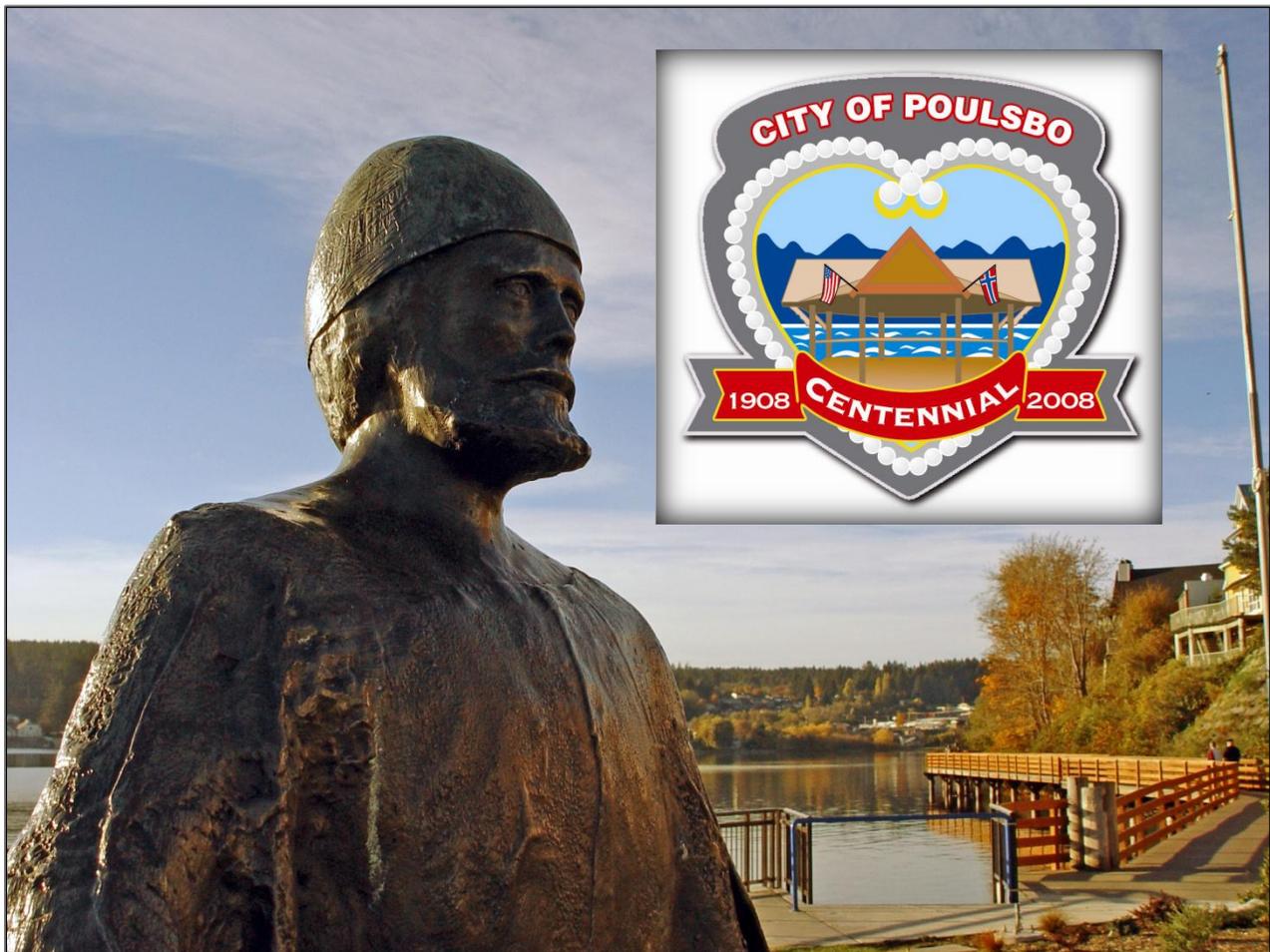


City of Poulsbo, Washington
Comprehensive Annual Financial Report



For the fiscal year ended December 31, 2008

Cover Photo: 2008 marks the City's Centennial Celebration. On the cover is a special City logo that was created to symbolize the event. The statue of the "Viking" is located in Liberty Bay Park on the waterfront of historic downtown Poulso. (A boardwalk takes walkers to neighboring American Legion Park). The "Viking" is in memory of Maurice Lindvig, City Mayor from 1969 to 1976, and was constructed in 1979 by Phillip Levine.

**CITY OF POULSBO
WASHINGTON**

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

For the fiscal year ended

December 31, 2008

Finance Director
Deborah Booher

PREPARED BY

THE CITY FINANCE TEAM:

Finance Director
Deborah Booher

Accounting Manager
Jana Brown

Accounting Technician
Leticia Fee

Accounting Technician
Sandi Nannery

Accounting Technician
Sarah Salter

Accounting Technician
Linda Shaw

Accounting Technician
Kelly Ziemann

Accounting Clerk
Trina Lee

Administrative Assistant
Dawn Hamrick

For comments or questions, contact
City of Poulsbo, Finance Department
360.779.3901

TABLE OF CONTENTS

<u>INTRODUCTORY SECTION</u>	<u>PAGE</u>
Letter of Transmittal	1
GFOA Certificate of Achievement for Excellence in Financial Reporting	11
Organization Chart.....	12
City of Poulsbo Principal Officials	13
 <u>FINANCIAL SECTION</u>	
Independent Auditor’s Report.....	15
Management’s Discussion and Analysis.....	17
 <i><u>Basic Financial Statements</u></i>	
Government-Wide Financial Statements:	
Statement of Net Assets	33
Statement of Activities.....	34
Fund Financial Statements:	
Balance Sheet – Governmental Funds	36
Reconciliation of Governmental Fund Balances to the Net Assets of Governmental Activities.....	37
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	38
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the Statement of Activities	39
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual: General Fund	40
Statement of Net Assets – Proprietary Funds	42
Statement of Revenues, Expenses, and Changes in Net Assets – Proprietary Funds	43
Statement of Cash Flows – Proprietary Funds.....	44
Statement of Fiduciary Net Assets.....	46
Statement of Changes in Assets and Liabilities-Agency Fund	47
Notes to the Basic Financial Statements	49
 <i><u>Combining and Individual Fund Statements and Schedules</u></i>	
Governmental Funds:	
Fund Descriptions	75
Combining Balance Sheet – Nonmajor Governmental Funds	78
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds.....	84
Statements of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual: City Street Fund	91
Arterial Street Fund.....	92

Recreation Activity Fund 93

FINANCIAL SECTION (continued)

Capital Improvement Fund 94
 Cumulative Reserve/Revenue Stabilization Fund..... 95
 Cumulative Reserve Fund 96
 Historic Downtown Poulsbo Association Fund 97
 Marine Science Center Fund..... 98
 Paths and Trails Reserve Fund..... 99
 Drug Enforcement Fund..... 100
 Transient Occupancy Tax Fund 101
 Police Restricted Fund 102
 Miscellaneous Governmental Debt Fund..... 103
 Non-Voted General Obligation Debt Fund 104
 Voted General Obligation Debt Fund 105
 Local Improvement District Fund..... 106
 Equipment Acquisition Fund 107
 Park Reserve Fund 108
 Library Improvement Fund..... 109
 Recreation Reserve Fund 110
 Street Reserve Fund 111
 Park Acquisition Fund 112
 Museum Reserve Fund..... 113
 Cemetery Reserve Fund..... 114
 City Street Equipment Reserve Fund..... 115
 Facility Fund 116
 Combining Statements – Internal Service Funds:
 Fund Descriptions 117
 Combining Statement of Net Assets – Internal Service Funds 119
 Combining Statement of Revenues, Expenses and Changes in Fund Net Assets –
 Internal Service Funds 120
 Combining Statement of Cash Flow – Internal Service Funds 121

STATISTICAL SECTION

Financial:
 Net Assets by Component – Last Ten Fiscal Years 125
 Changes in Net Assets – Last Ten Fiscal Years..... 126
 Governmental Activities Tax Revenues by Source – Last Ten Fiscal Years..... 128
 Fund Balances of Governmental Funds – Last Ten Fiscal Years 129
 Changes in Fund Balances of Governmental Funds – Last Ten Fiscal Years 130
 General Governmental Tax Revenues by Source – Last Ten Fiscal Years..... 131
 Revenue Capacity:
 Assessed Value and Estimated Actual Value of Taxable Property – Last Ten Fiscal Years..... 132
 Property Tax Rates – Direct and Overlapping Governments – Last Ten Fiscal Years 133
 Principal Taxpayers – Current Year and Nine Years Ago 134

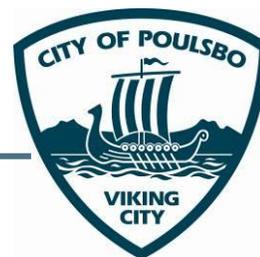
STATISTICAL SECTION (continued)

Property Tax Levies and Collections – Last Ten Fiscal Years	135
Debt Capacity:	
Ratios of Outstanding Debt by Type – Last Ten Fiscal Years.....	136
Ratios of General Bonded Debt Outstanding – Last Ten Fiscal Years.....	137
Direct and Overlapping Governmental Activities Debt.....	138
Legal Debt Margin Information – Last Ten Fiscal Years	139
Pledged-Revenue Coverage – Last Ten Fiscal Years	140
Demographic and Economic:	
Demographic Statistics – Last Ten Fiscal Years	141
Principal Employers – Current Year and Ten Years Ago.....	142
Operating:	
Full-time Equivalent City Government Employees by Function.....	143
Operating Indicators by Function – Last Ten Fiscal Years.....	144
Capital Assets Statistics by Function – Last Ten Fiscal Years	146

THIS PAGE INTENTIONALLY LEFT BLANK



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, 2008, 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 2007 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, 2008, 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 overseeing 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.

2008 In Review

Celebrations throughout 2008 marked the City's Centennial year. An opening events featuring historical displays built the Poulsbo Historical Society, a grand opening of Centennial Park and a street dance were a few of the events which brought citizens to celebrate the City's 100th birthday.

For the City of Poulsbo, the year 2008 was a year focused on long range planning, including updates of the City's Comprehensive Plan and all functional plans while progressing on its own design for a New City Hall.

The City diligently moved forward with a draft of an updated Comprehensive Plan. The process began with several community meetings to inform the public of the process and gather feedback for the desired long range plan of the City. From these meetings a complete draft was released including a substantially updated Capital Facilities chapter. At the end of 2008, meetings with the Planning Commission commenced including joint meetings with the City Council. Included in the process were updates to the City's functional plans including City utilities, transportation and City Parks. . These plans will detail the City's long range vision and necessary infrastructure to support the vision and anticipated growth. The process will continue with final adoption anticipated in 2009.

New retail stores continued to develop in the College Market Place Development. In 2008, Office Max opened their doors and a Petco was substantially completed with an anticipated opening in early 2009. There are many parcels available in the 215 acre College Market Place Development, resulting in anticipated growth in both retail and multi-family development.

With the vision of growth on the horizon, the City Council strategically moved forward with two major decisions.

The *first* major decision was to develop a New City Hall in the historic downtown, following the citizen's choice to build a City Hall within the downtown core. An interlocal agreement was entered into with Kitsap Consolidated Housing Authority to provide project management. Two parcels of land on 3rd Avenue and Moe were purchased by the City for the downtown location. A contract with Lewis Architects was approved by the City Council for design. Substantial design was completed in 2008 with advertising for bids expected in early 2009. The City plans to issue debt in 2009 for the City Hall project.

The *second* project was the Council's decision to sell a large parcel of land on 10th Avenue to a local hospital to develop a new Medical Center. The center will provide services for radiation and medical oncology, primary care, urgent care, and diagnostic imaging. Closing is anticipated in early 2009 with permitting and planning processes beginning shortly thereafter. The center will provide a much needed center at the west end of the county allowing citizens the option of local treatment.

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 2008 include:

1. **State Route (SR) Hwy 305 Project:**

This \$20 million project is primarily a State Department of Transportation project that added 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 in 2007, and was 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 allows additional access points for SR 305, helping with the traffic flow through the City.



2. **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 conjunction with the City, volunteers have helped with construction of

the public access trails, viewing platforms, interpretive signs, pedestrian bridges, about 1 mile of compacted gravel trails, stream re-direction, and restoration plantings. A local artist and other community businesses volunteered time and materials to create a welcoming piece of art featuring a carving of a fish from a rock at the entrance to the newly developed parking area. In 2008 local service groups volunteered time and materials to construct a boardwalk to increase pedestrian trails and access to further points of the park. Parking lot improvements and continued trail development also continued 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).

3. **Viking Avenue:** Preliminary design work started in 2008 for both the north and south end of Viking Avenue. The plan is to widen the road, providing sidewalks, bike lanes and improving the drainage. Federal grants were received to help fund the design of the project. The construction of the project is not anticipated to begin for several years.
4. **North Kitsap Regional Event Center:** This project partnered the City with North Kitsap School District, Kitsap County and the Public Facilities District to update the High School Stadium and Strawberry Fields with artificial turf and provided lights at Strawberry Field to provide additional fields to aid the current demand for local playing fields. With the fields completed many local organizations have been putting the fields to heavy use as they are available beyond the daylight hours.
5. **Vinland Community Fields:** The city partnered with North Kitsap School District and the Vinland Elementary PTA to develop the playing fields at Vinland Elementary School. These fields provide more opportunities to aid in the demand from local organizations for field availability.
6. **Betty Iverson Kiwanis Park Playground:** The last playground in the city to be replaced was completed in September. This playground is universally accessible, with a ramp for wheelchair access. The Poulsbo Kiwanis Club volunteered time and labor to the playground for the park.
7. **Centennial Park:** A park located in the central portion of Poulsbo with a natural stream meandering the property. Design was completed in 2007 and the first phase of development was completed in 2008. A sculpture created by local artists was installed and unveiled during a Centennial Celebration. Grants and fundraising projects are being pursued to fund the future phases of development for the park.



8. **Public Works Property:** A large parcel of flat land was purchased in 2008 for the future site of a Public Works facility. The goal is to get vehicles and related utility and transportation maintenance functions out of the center of the City and to a more accessible location with less environmental impact. In 2009 the City is planning to locate transfer trailers for solid waste and contract with a local disposal company to transport the trailers and eliminate the multiple daily trips with the garbage trucks to the land fill at the south end of the county, a substantial distance from the City.
9. **Sewer Infiltration and Inflow Project:** The sewer fund is phasing improvements over several years to the drainage basins to reduce the inflow of liquids to the sewer lines. These improvements will reduce the infiltration of rain water and run off into the sewer system thereby reducing the cost and amount to be processed by the sewage plants.

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.

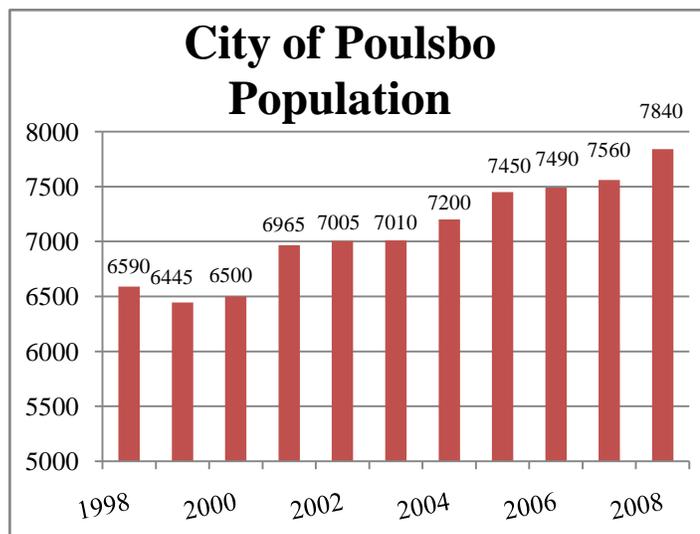
Three military bases are located in Kitsap County; Bremerton's Puget Sound Naval Shipyard, Naval Submarine Base Bangor and Keyport's Naval Undersea Warfare Center.

With a population of 7,840 many of Poulsbo's residents are employed at one of the federal bases or commute to metropolitan Seattle by ferry. In addition, Poulsbo has a large and active senior citizen population.

Washington State's Growth Management Act has been in place for more than 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 Builders 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 has continued into 2008, but with the economic slowdown in the housing market, this phase has slightly slowed and will continue to develop in the coming year, with the anticipation of improvement in the market.

In 1994, 215 acres of undeveloped property was annexed in the City. The Olhava Master Plan is a 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 Olympic Community College, which built a satellite campus in 2004. 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. 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 2008 and a new Petco opening their doors in early 2009. This project is a huge investment of private dollars into the community.

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 2008 the widening and HOV lanes were completed on this main highway through the City. This has greatly helped with the commuting congestions for better access 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.

It is anticipated in 2009, Harrison Hospital will begin development of a new medical facility on the west side of the highway. This will allow access to a state of the art medical facility for emergency services and cancer treatment. The preliminary plans are anticipated to be submitted in 2009 to begin the development.

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 several 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. A moratorium was put in place by the Council in 2008. This was a method for the City Council to take pause and evaluate in conjunction with a task force the best policy for the City to follow in order to provide services for the areas being annexed to the City. The moratorium has now been lifted and there has been continued interest from landowners for annexation of their properties.

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.

The City has adopted a Financial Management Policy, which requires the Fund Balance to be in excess of 8% of the operating revenues and the cash and investment balances to be in excess of 3 months of operating expenses. These items are reviewed quarterly with Council Members.

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.

Risk Management

During 2008, 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.

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 2008 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, 2007.

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 2008 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,

A handwritten signature in dark ink, reading "Deborah Boohar". The signature is written in a cursive, flowing style.

Deborah Boohar
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, 2007

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.



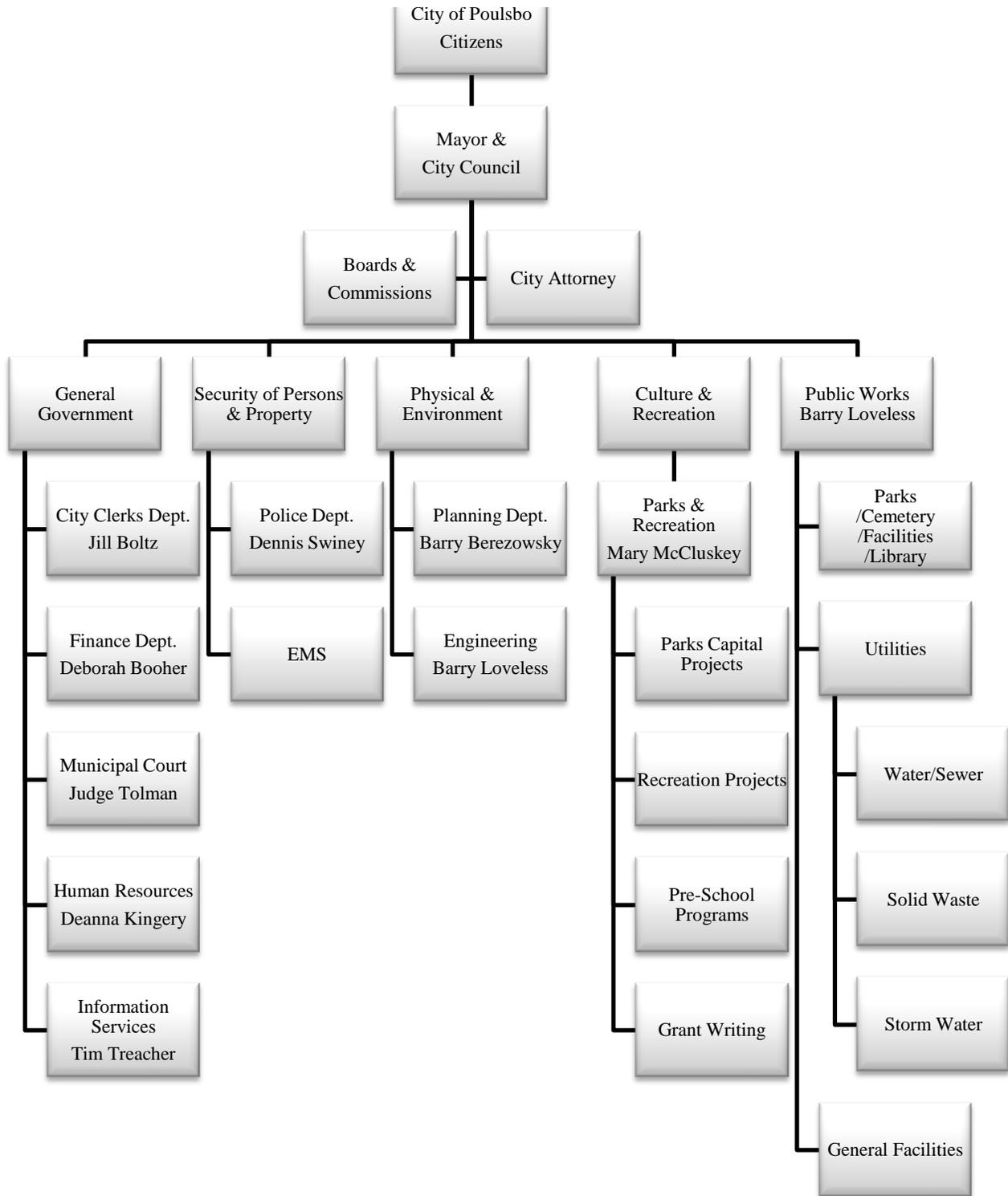
A handwritten signature in black ink, appearing to read "M. L. R.", written over the printed name.

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emmer", written over the printed name.

Executive Director

City of Poulsbo Organization Chart



City of Poulsbo Officials

As of December 31, 2008

Mayor

Kathryn Quade

December 31, 2009

City Council

Kimberlee Crowder

December 31, 2009

Dale Rudolph

December 31, 2009

Ed Stern

December 31, 2009

Becky Erickson

December 31, 2011

Linda Berry-Maraist

December 31, 2011

Connie Lord

December 31, 2011

Jeff McGinty

December 31, 2011

Executive Staff and Legal Counsel

City Clerk

Jill Boltz

Finance Director

Deborah Booher

Parks & Recreation Director

Mary McCluskey

Planning Director

Barry Berezowsky

Police Chief

Dennis Swiney

Public Works Director

Barry Loveless

Municipal Judge

Jeffrey Tolman

Prosecutor

Kitsap County Prosecutor

City Attorney

Jim Haney, Ogden Murphy Wallace

Bond Attorney

Preston Gates and Ellis

THIS PAGE INTENTIONALLY LEFT BLANK





Washington State Auditor
Brian Sonntag

INDEPENDENT AUDITOR'S REPORT

June 30, 2009

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, 2008, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 2008, 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.

As described in Note 12, during the year ended December 31, 2008, the City implemented the Governmental Accounting Standards Board's Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and Statement 50, *Pension Disclosures—an amendment of GASB Statements No. 25 and No. 27*.



In accordance with *Government Auditing Standards*, we will also issue our report dated June 30, 2009, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 17 through 31 and information on post-employment benefits other than pensions on page 73 are not a required part of the basic financial statements but are 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 75 through 121 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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis (MD&A) of the City of Poulsbo's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2008. The intent of this discussion and analysis is to look at the City's financial performance as a whole.

This Management's Discussion and Analysis (MD&A) combined with the Transmittal Letter, the Financial Statements and the Notes to the Financial Statements represent the complete 2008 financial activities for the City of Poulsbo.

These are all intended to:

- Assist the reader in focusing on significant financial issues
- Provide an overview of the City's financial activity
- Identify changes in the City's financial position
- Identify any material deviations from the financial plan and adopted annual budget
- Identify individual fund issues or concerns

FINANCIAL INFORMATION

The City's government wide financial statements have been prepared on the full-accrual basis of accounting in conformity with generally accepted accounting principles (GAAP). The City's Fund Financial Statements for governmental funds have been prepared on the modified accrual basis in conformity with GAAP. The City's proprietary funds are accounted for on the full-accrual basis.

The City of Poulsbo's financial system integrates financial and administrative controls that ensure the safeguarding of assets and the reliability of financial reports. These controls are designed to provide:

- Reasonable assurance that transactions are executed in accordance to management understanding and approval
- Reasonable assurance that transactions are executed in accordance to GAAP principles
- Accountability for control of assets and obligations
- Assurance that sufficient reporting and review exists to provide adequate information for analysis and comparability of data

Internal control is a high priority for the City. The Washington State Office of the Auditor (SAO) reviews the City's internal controls, and the City receives and takes action on all recommendations made by SAO.

FINANCIAL HIGHLIGHTS

- City of Poulsbo assets exceeded its liabilities at the close of the 2008 fiscal year by \$85 million (net assets). Of this amount \$16.7 million (unrestricted net assets) may be used to meet the city's ongoing obligations to its citizens and creditors.
- Reported net assets increased \$15.1 million. Net assets of governmental activities increased \$5.9 million, or 17.3%, during 2008. Net assets of business-type activities increased \$9.2 million, or 25.1%, during 2008. Much of the increase is the construction of City projects including the land purchase and preliminary design and site work costs for a new City Hall, but also a large amount is

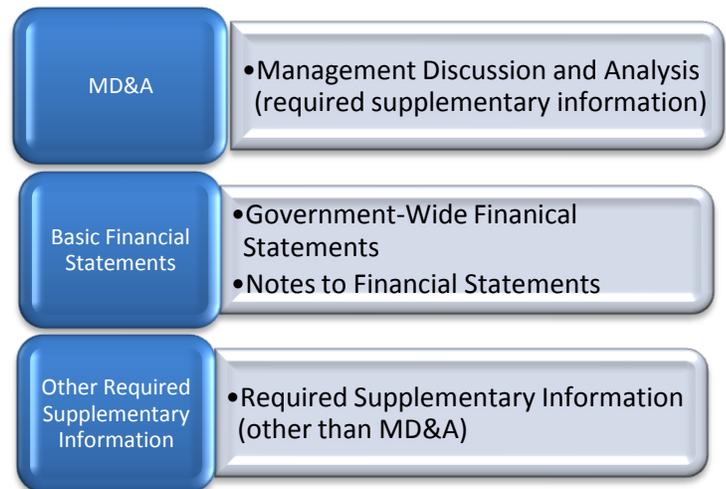
due to contributed capital from several developers and a substantial amount from a retail development.

- Investments in capital assets net of debt, increased \$19.7 million. This is primarily due to an increase in the amount of Capital Assets from Contributed Capital from a large retail development.
- Total liabilities decreased by \$2.7 million. A large portion of the decrease is due to decreasing outstanding debt and exercising a 5 year call for \$600,000 of General Obligation Debt with proceeds reserved from mitigation funds.
- Overall, the book value of capital assets increased by \$17.5 million. Total capital assets from governmental activities increased \$8,596,981 or 21.84%. Capital assets of business-type activities increased \$8,920,051 or 22.77%.
- City governmental fund tax revenue has increased an average of 10.21% 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 \$7.2 million. Approximately 97% of this total amount, or \$7 million, is available for spending at the government’s discretion (unreserved fund balance). 84% or \$6 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 \$988,024 or 10% 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 \$2.7 million, or 28% of the General Fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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



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

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

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City of Poulsbo's finances, in a manner similar to a private-sector business. The statements include all assets and liabilities using the full accrual basis of accounting recognizing revenues and expenses in the current year regardless of when the cash transaction occurred.

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

The Statement of Activities focuses upon both the gross and net cost of various activities that are provided by the government's general tax and other revenues. This is intended to summarize and simplify the user's analysis of cost to various governmental services and/or subsidy to various business-type activities. By separating program revenue from general revenue, users of the financial statements can identify the extent to which each program relies on taxes for funding.

In the Statement of Net 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 and debt expenses associated with the individual utility.

Fund Financial Statements

Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar. The focus is on Major Funds rather than types. A Major Fund has three elements as defined by GASB 34.

- Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise funds are at least ten percent (10%) of the corresponding total (assets, liabilities, etc) for all funds of that category or type (i.e. governmental, proprietary, or fiduciary); and
- Total assets, liabilities, revenues, or expenditures/expenses of the individual government fund or enterprise funds are at least five percent (5%) of the corresponding total for all governmental and enterprise funds combined; or
- Any other governmental or enterprise fund that the government's officials believe is particularly important

Governmental Funds: Governmental Funds are used to account for essentially the same functions reported as governmental activities in the Government-wide Financial Statements. The focus of governmental Fund

Financial statements is on near-term inflows and outflows of available resources and on balances of resources available at the end of the fiscal year. Such information is useful in evaluating whether there are more or less financial resources that can be spent in the near future to finance City services.

Because the focus of governmental funds is narrower than that of the governmental-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. This provides the reader a better understanding of the long-term impact of the government's near term financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

The City of Poulsbo maintains budgetary controls over the governmental funds to ensure compliance with state law and council adoption at a fund level.

Proprietary Funds: Proprietary funds are divided into two types: *enterprise funds* provide services to customers outside the City unit; and *internal services funds* that provide services to other City departments. The City uses enterprise funds to account for its water, sewer, solid waste and storm drain activities. Internal service funds are an accounting method used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for the City's mechanic services, public works administration and self-insurance program. Proprietary funds use the same basis of accounting as business type activities.

Fiduciary Funds: Fiduciary Funds are used to account resources held for the benefit of parties outside the City. All of the City's fiduciary activities are reported in separate Statements of Fiduciary Net 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.

Notes to the Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided, and are an integral part of the government-wide and fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The Statement of Net Assets looks at the City as a whole. Table 1 provides a summary comparing the City's net assets for 2008 and 2007. Governmental Activities net assets have a fairly significant increase of \$5.9 million. 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 City purchased two parcels of land and substantially completed design and site work for the future City Hall. This accounted for a large portion of the increase in capital assets. Another large amount is due to contributed capital by private developers turning over their roads and street lights to the City.

The Business Type Activities also had a significant increase of \$9.1 million. This increase is largely due to a sewer project for a large retail development. A portion of the project was attributed to the City and a large portion was directly related to the contractor who then turned it over to the City as contributed capital.

The overall financial position for the City of Poulsbo has improved over the prior year. In 2008, assets exceeded liabilities by \$85.9 million, an increase of \$15.1 million or 21.31%. The largest portion of the City’s net assets, \$68,564,992 or 80% 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: Condensed Statement of Net Assets

	<u>GOVERNMENTAL</u> <u>ACTIVITIES</u>		<u>BUSINESS-TYPE</u> <u>ACTIVITIES</u>		<u>TOTAL PRIMARY</u> <u>GOVERNMENT</u>	
	2008	2007	2008	2007	2008	2007
Current and Other Assets	\$ 9,117,137	\$14,120,840	\$10,692,189	\$ 10,782,379	\$19,809,327	\$24,903,219
Capital Assets Net	39,372,308	30,775,326	39,166,455	30,246,403	78,538,763	61,021,730
TOTAL ASSETS	48,489,445	44,896,166	49,858,644	41,028,782	98,348,089	85,924,949
Long-term Debt	6,714,144	7,861,669	3,641,043	4,040,593	10,355,187	11,902,262
Other Liabilities	1,501,827	2,699,687	605,437	527,264	2,107,264	3,226,951
TOTAL LIABILITIES	8,215,971	10,561,355	4,246,481	4,567,858	12,462,451	15,129,213
NET ASSETS						
Invested in Capital Assets	32,758,461	22,927,641	35,806,531	25,907,276	68,564,992	48,834,917
Restricted	159,881	920,317	492,011	491,489	651,891	1,411,805
Unrestricted (deficit)	7,355,133	10,486,853	9,313,622	10,062,161	16,668,754	20,549,014
TOTAL NET ASSETS	\$40,273,475	\$34,334,811	\$45,612,163	\$36,460,925	\$85,885,638	\$70,795,736

The City’s total net assets that represent resources which are subject to external restrictions on how they may be used is .76%. The large reduction in restricted assets for 2008 is due to specific amounts collected for mitigation funds reserved to pay a portion of General Obligation debt at the five year call. The remaining balance of unrestricted net assets (\$16.7 million) may be used to meet the government’s ongoing obligations to citizens and creditors.

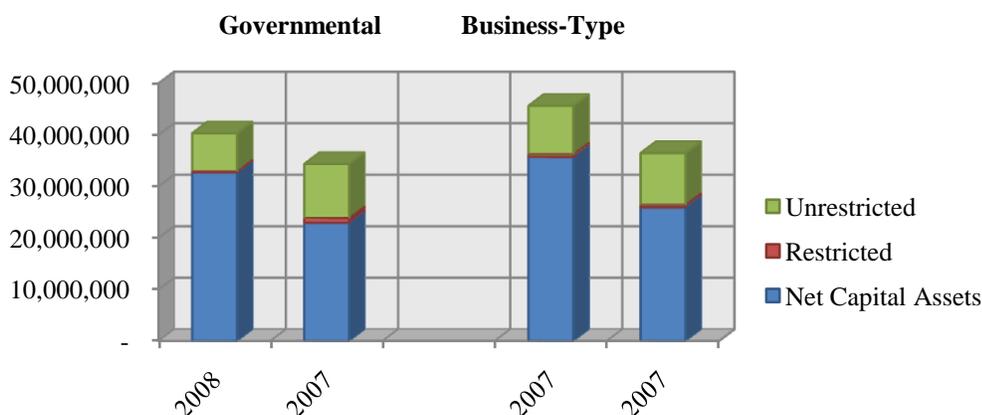


Table 2 illustrates changes in net assets for the years 2008 and 2007. This is a condensed version of the Statement of Activities for the City. The expenditures have remained fairly constant with 2007, but the revenue for Capital Grants/Contributions reflects a large increase. This is due to a large increase in the contributed capital from developers. There has been a decrease in charges for services in governmental activities due to a banner year in 2007 for permitting and planning revenue.

Table 2-Changes in Net Assets

	<u>GOVERNMENTAL</u> <u>ACTIVITIES</u>		<u>BUSINESS-TYPE</u> <u>ACTIVITIES</u>		<u>TOTAL PRIMARY</u> <u>GOVERNMENT</u>	
	2008	2007	2008	2007	2008	2007
Revenues						
Program Revenues						
Charges for Services	\$ 1,580,006	\$ 2,315,281	5,292,997	5,126,586	\$6,873,003	\$7,441,868
Operating Grants/Contribr	403,541	697,301	56,428	-	459,970	697,301
Capital Grants / Contribr	8,170,785	3,958,650	7,612,412	4,372,821	15,783,198	8,331,471
General Revenues						
Property Taxes	1,898,668	1,787,878	-	-	1,898,668	1,787,878
Retail Sales & Use Tax	3,241,145	3,509,621	-	-	3,241,145	3,509,621
Business Taxes	1,710,711	1,849,353	-	-	1,710,711	1,849,353
Other	580,396	811,416	275,353	335,491	855,749	1,146,907
Total Revenues	17,585,252	14,929,499	13,237,190	9,834,899	30,822,442	24,764,398
Program Expenses						
General government	1,752,358	1,729,870	-	-	1,752,358	1,729,870
Judicial	338,206	303,106	-	-	338,206	303,106
Security of Per & Prop	2,485,650	2,432,958	-	-	2,485,650	2,432,958
Utilities & Environment	605,326	579,460	-	-	605,326	579,460
Transportation	3,473,777	3,303,834	-	-	3,473,777	3,303,834
Economic Environment	894,507	846,131	-	-	894,507	846,131
Mental & Physical Health	13,694	13,489	-	-	13,694	13,489
Culture & Recreation	2,067,109	1,820,165	-	-	2,067,109	1,820,165
Interest Long-Term Debt	303,190	323,951	-	-	303,190	323,951
Water	-	-	854,803	1,017,582	854,803	1,017,582
Sewer	-	-	1,403,294	1,518,045	1,403,294	1,518,045
Solid Waste	-	-	886,116	1,158,976	886,116	1,158,976
Storm Drain	-	-	634,510	559,800	634,510	559,800
Total expenses	11,933,818	11,352,964	3,778,722	4,254,402	15,712,540	15,607,366
Excess (deficiency)	5,651,434	3,576,536	9,458,468	5,580,497	15,109,902	9,157,032
Transfers	307,229	258,251	(307,229)	-	(0)	258,251
Changes in net assets	5,958,663	3,834,787	9,151,239	5,580,497	15,109,902	9,415,284
Beginning Net Assets	34,334,811	32,902,689	36,460,925	30,878,573	70,795,736	63,781,263
Prior Year Adjustments	(20,000)	(2,402,665)	-	1,855	(20,000)	(2,400,811)
Ending Net Assets	\$40,273,475	\$34,334,811	\$45,612,163	\$36,460,925	\$85,885,638	\$70,795,736

GOVERNMENTAL ACTIVITIES

Revenues

Taxes account for the largest revenue category in the governmental funds, generating 42% of the total revenue. The majority of tax revenue is received in the General Fund accounting for 76% of the revenue. 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 \$7,269,716.

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 2008 was \$1,337,337,310. For 2008, the City’s regular property levy tax rate was 1.439938 per \$1,000 of assessed value.

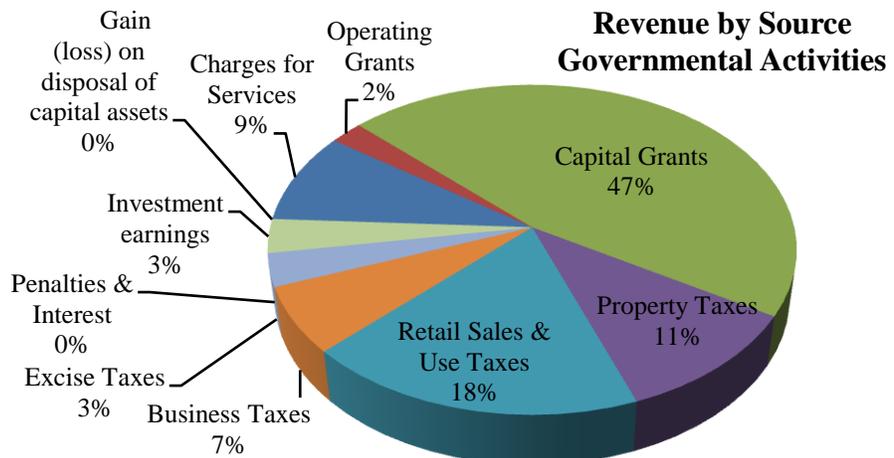
The City continues to follow their policy of transferring the calculated reserve amount to street reserves and then transferring 36% of property tax revenue less the calculated reserve amount to the City Street Operations Fund and 5% to each of the Park Reserve and Street Reserve funds.

Sales and Use tax revenue, in contrast to property tax, can be a highly fluctuating tax source. Although the City has experienced a continual increase in sales tax, in 2008 the City saw a slight decline. The majority of the decline is due to reduction in car sales and construction activity, which is similar to many government agencies impacted by the declining economy experienced in 2008. Sales tax continues to be the City’s largest single source of revenue. The City’s sales tax rate is 1% on all retail sales taking place within the City limits.

In 2008, sales tax received in the City’s General Fund totaled \$3,114,453. This is a 4% reduction from 2007. 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 (59%) comes from the retail trade category. The next largest sales tax category is construction, accounting for 14% of the tax. A large retail development continues to have businesses open their doors, increasing retail sales tax in many different categories which gives Poulsbo a diversified revenue base.

Business Taxes are admissions tax and taxes applied to utilities providing services in the City including City-owned and privately owned utilities. On the whole, these taxes tend to be stable from year to year making up 25% of the governmental tax revenue.



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.

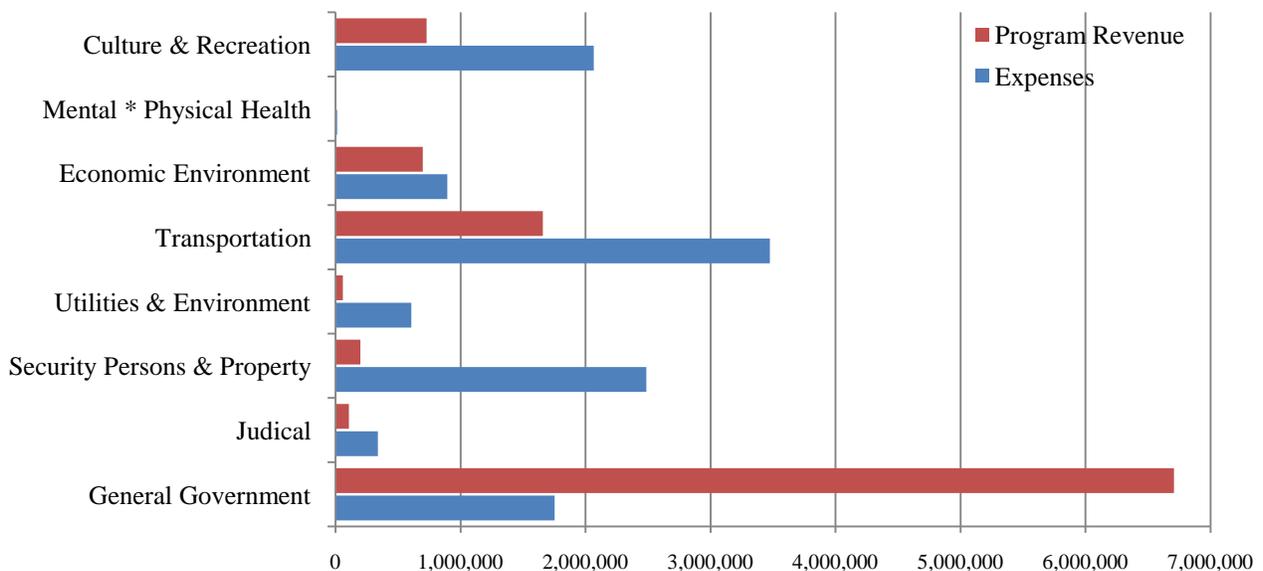
Economic Environment services include land use planning, zoning and community development.

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.

Governmental Activities - Expense and Program Revenue

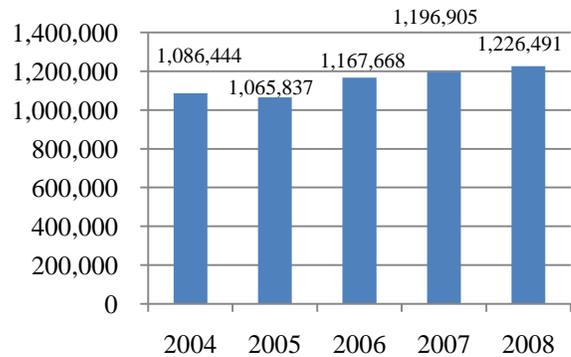


BUSINESS-TYPE ACTIVITY

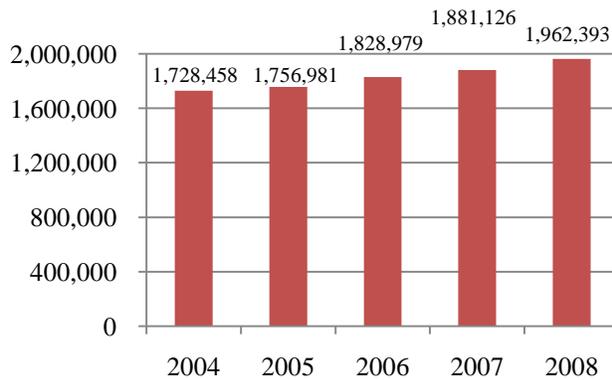
Enterprise Funds: The City of Poulso owns and fully operates four utilities: water, sewer, storm drain, and solid waste/recycle. These utilities are accounted for in four enterprise funds as part of the City’s fund structure and operations: 1) water utility fund; 2) sewer utility fund; 3) solid waste 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. The majority of revenue comes from monthly service charges. The 2008 revenue saw a slight increase of \$29.5 thousand due to cost of living rate increase

Water Service Charge Revenue



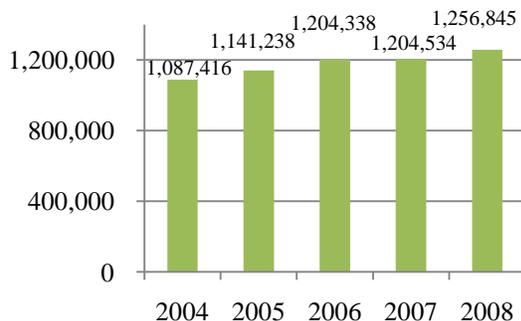
Sewer Service Charge Revenue



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. 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 additional wastewater. The 2008 revenue saw a

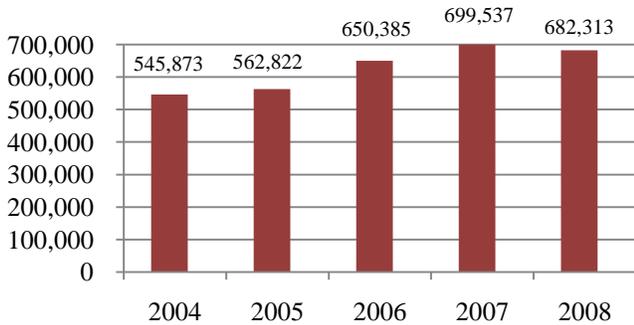
slight increase of \$81.2 thousand due to cost of living rate increase

Solid Waste Service Charge Revenue



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. There was no cost of living increase in rates, so the majority of the \$52.3 thousand increase was due to increase in services provided.

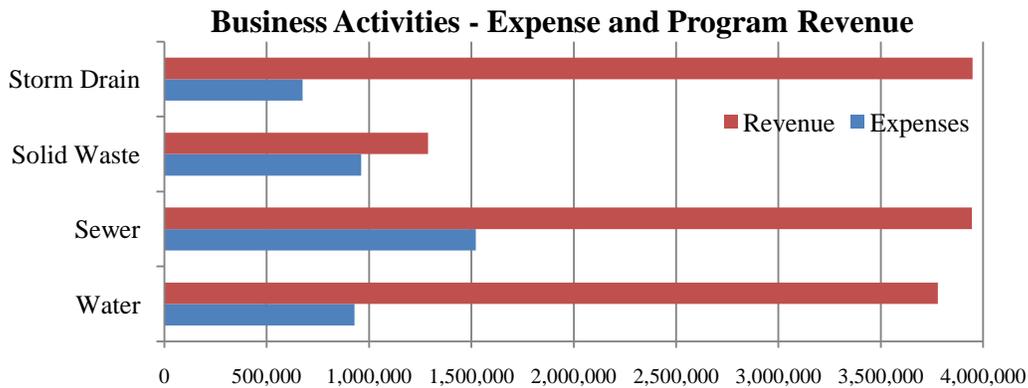
Storm Drain Service Charges



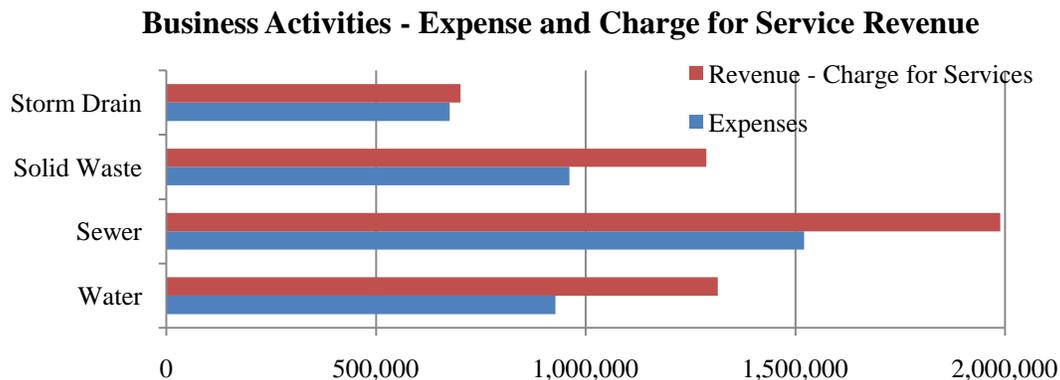
Storm Drain Utility: The City’s storm utility is supported by its users and revenue is generally derived from service charges, which include: 1) monthly service charges, and 2) building permit connection charges. The majority of revenue comes from monthly service charges. Rates are charged to residential and commercial customers by the area of impervious surface units (ISU). The rate structure provides funding for many of the stormwater projects identified in the City’s Comprehensive Stormwater Management Plan. Due to a couple large retailers consolidating to single locations and leaving vacant parcels, the revenues showed a

decline of \$17.2 thousand in 2008.

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 2008 business activity program revenues greatly exceeded expenditures due to large capital contributions from local developers. A large commercial development was contributed to the City in 2008, accounting for a large portion of the revenue. The following chart better reflects customer charges for services against program operating expenditures.



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.

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 36. 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 \$12.1 million and expenditures of \$15.8 million.

Major Funds:

- **General Fund:** General Fund accounts for the main operating revenues and expenditures of the City's governmental functions. Revenues and expenditures related to Clerk, Executive, Legislative, Finance, Police, Engineering, Planning and Park Maintenance are some of the primary functions of the general government accounted for in General Fund. The majority of tax revenues are receipted into the General Fund supporting the governmental functions of the City.
- **Street Reserves Fund:** Accounts for major capital improvements to City streets and transportation projects. In 2008 one of the large contributors to the fund was a pass through grant for a project exceeding \$4 million for Washington State Department of Transportation (WSDOT) for the construction of State Highway 305. This is a main thoroughfare for vehicles to access the Kitsap Peninsula through Poulsbo from Bainbridge Island and the Seattle ferries.
- **Capital Facilities Fund:** The Facilities Fund accounts for capital improvements and construction of capital projects related to governmental functions. Bond proceeds and expenditures related to the construction of a new City Hall are being accounted for in the Facilities Fund. The City Hall project

commenced in 2005 but encountered delays and a change in location approved by the City Council. The purchase of land and site work accounted for the large expenditures in 2008.

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 40 for the major current expense and special revenue funds. Budget to Actuals for all other funds begin on page 91. The significant budgetary changes in the General Fund included:

- The final General Fund revenue budget increased by approximately 1.1%, or \$98,143 of the original adopted budget. The majority of this variance was mainly due to recognizing increases in sales tax, donations for the City's Centennial Celebration events as well as a healthy investment environment;
- The final General Fund expenditure budget increased by approximately 15.9%, or \$1,442,776. The majority of the variance is due to increased labor costs and related equipment costs for a new position in the Police Department, professional services in the Planning Department to assist in the major update of the Comprehensive Plan, expenses related to the City's Centennial Celebrations, the share of General Fund functions supported by Public Works toward the purchase of a parcel of land intended for a future Public Work's site and transfers out of General Fund created from actual carryover dollars in excess of the projection to the City's reserves.

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 dbooher@cityofpoulsbo.com.

CASH MANAGEMENT

Aggressive efforts to maximize interest earnings of temporary cash reserves have been successful. The City manages cash accounts by the pooled cash management concept and plans investment maturities to coincide with cash needs. The pool concept provides for investing greater amounts of money at more favorable interest rates. The short-term investment of idle cash continues to be a significant source of revenue for the City and the combined accounts in our Governmental Activities earned \$584,445 in 2008.

DEBT ADMINISTRATION

The City participates in various forms of debt, which is summarized as follows: \$5.810 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 \$902,374 and one that is recorded in Business-Type Activities with a principal balance of \$320,934.

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 \$3,719,000.

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 (\$1,337,337,310), or \$20,060,060;
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 (\$1,337,337,310). For 2008 the City's limit is \$33,433,433, less any amount issued as non-voted debt. The City has no voted debt outstanding as of December 31, 2008; 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.

The City in anticipating issuing General Obligation debt for the construction of a new City Hall went through a bond rating with Standard and Poor's. The City's rating was upgraded 2 levels to an AA rating, due to its healthy reserve balances, sound city policies and practices and anticipated local development in an excellent location and visibility to a larger metropolitan city.

Additional information on the City's debt is provided in Note 9, "Long-Term Debt and Capital Lease" and may be found on page 66 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, public works equipment and 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. Much of the increase in Capital Assets in 2008 is due to contributed capital from developers. Several housing developments and a large retail development turned their capital improvements over to the City in the form of Contributed Capital. This capital is primarily infrastructure for utilities and road improvements. Additional information on the City's capital assets is provided in Note 5, beginning on page 59.

Table 3-Capital Assets at Year End, Net of Depreciation

	<u>GOVERNMENTAL</u> <u>ACTIVITIES</u>		<u>BUSINESS-TYPE</u> <u>ACTIVITIES</u>		<u>TOTAL</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Land	\$5,994,703	\$5,994,703	\$288,593	\$288,593	\$6,283,296	\$6,283,296
Buildings	1,748,779	1,726,333	101,985	91,338	1,850,764	1,817,670
Other Improvements	3,124,967	3,211,956	34,258,489	27,597,338	37,383,456	30,809,294
Infrastructure	18,865,599	12,066,527	-	-	18,865,599	12,066,527
Machinery & Equipment	553,938	484,831	730,601	527,857	1,284,539	1,012,688
Work in Progress	9,084,322	7,290,977	3,786,786	1,741,278	12,871,108	9,032,255
Totals	\$39,372,308	\$30,775,327	\$39,166,455	\$30,246,403	\$78,538,763	\$61,021,730

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, property and utility taxes and a limited array of permitted other taxes, fees, and state and federal grants to support governmental activities.

For the business-type and certain governmental activities (permitting, recreation programs, etc.) the user pays a related fee or associated charge.

Sales 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 2008, averaging approximately 7% 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. Although the trend has reflected an average increase, 2008 saw a decrease of 4%. This is primarily due to a declining economy in the areas of vehicle sales and a slowdown in home sales and construction. Although there has been a decline, some areas of the City are still reflecting a growth. Development and new retail continue to increase in the College Market Place with a new Petco set to open in early 2009.

Several new large construction projects are anticipated for 2009. The City will be constructing a new 30,000 square foot City Hall and continuing with a large transportation project widening a main corridor on Viking Avenue to include a center turn lane and sidewalks. Anticipated in the future is a new medical facility developed by Harrison Hospital to include emergency care and a new oncology center. Harrison Hospital is negotiating with the City for a parcel of land for this facility with design work anticipated in 2009 and construction to begin in 2010.

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 400 people in the last three years. In the past several 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 have slowed in 2008 due to the Council asking for a break to

evaluate the annexation process and the impact to the City services, availability and related costs to serve these areas.

A major revision to the City's Comprehensive Plan began in 2007 and will continue through 2009. Several public meetings were held at different venues to encourage public participation in 2007. At the end of 2008 and rolling into 2009 the Planning Commission has been meeting weekly to review individual sections and then combining with City Council for monthly joint meetings. The Comprehensive Plan is working congruently with the development of functional plans for each of the City's utilities and is anticipated to be adopted in 2009.

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.

THIS PAGE INTENTIONALLY LEFT BLANK



STATEMENT OF NET ASSETS
DECEMBER 31, 2008

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets			
Cash and Cash Equivalents	\$ 185,616	\$ 91,083	\$ 276,699
Investments	7,630,586	9,582,829	17,213,415
Receivables:			
Taxes	810,423	-	810,423
Accounts	157,258	471,381	628,640
Special Assessments	20,019	-	20,019
Other Receivables	29,162	-	29,162
Due from Other Governments	229,226	-	229,226
Materials and Supplies Inventory	5,453	31,597	37,050
Deferred Charges	49,394	23,288	72,682
Restricted Assets:			
Cash and Cash Equivalents	-	-	-
Investments	-	492,011	492,011
Land and Construction Work in Progress	15,079,025	4,075,379	19,154,404
Depreciable Capital Assets, Net	24,293,283	35,091,075	59,384,358
Total Assets	48,489,445	49,858,644	98,348,089
Liabilities			
Accounts Payable	467,718	112,604	580,322
Due to Other Governmental Units	49,066	-	49,066
Interest Payable	35,617	84,088	119,705
Revenues Collected in Advance	93,577	-	93,577
Custodial Accounts	330,919	10,291	341,210
Deferred Revenue	12,130	2,604	14,735
Long-Term Liabilities:			
Due within one year	512,799	395,850	908,650
Due in more than one year	6,714,144	3,641,043	10,355,187
Total Liabilities	8,215,971	4,246,481	12,462,451
Net Assets			
Invested in Capital Assets, Net of Related Debt	32,758,461	35,806,531	68,564,992
Restricted for:			
City Beautification-Expendable	31,047	-	31,047
City Beautification-Nonexpendable	91,016	-	91,016
Debt Service	68,865	492,011	560,875
Unrestricted	7,324,086	9,313,622	16,637,708
Total Net Assets	\$ 40,273,475	\$ 45,612,163	\$ 85,885,638

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

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008

Page 1 of 2

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 1,752,358	\$ 268,307	\$ 119,079	\$ 6,319,731
Judicial	338,206	106,268	-	-
Security of Persons & Property	2,485,650	142,855	54,930	-
Utilities & Environment	605,326	58,143	-	-
Transportation	3,473,777	7,096	-	1,651,146
Economic Environment	894,507	508,805	174,126	15,000
Mental & Physical Health	13,694	-	-	-
Culture & Recreation	2,067,109	488,532	55,408	184,908
Interest on Long-Term Debt	303,190	-	-	-
Total Governmental Activities	11,933,818	1,580,006	403,541	8,170,785
Business-Type Activities:				
Water	928,153	1,314,880	-	2,464,315
Sewer	1,520,839	1,988,486	-	1,957,805
Solid Waste	961,512	1,287,759	-	-
Storm Drain	675,448	701,872	56,428	3,190,292
Total Business-Type Activities	4,085,952	5,292,997	56,428	7,612,412
Total Primary Government	\$ 16,019,770	\$ 6,873,003	\$ 459,970	\$ 15,783,198

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.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008

Page 2 of 2

Net (Expenses) Revenue and Changes in Net Assets

Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ 4,954,758	\$ -	\$ 4,954,758
(231,938)	-	(231,938)
(2,287,866)	-	(2,287,866)
(547,183)	-	(547,183)
(1,815,534)	-	(1,815,534)
(196,576)	-	(196,576)
(13,694)	-	(13,694)
(1,338,262)	-	(1,338,262)
(303,190)	-	(303,190)
(1,779,485)	-	(1,779,485)
-	2,851,043	2,851,043
-	2,425,452	2,425,452
-	326,247	326,247
-	3,273,144	3,273,144
-	8,875,886	8,875,886
\$ (1,779,485)	\$ 8,875,886	\$ 7,096,400
1,898,668	-	1,898,668
3,241,145	-	3,241,145
1,452,140	-	1,452,140
565,800	-	565,800
-	-	-
579,695	275,353	855,048
701	-	701
-	-	-
7,738,149	275,353	8,013,502
5,958,663	9,151,239	15,109,902
34,334,811	36,460,925	70,795,736
(20,000)	-	(20,000)
\$ 40,273,475	\$ 45,612,163	\$ 85,885,638

BALANCE SHEET-GOVERNMENTAL FUNDS
DECEMBER 31, 2008

	General Fund	Street Reserve Fund	Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets					
Cash and Cash Equivalents	\$ 24,560	\$ 21,543	\$ 741	\$ 138,446	\$ 185,290
Investments	1,406,860	810,864	813,713	4,377,722	7,409,160
Receivables:					
Taxes	11,266	-	-	\$ 35,746	47,012
Accounts	33,862	72,942	13	\$ 50,442	157,258
Special Assessments	-	-	-	\$ 20,019	20,019
Due from other govern units	-	213,600	-	\$ 15,626	229,226
Inventories	5,453	-	-	-	5,453
Cash and Investments-Restricted	-	-	-	\$ 122,063	122,063
Total Assets	\$ 1,482,002	\$ 1,118,949	\$ 814,466	\$ 4,760,064	\$ 8,175,481
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	\$ 94,119	\$ 73,464	\$ 223,228	\$ 76,653	\$ 467,464
Due to Other Governments	49,066	-	-	-	49,066
Custodial Accounts	329,092	-	-	1,828	330,919
Deferred Revenue	21,700	-	-	84,007	105,707
Total Liabilities	493,978	73,464	223,228	162,488	953,157
Fund Balances:					
Reserved, reported in:					
Debt Service	-	-	-	68,865	68,865
Permanent fund	-	-	-	122,063	122,063
Unreserved, reported in:					
General fund	988,024	-	-	-	988,024
Special revenue funds	-	-	-	3,233,954	3,233,954
Capital project funds	-	1,045,485	591,238	1,172,695	2,809,419
Total Fund Balances	988,024	1,045,485	591,238	4,597,576	7,222,324
Total Liabilities and Fund Balances	\$ 1,482,002	\$ 1,118,949	\$ 814,466	\$ 4,760,064	\$ 8,175,481

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

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
December 31, 2008**

Total Governmental Fund Balances:

Amounts reported for governmental activities in the statement of net assets are different because: \$ 7,222,324

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. 39,372,308

These assets consist of:

Land	\$ 5,994,703
Buildings and structures	3,875,678
Improvements	27,922,658
Machinery and Equipment	1,951,877
Construction in Progress	9,084,322
Less: Accumulated Depreciation	(9,456,930)

Other Assets that are not available to pay for current-period expenditures and therefore are not reported in governmental funds. 841,607

Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the governmental funds. (7,262,560)

Interest Payable	(35,617)
Long-term Liabilities	(7,226,943)

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.

Total Assets	100,049
Less: total Depreciable Capital Assets, net (listed above)	
Less: Total Liabilities	(254)
	99,796

Net assets of governmental activities \$ 40,273,475

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

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008

	General Fund	Street Reserve Fund	Facilities Fund	Non-Major Governmental Funds	Total
Revenues					
Taxes	\$6,499,933	\$ -	\$ -	\$ 769,783	\$ 7,269,716
Licenses and Permits	379,154	-	-	7,096	386,251
Intergovernmental	162,249	1,606,718	-	348,699	2,117,665
Charges for Services	1,038,668	-	-	572,994	1,611,662
Fines and Forfeitures	102,630	-	-	580	103,210
Interest and Other Earnings	352,639	17,085	42,198	165,044	576,967
Miscellaneous	-	-	415	65,102	65,517
Total Revenues	8,535,273	1,623,803	42,613	1,929,299	12,130,988
Expenditures					
Current:					
General Government	2,461,228	-	-	48,883	2,510,110
Security of Persons & Property	2,273,373	-	-	16,282	2,289,655
Utilities and Environment	566,653	-	-	18,938	585,591
Transportation	-	1,677,117	-	980,507	2,657,624
Economic Environment	884,848	-	-	6,761	891,608
Mental and Physical Health	13,694	-	-	-	13,694
Culture and Recreation	528,628	-	-	1,250,380	1,779,008
Debt Service:					
Principal	-	-	-	1,199,323	1,199,323
Interest & Fiscal Charges	-	-	-	303,190	303,190
Capital Outlay	-	354,729	2,803,169	466,835	3,624,733
Total Expenditures	6,728,423	2,031,846	2,803,169	4,291,100	15,854,538
<i>Excess of Revenues Over (Under) Expenditures</i>	1,806,850	(408,044)	(2,760,556)	(2,361,801)	(3,723,550)
Other Financing Sources (Uses)					
Transfers In	298,340	467,252	453,962	3,582,617	4,802,172
Transfers Out	(2,965,006)	-	-	(1,837,166)	(4,802,172)
Intergovernmental Payments	(15,000)	-	-	-	(15,000)
Sale of Capital Assets	2,180	-	-	-	2,180
Total Other Financing Sources and Use	(2,679,486)	467,252	453,962	1,745,452	(12,820)
<i>Net Change in Fund Balances</i>	(872,636)	59,208	(2,306,593)	(616,349)	(3,736,370)
<i>Fund Balances Beginning of Year</i>	1,880,660	900,154	2,897,832	5,213,925	10,892,572
<i>Prior Year Adjustment</i>	(20,000)	86,123	-	-	66,123
Fund Balances End of Year	\$ 988,024	\$ 1,045,485	\$ 591,238	\$ 4,597,576	\$ 7,222,324

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008**

Net change in Fund balance--total governmental funds	\$	(3,736,370)
--	----	-------------

Amounts reported for Governmental activities in the statement of activities are different because:

Government funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expenditure.

This is the amount of capital outlays		3,624,733
This is the amount of depreciation		(1,259,881)
This is the amount of Gain (Loss) on Capital Assets		(1,479)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the government funds.		(105,659)
---	--	-----------

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.		1,199,323
--	--	-----------

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.		6,319,731
--	--	-----------

Some expenses reported in the statement of activities do not require the use of the governmental funds.		(49,240)
---	--	----------

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.		(32,495)
--	--	----------

Change in net assets of governmental activities	\$	<u>5,958,663</u>
---	----	------------------

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
Revenues				
Taxes	\$ 6,282,996	\$ 6,382,996	\$ 6,499,933	\$ 116,937
Licenses and Permits	400,200	400,200	379,154	(21,046)
Intergovernmental	150,796	191,220	162,249	(28,971)
Charges for Services	1,114,348	1,106,452	1,038,668	(67,784)
Fines and Forfeitures	85,100	93,400	102,630	9,230
Interest and Other Earnings	270,100	280,100	352,639	72,539
Miscellaneous	88,845	-	-	-
Total Revenues	8,392,385	8,454,368	8,535,273	80,905
Expenditures				
Current:				
General Government	2,483,562	2,677,771	2,461,228	216,543
Security of Persons & Property	2,460,816	2,574,233	2,273,373	300,861
Utilities and Environment	663,765	604,259	566,653	37,606
Economic Environment	865,962	975,079	884,848	90,231
Mental and Physical Health	14,011	14,011	13,694	317
Culture and Recreation	486,433	633,840	528,628	105,212
Total Expenditures	6,974,549	7,479,193	6,728,423	750,770
Excess of Revenues Over Expenditures	1,417,836	975,175	1,806,850	831,675
Other Financing Sources (Uses)				
Transfers in	262,080	298,240	298,340	100
Transfers out	(2,071,040)	(2,994,172)	(2,965,006)	(29,166)
Intergovernmental Payments	(31,163)	(46,163)	(15,000)	31,163
Sale of Capital Assets	-	-	2,180	2,180
Total Other Financing Sources (Uses)	(1,840,123)	(2,742,095)	(2,679,486)	62,609
Net Change in Fund Balance	(422,287)	(1,766,920)	(872,636)	894,284
Fund Balance Beginning of Year	450,000	1,861,743	1,880,660	18,917
<i>Prior Year Adjustment</i>			(20,000)	(20,000)
Fund Balance End of Year	\$ 27,713	\$ 94,823	\$ 988,024	\$ 893,202

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

THIS PAGE INTENTIONALLY LEFT BLANK



STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
DECEMBER 31, 2008

	Business-type Activities Enterprise Funds					
	Water	Sewer	Solid Waste	Storm Drain	Total	Internal Service Funds
Assets						
Current Assets:						
Cash and Cash Equivalents	\$ 21,361	\$ 35,497	\$ 24,987	\$ 6,125	\$ 87,970	\$ 3,439
Investments	2,837,981	3,362,918	1,481,288	1,687,213	9,369,399	312,793
Accounts Receivable	95,609	172,086	124,587	78,029	470,312	1,430
Due from other Governments	-	-	-	-	-	-
Inventories	23,606	6,799	-	-	30,405	1,192
Total Current Assets	2,978,556	3,577,300	1,630,863	1,771,367	9,958,086	318,854
Noncurrent Assets:						
Restricted cash, cash equivalents, and invests.:						
Custodial trust funds	-	-	-	-	-	-
Revenue bond covenant investment	108,242	383,768	-	-	492,011	-
Deferred Charges	5,123	18,165	-	-	23,288	-
Capital Assets:						
Land	136,261	107,397	162	44,773	288,593	-
Buildings and Structures	65,281	253,933	-	16,184	335,398	-
Other Improvements	13,910,214	17,425,089	-	10,079,676	41,414,979	32,424
Machinery and Equipment	536,084	736,270	612,527	309,093	2,193,975	56,218
Construction in Progress	449,306	2,077,962	-	159,346	2,686,614	1,100,172
Less: Accumulated Depreciation	(2,994,173)	(4,291,239)	(576,226)	(1,013,906)	(8,875,545)	(66,373)
Total Noncurrent Assets	12,216,338	16,711,345	36,463	9,595,167	38,559,313	1,122,441
Total Assets	\$ 15,194,894	\$ 20,288,645	\$ 1,667,326	\$ 11,366,533	\$ 48,517,399	\$ 1,441,295
Liabilities						
Current Liabilities						
Accounts payable	\$ 8,297	\$ 51,844	\$ 35,554	\$ 10,964	\$ 106,660	\$ 6,198
Custodial	1,438	8,853	-	-	10,291	-
Total Current Liabilities	9,734	60,697	35,554	10,964	116,950	6,198
Noncurrent Liabilities:						
Rev. bonds payable (net of unamortized disc.)	784,653	2,781,952	-	-	3,566,605	-
Accrued interest payable	17,840	66,248	-	-	84,088	-
Deferred Revenue	2,604	-	-	-	2,604	-
Compensated absences	12,916	21,955	34,243	18,275	87,389	61,966
Due to Other Governmental Units	57,126	263,808	-	-	320,934	-
Total Noncurrent Liabilities	875,140	3,133,963	34,243	18,275	4,061,620	61,966
Total Liabilities	884,875	3,194,660	69,797	29,239	4,178,571	68,164
Net Assets						
Invested in capital assets, net of related debt	11,261,192	13,791,268	36,463	9,595,167	34,684,090	1,122,441
Restricted for debt service	108,242	383,768	-	-	492,011	-
Unrestricted	2,940,585	2,918,949	1,561,066	1,742,128	9,162,727	250,690
Total net assets	\$ 14,310,020	\$ 17,093,985	\$ 1,597,529	\$ 11,337,294	\$ 44,338,828	\$ 1,373,131

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

Total business-type Internal Service Fund assets	1,341,245
Less total business-type Internal Service Fund liabilities	(67,910)
Net assets of business-type activities	<u>\$ 45,612,163</u>

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

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

PROPRIETARY FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2008

	Business-type Activities					Enterprise Funds
	Water	Sewer	Solid Waste	Storm Drain	Total	
Operating Revenues:						Internal Service Funds
Charges for Services	\$ 1,226,169	\$ 1,962,393	\$ 1,256,597	\$ 682,313	\$ 5,127,473	\$ 2,209,370
Other Operating Revenues	88,711	26,093	31,173	19,558	165,535	8,687
Total Operating Revenues	1,314,880	1,988,486	1,287,771	701,872	5,293,008	2,218,057
Operating Expenses:						
Administrative and General	540,141	546,531	366,251	433,104	1,886,027	1,052,896
Depreciation	304,972	309,509	14,877	285,561	914,919	2,447
Maintenance	38,431	11,072	82,611	8,937	141,052	-
Contracted Processing and Operations	-	536,457	427,328	-	963,785	-
Customer Service	-	-	-	91	91	-
Operating	308,895	253,992	279,115	228,423	1,070,424	122,321
Total Operating Expenses	1,192,438	1,657,561	1,170,182	956,116	4,976,298	1,177,663
Operating Income (Loss)	122,442	330,925	117,589	(254,244)	316,711	1,040,394
Nonoperating Revenues (Expenses):						
Interest and Other Earnings	68,608	110,653	25,457	66,752	271,469	6,613
Interest Expense	(39,872)	(145,410)	-	-	(185,283)	-
State Grants	-	-	-	56,428	56,428	-
Other Miscellaneous Revenues	-	-	-	-	-	-
Amortization of Debt Issue Costs	-	-	-	-	-	-
Gain (loss) on Disposition of Cap. Assets	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Total Nonoperating Revenue (Expenses)	28,735	(34,758)	25,457	123,180	142,614	6,613
Income (loss) Before Contributions	151,177	296,167	143,046	(131,064)	459,325	1,047,007
Capital Contributions	2,464,315	1,957,805	-	3,190,292	7,612,412	-
Change in Net Assets	2,615,492	2,253,972	143,046	3,059,228	8,071,737	1,047,007
Total Net Assets Beginning of Year	11,694,528	14,840,013	1,454,483	8,278,066		326,124
Prior Year Adjustments						-
Total Net Assets End of Year	\$14,310,020	\$17,093,985	\$ 1,597,529	\$11,337,294		\$ 1,373,131

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.

1,079,501
\$ 9,151,239

Change in Net Assets of Business-type Activities

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

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

Page 1 of 2

	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	\$ 1,310,792	\$ 1,974,505	\$ 1,284,272	\$ 681,821	\$ 5,251,390	\$2,218,306
Payments for interfund services provided	(368,293)	-	(249,992)	(340,119)	(958,404)	-
Payments to suppliers	(310,566)	(1,130,367)	(669,874)	(91,119)	(2,201,926)	(591,751)
Payments to employees	(207,926)	(217,082)	(209,813)	(221,162)	(855,984)	(562,819)
Net cash provided (used) by operating activities	424,006	627,055	154,593	29,421	1,235,075	1,063,736
Cash Flows From Noncapital Financing Activities						
Transfers in (out) to other funds	-	-	-	-	-	-
Net cash provided (used) by noncapital and related financing activities	-	-	-	-	-	-
Cash Flows from Capital and Related Financing Activities						
Proceeds from Capital Debt	-	-	-	-	-	-
Capital contributions	191,970	193,362	-	56,428	441,760	-
Purchase of capital assets	(44,183)	(24,695)	(24,137)	-	(93,015)	-
Acquisition and construction of capital asset	(93,194)	(1,230,372)	-	(133,702)	(1,457,269)	(1,057,749)
Principal paid on capital debt	(83,181)	(303,667)	-	-	(386,848)	-
Interest paid on capital debt	(35,496)	(127,949)	-	-	(163,445)	-
Proceeds from Disposition of capital assets	-	-	-	-	-	-
Net cash provided (used) by capital and related financing activities	(64,084)	(1,493,321)	(24,137)	(77,274)	(1,658,816)	(1,057,749)
Cash Flows from Investing Activities						
Proceeds from sales and maturities of investments	2,473,597	7,054,073	1,343,430	2,264,374	13,135,474	242,271
Purchase of investment	(2,956,756)	(6,465,532)	(1,507,013)	(2,347,107)	(13,276,408)	(339,141)
Interest and dividends received	68,608	110,653	25,457	66,752	271,469	6,613
Net cash used by investing activities	(414,551)	699,194	(138,126)	(15,981)	130,535	(90,257)
Net increase in cash and cash equivalents	(54,629)	(167,073)	(7,670)	(63,834)	(293,206)	(84,270)
Cash and cash equivalents Beginning of Year	75,990	202,570	32,658	69,959	381,176	87,708
Cash and cash equivalents End of Year	\$ 21,361	\$ 35,497	\$ 24,987	\$ 6,125	\$ 87,970	\$ 3,439

Noncash financing, capital and investing activities:

In 2008, capital assets were contributed by private sources, \$3,190,292.15 to the Storm Drain Fund, \$2,279,759.91 to the Water Fund, and \$1,761,964.00 to the Sewer Fund.

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

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

Page 2 of 2

	Business-type Activities Enterprise Funds					Internal Service Funds
	Water	Sewer	Solid Waste	Storm Drain	Total	
Reconciliation of operating income to net cash provided (used) by operating activities:						
Operating Income (Loss)	\$ 122,442	\$ 330,925	\$ 117,589	\$ (254,244)	\$ 316,711	\$1,040,394
Adjustments to reconcile operating income to net cash provided (used) by operating activities						
Depreciation	304,972	309,509	14,877	285,561	914,919	2,447
(Increase) decrease in accounts receivable	(2,945)	(114)	(3,498)	(20,051)	(26,608)	249
(Increase) decrease in inventories	1,807	55	-	-	1,862	35
Increase (decrease) in accounts payable	1,591	(3,107)	23,285	10,215	31,983	1,595
Increase (decrease) in Custodial Funds	(1,143)	(13,867)	-	-	(15,010)	-
Increase (decrease) in compensated absences payable	(2,717)	3,655	2,341	7,941	11,219	19,017
Total Adjustments	301,565	296,130	37,005	283,665	918,364	23,342
Net Cash Provided By Operating Activities	\$ 424,006	\$ 627,055	\$ 154,593	\$ 29,421	\$ 1,235,075	\$1,063,736

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

STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUND
DECEMBER 31, 2008

	Agency Fund
Assets	
Cash and cash equivalents	\$ 106,145
Investments	-
Total Assets	106,145
Liabilities	
Retainage Payable	58,548
Custodial funds	47,597
Total Liabilities	106,145
Net Assets	\$ -

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

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
FOR THE YEAR ENDED DECEMBER 31, 2008

	1/1/08 Balance	Additions	Deletions	12/31/08 Balance
Assets				
Cash and cash equivalents	\$ 14,345	\$ 267,826	\$ 176,026	\$ 106,145
Investments	40,407	58,913	99,320	-
Total Assets	54,752	326,739	275,345	106,145
Liabilities				
Retainage Payable	18,324	315,964	275,740	58,548
Custodial funds	36,427	153,782	142,612	47,597
Total Liabilities	54,752	469,746	418,353	106,145
Net Assets	\$ -	\$ (143,007)	\$ (143,007)	\$ -

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

THIS PAGE INTENTIONALLY LEFT BLANK



NOTES TO THE FINANCIAL STATEMENTS

INDEX

<i>ITEM</i>	<i>PAGE</i>
NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	50
NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY	56
NOTE 3: DEPOSITS AND INVESTMENTS	57
NOTE 4: PROPERTY TAXES	58
NOTE 5: CAPITAL ASSETS	59
NOTE 6: EMPLOYEE RETIREMENT AND PENSION PLANS	61
NOTE 7: RISK MANAGEMENT	65
NOTE 8: CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS	66
NOTE 9: LONG-TERM DEBT	66
NOTE 10: CONTINGENCIES AND COMMITMENTS	70
NOTE 11: JOINT VENTURES	70
NOTE 12: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS	70
The City has adopted implementation of GASB Statement No. 45 (GASB 45) Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions and Statement No. 50 (GASB 50) Pension Disclosures.	70
NOTE 13: PRIOR PERIOD ADJUSTMENTS	72

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.

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

2. Fund Financial Statements

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

In the basic financial statements, the governmental and enterprise fund financial statements focus on major funds. Major individual government funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

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

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

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

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

The City reports the following major governmental funds:

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

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. 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. The City has only one Agency Fund.

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 \$31,047. 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 2008, \$307,229 in expenses and the associated revenues has been eliminated from the governmental activities. The expenditures for these services are reflected in the business-type expenses.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are the charges for goods and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

1. Cash and Investments

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

All investments are stated at fair value as of December 31, 2008.

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 2008.

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 2008, these taxes totaled \$307,229.

Other interfund transfers at December 31, 2008 were as follows:

Transfers In:	Transfers Out:				Total
	General Fund	Street Reserve	Facilities Fund	Non-Major Gov'l	
General Fund	\$ -	\$ -	\$ -	\$ 298,340	\$ 298,340
Street Reserve Fund	381,396	-	-	85,856	467,252
Facilities Fund	72,599	-	-	381,363	453,962
Non-Major Gov'l Funds	2,511,011	-	-	1,071,607	3,582,617
Total Transfers	\$ 2,965,006	\$ -	\$ -	\$ 1,837,166	\$ 4,802,172

4. Amounts Due to and from Other Governmental Units

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

5. Inventories

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

- a. Inventories are valued at cost using the average cost method. The costs of inventories in the governmental fund types are recorded as expenditures when consumed rather than when purchased.
- b. In proprietary funds, a perpetual inventory is maintained in which the cost is capitalized when inventory items are purchased, and expensed when the item is consumed. The average cost method of valuation which approximates market is used to value the inventory. A physical inventory is taken at year-end.

6. Deferred Charges

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

7. Restricted Assets

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

8. Capital Assets

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

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

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

Improvements are capitalized but the costs of normal maintenance and repairs, not adding to the value of the asset or materially extending an asset's life, are not.

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

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

9. Compensated Absences

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

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

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

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

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

10. Custodial Accounts

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

11. Accrued Liabilities and Long-Term Obligations

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

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

12. Deferred Revenues

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

13. Fund Reserves and Designations

The City has established various reserve funds. The purpose of these funds is to build reserves for purposes such as equipment replacement, revenue stabilization, and other capital outlays (structures and improvements, etc.).

Designations of fund balance in the fund financial statements represent tentative management plans that are subject to change. The City reserves those portions of fund balance which are legally segregated for a specific use. An example would be the reserved fund balance for city beautification from the permanent fund, "Bernice Borgen Beautification Fund."

14. Net Assets

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

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

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

MAY – JULY

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

JULY – AUGUST

- Council meets to review and set budgetary policies
- Budgetary packets with instruction and initial allocations provided
- Revenues are reviewed and forecasted
- Departments meet with Council committees to finalize recommended budget proposals
- 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 2008, there were no City funds that reported actual expenditures above budgeted appropriations. Though specific line items may be exceeded, no fund's appropriations can be legally exceeded. It should be noted, however, that the "Statement of Revenues, Expenditures and Changes in Fund Balances" including the comparisons of "Budget and Actual," could be misinterpreted due to its format and, by so doing, lead one to believe that budgeted expenditures have been exceeded. The City budgets not only expenditures but also "Other Financing Uses" and "Beginning Fund Balances" so as to maintain a budget balance between receipts and disbursements. By increasing expenditure appropriations by the budget values for these items, it can be seen that no City fund has exceeded its legally established appropriation. All budgets lapse at year-end.

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

C. DEFICIT FUND EQUITY

The City had no funds with deficit fund equity.

NOTE 3: DEPOSITS AND INVESTMENTS

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 (WPDPC) Act of 1969. The FDIC insured the City's Deposits up to \$100,000; the WPDPC 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.

As of December 31, 2008, the City held the following deposits and investments:

Investment Type	Fair Value	Modified Duration	% of Portfolio
Cash			
FDIC or PDPC insured bank deposits	\$ 271,774		
Cash on hand	4,925		
Total Cash	276,699		
Investments			
US agency securities			
US Treasury Bills, Notes & Bonds	1,024,800	0.91	6%
Federal Farm Credit Banks	1,025,310	1.32	6%
Federal Home Loan Bank	8,179,700	0.98	46%
Federal National Mortgage Association	1,008,440	1.84	6%
Certificates of deposits	200,000	0.83	1%
Washington State Local Government Inv. Pool	6,267,175	0.000	35%
Total Investments	17,705,425	0.980	100%
Total Cash, Cash Equivalents, Investments	\$ 17,982,124		

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, and is unrated.

The City’s Investment Policy directs that the standard of prudence for investment activities shall be the Prudent Investor Standard that states: “Investments shall be made with judgment and care, under circumstances then prevailing, that persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.”

Concentration of credit risk: The City diversifies its investment instruments to avoid incurring unreasonable risk inherent with the over-investment of instruments and issuers as follows:

Diversification by security type:

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

NOTE 4: PROPERTY TAXES

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

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

- Washington State RCW 84.55.010 limits the growth of regular property taxes to 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 2008, the City's levy for general governmental services was \$1.439938 per \$1,000 on the assessed valuation of \$1,337,337,310 for a total of \$1,925,724.

The Kitsap County Treasurer acts as agent to collect property taxes levied in the county for all taxing authorities. Collections are distributed after the end of each month.

Property Tax Calendar

Jan 1	Taxes are levied and become an enforceable lien against properties
Feb 14	Tax statements are mailed
April 30	The first of two equal installment payments is due
May 31	Assessed value of property is established at 100% of market value for next year's levy
Oct 31	The second installment is due

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

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

NOTE 5: CAPITAL ASSETS

All reported capital assets of the City are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement.

Capital asset activity for the primary government for the year ended December 31, 2008, was as follows:

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
Governmental-Type Activities				
Capital assets, not being depreciated:				
Land	5,994,703	-	-	5,994,703
Construction Work in Progress	7,290,977	3,439,578	(1,646,233)	9,084,322
Total capital assets not being depreciated	13,285,680	3,439,578	(1,646,233)	15,079,025
Capital assets, being depreciated:				
Buildings	3,746,806	128,872	-	3,875,678
Other Improvements	3,708,009	228,877	(110,481)	3,826,406
Machinery and Equipment	1,723,514	304,432	(76,069)	1,951,877
Infrastructure	16,508,367	7,587,915	(30)	24,096,252
Total capital assets being depreciated	25,686,696	8,250,097	(186,580)	33,750,213
Less accumulated depreciation for:				
Buildings	(2,020,473)	(106,425)	-	(2,126,898)
Other Improvements	(496,053)	(205,386)	-	(701,439)
Machinery and Equipment	(1,238,683)	(159,256)	-	(1,397,939)
Infrastructure	(4,441,840)	(788,814)	-	(5,230,654)
Total accumulated depreciation	(8,197,049)	(1,259,881)	-	(9,456,930)
Total capital assets, being depreciated, net	17,489,647	6,990,216	(186,580)	24,293,283
Governmental activity capital assets, net	\$ 30,775,327	\$ 10,429,794	\$ (1,832,813)	39,372,308

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
Business-Type Activities				
Capital assets, not being depreciated:				
Land	288,593	-	-	288,593
Construction Work in Progress	1,741,278	2,524,125	(478,617)	3,786,786
Total capital assets not being depreciated	2,029,871	2,524,125	(478,617)	4,075,379
Capital assets, being depreciated:				
Buildings	319,214	16,184	-	335,398
Other Improvements	33,969,110	7,724,447	(246,155)	41,447,402
Machinery and Equipment	1,961,760	321,003	(23,571)	2,259,192
Total capital assets being depreciated	36,250,084	8,061,634	(269,725)	44,041,993
Less accumulated depreciation for:				
Buildings	(227,877)	(5,537)	-	(233,413)
Other Improvements	(6,371,772)	(817,141)	-	(7,188,913)
Machinery and Equipment	(1,433,903)	(94,688)	-	(1,528,591)
Total accumulated depreciation	(8,033,552)	(917,365)	-	(8,950,917)
Total capital assets, being depreciated, net	28,216,532	7,144,269	(269,725)	35,091,075
Business-type activity capital assets, net	\$ 30,246,403	\$ 9,668,393	\$ (748,342)	39,166,455

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

Security of Persons and Property	95,684
Utilities and Environment	13,335
Transportation	815,190
Economic Environment	5,840
Culture and Recreation	271,464

Capital assets held by the government's internal service funds are charged to the various fundtions based on their usage of the assets

Total depreciation expense - governmental activities \$ 1,259,881

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

Sewer	309,509
Solid Waste	14,877
Storm Drain	285,561
Public Works Administration	2,447
Total depreciation expense - business-type activities	<u><u>\$ 917,365</u></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, Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380. The following disclosures are made pursuant to GASB Statement 27, *Accounting for Pensions by State and Local Government Employer* and No. 50, *Pension Disclosures, an Amendment of GASB Statements No. 25 and No. 27*.

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

PERS 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.

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 1,190 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2007:

Retirees and Beneficiaries Receiving Benefits	\$ 71,244
Terminated Plan Members Entitled To But Not Yet Receiving Benefits	26,583
Active Plan Members Vested	105,447
Active Plan Members Non-vested	52,575
Total	\$ 255,849

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, 2008 were:

Members not participating in JBM

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer*	8.31%**	8.31%**	8.31%***
Employee	6.00%****	5.45%****	*****

*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.

Members participating in JBM

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer-State Agency*	10.81%	10.81%	10.81%**
Employer-Local Govt.*	8.31%	8.31%	8.31%**
Employee-State Agency	9.76%	11.13%	7.50%***
Employee- Local Govt.	12.26%	13.63%	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, 2008 were as follows:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
2008	\$ 2,822	\$ 225,571	\$ 52,616
2007	\$ 9,256	\$ 172,911	\$ 34,900
2006	\$ 6,523	\$ 84,548	\$ 15,438

B. LAW ENFORCEMENT OFFICERS AND FIRE FIGHTERS RETIREMENT SYSTEM (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. LEOFF retirement benefit provisions are established in state statute and may be amended by the State Legislature.

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

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

The 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).

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

There are 374 participating employers in LEOFF. Membership in LEOFF consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2007:

Retirees and Beneficiaries Receiving Benefits	\$ 9,085
Terminated Plan Members Entitled To But Not Yet Receiving Benefits	633
Active Plan Members Vested	12,904
Active Plan Members Non-vested	3,708
Total	\$ 26,330

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, 2008 were as follows:

	LEOFF Plan 1	LEOFF Plan 2
Employer*	0.16%	5.46%**
Employee	0.00%	8.83%
State	n/a	3.53%

*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
2008	\$ -	\$ 64,004
2007	\$ -	\$ 58,609
2006	\$ -	\$ 53,282

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, 86 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 \$50,000 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 Allianz, using the Pool's broker, Arthur J. Gallagher Risk Management Services. 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 three years 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.

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

B. EMPLOYEE MEDICAL REIMBURSEMENT PLAN

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

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

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

NOTE 8: CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

At December 31, 2008 the City had seven significant contractual obligations as follows:

Noll Road Improvements	Parametrix	\$	3,575
Long Range Transportation Plan Update	David Evans & Associates		5,362
Sewer Comprehensive Plan Update	Parametrix		1,298
Viking Avenue Improvement	Parametrix		72,690
Dogfish Creek Restoration	Jones & Stokes		6,687
Central Poulsbo Drainage Basin	Alpha Development		5,849
City Hall Project	Lewis Architecture		300,261
			\$ 395,722

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, 2008, the governmental long-term debt of the City consisted of the following:

Issuance Date	Purpose	Original Issue	Interest Rates	Maturity Date	Debt Outstanding
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	95,000
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	1,095,000
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	4,620,000
Total					\$ 5,810,000

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

As of December 31, 2008, the long-term debt payable from proprietary fund resources consisted of the following:

1998	Water/Sewer Revenue Bonds (Unrefunded)	\$ 4,810,000	3.75 - 4.95%	2012	\$ 650,000
2005	Refunding of 1998 Water/Sewer Revenue Bonds	3,134,000	3.45%	2017	3,069,000
Total					\$3,719,000

B. PUBLIC WORKS TRUST FUND LOANS

States 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 city's comprehensive traffic plan. In 2008, payments for interest of \$40,007 and principal retirement of \$130,171 were made.

As of December 31, 2008, 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	\$ 320,934
2000	Street Improvements to Front Street	1,406,930	3.0%	2020	892,420
2003	Traffic Study for Comprehensive Plan	50,000	0.0%	2009	9,955
Total					\$1,223,309

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 remaining 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, 2008, were considered defeased:

Advanced Refunding	<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 Governmental Activities			Revenue Bonds Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
	2009	\$ 380,000	\$ 229,118	\$ 609,118	\$ 352,000	\$ 136,541
2010	375,000	217,473	594,483	370,000	122,672	492,672
2011	390,000	204,205	594,205	383,000	107,969	490,969
2012	375,000	190,750	565,750	396,000	92,546	488,546
2013	325,000	177,140	502,140	414,000	76,521	490,521
2014-2018	1,680,000	689,720	2,369,720	1,804,000	158,217	1,962,217
2019-2023	1,560,000	362,335	1,922,335	-	-	-
2024-2025	725,000	47,085	772,085	-	-	-
	\$5,810,000	\$2,117,826	\$7,927,826	\$3,719,000	\$ 694,465	\$4,413,465

Year Ended Dec 31	Public Works Trust Fund Loans					
	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2009	\$ 84,323	\$ 26,773	\$ 111,096	\$ 45,848	\$ 9,628	\$ 55,476
2010	74,368	24,542	98,910	45,848	8,253	54,100
2011	74,368	22,310	96,679	45,848	6,877	52,725
2012	74,368	20,079	94,448	45,848	5,502	51,349
2013	74,368	17,848	92,217	45,848	4,126	49,974
2014-2018	371,841	55,776	427,618	91,695	4,126	95,822
2019-2020	148,737	6,693	155,430	-	-	-
	\$ 902,375	\$ 174,022	\$1,076,396	\$ 320,934	\$ 38,512	\$ 359,446

LONG-TERM LIABILITIES

1. Long-term liability activity:

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental Activities				
Bonds payable:				
General obligation bonds	\$ 6,925,000	\$ -	\$ 1,115,000	\$ 5,810,000
Less Unamortized Bond Discount	(53,104)	-	(3,970)	(49,134)
Due to Other Governmental Units	986,698	-	84,323	902,375
Compensated Absences	515,565	39,327	30,433	524,459
Misc NonCurrent Liability	-	39,244	-	39,244
Total Governmental activity long-term liabilities	\$ 8,374,159	\$ 78,571	\$ 1,225,786	\$ 7,226,943
Business-type Activities				
Bonds payable:				
Revenue Bonds	\$ 4,060,000	\$ -	\$ 341,000	\$ 3,719,000
Less Deferred Amount Refunded	(169,327)	-	(16,933)	(152,395)
Less Unamortized Bond Discount	0	-	-	0
Due to Other Governmental Units	366,782	-	45,848	320,934
Compensated Absences	119,118	32,954	2,717	149,354
Total Business-type activity long-term liabilities	\$ 4,376,572	\$ 32,954	\$ 372,632	\$ 4,036,894

2. Liabilities due within one year:

Date of Issue	Liabilities Due Within One Year - Governmental Activities	Due within one year
2002	Limited GO Refunding Bonds: Issue for the purpose of refunding certain outstanding bond of the PPDA (Marine Science Center)	40,000
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.	140,000
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	200,000
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	52,446
	Total Governmental Activities	\$ 512,799

Date of Issue	Liabilities Due Within One Year - Business-Type Activities	Due within one year
1998	Water/Sewer Revenue Bonds	\$ 150,000
2005	Water/Sewer Refunded Revenue Bonds	202,000
1995	Due to Other Governmental Units (PWTF)-Sewer Improvements to Jensen Way	45,848
	Deferred Amount Refunded	(16,933)
	Compensated Absences	14,935
	Total Business-Type Activities	\$ 395,850

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, 2008, there were a small number of claims for damages and lawsuits pending against the City. In the opinion of the City Attorney, however, neither the potential liability for any single claim or lawsuit, nor the aggregate potential liability arising from all actions currently pending would materially affect the financial condition of the City. Due to both their uncertainty and immateriality, no liabilities or estimated liabilities have been included in the City's financial statements.

The City's annexation to Fire District #18 in 1999 carried with it two contingencies. The first contingency was 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 were paid off in 2008. The second contingency is to reimburse to the Fire District any leave cashed out by employees that was accrued before the annexation. The City's portion of the reimbursement is calculated at fifty percent of the cash out. The outstanding leave balances are included with the City's compensated absences.

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

The City has adopted implementation of GASB Statement No. 45 (GASB 45) Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions and Statement No. 50 (GASB 50) Pension Disclosures.

Plan Description

As required by the Revised Code of Washington (RCW) Chapter 41.26, the City provides lifetime medical care for members of the Law Enforcement Officers and Firefighters (LEOFF) retirement system hired before October 1, 1977 under a defined benefit healthcare plan administered by the City. The members necessary hospital, medical, and nursing care expenses not payable by worker's compensation, social security, insurance provided by another employer, other pension plan, or any other similar source are covered. Most medical coverage for eligible retirees is provided by the City's employee medical insurance program. Under the authorization of the LEOFF Disability Board, direct payment is made for other retiree medical expenses not covered by standard medical plan benefit provisions. Financial reporting for the LEOFF retiree healthcare plan is included in the City's Comprehensive Annual Financial Report. As of December 31, 2008 the City has two members in this group.

Funding Policy

Funding for LEOFF retiree healthcare costs is provided entirely by the City as required by RCW. The City's funding policy is based upon pay-as-you-go financing requirements.

Annual OPEB Cost and Net OPEB Obligation

The City's annual other post employment benefit (OPEB) cost is calculated based upon the annual required contribution (ARC), an amount determined using the alternative method permitted under GASB No. 45. A single retirement age of 56.22 was assumed for all active members for the purpose of determining the actuarial liability. Termination and mortality rates were assumed to follow the LEOFF 1 termination and mortality rates used in September 30, 2006 actuarial valuation issued by the Office of State Actuary (OSA). Healthcare costs and trends were determined by Milliman and used by OSA in the state-wide LEOFF 1 medical performed in 2007. The results were based on grouped data with 4 active groupings and 4 inactive groupings. The actuarial cost method used to determine the actuarial accrued liability was Projected Cost Credit. Their assumptions are individually and collectively reasonable for the purposes of this valuation.

The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period of thirty years as of January 1, 2008. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB. The net OPEB obligation of \$39,244 is included as a non-current liability on the Statement of Net Assets.

OTHER POST EMPLOYMENT BENEFITS OBLIGATION**YEAR ENDING 12/31/2008****Determination of Annual Required Contribution:**

Normal Cost at Year End	\$0
Amortization of Unfunded	
Actuarial Accrued Liability (UAAL)	65,964
Annual Required Contribution	<u>\$65,964</u>

Determination of Net OPEB Obligation:

Annual Required Contribution	\$65,964
Interest prior year Net OPEB Obligation	0
Adjustments to ARC	0
Annual OPEB Cost	\$65,964
Contributions	<u>(26,720)</u>
Increase in Net OPEB Obligations	<u>\$39,244</u>
Net OPEM Obligation-Beginning of Year	\$0
NET OPEM Obligation-End of Year	<u>\$39,244</u>

The City's percentage of annual OPEB cost contributed to the plan for 2008 is 41%

Funded Status and Funding Progress

As of January 1, 2008, the most recent actuarial valuation date, the plan was 0% funded. The accrued liability for benefits was \$708,423 and the actuarial value of the assets was \$0 resulting in a UAAL of \$708,423. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations. In the January 1, 2008 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions used included a 5.50% discount rate, which is based upon the long-term investment yield on the investments that are expected to be used to finance payment of benefits. A medical inflation rate of 9%, graded to 5% over eight years was used along with a long term care inflation rate of 4.5%. The UAAL is being amortized on a closed basis at the assumed discount rate.

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:** **\$20,000** – Prior year correction for advanced business license revenue that was recorded in December 2007, instead of January 2008.
- Street Reserve Fund:** **\$86,123-** An Adjustment for the Finn Hill Road Project. When the project was closed out of construction work in progress it was determined that a portion should have gone to the Storm Drain Fund. Since this adjustment is capital in nature it is reflected on the governmental statement but is not reflected on the Statement of Activities because it falls on the Statement of Net Assets.

REQUIRED SUPPLEMENTARY INFORMATION
LEOFF I RETIREE MEDICAL BENEFITS
SCHEDULE OF FUNDING PROGRESS
December 31, 2008

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability Entry Age (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
12/31/2006	\$ -	_____	_____	_____	_____	_____
12/31/2007	\$ -	_____	_____	_____	_____	_____
12/31/2008*	\$ -	\$ 708,423	\$ 708,423	0%	-	N/A**

*Only one year of the three year trend will be completed in the first year of presenting this schedule.

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

THIS PAGE INTENTIONALLY LEFT BLANK



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.

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-Actual for the one *major* capital project funds is also presented here. The fund name is *italicized* for identification purposes.

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

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

The **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.

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.

THIS PAGE INTENTIONALLY LEFT BLANK



COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2008

Page 1 of 6

	Special Revenue				Cumulative Reserve/Rev Stablization
	City Streets	Arterial Streets	Recreation Activity	Capital Improvements	
Assets					
Cash and Cash Equivalents	\$ 13,494	\$ -	\$ 1,644	\$ 189	\$ 25,107
Investments	702,465	-	84,203	187,577	1,699,544
Receivables:					
Taxes	-	-	-	35,661	-
Accounts	623	-	1,576	-	-
Special Assesments	-	-	-	-	-
Due from Other Governments	-	-	-	-	-
Cash and Investments-Restricted	-	-	-	-	-
Total Assets	\$ 716,582	\$ -	\$ 87,423	\$ 223,428	\$ 1,724,651
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	\$ 17,041	\$ -	\$ 8,436	\$ -	\$ -
Custodial Accounts	-	-	100	-	-
Deferred Revenue	-	-	71,877	-	-
Total Liabilities	17,041	-	80,413	-	-
Fund Balances					
Reserved fund balance for debt service	-	-	-	-	-
Reserved fund balance for city beautification	-	-	-	-	-
Unreserved Fund Balance	699,542	-	7,011	223,428	1,724,651
Total Fund Balance	699,542	-	7,011	223,428	1,724,651
Total Liabilities and Fund Balances	\$ 716,582	\$ -	\$ 87,423	\$ 223,428	\$ 1,724,651

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2008**

Page 2 of 6

Special Revenue

Cumulative Reserve	Historic Downtown Poulso Association	Marine Science Center	Paths and Trails	Drug Enforcement	Transient Occupancy	Police Restricted Funds	Total Non-Major Special Revenue Funds
\$ 2,561	\$ 287	\$ 159	\$ 871	\$ 58	\$ 33	\$ 24	\$ 44,428
212,788	12,515	84,637	6,872	17,446	31,200	207,214	3,246,461
-	-	-	-	-	-	31	35,692
-	-	2,156	-	-	-	-	4,356
-	20,019	-	-	-	-	-	20,019
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
\$ 215,349	\$ 32,821	\$ 86,953	\$ 7,742	\$ 17,505	\$ 31,233	\$ 207,269	\$ 3,350,956
\$ -	\$ 2,557	\$ 16	\$ -	\$ 760	\$ 4,932	\$ 154	\$ 33,895
-	-	-	-	-	-	-	100
-	11,130	-	-	-	-	-	83,007
-	13,687	16	-	760	4,932	154	117,002
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
215,349	19,134	86,937	7,742	16,744	26,301	207,114	3,233,954
215,349	19,134	86,937	7,742	16,744	26,301	207,114	3,233,954
\$ 215,349	\$ 32,821	\$ 86,953	\$ 7,742	\$ 17,505	\$ 31,233	\$ 207,269	\$ 3,350,956

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS**

DECEMBER 31, 2008

Page 3 of 6

Debt Service

	Misc Governmental Debt	Non-Voted G.O. Debt	Voted G.O. Bonds	LID Fund	Total Non- Major Debt Service Funds
Assets					
Cash and Cash Equivalents	\$ -	\$ 8,124	\$ 23	\$ -	\$ 8,147
Investments	1,263	61,898	207	22	63,390
Receivables:					-
Taxes	-	-	54	-	54
Accounts	-	1	-	-	1
Special Assesments	-	-	-	-	-
Due from Other Governments	-	-	-	-	-
Cash and Investments-Restricted	-	-	-	-	-
Total Assets	\$ 1,263	\$ 70,023	\$ 284	\$ 22	\$ 71,592
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -
Custodial Accounts	-	1,728	-	-	1,728
Deferred Revenue	-	1,000	-	-	1,000
Total Liabilities	-	2,728	-	-	2,728
Fund Balances					
Reserved fund balance for debt service	1,263	67,296	284	22	68,865
Reserved fund balance for city beautification	-	-	-	-	-
Unreserved Fund Balance	-	-	-	-	-
Total Fund Balance	1,263	67,296	284	22	68,865
Total Liabilities and Fund Balances	\$ 1,263	\$ 70,023	\$ 284	\$ 22	\$ 71,592

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2008**

Page 4 of 6

Capital Project

Equipment Acquisition	Park Reserve	Library Improvement	Recreation Reserve	Park Acquisition	Museum Reserve
\$ 30,907	\$ 30,760	\$ -	\$ 289	\$ 68	\$ -
435,107	178,476	109	1,164	182,527	6,526
-	-	-	-	-	-
-	46,085	-	-	-	-
-	-	-	-	-	-
-	15,626	-	-	-	-
-	-	-	-	-	-
\$ 466,014	\$ 270,947	\$ 109	\$ 1,453	\$ 182,595	\$ 6,526
\$ -	\$ 42,758	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	42,758	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
466,014	228,189	109	1,453	182,595	6,526
\$ 466,014	\$ 270,947	\$ 109	\$ 1,453	\$ 182,595	\$ 6,526

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2008

Page 5 of 6

	Capital Project		
	Cemetery Reserve	Street Equipment Reserve	Total Non- Major Capital Project Funds
Assets			
Cash and Cash Equivalents	\$ 400	\$ 23,446	\$ 85,871
Investments	75,330	188,633	1,067,871
Receivables:			
Taxes	-	-	-
Accounts	-	-	46,085
Special Assesments	-	-	-
Due from Other Governments	-	-	15,626
Cash and Investments-Restricted	-	-	-
Total Assets	\$ 75,730	\$ 212,078	\$ 1,215,453
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$ -	\$ -	\$ 42,758
Custodial Accounts	-	-	-
Deferred Revenue	-	-	-
Total Liabilities	-	-	42,758
Fund Balances			
Reserved fund balance for debt service	-	-	-
Reserved fund balance for city beautification	-	-	-
Unreserved Fund Balance	75,730	212,078	1,172,695
Total Fund Balances	75,730	212,078	1,172,695
Total Liabilities and Fund Balances	\$ 75,730	\$ 212,078	\$ 1,215,453

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2008**

Page 6 of 6

Permanent			
Bernice Borgen Beautification		Total Non- Major Governmental Funds	
\$	-	\$	138,446
	-		4,377,722
	-		35,746
	-		50,442
	-		20,019
	-		15,626
	122,063		122,063
\$	122,063	\$	4,760,064
\$	-	\$	76,653
	-		1,828
	-		84,007
	-		162,488
	-		68,865
	122,063		122,063
	-		4,406,649
	122,063		4,597,576
\$	122,063	\$	4,760,064

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR YEAR ENDED DECEMBER 31, 2008**

Page 1 of 6

	Special Revenue				Cumulative Reserve Revenue Stabilization
	City Streets	Arterial Streets	Recreation	Capital Improvements	
Revenues					
Taxes	\$ -	\$ -	\$ -	\$ 542,251	\$ -
Licenses and Permits	7,096	-	-	-	-
Intergovernmental	174,126	-	-	-	-
Charges for Services	-	-	486,872	-	-
Fines and Forfeitures	-	-	-	-	-
Interest and Other Earnings	25,992	-	2,277	22,341	54,409
Miscellaneous	-	-	7,655	-	-
Total Revenues	207,214	-	496,804	564,592	54,409
Expenditures					
Current:					
General Government	-	-	-	-	-
Security of Persons & Property	-	-	-	-	-
Utilities and Environment	-	-	-	-	-
Transportation	980,507	-	-	-	-
Economic Environment	-	-	-	-	-
Mental and Physical Health	-	-	-	-	-
Culture and Recreation	-	-	657,583	-	-
Debt Service:					
Principal	-	-	-	-	-
Interest & Fiscal Charges	-	-	-	-	-
Capital Outlay	-	-	-	-	-
Total Expenditures	980,507	-	657,583	-	-
Excess of Revenues over Expenditures	(773,293)	-	(160,780)	564,592	54,409
Other Financing Sources (Uses)					
Transfers In	864,799	-	161,006	-	934,372
Transfers Out	(406,083)	-	-	(944,388)	(301,205)
Disposal of Capital Assets	-	-	-	-	-
Total Other Financing Sources and Uses	458,715	-	161,006	(944,388)	633,167
Net Change in Fund Balances	(314,578)	-	226	(379,795)	687,576
Fund Balances - Beginning	994,409	19,711	6,785	603,223	1,037,076
Prior Year Adjustment	-	-	-	-	-
Fund Balances - Ending	\$ 699,542	\$ -	\$ 7,011	\$ 223,428	\$ 1,724,651

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR YEAR ENDED DECEMBER 31, 2008**

Page 2 of 6

Special Revenue

Cumulative Reserve	Historic Downtown Poulso Association	Marine Science Center	Paths and Trails	Drug Enforcement	Transient Occupancy	Police Restricted Funds	Total Non-Major Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 126,246	\$ 99,984	\$ 768,481
-	-	-	-	-	-	-	7,096
-	-	-	-	4,643	-	17,438	196,206
44,428	-	-	-	-	-	-	531,300
-	-	-	-	-	-	580	580
3,821	1,161	1,894	117	252	670	4,005	116,939
-	46,910	-	-	5,579	-	-	60,144
48,249	48,071	1,894	117	10,474	126,917	122,006	1,680,747
-	-	-	-	-	-	-	-
-	-	-	-	6,105	-	10,177	16,282
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	980,507
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	47,081	3,811	-	-	133,683	-	842,158
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	61,943	61,943
-	47,081	3,811	-	6,105	133,683	72,121	1,900,891
48,249	990	(1,917)	117	4,369	(6,766)	49,886	(220,145)
-	-	-	871	-	-	-	1,961,047
(35,000)	-	(30,030)	-	-	-	(28,000)	(1,744,706)
-	-	-	-	-	-	-	-
(35,000)	-	(30,030)	871	-	-	(28,000)	216,341
13,249	990	(31,947)	987	4,369	(6,766)	21,886	(3,804)
202,100	18,144	118,884	6,755	12,376	33,068	185,229	3,237,757
\$ 215,349	\$ 19,134	\$ 86,937	\$ 7,742	\$ 16,744	\$ 26,301	\$ 207,114	\$ 3,233,954

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR YEAR ENDED DECEMBER 31, 2008**

Page 3 of 6

	Debt Service				Total Non-Major Debt Service Funds
	Misc Governmental Debt	Non-Voted G.O. Debt	Voted G.O. Bonds	LID Fund	
Revenues					
Taxes	\$ -	\$ -	\$ 1,301	\$ -	\$ 1,301
Licenses and Permits	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Charges for Services	-	10,634	-	-	10,634
Fines and Forfeitures	-	-	-	-	-
Interest and Other Earnings	366	22,296	1,054	0	23,716
Miscellaneous	-	-	-	-	-
Total Revenues	366	32,930	2,356	0	35,651
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	955,000	160,000	-	1,199,323
Interest & Fiscal Charges	29,004	269,827	4,360	-	303,190
Capital Outlay	-	-	-	-	-
Total Expenditures	113,327	1,224,827	164,360	-	1,502,514
Excess of Revenues over Expenditures	(112,961)	(1,191,897)	(162,004)	0	(1,466,862)
Other Financing Sources (Uses)					
Transfers In	113,455	613,922	-	-	727,377
Transfers Out	-	-	(21,720)	-	(21,720)
Disposal of Capital Assets	-	-	-	-	-
Total Other Financing Sources and Uses	113,455	613,922	(21,720)	-	705,657
Net Change in Fund Balances	494	(577,975)	(183,724)	0	(761,205)
Fund Balances - Beginning	769	645,271	184,008	22	830,070
Prior Year Adjustment	-	-	-	-	-
Fund Balances - Ending	\$ 1,263	\$ 67,296	\$ 284	\$ 22	\$ 68,865

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR YEAR ENDED DECEMBER 31, 2008**

Page 4 of 6

Capital Project

Equipment Acquisition	Park Reserve	Library Improvement	Recreation Reserve	Park Acquisition	Museum Reserve
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	152,493	-	-	-	-
-	1,660	-	-	27,400	-
-	-	-	-	-	-
7,148	4,301	2	22	4,006	124
-	4,914	-	44	-	-
7,148	163,368	2	66	31,406	124
48,883	-	-	-	-	-
-	-	-	-	-	-
4,185	14,753	-	-	-	-
-	-	-	-	-	-
6,761	-	-	-	-	-
-	-	-	-	-	-
9,118	399,104	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
119,400	193,550	-	-	-	-
188,346	607,407	-	-	-	-
(181,198)	(444,039)	2	66	31,406	124
308,688	434,649	-	-	-	-
(30,000)	-	-	-	(40,740)	-
-	-	-	-	-	-
278,688	434,649	-	-	(40,740)	-
97,490	(9,390)	2	66	(9,334)	124
368,524	237,579	107	1,387	191,930	6,402
\$ 466,014	\$ 228,189	\$ 109	\$ 1,453	\$ 182,595	\$ 6,526

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR YEAR ENDED DECEMBER 31, 2008**

Page 5 of 6

	Cemetery Reserve	Street Equipment Reserve	Total Non-Major Capital Project Funds
Revenues			
Taxes	\$ -	\$ -	\$ -
Licenses and Permits	-	-	-
Intergovernmental	-	-	152,493
Charges for Services	2,000	-	31,060
Fines and Forfeitures	-	-	-
Interest and Other Earnings	1,408	2,858	19,869
Miscellaneous	-	-	4,958
Total Revenues	3,408	2,858	208,380
Expenditures			
Current:			
General Government	-	-	48,883
Security of Persons & Property	-	-	-
Utilities and Environment	-	-	18,938
Transportation	-	-	-
Economic Environment	-	-	6,761
Mental and Physical Health	-	-	-
Culture and Recreation	-	-	408,222
Debt Service:			
Principal	-	-	-
Interest & Fiscal Charges	-	-	-
Capital Outlay	-	91,942	404,891
Total Expenditures	-	91,942	887,695
Excess of Revenues over Expenditures	3,408	(89,084)	(679,314)
Other Financing Sources (Uses)			
Transfers In	-	150,856	894,193
Transfers Out	-	-	(70,740)
Disposal of Capital Assets	-	-	-
Total Other Financing Sources and Uses	-	150,856	823,453
Net Change in Fund Balances	3,408	61,773	144,139
Fund Balances - Beginning	72,322	150,306	1,028,556
Prior Year Adjustment	-	-	-
Fund Balances - Ending	\$ 75,730	\$ 212,078	\$ 1,172,695

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR YEAR ENDED DECEMBER 31, 2008**

Page 6 of 6

<u>Permanent</u>	
Bernice Borgen Beautification	Total Nonmajor Governmental Funds
\$ -	\$ 769,783
-	7,096
-	348,699
-	572,994
-	580
4,520	165,044
-	65,102
4,520	1,929,299
-	48,883
-	16,282
-	18,938
-	980,507
-	6,761
-	-
-	1,250,380
-	1,199,323
-	303,190
-	466,835
-	4,291,100
4,520	(2,361,801)
-	3,582,617
-	(1,837,166)
-	-
-	1,745,452
4,520	(616,349)
117,542	5,213,925
-	-
\$ 122,063	\$ 4,597,576

THIS PAGE INTENTIONALLY LEFT BLANK



CITY STREET FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2008

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenue			
License and Permits	\$ 3,000	\$ 7,096	\$ 4,096
Intergovernmental	189,680	174,126	(15,554)
Interest and Other Earnings	-	25,992	25,992
Total Revenues	192,680	207,214	14,534
Expenditures			
Transportation:			
Street Maintenance	1,036,317	980,507	55,810
Total Expenditures	1,036,317	980,507	55,810
Excess of Revenues Under Expenditures	(843,637)	(773,293)	70,344
Other Financing Sources (Uses)			
Transfers in	881,753	864,799	(16,954)
Transfers out	(455,098)	(406,083)	(49,015)
Total Other Financing Sources (Uses)	426,655	458,715	32,060
Net Change in Fund Balance	(416,982)	(314,578)	102,404
Fund Balance Beginning of Year	1,014,119	994,409	(19,711)
Fund Balance End of Year	\$ 597,137	\$ 699,542	\$ 102,405

ARTERIAL STREET FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2008

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Intergovernmental:			
State fuel tax	\$ -	\$ -	\$ -
Interest and Other Earnings	-	-	-
Total Revenues	-	-	-
Expenditures			
General Administration	-	-	-
Total Expenditures	-	-	-
Excess of Revenues Over Expenditures	-	-	-
Other Financing Sources (Uses)			
Transfers out	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balance	-	-	-
Fund Balance Beginning of Year	-	19,711	19,711
Fund Balance End of Year	\$ -	(0) \$	(0)

RECREATION ACTIVITY FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2008

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Culture and Recreation:			
Amusement and Recreation	\$ 499,700	\$ 93,416	\$ (406,284)
Adult Program	-	14,856	14,856
Adventure Program	-	22,273	22,273
Arts and Crafts Program	-	15,483	15,483
Body & Mind Program	-	-	-
Bus & Computer Program	-	50	50
Dance Program	-	27,128	27,128
Music Program	-	31,940	31,940
Senior Program	-	18,493	18,493
Sport and Fitness Program	-	231,843	231,843
Youth Program	-	39,046	39,046
Interest and Other Earnings	2,000	2,277	277
Total Revenues	501,700	496,804	(4,896)
Expenditures			
Culture and Recreation:			
Administration	440,322	433,142	7,181
Adventure Program	13,262	12,492	770
Adult Program	11,300	10,507	793
Arts and Crafts Program	8,700	8,799	(99)
Bus & Computer Program	600	-	600
Dance Program	19,000	15,147	3,853
Music Program	18,500	25,931	(7,431)
Senior Program	14,000	13,515	485
Sport and Fitness Program	123,750	124,841	(1,091)
Youth Program	13,200	13,209	(9)
Total Expenditures	662,634	657,583	5,051
Excess of Revenues Under Expenditures	(160,934)	(160,780)	155
Other Financing Sources (Uses)			
Transfers in	161,006	161,006	0
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	161,006	161,006	0
Net Change in Fund Balance	72	226	155
Fund Balance Beginning of Year	6,830	6,785	(45)
Fund Balance End of Year	\$ 6,902	\$ 7,011	\$ 109

CAPITAL IMPROVEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2008

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Taxes:			
Excise Tax	\$ 600,000	\$ 542,251	\$ (57,749)
Interest and Other Earnings	5,000	22,341	17,341
Total Revenues	605,000	564,592	(40,408)
Expenditures			
Current:			
Miscellaneous	-	-	-
Total Expenditures	-	-	-
Excess of Revenues Over Expenditures	605,000	564,592	(40,408)
Other Financing Sources (Uses)			
Transfers out	(951,363)	(944,388)	(6,975)
Total Other Financing Sources (Uses)	(951,363)	(944,388)	(6,975)
Net Change in Fund Balance	(346,363)	(379,795)	(33,432)
Fund Balance Beginning of Year	603,223	603,223	-
Fund Balance End of Year	\$ 256,860	\$ 223,428	\$ (33,432)

CUMULATIVE RESERVE/REVENUE STABILIZATION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2008

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Interest and Other Earnings	\$ 18,000	\$ 54,409	\$ 36,409
Miscellaneous	-	-	-
Total Revenues	18,000	54,409	36,409
Expenditures			
Current:			
Professional Services	-	-	-
Total Expenditures	-	-	-
Excess of Revenues Over Expenditures	18,000	54,409	36,409
Other Financing Sources (Uses)			
Transfers in	944,529	934,372	(10,157)
Transfers out	(301,205)	(301,205)	-
Capital Leases	-	-	-
Disposal of Capital Assets	-	-	-
Total Other Financing Sources (Uses)	643,324	633,167	(10,157)
Net Change in Fund Balance	661,324	687,576	26,252
Fund Balance Beginning of Year	1,037,076	1,037,076	-
Fund Balance End of Year	\$ 1,698,400	\$ 1,724,651	\$ 26,251

CUMULATIVE RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2008

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Transportation Impact Fees	\$ -	\$ 44,428	\$ 44,428
Interest and Other Earnings	20,500	3,821	(16,679)
Total Revenues	20,500	48,249	27,749
Expenditures			
Current:			
Miscellaneous	-	-	-
Total Expenditures	-	-	-
Excess of Revenues Over Expenditures	20,500	48,249	27,749
Other Financing Sources (Uses)			
Transfers in	-	-	-
Transfers out	(35,000)	(35,000)	-
Total Other Financing Sources (Uses)	(35,000)	(35,000)	-
Net Change in Fund Balance	(14,500)	13,249	27,749
Fund Balance Beginning of Year	202,100	202,100	(0)
Fund Balance End of Year	\$ 187,600	\$ 215,349	\$ 27,749

HISTORIC DOWNTOWN POULSBO ASSOCIATION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2008

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Special Assessments	\$ 48,000	\$ 45,118	\$ (2,882)
Gifts and Pledges	25,000	1,792	(23,208)
Interest and Other Earnings	450	1,161	711
Miscellaneous	-	-	-
Total Revenues	73,450	48,071	(25,379)
Expenditures			
Bad Debt Expense	-	2,032	(2,032)
Office & Operating Supplies	2,250	1,340	910
Small Tools & Minor Equipment	25,000	-	25,000
Professional Services	14,000	14,639	(639)
Communication	3,000	1,846	1,154
Advertising	17,000	16,781	219
Insurance	-	-	-
Repairs and Maintenance	11,000	10,271	729
Miscellaneous	1,100	172	928
Total Expenditures	73,350	47,081	26,269
Excess of Revenues Over Expenditures	100	990	890
Other Financing Sources (Uses)			
Transfers in	-	-	-
Transfers out	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balance	100	990	890
Fund Balance Beginning of Year	18,144	18,144	-
Prior Year Adjustment	-	-	-
Fund Balance End of Year	\$ 18,244	\$ 19,134	\$ 890

MARINE SCIENCE CENTER FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2008

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Interest and Other Earnings	\$ 2,500	\$ 1,894	\$ (606)
Total Revenues	2,500	1,894	(606)
Expenditures			
Current:			
Education Service	-	-	-
Facilities	6,060	3,811	2,249
Total Expenditures	6,060	3,811	2,249
Excess of Revenues Over Expenditures	(3,560)	(1,917)	1,643
Other Financing Sources (Uses)			
Transfers in	-	-	-
Transfers out	(30,030)	(30,030)	-
Total Other Financing Sources (Uses)	(30,030)	(30,030)	-
Net Change in Fund Balance	(33,590)	(31,947)	1,643
Fund Balance Beginning of Year	118,884	118,884	-
Fund Balance End of Year	\$ 85,294	\$ 86,937	\$ 1,643

PATH AND TRAILS RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2008

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Interest and Other Earnings	\$ -	\$ 117	\$ 117
Miscellaneous	-	-	-
Total Revenues	-	117	117
Expenditures			
Current:			
Miscellaneous	-	-	-
Total Expenditures	-	-	-
Excess of Revenues Over Expenditures	-	117	117
Other Financing Sources (Uses)			
Transfers in	948	871	(77)
Total Other Financing Sources (Uses)	948	871	(77)
Net Change in Fund Balance	948	987	39
Fund Balance Beginning of Year	6,755	6,755	-
Fund Balance End of Year	\$ 7,703	\$ 7,742	\$ 39

DRUG ENFORCEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2008

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Kitsap County -Westnet Grant	\$ 10,000	\$ 4,643	\$ (5,357)
Interest and Other Earnings	150	252	102
Miscellaneous	-	5,579	5,579
Total Revenues	10,150	10,474	324
Expenditures			
Current:			
LIBNET Program	12,680	6,105	6,575
Drug Enforcement Agency	-	-	-
Total Expenditures	12,680	6,105	6,575
Excess of Revenues Over Expenditures	(2,530)	4,369	6,899
Other Financing Sources (Uses)			
Disposal of Capital Assets	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balance	(2,530)	4,369	6,899
Fund Balance Beginning of Year	12,376	12,376	(0)
Fund Balance End of Year	\$ 9,846	\$ 16,744	\$ 6,898

TRANSIENT OCCUPANCY TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2008

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Hotel/Motel Tax	\$ 80,000	\$ 63,123	\$ (16,877)
Additional 2% Hotel/Motel Tax	80,000	63,123	(16,877)
Interest and Other Earnings	-	670	670
Total Revenues	160,000	126,917	(33,083)
Expenditures			
Economic Environment:			
Spectator and Community Events:			-
Administration	80,000	63,123	16,877
Special Events	73,629	70,560	3,069
Miscellaneous	-	-	-
Total Expenditures	153,629	133,683	19,946
Excess of Revenues Over Expenditures	6,371	(6,766)	(13,137)
Other Financing Sources (Uses)			
Transfers in	-	-	-
Transfers out	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balance	6,371	(6,766)	(13,137)
Fund Balance Beginning of Year	33,068	33,068	-
Fund Balance End of Year	\$ 39,439	\$ 26,301	\$ (13,138)

POLICE RESTRICTED FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2008

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Sales Tax	\$ 85,000	\$ 99,984	\$ 14,984
Suquamish Indian Tribe Mitigation	-	-	-
Vessel Registration	9,000	8,919	(81)
Criminal Justice	6,822	7,618	796
Interest and Other Earnings	600	4,005	3,405
Miscellaneous	2,000	1,480	(520)
Total Revenues	103,422	122,006	18,584
Expenditures			
Security of Persons & Property:			
Domestic Violence Program	1,800	2,106	(306)
Law Enforcement Sales Tax Program	70,125	68,698	1,427
Other Services	24,000	1,317	22,683
Total Expenditures	95,925	72,121	23,804
Excess of Revenues Over Expenditures	7,497	49,886	42,389
Other Financing Sources (Uses)			
Transfers in	-	-	-
Transfers out	(28,000)	(28,000)	-
Total Other Financing Sources (Uses)	(28,000)	(28,000)	-
Net Change in Fund Balance	(20,503)	21,886	42,389
Fund Balance Beginning of Year	185,229	185,229	(0)
Fund Balance End of Year	\$ 164,726	\$ 207,114	\$ 42,388

MISCELLANEOUS GOVERNMENTAL DEBT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2008

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Interest and Other Earnings	\$ -	\$ 366	\$ 366
Total Revenues	-	366	366
Expenditures			
Debt Service:			
Intergovernmental Loan-Principal	84,323	84,323	-
Interest and Related Costs	29,004	29,004	-
Total Expenditures	113,327	113,327	-
Excess of Revenues Over Expenditures	(113,327)	(112,961)	366
Other Financing Sources (Uses)			
Transfers in	113,455	113,455	0
Transfers out	-	-	-
Total Other Financing Sources (Uses)	113,455	113,455	0
Net Change in Fund Balance	128	494	366
Fund Balance Beginning of Year	769	769	-
Fund Balance End of Year	\$ 897	\$ 1,263	\$ 366

NON-VOTED GENERAL OBLIGATION DEBT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2008

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Interest and Other Earnings	\$ 25,000	\$ 22,296	\$ (2,704)
Rentals & Leases	10,635	10,635	(0)
Total Revenues	35,635	32,930	(2,705)
Expenditures			
Debt Service:			
General Obligation Bond-Principal	955,000	955,000	-
Interest and Related Costs	269,873	269,827	46
Total Expenditures	1,224,873	1,224,827	46
Excess of Revenues Over Expenditures	(1,189,238)	(1,191,897)	(2,659)
Other Financing Sources (Uses)			
Transfers in	613,923	613,922	(1)
Transfers out	-	-	-
Total Other Financing Sources (Uses)	613,923	613,922	(1)
Net Change in Fund Balance	(575,315)	(577,974)	(2,659)
Fund Balance Beginning of Year	645,270	645,271	1
Fund Balance End of Year	\$ 69,955	\$ 67,296	\$ (2,659)

VOTED GENERAL OBLIGATION DEBT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2008

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Property Taxes	\$ 2,000	\$ 1,301	\$ (699)
Interest and Other Earnings	2,000	1,054	(946)
Total Revenues	4,000	2,356	(1,644)
Expenditures			
Debt Service:			
General Obligation Bonds-Principal	160,000	160,000	-
Interest and Related Costs	4,360	4,360	-
Total Expenditures	164,360	164,360	-
Excess of Revenues Over Expenditures	(160,360)	(162,004)	(1,644)
Other Financing Sources (Uses)			
Transfers in	-	-	-
Transfers out	(22,712)	(21,720)	(992)
Total Other Financing Sources (Uses)	(22,712)	(21,720)	992
Net Change in Fund Balance	(183,072)	(183,724)	(652)
Fund Balance Beginning of Year	184,008	184,008	0
Fund Balance End of Year	\$ 936	\$ 284	\$ (652)

LOCAL IMPROVEMENT DISTRICT (LID) FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2008

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
General property taxes	\$ -	\$ -	-
Interest and Other Earnings	2	0	(2)
Miscellaneous	-	-	-
Total Revenues	2	0	(2)
Expenditures			
Debt:			
Debt service costs	-	-	-
Total Expenditures	-	-	-
Excess of Revenues Over Expenditures	2	0	(2)
Other Financing Sources (Uses)			
Transfers in	-	-	-
Transfers out	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balance	2	0	(2)
Fund Balance Beginning of Year	22	22	(0)
Fund Balance End of Year	\$ 24	\$ 22	\$ (2)

EQUIPMENT ACQUISITION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2008

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Interest and Other Earnings	\$ -	\$ 7,148	\$ 7,148
Total Revenues	-	7,148	7,148
Expenditures			
Small Tools and Minor Equipment:			
General Government	39,700	48,883	(9,183)
Security of Persons & Property	4,000	-	4,000
Utilities and Environment	12,000	4,185	7,815
Economic Environment	11,000	6,761	4,239
Culture and Recreation	12,000	9,118	2,882
Capital Outlay	349,604	119,400	230,204
Total Expenditures	428,304	188,346	239,958
Excess of Revenues Over Expenditures	(428,304)	(181,198)	247,106
Other Financing Sources (Uses)			
Transfers in	314,676	308,688	(5,988)
Transfers out	(30,000)	(30,000)	-
Total Other Financing Sources (Uses)	284,676	278,688	(5,988)
Net Change in Fund Balance	(143,628)	97,490	241,118
Fund Balance Beginning of Year	368,524	368,524	(0)
Fund Balance End of Year	\$ 224,896	\$ 466,014	\$ 241,118

PARK RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2008

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Intergovernmental:			
Interagency Committee for Outdoor Recreation	\$ 397,917	\$ 152,493	\$ (245,424)
Port of Poulsbo	-	-	-
Gifts and Pledges	4,698	4,914	216
Interest and Other Earnings	402	5,296	4,894
Rental and Lease	6,000	665	(5,335)
Total Revenues	409,017	163,368	(245,649)
Expenditures			
Current:			
Natural Resources	15,120	14,753	367
Administration	80,000	67,502	12,498
Capital Outlay:			
American Legion Park Paths	62,500	-	62,500
Ballfields - College Marketplace	50,000	-	50,000
Betty Iverson Kiwanis Park	40,000	40,644	(644)
Centennial Park	203,511	53,156	150,355
E & W Liberty Trail	10,000	-	10,000
Fish Park	125,041	98,060	26,981
Raab Park	2,285	1,689	596
Intergovernmental:			
Professional Services	331,602	331,602	
Total Expenditures	920,059	607,407	312,652
Excess of Revenues Over Expenditures	(511,042)	(444,039)	67,003
Other Financing Sources (Uses)			
Transfers in	576,035	434,649	(141,386)
Transfers out	-	-	-
Total Other Financing Sources (Uses)	576,035	434,649	(141,386)
Net Change in Fund Balance	64,993	(9,390)	(74,383)
Fund Balance Beginning of Year	115,483	237,579	122,096
Fund Balance End of Year	\$ 180,476	\$ 228,189	\$ 47,713

LIBRARY IMPROVEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2008

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Interest and Other Earnings	\$ -	\$ 2	\$ 2
Total Revenues	-	2	2
Expenditures			
Current:			
General Government	-	-	-
Total Expenditures	-	-	-
Excess of Revenues Over Expenditures	-	2	2
Other Financing Sources (Uses)			
Transfers in	-	-	-
Transfers out	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balance	-	2	2
Fund Balance Beginning of Year	107	107	-
Fund Balance End of Year	\$ 107	\$ 109	\$ 2

RECREATION RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2008

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Donations	\$ -	\$ 44	\$ 44
Interest and Other Earnings	-	22	22
Total Revenues	-	66	66
Expenditures			
Current:			
General Government	-	-	-
Total Expenditures	-	-	-
Excess of Revenues Over Expenditures	-	66	66
Other Financing Sources (Uses)			
Transfers in	-	-	-
Transfers out	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balance	-	66	66
Fund Balance Beginning of Year	1,387	1,387	-
Fund Balance End of Year	\$ 1,387	\$ 1,453	\$ 66

STREET RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2008

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Indirect Federal Grants	\$ 350,000	\$ 90,187	\$ (259,813)
State Dept of Ecology Grant	50,000	3,261	(46,739)
State Dept of Transportation Grant	-	-	-
Transportation Improvement Board	1,513,270	1,513,270	(0)
North Kitsap School District	40,000	-	(40,000)
Interest and Other Earnings	-	17,085	17,085
Total Revenues	1,953,270	1,623,803	(329,467)
Expenditures			
Current:			
State Route 305 Project	1,664,397	1,677,117	(12,720)
Caldart Signal Project	22,681	7,878	14,803
Lindvig Bridge Beautificaton	50,000	-	50,000
Long Range Tip Planning	95,000	45,156	49,844
Mesford Sidewalk	400,000	19,609	380,391
7th Avenue	20,703	36,582	(15,879)
Noll Road Improvements	128,873	121,347	7,526
Viking Avenue at Bovela	48,446	49,241	(795)
Viking Avenue at McDonalds	198,572	74,916	123,656
Total Expenditures	2,628,672	2,031,846	596,826
Excess of Revenues Over Expenditures	(675,402)	(408,043)	267,359
Other Financing Sources (Uses)			
Proceeds From Sale of Capital Assets	-	-	-
Transfers in	542,969	467,252	(75,717)
Transfers out	-	-	-
Total Other Financing Sources (Uses)	542,969	467,252	(75,717)
Net Change in Fund Balance	(132,433)	59,209	191,642
Fund Balance Beginning of Year	851,556	900,154	48,598
Prior Year Adjustment	-	86,123	86,123
Fund Balance End of Year	\$ 719,123	\$ 1,045,486	\$ 326,363

PARK ACQUISITION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2008

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Park Mitigation	\$ -	\$ 27,400	\$ 27,400
Interest and Other Earnings	-	4,006	4,006
Total Revenues	-	31,406	31,406
Expenditures			
Current:			
General Government	-	-	-
Total Expenditures	-	-	-
Excess of Revenues Over Expenditures	-	31,406	31,406
Other Financing Sources (Uses)			
Transfers in	-	-	-
Transfers out	(180,740)	(40,740)	(140,000)
Total Other Financing Sources (Uses)	(180,740)	(40,740)	140,000
Net Change in Fund Balance	(180,740)	(9,334)	171,406
Fund Balance Beginning of Year	191,930	191,930	-
Fund Balance End of Year	\$ 11,190	\$ 182,595	\$ 171,405

MUSEUM RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2008

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Interest and Other Earnings	\$ -	\$ 124	\$ 124
Miscellaneous	-	-	-
Total Revenues	-	124	124
Expenditures			
Current:			
General Government	-	-	-
Total Expenditures	-	-	-
Excess of Revenues Over Expenditures	-	124	124
Other Financing Sources (Uses)			
Transfers in	-	-	-
Transfers out	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balance	-	124	124
Fund Balance Beginning of Year	6,402	6,402	-
Fund Balance End of Year	\$ 6,402	\$ 6,526	\$ 124

CEMETARY RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2008

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Gravesites	\$ 800	\$ 2,000	\$ 1,200
Interest and Other Earnings	500	1,408	908
Miscellaneous	-	-	-
Total Revenues	1,300	3,408	2,108
Expenditures			
Current:			
General Government	-	-	-
Total Expenditures	-	-	-
Excess of Revenues Over Expenditures	1,300	3,408	2,108
Other Financing Sources (Uses)			
Transfers in	-	-	-
Transfers out	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balance	1,300	3,408	2,108
Fund Balance Beginning of Year	72,322	72,322	-
Fund Balance End of Year	\$ 73,622	\$ 75,730	\$ 2,108

CITY STREET EQUIPMENT RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2008

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Interest and Other Earnings	\$ 1,000	\$ 2,858	\$ 1,858
Miscellaneous	-	-	-
Total Revenues	1,000	2,858	1,858
Expenditures			
Capital Outlay	275,000	91,942	183,058
Total Expenditures	275,000	91,942	183,058
Excess of Revenues Over Expenditures	(274,000)	(89,084)	184,916
Other Financing Sources (Uses)			
Transfers in	150,325	150,856	531
Transfers out	-	-	-
Total Other Financing Sources (Uses)	150,325	150,856	531
Net Change in Fund Balance	(123,675)	61,773	185,448
Fund Balance Beginning of Year	149,704	150,306	602
Fund Balance End of Year	\$ 26,029	\$ 212,078	\$ 186,049

FACILITIES FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2008

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Interest and Other Earnings	\$ 40,000	\$ 42,198	\$ 2,198
Miscellaneous	-	415	415
Total Revenues	40,000	42,613	2,613
Expenditures			
Capital Outlay:			
Municipal Campus Project	12,478,502	2,803,169	9,675,333
Total Expenditures	12,478,502	2,803,169	9,675,333
Excess of Revenues Over Expenditures	(12,438,502)	(2,760,556)	9,677,946
Other Financing Sources (Uses)			
Governmental Obligation Bond Proceeds	7,535,521	-	(7,535,521)
Proceeds From Sale of Capital Assets	1,700,000	-	(1,700,000)
Transfers in	455,462	453,962	(1,500)
Transfers out	-	-	-
Total Other Financing Sources (Uses)	9,690,983	453,962	(9,237,021)
Net Change in Fund Balance	(2,747,519)	(2,306,593)	440,926
Fund Balance Beginning of Year	2,897,832	2,897,832	-
Fund Balance End of Year	\$ 150,313	\$ 591,238	\$ 440,925

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.

THIS PAGE INTENTIONALLY LEFT BLANK



COMBINING STATEMENT OF NET ASSETS - INTERNAL SERVICE FUNDS

DECEMBER 31, 2008

	Governmental		Business-type Activities	
	Medical Reimbursement	General Facilities	Public Works Admin	Total
Assets				
Current Assets:				
Cash and Cash Equivalents	\$ 326	\$ 2,412	\$ 700	\$ 3,439
Investments	99,363	58,386	155,044	312,793
Accounts Receivable	360	139	931	1,430
Inventories	-	1,192	-	1,192
Total Current Assets	100,049	62,130	156,675	318,854
Noncurrent assets:				
Investments	-	-	-	-
Capital Assets:				
Land	-	-	-	-
Building and Structures	-	-	-	-
Machinery and Equipment	-	9,000	56,218	65,218
Construction in Progress	-	-	1,100,172	1,100,172
Other Improvements	-	-	32,424	32,424
Less: Accumulated Depreciation	-	(9,000)	(66,373)	(75,373)
Total Noncurrent Assets	-	-	1,122,441	1,122,441
Total Assets	\$ 100,049	\$ 62,130	\$ 1,279,116	\$ 1,441,295
Liabilities				
Current Liabilities:				
Accounts Payable	\$ 254	\$ 1,789	\$ 4,156	\$ 6,198
Total Current Liabilities	254	1,789	4,156	6,198
Non Current Liabilities:				
Compensated Absences	-	10,891	51,075	61,966
Total Non Current Liabilities	-	10,891	51,075	61,966
Total Liabilities	254	12,680	55,230	68,164
Net Assets				
Invested in capital assets	-	-	1,122,441	1,122,441
Unrestricted	99,796	49,450	101,445	250,690
Total Net Assets	\$ 99,796	\$ 49,450	\$ 1,223,885	\$ 1,373,131

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008

	Governmental		Business-type Activities	
	Activities			
	Medical Reimbursement	General Facilities	Public Works Admin	Total
Operating Revenues:				
Charges for Services	\$ -	\$ 177,437	\$ 2,031,934	\$ 2,209,370
Miscellaneous	8,648	39	-	8,687
Total operating revenues	8,648	177,475	2,031,934	2,218,057
Operating Expenses:				
Administrative and General	43,872	51,770	957,254	1,052,896
Depreciation	-	-	2,447	2,447
Operating	-	122,321	-	122,321
Total Operating Expenses	43,872	174,091	959,700	1,177,663
Operating Income (loss)	(35,224)	3,384	1,072,233	1,040,394
Nonoperating Revenues (Expenses):				
Interest and Other Earnings	2,729	1,090	2,794	6,613
Gain (loss) on Dispositon of Cap. Assets	-	-	-	-
Other Nonoperating Expense	-	-	-	-
Transfer In	-	-	20,000	20,000
Transfer Out	-	-	(20,000)	(20,000)
Total Nonoperating Revenue (Expenses)	2,729	1,090	2,794	6,613
Change in Net Assets	(32,495)	4,474	1,075,027	1,047,007
Total Net Assets Beginning of Year	132,290	44,976	148,858	326,124
Prior Year Adjustments	-	-	-	-
Total Net Assets End of Year	\$ 99,796	\$ 49,450	\$ 1,223,885	\$ 1,373,131

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008

	Governmental		Business-type Activities	
	Medical Reimbursement	General Facilities	Public Works Admin	Total
Cash Flows from Operating Activities				
Receipts from customers and users	\$ 9,763	\$ 177,337	\$ 2,031,206	\$ 2,218,306
Payments to suppliers for goods and services	-	(87,438)	(504,313)	(591,751)
Payments to employees	(43,618)	(83,359)	(435,841)	(562,819)
Net cash provided (used) by operating activities	(33,855)	6,539	1,091,052	1,063,736
Cash Flows From Noncapital Financing Activities				
Operating Transfer-In (out)	-	-	-	-
Net cash provided (used) by noncapital and related financing activities	-	-	-	-
Cash Flows from Capital and Related Financing Activities				
Proceeds from sale of assets				
Purchase of capital assets	-	-	-	-
Acquisition and construction of capital assets	-	-	(1,057,749)	(1,057,749)
Net Cash provided (used) by capital and related financing activities	-	-	(1,057,749)	(1,057,749)
Cash Flows from Investing Activities				
Proceeds from sales and maturities of investments	139,020	8,849	94,401	242,271
Purchase of investments	(109,390)	(14,725)	(215,026)	(339,141)
Interest and dividends received	2,729	1,090	2,794	6,613
Net cash used by investing activities	32,360	(4,786)	(117,831)	(90,257)
Net increase in cash and cash equivalents	(1,496)	1,754	(84,528)	(84,270)
Cash and cash equivalents Beginning of Year	1,822	659	85,228	87,708
Cash and cash equivalents End of Year	\$ 326	\$ 2,412	\$ 700	\$ 3,439
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating Income	\$ (35,224)	\$ 3,384	\$ 1,072,233	\$ 1,040,394
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	-	-	2,447	2,447
(Increase) decrease in accounts receivable	1,115	(139)	(727)	249
(Increase) decrease in inventories	-	35	-	35
Increase (decrease) in accounts payable	254	1,282	59	1,595
Increase(decrease) in comp. absences payable	-	1,977	17,040	19,017
Total Adjustments	1,369	3,155	18,819	23,342
Net Cash Provided By Operating Activities	\$ (33,855)	\$ 6,539	\$ 1,091,052	\$ 1,063,736

THIS PAGE INTENTIONALLY LEFT BLANK



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.

Data Sources:

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

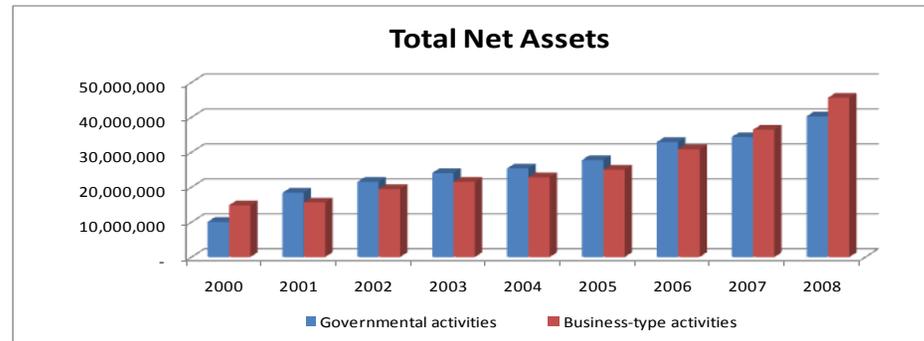
THIS PAGE INTENTIONALLY LEFT BLANK



NET ASSETS BY COMPONENT
Last Ten Fiscal Years

	<u>2000</u> ¹	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</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	\$ 32,722,844
Restricted	791,906	307,815	295,090	293,256	287,739	866,364	974,441	946,843	189,665
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	7,360,966
Total governmental activities net assets	\$ 10,065,284	\$ 18,396,769	\$ 21,534,645	\$ 24,065,915	\$ 25,366,996	\$ 27,760,589	\$ 32,929,444	\$ 34,334,811	\$ 40,273,475
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	\$ 35,722,443
Restricted	666,500	666,500	595,500	595,000	-	496,499	623,042	491,489	492,011
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	9,397,710
Total business-type activities net assets	\$ 14,806,280	\$ 15,628,311	\$ 19,470,497	\$ 21,542,808	\$ 22,819,397	\$ 25,005,720	\$ 30,851,818	\$ 36,460,925	\$ 45,612,163
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	\$ 68,445,287
Restricted	1,458,406	974,315	890,590	888,256	287,739	1,362,863	1,597,483	1,438,331	681,675
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	16,758,676
Total primary government net assets	\$ 24,871,564	\$ 34,025,080	\$ 41,005,142	\$ 45,608,724	\$ 48,186,392	\$ 52,766,309	\$ 63,781,263	\$ 70,795,736	\$ 85,885,638

¹ First year Changes in Net Assets reported.



CHANGES IN NET ASSETS
Last Ten Fiscal Years

	2000 ¹	2001	2002	2003	2004	2005	2006	2007	2008
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	\$ 1,752,358
Judicial	281,944	303,704	317,756	265,053	260,744	257,550	272,248	303,106	338,206
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	2,485,650
Utilities & Environment	413,248	301,774	308,421	593,399	502,815	436,786	502,929	579,460	605,326
Transportation	368,843	630,446	758,662	930,344	1,086,014	1,069,701	1,105,132	3,303,834	3,473,777
Economic Environment	342,245	367,099	392,359	446,585	595,488	650,391	751,947	846,131	894,507
Mental & Physical Health	4,081	948,433	9,457	9,909	10,767	12,489	12,838	13,489	13,694
Culture & Recreation	874,218	8,494	1,071,479	1,142,670	1,196,036	1,273,809	1,381,978	1,820,165	2,067,109
Interest on Long-Term Debt	105,964	138,906	108,317	195,895	161,767	150,670	332,355	323,951	303,190
Total Governmental Activities Expenses	<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>	<u>11,933,818</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	928,153
Sewer	-	-	-	-	-	-	1,368,353	1,518,045	1,520,839
Solid Waste	1,202,177	1,349,846	1,200,968	936,477	870,166	807,384	945,221	1,158,976	961,512
Storm Drain	158,747	143,376	146,834	243,174	283,778	323,217	417,209	559,800	675,448
Total Business-Type Activities	<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>	<u>4,085,952</u>
Total Primary Government Expenses	<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>	<u>\$16,019,770</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	\$ 1,580,006
Operating grants and contributions	242,441	366,162	387,942	361,691	401,880	453,211	421,073	697,301	403,541
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	8,170,785
Total Governmental Activities Program Revenues	<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>	<u>10,154,333</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	1,314,880
Sewer	-	-	-	-	-	-	1,845,779	1,903,284	1,988,486
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	1,287,759
Storm Drain	1,157,797	404,906	474,779	538,291	549,545	602,950	655,959	708,002	701,872
Operating grants and contributions									56,428
Capital grants and contributions	340,597	-	2,456,114	537,062	494,143	-	4,476,680	4,372,821	7,612,412
Total Business-Type Activities Program Revenues	<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>	<u>12,961,838</u>
Total Primary Government Program Revenues	<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>	<u>\$23,116,170</u>

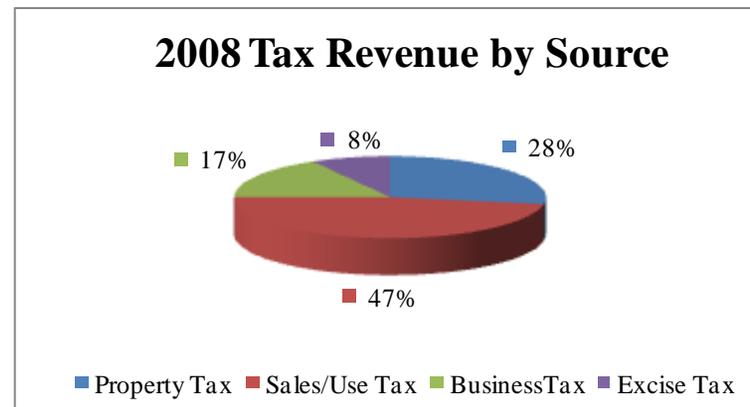
	2000 ¹	2001	2002	2003	2004	2005	2006	2007	2008
Net (Expense)/Revenue									
Governmental Activities	\$(2,555,366)	\$(3,933,187)	\$(1,949,009)	\$(2,667,485)	\$(4,121,878)	\$(3,867,985)	\$(2,570,677)	\$(4,381,732)	\$(1,779,485)
Business-type activities	2,086,228	675,243	4,009,253	2,294,584	2,138,432	1,875,401	5,852,249	5,245,005	8,875,886
Total Primary Government Net Expense	<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>	<u>\$ 7,096,400</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	\$ 1,898,668
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	3,241,145
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	1,144,911
Excise Taxes	298,507	268,194	244,399	344,003	477,220	645,992	656,366	739,141	565,800
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	579,695
Gain (loss) on disposal of capital assets	-	(12,656)	2,561	(154)	(79,307)	4,913	865	(6,963)	701
Permanent Fund Contributions	-	-	1,014	-	-	-	-	-	-
Specialty Item	-	-	(181,253)	-	-	-	-	-	-
Transfers	-	-	259,049	264,753	265,918	249,764	246,000	258,251	307,229
Total Governmental Activities	<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>	<u>7,738,149</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	275,353
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)	-	-
Total Business-Type Activities	<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>	<u>275,353</u>
Total Primary Government	<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>	<u>\$ 8,013,502</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	\$ 5,958,663
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	9,151,239
Total Primary Government	<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>	<u>\$15,109,902</u>

Note:

¹ First year Changes in Net Assets reported.

GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE
Last Ten Fiscal Years

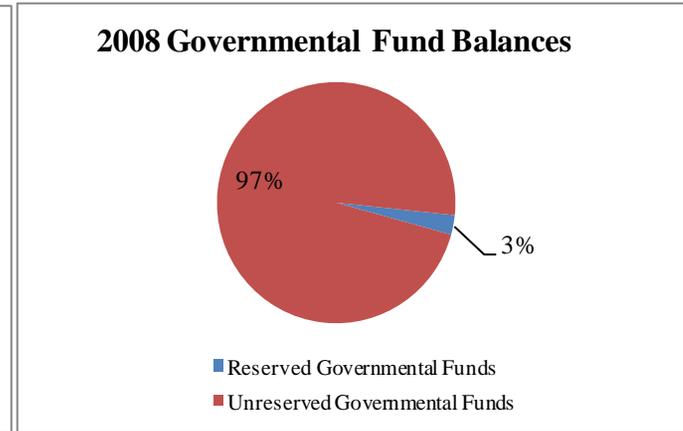
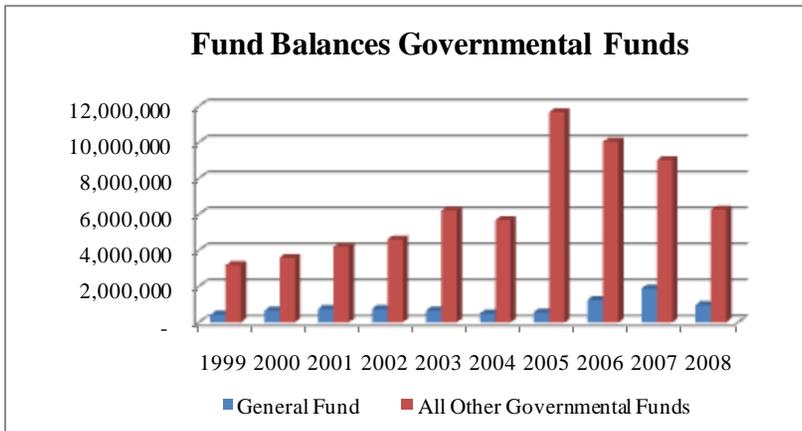
Fiscal Year	Property Tax	Sales/Use Tax	Business Tax	Excise Tax	Total Taxes
1999	1,641,776	1,950,830	671,527	270,374	4,534,506
2000	1,144,185	2,024,723	764,228	260,152	4,193,287
2001	1,029,889	2,172,814	780,620	268,194	4,251,517
2002	1,092,128	2,317,288	809,756	258,523	4,477,695
2003	1,197,063	2,415,924	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
2008	1,898,668	3,241,145	1,144,911	565,800	6,850,524



FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years

Year	General Fund		All Other Governmental Funds			Governmental
	Unreserved	Total General Fund	Reserved	Revenue Funds	Projects Funds	
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
2008	969,008	969,008	190,927	3,220,467	2,841,921	6,253,316

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.



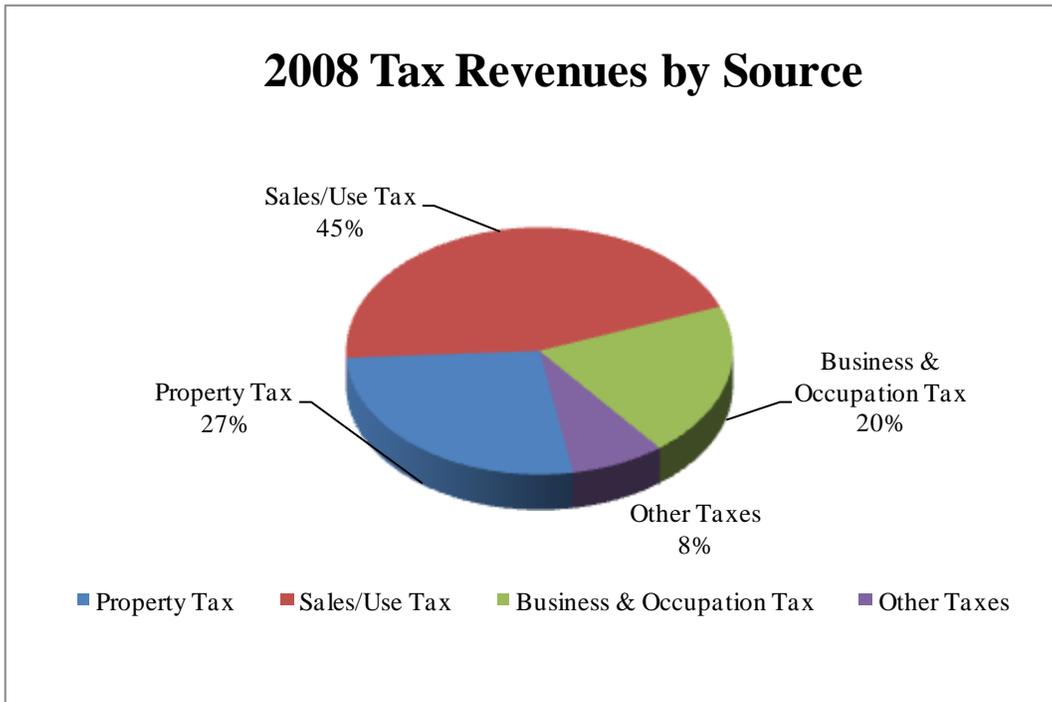
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years

	1999	2000 ¹	2001	2002	2003	2004	2005	2006	2007	2008
Revenues										
Taxes	\$ 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	\$ 7,269,716
Licenses and Permits	193,692	266,589	268,823	333,424	335,050	382,285	614,391	517,095	860,178	386,251
Intergovernmental Revenues	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	2,117,665
Charges for Services	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	1,611,662
Fines	87,450	84,092	80,325	97,953	236,840	104,859	97,108	108,781	106,704	103,210
Investments and Miscellaneous	548,465	688,804	545,055	396,190	364,906	396,134	226,861	834,687	1,025,336	649,233
Total Revenues	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	12,137,738
Expenditures										
General Government	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	2,510,110
Security of Persons and Property	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	2,289,655
Utilities and Environment	369,917	408,168	445,240	480,445	579,134	479,589	425,839	497,437	566,156	585,591
Transportation	337,741	332,621	489,213	470,602	461,682	604,561	612,296	675,217	2,756,203	2,657,624
Economic Development	311,956	336,148	360,209	381,475	440,816	572,399	634,263	738,917	839,269	891,608
Mental and Physical Health	2,086	2,052	8,494	9,457	9,909	10,767	12,489	12,838	13,489	13,694
Culture and Recreation	724,506	817,571	851,309	970,598	1,032,864	1,128,611	1,201,711	1,290,717	1,553,747	1,779,008
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	3,624,733
Debt Service	557,544									
Principal	*	273,775	329,110	356,427	958,608	348,608	384,323	579,323	574,323	1,199,323
Interest	*	105,964	138,906	108,317	195,895	161,767	150,670	332,355	323,951	303,190
Total Expenditures	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	15,854,538
Excess of revenues over (under) expenditures	2,811,273	446,205	300,394	(858,385)	(1,058,080)	(759,637)	699,207	(1,088,379)	213,696	(3,716,800)
Other financing sources (uses)										
Net Transfers In (Out)	-	15,500	-	38,488	-	58,079	15,260	51,985	67,350	-
Intergovernmental Payment										(15,000)
Disposal of Capital Assets	83,358	14,045	5,260	4,979	3,782	1,878	4,913	865	-	2,180
Total other financing sources (uses)	83,358	29,545	5,260	43,467	3,782	59,957	20,173	52,850	67,350	(12,820)
Net change in fund balances	\$ 2,894,631	\$ 475,750	\$ 305,654	\$ (814,918)	\$ (1,054,299)	\$ (699,680)	\$ 719,380	\$ (1,035,529)	\$ 281,046	\$ (3,729,620)
Debt service as a percentage of noncapital expenditures	*	6.69%	7.58%	7.03%	15.28%	7.10%	7.32%	10.77%	7.87%	12.29%

GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE
Last Ten Fiscal Years

Fiscal Year	Property Tax	Sales/Use Tax	Occupation Tax	Other Taxes	Total Taxes
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	1,871,056	3,509,621	1,408,073	739,141	7,527,890
2008	1,932,248	3,241,145	1,452,140	565,800	7,191,334



ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
Last Ten Fiscal Years
(in thousands of dollars)

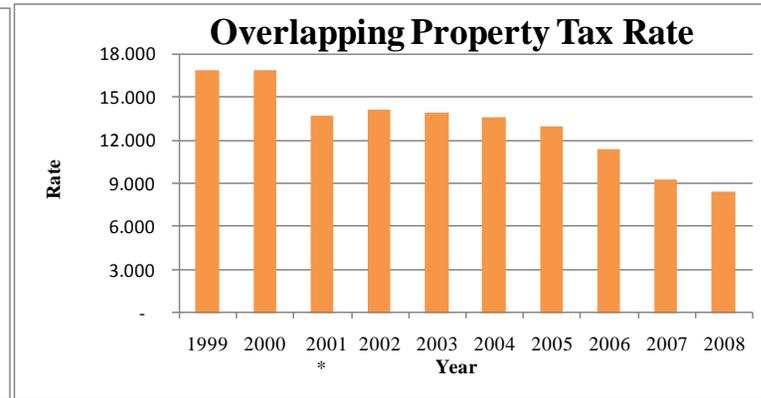
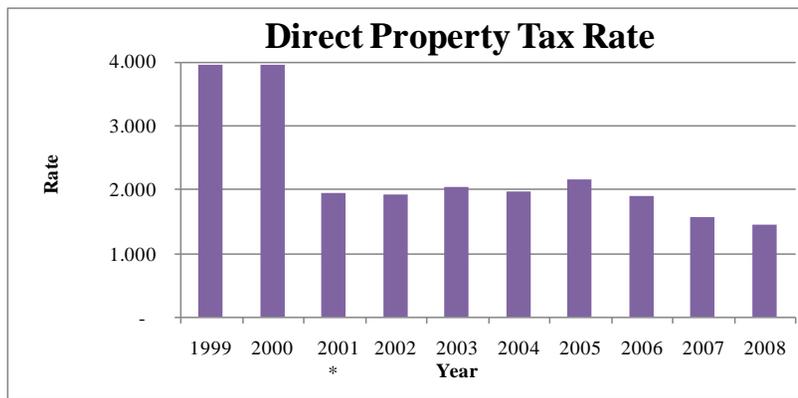
Fiscal Year Ended December 31	Real Property	Personal Property	Less: Tax Exempt Real Property	Total Taxable Assessed Value¹	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
1999	416,872,104	29,751,046	64,283,066	382,340,084	14.7932	429,113,450	89.1
2000	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
2008	1,524,122,775	40,675,295	186,579,815	1,378,218,255	9.6156	1,598,861,085	86.2

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

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

Fiscal Year	School			Other Overlapping Rates								Total Overlapping Rates	Total Direct & Overlapping
	Operating	Debt Service	Total City	Kitsap County	State School	NK School District	Port of Poulsbo	Fire District #18	Public Utility	Kitsap Regional Library	Poulsbo Library		
1999	3.560	0.400	3.960	1.813	3.318	4.705	0.364	1.952	0.102	0.500	0.089	12.842	16.802
2000	3.581	0.368	3.949	1.855	3.281	4.612	0.402	2.000	0.101	0.500	0.094	12.844	16.793
2001*	1.639	0.305	1.944	1.518	3.095	4.198	0.353	1.948	0.098	0.500	0.083	11.793	13.736
2002	1.633	0.286	1.919	1.670	3.148	4.495	0.347	1.881	0.106	0.483	0.077	12.206	14.125
2003	1.753	0.274	2.027	1.602	2.927	4.421	0.371	1.885	0.102	0.462	0.072	11.840	13.868
2004	1.709	0.251	1.960	1.413	3.080	4.291	0.356	1.826	0.100	0.453	0.058	11.577	13.537
2005	1.930	0.221	2.151	1.309	2.961	3.992	0.338	1.684	0.092	0.420	0.053	10.848	13.000
2006	1.712	0.179	1.891	1.131	2.599	3.497	0.300	1.476	0.080	0.362	0.044	9.489	11.380
2007	1.428	0.133	1.561	0.963	2.296	2.836	0.249	1.208	0.068	0.031	0.035	7.684	9.245
2008	1.440	-	1.440	0.119	2.028	2.594	0.236	1.607	0.062	0.280	0.031	6.958	8.398

*Note: In 2001, 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

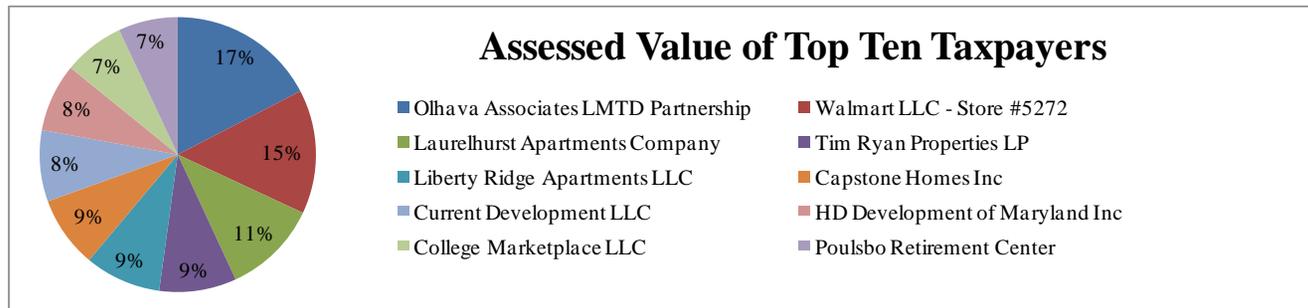


PRINCIPAL TAXPAYERS
Current Year and Nine Years Ago*

Taxpayer	2008			2001*		
	2008 Assessed Valuation	Rank	% of Total Assessed Valuation	2001 Assessed Valuation	Rank	% of Total Assessed Valuation
Olhava Associates LMTD Partnership	\$ 25,727,810	1	1.87%	\$ 10,983,000	1	1.92%
Walmart LLC - Store #5272	21,634,250	2	1.57%	9,324,000	2	1.63%
Laurelhurst Apartments Company	16,533,160	3	1.20%	9,260,000	3	1.62%
Tim Ryan Properties LP	13,389,850	4	0.97%	10,983,000	4	1.92%
Liberty Ridge Apartments LLC	13,228,420	5	0.96%	7,855,000	5	1.38%
Capstone Homes Inc	12,433,880	6	0.90%	7,758,000	6	1.36%
Current Development LLC	12,424,930	7	0.90%	7,219,188	7	1.26%
HD Development of Maryland Inc	11,882,080	8	0.86%	6,532,000	8	1.14%
College Marketplace LLC	10,591,100	9	0.77%	4,868,000	9	0.85%
Poulsbo Retirement Center	10,325,700	10	0.75%	4,747,000	10	0.83%
TOTALS:	\$ 148,171,180		10.75%	\$ 79,529,188		13.93%

Source: Kitsap County Assessor's Office

*Note: Data from Nine Years past is not available therefore the earliest year available for comparison is shown.

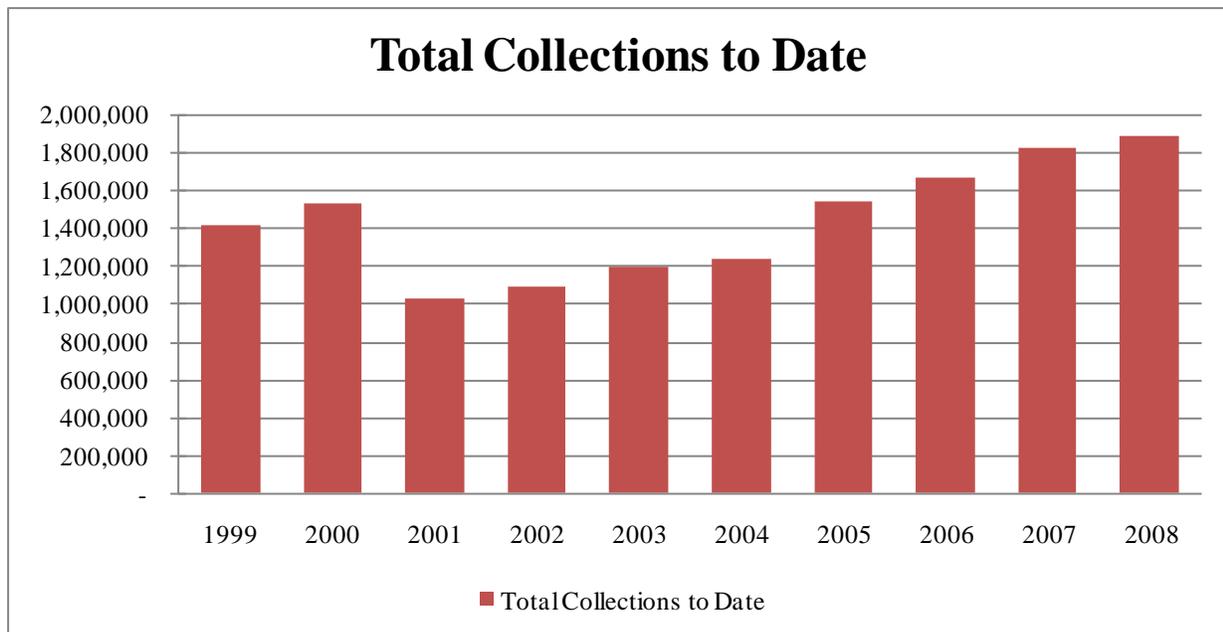


**PROPERTY TAX LEVIES AND COLLECTIONS
1999 - 2008**

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		
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%
2008	1,931,528	1,873,648	97.00%	12,573	1,886,221	97.65%	45,307	2.35%

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

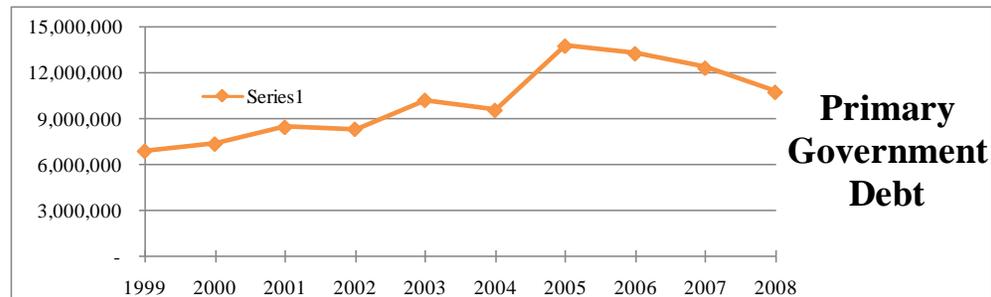


RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years

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			
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	3.65%	1,079
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	3.84%	1,329
2005	7,465,000	1,155,344	974,380	3,729,620	458,477	13,782,822	5.11%	1,850
2006	7,415,000	1,071,021	933,900	3,451,100	412,630	13,283,651	4.59%	1,774
2007	6,925,000	986,698	893,200	3,166,800	366,782	12,338,480	4.04%	1,632
2008	5,810,000	902,375	818,180	2,900,820	320,934	10,752,309	--	1,371

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.



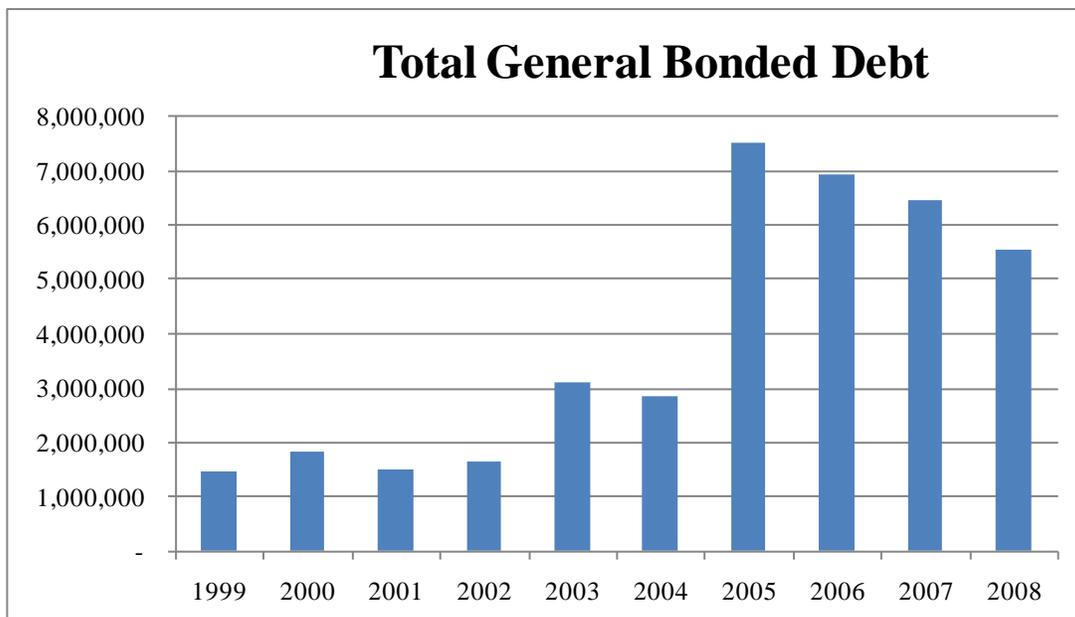
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	% of Estimated Actual Taxable Value¹ of Property	Per Capita²
1999	\$ 1,655,414	\$ 177,849	\$ 1,477,565	0.34%	\$ 229
2000	2,011,683	184,248	1,827,435	0.30%	268
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
2008	5,810,000	254,032	5,555,968	0.35%	709

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

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

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



DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

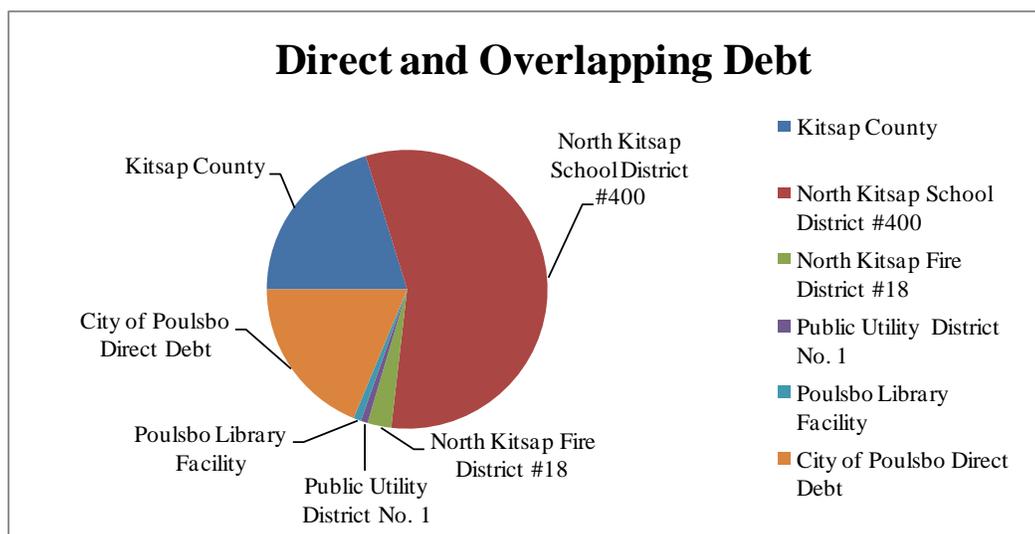
As of December 31, 2008

Governmental Unit	Debt Outstanding	Estimated % Applicable ¹	Estimated Share of Overlapping Debt
Kitsap County	\$ 102,980,000	4.23%	\$ 4,354,008
North Kitsap School District #400	63,640,287	19.13%	12,177,248
North Kitsap Fire District #18	1,375,000	43.03%	591,658
Public Utility District No. 1	4,015,000	4.23%	169,755
Poulsbo Library Facility	665,000	28.43%	189,043
<i>Subtotal, Overlapping Debt</i>			17,481,712
City of Poulsbo Direct Debt	4,039,934	100%	4,039,934
Total Direct and Overlapping Debt			\$ 21,521,646

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

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

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



LEGAL DEBT MARGIN INFORMATION
Last Ten Fiscal Years

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Debt Limit	\$ 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	\$ 103,366,369
Total net debt applicable to limit	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	5,555,968
Legal debt margin	\$ 31,733,240	\$ 45,721,078	\$ 41,059,564	\$ 42,792,629	\$ 44,914,406	\$ 52,231,646	\$ 60,386,928	\$ 82,701,084	\$ 93,839,288	\$ 97,810,401
Total net debt applicable to the limit as a % of debt limit	5.28%	4.40%	4.11%	3.35%	6.47%	5.78%	11.07%	7.73%	6.44%	5.38%

Legal Debt Margin Calculation for Fiscal Year 2007

Assessed value	1,378,218,255
Debt limit (7.5% of total assessed value)	103,366,369
Debt applicable to limit:	
General obligation bonds	5,810,000
Less: Amount set aside for repayment of GO Debt	<u>254,032</u>
Total net debt applicable to limit	<u>5,555,968</u>
Legal debt margin	<u>\$ 97,810,401</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.

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	
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%
2008	3,188,562	2,850,000	338,562	341,000	165,567	67%

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.

DEMOGRAPHIC STATISTICS

Last Ten Fiscal Years

FISCAL YEAR	POPULATION	COUNTY POPULATION	PER CAPITA INCOME*	UNEMPLOYMENT RATE**	SCHOOL ENROLLMENT***
1999	6,445	229,568	27,159	4.6%	3,325
2000	6,813	231,969	29,493	5.0%	3,507
2001	6,965	233,400	30,732	6.0%	3,365
2002	7,005	234,700	31,571	6.7%	3,405
2003	7,010	237,000	32,652	6.7%	3,433
2004	7,200	239,500	34,746	5.8%	3,324
2005	7,450	240,400	36,308	5.1%	3,367
2006	7,490	243,400	39,343	4.8%	3,524
2007	7,560	244,800	41,521	4.4%	3,330
2008	7,840	246,800	--	5.4%	3,013

¹ Thousands of Dollars

² 1998 is a total for all schools in North Kitsap County, 1999-2007 are totals for only schools in city limits

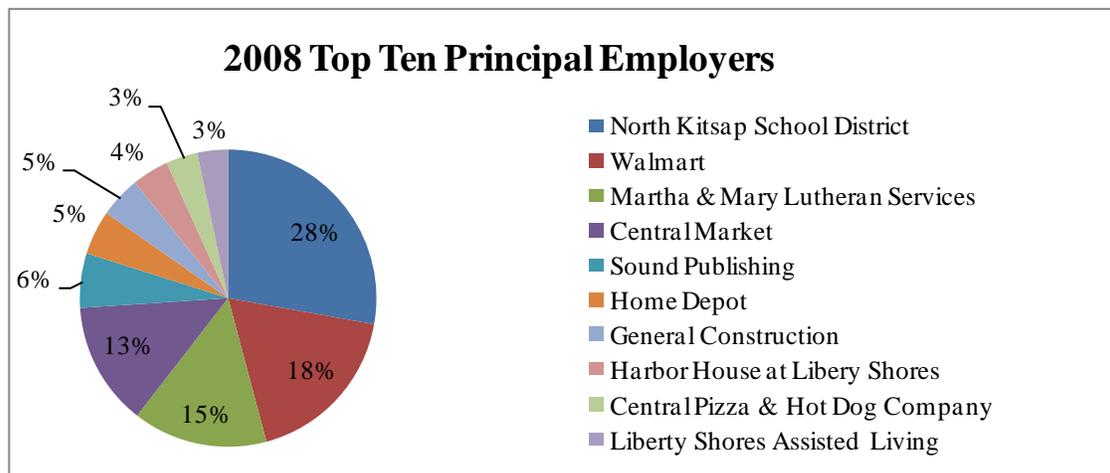
* Source: US Bureau of Economic Analysis-Kitsap County based on population of City

** Source: Washington State Department of Employment Security-Kitsap County

*** Source: North Kitsap School District & Office of Superintendent of Public Instruction WA State

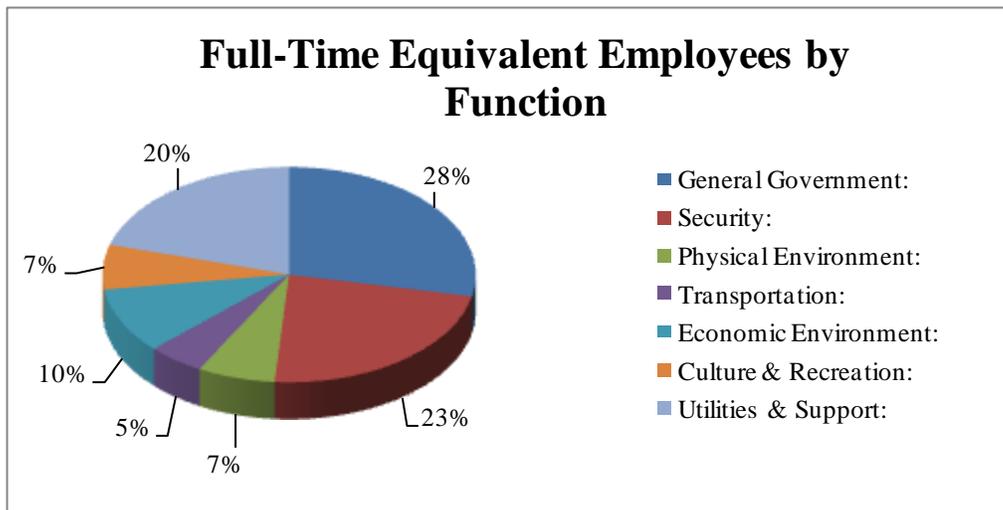
PRINCIPAL EMPLOYERS
Current Year and Ten Years Ago

EMPLOYER	2008			1999		
	TOTAL EMPLOYEES ¹	Rank	% of Total City Employment	TOTAL EMPLOYEES ¹	Rank	% of Total City Employment
North Kitsap School District	807	1	15.46%	873	1	21.38%
Walmart	523	2	10.02%	-	-	-
Martha & Mary Lutheran Services	426	3	8.16%	276	3	6.76%
Central Market	390	4	7.47%	350	2	8.57%
Sound Publishing	172	5	3.30%	-	-	-
Home Depot	140	6	2.68%	-	-	-
General Construction	130	7	2.49%	-	-	-
Harbor House at Liberty Shores	117	8	2.24%	-	-	-
Central Pizza & Hot Dog Co.	100	9	1.92%	-	-	-
Liberty Shores Assisted Living	97	10	1.86%	-	-	-
Raytheon Systems	-	-	-	200	4	4.90%
Courtesy Chevrolet	-	-	-	200	5	4.90%
EDS Corporation ²	-	-	-	175	6	4.29%
City of Poulsbo	-	-	-	99	7	2.42%
Boxlight	-	-	-	97	9	2.38%
Frontier Bank	-	-	-	99	8	2.42%
Olympic Resource Mgmt.	-	-	-	75	10	1.84%
TOTALS:	2,902		55.59%	2,444		59.84%



FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
As of December 31, 2008

<u>Function</u>	<u>2008 FTE's</u>
General Government:	
Executive (Mayor)	1.63
Clerk's Department	4.00
Finance Department	8.00
Grant Writer	0.40
Municipal Court	4.26
Information Services	2.00
Personnel	1.00
Central Services & Library	2.50
Parks & Cemetery	3.25
Security:	22.00
Police Department	22.00
Physical Environment:	6.45
Engineering	6.45
Transportation:	4.70
Streets	4.70
Economic Environment:	9.45
Planning & Building	9.45
Culture & Recreation:	6.42
Parks & Rec.	6.42
Utilities & Support:	
Water	2.90
Sewer	3.15
Solid Waste	3.55
Storm Drain	3.95
General Facilities	1.00
Administration	5.10
TOTALS:	95.71



OPERATING INDICATORS BY FUNCTION
Last Ten Fiscal Years

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Governmental Functions										
General Government Other										
Number of Unions Represented	2	2	2	2	2	2	2	2	2	2
Number of passports processed	907	1,110	1,155	993	878	858	806	1,119	1,024	1,018
Number of Business Licenses Issued	*	*	*	*	*	907	914	1,375	1,575	1,351
Number of City Council meetings	37	39	38	38	40	37	38	42	40	44
Number of public records requests processed	*	*	*	*	*	56	57	44	73	79
Public Safety										
Number of case reports filed	2,018	1,987	1,889	1,769	1,753	1,611	1,586	1,998	2,090	1,783
Number of citations issued	2,147	2,044	2,262	2,648	2,321	2,191	2,162	2,167	2,325	985
Number of calls for service	10,086	9,644	9,302	9,926	10,039	10,458	11,229	13,374	12,942	12,234
Number of responses to motor vehicle accidents	225	223	197	168	145	160	211	175	271	235
Number of driving impaired citations issued	65	59	72	83	78	49	58	110	72	71
Number of vacation house checks	1,800	1,900	1,700	1,605	1,819	1,350	909	1,034	1,049	847
Number of parking citations issued	100	110	117	101	155	171	177	231	63	230
Transportation										
Miles of streets maintained	*	*	30	30	32	35	37	39	45	45
Miles of sidewalks maintained	*	*	*	*	*	42	42	44	47	48
Number of hours spent street sweeping	*	*	30	396	420	420	490	546	550	468
Number of street signs maintained	889	895	900	910	1,213	1,553	1,805	1,875	2,174	2,174
Culture and Recreation										
Number of parks maintained	12	12	12	12	13	16	16	16	16	17
Total acreage of parks/open space maintained	47	47	48	48	48	48	61	64	64	65
Economic Environment										
Number of single family building permits issued	49	87	94	103	100	132	75	227	265	154
Number of commercial building permits	3	3	32	50	30	53	40	108	86	68
Number of all other building permits	*	*	*	*	*	*	*	91	117	74
Physical Environment										
Number of Right of Way Permits issued	*	*	*	*	35	37	47	41	42	46

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Physical Environment (continued)										
Number of Land Use Applications reviewed	*	*	*	*	52	97	108	96	156	89
Number of grading/site construction permits/applications	*	*	*	*	*	*	20	19	10	42
Number of lots reviewed for commercial sites land application	*	*	*	*	*	*	9	6	19	14
Number of lots reviewed for residential sites land applications	*	*	*	*	*	*	217	1,189	500	8
Business-Type Functions										
Total Number of Employees	26	26	26	26	26	27	27	30	29	29
Water										
Number of active water services	*	2,247	2,428	2,412	3,495	2,674	2,707	2,820	2,990	3,142
Miles of watermain lines maintained	45	45	45	47	53	57	58	60	61	61
Average number of water meters read monthly	*	2,188	2,195	2,412	2,433	2,554	2,663	2,758	3,051	3,093
Sewer										
Number of active sewer services	*	2,123	2,502	2,349	2,600	2,525	2,561	2,631	2,778	2,869
Miles of sewermain lines maintained	*	*	27	27	28	31	31	32	33	34
Number of pump stations maintained	*	7	7	7	8	8	8	8	9	9
Solid Waste										
Number of residential garbage accounts	1,620	1,711	1,770	1,990	2,129	2,217	2,273	2,310	2,430	2,746
Number of multi-family garbage accounts	1,004	1,016	1,016	1,016	1,012	1,016	1,030	1,038	1,012	1,012
Number of dumpster accounts	168	184	181	182	182	192	224	229	201	231
Number of tons of waste to landfill	4,942	5,096	5,054	5,221	4,878	5,181	5,200	5,690	5,700	4,794
clean-up provided	*	*	*	341	393	420	363	326	350	308
Storm Drain										
Number of detention ponds maintained	10	10	12	13	20	20	22	29	29	29

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

CAPITAL ASSETS STATISTICS BY FUCTION
Last Ten Fiscal Years

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
<u>Governmental Functions</u>										
General Government										
Number of City Vehicles (not listed below)	*	*	*	*	*	*	*	15	3	2
Generators	*	*	*	*	*	*	*	1	-	-
Public Safety										
Number of police vehicles								24	23	22
Number of police boats	*	*	1	1	1	1	1	1	1	1
Transportation										
Number of Vehicles (not specified below)									6	11
Number of Street Sweepers	1	1	1	1	1	1	1	1	1	1
Number of Dump Trucks	7	8	8	8	8	8	8	8	4	4
Miles of streets			30	30	32	35	37	39	39	45
Number of Traffic Signals	7	8	8	8	8	8	8	8	9	8
Number of bridges	-	-	1	1	1	1	1	1	1	1
Culture and Recreation										
Number of vehicles	*	*	*	1	1	1	1	1	1	1
Neighborhood parks	*	*	*	*	2	3	3	3	3	8
Community parks	*	*	*	*	11	13	13	13	13	8
Indoor recreational facilities	1	1	1	1	1	1	1	1	1	1
Economic Environment										
Number of Planning vehicles	*	*	*	*	*	1	1	1	1	1
Physical Environment										
Number of Engineering vehicles	*	*	*	*	*	*	3	4	4	4

<u>Business-Type Functions</u>											
Water											
Generators	2	2	2	2	2	2	2	2	2	2	2
Miles of water mains	45	45	45	47	53	57	58	58	60	61	
Number of vehicles	*	*	*	*	*	*	*	4	4	4	
Number of construction vehicles	*	*	*	*	*	*	*	4	3	1	
Number of hydrants	*	*	*	*	*	*	*	299	315	399	
Sewer											
Generators	*	*	*	*	*	*	*	3	3	5	
Number of vehicles	*	*	*	*	*	*	*	4	4	2	
Number of construction vehicles	*	*	*	*	*	*	*	3	3	6	
Number of Vacuum Trucks	1	1	1	1	1	1	1	1	1	1	
Sewer inspection camera	*	*	*	1	1	1	1	1	1	1	
Treatment plants (Pumping Stations)	*	7	7	7	8	8	8	8	8	9	
Miles of sewer mains	*	*	27	27	28	31	31	31	33	33	
Solid Waste											
Number of garbage trucks	*	*	*	*	*	4	4	5	5	4	
Storm Drain											
Number of vehicles	*	*	*	*	*	*	*	2	2	5	
Number of Vacuum Trucks	-	-	-	-	-	1	1	1	1	1	

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