates through the budget process and lower the rate as governmental revenues grow. The utility tax rate was decreased to 9% for 2016. The utility functional plans have been updated or are in the process of updates. The studies have resulted in rate changes taking into account updated capital plans and amounts the City must share with the County for sewer plant upgrades, and new regulatory requirements decreasing environmental impacts.

Several large construction projects continued in 2015. The City completed improvements to Lincoln Road including shared use paths, bicycle lanes, sidewalks and storm drainage retrofitting. The majority of the project was funded with grant funds. Construction of a new decant and solid waste transfer station was underway in 2015 and is anticipated to be complete and ready for use in 2016. This is the first phase for the City's planned new Public Works facility to be located on the west side of Poulsbo at the north end of Viking Avenue.

The City conducted a study of the current solid waste utility provided by the City. It is anticipated the City will issue a Request for Proposals in 2016 to evaluate that citizens are receiving the best service for the best price. At the time of submittals the Council will evaluate to determine future capital and service needs and decide the best option for citizens.

The City's estimated population in 2016 is 9,950 growing by 175 people or 1.8% as reported by the Office of Financial Management (OFM). This is 50 people less than requiring the City to be classified as a Class A city, adding requirements for this level. The City is anticipating 2017 to hit this level and is preparing for changes due to the added requirements. The daytime population is much higher and will continue to grow as Poulsbo becomes a destination for many county residents to shop, obtain medical treatments and send students to school for all grade levels including 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 Public Utility District (KPUD) providing the ability to purchase water and to provide water services in new development areas in the west end of the City adjacent to their service area. At this point it has not been necessary for the City to purchase additional water, but some new developments 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 early 2015 the functional plan for Storm Drain and Water were completed and new rates were updated per the plans. Water rate increases were minimal with the exception of connection fees which were much lower than comparable cities. Storm Drain rates were increased almost 40% due to the growing expenditures related to new regulatory environmental laws for reporting and monitoring the system. Also impacting the fund was allocation of street expenditures directly related to the function of storm drain, but had been funded with governmental funds.

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. The state reduced the shared excise taxes to support the state budget. Small amounts have been reinstated to cities, but still not at the funding level prior to the reductions. Cities tried to speak for the full restoration, but the state budget was adopted without the requested restored funding. Representatives on behalf of cities are continuing to lobby for local funds to be maintained to support the increased enforcement necessary to regulate. The funds distributed to Poulsbo are not substantial, so although it is an impact, it is slight.

The Mayor and 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.

An allowable fee the City may be able to implement through councilmatic action or a larger amount by the voters is for Transportation Benefit District Fees. The fees must be used for transportation expenditures clearly defined when implementing. The Council continues to discuss this option in conjunction with the transportation plan update, looking at implementing by Council action a \$20 car tab fee. Once passed the fee cannot be collected for 6 months. Two surrounding Cities within Kitsap County have implemented the fee. With tax revenues growing, this will continue to be explored, but with a lower priority level, recognizing a hesitation to implement another fee to citizens.

The City Council approved a 6% Cable Utility tax implemented in 2015. This is receipted into the General Funds and is anticipated to support transportation maintenance and capital improvements which has continued to have reduced funding over the past several years leaving more funds in the General Fund supporting ongoing operations and service levels.

A large change for the State of Washington, contradictory to federal laws, passed by voters is the legalization of marijuana, not only for medicinal but recreational use. A state excise tax and license fees will be imposed on retailers. The majority of funds will remain at the state level. Allocation of shared revenues was established in 2015, but only distributed back to localities who allow the retail establishments for sale of legal recreational marijuana. Sales are subject to retail sales tax and distributed back to the local agencies in their sales tax distributions. At this time there are no existing businesses located in the City of Poulsbo, and formal council action was passed to not allow any of these establishments to operate within the City limits.

The local Olympic Community College has partnered with Western Washington University to offer four year programs allowing citizens the option for an affordable and local degree program. The City Council is working collaboratively with local organizations to market and emphasize this asset bringing more citizens and businesses to our local area.

In 2015 the City began to partner and explore the option of locating a YMCA in the City. The first steps will be to share in the development of a feasibility study. If the study shows favorable results for locating a YMCA in the City, there will be a large capital campaign to gather necessary funding to construct a YMCA.

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 or Deborah Booher, Finance Director at (360) 394-9720, dbooher@cityofpoulsbo.com.



**STATEMENT OF NET POSITION
DECEMBER 31, 2015**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and Cash Equivalents	\$ 1,488,727	\$ 1,516,864	\$ 3,005,590
Investments	6,589,221	13,594,493	20,183,714
Receivables:			
Taxes	995,924	-	995,924
Customer Accounts	24,880	717,141	742,021
Special Assessments	18,342	-	18,342
Other Receivables	100,186	-	100,186
Due from Other Governments	68,925	78,297	147,222
Materials and Supplies Inventory	10,042	37,915	47,957
Prepaid Items	-	1,500	1,500
Restricted Assets:			
Investments	91,016	313,400	404,416
Note Receivable	158,658	-	158,658
Capital Asset not being depreciated:			
Land & Right of Ways	30,658,826	2,160,490	32,819,316
Construction in Progress	494,178	5,200,843	5,695,021
Capital Assets (net of accumulated depreciation):			
Buildings and Structures	13,304,812	226,685	13,531,497
Other Improvements	32,232,727	43,145,043	75,377,769
Machinery and Equipment	669,715	599,700	1,269,415
Intangibles	112,851	174,150	287,000
Pension Asset	615,157	-	615,157
Total Assets	87,634,185	67,766,521	155,400,706
Deferred Outflows of Resources			
Deferred Amount of Refunding	639,592	33,865	673,457
Pension	436,546	129,000	565,546
Total Deferred Outflows of Resources	1,076,138	162,865	1,239,003
Liabilities			
Current Payables:			
Accounts/Claims	239,404	678,797	918,201
Employee Wages	353,063	88,175	441,238
Interest	35,972	46,255	82,227
Due to other Governments	74,368	-	74,368
Unearned Revenues	78,633	4,044	82,677
Customer Deposits	550,137	117,974	668,112
Long-Term Liabilities:			
Due within one year	760,345	598,874	1,359,219
Due in more than one year	11,431,890	742,392	12,174,282
Pension Obligation	2,682,048	999,017	3,681,065
Total Liabilities	16,205,860	3,275,529	19,481,389
Deferred Inflows of Resources			
Pension	599,844	154,044	753,887
Total Deferred Inflows of Resources	599,844	154,044	753,887
Net Position			
Net Investment in Capital Assets	67,037,545	50,368,250	117,405,795
Restricted for:			
Capital Purpose	1,537,194	-	1,537,194
Drug Enforcement	56,524	-	56,524
Criminal Justice	78,580	-	78,580
Promoting Downtown Businesses	69,665	-	69,665
Promoting Tourism	59,903	-	59,903
City Beautification-Expendable	1,338	-	1,338
City Beautification-Nonexpendable	91,016	-	91,016
Debt Service	37,611	313,400	351,011
Unrestricted	2,935,244	13,818,164	16,753,408
Total Net Position	\$ 71,904,619	\$ 64,499,813	\$ 136,404,432

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

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015**

Page 1 of 2

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 1,539,405	\$ 360,990	\$ 113,857	\$ -
Judicial	370,046	117,154	94	-
Security of Persons & Property	3,146,848	143,892	183,821	8,500
Utilities & Environment	481,077	4,715	-	-
Transportation	2,703,349	93,439	220,564	4,889,220
Economic Environment	963,163	907,245	(3,087)	-
Mental & Physical Health	29,772	-	17,656	-
Culture & Recreation	1,422,703	525,247	72,292	129,669
Interest on Long-Term Debt	458,869	-	-	-
Total Governmental Activities	11,115,232	2,152,681	605,198	5,027,389
Business-Type Activities:				
Water	1,670,634	1,831,511	-	1,342,436
Sewer	2,531,582	3,287,822	-	1,670,719
Solid Waste	1,493,671	1,614,036	-	-
Storm Drain	1,433,190	1,521,196	115,058	2,771,322
Total Business-Type Activities	7,129,077	8,254,566	115,058	5,784,476
Total Primary Government	\$ 18,244,309	\$ 10,407,247	\$ 720,256	\$ 10,811,865

General Revenues:
Property Taxes
Retail Sales & Use Taxes
Business and Occupation Taxes
Excise Taxes
Unrestricted Interest & Investment Earnings
Gain (loss) on disposal of capital assets
Total General Revenues
Change in Net Position
Net Position Beginning of Year
Prior Period Adjustments
Change in Accounting Principle Pension Obligation (GASB 68)
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, 2015**

Page 2 of 2

Net (Expenses) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-Type Activities		Total
\$ (1,064,558)	-	\$	(1,064,558)
(252,798)	-		(252,798)
(2,810,635)	-		(2,810,635)
(476,362)	-		(476,362)
2,499,875	-		2,499,875
(59,005)	-		(59,005)
(12,115)	-		(12,115)
(695,495)	-		(695,495)
(458,869)	-		(458,869)
(3,329,963)	-		(3,329,963)
-	1,503,313		1,503,313
-	2,426,959		2,426,959
-	120,365		120,365
-	2,974,386		2,974,386
-	7,025,023		7,025,023
(3,329,963)	7,025,023	\$	3,695,060
2,191,189	-		2,191,189
3,393,849	-		3,393,849
2,038,443	-		2,038,443
748,026	-		748,026
40,329	30,716		71,045
12,182	14,211		26,393
8,424,018	44,927		8,468,945
5,094,055	7,069,950		12,164,004
69,094,319	58,476,477		127,570,796
122,185	-		122,185
(2,405,939)	(1,046,614)		(3,452,553)
\$ 71,904,619	64,499,813	\$	136,404,432

**BALANCE SHEET-GOVERNMENTAL FUNDS
DECEMBER 31, 2015**

	General Fund	Non-Voted General Oblig Debt Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets				
Cash and Cash Equivalents	\$ 367,701	\$ 9,275	\$ 1,111,750	\$ 1,488,727
Investments	3,861,977	4,374	2,722,870	6,589,221
Receivables:				
Taxes	5,800	-	47,363	53,163
Accounts	24,423	-	457	24,880
Special Assessments	-	-	18,342	18,342
Due from other govern units	13,392	-	55,533	68,925
Inventories	10,042	-	-	10,042
Cash and Investments-Restricted	-	-	91,016	91,016
Total Assets	4,283,335	13,649	4,047,331	8,344,316
Deferred Outflows of Resources				
	-	-	-	-
Total Assets and Deferred Outflows of Resources	\$ 4,283,335	\$ 13,649	\$ 4,047,331	\$ 8,344,316
Liabilities				
Accounts Payable	156,653	1,275	81,476	239,404
Payroll Payable	335,873	-	17,190	353,063
Due to Other Governments	-	-	-	-
Unearned Revenues	65,825	-	12,808	78,633
Custodial Accounts	549,743	-	394	550,137
Total Liabilities	1,108,094	1,275	111,868	1,221,237
Deferred Inflows of Resources				
	-	-	-	-
Fund Balances				
Nonspendable fund balance	12,692	-	91,016	103,708
Restricted fund balance	-	12,374	1,807,541	1,819,915
Assigned fund balance	1,518,604	-	2,036,907	3,555,510
Unassigned fund balance	1,643,946	-	-	1,643,946
Total Fund Balances	3,175,241	12,374	3,935,463	7,123,079
Total Liabilities, Deferred Inflows of Resources and	\$ 4,283,335	\$ 13,649	\$ 4,047,331	\$ 8,344,316

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
December 31, 2015**

Total Governmental Fund Balances:		\$ 7,123,079
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		77,473,108
These assets consist of:		
Land	\$ 30,658,826	
Buildings and structures	17,115,446	
Improvements	46,179,570	
Machinery and Equipment	3,023,447	
Construction in Progress	494,178	
Intangibles	647,486	
Less: Accumulated Depreciation	(20,645,846)	
Other Assets that are not available to pay for current-period expenditures and therefore are not reported in governmental funds.		2,892,900
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the governmental funds.		
Interest Payable	35,972	
Long-term Liabilities	15,548,495	(15,584,467)
Net Position of governmental activities		<u>\$ 71,904,619</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, 2015**

	General Fund	Non-Voted GO Debt Fund	Non-Major Governmental Funds	Total
Revenues				
Taxes	\$ 7,605,658	\$ -	\$ 740,235	\$ 8,345,893
Licenses and Permits	813,952	-	16,090	830,042
Intergovernmental	199,815	-	866,219	1,066,034
Charges for Services	2,343,989	-	1,246,237	3,590,226
Fines and Forfeitures	83,298	-	145	83,442
Interest and Other Earnings	41,709	5	3,429	45,143
Miscellaneous	87,810	-	139,750	227,560
Total Revenues	11,176,230	5	3,012,105	14,188,341
Expenditures				
Current:				
General Government	2,850,202	-	-	2,850,202
Security of Persons & Property	2,897,916	-	26,185	2,924,101
Utilities and Environment	501,104	-	-	501,104
Transportation	566,615	-	842,463	1,409,078
Economic Environment	850,369	-	119,111	969,480
Mental and Physical Health	29,772	-	-	29,772
Culture and Recreation	1,112,599	-	80,767	1,193,366
Debt Service:				
Principal	-	8,741,015	74,368	8,815,383
Interest & Fiscal Charges	-	414,410	12,271	426,681
Capital Outlay	-	-	1,395,507	1,395,507
Total Expenditures	8,808,578	9,155,425	2,550,673	20,514,675
<i>Excess of Revenues Over (Under) Expenditures</i>	2,367,653	(9,155,420)	461,433	(6,326,334)
Other Financing Sources (Uses)				
Transfers In	53,600	1,068,300	1,603,683	2,725,583
Transfers Out	(1,583,557)	-	(1,142,026)	(2,725,583)
Bond Proceeds	-	7,320,000	-	7,320,000
Premium on Bonds Sold	-	774,756	-	774,756
Sale of Capital Assets	19,461	-	-	19,461
Compensation for Impairment of Capital Assets	-	-	-	-
Insurance Recoveries	7,461	-	-	7,461
Total Other Financing Sources and Uses	(1,503,035)	9,163,056	461,657	8,121,678
<i>Net Change in Fund Balances</i>	864,618	7,636	923,089	1,795,343
<i>Fund Balances Beginning of Year</i>	2,175,375	4,738	3,025,438	5,205,551
<i>Prior Year Adjustment</i>	135,249	-	(13,064)	122,185
Fund Balances End of Year	\$ 3,175,241	\$ 12,374	\$ 3,935,463	\$ 7,123,079

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, 2015**

Net change in Fund balance--total governmental funds \$ 1,795,343

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	1,395,507
This is the amount of depreciation	(1,963,927)
This is the amount of Gain (Loss) on Capital Assets	(7,279)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the government funds. 74,531

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. 3,129,054

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.

Principal payments	8,815,383
Bond Proceeds	(7,320,000)
Premium on Bonds Sold	(774,756)

Some expenses reported in the statement of activities do not require the use of the governmental funds. (49,801)

Change in net position of governmental activities \$ 5,094,055

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, 2015**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
Revenues				
Taxes	\$ 7,126,778	\$ 7,401,778	\$ 7,605,658	\$ 203,880
Licenses and Permits	538,100	538,100	813,952	275,852
Intergovernmental	106,818	268,602	199,815	(68,787)
Charges for Services	2,065,642	2,082,142	2,343,989	261,847
Fines and Forfeitures	68,400	68,400	83,298	14,898
Interest and Other Earnings	34,500	34,500	41,709	7,209
Miscellaneous	99,755	99,755	87,810	(11,945)
Total Revenues	10,039,993	10,493,277	11,176,230	682,953
Expenditures				
Current:				
General Government	2,985,641	3,055,125	2,850,202	204,923
Security of Persons & Property	2,950,185	2,964,605	2,897,916	66,689
Utilities and Environment	520,628	520,628	501,104	19,523
Transportation	542,530	664,743	566,615	98,128
Economic Environment	886,000	927,185	850,369	76,816
Mental and Physical Health	14,004	87,514	29,772	57,742
Culture and Recreation	1,116,533	1,146,629	1,112,599	34,030
Total Expenditures	9,015,521	9,366,429	8,808,578	557,851
Excess of Revenues Over Expenditures	1,024,472	1,126,848	2,367,653	1,240,804
Other Financing Sources (Uses)				
Transfers in	-	53,600	53,600	-
Transfers out	(1,459,905)	(1,583,905)	(1,583,557)	348
Sale of Capital Assets	-	-	19,461	19,461
Insurance Recoveries	-	-	7,461	7,461
Total Other Financing Sources (Uses)	(1,459,905)	(1,530,305)	(1,503,035)	27,270
Net Change in Fund Balance	(435,433)	(403,457)	864,618	1,268,074
Fund Balance Beginning of Year	1,701,759	2,162,963	2,175,375	12,412
<i>Prior Year Adjustment</i>			135,249	135,249
Fund Balance End of Year	\$ 1,266,326	\$ 1,759,506	\$ 3,175,241	\$ 1,415,735

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



**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AS OF DECEMBER 31, 2015**

	Business-type Activities Enterprise Funds				
	Water	Sewer	Solid Waste	Storm Drain	Total
Assets					
Current Assets:					
Cash and Cash Equivalents	\$ 455,597	\$ 173,670	\$ 384,284	\$ 503,313	\$ 1,516,864
Investments	3,689,134	7,616,701	1,424,056	864,602	13,594,493
Accounts Receivable	129,961	289,150	158,333	139,697	717,141
Due from Other Governments	-	-	-	78,297	78,297
Inventories	30,926	6,989	-	-	37,915
Prepaid	500	500	250	250	1,500
Total Current Assets	4,306,118	8,087,011	1,966,923	1,586,159	15,946,210
Noncurrent Assets:					
Restricted cash, cash equivalents, and invests.:					
Revenue bond covenant investment	68,948	244,452	-	-	313,400
Capital Assets Not Being Depreciated:					
Land	331,186	414,874	191,213	1,223,217	2,160,490
Construction in Progress	771,586	2,241,141	806,076	1,382,040	5,200,843
Capital Assets:					
Buildings and Structures	272,226	283,606	36,259	45,646	637,738
Intangibles	106,678	114,209	12,229	188,845	421,961
Other Improvements	18,553,496	26,353,361	9,098	14,422,246	59,338,202
Machinery and Equipment	518,851	793,141	933,018	328,825	2,573,835
Less: Accumulated Depreciation	(5,526,679)	(9,303,482)	(635,496)	(3,360,500)	(18,826,157)
Total Noncurrent Assets	15,096,292	21,141,302	1,352,398	14,230,320	51,820,311
Total Assets	19,402,410	29,228,312	3,319,321	15,816,478	67,766,521
Deferred Outflows of Resources					
Deferred Amount of Refunding	7,450	26,415	-	-	33,865
Deferred Outflow - Pension	38,124	25,228	27,280	38,368	129,000
Total Deferred Outflows of Resources	45,574	51,643	27,280	38,368	162,865
Liabilities					
Current Liabilities					
Accounts payable	129,159	370,925	97,592	169,296	766,973
Accrued interest payable	9,221	37,034	-	-	46,255
Rev. bonds payable	100,540	356,460	-	-	457,000
Unearned Revenue	3,485	163	236	160	4,044
Custodial	5,264	112,710	-	-	117,974
Compensated Absences	4,337	4,138	4,619	3,780	16,874
Notes Payable	-	125,000	-	-	125,000
Total Current Liabilities	252,007	1,006,429	102,447	173,236	1,534,120
Noncurrent Liabilities:					
Rev. bonds payable	104,500	370,500	-	-	475,000
Compensated absences	39,036	37,238	41,568	34,024	151,865
Pension Obligation	295,245	195,375	211,262	297,136	999,017
Notes Payable	-	115,527	-	-	115,527
Total Noncurrent Liabilities	438,781	718,639	252,830	331,160	1,741,409
Total Liabilities	690,788	1,725,068	355,277	504,396	3,275,529
Deferred Inflows of Resources					
Deferred Inflow - Pension	45,525	30,126	32,576	45,817	154,044
Total Deferred Inflows of Resources	45,525	30,126	32,576	45,817	154,044
Net Position					
Net Investment in capital assets	14,829,754	19,955,778	1,352,398	14,230,320	50,368,250
Restricted for debt service	68,948	244,452	-	-	313,400
Unrestricted	3,812,969	7,324,532	1,606,349	1,074,313	13,818,164
Total Net Position	\$ 18,711,671	\$ 27,524,761	\$ 2,958,747	\$ 15,304,633	\$ 64,499,813

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, 2015**

	Business-type Activities Enterprise Funds				
	Water	Sewer	Solid Waste	Storm Drain	Total
Operating Revenues:					
Charges for Services	\$ 1,712,081	\$ 3,242,314	\$ 1,594,243	\$ 1,506,990	\$ 8,055,628
Other Operating Revenues	119,430	45,509	19,794	14,206	198,938
Total Operating Revenues	1,831,511	3,287,822	1,614,036	1,521,196	8,254,566
Operating Expenses:					
Depreciation	418,144	633,625	59,873	431,161	1,542,804
Salaries and Wages	320,961	250,432	257,154	327,371	1,155,918
Personnel Benefits	136,977	103,153	117,258	141,458	498,846
Pension and Disability	(6,665)	(4,411)	(4,769)	(6,708)	(22,553)
Supplies	80,328	37,852	93,989	19,241	231,409
Services	444,793	596,660	330,989	304,136	1,676,579
Intergovernmental Services and Payments	252,569	867,854	639,177	216,531	1,976,131
Total Operating Expenses	1,647,106	2,485,167	1,493,671	1,433,190	7,059,134
Operating Income (Loss)	184,404	802,656	120,365	88,006	1,195,432
Nonoperating Revenues (Expenses):					
Interest and Other Earnings	7,969	15,448	5,515	1,784	30,716
Interest Expense	(9,303)	(33,208)	-	-	(42,510)
State Grants	-	-	-	879,994	879,994
Federal Grants	-	-	-	55,520	55,520
Amortization of Debt Issue Costs	(14,225)	(13,208)	-	-	(27,433)
Proceeds from sale of Capital Assets			14,211		14,211
Total Nonoperating Revenue (Expenses)	(15,559)	(30,968)	19,726	937,298	910,498
Income (loss) Before Contributions	168,846	771,688	140,092	1,025,304	2,105,930
Capital Contributions	1,342,436	1,670,719		1,950,865	4,964,020
Change in Net Position	1,511,282	2,442,407	140,092	2,976,170	7,069,950
Total Net Position Beginning of Year	17,509,701	25,287,037	3,039,983	12,639,756	58,476,477
Change in Accounting Principle Pension Obligation (GASB 68)	(309,312)	(204,683)	(221,327)	(311,292)	(1,046,614)
Total Net Position End of Year	\$ 18,711,671	\$ 27,524,761	\$ 2,958,748	\$ 15,304,633	\$ 64,499,813

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

Page 1 of 2

	Business-type Activities Enterprise Funds				
	Water	Sewer	Solid Waste	Storm Drain	Total
Cash Flows from Operating Activities					
Receipts from customers and users	\$ 1,861,830	\$ 3,378,568	\$ 1,594,772	\$ 1,519,076	\$ 8,354,245
Payments for interfund services provided	(252,569)	(867,854)	(639,177)	(216,531)	(1,976,131)
Payments to suppliers	(536,978)	(712,088)	(399,005)	(214,520)	(1,862,591)
Payments to employees	(441,590)	(342,129)	(369,175)	(440,883)	(1,593,778)
Net cash provided (used) by operating activities	630,693	1,456,496	187,414	647,141	2,921,745
Cash Flows From Noncapital					
Financing Activities					
State & Federal Grants	-	-	-	935,514	935,514
Net cash provided (used) by noncapital and related financing activities	-	-	-	935,514	935,514
Cash Flows from Capital and Related					
Financing Activities					
Capital contributions	652,872	708,042	-	-	1,360,914
Purchase of capital assets	(67,345)	(177,945)	-	(8,941)	(254,232)
Acquisition and construction of capital assets	(577,306)	(1,601,001)	(630,814)	(1,665,187)	(4,474,309)
Principal paid on capital debt	(105,621)	(951,803)	-	-	(1,057,424)
Interest paid on capital debt	(21,239)	(38,038)	-	-	(59,277)
Proceeds from Disposition of capital assets	-	-	14,211	-	14,211
Net cash provided (used) by capital and related financing activities	(118,640)	(2,060,745)	(616,603)	(1,674,128)	(4,470,116)
Cash Flows from Investing Activities					
Proceeds from sales and maturities of investments	771,674	3,808,190	851,560	250,000	5,681,423
Purchase of investment	(1,156,459)	(3,692,730)	(150,730)	(250,930)	(5,250,849)
Interest and dividends received	7,969	15,448	5,515	1,784	30,716
Net cash used by investing activities	(376,817)	130,908	706,345	854	461,290
Net increase in cash and cash equivalents	135,237	(473,341)	277,157	(90,619)	(151,567)
Cash and cash equivalents Beginning of Year	320,360	647,011	107,128	593,932	1,668,431
Cash and cash equivalents End of Year	\$ 455,597	\$ 173,670	\$ 384,284	\$ 503,313	\$ 1,516,864

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, 2015**

Page 2 of 2

	Business-type Activities Enterprise Funds				
	Water	Sewer	Solid Waste	Storm Drain	Total
Reconciliation of operating income to net cash provided (used) by operating activities:					
Operating Income (Loss)	\$ 184,404	\$ 802,656	\$ 120,365	\$ 88,006	\$ 1,195,432
Adjustments to reconcile operating income to net cash provided (used) by operating activities					
Depreciation	418,144	633,625	59,873	431,161	1,542,804
(Increase) decrease in accounts receivable	15,558	(8,674)	(19,248)	(2,406)	(14,770)
(Increase) decrease in inventories	15,608	(258)	-	-	15,351
Increase (decrease) in accounts payable	(5,446)	(71,473)	26,462	126,070	75,612
Increase (decrease) in Custodial Funds	494	99,684	-	-	100,178
Increase (decrease) in Pension Funds	(6,665)	(4,411)	(4,769)	(6,708)	(22,553)
Increase (decrease) in compensated absences payable	8,595	5,347	4,732	11,018	29,691
Total Adjustments	446,288	653,840	67,049	559,135	1,726,313
Net Cash Provided By Operating Activities	\$ 630,693	\$ 1,456,496	\$ 187,414	\$ 647,141	\$ 2,921,745
Noncash investing, financing and capital activities					
Capital Contributions by Developers	675,124	962,676		1,950,865	3,588,665
Investment Earnings Unrealized	(2,914)	(11,517)	(83)	324	(14,190)

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

**STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUND
DECEMBER 31, 2015**

Agency Fund	
Assets	
Cash and cash equivalents	\$ 115,209
Investments	100,475
Accounts Receivable	40
Total Assets	215,724
Deferred Outflows of Resources	
	-
Liabilities	
Accounts Payable and accrued expenses	(10,955)
Retainage Payable	116,399
Custodial funds	110,280
Total Liabilities	215,724
Deferred Inflows of Resources	
	-
Net Position	\$ 0

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 position 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 requirements imposed by the provider have been met.

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

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

The City reports the following major governmental funds:

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

The *Non-Voted General Obligation Debt Fund* accounts for the debt service on Council approved general obligation debt. Currently, this includes three General Obligation bond issues and one General Obligation issued through the State LOCAL program.

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 debt 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.

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 \$1,338. 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 (\$1,199,281 in 2015) 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 POSITION OR EQUITY

1. Cash and Investments

It is the City's policy to invest all temporary cash surpluses. At December 31, 2015, the City was holding \$ 3,005,590 in short-term residual investments of surplus cash. This amount is classified on the balance sheet as cash and cash equivalents in various funds. The interest on these investments is prorated to the various funds.

For purposes of the statement of cash flows, the City considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

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, 2015.

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 2015.

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, 2015 were as follows:

Transfers In:	Transfers Out:			
	General Fund	Non-Voted		Total
		General Oblig Debt Fund	Non-Major Gov'l	
General Fund	-	-	53,600	53,600
Non-Voted General Oblig Debt Fund	486,800	-	581,500	1,068,300
Non-Major Gov'l Funds	1,096,757	-	506,926	1,603,683
Total Transfers	\$ 1,583,557	\$ -	\$ 1,142,026	\$ 2,725,583

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 accruable 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 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. Pensions and OPEB

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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. Unearned Revenues

Unearned revenues consist of receivables for charges for services to be recognized in the following year or funds paid in advance by customers for services to be recognized in the following year.

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:

	<u>Nonspendable Purposes</u>	<u>Restricted Purposes</u>	<u>Assigned Purposes</u>	<u>Unassigned Purposes</u>	<u>Totals</u>
<u>General Fund</u>					
General Government	\$ 12,692	\$ -	\$ -	\$ 1,643,946	\$ 1,656,638
Stabilization Fund			1,294,110		1,294,110
Legal Reserves			224,494		224,494
Subtotals, General Fund	12,692	-	1,518,604	1,643,946	3,175,241
<u>Non-Voted General Oblig Debt Fund</u>					
Debt Service		12,374			12,374
Subtotals, City Street Fund	-	12,374	-	-	12,374
<u>Other Governmental Funds</u>					
Transportation Improvements		981,358	847,061		1,828,419
Parks Improvements		247,218	193,562		440,780
Cemetery Improvements			76,869		76,869
Capital Equipment		308,618	568,089		876,707
Capital Improvements			330,426		330,426
Drug Enforcement		56,524			56,524
Criminal Justice		78,580	20,899		99,479
Promote Downtown Businesses		69,665			69,665
Promoting Tourism		59,903			59,903
City Beautification	91,016	1,338			92,354
Debt Service		4,337			4,337
Subtotals, Other Governmental Funds	91,016	1,807,541	2,036,907	-	3,935,463
Totals	\$ 103,708	\$ 1,819,915	\$ 3,555,510	\$ 1,643,946	\$ 7,123,079

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 changes 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 2015, 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.

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 insures the first \$250,000 of the City's deposits. The deposit balances over \$250,000 are collateralized by the WPDPC. State statute permits additional amounts to be assessed on a pro rata basis to members of the WPDPC pool in the event the pool's collateral should be insufficient to cover a loss.

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

As of December 31, 2015, the City held the following deposits and investments:

Investment Type	Fair Value	Modified Duration	% of Portfolio
Cash			
FDIC or PDPC insured bank deposits	\$ 3,578,467		
In-transit items	(359,842)		
Custodial funds held in agency funds	(215,684)		
Petty Cash on hand	2,650		
Total Cash	3,005,590		
Investments			
US agency securities			
US Treasury Bills, Notes & Bonds	\$ 12,836,390	1.80	62%
Federal Home Loan Bank	745,395	1.66	4%
Federal National Mortgage Association	1,294,169	1.30	6%
Federal Home Loan Mortgage Corp	597,492	1.08	3%
Washington State Local Government Inv. Pool	5,114,684	0.00	25%
Total Investments	20,588,130	1.17	100%
Total Cash, Cash Equivalents, Investments	\$ 23,593,721		

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 Washington State Auditor's Office, an independently elected public official.

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

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

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

Maximum Allowed Diversification by security type:

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

NOTE 4: PROPERTY TAXES

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

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

- Washington State RCW 84.55.010 limits the growth of regular property taxes to one percent per year or IPD, whichever is less, after adjustments for new construction and annexations, unless an increase greater than this limit is approved by the voters. If the assessed valuation increases by more than one percent due to revaluation, the levy rate will be decreased.
- The Washington State Constitution limits the total regular property taxes to one percent of assessed valuation, or \$10 per \$1,000 of the market value of a property. If the taxes of all districts exceed this amount, each is proportionately reduced until the total is at or below the one percent limit.

For property taxes to be collected in 2015, the City's levy for general governmental services was \$1.709874 per \$1,000 on the assessed valuation of \$1,282,347,366 for a total of \$2,192,765.

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, 2015, was as follows:

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
Governmental-Type Activities				
Capital assets, not being depreciated:				
Land	\$ 9,051,612	\$ 1,768,074	\$ -	\$ 10,819,687
Intangible - Right of Way	19,839,139	-	-	19,839,139
Construction Work in Progress	2,784,926	1,246,624	(3,537,373)	494,178
Total capital assets not being depreciated	31,675,678	3,014,699	(3,537,373)	31,153,004
Capital assets, being depreciated:				
Buildings	17,118,430	12,016	(15,000)	17,115,446
Other Improvements	9,937,803	4,889,140	-	14,826,943
Machinery and Equipment	3,013,240	146,078	(135,871)	3,023,447
Intangible	647,486	-	-	647,486
Infrastructure	31,352,627	-	-	31,352,627
Total capital assets being depreciated	62,069,586	5,047,235	(150,871)	66,965,949
Less accumulated depreciation for:				
Buildings	(3,479,303)	(346,331)	15,000	(3,810,635)
Other Improvements	(3,649,929)	(726,145)	-	(4,376,074)
Machinery and Equipment	(2,273,256)	(209,068)	128,592	(2,353,732)
Intangible	(506,979)	(27,657)	-	(534,636)
Infrastructure	(8,916,044)	(654,726)	-	(9,570,769)
Total accumulated depreciation	(18,825,511)	(1,963,927)	143,592	(20,645,846)
Total capital assets, being depreciated, net	43,244,075	3,083,308	(7,279)	46,320,104
Governmental activity capital assets, net	\$ 74,919,753	\$ 6,098,006	\$ (3,544,652)	77,473,108

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

Governmental activities:	
General Government	\$ 315,160
Security of Persons and Property	115,097
Utilities and Environment	2,648
Transportation	1,297,134
Economic Environment	-
Culture and Recreation	233,888
Total depreciation expense - governmental activities	\$ 1,963,927

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
Business-Type Activities				
Capital assets, not being depreciated:				
Land	\$ 1,025,036	\$ 1,135,455	\$ -	\$ 2,160,490
Construction Work in Progress	1,352,853	4,906,383	(1,058,393)	5,200,843
Total capital assets not being depreciated	2,377,888	6,041,838	(1,058,393)	7,361,333
Capital assets, being depreciated:				
Buildings	637,738	-	-	637,738
Other Improvements	55,693,784	3,644,804	(387)	59,338,202
Machinery and Equipment	2,557,025	48,760	(31,951)	2,573,835
Intangible	421,961	-	-	421,961
Total capital assets being depreciated	59,310,508	3,693,565	(32,337)	62,971,735
Less accumulated depreciation for:				
Buildings	(401,678)	(9,375)	-	(411,053)
Other Improvements	(14,843,057)	(1,350,489)	387	(16,193,159)
Machinery and Equipment	(1,863,416)	(142,669)	31,951	(1,974,134)
Intangible	(207,540)	(40,271)	-	(247,811)
Total accumulated depreciation	(17,315,691)	(1,542,804)	32,337	(18,826,157)
Total capital assets, being depreciated, net	41,994,817	2,150,761	-	44,145,578
Business-type activity capital assets, net	\$ 44,372,705	\$ 8,192,599	\$ (1,058,393)	51,506,911

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

Business-type activities:	
Water	\$ 418,144
Sewer	633,625
Solid Waste	59,873
Storm Drain	431,161
Public Works Administration	
Total depreciation expense - business-type activities	\$ 1,542,804

NOTE 6: EMPLOYEE RETIREMENT AND PENSION PLANS

The following table represents the aggregate pension amounts for all plans subject to the requirements of the GASB Statement 68, Accounting and Financial Reporting for Pensions for the year 2015:

Aggregate Pension Amounts – All Plans	
Pension liabilities	\$ 3,681,065
Pension assets	615,157
Deferred outflows of resources	565,546
Deferred inflows of resources	753,887
Pension expense/expenditures	389,381

State Sponsored Pension Plans

Substantially all City’s full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans. The state Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

Department of Retirement Systems
 Communications Unit
 P.O. Box 48380
 Olympia, WA 98540-8380

Or the DRS CAFR may be downloaded from the DRS website at www.drs.wa.gov.

Public Employees’ Retirement System (PERS)

PERS members include elected officials; state employees; employees of the Supreme, Appeals and Superior Courts; employees of the legislature; employees of district and municipal courts; employees of local governments; and higher education employees not participating in higher education retirement programs. PERS is comprised of three separate pension plans for membership purposes. PERS plans 1 and 2 are defined benefit plans, and PERS plan 3 is a defined benefit plan with a defined contribution component.

PERS Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member’s average final compensation (AFC) times the member’s years of service. The AFC is the average of the member’s 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2015 were as follows:

PERS Plan 1		
Actual Contribution Rates:	Employer	Employee*
January through June 2015	9.21%	6.00%
July through December 2015	11.18%	6.00%

* For employees participating in JBM, the contribution rate was 12.26%

The City of Poulsbo’s actual contributions to the plan were \$ 199,036 for the year ended December 31, 2015.

PERS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member’s average final compensation (AFC) times the member’s years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member’s 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 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 benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 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 three percent for each year before age 65; or
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

PERS Plan 3 defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. PERS Plan 3 members choose their contribution rate upon joining membership and have a chance to change rates upon changing employers. As established by statute, Plan 3 required defined contribution rates are set at a minimum of 5 percent and escalate to 15 percent with a choice of six options. Employers do not contribute to the defined contribution benefits. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2015 were as follows:

PERS Plan 2/3		
Actual Contribution	Employer 2/3	Employee 2*
January through June	9.21%	4.92%
July through December	11.18%	6.12%
Employee PERS Plan 3		varies

* For employees participating in JBM, the contribution rate was 15.30%

The City of Poulsbo’s actual contributions to the plan were \$ 530,880 for the year ended December 31, 2015.

Law Enforcement Officers’ and Fire Fighters’ Retirement System (LEOFF)

LEOFF membership includes all full-time, fully compensated, local law enforcement commissioned officers, firefighters, and as of July 24, 2005, emergency medical technicians. LEOFF is comprised of two separate defined benefit plans.

LEOFF Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined per year of service calculated as a percent of final average salary (FAS) as follows:

- 20+ years of service – 2.0% of FAS
- 10-19 years of service – 1.5% of FAS
- 5-9 years of service – 1% of FAS

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 ten years of service. Members are eligible for retirement with five years of service at the age of 50. Other benefits include duty and non-duty disability payments, a cost-of living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. LEOFF 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions

Starting on July 1, 2000, **LEOFF Plan 1** employers and employees contribute zero percent, as long as the plan remains fully funded. The LEOFF Plan I had no required employer or employee contributions for fiscal year 2015. Employers paid only the administrative expense of 0.18 percent of covered payroll.

LEOFF Plan 2 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the final average salary (FAS) per year of service (the FAS is based on the highest consecutive 60 months). Members are eligible for retirement with a full benefit at 53 with at least five years of service credit. Members who retire prior to the age of 53 receive reduced benefits. If the member has at least 20 years of service and is age 50, the reduction is three percent for each year prior to age 53. Otherwise, the benefits are actuarially reduced for each year prior to age 53. LEOFF 2 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. LEOFF 2 members are vested after the completion of five years of eligible service.

Contributions

The **LEOFF Plan 2** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2. The employer rate included an administrative expense component set at 0.18 percent. Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board. The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2015 were as follows:

LEOFF Plan 2		
Actual Contribution	Employer	Employee
State and local	5.23%	8.41%
Ports and Universities	8.59%	8.41%

The City of Poulsbo’s actual contributions to the plan were \$ 218,002 for the year ended December 31, 2015.

The Legislature, by means of a special funding arrangement, appropriates 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 recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute. For the state fiscal year ending June 30, 2015, the state contributed \$58,339,032 to LEOFF Plan 2.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2015 with a valuation date of June 30, 2014. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary’s (OSA) *2007-2012 Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2014 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2015. Plan liabilities were rolled forward from June 30, 2014, to June 30, 2015, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 3% total economic inflation; 3.75% salary inflation
- **Salary increases:** In addition to the base 3.75% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.5%

Mortality rates were based on the RP-2000 report's Combined Healthy Table and Combined Disabled Table, published by the Society of Actuaries. The OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

There were minor changes in methods and assumptions since the last valuation.

- The OSA updated demographic assumptions, consistent with the changes from the *2007-2012 Experience Study Report*, used when valuing the PERS 1 and TERS 1 Basic Minimum COLA.
- The OSA corrected how valuation software calculates a member's entry age under the entry age normal actuarial cost method. Previously, the funding age was rounded, resulting in an entry age one year higher in some cases.
- For purposes of calculating the Plan 2/3 Entry Age Normal Cost contribution rates, the OSA now uses the current blend of Plan 2 and Plan 3 salaries rather than using a long-term membership assumption of two-thirds Plan 2 members and one-third Plan 3 members.
- The OSA changed the way it applies salary limits, as described in the *2007-2012 Experience Study Report*.

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.5 percent.

To determine that rate, an asset sufficiency test included an assumed 7.7 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. (All plans use 7.7 percent except LEOFF 2, which has assumed 7.5 percent). Consistent with the long-term expected rate of return, a 7.5 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue being made at contractually required rates (including PERS 2/3, PSERS 2, SERS 2/3, and TRS 2/3 employers, whose rates include a component for the PERS 1, and TRS 1 plan liabilities). Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.5 percent was used to determine the total liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.5 percent was determined using a building-block-method. The Washington State Investment Board (WSIB) used a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, including inflation) to develop each major asset class. Those expected returns make up one component of WSIB's capital market assumptions. The WSIB uses the capital market

assumptions and their target asset allocation to simulate future investment returns at various future times. The long-term expected rate of return of 7.5 percent approximately equals the median of the simulated investment returns over a 50-year time horizon.

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of June 30, 2015, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB’s most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	1.70%
Tangible Assets	5%	4.40%
Real Estate	15%	5.80%
Global Equity	37%	6.60%
Private Equity	23%	9.60%
	100%	

Sensitivity of NPL

The table below presents the City of Poulso’s proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the City of Poulso’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5 percent) or 1-percentage point higher (8.5 percent) than the current rate.

	1% Decrease 6.50%	Current Discount 7.50%	1% Increase 8.50%
PERS 1	\$ 2,380,991	\$ 1,955,635	\$ 1,589,868
PERS 2/3	5,045,245	1,725,429	(816,429)
LEOFF 1	(39,208)	(61,285)	(80,103)
LEOFF 2	554,666	(553,871)	(1,388,087)

Pension Plan Fiduciary Net Position

Detailed information about the State’s pension plans’ fiduciary net position is available in the separately issued DRS financial report.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the City of Poulso reported a total pension liability of \$ 3,681,065 and total pension asset of \$615,157 for its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	\$ 1,955,635
PERS 2/3	1,725,429
LEOFF 1	(61,285)
LEOFF 2	(553,871)

The amount of the liability/(asset) reported above for LEOFF Plan 2 reflects a reduction for State pension support provided to the City. The amount recognized by the city as its proportionate share of the net pension liability/(asset), the related State support, and the total portion of the net pension liability/(asset) that was associated with the city were as follows:

	Liability (or Asset)
LEOFF 2 – employer’s proportionate share	(553,871)
LEOFF 2 – State’s proportionate share of the net pension	\$ (366,222)
TOTAL	\$ (920,093.14)

At June 30, the City of Poulsbo’s proportionate share of the collective net pension liabilities was as follows:

	Proportionate Share 6/30/14	Proportionate Share 6/30/15	Change in Proportion
PERS 1	0.036729%	0.037386%	0.000657%
PERS 2/3	0.047289%	0.048290%	0.001001%
LEOFF 1	0.005043%	0.005085%	0.000042%
LEOFF 2	0.052340%	0.053889%	0.001549%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30 are used as the basis for determining each employer’s proportionate share of the collective pension amounts reported by the DRS in the *Schedules of Employer and Nonemployer Allocations* for all plans except LEOFF 1.

LEOFF Plan 1 allocation percentages are based on the total historical employer contributions to LEOFF 1 from 1971 through 2000 and the retirement benefit payments in fiscal year 2015. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2015, the state of Washington contributed 87.12 percent of LEOFF 1 employer contributions and all other employers contributed the remaining 12.88 percent of employer contributions. LEOFF 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. The allocation method the plan chose reflects the projected long-term contribution effort based on historical data.

In fiscal year 2015, the state of Washington contributed 39.80 percent of LEOFF 2 employer contributions pursuant to RCW 41.27.726 and all other employers contributed the remaining 60.20 percent of employer contributions.

The collective net pension liability (asset) was measured as of June 30, 2015, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2014, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2015, the City of Poulsbo recognized pension expense as follows:

	Pension Expense
PERS 1	\$ 154,946
PERS 2/3	216,702
LEOFF 1	(12,440)
LEOFF 2	30,174
TOTAL	\$ 389,381

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2015, the city reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings on pension plan investments	-	106,995
Contributions subsequent to the measurement date	111,606	-
TOTAL	\$ 111,606	\$ 106,995

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 183,414	\$ -
Net difference between projected and actual investment earnings on pension plan investments	-	460,608
Changes of assumptions	2,780	-
Changes in proportion and differences between contributions and proportionate share of contributions	32,209	
Contributions subsequent to the measurement date	145,315	-
TOTAL	\$ 363,718	\$ 460,608

LEOFF 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings on pension plan investments	-	10,346
TOTAL	\$ -	\$ 10,346

LEOFF 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 48,501	\$ -
Net difference between projected and actual investment earnings on pension plan investments	-	167,820
Changes of assumptions	1,461	-
Changes in proportion and differences between contributions and proportionate share of contributions		8,119
Contributions subsequent to the measurement date	40,261	-
TOTAL	\$ 90,223	\$ 175,939

Deferred outflows of resources related to pensions resulting from the city’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31	PERS 1
2016	(41,467)
2017	(41,467)
2018	(41,467)
2019	17,408

Year ended December 31	PERS 2/3
2016	(115,584)
2017	(115,584)
2018	(115,585)
2019	104,547

Year ended December 31	LEOFF 1
2016	(4,014.71)
2017	(4,014.71)
2018	(4,014.71)
2019	1,697.93

Year ended December 31	LEOFF 2
2016	(57,557)
2017	(57,557)
2018	(57,557)
2019	37,038
2020	8,047
Thereafter	1,610

NOTE 7: RISK MANAGEMENT

The city of Poulsbo is a member of the Washington Cities Insurance Authority (WCIA).

Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and / or jointly contracting for risk management services. WCIA has a total of 179 Members.

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

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, public officials' errors or omissions, stop gap, and employee benefits liability. Limits are \$4 million per occurrence self insured layer, and \$16 million per occurrence in the re-insured excess layer. The excess layer is insured by the purchase of reinsurance and insurance and is subject to aggregate limits. Total limits are \$20 million per occurrence subject to aggregate sublimits in the excess layers. The Board of Directors determines the limits and terms of coverage annually.

Insurance coverage for property, automobile physical damage, fidelity, inland marine, and boiler and machinery are purchased on a group basis. Various deductibles apply by type of coverage. Property insurance and auto physical damage are self-funded from the members' deductible to \$750,000, for all perils other than flood and earthquake, and insured above that amount by the purchase of insurance.

In-house services include risk management consultation, loss control field services, claims and litigation administration, and loss analyses. WCIA contracts for the claims investigation consultants for personnel issues and land use problems, insurance brokerage, and lobbyist services.

WCIA is fully funded by its members, who make annual assessments on a prospectively rated basis, as determined by an

outside, independent actuary. The assessment covers loss, loss adjustment, and administrative expenses. As outlined in the interlocal, WCIA retains the right to additionally assess the membership for any funding shortfall.

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

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

The City workers comprehensive insurance is purchased through the State Labor and Industries program, Unemployment is purchased through Washington State Employment Security, and Health insurance is purchased for staff through Northwest Administrators. The City does not self-insure for any services.

In the past three years, there have been no settlements that exceeded coverage.

NOTE 8: ADOPTION OF NEW GASB PRONOUNCEMENTS

GASB Statement No. 68 Accounting and Financial Reporting for Pensions an amendment of GASB Statement No. 27- The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The City implemented this in 2015 and was disclosed in Note 6.

GASB Statement No. 71 Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68-The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The City implemented this along with GASB 68 in 2015.

NOTE 9: CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

At December 31, 2015 the City had 18 significant contractual obligations with the following balances:

<u>Project</u>	<u>Vendor</u>	<u>Amount</u>
PW Facility Phase II Prelim Design	Parametrix	\$ 28,024
SCADA Technical Support	Parametrix	2,438
Street Maintenance Plan	Parametrix	11,419
Building Code Support Services	BHC Consultants	5,000
Transportation Plan Update	Parametrix	21,208
Liberty Bay TMDL	Parametrix	85,101
Sewer Plan Update	BHC Consultants	14,740
Stormwater Comp Plan Update	Parametrix	22,123
Liberty Bay Waterfront Trail	Parametrix	95,224
Noll Road Phase III Design	Parametrix	479,254
Viking Ave PRV	Gray & Osbourne, Inc	278
Lincoln Well #2	Water Engineering Solutions	34,212
Poulsbo Village Pump - Design	CHS Engineers, LLC	62,885
Liberty Bay Pump - Design	CHS Engineers, LLC	52,934
6th & 9th Pump Station	Pape & Sons	272,692
6th & 9th Pump Station - support services	CHS Engineers, LLC	39,772
I&I Study	RH2	17,354
Solid Waste Planning Assistance	Parametrix	2,510
		<u>\$ 1,247,165</u>

NOTE 10: 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, 2015, the governmental long-term debt of the City consisted of the following:

Issuance Date	Purpose	Original Issue	Interest Rates	Maturity Date	Debt Outstanding
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%	2018	560,000
2010	LOCAL Program GO Bonds: Issued to provide funds to purchase the Park and Rec building.	310,000	4.10%	2030	255,000
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	1,905,000
2015	2015 GO Debt: Refunded 2005 GO Bond and callable portion of the 2009 GO Bond	7,320,000	2-4%	2033	7,210,000
Total					\$ 9,930,000

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

As of December 31, 2015, 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	932,000
Total					\$ 932,000

B. PUBLIC WORKS TRUST FUND LOANS

State of Washington Public Works Trust Fund Loans (PWTF) are an intergovernmental loan from the Public Works Board to undertake local public works projects. These loans are a direct responsibility of the City. Poulsbo currently has two such loans. The first PWTF loan of \$869,025, which is being repaid from the Water/Sewer Fund, was used for the Jensen Way sewer improvements. The second PWTF loan of \$1,406,930 which will be repaid from governmental funds, is for Front Street reconstruction.

As of December 31, 2015, the long-term debt payable for PWTF loans consisted of the following:

Issuance Date	Purpose	Original Issue	Interest Rates	Maturity Date	Debt Outstanding
2000	Street Improvements to Front Street	1,406,930	3.0%	2020	371,841
Total					\$ 371,841

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, 2015 the City has paid \$ 1,843,684.

D. DEBT SERVICE REQUIREMENTS TO MATURITY FOR PRIMARY GOVERNMENT

Year Ended Dec 31	General Obligation Bonds Governmental Activities			Revenue Bonds Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2016	635,000	360,810	995,810	457,000	32,154	489,154
2017	655,000	343,020	998,020	475,000	16,388	491,388
2018	575,000	324,430	899,430	-	-	-
2019	595,000	306,141	901,141	-	-	-
2020	610,000	288,710	898,710	-	-	-
2021-2025	3,400,000	1,077,709	4,477,709	-	-	-
2026-2030	2,245,000	505,145	2,750,145	-	-	-
2031-2033	1,215,000	92,125	1,307,125	-	-	-
	\$ 9,930,000	\$3,298,090	\$13,228,090	\$ 932,000	\$ 48,542	\$ 980,542

Year Ended Dec 31	Public Works Trust Fund Loans					
	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2016	74,368	11,155	85,524	-	-	-
2017	74,368	8,924	83,292	-	-	-
2018	74,368	6,693	81,061	-	-	-
2019	74,368	4,462	78,830	-	-	-
2020	74,368	2,231	76,599	-	-	-
	\$ 371,841	\$ 33,466	\$ 405,307	\$ -	\$ -	\$ -

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 Poulso monitors its investments to restrict earnings to a yield less than the bond issue, and therefore limit any arbitrage liability. As of December 31, 2015 the City has no arbitrage rebate liability.

F. Advanced Refunding

On September 22, 2015 the City issued \$7,320,000 Limited Tax General Obligation Refunding Bonds to partially refund the \$4,225,000 portion of the 2009 General Obligation Bonds and the \$3,080,000 portion of the 2005 General Obligation Bonds and to pay costs related to the issuance of these bonds.

The City defeased these bond issues by placing the proceeds of the new bonds in an irrevocable trust account, which are invested in U.S. Governmental Securities that are designed to meet the requirements of the refunded debt. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the government’s financial statements.

The City was able to net a savings of approximately \$660,165 by issuing this advanced refunding of debt.

G. LONG-TERM LIABILITIES

1. Long-term liability activity:

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental Activities				
Bonds payable:				
General obligation bonds	\$ 10,645,000	\$ 7,320,000	\$ 8,035,000	\$ 9,930,000
Less Unamortized Bond Discount	(45,813)	-	(25,206)	(20,607)
Plus Unamortized Bond Premium	114,577	774,756	95,413	793,920
Pension/OPEB Obligation	230,459	2,829,280	-	3,059,739
Compensated Absences	775,782	551,322	513,345	813,758
Due to Other Governmental Units	446,210	-	74,368	371,841
Total Governmental activity long-term liabilities	\$ 12,166,215	\$ 11,475,357	\$ 8,692,921	\$ 14,948,651
Business-type Activities				
Bonds payable:				
Revenue Bonds	\$ 1,375,000	\$ -	\$ 443,000	\$ 932,000
Pension/OPEB Obligation	-	999,017	-	999,017
Compensated Absences	139,048	132,230	102,540	168,739
Notes Payable	809,103	69,733	638,309	240,527
Due to Other Governmental Units	45,848	-	45,848	-
Total Business-type activity long-term liabilities	\$ 2,368,999	\$ 1,200,980	\$ 1,229,696	\$ 2,340,283

2. Liabilities due within one year:

Date of Issue	Liabilities Due Within One Year - Governmental Activities	Due within one year
2015	2015 GO Debt: Refunded 2005 GO Bond and callable portion of the 2009 GO Bond	260,000
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	180,000
2010	Certificate of Participation to finance the acquisition of the Parks and Recreation facility.	15,000
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	180,000
2000	Due to Other Governmental Units(PWTF)-Street Improvements to Front Street	74,368
	Unamortized premium on GO Bond	46,504
	Unamortized Bond Discount	(2,534)
	Compensated Absences	81,376
	Total Governmental Activities	\$ 834,714

Date of Issue	Liabilities Due Within One Year - Business-Type Activities	Due within one year
2005	Water/Sewer Refunded Revenue Bonds	457,000
2009	Note Payable	125,000
	Compensated Absences	16,874
Total Business-Type Activities		\$ 598,874

NOTE 11: CONTINGENCIES AND COMMITMENTS

The City has recorded in its financial statements all material liabilities, including an estimate for situations which are not yet resolved but where, based on available information, management believes it is probable that the City will have to make payment. In the opinion of management, the City insurance policies and legal reserves are adequate to pay all known or pending claims.

As discussed in Note 11, Long-Term Debt, the City is contingently liable for repayment of refunded debt.

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, 2015, 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 \$2,695 is included with the City’s compensated absences.

NOTE 12: JOINT VENTURES

The City, Kitsap County, and the Kitsap Regional Library agreed back in 1997 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 which is reflected in the Government-Wide Statement of Net Position. The City is responsible for its continued maintenance and the Kitsap Regional Library is responsible for running the day to day operations of the library within the building.

Any capital improvements needed will be funded out of the Facilities Fund like all other City owned properties. Routine maintenance costs are funded out of the General Fund central services budget.

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

NOTE 13: 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. As of December 31, 2015 the City has two retired members in this group.

Funding Policy

Funding for LEOFF retiree healthcare costs is provided entirely by the City as required by RCW. The City currently funds post-employment healthcare benefits on a pay-as-you-go basis. The city finances the plan by purchasing medical insurance and self-funding deductibles and co-pays not covered by the insurance. The expenditures are budgeted in the Police annual operating budget. The city reimburses 100% of the amount of validated claims for medical, dental, vision and hospitalization costs incurred by the retirees.

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, 2015.

Actuarial Methods and Assumptions

The City used the alternative measurement method permitted under GASB Statement No. 45. Actual retirement ages are used for the City’s two LEOFF members who benefit for the purpose of determining the Actuarial accrued liability (AAL) and normal cost. The mortality rate is assumed following the LEOFF 1 mortality rates used in the June 30, 2014 actuarial valuation report issued by the Office of the Washington State Actuary (OSA). Healthcare costs and trends were determined by Milliman and used by OSA in the state-wide LEOFF 1 medical study performed in 2013 and using a 1% medical inflation rate. 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 15 years with an annual budget growth of 2%. Since everything is paid as the expenses are incurred there are no investments held. 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 Over Age 65 w/Excise Tax			Medical Inflation Trend Under Age 65 w/Excise Tax			Annual Medical Cost by Age		
	Medical	Long-Term Care		Medical	Long-Term	Age	Non-Medicare	Medicare
2012	7.0%	4.8%	2012	7.0%	4.8%	57	\$12,776	N/A
2013	7.5%	4.8%	2013	7.5%	4.8%	62	\$16,401	N/A
2014	6.2%	4.8%	2014	6.2%	4.8%	67	N/A	\$10,947
2015	5.8%	4.8%	2015	5.8%	4.8%	72	N/A	\$12,134
2016	5.7%	4.8%	2016	5.7%	4.8%	77	N/A	\$13,133
2017	12.9%	4.8%	2017	24.7%	4.8%	82	N/A	\$13,791
2018	6.3%	4.8%	2018	6.2%	4.8%	87	N/A	\$14,119
2019	6.5%	4.8%						
2020+	5.6%	4.8%						

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 \$304,075 is included as a long-term liability on the Statement of Position.

<u>Determination of Annual Required Contribution:</u>	<u>Year Ending 2011</u>	<u>Year Ending 2012</u>	<u>Year Ending 2013</u>	<u>Year Ending 2014</u>	<u>Year Ending 2015</u>
Normal Cost at Year End	\$0	\$0	\$0	\$0	\$0
Amorization of Unfunded					
Actuarial Accrued Liability (UAAL)	63,714	60,895	57,308	84,506	108,950
Annual Required Contribution	\$63,714	\$60,895	\$57,308	\$84,506	\$108,950
<u>Determination of Net OPEB Obligation:</u>					
Annual Required Contribution	\$63,714	\$60,895	\$57,308	\$84,506	\$108,950
Interest prior year Net OPEB Obligation	4,594	6,161	7,233	7,332	9,218
Adjustments to ARC	(9,505)	(12,747)	(14,966)	(16,485)	(20,728)
Annual OPEB Cost	\$58,803	\$54,309	\$49,575	\$75,352	\$97,440
Contributions	(23,983)	(30,476)	(27,017)	(28,184)	(23,824)
Increase in Net OPEB Obligations	\$34,820	\$23,833	\$22,558	\$47,168	\$73,616
Net OPEB Obligation-Beginning of Year	\$102,080	\$136,900	\$160,732	\$183,290	\$230,458
NET OPEB Obligation-End of Year	\$136,900	\$160,732	\$183,290	\$230,458	\$304,075

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
12/31/2013	49,575	54.5%	183,290
12/31/2014	75,352	37.4%	230,458
12/31/2015	97,440	24.4%	304,075

Funded Status and Funding Progress

As of December 31, 2015, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability (AAL) for benefits was \$1,211,345 and the actuarial value of the assets was \$0 resulting in a UAAL of \$1,211,345. 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.

NOTE 14: PRIOR PERIOD ADJUSTMENTS AND CHANGES IN ACCOUNTING PRINCIPLES

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	Governmental Statement Amount	Government-Wide Statement Amount	Reason
001	General Fund	\$ 86,182.39		Prior year adjustment due to correction of franchise fees paid by Comcast from 2008 to 2014
001	General Fund	\$ 49,066.26		Prior year adjustment to remove liability due to subsequent receivable having been removed, years ago. This transaction corrects.
101	Street Reserve Fund	\$ (5,845.58)		Prior year adjustment due to invoice received in December 2015 by City of Bremerton for work performed in 2014.
101	Street Reserve Fund	\$ (7,218.53)		Prior year adjustment for 3 years of street light billings received from Chateau Ridge Developer.
		\$ 122,184.54	\$0	

At the End of 2014, it was decided to close out the City Street Equipment Reserve Fund. This resulted in an increase of \$77,172 to the Beginning Fund Balance of the Equipment Acquisition Fund.

Adoption of GASB Statement No. 68 required an accounting principle change. The objective of this statement is to improve accounting and financial reporting for pensions that are provided to the employees of the state and local governmental employers through pension plans that are administered through trusts with certain characteristics. Implementation of this standard resulted in a negative adjustments to beginning net position of \$2,405,939 for governmental activities and \$1,046,614 for business-type activities. These adjustments can be found on the Statement of Activities.

NOTE 15: RECONCILIATION OF NET INVESTMENT IN CAPITAL ASSETS

<u>Governmental Activities:</u>		<u>Business-Type Activities:</u>	
Capital Assets, Net of Depreciation	\$ 77,473,108	Capital Assets, Net of Depreciation	\$ 51,506,911
General Obligation Bonds Payable	(9,930,000)	Revenue Bonds Payable	(932,000)
Unamortized premium on Bonds	(793,920)	Notes Payable	(240,527)
Unamortized discount on Bonds	20,607	Deferred Outflows - Loss on Refunding	33,865
Deferred Outflows - Loss on Refunding	639,592	Due to Other Governments	-
Due to Other Governments	<u>(371,841)</u>		
Net Investment in Capital Assets	<u>\$ 67,037,545</u>	Net Investment in Capital Assets	<u>\$ 50,368,250</u>

NOTE 16: SUBSEQUENT EVENTS

On June 4, 2014, the City Council approved the sale of the commercial property known as the “Old City Hall Site” at 19050 Jensen Way NE, Poulsbo, Washington for \$1.2 million. The sale is contingent on securing approval by Kitsap County, a completion of feasibility study for site plan approval on intended development, segregation of property, demolition of existing building and proof of hazardous substances study. This agreement and subsequent closing date has been extended due to site plan approval. \$80,000 of earnest money has been deposited into an escrow account with the title company. The Council allocated proceeds may be used for early redemption of the debt issued for the purpose of the construction of the new city hall. The remaining proceeds of this sale will be devoted to both capital improvements and to replenish the revenue stabilization reserves fund balance.

On June 10, 2015, the City Council approved the sale of the commercial property known as the “Old Police Station” at 367 NE Hostmark Street, Poulsbo, Washington for \$900,000. The sale is contingent on obtaining site plan approval for planned development. \$50,000 of earnest money has been deposited into an escrow account with the title company. The Council allocated proceeds may be used for early redemption of the debt issued for the purpose of the construction of the new city hall. The remaining proceeds of this sale will be devoted to both capital improvements and to replenish the revenue stabilization reserves fund balance.

REQUIRED SUPPLEMENTARY INFORMATION
LEOFF I RETIREE MEDICAL BENEFITS
SCHEDULE OF FUNDING PROGRESS
December 31, 2015

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (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*
12/31/2013	\$ -	\$ 615,465	\$ 615,465	0%	-	N/A*
12/31/2014	\$ -	\$ 939,567	\$ 939,567	0%	-	N/A*
12/31/2015	\$ -	\$ 1,211,345	\$ 1,211,345	0%	-	N/A*

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

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Proportionate Share of the Net Pension Liability
PERS 1
As of June 30, 2015
Last 2 years

	<u>2014</u>	<u>2015</u>
Employer's proportion of the net pension liability (asset)	0.036729%	3.738600%
Employer's proportionate share of the net pension liability	<u>\$ 1,850,241</u>	<u>\$ 1,955,635</u>
Total	<u><u>\$ 1,850,241</u></u>	<u><u>\$ 1,955,635</u></u>
Employer's covered employee payroll	0	0
Employer's proportionate share of the net pension liability as a percentage of covered	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	61.19%	59.10%

See notes to Required Supplementary Information

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Proportionate Share of the Net Pension Liability
PERS 2/3
As of June 30, 2015
Last 2 years

	<u>2014</u>	<u>2015</u>
Employer's proportion of the net pension liability (asset)	0.047289%	0.048290%
Employer's proportionate share of the net pension liability	<u>\$ 955,881</u>	<u>\$ 1,725,429</u>
Total	<u><u>\$ 955,881</u></u>	<u><u>\$ 1,725,429</u></u>
Employer's covered employee payroll	\$ 4,065,224	\$ 4,297,324
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	23.51%	40.15%
Plan fiduciary net position as a percentage of the total pension liability	93.29%	89.20%

See notes to Required Supplementary Information

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Proportionate Share of the Net Pension Liability
LEOFF 1
As of June 30, 2015
Last 2 years

	<u>2014</u>	<u>2015</u>
Employer's proportion of the net pension liability (asset)	0.005043%	0.005085%
Employer's proportionate share of the net pension liability	<u>\$ (61,161)</u>	<u>\$ (61,282)</u>
Total	<u><u>\$ (61,161)</u></u>	<u><u>\$ (61,282)</u></u>
Employer's covered employee payroll	0	0
Employer's proportionate share of the net pension liability as a percentage of covered	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	126.91%	127.36%

See notes to Required Supplementary Information

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Proportionate Share of the Net Pension Liability
LEOFF 2
As of June 30, 2015
Last 2 years

	<u>2014</u>	<u>2015</u>
Employer's proportion of the net pension liability (asset)	0.052340%	0.053889%
Employer's proportionate share of the net pension liability	\$ (694,574)	\$ (553,871)
State's proportionate share of the net pension liability (asset) associated with the employer	<u>\$ (453,820)</u>	<u>\$ (366,222)</u>
Total	<u>\$ (1,148,394)</u>	<u>\$ (920,093)</u>
Employer's covered employee payroll	\$ 1,459,303	\$ 1,568,998
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	47.60%	35.30%
Plan fiduciary net position as a percentage of the total pension liability	116.75%	111.67%

See notes to Required Supplementary Information

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Employer Contributions
PERS 1
As of December 31, 2015
Last 2 years

	<u>2014</u>	<u>2015</u>
Statutorily or contractually required contributions	\$ 167,996	\$ 199,036
Contributions in relation to the statutorily or contractually required contributions	<u>(167,996)</u>	<u>(199,036)</u>
contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
covered employer payroll	0	0
Contributions as a percentage of covered employee payroll	N/A	N/A

See notes to Required Supplementary Information

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Employer Contributions
PERS 2/3
As of December 31, 2015
Last 2 years

	<u>2014</u>	<u>2015</u>
Statutorily or contractually required contributions	\$ 208,036	\$ 255,711
Contributions in relation to the statutorily or contractually required contributions	<u>(208,036)</u>	<u>(255,711)</u>
contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
covered employer payroll	\$ 4,164,253	\$ 4,525,383
Contributions as a percentage of covered employee payroll	5.00%	5.65%

See notes to Required Supplementary Information

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Employer Contributions
LEOFF 1
As of December 31, 2015
Last 2 years

	<u>2014</u>	<u>2015</u>
Statutorily or contractually required contributions	0	0
Contributions in relation to the statutorily or contractually required contributions	<u>0</u>	<u>0</u>
contribution deficiency (excess)	<u>0</u>	<u>0</u>
covered employer payroll	0	0
Contributions as a percentage of covered employee payroll	0.00%	0.00%

See notes to Required Supplementary Information

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Employer Contributions
LEOFF 2
As of December 31, 2015
Last 2 years

	<u>2014</u>	<u>2015</u>
Statutorily or contractually required contributions	\$ 78,406	\$ 80,712
Contributions in relation to the statutorily or contractually required contributions	<u>(78,406)</u>	<u>(80,712)</u>
contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
covered employer payroll	\$ 1,552,594	\$ 1,598,225
Contributions as a percentage of covered employee payroll	5.05%	5.05%

See notes to Required Supplementary Information

**Notes to Required Supplementary Information – Pensions
Year Ended December 31, 2015**

Note 1 – Information provided

The City implemented GASB 68 for the year ended December 31, 2015, therefore there is no data available for years prior to 2014. There are no City employees participating in the PERS 1 or LEOFF 1 plans in 2014 or 2015; therefore, there is no covered payroll reported under PERS 1 and LEOFF 1.

PERS 1 employer contributions include the PERS 1 employer contributions of PERS 2 and PERS 3, which are required to fund the unfunded actuarially accrued liability pursuant to RCW 41.45.060. LEOFF 1 is fully funded, and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation.

Note 2 – Significant errors

There were no changes of benefit terms, significant changes in the employees covered under the benefit terms or in the use of different assumptions.

Note 3 – Employer contribution rate changes

The employer contribution rates for both PERS 1 and PERS 2/3 plans increased from 9.21% to 11.18% for pay periods beginning July 2015.



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 special revenue funds received to provide general governmental services for the administration and operation 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 **Street Reserve Fund** was established to account for capital improvements to the City street system. The significant resources accounted for in this fund are Federal and State transportation grants, developer contributions and transfers from allocations made of taxes received by the City designated to fund Street improvements.

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

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

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, 2015**

Page 1 of 4

Special Revenue

	City Street Funds	Capital Improvements Funds	Transportation Development Funds	Park Development Funds	Historic Downtown Poulsbo Association Funds
Assets					
Cash and Cash Equivalents	\$ 156,162	\$ 64,820	\$ 367,271	\$ 36,479	\$ 6,015
Investments	15,658	196,435	614,087	196,173	70,417
Restricted Investments	-	-	-	-	-
Receivables:					
Taxes	-	47,363	-	-	-
Accounts	-	-	-	-	-
Special Assesments	-	-	-	-	18,342
Due from Other Governments	-	-	-	-	-
Total Assets	171,820	308,618	981,358	232,652	94,774
Deferred Outflows of Resources	-	-	-	-	-
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	18,954	-	-	-	12,301
Payroll	14,858	-	-	-	-
Unearned Revenue	-	-	-	-	12,808
Custodial Accounts	-	-	-	-	-
Total Liabilities	33,811	-	-	-	25,109
Deferred Inflows of Resources	-	-	-	-	-
Fund Balances					
Nonspendable fund balance	-	-	-	-	-
Restricted fund balance	-	308,618	981,358	232,652	69,665
Assigned fund balance	138,009	-	-	-	-
Unassigned fund balance	-	-	-	-	-
Total Fund Balance	138,009	308,618	981,358	232,652	69,665
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 171,820	\$ 308,618	\$ 981,358	\$ 232,652	\$ 94,774

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (continued)
DECEMBER 31, 2015**
Page 2 of 4

					<u>Debt Service</u>	
Paths and Trails Funds	Drug Enforcement Funds	Transient Occupancy Funds	Police Restricted Funds	Total Non-Major Special Revenue Funds	Misc Governmental Debt Funds	Total Non-Major Debt Service Funds
\$ 1,382	\$ 1,263	\$ 21,125	\$ 11,906	\$ 666,423	\$ 1,115	\$ 1,115
13,185	54,937	40,944	87,854	1,289,689	3,222	3,222
-	-	-	-	-	-	-
-	-	-	-	47,363	-	-
-	457	-	-	457	-	-
-	-	-	-	18,342	-	-
-	-	-	-	-	-	-
14,567	56,658	62,069	99,759	2,022,273	4,337	4,337
-	-	-	-	-	-	-
-	-	2,166	21	33,441	-	-
-	-	-	-	14,858	-	-
-	-	-	-	12,808	-	-
-	134	-	260	394	-	-
-	134	2,166	281	61,500	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
14,567	56,524	59,903	78,580	1,801,865	4,337	4,337
-	-	-	20,899	158,908	-	-
-	-	-	-	-	-	-
14,567	56,524	59,903	99,479	1,960,773	4,337	4,337
\$ 14,567	\$ 56,658	\$ 62,069	\$ 99,759	\$ 2,022,273	\$ 4,337	\$ 4,337

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (continued)
DECEMBER 31, 2015
 Page 3 of 4

Capital Project

	Equipment Acquisition Funds	Park Reserve Funds	Street Reserve Funds	Cemetery Reserve Funds	Facilities Fund
Assets					
Cash and Cash Equivalents	\$ 119,724	\$ 14,539	\$ 301,225	\$ 3,989	\$ 4,736
Investments	449,088	174,846	400,248	72,881	331,558
Restricted Investments	-	-	-	-	-
Receivables:					
Taxes	-	-	-	-	-
Accounts	-	-	-	-	-
Special Assesments	-	-	-	-	-
Due from Other Governments	-	4,347	51,186	-	-
Total Assets	568,812	193,732	752,660	76,869	336,293
Deferred Outflows of Resources	-	-	-	-	-
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	723	39	41,811	-	5,462
Payroll	-	131	1,796	-	406
Unearned Revenue	-	-	-	-	-
Custodial Accounts	-	-	-	-	-
Total Liabilities	723	170	43,607	-	5,868
Deferred Inflows of Resources	-	-	-	-	-
Fund Balances					
Nonspendable fund balance	-	-	-	-	-
Restricted fund balance	-	-	-	-	-
Assigned fund balance	568,089	193,562	709,053	76,869	330,426
Unassigned fund balance	-	-	-	-	-
Total Fund Balance	568,089	193,562	709,053	76,869	330,426
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 568,812	\$ 193,732	\$ 752,660	\$ 76,869	\$ 336,293

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (continued)
DECEMBER 31, 2015
 Page 4 of 4

Total Non-Major Capital Project Funds	Permanent	
	Bernice Borgen Beautification Trust Funds	Total Non-Major Governmental Funds
\$ 444,213	\$ -	\$ 1,111,750
1,428,621	1,338	2,722,870
-	91,016	91,016
-	-	47,363
-	-	457
-	-	18,342
55,533	-	55,533
1,928,366	92,354	4,047,331
-	-	-
48,034	-	81,476
2,333	-	17,190
-	-	12,808
-	-	394
50,367	-	111,868
-	-	-
-	91,016	91,016
-	1,338	1,807,541
1,877,999	-	2,036,907
-	-	-
1,877,999	92,354	3,935,463
\$ 1,928,366	\$ 92,354	\$ 4,047,331

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR YEAR ENDED DECEMBER 31, 2015**

Page 1 of 4

	Special Revenue				
	City Street Funds	Capital Improvements Funds	Transportation Development Funds	Park Development Funds	Historic Downtown Poulsbo Association Funds
Revenues					
Taxes	\$ -	\$ 626,126	\$ -	\$ -	\$ -
Licenses and Permits	16,090	-	-	-	-
Intergovernmental	204,949	-	-	-	-
Charges for Services	-	-	1,122,983	118,655	-
Fines and Forfeitures	-	-	-	-	-
Interest and Other Earnings	49	263	332	126	492
Miscellaneous	150	-	-	-	72,228
Total Revenues	221,238	626,389	1,123,315	118,780	72,720
Expenditures					
Current:					
Security of Persons & Property	-	-	-	-	-
Transportation	842,463	-	-	-	-
Economic Environment	-	-	-	-	-
Culture and Recreation	-	-	-	-	80,767
Debt Service:					
Principal	-	-	-	-	-
Interest & Fiscal Charges	-	-	-	-	-
Capital Outlay	-	-	-	-	-
Total Expenditures	842,463	-	-	-	80,767
Excess of Revenues over Expenditures	(621,226)	626,389	1,123,315	118,780	(8,047)
Other Financing Sources (Uses)					
Transfers In	724,747	-	-	-	-
Transfers Out	(193,719)	(700,000)	(141,957)	-	-
Compensation for Impairment of Capital Assets	-	-	-	-	-
Total Other Financing Sources and Uses	531,028	(700,000)	(141,957)	-	-
Net Change in Fund Balances	(90,197)	(73,611)	981,358	118,780	(8,047)
Fund Balances - Beginning	241,270	382,229	-	113,871	77,712
Prior Year Adjustment	(13,064)	-	-	-	-
Fund Balances - Ending	\$ 138,009	\$ 308,618	\$ 981,358	\$ 232,652	\$ 69,665

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR YEAR ENDED DECEMBER 31, 2015**

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Special Revenue					Debt Service	
Paths and Trails Funds	Drug Enforcement Funds	Transient Occupancy Funds	Police Restricted Funds	Total Non-Major Special Revenue Funds	Misc Governmental Debt Funds	Total Non-Major Debt Service Funds
\$ -	\$ -	\$ 114,109	\$ -	\$ 740,235	\$ -	\$ -
-	-	-	-	16,090	-	-
1,030	-	-	16,910	222,889	-	-
-	-	-	-	1,241,637	-	-
-	-	-	145	145	-	-
15	47	57	165	1,545	4	4
-	57,832	-	1,041	131,250	-	-
1,045	57,879	114,166	18,261	2,353,791	4	4
-	1,632	-	24,553	26,185	-	-
-	-	-	-	842,463	-	-
-	-	119,111	-	119,111	-	-
-	-	-	-	80,767	-	-
-	-	-	-	-	74,368	74,368
-	-	-	-	-	12,271	12,271
-	-	-	-	-	-	-
-	1,632	119,111	24,553	1,068,526	86,639	86,639
1,045	56,246	(4,946)	(6,292)	1,285,265	(86,635)	(86,635)
-	-	-	-	724,747	87,754	87,754
-	(16,500)	-	-	(1,052,176)	-	-
-	-	-	-	-	-	-
-	(16,500)	-	-	(327,429)	87,754	87,754
1,045	39,746	(4,946)	(6,292)	957,836	1,119	1,119
13,521	16,778	64,848	105,771	1,016,001	3,219	3,219
-	-	-	-	(13,064)	-	-
\$ 14,567	\$ 56,524	\$ 59,903	\$ 99,479	\$ 1,960,773	\$ 4,337	\$ 4,337

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR YEAR ENDED DECEMBER 31, 2015**

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Capital Project					
	Equipment Acquisition Funds	Park Reserve Funds	Street Reserve Funds	Cemetery Reserve Funds	Facilities Funds
Revenues					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and Permits	-	-	-	-	-
Intergovernmental	-	6,147	637,183	-	-
Charges for Services	-	-	-	4,600	-
Fines and Forfeitures	-	-	-	-	-
Interest and Other Earnings	515	173	248	176	400
Miscellaneous	8,500	-	-	-	-
Total Revenues	9,015	6,320	637,432	4,776	400
Expenditures					
Current:					
Security of Persons & Property	-	-	-	-	-
Transportation	-	-	-	-	-
Economic Environment	-	-	-	-	-
Culture and Recreation	-	-	-	-	-
Debt Service:					
Principal	-	-	-	-	-
Interest & Fiscal Charges	-	-	-	-	-
Capital Outlay	148,620	105,871	1,051,080	-	89,937
Total Expenditures	148,620	105,871	1,051,080	-	89,937
Excess of Revenues over Expenditures	(139,605)	(99,551)	(413,648)	4,776	(89,537)
Other Financing Sources (Uses)					
Transfers In	207,803	46,797	536,581	-	-
Transfers Out	(35,100)	-	(32,000)	-	(18,000)
Compensation for Impairment of Capital Assets	-	-	-	-	-
Total Other Financing Sources and Uses	172,703	46,797	504,581	-	(18,000)
Net Change in Fund Balances	33,098	(52,754)	90,933	4,776	(107,537)
Fund Balances - Beginning (Restated -See Note 14)	534,991	246,316	618,120	72,093	437,963
Prior Year Adjustment	-	-	-	-	-
Fund Balances - Ending	\$ 568,089	\$ 193,562	\$ 709,053	\$ 76,869	\$ 330,426

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR YEAR ENDED DECEMBER 31, 2015**

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Total Non-Major Capital Project Funds	Permanent	
	Bernice Borgen Beautification Trust Funds	Total Non-Major Governmental Funds
\$ -	\$ -	\$ 740,235
-	-	16,090
643,330	-	866,219
4,600	-	1,246,237
-	-	145
1,512	368	3,429
8,500	-	139,750
657,942	368	3,012,105
-	-	26,185
-	-	842,463
-	-	119,111
-	-	80,767
-	-	74,368
-	-	12,271
1,395,507	-	1,395,507
1,395,507	-	2,550,673
(737,565)	368	461,433
791,182	-	1,603,683
(85,100)	(4,750)	(1,142,026)
-	-	-
706,081	(4,750)	461,657
(31,484)	(4,382)	923,089
1,909,483	96,736	3,025,438
-	-	(13,064)
\$ 1,877,999	\$ 92,354	\$ 3,935,463

**CITY STREET FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
License and Permits	\$ 6,000	\$ 16,090	\$ 10,090
Intergovernmental	196,000	204,949	8,949
Interest and Other Earnings	-	49	49
Miscellaneous	-	150	150
Total Revenues	202,000	221,238	19,238
Expenditures			
Transportation:			
Street Maintenance	924,857	842,463	82,394
Total Expenditures	924,857	842,463	82,394
Excess of Revenues Over Expenditures	(722,857)	(621,226)	101,631
Other Financing Sources (Uses)			
Transfers in	724,747	724,747	0
Transfers out	(193,719)	(193,719)	-
Total Other Financing Sources (Uses)	531,028	531,028	0
Net Change in Fund Balance	(191,829)	(90,197)	101,632
Fund Balance Beginning of Year	241,270	241,270	(0)
Prior Year Adjustment	-	(13,064)	(13,064)
Fund Balance End of Year	\$ 49,441	\$ 138,009	\$ 88,568

CAPITAL IMPROVEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2015

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Taxes:			
Excise Tax	\$ 350,000	\$ 626,126	\$ 276,126
Interest and Other Earnings	150	263	113
Total Revenues	350,150	626,389	276,239
Expenditures			
Current:			
Miscellaneous	-	-	-
Total Expenditures	-	-	-
Excess of Revenues Over Expenditures	350,150	626,389	276,239
Other Financing Sources (Uses)			
Transfers out	(700,000)	(700,000)	-
Total Other Financing Sources (Uses)	(700,000)	(700,000)	-
Net Change in Fund Balance	(349,850)	(73,611)	276,239
Fund Balance Beginning of Year	382,229	382,229	0
Fund Balance End of Year	\$ 32,379	\$ 308,618	\$ 276,239

TRANSPORTATION DEVELOPMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2015

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Transportation Impact Fees	\$ 241,957	\$ 1,122,983	\$ 881,026
Interest and Other Earnings	50	332	282
Total Revenues	242,007	1,123,315	881,308
Expenditures			
Current:			
Miscellaneous	-	-	-
Total Expenditures	-	-	-
Excess of Revenues Over Expenditures	242,007	1,123,315	881,308
Other Financing Sources (Uses)			
Transfers in	-	-	-
Transfers out	(241,957)	(141,957)	100,000
Total Other Financing Sources (Uses)	(241,957)	(141,957)	100,000
Net Change in Fund Balance	50	981,358	981,308
Fund Balance Beginning of Year	-	-	-
Fund Balance End of Year	\$ 50	\$ 981,358	\$ 981,308

PARK DEVELOPMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2015

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Growth Mgmt Act Impact	\$ -	\$ 43,832	43,832
SEPA Mitigation	-	74,823	74,823
Interest and Other Earnings	-	126	126
Total Revenues	-	118,780	118,780
Expenditures			
Current:			
Miscellaneous	-	-	-
Total Expenditures	-	-	-
Excess of Revenues Over Expenditures	-	118,780	118,780
Other Financing Sources (Uses)			
Transfers in	-	-	-
Transfers out	(100,000)	-	100,000
Total Other Financing Sources (Uses)	(100,000)	-	100,000
Net Change in Fund Balance	(100,000)	118,780	218,780
Fund Balance Beginning of Year	113,871	113,871	0
Fund Balance End of Year	\$ 13,871	\$ 232,652	\$ 218,781

**HISTORIC DOWNTOWN POULSBO ASSOCIATION FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 BUDGET TO ACTUAL
 FOR THE YEAR ENDED DECEMBER 31, 2015**

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Special Assessments	\$ 48,000	\$ 49,718	\$ 1,718
Gifts and Pledges	22,550	22,460	(90)
Facility Rental	50	50	-
Interest and Other Earnings	400	492	92
Miscellaneous	-	-	-
Total Revenues	71,000	72,720	1,720
Expenditures			
Bad Debt Expense	500	2,692	(2,192)
Office & Operating Supplies	250	150	100
Small Tools & Minor Equipment	2,500	200	2,300
Professional Services	4,000	5,670	(1,670)
Advertising	37,000	35,210	1,790
Communication	500	-	500
Postage	100	-	100
Insurance	1,700	1,458	242
Repairs and Maintenance	38,000	30,726	7,274
Miscellaneous	4,000	4,660	(660)
Total Expenditures	88,550	80,767	7,783
Excess of Revenues Over Expenditures	(17,550)	(8,047)	9,503
Other Financing Sources (Uses)			
Transfers in	-	-	-
Transfers out	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balance	(17,550)	(8,047)	9,503
Fund Balance Beginning of Year	77,712	77,712	-
Fund Balance End of Year	\$ 60,162	\$ 69,665	\$ 9,503

**PATH AND TRAILS RESERVE FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 BUDGET TO ACTUAL
 FOR THE YEAR ENDED DECEMBER 31, 2015**

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Intergovernmental	\$ 980	\$ 1,030	\$ 50
Interest and Other Earnings	-	15	15
Total Revenues	980	1,045	65
Expenditures			
Current:			
Miscellaneous	-	-	-
Total Expenditures	-	-	-
Excess of Revenues Over Expenditures	980	1,045	65
Other Financing Sources (Uses)			
Transfers in	-	-	-
Transfers out	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balance	980	1,045	65
Fund Balance Beginning of Year	13,521	13,521	-
Fund Balance End of Year	\$ 14,501	\$ 14,567	\$ 66

DRUG ENFORCEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2015

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Interest and Other Earnings	\$ 50	\$ 47	\$ (3)
Miscellaneous	50,000	57,832	7,832
Total Revenues	50,050	57,879	7,829
Expenditures			
Current:			
Special Unit Program	5,375	851	4,524
K-9 Program	7,750	781	6,969
Total Expenditures	13,125	1,632	11,493
Excess of Revenues Over Expenditures	36,925	56,246	19,321
Other Financing Sources (Uses)			
Disposal of Capital Assets	-	-	-
Transfers Out	(16,500)	(16,500)	-
Total Other Financing Sources (Uses)	(16,500)	(16,500)	-
Net Change in Fund Balance	20,425	39,746	19,321
Fund Balance Beginning of Year	16,778	16,778	(0)
Fund Balance End of Year	\$ 37,203	\$ 56,524	\$ 19,321

TRANSIENT OCCUPANCY TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2015

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Hotel/Motel Tax	\$ 95,000	\$ 57,055	\$ (37,945)
Additional 2% Hotel/Motel Tax	-	57,055	57,055
Interest and Other Earnings	-	57	57
Total Revenues	95,000	114,166	19,166
Expenditures			
Economic Environment:			
Spectator and Community Events:			
Administration	125,000	29,374	95,626
Miscellaneous	-	89,737	(89,737)
Total Expenditures	125,000	119,111	5,889
Excess of Revenues Over Expenditures	(30,000)	(4,946)	25,054
Other Financing Sources (Uses)			
Transfers in	-	-	-
Transfers out	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balance	(30,000)	(4,946)	25,054
Fund Balance Beginning of Year	64,848	64,848	-
Fund Balance End of Year	\$ 34,848	\$ 59,903	\$ 25,055

**POLICE RESTRICTED FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 BUDGET TO ACTUAL
 FOR THE YEAR ENDED DECEMBER 31, 2015**

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Vessel Registration	\$ 7,156	\$ 7,340	\$ 184
Criminal Justice	8,339	9,570	1,231
Fines & Forfeitures	-	145	145
Interest and Other Earnings	200	165	(35)
Miscellaneous	500	1,041	541
Total Revenues	16,195	18,261	2,066
Expenditures			
Marine Safety	11,100	17,912	(6,812)
Criminal Justice	9,872	5,627	4,245
Miscellaneous	6,000	1,014	4,986
Total Expenditures	26,972	24,553	2,419
Excess of Revenues Over Expenditures	(10,777)	(6,292)	4,485
Other Financing Sources (Uses)			
Transfers in	-	-	-
Transfers out	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balance	(10,777)	(6,292)	4,485
Fund Balance Beginning of Year	105,771	105,771	(0)
Fund Balance End of Year	\$ 94,994	\$ 99,479	\$ 4,485

**MISCELLANEOUS GOVERNMENTAL DEBT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Interest and Other Earnings	\$ -	\$ 4	\$ 4
Total Revenues	-	4	4
Expenditures			
Debt Service:			
Intergovernmental Loan-Principal	74,368	74,368	-
Interest and Related Costs	13,386	12,271	1,116
Total Expenditures	87,755	86,639	1,116
Excess of Revenues Over Expenditures	(87,755)	(86,635)	1,119
Other Financing Sources (Uses)			
Transfers in	87,754	87,754	0
Transfers out	-	-	-
Total Other Financing Sources (Uses)	87,754	87,754	0
Net Change in Fund Balance	(1)	1,119	1,119
Fund Balance Beginning of Year	3,219	3,219	(0)
Fund Balance End of Year	\$ 3,218	\$ 4,337	\$ 1,119

NON-VOTED GENERAL OBLIGATION DEBT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2015

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Interest and Other Earnings	\$ -	\$ 5	\$ 5
Total Revenues	-	5	5
Expenditures			
Debt Service:			
General Obligation Bond-Principal	8,631,500	8,741,015	(109,515)
Interest and Related Costs	533,021	414,410	118,611
Total Expenditures	9,164,521	9,155,425	9,096
Excess of Revenues Over Expenditures	(9,164,521)	(9,155,420)	9,101
Other Financing Sources (Uses)			
Bond Proceeds	7,320,000	7,320,000	-
Premium on Bonds Sold	775,000	774,756	(244)
Transfers in	1,068,300	1,068,300	0
Transfers out	-	-	-
Total Other Financing Sources (Uses)	9,163,300	9,163,056	(244)
Net Change in Fund Balance	(1,221)	7,636	8,857
Fund Balance Beginning of Year	4,739	4,738	-
Fund Balance End of Year	\$ 3,518	\$ 12,374	\$ 8,856

EQUIPMENT ACQUISITION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2015

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Interest and Other Earnings	\$ -	\$ 515	\$ 515
Miscellaneous	-	8,500	8,500
Total Revenues	-	9,015	9,015
Expenditures			
Capital Outlay	435,541	148,620	286,921
Total Expenditures	435,541	148,620	286,921
Excess of Revenues Over Expenditures	(435,541)	(139,605)	295,936
Other Financing Sources (Uses)			
Transfers in	208,152	207,803	(349)
Transfers out	(35,100)	(35,100)	0
Total Other Financing Sources (Uses)	173,052	172,703	(349)
Net Change in Fund Balance	(262,489)	33,098	295,587
Fund Balance Beginning of Year	534,991	534,991	0
Fund Balance End of Year	\$ 272,502	\$ 568,089	\$ 295,587

**PARK RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Intergovernmental:			
RCO - (IAC) ALEA Grant	\$ 150,291	\$ 4,347	\$ (145,944)
Suquamish Tribe	1,800	\$ 1,800	
Gifts and Pledges	-	-	-
Interest and Other Earnings	-	173	173
Total Revenues	152,091	6,320	(145,771)
Expenditures			
Current:			
Capital Outlay:			
Caldart Hill Climb	5,000	-	5,000
Fish Park	167,091	21,422	145,669
4th Ave to 7th Ave Trail	5,000	-	5,000
M.I. Williams Pavilion Improvements	24,181	27,213	(3,032)
Morrow Manor Park Planning	55,648	2,500	53,148
Rec Center HVAC	60,000	-	60,000
Trail Easements Planning	106,278	54,736	51,542
Vista Park	50,000	-	50,000
Total Expenditures	473,198	105,871	367,327
Excess of Revenues Over Expenditures	(321,107)	(99,551)	221,556
Other Financing Sources (Uses)			
Transfers in	146,797	46,797	(100,000)
Transfers out	-	-	-
Total Other Financing Sources (Uses)	146,797	46,797	(100,000)
Net Change in Fund Balance	(174,310)	(52,754)	121,556
Fund Balance Beginning of Year	246,316	246,316	0
Fund Balance End of Year	\$ 72,006	\$ 193,562	\$ 121,556

STREET RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2015

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Intergovernmental	\$ 2,017,421	\$ 637,183	\$ (1,380,238)
Interest and Other Earnings	-	248	\$ 248
Total Revenues	2,017,421	637,432	(1,379,989)
Expenditures			
Capital Outlay	3,164,274	1,051,080	2,113,194
Total Expenditures	3,164,274	1,051,080	2,113,194
Excess of Revenues Over Expenditures	(1,146,853)	(413,648)	733,205
Other Financing Sources (Uses)			
Transfers in	636,581	536,581	(100,000)
Transfers out	(32,000)	(32,000)	-
Total Other Financing Sources (Uses)	604,581	504,581	(100,000)
Net Change in Fund Balance	(542,272)	90,933	633,205
Fund Balance Beginning of Year	618,120	618,120	-
Fund Balance End of Year	\$ 75,848	\$ 709,053	\$ 633,205

CEMETERY RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2015

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Gravesites	\$ 2,000	\$ 4,600	\$ 2,600
Interest and Other Earnings	-	176	176
Total Revenues	2,000	4,776	2,776
Expenditures			
Current:			
General Government	-	-	-
Total Expenditures	-	-	-
Excess of Revenues Over Expenditures	2,000	4,776	2,776
Other Financing Sources (Uses)			
Transfers in	-	-	-
Transfers out	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balance	2,000	4,776	2,776
Fund Balance Beginning of Year	72,093	72,093	-
Fund Balance End of Year	\$ 74,093	\$ 76,869	\$ 2,776

FACILITIES FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2015

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Interest and Other Earnings	\$ 100	\$ 400	\$ 300
Miscellaneous	-	-	-
Total Revenues	100	400	300
Expenditures			
Professional Services	-	-	-
Building & Structures	392,372	89,937	302,435
Total Expenditures	392,372	89,937	302,435
Excess of Revenues Over Expenditures	(392,272)	(89,537)	302,735
Other Financing Sources (Uses)			
Transfers in	-	-	-
Transfers out	(18,000)	(18,000)	-
Sale of Capital Assets	1,200,000	-	(1,200,000)
Total Other Financing Sources (Uses)	1,182,000	(18,000)	(1,200,000)
Net Change in Fund Balance	789,728	(107,537)	(897,265)
Fund Balance Beginning of Year	437,963	437,963	-
Fund Balance End of Year	\$ 1,227,691	\$ 330,426	\$ (897,265)



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

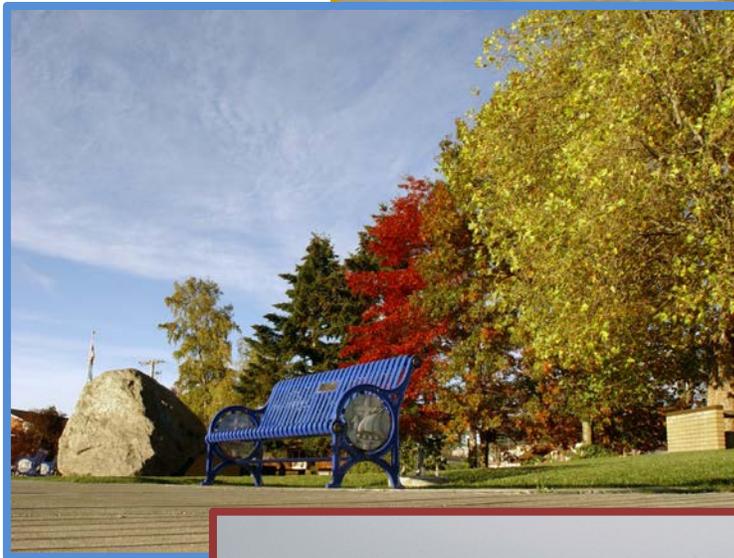
These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

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.

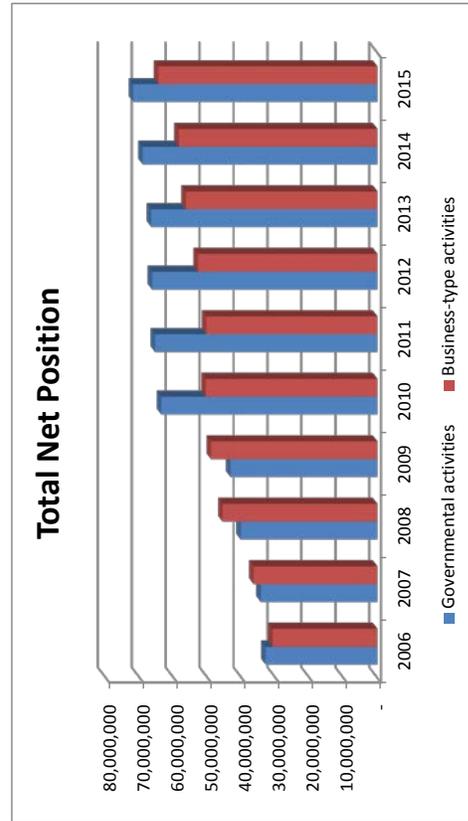
Data Sources:

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental activities										
Net investment in Capital Assets	\$ 21,314,960	\$ 22,927,641	\$ 32,758,461	\$ 35,548,551	\$ 58,447,929	\$ 60,292,177	\$ 61,173,480	\$ 61,384,364	\$ 63,759,780	\$ 67,037,545
Restricted	974,441	946,843	683,649	643,717	602,068	733,527	771,117	1,073,118	879,424	1,931,830
Unrestricted	10,640,044	10,460,327	6,831,365	7,074,512	4,587,722	4,449,433	4,427,348	4,134,707	4,455,115	2,935,244
Total governmental activities net position	\$ 32,929,444	\$ 34,334,811	\$ 40,273,475	\$ 43,266,780	\$ 63,637,719	\$ 65,475,137	\$ 66,371,945	\$ 66,592,189	\$ 69,094,319	\$ 71,904,619
Business-type activities										
Net investment in Capital Assets	\$ 25,702,744	\$ 25,907,276	\$ 35,806,531	\$ 38,376,953	\$ 38,276,261	\$ 37,042,937	\$ 37,440,865	\$ 41,152,937	\$ 42,142,755	\$ 50,368,250
Restricted	623,042	491,489	492,011	492,011	434,587	492,011	442,900	313,400	313,400	313,400
Unrestricted	4,526,032	10,062,161	9,313,622	10,139,706	11,822,918	12,880,492	14,956,989	14,912,634	16,020,323	13,818,164
Total business-type activities net position	\$ 30,851,818	\$ 36,460,925	\$ 45,612,163	\$ 49,008,669	\$ 50,533,766	\$ 50,415,439	\$ 52,840,754	\$ 56,378,971	\$ 58,476,477	\$ 64,499,813
Primary government										
Net investment in Capital Assets	\$ 47,017,703	\$ 48,834,917	\$ 68,564,992	\$ 73,925,503	\$ 96,724,190	\$ 97,335,114	\$ 98,614,345	\$ 102,537,302	\$ 105,902,534	\$ 117,405,795
Restricted	1,597,483	1,438,331	1,175,659	1,135,728	1,036,655	1,225,538	1,214,017	1,386,518	1,192,824	2,245,230
Unrestricted	15,166,076	20,522,488	16,144,986	17,214,218	16,410,640	17,329,924	19,384,337	19,047,341	20,475,438	16,753,408
Total primary government net position	\$ 63,781,263	\$ 70,795,736	\$ 85,885,638	\$ 92,275,449	\$ 114,171,485	\$ 115,890,576	\$ 119,212,698	\$ 122,971,160	\$ 127,570,796	\$ 136,404,432



CHANGES IN NET POSITION
Last Ten Fiscal Years

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expenses										
Governmental Activities:										
General government	\$ 1,639,401	\$ 1,729,870	\$ 1,752,358	\$ 1,673,197	\$ 1,731,193	\$ 1,758,688	\$ 2,148,291	\$ 1,640,535	\$ 1,572,173	\$ 1,539,405
Judicial	272,248	303,106	338,206	363,204	372,227	347,030	374,672	355,656	357,993	370,046
Security of Persons & Property	2,194,372	2,432,958	2,485,650	2,735,396	2,733,363	2,631,619	2,651,809	2,826,033	3,009,996	3,146,848
Utilities & Environment	502,929	579,460	605,326	495,083	478,035	494,668	463,211	500,646	456,860	481,077
Transportation	1,105,132	3,303,834	3,473,777	1,590,515	1,731,695	1,685,655	1,852,794	2,716,499	2,820,286	2,703,349
Economic Environment	751,947	846,131	894,507	848,002	861,538	633,782	665,027	779,317	890,459	963,163
Mental & Physical Health	12,838	13,489	13,694	14,213	14,481	14,573	14,705	13,978	14,356	29,772
Culture & Recreation	1,381,978	1,820,165	2,067,109	1,501,571	1,509,164	1,468,720	1,427,910	1,336,339	1,338,814	1,422,703
Interest on Long-Term Debt	332,355	323,951	303,190	517,679	561,569	553,206	556,341	536,673	518,677	458,869
Total Governmental Activities Expenses	\$ 8,193,199	\$ 11,352,964	\$ 11,933,818	\$ 9,738,860	\$ 9,993,266	\$ 9,587,940	\$ 10,154,759	\$ 10,705,677	\$ 10,979,613	\$ 11,115,232
Business-Type Activities:										
Water ¹	870,959	1,017,582	928,153	1,109,257	1,094,734	1,199,529	1,282,886	1,356,314	1,484,034	1,670,634
Sewer	1,368,353	1,518,045	1,520,839	1,716,646	1,844,726	2,052,589	2,109,868	2,240,098	2,236,003	2,531,582
Solid Waste	945,221	1,158,976	961,512	999,853	999,164	1,161,445	1,247,121	1,298,015	1,320,150	1,493,671
Storm Drain	417,209	559,800	675,448	881,451	931,723	935,763	1,011,619	972,205	1,088,006	1,433,190
Total Business-Type Activities	\$ 3,601,742	\$ 4,254,402	\$ 4,085,952	\$ 4,707,206	\$ 4,870,347	\$ 5,349,326	\$ 5,651,494	\$ 5,866,631	\$ 6,128,192	\$ 7,129,077
Total Primary Government Expenses	\$ 11,794,941	\$ 15,607,366	\$ 16,019,770	\$ 14,446,066	\$ 14,863,613	\$ 14,937,266	\$ 15,806,253	\$ 16,572,308	\$ 17,107,805	\$ 18,244,309

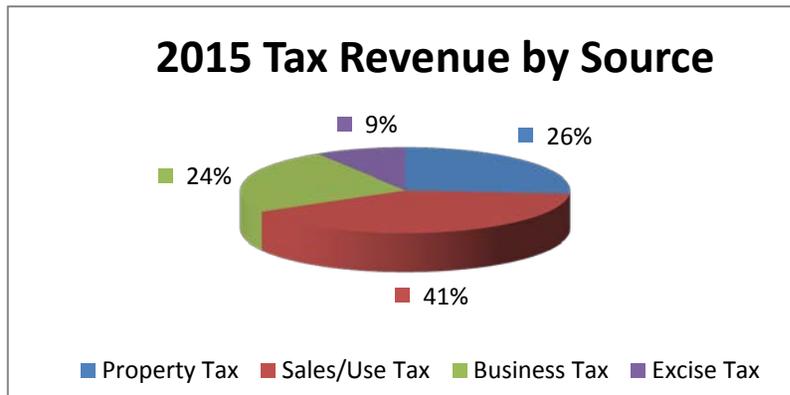
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Program Revenues										
Governmental Activities:										
Charges for services:										
General Government	\$ 230,890	\$ 259,258	\$ 268,307	\$ 269,871	\$ 266,497	\$ 540,342	\$ 345,044	\$ 327,650	\$ 345,370	\$ 360,990
Judicial	123,309	123,489	106,268	100,989	111,022	106,027	112,308	108,500	112,624	117,154
Security of Persons & Property	108,076	180,967	142,855	149,761	175,358	169,029	168,580	148,342	120,687	143,892
Utilities & Environment	186,395	147,659	58,143	41,545	43,703	51,162	53,193	11,227	5,444	4,715
Transportation	7,315	6,625	7,096	8,428	9,239	9,225	12,100	67,595	112,095	93,439
Economic Environment	667,550	1,111,693	508,805	529,054	332,333	281,722	505,177	558,996	471,539	907,245
Culture & Recreation	524,913	485,590	488,532	446,626	504,935	493,156	538,424	530,637	525,946	525,247
Operating grants and contributions	421,073	697,301	403,541	462,488	477,260	425,702	468,960	479,485	496,338	605,198
Capital grants and contributions	3,353,002	3,958,650	8,170,785	2,616,738	1,539,559	1,547,093	1,758,099	1,493,376	3,673,904	5,027,389
Total Governmental Activities Program Revenues	\$ 5,622,522	\$ 6,971,232	\$ 10,154,333	\$ 4,625,500	\$ 3,459,906	\$ 3,623,457	\$ 3,961,884	\$ 3,725,807	\$ 5,863,947	\$ 7,785,269

CHANGES IN NET POSITION
Last Ten Fiscal Years

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Business-Type Activities:										
Charges for services:										
Water ¹	1,261,909	1,278,995	1,314,880	1,436,637	1,420,038	1,407,214	1,461,638	1,528,732	1,590,972	1,831,511
Sewer	1,845,779	1,903,284	1,988,486	2,388,293	2,526,708	2,558,143	2,803,005	3,040,822	3,208,493	3,287,822
Solid Waste	1,213,664	1,236,305	1,287,759	1,262,911	1,282,151	1,287,617	1,382,449	1,456,824	1,501,028	1,614,036
Storm Drain	655,959	708,002	701,872	732,023	732,782	738,081	801,795	786,897	1,014,112	1,521,196
Operating grants and contributions	-	-	56,428	53,270	57,555	94,789	66,936	-	-	115,058
Capital grants and contributions	4,476,680	4,372,821	7,612,412	3,180,784	221,116	312,382	1,503,112	2,492,406	862,361	5,784,476
Total Business-Type Activities Program Revenues	9,453,991	9,499,408	12,961,838	9,053,919	6,240,350	6,398,226	8,018,935	9,305,682	8,176,966	14,154,100
Revenues	\$ 15,076,513	\$ 16,470,639	\$ 23,116,170	\$ 13,679,418	\$ 9,700,256	\$ 10,021,682	\$ 11,980,819	\$ 13,031,489	\$ 14,040,913	\$ 21,939,968
Net (Expense)/Revenue										
Governmental Activities	\$ (2,570,677)	\$ (4,381,732)	\$ (1,779,485)	\$ (5,113,360)	\$ (6,533,359)	\$ (5,964,483)	\$ (6,192,875)	\$ (6,979,869)	\$ (5,115,667)	\$ (3,329,963)
Business-type activities	5,852,249	5,245,005	8,875,886	4,346,712	1,370,003	1,048,900	2,367,441	3,439,051	2,048,774	7,025,023
Total Primary Government Net Expense	\$ 3,281,572	\$ 863,273	\$ 7,096,400	\$ (766,648)	\$ (5,163,357)	\$ (4,915,583)	\$ (3,825,434)	\$ (3,540,819)	\$ (3,066,892)	\$ 3,695,060
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes:										
Property Taxes	\$ 1,730,490	\$ 1,787,878	\$ 1,898,668	\$ 1,972,984	\$ 2,046,143	\$ 2,061,784	\$ 2,119,770	\$ 1,967,770	\$ 2,085,784	\$ 2,191,189
Retail Sales & Use Taxes	3,323,801	3,509,621	3,241,145	2,983,521	3,089,028	2,905,695	2,700,885	2,967,756	3,227,329	3,393,849
Business Taxes	979,088	1,110,212	1,452,140	1,527,557	1,532,771	1,691,487	1,718,219	1,647,259	1,658,873	2,038,443
Excise Taxes	656,366	739,141	565,800	398,550	340,508	300,344	587,590	622,312	592,983	748,026
Penalties & Interest	95	-	-	-	-	-	-	-	-	-
Investment earnings	718,819	818,379	579,695	157,625	104,893	61,220	59,267	33,016	47,924	40,329
Gain (loss) on disposal of capital assets	865	(6,963)	701	724,911	-	13,139	4,712	124,658	5,715	12,182
Transfers	246,000	258,251	-	-	-	-	-	-	-	-
Insurance Recoveries	-	-	-	-	-	-	-	20,306	-	-
Total Governmental Activities	7,655,524	8,216,519	7,738,149	7,765,148	7,113,343	7,033,670	7,190,443	7,383,077	7,618,608	8,424,018
Business-Type Activities										
Investment earnings	239,850	334,691	275,353	87,942	96,415	56,345	56,111	25,987	39,785	30,716
Gain (loss) on disposal of capital assets	-	800	-	-	-	-	-	-	11,885	14,211
Transfers	(246,000)	-	-	-	-	-	-	-	-	-
Total Business-Type Activities	(6,151)	335,491	275,353	87,942	96,415	56,345	56,111	25,987	51,670	44,927
Total Primary Government	\$ 7,649,373	\$ 8,552,010	\$ 8,013,502	\$ 7,853,090	\$ 7,209,758	\$ 7,090,016	\$ 7,246,554	\$ 7,409,064	\$ 7,670,278	\$ 8,468,945
Change in Net Position										
Governmental Activities	\$ 5,084,847	\$ 3,834,787	\$ 5,958,663	\$ 2,651,788	\$ 579,984	\$ 1,069,187	\$ 997,568	\$ 403,207	\$ 2,502,942	\$ 5,094,055
Business-Type Activities	5,846,098	5,580,497	9,151,239	4,434,655	1,466,417	1,105,245	2,423,552	3,465,038	2,100,444	7,069,950
Total Primary Government	\$ 10,930,945	\$ 9,415,284	\$ 15,109,902	\$ 7,086,442	\$ 2,046,401	\$ 2,174,432	\$ 3,421,120	\$ 3,868,245	\$ 4,603,386	\$ 12,164,004

GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE
Last Ten Fiscal Years

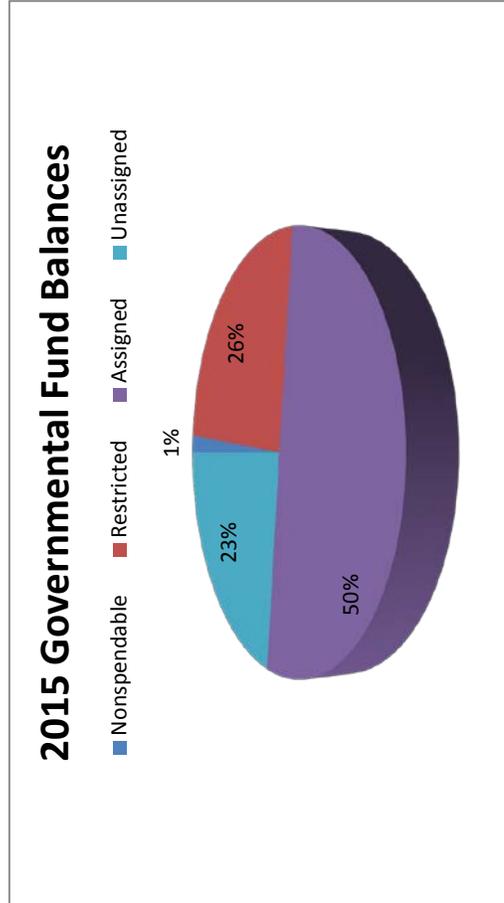
Fiscal Year	Property Tax	Sales/Use Tax	Business Tax	Excise Tax	Total Taxes
2006	1,730,490	3,322,620	980,268	656,366	6,689,744
2007	1,779,890	3,482,944	1,081,811	738,857	7,083,501
2008	1,888,104	3,340,683	1,475,115	565,813	7,269,716
2009	1,899,846	2,953,050	1,502,823	398,229	6,753,948
2010	2,053,214	3,038,419	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
2013	1,967,770	2,967,756	1,647,259	622,312	7,205,098
2014	2,085,784	3,227,329	1,658,873	592,983	7,564,969
2015	2,191,189	3,393,849	2,038,443	748,026	8,371,508



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	Assigned	
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
2013	8,719	1,501,759	536,548	2,047,026	91,016	958,933	1,933,664	2,983,613
2014	12,412	1,501,759	661,204	2,175,375	91,016	773,736	2,165,425	3,030,177
2015	12,692	1,518,604	1,643,946	3,175,241	91,016	1,819,915	2,036,907	3,947,838

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



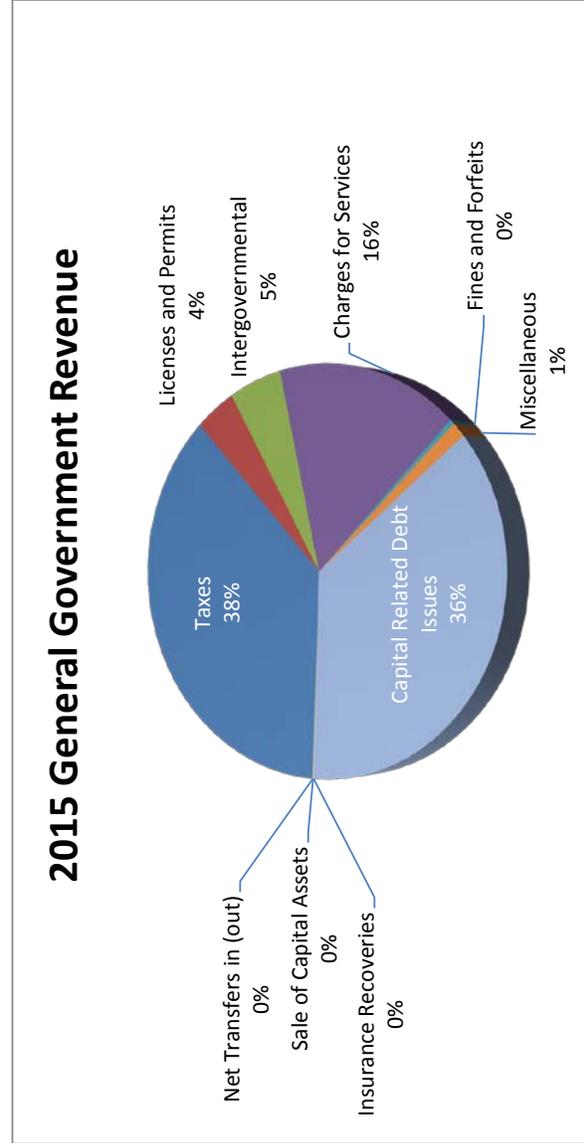
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues										
Taxes	\$ 6,828,714	\$ 7,381,362	\$ 7,269,716	\$ 6,757,754	\$ 6,947,838	\$ 6,975,383	\$ 7,194,171	\$ 7,155,680	\$ 7,509,669	\$ 8,345,893
Licenses and Permits	517,095	860,178	386,251	460,321	397,513	351,107	604,450	622,819	558,113	830,042
Intergovernmental Revenues	2,155,192	3,014,360	2,117,665	2,893,320	1,897,881	1,682,571	1,471,002	646,175	3,384,699	1,066,034
Charges for Services	1,636,497	1,805,101	1,611,662	1,611,449	1,501,119	1,710,343	1,656,123	2,190,358	2,228,941	3,590,226
Fines and Forfeitures	108,781	106,704	103,210	89,382	87,184	85,063	79,049	76,729	83,238	83,442
Interest & Other Earnings	710,248	811,654	576,967	156,803	104,688	61,220	63,285	37,631	52,355	45,143
Miscellaneous	124,439	213,682	65,517	143,996	122,600	138,250	202,158	203,606	156,557	227,560
Total Revenues	12,080,967	14,193,041	12,130,988	12,113,024	11,058,823	11,003,936	11,270,239	10,932,998	13,973,573	14,188,341
Expenditures										
General Government	2,222,182	2,401,891	2,510,110	2,557,344	2,623,129	2,609,575	2,765,463	2,701,167	2,704,029	2,850,202
Security of Persons and Property	2,116,770	2,377,818	2,289,655	2,544,115	2,648,619	2,516,324	2,557,190	2,764,164	2,847,128	2,924,101
Utilities and Environment	497,437	566,156	585,591	474,649	460,417	479,286	455,458	512,596	443,940	501,104
Transportation	675,217	2,756,203	2,657,624	837,427	819,169	740,214	744,424	1,533,295	1,559,694	1,409,078
Economic Environment	738,917	839,269	891,608	845,073	857,604	630,374	660,244	785,598	886,387	969,480
Mental and Physical Health	12,838	13,489	13,694	14,213	14,481	14,573	14,705	13,978	14,356	29,772
Culture and Recreation	1,290,717	1,553,747	1,779,008	1,218,559	1,209,305	1,125,459	1,173,379	1,080,951	1,097,577	1,193,366
Capital Outlay	4,703,590	2,572,498	3,624,733	7,788,933	8,907,259	2,662,204	1,522,990	856,046	3,196,591	1,395,507
Debt Service										
Principal	579,323	574,323	1,199,323	704,323	604,368	634,368	3,114,368	579,368	589,368	8,815,383
Interest & Fiscal Charges	332,355	323,951	303,190	430,172	506,692	493,171	513,038	495,456	479,814	426,681
Total Expenditures	13,169,345	13,979,345	15,854,538	17,414,810	18,651,045	11,905,548	13,521,260	11,322,619	13,818,885	20,514,675
Excess of revenues over (under) expenditures	(1,088,379)	213,696	(3,723,550)	(5,301,785)	(7,592,223)	(901,612)	(2,251,020)	(389,620)	154,688	(6,326,334)
Other financing sources (uses)										
Proceeds of Long Term Debt	-	-	-	6,096,515	1,510,000	625,000	2,455,000	-	-	7,320,000
Premium on Bonds Sold	-	-	-	-	1,044	-	69,630	-	-	774,756
Disposal of Capital Assets	865	-	2,180	2,800,000	20,000	16,970	4,712	272,103	5,715	19,461
Comp for Impairment of Cap Assets	-	-	-	-	-	273,639	-	20,306	7,528	-
Insurance Recoveries	-	-	-	-	-	-	-	-	613	7,461
Net Transfers in (Out)	51,985	67,350	(15,000)	-	98,800	-	-	-	-	-
Intergovernmental Payment	-	-	-	-	-	-	-	-	-	-
Issuance Discount on Long-Term Debt	-	-	-	(54,071)	(6,473)	-	(34,561)	-	-	-
Total other financing sources (uses)	52,850	67,350	(12,820)	8,842,445	1,623,371	915,609	2,494,781	292,408	13,856	8,121,678
Net change in fund balances	\$ (1,035,529)	\$ 281,046	\$ (3,736,370)	\$ 3,540,659	\$ (5,968,852)	\$ 13,997	\$ 243,760	\$ (97,212)	\$ 168,544	\$ 1,795,343
Debt service as a percentage of noncapital expenditures	10.77%	7.87%	12.29%	11.79%	11.40%	12.20%	30.23%	10.27%	10.07%	48.34%

GENERAL GOVERNMENTAL REVENUES BY SOURCE
Last Ten Fiscal Years

Fiscal Year	REVENUES										OTHER FINANCING SOURCES (USES)					Total Revenues and Other Sources
	Taxes	Licenses and Permits	Inter-gov Charges	Charges for Services	Fines and Forfeits	Misc.	Total Revenues	Capital Related Debt Issues	Insurance Recovery	Sale of Capital Assets	Net Transfers in (out)	Financing Sources (Uses)				
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	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			
2013	7,155,680	622,819	646,175	2,190,358	76,729	241,237	10,932,998	-	2,297	-	-	292,408	11,225,407			
2014	7,509,669	558,113	3,384,699	2,228,941	83,238	208,912	13,973,573	-	613	-	-	13,856	13,987,429			
2015	8,345,893	830,042	1,066,034	3,590,226	83,442	272,703	14,188,341	8,094,756	7,461	-	-	8,121,678	22,310,018			



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

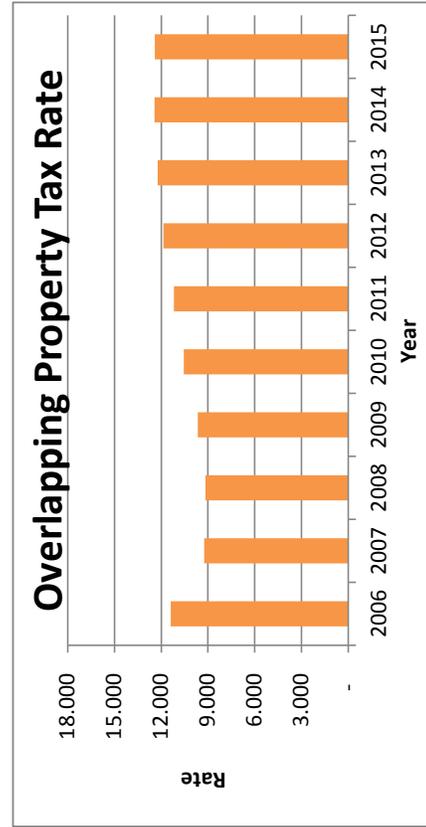
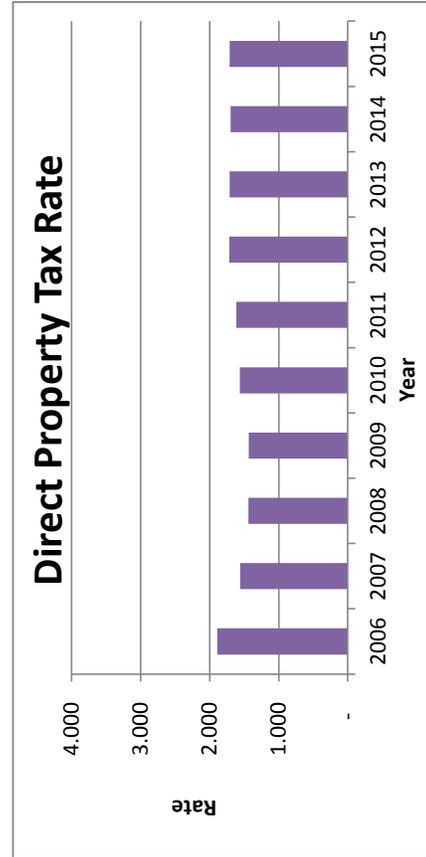
Fiscal Year Ended December 31	Real Property		Personal Property	Less: Tax Exempt Real Property	Total Taxable Assessed Value ¹	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
	Real Property	Personal Property	Real Property	Real Property	Assessed Value ¹	Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
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
2013	1,329,419,463	53,365,536		152,715,070	1,230,069,929	1.709	1,335,580,813	92.1
2014	1,395,699,299	50,866,478		164,218,411	1,282,347,366	1.698	1,409,172,930	91.0
2015	1,335,212,301	54,281,382		45,525,120	1,343,968,563	1.710	1,428,234,392	94.1

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

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

Fiscal Year	School										Other Overlapping Rates					Total Direct & Overlapping							
	Debt Service**		Total City		Kitsap County		State School		NK School District		Port of Poulsbo		Fire District #18		Public Utility		Kitsap Regional Library		Poulsbo Library				
	Operating	Debt	Operating	Debt	Operating	Debt	Operating	Debt	Operating	Debt	Operating	Debt	Operating	Debt	Operating		Debt	Operating	Debt	Operating	Debt		
2006	1.712	0.179	1.891	1.131	2.599	3.497	0.300	1.476	0.080	0.362	0.044	0.300	1.476	0.080	0.362	0.044	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	0.249	1.208	0.068	0.031	0.035	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	0.236	1.607	0.062	0.280	0.031	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	0.243	1.837	0.063	0.320	0.031	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	0.260	2.042	0.068	0.320	0.033	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	0.272	2.000	0.074	0.347	0.036	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	0.291	2.000	0.078	0.371	0.038	0.291	2.000	0.078	0.371	0.038	10.137	11.854
2013	1.709	-	1.709	1.202	2.507	3.997	0.303	2.000	0.082	0.391	0.039	0.303	2.000	0.082	0.391	0.039	0.303	2.000	0.082	0.391	0.039	10.520	12.229
2014	1.698	-	1.698	1.236	2.472	4.222	0.310	2.000	0.085	0.402	-	0.310	2.000	0.085	0.402	-	0.310	2.000	0.085	0.402	-	10.728	12.426
2015	1.710	-	1.710	1.202	2.177	4.349	0.308	2.186	0.083	0.390	-	0.308	2.186	0.083	0.390	-	0.308	2.186	0.083	0.390	-	10.695	12.405

**Note: The last year for debt service for a voted bond was in 2007
Source: Kitsap County Assessor's Office - Statement of Assessments

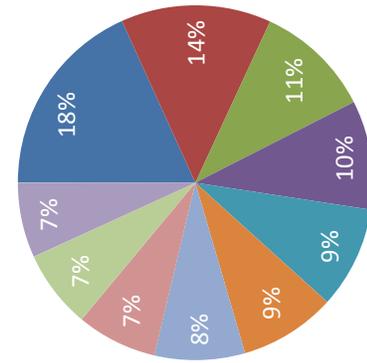


PRINCIPAL TAXPAYERS
Current Year and Nine Years Ago

Taxpayer	2015			2006		
	2015 Assessed Valuation	Rank	% of Total Assessed Valuation	2005 Assessed Valuation	Rank	% of Total Assessed Valuation
MUFG UNION BANK NA	22,224,700	1	1.73%	\$ 69,210,480	1	7.64%
WAL MART TRS LLC STORE 5272 POULSI	16,660,390	2	1.30%	\$ 18,865,500	2	2.08%
LAURELHURST APARTMENTS CO	12,940,280	3	1.01%	\$ 12,981,140	3	1.43%
SAFEWAY INC	12,111,974	4	0.94%	\$ 11,407,750	4	1.26%
LIBERTY RIDGE APTS LLC	11,315,950	5	0.88%	\$ 10,325,960	5	1.14%
PUGET SOUND ENERGY ELEC	10,696,729	6	0.83%	\$ 9,841,350	6	1.09%
HD DEVELOPMENT OF MARYLAND INC	10,041,060	7	0.78%	\$ 9,263,160	7	1.02%
POULSBO RETIREMENT CENTER	8,927,090	8	0.70%	\$ 9,066,990	8	1.00%
HATTALAND	8,680,100	9	0.68%	\$ 8,850,490	9	0.98%
COLLEGE MARKETPLACE LLC	8,346,210	10	0.65%	\$ 7,903,070	10	0.87%
TOTALS:	\$ 121,944,483		9.51%	\$ 167,715,890		18.52%

Source: Kitsap County Assessor's Office

Assessed Value of Top Ten Taxpayers

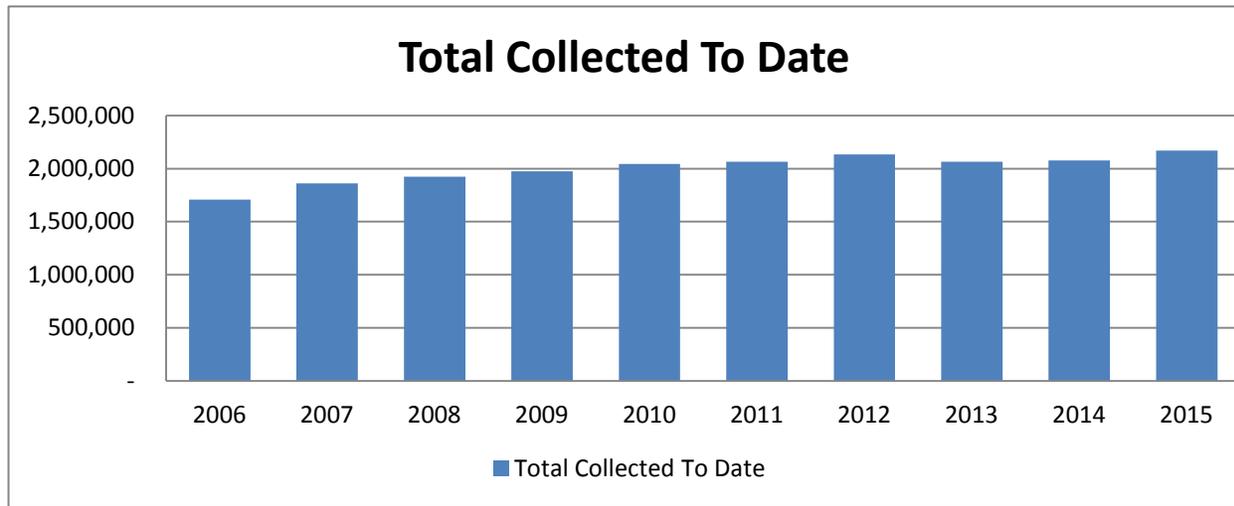


- MUFG UNION BANK NA
- WAL MART TRS LLC STORE 5272 POULSBO WA
- LAURELHURST APARTMENTS CO
- SAFEWAY INC
- LIBERTY RIDGE APTS LLC
- PUGET SOUND ENERGY ELEC
- HD DEVELOPMENT OF MARYLAND INC
- POULSBO RETIREMENT CENTER
- HATTALAND
- COLLEGE MARKETPLACE LLC

**PROPERTY TAX LEVIES AND COLLECTIONS
2006 - 2015**

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		
2006	1,710,873	1,685,921	98.54%	21,896	1,707,817	99.82%	3,056	0.18%
2007	1,864,277	1,820,831	97.67%	41,358	1,862,189	99.89%	2,088	0.11%
2008	1,925,724	1,873,649	97.30%	49,574	1,923,222	99.87%	2,502	0.13%
2009	1,976,950	1,900,928	96.15%	73,443	1,974,371	99.87%	2,579	0.13%
2010	2,047,191	1,981,228	96.78%	63,360	2,044,588	99.87%	2,603	0.13%
2011	2,067,936	1,995,773	96.51%	70,576	2,066,348	99.92%	1,588	0.08%
2012	2,136,431	2,083,452	97.52%	49,202	2,132,654	99.82%	3,777	0.18%
2013	2,069,802	1,994,508	96.36%	70,167	2,064,675	99.75%	5,127	0.25%
2014	2,088,707	2,030,020	97.19%	47,002	2,077,021	99.44%	11,686	0.56%
2015	2,192,765	2,171,629	99.04%	(760)	2,170,868	99.00%	21,897	1.00%

Source: Kitsap County Treasurer and Assessor's Office



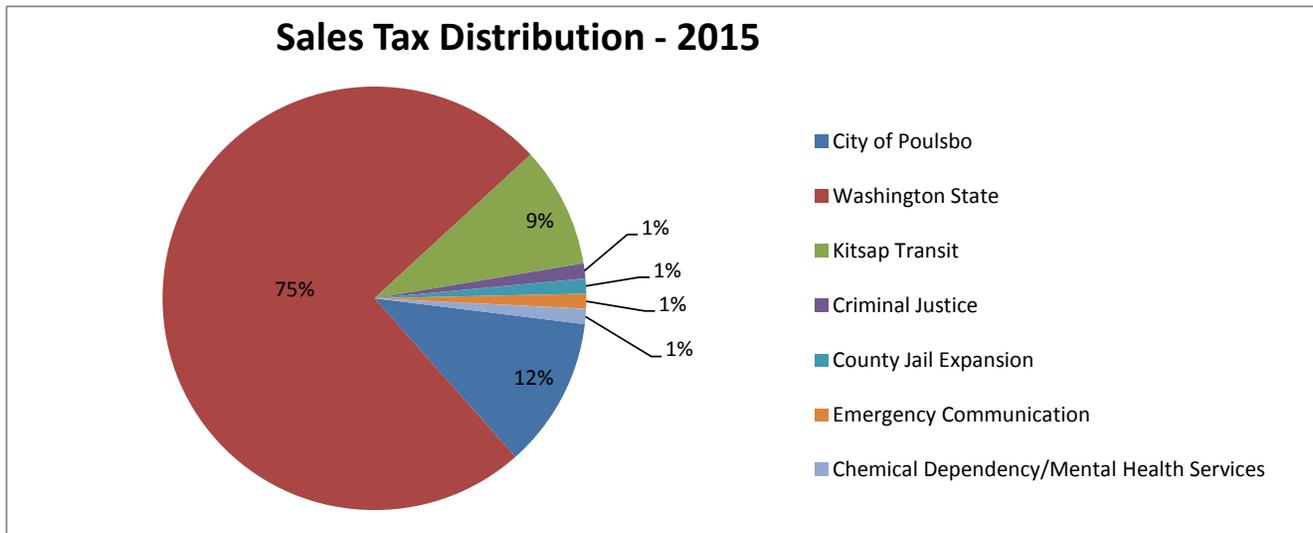
**SALES TAX RATE DIRECT AND OVERLAPPING GOVERNMENTS
Last Ten Fiscal Years**

	2006	2007	2008	2009	2010	2011	2012	2013	2014 ^(a)	2015
Basic Sales Tax Rates										
City of Poulsbo	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Washington State	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%
Kitsap Transit	0.8%	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%	0.1%
Chemical Dependency/Mental Health Services	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%
Total Basic Combined Sales Tax Rate	8.6%	8.7%	8.7%							
Special Sales Tax Rates										
Hotel/Motel ^(b)	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%

^(a) Effective 2014, Kitsap County increased the rate one tenth of one percent (.1%) for chemical dependency or mental health treatment services

^(b) 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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Major Industry Sector										
Unknown	13,373	15,140	8,529	4,721	22,144	41,121	36,448	37,266	13,903	12,511
Agriculture, Forestry Fishing	567	459	526	665	620	593	800	886	662	539
Mining	334	150	96	252	556	384	427	464	636	589
Utilities	1,538	1,694	2,866	2,618	1,876	2,081	2,744	3,512	3,039	3,209
Construction	467,266	454,627	420,541	273,295	318,387	316,718	142,181	294,260	318,024	300,625
Manufacturing	27,855	38,137	34,999	30,774	34,968	40,558	34,385	27,948	49,122	35,145
Wholesale Trade	135,929	150,273	144,849	91,669	86,317	89,855	90,710	98,657	110,341	131,638
Retail Trade	1,815,464	1,888,749	1,780,157	1,712,476	1,747,160	1,692,686	1,657,265	1,703,931	1,863,729	1,953,167
Transportation and Warehousing	2,094	1,593	1,093	1,188	1,566	1,921	2,707	1,914	2,262	2,656
Information	108,898	78,940	103,749	101,511	104,216	88,226	84,823	91,504	102,047	97,189
Finance and Insurance	19,385	18,841	15,116	7,962	7,174	9,228	8,760	11,653	11,033	12,935
Real Estate, Rental, Leasing	68,775	66,251	59,476	75,948	55,022	41,234	52,455	54,208	61,165	56,902
Prof Sci, Technical Svcs	33,269	38,658	42,981	43,304	31,335	29,699	27,102	33,033	43,310	46,226
Company Management	214	175	89	37	17	6	-	-	-	6
Admin, Supp, Remed Svcs	38,446	37,446	39,076	32,001	31,310	36,795	36,487	43,261	46,006	51,911
Educational Services	4,058	7,017	6,380	5,988	6,393	6,521	5,096	5,804	4,625	5,942
Health Care Social Assistance	6,927	13,924	10,820	13,310	8,280	8,885	19,078	17,443	13,022	14,789
Arts, Entertain, Recreation	11,650	12,997	13,749	6,971	10,245	12,699	9,239	9,233	13,043	16,785
Accommodation and Food Svcs.	241,044	237,134	249,801	273,308	282,394	286,244	292,749	291,623	333,336	362,577
Other Services	86,062	90,581	88,906	80,180	83,445	76,553	72,163	75,236	84,693	87,482
Public Administration	12	21	245	18,365	16,806	18,065	18,032	23,196	28,695	27,064
Total Retail Sales Tax Revenues*	\$3,083,160	\$3,152,807	\$3,024,044	\$2,776,543	\$2,850,232	\$2,800,072	\$2,593,651	\$2,825,032	\$3,102,693	\$3,219,887

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

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

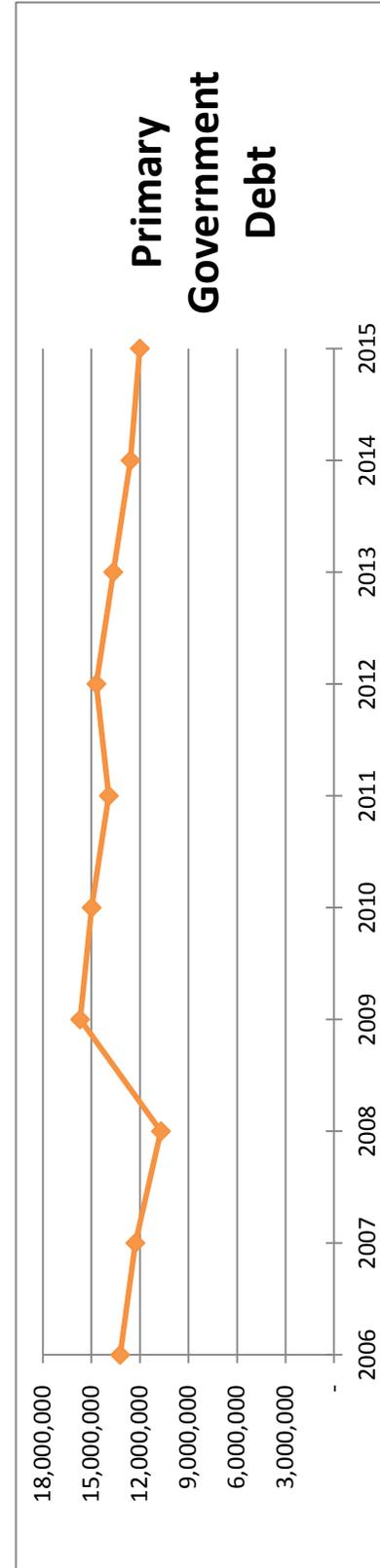
RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Fiscal Years

Fiscal Year	Governmental Activities				Business-Type Activities				Total Primary Government	Percentage of Personal Income ¹	Per Capita ¹
	General Obligation Bonds	PWTF Loans	Bond Premium	Unamortized Bond Discount	Water Bonds	Sewer Bonds	PWTF Loans				
2006	7,415,000	1,071,021	-	(57,073)	933,900	3,451,100	412,630	13,226,578	4.57%	1,774	
2007	6,925,000	986,698	-	(53,104)	893,200	3,166,800	366,782	12,285,376	4.02%	1,632	
2008	5,810,000	902,375	-	(49,134)	818,180	2,900,820	320,934	10,703,175	3.27%	1,371	
2009	11,205,000	818,051	81,515	(45,164)	740,740	2,626,260	275,086	15,701,488	4.20%	1,769	
2010	10,985,000	743,683	78,483	(44,935)	659,340	2,337,660	229,239	14,988,471	4.08%	1,677	
2011	10,425,000	669,315	74,356	(40,705)	575,080	2,038,920	183,391	13,925,356	3.53%	1,503	
2012	11,665,000	594,946	134,182	(55,004)	487,960	1,730,040	137,543	14,694,668	3.52%	1,561	
2013	11,160,000	520,578	124,380	(50,408)	396,880	1,407,120	91,696	13,650,245	3.13%	1,416	
2014	10,645,000	446,210	114,577	(45,813)	302,500	1,072,500	45,848	12,580,822	2.78%	1,287	
2015	9,930,000	371,841	793,920	(20,607)	205,040	726,960	-	12,007,154	-	1,207	

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

¹ See the Schedule of Demographic and Economic Statistics for personal income and population data. Percentage of Personal Income data only available through 2014.



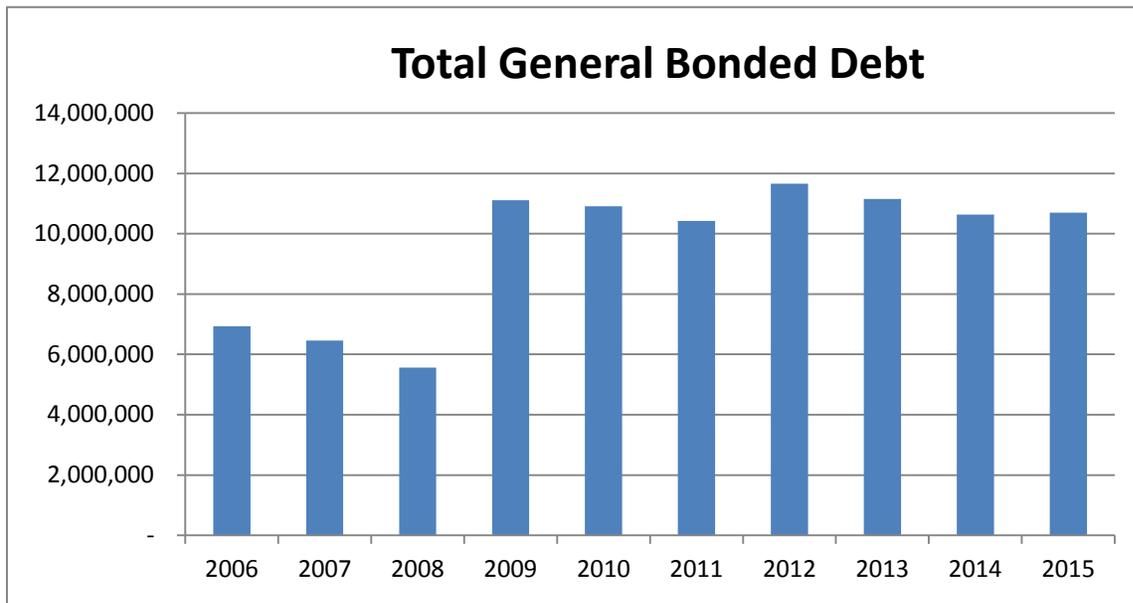
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	% of Estimated Actual Taxable Value¹ of Property	Per Capita²
2006	7,415,000	483,345	6,931,655	0.43%	917
2007	6,925,000	463,990	6,461,010	0.43%	824
2008	5,810,000	254,032	5,555,968	0.38%	627
2009	11,205,000	99,362	11,105,638	0.79%	1,245
2010	10,985,000	72,582	10,912,418	0.80%	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
2013	11,160,000	3,217	11,156,783	0.84%	1,164
2014	10,645,000	4,738	10,640,262	0.76%	1,089
2015	10,703,313	4,337	10,698,975	0.75%	1,075

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

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

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



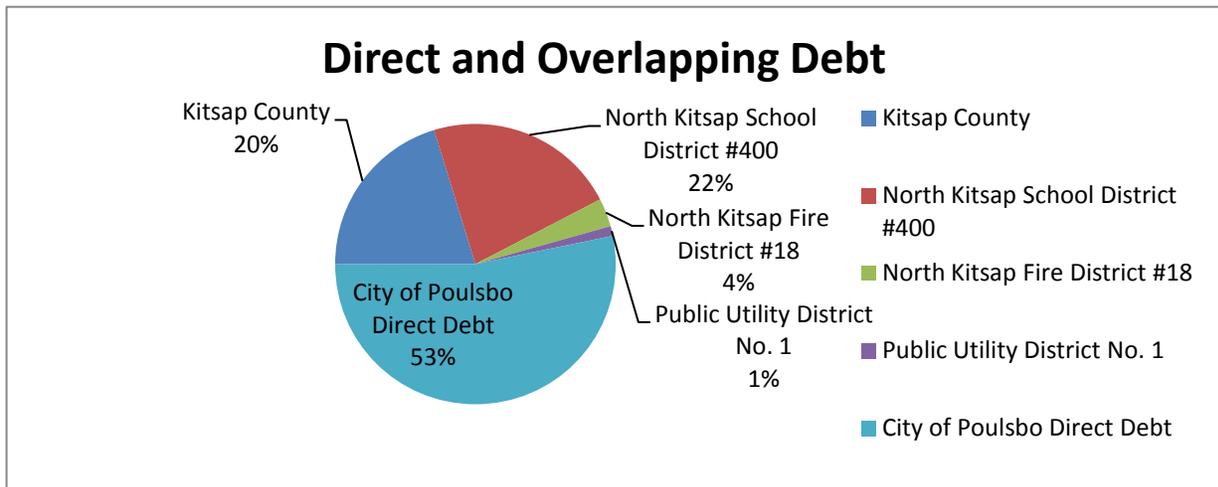
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
As of December 31, 2015

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated % Applicable¹</u>	<u>Estimated Share of Overlapping Debt</u>
Kitsap County	\$ 88,609,676	4.75%	\$ 4,210,272
North Kitsap School District #400	20,867,404	22.08%	\$ 4,606,493
North Kitsap Fire District #18	1,676,887	40.52%	\$ 679,547
Public Utility District No. 1	5,020,000	4.75%	\$ 238,524
<i>Subtotal, Overlapping Debt</i>			<u>9,734,838</u>
City of Poulsbo Direct Debt	11,075,154	100%	<u>11,075,154</u>
Total Direct and Overlapping Debt			<u>\$ 20,809,992</u>

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

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

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



LEGAL DEBT MARGIN INFORMATION
Last Ten Fiscal Years

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt Limit	\$ 89,632,739	\$ 100,300,298	\$ 103,366,369	\$ 98,252,528	\$ 96,053,196	\$ 93,319,286	\$ 90,835,620	\$ 92,257,495	\$ 96,176,052	\$ 100,957,763
Total net debt applicable to limit	6,931,655	6,461,010	5,555,968	11,105,638	10,912,418	10,415,231	11,661,033	10,641,783	10,640,262	9,925,663
Legal debt margin	\$ 82,701,084	\$ 93,839,288	\$ 97,810,401	\$ 87,146,890	\$ 85,140,778	\$ 82,904,055	\$ 79,174,587	\$ 81,615,712	\$ 85,535,790	\$ 91,032,100
Total net debt applicable to the limit as a % of debt limit	7.73%	6.44%	5.38%	11.30%	11.36%	11.16%	12.84%	11.53%	11.06%	9.83%

Legal Debt Margin Calculation for Fiscal Year 2015

Assessed value	1,346,103,503
Debt limit (7.5% of total assessed value)	100,957,763
Debt applicable to limit:	
General obligation bonds	9,930,000
Less: Amount set aside for repayment of GO Debt	4,337
Total net debt applicable to limit	9,925,663
Legal debt margin	\$ 91,032,100

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	
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%
2013	4,569,555	3,485,816	1,083,739	414,000	76,944	221%
2014	4,799,465	3,642,764	1,156,701	429,000	60,340	236%
2015	5,119,333	4,132,273	987,060	443,000	42,510	203%

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.

DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years

FISCAL YEAR	COUNTY POPULATION	KC PERSONAL INCOME* ¹	PERSONAL INCOME ¹	PER CAPITA INCOME*	UNEMPLOYMENT RATE**	SCHOOL ENROLLMENT ² ***	
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	11,359,138	417,766	44,547	7.4%	2,901
2013	9,585	254,000	11,563,863	436,376	45,533	7.1%	2,892
2014	9,775	255,900	11,838,125	452,199	46,573	6.2%	3,088
2015	9,950	258,200	-	-	-	5.6%	3,141

¹ Thousands of Dollars and information only available through 2014

² 2006-2015 are totals for only schools in city limits

* Source: US Bureau of Economic Analysis-Kitsap County based on population of City only available through 2014

** 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

Taxpayer	Type of Business	2015			2005		
		TOTAL EMPLOYEES ¹	Rank	% of Total City Employment	TOTAL EMPLOYEES ¹	Rank	% of Total City Employment
North Kitsap School District	Public Education	826	1	13.05%	468	2	6.40%
Martha & Mary Lutheran Services	Social Services	565	2	8.93%	397	3	5.43%
Walmart	Retail Trade	336	3	5.31%	647	1	8.85%
Central Market	Retail Trade	240	4	3.79%	0		0.00%
Gateway Fellowship	Education/Religious	152	5	2.40%	0		0.00%
Safeway	Retail Trade	115	6	1.82%	0		0.00%
Liberty Shores / Harbor House	Healthcare	102	7	1.61%	0		0.00%
Home Depot	Retail Trade	96	8	1.52%	120	6	1.64%
City of Poulsbo	Municipal Government	90	9	1.42%	84	8	1.15%
Marine View Beverage	Distribution	82	10	1.30%	0		0.00%
Raytheon Systems ²	Government Contracting	0		0.00%	243	4	3.32%
Powder Hill Group ²	Technical Services				108	7	1.48%
Courtesy Auto Group	Auto Dealership				219	5	2.99%
Paladin Data Systems Corp	Professional Services				65	10	0.89%
Olympic Resource Management	Natural Resources				65	9	0.89%
Subtotal of Ten Largest Employers		2604		41.14%	2416		33.04%
All Other Employers		3725		58.86%	4897		66.96%
Total Poulsbo Employment³		6329		100.00%	7313		100.00%

¹ Full and part-time employees are tracked

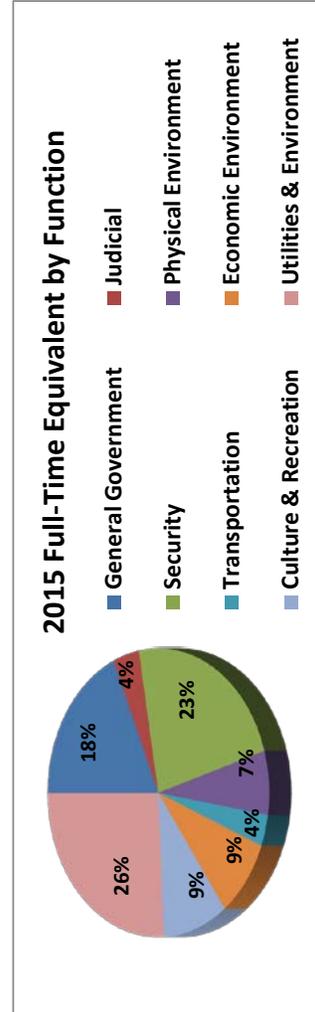
² Office closed or moved out of City

³ Total Poulsbo Employment numbers from ESD as of Q2 2015 & Q1 2005

Source: WA St Employment Security Department, City of Poulsbo Finance Department

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
As of December 31, 2015

Function	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Government:										
Executive (Mayor)	1.00	1.63	1.63	2.00	2.00	1.00	1.00	1.00	1.00	1.00
Clerk's Department	4.00	4.00	4.00	4.00	4.00	3.00	3.00	3.00	2.00	2.00
Finance Department	7.00	7.00	8.00	8.00	8.00	7.00	7.00	7.00	7.00	7.00
Grant Writer	0.40	0.40	0.40	0.40	0.40	-	-	-	-	-
Information Services	1.00	1.00	2.00	2.00	2.00	1.00	1.50	1.50	1.50	1.50
Personnel	1.00	1.00	1.00	1.00	1.15	1.00	1.00	1.00	1.00	1.00
Prosecutor	-	-	-	-	-	-	-	-	-	1.00
Risk Management	-	-	-	-	-	-	-	-	1.00	0.50
Central Services	1.90	1.90	1.90	1.90	1.90	2.50	2.50	2.50	2.55	2.55
Municipal Court	3.39	3.90	4.26	4.21	4.21	3.77	3.99	3.39	3.39	3.39
Judicial:										
Security:	20.00	20.00	22.00	22.00	21.00	19.00	19.50	20.30	20.80	20.82
Police Department	6.00	6.00	6.45	5.95	5.95	5.63	5.63	5.63	5.95	6.45
Engineering	4.36	4.70	4.70	4.70	4.70	3.70	3.70	3.25	4.40	3.15
Streets	8.50	9.00	9.45	8.45	8.45	6.55	6.55	6.55	7.00	7.92
Physical Environ.:										
Economic Environ.:	6.32	6.42	6.42	6.42	6.62	5.87	5.87	6.16	5.95	6.17
Culture & Recreation:	3.98	3.25	3.25	2.25	2.25	2.25	2.25	2.28	2.30	2.30
Parks & Cemetery	0.54	0.60	0.60	0.60	0.60	-	-	-	-	-
Library	3.46	2.90	2.90	2.90	2.90	3.30	3.30	3.33	3.65	5.90
Water	1.80	3.15	3.15	3.15	3.15	3.05	3.05	3.08	3.40	3.65
Sewer	3.99	3.55	3.55	3.05	3.05	3.05	3.05	3.10	3.32	4.32
Solid Waste	2.97	2.95	3.95	3.95	3.95	3.65	3.65	3.65	3.45	5.87
Storm Drain	1.00	1.00	1.00	1.00	1.00	1.00	1.00	0.83	-	-
General Facilities	6.00	5.00	5.10	5.10	5.10	3.88	3.88	3.85	3.48	3.48
Administration	88.61	89.35	95.71	93.03	92.38	80.20	81.42	81.40	83.14	89.97
Total Number of Full-Time Equivalent Employees:										



Source: City of Poulsbo, Human Resources

OPERATING INDICATORS BY FUNCTION
Last Ten Fiscal Years

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental Functions										
General Government Other										
Number of Unions Represented	2	2	2	2	2	2	2	2	2	2
Number of City Council meetings	42	40	44	43	39	42	39	37	39	40
Number of public records requests processed	44	73	79	87	88	75	83	119	165	130
Number of pages of Ordinances codified	*	*	*	*	*	*	*	*	145	150
Number of passports processed	1,119	1,024	1,018	1,015	617	805	783	723	814	715
Number of Business Licenses Issued	1,375	1,575	1,351	1,563	1,404	1,463	1,639	1,629	1,729	1,825
Public Safety										
Number of case reports filed	1,998	2,090	1,783	1,698	1,746	1,552	1,595	1,391	1,354	1,766
Number of citations issued	2,167	2,325	985	1,223	1,250	1,155	1,031	1,415	1,503	1,467
Number of calls for service	13,374	12,942	12,234	12,842	13,744	13,591	12,139	11,653	12,473	12,429
Number of responses to motor vehicle accidents	175	271	235	302	347	205	182	181	370	345
Number of driving impaired citations issued	110	72	71	103	84	77	50	28	23	29
Number of vacation house checks	1,034	1,049	847	847	1,114	677	398	590	150	0
Number of parking citations issued	231	63	230	114	568	802	636	327	374	377
Transportation										
Miles of streets maintained	39	45	45	45	47	48	48	48	48	48
Miles of sidewalks maintained	44	47	48	49	50	50	50	50	50	50
Number of hours spent street sweeping	546	550	468	468	323	225	312	312	312	354
Number of street signs maintained	1,875	2,174	2,174	2,204	2,204	2,215	2,255	2,280	2,290	2,290
Culture and Recreation										
Number of parks maintained	16	16	17	17	17	17	17	17	17	17
Total acreage of parks/open space maintained	64	64	65	67	67	67	67	67	67	67
Economic Environment										
Number of new single family building permits issued	93	197	95	58	20	35	96	109	75	99
Number of new commercial building permits issued	10	6	2	2	7	4	3	2	2	2
Number of existing single family building permits issued	76	69	59	47	57	52	50	61	69	128
Number of existing commercial building permits issued	978	81	66	119	77	47	60	56	71	9
Number of all other building permits	142	116	74	61	74	64	53	49	73	314

OPERATING INDICATORS BY FUNCTION

Last Ten Fiscal Years

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Physical Environment										
Number of Right of Way permits issued	47	42	46	40	57	41	41	59	64	57
Number of Clearing & Grading applications & permits issued	4	15	8	6	9	6	10	6	8	5
Number of Land Use pre-applications reviewed	42	47	30	16	14	15	12	16	14	14
Number of Land Use Commercial applications reviewed	22	24	16	18	14	10	13	10	17	12
Number of Land Use Residential applications reviewed	37	31	12	16	14	9	9	10	10	17
Number of Land Use Un-Classified ¹ applications reviewed	8	9	6	8	22	7	17	8	5	4
Total Number of Land Use Applications Reviewed	109	111	64	58	63	41	51	44	46	47
Business-Type Functions										
Water										
Number of active water services	2,820	2,990	3,142	3,133	3,156	3,161	3,194	3,256	3,344	3,500
Miles of watermain lines maintained	60	61	61	62	62	63	63	63	63	64
Average number of water meters read monthly	2,758	3,051	3,093	3,147	3,259	3,292	3,355	3,445	3,550	3,410
Sewer										
Number of active sewer services	2,631	2,778	2,869	2,963	2,985	3,001	3,073	3,164	3,422	3,400
Miles of sewermain lines maintained	32	33	34	34	34	34	34	34	34	34
Number of pump stations maintained	8	9	9	9	9	9	9	9	9	9
Solid Waste										
Number of residential garbage accounts	2,310	2,430	2,746	2,623	2,641	2,668	2,785	2,897	3,022	3,040
Number of multi-family units	1,038	1,012	1,012	1,102	1,102	1,102	1,012	1,022	1,022	1,022
Number of commercial accounts	229	201	231	266	277	282	311	307	228	315
Number of tons of waste to landfill	5,690	5,700	4,794	4,894	4,810	4,874	5,144	5,063	5,402	5,600
Number of 3 day free dumpsters for residential clean-up provided	326	350	308	312	356	300	306	309	311	315
Storm Drain										
Number of detention ponds maintained	29	29	29	29	29	29	29	29	29	29

* A new indicator being tracked and previous information is not available

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

¹ Un-Classified includes Light Industrial, Park, Business Park, Office Commercial Industrial and Administrative Permits (TIP/Water System Plan)

Source: Internal Operating Statistics

CAPITAL ASSETS STATISTICS BY FUCTION
Last Ten Fiscal Years

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<u>Governmental Functions</u>										
General Government										
Number of City Vehicles (not listed below)	15	5	6	6	7	13	13	13	12	12
Generators	1	1	1	1	1	1	1	1	1	1
Public Safety										
Number of police vehicles	24	23	22	22	20	20	20	21	21	23
Number of police boats	1	1	1	1	1	1	1	1	1	1
Transportation										
Number of Vehicles (not specified below)		6	11	6	7	7	7	7	6	6
Number of Street Sweepers	1	1	1	1	1	1	1	2	2	2
Number of Dump Trucks	8	4	4	4	4	4	4	4	4	4
Construction Equipment	7	8	8	8	8	8	8	8	9	9
Miles of streets	39	39	45	47	48	48	48	48	48	**56
Number of Traffic Signals	8	9	8	8	8	8	8	8	9	9
Number of bridges	1	1	1	1	1	1	1	1	1	1
Culture and Recreation										
Number of vehicles	1	1	1	1	1	1	1	1	1	1
Neighborhood parks	3	3	8	10	10	10	10	10	11	11
Community parks	13	13	8	5	5	5	5	5	5	5
Maintenance Equipment	5	5	5	5	5	5	5	6	6	6
Indoor recreational facilities	1	1	1	1	1	1	1	1	1	1
Economic Environment										
Number of Building vehicles	1	1	1	1	1	1	1	1	1	1
Physical Environment										
Number of Engineering vehicles	4	4	4	4	4	1	1	1	1	1

CAPITAL ASSETS STATISTICS BY FUCTION
Last Ten Fiscal Years

<u>Business-Type Functions</u>	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Water										
Generators	2	2	2	2	2	2	2	2	2	2
Miles of water mains	58	60	61	62	63	63	63	63	64	**67
Number of vehicles	4	4	4	4	4	4	4	4	4	4
Number of hydrants	299	315	399	400	402	406	425	427	433	**538
Sewer										
Generators	3	3	5	5	5	5	5	5	5	5
Number of vehicles	4	4	3	3	3	3	3	3	3	3
Number of construction vehicles	3	3	6	4	4	4	4	4	4	4
Sewer inspection camera	1	1	1	1	1	1	1	2	2	2
Treatment plants (Pumping Stations)	8	8	9	9	9	9	9	9	9	9
Miles of sewer mains	31	33	33	34	34	34	34	34	34	**53
Solid Waste										
Number of garbage trucks	5	5	4	6	6	6	6	6	5	5
Storm Drain										
Number of vehicles	2	3	3	3	3	3	3	3	2	2
Number of Vacuum Trucks	1	1	1	1	1	1	1	1	1	1

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

**In 2015 we had a GIS mapping done of all water mains, sewer mains, hydrants and streets. These numbers reflect an accurate mapping as well as 2015 increases.

Source: City of Poulsbo Fixed Asset Module

