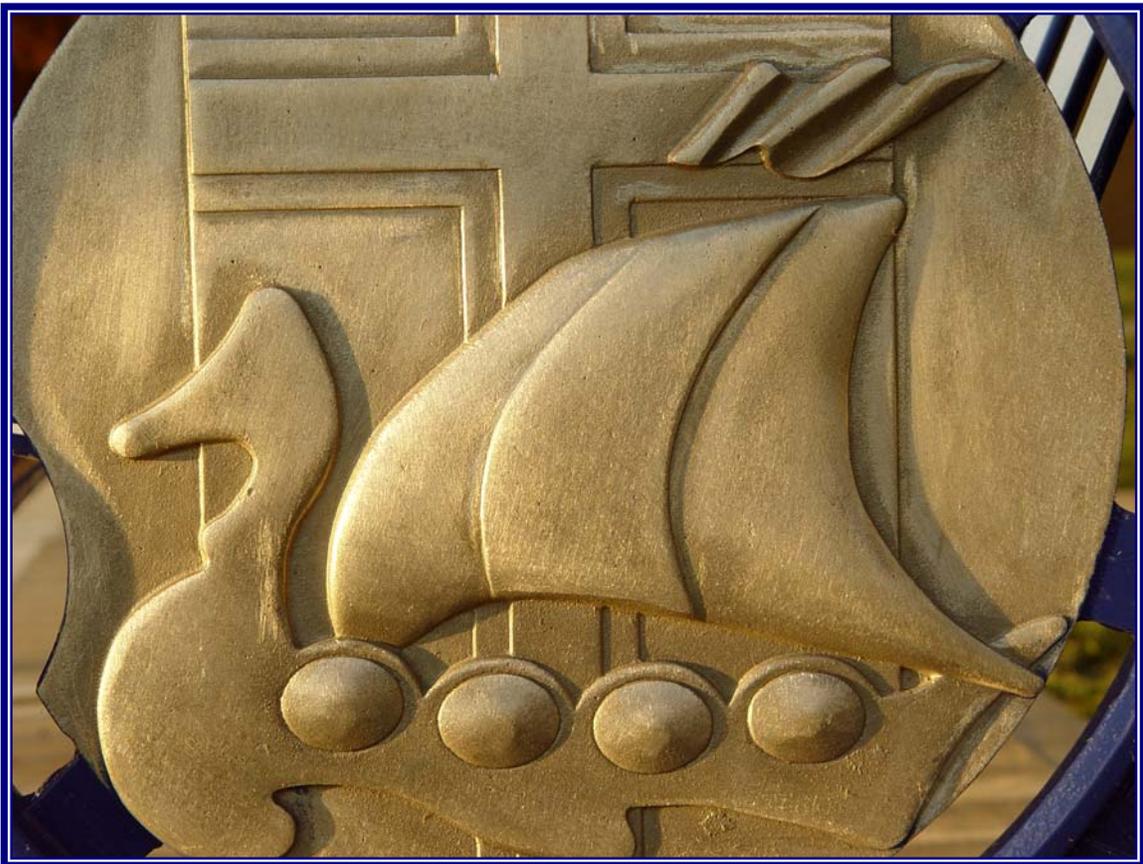


COMPREHENSIVE ANNUAL FINANCIAL REPORT



For the fiscal year ended December 31, 2007

CITY OF POULSBO, WASHINGTON

Cover Photo – City Bench taken by Mike Spencer (Our BKAT Guy!)

CITY OF POULSBO, WASHINGTON

Comprehensive Annual Financial Report



For the fiscal year ended December 31, 2007

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, 2007

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City of Poulsbo



June 30, 2008

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, 2007, 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 generally 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 Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting for the 2006 CAFR.

The **financial section**:

- begins with the independent auditor's report, followed by
- Management's Discussion and Analysis. The reader is then directed to
- the Basic Financial Statements and Notes that provide an overview of the City's financial position and operating results. Presented next are
- the Combining Statement for nonmajor funds; and concluding this section are
- 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 the financial statements of the City of Poulsbo, for the fiscal year ended December 31, 2007, are free of material misstatements. The independent auditor concluded, based upon the audit, there was a reasonable basis for rendering an unqualified opinion the City of Poulsbo's financial statements are fairly presented in conformity with Generally Accepted Accounting Principles (GAAP).

GAAP requires management provide a narrative introduction and an overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Poulsbo's MD&A can be found immediately following the 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 the three council positions appear on the ballot.

To provide a full range of services to its citizens, the City of Poulsbo is divided into departments, financial management and control systems. Services provided include: police protection; maintenance of water and sewer services; garbage and recycling disposal; street maintenance, construction and repair of facilities and assets; municipal court; land use administration, and general administration. The City designs and maintains many parks and green spaces, coordinates recreation activities, fosters neighborhood livability and works to preserve the City's environmental quality and historic legacy. Additional information may be found in the notes to the financial statements, thus readers are encouraged to review this CAFR in its entirety.

2007 In Review

For the City of Poulsbo, the year 2007 could be summarized as a year of *continued growth and change*.

Starting with growth, the City's population has grown by more than 600 people in the last five years. What is happening faster than the arrival of people, however, is land annexation. In the past three years the City has approved annexations of just fewer than 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.

New retail stores, banks and small walk-in restaurants continued to open their doors at the College Market Place Development. More construction is anticipated throughout 2008 in this 215 acre development. They join the Poulsbo Campus of Olympic Community College, Walmart, Home Depot and some smaller retail establishments which have been in operation at this location since 2006. Attaining this milestone is noteworthy for this large tract of land was originally annexed into the City in 1994.

With the vision of growth on the horizon, the City Council strategically approved two crucial projects in 2005 and 2006 that would assist the City in coping with the demands of growth.

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

The City Council approved a contract with SunGard HTE. The contract included 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 the ability to use the City's website to make inquiries and payments on their utility billing, business licenses and permits, as well as communicate dangerous situations such as a downed stop sign or potholes.

The first modules to "go live" in 2006 were the general ledger, payroll, accounts payable, budgeting, accounts receivable, central cashing, business licensing, pet licensing, permitting and zoning. The list of modules that remain to be implemented include: e-government, code enforcement, and work orders. The implementation of these modules will continue through 2008, with the installation of a web server.

The **second** major decision culminated after a Town Hall meeting in April 2006, which was attended by over 200 people. A decision was made to provide the citizens a voice on the location of their new City Hall, via an advisory ballot vote during the November 2006 election. The citizen's choice was to build City Hall within the downtown core. An interlocal agreement was entered into with Kitsap Consolidated Housing Authority to provide project management for the project. Two parcels of land on 3rd Avenue and Moe have been contracted for purchase by the City for the downtown location. The smaller parcel closed in 2007, with the larger parcel set to close in 2008. A contract with Lewis Architects was approved by the City Council to begin design in 2007. The City anticipates issuing debt in 2008 for the City Hall project.

As experienced, change is inevitable and has occurred via retirement and attrition. Since 2007 the City has hired a new Finance Director and Police Chief. As we look forward to 2008, retirement is anticipated for the City Clerk and Public Works Director. As a result of new staff additions, renewed enthusiasm and fresh ideas are emerging and energizing the City family.

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 benefit of a professional staff is their ability to seek grants and other alternative funding sources for City improvements. With our limited tax base, grants and community participation are some of the ways we can accomplish goals we may not have otherwise been able to attain.

Other Projects

Major projects started or completed during 2007 include:

1. **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 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 last year and although originally scheduled to be complete in 2007, due to weather related delays, will be completed in 2008. As part of the project, the City completed the design and replacement of the 7th Avenue culvert and road expansion. The road will allow additional access points for SR 305, helping with the traffic flow through the City.



- Caldart Avenue Signal Project:** This project installed a traffic signal at the Lincoln Road/Caldart Avenue intersection. The project improved safety and mobility at this intersection. The scope of the project was expanded and included improvements at the north end of Caldart, between Lincoln and Forest Rock Lane. These improvements included Low Impact Development techniques such as pervious pavement sidewalks, bio-retention areas to control stormwater runoff and traffic calming devices to promote both vehicle and pedestrian safety. This project was made possible by two different grants. One from Puget Sound Regional Council (\$200,000) and the other from the Washington Department of Ecology (\$263,000),



- Poulsbo Fish Park 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. To date, four

viewing platforms, eight interpretive signs, three pedestrian bridges, one footbridge, about 1 mile of compacted gravel trails, stream re-direction, and restoration plantings, have been completed. Parking lot improvements and continued trail development is scheduled to continue into 2008. This project is being partially funded with grants from the Interagency Committee for Outdoor Recreation (IAC) and the Salmon Board Recovery Fund (SRFB).

- Waterfront Park Shoreline Stabilization:** A beautiful retaining wall, with decorative wave design and Welcome to Poulsbo embellishing the wall, was constructed to stabilize the shoreline along the Liberty Bay Waterfront. New sidewalks and handrails have been installed along the wall to allow walkers to enjoy the beautiful Poulsbo Marina and waterfront. The City was able to complete the project by partnering with the Port of Poulsbo and resources obtained through federal grants. The finishing touches and lawn installation were completed with the park opening in time for Viking Fest 2007.

- Centennial Park:** A park located in the central portion of Poulsbo with a natural stream meandering the property. Design was completed in 2007 and preliminary site work will begin in 2008. The hope is to have portion of the park open with the year long Centennial Celebration.



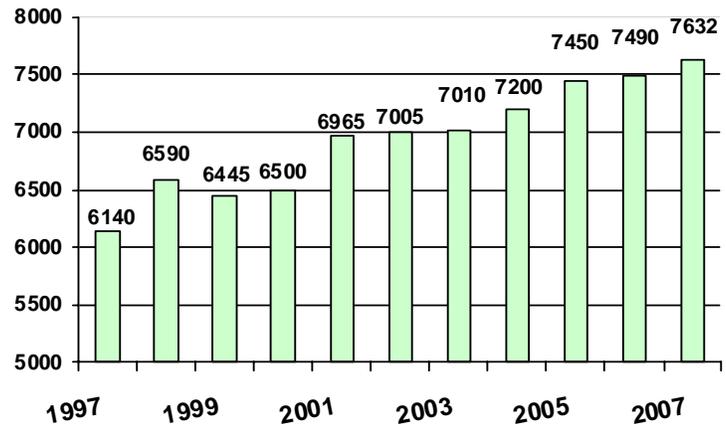
- Comprehensive Plans:** These are the guiding documents for the City and their functions. The City's 20 Year Comprehensive Plan update began in 2007. Workshops and Community meetings have been held to encourage public involvement. The plan development is anticipated to continue in 2008 and will guide and tie in the Comprehensive Plans for each the City's Utilities, including Water, Wastewater (Sewer) and Storm Drain. These plans will detail the City's long range vision and necessary infrastructure to support the vision and anticipated growth.

Economic Condition and Outlook

More and more, people are deciding that Poulsbo and the surrounding area is a great place to live and work. Additionally, 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 experience ratios.

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 7,632 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



Washington State's Growth Management Act has been in place for more than 15 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 2020.

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 for day excursions and vacationing boaters.

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 project has earned three awards from the State's Master Builder's Association including "Community of the Year" and "Best Community Land Use". The approved master plan calls for a residential village that complements and enhances the downtown district. The first phase, of 164 residential units, includes small cottages, cottage clusters, single-family residences, and luxury view-oriented town homes. Phase I was completed in 2004 and the second phase began in 2006. The project's second phase includes 140 single family homes, and a small number of live-work units. The goal is for this master-planned community to expand our walkable downtown core, provide community living and provide a combined residential commercial option. Some of the units were completed and inhabited by both residences and small businesses throughout 2007. Phase 2 of the project will continue into 2008.

In 1994, 215 acres of undeveloped property known as the "Olhava Property" was annexed in the City and City Council approved the adequacy of the environmental impact statement (EIS) and the master plan in 1998. The Olhava Master Plan will be completed in phased development over a ten-year period. The master plan includes 840,000 square feet of commercial buildings, a 325,000 square foot business park, 70 single-family units and 420 multi-family residents and ball fields. Developers also donated 20 acres to the local community college, and, in 2004, the satellite campus of the Olympic Community College opened its doors to students. The college offers the latest in technology such as satellite classes and video conferencing to enhance the educational opportunities. The development now carries the name, "College Market Place." Two anchor stores, Wal-Mart and Home Depot, opened their doors in January 2006. The Wal-Mart store is the biggest in Washington and the first "super-store" that has been built from the ground-up. Several other businesses soon followed, opening in adjacent strip malls. The area is continuing to develop with First Security Bank and Office Maxx opening in 2007. This project is a huge investment of private dollars into the community. Mitigation fees for traffic impacts outside of the development total over \$1.7 million.

State Highway 305 runs through the east side of Poulsbo providing access to the Bainbridge Island/Seattle ferry, which is 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, which is in a high congestion area, is underway and when completed will improve 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 an agricultural area for Poulsbo; however, today it is a lively business community. The “Village” began with a shopping mall containing retail stores, offices, an athletic club and medical facilities and has now grown into a commercial area on both sides of State Highway 305 and has established itself with a healthy customer base.

Boxlight, manufacturer of projectors, is a Fortune 500 company, and has a six building commercial campus park located on Lincoln Hill, east of State Highway 305. This project transformed 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 jobs for professionals who prefer not to commute to the Seattle area.

Economic development appears to be filtering into all areas of the City. The City encompasses over 2600 acres and for economical analysis and contrasting purposes is divided into four geographical areas:

- Central Downtown Poulsbo – the Historic area and waterfront
- West Side Junction Area – Viking Avenue Corridor
- East Side State Highway 305 and Lincoln Hill
- Northwest Corner College Market Place

The 2003 State Legislation prompted renewed activity in property owner generated annexations. Since 2003 the City has approved 15 annexations totaling just under 800 acres. The City has annexed approximately 65% of its Urban Growth Area. This represents a 35% expansion in the City's acreage over the last three years. The annexed areas are primarily residential with one exception, a business park and nursery on the corner of State Highway 305 and Bond Road. As Poulsbo is one of the few areas in Kitsap County with developable real estate, this pace of growth is anticipated to continue into 2008 and beyond. Over the next 18 months, our Planning Department estimates the City will expand by 1,191 residential units and over 1.1 million square feet of commercial buildings.

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

Risk Management

During 2007, 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 City of Poulsbo has committed itself to financial excellence for many years as experienced by the receipt of the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting as well as the Distinguished Budget Presentation award. Commitment to the residents of the City of Poulsbo has always been full disclosure of the financial position of the City.

The City has received the Distinguished Budget Presentation award for several years, including the 2007 Budget.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Poulsbo, Washington for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2006.

In order to be awarded a Certificate of Achievement a governmental unit must publish an easily readable and efficiently organized CAFR that conforms to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the requirements and standards of the Certificate of Achievement Program, and we are submitting the 2007 Comprehensive Annual Financial Report to the GFOA for review. The Certificate of Achievement is the highest form of recognition in the area of Governmental Financial Reporting, and its award represents significant accomplishment by a government and its management.

Acknowledgements

The preparation of this Comprehensive Annual Financial Report represents the culmination of months of collaborative teamwork by the entire staff of the Finance Department. The preparation of this report could not have been accomplished without the professional, efficient and dedicated staff of the Finance team and to each member I extend my sincere appreciation, in particular to our Accounting Manager, Jana Brown, who manages the CAFR preparation.

Further appreciation is also offered to the City's management team, the Mayor, and the City Council for their encouragement, interest and support in conducting the financial operations of the City in a sound and progressive manner. In addition, I would express thanks to the efficient assistance of our local auditor from the Washington State Auditor's Office.

Respectfully submitted,

Deborah Booher
Finance Director

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

City of Poulsbo
Washington

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2006

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



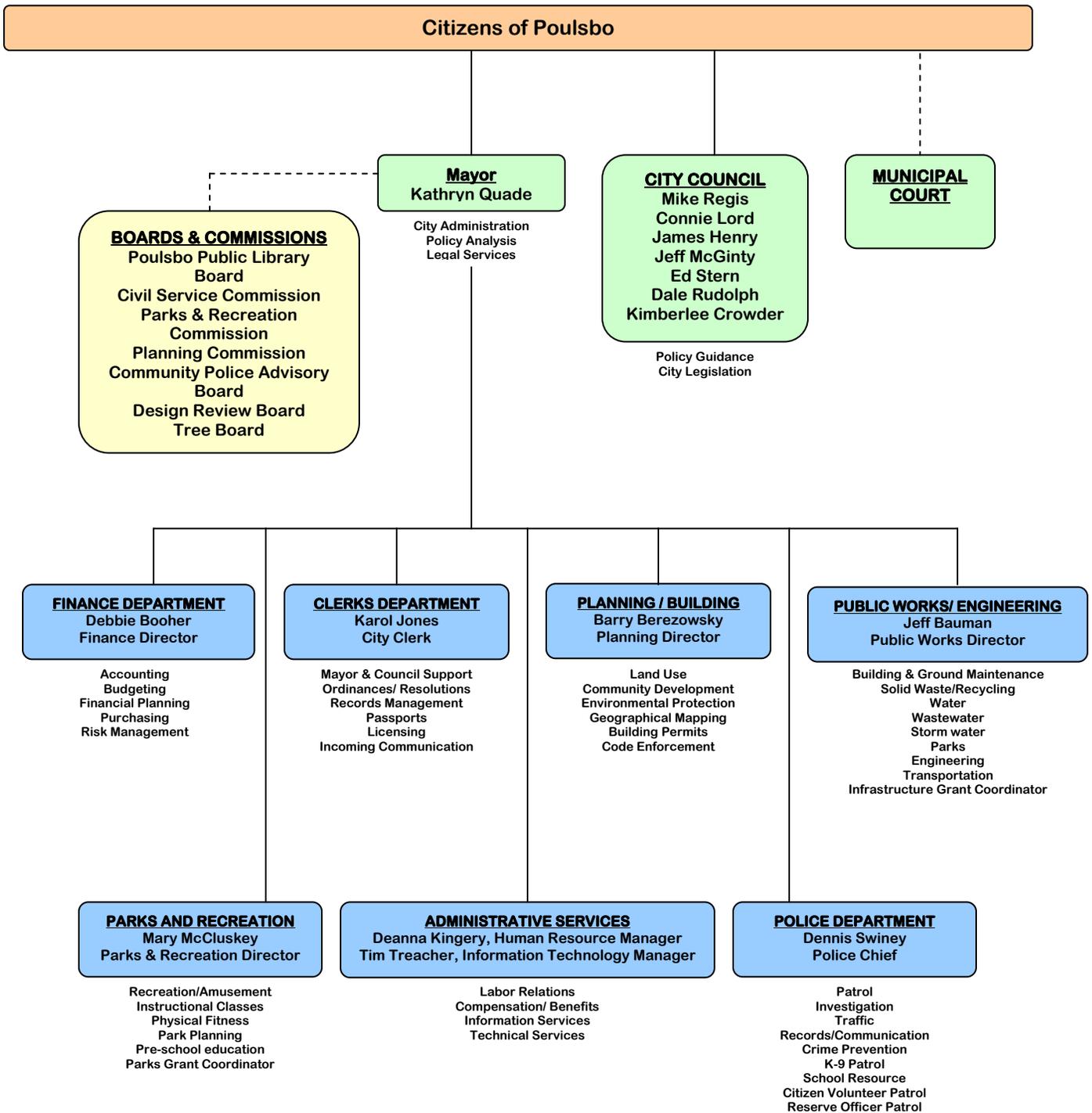
Charles S. Cox

President

Jeffrey R. Emmer

Executive Director

CITY OF POULSBO GOVERNMENT



**CITY OF POULSBO
OFFICIALS
As of December 31, 2007**

MAYOR

Kathryn Quade December 31, 2009

CITY COUNCIL

Mike Regis	December 31, 2007
Jim Henry III	December 31, 2007
Connie Lord	December 31, 2007
Jeff McGinty	December 31, 2007
Kimberlee Crowder	December 31, 2009
Dale Rudolph	December 31, 2009
Ed Stern	December 31, 2009

EXECUTIVE STAFF AND LEGAL COUNSEL

City Clerk	Karol Jones
Finance Director	Debbie Booher
Parks & Recreation Director	Mary McCluskey
Planning Director	Barry Berezowsky
Police Chief	Dennis Swiney
Public Works Director	Jeff Bauman
Municipal Judge	Jeffrey Tolman
Prosecutor	Kitsap County Prosecutor
City Attorney	James Haney, Ogden Murphy Wallace
Bond Attorney	Preston Gates and Ellis



**Washington State Auditor
Brian Sonntag**

INDEPENDENT AUDITOR'S REPORT

June 26, 2008

Council
City of Poulsbo
Poulsbo, Washington

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Poulsbo, Kitsap County, Washington, as of and for the year ended December 31, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Poulsbo, Kitsap County, Washington, as of December 31, 2007, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 13 through 24 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying information listed as Combining and Individual Fund Statements and Schedules on pages 65 through 111 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Brian Sonntag". The signature is fluid and cursive, with the first name "Brian" and last name "Sonntag" clearly distinguishable.

BRIAN SONNTAG, CGFM
STATE AUDITOR

City of Poulsbo

Management's Discussion and Analysis For the Year Ended December 31, 2007

Management's discussion and analysis (MD&A) of the City of Poulsbo's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2007. 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 2007 are as follows:

- City of Poulsbo assets exceeded its liabilities at the close of the 2007 fiscal year by \$70.8 million (net assets). Of this amount \$20.5 million (unrestricted net assets) may be used to meet the city's ongoing obligations to its citizens and creditors.
- Reported net assets increased \$7.0 million. Net assets of governmental activities increased \$1.4 million, or 4.27%, during 2007. This increase is largely due to capital projects in progress in the governmental funds. Net assets of business-type activities increased \$5.6 million, or 18.2%, during 2007.
- Investments in capital assets net of debt increased \$1.8 million, which is primarily due to an increase in the asset amount of Capital Assets, which consists of capital purchases or projects completed.
- Total liabilities decreased by \$1.1 million, which is primarily attributable to short term liabilities and principal payments towards obligations.
- Overall, the book value of capital assets increased by \$4.3 million. Total capital assets from governmental activities increased \$1,231,728 or 4.0%. Capital assets of business-type activities increased \$3,102,661 or 10.26%.
- City governmental fund tax revenue has increased an average of 10.02% per year for the last five years.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$10.9 million. Approximately 91% of this total amount, or \$9.9 million, is available for spending at the government's discretion (unreserved fund balance). 74% or \$8.1 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 \$1,880,660 or 21.4% of the total General Fund expenditures. It should also be noted 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 \$2.9 million, or 33% of the General Fund expenditures.
- A substantial Prior Period Adjustment was made in 2007 in the amount of \$2.4 million. This was due to the change in accounting practice for recording expenditures as Capital Assets. When the projects had been completed and moving the dollars from Work in Progress to Capital Outlay, the question was raised as to whether these projects were actually to increase the value of the asset or maintenance projects to an existing asset. It was determined most of the projects fell within the definition of maintenance. One large adjustment was for the City's contribution to repair of a state highway passing through the City. The project was originally recorded as a City Capital Improvement, but was determined to be the State's asset.

City of Poulsbo

Management's Discussion and Analysis For the Year Ended December 31, 2007

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 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 aggregate 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 2007?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the full accrual basis of accounting, which is similar to the accounting method used by private sector companies. This basis of accounting recognizes 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 the City's 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.



City of Poulsbo

Management's Discussion and Analysis For the Year Ended December 31, 2007

Reporting the City of Poulsbo's Most Significant Funds

Fund Financial Statements: The analysis of the City's major funds begins on page 28. Fund financial reports provide detailed information about the City's major funds. Based on restrictions on the use of monies, the City has established many funds, which account for the wide myriad of services provided to our residents. As mentioned, the fund financial statements focus on the City's most significant (major) funds and report in aggregate all non-major funds. In the case of the City of Poulsbo, the major funds reported are the General Fund, the Street Reserve Fund (transportation system improvements), 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 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, such services are generally reported in proprietary funds. Proprietary funds use the same basis of accounting as business type activities. 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, 2007

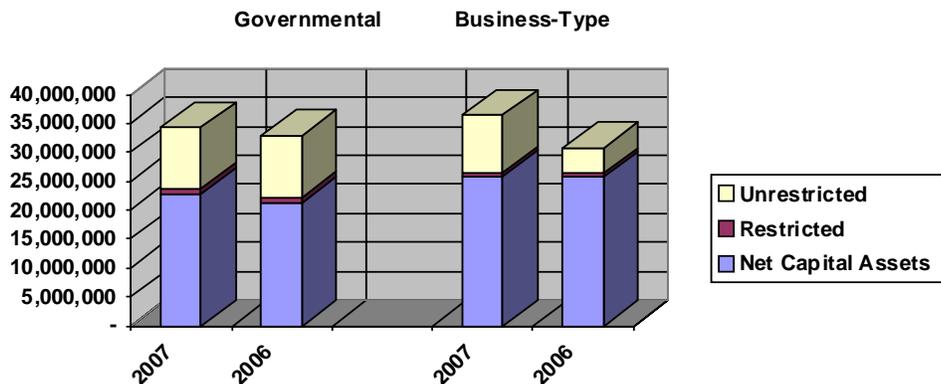
THE CITY AS A WHOLE

The Statement of Net Assets looks at the City as a whole. Table 1 provides a summary comparing the City's net assets for 2007 and 2006. As noted earlier, over time, net assets may serve as a useful indicator of a government's financial position. Governmental Activities net assets have minimal change with a \$1.4 million increase. The increase is primarily due to increased Capital Assets and the reduction of Long Term Liability as the debt payments continue to reduce the debt. The overall financial position for the City of Poulsbo has improved over the prior year. In 2007, assets exceeded liabilities by \$70.8 million, an increase of \$7.01 million or 11%. The largest portion of the City's net assets, \$48,834,917 or 69% 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.

Table 1 - 2007
Net Assets

	Governmental Activities		Business-type Activities		Total Primary Government	
	2007	2006	2007	2006	2007	2006
Assets:						
Current and Other Assets	\$14,120,840	\$14,610,870	\$10,782,379	\$8,657,121	\$24,903,219	\$23,267,991
Capital Assets Net	30,775,326	29,543,598	30,246,403	27,143,743	61,021,730	56,687,341
Total Assets	44,896,166	44,154,468	41,028,782	35,800,864	85,924,949	79,955,332
Liabilities:						
Long-term Debt	7,387,461	7,898,351	4,009,791	4,303,441	11,397,252	12,201,792
Other Liabilities	3,173,894	3,326,673	558,067	645,605	3,731,961	3,972,277
Total Liabilities	10,561,355	11,225,024	4,567,858	4,949,046	15,129,213	16,174,069
Net assets:						
Invested in Capital Assets Net of Debt	22,927,641	21,314,960	25,907,276	25,702,744	48,834,917	47,017,703
Restricted	946,843	974,441	491,489	623,042	1,438,331	1,597,483
Unrestricted (deficit)	10,460,327	10,640,044	10,062,161	4,526,032	20,522,488	15,166,076
Total Net Assets	\$34,334,811	\$32,929,444	\$36,460,925	\$30,851,818	\$70,795,736	\$63,781,263

The City's total net assets that represent resources that are subject to external restrictions on how they may be used is 2.03%. The remaining balance of unrestricted net assets (\$20.5 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, 2007

Table 2 illustrates changes in net assets for the years 2007 and 2006. As previously mentioned, the Net Assets has remained consistent with a slight increase. The expenditures reflect a significant increase in the Transportation program. This is due to large capital improvement projects in 2007. A substantial prior period adjustment offsets the Net Asset decrease due to the increased expenditures. The prior period adjustment is due to a correction in accounting methods for capital expenditures. Many of the assets previously recorded as City Assets have been determined to be improvements in accordance with methods as used by the State of Washington.

Table 2-
Changes in Net Assets

	Governmental Activities		Business-type Activities		Total Primary Government	
	2007	2006	2007	2006	2007	2006
Program Revenues						
Charges for Services	\$ 2,315,281	\$ 1,848,447	\$ 5,126,586	\$ 4,977,311	\$ 7,441,868	\$ 6,825,758
Operating Grants/Contribr	697,301	421,073	-	-	697,301	421,073
Capital Grants / Contribr	3,958,650	3,353,002	4,372,821	4,476,680	8,331,471	7,829,682
General Revenues					-	-
Property Taxes	1,787,878	1,730,490			1,787,878	1,730,490
Retail Sales & Use Tax	3,509,621	3,322,620			3,509,621	3,322,620
Misc Taxes	1,849,353	1,636,634			1,849,353	1,636,634
Other	811,416	719,779	335,491	239,850	1,146,907	959,629
Total Revenues	<u>14,929,499</u>	<u>13,032,045</u>	<u>9,834,899</u>	<u>9,693,841</u>	<u>24,764,398</u>	<u>22,725,886</u>
Program Expenses						
General government	1,729,870	1,639,401			1,729,870	1,639,401
Judicial	303,106	272,248			303,106	272,248
Security of Per & Prop	2,432,958	2,194,372			2,432,958	2,194,372
Utilities & Environment	579,460	502,929			579,460	502,929
Transportation	3,303,834	1,105,132			3,303,834	1,105,132
Economic Environment	846,131	751,947			846,131	751,947
Mental & Physical Health	13,489	12,838			13,489	12,838
Culture & Recreation	1,820,165	1,381,978			1,820,165	1,381,978
Interest Long-Term Debt	323,951	332,355			323,951	332,355
Water			1,017,582	870,959	1,017,582	870,959
Sewer			1,518,045	1,368,353	1,518,045	1,368,353
Solid Waste			1,158,976	945,221	1,158,976	945,221
Storm Drain			559,800	417,209	559,800	417,209
Total expenses	<u>11,352,964</u>	<u>8,193,199</u>	<u>4,254,402</u>	<u>3,601,742</u>	<u>15,607,366</u>	<u>11,794,941</u>
Excess (deficiency)	3,576,536	4,838,847	5,580,497	6,092,099	9,157,032	10,930,945
Transfers	258,251	246,000	-	(246,000)	258,251	0
Changes in net assets	3,834,787	5,084,847	5,580,497	5,846,098	9,415,284	10,930,945
Beginning Net Assets	32,902,689	27,760,589	30,878,573	25,005,720	63,781,263	52,766,309
Prior Year Adjustments	(2,402,665)	84,008	1,855	-	(2,400,811)	84,008
Ending Net Assets	<u>\$ 34,334,811</u>	<u>\$ 32,929,444</u>	<u>\$36,460,925</u>	<u>\$30,851,818</u>	<u>\$70,795,736</u>	<u>\$63,781,263</u>

City of Poulsbo
Management's Discussion and Analysis
For the Year Ended December 31, 2007

GOVERNMENTAL ACTIVITIES

Revenues

Taxes account for the largest revenue category in the governmental funds, generating 75% of the total revenue in the General Fund. Because of this ratio, the category receives the majority of attention. Included in this category are sales, property, utility, criminal justice, and gambling taxes. Governmental fund taxes total \$7,381,362.

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 2007 was \$1,195,103,182. For 2007, the City's regular property levy tax rate was 1.428017 per \$1,000 of assessed value. The tax levy rate for the voted general obligation levy for construction of the fire station was 0.132818 per \$1,000 of assessed value.

Prior to 2005 the City was not able to access the full 1% over the highest allowable levy due to the Fire Department annexation creating a banked reserve. In 2005 the City Council levied the 1% plus the reserve, with the stipulation that the calculated amount would be transferred to street reserves to fund capital street maintenance projects. The City continues to follow their policy of transferring the calculated reserve amount to street reserves and then 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:

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

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

In 2007, sales tax received in the City's General Fund totaled \$3,244,923. 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 (58%) comes from the retail trade category. The next largest sales tax category is construction, accounting for 15% of the tax. Prior to 2007, a large portion of retail sales tax receipts were derived from automobile sales, but due to retail development and annexations this percentage is decreased. Large retail stores have been opening throughout 2006 and 2007 accounting for a significant share of the increased revenue. The three categories which account for the largest share of retail dollars is Automobile Sales (28%), General Merchandise (24%), and Building Materials and Garden Supplies (18%). Both automobile sales and new construction are particularly sensitive to changes in economic conditions - slight changes in economy, or even expectations, can produce significant changes in receipts. With the larger spread of sales tax dollars receipts, the city is fortunate to be less dependent on automobile sales and construction trends.

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 2007, \$297,861 was collected from City-owned utilities while \$971,002 was collected from other utilities.

City of Poulsbo
Management's Discussion and Analysis
For the Year Ended December 31, 2007

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.

Expenses

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

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

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

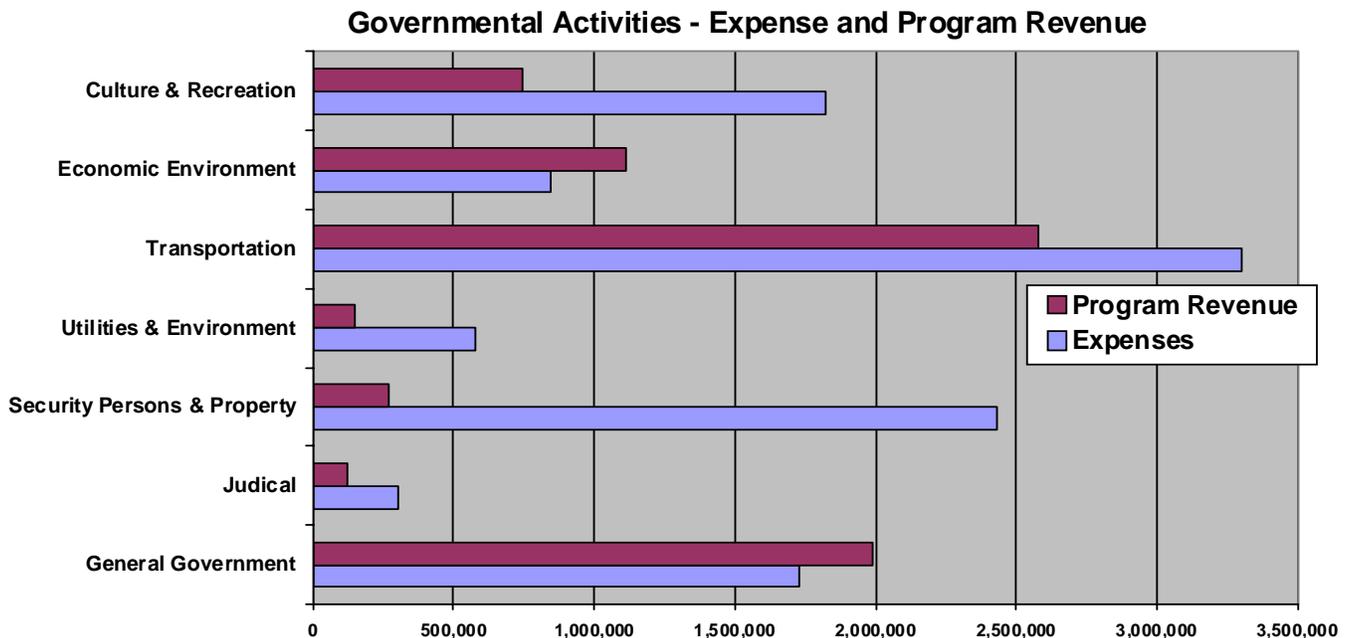
Transportation services provide maintenance of the City's streets, sidewalks, paths and traffic control signs/signals.

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

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

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

The chart below illustrates the surplus or net subsidy required for different, key City governmental-type programs.

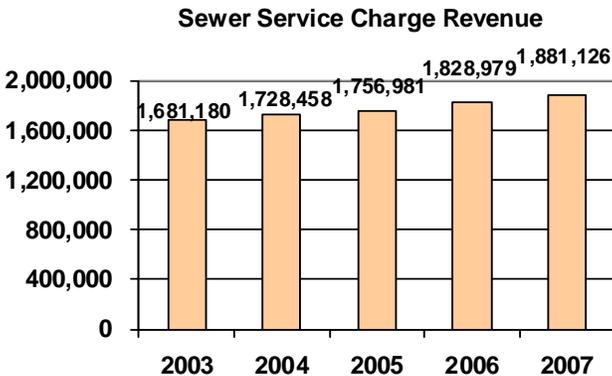
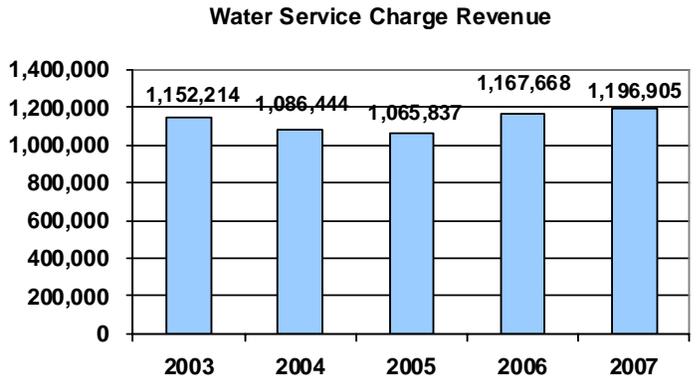


City of Poulsbo
Management's Discussion and Analysis
For the Year Ended December 31, 2007

BUSINESS-TYPE ACTIVITY

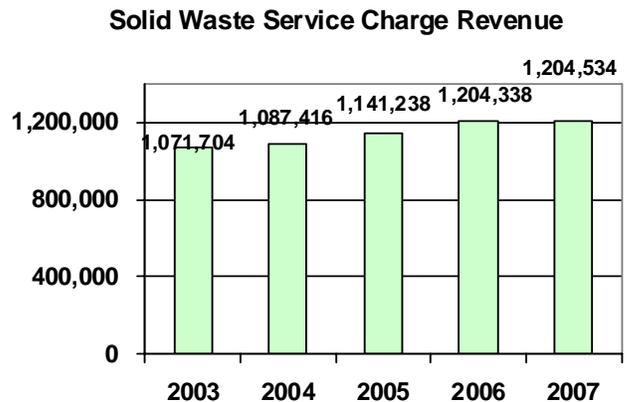
Enterprise Funds: The City of Poulsbo owns and fully operates four utilities: water, sewer, storm drain, and solid waste/recycle. These utilities are accounted for in four enterprise funds as part of the City's fund structure and operations: 1) water utility fund; 2) sewer utility fund; 3) solid waste utility fund; and 4) storm drain utility fund.

Water Utility: The City's water utility is solely supported by its customers, and revenue is generally derived from three sources: 1) monthly service charges, 2) system connection fees, and 3) miscellaneous revenues to include investment interest and charges associated with force account activities. The majority of revenue comes from monthly service charges. 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 2007, water service charges for the City were \$1,196,905.



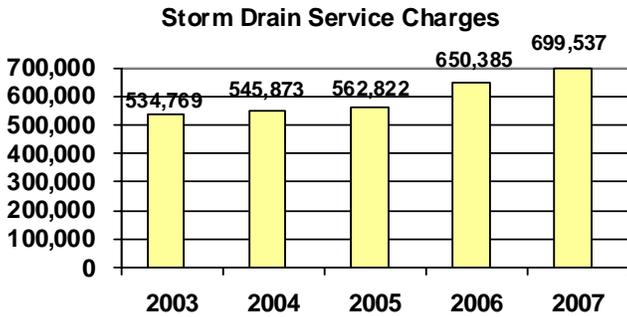
Sewer Utility: The City's sewer utility is also solely supported by its users and revenue is generally derived from three sources: 1) monthly service charges, 2) system connection fees, and 3) miscellaneous revenues, which include investment interest and charges associated with force account activities. The majority of revenue 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, which does not produce any additional wastewater. In 2007, sewer service charges for the City were \$1,881,126.

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. In 2007, solid waste charges for the City were \$1,204,534.

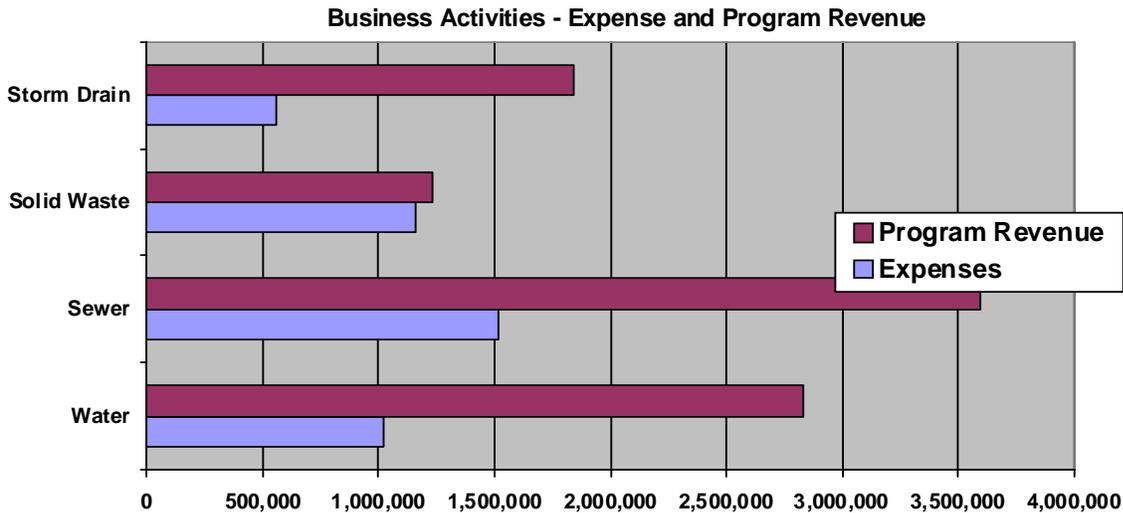


City of Poulsbo
Management's Discussion and Analysis
For the Year Ended December 31, 2007

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 to 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 2007 accounting period for services were \$699,537.



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



The City seeks to supplement business activities, as well as governmental activities, through the prudent application of third party funding sources in the form of grants wherever possible. During 2006 business activity program revenues were supplemented through capital grants and contributions as follows: Water fund \$1,552,904; Sewer fund \$1,689,944; and the Storm Drain Fund \$1,129,973.

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

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

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

City of Poulsbo
Management's Discussion and Analysis
For the Year Ended December 31, 2007

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

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

The City's Funds

Information about the City's major governmental funds begins on page 28. The City, in accordance with GASB 34 performed the major fund calculation and determined that the Street Reserve Fund, the Facilities Fund, and the General Fund, met the requirements to qualify as major funds. These funds are accounted for using the modified accrual basis of accounting. As reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances, governmental funds have total revenues of \$14.2 million and expenditures of \$13.9 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 3.13%, or \$240,603 of the original adopted budget. The majority of this variance was mainly due to recognizing increases in sales tax, 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 9.32%, or \$588,448. The majority of the variance is due to increased labor costs for new positions in the Police Department and Finance Department, professional services in the Planning Department to assist in the major update of the Comprehensive Plan, the Information Services Department for a new website design, and the Police Department for a process study, and increases for various operating costs in the Police Department 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. The complete budget provides details of the City's plans for using its resources during the year hence and may be obtained by contacting our Finance Director at 360-697-2487 or 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 and the combined accounts in our Governmental Activities earned \$818,379 in 2007.

DEBT ADMINISTRATION

The City participates in various forms of debt, which is summarized as follows: \$6.925 million of a General Obligation (GO) bond type. There are two types of GO debt; those that are retired by tax levies (Voted GO/Levy) and those that, while secured by the tax base, are actually being retired by revenue from the various sources and funds. The City also has three Public Works Trust Fund loans (PWTF). Two are recorded in Governmental Activities with combined principal balances of \$986,698 and one that is recorded in Business-Type Activities with a principal balance of \$366,782.

City of Poulsbo
Management's Discussion and Analysis
For the Year Ended December 31, 2007

Revenue bonds are retired by means of revenue in the proprietary funds. There is no general tax liability for these obligations. Revenue bond debt in utilities is controlled by bond covenants and the outstanding principal amount is \$4,060,000.

The City's debt obligations are well within the statutory limits for debt capacity. There are three types of statutory limits on general obligation debt capacity:

1. The first limit is on the amount of general obligation debt that can be incurred without a vote of the people. For this type of debt, a city is limited to 1.5% of its assessed value (\$1,199,593,462), or \$17,993,902;
2. The second statutory limit is the amount of general obligation debt a city may incur for general governmental purposes with a vote of the people. This limit is 2.5% of the assessed value (\$1,199,593,462). For 2007 the City's limit is \$29,989,837, less any amount issued as non-voted debt. The City's principal amount of voted debt at December 31, 2006 is \$160,000; and
3. The third limit also is calculated as a percentage of assessed value. This statutory limit allows a City to incur general obligation debt of up to an additional 2.5% of its assessed value for bond issues approved by the voters for the purpose of utility improvements and an additional 2.5% for parks or open space development.

Additional information on the City's debt is provided in Note 9, "Long-Term Debt and Capital Lease" and may be found on page 59 of these statements.

CAPITAL EQUIPMENT AND UPGRADING CAPITAL FACILITIES

The City continues to provide for replacement of capital items of \$5,000 or more such as motor vehicles and public works equipment, as well as other miscellaneous equipment through the utilization of the capital replacement fund. These replacements are funded with 5% of the sales taxes collected in the General Fund and transferred to the Capital Replacement Fund. Additionally 2% of 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 attentive to 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, beginning on page 50.

Capital Assets at Year-End
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Totals	
	2007	2006	2007	2006	2007	2006
Land	\$ 5,994,703	\$ 5,994,703	\$ 288,593	\$ 288,593	\$ 6,283,296	\$ 6,283,296
Buildings	1,726,333	1,803,642	91,338	96,767	1,817,670	1,900,409
Other Improvements	3,211,956	205,160	27,597,338	23,722,134	30,809,294	23,927,294
Infrastructure	12,066,527	9,323,570	-	-	12,066,527	9,323,570
Machinery & Equipment	484,831	389,132	527,857	505,521	1,012,688	894,653
Work in Progress	7,290,977	11,827,392	1,741,278	2,530,728	9,032,255	14,358,120
Totals	\$30,775,327	\$29,543,598	\$30,246,403	\$27,143,743	\$61,021,730	\$ 56,687,341

City of Poulsbo
Management's Discussion and Analysis
For the Year Ended December 31, 2007

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. Primarily the City 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 associated charge.

Sales taxes represent a major revenue source for governmental funds and provide an economic measurement of the local economy. Despite a slowdown in the general economy in other areas of the country, the City of Poulsbo has experienced modest increases in sales tax revenue for the five years preceding 2007, averaging approximately 5% annually, with the exception of 2006. During 2006 sales taxes soared by 29% fueled primarily by two big-box anchor stores, Wal-Mart and Home Depot. 2007 also saw an increase slightly in excess of the average 5% as retail businesses in the College Market Place Development continue to open. Additionally, several large construction projects have contributed to the increase in sales tax revenue. These are anticipated to continue through 2007. Building activity continues in the College Market Place area, which consists of 200 acres of previously undeveloped property located in the City's most northwest corner. The project's master plan calls for 840,000 square feet of commercial footage, 325,000 square feet of business footage, 420 multi-family units, and 433 single family units.

The level of taxes, fees and charges for services (including development related mitigation fees) will have a bearing on the City's competitive ability to encourage retail, office, residential, and industrial development to locate in their jurisdiction. The City places significant emphasis on encouraging economic development to attract family wage paying jobs and as an incentive does not assess a business and occupation tax.

The City's population has grown by almost 500 people in the last three years. What is coming faster than people, however, is land. In the past four years the City has approved annexations just under 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. Annexations tend to create a spike in workloads across all City departments, in particular the Planning and Public Works Departments.

A major project the City initiated in 2005 and continued through 2007 was the replacement of its financial software. This obligation was a recommendation of a process study that corroborated management's opinion the City had outgrown the capabilities of the then current software program, which was originally purchased in 1991. A project management team accompanied by key City staff participated in the software 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) occurred on January 1, 2006. There are several modules, including work orders, code enforcement and all web applications, which still need to be implemented.

A major revision to the City's Comprehensive Plan began in 2007 and will continue through 2008. Several public meetings were held at different venues to encourage public participation occurred in 2007. The Comprehensive Plan is working congruently with the development of functional plans for each of the City's utilities.

Request for Financial Information

This financial report is designed to provide our citizens, taxpayers, creditors and investors with a general overview of the City's finances and to show the City's accountability for the monies it receives. Any questions about this report or requests for additional financial information should be addressed to the Finance Department, City of Poulsbo, P.O. Box 98, Poulsbo, Washington, 98370. Personal inquiries may be directed to Jana Brown, Accounting Manager at (360) 697-8233, jbrown@cityofpoulsbo.com or Deborah Booher, Finance Director at (360) 697-2487, dbooher@cityofpoulsbo.com.

City of Poulsbo
Statement of Net Assets
December 31, 2007

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets			
Cash and Cash Equivalents	\$ 656,403	\$ 458,182	\$ 1,114,585
Investments	10,438,018	9,322,318	19,760,336
Receivables:			
Taxes	968,508	-	968,508
Accounts	68,293	451,279	519,572
Special Assessments	17,114	-	17,114
Due from Other Governments	956,271	-	956,271
Materials and Supplies Inventory	13,865	33,494	47,358
Deferred Charges	53,227	25,617	78,844
Restricted Assets:			
Cash and Cash Equivalents	12,599	8,880	21,480
Investments	936,543	482,608	1,419,151
Land and Construction Work in Progress	13,285,680	2,029,871	15,315,551
Depreciable Capital Assets, Net	17,489,647	28,216,532	45,706,179
<i>Total Assets</i>	<u>44,896,166</u>	<u>41,028,782</u>	<u>85,924,949</u>
Liabilities			
Accounts Payable	1,419,400	81,911	1,501,311
Interest Payable	42,318	81,511	123,829
Due to Other Governmental Units	1,035,764	366,782	1,402,546
Custodial Accounts	663,021	25,301	688,322
Deferred Revenue	13,391	2,562	15,953
Long-Term Liabilities:			
Due within one year	557,587	335,979	893,566
Due in more than one year	6,829,874	3,673,811	10,503,686
<i>Total Liabilities</i>	<u>10,561,355</u>	<u>4,567,858</u>	<u>15,129,213</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	22,927,641	25,907,276	48,834,917
Restricted for:			
City Beautification-Expendable	26,526	-	26,526
City Beautification-Nonexpendable	91,016	-	91,016
Debt Service	829,301	491,489	1,320,789
Unrestricted	10,460,327	10,062,161	20,522,488
<i>Total Net Assets</i>	<u>\$ 34,334,811</u>	<u>\$ 36,460,925</u>	<u>\$ 70,795,736</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, 2007

	Program Revenues			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
General government	\$ 1,729,870	\$ 259,258	\$ 368,623	\$ 1,364,132
Judicial	303,106	123,489	-	-
Security of Persons & Property	2,432,958	180,967	90,866	-
Utilities & Environment	579,460	147,659	-	-
Transportation	3,303,834	6,625	184,002	2,389,142
Economic Environment	846,131	1,111,693	-	-
Mental & Physical Health	13,489	-	-	-
Culture & Recreation	1,820,165	485,590	53,810	205,376
Interest on Long-Term Debt	323,951	-	-	-
<i>Total Governmental Activities</i>	<u>11,352,964</u>	<u>2,315,281</u>	<u>697,301</u>	<u>3,958,650</u>
Business-Type Activities:				
Water	1,017,582	1,278,995	-	1,552,904
Sewer	1,518,045	1,903,284	-	1,689,944
Solid Waste	1,158,976	1,236,305	-	-
Storm Drain	559,800	708,002	-	1,129,973
<i>Total Business-Type Activities</i>	<u>4,254,402</u>	<u>5,126,586</u>	<u>-</u>	<u>4,372,821</u>
<i>Total Primary Government</i>	<u>\$ 15,607,366</u>	<u>\$ 7,441,868</u>	<u>\$ 697,301</u>	<u>\$ 8,331,471</u>

General Revenues:

- Property Taxes
- Retail Sales & Use Taxes
- Business and Occupation 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

Net (Expenses) Revenue and Changes in Net Assets

Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ 262,142	\$ -	\$ 262,142
(179,617)	-	(179,617)
(2,161,124)	-	(2,161,124)
(431,800)	-	(431,800)
(724,066)	-	(724,066)
265,562	-	265,562
(13,489)	-	(13,489)
(1,075,389)	-	(1,075,389)
(323,951)	-	(323,951)
<u>(4,381,732)</u>	<u>-</u>	<u>(4,381,732)</u>
-	1,814,317	1,814,317
-	2,075,183	2,075,183
-	77,329	77,329
-	1,278,175	1,278,175
<u>-</u>	<u>5,245,005</u>	<u>5,245,005</u>
<u>\$ (4,381,732)</u>	<u>\$ 5,245,005</u>	<u>\$ 863,273</u>
1,787,878	-	1,787,878
3,509,621	-	3,509,621
1,110,212	-	1,110,212
739,141	-	739,141
-	-	-
818,379	334,691	1,153,070
(6,963)	800	(6,163)
258,251	-	258,251
<u>8,216,519</u>	<u>335,491</u>	<u>8,552,010</u>
3,834,787	5,580,497	9,415,284
32,902,689	30,878,573	63,781,263
(2,402,665)	1,855	(2,400,811)
<u>\$ 34,334,811</u>	<u>\$ 36,460,925</u>	<u>\$ 70,795,736</u>

City of Poulsbo
Balance Sheet
Governmental Funds
December 31, 2007

	General Fund	Street Reserve Fund	Facilities Fund	Non-Major Governmental Funds
Assets				
Cash and Cash Equivalents	\$ 67,390	\$ 412,860	\$ 9	\$ 174,321
Investments	2,659,496	574,805	2,944,032	4,130,691
Receivables:				
Taxes	13,944	-	-	79,189
Accounts	1,786	114	-	42,419
Special Assessments	-	-	-	17,114
Due from other govern units	19,275	936,154	-	842
Inventories	13,865	-	-	-
Cash and Investments-Restricted	-	-	-	949,142
<i>Total Assets</i>	<u>\$ 2,775,757</u>	<u>\$ 1,923,933</u>	<u>\$ 2,944,041</u>	<u>\$ 5,393,719</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	184,636	1,023,779	46,209	164,776
Due to Other Governments	49,066	-	-	-
Custodial Accounts	661,394	-	-	1,627
Deferred Revenue	-	-	-	13,391
<i>Total Liabilities</i>	<u>895,097</u>	<u>1,023,779</u>	<u>46,209</u>	<u>179,794</u>
Fund Balances:				
Reserved, reported in:				
Debt Service	-	-	-	830,070
Permanent fund	-	-	-	117,542
Unreserved, reported in:				
General fund	1,880,660	-	-	-
Special revenue funds	-	-	-	3,237,757
Capital project funds	-	900,154	2,897,832	1,028,556
<i>Total Fund Balances</i>	<u>1,880,660</u>	<u>900,154</u>	<u>2,897,832</u>	<u>5,213,925</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 2,775,757</u>	<u>\$ 1,923,933</u>	<u>\$ 2,944,041</u>	<u>\$ 5,393,719</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, 2007

<p style="text-align: center;">Total Governmental Funds</p> <hr/> <p>\$ 654,581 10,309,024</p> <p style="padding-left: 20px;">93,134 44,319 17,114 956,271 13,865 949,142</p> <hr/> <p>\$ 13,037,450</p> <hr/> <p>1,419,400 49,066 663,021 13,391</p> <hr/> <p>2,144,878</p> <hr/> <p>830,070 117,542</p> <p>1,880,660 3,237,757 4,826,542</p> <hr/> <p>10,892,572</p> <hr/> <p>\$ 13,037,450</p> <hr/>	<p>Total Governmental Fund Balances:</p> <p><i>Amounts reported for governmental activities in the statement of net assets are different because:</i></p> <p style="text-align: right;">\$ 10,892,572</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;">3,746,806</td> <td></td> </tr> <tr> <td>Improvements</td> <td></td> <td style="text-align: right;">20,216,376</td> <td></td> </tr> <tr> <td>Machinery and Equipment</td> <td></td> <td style="text-align: right;">1,723,514</td> <td></td> </tr> <tr> <td>Construction in Progress</td> <td></td> <td style="text-align: right;">7,290,977</td> <td></td> </tr> <tr> <td>Less: Accumulated Depreciation</td> <td></td> <td style="text-align: right;"><u>(8,197,049)</u></td> <td style="text-align: right;">30,775,326</td> </tr> </table> <p>Other Assets that are not available to pay for current-period expenditures and therefore are not reported in governmental funds. 951,099</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%;"></td> <td style="width: 20%; text-align: right;">(42,318)</td> <td style="width: 10%;"></td> </tr> <tr> <td>Long-term Liabilities</td> <td></td> <td style="text-align: right;"><u>(8,374,159)</u></td> <td style="text-align: right;">(8,416,477)</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%;"></td> <td style="width: 20%; text-align: right;">132,290</td> <td style="width: 10%;"></td> </tr> <tr> <td>Less: total Depreciable Capital Assets, net (listed above)</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Less: Total Liabilities</td> <td></td> <td style="text-align: right;"><u>-</u></td> <td style="text-align: right;">132,290</td> </tr> </table> <p style="text-align: right;"><u>\$ 34,334,811</u></p> <p>Net assets of governmental activities</p>	Land	\$	5,994,703		Buildings and structures		3,746,806		Improvements		20,216,376		Machinery and Equipment		1,723,514		Construction in Progress		7,290,977		Less: Accumulated Depreciation		<u>(8,197,049)</u>	30,775,326	Interest Payable		(42,318)		Long-term Liabilities		<u>(8,374,159)</u>	(8,416,477)	Total Assets		132,290		Less: total Depreciable Capital Assets, net (listed above)				Less: Total Liabilities		<u>-</u>	132,290
Land	\$	5,994,703																																											
Buildings and structures		3,746,806																																											
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Less: Total Liabilities		<u>-</u>	132,290																																										

City of Poulsbo
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended December 31, 2007

	<u>General Fund</u>	<u>Street Reserve Fund</u>	<u>Facilities Fund</u>	<u>Non-Major Governmental Funds</u>
Revenues				
Taxes	\$ 6,275,883	\$ -	\$ -	\$ 1,105,479
Licenses and Permits	853,553	-	-	6,625
Intergovernmental	127,303	2,305,038	-	582,019
Charges for Services	1,202,400	-	-	602,701
Fines and Forfeitures	106,522	-	-	182
Interest and Other Earnings	434,858	50,268	109,951	216,578
Miscellaneous	64,183	267	-	149,232
<i>Total Revenues</i>	<u>9,064,700</u>	<u>2,355,573</u>	<u>109,951</u>	<u>2,662,817</u>
Expenditures				
Current:				
General Government	2,356,431	-	-	45,460
Security of Persons & Property	2,347,849	-	-	29,969
Utilities and Environment	539,188	-	-	26,968
Transportation	-	2,065,966	-	690,237
Economic Environment	828,233	-	-	11,036
Mental and Physical Health	13,489	-	-	-
Culture and Recreation	411,001	-	-	1,142,745
Debt Service:				
Principal	-	-	-	574,323
Interest & Fiscal Charges	-	-	-	323,951
Capital Outlay	-	1,440,260	536,174	596,064
<i>Total Expenditures</i>	<u>6,496,191</u>	<u>3,506,227</u>	<u>536,174</u>	<u>3,440,754</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>2,568,509</u>	<u>(1,150,654)</u>	<u>(426,223)</u>	<u>(777,937)</u>
Other Financing Sources (Uses)				
Transfers In	380,996	1,105,620	468,065	2,718,303
Transfers Out	(2,300,108)	(36,000)	-	(2,269,527)
<i>Total Other Financing Sources and Uses</i>	<u>(1,919,112)</u>	<u>1,069,620</u>	<u>468,065</u>	<u>448,776</u>
<i>Net Change in Fund Balances</i>	649,397	(81,034)	41,842	(329,160)
<i>Fund Balances Beginning of Year</i>	<u>1,250,070</u>	<u>1,605,506</u>	<u>2,855,989</u>	<u>5,579,298</u>
<i>Prior Year Adjustment</i>	(18,808)	(624,318)	-	(36,212)
<i>Fund Balances End of Year</i>	<u>\$ 1,880,660</u>	<u>\$ 900,154</u>	<u>\$ 2,897,832</u>	<u>\$ 5,213,925</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, 2007

<u>Total</u>		
	Net change in Fund balance--total governmental funds	\$ 281,046
\$ 7,381,362 860,178 3,014,360 1,805,101 106,704 811,654 <hr style="width: 100%;"/> 213,682 <hr style="width: 100%;"/> 14,193,041	<i>Amounts reported for Governmental activities in the statement of activities are different because:</i> Government funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expenditure. This is the amount of capital outlays 2,572,498 This is the amount of depreciation (974,612) This is the amount of Gain (Loss) on Capital Assets (6,963)	
	Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the government funds.	65,520
2,401,891 2,377,818 566,156 2,756,203 839,269 13,489 1,553,747	Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which repayments exceeded proceeds. 574,323	
574,323 323,951 <hr style="width: 100%;"/> 2,572,498 <hr style="width: 100%;"/> 13,979,345	Developers construct and then contributed capital infrastructure assets to the City. These assets are reported on the statement of activities but not reported in the fund statements. 1,364,132 Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. 15,885	
<hr style="width: 100%;"/> 213,696	Internal service funds are used by management to charge the costs of certain activities, such as maintenance, public works administration and insurance to the individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities. (57,043)	
4,672,985 (4,605,635) <hr style="width: 100%;"/> 67,350	<i>Change in net assets of governmental activities</i>	<hr style="width: 100%;"/> \$ <u>3,834,787</u>
281,046 <hr style="width: 100%;"/> 11,290,864 (679,338) <hr style="width: 100%;"/> \$ <u>10,892,572</u>		

City of Poulsbo
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual
For the Year Ended December 31, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 5,931,940	\$ 6,106,940	\$ 6,275,883	\$ 168,943
Licenses and Permits	374,230	374,230	853,553	479,323
Intergovernmental	120,356	120,356	127,303	6,947
Charges for Services	828,934	940,853	1,202,400	261,547
Fines and Forfeitures	70,800	70,800	106,522	35,722
Interest and Other Earnings	264,100	322,755	434,858	112,103
Miscellaneous	104,971	-	64,183	64,183
<i>Total Revenues</i>	<u>7,695,331</u>	<u>7,935,934</u>	<u>9,064,700</u>	<u>1,128,766</u>
Expenditures				
Current:				
General Government	2,260,561	2,544,394	2,356,431	187,963
Security of Persons & Property	2,201,839	2,394,548	2,347,849	46,699
Utilities and Environment	610,586	570,678	539,188	31,490
Economic Environment	769,214	912,444	828,233	84,211
Mental and Physical Health	13,742	13,742	13,489	253
Culture and Recreation	456,759	465,343	411,001	54,342
<i>Total Expenditures</i>	<u>6,312,701</u>	<u>6,901,149</u>	<u>6,496,191</u>	<u>404,958</u>
<i>Excess of Revenues Over Expenditures</i>	<u>1,382,630</u>	<u>1,034,785</u>	<u>2,568,509</u>	<u>1,533,724</u>
Other Financing Sources (Uses)				
Transfers in	259,838	380,996	380,996	-
Transfers out	(1,951,216)	(2,342,884)	(2,300,108)	(42,776)
Intergovernmental Payments	(26,253)	(39,612)	-	39,612
<i>Total Other Financing Sources (Uses)</i>	<u>(1,717,631)</u>	<u>(2,001,500)</u>	<u>(1,919,112)</u>	<u>82,388</u>
<i>Net Change in Fund Balance</i>	(335,001)	(966,715)	649,397	1,616,112
<i>Fund Balance Beginning of Year</i>	350,000	1,236,295	1,250,070	13,775
<i>Prior Year Adjustment</i>			(18,808)	(18,808)
<i>Fund Balance End of Year</i>	<u>\$ 14,999</u>	<u>\$ 269,580</u>	<u>\$ 1,880,660</u>	<u>\$ 1,611,080</u>

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

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City of Poulsbo
Statement of Net Assets
Proprietary Funds
December 31, 2007

	Business-type Activities Enterprise Funds				Total	Internal Service Funds
	Water	Sewer	Solid Waste	Storm Drain		
Assets						
Current Assets:						
Cash and Cash Equivalents	\$ 67,109	\$ 202,570	\$ 32,658	\$ 69,959	\$ 372,295	\$ 87,708
Investments	2,363,882	3,949,323	1,317,704	1,604,480	9,235,389	215,923
Accounts Receivable	100,037	171,972	121,089	57,978	451,076	1,678
Due from other Governments	-	-	-	-	-	-
Inventories	25,413	6,854	-	-	32,267	1,227
Total Current Assets	2,556,441	4,330,718	1,471,451	1,732,416	10,091,026	306,537
Noncurrent Assets:						
Restricted cash, cash equivalents, and investments:						
Custodial trust funds	8,880	-	-	-	8,880	-
Revenue bond covenant investment	99,182	383,426	-	-	482,608	-
Total restricted assets	108,063	383,426	-	-	491,489	-
Deferred Charges	5,636	19,982	-	-	25,617	-
Capital Assets:						
Land	136,261	107,397	162	44,773	288,593	-
Buildings and Structures	65,281	253,933	-	-	319,214	-
Other Improvements	11,470,300	15,663,125	-	6,803,262	33,936,686	32,424
Machinery and Equipment	399,948	623,134	588,390	285,070	1,896,543	65,218
Construction in Progress	608,678	938,202	-	151,974	1,698,854	42,424
Less: Accumulated Depreciation	(2,689,201)	(3,981,730)	(561,349)	(728,345)	(7,960,626)	(72,926)
Total capital assets (net of accumulated depreciation)	9,991,267	13,604,061	27,203	6,556,733	30,179,265	67,139
Total Noncurrent Assets	10,104,966	14,007,468	27,203	6,556,733	30,696,371	67,139
Total Assets	12,661,407	18,338,186	1,498,654	8,289,150	40,787,397	373,676
Liabilities						
Current Liabilities						
Accounts payable	7,167	57,123	12,269	749	77,308	4,603
Custodial	2,581	22,720	-	-	25,301	-
Total Current Liabilities	9,748	79,843	12,269	749	102,609	4,603
Noncurrent Liabilities:						
Revenue bonds payable (net of unamortized discounts)	855,948	3,034,725	-	-	3,890,673	-
Accrued interest payable	17,701	63,810	-	-	81,511	-
Deferred Revenue	2,562	-	-	-	2,562	-
Compensated absences	15,634	18,300	31,902	10,334	76,170	42,948
Due to Other Governmental Units	65,287	301,495	-	-	366,782	-
Total Noncurrent Liabilities	957,132	3,418,330	31,902	10,334	4,417,697	42,948
Total Liabilities	966,879	3,498,172	44,171	11,084	4,520,306	47,551
Net Assets						
Invested in capital assets, net of related debt	9,052,331	10,204,031	27,203	6,556,733	25,840,299	67,139
Restricted for debt service	108,063	383,426	-	-	491,489	-
Unrestricted	2,534,134	4,252,557	1,427,280	1,721,333	9,935,303	258,985
Total net assets	\$ 11,694,528	\$ 14,840,013	\$ 1,454,483	\$ 8,278,066	\$ 36,267,091	\$ 326,124

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

Total business-type Internal Service Fund assets	241,385
Less total business-type Internal Service Fund liabilities	(47,551)
	<u>193,834</u>

Net assets of business-type activities \$ 36,460,925

City of Poulsbo
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2007

	Business-type Activities Enterprise Funds				Total	Internal Service Funds
	Water	Sewer	Solid Waste	Storm Drain		
Operating Revenues:						
Charges for Services	\$ 1,196,605	\$ 1,881,126	\$ 1,204,354	\$ 699,537	\$ 4,981,622	\$ 1,058,216
Other Operating Revenues	82,390	22,158	31,952	8,465	144,964	11,803
Total Operating Revenues	1,278,995	1,903,284	1,236,305	708,002	5,126,586	1,070,019
Operating Expenses:						
Administrative and General	339,652	346,294	226,941	233,443	1,146,330	912,260
Depreciation	241,388	260,565	25,282	199,475	726,709	3,602
Maintenance	50,410	13,255	65,448	15,127	144,240	-
Contracted Processing and Operations	-	500,682	398,959	-	899,641	-
Customer Service	-	-	-	-	-	-
Operating	354,030	249,624	457,257	120,451	1,181,363	108,641
Total Operating Expenses	985,480	1,370,420	1,173,887	568,496	4,098,283	1,024,503
Operating Income (Loss)	293,515	532,864	62,418	139,506	1,028,304	45,517
Nonoperating Revenues (Expenses):						
Interest and Other Earnings	69,111	159,254	47,327	52,521	328,213	13,203
Interest Expense	(41,895)	(156,159)	-	-	(198,054)	-
Gain (loss) on Disposition of Capital Assets	25	775	-	-	800	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	(67,350)
Total Nonoperating Revenue (Expenses)	27,241	3,871	47,327	52,521	130,960	(54,147)
Income (loss) Before Contributions	320,756	536,735	109,746	192,027	1,159,263	(8,631)
Capital Contributions	1,552,904	1,689,944	-	1,129,973	4,372,821	-
Change in Net Assets	1,873,659	2,226,679	109,746	1,322,000	5,532,085	(8,631)
Total Net Assets Beginning of Year	9,820,868	12,613,334	1,344,737	6,956,066	332,900	1,855
Prior Year Adjustments						1,855
Total Net Assets End of Year	\$ 11,694,528	\$ 14,840,013	\$ 1,454,483	\$ 8,278,066	\$ 326,124	\$ 326,124

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.

48,412

Change in Net Assets of Business-type Activities

\$ 5,580,497

City of Poulsbo
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2007

	Business-type Activities Enterprise Funds					Internal Service Funds
	Water	Sewer	Solid Waste	Storm Drain	Total	
Cash Flows from Operating Activities						
Receipts from customers and users	\$ 1,330,862	\$ 1,917,389	\$ 1,233,558	\$ 702,472	\$ 5,184,280	\$ 1,069,092
Payments for interfund services provided	(167,399)	-	(113,389)	(156,100)	(436,888)	-
Payments to suppliers	(333,925)	(890,373)	(749,544)	(97,146)	(2,070,988)	(521,088)
Payments to employees	(251,408)	(214,918)	(312,653)	(117,272)	(896,252)	(499,486)
<i>Net cash provided (used) by operating activities</i>	<u>578,130</u>	<u>812,097</u>	<u>57,972</u>	<u>331,953</u>	<u>1,780,152</u>	<u>48,518</u>
Cash Flows From Noncapital Financing Activities						
Transfers in (out) to other funds	-	-	-	-	-	(67,350)
<i>Net cash provided (used) by noncapital and related financing activities</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(67,350)</u>
Cash Flows from Capital and Related Financing Activities						
Proceeds from Capital Debt	-	-	-	-	-	-
Capital contributions	513,944	530,806	-	-	1,044,750	-
Purchase of capital assets	(17,136)	(339,885)	-	-	(357,022)	(4,821)
Acquisition and construction of capital assets	(138,359)	-	-	(45,926)	(184,285)	-
Principal paid on capital debt	(48,861)	(321,987)	-	-	(370,848)	-
Interest paid on capital debt	(37,576)	(139,298)	-	-	(176,874)	-
Proceeds from Disposition of capital assets	25	775	-	-	800	-
<i>Net cash provided (used) by capital and related financing activities</i>	<u>272,037</u>	<u>(269,589)</u>	<u>-</u>	<u>(45,926)</u>	<u>(43,479)</u>	<u>(4,821)</u>
Cash Flows from Investing Activities						
Proceeds from sales and maturities of investments	927,683	4,386,568	409,431	566,124	6,289,805	421,842
Purchase of investment	(1,836,767)	(5,051,992)	(545,940)	(960,024)	(8,394,723)	(340,423)
Interest and dividends received	69,111	159,254	47,327	52,521	328,213	13,203
<i>Net cash used by investing activities</i>	<u>(839,974)</u>	<u>(506,170)</u>	<u>(89,182)</u>	<u>(341,379)</u>	<u>(1,776,704)</u>	<u>94,621</u>
<i>Net increase in cash and cash equivalents</i>	10,193	36,338	(31,210)	(55,352)	(40,031)	70,968
<i>Cash and cash equivalents Beginning of Year</i>	<u>65,797</u>	<u>166,232</u>	<u>63,868</u>	<u>125,311</u>	<u>421,207</u>	<u>16,741</u>
<i>Cash and cash equivalents End of Year</i>	<u>\$ 75,990</u>	<u>\$ 202,570</u>	<u>\$ 32,658</u>	<u>\$ 69,959</u>	<u>\$ 381,176</u>	<u>\$ 87,708</u>

Noncash financing, capital and investing activities:

In 2007, capital assets were contributed by private sources, \$1,129,973.12 to the Storm Drain Fund, \$1,031,519.75 to the Water Fund, and \$1,159,138.37 to the Sewer Fund.

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

City of Poulsbo
Statement of Cash Flows
Proprietary Funds (continued)
For the Year Ended December 31, 2007

	Business-type Activities Enterprise Funds				Total	Internal Service Funds
	Water	Sewer	Solid Waste	Storm Drain		
Reconciliation of operating income to net cash provided (used) by operating activities						
<i>Operating Income (Loss)</i>	\$ 293,515	\$ 532,864	\$ 62,418	\$ 139,506	\$ 1,028,304	\$ 45,517
Adjustments to reconcile operating income to net cash provided (used) by operating activities						
Depreciation	241,388	260,565	25,282	199,475	726,709	3,602
(Increase) decrease in accounts receivable	51,086	(5,952)	(2,748)	(5,531)	36,856	(928)
(Increase) decrease in inventories	(5,559)	129	-	-	(5,430)	334
Increase (decrease) in accounts payable	(1,510)	1,653	(33,015)	(866)	(33,738)	(689)
Increase (decrease) in Custodial Funds	781	20,056	-	-	20,837	-
Increase (decrease) in compensated absences payable	(1,570)	2,781	6,034	(631)	6,614	682
<i>Total Adjustments</i>	284,615	279,233	(4,447)	192,447	751,848	3,001
<i>Net Cash Provided By Operating Activities</i>	<u>\$ 578,130</u>	<u>\$ 812,097</u>	<u>\$ 57,972</u>	<u>\$ 331,953</u>	<u>\$ 1,780,152</u>	<u>\$ 48,518</u>

City of Poulsbo
Statement of Fiduciary Net Assets
Agency Funds
December 31, 2007

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 14,345
Investments	<u>40,407</u>
<i>Total Assets</i>	<u>54,752</u>
Liabilities	
Retainage Payable	18,324
Custodial funds	<u>36,427</u>
<i>Total Liabilities</i>	<u>54,752</u>
Net Assets	<u><u>\$ -</u></u>

CITY OF POULSBO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

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.

CITY OF POULSBO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

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.

CITY OF POULSBO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

The City reports the following major governmental funds:

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

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

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

The City reports the following major proprietary funds:

The *Water Fund* accounts for providing water services. Its revenues are mostly received from service charges and system connection charges. Expenses are for maintenance and operations of a water supply, storage and distribution system. This fund also reflects the operation of revenue bonds outstanding, the funds available for redemption of bonds, cumulative reserve and construction funds.

The *Sewer Fund* accounts for providing sewer services. Its revenues are mostly received from service charges and system connection charges. Expenses are for maintenance and extensions of drainage, sewer service facilities, maintaining sewer collection and transmission systems. This fund also reflects the operation of revenue bonds outstanding, the funds available for redemption of bonds, cumulative reserve and construction funds.

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

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

Additionally, the City reports the following fund types:

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

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

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

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

The *General Facilities' Fund* is used to account for the costs of maintaining all City vehicles and construction equipment used by other City departments on a cost reimbursement basis.

CITY OF POULSBO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

The General Facilities Fund is proprietary in nature and on the government-wide statements is reported under business-type.

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

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

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

Permanent Funds account for resources that are legally restricted to the extent that only the earnings, and not the principal, may be used for specific purposes that support the City's programs and benefit the City and its citizens. The City has one *Permanent fund*, the Bernice Borgen Beautification Fund. The fund accounts for a trust established from Ms. Borgen's estate of an original donation of \$90,002 in 2000 and an additional contribution of \$1,014 in 2002. Only the interest earned on this donation 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 \$26,526. 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 2007, \$395,094 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

CITY OF POULSBO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

1. Cash and Investments

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

All investments are stated at fair value as of December 31, 2007.

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 2007.

CITY OF POULSBO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

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 2007, these taxes totaled \$297,861.

Other interfund transfers at December 31, 2007 were as follows:

Transfers In:	Transfers Out:				Total
	General Fund	Street Reserve	Facilities Fund	Non-Major Gov'l	
General Fund				\$ 380,996	\$ 380,996
Street Reserve Fund	339,963			765,657	1,105,620
Facilities Fund	6,181			461,885	468,065
Non-Major Gov'l Funds	<u>1,953,964</u>	<u>36,000</u>	<u>-</u>	<u>728,339</u>	<u>2,718,303</u>
Total Transfers	<u>\$ 2,300,108</u>	<u>\$ 36,000</u>	<u>\$ -</u>	<u>\$ 2,336,877</u>	<u>\$ 4,672,985</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).

CITY OF POULSBO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

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

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

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

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

9. Compensated Absences

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

Sick leave accumulation is unlimited, but 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.

CITY OF POULSBO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

10. Custodial Accounts

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

11. Accrued Liabilities and Long-Term Obligations

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

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

12. Deferred Revenues

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

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
-

CITY OF POULSBO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

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

SEPTEMBER – DECEMBER

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

DECEMBER

- Final review and adoption of budget

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

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 2007, 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.

CITY OF POULSBO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

NOTE 3: DEPOSITS AND INVESTMENTS

The City's deposits and certificates of deposit are covered by the Federal Depository Insurance Corporation (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the State of Washington Public Deposit Protection Commission (WPDP) Act of 1969. The FDIC insured the City's Deposits up to \$100,000; the WPDP covers amounts over \$100,000.

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

Interest Rate Risk: In accordance with its investment policy, the City manages its exposure to fair value losses by attempting to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the City will not directly invest in securities maturing more than five (5) years from the date of purchase

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. All agency securities in our portfolio are rated AAA and the Certificates of Deposit are covered by the PDPCA. The Washington State Local Government Investment Pool operated in a manner consistent with the SEC's 2a-7 of the investment Act of 1940, is unrated.

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

As of December 31, 2007, City of Poulsbo had the following Deposits and Investments

<i>(Modified duration is in years.)</i>	Fair Value	Modified Duration	% of Portfolio
Cash			
FDIC or PDPC insured bank deposits	1,131,140		
Cash on hand	4,925		
Total Cash	1,136,065		
Investments			
US agency securities			
Federal Home Loan Bank	3,894,979	1.008	18%
Federal National Mortgage Association	752,109	0.399	4%
Certificates of deposits	410,455	0.663	2%
Washington State Local Government Inv. Pool	16,121,944	0.000	76%
Total Investments	21,179,487	0.212	100%
Total Cash, Cash Equivalents, Investments	22,315,551		

CITY OF POULSBO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

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.
- 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 2007, the City's levy for general governmental services was \$1.428017 per \$1,000 on the assessed valuation of \$1,195,103,182 for a total of \$1,706,628. Also levied, was \$.132818 per \$1,000 on the assessed valuation of \$1,186,580,733 for a general obligation debt bond levy totally \$157,594.

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.

CITY OF POULSBO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

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, 2007, was as follows:

	<u>BEGINNING BALANCE</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>ENDING BALANCE</u>
Governmental-Type Activities				
Capital assets, not being depreciated:				
Land and Work in Progress	\$ 17,822,095	\$ 2,363,958	\$ (6,900,373)	\$ 13,285,680
Capital assets, being depreciated:				
Buildings	3,726,817	19,990	-	3,746,806
Other Improvements	497,921	3,210,088	-	3,708,009
Machinery and Equipment	1,612,048	255,064	(143,598)	1,723,514
Infrastructure *	13,243,791	3,264,576	-	16,508,367
Total capital assets being depreciated	<u>19,080,576</u>	<u>6,749,718</u>	<u>(143,598)</u>	<u>25,686,696</u>
Less accumulated depreciation for:				
Buildings	(1,923,175)	(97,299)	-	(2,020,473)
Other Improvements	(292,761)	(203,292)	-	(496,053)
Machinery and Equipment	(1,222,915)	(158,224)	142,457	(1,238,683)
Infrastructure *	(3,920,222)	(521,618)	-	(4,441,840)
Total accumulated depreciation	<u>(7,359,073)</u>	<u>(980,433)</u>	<u>142,457</u>	<u>(8,197,049)</u>
Total capital assets, being depreciated, net	<u>11,721,503</u>	<u>5,769,285</u>	<u>(1,142)</u>	<u>17,489,647</u>
Governmental activity capital assets, net	<u>\$ 29,543,598</u>	<u>\$ 8,133,243</u>	<u>\$ (6,901,515)</u>	<u>\$ 30,775,327</u>
	<u>BEGINNING BALANCE</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>ENDING BALANCE</u>
Business-Type Activities				
Capital assets, not being depreciated:				
Land and Work in Progress	\$ 2,819,321	\$ 366,613	\$ (1,156,062)	\$ 2,029,871
Capital assets, being depreciated:				
Buildings	319,214	-	-	319,214
Other Improvements	29,448,961	4,870,148	(350,000)	33,969,110
Machinery and Equipment	1,866,977	102,273	(7,490)	1,961,760
Infrastructure	-	-	-	-
Total capital assets being depreciated	<u>31,635,153</u>	<u>4,972,422</u>	<u>(357,490)</u>	<u>36,250,084</u>
Less accumulated depreciation for:				
Buildings	(222,447)	(5,429)	-	(227,877)
Other Improvements	(5,726,827)	(653,695)	8,750	(6,371,772)
Machinery and Equipment	(1,361,456)	(79,937)	7,490	(1,433,903)
Infrastructure	-	-	-	-
Total accumulated depreciation	<u>(7,310,731)</u>	<u>(739,061)</u>	<u>16,240</u>	<u>(8,033,552)</u>
Total capital assets, being depreciated, net	<u>24,324,422</u>	<u>4,233,360</u>	<u>(341,250)</u>	<u>28,216,532</u>
Business-type activity capital assets, net	<u>\$ 27,143,743</u>	<u>\$ 4,599,973</u>	<u>\$ (1,497,312)</u>	<u>\$ 30,246,403</u>

CITY OF POULSBO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

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

Governmental activities:	
General Government	\$ 58,066
Security of Persons and Property	88,160
Utilities and Environment	11,566
Transportation	543,864
Economic Environment	5,840
Culture and Recreation	267,116
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	-
Total depreciation expense - governmental activities	<u>\$ 974,612</u>

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

Business-type activities:	
Water	\$ 241,388
Sewer	260,565
Solid Waste	25,282
Storm Drain	199,475
Public Works Administration	3,602
Total depreciation expense - business-type activities	<u>\$ 730,311</u>

NOTE 6: EMPLOYEE RETIREMENT AND PENSION PLANS

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

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

1. PERS Plan Descriptions:

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

CITY OF POULSBO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

option of choosing membership in either PERS Plan 2 or PERS Plan 3. The option must be exercised within 90 days of employment. An employee is reported in Plan 2 until a choice is made. Employees who fail to choose within 90 days default to PERS Plan 3. PERS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions. PERS retirement benefit provisions are established in state statute and may be amended only by the State Legislature.

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

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

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

Judicial Benefit Multiplier

Beginning January 1, 2007 through December 31, 2007, judicial members of PERS may choose to participate in the Judicial Benefit Multiplier Program (JBM). Current justices or judges in PERS Plan 1 and 2 may make a one-time irrevocable election to pay increased contributions that would fund a retirement benefit with a 3.5 percent multiplier. The benefit would be capped at 75 percent of average financial compensation. Judges in PERS Plan 3 can elect a 1.6 percent of pay per year of service benefit, capped at 37.5 percent of average compensation.

Members who choose to participate in JBM will accrue service credit at the higher multiplier beginning with the date of their election, pay higher contributions, stop contributing to the Judicial Retirement Account (JRA), and be given the option to increase the multiplier on past judicial service. Members who do not choose to participate will: continue to accrue service credit at the regular multiplier; continue to participate in JRA, if applicable; never be a participant in the JBM Program; and continue to pay contributions at the regular PERS rate.

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Justices and judges who are newly elected or appointed to judicial service and choose to become PERS members on or after January 1, 2007, or who have not previously opted into PERS membership, are required to participate in the JBM Program.

Justices and judges who are newly elected or appointed to judicial service will: return to prior PERS Plan if membership had previously been established; be mandated into Plan 2 and not have a Plan 3 transfer choice, if a new PERS member; accrue the higher multiplier for all judicial service; not contribute to JRA; and not have the option to increase the multiplier for past judicial service.

There were 1,188 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of September 30, 2006:

Retirees and Beneficiaries Receiving Benefits	70,201
Terminated Plan Members Entitled To But Not Yet Receiving Benefits	25,610
Active Plan Members Vested	105,215
Active Plan Members Non-vested	49,812
Total	250,838

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, 2007 were:

Members not participating in JBM:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer*	6.13%**	6.13%**	6.13%***
Employee	6.00%****	4.15%****	*****

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

** The employer rate for state elected officials is 9.12% for Plan 1 and 6.13% for Plan 2 and Plan 3

*** Plan 3 defined benefit portion only.

**** The employee rate for state elected officials is 7.5% for Plan 1 and 4.15% for Plan 2.

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

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Members participating in JBM:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer-State Agency*	8.63%	8.63%	8.63%**
Employer-Local Govt.*	6.13%	6.13%	6.13%**
Employee-State Agency	9.76%	7.88%	7.50%***
Employee- Local Govt.	12.26%	10.38%	7.50%***

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

** Plan 3 defined benefit portion only.

*** Minimum rate.

Both the City of Poulsbo and its employees made the required contributions. The City of Poulsbo's required contributions for the years ending December 31, 2007 were as follows:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
2007	\$9,256	\$172,911	\$34,900
2006	\$6,523	\$84,548	\$15,438
2005	\$2,384	\$47,091	\$8,759

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. LEOFF membership is comprised primarily of non-state employees, with the Department of Fish and Wildlife enforcement officers, who were first included prospectively effective July 27, 2003 being an exception. In addition, effective July 24, 2005, current members of PERS who are emergency medical technicians can elect to become members of LEOFF Plan 2. Effective July 1, 2003, the LEOFF Plan 2 Retirement Board was established to provide governance of LEOFF Plan 2. The Board's duties include adopting contribution rates and recommending policy changes to the Legislature for the LEOFF Plan 2 retirement plan. LEOFF defined benefits are financed from a combination of investment earnings, employer and employee contributions, and a special funding situation in which the state pays the remainder through state legislative appropriations. Loeff retirement benefit provisions are established in state statute and may be amended 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:

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For the Year Ended December 31, 2007

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

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

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

There are 376 participating employers in LEOFF. Membership in LEOFF consisted of the following as of the latest actuarial valuation date for the plans of September 30, 2006:

Retirees and Beneficiaries Receiving Benefits	8,951
Terminated Plan Members Entitled To But Not Yet Receiving Benefits	602
Active Plan Members Vested	12,711
Active Plan Members Non-vested	3,603
Total	25,867

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 LEOFF Plan 2 Retirement Board. All employers are required to contribute at the level required by state law. The Legislature, by means of a special funding arrangement, appropriated money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the requirements of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. However, this special funding situation is not mandated by the state constitution and this funding requirement could be returned to the employers by a change of statute.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2007 were as follows:

	LEOFF Plan 1	LEOFF Plan 2
Employer*	0.16%	5.35%**
Employee	0.00%	8.64%
State	n/a	3.45%

CITY OF POULSBO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

* The employer rates include the employer administrative expense free currently set at 0.16%

** the employer rate for ports and universities is 8.80%

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

	LEOFF Plan 1	LEOFF Plan 2
2007	\$ -0-	\$58,609
2006	\$ -0-	\$53,282
2005	\$ -0-	\$40,770

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. Currently, 84 municipalities/entities participate in the pool.

The AWC RMSA allows members to establish a program of joint insurance and provides risk management services to all members. All coverages are on an occurrence basis. The AWC RMSA provides all risk 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 is included with the property reinsurance carrier, as of June 1, 2005, and employee fidelity coverage is a stand-alone policy that the AWC RMSA arranges for its members. The AWC RMSA also allows members to group purchase airport liability 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 \$400,000 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 excess property coverage is purchased through Affiliated FM, 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. The Pool is governed by a board of directors serving ex-officio as the AWC Board of Directors.

CITY OF POULSBO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

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 Poulso.

B. EMPLOYEE MEDICAL REIMBURSEMENT PLAN

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

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

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

NOTE 8: CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

At December 31, 2007 the City had seven significant contractual obligations as follows:

Morris Property (Centennial Park)	Larson-Casteel	\$ 29,635
Waterfront Park Bulkhead Improvement	Fischer General Contracting	87,495
Marine Science Center Lift Station Upgrades	Brown & Caldwell	1,200
Long Range Transportation Plan Update	David Evans & Associates	5,412
Caldwell Ave Signal & Road Improvements	Parametrix	526
Caldart Avenue Dentention	Laser Underground Construction	35,787
Sewer Comprehensive Plan Update	Parametrix	44,900
State Route 305*	WSDOT	17,690,736
		\$ 17,895,692

*City of Poulso is acting as Pass-Thru Agency for Transportation Improvement Board Grant

CITY OF POULSBO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

NOTE 9: LONG-TERM DEBT

A. BONDS

General Obligation Bonds are a direct obligation of the City for which its full faith and credit are pledged. Debt service is paid from the Debt Service Funds. Debt service for voter-approved issues is funded by special property tax levies. Debt service for non-voted issues is funded from the regular property taxes. As of December 31, 2007, 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	\$160,000
2002	Limited GO Refunding Bonds: Issue for the purpose of refunding certain outstanding bond of the PPDA (Marine Science Center)	\$255,000	2.5 - 4.8%	2011	120,000
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	1,835,000
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	4,810,000
Total					\$6,925,000

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

As of December 31, 2007, the long-term debt payable from proprietary fund resources consisted of the following:

Issuance Date	Purpose	Original Issue	Interest Rates	Maturity Date	Debt Outstanding
1998	Water/Sewer Revenue Bonds (Unrefunded portion)	\$4,810,000	3.75 - 4.95%	2012	\$970,000
2005	Refunding of 1998 Water/Sewer Revenue Bonds	\$3,134,000	3.45%	2017	3,090,000
Total					\$4,060,000

CITY OF POULSBO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

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 2007, payments for interest of \$43,614 and principal retirement of \$130,171 were made.

As of December 31, 2007, 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	\$366,782
2000	Street Improvements to Front Street	\$1,406,930	3.0%	2020	\$966,788
2003	Traffic Study for Comprehensive Plan	\$50,000	0.0%	2009	\$19,910
Total					\$1,353,480

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, 2007, 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 Dec 31	General Obligation Bonds		Revenue Bonds	
	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
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	395,000	231,625	383,000	107,969
2012	375,000	218,050	396,000	92,546
2013-2017	1,730,000	894,128	2,218,000	234,738
2018-2022	2,095,000	509,948	-	-
2023-2025	1,065,000	92,880	-	-
Total	<u>\$ 6,925,000</u>	<u>\$ 2,722,631</u>	<u>\$ 4,060,000</u>	<u>\$ 846,450</u>

CITY OF POULSBO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Year Ended Dec 31	Public Works Trust Fund Loans			
	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2008	\$ 84,323	\$ 29,004	\$ 45,848	\$ 11,034
2009	84,323	26,773	45,848	9,628
2010	74,368	24,542	45,848	8,253
2011	74,368	22,310	45,848	6,877
2012	74,368	20,079	45,848	5,517
2013-2017	371,841	66,931	137,543	8,253
2018-2022	223,105	13,386	-	-
2023-2025	-	-	-	-
Total	\$ 986,698	\$ 203,025	\$ 366,782	\$ 49,561

E. LONG-TERM LIABILITIES

1. Long-term liability activity:

Long-term liability activity for the year ended December 31, 2007 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental Activities				
Bonds payable:				
General obligation bonds	\$7,415,000	\$ -	\$ 490,000	\$ 6,925,000
Less Unamortized Bond Discount	(57,073)	-	(3,970)	(53,104)
Due to Other Governmental Units –PWTF	1,071,021	-	84,323	986,698
Compensated Absences	532,193	8,930	25,558	515,565
Total Governmental activity long-term liabilities	\$8,961,140	\$ 8,930	\$ 595,912	\$ 8,374,159
Business-type Activities				
Bonds payable:				
Revenue Bonds	\$4,385,000	\$ -	\$ 325,000	\$ 4,060,000
Less Deferred Amount Refunded	(186,260)	-	(16,933)	(169,327)
Less Unamortized Bond Discount	(744)	-	(744)	0
Due to Other Governmental Units–PWTF	412,630	-	45,848	366,782
Compensated Absences	113,677	9,497	4,056	119,118
Total Business-type activity long-term liabilities	\$4,724,303	\$ 9,497	\$ 357,227	\$ 4,376,572

CITY OF POULSBO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Liabilities due within one year:

Date of Issue	<i>Liabilities Due Within One Year - Governmental Activities</i>	Due within one year
1997	Unlimited GO Bonds: Issued to provide funds in an irrevocable trust to refund a portion of the 1988 GO Bonds, which were issued to provide funds for a new Fire Station building.	\$ 160,000
2002	Limited GO Refunding Bonds: Issue for the purpose of refunding certain outstanding bond of the PPDA (Marine Science Center)	25,000
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
2000	Due to Other Governmental Units(PWTF)-Street Improvements to Front Street	74,368
2003	Due to Other Governmental Units(PWTF)-Traffic Study for Comprehensive Plan	9,955
	Unamortized Bond Discount	(3,970)
	Compensated Absences	51,556
	Total Governmental Activities	\$ 641,910

Date of Issue	<i>Liabilities Due Within One Year - Business-Type Activities</i>	Due within one year
1998	Water/Sewer Revenue Bonds	320,000
2005	Water/Sewer Refunded Revenue Bonds	21,000
1995	Due to Other Governmatal Units(PWTF)-Sewer Improvements to Jensen Way	45,848
	Deferred Amount Refunded	(16,933)
	Compensated Absences	11,912
	Total Business-Type Activities	\$ 381,827

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, 2006, 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.

CITY OF POULSBO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

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 \$305,000. The second contingency is to reimburse to the Fire District any leave cashed out by employees that was accrued before the annexation. The City's portion of the reimbursement is calculated at fifty percent of the cash out. The outstanding leave balances are included with the City's compensated absences.

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

NOTE 11: JOINT VENTURES

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

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

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

NOTE 12: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

In addition to pension benefits discussed in NOTE 7, the City of Poulsbo provides postretirement health care benefits in accordance with the RCW 41.26. These are lifetime medical care benefits 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 2007 were \$17,682 in premiums and \$6,157 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.

CITY OF POULSBO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

NOTE 13: PRIOR PERIOD ADJUSTMENTS

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

General Fund: \$18,808 – A City of Bainbridge Island late billing received for shared 2005 Court Administrator

Park and Recreation Fund: \$ 217 – A class registration correction for 2006.

Cumulative Reserve Fund: \$ 33,332 – Refund of Developers Agreement funds held in trust from prior year.

Park Reserve Fund: \$ 2,663 – Correction to an Interagency Outdoor Recreation grant billing for Dogfish Park.

Street Reserve Fund: \$ 57,440 – Duplicate billing for the Finn Hill Grant Project
 \$ 566,879 – WA State Department of Transportation gave incorrect figures for the 2006 Transportation Improvement Board grant billings. This created a credit balance that was carried into 2007. This adjustment is to record the revenues in the year it was earned.

Public Works Administration Fund: \$ 1,855 – Compensated Absence adjustment for leave taken earned in a prior year

Adjustments related to Government-Wide financials are for Construction Work in Progress that in the process of completing and closing out it was discovered that they either were transferred between funds, not considered capital in nature, or was not the City's assets to capitalize.

Here is the breakdown:

Project	Amount	Determination
<i>Dogfish Creek Bridge</i>	27,550	Contributed Capital to Proprietary
<i>Caldart Improvement</i>	309,234	Contributed Capital to Proprietary
<i>Liberty Bay Park</i>	16,315	determined not capital
<i>Olhava Ballfield</i>	11	determined not capital
American Legion Lions Park Restroom	24,432	determined not capital
Nelson Park Cabin	17,881	determined not capital
SR 305	3,672	determined not capital
Library Cooling	1,291,750	not our asset belongs to WDOT
	32,481	determined not capital
	<u>1,723,327</u>	

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CITY OF POULSBO
Combining Statement – Nonmajor Funds’ Description
For the Year Ended December 31, 2007

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

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

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

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

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

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

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

CITY OF POULSBO
Combining Statement – Nonmajor Funds' Description
For the Year Ended December 31, 2007

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

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

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

CITY OF POULSBO
Combining Statement – Nonmajor Funds' Description
For the Year Ended December 31, 2007

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, 2007

	Special Revenue				
	City Streets	Arterial Streets	Recreation Activity	Capital Improvements	Cumulative Reserve/Rev Stablization
Assets					
Cash and Cash Equivalents	\$ 43,347	\$ 9,586	\$ 2	\$ 23,402	\$ 21
Investments	968,764	10,125	92,613	501,059	1,037,055
Receivables:					
Taxes	-	-	-	78,761	-
Accounts	18	-	3,841	-	-
Special Assesments	-	-	-	-	-
Due from Other Governments	-	-	-	-	-
Cash and Investments-Restricted	-	-	-	-	-
<i>Total Assets</i>	<u>\$ 1,012,129</u>	<u>\$ 19,711</u>	<u>\$ 96,455</u>	<u>\$ 603,223</u>	<u>\$ 1,037,076</u>
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	17,721	-	89,571	-	-
Custodial Accounts	-	-	100	-	-
Deferred Revenue	-	-	-	-	-
<i>Total Liabilities</i>	<u>17,721</u>	<u>-</u>	<u>89,671</u>	<u>-</u>	<u>-</u>
Fund Balances					
Reserved fund balance for debt service	-	-	-	-	-
Reserved fund balance for city beautification	-	-	-	-	-
Unreserved Fund Balance	994,409	19,711	6,785	603,223	1,037,076
<i>Total Fund Balance</i>	<u>994,409</u>	<u>19,711</u>	<u>6,785</u>	<u>603,223</u>	<u>1,037,076</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 1,012,129</u>	<u>\$ 19,711</u>	<u>\$ 96,455</u>	<u>\$ 603,223</u>	<u>\$ 1,037,076</u>

Special Revenue							Total Non-Major Special Revenue Funds
Cumulative Reserve	Historic Downtown Poulsbo Association	Marine Science Center	Paths and Trails	Drug Enforcement	Transient Occupancy	Police Restricted Funds	
\$ 8	\$ 320	\$ 1	\$ 920	\$ 600	\$ 8,723	\$ 5,437	\$ 92,367
173,645	24,834	116,727	5,835	11,074	39,654	180,318	3,161,703
-	-	-	-	-	-	-	78,761
28,447	-	2,156	-	-	-	-	34,461
-	17,114	-	-	-	-	-	17,114
-	-	-	-	842	-	-	842
-	-	-	-	-	-	-	-
<u>\$ 202,100</u>	<u>\$ 42,269</u>	<u>\$ 118,884</u>	<u>\$ 6,755</u>	<u>\$ 12,516</u>	<u>\$ 48,377</u>	<u>\$ 185,755</u>	<u>\$ 3,385,249</u>
-	12,484	-	-	-	15,309	527	135,611
-	-	-	-	141	-	-	241
-	11,641	-	-	-	-	-	11,641
-	24,125	-	-	141	15,309	527	147,492
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
202,100	18,144	118,884	6,755	12,376	33,068	185,229	3,237,757
202,100	18,144	118,884	6,755	12,376	33,068	185,229	3,237,757
<u>\$ 202,100</u>	<u>\$ 42,269</u>	<u>\$ 118,884</u>	<u>\$ 6,755</u>	<u>\$ 12,516</u>	<u>\$ 48,377</u>	<u>\$ 185,755</u>	<u>\$ 3,385,249</u>

City of Poulsbo
Combining Balance Sheet
Nonmajor Governmental Funds (continued)
December 31, 2007

	Debt Service				Total Non-Major Debt Service Funds
	Misc Governmental Debt	Non-Voted G.O. Debt	Voted G.O. Bonds	LID Fund	
Assets					
Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	769	-	-	-	769
Receivables:					
Taxes	-	-	428	-	428
Accounts	-	1	-	-	1
Special Assesments	-	-	-	-	-
Due from Other Governments	-	-	-	-	-
Cash and Investments-Restricted	-	647,997	183,580	22	831,600
Total Assets	\$ 769	\$ 647,998	\$ 184,008	\$ 22	\$ 832,797
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	-	341	-	-	341
Custodial Accounts	-	1,386	-	-	1,386
Deferred Revenue	-	1,000	-	-	1,000
Total Liabilities	-	2,728	-	-	2,728
Fund Balances					
Reserved fund balance for debt service	769	645,271	184,008	22	830,070
Reserved fund balance for city beautification	-	-	-	-	-
Unreserved Fund Balance	-	-	-	-	-
Total Fund Balances	769	645,271	184,008	22	830,070
Total Liabilities and Fund Balances	\$ 769	\$ 647,998	\$ 184,008	\$ 22	\$ 832,797

Capital Project

Equipment Acquisition	Park Reserve	Library Improvement	Recreation Reserve	Park Acquisition	Museum Reserve
\$ 15,698	\$ 64,209	\$ -	\$ 245	\$ 1,200	\$ -
358,092	189,721	107	1,142	190,730	6,402
-	-	-	-	-	-
-	7,957	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 373,789</u>	<u>\$ 261,887</u>	<u>\$ 107</u>	<u>\$ 1,387</u>	<u>\$ 191,930</u>	<u>\$ 6,402</u>
5,266	23,558	-	-	-	-
-	-	-	-	-	-
-	750	-	-	-	-
<u>5,266</u>	<u>24,308</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	-
368,524	237,579	107	1,387	191,930	6,402
<u>368,524</u>	<u>237,579</u>	<u>107</u>	<u>1,387</u>	<u>191,930</u>	<u>6,402</u>
<u>\$ 373,789</u>	<u>\$ 261,887</u>	<u>\$ 107</u>	<u>\$ 1,387</u>	<u>\$ 191,930</u>	<u>\$ 6,402</u>

City of Poulsbo
Combining Balance Sheet
Nonmajor Governmental Funds (continued)
December 31, 2007

	Capital Project		Total Non-Major Capital Project Funds
	Cemetery Reserve	Street Equipment Reserve	
Assets			
Cash and Cash Equivalents	\$ -	\$ 602	\$ 81,954
Investments	72,322	149,704	968,219
Receivables:			
Taxes	-	-	-
Accounts	-	-	7,957
Special Assesments	-	-	-
Due from Other Governments	-	-	-
Cash and Investments-Restricted	-	-	-
Total Assets	\$ 72,322	\$ 150,306	\$ 1,058,130
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	-	-	28,824
Custodial Accounts	-	-	-
Deferred Revenue	-	-	750
Total Liabilities	-	-	29,574
Fund Balances			
Reserved fund balance for debt service	-	-	-
Reserved fund balance for city beautification	-	-	-
Unreserved Fund Balance	72,322	150,306	1,028,556
Total Fund Balances	72,322	150,306	1,028,556
Total Liabilities and Fund Balances	\$ 72,322	\$ 150,306	\$ 1,058,130

<u>Permanent</u>	
<u>Bernice Borgen Beautification</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ 174,321
-	4,130,691
-	79,189
-	42,419
-	17,114
-	842
<u>117,542</u>	<u>949,142</u>
<u>\$ 117,542</u>	<u>\$ 5,393,719</u>
-	164,776
-	1,627
-	<u>13,391</u>
-	<u>179,794</u>
-	830,070
117,542	117,542
-	<u>4,266,313</u>
<u>117,542</u>	<u>5,213,925</u>
<u>\$ 117,542</u>	<u>\$ 5,393,719</u>

City of Poulsbo
Combining Statements of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For Year Ended December 31, 2007

	Special Revenue				Cumulative Reserve Revenue Stabilization
	City Streets	Arterial Streets	Recreation	Capital Improvements	
Revenues					
Taxes	\$ -	\$ -	\$ -	\$ 718,264	\$ -
Licenses and Permits	6,625	-	-	-	-
Intergovernmental	125,121	58,881	-	-	-
Charges for Services	-	-	470,605	-	-
Fines and Forfeitures	-	-	-	-	-
Interest and Other Earnings	37,187	176	3,154	17,308	38,227
Miscellaneous	-	-	12,824	-	-
<i>Total Revenues</i>	<u>168,933</u>	<u>59,056</u>	<u>486,583</u>	<u>735,571</u>	<u>38,227</u>
Expenditures					
Current:					
General Government	-	-	-	-	-
Security of Persons & Property	-	-	-	-	-
Utilities and Environment	-	-	-	-	-
Transportation	690,237	-	-	-	-
Economic Environment	-	-	-	-	-
Mental and Physical Health	-	-	-	-	-
Culture and Recreation	-	-	649,746	-	-
Debt Service					
Principal	-	-	-	-	-
Interest & Fiscal Charges	-	-	-	-	-
Capital Outlay	-	-	-	-	-
<i>Total Expenditures</i>	<u>690,237</u>	<u>-</u>	<u>649,746</u>	<u>-</u>	<u>-</u>
<i>Excess of Revenues over Expenditures</i>	<u>(521,304)</u>	<u>59,056</u>	<u>(163,163)</u>	<u>735,571</u>	<u>38,227</u>
Other Financing Sources (Uses)					
Transfers In	821,708	-	155,324	-	462,620
Transfers Out	(301,119)	(50,294)	-	(772,965)	(350,626)
Disposal of Capital Assets	-	-	-	-	-
<i>Total Other Financing Sources and Uses</i>	<u>520,589</u>	<u>(50,294)</u>	<u>155,324</u>	<u>(772,965)</u>	<u>111,994</u>
<i>Net Change in Fund Balances</i>	(714)	8,762	(7,839)	(37,394)	150,221
<i>Fund Balances - Beginning</i>	<u>995,123</u>	<u>10,949</u>	<u>14,841</u>	<u>640,617</u>	<u>886,855</u>
<i>Prior Year Adjustment</i>			(217)		
<i>Fund Balances - Ending</i>	<u>\$ 994,409</u>	<u>\$ 19,711</u>	<u>\$ 6,785</u>	<u>\$ 603,223</u>	<u>\$ 1,037,076</u>

Special Revenue

Cumulative Reserve	Historic Downtown Pousbo Association	Marine Science Center	Paths and Trails	Drug Enforcement	Transient Occupancy	Police Restricted Funds	Total Non-Major Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 131,683	\$ 106,337	\$ 956,284
-	-	-	-	-	-	-	6,625
-	-	229,561	-	12,377	-	16,831	442,771
83,837	-	-	-	-	-	-	554,441
-	-	-	-	-	-	182	182
23,500	1,214	3,342	197	318	2,242	3,931	130,794
-	65,280	-	-	4,307	-	51,944	134,355
<u>107,336</u>	<u>66,494</u>	<u>232,903</u>	<u>197</u>	<u>17,002</u>	<u>133,926</u>	<u>179,225</u>	<u>2,225,454</u>
-	-	-	-	-	-	-	-
-	-	-	-	14,317	-	8,658	22,974
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	690,237
-	-	-	-	-	-	-	-
-	72,634	237,047	-	-	162,413	-	1,121,838
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	40,405	40,405
<u>-</u>	<u>72,634</u>	<u>237,047</u>	<u>-</u>	<u>14,317</u>	<u>162,413</u>	<u>49,062</u>	<u>1,875,454</u>
<u>107,336</u>	<u>(6,140)</u>	<u>(4,144)</u>	<u>197</u>	<u>2,686</u>	<u>(28,487)</u>	<u>130,163</u>	<u>349,999</u>
-	-	10,000	920	-	-	-	1,450,572
(613,741)	-	(31,108)	-	-	-	(28,000)	(2,147,853)
-	-	-	-	-	-	-	-
<u>(613,741)</u>	<u>-</u>	<u>(21,108)</u>	<u>920</u>	<u>-</u>	<u>-</u>	<u>(28,000)</u>	<u>(697,281)</u>
(506,405)	(6,140)	(25,252)	1,117	2,686	(28,487)	102,163	(347,281)
<u>741,836</u>	<u>24,283</u>	<u>144,136</u>	<u>5,637</u>	<u>9,690</u>	<u>61,555</u>	<u>83,066</u>	<u>3,618,588</u>
(33,332)	-	-	-	-	-	-	(33,549)
<u>\$ 202,100</u>	<u>\$ 18,144</u>	<u>\$ 118,884</u>	<u>\$ 6,755</u>	<u>\$ 12,376</u>	<u>\$ 33,068</u>	<u>\$ 185,229</u>	<u>\$ 3,237,757</u>

City of Poulsbo
Combining Statement of Revenue, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds (continued)
For Year Ended December 31, 2007

	Debt Service				Total Non-Major Debt Service Funds
	Misc Governmental Debt	Non-Voted G.O. Debt	Voted G.O. Bonds	LID Fund	
Revenues					
Taxes	\$ -	\$ -	\$ 149,195	\$ -	\$ 149,195
Licenses and Permits	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Charges for Services	-	-	-	-	-
Fines and Forfeitures	-	-	-	-	-
Interest and Other Earnings	421	42,385	5,618	1	48,425
Miscellaneous	-	5,317	-	-	5,317
<i>Total Revenues</i>	<u>421</u>	<u>47,702</u>	<u>154,814</u>	<u>1</u>	<u>202,937</u>
Expenditures					
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	345,000	145,000	-	574,323
Interest & Fiscal Charges	31,235	279,815	12,902	-	323,951
Capital Outlay	-	-	-	-	-
<i>Total Expenditures</i>	<u>115,558</u>	<u>624,815</u>	<u>157,902</u>	<u>-</u>	<u>898,275</u>
<i>Excess of Revenues over Expenditures</i>	<u>(115,137)</u>	<u>(577,113)</u>	<u>(3,089)</u>	<u>1</u>	<u>(695,337)</u>
Other Financing Sources (Uses)					
Transfers In	110,705	618,988	-	-	729,693
Transfers Out	-	(66,630)	-	-	(66,630)
Disposal of Capital Assets	-	-	-	-	-
<i>Total Other Financing Sources and Uses</i>	<u>110,705</u>	<u>552,358</u>	<u>-</u>	<u>-</u>	<u>663,063</u>
<i>Net Change in Fund Balances</i>	<u>(4,432)</u>	<u>(24,755)</u>	<u>(3,089)</u>	<u>1</u>	<u>(32,274)</u>
<i>Fund Balances - Beginning</i>	<u>5,201</u>	<u>670,025</u>	<u>187,097</u>	<u>21</u>	<u>862,344</u>
<i>Prior Year Adjustment</i>					
<i>Fund Balances - Ending</i>	<u>\$ 769</u>	<u>\$ 645,271</u>	<u>\$ 184,008</u>	<u>\$ 22</u>	<u>\$ 830,070</u>

Capital Project

Equipment Acquisition	Park Reserve	Library Improvement	Recreation Reserve	Park Acquisition	Museum Reserve
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	139,248	-	-	-	-
-	-	-	-	47,260	-
-	-	-	-	-	-
12,550	4,691	4	96	6,702	230
-	8,735	-	825	-	-
<u>12,550</u>	<u>152,674</u>	<u>4</u>	<u>921</u>	<u>53,962</u>	<u>230</u>
45,460	-	-	-	-	-
6,994	-	-	-	-	-
10,664	16,304	-	-	-	-
-	-	-	-	-	-
11,036	-	-	-	-	-
-	-	-	-	-	-
13,485	7,421	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
144,600	313,626	-	-	-	-
<u>232,240</u>	<u>337,351</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(219,690)	(184,677)	4	921	53,962	230
227,145	263,067	-	-	-	-
(30,000)	(470)	-	(2,600)	(21,974)	-
-	-	-	-	-	-
<u>197,145</u>	<u>262,597</u>	<u>-</u>	<u>(2,600)</u>	<u>(21,974)</u>	<u>-</u>
(22,545)	77,920	4	(1,679)	31,988	230
391,069	162,322	103	3,066	159,941	6,172
-	(2,663)	-	-	-	-
<u>\$ 368,524</u>	<u>\$ 237,579</u>	<u>\$ 107</u>	<u>\$ 1,387</u>	<u>\$ 191,930</u>	<u>\$ 6,402</u>

City of Poulsbo
Combining Statement of Revenues, Expenditure, and Changes in Fund Balance
Nonmajor Governmental Funds (continued)
For Year Ending December 31, 2007

	Cemetery Reserve	Street Equipment Reserve	Total Non-Major Capital Project Funds
Revenues			
Taxes	\$ -	\$ -	\$ -
Licenses and Permits	-	-	-
Intergovernmental	-	-	139,248
Charges for Services	1,000	-	48,260
Fines and Forfeitures	-	-	-
Interest and Other Earnings	2,555	5,084	31,913
Miscellaneous	-	-	9,560
<i>Total Revenues</i>	<u>3,555</u>	<u>5,084</u>	<u>228,980</u>
Expenditures			
Current:			
General Government	-	-	45,460
Security of Persons & Property	-	-	6,994
Utilities and Environment	-	-	26,968
Transportation	-	-	-
Economic Environment	-	-	11,036
Mental and Physical Health	-	-	-
Culture and Recreation	-	-	20,907
Debt Service:			
Principal	-	-	-
Interest & Fiscal Charges	-	-	-
Capital Outlay	-	97,434	555,659
<i>Total Expenditures</i>	<u>-</u>	<u>97,434</u>	<u>667,025</u>
<i>Excess of Revenues over Expenditures</i>	<u>3,555</u>	<u>(92,350)</u>	<u>(438,044)</u>
Other Financing Sources (Uses)			
Transfers In	-	47,827	538,038
Transfers Out	-	-	(55,044)
Disposal of Capital Assets	-	-	-
<i>Total Other Financing Sources and Uses</i>	<u>-</u>	<u>47,827</u>	<u>482,994</u>
<i>Net Change in Fund Balances</i>	3,555	(44,523)	44,950
<i>Fund Balances - Beginning</i>	68,767	194,829	986,270
<i>Prior Year Adjustment</i>			(2,663)
<i>Fund Balances - Ending</i>	<u>\$ 72,322</u>	<u>\$ 150,306</u>	<u>\$ 1,028,556</u>

<u>Permanent</u>	
<u>Bernice Borgen Beautification</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ 1,105,479
-	6,625
-	582,019
-	602,701
-	182
5,446	216,578
-	149,232
<u>5,446</u>	<u>2,662,817</u>
-	45,460
-	29,969
-	26,968
-	690,237
-	11,036
-	-
-	1,142,745
-	574,323
-	323,951
-	596,064
<u>-</u>	<u>3,440,754</u>
<u>5,446</u>	<u>(777,937)</u>
-	2,718,303
-	(2,269,527)
<u>-</u>	<u>-</u>
<u>-</u>	<u>448,776</u>
5,446	(329,160)
112,096	5,579,298
	(36,212)
<u>\$ 117,542</u>	<u>\$ 5,213,925</u>

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City of Poulsbo
City Street Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual
For the Year Ended December 31, 2007

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Revenue			
License and Permits	\$ 3,000	\$ 6,625	\$ 3,625
Intergovernmental	126,700	125,121	(1,579)
Interest and Other Earnings	25,000	37,187	12,187
<i>Total Revenues</i>	<u>154,700</u>	<u>168,933</u>	<u>14,233</u>
Expenditures			
Transportation			
Street Maintenance	803,049	690,237	112,813
<i>Total Expenditures</i>	<u>803,049</u>	<u>690,237</u>	<u>112,813</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(648,349)</u>	<u>(521,304)</u>	<u>127,046</u>
Other Financing Sources (Uses)			
Transfers in	873,693	821,708	(51,985)
Transfers out	(288,961)	(301,119)	12,158
<i>Total Other Financing Sources (Uses)</i>	<u>584,732</u>	<u>520,589</u>	<u>(64,143)</u>
<i>Net Change in Fund Balance</i>	(63,617)	(714)	62,903
<i>Fund Balance Beginning of Year</i>	<u>995,123</u>	<u>995,123</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ 931,506</u>	<u>\$ 994,409</u>	<u>\$ 62,903</u>

City of Poulsbo
Arterial Street Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual
For the Year Ended December 31, 2007

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
Revenues			
Intergovernmental			
State fuel tax	\$ 59,241	\$ 58,881	\$ (360)
Interest and Other Earnings	-	176	176
<i>Total Revenues</i>	<u>59,241</u>	<u>59,056</u>	<u>(185)</u>
Expenditures			
General Administration	-	-	-
<i>Total Expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess of Revenues Over Expenditures</i>	<u>59,241</u>	<u>59,056</u>	<u>(185)</u>
Other Financing Sources (Uses)			
Transfers out	(50,298)	(50,294)	(4)
<i>Total Other Financing Sources (Uses)</i>	<u>(50,298)</u>	<u>(50,294)</u>	<u>4</u>
<i>Net Change in Fund Balance</i>	8,943	8,762	(181)
<i>Fund Balance Beginning of Year</i>	<u>10,949</u>	<u>10,949</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ 19,892</u>	<u>\$ 19,711</u>	<u>\$ (181)</u>

City of Poulsbo
Recreation Activity Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual
For the Year Ended December 31, 2007

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Revenues			
Culture and Recreation			
Amusement and Recreation	\$ 547,000	\$ 89,072	\$ (457,928)
Adult Program	-	14,802	14,802
Adventure Program	-	25,074	25,074
Arts and Crafts Program	-	21,362	21,362
Body & Mind Program	-	155	155
Bus & Computer Program	-	1,997	1,997
Dance Program Program	-	29,338	29,338
Music Program Program	-	28,811	28,811
Senior Program Program	-	20,626	20,626
Sport and Fitness Program	-	214,448	214,448
Youth Program Program	-	37,743	37,743
Interest and Other Earnings	-	3,154	3,154
<i>Total Revenues</i>	<u>547,000</u>	<u>486,583</u>	<u>(60,418)</u>
Expenditures			
Culture and Recreation			
Administration	410,792	397,875	12,916
Adventure Program	6,190	8,684	(2,494)
Adult Program	16,850	10,561	6,289
Arts and Crafts Program	9,200	12,726	(3,526)
Bus & Computer Program	800	280	520
Dance Program Program	23,750	18,010	5,740
Music Program Program	22,500	24,330	(1,830)
Senior Program Program	16,750	13,134	3,616
Sport and Fitness Program	161,260	147,121	14,139
Youth Program Program	23,982	17,024	6,958
<i>Total Expenditures</i>	<u>692,074</u>	<u>649,746</u>	<u>42,328</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(145,074)</u>	<u>(163,163)</u>	<u>(18,090)</u>
Other Financing Sources (Uses)			
Transfers in	155,324	155,324	-
Transfers Out	-	-	-
<i>Total Other Financing Sources (Uses)</i>	<u>155,324</u>	<u>155,324</u>	<u>-</u>
<i>Net Change in Fund Balance</i>	10,250	(7,839)	(18,090)
<i>Fund Balance Beginning of Year</i>	<u>14,841</u>	<u>14,841</u>	<u>-</u>
<i>Prior Year Adjustment</i>		(217)	(217)
<i>Fund Balance End of Year</i>	<u>\$ 25,091</u>	<u>\$ 6,785</u>	<u>\$ (18,307)</u>

City of Poulsbo
Capital Improvement Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual
For the Year Ended December 31, 2007

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
Revenues			
Taxes			
Excise Tax	\$ 750,000	\$ 718,264	\$ (31,736)
Interest and Other Earnings	5,000	17,308	12,308
<i>Total Revenues</i>	<u>755,000</u>	<u>735,571</u>	<u>(19,429)</u>
Expenditures			
Current:			
Miscellaneous	-	-	-
<i>Total Expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess of Revenues Over Expenditures</i>	<u>755,000</u>	<u>735,571</u>	<u>(19,429)</u>
Other Financing Sources (Uses)			
Transfers out	(1,063,500)	(772,965)	(290,535)
<i>Total Other Financing Sources (Uses)</i>	<u>(1,063,500)</u>	<u>(772,965)</u>	<u>(290,535)</u>
<i>Net Change in Fund Balance</i>	(308,500)	(37,394)	271,106
<i>Fund Balance Beginning of Year</i>	<u>640,617</u>	<u>640,617</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ 332,117</u>	<u>\$ 603,223</u>	<u>\$ 271,106</u>

City of Poulsbo
Cumulative Reserve/Revenue Stabilization Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual
For the Year Ended December 31, 2007

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
Revenues			
Interest and Other Earnings	\$ 18,000	\$ 38,227	\$ 20,227
Miscellaneous	-	-	-
<i>Total Revenues</i>	<u>18,000</u>	<u>38,227</u>	<u>20,227</u>
Expenditures			
Current:			
Professional Services	-	-	-
<i>Total Expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess of Revenues Over Expenditures</i>	<u>18,000</u>	<u>38,227</u>	<u>20,227</u>
Other Financing Sources (Uses)			
Transfers in	463,368	462,620	(748)
Transfers out	(350,626)	(350,626)	-
Capital Leases	-	-	-
Disposal of Capital Assets	-	-	-
<i>Total Other Financing Sources (Uses)</i>	<u>112,742</u>	<u>111,994</u>	<u>(748)</u>
<i>Net Change in Fund Balance</i>	130,742	150,221	19,479
<i>Fund Balance Beginning of Year</i>	<u>886,855</u>	<u>886,855</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ 1,017,597</u>	<u>\$ 1,037,076</u>	<u>\$ 19,479</u>

City of Poulsbo
Cumulative Reserve
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual
For the Year Ended December 31, 2007

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
Revenues			
Transportation Impact Fees	\$ -	\$ 83,837	\$ 83,837
Interest and Other Earnings	15,000	23,500	8,500
<i>Total Revenues</i>	<u>15,000</u>	<u>107,336</u>	<u>92,336</u>
Expenditures			
Current:			
Miscellaneous	-	-	-
<i>Total Expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess of Revenues Over Expenditures</i>	<u>15,000</u>	<u>107,336</u>	<u>92,336</u>
Other Financing Sources (Uses)			
Transfers in	-	-	-
Transfers out	(613,740)	(613,741)	1
<i>Total Other Financing Sources (Uses)</i>	<u>(613,740)</u>	<u>(613,741)</u>	<u>(1)</u>
<i>Net Change in Fund Balance</i>	(598,740)	(506,405)	92,335
<i>Fund Balance Beginning of Year</i>	741,837	741,836	(1)
<i>Prior Year Adjustment</i>	-	(33,332)	(33,332)
<i>Fund Balance End of Year</i>	<u>\$ 143,097</u>	<u>\$ 202,100</u>	<u>\$ 59,003</u>

City of Poulsbo
Historic Downtown Poulsbo Association Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual
For the Year Ended December 31, 2007

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
Revenues			
Special Assessments	\$ 50,000	\$ 46,952	\$ (3,048)
Gifts and Pledges	25,000	18,328	(6,672)
Interest and Other Earnings	450	1,214	764
Miscellaneous	2,000	-	(2,000)
<i>Total Revenues</i>	<u>77,450</u>	<u>66,494</u>	<u>(10,956)</u>
Expenditures			
Bad Debt Expense	-	-	-
Office & Operating Supplies	2,250	2,419	(169)
Small Tools & Minor Equipment	25,000	13,514	11,486
Professional Services	12,000	14,064	(2,064)
Communication	3,000	8,266	(5,266)
Advertising	19,100	21,856	(2,756)
Insurance	-	1,661	(1,661)
Repairs and Maintenance	16,000	10,120	5,880
Miscellaneous	1,100	733	367
<i>Total Expenditures</i>	<u>78,450</u>	<u>72,634</u>	<u>5,816</u>
<i>Excess of Revenues Over Expenditures</i>	<u>(1,000)</u>	<u>(6,140)</u>	<u>(5,140)</u>
Other Financing Sources (Uses)			
Transfers in	-	-	-
Transfers out	(2,000)	-	2,000
<i>Total Other Financing Sources (Uses)</i>	<u>(2,000)</u>	<u>-</u>	<u>2,000</u>
<i>Net Change in Fund Balance</i>	(3,000)	(6,140)	(3,140)
<i>Fund Balance Beginning of Year</i>	24,283	24,283	-
<i>Prior Year Adjustment</i>	-	-	-
<i>Fund Balance End of Year</i>	<u>\$ 21,283</u>	<u>\$ 18,144</u>	<u>\$ (3,139)</u>

City of Poulsbo
Marine Science Center Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual
For the Year Ended December 31, 2007

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
Revenues			
Community Trade and Economic Development Grant	\$ 229,561	\$ 229,561	\$ -
Interest and Other Earnings	5,000	3,342	(1,658)
<i>Total Revenues</i>	<u>234,561</u>	<u>232,903</u>	<u>(1,658)</u>
Expenditures			
Current:			
Education Service	229,561	229,561	-
Facilities	15,000	7,486	7,514
<i>Total Expenditures</i>	<u>244,561</u>	<u>237,047</u>	<u>7,515</u>
<i>Excess of Revenues Over Expenditures</i>	<u>(10,000)</u>	<u>(4,144)</u>	<u>5,856</u>
Other Financing Sources (Uses)			
Transfers in	10,000	10,000	-
Transfers out	(31,108)	(31,108)	-
<i>Total Other Financing Sources (Uses)</i>	<u>(21,108)</u>	<u>(21,108)</u>	<u>-</u>
<i>Net Change in Fund Balance</i>	(31,108)	(25,252)	5,856
<i>Fund Balance Beginning of Year</i>	<u>144,136</u>	<u>144,136</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ 113,028</u>	<u>\$ 118,884</u>	<u>\$ 5,856</u>

City of Poulsbo
Path and Trails Reserve Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual
For the Year Ended December 31, 2007

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
Revenues			
Interest and Other Earnings	\$ -	\$ 197	\$ 197
Miscellaneous	-	-	-
<i>Total Revenues</i>	<u>-</u>	<u>197</u>	<u>197</u>
Expenditures			
Current:			
Miscellaneous	-	-	-
<i>Total Expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess of Revenues Over Expenditures</i>	<u>-</u>	<u>197</u>	<u>197</u>
Other Financing Sources (Uses)			
Transfers in	935	920	(15)
<i>Total Other Financing Sources (Uses)</i>	<u>935</u>	<u>920</u>	<u>(15)</u>
<i>Net Change in Fund Balance</i>	935	1,117	182
<i>Fund Balance Beginning of Year</i>	<u>5,637</u>	<u>5,637</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ 6,572</u>	<u>\$ 6,755</u>	<u>\$ 183</u>

City of Poulsbo
Drug Enforcement Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual
For the Year Ended December 31, 2007

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
Revenues			
Kitsap County -Westnet Grant	\$ 11,880	\$ 12,377	\$ 497
Interest and Other Earnings	150	318	168
Miscellaneous	-	4,307	4,307
<i>Total Revenues</i>	<u>12,030</u>	<u>17,002</u>	<u>4,972</u>
Expenditures			
Current:			
LIBNET Program	16,190	12,365	3,825
Drug Enforcement Agency	-	1,951	(1,951)
<i>Total Expenditures</i>	<u>16,190</u>	<u>14,317</u>	<u>1,873</u>
<i>Excess of Revenues Over Expenditures</i>	<u>(4,160)</u>	<u>2,686</u>	<u>6,846</u>
Other Financing Sources (Uses)			
Disposal of Capital Assets	-	-	-
<i>Total Other Financing Sources (Uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net Change in Fund Balance</i>	(4,160)	2,686	6,846
<i>Fund Balance Beginning of Year</i>	<u>9,690</u>	<u>9,690</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ 5,530</u>	<u>\$ 12,376</u>	<u>\$ 6,846</u>

City of Poulsbo
Transient Occupancy Tax Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual
For the Year Ended December 31, 2007

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
Revenues			
Hotel/Motel Tax	\$ 75,000	\$ 65,842	\$ (9,158)
Additional 2% Hotel/Motel Tax	75,000	65,842	(9,158)
Interest and Other Earnings	-	2,242	2,242
<i>Total Revenues</i>	<u>150,000</u>	<u>133,926</u>	<u>(16,075)</u>
Expenditures			
Economic Environment			
Spectator and Community Events			-
Administration	75,000	65,842	9,158
Special Events	24,000	89,787	(65,787)
Miscellaneous	76,300	6,784	69,516
<i>Total Expenditures</i>	<u>175,300</u>	<u>162,413</u>	<u>12,887</u>
<i>Excess of Revenues Over Expenditures</i>	<u>(25,300)</u>	<u>(28,487)</u>	<u>(3,187)</u>
Other Financing Sources (Uses)			
Transfers in	-	-	-
Transfers out	-	-	-
<i>Total Other Financing Sources (Uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net Change in Fund Balance</i>	<u>(25,300)</u>	<u>(28,487)</u>	<u>(3,187)</u>
<i>Fund Balance Beginning of Year</i>	<u>61,555</u>	<u>61,555</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ 36,255</u>	<u>\$ 33,068</u>	<u>\$ (3,187)</u>

City of Poulsbo
Police Restricted Funds
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual
For the Year Ended December 31, 2007

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
Revenues			
Sales Tax	\$ 85,000	\$ 106,337	\$ 21,337
Suquamish Indian Tribe Mitigation	-	20,000	20,000
Vessel Registration	10,000	9,481	(519)
Criminal Justice	4,960	7,533	2,573
Interest and Other Earnings	600	3,931	3,331
Miscellaneous	1,000	31,944	30,944
<i>Total Revenues</i>	<u>101,560</u>	<u>179,225</u>	<u>77,665</u>
Expenditures			
Security of Persons & Property			
Domestic Violence Program	1,800	1,580	221
Law Enforcement Sales Tax Program	50,000	46,562	3,438
Other Services	1,000	921	79
<i>Total Expenditures</i>	<u>52,800</u>	<u>49,062</u>	<u>3,738</u>
<i>Excess of Revenues Over Expenditures</i>	<u>48,760</u>	<u>130,163</u>	<u>81,403</u>
Other Financing Sources (Uses)			
Transfers in	-	-	-
Transfers out	(28,000)	(28,000)	-
<i>Total Other Financing Sources (Uses)</i>	<u>(28,000)</u>	<u>(28,000)</u>	<u>-</u>
<i>Net Change in Fund Balance</i>	20,760	102,163	81,403
<i>Fund Balance Beginning of Year</i>	<u>83,066</u>	<u>83,066</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ 103,826</u>	<u>\$ 185,229</u>	<u>\$ 81,403</u>

City of Poulsbo
Miscellaneous Governmental Debt
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual
For the Year Ended December 31, 2007

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
Revenues			
Interest and Other Earnings	\$ -	\$ 421	\$ 421
<i>Total Revenues</i>	<u>-</u>	<u>421</u>	<u>421</u>
Expenditures			
Debt Service:			
Intergovernmental Loan-Principal	84,323	84,323	-
Interest and Related Costs	31,235	31,235	-
<i>Total Expenditures</i>	<u>115,558</u>	<u>115,558</u>	<u>-</u>
<i>Excess of Revenues Over Expenditures</i>	<u>(115,558)</u>	<u>(115,137)</u>	<u>421</u>
Other Financing Sources (Uses)			
Transfers in	110,705	110,705	-
Transfers out	-	-	-
<i>Total Other Financing Sources (Uses)</i>	<u>110,705</u>	<u>110,705</u>	<u>-</u>
<i>Net Change in Fund Balance</i>	<u>(4,853)</u>	<u>(4,432)</u>	<u>421</u>
<i>Fund Balance Beginning of Year</i>	<u>5,201</u>	<u>5,201</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ 348</u>	<u>\$ 769</u>	<u>\$ 421</u>

City of Poulsbo
Non-Voted General Obligation Debt Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual
For the Year Ended December 31, 2007

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
Revenues			
Interest and Other Earnings	\$ 25,000	\$ 42,385	\$ 17,385
Rentals & Leases	6,203	5,317	(886)
<i>Total Revenues</i>	<u>31,203</u>	<u>47,702</u>	<u>16,499</u>
Expenditures			
Debt Service			
General Obligation Bond-Principal	345,000	345,000	-
Interest and Related Costs	280,165	279,815	351
<i>Total Expenditures</i>	<u>625,165</u>	<u>624,815</u>	<u>351</u>
<i>Excess of Revenues Over Expenditures</i>	<u>(593,962)</u>	<u>(577,112)</u>	<u>16,850</u>
Other Financing Sources (Uses)			
Transfers in	618,988	618,988	-
Transfers out	(66,630)	(66,630)	-
<i>Total Other Financing Sources (Uses)</i>	<u>552,358</u>	<u>552,358</u>	<u>-</u>
<i>Net Change in Fund Balance</i>	(41,604)	(24,754)	16,850
<i>Fund Balance Beginning of Year</i>	<u>670,025</u>	<u>670,025</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ 628,421</u>	<u>\$ 645,271</u>	<u>\$ 16,850</u>

City of Poulsbo
Voted General Obligation Debt Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual
For the Year Ended December 31, 2007

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
Revenues			
Property Taxes	\$ 157,915	\$ 149,195	\$ (8,720)
Interest and Other Earnings	-	5,618	5,618
<i>Total Revenues</i>	<u>157,915</u>	<u>154,814</u>	<u>(3,101)</u>
Expenditures			
Debt Service			
General Obligation Bonds-Principal	145,000	145,000	-
Interest and Related Costs	12,914	12,902	12
<i>Total Expenditures</i>	<u>157,914</u>	<u>157,902</u>	<u>12</u>
<i>Excess of Revenues Over Expenditures</i>	<u>1</u>	<u>(3,089)</u>	<u>(3,090)</u>
Other Financing Sources (Uses)			
Transfers in	-	-	-
Transfers out	-	-	-
<i>Total Other Financing Sources (Uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net Change in Fund Balance</i>	1	(3,089)	(3,090)
<i>Fund Balance Beginning of Year</i>	<u>187,097</u>	<u>187,097</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ 187,098</u>	<u>\$ 184,008</u>	<u>\$ (3,090)</u>

City of Poulsbo
Local Improvement District (LID) Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual
For the Year Ended December 31, 2007

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
Revenues			
General property taxes	\$ -	\$ -	\$ -
Interest and Other Earnings	2	1	(1)
Miscellaneous	-	-	-
<i>Total Revenues</i>	<u>2</u>	<u>1</u>	<u>(1)</u>
Expenditures			
Debt			
Debt service costs	-	-	-
<i>Total Expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess of Revenues Over Expenditures</i>	<u>2</u>	<u>1</u>	<u>(1)</u>
Other Financing Sources (Uses)			
Transfers in	-	-	-
Transfers out	-	-	-
<i>Total Other Financing Sources (Uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net Change in Fund Balance</i>	2	1	(1)
<i>Fund Balance Beginning of Year</i>	<u>21</u>	<u>21</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ 23</u>	<u>\$ 22</u>	<u>\$ (1)</u>

City of Poulsbo
Equipment Acquisition Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual
For the Year Ended December 31, 2007

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
Revenues			
Interest and Other Earnings	\$ -	\$ 12,550	\$ 12,550
<i>Total Revenues</i>	-	12,550	12,550
Expenditures			
Small Tools and Minor Equipment			
General Government	31,000	45,460	(14,460)
Security of Persons & Property	8,400	6,994	1,406
Utilities and Environment	14,675	10,664	4,011
Economic Environment	11,675	11,036	639
Culture and Recreation	14,200	13,485	715
Capital Outlay	354,555	144,600	209,955
<i>Total Expenditures</i>	434,505	232,240	202,265
<i>Excess of Revenues Over Expenditures</i>	(434,505)	(219,690)	214,815
Other Financing Sources (Uses)			
Transfers in	224,000	227,145	3,145
Transfers out	(30,000)	(30,000)	-
<i>Total Other Financing Sources (Uses)</i>	194,000	197,145	3,145
<i>Net Change in Fund Balance</i>	(240,505)	(22,545)	217,960
<i>Fund Balance Beginning of Year</i>	391,068	391,069	1
<i>Fund Balance End of Year</i>	<u>\$ 150,563</u>	<u>\$ 368,524</u>	<u>\$ 217,961</u>

City of Poulsbo
Park Reserve Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual
For the Year Ended December 31, 2007

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
Revenues			
Intergovernmental			
Interagency Committee for Outdoor Recreation	\$ 328,175	\$ 122,248	\$ (205,927)
Port of Poulsbo	-	17,000	17,000
Gifts and Pledges	-	759	759
Interest and Other Earnings	-	4,691	4,691
Rental and Lease	6,000	7,976	1,976
<i>Total Revenues</i>	<u>334,175</u>	<u>152,674</u>	<u>(181,501)</u>
Expenditures			
Current:			
Natural Resources	16,980	16,304	676
Administration	150,000	8,402	141,598
Park Facilities:			
Raab Park Restroom	53,625	48,479	5,146
Waterfront Stabilization	118,687	111,020	7,667
Fish Park	200,000	123,964	76,036
Centennial Park (Formerly Morris Park)	30,904	30,163	741
Nelson Park Cabin	-	(980)	980
Ball Fields	50,000	-	50,000
Vinland Comm Fields	40,000	-	40,000
Kvelstad Pavillion Seating	25,000	-	25,000
<i>Total Expenditures</i>	<u>685,196</u>	<u>337,351</u>	<u>347,845</u>
<i>Excess of Revenues Over Expenditures</i>	<u>(351,021)</u>	<u>(184,677)</u>	<u>166,344</u>
Other Financing Sources (Uses)			
Transfers in	506,217	263,067	(243,150)
Transfers out	(470)	(470)	-
<i>Total Other Financing Sources (Uses)</i>	<u>505,747</u>	<u>262,597</u>	<u>(243,150)</u>
<i>Net Change in Fund Balance</i>	154,726	77,920	(76,806)
<i>Fund Balance Beginning of Year</i>	<u>209,171</u>	<u>162,322</u>	<u>(46,849)</u>
<i>Prior Year Adjustment</i>		(2,663)	(2,663)
<i>Fund Balance End of Year</i>	<u>\$ 363,897</u>	<u>\$ 237,579</u>	<u>\$ (126,318)</u>

City of Poulsbo
Library Improvement Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual
For the Year Ended December 31, 2007

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
Revenues			
Interest and Other Earnings	\$ -	\$ 4	\$ 4
<i>Total Revenues</i>	<u>-</u>	<u>4</u>	<u>4</u>
Expenditures			
Current:			
General Government	-	-	-
<i>Total Expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess of Revenues Over Expenditures</i>	<u>-</u>	<u>4</u>	<u>4</u>
Other Financing Sources (Uses)			
Transfers in	-	-	-
Transfers out	-	-	-
<i>Total Other Financing Sources (Uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net Change in Fund Balance</i>	-	4	4
<i>Fund Balance Beginning of Year</i>	<u>103</u>	<u>103</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ 103</u>	<u>\$ 107</u>	<u>\$ 4</u>

City of Poulsbo
Recreation Reserve Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual
For the Year Ended December 31, 2007

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
Revenues			
Donations	\$ -	\$ 825	\$ 825
Interest and Other Earnings	-	96	96
<i>Total Revenues</i>	<u>-</u>	<u>921</u>	<u>921</u>
Expenditures			
Current:			
General Government	-	-	-
<i>Total Expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess of Revenues Over Expenditures</i>	<u>-</u>	<u>921</u>	<u>921</u>
Other Financing Sources (Uses)			
Transfers in	-	-	-
Transfers out	(2,600)	(2,600)	-
<i>Total Other Financing Sources (Uses)</i>	<u>(2,600)</u>	<u>(2,600)</u>	<u>-</u>
<i>Net Change in Fund Balance</i>	(2,600)	(1,679)	921
<i>Fund Balance Beginning of Year</i>	<u>3,066</u>	<u>3,066</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ 466</u>	<u>\$ 1,387</u>	<u>\$ 921</u>

City of Poulsbo
Street Reserve Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual
For the Year Ended December 31, 2007

	<u>Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Revenues			
Indirect Federal Grants	\$ 300,000	\$ 193,887	\$ (106,113)
State Dept of Ecology Grant	-	14,637	14,637
State Dept of Transportation Grant	279,600	218,363	(61,237)
Transportation Improvement Board	3,391,421	1,878,151	(1,513,270)
North Kitsap School District	40,000		(40,000)
Interest and Other Earnings	-	50,268	50,268
<i>Total Revenues</i>	<u>4,011,021</u>	<u>2,355,306</u>	<u>(1,655,715)</u>
Expenditures			
Current:			
State Route 305 Project	4,010,363	2,065,966	1,944,397
Caldart Signal Project	980,000	956,550	23,450
Long Range Tip Planning	22,000	29,804	(7,804)
7th Avenue	451,000	437,797	13,203
Noll Road Improvements	87,000	13,127	73,873
Viking Avenue at Bovela	50,000	1,554	48,446
Viking Avenue at McDonalds	200,000	1,428	198,572
<i>Total Expenditures</i>	<u>5,800,363</u>	<u>3,506,227</u>	<u>2,294,136</u>
<i>Excess of Revenues Over Expenditures</i>	<u>(1,789,342)</u>	<u>(1,150,920)</u>	<u>638,422</u>
Other Financing Sources (Uses)			
Proceeds From Sale of Capital Assets	-	267	267
Transfers in	1,135,983	1,105,620	(30,363)
Transfers out	(36,000)	(36,000)	-
<i>Total Other Financing Sources (Uses)</i>	<u>1,099,983</u>	<u>1,069,887</u>	<u>(30,096)</u>
<i>Net Change in Fund Balance</i>	(689,359)	(81,034)	608,325
<i>Fund Balance Beginning of Year</i>	<u>977,656</u>	<u>1,605,506</u>	<u>627,850</u>
<i>Prior Year Adjustment</i>		(624,318)	(624,318)
<i>Fund Balance End of Year</i>	<u>\$ 288,297</u>	<u>\$ 900,154</u>	<u>\$ 611,857</u>

City of Poulsbo
Park Acquisition Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual
For the Year Ended December 31, 2007

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
Revenues			
Park Mitigation	\$ -	\$ 47,260	\$ 47,260
Interest and Other Earnings	-	6,702	6,702
<i>Total Revenues</i>	-	53,962	53,962
Expenditures			
Current:			
General Government	-	-	-
<i>Total Expenditures</i>	-	-	-
<i>Excess of Revenues Over Expenditures</i>	-	53,962	53,962
Other Financing Sources (Uses)			
Transfers in	-	-	-
Transfers out	(111,974)	(21,974)	(90,000)
<i>Total Other Financing Sources (Uses)</i>	(111,974)	(21,974)	90,000
<i>Net Change in Fund Balance</i>	(111,974)	31,988	143,962
<i>Fund Balance Beginning of Year</i>	159,941	159,941	-
<i>Fund Balance End of Year</i>	<u>\$ 47,967</u>	<u>\$ 191,930</u>	<u>\$ 143,963</u>

City of Poulsbo
Museum Reserve Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual
For the Year Ended December 31, 2007

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
Revenues			
Interest and Other Earnings	\$ 150	\$ 230	\$ 80
Miscellaneous	-	-	-
<i>Total Revenues</i>	<u>150</u>	<u>230</u>	<u>80</u>
Expenditures			
Current:			
General Government	-	-	-
<i>Total Expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess of Revenues Over Expenditures</i>	<u>150</u>	<u>230</u>	<u>80</u>
Other Financing Sources (Uses)			
Transfers in	-	-	-
Transfers out	-	-	-
<i>Total Other Financing Sources (Uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net Change in Fund Balance</i>	150	230	80
<i>Fund Balance Beginning of Year</i>	<u>6,172</u>	<u>6,172</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ 6,322</u>	<u>\$ 6,402</u>	<u>\$ 80</u>

City of Poulsbo
Cemetery Reserve Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual
For the Year Ended December 31, 2007

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
Revenues			
Gravesites	\$ 800	\$ 1,000	\$ 200
Interest and Other Earnings	500	2,555	2,055
Miscellaneous	-	-	-
<i>Total Revenues</i>	<u>1,300</u>	<u>3,555</u>	<u>2,255</u>
Expenditures			
Current:			
General Government	-	-	-
<i>Total Expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess of Revenues Over Expenditures</i>	<u>1,300</u>	<u>3,555</u>	<u>2,255</u>
Other Financing Sources (Uses)			
Transfers in	-	-	-
Transfers out	-	-	-
<i>Total Other Financing Sources (Uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net Change in Fund Balance</i>	1,300	3,555	2,255
<i>Fund Balance Beginning of Year</i>	<u>68,767</u>	<u>68,767</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ 70,067</u>	<u>\$ 72,322</u>	<u>\$ 2,255</u>

City of Poulsbo
City Street Equipment Reserve Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual
For the Year Ended December 31, 2007

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
Revenues			
Interest and Other Earnings	\$ 1,000	\$ 5,084	\$ 4,084
Miscellaneous	-	-	-
<i>Total Revenues</i>	<u>1,000</u>	<u>5,084</u>	<u>4,084</u>
Expenditures			
Capital Outlay-Dump Truck	<u>198,897</u>	<u>97,434</u>	<u>101,463</u>
<i>Total Expenditures</i>	<u>198,897</u>	<u>97,434</u>	<u>101,463</u>
<i>Excess of Revenues Over Expenditures</i>	<u>(197,897)</u>	<u>(92,350)</u>	<u>105,547</u>
Other Financing Sources (Uses)			
Transfers in	41,742	47,827	6,085
Transfers out	-	-	-
<i>Total Other Financing Sources (Uses)</i>	<u>41,742</u>	<u>47,827</u>	<u>6,085</u>
<i>Net Change in Fund Balance</i>	(156,155)	(44,523)	111,632
<i>Fund Balance Beginning of Year</i>	<u>194,829</u>	<u>194,829</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ 38,674</u>	<u>\$ 150,306</u>	<u>\$ 111,632</u>

City of Poulsbo
Facilities Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual
For the Year Ended December 31, 2007

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
Revenues			
Interest and Other Earnings	\$ 100,000	\$ 109,951	\$ 9,951
Miscellaneous	227,360	-	(227,360)
<i>Total Revenues</i>	<u>327,360</u>	<u>109,951</u>	<u>(217,409)</u>
Expenditures			
Capital Outlay			
Municipal Campus Project	12,543,670	536,174	12,007,497
<i>Total Expenditures</i>	<u>12,543,670</u>	<u>536,174</u>	<u>12,007,497</u>
<i>Excess of Revenues Over Expenditures</i>	<u>(12,216,310)</u>	<u>(426,223)</u>	<u>11,790,087</u>
Other Financing Sources (Uses)			
Governmental Obligation Bond Proceeds	7,908,870	-	(7,908,870)
Proceeds From Sale of Capital Assets	1,281,860	-	(1,281,860)
Transfers in	582,190	468,065	(114,125)
Transfers out	-	-	-
<i>Total Other Financing Sources (Uses)</i>	<u>9,772,920</u>	<u>468,065</u>	<u>(9,304,855)</u>
<i>Net Change in Fund Balance</i>	<u>(2,443,390)</u>	<u>41,842</u>	<u>2,485,232</u>
<i>Fund Balance Beginning of Year</i>	<u>2,855,990</u>	<u>2,855,989</u>	<u>(1)</u>
<i>Prior Year Adjustment</i>			
<i>Fund Balance End of Year</i>	<u>\$ 412,600</u>	<u>\$ 2,897,832</u>	<u>\$ 2,485,232</u>

CITY OF POULSBO
Combining Statement-Internal Service Funds' Description
For the Year Ended December 31, 2007

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.

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City of Poulsbo
Combining Statement of Net Assets
Internal Service Funds
December 31, 2007

	Governmental Activities	Business-type Activities		Total
	Medical Reimbursement	General Facilities	Public Works Admin	
Assets				
Current Assets:				
Cash and Cash Equivalents	\$ 1,822	\$ 659	\$ 85,228	\$ 87,708
Investments	128,994	52,511	34,419	215,923
Accounts Receivable	1,475	-	204	1,678
Inventories	-	1,227	-	1,227
<i>Total Current Assets</i>	<u>132,290</u>	<u>54,396</u>	<u>119,850</u>	<u>306,537</u>
Noncurrent assets:				
Investments	-	-	-	-
Capital Assets:				
Land	-	-	-	-
Building and Structures	-	-	-	-
Machinery and Equipment	-	9,000	56,218	65,218
Construction in Progress	-	-	42,424	42,424
Other Improvements	-	-	32,424	32,424
Less Accumulated Depreciation	-	(9,000)	(63,926)	(72,926)
<i>Total Capital Assets (net of accumulated depreciation)</i>	<u>-</u>	<u>-</u>	<u>67,139</u>	<u>67,139</u>
<i>Total Assets</i>	<u>132,290</u>	<u>54,396</u>	<u>186,989</u>	<u>373,676</u>
Liabilities				
Current Liabilities:				
Accounts Payable	-	507	4,096	4,603
<i>Total Current Liabilities</i>	<u>-</u>	<u>507</u>	<u>4,096</u>	<u>4,603</u>
Non Current Liabilities:				
Compensated Absences	-	8,914	34,035	42,948
<i>Total Non Current Liabilities</i>	<u>-</u>	<u>8,914</u>	<u>34,035</u>	<u>42,948</u>
<i>Total Liabilities</i>	<u>-</u>	<u>9,421</u>	<u>38,131</u>	<u>47,551</u>
Net Assets				
Invested in capital assets	-	-	67,139	67,139
Unrestricted	132,290	44,976	81,719	258,985
<i>Total Net Assets</i>	<u>\$ 132,290</u>	<u>\$ 44,976</u>	<u>\$ 148,858</u>	<u>\$ 326,124</u>

City of Poulsbo
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Internal Service Funds
For the Year Ended December 31, 2007

	Governmental	Business-Type		Total
	Activities	Activities		
	Medical Reimbursement	General Facilities	Public Works Admin	
Operating Revenues				
Charges for services	\$ -	\$ 168,095	\$ 890,122	\$ 1,058,216
Miscellaneous	11,803	-	-	11,803
<i>Total operating revenues</i>	<u>11,803</u>	<u>168,095</u>	<u>890,122</u>	<u>1,070,019</u>
Operating Expenses				
Administrative and General	8,220	42,519	861,521	912,260
Depreciation	-	-	3,602	3,602
Operating	-	108,641	-	108,641
<i>Total Operating Expenses</i>	<u>8,220</u>	<u>151,160</u>	<u>865,123</u>	<u>1,024,503</u>
<i>Operating Income (loss)</i>	<u>3,583</u>	<u>16,935</u>	<u>24,999</u>	<u>45,517</u>
Nonoperating Revenues (expenses)				
Interest and other earnings	6,725	1,285	5,193	13,203
Gain (loss) on disposition of capital assets	-	-	-	-
Other non-operating Expense	-	-	-	-
Transfer Out	(67,350)	-	-	(67,350)
<i>Total Nonoperating expense(loss)</i>	<u>(60,625)</u>	<u>1,285</u>	<u>5,193</u>	<u>(54,147)</u>
<i>Change in Net Assets</i>	(57,043)	18,220	30,191	(8,631)
<i>Total Net Assets - beginning</i>	<u>189,333</u>	<u>26,755</u>	<u>116,812</u>	<u>332,900</u>
Prior Year Adjustment	-	-	1,855	1,855
<i>Total Net Assets - ending</i>	<u>\$ 132,290</u>	<u>\$ 44,976</u>	<u>\$ 148,858</u>	<u>\$ 326,124</u>

City of Poulsbo
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended December 31, 2007

	Governmental Activities	Business-Type Activities		Total
	Medical Reimbursement	General Facilities	Public Works Admin	
Cash Flows from Operating Activities				
Receipts from customers and users	\$ 10,860	\$ 168,095	\$ 890,137	\$ 1,069,092
Payments to suppliers for goods and services	-	(75,077)	(446,011)	(521,088)
Payments to employees	(10,089)	(75,012)	(414,385)	(499,486)
<i>Net cash provided (used) by operating activities</i>	<u>771</u>	<u>18,005</u>	<u>29,741</u>	<u>48,518</u>
Cash Flows from Noncapital Financing Activities				
Operating Transfer-In (out)	(67,350)	-	-	(67,350)
<i>Net cash provided by noncapital and related financing financing activities</i>	<u>(67,350)</u>	<u>-</u>	<u>-</u>	<u>(67,350)</u>
Cash Flows from Capital and Related Financing Activities				
Proceeds from sale of assets	-	-	-	-
Purchase of capital assets	-	-	(4,821)	(4,821)
Acquisition and construction of capital assets	-	-	-	-
<i>Net Cash Used By Capital and Related Financing Activities</i>	<u>-</u>	<u>-</u>	<u>(4,821)</u>	<u>(4,821)</u>
Cash Flows from Investing Activities				
Proceeds from sales and maturities of investments	93,140	17,080	311,622	421,842
Purchase of investments	(35,682)	(46,735)	(258,006)	(340,423)
Interest and dividends received	6,725	1,285	5,193	13,203
<i>Net cash used by investing activities</i>	<u>64,182</u>	<u>(28,370)</u>	<u>58,809</u>	<u>94,621</u>
<i>Net increase in cash and cash equivalents</i>	(2,397)	(10,365)	83,729	70,968
<i>Cash and cash equivalents Beginning of Year</i>	<u>4,218</u>	<u>11,023</u>	<u>1,499</u>	<u>16,741</u>
<i>Cash and cash equivalents End of Year</i>	<u>\$ 1,822</u>	<u>\$ 659</u>	<u>\$ 85,228</u>	<u>\$ 87,708</u>
Reconciliation of operating income to net cash provided (used) by operating activities				
Operating Income	3,583	16,935	24,999	45,517
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	-	-	3,602	3,602
(Increase) decrease in accounts receivable	(943)	-	15	(928)
(Increase) decrease in inventories	-	334	-	334
Increase (decrease) in accounts payable	(1,869)	55	1,125	(689)
Increase(decrease) in compensated absences payable	-	682	-	682
<i>Total Adjustments</i>	<u>(2,812)</u>	<u>1,070</u>	<u>4,742</u>	<u>3,001</u>
<i>Net cash provided by operating activities</i>	<u>\$ 771</u>	<u>\$ 18,005</u>	<u>\$ 29,741</u>	<u>\$ 48,518</u>

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CITY OF POULSBO

STATISTICAL SECTION

This part of the City of Poulsbo's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information say about the government's overall financial health. This information is unaudited.

Contents

Financial Trends

- *These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.*

Revenue Capacity

- *These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.*

Debt Capacity

- *These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.*

Demographic and Economic Information

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

Operating Information

- *These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.*

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

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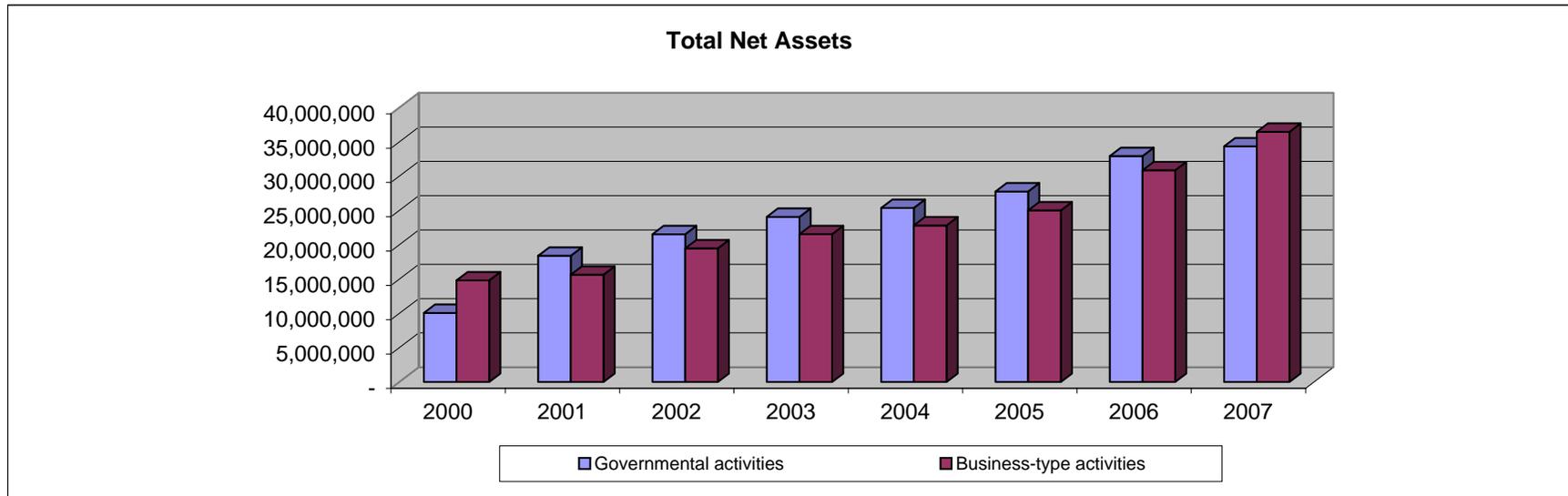
City of Poulsbo

Net Assets by Component

Last Ten Fiscal Years

	<u>2000¹</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Governmental activities								
Invested in capital assets, net of related debt	\$ 4,583,369	\$ 12,850,322	\$ 15,703,725	\$ 16,780,634	\$ 18,857,715	\$ 14,526,547	\$ 21,314,960	\$ 22,927,641
Restricted	791,906	307,815	295,090	293,256	287,739	866,364	974,441	946,843
Unrestricted	4,690,009	5,238,632	5,535,830	6,992,026	6,221,541	12,367,678	10,640,044	10,460,327
Total governmental activities net assets	<u>\$ 10,065,284</u>	<u>\$ 18,396,769</u>	<u>\$ 21,534,645</u>	<u>\$ 24,065,915</u>	<u>\$ 25,366,996</u>	<u>\$ 27,760,589</u>	<u>\$ 32,929,444</u>	<u>\$ 34,334,811</u>
Business-type activities								
Invested in capital assets, net of related debt	\$ 12,729,523	\$ 11,612,215	\$ 15,991,448	\$ 16,641,475	\$ 16,903,395	\$ 17,250,848	\$ 25,702,744	\$ 25,907,276
Restricted	666,500	666,500	595,500	595,000	-	496,499	623,042	491,489
Unrestricted	1,410,257	3,349,596	2,883,550	4,306,333	5,916,001	7,258,373	4,526,032	10,062,161
Total business-type activities net assets	<u>\$ 14,806,280</u>	<u>\$ 15,628,311</u>	<u>\$ 19,470,497</u>	<u>\$ 21,542,808</u>	<u>\$ 22,819,397</u>	<u>\$ 25,005,720</u>	<u>\$ 30,851,818</u>	<u>\$ 36,460,925</u>
Primary government								
Invested in capital assets, net of related debt	\$ 17,312,892	\$ 24,462,537	\$ 31,695,173	\$ 33,422,109	\$ 35,761,110	\$ 31,777,395	\$ 47,017,703	\$ 48,834,917
Restricted	1,458,406	974,315	890,590	888,256	287,739	1,362,863	1,597,483	1,438,331
Unrestricted	6,100,266	8,588,228	8,419,379	11,298,359	12,137,543	19,626,051	15,166,076	20,522,488
Total primary government net assets	<u>\$ 24,871,564</u>	<u>\$ 34,025,080</u>	<u>\$ 41,005,142</u>	<u>\$ 45,608,724</u>	<u>\$ 48,186,392</u>	<u>\$ 52,766,309</u>	<u>\$ 63,781,263</u>	<u>\$ 70,795,736</u>

¹ First year Changes in Net Assets reported.



City of Poulsbo
Changes in Net Assets
Last Ten Fiscal Years

	Fiscal Year							
	2000 ¹	2001	2002	2003	2004	2005	2006	2007
Expenses								
Governmental Activities:								
General government	\$ 1,586,851	\$ 1,397,344	\$ 1,462,979	\$ 1,516,489	\$ 1,530,017	\$ 1,356,943	\$ 1,639,401	\$ 1,729,870
Judicial	281,944	303,704	317,756	265,053	260,744	257,550	272,248	303,106
Security of Persons & Property	1,754,692	1,749,792	1,954,963	1,983,035	1,939,609	2,112,042	2,194,372	2,432,958
Utilities & Environment	413,248	301,774	308,421	593,399	502,815	436,786	502,929	579,460
Transportation	368,843	630,446	758,662	930,344	1,086,014	1,069,701	1,105,132	3,303,834
Economic Environment	342,245	367,099	392,359	446,585	595,488	650,391	751,947	846,131
Mental & Physical Health	4,081	948,433	9,457	9,909	10,767	12,489	12,838	13,489
Culture & Recreation	874,218	8,494	1,071,479	1,142,670	1,196,036	1,273,809	1,381,978	1,820,165
Interest on Long-Term Debt	105,964	138,906	108,317	195,895	161,767	150,670	332,355	323,951
<i>Total Governmental Activities Expenses</i>	<u>5,732,087</u>	<u>5,845,991</u>	<u>6,384,393</u>	<u>7,083,381</u>	<u>7,283,256</u>	<u>7,320,381</u>	<u>8,193,199</u>	<u>11,352,964</u>
Business-Type Activities:								
Water ²	2,416,063	2,274,395	1,961,788	2,070,725	2,096,780	2,195,301	870,959	1,017,582
Sewer	-	-	-	-	-	-	1,368,353	1,518,045
Solid Waste	1,202,177	1,349,846	1,200,968	936,477	870,166	807,384	945,221	1,158,976
Storm Drain	158,747	143,376	146,834	243,174	283,778	323,217	417,209	559,800
<i>Total Business-Type Activities</i>	<u>3,776,986</u>	<u>3,767,617</u>	<u>3,309,590</u>	<u>3,250,377</u>	<u>3,250,724</u>	<u>3,325,902</u>	<u>3,601,742</u>	<u>4,254,402</u>
<i>Total Primary Government Expenses</i>	<u>\$ 9,509,073</u>	<u>\$ 9,613,608</u>	<u>\$ 9,693,982</u>	<u>\$ 10,333,757</u>	<u>\$ 10,533,980</u>	<u>\$ 10,646,283</u>	<u>\$ 11,794,941</u>	<u>\$ 15,607,366</u>
Program Revenues								
Governmental Activities:								
Charges for services	\$ 1,971,470	\$ 1,182,143	\$ 1,293,434	\$ 1,631,658	\$ 1,504,910	\$ 1,668,826	\$ 1,848,447	\$ 2,315,281
Operating grants and contributions	242,441	366,162	387,942	361,691	401,880	453,211	421,073	697,301
Capital grants and contributions	962,810	364,499	2,754,008	2,422,547	1,254,588	1,330,358	3,353,002	3,958,650
<i>Total Governmental Activities Program Revenues</i>	<u>3,176,721</u>	<u>1,912,804</u>	<u>4,435,384</u>	<u>4,415,896</u>	<u>3,161,378</u>	<u>3,452,396</u>	<u>5,622,522</u>	<u>6,971,232</u>
Business-Type Activities:								
Charges for services:								
Water ²	3,128,515	2,832,620	3,216,115	3,390,905	3,250,588	3,449,272	1,261,909	1,278,995
Sewer	-	-	-	-	-	-	1,845,779	1,903,284
Solid Waste	1,236,305	1,205,335	1,171,835	1,078,703	1,094,879	1,149,082	1,213,664	1,236,305
Storm Drain	1,157,797	404,906	474,779	538,291	549,545	602,950	655,959	708,002
Capital grants and contributions	340,597	-	2,456,114	537,062	494,143	-	4,476,680	4,372,821
<i>Total Business-Type Activities Program Revenue</i>	<u>5,863,214</u>	<u>4,442,860</u>	<u>7,318,843</u>	<u>5,544,960</u>	<u>5,389,156</u>	<u>5,201,303</u>	<u>9,453,991</u>	<u>9,499,408</u>
<i>Total Primary Government Program Revenues</i>	<u>\$ 9,039,935</u>	<u>\$ 6,355,664</u>	<u>\$ 11,754,227</u>	<u>\$ 9,960,856</u>	<u>\$ 8,550,534</u>	<u>\$ 8,653,699</u>	<u>\$ 15,076,513</u>	<u>\$ 16,470,639</u>

	Fiscal Year							
	2000 ¹	2001	2002	2003	2004	2005	2006	2007
Net (Expense)/Revenue								
Governmental Activities	\$ (2,555,366)	\$ (3,933,187)	\$ (1,949,009)	\$ (2,667,485)	\$ (4,121,878)	\$ (3,867,985)	\$ (2,570,677)	\$ (4,381,732)
Business-type activities	2,086,228	675,243	4,009,253	2,294,584	2,138,432	1,875,401	5,852,249	5,245,005
<i>Total Primary Government Net Expense</i>	<u>\$ (469,138)</u>	<u>\$ (3,257,944)</u>	<u>\$ 2,060,245</u>	<u>\$ (372,901)</u>	<u>\$ (1,983,446)</u>	<u>\$ (1,992,584)</u>	<u>\$ 3,281,572</u>	<u>\$ 863,273</u>
General Revenues and Other Changes in Net Assets								
Governmental Activities:								
Taxes:								
Property Taxes	\$ 922,365	\$ 1,029,889	\$ 1,092,128	\$ 1,197,063	\$ 1,246,453	\$ 1,590,561	\$ 1,730,490	\$ 1,787,878
Retail Sales & Use Taxes	2,024,723	2,084,348	2,209,167	2,303,764	2,281,822	2,506,720	3,323,801	3,509,621
Utility Taxes	496,975	372,107	-	-	-	6,121	-	-
Business Taxes	764,048	869,086	932,001	949,054	978,923	1,014,777	979,088	1,110,212
Excise Taxes	298,507	268,194	244,399	344,003	477,220	645,992	656,366	739,141
Motor Fuel Taxes	143,159	-	-	-	-	-	-	-
Penalties & Interest	70	366	32	75	-	33	95	-
Investment earnings	393,220	361,457	233,694	126,445	130,220	237,180	718,819	818,379
Gain (loss) on disposal of capital assets	-	(12,656)	2,561	(154)	(79,307)	4,913	865	(6,963)
Permanent Fund Contributions	-	-	1,014	-	-	-	-	-
Specialty Item	-	-	(181,253)	-	-	-	-	-
Transfers	-	-	259,049	264,753	265,918	249,764	246,000	258,251
<i>Total Governmental Activities</i>	<u>5,043,067</u>	<u>4,972,791</u>	<u>4,792,791</u>	<u>5,185,003</u>	<u>5,301,247</u>	<u>6,256,059</u>	<u>7,655,524</u>	<u>8,216,519</u>
Business-Type Activities								
Penalties & Interest	-	-	6	-	-	-	-	-
Investment earnings	227,593	134,787	102,315	36,629	42,439	101,882	239,850	334,691
Gain (loss) on disposal of capital assets	-	12,000	3,005	167	-	(23,633)	-	800
Transfers	-	-	(259,049)	(264,753)	(265,918)	(249,764)	(246,000)	-
<i>Total Business-Type Activities</i>	<u>227,593</u>	<u>146,787</u>	<u>(153,723)</u>	<u>(227,957)</u>	<u>(223,478)</u>	<u>(171,514)</u>	<u>(6,151)</u>	<u>335,491</u>
<i>Total Primary Government</i>	<u>\$ 5,270,661</u>	<u>\$ 5,119,579</u>	<u>\$ 4,639,067</u>	<u>\$ 4,957,046</u>	<u>\$ 5,077,769</u>	<u>\$ 6,084,544</u>	<u>\$ 7,649,373</u>	<u>\$ 8,552,010</u>
Change in Net Assets								
Governmental Activities	\$ 2,487,701	\$ 1,039,604	\$ 2,843,782	\$ 2,517,518	\$ 1,179,370	\$ 2,388,074	\$ 5,084,847	\$ 3,834,787
Business-Type Activities	2,313,821	822,031	3,855,530	2,066,627	1,914,954	1,703,887	5,846,098	5,580,497
<i>Total Primary Government</i>	<u>\$ 4,801,523</u>	<u>\$ 1,861,635</u>	<u>\$ 6,699,312</u>	<u>\$ 4,584,145</u>	<u>\$ 3,094,324</u>	<u>\$ 4,091,961</u>	<u>\$ 10,930,945</u>	<u>\$ 9,415,284</u>

Note:

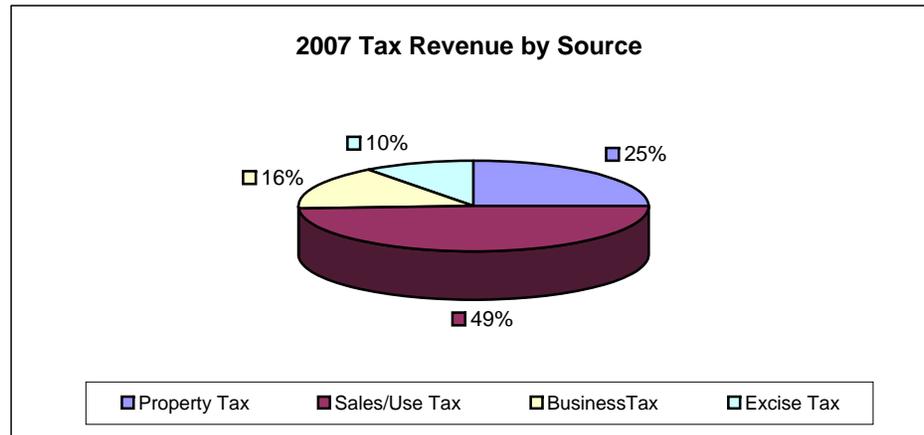
¹ First year Changes in Net Assets reported.

² Water and Sewer activities were reported together until the 2006 CAFR.

City of Poulsbo

Governmental Activities Tax Revenues by Source Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales/Use Tax</u>	<u>BusinessTax</u>	<u>Excise Tax</u>	<u>Total Taxes</u>
1998	\$ 1,534,272	\$ 1,783,006	\$ 336,150	\$ 251,730	\$ 3,905,158
1999	1,641,776	1,950,830	671,527	270,374	4,534,506
2000	1,144,185	2,024,723	764,228	260,152	4,193,287
2001	1,029,889	2,172,814	780,620	268,194	4,251,517
2002	1,092,128	2,317,288	809,756	258,523	4,477,695
2003	1,197,063	2,415,924	820,791	360,105	4,793,883
2004	1,246,453	2,387,791	856,207	493,968	4,984,419
2005	1,590,561	2,641,392	861,489	664,607	5,758,049
2006	1,730,490	3,322,620	980,268	656,366	6,689,744
2007	1,787,878	3,509,621	1,110,212	739,141	7,146,852

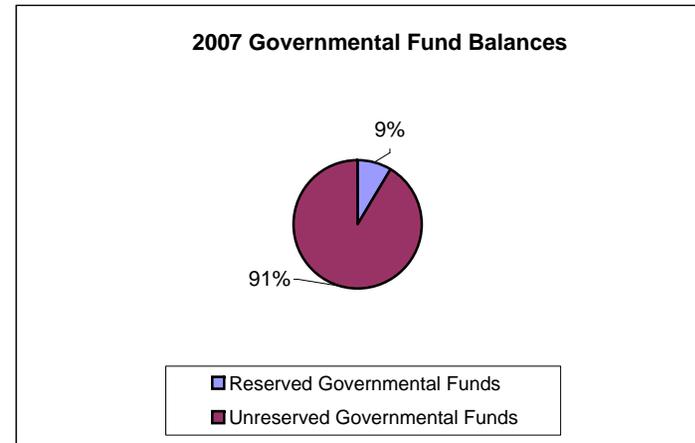
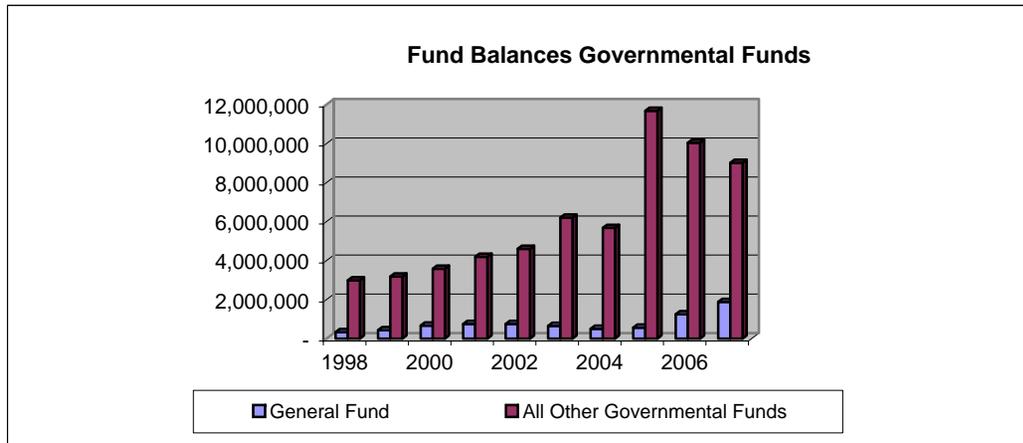


City of Poulsbo

Fund Balances of Governmental Funds Last Ten Fiscal Years

Fiscal Year	General Fund		All Other Governmental Funds			Total All Other Governmental Funds
	Unreserved	Total General Fund	Reserved	Unreserved Special Revenue Funds	Unreserved Capital Projects Funds	
1998	\$ 331,412	\$ 331,412	\$ 451,298	\$ 2,080,248	\$ 452,954	\$ 2,984,500
1999	428,634	428,634	447,173	2,258,464	480,203	3,185,840
2000	665,091	665,091	269,905	2,672,437	641,214	3,583,556
2001	751,962	751,962	96,914	3,221,276	880,087	4,198,277
2002	751,962	751,962	295,090	3,310,231	996,336	4,601,657
2003	652,042	652,042	293,255	3,367,426	2,545,055	6,205,736
2004	505,964	505,964	287,739	3,407,958	1,981,860	5,677,557
2005	561,075	561,075	866,364	3,745,074	7,069,870	11,681,309
2006	1,250,070	1,250,070	974,441	5,224,094	3,842,259	10,040,794
2007	1,880,660	1,880,660	947,612	3,237,757	4,826,542	9,011,912

Note: The City implemented GASB 44 in 2006 and has reported the information above retroactively. Details regarding the City's outstanding debt can be found in the notes to the financial statements.



City of Poulsbo
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years

	Fiscal Year									
	1998	1999	2000 ¹	2001	2002	2003	2004	2005	2006	2007
Revenues										
Taxes	\$ 4,679,549	\$ 5,084,948	\$ 4,637,339	\$ 4,582,872	\$ 4,702,950	\$ 5,053,820	\$ 5,255,334	\$ 5,876,048	\$ 6,828,714	\$ 7,381,362
Licenses and Permits	211,366	193,692	266,589	268,823	333,424	335,050	382,285	614,391	517,095	860,178
Intergovernmental Revenues	1,678,368	3,374,759	1,322,983	581,869	1,506,776	2,554,371	1,151,526	432,120	2,155,192	3,014,360
Charges for Services	1,035,028	1,117,632	1,249,058	1,227,521	1,356,666	1,252,724	1,364,581	2,452,611	1,636,497	1,805,101
Fines	77,798	87,450	84,092	80,325	97,953	236,840	104,859	97,108	108,781	106,704
Investments and Miscellaneous	835,621	548,465	688,804	545,055	396,190	364,906	396,134	226,861	834,687	1,025,336
Total Revenues	8,517,730	10,406,946	8,248,865	7,286,465	8,393,958	9,797,711	8,654,718	9,699,139	12,080,967	14,193,041
Expenditures										
General Government	1,789,143	1,802,789	1,758,393	1,891,095	2,004,640	2,021,993	2,068,988	1,880,437	2,222,182	2,401,891
Security of Persons and Property	3,306,251	3,489,134	1,645,163	1,663,085	1,828,921	1,856,410	1,815,863	2,010,463	2,116,770	2,377,818
Utilities and Environment	376,885	369,917	408,168	445,240	480,445	579,134	479,589	425,839	497,437	566,156
Transportation	342,073	337,741	332,621	489,213	470,602	461,682	604,561	612,296	675,217	2,756,203
Economic Development	298,150	311,956	336,148	360,209	381,475	440,816	572,399	634,263	738,917	839,269
Mental and Physical Health	2,668	2,086	2,052	8,494	9,457	9,909	10,767	12,489	12,838	13,489
Culture and Recreation	827,513	724,506	817,571	851,309	970,598	1,032,864	1,128,611	1,201,711	1,290,717	1,553,747
Capital Outlay	*	*	2,122,805	809,410	2,641,461	3,298,481	2,223,203	1,687,441	4,703,590	2,572,498
Debt Service	694,378	557,544								
Principal	*	*	273,775	329,110	356,427	958,608	348,608	384,323	579,323	574,323
Interest	*	*	105,964	138,906	108,317	195,895	161,767	150,670	332,355	323,951
Total Expenditures	7,637,061	7,595,673	7,802,660	6,986,071	9,252,343	10,855,791	9,414,355	8,999,932	13,169,345	13,979,345
Excess of revenues over (under) expenditures	880,669	2,811,273	446,205	300,394	(858,385)	(1,058,080)	(759,637)	699,207	(1,088,379)	213,696
Other financing sources (uses)										
Net Transfers In (Out)	-	-	15,500	-	38,488	-	58,079	15,260	51,985	67,350
Disposal of Capital Assets	2,617	83,358	14,045	5,260	4,979	3,782	1,878	4,913	865	-
Total other financing sources (uses)	2,617	83,358	29,545	5,260	43,467	3,782	59,957	20,173	52,850	67,350
Net change in fund balances	\$ 883,286	\$ 2,894,631	\$ 475,750	\$ 305,654	\$ (814,918)	\$ (1,054,299)	\$ (699,680)	\$ 719,380	\$ (1,035,529)	\$ 281,046
Debt service as a percentage of noncapital expenditures	*	*	6.69%	7.58%	7.03%	15.28%	7.10%	7.32%	10.77%	7.87%

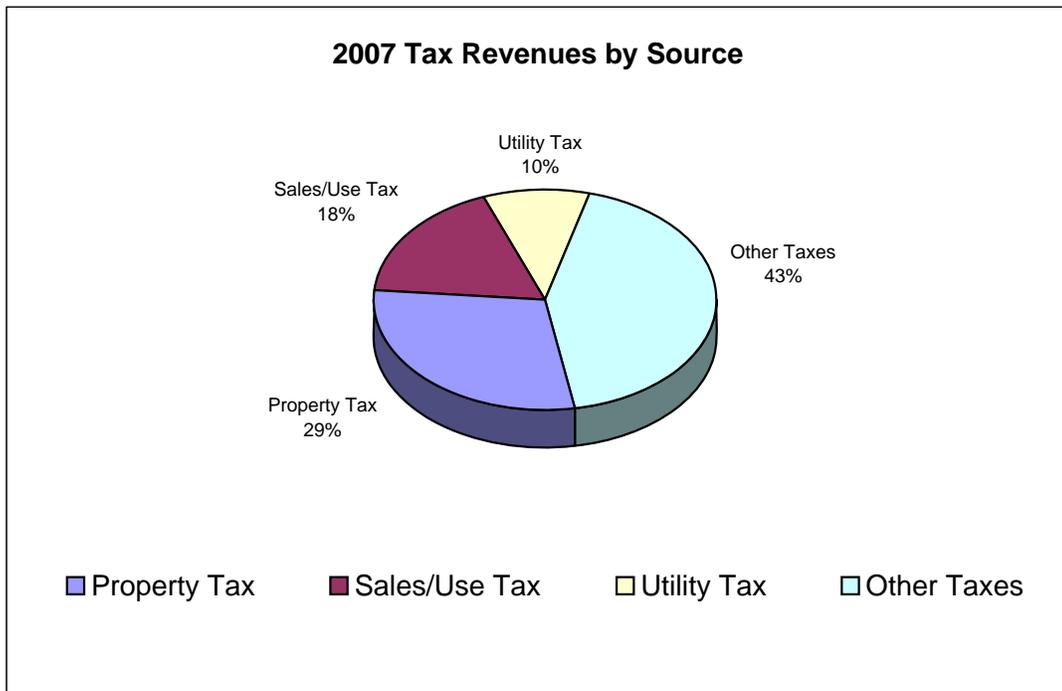
¹Expenditures decreased due to annexation of Fire District #18 at the end of 1999.

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

City of Poulsbo

General Governmental Tax Revenues by Source Last Ten Fiscal Years

Fiscal Year	Property Tax	Sales/Use Tax	Business & Occupation Tax	Other Taxes	Total Taxes
1998	\$ 1,534,272	\$ 1,722,791	\$ 1,075,575	\$ 312,672	\$ 4,645,309
1999	1,641,776	1,870,704	1,135,112	350,651	4,998,243
2000	1,099,096	1,927,434	1,144,813	345,187	4,516,529
2001	1,032,573	2,046,240	1,015,592	356,375	4,450,781
2002	1,090,312	2,191,959	910,785	472,139	4,665,196
2003	1,194,413	2,312,039	931,099	583,586	5,021,137
2004	1,236,814	2,281,754	968,542	728,900	5,216,010
2005	1,570,036	2,413,746	942,396	897,892	5,824,070
2006	1,726,325	3,245,727	1,194,095	657,600	6,823,747
2007	122,254	74,822	42,411	181,008	420,495



City of Poulsbo
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years
(in thousands of dollars)

Fiscal Year Ended December 31	Real Property	Personal Property	Less: Tax Exempt Real Property	Total Taxable Assessed Value¹	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
1998	\$ 409,994,687	\$ 28,266,732	\$ 64,365,379	\$ 373,896,040	14.8502	\$ 408,629,552	91.5
1999	416,872,104	29,751,046	64,283,066	382,340,084	14.7932	429,113,450	89.1
2000	589,744,678	23,831,267	76,838,467	536,737,478	13.7365	600,377,492	89.4
2001	609,434,614	38,229,154	76,722,244	570,941,524	14.1245	648,797,186	88.0
2002	631,605,477	35,662,271	76,893,725	590,374,023	13.8677	670,879,572	88.0
2003	687,861,685	34,377,866	81,937,703	640,301,848	13.5369	743,672,297	86.1
2004	811,445,976	32,598,832	104,902,292	739,142,516	12.9997	849,589,099	87.0
2005	998,820,555	37,296,158	130,764,431	905,352,282	11.3797	1,004,830,502	90.1
2006	1,359,944,770	37,817,375	202,658,963	1,195,103,182	9.5220	1,359,616,817	87.9
2007	1,500,268,177	55,589,284	218,520,151	1,337,337,310	9.1556	1,523,163,223	87.8

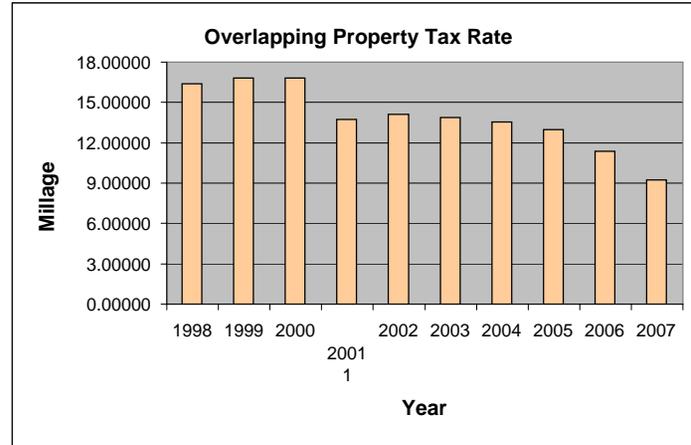
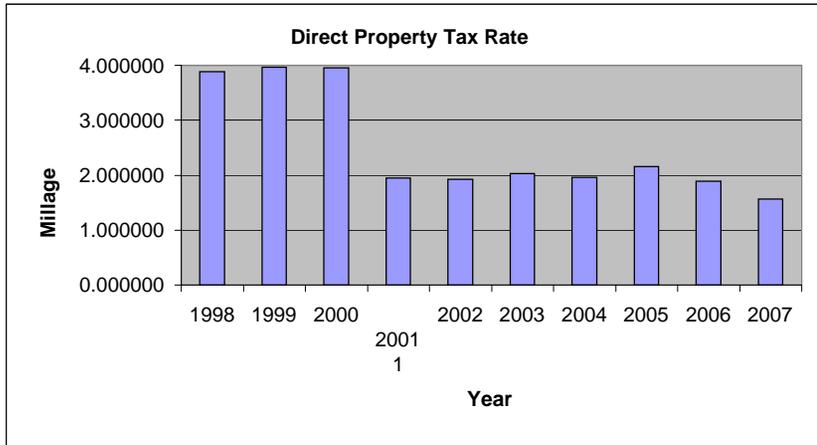
¹ Figure represents current year assessed value payable in following year

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					North Kitsap School District Millage									
	Operating Millage	Debt Service Millage	Total City Millage	Kitsap County Millage	State School Millage	Operating Millage	Debt Millage	Total NK 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	
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	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
2006	1.712171	0.178597	1.890768	1.13108	2.599112	2.145614	1.350892	3.496506	0.30032	1.476351	0.079702	0.361586	0.044297	9.48895	11.37972
2007	1.428017	0.132818	1.560835	0.96251	2.295758	1.749439	1.086231	2.835670	0.24882	1.207881	0.067820	0.030765	0.035021	7.68424	9.24508



¹ Washington State Voter Initiation 747 was passed limiting property taxes for taxing jurisdictions under 10,000 in population to 1% over the previous year's levy
Source: Kitsap County Assessor's Office - Statement of Assessments

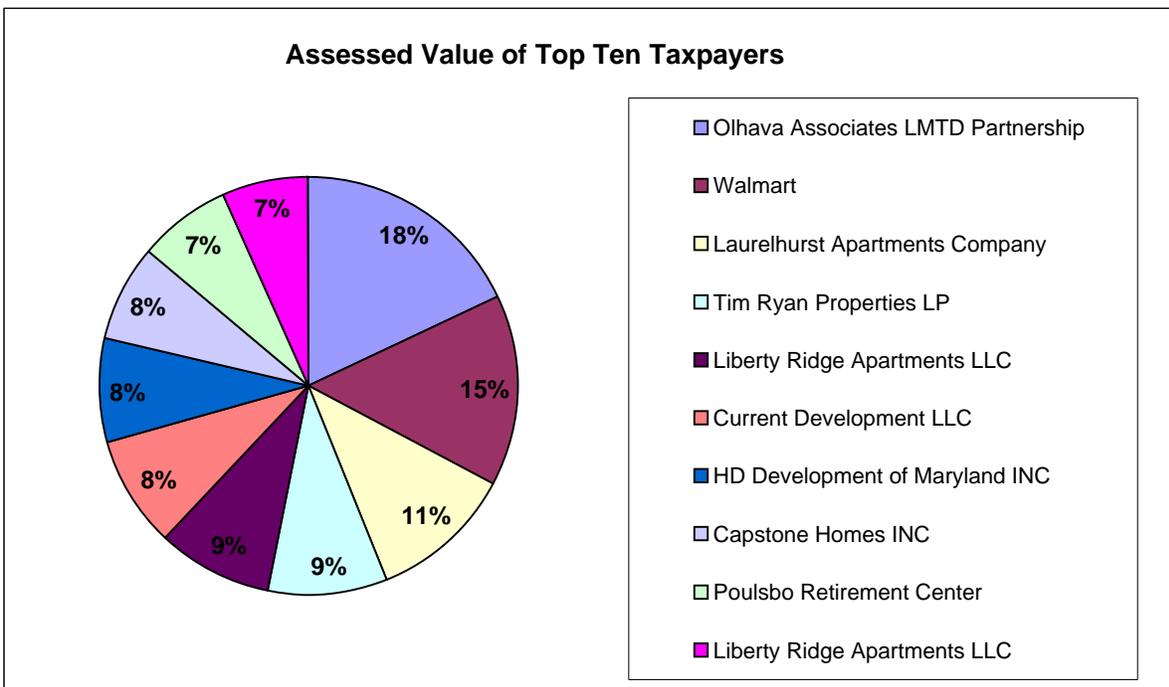
City of Poulsbo

Principal Taxpayers
Current Year and Nine Years Ago

Taxpayer	2007			2001		
	2007 Assessed Valuation	Rank	Percentage of Total Assessed Valuation	2001 Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Oihava Associates LMTD Partnership	\$ 26,685,920	1	2.00%	\$ 9,324,000	2	1.63%
Walmart	21,634,250	2	1.62%			0.00%
Laurelhurst Apartments Company	16,078,200	3	1.20%			0.00%
Tim Ryan Properties LP	13,412,580	4	1.00%	10,983,000	4	1.92%
Liberty Ridge Apartments LLC	13,225,420	5	0.99%			0.00%
Current Development LLC	12,424,930	6	0.93%	7,855,000	5	1.38%
HD Development of Maryland INC	11,882,080	7	0.89%			0.00%
Capstone Homes INC	11,263,410	8	0.84%			0.00%
Poulsbo Retirement Center	10,325,700	9	0.77%	9,260,000	3	1.62%
Liberty Ridge Apartments LLC	9,929,360	10	0.74%			0.00%
Tim Ryan Enterprises				10,983,000	1	1.92%
Hattaland				7,758,000	6	1.36%
Puget Sound Energy				7,219,188	7	1.26%
SFI LP				6,532,000	8	1.14%
PLB Associates LP				4,868,000	9	0.85%
Liberty Bay Marina LLC				4,747,000	10	0.83%
TOTALS:	\$ 146,861,850		10.98%	\$ 79,529,188		13.93%

Source: Kitsap County Assessor's Office

Note: The most recent year available for comparison is shown.



City of Poulsbo

Property Tax Levies and Collections

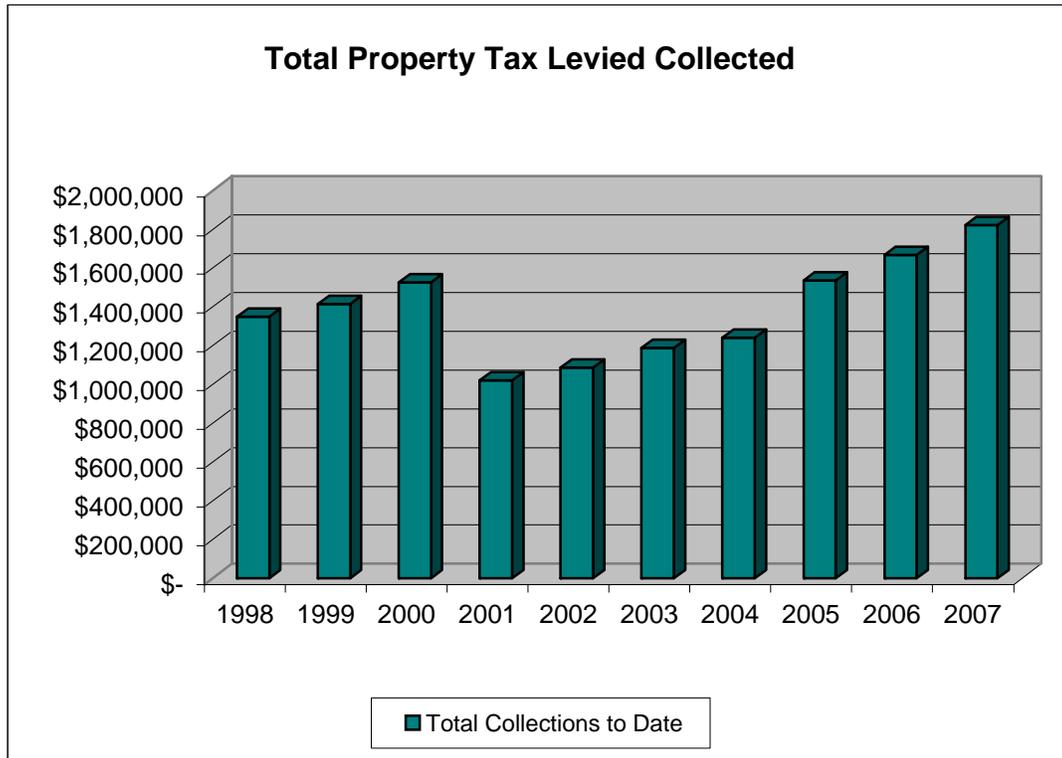
2001 - 2007

Fiscal Year	Total Tax Levy	Collected within the Fiscal Year of the Levy		Delinquent Tax Collected	Total Collections to Date		Outstanding Delinquent Taxes (ODT)	ODT As % of Current Levy
		Amount	% of Levy		Amount	% of Levy		
1998	\$ 1,349,287	\$ 1,339,354	99.26%	\$ 9,467	\$ 1,348,821	99.97%	\$ 466	0.03%
1999	1,415,208	1,384,456	97.83%	29,637	1,414,093	99.92%	1,115	0.08%
2000	1,526,899	1,475,900	96.66%	49,726	1,525,626	99.92%	1,273	0.08%
2001 ¹	1,022,115	995,531	97.40%	25,814	1,021,345	99.92%	769	0.08%
2002	1,087,786	914,690	84.09%	171,687	1,086,377	99.87%	1,409	0.13%
2003	1,190,499	1,169,635	98.25%	19,017	1,188,652	99.84%	1,846	0.16%
2004	1,241,641	1,221,213	98.35%	18,949	1,240,162	99.88%	1,479	0.12%
2005	1,539,340	1,550,699	100.74%	(13,829)	1,536,871	99.84%	2,469	0.16%
2006	1,672,273	1,685,921	100.82%	(19,334)	1,666,587	99.66%	5,686	0.34%
2007	1,850,622	1,820,831	98.39%	*	1,820,831	98.39%	29,791	1.61%

¹ Washington State Voter Initiation 747 was passed limiting property taxes for taxing jurisdictions under 10,000 in population to 1% over the previous year's levy

*Data not yet available as of publishing date

Source: Kitsap County Assessor's Office



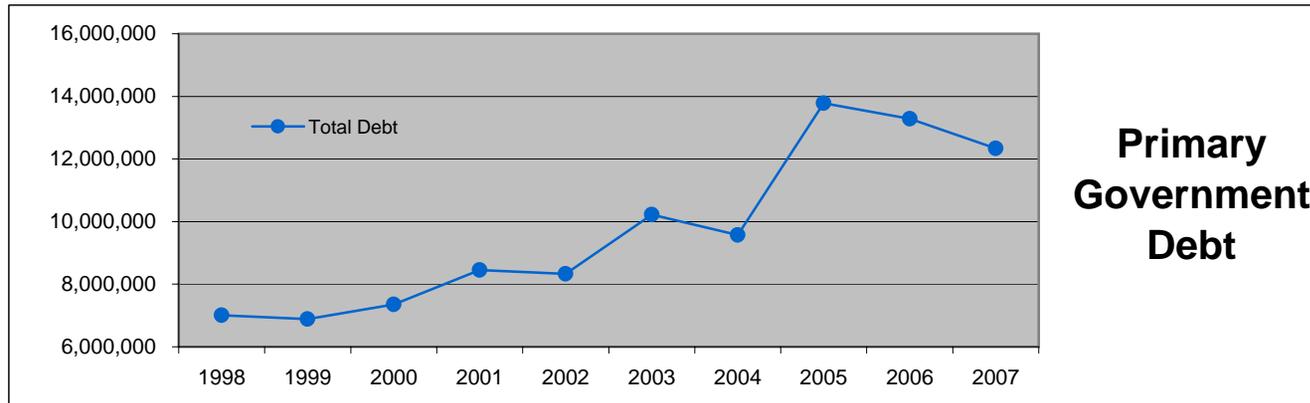
City of Poulsbo

Ratios of Outstanding Debt by Type Last Ten Fiscal Years

Fiscal Year	Governmental Activities		Business-Type Activities			Total Primary Government	Percentage of Personal Income ¹	Per Capita ¹
	General Obligation Bonds	PWTF Loans	Water Bonds	Sewer Bonds	PWTF Loans			
1998	\$ 1,170,000	\$ -	\$ 1,053,800	\$ 4,786,200	\$ -	\$ 7,010,000	4.13%	\$ 1,064
1999	1,155,000	-	1,050,500	4,679,500	-	6,885,000	3.94%	1,068
2000	1,050,000	-	1,047,200	4,567,800	687,716	7,352,716	3.83%	1,131
2001	940,000	1,374,570	1,043,900	4,451,100	641,868	8,451,438	3.95%	1,213
2002	1,080,000	1,302,224	1,036,200	4,313,800	596,021	8,328,245	3.73%	1,189
2003	3,301,261	1,279,878	1,005,400	4,089,600	550,173	10,226,313	4.43%	1,459
2004	3,025,000	1,207,533	973,500	3,856,500	504,325	9,566,858	3.89%	1,329
2005	7,465,000	1,155,344	974,380	3,729,620	458,477	13,782,822	5.17%	1,850
2006	7,415,000	1,071,021	933,900	3,451,100	412,630	13,283,651	--	1,774
2007	6,925,000	986,698	893,200	3,166,800	366,782	12,338,480	--	1,632

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

¹ See the Schedule of Demographic and Economic Statistics on for personal income and population data.



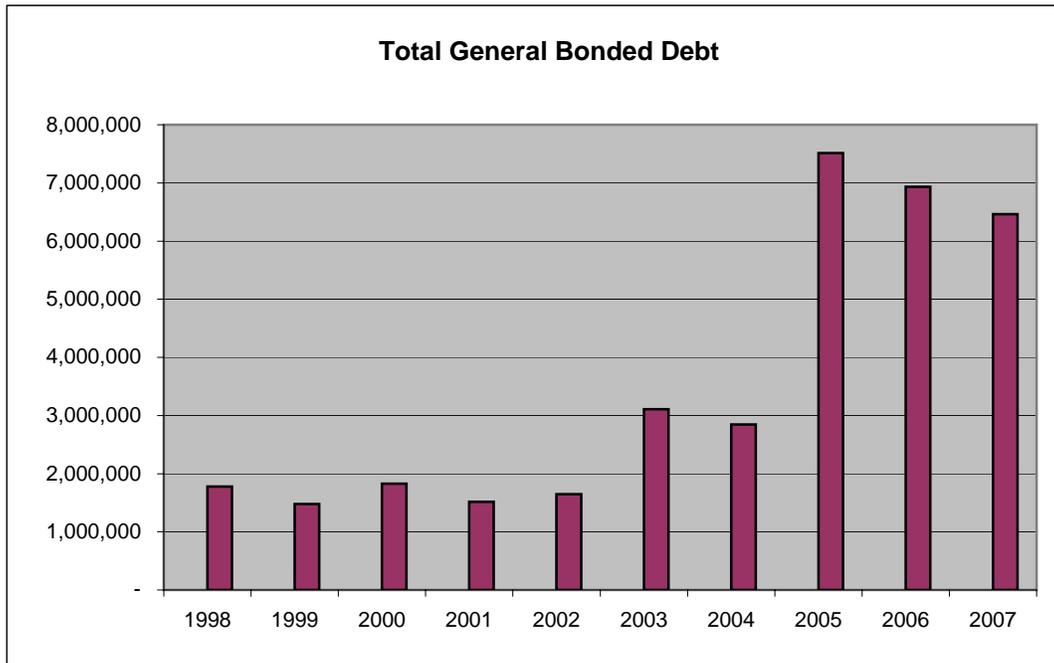
City of Poulsbo
 Ratios of General Bonded Debt Outstanding
 Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value ¹ of Property	Per Capita ²
1998	\$ 1,963,425	\$ 187,401	\$ 1,776,024	0.43%	\$ 270
1999	1,655,414	177,849	1,477,565	0.34%	229
2000	2,011,683	184,248	1,827,435	0.30%	281
2001	1,697,888	184,248	1,513,640	0.23%	217
2002	1,842,523	197,100	1,645,423	0.25%	235
2003	3,301,261	193,028	3,108,233	0.42%	443
2004	3,025,000	179,043	2,845,957	0.33%	395
2005	7,910,000	395,506	7,514,494	0.75%	1,009
2006	7,415,000	483,345	6,931,655	0.51%	925
2007	6,925,000	463,990	6,461,010	0.42%	855

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

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

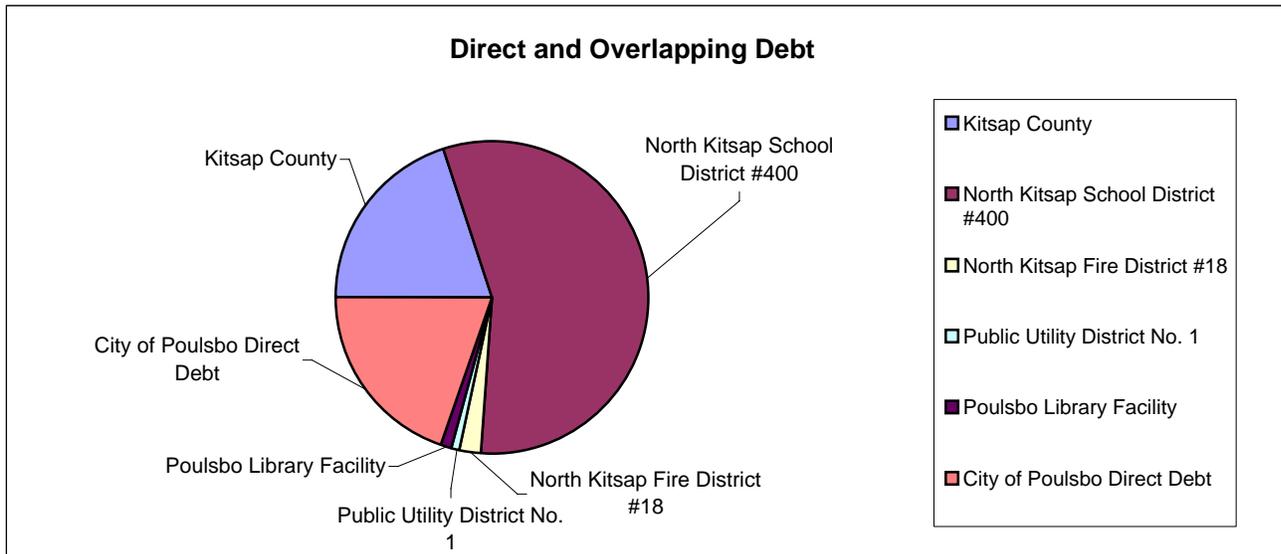
² Population data can be found in the Schedule of Demographic and Economic Statistics.



City of Poulsbo

Direct and Overlapping Governmental Activities Debt
As of December 31, 2007

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable ¹	Estimated Share of Overlapping Debt
Kitsap County	\$ 109,010,000	4.10%	\$ 4,464,718
North Kitsap School District #400	67,240,000	18.57%	12,487,019
North Kitsap Fire District #18	1,495,000	36.03%	538,695
Public Utility District No. 1	4,295,000	4.10%	175,910
Poulsbo Library Facility	780,000	27.65%	215,667
<i>Subtotal, Overlapping Debt</i>			17,882,008
City of Poulsbo Direct Debt	4,426,782	100%	4,426,782
Total Direct and Overlapping Debt			\$ 22,308,790



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

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

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

City of Poulsbo

Legal Debt Margin Information

Last Ten Fiscal Years

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Debt Limit	\$ 30,986,617	\$ 33,500,805	\$ 47,823,513	\$ 42,820,614	\$ 44,278,052	\$ 48,022,639	\$ 55,435,689	\$ 67,901,421	\$ 89,632,739	\$ 100,300,298
Total net debt applicable to limit	2,080,883	1,767,565	2,102,435	1,761,050	1,485,423	3,108,233	3,204,043	7,514,494	6,931,655	6,461,010
Legal debt margin	<u>\$ 28,905,734</u>	<u>\$ 31,733,240</u>	<u>\$ 45,721,078</u>	<u>\$ 41,059,564</u>	<u>\$ 42,792,629</u>	<u>\$ 44,914,406</u>	<u>\$ 52,231,646</u>	<u>\$ 60,386,928</u>	<u>\$ 82,701,084</u>	<u>\$ 93,839,288</u>
Total net debt applicable to the limit as a percentage of debt limit	6.72%	5.28%	4.40%	4.11%	3.35%	6.47%	5.78%	11.07%	7.73%	6.44%

Legal Debt Margin Calculation for Fiscal Year 2007

Assessed value	1,337,337,310
Debt limit (7.5% of total assessed value)	100,300,298
Debt applicable to limit:	
General obligation bonds	6,925,000
Less: Amount set aside for repayment of GO Debt	<u>(463,990)</u>
Total net debt applicable to limit	<u>6,461,010</u>
Legal debt margin	<u>\$ 93,839,288</u>

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

City of Poulsbo

Pledged-Revenue Coverage
Last Ten Fiscal Years

Fiscal Year	Water and Sewer Revenue Bonds					
	Charges for Services & Other	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
1998	\$ 2,213,899	\$ 1,603,001	\$ 610,898	\$ 1,671,654	\$ 382,794	30%
1999	3,420,717	1,906,753	1,513,964	305,154	330,566	238%
2000	3,730,952	1,848,390	1,882,562	320,848	314,897	296%
2001	3,764,982	3,068,473	696,509	330,848	298,067	111%
2002	4,512,468	1,475,961	3,036,507	285,848	282,252	535%
2003	4,859,258	1,599,149	3,260,109	300,848	268,574	573%
2004	5,689,568	1,446,543	4,243,025	310,848	255,104	750%
2005	6,093,239	5,487,448	605,791	3,305,848 ¹	226,266	17%
2006	3,108,704	2,195,044	913,660	364,848	210,721	159%
2007	3,182,279	2,355,900	826,379	325,000	177,073	165%

Note: Details regarding the government's outstanding debt can be found in the notes to the financial statements. Charges for services and other includes plan checking fees but not tap fees and interest. Operating Expenses include depreciation but not interest.

¹ In 2005, A portion of the 1998 Revenue Bonds were refunded.

City of Poulsbo

Demographic Statistics

Last Ten Fiscal Years

FISCAL YEAR	POPULATION	PERSONAL INCOME ¹	PER CAPITA INCOME*	UNEMPLOYMENT RATE**	SCHOOL ENROLLMENT***
1998	6,590	\$ 169,583	\$ 25,842	4.5%	6,954 ²
1999	6,445	174,907	27,159	4.6%	3,325
2000	6,500	192,026	29,490	5.0%	3,507
2001	6,965	214,027	30,547	6.0%	3,365
2002	7,005	223,120	31,339	6.7%	3,405
2003	7,010	230,911	32,558	6.7%	3,433
2004	7,200	246,182	34,101	5.8%	3,324
2005	7,450	266,583	35,616	5.1%	3,367
2006	7,490	--	--	4.8%	3,524
2007	7,560	--	--	4.4%	3,330

City of Poulsbo

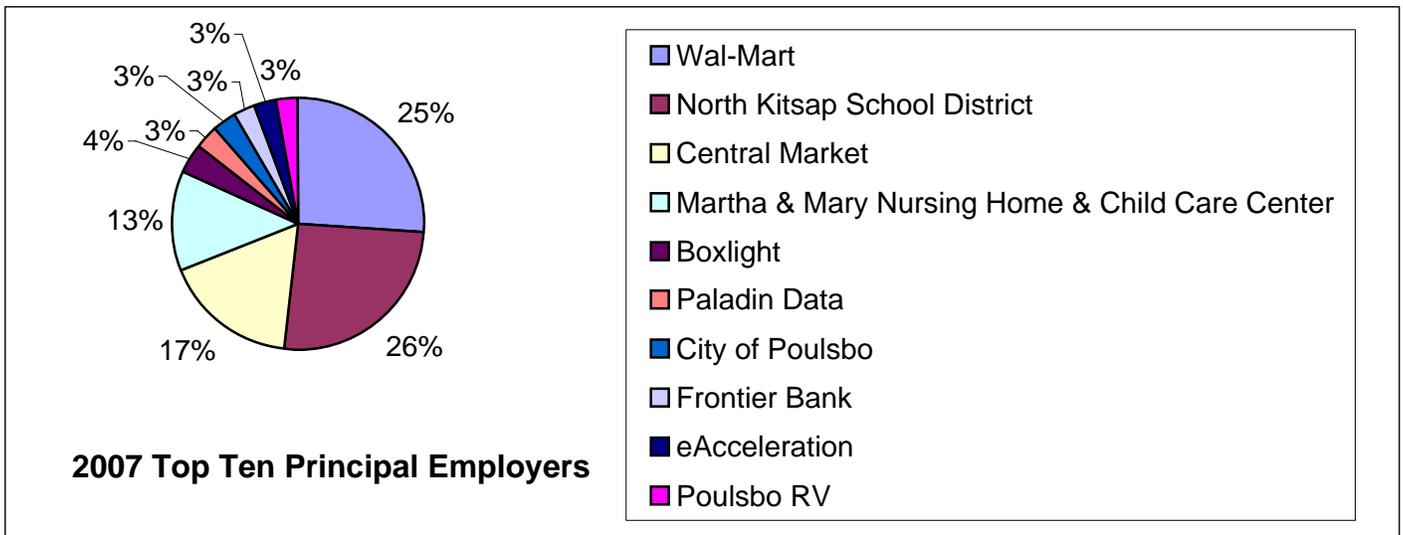
Principal Employers
Current Year and Seven Years Ago

EMPLOYER	2007			2000 ¹		
	TOTAL EMPLOYEES ²	Rank	Percentage of Total City Employment	TOTAL EMPLOYEES ²	Rank	Percentage of Total City Employment
Walmart	598	1	11.46%	-	-	-
North Kitsap School District	590	2	11.30%	873	1	21.38%
Central Market	396	3	7.59%	350	2	8.57%
Martha & Mary Nursing Home	293	4	5.61%	276	3	6.76%
Boxlight	91	5	1.74%	97	9	2.38%
Paladin Data Systems, Corp	68	6	1.30%	-	-	-
City of Poulsbo	68	7	1.30%	99	7	2.42%
Frontier Bank	66	8	1.26%	99	8	2.42%
eAcceleration	65	9	1.25%	-	-	-
Poulsbo RV	63	10	1.21%	-	-	-
Olympic Resource Mgmt.	-	-	-	75	10	1.84%
Raytheon Systems	-	-	-	200	4	4.90%
Courtesy Chevrolet	-	-	-	200	5	4.90%
EDS Corporation*	-	-	-	175	6	4.29%
TOTALS:	<u>2,298</u>		<u>44.02%</u>	<u>2,444</u>		<u>59.84%</u>

¹ First year the Kitsap Economic Development Council began tracking employment.

² Only full-time employees are tracked.

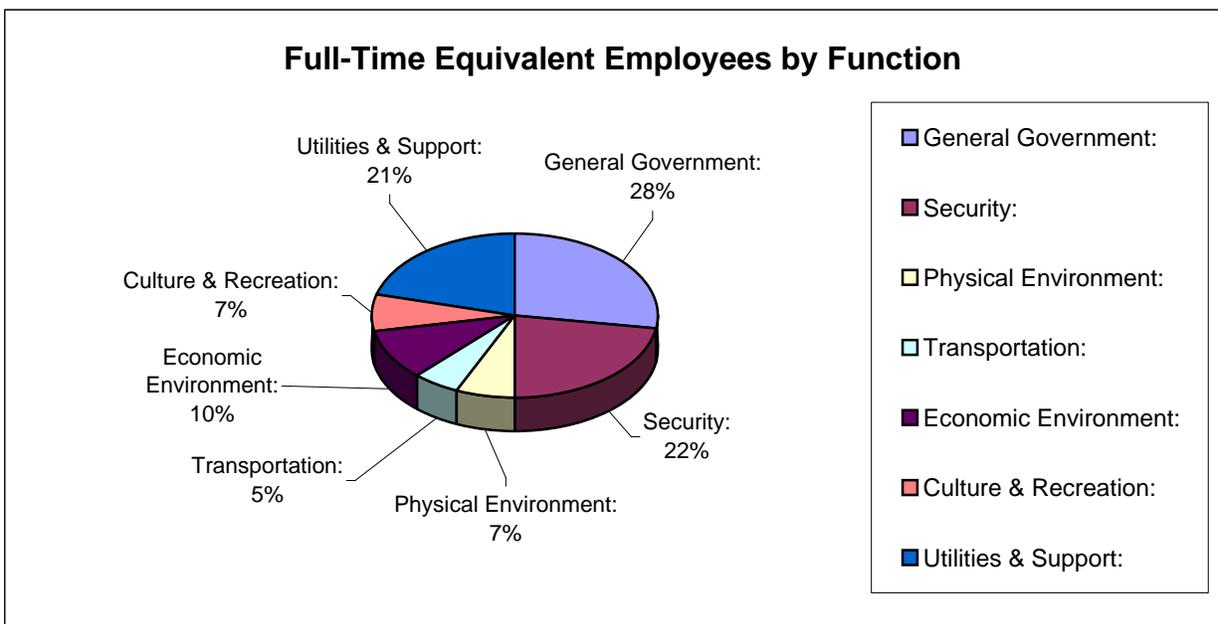
Source: Kitsap Economic Development Council Survey
State of Washington Labor & Industries



City of Poulsbo

Full-Time Equivalent City Government Employees by Function
As of December 31, 2007

<u>Function</u>	<u>2007 FTE's</u>
General Government:	
Executive (Mayor)	1.63
Clerk's Department	4.00
Finance Department	7.00
Grant Writer	0.40
Municipal Court	3.90
Information Services	1.00
Personnel	1.00
Central Services & Library	2.50
Parks & Cemetery	3.25
Security:	20.00
Physical Environment:	6.00
Transportation:	4.70
Economic Environment:	9.00
Culture & Recreation:	6.42
Utilities & Support:	2.90
Water	3.15
Sewer	3.55
Solid Waste	2.95
Storm Drain	1.00
General Facilities	5.00
Administration	5.00
TOTALS:	<u><u>89.35</u></u>



CITY OF POULSBO
 OPERATING INDICATORS BY FUNCTION
 Last Ten Fiscal Years

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Governmental Functions										
General Government Other										
Number of Unions Represented	2	2	2	2	2	2	2	2	2	2
Number of passports processed	500	907	1,110	1,155	993	878	858	806	1,119	1,024
Number of City Council meetings	48	37	39	38	38	40	37	38	42	40
Number of public records requests processed	*	*	*	*	*	*	56	57	44	73
Public Safety										
Number of case reports filed	2,291	2,018	1,987	1,889	1,769	1,753	1,611	1,586	1,998	2,090
Number of citations issued	2,537	2,147	2,044	2,262	2,648	2,321	2,191	2,162	2,167	2,325
Number of calls for service	10,003	10,086	9,644	9,302	9,926	10,039	10,458	11,229	13,374	12,942
Transportation										
Miles of streets maintained	*	*	*	30	30	32	35	37	39	45
Miles of sidewalks maintained	*	*	*	*	*	*	42	42	44	47
Number of hours spent street sweeping	*	*	*	30	396	420	420	490	546	550
Number of street signs maintained	1,562	889	895	900	910	1,213	1,553	1,805	1,875	2,174
Culture and Recreation										
Number of parks maintained	12	12	12	12	12	13	16	16	16	16
Total acreage of parks/open space maintained	47	47	47	48	48	48	48	61	64	64
Economic Environment										
Number of single family building permits issued	*	49	87	94	103	100	132	75	95	267
Number of commercial building permits	*	3	3	32	50	30	53	40	17	86
Number of all other building permits	*	*	*	*	*	*	*	*	*	117
Physical Environment										
Number of Right of Way Permits issued	*	*	*	*	*	35	37	47	53	55
Number of Land Use Applications reviewed	*	*	*	*	*	52	97	108	96	100
Number of grading/site construction permits/applications	*	*	*	*	*	*	*	20	19	10

CITY OF POULSBO
 OPERATING INDICATORS BY FUNCTION
 Last Ten Fiscal Years

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Physical Environment (continued)										
Number of lots reviewed for commercial sites land application	*	*	*	*	*	*	*	9	6	10
Number of lots reviewed for residential sites land applications	*	*	*	*	*	*	*	217	1,189	500
Business-Type Functions										
Total Number of Employees	26	26	26	26	26	26	27	27	30	29
Water										
Number of active water services	*	*	2,247	2,428	2,412	3,495	2,674	2,707	2,820	2,990
Miles of watermain lines maintained	44	45	45	45	47	53	57	58	60	61
Average number of water meters read monthly	*	*	2,188	2,195	2,412	2,433	2,554	2,663	2,758	3,051
Sewer										
Number of active sewer services	*	*	2,123	2,502	2,349	2,600	2,525	2,561	2,631	2,778
Miles of sewermain lines maintained	*	*	*	27	27	28	31	31	32	33
Number of pump stations maintained	*	*	7	7	7	8	8	8	8	9
Solid Waste										
Number of residential garbage accounts	1,562	1,620	1,711	1,770	1,990	2,129	2,217	2,273	2,310	2,430
Number of multi-family garbage accounts	*	1,004	1,016	1,016	1,016	1,012	1,016	1,030	1,038	1,012
Number of dumpster accounts	168	168	184	181	182	182	192	224	229	201
Number of tons of waste to landfill	4,698	4,942	5,096	5,054	5,221	4,878	5,181	5,200	5,690	5,700
Number of 3 day free dumpsters for residential clean-up provided	*	*	*	*	341	393	420	363	326	350
Storm Drain										
Number of detention ponds maintained	*	10	10	12	13	20	20	22	29	29

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

CITY OF POULSBO
 Capital Assets Statistics by Function
 Last Nine Fiscal Years

	1999	2000	2001	2002	2003	2004	2005	2006	2007
Governmental Functions									
General Government									
Number of City Vehicles (not listed below)	*	*	*	*	*	*	*	15	3
Generators	*	*	*	*	*	*	*	1	-
Public Safety									
Number of police vehicles								24	23
Number of police boats	*	*	1	1	1	1	1	1	1
Transportation									
Number of Vehicles (not specified below)									6
Number of Street Sweepers	1	1	1	1	1	1	1	1	1
Number of Dump Trucks	7	8	8	8	8	8	8	8	4
Miles of streets			30	30	32	35	37	39	39
Number of Traffic Signals	7	8	8	8	8	8	8	8	9
Number of bridges	-	-	1	1	1	1	1	1	1
Culture and Recreation									
Number of vehicles	*	*	*	1	1	1	1	1	1
Neighborhood parks	*	*	*	*	2	3	3	3	3
Community parks	*	*	*	*	11	13	13	13	13
Indoor recreational facilities	1	1	1	1	1	1	1	1	1
Economic Environment									
Number of Planning vehicles	*	*	*	*	*	1	1	1	1
Physical Environment									
Number of Engineering vehicles	*	*	*	*	*	*	3	4	4

CITY OF POULSBO
 Capital Assets Statistics by Function
 Last Nine Fiscal Years

	1999	2000	2001	2002	2003	2004	2005	2006	2007
<u>Business-Type Functions</u>									
Water									
Generators	2	2	2	2	2	2	2	2	2
Miles of water mains	45	45	45	47	53	57	58	58	60
Number of vehicles	*	*	*	*	*	*	*	4	4
Number of construction vehicles	*	*	*	*	*	*	*	4	3
Number of hydrants	*	*	*	*	*	*	*	299	315
Sewer									
Generators	*	*	*	*	*	*	*	3	3
Number of vehicles	*	*	*	*	*	*	*	4	4
Number of construction vehicles	*	*	*	*	*	*	*	3	3
Number of Vacuum Trucks	1	1	1	1	1	1	1	1	1
Sewer inspection camera	*	*	*	1	1	1	1	1	1
Treatment plants	*	7	7	7	8	8	8	8	8
Miles of sewer mains	*	*	27	27	28	31	31	31	33
Solid Waste									
Number of garbage trucks	*	*	*	*	*	4	4	5	5
Storm Drain									
Number of vehicles	*	*	*	*	*	*	*	2	2
Number of Vacuum Trucks	-	-	-	-	-	1	1	1	1

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

