

# **COMPREHENSIVE ANNUAL FINANCIAL REPORT**



*For the fiscal year ended December 31, 2005*

**CITY OF POULSBO, WASHINGTON**

***Cover Photo – Tessa (7) and Giuliana (4) Johnson sitting on one of the new benches facilitated by the Historic Downtown Association.***

# **CITY OF POULSBO, WASHINGTON**

## **Comprehensive Annual Financial Report**



**For the fiscal year ended December 31, 2005**

**Prepared by the City's Finance Team:**

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**City of Poulsbo, Washington**  
**Comprehensive Annual Financial Report**  
**For the Fiscal Year Ended December 31, 2005**  
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# City of Poulsbo



July 28, 2006

To the Honorable Mayor Quade, 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, 2005, 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 2004 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, 2005, 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 D&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.

## **2005 City Highlights**

For the City, the year 2005 could probably be summed up in a couple of words - *growth* and *technology*.

Let's start with growth. Poulsbo's population has grown by almost 500 people in the last two years, averaging a 3% growth each year. But what is coming faster than people right now, is land. In the past three years the City has approved annexations of over 800 acres, or approximately one-half of our urban growth area. All of these annexations have been initiated by property owners who are looking for access to City utilities and greater development densities. These annexations created a spike in workloads across all City departments, in particular our Planning and Public Works Departments.

In addition, construction of the new businesses at the 215 acre commercial development called College Market Place, finally got under way in the summer on 2005. The two anchor stores, Home Depot and Wal-Mart opened in January 2006. They join Olympic Community College which has been in operation since 2004. This large tract of land was originally annexed into the City in 1994 and reaching this milestone has been a long time in coming.

Seeing the growth on the horizon, the City Council approved two crucial projects in 2005 that will help the City meet the demands of this growth.

The **first** project was Council's June 2005 approval to replace the City's antiquated financial software system. The 2003 Process Study reviewed the City's core services and processes and looked for possible ways to reduce workload and improve efficiencies. The study conclusions recommended updating the City's current software (purchased in 1991) to help improve workflow and/or eliminate many of the City's manual functions.

In February 2004, the City contracted with a consulting firm to conduct an assessment of the City's current software. That study determined the current software, or an upgrade of it, was not the best solution and in

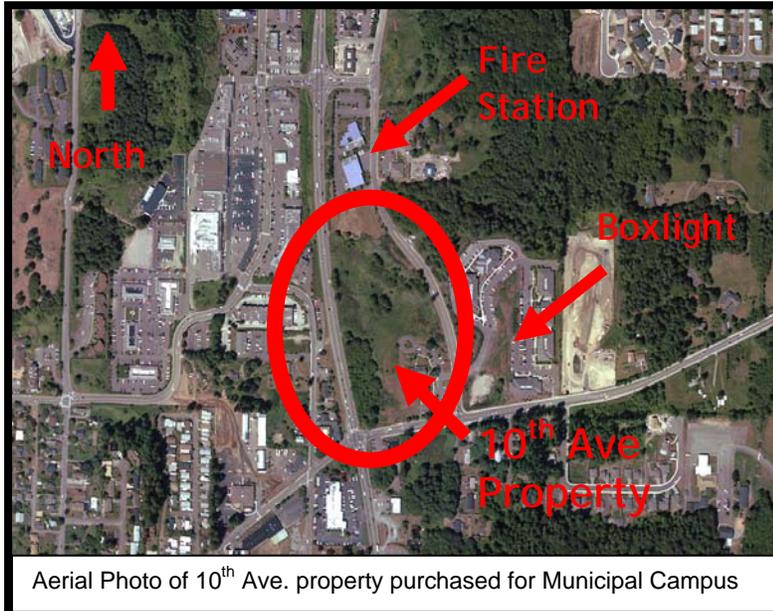


Mayor Quade at the grand opening of Home Depot January 2006 where Home Depot presented the local school district with a donation.

response the City issued a Request for Proposal (RFP) for an integrated software solution. A project management team was formed and members from all City departments participated in the demonstrations provided by vendors who made the short list. After compiling feedback and conducting the appropriate due diligence, the Project Management Team recommended that the City Council approve a contract with SunGard HTE. The contract includes the integrated modules for general ledger, accounts payable, budgeting, payroll & human resources, fixed assets, utility billing, accounts receivable, central receipting, project costing, work orders, permitting, planning & development, code enforcement, and business and pet licenses. In addition, the e-Citizen module will eventually allow customers doing business with the City to be able to use the City's website to make inquiries and payments on their utility billing, business license and permits, as well as communicate dangerous situations such as a downed stop sign or potholes.

The project is scheduled to be implemented over an 18 to 24 month period. The first modules to go live in January 2005 were the general ledger, payroll, accounts payable, accounts receivable, and central cashing.

The **second** significant project was approved in November 2005 when Council approved the purchase of an eight-acre parcel on which the City's future Municipal Campus will be built. The property, which is located on 10<sup>th</sup> Avenue adjacent to the Poulsbo Fire Station, was intended to be the home to not only the City Hall facility, but also the future Police Station. There is also land for another 10,000 square feet of future development. The need for these new facilities has been a long time in coming. Over the last decade, City Councils, Mayors, and their staff have invested significant hours and resources into planning and studying the possibility of a future Municipal Campus. The existing City Hall is in sub-standard condition and less than half the size necessary to provide the necessary services. Since January 2005, the City Council discussed the proposed project at 19 Council meetings. The November decision was to move forward with Phase 1 of the project which included: 1) purchase the property; 2) design the City Hall facility, 3) sell bonds to fund the property purchase, design and civil site work; and 4) being the process to sell two pieces of existing City properties to help fund the project. Phase 2, construction of the City Hall, was scheduled to begin in the fall of 2006. At the time the November decision was made, Council considered it to be a very prudent decision that would have resulted in a quality facility which would represent Poulsbo's civic pride and well serve its growing population of citizens and businesses for many years into the future.



There has been a change in direction on this project after the first of the year. In January 2006, the City had a change in executive leadership and newly elected, Mayor Quade was concerned that the 10<sup>th</sup> Avenue location may not be the right location of the new City Hall. A Town Hall meeting was held in April 2006 where citizens expressed varying points of view of this issue. Although none doubted the need for a new City Hall, some thought the City should purchase an existing and vacant building in the Poulsbo Village. Others thought the 10<sup>th</sup> Avenue location, being three-quarters of a mile from downtown, was too far from the heart of the City and could cause economic hardship to the downtown. In May 2006, the Council voted to put the 10<sup>th</sup> Avenue Municipal Campus Project

on hold and hired a consultant to perform an economic analysis of City Hall being relocated outside the downtown core; compare the cost of building on the 10<sup>th</sup> Avenue parcel vs. downtown; and then present these findings to the citizens and ask for an advisory vote in November. The current status on the project is this:

- Bonds for Phase 1 were issued in December 2005 in the amount of \$5.1 million;
- The City has purchased the 10<sup>th</sup> Avenue property for approximately \$2.2 million;
- \$500,000 has been spent on the design work for City Hall. The design contract has now been put on hold;

- Consultants have been hired to perform the economic analysis, costs comparisons, and to help get the information from these studies to the voters prior to the scheduled November advisory vote.

### **Other Projects**

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 and community participation are some of the ways we can accomplish goals that we may not have otherwise been able to do. Major projects started or completed in 2005 included:

1. **10<sup>th</sup> Avenue Reconstruction:** 10<sup>th</sup> Avenue was reconstructed from the south side of the Fire Station to approximately 500 feet north of Liberty Road to repair extensive sub-grade and pavement failure. The project included sub-grade drainage, and new gravel base, top course, and thickened pavement. This project was funded with funds from the 2003 General Obligation Bond issue.
2. **State Route (SR) Hwy 305 Project:** This \$20 million project is primarily a State Department of Transportation project that will add two HOV lanes as well as installing additional turning lanes at the cross street intersections. The project will increase capacity of the SR 305 corridor from 20,000 to 35,000 vehicles per day. Consequently, the project will increase mobility and safety along this corridor. When the State citizen sponsored Initiative 695 severely reduced funding for various State transportation projects, the scope of this particular project was reduced. In response the City went out and successfully secured approximately \$12 million in various grant and developer funds to return the project back to its original scope. The City will be managing the \$3.5 million Transportation Improvement Board grant. The project began in 2005 is scheduled to be completed in 2007. As part of the project, City completed the design and replacement of the 7<sup>th</sup> Avenue culvert this year.
3. **Caldart Signal Project Avenue:** This project will install a traffic signal at the Lincoln Road/Caldart Avenue intersection. The project will improve safety and mobility at this intersection. The design work was completed in 2005 and planning for installation in 2006.
4. **North 10<sup>th</sup> Avenue Overlay:** This project provided a much needed overlay between Schucks/Hollywood Video and Forest Rock Lane.



**Westside Well Connection:** This project connected the Westside Well to the City's water distribution system to provide for the delivery of water service in support of growth and the maintenance of water rights. Much of the work was done in-house which significantly reduced the overall cost of the project.

6. **Municipal Campus:** This project would provide a municipal complex to accommodate the existing functions performed at the Jensen Way City facility as well as the Public Works Administration. As an option, the complex may also include the Kitsap County District Court and the Police Station. Design work began in 2005 and will continue in 2006 with construction scheduled to start in the fall.
7. **Dogfish Creek Estuary Property Restoration:** With the acquisition of 13 acres at the head of Liberty Bay, along the Dogfish Creek Estuary, plans for development of the site into Poulsbo's Fish

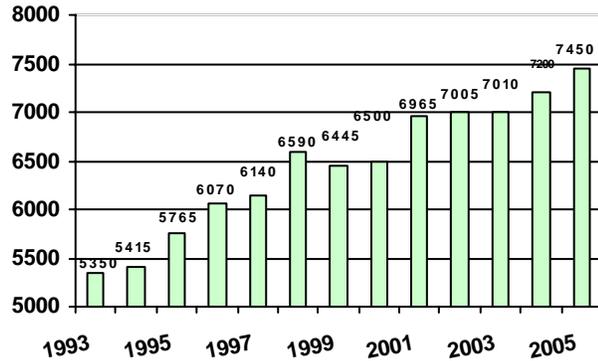
Park are underway. The Master Plan for development of the site was completed in 2004. The plan calls for public access trails, interpretive areas, restoration of the estuary, wildlife viewing, and educational opportunities. Planned public access into wildlife areas is important to the survival of the vegetation and wildlife. In 2005, volunteers began construction of the public access trails. This project is being partially funded with grants from the Interagency Committee for Outdoor Recreation (IAC) and the Salmon Board Recovery Fund (SRFB).

**Economic Condition and Outlook**

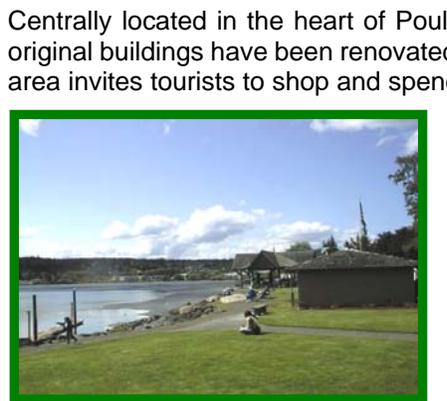
More and more, people are deciding that Poulsbo and the surrounding area is a great place to live and work. The City has become a very popular place for development. The City acknowledges its responsibility to respond to growth and has adopted all development regulations, which are called for by state 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 7,450, 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.

**City of Poulsbo Population (1993-2005)**



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.



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 to started in mid-2005.

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. 10<sup>th</sup> 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. Then in 2005, another \$7.2 million of assessed value was annexed.

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 2005, 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, 2004.

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 City's Finance Team. To each, I extend my appreciation, in particular to our Senior Accounting Technician, Jana Brown, who manages the CAFR preparation.

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, 2004

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 plans whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



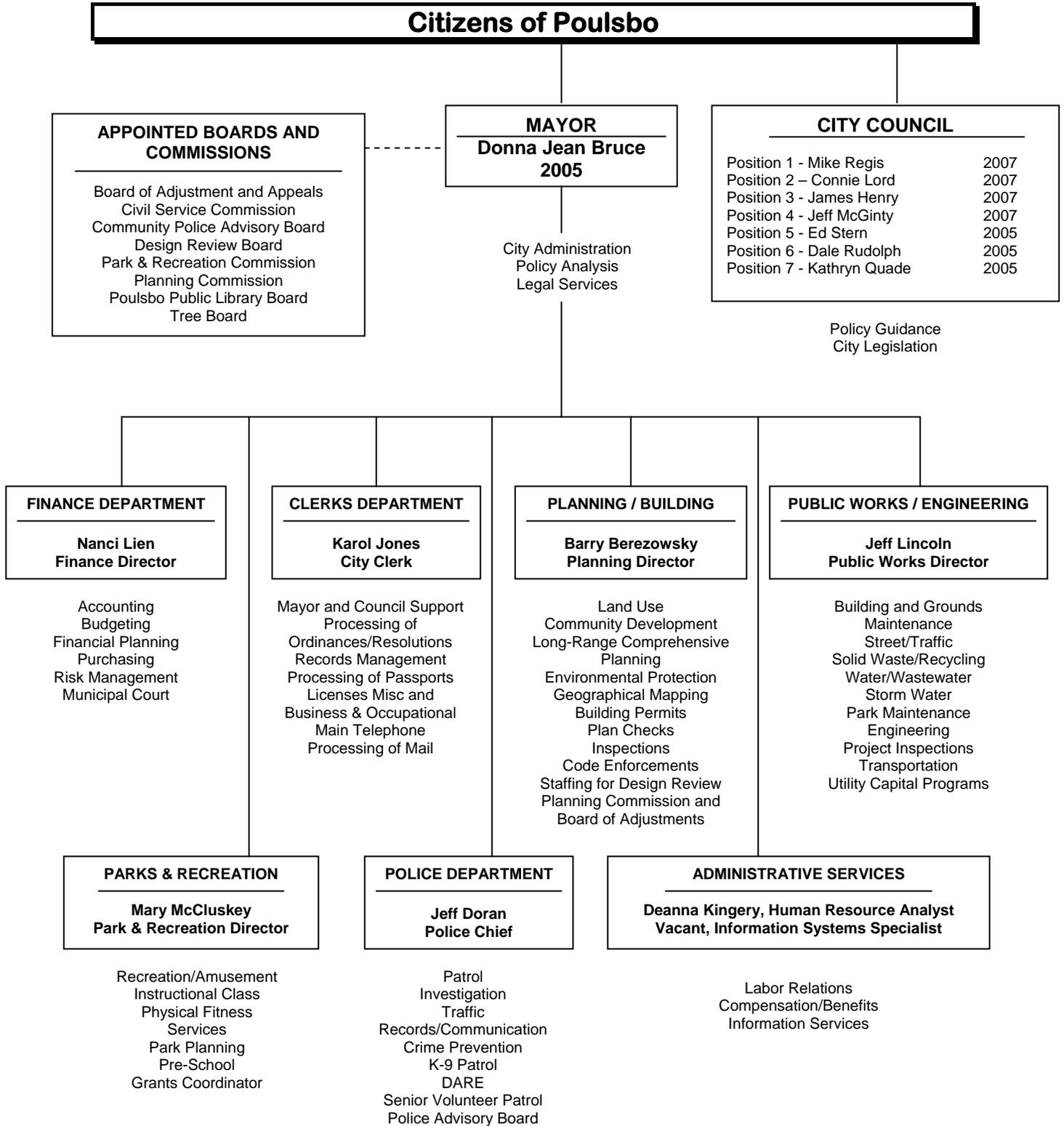
*Carla E. Perry*

President

*Jeffrey R. Emer*

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**

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**City of Poulsbo**  
**Management's Discussion and Analysis**  
**For the Year Ended December 31, 2005**

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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, 2005. 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 2005 are as follows:

- City of Poulsbo assets exceeded its liabilities at the close of the 2005 fiscal year by \$52.76 million (net assets). Of this amount \$19.6 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 \$4.1 million. Net assets of governmental activities increased \$2.39 million, or 9.4% during 2005. 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 \$1.7 million, or 7.35% during 2005.
- Investments in capital assets net of debt decreased from \$35.7 million to \$31.7 million. This decrease is due to the City issuing \$5.1 million in general obligation debt in December 2005 and the capital project not getting underway until 2006.
- Total liabilities increased by \$4,595,742, which is attributable to the general obligation issue reference above.
- Overall, the book value of capital assets increased by over \$961,827. Total capital assets from governmental activities increased by \$954,138 million or 3.96%. Capital assets of business-type activities increased by \$7,689, less than 1%.
- City governmental fund tax revenue has increased an average of 6.6% per year for the last five years.
- As the close of the current fiscal year, the City of Poulsbo's governmental funds reported combined ending fund balances of \$12.2 million. Approximately 93% of this total amount, or \$11.3 million, is available for spending at the government's discretion (unreserved fund balance). 88% or \$10.8 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 \$561,075, or 8.4% 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 just under \$1.49 million, or 22% of the General Fund expenditures.

In 2005, 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 and 2004. The applications of several other recommendations were implemented in 2005 including acquiring a new city-wide enterprise resource planning (ERP) software system.

**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 financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed

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## City of Poulsbo

### Management's Discussion and Analysis For the Year Ended December 31, 2005

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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 2005?" 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, non-financial information such as changes in the City's tax base, and the condition of City capital assets, also needs 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 30. 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, the Cumulative Reserve Fund (traffic mitigation), and the Facilities Fund (capital fund for general government). 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.
- *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.

**City of Poulsbo**  
**Management's Discussion and Analysis**  
**For the Year Ended December 31, 2005**

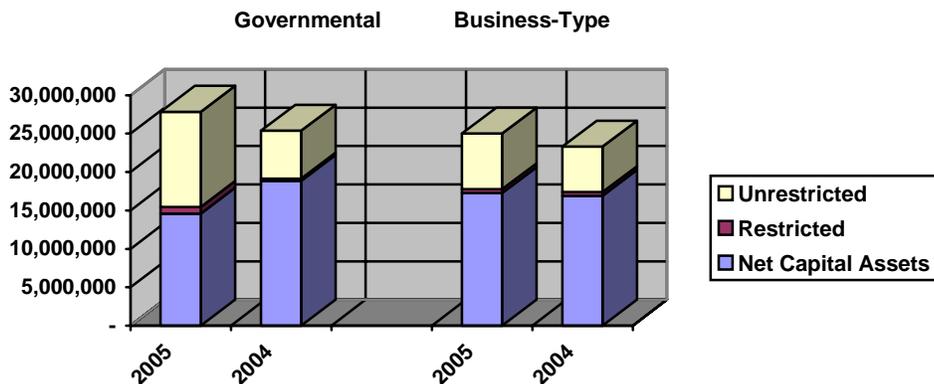
**THE CITY AS A WHOLE**

The Statement of Net Assets looks at the City as a whole. Table 1 provides a summary comparing the City's net assets for 2005 and 2004. As noted earlier, over time, net assets may serve as a useful indicator of a government's financial position. The overall financial position for the City of Poulsbo has improved over the prior year. In 2005, assets exceeded liabilities by \$52 million, an increase of \$4.1 million or 9%. The largest portion of the City's net assets (60%) reflects its investment in capital assets (land, buildings, machinery and equipment, and infrastructure), less any related outstanding debt used to acquire those assets. The City's capital assets are used to provide services to citizens. Consequently, these assets are not available for future spending. Consequently, these assets are not available for future spending.

**Table 1**  
**Net Assets**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2005	2004	2005	2004	2005	2004
<b>Assets:</b>						
Current and Other Assets	\$14,260,506	\$ 7,824,555	\$ 7,472,214	\$ 6,168,615	\$21,732,720	\$13,993,169
Capital Assets Net	24,095,514	23,141,376	22,788,042	22,780,354	46,883,557	45,921,730
Total Assets	<u>38,356,020</u>	<u>30,965,931</u>	<u>30,260,257</u>	<u>28,948,968</u>	<u>68,616,277</u>	<u>59,914,899</u>
<b>Liabilities:</b>						
Long-term Debt	8,434,378	3,569,752	4,578,658	4,884,742	13,013,035	8,454,494
Other Liabilities	2,161,053	2,029,183	675,879	770,549	2,836,932	2,799,732
Total Liabilities	<u>10,595,431</u>	<u>5,598,935</u>	<u>5,254,537</u>	<u>5,655,291</u>	<u>15,849,968</u>	<u>11,254,226</u>
<b>Net assets:</b>						
Invested in Capital Assets Net of Debt	14,526,547	18,857,715	17,250,848	16,903,395	31,777,395	35,761,110
Restricted	866,364	287,739	496,499	474,281	1,362,863	762,021
Unrestricted (deficit)	<u>12,367,678</u>	<u>6,221,541</u>	<u>7,258,373</u>	<u>5,916,001</u>	<u>19,626,051</u>	<u>12,137,543</u>
Total Net Assets	<u>\$27,760,589</u>	<u>\$25,366,996</u>	<u>\$25,005,720</u>	<u>\$23,293,678</u>	<u>\$52,766,309</u>	<u>\$48,660,674</u>

Less than 3% 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 (\$19.6 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, 2005**

Table 2 shows and the compares changes in net assets for the years 2005 and 2004.

**Table 2**  
**Changes in Net Assets**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2005	2004	2005	2004	2005	2004
<b>Program Revenues</b>						
Charges for Services	\$ 1,668,826	\$ 1,504,910	\$ 5,201,303	\$ 4,895,013	\$ 6,870,130	\$ 6,399,923
Operating Grants/Contribr	453,211	401,880	-	-	453,211	401,880
Capital Grants / Contribr	1,330,358	1,254,588	-	494,143	1,330,358	1,748,731
<b>General Revenues</b>					-	-
Property Taxes	1,590,561	1,246,453			1,590,561	1,246,453
Retail Sales & Use Tax	2,506,720	2,281,822			2,506,720	2,281,822
Misc Taxes	1,666,889	1,456,143			1,666,889	1,456,143
Other	242,125	50,913	78,249	42,439	320,375	93,352
<b>Total Revenues</b>	<u>9,458,691</u>	<u>8,196,708</u>	<u>5,279,553</u>	<u>5,431,595</u>	<u>14,738,244</u>	<u>13,628,304</u>
<b>Program Expenses</b>						
General government	1,356,943	1,530,017			1,356,943	1,530,017
Judicial	257,550	260,744			257,550	260,744
Security of Per & Prop	2,112,042	1,939,609			2,112,042	1,939,609
Utilities & Environment	436,786	502,815			436,786	502,815
Transportation	1,069,701	1,086,014			1,069,701	1,086,014
Economic Environment	650,391	595,488			650,391	595,488
Mental & Physical Health	12,489	10,767			12,489	10,767
Culture & Recreation	1,273,809	1,196,036			1,273,809	1,196,036
Interest Long-Term Debt	150,670	161,767			150,670	161,767
Water/Sewer	-		2,195,301	2,096,724	2,195,301	2,096,724
Solid Waste			807,384	870,204	807,384	870,204
Storm Drain			323,217	283,795	323,217	283,795
<b>Total expenses</b>	<u>7,320,381</u>	<u>7,283,256</u>	<u>3,325,902</u>	<u>3,250,724</u>	<u>10,646,283</u>	<u>10,533,980</u>
<b>Excess (deficiency)</b>	2,138,310	913,452	1,953,650	2,180,872	4,091,961	3,094,324
<b>Transfers</b>	249,764	265,918	(249,764)	(265,918)	-	-
<b>Changes in net assets</b>	2,388,074	1,179,370	1,703,887	1,914,954	4,091,961	3,094,324
<b>Beginning Net Assets</b>	25,366,996	24,065,915	23,293,678	21,542,808	48,660,674	45,608,724
<b>Prior Year Adjustments</b>	5,519	121,711	8,156	(164,085)	13,675	(42,374)
<b>Ending Net Assets</b>	<u>\$ 27,760,590</u>	<u>\$ 25,366,996</u>	<u>\$ 25,005,720</u>	<u>\$ 23,293,678</u>	<u>\$ 52,766,310</u>	<u>\$ 48,660,674</u>

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**City of Poulsbo**  
**Management's Discussion and Analysis**  
**For the Year Ended December 31, 2005**

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**GOVERNMENTAL ACTIVITIES**

**Revenues**

Taxes account for the largest revenue category in the governmental funds, generating more than 59% of the total revenue in the General Fund. Because of this, the category receives the majority of attention. Included in this category are sales, property, utility, criminal justice, and gambling taxes. Governmental fund taxes total \$5,758,049.

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 2005 was \$739,142,516. For 2005, the City's regular property levy tax rate was \$1.930276 per \$1,000 of assessed value. The tax levy rate for the voted general obligation levy for construction of the fire station was \$0.221175 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 total sales tax collected on sales taking place within the City is distributed as follows:

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

\* 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 2005, sales tax received in the City's General Fund totaled \$2,506,720. 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 (60%) comes from the retail trade category. The next largest sales tax category is contracting, accounting for 15% 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. In 2005, \$255,885 was collected from City-owned utilities while \$710,766 was collected from other utilities.

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

**City of Poulsbo**  
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**Expenses**

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

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

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

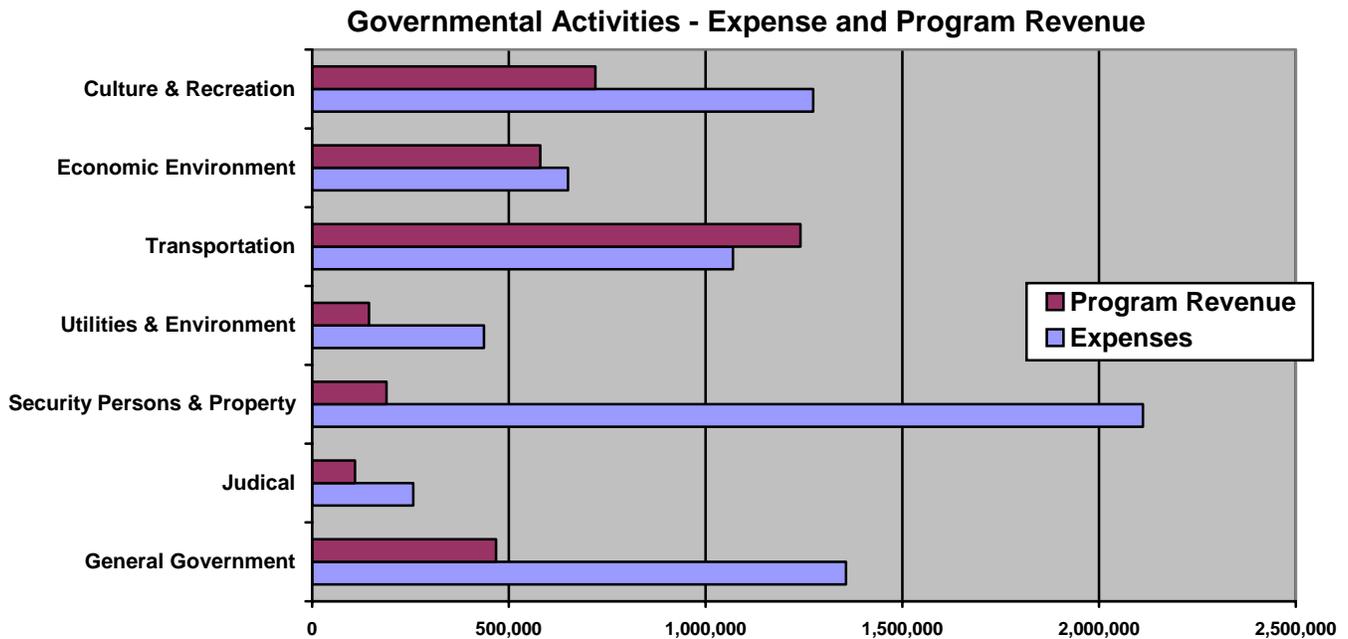
Transportation services provide maintenance of the City's streets, sidewalks, paths and traffic control signs/signals.

Economic Environment services 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.

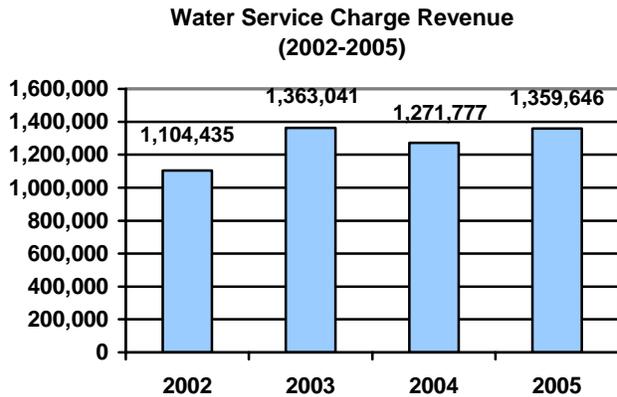


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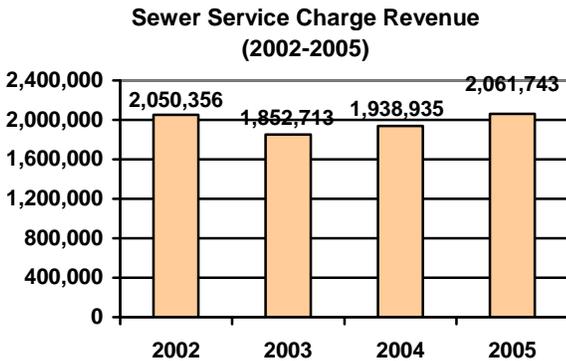
**BUSINESS-TYPE ACTIVITY**

**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.

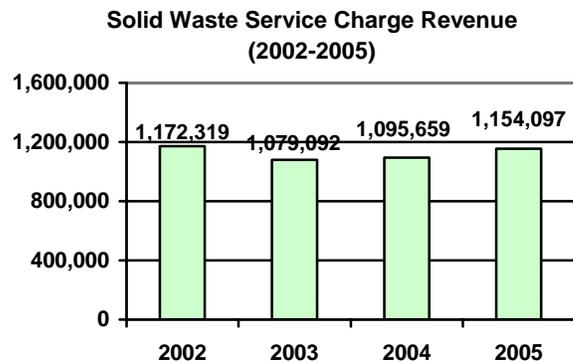
**Water Utility:** The City's water utility is solely supported by its customers, and revenue is generally derived from three sources: 1) monthly service charges, 2) system connection fees, and 3) miscellaneous revenues to include investment interest and charges associated with force account activities. 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 2005, water service charges for the City were \$1,359,646.



**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 2005, sewer service charges for the City were \$2,061,743.

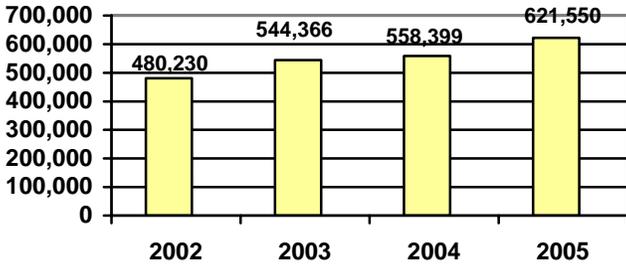


**Solid Waste Utility:** The solid waste utility is supported by its users and revenue is generally derived from service charges which include: 1) service charges for scheduled residential and regular dumpster garbage collection, and 2) service charges for recycling. The majority of revenue comes from monthly service charges. Revenues for the year 2005 fiscal period were \$1,154,097.



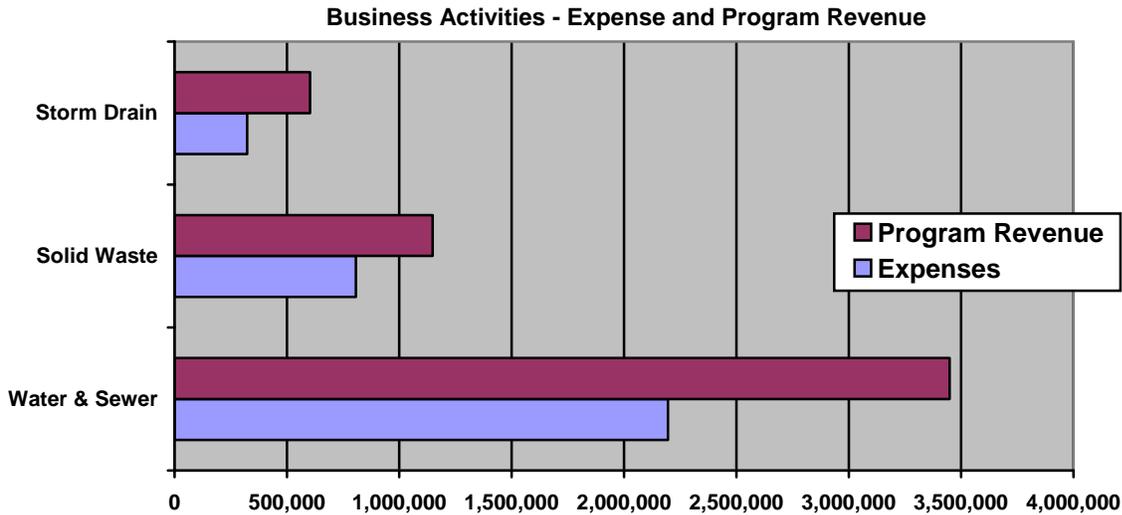
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**Storm Drain Service Charges (2002-2005)**



**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 2005 accounting period for services were \$621,550.

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.

**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

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## City of Poulsbo

### Management's Discussion and Analysis For the Year Ended December 31, 2005

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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 Cumulative Reserve Fund (Traffic Mitigation) and the Facilities Fund (General Government Capital), along with the General Fund, met GASB 34 requirements to qualify as major funds. These funds are accounted for using the modified accrual basis of accounting. Altogether, the governmental funds have total revenues of \$9.93 million and expenditures of \$8.99 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 begin on page 81. The significant budgetary changes in the General Fund included:

- The final General Fund revenue budget increased by approximately 4.7% or \$291,757 of the original adopted budget. The majority of this variance was mainly due to recognizing increases development related revenues (building permits and zoning and sub-division charges for services) as well as a healthy investment environment;
- The final General Fund expenditure budget increased by approximately 5.3% or \$283,773. The majority of this variance was due to increased labor costs in the Planning Department resulting from the development related activity and increases for various operating costs in the Police Departments that were addressed after the carryover funds were calculated and recognized.

A copy of the City's Budget-in-Brief is available on our website [www.cityofpoulsbo.com](http://www.cityofpoulsbo.com). The complete budget provides details of the City's plans for using its resources on the next year and can be obtained by contacting the Budget Analyst at 360-697-2487 or [dbooper@cityofpoulsbo.com](mailto:dbooper@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 \$237,180.

#### **DEBT ADMINISTRATION**

The following summarizes the City's current bond debt obligations by type of debt. The City has various forms of debt, of which about \$8 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 \$1,155,344 and one recorded in the Business-Type Activities at \$458,477.

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 \$4,704,000.

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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 \$11,087,563;
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 2005, the City's limit is \$18,478,563, less any amount issued of non-voted debt. The City's amount of voted debt is \$445,000; 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, "Long-Term Debt and Capital Lease" and can be found on page 59.

**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)**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Totals</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
Land	\$ 5,065,279	\$ 5,065,279	\$ 288,593	\$ 288,593	\$ 5,353,872	\$ 5,353,872
Buildings	1,906,996	2,018,932	102,196	107,625	2,009,191	2,126,557
Other Imprvmnts	221,453	254,104	20,600,446	21,071,348	20,821,898	21,325,452
Infrastructure	9,231,797	9,666,779			9,231,797	9,666,779
Machinery & Equip	361,158	338,077	562,064	370,437	923,222	708,513
Work in Progress	7,308,832	5,798,204	1,234,744	942,351	8,543,576	6,740,555
<b>Totals</b>	<b>\$ 24,095,514</b>	<b>\$ 23,141,375</b>	<b>\$ 22,788,042</b>	<b>\$ 22,780,354</b>	<b>\$ 46,883,556</b>	<b>\$ 45,921,729</b>

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**City of Poulsbo**  
**Management's Discussion and Analysis**  
**For the Year Ended December 31, 2005**

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**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 5% 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, 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 two anchor stores, Wal-Mart and Home Depot will open their doors in January 2006.

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. The City does not assess a business and occupation tax.

Another major undertaking the City's began in 2005, was 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, participated in the search. A fully integrated program was recommended and acquired in mid-2005 and the business analysis and implementation immediately followed. Go-live for the first modules (general ledger, payroll, accounts payable and receivables, and central cashiering) were on January 1, 2006.

**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](mailto:nlien@cityofpoulsbo.com).

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**City of Poulsbo**  
**Statement of Net Assets**  
**December 31, 2005**

	Primary Government		Total
	Governmental Activities	Business-Type Activity	
<b>Assets</b>			
Cash and Cash Equivalents	\$ 179,879	\$ 340,553	\$ 520,432
Investments	12,717,317	6,173,599	18,890,916
Receivables:			
Taxes	762,358	-	762,358
Accounts	403,945	402,973	806,918
Special Assessments	17,409	-	17,409
Due from Other Governments	102,971	-	102,971
Materials and Supplies Inventory	14,654	27,207	41,860
Deferred Charges	61,972	31,385	93,357
Restricted Assets:			
Cash and Cash Equivalents	-	-	-
Investments	-	496,499	496,499
Land and Construction Work in Progress	13,303,535	1,523,337	14,826,872
Depreciable Capital Assets, Net	10,791,979	21,264,705	32,056,685
<i>Total Assets</i>	<u>38,356,020</u>	<u>30,260,257</u>	<u>68,616,277</u>
<b>Liabilities</b>			
Accounts Payable	255,079	104,577	359,656
Interest Payable	47,864	81,410	129,274
Due to Other Governmental Units	1,204,529	458,478	1,663,008
Revenues Collected in Advance	68,198	-	68,198
Custodial Accounts	585,384	31,414	616,798
Long-Term Liabilities:			
Due within one year	549,672	308,587	858,259
Due in more than one year	7,884,706	4,270,071	12,154,776
<i>Total Liabilities</i>	<u>10,595,431</u>	<u>5,254,537</u>	<u>15,849,968</u>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	14,526,547	17,250,848	31,777,395
Restricted for:			
City Beautification-Expendable	16,364	-	16,364
City Beautification-Nonexpendable	91,016	-	91,016
Debt Service	758,984	496,499	1,255,483
Unrestricted	12,367,678	7,258,373	19,626,051
<i>Total Net Assets</i>	<u>\$ 27,760,589</u>	<u>\$ 25,005,720</u>	<u>\$ 52,766,309</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, 2005**

	<b>Program Revenues</b>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Governmental activities:</b>				
General government	\$ 1,356,943	\$ 224,133	\$ 243,221	\$ -
Judicial	257,550	109,137	-	-
Security of Persons & Property	2,112,042	73,172	116,487	-
Utilities & Environment	436,786	144,532	-	-
Transportation	1,069,701	7,776	500	1,233,152
Economic Environment	650,391	580,137	-	-
Mental & Physical Health	12,489	-	-	-
Culture & Recreation	1,273,809	529,938	93,004	97,207
Interest on Long-Term Debt	150,670	-	-	-
<i>Total Governmental Activities</i>	<u>7,320,381</u>	<u>1,668,826</u>	<u>453,211</u>	<u>1,330,358</u>
<b>Business-Type Activities:</b>				
Water/Sewer	2,195,301	3,449,272	-	-
Solid Waste	807,384	1,149,082	-	-
Storm Drain	323,217	602,950	-	-
<i>Total Business-Type Activities</i>	<u>3,325,902</u>	<u>5,201,303</u>	<u>-</u>	<u>-</u>
<i>Total Primary Government</i>	<u>\$ 10,646,283</u>	<u>\$ 6,870,130</u>	<u>\$ 453,211</u>	<u>\$ 1,330,358</u>

**General Revenues:**

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

**Transfers**

*Total General Revenues, Special Items, and Transfers*

*Change in Net Assets*

*Net Assets Beginning of Year*

*Prior Period Adjustments*

*Net-Assets End of Year*

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

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Net (Expenses) Revenue and Changes in Net Assets

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Primary Government

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Governmental Activities	Business-Type Activities	Total
\$ (889,589)	\$ -	\$ (889,589)
(148,413)	-	(148,413)
(1,922,383)	-	(1,922,383)
(292,253)	-	(292,253)
171,727	-	171,727
(70,255)	-	(70,255)
(12,489)	-	(12,489)
(553,660)	-	(553,660)
(150,670)	-	(150,670)
<u>(3,867,985)</u>	<u>-</u>	<u>(3,867,985)</u>
-	1,253,970	1,253,970
-	341,698	341,698
-	279,733	279,733
<u>-</u>	<u>1,875,401</u>	<u>1,875,401</u>
<u>\$ (3,867,985)</u>	<u>\$ 1,875,401</u>	<u>\$ (1,992,584)</u>
1,590,561	-	1,590,561
2,506,720	-	2,506,720
6,121	-	6,121
1,014,777	-	1,014,777
645,992	-	645,992
33	-	33
237,180	101,882	339,062
4,913	(23,633)	(18,720)
249,764	(249,764)	-
<u>6,256,059</u>	<u>(171,514)</u>	<u>6,084,544</u>
2,388,074	1,703,887	4,091,961
25,366,996	23,293,678	48,660,674
5,519	8,156	13,675
<u>\$ 27,760,590</u>	<u>\$ 25,005,720</u>	<u>\$ 52,766,310</u>

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**City of Poulsbo**  
**Balance Sheet**  
**Governmental Funds**  
**December 31, 2005**

	General Fund	Cumulative Reserve	Facilities Fund	Other Governmental Funds
<b>Assets</b>				
Cash and Cash Equivalents	\$ 28,062	\$ -	\$ 14,319	\$ 125,539
Investments	1,071,346	749,315	5,384,795	5,249,208
Receivables				
Taxes	8,210	-	-	49,250
Accounts	110,702	-	-	274,920
Special Assessments	-	-	-	17,409
Due from other govern units	19,257	-	-	83,714
Inventories	12,103	-	-	-
Restricted Assets:				
Cash and Cash Equivalents with Trustee	-	-	-	-
Investments	-	-	-	-
<i>Total Assets</i>	<u>\$ 1,249,680</u>	<u>\$ 749,315</u>	<u>\$ 5,399,114</u>	<u>\$ 5,800,039</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts Payable	65,690	-	68,070	119,237
Revenues Collected in Advance	-	-	-	68,198
Due to Other Governments	49,185	-	-	-
Custodial Accounts	573,730	-	-	11,654
<i>Total Liabilities</i>	<u>688,605</u>	<u>-</u>	<u>68,070</u>	<u>199,089</u>
<b>Fund Balances:</b>				
Reserved, reported in:				
Debt Service	-	-	-	758,984
Capital Projects	-	-	-	-
Permanent fund	-	-	-	107,380
Unreserved, reported in:				
General fund	561,075	-	-	-
Special revenue funds	-	749,315	-	2,995,759
Debt service funds	-	-	-	-
Capital project funds	-	-	5,331,044	1,738,826
<i>Total Fund Balances</i>	<u>561,075</u>	<u>749,315</u>	<u>5,331,044</u>	<u>5,600,950</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 1,249,680</u>	<u>\$ 749,315</u>	<u>\$ 5,399,114</u>	<u>\$ 5,800,039</u>

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, 2005**

<p style="text-align: center;">Total Governmental Funds</p> <hr/> <p>\$ 167,919 12,454,664</p> <p style="padding-left: 20px;">57,460 385,622 17,409 102,971 12,103</p> <hr/> <p>\$ 13,198,148</p> <hr/> <p>252,998 68,198 49,185 585,384</p> <hr/> <p>955,764</p> <hr/> <p>758,984 -</p> <p>107,380</p> <p>561,075 3,745,074 -</p> <hr/> <p>7,069,870</p> <hr/> <p>12,242,384</p> <hr/> <p>\$ 13,198,148</p> <hr/>	<p><b>Total Governmental Fund Balances:</b></p> <p><i>Amounts reported for governmental activities in the statement of net assets are different because:</i></p> <p style="text-align: right;">\$ 12,242,384</p> <p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds</p> <p>These assets consist of:</p> <table border="0" style="width: 100%;"> <tr> <td style="width: 60%;">Land</td> <td style="width: 10%; text-align: right;">\$</td> <td style="width: 20%; text-align: right;">5,994,703</td> <td style="width: 10%;"></td> </tr> <tr> <td>Buildings and structures</td> <td></td> <td style="text-align: right;">3,726,817</td> <td></td> </tr> <tr> <td>Improvements</td> <td></td> <td style="text-align: right;">12,312,274</td> <td></td> </tr> <tr> <td>Machinery and Equipment</td> <td></td> <td style="text-align: right;">10,752</td> <td></td> </tr> <tr> <td>Vehicles</td> <td></td> <td style="text-align: right;">1,040,035</td> <td></td> </tr> <tr> <td>Heavy Equipment</td> <td></td> <td style="text-align: right;">106,090</td> <td></td> </tr> <tr> <td>Furniture</td> <td></td> <td style="text-align: right;">151,096</td> <td></td> </tr> <tr> <td>Other property</td> <td></td> <td style="text-align: right;">127,950</td> <td></td> </tr> <tr> <td>Construction in Progress</td> <td></td> <td style="text-align: right;">7,308,832</td> <td></td> </tr> <tr> <td>Less: Accumulated Depreciation</td> <td></td> <td style="text-align: right;"><u>(6,683,035)</u></td> <td style="text-align: right;">24,095,514</td> </tr> </table> <p>Other Assets that are not available to pay for current-period expenditures and therefore are not reported in governmental funds. <span style="float: right;">784,962</span></p> <p>Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the governmental funds.</p> <table border="0" style="width: 100%;"> <tr> <td style="width: 60%;">Interest Payable</td> <td style="width: 10%; text-align: right;">(47,864)</td> <td style="width: 10%;"></td> <td style="width: 10%;"></td> </tr> <tr> <td>Long-term Liabilities</td> <td style="text-align: right;"><u>(9,583,075)</u></td> <td></td> <td style="text-align: right;">(9,630,939)</td> </tr> </table> <p>Internal service funds (less depreciable capital assets, net listed above) that are used by management to charge the costs of certain activities to individual funds.</p> <table border="0" style="width: 100%;"> <tr> <td style="width: 60%;">Total Assets</td> <td style="width: 10%; text-align: right;">277,395</td> <td style="width: 10%;"></td> <td style="width: 10%;"></td> </tr> <tr> <td>Less total Depreiceable Capital Assets , net (listed above)</td> <td style="text-align: right;">-</td> <td></td> <td></td> </tr> <tr> <td>Less Total Liabilities</td> <td style="text-align: right;"><u>(8,728)</u></td> <td></td> <td style="text-align: right;">268,668</td> </tr> </table> <p>Net assets of governmental activities <span style="float: right;"><u>\$ 27,760,589</u></span></p>	Land	\$	5,994,703		Buildings and structures		3,726,817		Improvements		12,312,274		Machinery and Equipment		10,752		Vehicles		1,040,035		Heavy Equipment		106,090		Furniture		151,096		Other property		127,950		Construction in Progress		7,308,832		Less: Accumulated Depreciation		<u>(6,683,035)</u>	24,095,514	Interest Payable	(47,864)			Long-term Liabilities	<u>(9,583,075)</u>		(9,630,939)	Total Assets	277,395			Less total Depreiceable Capital Assets , net (listed above)	-			Less Total Liabilities	<u>(8,728)</u>		268,668
Land	\$	5,994,703																																																											
Buildings and structures		3,726,817																																																											
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**City of Poulsbo**  
**Governmental Funds**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**For the Year Ended December 31, 2005**

	General	Cumulative Reserve	Facilities	Other Governmental Funds
<b>Revenues</b>				
Taxes	\$ 4,861,527	\$ -	\$ -	\$ 1,014,521
Licenses and Permits	434,761	-	-	179,630
Intergovernmental	134,357	-	-	297,763
Charges for Services	929,153	1,011,677	-	511,782
Interest and Other Earnings	110,702	12,573	9,306	98,835
Fines and Forfeitures	97,108	-	-	-
Miscellaneous	17,841	-	-	209,020
<i>Total Revenues</i>	<u>6,585,448</u>	<u>1,024,250</u>	<u>9,306</u>	<u>2,311,551</u>
<b>Expenditures</b>				
Current:				
General Government	1,858,046	-	-	22,391
Security of Persons & Property	1,968,410	-	-	42,053
Utilities and Environment	405,951	-	-	19,888
Transportation	-	-	-	612,296
Economic Environment	634,263	-	-	-
Mental and Physical Health	12,489	-	-	-
Culture and Recreation	346,141	-	-	855,570
Debt Service				
Principal	-	-	-	384,323
Interest & Fiscal Charges	-	-	-	150,670
Capital Outlay	-	-	276,540	1,410,901
<i>Total Expenditures</i>	<u>5,225,299</u>	<u>-</u>	<u>276,540</u>	<u>3,498,093</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,360,149</u>	<u>1,024,250</u>	<u>(267,234)</u>	<u>(1,186,542)</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds of Long Term Debt	-	-	5,185,000	-
Issuance Discount on Long-Term Debt	-	-	(82,451)	-
Transfers In	149,281	-	237,101	3,109,237
Transfers Out	(1,452,206)	(634,453)	(44,000)	(1,349,700)
Disposal of Capital Assets	4,823	-	-	90
<i>Total Other Financing Sources and Uses</i>	<u>(1,298,103)</u>	<u>(634,453)</u>	<u>5,295,651</u>	<u>1,759,627</u>
<i>Net Change in Fund Balances</i>	62,047	389,797	5,028,416	573,085
<i>Fund Balances Beginning of Year</i>	<u>505,964</u>	<u>359,518</u>	<u>302,628</u>	<u>5,015,410</u>
<i>Prior Year Adjustment</i>	(6,935)	-	-	12,454
<i>Fund Balances End of Year</i>	<u>\$ 561,075</u>	<u>\$ 749,315</u>	<u>\$ 5,331,044</u>	<u>\$ 5,600,950</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, 2005**

<b>Total</b>		
	Net change in Fund balance--total governmental funds	\$ 6,053,345
\$ 5,876,048	<i>Amounts reported for Governmental activities in the statement of activities</i>	
614,391	<i>are different because:</i>	
432,120		
2,452,611	Government funds report capital outlays as expenditures. However, in the statement	\$ 1,687,441
231,415	and reported as depreciation expenditure. This is the amount by which capital outlays	
97,108	of activities, the cost of those assets is allocated over their estimated useful lives	\$ (733,303)
226,861	exceeded depreciation in the current period.	
9,930,555	Revenues in the statement of activities that do not provide current financial	\$ 139,878
	resources are not reported as revenues in the funds.	
	Bond proceeds provide current financial resources to governmental funds, but	\$ (4,718,226)
1,880,437	issuing debt increases long-term liabilities in the statement of net assets. Repay-	
2,010,463	ment of bond principal is an expenditure in the governmental funds, but the	
425,839	repayment reduces long-term liabilities in the statement of net assets. This is	
612,296	the amount by which repayments exceeded proceeds.	
634,263		
12,489		
1,201,711	Some expenses reported in the statement of activities do not require the use of	\$ (19,236)
	current financial resources and therefore are not reported as expenditures in	
384,323	the governmental funds.	
150,670		
1,687,441	Internal service funds are used by management to charge the costs of	\$ (21,825)
8,999,932	certain activities, such as maintenance, public works administration and	
	insurance to the individual funds. The net revenue (expense) of certain internal	
930,623	service funds is reported with governmental activities.	
		\$ 2,388,074
	<i>Change in net assets of governmental activities</i>	
5,185,000		
(82,451)		
3,495,619		
(3,480,359)		
4,913		
5,122,722		
6,053,345		
6,183,520		
5,519		
\$ 12,242,384		

**City of Poulsbo**  
**General Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual**  
**For the Year Ended December 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 4,749,566	\$ 4,874,566	\$ 4,861,527	\$ (13,039)
Licenses and Permits	319,440	382,082	434,761	52,679
Intergovernmental	112,710	131,350	134,357	3,007
Charges for Services	760,854	830,329	929,153	98,824
Fines and Forfeitures	72,900	85,900	97,108	11,208
Interest and Other Earnings	79,500	79,500	110,702	31,202
Miscellaneous	8,000	11,000	17,841	6,841
<i>Total Revenues</i>	<u>6,102,970</u>	<u>6,394,727</u>	<u>6,585,448</u>	<u>190,721</u>
<b>Expenditures</b>				
Current:				
General Government	1,971,813	2,023,735	1,858,046	165,689
Security of Persons & Property	1,892,340	2,018,937	1,968,409	50,528
Utilities and Environment	475,092	415,238	405,946	9,292
Economic Environment	580,967	721,075	634,263	86,812
Mental and Physical Health	12,665	12,665	12,489	176
Culture and Recreation	391,568	416,568	346,141	70,427
<i>Total Expenditures</i>	<u>5,324,445</u>	<u>5,608,218</u>	<u>5,225,293</u>	<u>382,925</u>
<i>Excess of Revenues Over Expenditures</i>	<u>778,525</u>	<u>786,509</u>	<u>1,360,156</u>	<u>573,647</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds of Long Term Debt	-	-	-	-
Transfers in	133,797	276,598	149,281	(127,317)
Transfers out	(1,444,520)	(1,470,289)	(1,452,206)	18,083
Capital Leases	-	-	-	-
Disposal of Capital Assets	-	-	4,823	4,823
<i>Total Other Financing Sources (Uses)</i>	<u>(1,310,723)</u>	<u>(1,193,691)</u>	<u>(1,298,103)</u>	<u>(104,412)</u>
<i>Net Change in Fund Balance</i>	(532,198)	(407,182)	62,053	469,235
<i>Fund Balance Beginning of Year</i>	450,000	512,115	505,964	(6,151)
<i>Prior Year Adjustment</i>	-	-	(6,935)	(6,935)
<i>Fund Balance End of Year</i>	<u>\$ (82,198)</u>	<u>\$ 104,933</u>	<u>\$ 561,082</u>	<u>\$ 456,149</u>

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

**City of Poulsbo**  
**Cumulative Reserve Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual**  
**For the Year Ended December 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final Budget</u>		
<b>Revenues</b>				
Mitigation Fees	-	999,351	\$ 1,011,677	12,326
Interest and Other Earnings	100	100	12,573	12,473
Miscellaneous	-	-	-	-
<i>Total Revenues</i>	<u>100</u>	<u>999,451</u>	<u>1,024,250</u>	<u>24,799</u>
<b>Expenditures</b>				
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>	<u>-</u>	<u>-</u>
<i>Excess of Revenues Over Expenditures</i>	<u>100</u>	<u>999,451</u>	<u>1,024,250</u>	<u>24,799</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	-	-
Transfers out	-	(634,453)	(634,453)	-
Capital Leases	-	-	-	-
Disposal of Capital Assets	-	-	-	-
<i>Total Other Financing Sources (Uses)</i>	<u>-</u>	<u>(634,453)</u>	<u>(634,453)</u>	<u>-</u>
<i>Net Change in Fund Balance</i>	100	364,998	389,797	24,799
<i>Fund Balance Beginning of Year</i>	<u>347,034</u>	<u>360,558</u>	<u>359,518</u>	<u>(1,040)</u>
<i>Fund Balance End of Year</i>	<u>\$ 347,134</u>	<u>\$ 725,556</u>	<u>\$ 749,315</u>	<u>\$ 23,759</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, 2005**

	Business-type Activities Enterprise Funds				Internal Service Funds
	Water Sewer	Solid Waste	Storm Drain	Total	
<b>Assets</b>					
<b>Current Assets:</b>					
Cash and Cash Equivalents	\$ 228,478	\$ 54,236	\$ 57,454	\$ 340,169	\$ 12,344
Investments	3,625,162	924,745	1,534,283	6,084,191	352,061
Accounts Receivable	243,997	109,315	48,844	402,155	1,049
Due from other Governments	-	-	-	-	-
Inventories	27,207	-	-	27,207	2,551
<b>Total Current Assets</b>	<b>4,124,844</b>	<b>1,088,296</b>	<b>1,640,581</b>	<b>6,853,721</b>	<b>368,005</b>
<b>Noncurrent Assets:</b>					
Restricted cash, cash equivalents, and investments:					
Custodial trust funds	-	-	-	-	-
Revenue bond covenant investment	496,499	-	-	496,499	-
<b>Total restricted assets</b>	<b>496,499</b>	<b>-</b>	<b>-</b>	<b>496,499</b>	<b>-</b>
Deferred Charges	31,385	-	-	31,385	-
<b>Capital Assets:</b>					
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	285,070	1,763,247	72,708
Construction in Progress	1,120,132	-	114,612	1,234,744	-
Less: Accumulated Depreciation	(5,733,323)	(506,932)	(410,448)	(6,650,703)	(69,786)
<b>Total capital assets (net of accumulated depreciation)</b>	<b>19,858,356</b>	<b>60,188</b>	<b>2,834,154</b>	<b>22,752,698</b>	<b>35,345</b>
<b>Total Noncurrent Assets</b>	<b>20,386,239</b>	<b>60,188</b>	<b>2,834,154</b>	<b>23,280,581</b>	<b>35,345</b>
<b>Total Assets</b>	<b>24,511,083</b>	<b>1,148,484</b>	<b>4,474,735</b>	<b>30,134,302</b>	<b>403,350</b>
<b>Liabilities</b>					
<b>Current Liabilities</b>					
Accounts payable	54,654	37,412	11,004	103,070	3,588
Custodial	31,414	-	-	31,414	-
<b>Total Current Liabilities</b>	<b>86,068</b>	<b>37,412</b>	<b>11,004</b>	<b>134,484</b>	<b>3,588</b>
<b>Noncurrent Liabilities:</b>					
Revenue bonds payable (net of unamortized discounts)	4,498,575	-	-	4,498,575	-
Accrued interest payable	81,410	-	-	81,410	-
Compensated absences	29,441	5,225	10,191	44,857	41,873
Due to Other Governmental Units	458,478	-	-	458,478	-
<b>Total Noncurrent Liabilities</b>	<b>5,067,904</b>	<b>5,225</b>	<b>10,191</b>	<b>5,083,319</b>	<b>41,873</b>
<b>Total Liabilities</b>	<b>5,153,972</b>	<b>42,637</b>	<b>21,195</b>	<b>5,217,803</b>	<b>45,461</b>
<b>Net Assets</b>					
Invested in capital assets, net of related debt	14,321,162	60,188	2,834,154	17,215,504	35,345
Restricted for debt service	496,499	-	-	496,499	-
Unrestricted	4,539,451	1,045,660	1,619,386	7,204,497	322,544
<b>Total net assets</b>	<b>\$ 19,357,111</b>	<b>\$ 1,105,848</b>	<b>\$ 4,453,540</b>	<b>\$ 24,916,499</b>	<b>\$ 357,889</b>

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

Total business-type Internal Service Fund assets	125,955
Less total business-type Internal Service Fund liabilities	(36,734)
Net assets of business-type activities	<u>\$ 25,005,720</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**  
**For the Year Ended December 31, 2005**

	Business-type Activities Enterprise Funds			Total	Internal Service Funds
	Water Sewer	Solid Waste	Storm Drain		
Operating revenues:					
Charges for services	\$ 2,822,818	\$ 1,140,835	\$ 562,822	\$ 4,526,474	\$ 966,554
Other operating revenues	85,253	8,247	3,973	97,473	6,922
<i>Total operating revenues</i>	<u>2,908,070</u>	<u>1,149,082</u>	<u>566,795</u>	<u>4,623,947</u>	<u>973,476</u>
Operating expenses:					
Administrative and General	443,620	67,559	140,288	651,467	935,396
Contracted Processing and Operations	902,144	684,698	83,419	1,670,262	6,746
Maintenance	108,522	2,396	22,692	133,610	2,488
Taxes	252,608	77,918	40,124	370,650	-
Depreciation	429,204	41,482	73,587	544,273	13,213
<i>Total operating expenses</i>	<u>2,136,098</u>	<u>874,053</u>	<u>360,111</u>	<u>3,370,262</u>	<u>957,844</u>
<i>Operating income (loss)</i>	<u>771,972</u>	<u>275,029</u>	<u>206,684</u>	<u>1,253,685</u>	<u>15,632</u>
Nonoperating revenues (expenses):					
Interest and other earnings	62,940	13,758	23,078	99,776	7,871
Interest expense	(226,266)	-	-	(226,266)	-
Amortization of Debt Issue Costs	(7,100)	-	-	(7,100)	-
Gain (loss) on disposition of capital assets	4,045	-	-	4,045	-
Other nonoperating revenues (expenses)	-	-	-	-	(42,938)
<i>Total Nonoperating Revenue(expenses)</i>	<u>(166,381)</u>	<u>13,758</u>	<u>23,078</u>	<u>(129,545)</u>	<u>(35,067)</u>
<i>Income(loss) before contributions</i>	605,591	288,788	229,762	1,124,140	(19,435)
Capital Contributions -tap fees	541,202	-	36,155	577,356	-
Capital Contributions -Developers	-	-	-	0	-
<i>Change in net assets</i>	1,146,792	288,788	265,917	1,701,496	(19,435)
<i>Total Net Assets Beginning of Year</i>	<u>18,210,319</u>	<u>817,060</u>	<u>4,187,623</u>		<u>369,168</u>
Prior Year Adjustment					8,156
<i>Total Net Assets End of Year</i>	<u>\$ 19,357,111</u>	<u>\$ 1,105,848</u>	<u>\$ 4,453,540</u>		<u>\$ 357,889</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.

2,390

*Change in Net Assets of Business-type Activities*

\$ 1,703,887

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

**City of Poulsbo**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended December 31, 2005**

	Business-type Activities Enterprise Funds			Total	Internal Service Funds
	Water/ Sewer	Solid Waste	Storm Drain		
<b>Cash Flows from Operating Activities</b>					
Receipts from customers and users	\$ 2,929,602	\$ 1,141,977	\$ 563,886	\$ 4,635,464	\$ 973,306
Payments for interfund services provided	1,277	-	(40,124)	(38,847)	-
Payments to suppliers	(1,338,959)	(641,836)	(130,614)	(2,111,409)	(519,517)
Payments to employees	(367,479)	(199,191)	(104,379)	(671,049)	(444,132)
<i>Net cash provided (used) by operating activities</i>	<u>1,224,440</u>	<u>300,949</u>	<u>288,769</u>	<u>1,814,159</u>	<u>9,656</u>
<b>Cash Flows From Noncapital Financing Activities</b>					
Transfers in (out ) to other funds	-	-	-	-	(15,260)
<i>Net cash provided (used) by noncapital and related financing activities</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(15,260)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>					
Proceeds from Capital Debt	3,134,000	-	-	3,134,000	-
Capital contributions	541,202	-	36,155	577,356	-
Purchase of capital assets	(266,935)	-	-	(266,935)	(27,678)
Acquisition and construction of capital assets	-	-	(323,835)	(323,835)	-
Principal paid on capital debt	(3,305,848)	-	-	(3,305,848)	-
Interest paid on capital debt	(398,264)	-	-	(398,264)	-
Proceeds from Disposition of capital assets	4,045	-	-	4,045	-
<i>Net cash provided (used) by capital and related financing activities</i>	<u>(291,800)</u>	<u>-</u>	<u>(287,680)</u>	<u>(579,480)</u>	<u>(27,678)</u>
<b>Cash Flows from Investing Activities</b>					
Proceeds from sales and maturities of investments	1,976,963	214,500	1,014,700	3,206,163	178,484
Purchase of investment	(2,774,810)	(483,669)	(997,237)	(4,255,716)	(152,413)
Interest and dividends received	71,055	14,757	29,714	115,526	8,892
<i>Net cash used by investing activities</i>	<u>(726,791)</u>	<u>(254,411)</u>	<u>47,176</u>	<u>(934,026)</u>	<u>34,962</u>
<i>Net increase in cash and cash equivalents</i>	205,849	46,538	48,266	300,653	1,681
<i>Cash and cash equivalents Beginning of Year</i>	<u>22,629</u>	<u>7,699</u>	<u>9,188</u>	<u>39,516</u>	<u>10,663</u>
<i>Cash and cash equivalents End of Year</i>	<u>\$ 228,478</u>	<u>\$ 54,236</u>	<u>\$ 57,454</u>	<u>\$ 340,168</u>	<u>\$ 12,344</u>

**City of Poulsbo**  
**Statement of Cash Flows**  
**Proprietary Funds (continued)**  
**For the Year Ended December 31, 2005**

	Business-type Activities Enterprise Funds			Total	Internal Service Funds
	Water/ Sewer	Solid Waste	Storm Drain		
<b>Reconciliation of operating income to net cash provided (used) by operating activities</b>					
<i>Operating Income (Loss)</i>	\$ 771,972	\$ 275,029	\$ 206,684	\$ 1,253,685	\$ 15,632
Adjustments to reconcile operating income to net cash provided (used) by operating activities					
Depreciation	429,204	41,482	73,587	544,273	13,213
(Increase) decrease in accounts receivable	102	(7,106)	(2,909)	(9,913)	(170)
(Increase) decrease in inventories	6,115	-	-	6,115	99
Increase (decrease) in accounts payable	(6,451)	1,168	9,590	4,307	(21,493)
Increase (decrease) in Custodial Funds	21,430	-	-	21,430	-
Increase (decrease) in compensated absences payable	2,069	(9,625)	1,817	(5,738)	2,374
<i>Total Adjustments</i>	452,469	25,920	82,085	560,474	(5,976)
 <i>Net Cash Provided By Operating Activities</i>	 <u>\$ 1,224,440</u>	 <u>\$ 300,949</u>	 <u>\$ 288,769</u>	 <u>\$ 1,814,159</u>	 <u>\$ 9,656</u>

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

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**City of Poulsbo**  
**Statement of Fiduciary Net Assets**  
**Agency Funds**  
**December 31, 2005**

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	Agency Funds
<b>Assets</b>	
Cash and cash equivalents	\$ 15,999
Investments	30,133
Accounts receivable	54
<i>Total Assets</i>	<u>46,186</u>
<b>Liabilities</b>	
Custodial funds	22,052
Due to Other Governmental Units	24,134
<i>Total Liabilities</i>	<u>\$ 46,186</u>
<b>Net Assets</b>	<u><u>\$ -</u></u>

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

**City of Poulsbo**  
**Statement of Changes in Fiduciary Net Assets**  
**Agency Funds**  
**December 31, 2005**

	Balance December 31, 2004	Additions	Deletions	Balance December 31, 2005
<b>Assets</b>				
Cash and cash equivalents	\$ 33,939	116,333	(134,274)	15,999
Investments	14,375	33,332	(17,574)	30,133
Accounts receivable	39	474	(459)	54
<i>Total</i>	<u>48,353</u>	<u>150,139</u>	<u>(152,306)</u>	<u>46,186</u>
<b>Liabilities</b>				
Custodial funds	17,448	26,884	(22,280)	22,052
Due to Other Governmental Units	30,905	89,563.61	(96,334.76)	24,133.83
<i>Total</i>	<u>\$ 48,353</u>	<u>\$ 116,447</u>	<u>\$ (118,614)</u>	<u>\$ 46,186</u>
<b>Net Assets</b>	<u>\$ -</u>			<u>\$ -</u>

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

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**CITY OF POULSBO**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2005**

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. REPORTING ENTITY**

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

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

**B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

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

**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. Our policy is to allocate indirect costs to a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from a program; and 2) grants and contributions that are restricted for the purpose of operational or capital use for a particular program. Taxes and other items such as investment interest, not restricted for specific programs, are reported on the statement as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each function is self-financing, or draws from the general revenues of the City.

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

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**CITY OF POULSBO**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2005**

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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.

**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.

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**CITY OF POULSBO**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2005**

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

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

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 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 is governmental in nature and on the government-wide statements is reported under governmental.

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

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**CITY OF POULSBO**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2005**

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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 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 \$16,364. 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 2005, \$370,655 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.

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**CITY OF POULSBO**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2005**

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**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, 2005.

**2. Receivables**

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

***Property Taxes***

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

***Accounts Receivable***

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

***Special Assessments***

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

**3. Interfund Transactions**

During the course of normal operations, the City has numerous transactions between City funds. Interfund transactions such as buying goods and services are recorded as revenues and expenditures. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. Transfers between funds are included as "other financing sources or uses." Interfund loans, when applicable, are recorded as receivables in the lending fund and payables in the borrowing fund. The City had no interfund loans in 2005.

The City levies a 6% utility tax on the revenues of its own enterprise funds (Water/Sewer, Solid Waste, and Storm Drain). On the fund statements, these taxes are recorded as an expense in enterprise funds, and as revenue in the General Fund. On the Statement of Activities, the taxes are included with the interfund transfers. For 2005, these taxes totaled \$249,764.

**CITY OF POULSBO**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2005**

Other interfund transfers at December 31, 2005 were as follows:

<b>Transfers In:</b>	<b>Transfers Out:</b>				<b>Total</b>
	<b>General Fund</b>	<b>Cumulative Reserve Fund</b>	<b>Facilities Fund</b>	<b>Non-Major Gov'l</b>	
General Fund	\$ -	\$ -	\$ -	\$ 134,021	\$ 134,021
Cumulative Reserve	-	-	-	-	\$ -
Facilities Fund	4,538	-	-	232,563	\$ 237,101
Non-Major Gov'l Funds	<u>1,447,668</u>	<u>634,453</u>	<u>44,000</u>	<u>983,115</u>	<u>\$ 3,109,237</u>
<b>Total Transfers</b>	<u>\$ 1,452,206</u>	<u>\$ 634,453</u>	<u>\$ 44,000</u>	<u>\$ 1,349,700</u>	<u>\$ 3,480,359</u>

**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.

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**CITY OF POULSBO**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2005**

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

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

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

**9. Compensated Absences**

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

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

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

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

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

**10. Custodial Accounts**

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

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**CITY OF POULSBO**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2005**

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11. Accrued Liabilities and Long-Term Obligations

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

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

12. Deferred Revenues

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

13. Fund Reserves and Designations

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

14. Net Assets

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

**NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. BUDGETARY INFORMATION**

The City adopts an annual appropriated budget for all funds except the agency and permanent fund. Throughout the year, Council can amend the original adopted budget by ordinance. The financial statements include budgetary comparisons for general, special revenue, capital projects and debt service fund types. Budget amounts presented are reported according to GAAP and show the 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
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**CITY OF POULSBO**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2005**

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- Department budget proposals submitted to Finance Department

*SEPTEMBER – DECEMBER*

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

*DECEMBER*

- Final review and adoption of budget

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

Annual appropriated budgets are adopted at the level of the fund and the budgets constitute the legal authority for expenditures at that level. Subsidiary revenue and expenditure records are used to compare the budgeted amounts with actual revenues and expenditures. As a management control device, the subsidiary ledgers monitor expenditures for individual functions and activities by object class. Transfers or revisions within funds 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 2005, 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**

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**CITY OF POULSBO**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2005**

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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.

<u>Cash and Cash Equivalents</u>	<u>Balance as of</u> <u>Dec 2005</u>
Cash on Hand	\$ 4,925
Bank demand and time deposits	<u>515,507</u>
Total Cash and Cash Equivalents	<u>\$ 520,432</u>

As of December 31, 2005, the city had the following investments:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Market Value</u>
State Investment Pool	\$ 12,193,162	\$ 12,193,162
Certificate of Deposits	1,108,117	917,415
Government Agency	<u>6,398,903</u>	<u>6,276,838</u>
	<u>\$ 19,700,182</u>	<u>\$ 19,387,415</u>

As of December 30, 2005, none of the City's deposits or investment were exposed to custodial credit risk.

**NOTE 4: PROPERTY TAXES**

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

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

- Washington State RCW 84.55.010 limits the growth of regular property taxes to six percent per year, after adjustments for new construction. If the assessed valuation increases by more than six percent, due to revaluation, the levy rate will be decreased. Since the City of Poulsbo is a taxing district under 10,000 populations, it is able to continue to raise their levy by an amount up to six percent with a simple majority vote and no requirement of a finding of "substantial need" as included in Referendum 47 for larger jurisdictions.
  - The Washington State Constitution limits the total regular property taxes to one percent of assessed valuation, or \$10 per \$1,000 of value. If the taxes of all districts exceed this amount, each is proportionately reduced until the total is at or below the one percent limit.
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**CITY OF POULSBO**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2005**

- 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 2005, the City's levy for general governmental services was \$1.930276 per \$1,000 on the assessed valuation of \$739,142,516 for a total of \$1,426,749. Also levied, was \$.221175 per \$1,000 on the assessed valuation of \$733,827,392 for a general obligation debt bond levy totally \$162,304.

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 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, 2005, was as follows:

	<u>BEGINNING BALANCE</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>ENDING BALANCE</u>
<b>Governmental Activities</b>				
Capital assets, not being depreciated:				
Land and Work in Progress	\$11,792,907	\$ 1,510,628	\$ -	\$ 13,303,535
Capital assets, being depreciated:				
Buildings	3,726,817	-	-	3,726,817
Other Improvements	497,921	-	-	497,921
Machinery and Equipment	1,343,430	176,813	(75,320)	1,444,924
Infrastructure *	11,814,353	-	-	11,814,353
Total capital assets being depreciated	<u>17,382,521</u>	<u>176,813</u>	<u>(75,320)</u>	<u>17,484,014</u>
Less accumulated depreciation for:				

**CITY OF POULSBO**  
**Notes to the Basic Financial Statements**  
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Buildings	(1,707,884)	(111,936)		(1,819,821)
Other Improvements	(243,817)	(32,652)		(276,468)
Machinery and Equipment	(1,005,354)	(153,635)	75,320	(1,083,669)
Infrastructure *	(3,076,997)	(435,080)	-	(3,512,077)
Total accumulated depreciation	(6,034,052)	(733,303)	75,320	(6,692,035)
Total capital assets, being depreciated, net	11,348,468	(556,489)	-	10,791,979
Governmental activity capital assets, net	<u>\$23,141,376</u>	<u>\$ 954,138</u>	<u>\$ -</u>	<u>\$ 24,095,514</u>

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

Governmental activities:		
General Government		\$ 91,253
Security of Persons and Property		95,377
Utilities and Environment		8,860
Transportation		458,962
Economic Environment		13,921
Culture and Recreation		65,027
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets		<u>                    </u>
Total depreciation expense - governmental activities		<u>\$ 733,400</u>

	<u>BEGINNING BALANCE</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>ENDING BALANCE</u>
<b>Business-type activities</b>				
Capital assets, not being depreciated:				
Land	\$ 288,593	\$ -	\$ -	288,593
Construction in progress	942,351	292,393	-	1,234,744
Total capital assets, not being depreciated	1,230,944	292,393	-	1,523,337
Capital assets, being depreciated:				
Buildings	319,214			319,214
Other Improvements	25,830,026			25,830,026
Machinery and Equipment	1,554,173	272,782		1,826,955
Infrastructure				
Total capital assets being depreciated	27,703,413	272,782	-	27,976,195
Less accumulated depreciation for:				
Buildings	(211,589)	(5,429)		(217,018)
Other Improvements	(4,760,851)	(476,516)		(5,237,367)
Machinery and Equipment	(1,181,563)	(75,541)		(1,257,104)
Infrastructure				
Total accumulated depreciation	(6,154,003)	(557,486)	-	(6,711,489)
Total capital assets, being depreciated, net	21,549,410	(284,704)	-	21,264,705
Business-type activity capital assets, net	<u>\$22,780,353</u>	<u>\$ 7,689</u>	<u>\$ -</u>	<u>\$ 22,788,043</u>

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**CITY OF POULSBO**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2005**

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Business-type activities:

Water/Sewer	\$ 429,204
Solid Waste	41,482
Storm Drain	73,587
Public Works Administration	<u>13,213</u>

Total depreciation expense - business-type activities \$ 557,486

**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 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.

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**CITY OF POULSBO**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2005**

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*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, 2004:

Retirees and Beneficiaries Receiving Benefits	66,846
Terminated Plan Members Entitled To But Not Yet Receiving Benefits	21,031
Active Plan Members Vested	103,039
Active Plan Members Non-vested	53,217
Total	244,133

**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, 2005 were:

**CITY OF POULSBO**  
**Notes to the Basic Financial Statements**  
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	<b>PERS Plan 1</b>	<b>PERS Plan 2</b>	<b>PERS Plan 3</b>
Employer*	2.44%	2.44%	2.44%**
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:

	<b>PERS Plan 1</b>	<b>PERS Plan 2</b>	<b>PERS Plan 3</b>
2005	\$2,384	\$47,091	\$8,759
2004	\$3,146	\$29,979	\$8,004
2003	\$4,288	\$29,469	\$5,727

**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 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:

<b>Term of Service</b>	<b>Percent of Final Average</b>
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).

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**For the Year Ended December 31, 2005**

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 369 participating employers in LEOFF. Membership in LEOFF consisted of the following as of the latest actuarial valuation date for the plans of September 30, 2004:

Retirees and Beneficiaries Receiving Benefits	8,542
Terminated Plan Members Entitled To But Not Yet Receiving Benefits	528
Active Plan Members Vested	12,079
Active Plan Members Non-vested	3,523
Total	24,672

**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 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%	4.39%
Employee	0.00%	6.99%
State	n/a	2.79%

\*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
2005	\$ -0-	\$40,770

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**CITY OF POULSBO**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2005**

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2004	\$ -0-	\$31,889
2003	\$ -0-	\$30,322

**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.

The AWC RMSA allows members to establish a program of joint insurance and provides risk management services to all members. All coverages are on an occurrence basis. The AWC RMSA provides all risk property, comprehensive crime, general liability, automobile liability, police liability, public officials' liability, employee fidelity and faithful performance, and boiler and machinery 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**

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**CITY OF POULSBO**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2005**

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 AND OTHER SIGNIFICANT COMMITMENTS**

At December 31, 2005 the City had seven significant contractual obligations as follows:

BLRB - Municipal Campus	\$	880,853
Parametrix - Long Range TIP Planning		49,532
Parametrix - Caldart Avenue Reconstruction		57,854
Parametrix - Caldart Regional Storm water		69,516
Parametrix - Storm Water Comp Plan		2,807
Parametrix - Waterfront Park Improvement		27,923
Parametrix - On-Call Services		32,479
	\$	1,120,964

**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, 2005, 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	\$445,000

**CITY OF POULSBO**  
**Notes to the Basic Financial Statements**  
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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	\$175,000
2003	Unlimited GO Bonds: Issued to provide funds to payoff the Morris property 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	\$2,105,000
2005	Limited GO Bonds: Issued to provide funds to finance the Municipal Campus Project, which consists of a 30,000 square foot City hall facility, including acquisition of land, civil site work and architecture and engineering costs	\$5,185,000	3.25 - 4.30%	2025	\$5,185,000
Total					\$7,910,000

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

As of December 31, 2005, 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	\$275,000
1998	Water/Sewer Revenue Bonds (Unrefunded portion)	\$4,810,000	3.75 - 4.95%	2012	\$1,295,000
2005	Refunding of 1998 Water/Sewer Revenue Bonds	\$3,134,000	3.45%	2017	\$3,134,000
Total					\$4,704,000

**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 2005, payments for interest of \$50,495 and principal retirement of \$99,453 were made.

**CITY OF POULSBO**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2005**

As of December 31, 2005, 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	\$458,477
2000	Street Improvements to Front Street	\$1,406,930	3.0%	2020	\$1,115,524
2003	Traffic Study for Comprehensive Plan	\$50,000	0.0%	2009	\$39,820
Total					\$1,613,821

**C. ADVANCED REFUNDING**

The City has three 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. The 1998 Water/Sewer revenue bonds were partially refunded in 2005. 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, 2005, were considered defeased:

	<u>Amount</u>
Primary government	\$ 580,000
Business-type Activity	1,435,000

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

Year Ended December 31	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2006	495,000	297,376	319,000	178,814
2007	490,000	291,806	325,000	167,603
2008	515,000	273,276	341,000	151,985
2009	370,000	257,595	352,000	136,541
2010	380,000	245,130	370,000	122,672
2011-2015	1,775,000	1,026,015	2,065,000	386,711
2016-2020	1,930,000	677,348	932,000	48,542
2021-2025	1,955,000	243,268	-	-
Total	<u>\$ 7,910,000</u>	<u>\$ 3,311,813</u>	<u>\$ 4,704,000</u>	<u>\$ 1,192,866</u>

**CITY OF POULSBO**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2005**

**E. LONG-TERM LIABILITIES**

1. Long-term liability activity:

Long-term liability activity for the year ended December 31, 2005 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>				
Bonds payable:				
General obligation bonds	\$ 3,025,000	\$ 5,185,000	\$ 300,000	\$ 7,910,000
Unamortized Bond Discount	(22,727)	(41,221)	(1,909)	(62,039)
Total bonds payable	<u>3,002,273</u>	<u>5,143,779</u>	<u>298,091</u>	<u>7,847,961</u>
Compensated Absences	567,479	18,948	10	586,417
Governmental activity long-term liabilities	<u>\$ 3,569,752</u>	<u>\$ 5,162,727</u>	<u>\$ 298,101</u>	<u>\$ 8,434,378</u>
 <b>Business-type Activities</b>				
Bonds payable:				
Revenue Bonds	\$ 4,830,000	\$ 154,000	\$ 280,000	\$ 4,704,000
Less Deferred Amount Refunded	-	(203,193)	-	(203,192.73)
Less Unamortized Bond Discount	(39,235)	-	(37,002)	(2,232.72)
Total bonds payable	<u>4,790,765</u>	<u>(49,193)</u>	<u>242,998</u>	<u>4,498,575</u>
Compensated Absences	<u>93,977</u>	<u>-</u>	<u>13,894</u>	<u>80,083</u>
<b>Total Business-type activity long-term liabilities</b>	<u>\$ 4,884,742</u>	<u>\$ (49,193)</u>	<u>\$ 256,891</u>	<u>\$ 4,578,658</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	\$ 140,000

**CITY OF POULSBO**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2005**

	building.	
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
2005	Limited GO Bonds: Issued to provide funds to finance the Municipal Campus Project, which consists of a 30,000 square foot City hall facility, including acquisition of land, civil site work and architecture and engineering costs	190,000
	Unamortized Bond Discount	(3,970)
	Compensated Absences	58,642
Total Governmental Activities		\$ 549,672

Date of Issue	<i>Liabilities Due Within One Year - Business-Type Activities</i>	Due within one year
1997	Sewer Revenue Bonds	\$ 135,000
1998	Water/Sewer Revenue Bonds	184,000
	Deferred Amount Refunded	(16,933)
	Unamortized Bond Discount	(1,488)
	Compensated Absences	8,008
Total Business-Type Activities		\$ 308,587

**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, 2005, 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 \$445,000. 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.

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**CITY OF POULSBO**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2005**

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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.

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

The financials for the Kitsap County Library Capital Facilities District are available at Kitsap County, Washington. County information can be obtained from their website at [www.kitsapgov.com](http://www.kitsapgov.com).

**NOTE 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 for 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 2005 were \$19,420 in premiums and \$3,401 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: SUBSEQUENT EVENTS**

In November 2005, the City made the decision to proceed with the Municipal Campus Project and to enter into a land purchase agreement for 8 acre on 10<sup>th</sup> Avenue. In order to finance a portion of the project, along with the land purchase the City issued General Obligation Bonds in the amount of \$5,185,000 in December 2005.

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**CITY OF POULSBO**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2005**

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**NOTE 14: 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:

**General Fund:** \$6,935 – Check issued to State of Washington for an audit of previous years Leasehold taxes.

**Historic Downtown Poulsbo Association Fund:** \$ 584 – Delinquent receivables write off due to bankruptcy on account.

**Park Reserve Fund:** \$ 4451 – prior year duplicate billing for DogFish Park.

**Street Reserve Fund:** \$ 17,489– prior year adjustment for an accrual made based on estimates

**Public Works Administration Internal Service Fund:** \$8,156 – Due to change in Liability for Compensated Absences.

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**CITY OF POULSBO**  
**Combining Statement – Nonmajor Funds' Description**  
**For the Year Ended December 31, 2005**

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**NONMAJOR GOVERNMENTAL FUNDS**

**Special Revenue Funds**

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

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

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

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

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

The **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.

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**CITY OF POULSBO**  
**Combining Statement – Nonmajor Funds' Description**  
**For the Year Ended December 31, 2005**

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**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.

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**CITY OF POULSBO**  
**Combining Statement – Nonmajor Funds' Description**  
**For the Year Ended December 31, 2005**

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

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

**Permanent Fund**

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

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

**City of Poulsbo**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**December 31, 2005**

	Special Revenue				
	City Streets	Arterial Streets	Recreation Activity	Capital Improvements	Cumulative Reserve/Rev Stablization
<b>Assets</b>					
Cash and Cash Equivalents	\$ 27,189	\$ 75	\$ 635	\$ 791	\$ 112
Investments	862,634	54,853	75,252	727,323	933,779
Receivables					
Taxes	-	-	-	48,231	-
Accounts	150	-	7,446	-	-
Special Assesments	-	-	-	-	-
Due from Other Governments	-	-	100	-	-
	-	-	-	-	-
<i>Total Assets</i>	<u>\$ 889,973</u>	<u>\$ 54,928</u>	<u>\$ 83,333</u>	<u>\$ 776,346</u>	<u>\$ 933,891</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts Payable	10,999	-	12,940	-	-
Custodial Accounts	-	-	-	-	-
Deferred Revenue	-	-	54,059	-	-
<i>Total Liabilities</i>	<u>10,999</u>	<u>-</u>	<u>67,000</u>	<u>-</u>	<u>-</u>
<b>Fund Balances</b>					
Reserved fund balance for debt service	-	-	-	-	-
Reserved fund balance for city beautification	-	-	-	-	-
Unreserved Fund Balance	878,974	54,928	16,433	776,346	933,891
<i>Total Fund Balance</i>	<u>878,974</u>	<u>54,928</u>	<u>16,433</u>	<u>776,346</u>	<u>933,891</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 889,973</u>	<u>\$ 54,928</u>	<u>\$ 83,433</u>	<u>\$ 776,346</u>	<u>\$ 933,891</u>

Special Revenue

Historic Downtown Poulsbo Association	Marine Science Center	Paths and Trails	Drug Enforcement	Transient Occupancy	Police Restricted Funds	Total Non-Major Special Revenue Funds
\$ 2,139	\$ 19	\$ 757	\$ 257	\$ 97	\$ 252	\$ 32,324
24,841	190,658	3,849	13,144	58,804	53,046	2,998,183
-	-	-	-	-	-	48,231
-	2,156	-	622	-	-	10,374
17,409	-	-	-	-	-	17,409
-	-	-	770	-	-	870
<u>\$ 44,389</u>	<u>\$ 192,833</u>	<u>\$ 4,606</u>	<u>\$ 14,793</u>	<u>\$ 58,901</u>	<u>\$ 53,299</u>	<u>\$ 3,107,292</u>
4,566	1,063	-	-	5,515	432	35,514
-	-	-	9,670	-	-	9,670
12,388	-	-	-	-	-	66,448
<u>16,954</u>	<u>1,063</u>	<u>-</u>	<u>9,670</u>	<u>5,515</u>	<u>432</u>	<u>111,632</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
27,435	191,770	4,606	5,122	53,386	52,867	2,995,759
27,435	191,770	4,606	5,122	53,386	52,867	2,995,759
<u>\$ 44,389</u>	<u>\$ 192,833</u>	<u>\$ 4,606</u>	<u>\$ 14,793</u>	<u>\$ 58,901</u>	<u>\$ 53,299</u>	<u>\$ 3,107,392</u>

**City of Poulsbo**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds (continued)**  
**December 31, 2005**

	Debt Service				Total Non-Major Debt Service Funds
	Misc Governmental Debt	Non-Voted G.O. Debt	Voted G.O. Bonds	LID Fund	
<b>Assets</b>					
Cash and Cash Equivalents	\$ 53	\$ 15,754	\$ 17	\$ -	\$ 15,824
Investments	269	560,675	181,896	19	742,860
Receivables					
Taxes	-	-	1,019	-	1,019
Accounts	-	2,009	-	-	2,009
Special Assesments	-	-	-	-	-
Due from Other Governments	-	-	-	-	-
<i>Total Assets</i>	<u>\$ 322</u>	<u>\$ 578,438</u>	<u>\$ 182,932</u>	<u>\$ 19</u>	<u>\$ 761,712</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts Payable	-	-	-	-	-
Custodial Accounts	-	1,728	-	-	1,728
Deferred Revenue	-	1,000	-	-	1,000
<i>Total Liabilities</i>	<u>-</u>	<u>2,728</u>	<u>-</u>	<u>-</u>	<u>2,728</u>
<b>Fund Balances</b>					
Reserved fund balance for debt service	322	575,711	182,932	19	758,984
Reserved fund balance for city beautification	-	-	-	-	-
Unreserved Fund Balance	-	-	-	-	-
<i>Total Fund Balances</i>	<u>322</u>	<u>575,711</u>	<u>182,932</u>	<u>19</u>	<u>758,984</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 322</u>	<u>\$ 578,438</u>	<u>\$ 182,932</u>	<u>\$ 19</u>	<u>\$ 761,712</u>

Capital Project

Equipment Acquisition	Park Reserve	Library Improvement	Recreation Reserve	Street Reserve	Park Acquisition
\$ 76,221	\$ 314	\$ -	\$ 3	\$ -	\$ 101
450,685	112,375	100	2,476	427,074	171,111
-	-	-	-	-	-
-	42,537	-	-	220,000	-
-	-	-	-	-	-
-	(1,039)	-	-	83,883	-
<u>526,906</u>	<u>154,187</u>	<u>100</u>	<u>2,479</u>	<u>731,217</u>	<u>171,212</u>
36,160	42,875	-	-	4,688	-
-	256	-	-	-	-
-	750	-	-	-	-
<u>36,160</u>	<u>43,881</u>	<u>-</u>	<u>-</u>	<u>4,688</u>	<u>-</u>
-	-	-	-	-	-
490,746	110,306	100	2,479	726,529	171,212
<u>490,746</u>	<u>110,306</u>	<u>100</u>	<u>2,479</u>	<u>726,529</u>	<u>171,212</u>
<u>\$ 526,906</u>	<u>\$ 154,187</u>	<u>\$ 100</u>	<u>\$ 2,479</u>	<u>\$ 731,217</u>	<u>\$ 171,212</u>

**City of Poulsbo**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds (continued)**  
**December 31, 2005**

	Capital Project		
	Museum Reserve	Cemetery Reserve	Street Equipment Reserve
<b>Assets</b>			
Cash and Cash Equivalents	\$ -	\$ 400	\$ - \$ 44
Investments	5,958	64,066	- 166,988 -
Receivables			
Taxes	-	-	- -
Accounts	-	-	- -
Special Assesments	-	-	- -
Due from Other Governments	-	-	- -
<i>Total Assets</i>	<u>5,958</u>	<u>\$ 64,466</u>	<u>\$ 167,032</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts Payable	-	-	- -
Custodial Accounts	-	-	- -
Deferred Revenue	-	-	- -
<i>Total Liabilities</i>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balances</b>			
Reserved fund balance for debt service	-	-	-
Reserved fund balance for city beautification	-	-	-
Unreserved Fund Balance	5,958	64,466	167,032
<i>Total Fund Balances</i>	<u>5,958</u>	<u>64,466</u>	<u>167,032</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 5,958</u>	<u>\$ 64,466</u>	<u>\$ 167,032</u>

Total Non-Major Capital Project Funds	Permanent	
	Bernice Borgen Beautification	Total Nonmajor Governmental Funds
\$ 77,344	\$ 47	\$ 125,539
1,400,832	107,333	5,249,208
-	-	-
-	-	49,250
262,537	-	274,920
-	-	17,409
82,844	-	83,714
<u>\$ 1,823,556</u>	<u>\$ 107,380</u>	<u>\$ 5,799,939</u>
83,723	-	119,237
256	-	11,654
750	-	68,198
<u>84,729</u>	<u>-</u>	<u>199,089</u>
-	-	758,984
-	107,380	107,380
1,738,826	-	4,734,586
<u>1,738,826</u>	<u>107,380</u>	<u>5,600,950</u>
<u>\$ 1,823,556</u>	<u>\$ 107,380</u>	<u>\$ 5,800,039</u>

**City of Poulsbo**  
**Combining Statements of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For Year Ended December 31, 2005**

	Special Revenue				Cumulative Reserve Revenue Stabilization
	City Streets	Arterial Streets	Recreation	Capital Improvements	
<b>Revenues</b>					
Taxes	\$ -	\$ -	\$ -	\$ 641,354	\$ -
Licenses and Permits	5,341	-	-	-	-
Intergovernmental	106,053	49,587	-	-	-
Charges for Services	7	-	484,314	-	-
Interest and Other Earnings	13,693	1,047	1,480	17,340	20,333
Fines and Forfeitures	-	-	-	-	-
Miscellaneous	2,928	-	13,694	-	-
<i>Total Revenues</i>	<u>128,022</u>	<u>50,634</u>	<u>499,488</u>	<u>658,693</u>	<u>20,333</u>
<b>Expenditures</b>					
Current:					
General Government	-	-	-	-	1,793
Security of Persons & Property	-	-	-	-	-
Utilities and Environment	-	-	-	-	-
Transportation	609,665	-	-	-	-
Economic Environment	-	-	-	-	-
Mental and Physical Health	-	-	-	-	-
Culture and Recreation	-	-	608,563	-	-
Debt Service	-	-	-	-	-
Principal	-	-	-	-	-
Interest & Fiscal Charges	-	-	-	-	-
Capital Outlay	-	-	-	-	-
<i>Total Expenditures</i>	<u>609,665</u>	<u>-</u>	<u>608,563</u>	<u>-</u>	<u>1,793</u>
<i>Excess of Revenues over Expenditures</i>	<u>(481,644)</u>	<u>50,634</u>	<u>(109,074)</u>	<u>658,693</u>	<u>18,540</u>
<b>Other Financing Sources (Uses)</b>					
Debt Proceeds	-	-	-	-	-
Issuance Discount on Long-Term Debt	-	-	-	-	-
Transfers In	807,984	-	117,634	-	73,268
Transfers Out	(149,632)	(46,343)	(64)	(593,838)	(403,575)
Disposal of Capital Assets	90	-	-	-	-
<i>Total Other Financing Sources and Uses</i>	<u>658,442</u>	<u>(46,343)</u>	<u>117,570</u>	<u>(593,838)</u>	<u>(330,307)</u>
<i>Net Change in Fund Balances</i>	176,798	4,291	8,496	64,855	(311,767)
<i>Fund Balances - Beginning</i>	702,176	50,637	7,938	711,491	1,245,658
<i>Prior Year Adjustment</i>					
<i>Fund Balances - Ending</i>	<u>\$ 878,974</u>	<u>\$ 54,928</u>	<u>\$ 16,433</u>	<u>\$ 776,346</u>	<u>\$ 933,891</u>

Special Revenue

Historic Downtown Poulsbo Association	Marine Science Center	Paths and Trails	Drug Enforcement	Transient Occupancy	Police Restricted Funds	Total Non-Major Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ 121,223	\$ 90,776	\$ 853,353
-	-	-	-	-	-	5,341
-	-	-	8,358	-	15,632	179,630
-	-	-	-	-	-	484,322
1,126	2,428	86	160	1,359	1,905	60,956
-	-	-	-	-	-	-
93,240	38,576	-	1,800	-	41,820	192,058
<u>94,366</u>	<u>41,004</u>	<u>86</u>	<u>10,318</u>	<u>122,583</u>	<u>150,133</u>	<u>1,775,660</u>
-	-	-	-	-	-	1,793
-	-	-	9,933	-	25,759	35,692
-	-	-	-	-	-	-
-	-	-	-	-	-	609,665
-	-	-	-	-	-	-
84,605	16,645	-	-	127,587	-	837,400
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	37,240	37,240
<u>84,605</u>	<u>16,645</u>	<u>-</u>	<u>9,933</u>	<u>127,587</u>	<u>62,999</u>	<u>1,521,789</u>
<u>9,761</u>	<u>24,359</u>	<u>86</u>	<u>386</u>	<u>(5,004)</u>	<u>87,134</u>	<u>253,871</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	44,000	757	-	-	-	1,043,643
-	(38,650)	-	-	-	(117,597)	(1,349,700)
-	-	-	-	-	-	90
<u>-</u>	<u>5,350</u>	<u>757</u>	<u>-</u>	<u>-</u>	<u>(117,597)</u>	<u>(305,967)</u>
9,761	29,709	843	386	(5,004)	(30,463)	(52,096)
<u>18,258</u>	<u>162,062</u>	<u>3,763</u>	<u>4,737</u>	<u>58,390</u>	<u>83,330</u>	<u>3,048,439</u>
(584)	-	-	-	-	-	(584)
<u>\$ 27,435</u>	<u>\$ 191,770</u>	<u>\$ 4,606</u>	<u>\$ 5,122</u>	<u>\$ 53,386</u>	<u>\$ 52,867</u>	<u>\$ 2,995,759</u>

**City of Poulsbo**  
**Combining Statement of Revenue, Expenditures, and Changes in Fund Balance**  
**Nonmajor Governmental Funds (continued)**  
**For Year Ended December 31, 2005**

	Debt Service				Total Non-Major Debt Service Funds
	Misc Governmental Debt	Non-Voted G.O. Debt	Voted G.O. Bonds	LID Fund	
<b>Revenues</b>					
Taxes	\$ -	\$ -	\$ 161,168	\$ 1	\$ 161,169
Licenses and Permits	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Charges for Services	-	-	-	-	-
Interest and Other Earnings	111	2,908	2,173	1	5,193
Fines and Forfeitures	-	-	-	-	-
Miscellaneous	-	10,635	-	-	10,635
<i>Total Revenues</i>	<u>111</u>	<u>13,542</u>	<u>163,341</u>	<u>1</u>	<u>176,996</u>
<b>Expenditures</b>					
Current:					
General Government	-	-	-	-	-
Security of Persons & Property	-	-	-	-	-
Utilities and Environment	-	-	-	-	-
Transportation	-	-	-	-	-
Economic Environment	-	-	-	-	-
Mental and Physical Health	-	-	-	-	-
Culture and Recreation	-	-	-	-	-
Debt Service	-	-	-	-	-
Principal	84,323	165,000	135,000	-	384,323
Interest & Fiscal Charges	35,365	87,723	27,582	-	150,670
Capital Outlay	-	-	-	-	-
<i>Total Expenditures</i>	<u>119,688</u>	<u>252,723</u>	<u>162,582</u>	<u>-</u>	<u>534,994</u>
<i>Excess of Revenues over Expenditures</i>	<u>(119,578)</u>	<u>(239,181)</u>	<u>759</u>	<u>1</u>	<u>(357,998)</u>
<b>Other Financing Sources (Uses)</b>					
Debt Proceeds	-	-	-	-	-
Issuance Discount on Long-Term Debt	-	-	-	-	-
Transfers In	119,767	814,013	-	-	933,780
Transfers Out	-	-	-	-	-
Disposal of Capital Assets	-	-	-	-	-
<i>Total Other Financing Sources and Uses</i>	<u>119,767</u>	<u>814,013</u>	<u>-</u>	<u>-</u>	<u>933,780</u>
<i>Net Change in Fund Balances</i>	<u>189</u>	<u>574,832</u>	<u>759</u>	<u>1</u>	<u>575,782</u>
<i>Fund Balances - Beginning</i>	<u>133</u>	<u>878</u>	<u>182,173</u>	<u>18</u>	<u>183,202</u>
<i>Prior Year Adjustment</i>					
<i>Fund Balances - Ending</i>	<u>\$ 322</u>	<u>\$ 575,711</u>	<u>\$ 182,932</u>	<u>\$ 19</u>	<u>\$ 758,984</u>

Capital Project

Equipment Acquisition	Park Reserve	Library Improvement	Recreation Reserve	Street Reserve	Park Acquisition
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	70,947	-	-	221,475	-
-	-	-	-	-	26,260
5,620	2,470	58	78	13,359	3,522
-	-	-	-	-	-
-	6,314	-	14	-	-
<u>5,620</u>	<u>79,730</u>	<u>58</u>	<u>91</u>	<u>234,834</u>	<u>29,782</u>
\$ 20,598	\$ -	\$ -	\$ -	\$ -	\$ -
6,362	-	-	-	-	-
3,609	16,280	-	-	-	-
-	-	-	-	2,631	-
-	-	-	-	-	-
-	-	-	-	-	-
11,941	4,431	-	1,800	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
299,700	228,728	-	-	825,837	-
<u>342,210</u>	<u>249,438</u>	<u>-</u>	<u>1,800</u>	<u>828,468</u>	<u>-</u>
<u>(336,589)</u>	<u>(169,707)</u>	<u>58</u>	<u>(1,708)</u>	<u>(593,634)</u>	<u>29,782</u>
-	-	-	-	-	-
-	-	-	-	-	-
529,688	116,254	-	-	444,458	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>529,688</u>	<u>116,254</u>	<u>-</u>	<u>-</u>	<u>444,458</u>	<u>-</u>
193,099	(53,453)	58	(1,708)	(149,176)	29,782
\$ 297,647	168,209	41	4,187	858,216	141,430
	(4,451)			17,489	
<u>\$ 490,746</u>	<u>\$ 110,306</u>	<u>\$ 100</u>	<u>\$ 2,479</u>	<u>\$ 726,529</u>	<u>\$ 171,212</u>

# City of Poulsbo

## Combining Statement of Revenues, Expenditure, and Changes in Fund Balance Nonmajor Governmental Funds *(continued)* For Year Ending December 31, 2005

	Capital Project		
	Museum Reserve	Cemetery Reserve	Street Equipment Reserve
<b>Revenues</b>			
Taxes	\$ -	\$ -	\$ -
Licenses and Permits	-	-	-
Intergovernmental	-	-	-
Charges for Services	-	1,200	-
Interest and Other Earnings	134	1,428	3,175
Fines and Forfeitures	-	-	-
Miscellaneous	-	-	-
<i>Total Revenues</i>	134	2,628	3,175
<b>Expenditures</b>			
Current:			
General Government	\$ -	\$ -	\$ -
Security of Persons & Property	-	-	-
Utilities and Environment	-	-	-
Transportation	-	-	-
Economic Environment	-	-	-
Mental and Physical Health	-	-	-
Culture and Recreation	-	-	-
Debt Service	-	-	-
Principal	-	-	-
Interest & Fiscal Charges	-	-	-
Capital Outlay	-	-	19,396
<i>Total Expenditures</i>	-	-	19,396
<i>Excess of Revenues over Expenditures</i>	134	2,628	(16,221)
<b>Other Financing Sources (Uses)</b>			
Debt Proceeds	-	-	-
Issuance Discount on Long-Term Debt	-	-	-
Transfers In	-	-	41,413
Transfers Out	-	-	-
Disposal of Capital Assets	-	-	-
<i>Total Other Financing Sources and Uses</i>	-	-	41,413
<i>Net Change in Fund Balances</i>	134	2,628	25,192
<i>Fund Balances - Beginning</i>	5,825	61,838	141,840
<i>Prior Year Adjustment</i>			
<i>Fund Balances - Ending</i>	\$ 5,958	\$ 64,466	\$ 167,032

Total Non-Major Capital Project Funds	Permanent		Total Nonmajor Governmental Funds
	Bernice Borgen Beautification		
-	\$ -		\$ 1,014,521
-	-		179,630
292,422	-		297,763
27,460	-		511,782
29,843	2,843		98,835
-	-		-
6,328	-		209,020
-	-		-
356,053	2,843		\$ 2,311,551
20,598	\$ -		\$ 22,391
6,362	-		42,053
19,888	-		19,888
2,631	-		612,296
-	-		-
-	-		-
18,171	-		855,570
-	-		-
-	-		384,323
-	-		150,670
1,373,661	-		1,410,901
-	-		-
1,441,311	-		3,498,093
-	-		-
(1,085,258)	2,843		(1,186,542)
-	-		-
-	-		-
1,131,814	-		3,109,237
-	-		(1,349,700)
-	-		90
-	-		-
1,131,814	-		1,759,627
46,556	2,843		573,085
-	-		-
1,679,232	104,537		5,015,410
13,038	-		12,454
\$ 1,738,826	\$ 107,380		\$ 5,600,950

**City of Poulsbo**  
**City Street Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual**  
**For the Year Ended December 31, 2005**

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>Revenue</b>			
License and Permits	\$ 3,000	\$ 5,341	\$ 2,341
Intergovernmental	103,676	106,053	2,377
Charges for Services	-	7	7
Interest and Other Earnings	3,000	13,693	10,693
Miscellaneous	-	2,928	2,928
<i>Total Revenues</i>	<u>109,676</u>	<u>128,022</u>	<u>18,346</u>
<b>Expenditures</b>			
Transportation			
Street Maintenance	680,343	609,665	(70,678)
Right of Way	-	-	-
Capital Outlay	-	-	-
<i>Total Expenditures</i>	<u>680,343</u>	<u>609,665</u>	<u>(70,678)</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(570,667)</u>	<u>(481,644)</u>	<u>89,023</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in	835,040	807,984	(27,056)
Transfers out	(180,451)	(149,632)	30,819
Disposal of Capital Assets	-	90	90
<i>Total Other Financing Sources (Uses)</i>	<u>654,589</u>	<u>658,442</u>	<u>3,853</u>
<i>Net Change in Fund Balance</i>	83,922	176,798	92,876
<i>Fund Balance Beginning of Year</i>	<u>702,176</u>	<u>702,176</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ 786,098</u>	<u>\$ 878,974</u>	<u>\$ 878,974</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, 2005**

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
<b>Revenues</b>			
Intergovernmental			
State fuel tax	47,999	49,339	1,340
State fuel tax/ Paths & Trails	241	248	7
Interest and Other Earnings	-	1,047	1,047
Miscellaneous	-	-	-
<i>Total Revenues</i>	<u>48,240</u>	<u>50,634</u>	<u>2,394</u>
<b>Expenditures</b>			
General Administration	-	-	-
Construction	-	-	-
<i>Total Expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess of Revenues Over Expenditures</i>	<u>48,240</u>	<u>50,634</u>	<u>2,394</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	-	-
Transfers out	(46,343)	(46,343)	-
Capital Leases	-	-	-
Disposal of Capital Assets	-	-	-
<i>Total Other Financing Sources (Uses)</i>	<u>(46,343)</u>	<u>(46,343)</u>	<u>-</u>
<i>Net Change in Fund Balance</i>	1,897	4,291	2,394
<i>Fund Balance Beginning of Year</i>	<u>50,637</u>	<u>50,637</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ 52,534</u>	<u>\$ 54,928</u>	<u>\$ 2,394</u>

**City of Poulsbo**  
**Recreation Activity Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual**  
**For the Year Ended December 31, 2005**

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>Revenues</b>			
Culture and Recreation			
Amusement and Recreation	\$ 421,000	\$ 415,363	\$ (5,637)
Pre-School Program Fees	76,840	68,951	(7,889)
Interest and Other Earnings	8,628	1,480	(7,148)
Miscellaneous	-	13,694	13,694
<i>Total Revenues</i>	<u>506,468</u>	<u>499,488</u>	<u>(6,980)</u>
<b>Expenditures</b>			
Culture and Recreation			
Administration	293,158	281,598	11,560
Amusement and Recreation	276,750	278,068	(1,318)
Pre-School Program Fees	51,623	48,897	2,726
<i>Total Expenditures</i>	<u>621,531</u>	<u>608,563</u>	<u>12,968</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(115,063)</u>	<u>(109,074)</u>	<u>5,989</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in	117,634	117,634	-
Transfers Out	(64)	(64)	-
<i>Total Other Financing Sources (Uses)</i>	<u>117,634</u>	<u>117,570</u>	<u>(64)</u>
<i>Net Change in Fund Balance</i>	2,571	8,496	5,925
<i>Fund Balance Beginning of Year</i>	<u>8,744</u>	<u>7,938</u>	<u>(806)</u>
<i>Fund Balance End of Year</i>	<u>\$ 11,315</u>	<u>\$ 16,433</u>	<u>\$ 5,118</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, 2005**

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
<b>Revenues</b>			
Taxes			
Excise Tax	\$ 670,000	\$ 641,354	\$ (28,646)
Interest and Other Earnings	10,000	17,340	7,340
Miscellaneous	-	-	-
<i>Total Revenues</i>	<u>680,000</u>	<u>658,693</u>	<u>(21,307)</u>
<b>Expenditures</b>			
Current:			
Miscellaneous	-	-	-
<i>Total Expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess of Revenues Over Expenditures</i>	<u>680,000</u>	<u>658,693</u>	<u>(21,307)</u>
<b>Other Financing Sources (Uses)</b>			
Capital Outlay			-
Transfers in	-	-	-
Transfers out	(880,000)	(593,838)	286,162
Capital Leases			-
Disposal of Capital Assets	-	-	-
<i>Total Other Financing Sources (Uses)</i>	<u>(880,000)</u>	<u>(593,838)</u>	<u>286,162</u>
<i>Net Change in Fund Balance</i>	(200,000)	64,855	264,855
<i>Fund Balance Beginning of Year</i>	<u>719,252</u>	<u>711,491</u>	<u>(7,761)</u>
<i>Fund Balance End of Year</i>	<u>\$ 519,252</u>	<u>\$ 776,346</u>	<u>\$ 257,094</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, 2005**

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
<b>Revenues</b>			
Interest and Other Earnings	\$ 12,000	\$ 20,333	\$ 8,333
Miscellaneous	-	-	-
<i>Total Revenues</i>	<u>12,000</u>	<u>20,333</u>	<u>8,333</u>
<b>Expenditures</b>			
Current:			
Professional Services	1,808	1,793	(16)
Miscellaneous	-	-	-
<i>Total Expenditures</i>	<u>1,808</u>	<u>1,793</u>	<u>(16)</u>
<i>Excess of Revenues Over Expenditures</i>	<u>10,192</u>	<u>18,540</u>	<u>8,348</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in	80,299	73,268	(7,031)
Transfers out	(589,431)	(403,575)	185,856
Capital Leases	-	-	-
Disposal of Capital Assets	-	-	-
<i>Total Other Financing Sources (Uses)</i>	<u>(509,132)</u>	<u>(330,307)</u>	<u>178,825</u>
<i>Net Change in Fund Balance</i>	<u>(498,940)</u>	<u>(311,767)</u>	<u>187,173</u>
<i>Fund Balance Beginning of Year</i>	<u>1,257,196</u>	<u>1,245,658</u>	<u>(11,538)</u>
<i>Fund Balance End of Year</i>	<u>\$ 758,256</u>	<u>\$ 933,891</u>	<u>\$ 175,635</u>

**City of Poulsbo**  
**Historic Downtown Poulsbo Association Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual**  
**For the Year Ended December 31, 2005**

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
<b>Revenues</b>			
Taxes	\$ -	\$ -	\$ -
Licenses and Permits	-	-	-
Intergovernmenta	-	-	-
Charges for Services	-	-	-
Fines and Forfeitures	-	-	-
Interest and Other Earnings	450	1,126	676
Miscellaneous	98,000	93,240	(4,760)
<i>Total Revenues</i>	<u>98,450</u>	<u>94,366</u>	<u>(4,084)</u>
<b>Expenditures</b>			
Culture and Recreation			
Office & Operating Supplies	47,250	29,338	17,912
Professional Services	12,000	11,671	329
Communication	3,000	2,050	950
Marketing	20,000	13,492	6,508
Community Relations	4,600	3,271	1,329
Repair & Maintenance	20,000	22,001	(2,001)
Miscellaneous	600	782	(182)
City Accounting	2,000	2,000	-
<i>Total Expenditures</i>	<u>109,450</u>	<u>84,605</u>	<u>24,845</u>
<i>Excess of Revenues Over Expenditures</i>	<u>(11,000)</u>	<u>9,761</u>	<u>20,761</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	-	-
Transfers out	-	-	-
Capital Leases	-	-	-
Disposal of Capital Assets	-	-	-
<i>Total Other Financing Sources (Uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net Change in Fund Balance</i>	<u>(11,000)</u>	<u>9,761</u>	<u>20,761</u>
<i>Fund Balance Beginning of Year</i>	<u>18,258</u>	<u>18,258</u>	<u>-</u>
<i>Prior Year Adjustment</i>		(584)	(584)
<i>Fund Balance End of Year</i>	<u>\$ 7,258</u>	<u>\$ 27,435</u>	<u>\$ 20,177</u>

**City of Poulsbo**  
**Marine Science Center Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual**  
**For the Year Ended December 31, 2005**

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
<b>Revenues</b>			
Taxes	\$ -		\$ -
Licenses and Permits	-		-
Intergovernmental	-		-
Charges for Services			-
Fines and Forfeitures			-
Interest and Other Earnings	-	2,428	2,428
Miscellaneous	27,000	38,576	11,576
<i>Total Revenues</i>	<u>27,000</u>	<u>41,004</u>	<u>14,004</u>
<b>Expenditures</b>			
Current:			
Miscellaneous	26,500.00	16,645	-
Debt Service	-	-	-
<i>Total Expenditures</i>	<u>26,500</u>	<u>16,645</u>	<u>(9,855)</u>
<i>Excess of Revenues Over Expenditures</i>	<u>500</u>	<u>24,359</u>	<u>23,859</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in	44,000	44,000	-
Transfers out	(38,650)	(38,650)	-
Capital Leases	-	-	-
Disposal of Capital Assets	-	-	-
<i>Total Other Financing Sources (Uses)</i>	<u>5,350</u>	<u>5,350</u>	<u>-</u>
<i>Net Change in Fund Balance</i>	5,850	29,709	23,859
<i>Fund Balance Beginning of Year</i>	<u>162,268</u>	<u>162,062</u>	<u>(206)</u>
<i>Fund Balance End of Year</i>	<u>\$ 168,118</u>	<u>\$ 191,770</u>	<u>\$ 23,652</u>

**City of Poulsbo**  
**Path and Trails Reserve Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual**  
**For the Year Ended December 31, 2005**

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
<b>Revenues</b>			
Taxes		\$ -	\$ -
Licenses and Permits	-	-	-
Intergovernmental	-	-	-
Charges for Services	-	-	-
Fines and Forfeitures	-	-	-
Interest and Other Earnings	-	86	86
Miscellaneous	-	-	-
<i>Total Revenues</i>	<u>-</u>	<u>86</u>	<u>86</u>
<b>Expenditures</b>			
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>	<u>-</u>
<i>Excess of Revenues Over Expenditures</i>	<u>-</u>	<u>86</u>	<u>86</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in	757	757	-
Transfers out	-	-	-
Capital Leases	-	-	-
Disposal of Capital Assets	-	-	-
<i>Total Other Financing Sources (Uses)</i>	<u>757</u>	<u>757</u>	<u>-</u>
<i>Net Change in Fund Balance</i>	757	843	86
<i>Fund Balance Beginning of Year</i>	<u>3,763</u>	<u>3,763</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ 4,520</u>	<u>\$ 4,606</u>	<u>\$ 86</u>

**City of Poulsbo**  
**Drug Enforcement Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual**  
**For the Year Ended December 31, 2005**

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
<b>Revenues</b>			
KC/Westnet Grant	\$ 10,000	\$ 8,358	(1,642)
Drug Seizure Money	-	-	-
Interest and Other Earnings	-	160	160
Miscellaneous	-	1,800	1,800
<i>Total Revenues</i>	<u>10,000</u>	<u>10,318</u>	<u>318</u>
<b>Expenditures</b>			
Current:			
Miscellaneous Drug Enforcement	2,487	-	2,487
LIBNET Program	12,250	9,933	2,317
<i>Total Expenditures</i>	<u>14,737</u>	<u>9,933</u>	<u>4,804</u>
<i>Excess of Revenues Over Expenditures</i>	<u>(4,737)</u>	<u>386</u>	<u>5,123</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	-	-
Transfers out	-	-	-
Capital Leases	-	-	-
Disposal of Capital Assets	-	-	-
<i>Total Other Financing Sources (Uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net Change in Fund Balance</i>	(4,737)	386	5,123
<i>Fund Balance Beginning of Year</i>	<u>4,737</u>	<u>4,737</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ -</u>	<u>\$ 5,122</u>	<u>\$ 5,122</u>

**City of Poulsbo**  
**Transient Occupancy Tax Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual**  
**For the Year Ended December 31, 2005**

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
<b>Revenues</b>			
Hotel/Motel Tax	\$ 70,000	\$ 60,612	\$ (9,388)
Additional 2% Hotel/Motel Tax	70,000	60,612	(9,388)
Interest and Other Earnings	-	1,359	1,359
Miscellaneous	-	-	-
<i>Total Revenues</i>	<u>140,000</u>	<u>122,583</u>	<u>(17,417)</u>
<b>Expenditures</b>			
Economic Environment			
Kitsap Peninsula Visitor & Convention Bureau	35,000	30,306	4,694
Great Poulsbo Chamber of Commerce	35,000	30,306	4,694
Special Funding	-	66,225	(66,225)
Miscellaneous	70,350	750	69,600
<i>Total Expenditures</i>	<u>140,350</u>	<u>127,587</u>	<u>12,763</u>
<i>Excess of Revenues Over Expenditures</i>	<u>(350)</u>	<u>(5,004)</u>	<u>(4,654)</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	-	-
Transfers out	-	-	-
Capital Leases	-	-	-
Disposal of Capital Assets	-	-	-
<i>Total Other Financing Sources (Uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net Change in Fund Balance</i>	(350)	(5,004)	(4,654)
<i>Fund Balance Beginning of Year</i>	<u>58,409</u>	<u>58,390</u>	<u>(19)</u>
<i>Fund Balance End of Year</i>	<u>\$ 58,059</u>	<u>\$ 53,386</u>	<u>\$ (4,673)</u>

**City of Poulsbo**  
**Police Restricted Funds**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual**  
**For the Year Ended December 31, 2005**

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
<b>Revenues</b>			
Sales Tax/Public Safety	\$ -	\$ -	\$ -
US Dept of Justice Block Grant	-	-	-
WASPC Traffic Safety Grant	-	-	-
Vessel Registration Fees	10,000	8,909	(1,091)
Criminal Justice	93,880	97,499	3,619
Interest and Other Earnings	1,600	1,905	305
Miscellaneous	41,799	41,820	21
<i>Total Revenues</i>	<u>147,279</u>	<u>150,133</u>	<u>2,854</u>
<b>Expenditures</b>			
Security of Persons & Property			
Law Enforcement Sales Tax Program	5,000	3,311	1,689
Suquamish Mitigation Program	21,519	19,583	1,936
Justice Block Grant	3,100	2,865	235
Miscellaneous Programs	-	-	-
Capital Outlay	37,500	37,240	260
<i>Total Expenditures</i>	<u>67,119</u>	<u>62,999</u>	<u>4,120</u>
<i>Excess of Revenues Over Expenditures</i>	<u>80,160</u>	<u>87,134</u>	<u>6,974</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	-	-
Transfers out	(117,597)	(117,597)	-
Capital Leases	-	-	-
Disposal of Capital Assets	-	-	-
<i>Total Other Financing Sources (Uses)</i>	<u>(117,597)</u>	<u>(117,597)</u>	<u>-</u>
<i>Net Change in Fund Balance</i>	(37,437)	(30,463)	6,974
<i>Fund Balance Beginning of Year</i>	<u>83,799</u>	<u>83,330</u>	<u>(469)</u>
<i>Fund Balance End of Year</i>	<u>\$ 46,362</u>	<u>\$ 52,867</u>	<u>\$ 6,505</u>

**City of Poulsbo**  
**Miscellaneous Governmental Debt**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual**  
**For the Year Ended December 31, 2005**

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
<b>Revenues</b>			
Interest and Other Earnings	\$ -	\$ 111	\$ 111
Miscellaneous	-	-	-
<i>Total Revenues</i>	<u>-</u>	<u>111</u>	<u>111</u>
<b>Expenditures</b>			
Debt Service			
Bond principal	84,396	84,323	-
Interest Redemption	35,371	35,365	-
Bond Issue Costs	-	-	-
<i>Total Expenditures</i>	<u>119,767</u>	<u>119,688</u>	<u>-</u>
<i>Excess of Revenues Over Expenditures</i>	<u>(119,767)</u>	<u>(119,578)</u>	<u>189</u>
<b>Other Financing Sources (Uses)</b>			
Proceed of Refund Long Term Debt			-
Transfers in	119,767	119,767	-
Transfers out	-	-	-
Capital Leases	-	-	-
Sale of Capital assets	-	-	-
<i>Total Other Financing Sources (Uses)</i>	<u>119,767</u>	<u>119,767</u>	<u>-</u>
<i>Net Change in Fund Balance</i>	-	189	189
<i>Fund Balance Beginning of Year</i>	<u>133</u>	<u>133</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ 133</u>	<u>\$ 322</u>	<u>\$ 189</u>

**City of Poulsbo**  
**Non-Voted General Obligation Debt Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual**  
**For the Year Ended December 31, 2005**

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
<b>Revenues</b>			
Interest and Other Earnings	\$ -	\$ 2,908	\$ 2,908
Rentals & Leases/ Mitch Park	-	-	-
Rentals & Leases/ Morris House	10,635	10,635	-
Miscellaneous	-	-	-
<i>Total Revenues</i>	<u>10,635</u>	<u>13,542</u>	<u>2,907</u>
<b>Expenditures</b>			
Debt Service			
Lease principal			-
Bond principal redemption	165,000	165,000	-
Interest Redemption	87,146	87,145	1
Other Debt Service Costs	928	578	350
Bond Issue Costs	-	-	-
Refunding Escrow	-	-	-
<i>Total Expenditures</i>	<u>253,074</u>	<u>252,723</u>	<u>351</u>
<i>Excess of Revenues Over Expenditures</i>	<u>(242,439)</u>	<u>(239,181)</u>	<u>3,258</u>
<b>Other Financing Sources (Uses)</b>			
Proceed of Refund Long Term Debt	-		-
Transfers in	814,013	814,013	-
Transfers out	-	-	-
Capital Leases	-	-	-
Disposal of Capital Assets	-	-	-
<i>Total Other Financing Sources (Uses)</i>	<u>814,013</u>	<u>814,013</u>	<u>-</u>
<i>Net Change in Fund Balance</i>	571,574	574,832	3,258
<i>Fund Balance Beginning of Year</i>	<u>879</u>	<u>878</u>	<u>(1)</u>
<i>Fund Balance End of Year</i>	<u>\$ 572,453</u>	<u>\$ 575,711</u>	<u>\$ 3,258</u>

**City of Poulsbo**  
**Voted General Obligation Debt Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual**  
**For the Year Ended December 31, 2005**

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
<b>Revenues</b>			
Property Taxes	\$ 162,304	\$ 161,168	\$ (1,136)
Interest and Other Earnings	-	2,173	2,173
Miscellaneous	-	-	-
<i>Total Revenues</i>	<u>162,304</u>	<u>163,341</u>	<u>1,037</u>
<b>Expenditures</b>			
Debt			
Fire Head Quarters Bond Principal	135,000	135,000	-
Interest Redemption	27,304	27,304	-
Debt issue costs	-	-	-
Other debt service costs	350	278	72
<i>Total Expenditures</i>	<u>162,654</u>	<u>162,582</u>	<u>72</u>
<i>Excess of Revenues Over Expenditures</i>	<u>(350)</u>	<u>759</u>	<u>1,109</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	-	-
Transfers out	-	-	-
Capital Leases	-	-	-
Disposal of Capital Assets	-	-	-
<i>Total Other Financing Sources (Uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net Change in Fund Balance</i>	(350)	759	1,109
<i>Fund Balance Beginning of Year</i>	<u>183,167</u>	<u>182,173</u>	<u>(994)</u>
<i>Fund Balance End of Year</i>	<u>\$ 182,817</u>	<u>\$ 182,932</u>	<u>\$ 115</u>

**City of Poulsbo**  
**Local Improvement District (LID) Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual**  
**For the Year Ended December 31, 2005**

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
<b>Revenues</b>			
General property taxes	\$ -	1	\$ 1
Interest and Other Earnings	-	1	1
Miscellaneous	-	-	-
<i>Total Revenues</i>	<u>-</u>	<u>1</u>	<u>1</u>
<b>Expenditures</b>			
Debt			
Bond principal redemption	-	-	-
Bond interest redemption	-	-	-
Debt service costs	-	-	-
<i>Total Expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess of Revenues Over Expenditures</i>	<u>-</u>	<u>1</u>	<u>1</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	-	-
Transfers out	-	-	-
Capital Leases	-	-	-
Disposal of Capital Assets	-	-	-
<i>Total Other Financing Sources (Uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net Change in Fund Balance</i>	-	1	1
<i>Fund Balance Beginning of Year</i>	<u>18</u>	<u>18</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ 18</u>	<u>19</u>	<u>\$ 1</u>

**City of Poulsbo**  
**Equipment Acquisition Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual**  
**For the Year Ended December 31, 2005**

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
<b>Revenues</b>			
State Traffic Safety Grant	\$ -	\$ -	\$ -
Interest and Other Earnings	-	5,620	5,620
Miscellaneous	-	-	-
<i>Total Revenues</i>	<u>-</u>	<u>5,620</u>	<u>5,620</u>
<b>Expenditures</b>			
Current:			
General Government	26,000	20,598	5,402
Security of Persons & Property	6,000	6,362	(362)
Utilities and Environment	5,000	3,609	1,391
Economic Environment	-	-	-
Mental and Physical Health	-	-	13,064
Culture and Recreation	13,064	11,941	1,123
Capital Outlay	<u>733,503</u>	<u>299,700</u>	<u>433,803</u>
<i>Total Expenditures</i>	<u>783,567</u>	<u>342,210</u>	<u>441,357</u>
<i>Excess of Revenues Over Expenditures</i>	<u>(783,567)</u>	<u>(336,589)</u>	<u>446,978</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in	530,318	529,688	(630)
Transfers out	-	-	-
Capital Leases	-	-	-
Disposal of Capital Assets	-	-	-
<i>Total Other Financing Sources (Uses)</i>	<u>530,318</u>	<u>529,688</u>	<u>(630)</u>
<i>Net Change in Fund Balance</i>	(253,249)	193,099	446,348
<i>Fund Balance Beginning of Year</i>	<u>297,646</u>	<u>297,647</u>	<u>1</u>
<i>Fund Balance End of Year</i>	<u>\$ 44,397</u>	<u>\$ 490,746</u>	<u>\$ 446,349</u>

# City of Poulsbo

## Park Reserve Fund

### Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual For the Year Ended December 31, 2005

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
<b>Revenues</b>			
Intergovernmental	\$ 754,931	\$ 70,947	\$ (683,984)
Parks Donation	-	-	\$ -
Interest and Other Earnings	-	2,470	2,470
Miscellaneous	7,976	6,314	(1,662)
<i>Total Revenues</i>	<u>762,907</u>	<u>79,730</u>	<u>(683,177)</u>
<b>Expenditures</b>			
Current:			
General Park Capital Programs	1,100	4,154	(3,054)
Urban Forestry Capital Program	14,600	16,280	(1,680)
Oyster Park Capital Project	22,737	22,268	469
Nelson Park Project	-	-	-
Dogfish Creek Property Acquisition Project	449,489	27,741	421,748
Raab Park Restroom Project	39,620	2,823	36,797
Waterfront Park Shoreline Capital Stabilization	601,284	86,112	515,172
Trees of Nelson Park Project	-	277	(277)
Olhava Ball Field Project	50,000	-	50,000
Raab Park Playground Improvement Project	50,000	49,290	710
American Legion Park Improvement Project	50,000	30,601	19,399
Lions Park Restroom Project	-	(108)	108
Sailing Storage Project	16,890	-	16,890
Nelson Park Cabin	-	-	-
Strawberry Field Project	5,000	-	5,000
NK Special Event Center	10,000	10,000.00	-
Capital Outlay	-	-	-
<i>Total Expenditures</i>	<u>1,310,720</u>	<u>249,438</u>	<u>1,061,282</u>
<i>Excess of Revenues Over Expenditures</i>	<u>(547,813)</u>	<u>(169,707)</u>	<u>378,106</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in	416,150	116,254	(299,896)
Transfers out	-	-	-
Capital Leases	-	-	-
Disposal of Capital Assets	-	-	-
<i>Total Other Financing Sources (Uses)</i>	<u>416,150</u>	<u>116,254</u>	<u>(299,896)</u>
<i>Net Change in Fund Balance</i>	<u>(131,663)</u>	<u>(53,453)</u>	<u>78,210</u>
<i>Fund Balance Beginning of Year</i>	<u>168,209</u>	<u>168,209</u>	<u>-</u>
<i>Prior Year Adjustment</i>	<u>(4,451)</u>	<u>(4,451)</u>	<u>(4,451)</u>
<i>Fund Balance End of Year</i>	<u>\$ 36,546</u>	<u>\$ 110,306</u>	<u>\$ 73,760</u>

**City of Poulsbo**  
**Library Improvement Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual**  
**For the Year Ended December 31, 2005**

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
<b>Revenues</b>			
Fed grant/EDI-Library Elevator	\$ -	\$ -	\$ -
Kitsap County Contribution - Library	-	-	-
Interest and Other Earnings	50	58	8
Miscellaneous	-	-	-
<i>Total Revenues</i>	<u>50</u>	<u>58</u>	<u>8</u>
<b>Expenditures</b>			
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	-	-	-
<i>Total Expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess of Revenues Over Expenditures</i>	<u>50</u>	<u>58</u>	<u>8</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	-	-
Transfers out	-	-	-
Capital Leases	-	-	-
Disposal of Capital Assets	-	-	-
<i>Total Other Financing Sources (Uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net Change in Fund Balance</i>	50	58	8
<i>Fund Balance Beginning of Year</i>	<u>97</u>	<u>41</u>	<u>(56)</u>
<i>Fund Balance End of Year</i>	<u>\$ 147</u>	<u>\$ 100</u>	<u>\$ (47)</u>

**City of Poulsbo**  
**Recreation Reserve Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual**  
**For the Year Ended December 31, 2005**

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
<b>Revenues</b>			
Donations	\$ -	\$ 14	\$ 14
Interest and Other Earnings	-	78	78
Miscellaneous	-	-	-
<i>Total Revenues</i>	<u>-</u>	<u>91</u>	<u>91</u>
<b>Expenditures</b>			
Current:			
General Government	-	-	-
Security of Persons & Property	-	-	-
Utilities and Environment	-	-	-
Economic Environment	-	-	-
Mental and Physical Health	-	-	-
Culture and Recreation	2,000	1,800	(200)
Capital Outlay	-	-	-
<i>Total Expenditures</i>	<u>2,000</u>	<u>1,800</u>	<u>200</u>
<i>Excess of Revenues Over Expenditures</i>	<u>(2,000)</u>	<u>(1,708)</u>	<u>292</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	-	-
Transfers out	-	-	-
Capital Leases	-	-	-
Disposal of Capital Assets	-	-	-
<i>Total Other Financing Sources (Uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net Change in Fund Balance</i>	(2,000)	(1,708)	292
<i>Fund Balance Beginning of Year</i>	<u>4,187</u>	<u>4,187</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ 2,187</u>	<u>\$ 2,479</u>	<u>\$ 292</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, 2005**

	<u>Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>Revenues</b>			
Federal Grant Liberty Bay Waterfront Trail	\$ 9,971	\$ 1,475	\$ (8,496)
State Grant Caldart Avenue	7,190	-	(7,190)
TIB/SR305 Improvements	220,000	220,000	-
Interest and Other Earnings	-	13,359	13,359
Miscellaneous	-	-	-
<i>Total Revenues</i>	<u>237,161</u>	<u>234,834</u>	<u>(2,327)</u>
<b>Expenditures</b>			
Current:			
Liberty Bay Waterfront Trail	32,824	2,637	30,187
Sidewalk/Bicycle Safety Program	-	4,277	(4,277)
Dogfish Creek Bridge	-	686	(686)
Pavement Restoration	50,000	2,631	47,369
Caldart Avenue Improvements	69,297	23,517	45,780
10th Avenue Reconstruction Project	300,000	232,411	67,589
ADA Sidewalk Repair Project	50,000	1,897	48,103
State Route 305 Project	310,530	309,643	887
Caldart Signal Project	50,000	25,601	24,399
Long Range Tip Planning	60,000	8,389	51,611
10th Avenue Overlay	-	216,779	(216,779)
<i>Total Expenditures</i>	<u>922,651</u>	<u>828,468</u>	<u>94,183</u>
<i>Excess of Revenues Over Expenditures</i>	<u>(685,490)</u>	<u>(593,634)</u>	<u>91,856</u>
<b>Other Financing Sources (Uses)</b>			
PWTF Loan Proceeds - Front Street	-	-	-
Transfers in	538,627	444,458	(94,169)
<i>Total Other Financing Sources (Uses)</i>	<u>538,627</u>	<u>444,458</u>	<u>(94,169)</u>
<i>Net Change in Fund Balance</i>	(146,863)	(149,176)	(2,313)
<i>Fund Balance Beginning of Year</i>	<u>872,893</u>	<u>858,216</u>	<u>(14,677)</u>
<i>Prior Year Adjustment</i>	-	17,489	17,489
<i>Fund Balance End of Year</i>	<u>\$ 726,030</u>	<u>\$ 726,529</u>	<u>\$ 499</u>

**City of Poulsbo**  
**Park Acquisition Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual**  
**For the Year Ended December 31, 2005**

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
<b>Revenues</b>			
Park Mitigation	\$ -	\$ 26,260	\$ 26,260
Interest and Other Earnings	-	3,522	3,522
Miscellaneous	-	-	-
<i>Total Revenues</i>	<u>-</u>	<u>29,782</u>	<u>29,782</u>
<b>Expenditures</b>			
Current:			
General Government	-	-	-
Security of Persons & Property	-	-	-
Utilities and Environment	-	-	-
Economic Environment	-	-	-
Mental and Physical Health	-	-	-
Culture and Recreation	-	-	-
<i>Total Expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess of Revenues Over Expenditures</i>	<u>-</u>	<u>29,782</u>	<u>29,782</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	-	-
Transfers out	(49,800)	-	49,800
Capital Leases	-	-	-
Disposal of Capital Assets	-	-	-
<i>Total Other Financing Sources (Uses)</i>	<u>(49,800)</u>	<u>-</u>	<u>49,800</u>
<i>Net Change in Fund Balance</i>	(49,800)	29,782	79,582
<i>Fund Balance Beginning of Year</i>	<u>141,617</u>	<u>141,430</u>	<u>(187)</u>
<i>Fund Balance End of Year</i>	<u>\$ 91,817</u>	<u>\$ 171,212</u>	<u>\$ 79,395</u>

**City of Poulsbo**  
**Museum Reserve Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual**  
**For the Year Ended December 31, 2005**

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
<b>Revenues</b>			
Taxes		\$ -	\$ -
Licenses and Permits	-	-	-
Intergovernmental	-	-	-
Charges for Services	-	-	-
Fines and Forfeitures	-	-	-
Interest and Other Earnings	45	134	89
Miscellaneous	-	-	-
<i>Total Revenues</i>	<u>45</u>	<u>134</u>	<u>89</u>
<b>Expenditures</b>			
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>	<u>-</u>
<i>Excess of Revenues Over Expenditures</i>	<u>45</u>	<u>134</u>	<u>89</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	-	-
Transfers out	-	-	-
Capital Leases	-	-	-
Disposal of Capital Assets	-	-	-
<i>Total Other Financing Sources (Uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net Change in Fund Balance</i>	45	134	89
<i>Fund Balance Beginning of Year</i>	<u>5,825</u>	<u>5,825</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ 5,870</u>	<u>\$ 5,958</u>	<u>\$ 88</u>

**City of Poulsbo**  
**Cemetery Reserve Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual**  
**For the Year Ended December 31, 2005**

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
<b>Revenues</b>			
Gravesites	\$ 1,500	\$ 1,200	\$ (300)
Interest and Other Earnings	200	1,428	1,228
Miscellaneous	-	-	-
<i>Total Revenues</i>	<u>1,700</u>	<u>2,628</u>	<u>928</u>
<b>Expenditures</b>			
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>	<u>-</u>
<i>Excess of Revenues Over Expenditures</i>	<u>1,700</u>	<u>2,628</u>	<u>928</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	-	-
Transfers out	-	-	-
Capital Leases	-	-	-
Disposal of Capital Assets	-	-	-
<i>Total Other Financing Sources (Uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net Change in Fund Balance</i>	1,700	2,628	928
<i>Fund Balance Beginning of Year</i>	<u>61,838</u>	<u>61,838</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ 63,538</u>	<u>\$ 64,466</u>	<u>\$ 928</u>

**City of Poulsbo**  
**City Street Equipment Reserve Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual**  
**For the Year Ended December 31, 2005**

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
<b>Revenues</b>			
Taxes	\$ -	\$ -	\$ -
Licenses and Permits	-	-	-
Intergovernmental	-	-	-
Charges for Services	-	-	-
Fines and Forfeitures	-	-	-
Interest and Other Earnings	500	3,175	2,675
Miscellaneous	-	-	-
<i>Total Revenues</i>	<u>500</u>	<u>3,175</u>	<u>2,675</u>
<b>Expenditures</b>			
Current:			
General Government	-	-	-
Security of Persons & Property	-	-	-
Utilities and Environment	-	-	-
Economic Environment	-	-	-
Mental and Physical Health	-	-	-
Culture and Recreation	-	-	-
Capital Outlay	61,000	19,396	41,604
<i>Total Expenditures</i>	<u>61,000</u>	<u>19,396</u>	<u>41,604</u>
<i>Excess of Revenues Over Expenditures</i>	<u>(60,500)</u>	<u>(16,221)</u>	<u>44,279</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in	33,135	41,413	8,278
Transfers out	-	-	-
Capital Leases	-	-	-
Disposal of Capital Assets	-	-	-
<i>Total Other Financing Sources (Uses)</i>	<u>33,135</u>	<u>41,413</u>	<u>8,278</u>
<i>Net Change in Fund Balance</i>	(27,365)	25,192	52,557
<i>Fund Balance Beginning of Year</i>	<u>141,879</u>	<u>141,840</u>	<u>(39)</u>
<i>Fund Balance End of Year</i>	<u>\$ 114,514</u>	<u>\$ 167,032</u>	<u>\$ 52,518</u>

**City of Poulsbo**  
**Facilities Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual**  
**For the Year Ended December 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final Budget</u>		
<b>Revenues</b>				
Intergovernmental Revenues	\$ -			\$ -
Interest and Other Earnings	1,500	1,500	9,306	7,806
Miscellaneous	-	-	-	-
<i>Total Revenues</i>	<u>1,500</u>	<u>1,500</u>	<u>9,306</u>	<u>7,806</u>
<b>Expenditures</b>				
Current:				
Capital Outlay				
Municipal Campus Project	250,000	5,445,000	218,183	5,226,817
Liberty Bay Boardwalk Repair	-	6,593	3,390	3,203
Marine Science Repair Project	-	99,430	54,967	44,463
<i>Total Expenditures</i>	<u>250,000</u>	<u>5,551,023</u>	<u>276,540</u>	<u>5,274,483</u>
<i>Excess of Revenues Over Expenditures</i>	<u>(248,500)</u>	<u>(5,549,523)</u>	<u>(267,234)</u>	<u>5,282,289</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds of Anticipation Notes	-	5,185,000	5,185,000	-
Issuance Discount on Long-Term Debt	-	-	(82,451)	(82,451)
Transfers in	250,000	260,000	237,101	(22,899)
Transfers out	-	-	(44,000)	(44,000)
<i>Total Other Financing Sources (Uses)</i>	<u>250,000</u>	<u>5,445,000</u>	<u>5,295,651</u>	<u>(149,350)</u>
<i>Net Change in Fund Balance</i>	1,500	(104,523)	5,028,416	5,132,939
<i>Fund Balance Beginning of Year</i>	<u>128,505</u>	<u>302,669</u>	<u>302,628</u>	<u>(41)</u>
<i>Prior Year Adjustment</i>				
<i>Fund Balance End of Year</i>	<u>\$ 130,005</u>	<u>\$ 198,146</u>	<u>\$ 5,331,044</u>	<u>\$ 5,132,898</u>

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

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**CITY OF POULSBO**  
**Combining Statement-Internal Service Funds' Description**  
**For the Year Ended December 31, 2005**

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**Internal Service Funds**

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

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

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

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

**City of Poulsbo**  
**Combining Statement of Net Assets**  
**Internal Service Funds**  
**December 31, 2005**

	Governmental Activities		Business-type Activity	
	General Facilities	Medical Reimbursement	Public Works Admin	Total
<b>Assets</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 11,917	\$ 42	\$ 385	\$ 12,344
Investments	27,118	235,536	89,408	352,061
Accounts Receivable	-	232	818	1,049
Inventories	2,551	-	-	2,551
<i>Total Current Assets</i>	<u>41,585</u>	<u>235,810</u>	<u>90,610</u>	<u>368,005</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)	-	(60,786)	(69,786)
<i>Total Capital Assets (net of accumulated depreciation)</i>	<u>-</u>	<u>-</u>	<u>35,345</u>	<u>35,345</u>
<i>Total Assets</i>	<u>41,585</u>	<u>235,810</u>	<u>125,955</u>	<u>403,350</u>
<b>Liabilities</b>				
Current Liabilities:				
Accounts Payable	1,960	121	1,507	3,588
<i>Total Current Liabilities</i>	<u>1,960</u>	<u>121</u>	<u>1,507</u>	<u>3,588</u>
Non Current Liabilities:				
Compensated Absences	6,647	-	35,226	41,873
<i>Total Non Current Liabilities</i>	<u>6,647</u>	<u>-</u>	<u>35,226</u>	<u>41,873</u>
<i>Total Liabilities</i>	<u>8,607</u>	<u>121</u>	<u>36,734</u>	<u>45,461</u>
<b>Net Assets</b>				
Invested in capital assets	-	-	35,345	35,345
Unrestricted	32,979	235,689	53,876	322,544
<i>Total Net Assets</i>	<u>\$ 32,979</u>	<u>\$ 235,689</u>	<u>\$ 89,221</u>	<u>\$ 357,889</u>

**City of Poulsbo**  
**Combining Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Internal Service Funds**  
**For the Year Ended December 31, 2005**

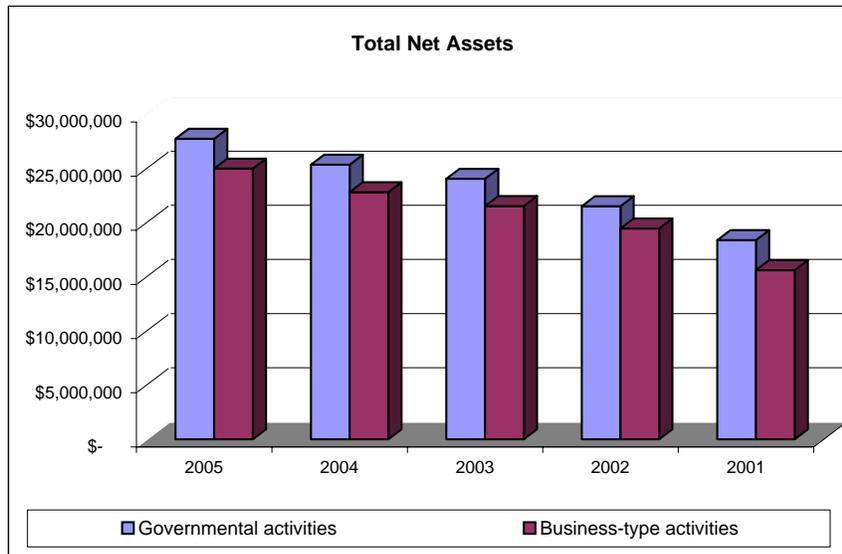
	Governmental Activities		Business-Type Activity	Total
	General Facilities	Medical Reimbursement	Public Works Admin	
<b>Operating Revenues</b>				
Charges for services	\$ 134,938	\$ -	\$ 831,615	\$ 966,554
Miscellaneous	90	6,832	-	6,922
<i>Total operating revenues</i>	<u>135,028</u>	<u>6,832</u>	<u>831,615</u>	<u>973,476</u>
<b>Operating Expenses:</b>				
Administrative and General	144,756	8,836	781,803	935,396
Contracted Processing and Operations	-	-	6,746	6,746
Maintenance	597	-	1,891	2,488
Depreciation	-	-	13,213	13,213
<i>Total Operating Expenses</i>	<u>145,353</u>	<u>8,836</u>	<u>803,654</u>	<u>957,844</u>
<i>Operating Income (loss)</i>	<u>(10,325)</u>	<u>(2,004)</u>	<u>27,962</u>	<u>15,632</u>
<b>Nonoperating Revenues (expenses):</b>				
Interest and other earnings	838	4,926	2,106	7,871
Gain (loss) on disposition of capital assets	-	-	-	-
Other non-operating Expense	-	-	(27,678)	(27,678)
Transfer Out	-	(15,260)	-	(15,260)
<i>Total Nonoperating expense(loss)</i>	<u>838</u>	<u>(10,334)</u>	<u>(25,571)</u>	<u>(35,067)</u>
<i>Change in Net Assets</i>	(9,487.12)	(12,337.91)	2,390	(19,435)
<i>Total Net Assets - beginning</i>	<u>42,466</u>	<u>248,027</u>	<u>78,676</u>	<u>369,168</u>
Prior Year Adjustment		-	8,156	8,156
<i>Total Net Assets - ending</i>	<u>\$ 32,979</u>	<u>\$ 235,689</u>	<u>\$ 89,221</u>	<u>\$ 357,889</u>

**City of Poulsbo**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the Year Ended December 31, 2005**

	Governmental Activities		Business-Type Activity	Total
	General Facilities	Medical Reimbursement	Public Works Admin	
<b>Cash Flows from Operating Activities</b>				
Receipts from customers and users	\$ 135,028	\$ 7,200	\$ 831,077	\$ 973,306
Payments to suppliers for goods and services	(72,795)	-	(446,722)	(519,517)
Payments to employees	(68,858)	(8,768)	(366,506)	(444,132)
<i>Net cash provided (used) by operating activities</i>	<u>(6,625)</u>	<u>(1,568)</u>	<u>17,849</u>	<u>9,656</u>
<b>Cash Flows from Noncapital Financing Activities</b>				
Operating Transfer-In (out)	-	(15,260)	-	(15,260)
<i>Net cash provided by noncapital and related financing financing activities</i>	<u>-</u>	<u>(15,260)</u>	<u>-</u>	<u>(15,260)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Proceeds from sale of assets	-	-	-	-
Purchase of capital assets	-	-	(27,678)	(27,678)
Acquisition and construction of capital assets	-	-	-	-
<i>Net Cash Used By Capital and Related Financing Activities</i>	<u>-</u>	<u>-</u>	<u>(27,678)</u>	<u>(27,678)</u>
<b>Cash Flows from Investing Activities</b>				
Proceeds from sales and maturities of investments	13,250	15,194	150,039	178,484
Purchase of investments	(5,493)	(4,027)	(142,893)	(152,413)
Interest and dividends received	838	5,702	2,351	8,892
<i>Net cash used by investing activities</i>	<u>8,595</u>	<u>16,870</u>	<u>9,497</u>	<u>34,962</u>
<i>Net increase in cash and cash equivalents</i>	1,970	42	(331)	1,681
<i>Cash and cash equivalents Beginning of Year</i>	<u>9,947</u>	<u>0</u>	<u>716</u>	<u>10,663</u>
<i>Cash and cash equivalents End of Year</i>	<u>\$ 11,917</u>	<u>\$ 42</u>	<u>\$ 385</u>	<u>\$ 12,344</u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities</b>				
Operating Income	(10,325)	(2,004)	27,962	15,632
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	-	-	13,213	13,213
(Increase) decrease in accounts receivable	-	368	(538)	(170)
(Increase) decrease in inventories	99	-	-	99
Increase (decrease) in accounts payable	1,226	68	(22,788)	(21,493)
Increase(decrease) in compensated absences payable	2,374	-	-	2,374
<i>Total Adjustments</i>	<u>3,700</u>	<u>437</u>	<u>(10,112)</u>	<u>(5,976)</u>
<i>Net cash provided by operating activities</i>	<u>\$ (6,625)</u>	<u>\$ (1,568)</u>	<u>\$ 17,849</u>	<u>\$ 9,656</u>

**City of Poulsbo**  
 Net Assets by Component  
 Last Five Fiscal Years

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Governmental activities					
Invested in capital assets, net of related debt	\$ 14,526,547	\$ 18,857,715	\$ 16,780,634	\$ 15,703,725	\$ 12,850,322
Restricted	866,364	287,739	293,255.81	295,090	307,815
Unrestricted	<u>12,367,678</u>	<u>6,221,541</u>	<u>6,992,025.50</u>	<u>5,535,830</u>	<u>5,238,632</u>
Total governmental activities net assets	<u>\$ 27,760,589</u>	<u>\$ 25,366,996</u>	<u>\$ 24,065,915</u>	<u>\$ 21,534,645</u>	<u>\$ 18,396,769</u>
Business-type activities					
Invested in capital assets, net of related debt	\$ 17,250,848	\$ 16,903,395	\$ 16,641,475	\$ 15,991,448	\$ 11,612,215
Restricted	496,499	-	595,000.00	595,500	666,500
Unrestricted	<u>7,258,373</u>	<u>5,916,001</u>	<u>4,306,333.07</u>	<u>2,883,550</u>	<u>3,349,596</u>
Total business-type activities net assets	<u>\$ 25,005,720</u>	<u>\$ 22,819,397</u>	<u>\$ 21,542,808</u>	<u>\$ 19,470,497</u>	<u>\$ 15,628,311</u>
Primary government					
Invested in capital assets, net of related debt	\$ 31,777,395	\$ 35,761,110	\$ 33,422,109	\$ 31,695,173	\$ 24,462,537
Restricted	1,362,863	287,739	888,256	890,590	974,315
Unrestricted	<u>19,626,051</u>	<u>12,137,543</u>	<u>11,298,359</u>	<u>8,419,379</u>	<u>8,588,228</u>
Total primary government net assets	<u>\$ 52,766,309</u>	<u>\$ 48,186,392</u>	<u>\$ 45,608,724</u>	<u>\$ 41,005,142</u>	<u>\$ 34,025,080</u>



## City of Poulsbo

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

	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>
<b><u>Program Revenues</u></b>					
Charges for Services	\$ 6,870,130	\$ 6,399,923	\$ 6,639,556	\$ 6,599,779	\$ 5,692,983
Operating Grants & Contributions	453,211	401,880	361,691	387,942	366,162
Capital Grants & Contributions	1,330,358	1,748,731	2,959,609	5,210,121	364,499
<b><u>General Revenues</u></b>					
Property Taxes	1,590,561	1,246,453	1,197,063	1,092,128	1,029,889
Retail Sales & Use Taxes	2,506,720	2,281,822	2,303,764	2,209,167	2,084,348
Utility Taxes	6,121				372,107
Business Taxes	1,014,777	978,923	949,054	932,001	869,086
Excise Taxes	645,992	477,220	344,003	244,399	268,194
Fuel Tax					
Penalties & Interest	33	-	75	38	366
Investment Earnings	237,180	130,220	163,074	336,009	496,244
Gain (loss) on disposal of capital assets	4,913	(79,307)	14	5,566	(656)
<i>Total Revenues</i>	<b>\$ 14,659,994</b>	<b>\$ 13,585,864</b>	<b>\$ 14,917,902</b>	<b>\$ 17,017,148</b>	<b>\$ 11,543,223</b>
<b><u>Expenses/Expenditures</u></b>					
General government	\$ 1,356,943	\$ 1,530,017	\$ 1,516,489	\$ 1,462,979	\$ 1,397,344
Judicial	257,550	260,744	265,053	317,756	303,704
Security of Persons & Property	2,112,042	1,939,609	1,983,035	1,954,963	1,749,792
Utilities & Environment	436,786	502,815	593,399	308,421	301,774
Transportation	1,069,701	1,086,014	930,344	758,662	630,446
Economic Environment	650,391	595,488	446,585	392,359	367,099
Mental & Physical Health	12,489	10,767	9,909	9,457	948,433
Culture & Recreation	1,273,809	1,196,036	1,142,670	1,071,479	8,494
Interest on Long-Term Debt	150,670	161,767	195,895	108,317	138,906
Water/Sewer	2,195,301	2,096,780	2,070,725	1,961,788	2,274,395
Solid Waste	807,384	870,166	936,477	1,200,968	1,349,846
Storm Drain	323,217	283,778	243,174	146,834	143,376
Component Units	-	-	-	753,891	106,262
<i>Total Expenses/Expenditures</i>	<b>\$ 10,646,283</b>	<b>\$ 10,533,980</b>	<b>\$ 10,333,757</b>	<b>\$ 10,447,873</b>	<b>\$ 9,719,870</b>

**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
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
2005	5,876,048	614,391	432,120	2,452,611	231,415	323,969	9,930,555

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

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

<b>FISCAL YEAR</b>	<b>GENERAL GOVERNMENT</b>	<b>SECURITY OF PERSONS &amp; PROPERTY</b>	<b>UTILITIES AND ENVIRONMENT</b>	<b>TRANSPORTATION AND STREET MAINTENANCE</b>	<b>ECONOMIC ENVIRONMENT</b>	<b>MENTAL/ PHYSICAL HEALTH</b>	<b>CULTURE &amp; RECREATION</b>	<b>DEBT SERVICE</b>	<b>TOTAL EXPENDITURES</b>
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
2005	1,880,437	2,010,463	425,839	612,296	634,263	12,489	1,201,711	534,994	7,312,491

Table includes General, Debt Service, Special Revenue, 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
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%
2005	1,415,224	1,392,310	98.38%	16,558	1,408,868	99.55%	43,086	3.04%

## City of Poulsbo

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

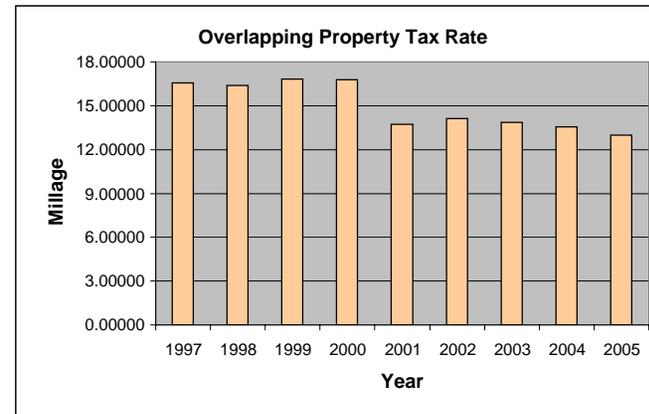
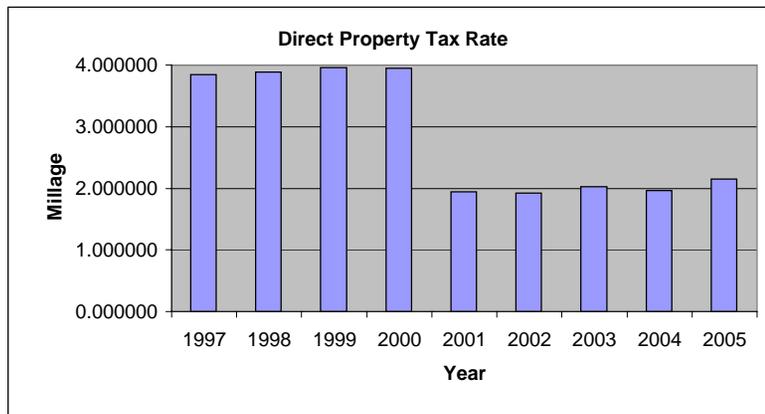
FISCAL YEAR	REAL PROPERTY		PERSONAL PROPERTY		TOTAL AND RATIO		
	ASSESSED VALUE	ESTIMATED ACTUAL VALUE	ASSESSED VALUE	ESTIMATED ACTUAL VALUE	ASSESSED VALUE	ESTIMATED ACTUAL VALUE	% RATIO
1995	292,260,550	324,013,914	17,739,059	17,739,059	309,999,609	341,752,973	90.7
1996	310,808,294	352,390,356	18,608,910	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	Direct Rates			Overlapping Rates		Overlapping Rates			Overlapping Rates						Total Direct & Overlapping Rates
	City Millage			Kitsap County Millage	State School Millage	North Kitsap School District Millage			Port of Poulsbo Millage	Fire District #18 Millage	Public Utility District Millage	Kitsap Regional Library Millage	Poulsbo Library Facility Millage	Total Overlapping Rates	
	Operating Millage	Debt Service Millage	Total City Millage			Operating Millage	Debt Millage	Total NK School District Millage							
1996	3.277100	0.545800	3.822900	1.69720	3.484800	2.891000	1.877000	4.768000	0.36400	1.745400	0.093900	0.467700	0.000000	12.62100	16.44390
1997	3.345800	0.495800	3.841600	1.72660	3.646700	3.043100	1.781900	4.825000	0.03721	1.894600	0.099800	0.478100	0.000000	12.70801	16.54961
1998	3.441100	0.443900	3.885000	1.45330	3.591100	2.923300	1.650400	4.573700	0.36410	1.932200	0.101700	0.500000	0.000000	12.51610	16.40110
1999	3.559600	0.400300	3.959900	1.81250	3.317800	3.094000	1.610900	4.704900	0.36410	1.951700	0.101700	0.500000	0.089300	12.84200	16.80190
2000	3.581300	0.367900	3.949200	1.85520	3.280800	3.073200	1.538500	4.611700	0.40160	2.000000	0.100800	0.500000	0.094000	12.84410	16.79330
2001	1.639100	0.304700	1.943800	1.51810	3.095100	2.814900	1.383000	4.197900	0.35330	1.947900	0.097500	0.500000	0.082800	11.79260	13.73640
2002	1.633300	0.285700	1.919000	1.66990	3.147500	2.700300	1.794200	4.494500	0.34680	1.880500	0.106400	0.483400	0.076500	12.20550	14.12450
2003	1.753200	0.274200	2.027400	1.60170	2.926700	2.659000	1.762100	4.421100	0.37050	1.884500	0.101800	0.462300	0.071600	11.84020	13.86760
2004	1.708790	0.251440	1.960230	1.41320	3.079720	2.571970	1.719060	4.291030	0.35607	1.825820	0.099780	0.452700	0.058370	11.57669	13.53692
2005	1.930276	0.221175	2.151451	1.30856	2.961027	2.385867	1.606051	3.991918	0.33807	1.684104	0.092209	0.419628	0.052706	10.84822	12.99967



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

**City of Poulsbo**  
 Legal Debt Margin Information  
 December 31, 2005

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Debt Limit	\$ 67,901,421	\$ 55,435,689	\$ 48,022,639	\$ 44,278,052	\$ 42,820,614
Total net debt applicable to limit	<u>7,514,494</u>	<u>3,204,043</u>	<u>3,108,233</u>	<u>1,485,423</u>	<u>1,761,050</u>
Legal debt margin	<u>\$ 60,386,928</u>	<u>\$ 52,231,646</u>	<u>\$ 44,914,406</u>	<u>\$ 42,792,629</u>	<u>\$ 41,059,564</u>
Total net debt applicable to the limit as a percentage of debt limit	11.07%	5.78%	6.47%	3.35%	4.11%

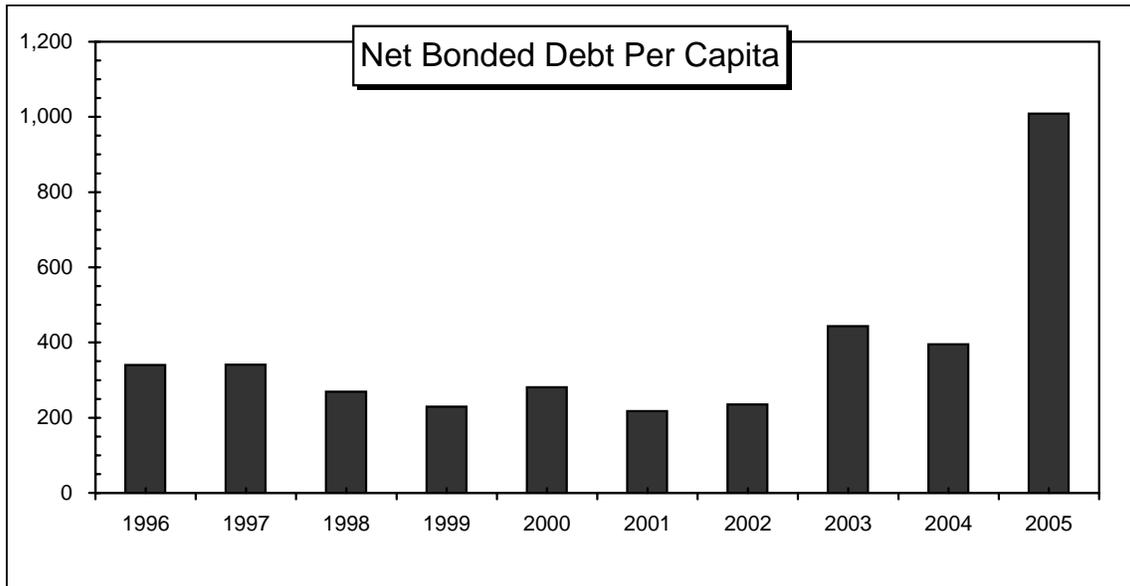
**Legal Debt Margin calculation for Fiscal Year 2005**

Total Assessed Valuation		\$ 905,352,282
Legal Debt Margin		
Debt Limitation -7.5% of total assessed value		67,901,421
Debt applicable to limitation:	\$ 7,910,000	
Total bonded debt		
Less: Amount Available for repayment of general obligation bonds	<u>(395,506)</u>	
Total debt applicable to limitation		<u>7,514,494</u>
Legal Debt Margin		<u>\$ 60,386,928</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
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
2005	7,450	905,352,282	7,910,000	395,506	7,514,494	0.83	1,009



\* Kitsap County Assessor, includes only taxable property

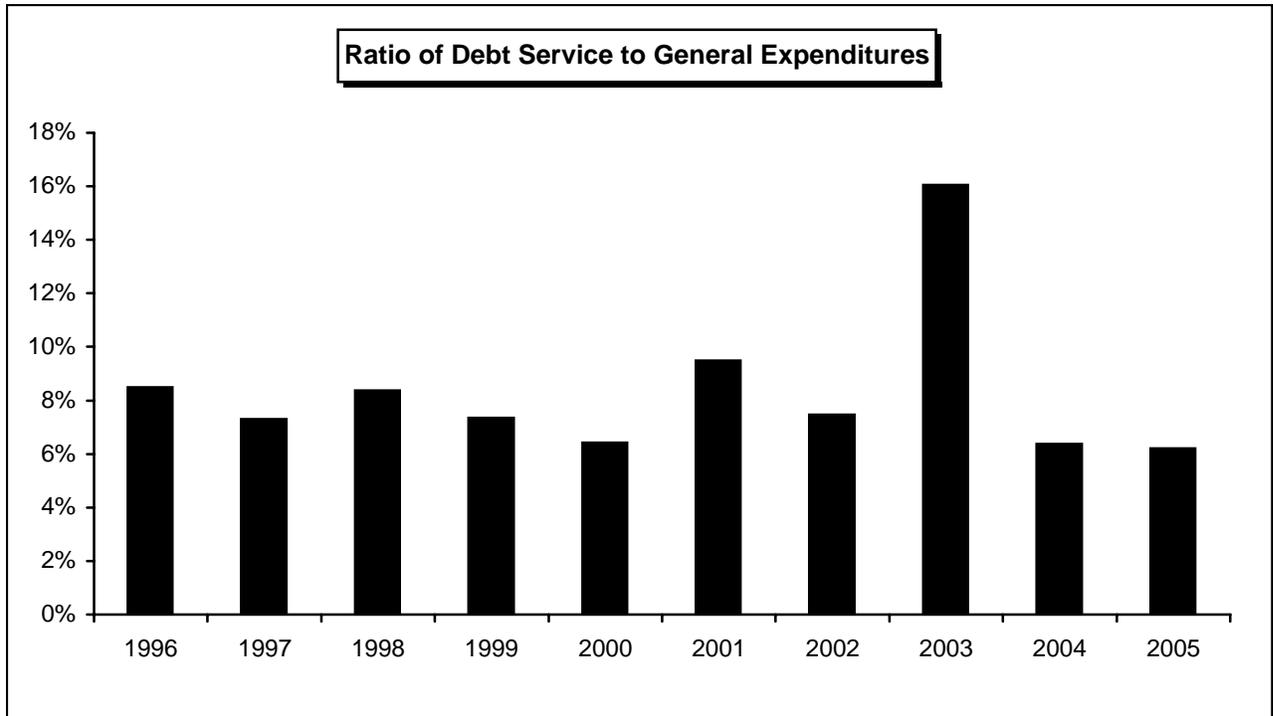
\*\* Excluding LID Guaranty Funds

## 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 (%)
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%
2005	300,000	114,449	414,449	6,677,502	6.21%

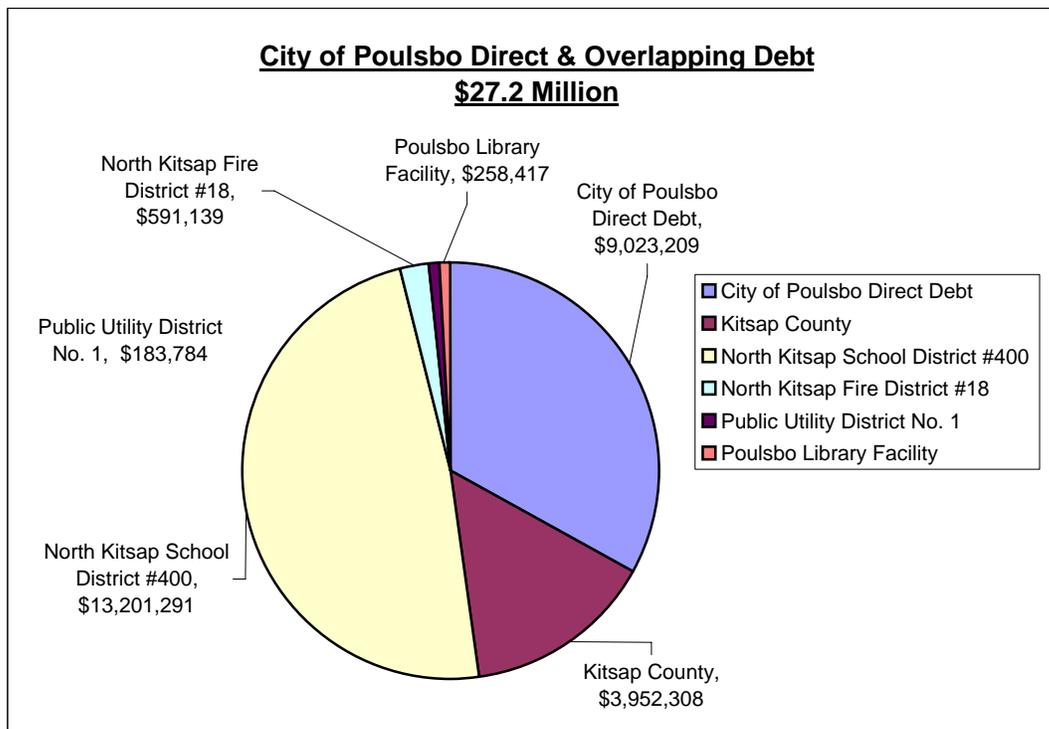
Includes General, Special Revenue and Debt Service Funds



## City of Poulsbo

Direct and Overlapping Governmental Activities Debt  
December 31, 2005

Governmental Unit	General Obligation Debt Outstanding	Estimated % Applicable	Estimated Share of Overlapping Debt
<i>City of Poulsbo Direct Debt</i>	\$ 9,023,209	100%	\$ 9,023,209
<i>City of Poulsbo Overlapping</i>			
Kitsap County	\$ 103,655,000	3.81%	3,952,308
North Kitsap School District #400	74,425,000	17.74%	13,201,291
North Kitsap Fire District #18	1,725,000	34.27%	591,139
Public Utility District No. 1	4,820,000	3.81%	183,784
Poulsbo Library Facility	995,000	25.97%	258,417
<i>City of Poulsbo Overlapping Debt</i>			\$ 18,186,939
<b>Total Direct and Overlapping Debt</b>			<b>\$ 27,210,148</b>



Source: Kitsap County Assessor's Office

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## City of Poulsbo

### Water and Sewer Revenue Bond Coverage Last Ten Fiscal Years

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FISCAL YEAR	OPERATING REVENUE	OPERATING EXPENSES*	NET AVAILABLE FOR DEBT SERVICE	Debt Service Requirements			COVERAGE
				CURRENT PRINCIPAL	INTEREST	TOTAL	
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%
2005	6,093,239	5,487,448	605,791	3,305,848	226,266	3,532,113	17%

\*Excludes depreciation and amortization; includes operating transfers out

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## City of Poulsbo

Demographic Statistics  
Last Ten Fiscal Years

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FISCAL YEAR	POPULATION	PER CAPITA INCOME*	UNEMPLOYMENT RATE*	SCHOOL ENROLLMENT**
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	32,140	6.4%	7,163
2004	7,200	--	5.9%	7,046
2005	7,450	--	5.5%	7,089

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\* 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		
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
2005	905,352,282	8	77	85	19,915,809	348,737

\* Source: Kitsap County Assessor's Office

\*\* Source: City of Poulsbo Planning Department

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

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## City of Poulsbo

Principal Taxpayers

December 31, 2005

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TAXPAYER	TYPE OF BUSINESS	2005 ASSESSED VALUATION	PERCENTAGE OF TOTAL ASSESSED VALUATION
Olhava Associates LMTD Partnership	Land Developer	\$ 76,380,680	8.44%
Poulsbo Retirement Center	Retirement Center	18,865,500	2.08%
Laurelhurst Apartments Company	Apartments	13,364,540	1.48%
Tim Ryan Properties LP	Retail & Services	11,407,750	1.26%
Current Development LLC	Miscellaneous Services	10,325,960	1.14%
Poulsbo Inn LLC	Hotel/Motel	9,841,350	1.09%
Hattaland	Retail	9,386,400	1.04%
Walmart Real Estate Business	Retail	9,263,160	1.02%
Montclair Park at Poulsbo	Retirement Center	8,850,490	0.98%
Liberty Ridget Apartments LLC	Apartments	7,903,070	0.87%
Roben Family Limited Partnership	Undeveloped Land	6,910,940	0.76%
Patterson Michael A & Emma O	Business Services	5,889,790	0.65%
<b>TOTALS:</b>		<b>\$ 188,389,630</b>	<b>20.81%</b>

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Source: Kitsap County Assessor's Office

**City of Poulsbo**  
 Monthly Sales Tax Comparison  
 Last Five Fiscal Years

<b>MONTH/YEAR</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>
<b>January</b>	\$ 153,009	\$ 148,782	\$ 161,011	\$ 162,657	\$ 165,544
<b>February</b>	168,943	211,278	216,257	206,336	203,516
<b>March</b>	161,637	139,646	149,531	179,175	149,180
<b>April</b>	136,535	150,281	142,021	145,956	154,747
<b>May</b>	180,352	175,447	182,610	205,266	187,964
<b>June</b>	169,954	166,454	170,289	166,659	165,502
<b>July</b>	161,617	171,621	177,164	173,904	197,468
<b>August</b>	179,268	196,003	210,622	236,552	209,401
<b>September</b>	153,464	177,277	218,892	176,685	215,188
<b>October</b>	160,953	186,501	192,987	160,818	216,934
<b>November</b>	190,486	213,842	219,183	221,423	230,063
<b>December</b>	161,687	180,848	194,091	162,897	227,460
<b>Total</b>	<u>\$ 1,977,906</u>	<u>\$ 2,117,980</u>	<u>\$ 2,234,658</u>	<u>\$ 2,198,328</u>	<u>\$ 2,322,967</u>

