

COMPREHENSIVE ANNUAL FINANCIAL REPORT



For the fiscal year ended December 31, 2004

CITY OF POULSBO, WASHINGTON

Cover Photo – Nelson Park

Phase 1 was completed in June 2004, and includes a picnic shelter with tables, BBQ grills, restrooms, benches, and a children's playground. Volunteers helped plant over 70 trees in 2004. A volunteer group, the Bight of Poulsbo, restored the caretaker's residence in 2003 and the Martinson Cabin in 2004. Future phases will include trails throughout the property.

The address is 317 Lindvig Way

Photo Courtesy Park and Recreation Department

CITY OF POULSBO, WASHINGTON

Comprehensive Annual Financial Report



For the fiscal year ended December 31, 2004

Prepared by the City's Finance Team:

Nanci Lien • Finance Director

Jana Brown • Senior Accounting Technician

Colleen Smith • Accounting Technician

Linda Shaw • Accounting Technician

Lynne Fuller • Accounting Technician

Michele Taylor • Accounting Technician

Deborah Booher • Budget Analyst

Fay Schultz • Information Systems Specialist

I NTRODUCTORY S ECTION

City of Poulsbo, Washington
Comprehensive Annual Financial Report
For the Fiscal Year Ended December 31, 2004
Table of Contents

	Page
I. Introductory Section	
Table of Contents	i
Index for Notes to the Financial Statements	iii
Letter of Transmittal	1
GFOA Certificate of Achievement	8
Organization Chart	9
Principal Officials	10
II. Financial Section	
Auditor's Opinion	11
Management's Discussion and Analysis	13
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Assets	25
Statement of Activities	26
Fund Financial Statements	
Balance Sheet – Governmental Funds.....	28
Statement of Revenues, Expenditures and Changes in Fund Balances	
Governmental Funds	30
Statement of Revenues, Expenditures and Changes in Fund Balances	
Budget to Actual	
General Fund	32
City Street Fund	33
Recreation Activity Fund	34
Statement of Net Assets – Proprietary Funds	36
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds.....	37
Statement of Cash Flows - Proprietary Funds.....	38
Statement of Fiduciary Net Assets - Agency Funds	40
Notes to the Basic Financial Statements.....	41
Combining and Individual Fund Statements and Schedules	
Combining Statements – Nonmajor Governmental Funds	
Fund Descriptions.....	67
Combining Balance Sheet – Nonmajor Governmental Funds.....	70
Combining Statement of Revenues, Expenditures and Changes in	
Fund Balances – Nonmajor Governmental Funds	76
Statements of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual	
Arterial Street Fund.....	82
Capital Improvement Fund	83
Cumulative Reserve/ Revenue Stabilization Fund	84
Cumulative Reserve Fund	85
Historic Downtown Poulsbo Association Fund	86
Marine Science Center Fund.....	87
Paths and Trails Reserve Fund	88
Drug Enforcement Fund	89
Transient Occupancy Tax Fund	90
Police Restricted Fund.....	91
Miscellaneous Governmental Debt Fund	92
Non-Voted General Obligation Debt Fund.....	93
Voted General Obligation Debt Fund.....	94
Local Improvement District Fund.....	95
Equipment Acquisition Fund.....	96
Park Reserve Fund.....	97
Library Improvement Fund	98
Recreation Reserve Fund.....	99

City of Poulsbo, Washington
Comprehensive Annual Financial Report
For the Fiscal Year Ended December 31, 2004
Table of Contents

Street Reserve Fund.....	100
Park Acquisition Fund.....	101
Museum Reserve Fund	102
Cemetery Reserve Fund.....	103
City Street Equipment Reserve Fund	104
Facilities Fund.....	105
Combining Statements – Internal Service Funds:	
Fund Descriptions.....	107
Combining Statement of Net Assets – Internal Service Funds	108
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets – Internal Service Funds	109
Combining Statement of Cash Flow – Internal Service Funds	110
Capital Assets Used in the Operation of Governmental Funds:	
Comparative Schedules by Source	111
Schedule by Function and Activity	112
Schedule of Changes by Function and Activity.....	113

III. Statistical Section

Government-wide information	
Net Assets by components	115
Government-wide Revenues by Source and Expenses/Expenditures by Function	116
Fund information	
General Governmental Expenditures by Function.....	117
General Governmental Revenues by Source.....	118
Property Tax Levies and Collections	119
Assessed and Estimated Actual Value of Taxable Property	120
Property Tax Rates, Direct and Overlapping Governments	121
Special Assessment Collections	122
Computation of Legal Debt Margin.....	123
Ratio of Net General Obligation Bonded Debt to Assessed Value and Net General Obligation Bonded Debt Per Capita	124
Ratio of Annual Debt Service Expenditures for General Obligation Bonded Debt to Total General Obligation Expenditures.....	125
Computation of Direct and Overlapping Bonded Debt	126
Water and Sewer Revenue Bond Coverage	127
Demographic Statistics.....	128
Property Value, Construction and Bank Deposits	129
Principal Taxpayers	130
General Governmental Tax Revenues by Source.....	131
Monthly Retail Sales Tax Comparison-Last Five Fiscal Years.....	132

City of Poulsbo, Washington
Comprehensive Annual Financial Report
For the Fiscal Year Ended December 31, 2004
Table of Contents

INDEX FOR NOTES TO THE FINANCIAL STATEMENTS

Note 1 – Summary Of Significant Accounting Policies	41
A. Reporting Entity.....	41
1. Component Units	41
B. Government-Wide and Fund Financial Statements.....	42
1. Government-Wide Financial Statements	42
2. Fund Financial Statements	42
C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation	45
D. Assets, Liabilities, and Net Assets or Equity.....	45
1. Cash and Investments	45
2. Receivables and Payables	45
3. Interfund Transfers.....	46
4. Amounts Due to and from Other Governments	47
5. Inventories.....	47
6. Deferred Charges.....	47
7. Restricted Assets	47
8. Capital Assets	47
9. Compensated Absences.....	48
10. Custodial Accounts	48
11. Accrued Liabilities and Long-Term Obligations.....	48
12. Deferred Revenues	48
13. Fund Reserves and Designations	49
14. Net Assets.....	49
 Note 2 – Stewardship, Compliance And Accountability.....	 49
A. Budgetary Information.....	49
B. Budgetary Compliance.....	50
C. Deficit Fund Equity.....	50
 Note 3 – Deposits And Investments	 50
A. Deposits	50
B. Investments	51
 Note 4 – Property Taxes	 51
 Note 5 – Capital Assets.....	 53
 Note 6 – Employee Retirement And Pension Plans	 54
A. Public Employees’ Retirement System Plan 1, 2, & 3	55
1. PERS Plan Descriptions.....	55
2. PERS Funding Policy	56
B. Law Enforcement Officers & Firefighters Retirement System	57
1. LEOFF Plan Descriptions.....	57
2. LEOFF Funding Policy	58

City of Poulsbo, Washington
Comprehensive Annual Financial Report
For the Fiscal Year Ended December 31, 2004
Table of Contents

Note 7 – Risk Management	58
A. AWC Risk Pool	58
B. Employee Medical Reimbursement Plan.....	59
Note 8 – Construction Commitments	60
Note 9 – Long-Term Debt And Liabilities	60
A. Bonds.....	60
B. Public Works Trust Fund Loans	61
C. Advanced Refunding	61
D. Debt Service Requirements to Maturity.....	62
E. Long-Term Liabilities	62
Note 10 – Contingencies And Commitments	63
Note 11 – Joint Ventures	64
Note 12 – Postemployment Benefits Other Than Pensions	64
Note 13 – Prior Period Adjustments	64

City of Poulsbo



June 29, 2005

To the Honorable Mayor Bruce, City Council, and
Citizens of the City of Poulsbo
City of Poulsbo
Poulsbo, Washington

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the City of Poulsbo. This report for the fiscal year ending December 31, 2004, reflects our intent to provide an organized, comprehensive and informative presentation of the financial statements and other financial and statistical data. We believe the information, as presented, is accurate in all material aspects; that it is presented in a manner designed to set forth fairly the financial position and results of operations of the city as measured and reported by the financial activity of its various funds; and that all disclosures, necessary to enable the reader to gain an adequate understanding of the city's financial affairs, have been included. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with city management.

This report was prepared by the city's Finance Department in accordance with general accepted accounting principles (GAAP) and is intended to provide sufficient information to permit the assessment of stewardship and accountability, to demonstrate legal compliance, and to provide management control.

The Comprehensive Annual Financial Report is presented in three sections: introductory, financial and statistical. The **introductory section** includes this transmittal letter, the table of contents, our organizational chart and a listing of principal officials, along with the GFOA (Government Finance Officers Association) Certificate of Achievement for Excellence in Financial Reporting for the 2003 CAFR.

The **financial section**:

- begins with the independent auditor's report, followed by
- the Management's Discussion and Analysis, then
- the Basic Financial Statements and Notes that provide an overview of the City's financial position and operating results, then
- the Combining Statement for nonmajor funds; and finally
- other schedules that provide detailed information relative to the Basic Financial Statements

The **statistical section**, which is not audited, includes selected financial and demographic information, generally presented on a multiple year basis. This information depicts various trends, which have affected the fiscal condition of the City over the last 10 years, and provides more general purpose statistical information related to the City and its operations.

The City of Poulsbo's financial statements have been audited by the Washington State Auditor's Office. The goal of the audit was to provide reasonable assurance that the financial statements of the City of Poulsbo, for the fiscal year ended December 31, 2004, are free of material misstatements. The independent auditor concluded based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Poulsbo's financial statements are fairly presented in conformity with GAAP.

GAAP requires that 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 MD&A and should be read in conjunction with it. The City of Poulsbo's MD&A can be found immediately following the report of the independent auditor.

Profile of 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 over seeing the day-to-day operations of the city, and for appointment of each of the seven 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 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 and 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 space, coordinates recreation activities, fosters neighborhood livability and works to preserve the City's environmental quality and historic legacy. The City also is financially accountable for two development authorities, which are reported separately with the City's financial statements. Additional information can be found in the notes to the financial statements.

2004 City Highlights

One word could sum up the City of Poulsbo's 2004 fiscal year – **transition**. In 2004, the City's Finance Director, Public Work's Director, and Utilities Manager all retired. In addition to new appointments for the Finance and Public Works Director positions, the interim Planning Director was officially appointed to that position.

During 2003, the City had initiated a review of how it conducts business. This review was known as the "Process Study." A consultant was hired to review critical processes throughout the organization. The final report recommended several changes in processes along with other recommendations for organizational restructuring. Many of these changes were implemented during the 2004 fiscal year and other changes in processes and organizational structure will continue to be reviewed 2005.

Other major changes in 2004, included two large cost savings measures: 1) consolidating and reassigning various functions during transition periods to help reduce staffing; and 2) efforts to hold down the rising cost of providing medical/dental benefits were successful when the City negotiated a cap on those benefits for two of the employee groups.

As the challenge of providing more services with fewer resources continues, the City's Management team has done an excellent job of using resources efficiently. One of the benefits of having a professional staff is their ability to obtain grants and other funding for City improvements. With our limited tax base, grants are one of the ways we can accomplish goals that we may not have otherwise been able to do. The following 2004 projects were partially or fully funded by grants or other special funding sources:



1. **Liberty Bay Waterfront Trail:** A pedestrian/bicycle trail was constructed along Fjord Drive between 6th Avenue and Johnston Road. These improvements extended outside the City limits with Kitsap County participating in the funding. Sections of sidewalk were added between Hostmark Street and 6th Avenue. 87% of this \$300,000 project was funded with a State grant.

2. **Caldart Avenue Improvements:** Caldart Avenue between, Hostmark Street and Lincoln Road, was reconstructed to meet City standards. The project included curbs, gutters, sidewalks, drainage, paving, and intersection safety improvements. Funding was provided through a combination of funds from City reserves, bond issue, state grant, local school, and private contributions. 18.75% of this \$880,000 project was provided by the State grant.



3. **Nelson Park:** Development included over 11 acres of property in West Poulsbo. This waterfront property was purchased in 1996-97, and includes four parcels along the Liberty Bay shoreline. The properties total about 800 feet of shoreline. A master plan has been created for this property, and includes a multi-use park developed in phases. Amenities for Phase I were completed in 2004 and include a picnic shelter, picnicking areas, trails, playground, and parking. Additional phases will include interpretive areas and a dock for non-motorized watercraft. Development of this park added to the City's park system and improves access to Liberty Bay. It provides an area for residents and tourists to enjoy the out-of-doors and natural environmental education. 50% of this \$656,624 project was provided by a State grant.



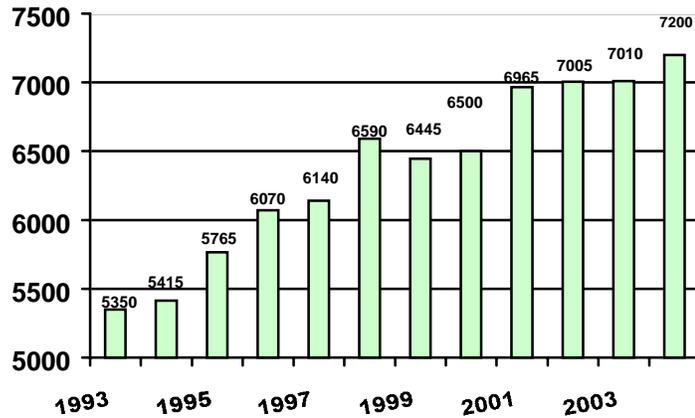
Economic Condition and Outlook

More and more, people are deciding that Poulsbo and the surrounding area is a great place to live and work. The City has become a very popular place for development. The City acknowledges its responsibility to respond to growth and has adopted all development regulations, which are called for by state law to protect its environment and quality of life. The City continues to review and revise these regulations based on the City's experience to date.

Three military bases are located in Kitsap County; Bremerton's Puget Sound Naval Shipyard, Naval Submarine Base Bangor and Keyport's Naval Undersea Warfare Center. With a population of 7,200, many of Poulsbo's residents are employed at one of the federal bases or commute to metropolitan Seattle by ferry. In addition, Poulsbo has a large and active senior citizen population.

Washington State's Growth Management Act has been in place for more than 10 years. It is expected that most future growth will take place in the designated urban growth areas for which cities are the primary service providers. It is projected that Poulsbo's surrounding area population will increase by more than 7,000 to have a population over 14,000 by 2012.

**City of Poulsbo Population
(1993-2004)**



Centrally located in the heart of Poulsbo, the downtown area has maintained its history and many of the original buildings have been renovated. 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 port for day excursions and vacationing boaters. However, one issue needs to be



addressed in the near future by the City. A 30-year old rock bulkhead, at the waterfront, has sloughed off into Liberty Bay causing concern for both the City and the Port of Poulsbo. Poulsbo has lost an estimated 1,000 square feet of parkland. Structures like the Kvelstad Pavilion and community fire pit are in jeopardy due to the movement. The sliding rocks and debris are also encroaching upon the Port's facilities including the current location of its guest moorage office and dinghy tie-up area. The cost of the waterfront park improvements is estimated to be more than \$765,000. The City received a federal grant for 50% of these expenditures.

In 1998, the City approved a master plan for redevelopment of a 31-acre residential section of the downtown area known as "the Project". The project earned its name when homes were built during World War II to provide housing for government workers. These dilapidated houses were demolished in 1999, accounting for the drop in the City's population that year. The approved master plan called for a residential village that compliments and enhances the downtown district. The plan included small cottages, cottage clusters, single-family residences, and luxury view-oriented town homes. A total of 164 residential units were proposed in the first phase of the plan. Construction began in the spring of 2000 and the homes in Phase 1 are now completed and occupied. The project's second phase had the option of being used for more residential units or for commercial use. Developers have opted to continue building residences. Construction in this phase is anticipated to start in mid-2005.



In 2004, a pedestrian/bicycle trail was constructed along Fjord Drive. Because of its scenic location along Liberty Bay, more than 200 persons per day travel this route in non-motorized modes. Improvements included scenic vistas and the in filling of sidewalks. Funding will be assisted by a federal grant and contributions by Kitsap County.

In 1994, over 200 acres of undeveloped land known as the "Olhava Property" was annexed into the City. The Master Plan proposed phased development over a ten-year period and will include residential and commercial



areas. Construction of the commercial area is anticipated to begin in 2005. A donation of 20 acres to the local community college provided for a satellite campus, Olympic College-Poulsbo, which opened its doors in January 2004. The college has the capacity of an enrollment of 1,500 and offers the latest in technology and educational programs.

State Highway 305 runs through the east side of Poulsbo providing access to the Bainbridge Island/Seattle ferry twelve miles to the south. In 1998, the State Department of Transportation widened a small portion of Highway 305 located within the City limits. There is a remaining two-mile stretch located within the City limits that will be widened in phases as funding is available. The first phase, expected to begin in 2006, will be in the high-congested area, improving traffic flow through the City.

“Poulsbo Village” is situated just off State Hwy 305 on the east side of the City. In years past, this was the agricultural area of Poulsbo. However, today it is a striving business community. It began with a shopping mall with retail stores, offices, athletic club and medical facilities and has now grown to a commercial area on both sides of State Highway 305, which continues to enjoy a healthy customer base.

Boxlight, manufacturer of projectors and a Fortune 500 company, has a six building commercial campus park located on Lincoln Hill, east of State Highway 305. This project changed an old gravel pit into a contemporary business park with a spectacular view of the Olympic Mountains. The campus continues to attract companies that provide family wage earning jobs for professionals who prefer not to commute to the Seattle area.

Economic development is also spreading to the north in this area. 10th Avenue, a street that runs parallel to and east of State Highway 305, continues to see several office and medical facilities being added.

2003 State Legislation has prompted renewed activity in property owner generated annexations. In 2003 the City annexed 55 acres assessed at \$1.7 million. In 2004, 299 acres, with an assessed value of \$7.1 million, joined the City.

The City of Poulsbo continues to promote smart growth with new businesses coming into the area and providing local employment as well as maintaining our “small town” atmosphere. We feel government, citizens, and developers working together can successfully accomplish the goal of making Poulsbo the premier place to live and work on the Kitsap Peninsula.

Cash Management

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

Once steps are taken to ensure that 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 state and national professional financial organizations.
- The City will invest all funds (in excess of current requirements) based upon the following order of priority: 1) Legality, 2) Safety, 3) Liquidity and yield.
- Investments with City funds will not be made for purposes of speculation.
- The City is prohibited from investing in any financial instruments that are not approved for legal investments for municipalities in the State of Washington.
- Proper security measures will be taken to safeguard investments. The City’s designated banking

institution will provide adequate collateral to insure City funds.

- An analysis of City's cash position will be prepared at regular intervals throughout the fiscal year.

Risk Management

During 2004, the City continued its liability and property coverage as a member of the Association of Washington Cities Risk Management Service Agency. The City continues to take advantage of the risk management training offered through AWC/RMSA education programs. The City's industrial insurance is provided by Washington State and is administered by the Department of Labor and Industries. Coverage is purchased by means of standard State assessed rates per working hour which are computed using risk categories as well as the City's loss history.

The City manages the difference between \$100 and \$500 deductible for the hospital/medical and vision insurance benefits for one group of employees through a self-insured program. The City pays self-insurance claims from its insurance internal service fund.

Awards

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 for the fiscal year ended December 31, 2003.

In order to be awarded a Certificate of Achievement a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report 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 2004 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 concerted teamwork by the staff of the Finance Department. The preparation of this report could not have been accomplished without the professional, efficient and dedicated staff of the Finance Team. To each, I extend my appreciation.

Further appreciation is extended 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,

Nanci Lien, CPFA
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Poulsbo,
Washington

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2003

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



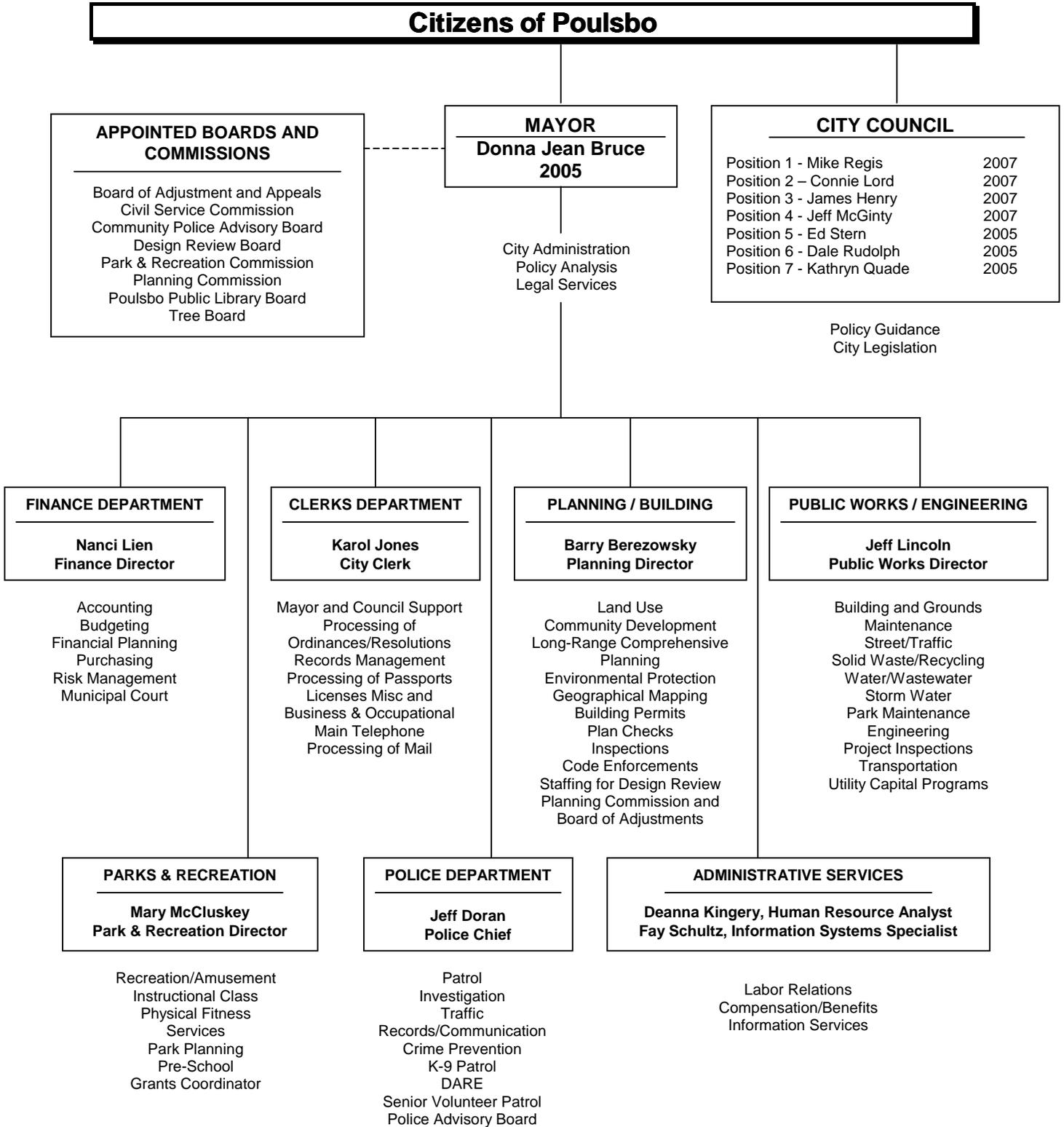
Nancy L. Zjelle

President

Jeffrey R. Emen

Executive Director

CITY OF POULSBO ORGANIZATIONAL STRUCTURE



CITY OF POULSBO OFFICIALS

MAYOR

Donna Jean Bruce

CITY COUNCIL

Jim Henry III

Connie Lord

Jeff McGinty, Deputy Mayor

Kathryn Quade

Mike Regis

Dale Rudolph

Ed Stern

EXECUTIVE STAFF AND LEGAL COUNSEL

City Clerk

Finance Director

Parks & Recreation Director

Planning Director

Police Chief

Public Works Director

Municipal Judge

Prosecutor

City Attorney

Bond Attorney

Karol Jones

Nanci Lien

Mary McCluskey

Barry Berezowsky

Jeff Doran

Jeff Lincoln

Jeffrey Tolman

Kitsap County Prosecutor

James Haney, Ogden Murphy Wallace

Preston Gates and Ellis

F INANCIAL **S** ECTION



Washington State Auditor
Brian Sonntag

Legislative Building
PO Box 40021
Olympia, Washington 98504-0021

(360) 902-0370
FAX (360) 753-0646
TDD Relay 1-800-833-6388
<http://www.sao.wa.gov>

INDEPENDENT AUDITOR'S REPORT

June 24, 2005

Council

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, 2004, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the 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, 2004, and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 13 through 23 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Poulsbo's basic financial statements. The accompanying financial information listed as combining financial statements and supplemental information on pages 67 through 113 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The combining financial statements and supplemental information has been subjected to auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Sincerely,

BRIAN SONNTAG, CGFM
STATE AUDITOR



City of Poulsbo
Management's Discussion And Analysis
For the Year Ended December 31, 2004

The discussion and analysis of the City of Poulsbo's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2004. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the transmittal letter, and the basic financial statements to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2004 are as follows:

- City of Poulsbo assets exceeded its liabilities at the close of the 2004 fiscal year by \$48.6 million (net assets). Of this amount \$12 million (unrestricted net assets) may be used to meet the city's ongoing obligations to its citizens and creditors.
- In total, net assets being reported increased \$3 million. Net assets of governmental activities increased \$1.29 million, or 5.4% during 2004. This increase in the reported net assets is largely due to capital projects in progress in the governmental funds. Net assets of business-type activities increased \$1.75 million, or 8% during 2004.
- Investments in capital assets net of debt increased from \$33.4 million to \$35.7 million.
- Total liabilities decreased by \$1,023,744, which is largely attributable to a reductions in long-term liabilities due in more than one year and in accounts payable.
- Overall, the book value of capital assets increased by over \$2.1 million. Total capital assets from governmental activities increased by \$1.7 million or 7%. Capital assets of business-type activities increased by \$425,809 or approximately 2%.
- On a modified accrual basis, city tax revenue has increased an average of 1.68% per year for the last five years with the year 2000 lowering the average with a decrease of 9%.
- As the close of the current fiscal year, the City of Poulsbo's governmental funds reported combined ending fund balances of \$6.1 million. Approximately 98% of this total amount, or \$6.07 million, is available for spending at the government's discretion (unreserved fund balance). 87% or \$5.4 million of the ending fund balances are recorded in the City's Special Revenue and Capital Project funds.
- At the end of the current fiscal year, the unreserved fund balance for the General Fund was \$505,393, or 8% of the total General Fund expenditures. It should also be noted here that the Special Revenue Fund, "Cumulative Reserve/Revenue Stabilization Fund," is also used to reserve funds for General Fund purposes. The combined unreserved fund balances for the General Fund and the Cumulative Reserve/Revenue Stabilization Fund total over \$1.7 million, or 28% of the General Fund expenditures.

In 2004, the City continued to invest in capital infrastructure, both in new capital assets and upgrading existing assets. A process study was completed in 2003, which identified areas where efficiencies could reduce costs. Many of the studies recommendations were implemented in 2003. The applications of several other recommendations are planned for 2005.

USING THIS ANNUAL FINANCIAL REPORT

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the City of Poulsbo as a financial whole or as an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial conditions.

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole City presenting both an aggregate view of the City's finances and a longer-term view of those assets. Major fund

City of Poulsbo

Management's Discussion And Analysis

For the Year Ended December 31, 2004

financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what dollars remain for future spending. The fund financial statements also look at the City's most significant funds with all other nonmajor funds presented in total in one column.

Reporting the City of Poulsbo as a Whole

The Statement of Net Assets and the Statement of Activities: While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2004?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector companies. This basis of accounting takes into accounts all of the current year's revenues and expenses regardless of when the cash is received or paid.

These two statements report the City's net assets and changes in those assets. This change in assets is important because it tells the reader whether, for the City as a whole, the financial position of the City has improved or diminished. However, in evaluating the overall position of the City, nonfinancial information such as changes in the City's tax base and the condition of City capital assets also need to be evaluated.

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

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

Reporting the City of Poulsbo's Most Significant Funds

Fund Financial Statements: The analysis of the City's major funds begins on page 28. Fund financial reports provide detailed information about the City's major funds. Based on restrictions on the use of monies, the City has established many funds, which account for the multitude of services provided to our residents. However, the fund financial statements focus on the City's most significant funds. In the case of the City of Poulsbo, our major funds are the General Fund, City Street Fund (operating), Recreation Activity Fund, and Street Reserve Fund (capital street projects). The City presents the fund financials in three types of funds:

- *Governmental Funds* - Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending in the future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future on services provided to our residents. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.
- *Proprietary Funds* - When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds use the same basis of accounting as business type activities and therefore these statements will essentially match. Proprietary funds are divided into two types: *enterprise funds* provide services to customers outside the City unit; and *internal services funds* that provide services to other City departments.

City of Poulsbo
Management's Discussion And Analysis
For the Year Ended December 31, 2004

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

THE CITY AS A WHOLE

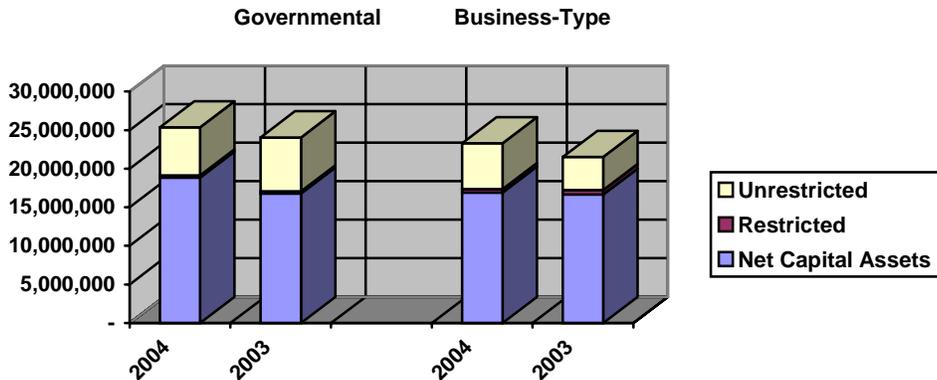
The Statement of Net Assets looks at the City as a whole. Table 1 provides a summary comparing the City's net assets for 2004 and 2003.

Table 1
Net Assets

	Governmental Activities		Business-type Activities		Total Primary Government	
	2004	2003	2004	2003	2004	2003
Assets:						
Current and Other Assets	\$ 7,824,555	\$ 8,980,795	\$ 6,168,615	\$ 5,113,829	\$13,993,169	\$14,094,624
Capital Assets Net	23,141,376	21,437,524	22,780,354	22,354,545	45,921,730	43,792,069
Total Assets	<u>30,965,931</u>	<u>30,418,318</u>	<u>28,948,968</u>	<u>27,468,374</u>	<u>59,914,899</u>	<u>57,886,693</u>
Liabilities:						
Long-term Debt	3,569,752	3,857,234	4,884,742	5,156,731	8,454,494	9,013,965
Other Liabilities	2,029,183	2,495,169	770,549	768,835	2,799,732	3,264,004
Total Liabilities	<u>5,598,935</u>	<u>6,352,403</u>	<u>5,655,291</u>	<u>5,925,566</u>	<u>11,254,226</u>	<u>12,277,969</u>
Net assets:						
Invested in Capital Assets Net of Debt	18,857,715	16,780,634	16,903,395	16,641,475	35,761,110	33,422,109
Restricted	287,739	293,256	474,281	595,000	762,021	888,256
Unrestricted (deficit)	<u>6,221,541</u>	<u>6,992,026</u>	<u>5,916,001</u>	<u>4,306,333</u>	<u>12,137,543</u>	<u>11,298,359</u>
Total Net Assets	<u>\$25,366,996</u>	<u>\$24,065,915</u>	<u>\$23,293,678</u>	<u>\$21,542,808</u>	<u>\$48,660,674</u>	<u>\$45,608,724</u>

The largest portion of the City's net assets (74%) reflects its investment in capital, 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.

Less than 6% of the City of Poulsbo's total net assets represent resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$12.1 million) may be used to meet the government's ongoing obligations to citizens and creditors.



City of Poulsbo
Management's Discussion And Analysis
For the Year Ended December 31, 2004

Table 2 shows and the compares changes in net assets for the year 2004 and 2003.

Table 2
Changes in Net Assets

	Governmental Activities		Business-type Activities		Total Primary Government	
	2004	2003	2004	2003	2004	2003
Program Revenues						
Charges for Services	\$ 1,504,910	\$ 1,631,658	\$ 4,895,013	\$ 5,007,898	\$ 6,399,923	\$ 6,639,556
Operating Grants/Contribr	401,880	361,691	-	-	401,880	361,691
Capital Grants / Contribr	1,254,588	2,422,547	494,143	537,062	1,748,731	2,959,609
General Revenues					-	-
Property Taxes	1,246,453	1,197,063			1,246,453	1,197,063
Retail Sales & Use Tax	2,281,822	2,303,764			2,281,822	2,303,764
Misc Taxes	1,456,143	1,293,057			1,456,143	1,293,057
Other	50,913	126,366	42,439	36,796	93,352	163,162
Total Revenues	<u>8,196,708</u>	<u>9,336,146</u>	<u>5,431,595</u>	<u>5,581,757</u>	<u>13,628,304</u>	<u>14,917,902</u>
Program Expenses						
General government	1,530,017	1,516,489			1,530,017	1,516,489
Judicial	260,744	265,053			260,744	265,053
Security of Per & Prop	1,939,609	1,983,035			1,939,609	1,983,035
Utilities & Environment	502,815	593,399			502,815	593,399
Transportation	1,086,014	930,344			1,086,014	930,344
Economic Environment	595,488	446,585			595,488	446,585
Mental & Physical Health	10,767	9,909			10,767	9,909
Culture & Recreation	1,196,036	1,142,670			1,196,036	1,142,670
Interest Long-Term Debt	161,767	195,895			161,767	195,895
Water/Sewer			2,096,724	2,070,725	2,096,724	2,070,725
Solid Waste			870,204	936,477	870,204	936,477
Storm Drain			283,795	243,174	283,795	243,174
Total expenses	<u>7,283,256</u>	<u>7,083,381</u>	<u>3,250,724</u>	<u>3,250,377</u>	<u>10,533,980</u>	<u>10,333,757</u>
Excess (deficiency)	913,452	2,252,765	2,180,872	2,331,380	3,094,324	4,584,145
Transfers	265,918	264,753	(265,918)	(264,753)	-	(0)
Changes in net assets	1,179,370	2,517,518	1,914,954	2,066,627	3,094,324	4,584,145
Beginning Net Assets	24,065,915	21,534,645	21,542,808	19,470,497	45,608,724	41,005,142
Prior Year Adjustments	121,711	13,753	(164,085)	5,684	(42,374)	19,437
Ending Net Assets	<u>\$ 25,366,996</u>	<u>\$ 24,065,915</u>	<u>\$ 23,293,678</u>	<u>\$ 21,542,808</u>	<u>\$ 48,660,674</u>	<u>\$ 45,608,724</u>

City of Poulsbo
Management's Discussion And Analysis
For the Year Ended December 31, 2004

GOVERNMENTAL ACTIVITIES

Revenues

Taxes account for the largest revenue category in the governmental funds, generating more than 58% of the total revenue. Because of this, the category receives the majority of attention. Included in this category are sales, property, utility, criminal justice, and gambling taxes. These taxes total \$4,984,417.

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 2004 is \$640,301,848. The City's regular property levy tax rate is \$1.70879 per \$1,000 of assessed value. The tax levy rate for the voted general obligation levy for construction of the fire station is \$0.25144 per \$1,000 of assessed value.

The City has established a policy of transferring 36% of property tax revenue to the City Street Fund and 5% to each of the Park Reserve and Street Reserve funds.

Sales and Use tax revenue, in contrast to property tax, can be a highly fluctuating tax source. The City has experienced a continual increase in sales tax, producing the largest single source of revenue. The City's sales tax rate is 1% on all retail sales taking place within the City limits. The sales tax collected on sales taking place within the City is distributed as follows:

State	6.50%	
City	1.00%	(.15 to County)
Transit	0.80%	
County	0.10%	(Criminal Justice)*
County	0.10%	(County Jail Expansion)
County	0.10%	(Emergency Communication)
Total	8.60%	

* The County retains 10% of this revenue; the remaining 90% is distributed back to the cities located within the county, based on population. The City of Poulsbo records the Criminal Justice portion of the sales tax in the Police Restricted Fund (Special Reserve Fund).

In 2004, sales tax received in the City's General Fund totaled \$2,281,822. The City allocates sales tax revenue as follows: 5% is transferred to the Capital Equipment Acquisition Fund for capital replacement purchases and 2% is transferred into this same fund for capital purchases for new programs. An additional 3% of the sales tax is transferred into the Revenue Stabilization Fund. This reserve fund is used for unanticipated reductions of revenues and/or any unbudgeted and unanticipated expenditures.

The majority of sales tax revenue (63%) comes from retail sales. The next largest sales tax category is contracting, accounting for 13% of the tax. A large portion of the retail sales tax receipts is derived from automobile sales. Both automobile sales and new construction are particularly sensitive to changes in economic conditions. Slight changes in economy, or even expectations, can produce dramatic changes in receipts.

Utility Taxes/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 from year to year. \$266,918 was collected from City-owned utilities while \$700,087 was collected from privately owned utilities.

Remaining taxes compose a small share of total tax receipts. They consist of admissions, excise taxes and gambling taxes on activities that are irregular in a community the size of Poulsbo.

City of Poulsbo
Management's Discussion And Analysis
For the Year Ended December 31, 2004

Expenses

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

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

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

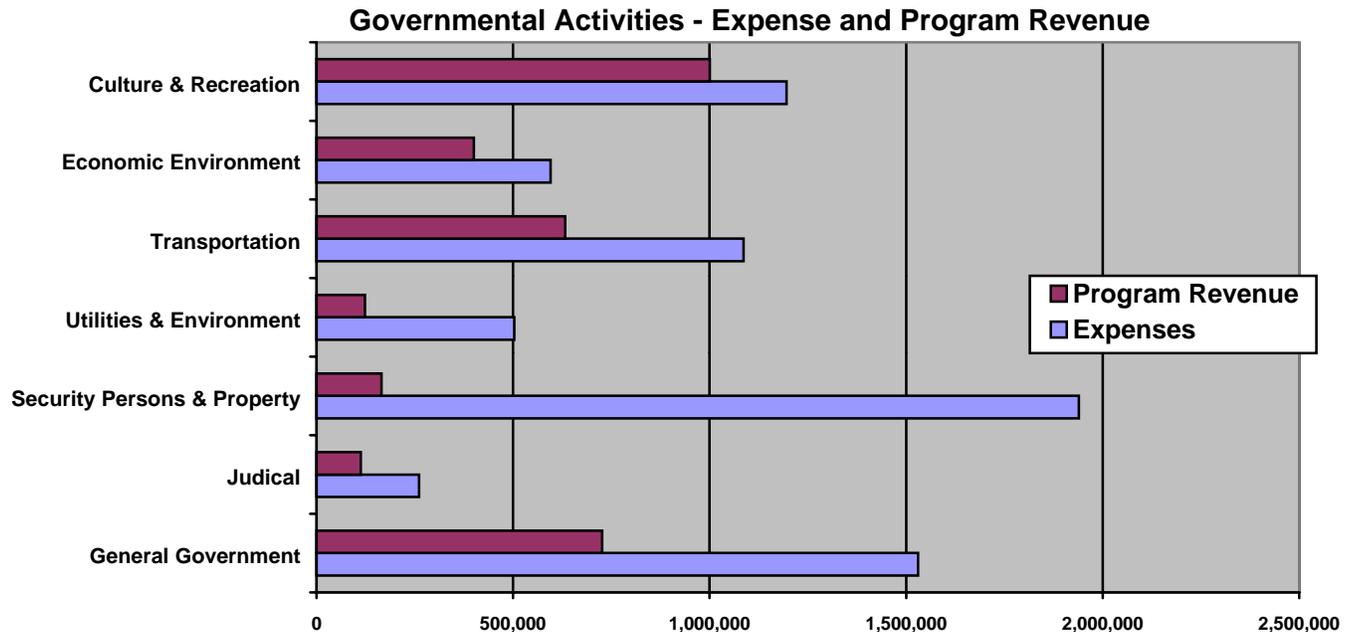
Transportation services provide maintenance of the City's streets, sidewalks, paths and traffic control signs/signals.

Economic Environment services including 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.



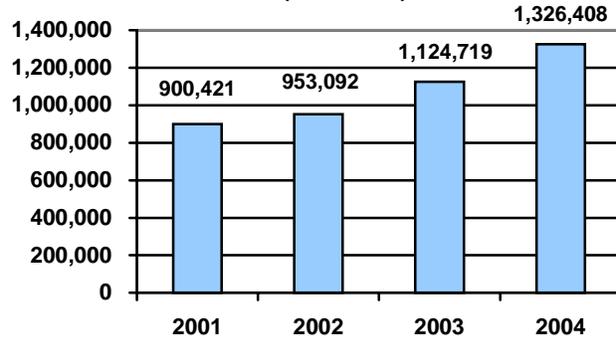
City of Poulsbo
Management's Discussion And Analysis
For the Year Ended December 31, 2004

BUSINESS-TYPE ACTIVITY

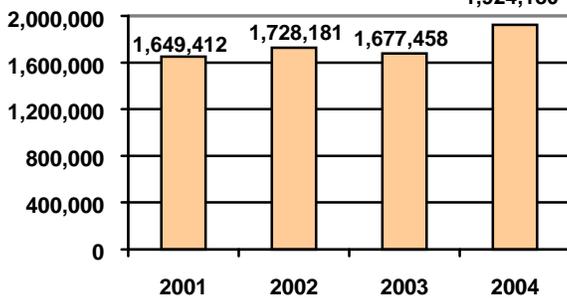
Enterprise Funds: The City of Poulsbo owns and fully operates four utilities: water, sewer, storm drain, and solid waste/recycle. These utility are accounted for in three enterprise funds as part of the City's fund structure and operations: 1) water/sewer fund; 2) solid waste fund; and 3) storm drain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

Water Utility: The City's water utility is solely supported by its customers, and revenue is generally derived from three sources: 1) monthly service charges, 2) system connection fees, and 3) miscellaneous revenues to include investment interest and charges associated with force account activities. The majority of revenue comes from monthly service charges. In 2003, a new rate structure was put into place. The summer months (June through September) have different consumption rates. Larger usage during these months will have a higher consumption rate. This will more accurately charge the users of the system and also promote conservation during the summer months. In 2004, water service charges for the City were \$1,326,408.

**Water Service Charge Revenue
(2001-2004)**



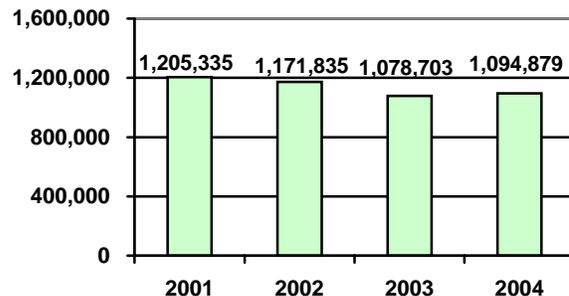
**Sewer Service Charge Revenue
(2001-2004)**



Sewer Utility: The City's sewer utility is also solely supported by its users and revenue is generally derived from three sources: 1) monthly service charges, 2) system connection fees, and 3) miscellaneous revenues, which include investment interest and charges associated with force account activities. The majority comes from monthly service charges. In 2003 a new rate structure was put into place. The summer months June through September charge consumption based on an average water usage during the eight previous months. The rate takes into consideration increased summer usage for watering but does not produce any more wastewater. In 2004, sewer service charges for the City were \$1,924,180.

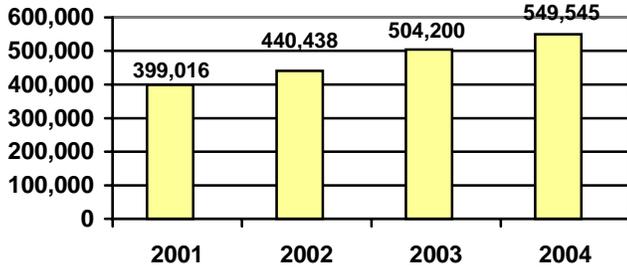
Solid Waste Utility: The solid waste utility is supported by its users and revenue is generally derived from service charges which include: 1) service charges for scheduled residential and regular dumpster garbage collection, and 2) service charges for recycling. The majority of revenue comes from monthly service charges. Revenues for the year 2004 fiscal period were \$1,094,879.

**Solid Waste Service Charge Revenue
(2001-2004)**



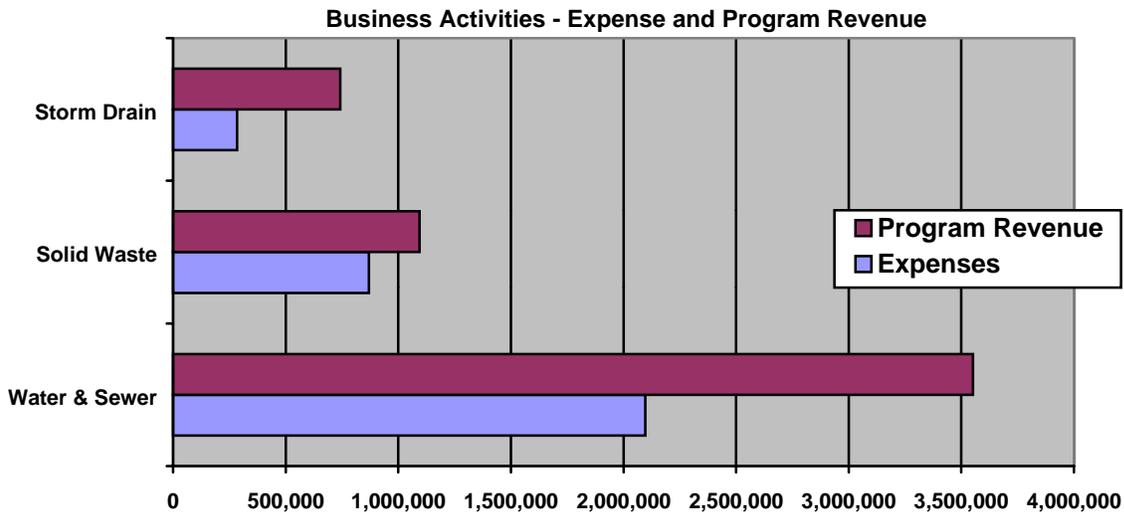
City of Poulsbo
Management's Discussion And Analysis
For the Year Ended December 31, 2004

Storm Drain Service Charges (2001-2004)



Storm Drain Utility: The City's storm utility is supported by its users and revenue is generally derived from service charges, which include: 1) monthly service charges, and 2) building permit connection charges. The majority of revenue comes from monthly service charges. The City's storm drain utility is supported by its users. Rates are charged residential and commercial customers by the area of impervious surface units (ISU). One ISU is equivalent to 3,000 square feet of impervious surface. The rate structure provides funding for many of the stormwater projects identified in the City's updated Comprehensive Stormwater Management Plan. Revenues for the 2004 accounting period for services were \$549,545.

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



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

General Facilities Fund: The General Facility Fund is an internal service fund that provides the City with in-house mechanic services. The services is responsible for both major and minor repairs of all mechanical equipment used in the business activity funds including cars, trucks, heavy equipment, portable pumps and generators, small engines and well as all general governmental department vehicles and equipment. These include Police, Engineering, Building, and Parks & Recreation vehicles.

Funding is derived from charges for parts, labor, and overhead. This allows the mechanic shop to be fully self-sufficient. No other funding is used to support this operation.

City of Poulsbo

Management's Discussion And Analysis

For the Year Ended December 31, 2004

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

Medical Reimbursement Fund: The Medical Reimbursement provides self-insurance for one of the City's employee groups. The City self-insures for the difference between a \$100 and \$500 deductible. Employees in this group are reimbursed for the difference in the deductible amount just as if their medical plan offered the lower deductible. The cost of self-insuring is funded through the savings in medical insurance premiums.

The City's Funds

Information about the City's major governmental funds begins on page 28. The City, in performing the major fund calculation, determined that the Street Reserve Fund (Street Capital Projects), along with the General Fund, met GASB 34 requirements to qualify as major funds. The City has determined that we wanted to report in more detail both the City Street Fund and the Recreation Activity Fund. The City felt that local users of our financial statements needed to see these two funds also shown as major funds. These funds are accounted for using the modified accrual basis of accounting. In total the governmental funds had total revenues of \$8.5 million and expenditures of \$7.2 million.

BUDGETARY HIGHLIGHTS

The following is a brief review of the budgeting changes from the adopted to the amended final budget for the General Fund. Please note budget to actual comparisons start on page 32 for the major current expense and special revenue funds. Budget to actuals for all other funds start on page 82. The significant budgetary changes in the governmental funds included:

- providing funding for an unanticipated roof replacement on the Marine Science Center (\$100,000). The roof material failed and the product is currently the subject of a class action law suit;
- recognizing new grant revenue in the Park Reserve Funds (\$223,248); and
- increasing funding in the Street Reserve Fund (\$248,696) for an increased scope of work on a street improvement.

A copy of the City's Budget-in-Brief is available on our website www.cityofpoulsbo.com. The complete budget provides details of the City's plans for using its resources on the next year and can be obtained by contacting the Budget Analyst at 360-697-2487 or dbooher@cityofpoulsbo.com.

CASH MANAGEMENT

Aggressive efforts to maximize interest earnings of temporary cash reserves have been successful. The City manages cash accounts by the pooled cash management concept and plans investment maturities to coincide with cash needs. The pool concept provides for investing greater amounts of money at more favorable interest rates. The short-term investment of idle cash continues to be a significant source of revenue for the City. The combined accounts earned \$130,220.

DEBT ADMINISTRATION

The following summarizes the City's current bond debt obligations by type of debt. While the City has various forms of debt, only about \$3 million of this debt is of a General Obligation bond (GO) 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 three Public Works Trust Fund loans (PWTF). Two that are recorded in the Governmental Activities at \$1,207,533 and one recorded in the Business-Type Activities at \$504,325.

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 revenue bonds amount to \$4,425,000.

City of Poulsbo
Management's Discussion And Analysis
For the Year Ended December 31, 2004

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, or \$9,510,939;
2. The second statutory limit is the amount of general obligation debt a city may incur for general governmental purposes with the vote of the people. This limit is 2.5% of the assessed value. For 2004, the City's limit is \$15,851,564, less any amount issued of non-voted debt. The City's amount of voted debt is \$705,000; and
3. The third 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.

Additional information on the City's debt is provided in Note 9.

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 5% of the sales taxes collected in the General Fund and transferred to the Capital Replacement Fund. 2% of the sales tax dollars collected will be used as funding for new program capital outlay enhancements.

For several years the City's budget has been focused almost exclusively on operation and maintenance costs at the expense of capital outlay costs to maintain and upgrade the existing infrastructure. It has become apparent that we must be more attention to the building maintenance programs and begin to plan for future renovation and replacement. Additional information on the City's capital assets is provided in Note 5.

Table 3
Capital Assets at Year-End
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Totals	
	2004	2003	2004	2003	2004	2003
Land	\$5,065,279	\$5,065,279	\$288,593	\$288,593	\$5,353,872	\$5,353,872
Buildings	2,018,932	2,132,367	107,625	119,769	2,126,557	2,252,136
Other Improvements	254,104	288,572	21,071,348	20,831,641	21,325,452	21,120,213
Infrastructure	9,666,779	9,795,565			9,666,779	9,795,565
Machinery & Equipment	338,077	471,234	370,437	480,840	708,513	952,074
Work in Progress	5,798,204	3,684,506	942,351	633,702	6,740,555	4,318,208
Totals	\$23,141,375	\$21,437,523	\$22,780,354	\$22,354,545	\$45,921,729	\$43,792,069

City of Poulsbo
Management's Discussion And Analysis
For the Year Ended December 31, 2004

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 primarily relies on sales and property 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 charge associated.

Sales taxes represent a major revenue source for the governmental fund and provide an economic measurement of the local economy. Despite a downturn in the economy in other areas of the country, the City of Poulsbo has experienced an average 3% increase in sales tax revenue over the last five years. Auto and recreational vehicles sales as well as several large construction projects have contributed to the rising sales tax revenue. The City anticipates construction activity will help to continue this trend as building has now begun in College Market Place, a 200 acres of previously undeveloped property located in the City's most northwest corner. In addition to the Olympic Community College opening its doors in the development in 2004, the project's master plan calls for 840,000 square feet of commercial footage, 325,000 square feet of business footage, 420 multi-family units, and 433 single family units.

The level of taxes, fees and charges for services (including development related mitigation fees) will have a bearing on the specific 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.

Another major undertaking on the City's horizon is the replacement of current financial software. This was another recommendation of the process study. The study indicated the City had outgrown the capabilities of the current software program that had been purchased in 1991. A project management team, as well as other City staff, has been participating in the search and it is anticipated a fully integrated program will be acquired sometime in mid-2005.

Awards

In conclusion, the City of Poulsbo has committed itself to financial excellence for many years. The City has received the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting and the Distinguished Budget Presentation awards. The City of Poulsbo was also one of the first cities in Washington to report using the new GASB 34 requirements. Commitment to the residents of the City of Poulsbo has always been full disclosure of the financial position of the City.

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 money it receives. Any questions about this report or requests for additional financial information should be addressed to Finance Director, City of Poulsbo, P.O. Box 98, Poulsbo, Washington, 98370, or contact by telephone at (360) 697-8234, or e-mail at nlien@cityofpoulsbo.com.

City of Poulsbo
Statement of Net Assets
December 31, 2004

	Primary Government		Total
	Governmental Activities	Business-Type Activity	
Assets			
Cash and Cash Equivalents	\$ 17,380	\$ 40,232	\$ 57,612
Investments	6,052,321	5,169,405	11,221,726
Receivables:			
Taxes	608,878	-	608,878
Accounts	293,184	392,522	685,706
Special Assessments	17,089	-	17,089
Due from Other Governments	163,037	-	163,037
Materials and Supplies Inventory	16,660	33,321	49,981
Long Term Lease Receivable	-	-	-
Deferred Charges	22,514	58,853	81,367
Restricted Assets:			
Cash and Cash Equivalents	-	-	-
Investments	633,492	474,281	1,107,774
Land and Construction Work in Progress	11,792,907	1,230,944	13,023,851
Depreciable Capital Assets, Net	11,348,469	21,549,409	32,897,878
<i>Total Assets</i>	<u>30,965,931</u>	<u>28,948,968</u>	<u>59,914,899</u>
Liabilities			
Accounts Payable	120,548	148,652	269,200
Interest Payable	43,063	107,586	150,649
Due to Other Governmental Units	1,295,737	504,326	1,800,064
Revenues Collected in Advance	66,690	-	66,690
Custodial Accounts	503,145	9,984	513,129
Long-Term Liabilities:			
Due within one year	354,839	285,279	640,118
Due in more than one year	3,214,913	4,599,463	7,814,376
<i>Total Liabilities</i>	<u>5,598,935</u>	<u>5,655,291</u>	<u>11,254,226</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	18,857,715	16,903,395	35,761,110
Restricted for:			
City Beautification-Expendable	13,521	-	13,521
City Beautification-Nonexpendable	91,016	-	91,016
Debt Service	183,202	474,281	657,483
Unrestricted	6,221,541	5,916,001	12,137,543
<i>Total Net Assets</i>	<u>\$ 25,366,996</u>	<u>\$ 23,293,678</u>	<u>\$ 48,660,674</u>

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

City of Poulsbo
Statement of Activities
For the Year Ended December 31, 2004

	<u>Program Revenues</u>		
	Expenses	Charges for Services	Operating Grants and Contributions
Governmental activities:			
General government	\$ 1,530,017	\$ 198,872	\$ 230,218
Judicial	260,744	112,403	-
Security of Persons & Property	1,939,609	74,405	90,698
Utilities & Environment	502,815	123,440	-
Transportation	1,086,014	3,750	-
Economic Environment	595,488	385,157	15,000
Mental & Physical Health	10,767	-	-
Culture & Recreation	1,196,036	606,882	65,964
Interest on Long-Term Debt	161,767	-	-
<i>Total Governmental Activities</i>	<u>7,283,256</u>	<u>1,504,910</u>	<u>401,880</u>
Business-Type Activities:			
Water/Sewer	2,096,724	3,250,588	-
Solid Waste	870,204	1,094,879	-
Storm Drain	283,795	549,545	-
<i>Total Business-Type Activities</i>	<u>3,250,724</u>	<u>4,895,013</u>	<u>-</u>
<i>Total Primary Government</i>	<u>\$ 10,533,980</u>	<u>\$ 6,399,923</u>	<u>\$ 401,880</u>

General Revenues:

- Property Taxes
- Retail Sales & Use Taxes
- Business Taxes
- Excise Taxes
- Penalties & Interest
- Investment earnings
- Gain (loss) on disposal of capital asse

Transfers

Total General Revenues, Special Items, a

Change in Net Assets

Net Assets Beginning of Year

Prior Period Adjustments

Net-Assets End of Year

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

Net (Expenses) Revenue and Changes in Net Assets

Capital Grants and Contributions	Primary Government		
	Governmental Activities	Business-Type Activities	Total
\$ 297,578	\$ (803,349)	\$ -	\$ (803,349)
-	(148,341)	-	(148,341)
-	(1,774,505)	-	(1,774,505)
-	(379,375)	-	(379,375)
628,971	(453,293)	-	(453,293)
-	(195,331)	-	(195,331)
-	(10,767)	-	(10,767)
328,039	(195,151)	-	(195,151)
-	(161,767)	-	(161,767)
<u>1,254,588</u>	<u>(4,121,878)</u>	<u>-</u>	<u>(4,121,878)</u>
301,216	-	1,455,080	1,455,080
(426)	-	224,249	224,249
<u>193,353</u>	<u>-</u>	<u>459,103</u>	<u>459,103</u>
<u>494,143</u>	<u>-</u>	<u>2,138,432</u>	<u>2,138,432</u>
<u>\$ 1,748,731</u>	<u>\$ (4,121,878)</u>	<u>\$ 2,138,432</u>	<u>\$ (1,983,446)</u>
	1,246,453	-	1,246,453
	2,281,822	-	2,281,822
	978,923	-	978,923
	477,220	-	477,220
	-	-	-
	130,220	42,439	172,659
ets	(79,307)	-	(79,307)
	265,918	(265,918)	-
	<u>-</u>	<u>-</u>	<u>-</u>
ind Transfers	5,301,248	(223,478)	5,077,769
	1,179,370	1,914,954	3,094,324
	24,065,915	21,542,808	45,608,724
	121,711	(164,085)	(42,374)
	<u>\$ 25,366,996</u>	<u>\$ 23,293,678</u>	<u>\$ 48,660,674</u>

City of Poulsbo
Balance Sheet
Governmental Funds
December 31, 2004

	General Fund	City Streets	Recreation Activity	Street Reserve	Other Governmental Funds
Assets					
Cash and Cash Equivalents	\$ 6,824	\$ 379	\$ -	\$ -	\$ 230
Investments	948,278	712,269	68,865	60,506	3,985,650
Receivables					
Taxes	3,336	-	-	-	38,562
Accounts	108,587	393	1,303	114,659	51,511
Special Assessments	-	-	-	-	17,089
Due from other govern units	20,843	-	-	96,102	46,092
Inventories	14,010	-	-	-	-
Restricted Assets:					
Cash and Cash Equivalents with Trustee	-	-	-	-	-
Investments	-	-	-	627,891	-
Total Assets	\$ 1,101,877	\$ 713,041	\$ 70,168	\$ 899,158	\$ 4,139,134
Liabilities and Fund Balances					
Liabilities:					
Accounts Payable	45,157	10,865	9,987	40,942	12,812
Revenues Collected in Advance	-	-	52,243	-	14,447
Due to Other Governments	50,261	-	-	-	-
Custodial Accounts	500,496	-	-	-	2,648
Total Liabilities	595,914	10,865	62,230	40,942	29,907
Fund Balances:					
Reserved, reported in:					
Debt Service	-	-	-	-	-
Capital Projects	-	-	-	-	-
Permanent fund	-	-	-	-	104,537
Unreserved, reported in:					
General fund	505,964	-	-	-	-
Special revenue funds	-	702,176	7,938	-	2,697,844
Debt service funds	-	-	-	-	183,202
Capital project funds	-	-	-	858,216	1,123,644
Total Fund Balances	505,964	702,176	7,938	858,216	4,109,227
Total Liabilities and Fund Balances	\$ 1,101,877	\$ 713,041	\$ 70,168	\$ 899,158	\$ 4,139,134

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

City of Poulsbo
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
December 31, 2004

	Total Governmental Fund Balances:		
Total Governmental Funds			
\$ 7,433	<i>Amounts reported for governmental activities in the statement of</i>		\$ 6,183,521
5,775,568	<i>net assets are different because:</i>		
41,898	Capital assets used in governmental activities are not financial		
276,452	resources and therefore are not reported in the governmental funds		
17,089	These assets consist of:		
163,037	Land	\$ 5,994,703	
14,010	Buildings and structures	3,726,817	
-	Improvements	12,312,274	
627,891	Machinery and Equipment	19,752	
	Vehicles	974,703	
\$ 6,923,378	Heavy Equipment	106,090	
	Furniture	158,092	
	Other property	84,794	
	Construction in Progress	5,798,204	
	Less: Accumulated Depreciation	<u>(6,034,052)</u>	23,141,376
	Other Assets that are not available to pay for current-period expenditures and therefore are not reported in governmental funds.		605,626
119,762	Long-term liabilities, including bonds payable are not due and payable		
66,690	in the current period and therefore are not reported in the governmental funds.		
50,261	Interest Payable	(43,063)	
503,145	Long-term Liabilities	<u>(4,810,956)</u>	(4,854,019)
	Internal service funds (less depreciable capital assets, net listed above)		
739,857	that are used by management to charge the costs of certain		
	activities to individual funds.		
-	Total Assets	295,551	
-	Less total Depreiceable Capital Assets , net	-	
104,537	(listed above)		
505,964	Less Total Liabilities	<u>(5,058)</u>	290,493
3,407,958	Net assets of governmental activities		
183,202			<u>\$ 25,366,996</u>
1,981,860			
6,183,521			
\$ 6,923,378			

City of Poulsbo
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended December 31, 2004

	General	City Streets	Recreation Activity	Street Reserve	Other Governmental Funds
Revenues					
Taxes	\$ 4,427,911	\$ -	\$ -	\$ -	\$ 827,423
Licenses and Permits	378,535	3,750	-	-	-
Intergovernmental	167,997	98,551	-	524,957	360,020
Charges for Services	788,947	-	433,220	-	142,415
Fines and Forfeitures	104,247	-	-	-	612
Interest and Other Earnings	83,348	6,169	1,236	5,391	31,038
Miscellaneous	14,265	-	28,182	-	226,506
<i>Total Revenues</i>	<u>5,965,249</u>	<u>108,470</u>	<u>462,638</u>	<u>530,347</u>	<u>1,588,013</u>
Expenditures					
Current:					
General Government	1,958,761	-	-	-	110,227
Security of Persons & Property	1,799,933	-	-	-	15,930
Utilities and Environment	468,060	-	-	-	11,529
Economic Environment	565,891	-	-	-	6,508
Mental and Physical Health	10,767	-	-	-	-
Culture and Recreation	317,713	-	594,939	-	215,959
Transportation	-	566,679	-	37,882	-
Street Maintenance	-	-	-	-	-
Debt Service					
Principal	-	-	-	-	348,608
Interest	-	-	-	-	160,605
Bond Issuance Costs	-	-	-	-	1,162
Roads/Streets Const. and Other Infrastructure	-	-	-	1,393,034	-
Capital Outlay	-	-	-	-	830,169
<i>Total Expenditures</i>	<u>5,121,124</u>	<u>566,679</u>	<u>594,939</u>	<u>1,430,916</u>	<u>1,700,696</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>844,125</u>	<u>(458,209)</u>	<u>(132,301)</u>	<u>(900,569)</u>	<u>(112,684)</u>
Other Financing Sources (Uses)					
Proceeds of Long Term Debt	5,000	-	-	37,944	-
Payment to Refunded Bond Escrow Agent	-	-	-	-	-
Transfers In	169,947	693,745	116,883	135,914	1,134,029
Transfers Out	(1,167,029)	(170,479)	-	-	(854,931)
Disposal of Capital Assets	1,878	-	-	-	-
<i>Total Other Financing Sources and Uses</i>	<u>(990,203)</u>	<u>523,266</u>	<u>116,883</u>	<u>173,858</u>	<u>279,098</u>
<i>Net Change in Fund Balances</i>	(146,078)	65,057	(15,418)	(726,711)	166,414
<i>Fund Balances Beginning of Year</i>	<u>652,042</u>	<u>637,119</u>	<u>23,356</u>	<u>1,602,450</u>	<u>3,942,812</u>
<i>Prior Year Adjustment</i>	-	-	-	(17,523)	-
<i>Fund Balances End of Year</i>	<u>\$ 505,964</u>	<u>\$ 702,176</u>	<u>\$ 7,938</u>	<u>\$ 858,216</u>	<u>\$ 4,109,227</u>

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

City of Poulsbo
Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2004

Total		
	Net change in Fund balance--total governmental funds	\$ (656,735.70)
\$ 5,255,334	<i>Amounts reported for Governmental activities in the statement of activities</i>	
382,285	<i>are different because:</i>	
1,151,526		
1,364,581	Government funds report capital outlays as expenditures. However, in the statement	2,223,203
104,859	of activities, the cost of those assets is allocated over their estimated useful lives	(731,922)
127,181	and reported as depreciation expenditure. This is the amount by which capital outlays	
268,953	exceeded depreciation in the current period.	
8,654,718	In the statement of activities, only the gain on the sale of assets is reported, whereas,	
	in the government funds, the proceeds from the sale increase financial resources.	(81,185)
	Thus, the change in net assets differs from the change in fund balance by the cost of	
	of the asset.	
2,068,988		
1,815,863	Revenues in the statement of activities that do not provide current financial	(45,024)
479,589	resources are not reported as revenues in the funds.	
572,399		
10,767	Bond proceeds provide current financial resources to governmental funds, but	348,608
1,128,611	issuing debt increases long-term liabilities in the statement of net assets. Repay-	(42,944)
604,561	ment of bond principal is an expenditure in the governmental funds, but the	
-	repayment reduces long-term liabilities in the statement of net assets. This is	
	the amount by which repayments exceeded proceeds.	
348,608		
160,605	Developers construct and then contributed capital infrastructure assets to the City. These	297,578
1,162	assets are reported on the statement of activities but not reported in the fund statements.	
1,393,034		
830,169	Some expenses reported in the statement of activities do not require the use of	(50,613)
	current financial resources and therefore are not reported as expenditures in	
	the governmental funds.	
9,414,355		
(759,637)	Internal service funds are used by management to charge the costs of	(81,595)
	certain activities, such as maintenance, public works administration and	
	insurance to the individual funds. The net revenue (expense) of certain internal	
	service funds is reported with governmental activities.	
42,944		
-		
2,250,518	<i>Change in net assets of governmental activities</i>	<u>\$ 1,179,370</u>
(2,192,439)		
1,878		
102,901		
(656,736)		
6,857,779		
(17,523)		
\$ 6,183,520		

City of Poulsbo
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual
For the Year Ended December 31, 2004

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 4,409,590	\$ 4,519,590	\$ 4,427,911	\$ (91,679)
Licenses and Permits	275,190	275,190	378,535	103,345
Intergovernmental	117,722	150,285	167,997	17,712
Charges for Services	687,819	762,116	788,947	26,831
Fines and Forfeitures	74,750	74,750	104,247	29,497
Interest and Other Earnings	102,000	102,000	83,348	(18,652)
Miscellaneous	8,150	8,150	14,265	6,115
<i>Total Revenues</i>	<u>5,675,221</u>	<u>5,892,081</u>	<u>5,965,249</u>	<u>73,168</u>
Expenditures				
Current:				
General Government	1,967,262	2,052,568	1,958,761	93,807
Security of Persons & Property	1,821,050	1,863,510	1,799,933	63,577
Utilities and Environment	653,586	506,327	468,060	38,267
Economic Environment	431,400	626,012	565,891	60,121
Mental and Physical Health	11,892	11,892	10,767	1,125
Culture and Recreation	344,823	355,753	317,713	38,040
<i>Total Expenditures</i>	<u>5,230,013</u>	<u>5,416,062</u>	<u>5,121,124</u>	<u>294,938</u>
<i>Excess of Revenues Over Expenditures</i>	<u>445,208</u>	<u>476,019</u>	<u>844,125</u>	<u>368,106</u>
Other Financing Sources (Uses)				
Proceeds of Long Term Debt	-	-	5,000	5,000
Transfers in	67,275	169,947	169,947	0
Transfers out	(1,121,389)	(1,183,371)	(1,167,029)	16,342
Capital Leases	-	-	-	-
Disposal of Capital Assets	-	-	1,878	1,878
<i>Total Other Financing Sources (Uses)</i>	<u>(1,054,114)</u>	<u>(1,013,424)</u>	<u>(990,203)</u>	<u>23,221</u>
<i>Net Change in Fund Balance</i>	(608,906)	(537,405)	(146,078)	391,327
<i>Fund Balance Beginning of Year</i>	-	321,287	652,042	330,755
<i>Fund Balance End of Year</i>	<u>\$ (608,906)</u>	<u>\$ (216,118)</u>	<u>\$ 505,964</u>	<u>\$ 722,082</u>

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

City of Poulsbo
City Street Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual
For the Year Ended December 31, 2004

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenue				
License and Permits	\$ 1,000	\$ 1,000	\$ 3,750	\$ 2,750
Intergovernmental	99,051	99,051	98,551	(500)
Charges for Services	-	-	-	-
Interest and Other Earnings	3,250	3,250	6,169	2,919
Miscellaneous	5,500	5,500	-	(5,500)
<i>Total Revenues</i>	<u>108,801</u>	<u>108,801</u>	<u>108,470</u>	<u>(331)</u>
Expenditures				
Transportation				
Street Maintenance	491,925	594,298	566,679	27,619
Right of Way	-	-	-	-
Capital Outlay	-	-	-	-
<i>Total Expenditures</i>	<u>491,925</u>	<u>594,298</u>	<u>566,679</u>	<u>27,619</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(383,124)</u>	<u>(485,497)</u>	<u>(458,209)</u>	<u>27,288</u>
Other Financing Sources (Uses)				
Transfers in	563,617	711,117	693,745	(17,372)
Transfers out	(119,490)	(160,552)	(170,479)	(9,927)
Disposal of Capital Assets	-	-	-	-
<i>Total Other Financing Sources (Uses)</i>	<u>444,127</u>	<u>550,565</u>	<u>523,266</u>	<u>(27,299)</u>
<i>Net Change in Fund Balance</i>	61,003	65,068	65,057	(11)
<i>Fund Balance Beginning of Year</i>	<u>107,807</u>	<u>668,241</u>	<u>637,119</u>	<u>(31,122)</u>
<i>Fund Balance End of Year</i>	<u>\$ 168,810</u>	<u>\$ 733,309</u>	<u>\$ 702,176</u>	<u>\$ (31,133)</u>

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

City of Poulsbo
Recreation Activity Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual
For the Year Ended December 31, 2004

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Culture and Recreation				
Amusement and Recreation	\$ 414,000	\$ 381,000	\$ 370,747	\$ (10,253)
Pre-School Program Fees	60,000	60,000	62,473	2,473
Interest and Other Earnings	-	-	1,236	1,236
Miscellaneous	23,100	23,100	28,182	5,082
<i>Total Revenues</i>	<u>497,100</u>	<u>464,100</u>	<u>462,638</u>	<u>(1,462)</u>
Expenditures				
Culture and Recreation				
Administration	278,426	287,426	272,430	14,996
Amusement and Recreation	226,688	269,188	278,278	(9,090)
Pre-School Program Fees	47,924	47,924	44,231	3,693
<i>Total Expenditures</i>	<u>553,038</u>	<u>604,538</u>	<u>594,939</u>	<u>9,599</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(55,938)</u>	<u>(140,438)</u>	<u>(132,301)</u>	<u>8,137</u>
Other Financing Sources (Uses)				
Transfers in	110,402	116,883	116,883	-
Transfers Out	-	-	-	-
<i>Total Other Financing Sources (Uses)</i>	<u>110,402</u>	<u>116,883</u>	<u>116,883</u>	<u>-</u>
<i>Net Change in Fund Balance</i>	54,464	(23,555)	(15,418)	8,137
<i>Fund Balance Beginning of Year</i>	<u>211,149</u>	<u>4,498</u>	<u>23,356</u>	<u>18,858</u>
<i>Fund Balance End of Year</i>	<u>\$ 265,613</u>	<u>\$ (19,057)</u>	<u>\$ 7,938</u>	<u>\$ 26,995</u>

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

City of Poulsbo
Statement of Net Assets
Proprietary Funds
December 31, 2004

	Business-type Activities Enterprise Funds				Internal Service Funds
	Water Sewer	Solid Waste	Storm Drain	Total	
Assets					
Current Assets:					
Cash and Cash Equivalents	\$ 22,629	\$ 7,699	\$ 9,188	\$ 39,516	\$ 10,663
Investments	2,857,649	656,575	1,558,382	5,072,606	379,153
Accounts Receivable	244,099	102,209	45,934	392,242	880
Due from other Governments	-	-	-	-	-
Inventories	33,321	-	-	33,321	2,650
Total Current Assets	3,157,698	766,483	1,613,505	5,537,686	393,345
Noncurrent Assets:					
Restricted cash, cash equivalents, and investments:					
Custodial trust funds	-	-	-	-	-
Revenue bond covenant investment	474,281	-	-	474,281	-
Total restricted assets	474,281	-	-	474,281	-
Deferred Charges	58,853	-	-	58,853	-
Capital Assets:					
Land	243,658	162	44,773	288,593	-
Buildings and Structures	319,214	-	-	319,214	-
Other Improvements	22,997,456	-	2,800,146	25,797,602	32,424
Machinery and Equipment	911,219	566,958	12,288	1,490,465	72,708
Construction in Progress	878,792	-	63,559	942,351	-
Less: Accumulated Depreciation	(5,304,119)	(465,450)	(336,861)	(6,106,430)	(56,573)
Total capital assets (net of accumulated depreciation)	20,046,220	101,670	2,583,906	22,731,796	48,558
Total Noncurrent Assets	20,579,354	101,670	2,583,906	23,264,930	48,558
Total Assets	23,737,052	868,153	4,197,411	28,802,616	441,904
Liabilities					
Current Liabilities					
Accounts payable	86,700	36,243	1,414	124,357	25,081
Custodial	9,984	-	-	9,984	-
Total Current Liabilities	96,684	36,243	1,414	134,342	25,081
Noncurrent Liabilities:					
Revenue bonds payable(net of unamortized discounts)	4,790,765	-	-	4,790,765	-
Accrued interest payable	107,586	-	-	107,586	-
Compensated absences	27,372	14,850	8,374	50,595	47,654
Due to Other Governmental Units	504,326	-	-	504,326	-
Total Noncurrent Liabilities	5,430,049	14,850	8,374	5,453,272	47,654
Total Liabilities	5,526,733	51,093	9,787	5,587,614	72,735
Net Assets					
Invested in capital assets, net of related debt	14,169,261	101,670	2,583,906	16,854,837	48,558
Restricted for debt service	474,281	-	-	474,281	-
Unrestricted	3,566,777	715,390	1,603,717	5,885,884	320,610
Total net assets	\$ 18,210,319	\$ 817,060	\$ 4,187,623	\$ 23,215,002	\$ 369,168

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

Total business-type Internal Service Fund assets	146,352
Less total business-type Internal Service Fund liabilities	(67,677)
Net assets of business-type activities	<u>\$ 23,293,678</u>

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

City of Poulsbo
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
December 31, 2004

	Business-type Activities Enterprise Funds			Total	Internal Service Funds
	Water Sewer	Solid Waste	Storm Drain		
Operating revenues:					
Charges for services	\$ 2,814,902	\$ 1,087,416	\$ 522,782	\$ 4,425,100	\$ 897,895
Other operating revenues	81,278	7,038	3,465	91,781	7,030
<i>Total operating revenues</i>	<u>2,896,180</u>	<u>1,094,454</u>	<u>526,247</u>	<u>4,516,881</u>	<u>904,925</u>
Operating expenses:					
Administrative and General	380,706	122,275	136,371	639,351	906,552
Contracted Processing and Operations	838,167	677,291	64,228	1,579,686	8,237
Maintenance	98,889	2,861	10,627	112,378	3,439
Taxes	258,422	79,749	38,629	376,800	-
Depreciation	426,591	53,610	65,381	545,581	13,891
<i>Total operating expenses</i>	<u>2,002,775</u>	<u>935,785</u>	<u>315,236</u>	<u>3,253,797</u>	<u>932,120</u>
<i>Operating income (loss)</i>	<u>893,405</u>	<u>158,668</u>	<u>211,011</u>	<u>1,263,084</u>	<u>(27,195)</u>
Nonoperating revenues (expenses):					
Interest and other earnings	24,879	3,851	12,821	41,551	3,927
Interest expense	(255,104)	-	-	(255,104)	-
Amortization of Debt Issue Costs	(7,100)	-	-	(7,100)	-
Gain (loss) on disposition of capital assets	-	-	-	-	-
Other nonoperating revenues (expenses)	-	-	-	-	(58,079)
<i>Total Nonoperating Revenue(expenses)</i>	<u>(237,325)</u>	<u>3,851</u>	<u>12,821</u>	<u>(220,653)</u>	<u>(54,152)</u>
<i>Income(loss) before contributions</i>	656,080	162,519	223,832	1,042,431	(81,347)
Capital Contributions -tap fees	353,258	-	23,091	376,349	-
Capital Contributions -Developers	302,366	-	193,560	495,926	-
<i>Change in net assets</i>	1,311,704	162,519	440,483	1,914,706	(81,347)
<i>Total Net Assets Beginning of Year</i>	<u>17,059,101</u>	<u>655,851</u>	<u>3,749,806</u>		<u>453,811</u>
Prior Year Adjustment	(160,486)	(1,310)	(2,665)		(3,296)
<i>Total Net Assets End of Year</i>	<u>\$ 18,210,319</u>	<u>\$ 817,060</u>	<u>\$ 4,187,623</u>		<u>\$ 369,168</u>

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

248

Change in Net Assets of Business-type Activities

\$ 1,914,954

City of Poulsbo
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2004

	Business-type Activities Enterprise Funds			Total	Internal Service Funds
	Water/ Sewer	Solid Waste	Storm Drain		
Cash Flows from Operating Activities					
Receipts from customers and users	\$ 2,937,908	\$ 1,092,444	\$ 524,686	\$ 4,555,038	\$ 905,337
Payments for interfund services provided	(6,306)	-	(38,629)	(44,935)	-
Payments to suppliers	(1,253,323)	(678,541)	(134,215)	(2,066,079)	(503,073)
Payments to employees	(307,416)	(206,179)	(73,426)	(587,021)	(390,462)
<i>Net cash provided (used) by operating activities</i>	<u>1,370,863</u>	<u>207,724</u>	<u>278,415</u>	<u>1,857,002</u>	<u>11,802</u>
Cash Flows From Noncapital Financing Activities					
Transfers in (out) to other funds	-	-	-	-	(58,079)
<i>Net cash provided (used) by noncapital and related financing activities</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(58,079)</u>
Cash Flows from Capital and Related Financing Activities					
Capital contributions	353,258	-	23,091	376,349	-
Purchase of capital assets	(458,630)	-	-	(458,630)	-
Acquisition and construction of capital assets	-	-	(41,580)	(41,580)	-
Principal paid on capital debt	(310,848)	-	-	(310,848)	-
Interest paid on capital debt	(259,375)	-	-	(259,375)	-
Proceeds from Disposition of capital assets	-	-	-	-	-
<i>Net cash provided (used) by capital and related financing activities</i>	<u>(675,594)</u>	<u>-</u>	<u>(18,489)</u>	<u>(694,084)</u>	<u>-</u>
Cash Flows from Investing Activities					
Proceeds from sales and maturities of investments	1,113,778	31,093	18,138	1,163,008	172,207
Purchase of investment	(2,385,259)	(357,479)	(442,685)	(3,185,423)	(171,744)
Interest and dividends received	36,011	6,070	15,259	57,340	7,798
<i>Net cash used by investing activities</i>	<u>(1,235,470)</u>	<u>(320,317)</u>	<u>(409,287)</u>	<u>(1,965,074)</u>	<u>8,260</u>
<i>Net increase in cash and cash equivalents</i>	(540,201)	(112,593)	(149,361)	(802,155)	(38,017)
<i>Cash and cash equivalents Beginning of Year</i>	<u>562,830</u>	<u>120,291</u>	<u>158,550</u>	<u>841,671</u>	<u>48,680</u>
<i>Cash and cash equivalents End of Year</i>	<u>\$ 22,629</u>	<u>\$ 7,699</u>	<u>\$ 9,188</u>	<u>\$ 39,516</u>	<u>\$ 10,663</u>

City of Poulsbo
Statement of Cash Flows
Proprietary Funds (continued)
For the Year Ended December 31, 2004

	Business-type Activities Enterprise Funds			Total	Internal Service Funds
	Water/ Sewer	Solid Waste	Storm Drain		
Reconciliation of operating income to net cash provided (used) by operating activities					
<i>Operating Income (Loss)</i>	\$ 893,405	\$ 158,668	\$ 211,011	\$ 1,263,084	\$ (27,195)
Adjustments to reconcile operating income to net cash provided (used) by operating activities					
Depreciation	426,591	53,610	65,381	545,581	13,891
(Increase) decrease in accounts receivable	46,625	(2,009)	(1,561)	43,054	413
(Increase) decrease in inventories	442	-	-	442	1,227
Increase (decrease) in accounts payable	7,154	1,692	721	9,567	20,550
Increase (decrease) in Custodial Funds	(4,897)	-	-	(4,897)	-
Increase (decrease) in compensated absences payable	1,543	(4,236)	2,864	171	2,916
<i>Total Adjustments</i>	477,458	49,056	67,404	593,918	38,997
 <i>Net Cash Provided By Operating Activities</i>	 <u>\$ 1,370,863</u>	 <u>\$ 207,724</u>	 <u>\$ 278,415</u>	 <u>\$ 1,857,002</u>	 <u>\$ 11,802</u>

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

City of Poulsbo
Statement of Fiduciary Net Assets
Agency Funds
December 31, 2004

	Agency Funds
Assets	
Cash and cash equivalents	\$ 33,939
Investments	14,375
Accounts receivable	39
<i>Total Assets</i>	<u>48,353</u>
Liabilities	
Custodial funds	17,448
Due to Other Governmental Units	30,905
<i>Total Liabilities</i>	<u>\$ 48,353</u>
Net Assets	<u><u>\$ -</u></u>

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

CITY OF POULSBO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

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

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

1. Component Units:

In 1990, the City of Poulsbo created the Poulsbo Public Development Authority (PPDA) to undertake, assist and otherwise facilitate the acquisition, construction, development, equipping, leasing, operation and maintenance of a community educational center known as the Marine Science Center. The Authority was an independent legal entity exclusively responsible for its own debts, obligations and liabilities. All liabilities incurred by the Authority shall be satisfied exclusively from the assets and credit of the Authority. Management of all Authority affairs shall reside in the board composed of seven members. According to GASB 14, the PPDA meets the criteria to be included in the City of Poulsbo's financial statements as a component unit. City of Poulsbo Ordinance #90-04, that created the corporation, states the composition of the seven member board will be as follows: Mayor of the City of Poulsbo, three members of the Poulsbo City Council, one member designated by the North Kitsap School District, one member designated by the Port of Poulsbo, and one member who shall be a resident of the City and chosen by the City Council. The Mayor, along with the three Council members, becomes the voting majority of the corporation and, in being so, can therefore impose their will on the corporation.

In 1994, the City also created the Industrial Development Corporation (IDC). The IDC is a public corporation whose purpose is to issue tax-exempt non-recourse revenue bonds to finance industrial development within the city limits. The Corporation may construct and maintain industrial facilities, which it then would lease or sell to industrial users. Revenue bonds issued by the corporation are payable from revenues of the industrial development facility funded by the revenue bonds. To date, no bonds have been issued by the IDC. According to GASB 14, the IDC meets the criteria to be included in the City of Poulsbo's financial statements as a component unit. City of Poulsbo Ordinance #94-10, that approved the charter and by-laws of the corporation, states the Poulsbo City Council will serve as the corporation's board of directors. Thereby, the Council becomes the voting majority of the corporation and, in being so, can therefore impose their will on the corporation.

CITY OF POULSBO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Both of these component units were dissolved in April 2004 with ordinance no. 2004-08 dissolving PPDA's authority and ordinance no. 2004-09 dissolving IDC. In the past, component units had been presented in the financial statements. However, the activity for 2004 was determined to be non-material and so not reflected. The remaining cash balances of IDC and PPDA totaling \$96,626 have been deposited into the City's general governmental funds.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

1. Government-wide Financial Statements

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

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

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

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

2. Fund Financial Statements

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

CITY OF POULSBO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

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

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

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

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

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

The City reports the following major governmental funds:

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

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

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

The *Street Reserve Fund* is used to fund capital street projects using resources from property taxes, grants and transfers from the City Street Fund.

The City reports the following major proprietary funds:

The *Water/Sewer Fund* accounts for operations of providing water and sewer services. Its revenues are mostly received from service charges and system connection charges. Expenses are for maintenance and extensions of drainage, water and sewer service facilities, operating a water supply system, maintaining sewer collection and transmission systems and operating a water storage and

CITY OF POULSBO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

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

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

Additionally, the City reports the following fund types:

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

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

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

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

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

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

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

Agency funds are custodial in nature and are used to account for assets held in an agency capacity for others. All assets reported in agency funds are offset by a liability to another party on whose behalf they are being held. Agency funds do not report results of operations.

Permanent Funds account for resources that are legally restricted to the extent that only the earnings, and not the principal, may be used for specific purposes that support the City's programs and benefit the City and its citizens. The City has one *Permanent fund*, the Bernice Borgen Beautification Fund. The fund accounts for a trust established from Ms. Borgen's estate of an original donation of \$90,002 in 2000 and an additional contribution of \$1,014 in 2002. Only the interest earned on this donation

CITY OF POULSBO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

can be used for beautification of the City. The City Council has the authority to determine what these expenditures will be. As of year-end, interest available for expenditure is \$13,029. This amount also represents the designated unrealized investment earnings.

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements so that expenses are not reported twice.. Business type activities receive services from governmental-type activities. In 2004, \$366,377 in expenses and the associated revenues has been eliminated from the governmental activities. The expenditures for these services are reflected in the business-type expenses.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 nonoperating revenues and expenses.

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

D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

1. Cash and Investments

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

All investments are stated at fair value as of December 31, 2004.

2. Receivables

The City of Poulsbo recognizes receivables in its various funds using the accounting basis required for that

CITY OF POULSBO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

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 2004.

The City levies a 6% utility tax on the revenues of its own enterprise funds (Water/Sewer, Solid Waste, and Storm Drain). On the fund statements, these taxes are recorded as an expense in enterprise funds, and as a revenue in the General Fund. On the Statement of Activities, the taxes are included with the interfund transfers. For 2004, these taxes totaled \$265,918.

Other interfund transfers at December 31, 2004 were as follows:

Transfers In:	Transfers Out:			
	General Fund	City Streets	Non-Major Gov'l	Total
General Fund	\$ -	\$ -	\$ 169,947	\$ 169,947
City Streets Fund	463,185	-	230,560	693,745
Recreation Activity Fund	116,883	-	-	116,883
Street Reserve Fund	54,146	35,924	10,844	100,914
Non-Major Gov'l Funds	532,814	134,555	501,659	1,169,029
Total Transfers	\$ 1,167,029	\$ 170,479	\$ 913,010	\$ 2,250,518

The City transfers a portion of the property taxes and state-shared revenues from the General Fund to the City Street Fund and non-major governmental funds. The non-major governmental funds transferred \$169,947 to the City Street Fund for a portion of the real estate excise tax revenues devoted to operating costs for city streets.

CITY OF POULSBO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

4. Amounts Due to and from Other Governmental Units

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

5. Inventories

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

a. Inventories are valued at cost using the average cost method. The costs of inventories in the governmental fund types are recorded as expenditures when consumed rather than when purchased.

b. In proprietary funds, a perpetual inventory is maintained in which the cost is capitalized when inventory items are purchased, and expensed when the item is consumed. The average cost method of valuation which approximates market is used to value the inventory. A physical inventory is taken at year-end.

6. Deferred Charges

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

7. Restricted Assets

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

8. Capital Assets

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

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

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

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

CITY OF POULSBO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

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

9. Compensated Absences

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

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

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

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

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

10. Custodial Accounts

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

11. Accrued Liabilities and Long-Term Obligations

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

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

12. Deferred Revenues

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

CITY OF POULSBO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

13. Fund Reserves and Designations

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

14. Net Assets

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

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

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

MAY – JULY

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

JULY – AUGUST

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

SEPTEMBER – DECEMBER

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

DECEMBER

- Final review and adoption of budget
-

CITY OF POULSBO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

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

Annual appropriated budgets are adopted at the level of the fund and the budgets constitute the legal authority for expenditures at that level. Subsidiary revenue and expenditure records are used to compare the budgeted amounts with actual revenues and expenditures. As a management control device, the subsidiary ledgers monitor expenditures for individual functions and activities by object class. Transfers or revisions within funds that are less than \$2500 are allowed with executive approval. Legislative authority must approve supplemental, additional appropriations, or revisions \$2500 and greater. Annual appropriations for all funds lapse at year-end.

B. BUDGETARY COMPLIANCE

In 2004, there were no City funds that reported actual expenditures above budgeted appropriations. Though specific line items may be exceeded, no fund's appropriations can be legally exceeded. It should be noted, however, that the "Statement of Revenues, Expenditures and Changes in Fund Balances" including the comparisons of "Budget and Actual," could be misinterpreted due to its format and, by so doing, lead one to believe that budgeted expenditures have been exceeded. The City budgets not only expenditures but also "Other Financing Uses" and "Beginning Fund Balances" so as to maintain a budget balance between receipts and disbursements. By increasing expenditure appropriations by the budget values for these items, it can be seen that no City fund has exceeded its legally established appropriation. All budgets lapse at year-end.

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

C. DEFICIT FUND EQUITY

The City had no funds with deficit fund equity.

NOTE 3: DEPOSITS AND INVESTMENTS

A. DEPOSITS

As required by state statute, all investments and deposits of city funds are obligations of the U.S. Government, prime banker's acceptances, deposits with Washington State banks and savings and loan institutions with authorized securities as collateral.

On December 31, 2004, the carrying amount of the City's cash demand deposits with Frontier Bank was \$86,626. Petty cash on hand totaled \$4,925. In addition, the City held \$1,000,000 in Certificates of Deposits. The Federal Deposit Insurance Corporation (FDIC) insures the first \$100,000 of the City's demand deposits and separately insures the first \$100,000 in the aggregate of the City's time deposits and savings deposits. The remaining deposit balances are insured by the Washington Public Deposit Protection Commission (WPDPC). The WPDPC is a multiple financial institution collateral pool. State statute permits additional amounts to be assessed on a pro rata basis to members of the pool in the event the pool's collateral should be insufficient to cover a loss.

CITY OF POULSBO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

B. INVESTMENTS

On December 31, 2004, all City investments were categorized as Risk Category 1 as described in GASB Statement No. 3. The definition of Category 1 includes those investments that are insured, registered or held by the city, or its agent, in the city's name. All of the City's investments at year-end were held by the Trust Department of the City's depository bank in the City's name.

In compliance with GASB Statement No. 31, the City records the unrealized gains/losses on their investments at year-end. Investments are shown on the government-wide Statement of Net Assets at fair market value, or, for the State Investment Pool, at amortized cost. Investments are reported within the Cash and Investments of the governmental activities and within Cash and Cash Equivalents or within the Investments of business-type activities.

The City has \$8,377,291 invested in Washington State's Local Government Investment Pool (LGIP). The pool is managed by the Washington State Treasurer's Office. The LGIP is not SEC registered, but has oversight and monitoring as follows: 1) audited annually by the Office of the State Auditor; 2) audited annually by an outside, independent auditor; 3) an Advisory Committee meets quarterly to advise the State Treasurer on issues regarding the LGIP; 4) enclosures, which detail portfolio breakdown and earnings information, are provided to participants on a monthly basis; and, 5) quarterly newsletters that include a compliance report and quarterly financials are distributed. Financial reports are available at the State Treasurers Office, P.O. Box 40200, Olympia, Washington, 98504-2000.

The investment in the State Pool represents the fair value equal to the value of the pool shares. In addition to the pool investments, the City has the following investments, bringing the total investments to \$12,343,874:

Category 1

	Fair Value
U.S. Government Agency Securities	2,844,738
Certificates of Deposits	1,099,584
Miscellaneous Passbook Investments	22,262
	<u>3,966,584</u>

NOTE 4: PROPERTY TAXES

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

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

- Washington State RCW 84.55.010 limits the growth of regular property taxes to six percent per year, after adjustments for new construction. If the assessed valuation increases by more than six percent, due to revaluation, the levy rate will be decreased. Since the City of Poulsbo is a taxing district under 10,000 population, it is able to continue to raise their levy by an amount up to six percent with a simple majority vote and no requirement of a finding of "substantial need" as included in Referendum 47 for

CITY OF POULSBO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

larger jurisdictions.

- The Washington State Constitution limits the total regular property taxes to one percent of assessed valuation, or \$10 per \$1,000 of value. If the taxes of all districts exceed this amount, each is proportionately reduced until the total is at or below the one percent limit.
- Washington State Voter Initiation 747, which passed in November 2001, limits property taxes for taxing jurisdictions under 10,000 in population to 1% over the previous year's levy.

For 2004, the City's levy for general governmental services was \$1.70879 per \$1,000 on the assessed valuation of \$640,301,848 for a total of \$1,094,140. Also levied, was \$.25144 per \$1,000 on the assessed valuation of \$632,101,997 for a general obligation debt bond levy totally \$158,934.

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	The 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	The second installment is due

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

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

NOTE 5: CAPITAL ASSETS

All reported capital assets of the City are depreciated. Improvements are depreciated over the remaining

CITY OF POULSBO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

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, 2004, was as follows:

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
Governmental Activities				
Capital assets, not being depreciated:				
Land and Work in Progress	\$ 9,666,951	\$ 2,202,114	\$ (76,157)	\$ 11,792,907
Capital assets, being depreciated:				
Buildings	3,726,816	-	-	3,726,816
Other Improvements	499,492	6,319	(7,891)	497,921
Machinery and Equipment	1,690,166	103,185	(449,921)	1,343,430
Infrastructure *	<u>11,529,033</u>	<u>285,319</u>	-	<u>11,814,352</u>
Total capital assets being depreciated	<u>17,445,506</u>	<u>394,824</u>	<u>(457,811)</u>	<u>17,382,518</u>
Less accumulated depreciation for:				
Buildings	(1,594,448)	(113,436)	-	(1,707,884)
Other Improvements	(210,920)	(36,369)	3,472	(243,817)
Machinery and Equipment	(1,218,932)	(155,903)	369,481	(1,005,354)
Infrastructure *	<u>(2,650,634)</u>	<u>(426,362)</u>	\$ -	<u>(3,076,995)</u>
Total accumulated depreciation	<u>(5,674,933)</u>	<u>(732,070)</u>	<u>372,952</u>	<u>(6,034,050)</u>
Total capital assets, being depreciated, net	<u>11,770,573</u>	<u>(337,247)</u>	<u>(84,859)</u>	<u>11,348,467</u>
Governmental activity capital assets, net	<u>\$ 21,437,523</u>	<u>\$ 1,864,868</u>	<u>\$ (161,016)</u>	<u>\$ 23,141,375</u>

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

Governmental activities:		
General Government		\$ 101,382
Security of Persons and Property		80,307
Utilities and Environment		10,694
Transportation		448,686
Economic Environment		16,788
Culture and Recreation		74,064
Capital assets held by the government's internal service funds are		
charged to the various functions based on their usage of the assets		<u>149</u>
Total depreciation expense - governmental activities		<u>\$ 732,070</u>

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
Business-type activities				

CITY OF POULSBO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Capital assets, not being depreciated:				
Land	\$ 288,593	\$ -	\$ -	288,593
Construction in progress	<u>633,702</u>	<u>308,649</u>	<u> </u>	<u>942,351</u>
Total capital assets, not being depreciated	922,295	308,649	0	1,230,944
Capital assets, being depreciated:				
Buildings	331,095	-	(11880.58)	319,214
Other Improvements	25,140,856	714,995	(23,652)	25,832,199
Machinery and Equipment	1,717,137	15,402	(180,539)	1,552,000
Infrastructure	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total capital assets being depreciated	27,189,088	730,397	(216,072)	27,703,413
Less accumulated depreciation for:				
Buildings	(211,326)	(5,463)	5,199	(211,589)
Other Improvements	(4,309,215)	(465,214)	13,579	(4,760,851)
Machinery and Equipment	(1,236,297)	(88,647)	143,381	(1,181,563)
Infrastructure	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total accumulated depreciation	(5,756,838)	(559,324)	162,159	(6,154,003)
Total capital assets, being depreciated, net	<u>21,432,250</u>	<u>171,073</u>	<u>(53,914)</u>	<u>21,549,410</u>
Business-type activity capital assets, net	<u>\$ 22,354,545</u>	<u>\$ 479,722</u>	<u>\$ (53,914)</u>	<u>\$ 22,780,353</u>
Business-type activities:				
Water/Sewer		\$ 426,591		
Solid Waste		53,610		
Storm Drain		65,381		
Public Works Administration		<u>13,743</u>		
Total depreciation expense - business-type activities		<u>\$ 559,324</u>		

NOTE 6: EMPLOYEE RETIREMENT AND PENSION PLANS

Substantially, all of the City of Poulsbo's full-time and qualifying part-time employees participate in one of the State's retirement systems described below. The cost-sharing multiple-employer defined benefit public employee retirement plans are administered by the Washington State Department of Retirement Systems (DRS). DRS, a department within the primary government of the State of Washington, issues a publicly available CAFR that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained from the Department of Retirement Systems, Administrative Services Division, P.O. Box 48380, Olympia, WA 98504-8380. The following disclosures are made pursuant to GASB Statement 27, *Accounting for Pensions by State and Local Government Employers*.

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

1. PERS Plan Descriptions:

PERS is a cost-sharing multiple-employer retirement system comprised of three separate plans for

CITY OF POULSBO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

membership purposes: Plan 1 and 2 are defined benefit plans and Plan 3 is a combination defined benefit/defined contribution plan. Membership in the plan includes elected officials; state employees; employees of the Supreme, Appeals and Superior courts (other than judges in a judicial retirement system); employees of legislative committees; community and technical colleges, college and university employees (not in national higher education retirement programs); judges of district and municipal courts; and employees of local governments. PERS participants who joined the system by September 30, 1977, are Plan 1 members. Those joined on or after October 1, 1977 and by either, February 28, 2002 for state and higher education employees, or August 31, 2002 for local government employees, are Plan 2 members unless they exercise an option to transfer their membership to Plan 3. PERS participants joining the system on or after March 1, 2002 for state and higher education employees, or September 1, 2002 for local government employees have the option of choosing membership in either PERS Plan 2 or PERS Plan 3. The option must be exercised within 90 days of employment. An employee is reported in Plan 2 until a choice is made. Employees who fail to choose within 90 days default to PERS Plan 3. PERS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions. PERS retirement benefit provisions are established in state statute and may be amended only by the State Legislature.

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

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

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

There were 1,168 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of September 30, 2003:

Retirees and Beneficiaries Receiving Benefits	65,362
Terminated Plan Members Entitled To But Not Yet Receiving Benefits	20,001

CITY OF POULSBO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Active Plan Members Vested	100,469	
Active Plan Members Non-vested	54,081	
Total	239,913	

2. PERS Funding Policy:

Each biennium, the State Pension Funding Council adopts Plan 1 employer contribution rates, Plan 2 employer and employee contribution rates, and Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at 6 percent for state agencies and local government unit employees, and 7.5 percent for state government elected officers. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. All employers are required to contribute at the level established by the Legislature. PERS Plan 3 defined contribution is a non-contributing plan for employers. Employees who participate in the defined contribution portion of PERS Plan 3 do not contribute to the defined benefit portion of PERS Plan 3. The Employee Retirement Benefits Board set Plan 3 employee contribution rates. Six rate options are available ranging from 5 to 15 percent; two of the options are graduated rates dependent on the employee's age. The methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.40 and 41.45 RCW.

The required contribution rates expressed as a percentage of current year covered payroll, as of December 31, 2004 were:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer*	1.38%	1.38%	1.38%**
Employee	6.00%	1.18%	***

*The employer rates include the employer administrative expense fee currently set at 0.19%.

** Plan 3 defined benefit portion only.

***Variable from 5.0% minimum to 15.0% maximum based on rate selected by the PERS 3 member.

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

	PERS Plan 1	PERS Plan 2	PERS Plan 3
2004	\$3,146	\$29,979	\$8,004
2003	\$4,288	\$29,469	\$5,727
2002	\$5,914	\$34,792	\$263

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

1. LEOFF Plan Description:

LEOFF is a cost-sharing multiple-employer retirement system comprised of two separate defined benefit plans. Membership in the system includes all full-time, fully compensated, local law enforcement officers and

CITY OF POULSBO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

firefighters. LEOFF is comprised primarily of non-state employees. LEOFF participants who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 are Plan 2 members. Effective January 1, 2003 firefighter emergency medical technicians (EMTs) may transfer PERS Plan 1 or Plan 2 service credit to LEOFF Plan 2 if while employed for the city, town, county or district. LEOFF defined benefits are financed from a combination of investment earnings, employer and employee contributions and a special funding situation in which the state pays the remainder through state legislative appropriations. LEOFF retirement benefit provisions are established in state statute and may be amended only by the state legislature.

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

Term of Service	Percent of Final Average
20 or more years	2.0%
10 but less than 20 years	1.5%
5 but less than 10 years	1.0%

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

Plan 2 retirement benefits are vested after an employee completes five years of eligible service. Plan 2 members may retire at the age of 50 with 20 years of service, or at the age of 53 with five years of service, with an allowance of 2 percent of the final average salary per year of service. The final average salary is based on the highest consecutive 60 months. Plan 2 retirements prior to the age of 53 are reduced 3 percent for each year that the benefit commences prior to age 53. There is no cap on years of service credit; and a cost-of-living allowance is granted (indexed to the Seattle Consumer Price Index), capped at 3 percent annually.

There are 359 participating employers in LEOFF. Membership in LEOFF consisted of the following as of the latest actuarial valuation date for the plans of September 30, 2003:

Retirees and Beneficiaries Receiving Benefits	8,370
Terminated Plan Members Entitled To But Not Yet Receiving Benefits	453
Active Plan Members Vested	11,548
Active Plan Members Non-vested	4,003
Total	24,374

2. LEOFF Funding Policy:

Starting on July 1, 2000, Plan 1 employers and employees will contribute zero percent as long as the plan remains fully funded. Employer and employee contribution rates are developed by the Office of the State Actuary to fully fund the plan. Plan 2 employers and employees are required to pay at the level adopted by the Department of Retirement Systems in accordance with Chapter 41.45 RCW. All employers are required to

CITY OF POULSBO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

contribute at the level required by state law. The Legislature, by means of a special funding arrangement, appropriated money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the requirements of the Pension Funding Council. However, this special funding situation is not mandated by the state constitution and this funding requirement could be returned to the employers by a change of statute. The methods used to determine the contribution rates are established under state statute in accordance with chapter 41.26 and 41.45 RCW.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2004 were as follows:

	LEOFF Plan 1	LEOFF Plan 2
Employer*	0.19%	3.25%
Employee	0.00%	5.09%
State	n/a	2.03%

*The employer rates include the employer administrative expense fee currently set at 0.19%.

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

	LEOFF Plan 1	LEOFF Plan 2
2004	\$ -0-	\$31,889
2003	\$ -0-	\$30,322
2002	\$ -0-	\$27,817

NOTE 7: RISK MANAGEMENT

A. RISK POOL

The City of Poulsbo is a member of the Association of Washington Cities Risk Management Service Agency (AWC RMSA). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC RMSA was formed on January 1, 1989 when 32 municipalities in the State of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 31, 2004, 64 municipalities participate in the pool.

The AWC RMSA allows members to establish a program of joint insurance and provides risk management services to all members. All coverages are on an occurrence basis. The AWC RMSA provides all risk

CITY OF POULSBO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

property, comprehensive crime, general liability, automobile liability, police liability, public officials liability, employee fidelity and faithful performance, and boiler and machinery coverage. Boiler and machinery coverage and employee fidelity coverage are stand-alone policies that the AWC RMSA arranges for its members. The AWC RMSA also allows members to group purchase airport liability coverages.

Members pay an annual assessment to the AWC RMSA. The AWC RMSA is responsible for payment of all covered causes of loss against the jurisdiction above the stated retention. AWC RMSA, itself, pays out of its own funds all claims up to \$300,000 for liability and \$25,000 for property and thereafter purchases excess liability insurance through NLC Mutual Insurance Company, up to \$1 million, and CV Starr, from \$1 million to \$5 million. The first \$50 million in excess property coverage is purchased through Westchester Surplus Lines Insurance Company using the Pool's broker, Willis of Seattle, Inc. Since the AWC RMSA is a cooperative program, the members of the AWC RMSA are jointly liable.

Members contract to remain in the pool a minimum of one year and must give one-year notice before terminating participation. The Interlocal Governmental Agreement is renewed automatically each year. Even after termination, a member is still responsible for contributions to the Pool for any unresolved, unreported, and in-process claims for the period they were a signatory to the Interlocal Governmental Agreement. A board of directors serving ex-officio as the AWC Board of Directors governs the Pool.

The AWC RMSA establishes a loss fund for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. The specific financials of the AWC RMSA can be seen in the Annual Report on file with the City of Poulsbo.

B. EMPLOYEE MEDICAL REIMBURSEMENT PLAN

For the Police Association the City purchases a KPS plan with a \$500 deductible and then self-insures the portion of the deductible between \$100 and \$500. Each employee and their dependants covered by KPS are eligible for an annual reimbursement of up to \$320 ($\{ \$500 - \$100 = \$400 \} \times 80\%$). The reimbursement is for charges over the \$100 deductible, and under the \$500 amount, that would have been covered under the KPS \$100 deductible plan. The reimbursement plan has a three-dependent per family maximum that mirrors KPS's maximum out-of-pocket component.

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

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

NOTE 8: CONSTRUCTION COMMITMENTS

At December 31, 2004 the City had eight significant contractual obligations as follows:

Spent	Remaining
-------	-----------

CITY OF POULSBO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

	To Date	Commitment
Anderson Parkway Waterfront Bulkhead	12,210	2,801
Stormwater Comprehensive Plan	36,669	28,331
Caldart Avenue Road and Signal	1,150,778	40,214
Total	\$ 1,199,657	\$ 71,346

NOTE 9: LONG-TERM DEBT AND CAPITAL LEASES

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, 2004, the governmental long-term debt of the City consisted of the following:

Issuance Date	Purpose	Original Issue	Interest Rates	Maturity Date	Debt Outstanding
1997	Unlimited GO Bonds: Issued to provide funds in an irrevocable trust to refund a portion of the 1988 GO Bonds, which were issued to provide funds for a new Fire Station building.	\$1,195,000	4.10 - 5.45%	2008	\$580,000
2002	Limited GO Refunding Bonds: Issue for the purpose of refunding certain outstanding bond of the PPDA (Marine Science Center)	\$255,000	2.5 - 4.8%	2011	\$205,000
2003	Unlimited GO Bonds: Issued to provide funds to payoff the Morris property/Muni campus loan and to fund three transportation projects. The transportation money will be used to improve Finn Hill Rd, Caldart Ave and 10th Avenue.	\$2,505,000	1.10-4.55%	2022	\$2,240,000
Total					\$3,025,000

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

As of December 31, 2004, the long-term debt payable from proprietary fund resources consisted of the following:

Issuance Date	Purpose	Original Issue	Interest Rates	Maturity Date	Debt Outstanding
1997	Sewer Revenue Bonds	\$1,145,000	4.15 - 5.30%	2007	\$405,000

CITY OF POULSBO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

1998	Water/Sewer Revenue Bonds	\$4,810,000	3.75 - 4.95%	2017	\$4,425,000
				Total	\$4,830,000

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 three such loans. The first PWTF loan of \$869,025, which is being repaid from the Water/Sewer Fund, was used for the Jensen Way sewer improvements. The second PWTF loan of \$1,412,514, which will be repaid from governmental funds, is for Front Street reconstruction. The third PWTF loan of \$50,000 was used to perform a comprehensive traffic study to update the cities comprehensive traffic plan. In 2004, payments for interest of \$53,447 and principal retirement of \$118,194 were made.

As of December 31, 2004, the long-term debt payable for PWTF loans consisted of the following:

Issuance Date	Purpose	Original Issue	Interest Rates	Maturity Date	Debt Outstanding
1995	Sewer Improvements to Jensen Way	\$869,025	3.0%	2015	\$504,325
2000	Street Improvements to Front Street	\$1,412,514	3.0%	2020	\$1,195,477
2003	Traffic Study for Comprehensive Plan	\$50,000	0.0%	2009	\$50,000
				Total	\$1,749,802

C. ADVANCED REFUNDING

The City has two bond issues that have been refunded in prior years with defeased bonds left outstanding. The 1992 Water/Sewer revenue bonds were partially refunded in 1998. The 1988 General Obligation bonds were fully refunded in 1997. Refunded proceeds were placed in irrevocable trusts. The assured cash flow from these trust funds is sufficient to pay all principal and interest on these bonds as they become due. Accordingly, these bonds and the corresponding liabilities are not reflected in the accompanying financial statements. The following outstanding bonds, at December 31, 2004, were considered defeased:

	<u>Amount</u>
Primary government	\$ 580,000
Business-type Activity	1,155,000

D. DEBT SERVICE REQUIREMENTS TO MATURITY FOR PRIMARY GOVERNMENT

Year Ended December 31	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2005	382,346	149,270	325,848	244,645
2006	387,346	136,711	340,848	229,671

CITY OF POULSBO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

2007	387,346	123,176	350,848	213,841
2008	407,346	108,581	365,848	201,279
2009	252,346	97,166	375,848	185,153
2010-2014	1,076,729	366,364	2,144,239	655,556
2015-2019	891,729	200,356	1,430,848	140,498
2020-2022	447,346	36,750	-	-
Total	<u>\$ 4,232,533</u>	<u>\$ 1,218,375</u>	<u>\$ 5,334,325</u>	<u>\$ 1,870,643</u>

E. LONG-TERM LIABILITIES

1. Long-term liability activity:
Long-term liability activity for the year ended December 31, 2004, was as follows:

Primary Government

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Governmental Activities				
Bonds payable:				
General obligation bonds	\$ 3,300,000	\$ -	\$ 275,000	\$ 3,025,000
Unamortized Bond Discount	(24,635)	-	(1,909)	(22,727)
Total bonds payable	3,275,365	-	273,091	3,002,273
Capital Leases & Contracts	1,261	-	1,261	-
Compensated Absences	560,693	6,786	-	567,479
Governmental activity long-term liabilities	<u>\$ 3,837,319</u>	<u>\$ 6,786</u>	<u>\$ 274,353</u>	<u>\$ 3,569,752</u>

Business-type Activities

Bonds payable:				
Revenue Bonds	\$ 5,095,000	\$ -	\$ 265,000	\$ 4,830,000
Less Unamortized Discount on	(43,354)	-	(4,119)	\$ (39,235)
Total bonds payable	5,051,646	-	260,881	4,790,765
Compensated Absences	105,085	4,407	15,516	93,977
Business-type activity long- term liabilities	<u>\$ 5,156,731</u>	<u>\$ 4,407</u>	<u>\$ 276,396</u>	<u>\$ 4,884,742</u>

2. Liabilities due within one year:

Date of Issue	<i>Liabilities Due Within One Year - Governmental Activities</i>	Due within one year
1997	Unlimited GO Bonds: Issued to provide funds in an irrevocable trust to refund a portion of the 1988 GO Bonds, which were issued to provide funds for a new Fire Station building.	\$ 135,000

CITY OF POULSBO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

2002	Limited GO Refunding Bonds: Issue for the purpose of refunding certain outstanding bond of the PPDA (Marine Science Center)	30,000
2003	Unlimited GO Bonds: Issued to provide funds to payoff the Morris property/Muni campus loan and to fund three transportation projects. The transportation money will be used to improve Finn Hill Rd, Caldart Ave and 10th Avenue.	135,000
	Unamortized Bond Discount	(1,909)
	Compensated Absences	56,748
Total Governmental Activities		\$ 354,839

Date of Issue	<i>Liabilities Due Within One Year - Business-Type Activities</i>	Due within one year
1997	Sewer Revenue Bonds	\$ 130,000
1998	Water/Sewer Revenue Bonds	150,000
	Unamortized Bond Discount	(4,119)
	Compensated Absences	9,398
Total Business-Type Activities		\$ 285,279

NOTE 10: CONTINGENCIES AND COMMITMENTS

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

As of December 31, 2004, there were a small number of claims for damages and lawsuits pending against the City. In the opinion of the City Attorney, however, neither the potential liability for any single claim or lawsuit, nor the aggregate potential liability arising from all actions currently pending would materially affect the financial condition of the City. Due to both their uncertainty and immateriality, no liabilities or estimated liabilities have been included in the City's financial statements.

The City's annexation to Fire District #18 in 1999 carried with it two contingencies. The first contingency is the City's obligation to continue paying off the General Obligation bonds for the Fire Hall which were originally issued in 1988 and refunded in 1997. The bonds outstanding as of year-end are \$580,000. The second contingency is to reimburse to the Fire District any leave cashed out by employees that was accrued before the annexation. The City's portion of the reimbursement is calculated at fifty percent of the cash out. The outstanding leave balances are included with the City's compensated absences.

The City also manages a small number of outstanding accounts receivable for the medic services incurred before annexation, paying the Fire District for their portion of the receipts.

NOTE 11: JOINT VENTURES

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

CITY OF POULSBO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

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

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

NOTE 12: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

In addition to pension benefits discussed in NOTE 7, the City of Poulsbo provides postretirement health care benefits in accordance with the RCW 41.26. These are lifetime medical care benefits or retired LEOFF I public safety employees. Under this requirement, coverage for eligible retirees is provided in the City's employee medical insurance program. The City pays the medical premiums for the retirees. Also, under authorization of the LEOFF I Disability Board, direct payment is also made for the retirees' necessary medical expenses not covered by the medical insurance. The City currently has three (3) LEOFF Plan I retirees.

The City fully funds the LEOFF I retirees post employment health benefits. The City's cost of providing the LEOFF I post retirement health care and benefits in 2004 were \$14,494 in premiums and \$3,998 in direct medical reimbursement to the retiree for medical expenses not covered by insurance.

The City provides post-employment healthcare benefits as mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). COBRA is fully funded by employees who elect coverage under the Act. The City incurs no direct costs for the program. Retired employees of the City may join the Group Health Cooperative retirees plan through the City as long as the employee pays the premiums.

NOTE 13: PRIOR PERIOD ADJUSTMENTS

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

Street Reserve Fund: \$(17, 523) – Reimbursement for overpayment of Dogfish Creek Bridge Grant.

Water/Sewer Utility Fund: \$(54,825) – M2 Correction for 2003 billing pro-rated share of the Viking Ave./Thompson Road project.

Water/Sewer Utility Fund: \$(84,201)-Silverwood Homes billing correction for Jameshire/Ashlund Meadows.

Public Works Administration Internal Service Fund: \$11,279 – Due to change in Liability for Compensated Absences.

Changed the threshold from \$1,000 to \$5,000 for determining fixed assets. The assets that did not meet the criteria were retired:

Water/Sewer Utility Fund: \$(21,461)

Solid Waste Utility Fund: \$(1,310)

Storm Drain Utility Fund: \$(2,665)

General Facilities Internal Service Fund: \$3,673

Public Works Administration Internal Service Fund: \$(10,902)

CITY OF POULSBO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Additional Governmental prior year adjustments required for full accrual reporting:

Prior year property tax adjustments	\$ (16,767)
Correction for 2003 Debt Issue	\$159,674

CITY OF POULSBO
Combining Statement – Nonmajor Funds’ Description
For the Year Ended December 31, 2004

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

The **Arterial Street Fund** accounts for the receipt and expenditure of the State-levied motor vehicle fuel taxes distributed to the City in accordance with State RCW 82.36.020. Revenues are used for construction, improvement, chip sealing, seal coating, and repair of arterial streets or for payment of related municipal indebtedness.

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

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

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

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

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

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

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

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

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

CITY OF POULSBO
Combining Statement – Nonmajor Funds’ Description
For the Year Ended December 31, 2004

Debt Service Funds

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

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

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

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

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

Capital Projects Funds

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

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

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

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

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

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

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

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

CITY OF POULSBO
Combining Statement – Nonmajor Funds’ Description
For the Year Ended December 31, 2004

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

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

The **Facilities Fund** was created 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 Bjorgen estate and related interest income. The interest portion of the trust can be used for the beautification of the City.

City of Poulsbo
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2004

	Special Revenue				
	Arterial Streets	Capital Improvements	Cumulative Reserve/Rev Stablization	Cumulative Reserve	Historic Downtown Poulsbo Association
Assets					
Cash and Cash Equivalents	\$ 230	\$ -	\$ -	\$ -	\$ -
Investments	50,406	673,453	1,246,337	359,518	20,605
Receivables					
Taxes	-	38,038	-	-	-
Accounts	-	-	-	-	-
Special Assesments	-	-	-	-	17,089
Due from Other Governments	-	-	-	-	-
<i>Total Assets</i>	<u>\$ 50,637</u>	<u>\$ 711,491</u>	<u>\$ 1,246,337</u>	<u>\$ 359,518</u>	<u>\$ 37,693</u>
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	-	-	679	-	5,988
Custodial Accounts	-	-	-	-	-
Deferred Revenue	-	-	-	-	13,447
<i>Total Liabilities</i>	<u>-</u>	<u>-</u>	<u>679</u>	<u>-</u>	<u>19,435</u>
Fund Balances					
Reserved fund balance for city beautification	-	-	-	-	-
Unreserved Fund Balance	50,637	711,491	1,245,658	359,518	18,258
<i>Total Fund Balance</i>	<u>50,637</u>	<u>711,491</u>	<u>1,245,658</u>	<u>359,518</u>	<u>18,258</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 50,637</u>	<u>\$ 711,491</u>	<u>\$ 1,246,337</u>	<u>\$ 359,518</u>	<u>\$ 37,693</u>

Special Revenue

Marine Science Center	Paths and Trails	Drug Enforcement	Transient Occupancy	Police Restricted Funds	Total Non-Major Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 230
159,062	3,763	2,744	58,749	83,420	2,658,057
-	-	-	-	-	38,038
3,000	-	742	-	-	3,742
-	-	-	-	-	17,089
-	-	1,251	-	-	1,251
<u>\$ 162,062</u>	<u>\$ 3,763</u>	<u>\$ 4,737</u>	<u>\$ 58,749</u>	<u>\$ 83,420</u>	<u>\$ 2,718,406</u>
-	-	-	359	90	7,116
-	-	-	-	-	-
-	-	-	-	-	13,447
<u>-</u>	<u>-</u>	<u>-</u>	<u>359</u>	<u>90</u>	<u>20,563</u>
-	-	-	-	-	-
162,062	3,763	4,737	58,390	83,330	2,697,844
<u>162,062</u>	<u>3,763</u>	<u>4,737</u>	<u>58,390</u>	<u>83,330</u>	<u>2,697,844</u>
<u>\$ 162,062</u>	<u>\$ 3,763</u>	<u>\$ 4,737</u>	<u>\$ 58,749</u>	<u>\$ 83,420</u>	<u>\$ 2,718,406</u>

City of Poulsbo
Combining Balance Sheet
Nonmajor Governmental Funds (continued)
December 31, 2004

	Debt Service				Total Non-Major Debt Service Funds
	Misc Governmental Debt	Non-Voted G.O. Debt	Voted G.O. Bonds	LID Fund	
Assets					
Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	133	2,631	181,674	18	184,456
Receivables					
Taxes	-	-	524	-	524
Accounts	-	1,000	-	-	1,000
Special Assesments	-	-	-	-	-
Due from Other Governments	-	-	-	-	-
<i>Total Assets</i>	<u>\$ 133</u>	<u>\$ 3,631</u>	<u>\$ 182,198</u>	<u>\$ 18</u>	<u>\$ 185,980</u>
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	-	25	25	-	51
Custodial Accounts	-	1,728	-	-	1,728
Deferred Revenue	-	1,000	-	-	1,000
<i>Total Liabilities</i>	<u>-</u>	<u>2,753</u>	<u>25</u>	<u>-</u>	<u>2,778</u>
Fund Balances					
Reserved fund balance for city beautification	-	-	-	-	-
Unreserved Fund Balance	133	878	182,173	18	183,202
<i>Total Fund Balances</i>	<u>133</u>	<u>878</u>	<u>182,173</u>	<u>18</u>	<u>183,202</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 133</u>	<u>\$ 3,631</u>	<u>\$ 182,198</u>	<u>\$ 18</u>	<u>\$ 185,980</u>

Capital Project

Equipment Acquisition	Park Reserve	Library Improvement	Recreation Reserve	Park Acquisition	Museum Reserve
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
297,647	81,311	41	4,187	141,430	5,825
-	-	-	-	-	-
-	46,769	-	-	-	-
-	-	-	-	-	-
-	44,841	-	-	-	-
<u>297,647</u>	<u>172,921</u>	<u>41</u>	<u>4,187</u>	<u>141,430</u>	<u>5,825</u>
-	3,791	-	-	-	-
-	921	-	-	-	-
-	-	-	-	-	-
-	4,712	-	-	-	-
-	-	-	-	-	-
297,647	168,209	41	4,187	141,430	5,825
<u>297,647</u>	<u>168,209</u>	<u>41</u>	<u>4,187</u>	<u>141,430</u>	<u>5,825</u>
<u>\$ 297,647</u>	<u>\$ 172,921</u>	<u>\$ 41</u>	<u>\$ 4,187</u>	<u>\$ 141,430</u>	<u>\$ 5,825</u>

City of Poulsbo
Combining Balance Sheet
Nonmajor Governmental Funds (continued)
December 31, 2004

	Capital Project			Total Non-Major Capital Project Funds
	Cemetery Reserve	Street Equipment Reserve	Facilities Fund	
Assets				
Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -
Investments	61,838	141,840	304,482	1,038,600
Receivables				
Taxes	-	-	-	-
Accounts	-	-	-	46,769
Special Assesments	-	-	-	-
Due from Other Governments	-	-	-	44,841
	-	-	-	-
<i>Total Assets</i>	<u>\$ 61,838</u>	<u>\$ 141,840</u>	<u>\$ 304,482</u>	<u>\$ 1,130,210</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	-	-	1,854	5,646
Custodial Accounts	-	-	-	921
Deferred Revenue	-	-	-	-
<i>Total Liabilities</i>	<u>-</u>	<u>-</u>	<u>1,854</u>	<u>6,566</u>
Fund Balances				
Reserved fund balance for city beautification	-	-	-	-
Unreserved Fund Balance	61,838	141,840	302,628	1,123,644
<i>Total Fund Balances</i>	<u>61,838</u>	<u>141,840</u>	<u>302,628</u>	<u>1,123,644</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 61,838</u>	<u>\$ 141,840</u>	<u>\$ 304,482</u>	<u>\$ 1,130,210</u>

<u>Permanent</u>	
<u>Bernice Borgen Beautification</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ 230
104,537	3,985,650
-	38,562
-	51,511
-	17,089
-	46,092
-	-
<u>\$ 104,537</u>	<u>\$ 4,139,134</u>
-	12,812
-	2,648
-	14,447
-	29,907
104,537	104,537
-	4,004,690
<u>104,537</u>	<u>4,109,227</u>
<u>\$ 104,537</u>	<u>\$ 4,139,134</u>

City of Poulsbo
Combining Statements of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For Year Ended December 31, 2004

	Special Revenue				
	Arterial Streets	Capital Improvements	Cumulative Reserve Revenue Stabilization	Cumulative Reserve	Historic Downtown Poulsbo Association
Revenues					
Taxes	\$ -	\$ 471,418	\$ -	\$ -	\$ -
Intergovernmental	46,079	-	-	-	-
Culture and Recreation	-	-	-	-	-
Charges for Services	-	-	-	104,015	-
Interest and Other Earnings	348	2,824	10,681	2,456	388
Fines and Forfeitures	-	-	-	-	-
Miscellaneous	-	-	-	-	55,179
<i>Total Revenues</i>	<u>46,428</u>	<u>474,243</u>	<u>10,681</u>	<u>106,471</u>	<u>55,567</u>
Expenditures					
Current:					
General Government	-	-	85,568	-	-
Security of Persons & Property	-	-	-	-	-
Utilities and Environment	-	-	-	-	-
Mental and Physical Health	-	-	-	-	-
Culture and Recreation	-	-	-	-	56,113
Debt Service	-	-	-	-	-
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Right of Way	-	-	-	-	-
Capital Outlay	-	-	-	-	-
<i>Total Expenditures</i>	<u>-</u>	<u>-</u>	<u>85,568</u>	<u>-</u>	<u>56,113</u>
<i>Excess of Revenues over Expenditures</i>	<u>46,428</u>	<u>474,243</u>	<u>(74,887)</u>	<u>106,471</u>	<u>(546)</u>
Other Financing Sources (Uses)					
Proceeds Gen Long Term Debt	-	-	-	-	-
Transfers In	-	-	120,723	-	-
Transfers Out	(46,334)	(518,372)	(67,606)	-	-
Disposal of Capital Assets	-	-	-	-	-
<i>Total Other Financing Sources and Uses</i>	<u>(46,334)</u>	<u>(518,372)</u>	<u>53,117</u>	<u>-</u>	<u>-</u>
<i>Net Change in Fund Balances</i>	93	(44,129)	(21,770)	106,471	(546)
<i>Fund Balances - Beginning</i>	<u>50,544</u>	<u>755,620</u>	<u>1,267,428</u>	<u>253,048</u>	<u>18,804</u>
<i>Fund Balances - Ending</i>	<u>\$ 50,637</u>	<u>\$ 711,491</u>	<u>\$ 1,245,658</u>	<u>\$ 359,518</u>	<u>\$ 18,258</u>

Special Revenue

Marine Science Center	Paths and Trails	Drug Enforcement	Transient Occupancy	Police Restricted Funds	Total Non-Major Special Revenue Funds
\$ -	\$ -	\$ -	\$ 114,287	\$ 83,421	\$ 669,126
-	-	6,420	-	14,682	67,181
-	-	-	-	-	-
-	-	-	-	-	104,015
874	86	33	700	1,262	19,652
-	-	612	-	-	612
144,511	-	905	-	798	201,393
<u>145,385</u>	<u>86</u>	<u>7,969</u>	<u>114,987</u>	<u>100,163</u>	<u>1,061,979</u>
-	-	-	-	-	85,568
-	-	10,116	-	5,814	15,930
-	-	-	-	-	-
-	-	-	-	-	-
17,040	-	-	122,182	-	195,335
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	40,869	40,869
<u>17,040</u>	<u>-</u>	<u>10,116</u>	<u>122,182</u>	<u>46,683</u>	<u>337,702</u>
<u>128,345</u>	<u>86</u>	<u>(2,147)</u>	<u>(7,195)</u>	<u>53,480</u>	<u>724,277</u>
-	-	-	-	-	-
-	723	-	-	-	121,446
(134,443)	(6,300)	-	-	(81,776)	(854,831)
-	-	-	-	-	-
<u>(134,443)</u>	<u>(5,577)</u>	<u>-</u>	<u>-</u>	<u>(81,776)</u>	<u>(733,385)</u>
(6,098)	(5,491)	(2,147)	(7,195)	(28,296)	(9,108)
168,159	9,253	6,884	65,585	111,625	2,706,951
<u>\$ 162,062</u>	<u>\$ 3,763</u>	<u>\$ 4,737</u>	<u>\$ 58,390</u>	<u>\$ 83,330</u>	<u>\$ 2,697,844</u>

City of Poulsbo
Combining Statement of Revenue, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds (continued)
For Year Ended December 31, 2004

	Debt Service				Total Non-Major Debt Service Funds
	Misc Governmental Debt	Non-Voted G.O. Debt	Voted G.O. Bonds	LID Fund	
Revenues					
Taxes	\$ -	\$ -	\$ 158,296	\$ (0)	\$ 158,296
Intergovernmental	-	-	-	-	-
Culture and Recreation	-	-	-	-	-
Charges for Services	-	-	-	-	-
Interest and Other Earnings	132	1,113	1,798	(620)	2,423
Fines and Forfeitures	-	-	-	-	-
Miscellaneous	-	10,635	-	-	10,635
<i>Total Revenues</i>	<u>132</u>	<u>11,748</u>	<u>160,095</u>	<u>(620.23)</u>	<u>171,354</u>
Expenditures					
Current:					
General Government	-	3	-	-	3
Security of Persons & Property	-	-	-	-	-
Utilities and Environment	-	-	-	-	-
Mental and Physical Health	-	-	-	-	-
Culture and Recreation	-	-	-	-	-
Debt Service	-	-	-	-	-
Principal	72,346	151,262	125,000	-	348,608
Interest	36,896	89,772	33,936	-	160,605
Bond Issuance Costs	-	833.66	329	-	1,162
Right of Way	-	-	-	-	-
Capital Outlay	-	-	-	-	-
<i>Total Expenditures</i>	<u>109,242</u>	<u>241,871</u>	<u>159,265</u>	<u>-</u>	<u>510,378</u>
<i>Excess of Revenues over Expenditures</i>	<u>(109,110)</u>	<u>(230,123)</u>	<u>830</u>	<u>(620)</u>	<u>(339,024)</u>
Other Financing Sources (Uses)					
Proceeds Gen Long Term Debt	-	-	-	-	-
Payment to Refunded Bond Escrow Agent	-	-	-	-	-
Transfers In	109,243	220,613	-	-	329,856
Transfers Out	-	-	-	-	-
Disposal of Capital Assets	-	-	-	-	-
<i>Total Other Financing Sources and Uses</i>	<u>109,243</u>	<u>220,613</u>	<u>-</u>	<u>-</u>	<u>329,856</u>
<i>Net Change in Fund Balances</i>	<u>133</u>	<u>(9,510)</u>	<u>830</u>	<u>(620)</u>	<u>(9,168)</u>
<i>Fund Balances - Beginning</i>	<u>-</u>	<u>10,388</u>	<u>\$ 181,343</u>	<u>638</u>	<u>192,370</u>
<i>Fund Balances - Ending</i>	<u>\$ 133</u>	<u>\$ 878</u>	<u>\$ 182,173</u>	<u>\$ 18</u>	<u>\$ 183,202</u>

Capital Project

Equipment Acquisition	Park Reserve	Library Improvement	Recreation Reserve	Park Acquisition	Museum Reserve
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	283,355	9,484	-	-	-
-	-	-	-	-	-
-	-	-	-	35,200	-
3,168	(2,666)	98	31	654	56
-	-	-	-	-	-
-	8,120	3,671	2,686	-	-
<u>3,168</u>	<u>288,809</u>	<u>13,253</u>	<u>2,717</u>	<u>35,854</u>	<u>56</u>
\$ 24,656	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
811	10,718	-	-	-	-
-	-	-	-	-	-
6,508	-	-	-	-	-
-	-	-	-	-	-
4,995	11,394	-	4,235	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
62,316	668,587	19,419	-	-	-
<u>99,285</u>	<u>690,700</u>	<u>19,419</u>	<u>4,235</u>	<u>-</u>	<u>-</u>
<u>(96,117)</u>	<u>(401,890)</u>	<u>(6,166)</u>	<u>(1,518)</u>	<u>35,854</u>	<u>56</u>
-	-	-	-	-	-
-	-	-	-	-	-
153,883	374,928	100	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>153,883</u>	<u>374,928</u>	<u>100</u>	<u>-</u>	<u>-</u>	<u>-</u>
57,766	(26,962)	(6,066)	(1,518)	35,854	56
<u>\$ 239,880</u>	<u>195,171</u>	<u>6,107</u>	<u>5,705</u>	<u>105,576</u>	<u>5,769</u>
<u>\$ 297,647</u>	<u>\$ 168,209</u>	<u>\$ 41</u>	<u>\$ 4,187</u>	<u>\$ 141,430</u>	<u>\$ 5,825</u>

City of Poulsbo
Combining Statement of Revenues, Expenditure, and Changes in Fund Balance
Nonmajor Governmental Funds (continued)
For Year Ending December 31, 2004

	Capital Project			Total Non-Major Capital Project Funds
	Cemetery Reserve	Street Equipment Reserve	Facilities Fund	
Revenues				
Taxes	\$ -	\$ -	\$ -	-
Intergovernmental	-	-	-	292,839
Culture and Recreation	-	-	-	-
Charges for Services	3,200	-	-	38,400
Interest and Other Earnings	577	997	2,396	5,311
Fines and Forfeitures	-	-	-	-
Miscellaneous	-	-	-	14,478
<i>Total Revenues</i>	<u>3,777</u>	<u>997</u>	<u>2,396</u>	<u>351,028</u>
Expenditures				
Current:				
General Government	\$ -	\$ -	\$ -	24,656
Security of Persons & Property	-	-	-	-
Utilities and Environment	-	-	-	11,529
Transportation	-	-	-	-
Economic Environment	-	-	-	6,508
Mental and Physical Health	-	-	-	-
Culture and Recreation	-	-	-	20,624
Debt Service	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
Bond Issuance Costs	-	-	-	-
Right of Way	-	-	-	-
Capital Outlay	-	-	38,977	789,299
<i>Total Expenditures</i>	<u>-</u>	<u>-</u>	<u>38,977</u>	<u>852,617</u>
<i>Excess of Revenues over Expenditures</i>	<u>3,777</u>	<u>997</u>	<u>(36,581)</u>	<u>(501,588)</u>
Other Financing Sources (Uses)				
Proceeds Gen Long Term Debt	-	-	-	-
Payment to Refunded Bond Escrow Agent	-	-	-	-
Transfers In	-	35,924	117,892	682,727
Transfers Out	-	-	(100)	(100)
Disposal of Capital Assets	-	-	-	-
<i>Total Other Financing Sources and Uses</i>	<u>-</u>	<u>35,924</u>	<u>117,792</u>	<u>682,627</u>
<i>Net Change in Fund Balances</i>	3,777	36,921	81,210	181,039
<i>Fund Balances - Beginning</i>	<u>58,062</u>	<u>104,919</u>	<u>221,417</u>	<u>942,606</u>
<i>Fund Balances - Ending</i>	<u>\$ 61,838</u>	<u>\$ 141,840</u>	<u>\$ 302,628</u>	<u>\$ 1,123,644</u>

<u>Permanent</u>	
<u>Bernice Borgen Beautification</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ 827,423
-	360,020
-	-
-	142,415
3,652	31,038
-	612
-	226,506
<u>3,652</u>	<u>\$ 1,588,013</u>
\$ -	\$ 110,227
-	15,930
-	11,529
-	-
-	6,508
-	-
-	215,959
-	-
-	348,608
-	160,605
-	1,162
-	-
-	830,169
<u>-</u>	<u>1,700,696</u>
<u>3,652</u>	<u>(112,684)</u>
-	-
-	-
-	1,134,029
-	(854,931)
-	-
<u>-</u>	<u>279,098</u>
3,652	166,414
-	-
<u>100,886</u>	<u>3,942,812</u>
<u>\$ 104,537</u>	<u>4,109,227</u>

City of Poulsbo
Arterial Street Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual
For the Year Ended December 31, 2004

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
Revenues			
Intergovernmental			
State fuel tax	46,104	45,849	(255)
State fuel tax/ Paths & Trails	232	230	(2)
Interest and Other Earnings	250	348	98
Miscellaneous	-	-	-
<i>Total Revenues</i>	<u>46,586</u>	<u>46,428</u>	<u>(158)</u>
Expenditures			
General Administration	-	-	-
Construction	-	-	-
<i>Total Expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess of Revenues Over Expenditures</i>	<u>46,586</u>	<u>46,428</u>	<u>(158)</u>
Other Financing Sources (Uses)			
Transfers in	-	-	-
Transfers out	(46,336)	(46,334)	2
Capital Leases	-	-	-
Disposal of Capital Assets	-	-	-
<i>Total Other Financing Sources (Uses)</i>	<u>(46,336)</u>	<u>(46,334)</u>	<u>2</u>
<i>Net Change in Fund Balance</i>	250	93	(157)
<i>Fund Balance Beginning of Year</i>	<u>52,844</u>	<u>50,544</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ 53,094</u>	<u>\$ 50,637</u>	<u>\$ (2,457)</u>

City of Poulsbo
Capital Improvement Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual
For the Year Ended December 31, 2004

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
Revenues			
Taxes			
Excise Tax	\$ 480,000	\$ 471,418	\$ (8,582)
Interest and Other Earnings	12,000	2,824	(9,176)
Miscellaneous	-	-	-
<i>Total Revenues</i>	<u>492,000</u>	<u>474,243</u>	<u>(17,757)</u>
Expenditures			
Current:			
Miscellaneous	-	-	-
<i>Total Expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess of Revenues Over Expenditures</i>	<u>492,000</u>	<u>474,243</u>	<u>(17,757)</u>
Other Financing Sources (Uses)			
Capital Outlay			-
Transfers in	-	-	-
Transfers out	(527,812)	(518,372)	9,440
Capital Leases	-	-	-
Disposal of Capital Assets	-	-	-
<i>Total Other Financing Sources (Uses)</i>	<u>(527,812)</u>	<u>(518,372)</u>	<u>9,440</u>
<i>Net Change in Fund Balance</i>	(35,812)	(44,129)	(8,317)
<i>Fund Balance Beginning of Year</i>	<u>558,312</u>	<u>755,620</u>	<u>197,308</u>
<i>Fund Balance End of Year</i>	<u>\$ 522,500</u>	<u>\$ 711,491</u>	<u>\$ 188,991</u>

City of Poulsbo
Cumulative Reserve/Revenue Stabilization Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual
For the Year Ended December 31, 2004

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
Revenues			
Interest and Other Earnings	\$ 25,000	\$ 10,681	\$ (14,319)
Miscellaneous			-
<i>Total Revenues</i>	<u>25,000</u>	<u>10,681</u>	<u>(14,319)</u>
Expenditures			
Current:			
Professional Services	87,375	85,568	(1,808)
Miscellaneous	-	-	-
<i>Total Expenditures</i>	<u>87,375</u>	<u>85,568</u>	<u>(1,808)</u>
<i>Excess of Revenues Over Expenditures</i>	<u>(62,375)</u>	<u>(74,887)</u>	<u>(12,512)</u>
Other Financing Sources (Uses)			
Transfers in	123,751	120,723	(3,028)
Transfers out	(123,062)	(67,606)	55,456
Capital Leases	-	-	-
Disposal of Capital Assets	-	-	-
<i>Total Other Financing Sources (Uses)</i>	<u>689</u>	<u>53,117</u>	<u>52,428</u>
<i>Net Change in Fund Balance</i>	<u>(61,686)</u>	<u>(21,770)</u>	<u>39,916</u>
<i>Fund Balance Beginning of Year</i>	<u>1,280,932</u>	<u>1,267,428</u>	<u>(13,504)</u>
<i>Fund Balance End of Year</i>	<u>\$ 1,219,246</u>	<u>\$ 1,245,658</u>	<u>\$ 26,412</u>

City of Poulsbo
Cumulative Reserve Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget t
For the Year Ended December 31, 2004

	<u>Final Budget</u>	<u>Actual Amounts</u>
Revenues		
Mitigation Fees	-	\$ 104,015
Interest and Other Earnings	2,650	2,456
Miscellaneous	-	-
<i>Total Revenues</i>	<u>2,650</u>	<u>106,471</u>
Expenditures		
Current:		
General Government	-	-
Security of Persons & Property	-	-
Utilities and Environment	-	-
Economic Environment	-	-
Mental and Physical Health	-	-
Culture and Recreation	-	-
Reserve for personnel benefits	-	-
<i>Total Expenditures</i>	<u>-</u>	<u>-</u>
<i>Excess of Revenues Over Expenditures</i>	<u>2,650</u>	<u>106,471</u>
Other Financing Sources (Uses)		
Transfers in	-	-
Transfers out	-	-
Capital Leases	-	-
Disposal of Capital Assets	-	-
<i>Total Other Financing Sources (Uses)</i>	<u>-</u>	<u>-</u>
<i>Net Change in Fund Balance</i>	2,650	106,471
<i>Fund Balance Beginning of Year</i>	<u>233,042</u>	<u>253,048</u>
<i>Fund Balance End of Year</i>	<u>\$ 235,692</u>	<u>\$ 359,518</u>

to Actual

Variance
Positive (Negative)

104,015
(194)

-

103,821

-

-

-

-

-

-

-

-

-

103,821

-

-

-

-

-

-

103,821

20,006

\$ 123,826

City of Poulsbo
Historic Downtown Poulsbo Association Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget t
For the Year Ended December 31, 2004

	<u>Final Budget</u>	<u>Actual Amounts</u>
Revenues		
Taxes	\$ -	\$ -
Licenses and Permits	-	-
Intergovernmental	-	-
Charges for Services	-	-
Fines and Forfeitures	-	-
Interest and Other Earnings	450	388
Miscellaneous	55,000	55,179
<i>Total Revenues</i>	<u>55,450</u>	<u>55,567</u>
Expenditures		
Culture and Recreation		
Office & Operating Supplies	2,350	2,246
Professional Services	12,000	10,837
Communication	3,000	2,862
Marketing	18,000	18,954
Community Relations	1,600	1,320
Repair & Maintenance	17,300	17,060
Miscellaneous	600	835
City Accounting	2,000	2,000
<i>Total Expenditures</i>	<u>56,850</u>	<u>56,113</u>
<i>Excess of Revenues Over Expenditures</i>	<u>(1,400)</u>	<u>(546)</u>
Other Financing Sources (Uses)		
Transfers in	-	-
Transfers out	-	-
Capital Leases	-	-
Disposal of Capital Assets	-	-
<i>Total Other Financing Sources (Uses)</i>	<u>-</u>	<u>-</u>
<i>Net Change in Fund Balance</i>	(1,400)	(546)
<i>Fund Balance Beginning of Year</i>	<u>16,063</u>	<u>18,804</u>
<i>Fund Balance End of Year</i>	<u>\$ 14,663</u>	<u>\$ 18,258</u>

to Actual

<u>Variance</u>	
<u>Positive (Negative)</u>	
\$	-
	-
	-
	-
	-
	(62)
	179
	<hr/>
	117
	<hr/>
	104
	1,163
	138
	(954)
	280
	240
	(235)
	-
	<hr/>
	737
	<hr/>
	854
	<hr/>
	-
	-
	-
	-
	<hr/>
	-
	854
	<hr/>
	-
\$	<u><u>3,595</u></u>

City of Poulsbo
Marine Science Center Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget t
For the Year Ended December 31, 2004

	<u>Final Budget</u>	<u>Actual Amounts</u>
Revenues		
Taxes	\$ -	\$ -
Licenses and Permits	-	-
Intergovernmental	-	-
Charges for Services	-	-
Fines and Forfeitures	-	-
Interest and Other Earnings	-	874
Miscellaneous	48,000	144,511
<i>Total Revenues</i>	<u>48,000</u>	<u>145,385</u>
Expenditures		
Current:		
Miscellaneous	23,602.00	17,040
Debt Service	-	-
<i>Total Expenditures</i>	<u>23,602</u>	<u>17,040</u>
<i>Excess of Revenues Over Expenditures</i>	<u>24,398</u>	<u>128,345</u>
Other Financing Sources (Uses)		
Transfers in	-	-
Transfers out	(134,443)	(134,443)
Capital Leases	-	-
Disposal of Capital Assets	-	-
<i>Total Other Financing Sources (Uses)</i>	<u>(134,443)</u>	<u>(134,443)</u>
<i>Net Change in Fund Balance</i>	(110,045)	(6,098)
<i>Fund Balance Beginning of Year</i>	<u>167,451</u>	<u>168,159</u>
<i>Fund Balance End of Year</i>	<u>\$ 57,406</u>	<u>\$ 162,062</u>

to Actual

<u>Variance</u>	
<u>Positive (Negative)</u>	
\$	-
	-
	-
	-
	-
	874
	<u>96,511</u>
	<u>97,385</u>
	-
	-
	<u>(6,562)</u>
	<u>103,947</u>
	-
	-
	-
	-
	-
	<u>103,947</u>
	<u>708</u>
<u>\$</u>	<u>104,656</u>

City of Poulsbo
Path and Trails Reserve Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget t
For the Year Ended December 31, 2004

	<u>Final Budget</u>	<u>Actual Amounts</u>
Revenues		
Taxes	\$ -	\$ -
Licenses and Permits	-	-
Intergovernmental	-	-
Charges for Services	-	-
Fines and Forfeitures	-	-
Interest and Other Earnings	50	86
Miscellaneous	-	-
	<hr/>	<hr/>
<i>Total Revenues</i>	50	86
	<hr/>	<hr/>
Expenditures		
Current:		
General Government	-	-
Security of Persons & Property	-	-
Utilities and Environment	-	-
Economic Environment	-	-
Mental and Physical Health	-	-
Culture and Recreation	-	-
Reserve for personnel benefits	-	-
	<hr/>	<hr/>
<i>Total Expenditures</i>	-	-
	<hr/>	<hr/>
<i>Excess of Revenues Over Expenditures</i>	50	86
	<hr/>	<hr/>
Other Financing Sources (Uses)		
Transfers in	727	723
Transfers out	(6,300)	(6,300)
Capital Leases	-	-
Disposal of Capital Assets	-	-
	<hr/>	<hr/>
<i>Total Other Financing Sources (Uses)</i>	(5,573)	(5,577)
	<hr/>	<hr/>
<i>Net Change in Fund Balance</i>	(5,523)	(5,491)
	<hr/>	<hr/>
<i>Fund Balance Beginning of Year</i>	2,898	9,253
	<hr/>	<hr/>
<i>Fund Balance End of Year</i>	<u>\$ (2,625)</u>	<u>\$ 3,763</u>

to Actual

<u>Variance</u>	
<u>Positive (Negative)</u>	
\$	-
	-
	-
	-
	-
	36
	-
	<hr/>
	36
	<hr/>
	-
	-
	-
	-
	-
	-
	-
	<hr/>
	-
	<hr/>
	36
	<hr/>
	(4)
	-
	-
	-
	<hr/>
	(4)
	<hr/>
	32
	-
	<hr/>
\$	<u>6,388</u>

City of Poulsbo
Drug Enforcement Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget t
For the Year Ended December 31, 2004

	<u>Final Budget</u>	<u>Actual Amounts</u>
Revenues		
Drug Seizure Money	\$ 4,751	\$ 7,032
Interest and Other Earnings	75	33
Miscellaneous	-	905
	<hr/>	<hr/>
<i>Total Revenues</i>	4,826	7,969
	<hr/>	<hr/>
Expenditures		
Current:		
Miscellaneous Drug Enforcement	2,810	-
LIBNET Program	7,543	10,116
	<hr/>	<hr/>
<i>Total Expenditures</i>	10,353	10,116
	<hr/>	<hr/>
<i>Excess of Revenues Over Expenditures</i>	(5,527)	(2,147)
	<hr/>	<hr/>
Other Financing Sources (Uses)		
Transfers in	-	-
Transfers out	-	-
Capital Leases	-	-
Disposal of Capital Assets	-	-
	<hr/>	<hr/>
<i>Total Other Financing Sources (Uses)</i>	-	-
	<hr/>	<hr/>
<i>Net Change in Fund Balance</i>	(5,527)	(2,147)
	<hr/>	<hr/>
<i>Fund Balance Beginning of Year</i>	8,550	6,884
	<hr/>	<hr/>
<i>Fund Balance End of Year</i>	<u>\$ 3,023</u>	<u>\$ 4,737</u>

to Actual

<u>Variance</u>	
<u>Positive (Negative)</u>	
\$	2,281
	(42)
	<u>905</u>
	<u>3,143</u>
	2,810
	<u>(2,573)</u>
	<u>237</u>
	<u>3,380</u>
	-
	-
	-
	<u>-</u>
	3,380
	-
\$	<u><u>1,714</u></u>

City of Poulsbo
Transient Occupancy Tax Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget t
For the Year Ended December 31, 2004

	<u>Final Budget</u>	<u>Actual Amounts</u>
Revenues		
Hotel/Motel Tax	\$ 70,000	\$ 57,144
Additional 2% Hotel/Motel Tax	70,000	57,144
Interest and Other Earnings	-	700
Miscellaneous	-	-
	<hr/>	<hr/>
<i>Total Revenues</i>	140,000	114,987
	<hr/>	<hr/>
Expenditures		
Economic Environment		
Kitsap Peninsula Visitor & Convention Bureau	35,000	28,572
Great Poulsbo Chamber of Commerce	35,000	28,572
Special Funding	93,535	65,039
Miscellaneous	167	-
	<hr/>	<hr/>
<i>Total Expenditures</i>	163,702	122,182
	<hr/>	<hr/>
<i>Excess of Revenues Over Expenditures</i>	(23,702)	(7,195)
	<hr/>	<hr/>
Other Financing Sources (Uses)		
Transfers in	-	-
Transfers out	-	-
Capital Leases	-	-
Disposal of Capital Assets	-	-
	<hr/>	<hr/>
<i>Total Other Financing Sources (Uses)</i>	-	-
	<hr/>	<hr/>
<i>Net Change in Fund Balance</i>	(23,702)	(7,195)
	<hr/>	<hr/>
<i>Fund Balance Beginning of Year</i>	51,757	65,585
	<hr/>	<hr/>
<i>Fund Balance End of Year</i>	\$ 28,055	\$ 58,390
	<hr/> <hr/>	<hr/> <hr/>

to Actual

<u>Variance</u>	
<u>Positive (Negative)</u>	
\$	(12,856)
	(12,856)
	700
	-
	<u>(25,013)</u>
	6,428
	6,428
	28,496
	<u>167</u>
	<u>41,520</u>
	<u>16,507</u>
	-
	-
	-
	-
	<u>-</u>
	<u>-</u>
	16,507
	<u>13,828</u>
\$	<u><u>30,335</u></u>

City of Poulsbo
Police Restricted Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget t
For the Year Ended December 31, 2004

	<u>Final Budget</u>	<u>Actual Amounts</u>
Revenues		
Sales Tax/Public Safety	\$ 70,000	\$ 83,421
US Dept of Justice Block Grant	-	-
WASPC Traffic Safety Grant	-	-
Vessel Registration Fees	10,000	8,334
Criminal Justice	5,240	6,349
Interest and Other Earnings	600	1,262
Miscellaneous	10,600	798
<i>Total Revenues</i>	<u>96,440</u>	<u>100,163</u>
Expenditures		
Security of Persons & Property		
Criminal Justice Program #1	-	-
Criminal Justice Program #2	-	-
Criminal Justice Program #3	-	-
Law Enforcement Sales Tax Program	10,000	44,957
Vessel Program	-	-
Criminal Justice Population Program	-	1,726
Suquamish Mitigation Program	-	-
Justice Block Grant	1,726	-
Miscellaneous Programs	-	-
Capital Outlay	38,900	-
<i>Total Expenditures</i>	<u>50,626</u>	<u>46,683</u>
<i>Excess of Revenues Over Expenditures</i>	<u>45,814</u>	<u>53,480</u>
Other Financing Sources (Uses)		
Transfers in	-	-
Transfers out	(81,776)	(81,776)
Capital Leases	-	-
Disposal of Capital Assets	-	-
<i>Total Other Financing Sources (Uses)</i>	<u>(81,776)</u>	<u>(81,776)</u>
<i>Net Change in Fund Balance</i>	(35,962)	(28,296)
<i>Fund Balance Beginning of Year</i>	<u>77,291</u>	<u>111,625</u>
<i>Fund Balance End of Year</i>	<u>\$ 41,329</u>	<u>\$ 83,330</u>

to Actual

<u>Variance</u>	
<u>Positive (Negative)</u>	
\$	13,421
	-
	-
	(1,666)
	1,109
	662
	<u>(9,802)</u>
	<u>3,723</u>
	-
	-
	-
	(34,957)
	-
	(1,726)
	-
	1,726
	-
	<u>38,900</u>
	<u>3,943</u>
	<u>7,666</u>
	-
	-
	-
	-
	<u>7,666</u>
	<u>34,334</u>
\$	<u><u>42,001</u></u>

City of Poulsbo
Miscellaneous Governmental Debt
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget t
For the Year Ended December 31, 2004

	Final Budget	Actual Amounts
Revenues		
Interest and Other Earnings	\$ -	\$ 132
Miscellaneous	-	-
	-	-
<i>Total Revenues</i>	-	132
Expenditures		
Debt Service		
Bond principal	80,680	72,346
Interest Redemption	36,897	36,896
Bond Issue Costs	-	-
	-	-
<i>Total Expenditures</i>	117,577	109,242
<i>Excess of Revenues Over Expenditures</i>	(117,577)	(109,110)
Other Financing Sources (Uses)		
Proceed of Refund Long Term Debt		
Transfers in	117,577	109,243
Transfers out	-	-
Capital Leases	-	-
Sale of Capital assets	-	-
	-	-
<i>Total Other Financing Sources (Uses)</i>	117,577	109,243
<i>Net Change in Fund Balance</i>	-	133
<i>Fund Balance Beginning of Year</i>	-	-
<i>Fund Balance End of Year</i>	\$ -	\$ 133

o Actual

<u>Variance</u>	
<u>Positive (Negative)</u>	
\$	132
	-
	<u>132</u>
	-
	-
	-
	<u>-</u>
	<u>8,467</u>
	-
	(8,334)
	-
	-
	<u>-</u>
	<u>(8,334)</u>
	133
	-
\$	<u><u>133</u></u>

City of Poulsbo
Non-Voted General Obligation Debt Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget t
For the Year Ended December 31, 2004

	<u>Final Budget</u>	<u>Actual Amounts</u>
Revenues		
Interest and Other Earnings	\$ 288	\$ 1,113
Rentals & Leases/ Mitch Park	-	-
Rentals & Leases/ Morris House	10,635	10,635
Miscellaneous	-	-
<i>Total Revenues</i>	<u>10,923</u>	<u>11,748</u>
Expenditures		
Debt Service		
Lease principal	1,262	1,262
Bond principal redemption	150,000	150,000
Interest Redemption	89,774	89,772
Other Debt Service Costs	888	837
Bond Issue Costs	-	-
Refunding Escrow	-	-
<i>Total Expenditures</i>	<u>241,924</u>	<u>241,871</u>
<i>Excess of Revenues Over Expenditures</i>	<u>(231,001)</u>	<u>(230,123)</u>
Other Financing Sources (Uses)		
Proceed of Refund Long Term Debt	-	-
Transfers in	220,613	220,613
Transfers out	-	-
Capital Leases	-	-
Disposal of Capital Assets	-	-
<i>Total Other Financing Sources (Uses)</i>	<u>220,613</u>	<u>220,613</u>
<i>Net Change in Fund Balance</i>	(10,388)	(9,510)
<i>Fund Balance Beginning of Year</i>	<u>2,640</u>	<u>10,388</u>
<i>Fund Balance End of Year</i>	<u>\$ (7,748)</u>	<u>\$ 878</u>

o Actual

<u>Variance</u>	
<u>Positive (Negative)</u>	
\$	825
	-
	-
	-
	-
	825
	-
	-
	2
	51
	-
	-
	53
	878
	-
	-
	-
	-
	-
	878
	-
\$	<u>8,626</u>

City of Poulsbo
Voted General Obligation Debt Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget t
For the Year Ended December 31, 2004

	<u>Final Budget</u>	<u>Actual Amounts</u>
Revenues		
Property Taxes	\$ 158,934	\$ 158,296
Interest and Other Earnings	-	1,798
Miscellaneous	-	-
	<hr/>	<hr/>
<i>Total Revenues</i>	<u>158,934</u>	<u>160,095</u>
Expenditures		
Debt		
Fire Head Quarters Bond Principal	125,000	125,000
Interest Redemption	33,937	33,936
Debt issue costs	-	-
Other debt service costs	350	329
	<hr/>	<hr/>
<i>Total Expenditures</i>	<u>159,287</u>	<u>159,265</u>
<i>Excess of Revenues Over Expenditures</i>	<hr/> <u>(353)</u>	<hr/> <u>830</u>
Other Financing Sources (Uses)		
Transfers in	-	-
Transfers out	-	-
Capital Leases	-	-
Disposal of Capital Assets	-	-
	<hr/>	<hr/>
<i>Total Other Financing Sources (Uses)</i>	<u>-</u>	<u>-</u>
<i>Net Change in Fund Balance</i>	(353)	830
<i>Fund Balance Beginning of Year</i>	<hr/> <u>180,403</u>	<hr/> <u>181,343</u>
<i>Fund Balance End of Year</i>	<hr/> <u>\$ 180,050</u>	<hr/> <u>\$ 182,173</u>

to Actual

<u>Variance</u>	
<u>Positive (Negative)</u>	
\$	(638)
	1,798
	-
	<hr/>
	1,161
	<hr/>
	-
	1
	-
	<hr/>
	21
	<hr/>
	22
	<hr/>
	1,183
	<hr/>
	-
	-
	-
	-
	<hr/>
	-
	<hr/>
	1,183
	<hr/>
	-
	<hr/>
\$	<u>2,123</u>

City of Poulsbo
Local Improvement District (LID) Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget t
For the Year Ended December 31, 2004

	<u>Final Budget</u>	<u>Actual Amounts</u>
Revenues		
General property taxes	\$ -	\$ -
Interest and Other Earnings	-	(620)
Miscellaneous	-	-
	<hr/>	<hr/>
<i>Total Revenues</i>	-	(620)
	<hr/>	<hr/>
Expenditures		
Debt		
Bond principal redemption	-	-
Bond interest redemption	-	-
Debt service costs	-	-
	<hr/>	<hr/>
<i>Total Expenditures</i>	-	-
	<hr/>	<hr/>
<i>Excess of Revenues Over Expenditures</i>	-	(620)
	<hr/>	<hr/>
Other Financing Sources (Uses)		
Transfers in	-	-
Transfers out	-	-
Capital Leases		
Disposal of Capital Assets		
	<hr/>	<hr/>
<i>Total Other Financing Sources (Uses)</i>	-	-
	<hr/>	<hr/>
<i>Net Change in Fund Balance</i>	-	(620)
	<hr/>	<hr/>
<i>Fund Balance Beginning of Year</i>	50	638
	<hr/>	<hr/>
<i>Fund Balance End of Year</i>	<u>\$ 50</u>	<u>\$ 18</u>

to Actual

Variance	
Positive (Negative)	
<hr/>	
\$	-
	(620)
	-
	<hr/>
	(620)
	<hr/>
	-
	-
	-
	<hr/>
	-
	<hr/>
	(620)
	<hr/>
	588
	<hr/>
\$	(32)
	<hr/> <hr/>

City of Poulsbo
Equipment Acquisition Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget t
For the Year Ended December 31, 2004

	<u>Final Budget</u>	<u>Actual Amounts</u>
Revenues		
State Traffic Safety Grant	\$ -	\$ -
Interest and Other Earnings	-	3,168
Miscellaneous	-	-
	<hr/>	<hr/>
<i>Total Revenues</i>	-	3,168
	<hr/>	<hr/>
Expenditures		
Current:		
General Government	15,000	24,656
Security of Persons & Property	-	-
Utilities and Environment	-	811
Economic Environment	4,950	6,508
Mental and Physical Health	-	-
Culture and Recreation	4,800	4,995
Capital Outlay	109,534	62,316
	<hr/>	<hr/>
<i>Total Expenditures</i>	134,284	99,285
	<hr/>	<hr/>
<i>Excess of Revenues Over Expenditures</i>	(134,284)	(96,117)
	<hr/>	<hr/>
Other Financing Sources (Uses)		
Transfers in	157,500	153,883
Transfers out	-	-
Capital Leases	-	-
Disposal of Capital Assets	-	-
	<hr/>	<hr/>
<i>Total Other Financing Sources (Uses)</i>	157,500	153,883
	<hr/>	<hr/>
<i>Net Change in Fund Balance</i>	23,216	57,766
	<hr/>	<hr/>
<i>Fund Balance Beginning of Year</i>	190,825	239,880
	<hr/>	<hr/>
<i>Fund Balance End of Year</i>	<u>\$ 214,041</u>	<u>\$ 297,647</u>

to Actual

Variance	
Positive (Negative)	
\$	-
	3,168
	-
	<hr/> 3,168
	(9,656)
	-
	(811)
	(1,558)
	4,800
	(195)
	<hr/> 47,218
	<hr/> 34,999
	<hr/> 38,167
	(3,617)
	-
	-
	<hr/> -
	<hr/> (3,617)
	34,550
	-
	<hr/> -
\$	<hr/> <hr/> 83,606

City of Poulsbo
Park Reserve Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget t
For the Year Ended December 31, 2004

	<u>Final Budget</u>	<u>Actual Amounts</u>
Revenues		
Intergovernmental	\$ 656,233	\$ 283,355
Parks Donation	2,050	2,125
Interest and Other Earnings	-	(2,666)
Miscellaneous	11,963	5,995
<i>Total Revenues</i>	<u>670,246</u>	<u>288,809</u>
Expenditures		
Current:		
General Park Capital Programs	-	-
Urban Forestry Capital Program	14,020	10,718
Oyster Park Capital Project	29,057	6,319
Nelson Park Project	539,013	530,354
Dogfish Creek Property Acquisition Project	375,754	37,285
Raab Park Restroom Project	80,033	40,413
Waterfront Park Shoreline Capital Stabilization	38,648	32,445
Trees of Nelson Park Project	14,037	11,394
Olhava Ball Field Project	50,000	-
Raab Park Playground Improvement Project	50,000	-
American Legion Park Improvement Project	30,000	-
Lions Park Restroom Project	25,000	17,988
Sailing Storage Project	17,000	109.75
Nelson Park Cabin	3,673	3,672.45
Capital Outlay	-	-
<i>Total Expenditures</i>	<u>1,266,235</u>	<u>690,700</u>
<i>Excess of Revenues Over Expenditures</i>	<u>(595,989)</u>	<u>(401,890)</u>
Other Financing Sources (Uses)		
Transfers in	475,390	374,928
Transfers out	-	-
Capital Leases	-	-
Disposal of Capital Assets	-	-
<i>Total Other Financing Sources (Uses)</i>	<u>475,390</u>	<u>374,928</u>
<i>Net Change in Fund Balance</i>	(120,599)	(26,962)
<i>Fund Balance Beginning of Year</i>	<u>107,073</u>	<u>195,171</u>
<i>Fund Balance End of Year</i>	<u>\$ (13,526)</u>	<u>\$ 168,209</u>

to Actual

<u>Variance</u>	
<u>Positive (Negative)</u>	
\$	(372,878)
\$	75
	(2,666)
	(5,968)
	<u>(381,437)</u>

-
3,302
22,738
8,659
338,469
39,620
6,203
2,643
50,000

	<u>575,535</u>
	<u>194,099</u>
	(100,462)
	-
	-
	-
	<u>(100,462)</u>
	93,637
	<u>88,098</u>
\$	<u><u>181,735</u></u>

City of Poulsbo
Library Improvement Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget t
For the Year Ended December 31, 2004

	Final Budget	Actual Amounts
Revenues		
Fed grant/EDI-Library Elevator	\$ -	\$ -
Kitsap County Contribution - Library	9,484	9,484
Interest and Other Earnings	50	98
Miscellaneous	3,672	3,671
<i>Total Revenues</i>	13,206	13,253
Expenditures		
Current:		
General Government	-	-
Security of Persons & Property	-	-
Utilities and Environment	-	-
Economic Environment	-	-
Mental and Physical Health	-	-
Culture and Recreation	-	-
Reserve for personnel benefits	-	-
Capital Outlay	19,446	19,419
<i>Total Expenditures</i>	19,446	19,419
<i>Excess of Revenues Over Expenditures</i>	(6,240)	(6,166)
Other Financing Sources (Uses)		
Transfers in	100	100
Transfers out	-	-
Capital Leases	-	-
Disposal of Capital Assets	-	-
<i>Total Other Financing Sources (Uses)</i>	100	100
<i>Net Change in Fund Balance</i>	(6,140)	(6,066)
<i>Fund Balance Beginning of Year</i>	6,048	6,107
<i>Fund Balance End of Year</i>	\$ (92)	\$ 41

to Actual

<u>Variance</u>	
<u>Positive (Negative)</u>	
\$	-
	(0)
	48
	(1)
	<hr/>
	47
	<hr/>
	-
	-
	-
	-
	-
	-
	-
	27
	<hr/>
	27
	<hr/>
	74
	<hr/>
	-
	-
	-
	-
	<hr/>
	-
	<hr/>
	74
	<hr/>
	-
	<hr/>
\$	<u>133</u>

City of Poulsbo
Recreation Reserve Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget t
For the Year Ended December 31, 2004

	<u>Final Budget</u>	<u>Actual Amounts</u>
Revenues		
Donations	\$ 100	\$ 2,134
Interest and Other Earnings	-	31
Miscellaneous	-	552
<i>Total Revenues</i>	<u>100</u>	<u>2,717</u>
Expenditures		
Current:		
General Government	-	-
Security of Persons & Property	-	-
Utilities and Environment	-	-
Economic Environment	-	-
Mental and Physical Health	-	-
Culture and Recreation	4,329	4,235
Capital Outlay	-	-
<i>Total Expenditures</i>	<u>4,329</u>	<u>4,235</u>
<i>Excess of Revenues Over Expenditures</i>	<u>(4,229)</u>	<u>(1,518)</u>
Other Financing Sources (Uses)		
Transfers in	-	-
Transfers out	-	-
Capital Leases	-	-
Disposal of Capital Assets	-	-
<i>Total Other Financing Sources (Uses)</i>	<u>-</u>	<u>-</u>
<i>Net Change in Fund Balance</i>	(4,229)	(1,518)
<i>Fund Balance Beginning of Year</i>	<u>2,877</u>	<u>5,705</u>
<i>Fund Balance End of Year</i>	<u>\$ (1,352)</u>	<u>\$ 4,187</u>

to Actual

<u>Variance</u>	
<u>Positive (Negative)</u>	
\$	2,034
	31
	<u>552</u>
	2,617
	-
	-
	-
	-
	-
	94
	-
	<u>94</u>
	2,711
	-
	-
	-
	-
	-
	2,711
	-
	<u>-</u>
\$	<u>5,539</u>

City of Poulsbo
Street Reserve Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual
For the Year Ended December 31, 2004

	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Federal Grant Liberty Bay Waterfront Trail	\$ 224,900	\$ 203,592	\$ (21,308)
Federal Grant Dogfish Creek Bridge	107,918	42,507	(65,411)
Federal Grant Viking Traffic Signal	-	-	-
Federal Grant Viking Ave Landscaping	-	-	-
State Grant Dogfish Creek Bridge	38,368	770	(37,598)
State Grant Caldart Avenue	150,000	147,759	(2,241)
State Route 305	20,000	-	(20,000)
State Grant Finn Hill Improvements	121,176	34,042	(87,134)
Kitsap Co. Contribution - Liberty Bay Trail	-	-	-
Kitsap Co. Contribution - Finn Hill Improvement	165,000	96,286	(68,714)
NKSD Contribution - Caldart Ave	87,937	-	(87,937)
Interest and Other Earnings	-	5,391	5,391
Miscellaneous	-	-	-
<i>Total Revenues</i>	<u>915,299</u>	<u>530,347</u>	<u>(384,952)</u>
Expenditures			
Current:			
Finn Hill Improvements	286,176	(763)	286,939
Front Street Improvements	-	-	-
Liberty Bay Waterfront Trail	270,000	237,176	32,824
Viking Avenue Landscaping	-	-	-
Dogfish Creek Bridge	146,286	48,769	97,517
Pavement Restoration	37,600	37,882	(282)
Caldart Avenue Improvements	1,128,696	1,059,399	69,297
10th Avenue Reconstruction Project	220,000	29,957	190,043
Lindvig Way Overlay Project	-	-	-
ADA Sidewalk Repair Project	50,000	5,026	44,974
State Route 305 Project	22,000	13,470	8,530
<i>Total Expenditures</i>	<u>2,160,758</u>	<u>1,430,916</u>	<u>729,842</u>
<i>Excess of Revenues Over Expenditures</i>	<u>(1,245,459)</u>	<u>(900,569)</u>	<u>344,890</u>
Other Financing Sources (Uses)			
PWTF Loan Proceeds - Front Street	152,730	37,944	(114,786)
Transfers in	178,367	135,914	(42,453)
<i>Total Other Financing Sources (Uses)</i>	<u>331,097</u>	<u>173,858</u>	<u>(157,239)</u>
<i>Net Change in Fund Balance</i>	(914,362)	(726,711)	187,651
<i>Fund Balance Beginning of Year</i>	<u>979,848</u>	<u>1,602,450</u>	<u>622,602</u>
<i>Prior Year Adjustment</i>	<u>(17,523)</u>	<u>(17,523)</u>	<u>(17,523)</u>
<i>Fund Balance End of Year</i>	<u>\$ 65,486</u>	<u>\$ 858,216</u>	<u>\$ 792,730</u>

City of Poulsbo
Park Acquisition Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget t
For the Year Ended December 31, 2004

	Final Budget	Actual Amounts
Revenues		
Park Mitigation	\$ -	\$ 35,200
Interest and Other Earnings	-	654
Miscellaneous	-	-
<i>Total Revenues</i>	-	35,854
Expenditures		
Current:		
General Government	-	-
Security of Persons & Property	-	-
Utilities and Environment	-	-
Economic Environment	-	-
Mental and Physical Health	-	-
Culture and Recreation	-	-
<i>Total Expenditures</i>	-	-
<i>Excess of Revenues Over Expenditures</i>	-	35,854
Other Financing Sources (Uses)		
Transfers in	-	-
Transfers out	99,800	-
Capital Leases	-	-
Disposal of Capital Assets	-	-
<i>Total Other Financing Sources (Uses)</i>	99,800	-
<i>Net Change in Fund Balance</i>	99,800	35,854
<i>Fund Balance Beginning of Year</i>	99,218	105,576
<i>Fund Balance End of Year</i>	\$ 199,018	\$ 141,430

to Actual

<u>Variance</u>	
<u>Positive (Negative)</u>	
\$	35,200
	654
	-
	<hr/>
	35,854
	<hr/>
	-
	-
	-
	-
	-
	<hr/>
	-
	<hr/>
	35,854
	<hr/>
	-
	(99,800)
	-
	-
	<hr/>
	(99,800)
	<hr/>
	(63,946)
	<hr/>
	6,358
\$	<u>(57,588)</u>

City of Poulsbo
Museum Reserve Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget t
For the Year Ended December 31, 2004

	<u>Final Budget</u>	<u>Actual Amounts</u>
Revenues		
Taxes	\$ -	\$ -
Licenses and Permits	-	-
Intergovernmental	-	-
Charges for Services	-	-
Fines and Forfeitures	-	-
Interest and Other Earnings	50	56
Miscellaneous	-	-
	<hr/>	<hr/>
<i>Total Revenues</i>	50	56
	<hr/>	<hr/>
Expenditures		
Current:		
General Government	-	-
Security of Persons & Property	-	-
Utilities and Environment	-	-
Economic Environment	-	-
Mental and Physical Health	-	-
Culture and Recreation	-	-
Reserve for personnel benefits	-	-
	<hr/>	<hr/>
<i>Total Expenditures</i>	-	-
	<hr/>	<hr/>
<i>Excess of Revenues Over Expenditures</i>	50	56
	<hr/>	<hr/>
Other Financing Sources (Uses)		
Transfers in	-	-
Transfers out	-	-
Capital Leases	-	-
Disposal of Capital Assets	-	-
	<hr/>	<hr/>
<i>Total Other Financing Sources (Uses)</i>	-	-
	<hr/>	<hr/>
<i>Net Change in Fund Balance</i>	50	56
	<hr/>	<hr/>
<i>Fund Balance Beginning of Year</i>	5,825	5,769
	<hr/>	<hr/>
<i>Fund Balance End of Year</i>	<u>\$ 5,875</u>	<u>\$ 5,825</u>

City of Poulsbo
Cemetery Reserve Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget t
For the Year Ended December 31, 2004

	Final Budget	Actual Amounts
Revenues		
Gravesites	\$ 5,000	\$ 3,200
Interest and Other Earnings	500	577
Miscellaneous	-	-
<i>Total Revenues</i>	5,500	3,777
Expenditures		
Current:		
General Government	-	-
Security of Persons & Property	-	-
Utilities and Environment	-	-
Economic Environment	-	-
Mental and Physical Health	-	-
Culture and Recreation	-	-
Reserve for personnel benefits	-	-
<i>Total Expenditures</i>	-	-
<i>Excess of Revenues Over Expenditures</i>	5,500	3,777
Other Financing Sources (Uses)		
Transfers in	-	-
Transfers out	-	-
Capital Leases	-	-
Disposal of Capital Assets	-	-
<i>Total Other Financing Sources (Uses)</i>	-	-
<i>Net Change in Fund Balance</i>	5,500	3,777
<i>Fund Balance Beginning of Year</i>	55,792	58,062
<i>Fund Balance End of Year</i>	\$ 61,292	\$ 61,838

City of Poulsbo
City Street Equipment Reserve Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget t
For the Year Ended December 31, 2004

	<u>Final Budget</u>	<u>Actual Amounts</u>
Revenues		
Taxes	\$ -	\$ -
Licenses and Permits	-	-
Intergovernmental	-	-
Charges for Services	-	-
Fines and Forfeitures	-	-
Interest and Other Earnings	500	997
Miscellaneous	-	-
<i>Total Revenues</i>	<u>500</u>	<u>997</u>
Expenditures		
Current:		
General Government	-	-
Security of Persons & Property	-	-
Utilities and Environment	-	-
Economic Environment	-	-
Mental and Physical Health	-	-
Culture and Recreation	-	-
Capital Outlay	61,000	-
<i>Total Expenditures</i>	<u>61,000</u>	<u>-</u>
<i>Excess of Revenues Over Expenditures</i>	<u>(60,500)</u>	<u>997</u>
Other Financing Sources (Uses)		
Transfers in	29,659	35,924
Transfers out	-	-
Capital Leases	-	-
Disposal of Capital Assets	-	-
<i>Total Other Financing Sources (Uses)</i>	<u>29,659</u>	<u>35,924</u>
<i>Net Change in Fund Balance</i>	(30,841)	36,921
<i>Fund Balance Beginning of Year</i>	<u>96,390</u>	<u>104,919</u>
<i>Fund Balance End of Year</i>	<u>\$ 65,549</u>	<u>\$ 141,840</u>

to Actual

<u>Variance</u>	
<u>Positive (Negative)</u>	
\$	-
	-
	-
	-
	-
	497
	-
	<u>497</u>
	-
	-
	-
	-
	-
	61,000
	<u>61,000</u>
	61,000
	<u>61,497</u>
	6,265
	-
	-
	-
	<u>6,265</u>
	67,762
	8,529
	<u>8,529</u>
\$	<u><u>76,291</u></u>

City of Poulsbo
Facilities Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget t
For the Year Ended December 31, 2004

	<u>Final Budget</u>	<u>Actual Amounts</u>
Revenues		
Intergovernmental Revenues	\$ -	-
Interest and Other Earnings	2,500	2,396
Miscellaneous	-	-
	<hr/>	<hr/>
<i>Total Revenues</i>	<u>2,500</u>	<u>2,396</u>
Expenditures		
Current:		
City Hall Roof Repair	45,000	-
Municipal Campus Project	10,000	-
Liberty Bay Boardwalk Repair	50,000	38,407
Marine Science Repair Project	100,000	570
Capital Outlay		
	<hr/>	<hr/>
<i>Total Expenditures</i>	<u>160,000</u>	<u>38,977</u>
<i>Excess of Revenues Over Expenditures</i>	<u>(157,500)</u>	<u>(36,581)</u>
Other Financing Sources (Uses)		
Proceeds of Anticipation Notes	-	-
Transfers in	120,000	117,892
Transfers out	(100)	(100)
Capital Leases	-	-
Disposal of Capital Assets	-	-
	<hr/>	<hr/>
<i>Total Other Financing Sources (Uses)</i>	<u>119,900</u>	<u>117,792</u>
<i>Net Change in Fund Balance</i>	(37,600)	81,210
<i>Fund Balance Beginning of Year</i>	<u>228,276</u>	<u>221,417</u>
<i>Fund Balance End of Year</i>	<u>\$ 190,676</u>	<u>\$ 302,628</u>

to Actual

<u>Variance</u>	
<u>Positive (Negative)</u>	
\$	-
	(104)
	-
	<u>(104)</u>
	10,000
	11,593
	99,430
	-
	<u>121,023</u>
	<u>120,919</u>
	-
	(2,108)
	-
	-
	-
	<u>(2,108)</u>
	118,810
	<u>(6,859)</u>
\$	<u><u>111,952</u></u>

CITY OF POULSBO
Combining Statement-Internal Service Funds' Description
For the Year Ended December 31, 2004

Internal Service Funds

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

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

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

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

City of Poulsbo
Combining Statement of Net Assets
Internal Service Funds
December 31, 2004

	Governmental Activities		Business-type Activity	Total
	General Facilities	Medical Reimbursement	Public Works Admin	
Assets				
Current Assets:				
Cash and Cash Equivalents	\$ 9,947	\$ -	\$ 716	\$ 10,663
Investments	34,874	247,479	96,799	379,153
Accounts Receivable	-	600	280	880
Inventories	2,650	-	-	2,650
<i>Total Current Assets</i>	<u>47,472</u>	<u>248,079</u>	<u>97,794</u>	<u>393,345</u>
Noncurrent assets:				
Investments	-	-	-	-
Capital Assets:				
Land	-	-	-	-
Building and Structures	-	-	-	-
Machinery and Equipment	9,000	-	63,708	72,708
Construction in Progress	-	-	-	-
Other Improvements	-	-	32,424	32,424
Less Accumulated Depreciation	(9,000)	-	(47,573)	(56,573)
<i>Total Capital Assets (net of accumulated depreciation)</i>	<u>-</u>	<u>-</u>	<u>48,558</u>	<u>48,558</u>
<i>Total Assets</i>	<u>47,472</u>	<u>248,079</u>	<u>146,352</u>	<u>441,904</u>
Liabilities				
Current Liabilities:				
Accounts Payable	733	53	24,295	25,081
<i>Total Current Liabilities</i>	<u>733</u>	<u>53</u>	<u>24,295</u>	<u>25,081</u>
Non Current Liabilities:				
Compensated Absences	4,272	-	43,382	47,654
<i>Total Non Current Liabilities</i>	<u>4,272</u>	<u>-</u>	<u>43,382</u>	<u>47,654</u>
<i>Total Liabilities</i>	<u>5,006</u>	<u>53</u>	<u>67,677</u>	<u>72,735</u>
Net Assets				
Invested in capital assets	-	-	48,558	48,558
Unrestricted	42,466	248,027	30,117	320,610
<i>Total Net Assets</i>	<u>\$ 42,466</u>	<u>\$ 248,027</u>	<u>\$ 78,676</u>	<u>\$ 369,168</u>

City of Poulsbo
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Internal Service Funds
For the Year Ended December 31, 2004

	Governmental Activities		Business-Type Activity	
	General Facilities	Medical Reimbursement	Public Works Admin	Total
Operating Revenues				
Charges for services	\$ 138,058	\$ -	\$ 759,837	\$ 897,895
Miscellaneous	-	6,863	167	7,030
<i>Total operating revenues</i>	<u>138,058</u>	<u>6,863</u>	<u>760,004</u>	<u>904,925</u>
Operating Expenses:				
Administrative and General	163,497	7,496	735,558	906,552
Contracted Processing and Operations	-	-	8,237	8,237
Maintenance	332	-	3,107	3,439
Depreciation	149	-	13,743	13,891
<i>Total Operating Expenses</i>	<u>163,979</u>	<u>7,496</u>	<u>760,645</u>	<u>932,120</u>
<i>Operating Income (loss)</i>	<u>(25,920)</u>	<u>(634)</u>	<u>(641)</u>	<u>(27,195)</u>
Nonoperating Revenues (expenses):				
Interest and other earnings	438	2,601	889	3,927
Gain (loss) on disposition of capital assets	-	-	-	-
Other non-operating Expense	-	-	-	-
Transfer Out	-	(58,079)	-	(58,079)
<i>Total Nonoperating expense(loss)</i>	<u>438</u>	<u>(55,478)</u>	<u>889</u>	<u>(54,152)</u>
<i>Change in Net Assets</i>	(25,483)	(56,112)	248	(81,347)
<i>Total Net Assets - beginning</i>	<u>71,622</u>	<u>304,139</u>	<u>78,051</u>	<u>453,811</u>
Prior Year Adjustment	(3,673)	-	377	(3,296)
<i>Total Net Assets - ending</i>	<u>\$ 42,466</u>	<u>\$ 248,027</u>	<u>\$ 78,676</u>	<u>\$ 369,168</u>

City of Poulsbo
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended December 31, 2004

	Governmental Activities		Business-Type Activity	
	General Facilities	Medical Reimbursement	Public Works Admin	Total
Cash Flows from Operating Activities				
Receipts from customers and users	\$ 138,058	\$ 6,873	\$ 760,406	\$ 905,337
Payments to suppliers for goods and services	(92,652)	-	(410,422)	(503,073)
Payments to employees	(67,560)	(7,642)	(315,260)	(390,462)
<i>Net cash provided (used) by operating activities</i>	<u>(22,154)</u>	<u>(769)</u>	<u>34,725</u>	<u>11,802</u>
Cash Flows from Noncapital Financing Activities				
Operating Transfer-In (out)	-	(58,079)	-	(58,079)
<i>Net cash provided by noncapital and related financing financing activities</i>	<u>-</u>	<u>(58,079)</u>	<u>-</u>	<u>(58,079)</u>
Cash Flows from Capital and Related Financing Activities				
Proceeds from sale of assets	-	-	-	-
Purchase of capital assets	-	-	-	-
Acquisition and construction of capital assets	-	-	-	-
<i>Net Cash Used By Capital and Related Financing Activities</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash Flows from Investing Activities				
Proceeds from sales and maturities of investments	29,039	54,491	88,677	172,207
Purchase of investments	(12,279)	(11,611)	(147,854)	(171,744)
Interest and dividends received	438	6,255	1,106	7,798
<i>Net cash used by investing activities</i>	<u>17,198</u>	<u>49,134</u>	<u>(58,071)</u>	<u>8,260</u>
<i>Net increase in cash and cash equivalents</i>	(4,956)	(9,715)	(23,346)	(38,017)
<i>Cash and cash equivalents Beginning of Year</i>	<u>14,903</u>	<u>9,715</u>	<u>24,062</u>	<u>48,680</u>
<i>Cash and cash equivalents End of Year</i>	<u>\$ 9,947</u>	<u>\$ -</u>	<u>\$ 716</u>	<u>\$ 10,663</u>
Reconciliation of operating income to net cash provided (used) by operating activities				
Operating Income	(25,920)	(634)	(641)	(27,195)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	149	-	13,743	13,891
(Increase) decrease in accounts receivable	-	10	402	413
(Increase) decrease in inventories	1,227	-	-	1,227
Increase (decrease) in accounts payable	(525)	(146)	21,221	20,550
Increase(decrease) in compensated absences payable	2,916	-	-	2,916
<i>Total Adjustments</i>	<u>3,767</u>	<u>(136)</u>	<u>35,366</u>	<u>38,997</u>
<i>Net cash provided by operating activities</i>	<u>\$ (22,154)</u>	<u>\$ (769)</u>	<u>\$ 34,725</u>	<u>\$ 11,802</u>

City of Poulsbo
Capital Assets Used in the Operation of Governmental Funds
Comparative Schedules by Source
December 31, 2004 and 2003

	2004	2003
Governmental Funds Capital Assets		
Land	\$ 5,065,279	\$ 5,065,279
Buildings	3,726,817	3,726,817
Improvements other than buildings	13,241,697	12,945,690
Machinery and equipment	1,343,430	1,651,055
Total governmental funds capital assets	23,377,223	23,388,841
Investment in governmental funds capital assets by source:		
Federal, State, Interlocal Grants	4,252,045	4,277,865
General fund	7,119,757	7,335,669
Special revenue funds	1,138,487	1,197,523
General Obligation Bonds	957,154	957,154
Special Assessments	659,417	659,417
Private Contributions	6,803,073	6,517,631
Mitigation fees	126,345	130,637
Other sources	2,320,945	2,312,945
Total governmental funds capital assets	23,377,223	23,388,841

City of Poulsbo

Capital Assets Used in the Operation of Governmental Funds

Schedule by Function and Activity

December 31, 2004

Function and Activity	Land	Buildings	Improvements other than Buildings	Machinery and Equipment	Infrastructure	Construction in Progress	Total
General Government:							
Municipal Court	\$ -	\$ -	\$ -	\$ 9,067	\$ -	\$ -	\$ 9,067
Finance	-	-	-	-	-	-	-
Clerks	-	-	-	-	-	-	-
Personnel	-	-	-	-	-	-	-
Information Systems	-	-	-	76,430	-	-	76,430
Central Services	-	-	-	21,179	-	-	21,179
Central Facilities	-	-	-	5,742	-	-	5,742
General Fund Land	5,065,279	-	-	-	-	-	5,065,279
General Fund Buildings	-	3,726,817	-	-	-	177,029	3,903,846
General Fund Other Improvements	-	-	205,875	-	-	-	205,875
Total General Government	<u>5,065,279</u>	<u>3,726,817</u>	<u>205,875</u>	<u>112,418</u>	<u>-</u>	<u>177,029</u>	<u>9,287,418</u>
Public Safety:							
Police	-	-	-	680,417	-	-	680,417
Total Public Safety	<u>-</u>	<u>-</u>	<u>-</u>	<u>680,417</u>	<u>-</u>	<u>-</u>	<u>680,417</u>
Economic Environment:							
Planning	-	-	-	85,767	-	-	85,767
Total Economic Environment	<u>-</u>	<u>-</u>	<u>-</u>	<u>85,767</u>	<u>-</u>	<u>-</u>	<u>85,767</u>
Transportation:							
Engineering	-	-	-	60,848	-	-	60,848
Streets Systems	-	-	-	264,578	12,743,776	4,545,792	17,554,146
Municipal Vehicles	-	-	-	9,000	-	-	9,000
Total Highways and Streets	<u>-</u>	<u>-</u>	<u>-</u>	<u>334,426</u>	<u>12,743,776</u>	<u>4,545,792</u>	<u>17,623,994</u>
Culture and Recreation:							
Parks & Recreation	-	-	-	37,820	-	1,075,384	1,113,204
Parks	-	-	292,045	92,583	-	-	384,629
Total Culture and Recreation	<u>-</u>	<u>-</u>	<u>292,045</u>	<u>130,403</u>	<u>-</u>	<u>1,075,384</u>	<u>1,497,832</u>
Total governmental funds capital assets	<u>\$5,065,279</u>	<u>\$3,726,817</u>	<u>\$ 497,921</u>	<u>\$ 1,343,430</u>	<u>\$12,743,776</u>	<u>\$ 5,798,204</u>	<u>\$29,175,428</u>

City of Poulsbo
Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes by Function and Activity
For the Year Ended December 31, 2004

Function and Activity	Governmental Funds Capital Assets January 1, 2004	Additions	Deletions	Governmental Funds Capital Assets December 31, 2004
General Government:				
Municipal Court	\$ 38,342		\$ 29,275	\$ 9,067
Finance	45,758		45,758	0
Clerks	30,135		30,135	0
Personnel	3,826	3,236	7,062	-
Central Purchasing	44,895		44,895	-
Information Systems	-	76,430	-	76,430
Central Services	112,357		91,178	21,179
Central Facilities	5,742			5,742
General Fund Land	5,065,279			5,065,279
General Fund Buildings	3,726,816			3,726,816
General Fund other Improvements	205,875			205,875
General Fund Work In Progress	3,684,505	2,113,886	187	5,798,204
Total General Gov	<u>12,963,532</u>	<u>2,193,552</u>	<u>248,490</u>	<u>14,908,593</u>
Public Safety:				
Police	704,869	101,960	126,412	680,417
Total Public Safety	<u>704,869</u>	<u>101,960</u>	<u>126,412</u>	<u>680,417</u>
Economic Environment:				
Planning	87,213	12,000	13,446	85,767
Total Economic Environment	<u>87,213</u>	<u>12,000</u>	<u>13,446</u>	<u>85,767</u>
Transportation:				
Engineering	72,473	21,682	33,308	60,847
Streets Systems	12,765,020	297,578	54,244	13,008,354
Municipal Vehicles	39,111		30,111	9,000
Total Highways and Streets	<u>12,876,605</u>	<u>319,260</u>	<u>117,663</u>	<u>13,078,201</u>
Culture and Recreation:				
Parks & Rec	91,540		53,720	37,820
Parks	388,700	6,319	10,391	384,629
Total Culture and Recreation	<u>480,240</u>	<u>6,319</u>	<u>64,111</u>	<u>422,449</u>
Total governmental funds capital assets	<u>\$ 27,112,458</u>	<u>\$ 2,633,091</u>	<u>\$ 570,121</u>	<u>\$ 29,175,428</u>

STATISTICAL **S**ECTION

City of Poulsbo

Net Assets by Component

Last Five Fiscal Years

	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
Governmental activities					
Invested in capital assets, net of related debt	\$ 18,857,715	\$ 16,780,634	\$ 15,703,725	\$ 12,850,322	\$ 4,583,369
Restricted	287,739	293,255.81	295,090	307,815	791,906
Unrestricted	<u>6,221,541</u>	<u>6,992,025.50</u>	<u>5,535,830</u>	<u>5,238,632</u>	<u>4,690,009</u>
Total governmental activities net assets	<u>\$ 25,366,996</u>	<u>\$ 24,065,915</u>	<u>\$ 21,534,645</u>	<u>\$ 18,396,769</u>	<u>\$ 10,065,284</u>
Business-type activities					
Invested in capital assets, net of related debt	\$ 16,903,395	\$ 16,641,475	\$ 15,991,448	\$ 11,612,215	\$ 12,729,523
Restricted	-	595,000.00	595,500	666,500	666,500
Unrestricted	<u>5,916,001</u>	<u>4,306,333.07</u>	<u>2,883,550</u>	<u>3,349,596</u>	<u>1,410,257</u>
Total business-type activities net assets	<u>\$ 22,819,397</u>	<u>\$ 21,542,808</u>	<u>\$ 19,470,497</u>	<u>\$ 15,628,311</u>	<u>\$ 14,806,280</u>
Primary government					
Invested in capital assets, net of related debt	\$ 35,761,110	\$ 33,422,109	\$ 31,695,173	\$ 24,462,537	\$ 17,312,892
Restricted	287,739	888,256	890,590	974,315	1,458,406
Unrestricted	<u>12,137,543</u>	<u>11,298,359</u>	<u>8,419,379</u>	<u>8,588,228</u>	<u>6,100,266</u>
Total primary government net assets	<u>\$ 48,186,392</u>	<u>\$ 45,608,724</u>	<u>\$ 41,005,142</u>	<u>\$ 34,025,080</u>	<u>\$ 24,871,564</u>

City of Poulsbo

Government-wide Revenues by Source and Expenses/Expenditures by Function Last Five Fiscal Years

	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
<u>Program Revenues</u>					
Charges for Services	\$ 6,399,923	\$ 6,639,556	\$ 6,599,779	\$ 5,692,983	6,663,513
Operating Grants & Contributions	401,880	361,691	387,942	366,162	242,441
Capital Grants & Contributions	1,748,731	2,959,609	5,210,121	364,499	962,810
<u>General Revenues</u>					
Property Taxes	1,246,453	1,197,063	1,092,128	1,029,889	922,365
Retail Sales & Use Taxes	2,281,822	2,303,764	2,209,167	2,084,348	2,024,723
Utility Taxes				372,107	496,975
Business Taxes	978,923	949,054	932,001	869,086	764,048
Excise Taxes	477,220	344,003	244,399	268,194	298,507
Fuel Tax					143,159
Penalties & Interest	-	75	38	366	70
Investment Earnings	130,220	163,074	336,009	496,244	620,814
Gain (loss) on disposal of capital assets	(79,307)	14	5,566	(656)	-
Total Revenues	<u>\$ 13,585,864</u>	<u>\$ 14,917,902</u>	<u>\$ 17,017,148</u>	<u>\$ 11,543,223</u>	<u>\$ 13,139,425</u>
<u>Expenses/Expenditures</u>					
General government	\$ 1,530,017	\$ 1,516,489	\$ 1,462,979	\$ 1,397,344	1,586,851
Judicial	260,744	265,053	317,756	303,704	281,944
Security of Persons & Property	1,939,609	1,983,035	1,954,963	1,749,792	1,754,692
Utilities & Environment	502,815	593,399	308,421	301,774	413,248
Transportation	1,086,014	930,344	758,662	630,446	368,843
Economic Environment	595,488	446,585	392,359	367,099	342,245
Mental & Physical Health	10,767	9,909	9,457	948,433	4,081
Culture & Recreation	1,196,036	1,142,670	1,071,479	8,494	874,218
Interest on Long-Term Debt	161,767	195,895	108,317	138,906	105,964
Water/Sewer	2,096,724	2,070,725	1,961,788	2,274,395	2,416,063
Solid Waste	870,204	936,477	1,200,968	1,349,846	1,202,177
Storm Drain	283,795	243,174	146,834	143,376	158,747
Component Units	-	-	753,891	106,262	108,291
Total Expenses/Expenditures	<u>\$ 10,533,980</u>	<u>\$ 10,333,757</u>	<u>\$ 10,447,873</u>	<u>\$ 9,719,870</u>	<u>\$ 9,617,364</u>

City of Poulsbo
 General Governmental Expenditures by Function
 Last Ten Fiscal Years

FISCAL YEAR	GENERAL GOVERNMENT	SECURITY OF PERSONS & PROPERTY	UTILITIES AND ENVIRONMENT	TRANSPORTATION AND STREET MAINTENANCE	ECONOMIC ENVIRONMENT	MENTAL/ PHYSICAL HEALTH	CULTURE & RECREATION	DEBT SERVICE	TOTAL EXPENDITURES
1995	1,307,203	2,440,759	294,191	265,506	299,396	49,196	538,392	841,429	6,036,072
1996	1,356,734	2,733,351	328,154	291,885	298,872	1,850	614,844	885,608	6,511,298
1997	1,636,341	2,963,522	356,961	335,127	338,184	1,417	595,506	639,298	6,866,356
1998	1,789,143	3,306,251	376,885	342,073	298,150	2,668	827,513	694,378	7,637,062
1999	1,802,789	3,489,134	369,917	337,741	311,956	2,086	724,506	557,544	7,595,673
2000	1,755,621	1,909,284	408,168	332,303	335,848	2,052	791,884	379,739	5,914,899
2001	1,891,095	1,663,085	445,240	489,213	360,209	8,494	851,309	468,016	6,176,660
2002	2,004,640	1,828,921	480,445	470,602	381,475	9,457	970,598	464,744	6,610,882
2003	2,021,993	1,856,410	579,134	461,682	440,816	9,909	1,032,864	1,154,503	7,557,311
2004	2,068,988	1,815,863	479,589	604,561	572,399	10,767	1,128,611	510,375	7,191,152

Table includes General, Debt Service, Special Revenue, Capital Improvement, and Permanent Funds

City of Poulsbo
 General Governmental Revenues by Source
 Last Ten Fiscal Years

FISCAL YEAR	TAXES	LICENSES & PERMITS	INTER-GOVERNMENTAL	CHARGES FOR SERVICES	FINES	INVESTMENT & MISCELLANEOUS	TOTAL REVENUE
1995	3,626,782	121,975	997,049	688,039	125,915	130,037	5,689,797
1996	3,932,242	175,476	1,241,840	835,896	120,260	121,090	6,426,804
1997	4,294,436	177,711	2,019,283	1,124,288	93,821	371,959	8,081,498
1998	4,679,549	211,366	1,678,368	1,035,028	77,798	633,580	8,315,689
1999	5,084,948	193,692	1,369,023	1,116,532	87,450	544,571	8,396,216
2000	4,637,339	266,589	320,173	1,224,686	84,092	608,419	7,141,298
2001	4,582,872	268,823	581,869	1,227,521	80,325	545,055	7,286,465
2002	4,702,950	333,424	1,506,776	1,356,666	97,953	396,190	8,393,958
2003	5,053,820	335,050	2,554,371	1,252,724	236,840	364,906	9,797,711
2004	5,255,334	382,285	1,151,526	1,364,581	104,859	396,134	8,654,718

Table includes General, Debt Service, Special Revenue, and Capital Improvement, and Permanent Funds

City of Poulsbo

Property Tax Levies and Collections Last Ten Fiscal Years

FISCAL YEAR	TOTAL TAX LEVY	CURRENT TAX COLLECTIONS	PERCENT OF LEVY COLLECTED	DELINQUENT TAX COLLECTIONS	TOTAL TAX COLLECTIONS	RATIO OF TOTAL TAX COLLECTIONS TO TOTAL TAX LEVY	TOTAL OUTSTANDING DELINQUENT TAXES	RATIO OF DELINQUENT TAXES TO TOTAL TAX LEVY
1995	1,074,396	1,064,509	99.08%	249	1,064,758	99.10%	89,262	8.31%
1996	1,257,215	1,240,477	98.67%	4,576	1,245,053	99.03%	101,425	8.07%
1997	1,388,792	1,372,159	98.80%	3,920	1,376,079	99.08%	114,137	8.22%
1998	1,557,709	1,504,354	96.57%	20,132	1,524,486	97.87%	147,360	9.46%
1999	1,636,615	1,584,456	96.81%	41,256	1,625,712	99.33%	88,274	5.39%
2000	1,767,129	1,700,900	96.25%	47,277	1,748,177	98.93%	70,226	3.97%
2001	1,043,328	995,531	95.42%	7,106	1,002,637	96.10%	47,797	4.58%
2002	1,095,750	1,054,569	96.24%	35,786	1,090,355	99.51%	41,181	3.76%
2003	1,197,471	1,168,961	97.62%	25,668	1,194,629	99.76%	28,510	2.38%
2004	1,252,131	1,230,247	98.25%	6,681	1,236,928	98.79%	21,884	1.75%

City of Poulsbo

Assessed and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

FISCAL YEAR	REAL PROPERTY		PERSONAL PROPERTY		TOTAL AND RATIO		
	ASSESSED VALUE	ESTIMATED ACTUAL VALUE	ASSESSED VALUE	ESTIMATED ACTUAL VALUE	ASSESSED VALUE	ESTIMATED ACTUAL VALUE	% RATIO
1995	292,260,550	324,013,914	17,739,059	17,739,059	309,999,609	341,752,973	90.7
1996	310,808,294	352,390,356	18,608,910	19,754,682	329,417,204	372,145,038	88.5
1997	338,447,992	376,471,626	25,623,875	25,623,875	364,071,867	402,095,501	90.5
1998	373,896,040	417,760,939	28,226,732	29,402,846	402,122,772	447,163,784	89.9
1999	382,340,084	427,195,625	29,751,046	29,751,046	412,091,130	456,946,671	90.2
2000	406,280,006	456,494,389	23,831,267	23,831,267	430,111,273	480,325,656	89.5
2001	498,508,324	560,121,712	38,229,154	38,229,154	536,737,478	598,350,866	89.7
2002	533,929,810	609,508,916	25,360,093	25,360,093	559,289,903	634,869,009	88.1
2003	605,875,990	706,973,150	24,710,762	24,710,762	640,301,848	743,672,297	86.1
2004	706,659,792	803,022,491	32,598,832	32,598,832	739,258,624	840,066,618	88.0

Note: Assessed values do not include utilities' assessed values and therefore differ from Ratio of Net General Bonded Debt to Assessed Value information

Source: Kitsap County Assessor's Office

City of Poulsbo

Property Tax Rates, Direct and Overlapping Governments
Last Ten Fiscal Years

FISCAL YEAR	GENERAL FUND	DEBT SERVICE	LID GUARANTY	EMERGENCY MEDICAL	SCHOOLS	PORT OF POULSBO	P.U.D.	LIBRARY	KITSAP COUNTY	TOTALS
1995	2.2949	0.5785	0.0997	0.4874	8.3514	0.3459	0.0940	0.4595	1.2249	13.9362
1996	2.6767	0.5458	0.1005	0.5000	8.2528	0.3640	0.0939	0.4677	1.6347	14.6361
1997	2.7466	0.4958	0.0992	0.5000	8.4717	0.3721	0.0998	0.4781	1.6641	14.9274
1998	2.8420	0.4439	0.0990	0.5000	8.1648	0.3641	0.1017	0.5000	1.3908	14.4063
1999	3.0276	0.4003	0.0319	0.5000	8.0227	0.3641	0.1017	0.5000	1.4597	14.4080
2000	3.0786	0.3679	0.0027	0.5000	7.8925	0.4016	0.1008	0.5000	1.6107	14.4548
2001	1.6391	0.3047	-	0.4870	4.1979	0.3533	0.0975	0.0828	1.4556	8.6179
2002	1.6333	0.2857	-	0.4715	7.6420	0.3468	0.1064	0.4834	1.4494	12.4185
2003	1.7532	0.2742	-	0.5000	7.3478	0.3705	0.1018	0.4623	1.3838	12.1936
2004	1.7088	0.2514	-	0.0491	7.3708	0.3561	0.0998	0.0584	1.3565	11.2507

Basis for property tax rates is per \$1000 of assessed valuation

Source: Kitsap County Assessor's Office

City of Poulsbo
Special Assessment Collections
Last Ten Fiscal Years

<u>FISCAL YEAR</u>	<u>ASSESSMENTS COLLECTED</u>	<u>TOTAL OUTSTANDING ASSESSMENTS</u>
1995	272,047	705,879
1996	297,348	408,531
1997	146,860	261,671
1998	111,655	150,016
1999	41,468	108,548
2000	107,534	1,014
2001	1,014	-
2002	-	-
2003	-	-
2004	-	-

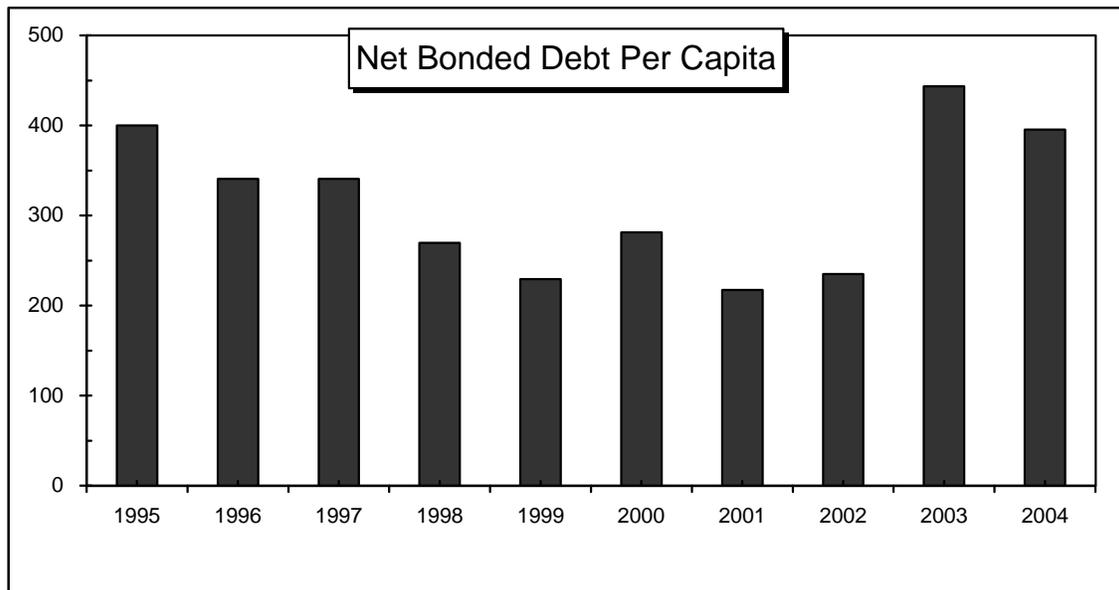
City of Poulsbo
Computation of Legal Debt Margin
December 31, 2004

Assessed Value		<u>\$ 739,142,516</u>
Overall Debt Limitation - 7.5 percent of Assessed Value		\$ 55,435,689
Debt Applicable to Limitation:		
Gross Indebtedness	<u>\$ 3,025,000</u>	
(Total Voted and Unvoted Debt)		
Less: Debt Outside Limitations:		0
Total Debt Applicable to Limitation - Within 7.5% Limitations	3,025,000	
Less: Amount Available in Debt Service Funds to pay Debt Applicable to Limitation		179,043
Net Debt Within 7.5% Limitation		<u>3,204,043</u>
Overall Debt Margin		<u><u>\$52,231,646</u></u>
<hr/>		
Unvoted Debt Limitation - 1.5% of Assessed Valuation		\$11,087,138
Gross Indebtedness Authorized By Council	<u>\$580,000</u>	
Less: Debt Outside Limitations:		0
Debt Within 5.5% Limitations	580,000	
Less: Amount Available in Debt Service Funds to Pay Debt Applicable to Limitation		2,631
Net Debt Within 5.5% Limitation		<u>582,631</u>
Unvoted Debt Margin		<u><u>\$ 10,504,507</u></u>

City of Poulsbo

Ratio of Net General Obligation Bonded Debt to Assessed Value
and Net General Obligation Bonded Debt Per Capita
Last Ten Fiscal Years

FISCAL YEAR	POPULATION	ASSESSED VALUE*	G.O. BONDED DEBT	LESS DEBT SERVICE FUND**	NET BONDED DEBT	RATIO OF NET BONDED DEBT TO ASSESSED VALUE	NET BONDED DEBT PER CAPITA
1995	5,765	311,817,476	2,446,612	139,961	2,306,651	0.74	400
1996	6,070	330,000,709	2,212,714	145,295	2,067,419	0.63	341
1997	6,140	359,673,078	2,297,585	205,980	2,091,605	0.58	341
1998	6,590	401,318,814	1,963,425	187,401	1,776,024	0.44	270
1999	6,445	413,154,884	1,655,414	177,849	1,477,565	0.36	229
2000	6,500	446,677,406	2,011,683	184,248	1,827,435	0.41	281
2001	6,965	536,737,478	1,697,888	184,248	1,513,640	0.28	217
2002	7,005	570,941,524	1,842,523	197,100	1,645,423	0.29	235
2003	7,010	640,301,848	3,301,261	193,028	3,108,233	0.49	443
2004	7,200	739,827,392	3,025,000	179,043	2,845,957	0.38	395



* Kitsap County Assessor, includes only taxable property

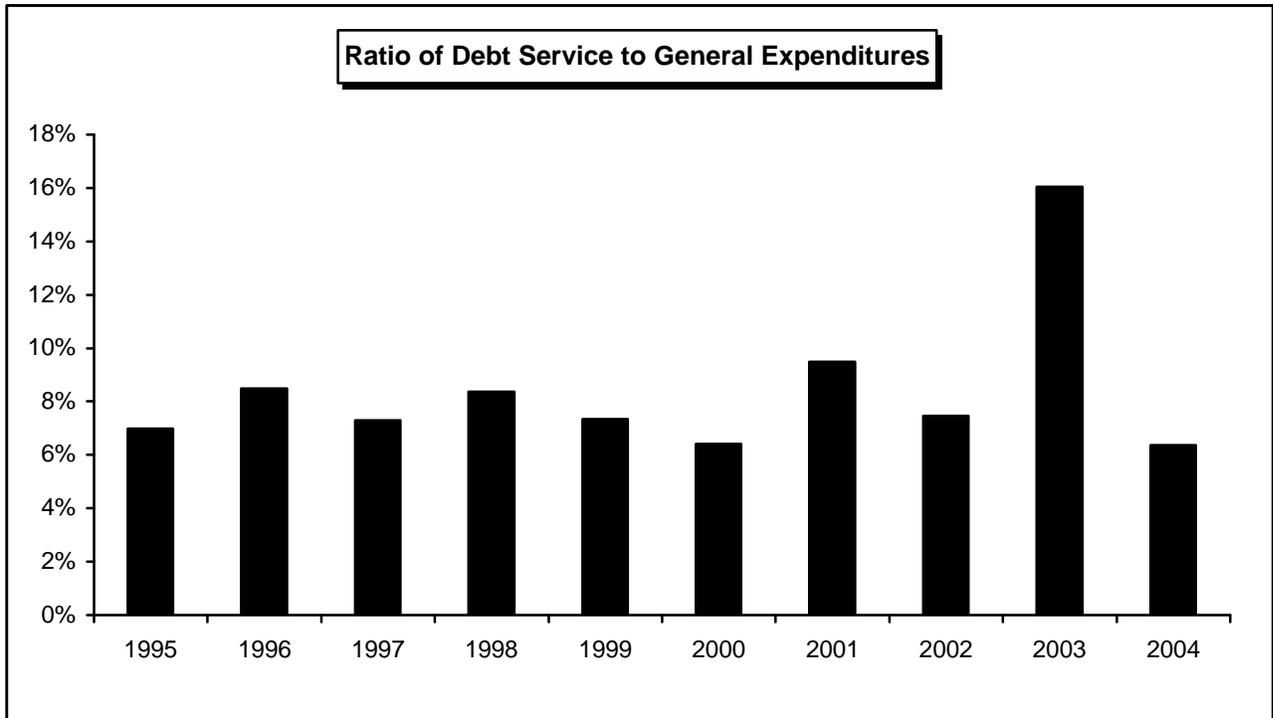
** Excluding LID Guaranty Funds

City of Poulsbo

Ratio of Annual Debt Service Expenditures for General Obligation
Bonded Debt to Total General Governmental Expenditures
Last Ten Fiscal Years

FISCAL YEAR	PRINCIPAL	INTEREST	TOTAL DEBT SERVICE	TOTAL GENERAL EXPENDITURES	RATIO OF DEBT SERVICE TO GENERAL EXPENDITURES (%)
1995	160,932	166,254	327,185	4,680,939	6.99%
1996	267,426	164,731	432,158	5,094,433	8.48%
1997	295,161	117,676	412,837	5,652,830	7.30%
1998	363,352	141,096	504,448	6,021,752	8.38%
1999	423,010	134,454	557,464	7,595,673	7.34%
2000	273,775	105,964	379,739	5,917,899	6.42%
2001	314,110	117,067	431,176	4,544,532	9.49%
2002	284,081	84,279	368,361	4,931,598	7.47%
2003	886,262	114,874	1,001,136	6,240,847	16.04%
2004	276,262	123,708	399,970	6,288,153	6.36%

Includes General, Special Revenue and Debt Service Funds



City of Poulsbo
 Computation of Direct and Overlapping Bonded Debt
 December 31, 2004

<u>Jurisdiction</u>	<u>General Obligation Debt Outstanding</u>	<u>Percentage Applicable To Poulsbo</u>	<u>Amount Applicable to Poulsbo</u>
Overlapping:			
Kitsap County	\$ 110,835,000	3.68%	\$ 4,076,398
North Kitsap School District #400	78,030,000	16.77%	\$ 13,085,518
North Kitsap Fire District #18	1,835,000	32.94%	\$ 604,379
Public Utility District No. 1	5,065,000	3.68%	\$ 186,286
Kitsap Regional Library	-	3.77%	\$ -
Poulsbo Library Facility	1,095,000	24.68%	\$ 270,243
Total Overlapping debt applicable to Poulsbo			18,222,824
Direct:			
City of Poulsbo	<u>4,217,532</u>	100.00	<u>4,217,532</u>
TOTAL DEBT	<u><u>\$ 201,077,532</u></u>		<u><u>\$ 22,440,356</u></u>

Source: Kitsap County Assessor's Office

City of Poulsbo

Water and Sewer Revenue Bond Coverage Last Ten Fiscal Years

FISCAL YEAR	OPERATING REVENUE	OPERATING EXPENSES*	NET AVAILABLE FOR DEBT SERVICE	Debt Service Requirements			COVERAGE
				CURRENT PRINCIPAL	INTEREST	TOTAL	
1995	1,785,927	1,311,781	474,146	158,821	159,361	318,181	149%
1996	1,842,695	1,546,834	295,861	193,859	152,996	346,855	85%
1997	1,841,688	1,572,105	269,583	186,654	192,974	379,628	71%
1998	2,213,899	1,603,001	610,898	1,671,654	382,794	2,054,448	30%
1999	3,420,717	1,906,753	1,513,964	305,154	330,566	635,720	238%
2000	3,730,952	1,848,390	1,882,562	320,848	314,897	635,744	296%
2001	3,764,982	3,068,473	696,509	330,848	298,067	628,914	111%
2002	4,512,468	1,475,961	3,036,507	285,848	282,252	568,099	535%
2003	4,859,258	1,599,149	3,260,109	300,848	268,574	569,422	573%
2004	5,689,568	1,446,543	4,243,025	310,848	255,104	565,952	750%

*Excludes depreciation and amortization; includes operating transfers out

City of Poulsbo

Demographic Statistics
Last Ten Fiscal Years

FISCAL YEAR	POPULATION	PER CAPITA INCOME*	UNEMPLOYMENT RATE*	SCHOOL ENROLLMENT**
1994	5,415	20,892	6.0%	6,464
1995	5,765	20,866	6.7%	6,804
1996	6,070	21,605	6.8%	6,861
1997	6,175	22,778	5.5%	6,907
1998	6,590	23,777	5.2%	6,954
1999	6,445	24,844	5.0%	7,011
2000	6,500	26,497	5.6%	6,961
2001	6,965	27,427	6.0%	6,702
2002	7,005	31,740	6.2%	6,644
2003	7,010	--	6.4%	7,163
2004	7,200	--	5.9%	7,046

* Source: Washington State Department of Employment Security

** Source: North Kitsap School District

City of Poulsbo
Property Value, Construction and Bank Deposits
Last Ten Fiscal Years

FISCAL YEAR	PROPERTY VALUES *	NEW CONSTRUCTION **			TOTAL ASSESSED VALUE OF NEW CONSTRUCTION *	BANK DEPOSITS***
		(NO. OF UNITS)				
		COMMERCIAL	RESIDENTIAL	TOTAL		
1994	309,999,609	7	55	62	20,160,460	180,156
1995	329,417,204	8	39	47	16,865,480	191,210
1996	364,071,867	7	83	90	18,285,635	206,118
1997	402,122,772	6	68	74	12,183,835	191,479
1998	412,091,130	4	62	66	14,224,670	194,214
1999	413,154,884	3	49	52	14,224,670	222,334
2000	446,677,406	6	87	93	13,573,580	240,695
2001	570,941,524	4	64	68	21,159,087	266,251
2002	590,374,023	4	66	70	20,264,662	288,271
2003	640,301,848	3	80	83	20,077,059	318,855
2004	739,827,392	6	100	106	19,883,719	338,230

* Source: Kitsap County Assessor's Office

** Source: City of Poulsbo Planning Department

*** Source: FDIC (data available for most current year only)

City of Poulsbo

Principal Taxpayers

December 31, 2004

TAXPAYER	TYPE OF BUSINESS	2004 ASSESSED VALUATION	PERCENTAGE OF TOTAL ASSESSED VALUATION
Olhava Associates LMTD Partnership	Land Developer	\$ 48,598,910	6.58%
Laurelhurst Apartments Company	Apartments	12,040,140	1.63%
Tim Ryan Properties LP	Retail & Services	10,234,650	1.38%
Poulsbo Retirement Center	Retirement Center	9,711,900	1.31%
Montclair Park at Poulsbo	Retirement Center	8,541,240	1.16%
Hattaland	Retail	8,456,220	1.14%
Current Development LLC	Miscellaneous Services	7,224,520	0.98%
Liberty Ridget Apartments LLC	Apartments	7,119,880	0.96%
Patterson Michael A & Emma O	Business Services	5,306,120	0.72%
Puget Sound Energy Electric	Utility	5,241,726	0.71%
TOTALS:		<u>\$ 122,475,306</u>	<u>16.57%</u>

Source: Kitsap County Assessor's Office

City of Poulsbo

General Governmental Tax Revenues by Source Last Ten Fiscal Years

FISCAL YEAR	PROPERTY TAX	SALES/USE TAX	UTILITY TAX	OTHER TAXES	TOTAL
1995	1,061,664	1,602,198	763,941	165,222	3,593,025
1996	1,235,621	1,603,074	850,639	209,979	3,899,313
1997	1,424,825	1,668,350	973,359	167,031	4,233,566
1998	1,534,272	1,722,791	1,075,575	312,672	4,645,309
1999	1,641,776	1,870,704	1,135,112	350,651	4,998,243
2000	1,099,096	1,927,434	1,144,813	345,187	4,516,529
2001	1,032,573	2,046,240	1,015,592	356,375	4,450,781
2002	1,090,312	2,191,959	910,785	472,139	4,665,196
2003	1,194,413	2,312,039	931,099	583,586	5,021,137
2004	1,236,814	2,281,754	968,542	728,900	5,216,010

City of Poulsbo
 Monthly Sales Tax Comparison
 Last Five Fiscal Years

<u>MONTH/YEAR</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
January	\$ 132,889	\$ 153,009	\$ 148,782	\$ 161,011	\$ 162,657
February	178,463	168,943	211,278	216,257	206,336
March	141,952	161,637	139,646	149,531	179,175
April	141,811	136,535	150,281	142,021	145,956
May	149,931	180,352	175,447	182,610	205,266
June	149,524	169,954	166,454	170,289	166,659
July	146,448	161,617	171,621	177,164	173,904
August	167,467	179,268	196,003	210,622	236,552
September	156,440	153,464	177,277	218,892	176,685
October	165,261	160,953	186,501	192,987	160,818
November	174,706	190,486	213,842	219,183	221,423
December	<u>158,694</u>	<u>161,687</u>	<u>180,848</u>	<u>194,091</u>	<u>162,897</u>
Total	<u><u>\$ 1,863,587</u></u>	<u><u>\$ 1,977,906</u></u>	<u><u>\$ 2,117,980</u></u>	<u><u>\$ 2,234,658</u></u>	<u><u>\$ 2,198,328</u></u>

