

*City of Poulsbo, Washington*

***Comprehensive Annual Financial Report***



*For the fiscal year ended December 31, 2013*

***Cover Photo – Viking Statue taken by Nick Hoke (Poulsbo Police Officer)***

**CITY OF POULSBO  
WASHINGTON**

**COMPREHENSIVE ANNUAL FINANCIAL  
REPORT**

For the fiscal year ended

December 31, 2013

Finance Director  
Deborah Booher

PREPARED BY

THE CITY FINANCE TEAM:

Finance Director

Deborah Booher

Accounting Manager

Jana McQuade

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# City of Poulsbo

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June 28, 2014

Mayor Erickson,  
The Poulsbo City Council, and  
Citizens of Poulsbo, Washington:

I am pleased to provide the Comprehensive Annual Financial Report (CAFR) of the City of Poulsbo for the fiscal year ended December 31, 2013. This report is published annually as the official annual financial report and complies with state law (RCW 43.09.230) requiring annual reports for Washington municipal governments to be certified and filed with the State Auditor's Office in a timely fashion.

As management for the City, we are responsible for both the accuracy of the data, and the completeness and fairness of the presentation, including all related disclosures. The City operates under a system of accounting internal controls that are concerned with the safeguarding of assets and the reliability of financial records. The definition of accounting control assumes reasonable, but not absolute, assurance the objectives expressed in it will be accomplished by the system. The concept of reasonable assurance recognized the cost of internal control should not exceed the benefits expected to be derived.

Cities and counties of the State of Washington use the Budgeting, Accounting and Reporting System (BARS) developed and prescribed by the Office of the State Auditor. State law provides for an annual independent audit to be conducted by the Office of the State Auditor.

As a recipient of federal, state and county financial assistance, the City is required to undergo an annual federal mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. The City's Single Audit Report is issued separately and is available upon request.

Generally Accepted Accounting Principles (GAAP) requires management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of *Management's Discussion and Analysis (MD&A)*. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Poulsbo's MD&A can be found immediately following the independent auditor's report.

## **Profile of the Government**

The City of Poulsbo is located in Kitsap County, west of Seattle. Originally settled by Norwegian immigrants in the late 1800's on Liberty Bay, a fjord of Puget Sound, Poulsbo continues to maintain its Scandinavian atmosphere through its architecture, celebrations and hospitality. Holding to its Scandinavian heritage has earned the city the nickname "Little Norway" and visits from two Norwegian Kings.

The City of Poulsbo has a strong Mayor form of government, organized under the Optional Municipal Code as provided in State law. The Optional Municipal code confers a limited form of "home rule" to those municipalities organized under this provision. The independently elected mayor is the executive officer of the

City and is responsible for all administrative transactions of the City, for overseeing the day-to-day operations of the City, and for appointment of department heads. The City Council is the policy-making branch and is responsible for, among other things, passing ordinances, exercising legislative and quasi-judicial functions, and adopting the budget. The seven members of the City Council and mayor serve four-year staggered terms, with four council positions up for election one year and then two years later, the mayor and remaining the three council positions appear on the ballot.

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

### **Local Economy**

Poulsbo has evolved from a small town with fishing and farming as its chief industries into a city that has marketed itself as a very attractive place for people to live, work and visit.

Poulsbo's economy is largely influenced by the presence of significant Naval bases, its geographic location for a commuting workforce to Seattle and other large cities, as well as an entrance point for access to the Olympic Peninsula. Serving as North Kitsap's commercial and employment center, Poulsbo has been able to maintain a conservative growth of economy during the on-going national recession. Economic development continues to diversify consistent with the City's long range plan. The City encompasses over 2954 acres and for economical analysis and contrasting purposes is divided into four geographical areas:

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

Centrally located in the heart of Poulsbo, the downtown area has maintained its history including restoration of many of the original buildings. Graced with a photographic waterfront parkway and boardwalk, the area invites tourists to shop and spend an afternoon or weekend. Poulsbo's waterfront is active year round and a favorite destination for day excursions and vacationing boaters. Poulsbo has continued to witness new food establishments open in the downtown corridor providing many dining options for City residents and visiting tourists. Many are referring to the increased activity as "Destination Dining". Along with commerce the City Hall is located in the heart of the historic downtown corridor. All City Departments are located in the building, with the exception of Park & Rec and Public Works. The central location provides a one stop shop for City residents. The building also offers multiple meeting rooms available to the public, bringing more opportunities for visitors and citizens to support the local economy.

On the west side of the City, the Viking Avenue Corridor is a five lane highway including a turn-lane spanning the length of the City limits. The avenue contains sidewalks on both sides allowing for pedestrian and bicycle safety. The corridor hosts various amount small businesses and restaurants and access to two busy City parks. The city, along with hundreds of volunteers have worked on the development of the 20 acre Fish Park that boasts trails,

boardwalks, viewing platforms, interpretive signs and numerous forms of wildlife. The City was donated a parcel of land and able to purchase through grant proceeds an additional land parcel to connect with Fish Park. These parcels will be developed in accordance with the park master plan and allow additional public access for viewing the Poulsbo's natural shoreline.

Unfortunately Poulsbo was not exempt from some of the economic challenges experienced by the rest of the nation. While some new businesses opened their doors, there were also some long time establishments which closed their doors. Unfortunate victims of the national economy were automobile dealerships occupying much of the Viking Avenue corridor. The Mayor and City Council continue to work actively with current business owners to support growth, stability and encourage new potential opportunities. Slowly, but surely some of the properties are acquiring owners and business establishments. A new automobile detailing shop has located on Viking Avenue and a long time non-profit agency, Fishline, who provides meals and support to those who are in need of this assistance. The plan is to locate their food bank at this location, but still maintain their second hand store in the historic downtown section.

State Highway 305 runs through the east side of Poulsbo providing access to the Bainbridge Island/Seattle ferry, twelve miles to the south. SR 305 includes peak hour high occupancy vehicle (HOV) and is the primary roadway for residents to travel in their morning and afternoon commutes to work and school.

In years past, this was the agricultural area of Poulsbo. Today, "Poulsbo Village," a shopping mall with retail stores, offices, athletic club and medical facilities, occupies the land, which was previously a dairy farm.

The commercial area on both sides of State Highway 305 continues to enjoy a healthy customer base. A business park campus located on Lincoln Hill, east of State Highway 305 changed an old gravel pit into a contemporary business park with a spectacular view of the Olympic Mountains. The campus continues to expand and attract new businesses and professional services to our area. These companies are able to provide family wage earning jobs for professionals who prefer not to commute to the Seattle area.

Poulsbo is the home of several large grocery store options including a large Central Market, which has been deemed a destination market, boasting local produce and many quick gourmet dining options.

Construction began in 2013 for a new large Safeway store inclusive of a gas station. It is anticipated to open for business in mid 2014. This large retail grocery development will enhance the options for residents as well as entice travelers to make a quick stop with highway improvements for safety and accessibility.

Poulsbo is served by the North Kitsap School District. The Lincoln Hill area includes the North Kitsap Senior High, Poulsbo Middle School, Poulsbo Elementary and the North Kitsap School District Administrative offices.

The newest and fastest growing area of the City is located in the northwest corner, called College Market Place. This is a 215 acre development which is anticipated to take approximately 10 years to become fully developed. The master plan includes commercial buildings, business parks, single and multi-family units as well as a satellite campus of Olympic Community College. As of today, several anchor stores including Wal-Mart, Home Depot, Petco, Big 5 and Office Max are located in the development. Several other businesses are located in adjacent strip malls. The growing retail development has significantly helped diversify Poulsbo's resources and reduce the impact of the declining revenues in other areas of the City. The local economy has slowed the anticipated construction; however it has not come to a complete standstill. A new buffet style restaurant is under construction and anticipated to open for business in 2014. Conversations regarding future development in this

area continue for establishments such as additional medical centers, gas stations, ball fields and a possible addition to the existing college campus.

The City of Poulsbo continues to promote smart growth with new businesses coming into the area and providing local employment as well as maintaining our “small but sophisticated” atmosphere. The depth and impact of the on-going recession has changed the way the City looks at revenues and expenditures; we will have to do more with less until revenue sources stabilize and grow. However, Poulsbo is a very fortunate community where leaders have been conservative in spending. Excess funds have been banked in reserves to help stabilize the declining revenues. We feel government, citizens, and developers working together can successfully accomplish the goal of keeping Poulsbo the premier place to live work and play on the Kitsap Peninsula.

### **Cash Management**

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

The City continues to operate under their Financial Management Policy, requiring the Fund Balance be in excess of twelve percent of the operating revenues and cash and investment balances to be in excess of two months of operating expenses. This is consistent with GFOA’s recommended practices. These items are reviewed quarterly with Council Members to assure compliance or bring focus to an area, which may not be meeting the minimum levels.

Once steps are taken to ensure the City maintains a protected cash position in its daily operations, it is to the City’s advantage to prudently invest idle funds until such time as they are required to make expenditures according to the following guidelines:

- The City’s idle cash will be invested on a continuous basis in accordance with the City’s adopted investment policies.
- The City has and will maintain a formal investment policy that is reviewed and endorsed by professional financial organizations.
- The City will invest all funds (in excess of current requirements) based upon the following order of priority: 1) Legality, 2) Safety, 3) Liquidity and Yield.
- Investments with City funds will not be made for purposes of speculation.
- The City is prohibited from investing in any financial instruments that are not approved for legal investments for municipalities in the State of Washington.
- Proper security measures will be taken to safeguard investments. The City’s designated banking institution will provide adequate collateral to insure City funds.

### **Long Range Financial Planning**

The City continues to not only look at current financial conditions, but improve and incorporate long range planning. A model with several years of actual data and using the information to project out five years was developed and used to work with City Staff and elected officials to plan for operating and capital budgets. As with all statistical and trending information, it is used with caution, as there can be conditions and impacts

which do not follow the trend. Experiences with the recent economic downturn resulted in an adjusted budget knowing the trend needed to be altered. The 2013 budget was developed, delaying capital acquisitions, postponing capital projects and reducing operating budgets. The City updates the Capital Improvement Plan to be consistent with the City's long range comprehensive and functional plans; reviewing priorities and assuring funding for projects set in the future years. Due to conservatism and knowledge that the plan is a tool and not an exact science, the City has a healthy reserve balance to support fluctuations from the plan.

The City balanced the 2013 Budget with the intention of using reserve funds, but still maintaining levels consistent with the City's policies. Due to unanticipated revenues and conservative spending, it was not necessary to use reserves in 2013 to stabilize the fund, but for specific purposes addressed with the council through an amendment process.

### **Risk Management**

During 2013, the City continued its liability and property coverage as a member of the Association of Washington Cities Risk Management Service Agency. In 2012, in order to be fiscally responsible, the City requested quotes from three different risk pools. After receiving competing quotes, firms were interviewed by a City panel. The process resulted in the selection of a new carrier, Washington Cities Insurance Authority (WCIA), effective 1/1/2014. Due to the larger pool of Cities, the new carrier is able to offer a lower premium and options for more training at no additional cost to the City.

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 2013 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, 2012.

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 2013 Comprehensive Annual Financial Report to the GFOA for review. The Certificate of Achievement is the highest form of recognition in the area of Governmental Financial Reporting, and its award represents significant accomplishment by a government and its management.

**Acknowledgements**

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

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

Respectfully submitted,

A handwritten signature in dark ink, reading "Deborah L. Booher". The signature is written in a cursive, flowing style. The first name "Deborah" is written in a larger, more prominent script, and "L. Booher" follows in a similar but slightly smaller script.

Deborah L. Booher  
Finance Director



Government Finance Officers Association

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

Presented to

**City of Poulsbo  
Washington**

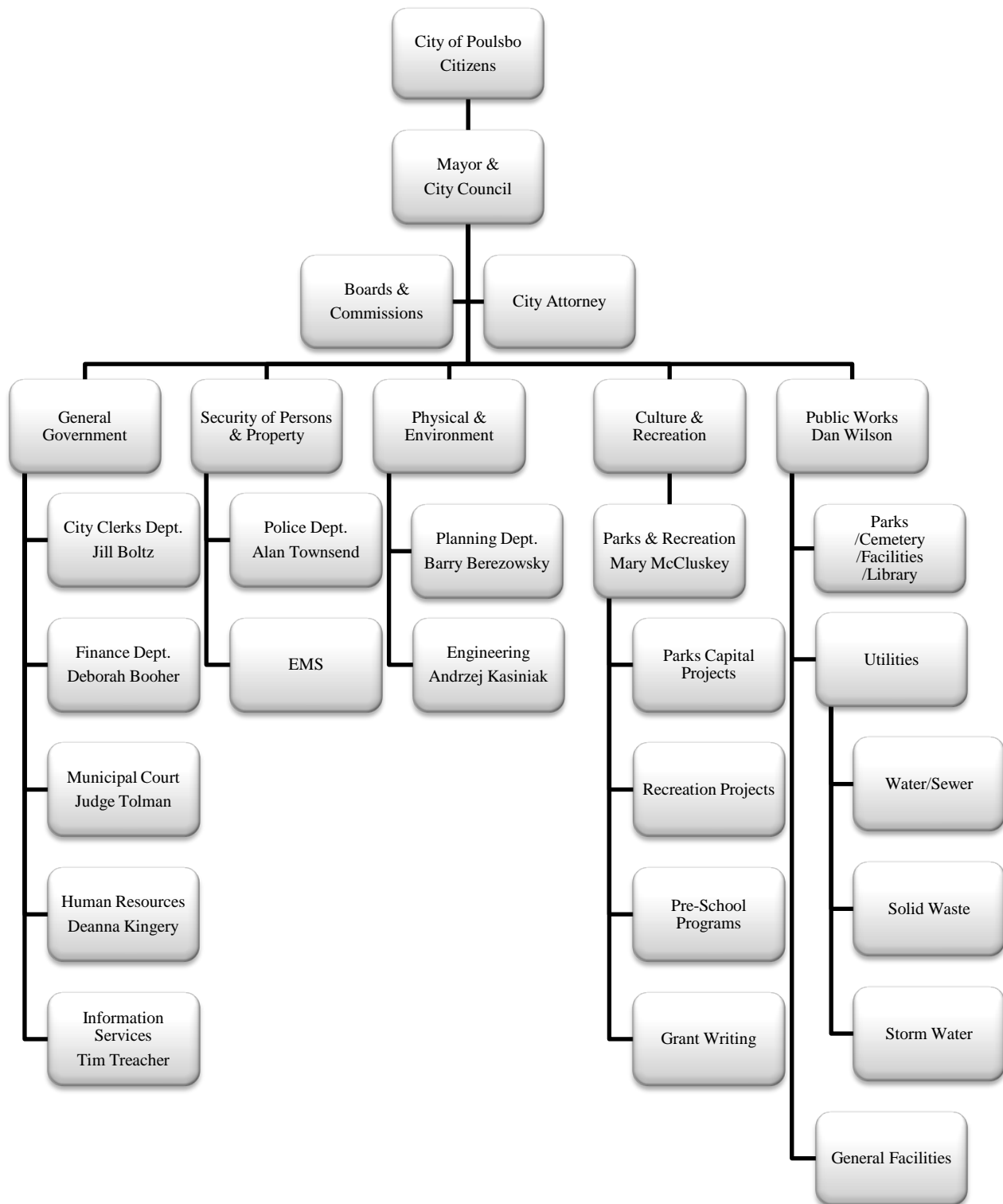
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**December 31, 2012**

Executive Director/CEO



## City of Poulsbo Organization Chart



# City of Poulsbo Officials

As of December 31, 2013

## Mayor

Becky Erickson

December 31, 2017

## City Council

David Musgrove

December 31, 2017

Ed Stern

December 31, 2017

Jim Henry

December 31, 2017

Linda Berry-Maraist

December 31, 2015

Gary Nystul

December 31, 2015

Connie Lord

December 31, 2015

Jeff McGinty

December 31, 2015

## Executive Staff and Legal Counsel

Police Chief

Alan Townsend

Finance Director

Deborah Booher

Planning Director

Barry Berezowsky

Parks & Recreation Director

Mary McCluskey

City Engineer

Andrzej Kasiniak

Public Works Superintendent

Dan Wilson

City Clerk

Jill Boltz

Municipal Judge

Jeffrey Tolman

Prosecutor

Kitsap County Prosecutor

City Attorney

Jim Haney, Ogden Murphy Wallace

Bond Attorney

Preston Gates and Ellis





# **Washington State Auditor Troy Kelley**

## **INDEPENDENT AUDITOR'S REPORT**

June 19, 2014

Mayor and City Council  
City of Poulsbo  
Poulsbo, Washington

### ***REPORT ON FINANCIAL STATEMENTS***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Poulsbo, Kitsap County, Washington, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor

considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Poulsbo, Kitsap County, Washington, as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General and City Street funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Matters of Emphasis***

As described in Note 8, during the year ended December 31, 2013, the City has implemented the Governmental Accounting Standards Board Statement No. 61, The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34 and Statement No. 65, Items Previously Reported as Assets and Liabilities. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 15 through 31 and information on postemployment benefits other than pensions on page 75 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary and Other Information*

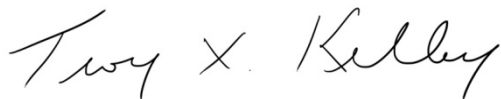
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying information listed as combining financial statements and supplementary information on pages 77 through 109 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. This information has been subjected to auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The information identified in the table of contents as the Introductory and Statistical Sections are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

### ***OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS***

In accordance with *Government Auditing Standards*, we will also issue our report dated June 19, 2014, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Sincerely,

A handwritten signature in cursive script that reads "Troy X. Kelley".

**TROY KELLEY**  
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, 2013. 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 2013 financial activities for the City of Poulsbo.

These are all intended to:

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

### FINANCIAL INFORMATION

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

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

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

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

### FINANCIAL HIGHLIGHTS

- City of Poulsbo assets exceeded its liabilities at the close of the 2013 fiscal year by \$123 million (net position). Of this amount, \$19 million (unrestricted net position) may be used to meet the city's ongoing obligations to its citizens and creditors.
- Reported net position increased \$3.8 million. Net position of governmental activities increased \$220 thousand, or .33%, during 2013. Net position of business-type activities increased \$3.5 million, or 6.7%, during 2013. In 2013 much of the variation can be attributed to increases in capital assets and a decrease in debt as principal payments made in 2013 decreased the outstanding amount due.
- Investments in capital assets net of debt, increased \$3.9 million with the bulk of the increase occurring in the business activities. This is due to several utility projects combined with transportation improvements on Lincoln Road and 6<sup>th</sup> Avenue, and storm water improvements on Anderson Parkway.

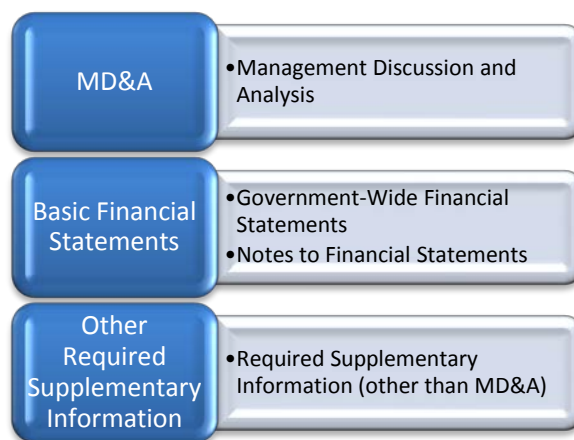
- Total liabilities decreased by \$1.06 million. This is primarily due to debt principal payments reducing the amount owed for existing issues.
- The book value of capital assets has increased \$3 million over 2012. Total capital assets from governmental activities decreased \$276 thousand or -.38%. The decrease in capital assets is primarily attributed to a parcel of land sold in 2013 and assets reduced by annual depreciation. Capital assets of business-type activities increased \$3.2 million or 7.94%. This is due to utility projects being completed in 2013.
- City governmental fund tax revenue has increased an average of 1.5% per year for the past several years. This average is based on the largest increase in 2010 of 4% and the lowest of .32% in 2013. Sales tax is the largest revenue source for Poulsbo, in 2013 the City saw an increase over the prior year of \$208 thousand. The increase can primarily be attributed to construction of a new Safeway store and home developments continuing to construct. The City continues to focus and promote diversification, planning for future growth and not remaining dependent on a single line of business. As some businesses closed their doors and property values have decreased, new businesses and construction have helped offset the declines. The City of Poulsbo continued to collect the utility tax at 2% more than 2012 for City Utilities, with the exception of Storm Drain, which was reduced in August to 6%. The increase in tax rate coupled with the rising price of utilities has helped to offset other tax revenue declines.
- The financial statements represent fund balances as required by GASB. Balance Sheets display fund balances in the following manner:
  - Unassigned – Residual net resources without any of the other fund balance limitations. The only fund which has an unassigned fund balance is General Fund.
  - Assigned – Amounts assigned for specific uses such city road maintenance or law enforcement funds not restricted by law
  - Committed – Self-imposed limitations at the highest level of decision makers that requires formal action at the same level. The City of Poulsbo does not have any committed fund balance for 2013.
  - Restricted – Fund balances which have externally enforceable limitations on use by grantors, creditors or legal restrictions
  - Nonspendable – This is comprised of assets, which will never convert to cash such as inventory or portion of proceeds which cannot be expended because they must be intact such as imprest funds
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$5.0 million. Approximately 79% of this total amount, or \$4 million, is available for spending at the government's discretion and 21% or \$1.1 million is non-spendable or restricted per debt or legal requirements.
- At the end of the current fiscal year, the unassigned fund balance for the General Fund was \$536,548 or 5.49% of the total General Fund expenditures. The total General Fund balance inclusive of the amount assigned for revenue stabilization and legal expenditures amounts to \$2 million which equates 21% of General Fund expenditures.

## OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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



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

### Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City of Poulsbo's finances, in a manner similar to a private-sector business. The government-wide financial statements have separate columns for governmental activities and business-type activities. Governmental activities are primarily supported by taxes, charges for services and grants. Business-type activities are primarily self-supporting through user fees and charges.

The statements are presented in a full accrual basis of accounting including all assets and liabilities and recognizing revenues when they are earned and expenses when they are incurred regardless of when the cash transaction occurred.

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

**The Statement of Activities** presents information showing how the government's revenues and expenses impacted net assets during 2013. This statement distinguishes revenue generated by specific functions from revenue provided by taxes and other sources not related to a specific function. The statement focuses upon both the gross and net cost of various activities that are provided by the government's general tax and other revenues. This is intended to summarize and simplify the user's analysis of cost to various governmental services and/or subsidy to various business-type activities. By separating program revenue from general revenue, users of the financial statements can identify the extent to which each program relies on taxes for funding.

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

- *Governmental Activities* - Most of the City's basic services are reported here, including the police, facilities, parks, planning, engineering and general administration. Taxes (property, sales, and utility) and intergovernmental revenues finance most of these activities.

- *Business-Type Activities* - The City charges a fee to customers to help cover all or most of the costs of certain services provided. The City charges fees to recoup the cost of the operations of water, sewer, storm drain, and solid waste utilities as well as all capital and debt expenses associated with the individual utility.

## Fund Financial Statements

Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar. A fund is a fiscal and accounting entity with a self-balancing set of accounts used to account for specific activities or meet certain objectives. Funds are often set up in accordance with special regulations, restrictions or limitations.

The focus is on Major Funds rather than types. A Major Fund has three elements.

- Total assets, 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 the government's officials believe is particularly important

**Governmental Funds:** Governmental Funds are used to account for essentially the same functions reported as governmental activities in the Government-wide Financial Statements. These reports use a different "basis of accounting" than that used in government-wide financial statements. The focus of governmental fund financial statements is on near-term inflows and outflows of available resources and on balances of resources available at the end of the fiscal year. Such information is useful in evaluating whether there are more or less financial resources that can be spent in the near future to finance City services.

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

The City of 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 to the City's various functions. The City uses an internal service fund to account for the City's mechanic services. Proprietary funds use the same basis of accounting as business type activities.

**Fiduciary Funds:** Fiduciary Funds are used to account for resources held for the benefit of parties outside the City. All of the City's fiduciary activities are reported in separate Statements of Fiduciary Net Position and consist of Agency funds only. These activities are excluded from the City's government-wide financial statements because the assets cannot be used to finance the City's operations.

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

**Other Information:** In addition to the basic financial statements and accompanying notes, this report also contains certain required supplementary information concerning the City of Poulsbo's funding Police employee pension obligation. Required supplementary information may be found immediately following the notes to the financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

The Statement of Net Position looks at the City as a whole. Table 1 provides a summary comparing the City's net position for 2013 and 2012. Governmental Activities net position has an increase of \$220 thousand. The increase is primarily due to a reduction of liabilities due to principal payments made during 2013.

The Business Type Activities had an increase of \$3.5 million to the Net Position. The increase is due to; net increase in capital assets inclusive of several projects and large pieces of equipment, and reduction in liabilities due to debt service principal payments being made. This is due to business type rates being set to build reserves for future improvement and maintenance to the systems capital assets as determined in the functional plans for the systems.

The overall financial position for the City of Poulsbo has improved over the prior year. In 2013, assets exceeded liabilities by \$123 million, an increase of \$3.8 million or 3.15%. The largest portion of the City's net position, \$102.5 million or 83% reflects its investment in capital assets (land, buildings, machinery and equipment, infrastructure and intangible); less any related outstanding debt used to acquire those assets. The City's capital assets are used to provide services to citizens. Consequently, these assets are not available for future spending.

**Table 1: Condensed Statement of Net Position**

	<u>GOVERNMENTAL ACTIVITIES</u>		<u>BUSINESS-TYPE ACTIVITIES</u>		<u>TOTAL PRIMARY GOVERNMENT</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Current and Other Assets	\$ 7,202,243	\$ 7,153,619	\$ 15,716,820	\$ 16,033,435	\$22,919,063	\$23,187,054
Capital Assets Net	73,138,914	73,415,132	43,892,563	40,663,353	117,031,477	114,078,485
TOTAL ASSETS	80,341,157	80,568,751	59,609,383	56,696,788	139,950,540	137,265,539
Deferred Outflows of Resources	-	-	67,731	-	67,731	-
Long-term Debt	11,986,277	12,506,505	2,263,171	2,926,782	14,249,448	15,433,287
Other Liabilities	1,762,691	1,690,301	1,034,971	929,252	2,797,662	2,619,553
TOTAL LIABILITIES	13,748,968	14,196,806	3,298,142	3,856,034	17,047,110	18,052,841
Deferred Inflows of Resources	-	-	-	-	-	-
NET POSITION						
Invested in Capital Assets Net of	61,384,364	61,173,480	41,152,937	37,440,865	102,537,302	98,614,345
Restricted	1,073,118	771,117	313,400	442,900	1,386,518	1,214,017
Unrestricted (deficit)	4,134,707	4,427,348	14,912,634	14,956,989	19,047,341	19,384,337
TOTAL NET POSITION	\$66,592,189	\$66,371,945	\$56,378,971	\$52,840,754	\$122,971,160	\$119,212,698

The City's total restricted net position amounts to 1.13%. These represent resources which are subject to external restrictions on how they may be used. The majority of this amount can be attributed to restrictions for debt purposes.

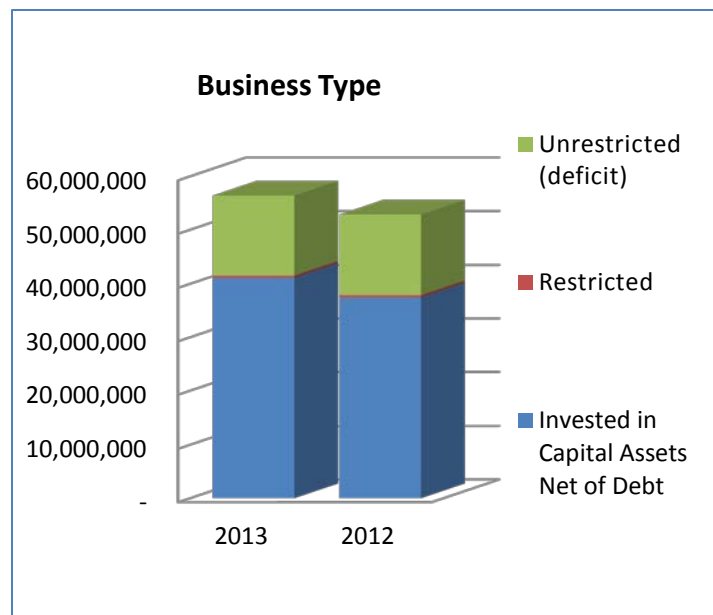
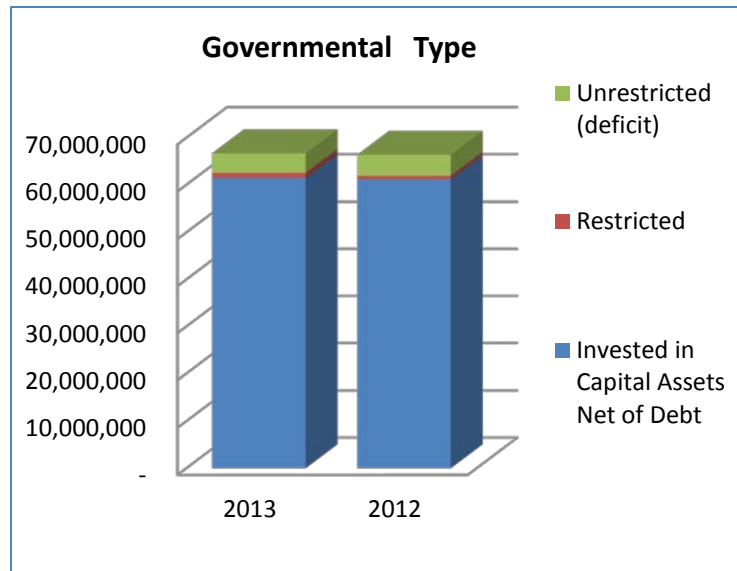


Table 2 illustrates changes in net position for the years 2013 and 2012. This is a condensed version of the Statement of Activities for the City. The revenues for 2013 show a slight increase. The increase is attributed to a combination of increased charges for services and grant revenue.

Table 2-Changes in Net Position

	<b>GOVERNMENTAL ACTIVITIES</b>		<b>BUSINESS-TYPE ACTIVITIES</b>		<b>TOTAL PRIMARY GOVERNMENT</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
<b>Revenues</b>						
<b>Program Revenues</b>						
Charges for Services	\$ 1,752,947	\$ 1,734,826	\$ 6,813,276	\$ 6,448,887	\$ 8,566,222	\$ 8,183,713
Operating Grants/Contribr	479,485	468,960	-	66,936	479,485	535,895
Capital Grants / Contribr	1,493,376	1,758,099	2,492,406	1,503,112	3,985,782	3,261,211
<b>General Revenues</b>						
Property Taxes	1,967,770	2,119,770	-	-	1,967,770	2,119,770
Retail Sales & Use Tax	2,967,756	2,700,885	-	-	2,967,756	2,700,885
Business Taxes	2,269,571	2,305,809	-	-	2,269,571	2,305,809
Other	177,979	63,979	25,987	56,111	203,966	120,090
Total Revenues	11,108,884	11,152,327	9,331,669	8,075,046	20,440,553	19,227,373
<b>Program Expenses</b>						
General government	1,640,535	2,148,291	-	-	1,640,535	2,148,291
Judicial	355,656	374,672	-	-	355,656	374,672
Security of Per & Prop	2,826,033	2,651,809	-	-	2,826,033	2,651,809
Utilities & Environment	500,646	463,211	-	-	500,646	463,211
Transportation	2,716,499	1,852,794	-	-	2,716,499	1,852,794
Economic Environment	779,317	665,027	-	-	779,317	665,027
Mental & Physical Health	13,978	14,705	-	-	13,978	14,705
Culture & Recreation	1,336,339	1,427,910	-	-	1,336,339	1,427,910
Interest Long-Term Debt	536,673	556,341	-	-	536,673	556,341
Water	-	-	1,356,314	1,282,886	1,356,314	1,282,886
Sewer	-	-	2,240,098	2,109,868	2,240,098	2,109,868
Solid Waste	-	-	1,298,015	1,247,121	1,298,015	1,247,121
Storm Drain	-	-	972,205	1,011,619	972,205	1,011,619
Total expenses	10,705,677	10,154,759	5,866,631	5,651,494	16,572,308	15,806,253
Excess (deficiency)	403,207	997,568	3,465,038	2,423,552	3,868,245	3,421,120
Changes in Net Position	403,207	997,568	3,465,038	2,423,552	3,868,245	3,421,120
Beginning Net Position	66,298,764	65,475,137	52,913,934	50,415,439	119,212,698	115,890,576
Prior Year Adjustments	(109,782)	(100,761)	-	1,763	(109,782)	(98,998)
Ending Net Position	\$66,592,189	\$66,371,945	\$56,378,971	\$52,840,754	\$122,971,160	\$119,212,698



## GOVERNMENTAL ACTIVITIES

### Revenues

Taxes account for the largest revenue category in the governmental funds, generating 65% of the total revenue. The majority of tax revenue is received in the General Fund accounting for 68% of the revenue. Because of this ratio, this category receives the majority of attention. Included in this category are sales, property, utility, criminal justice, and gambling taxes. Governmental fund taxes total \$7,205,098.

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 2013 was \$1,211,141,601. The assessed value did show a decrease from the prior year. This is consistent with the national economy and declining economic conditions, resulting in decreased values and minimal new construction. The property tax amount was affected as the City was not able to levy the full 1% increase above the highest allowable levy. For 2013, the City's regular property levy tax rate was 1.708886 per \$1,000 of assessed value.

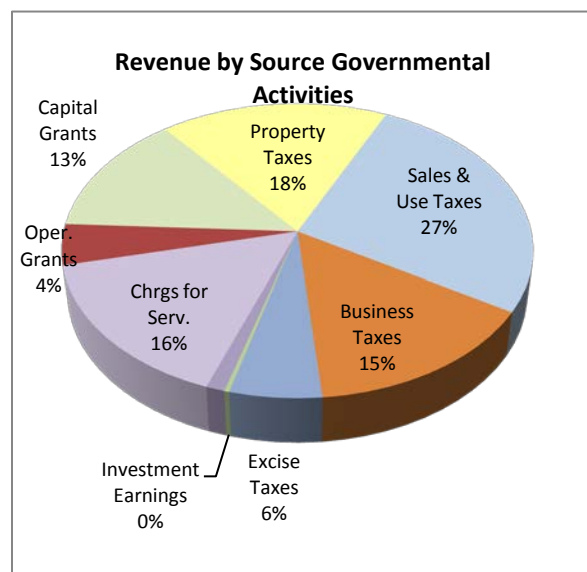
The City transferred 15.5% of property tax revenue to the City Street Operations Fund and 2.15% of property taxes to the Street and Park Reserve Funds for capital projects. The amount transferred for pavement restoration to Street Reserves Fund for capital restoration projects was 7% of property tax revenues.

Sales and Use tax revenue, in contrast to property tax, can be a highly fluctuating tax source. The City saw an 8% increase in 2013. Although the revenue is an increase over the prior year, the City anticipated the increase due to a large construction project occurring in 2013. The majority of the increase is in the area of construction due to a large commercial Safeway and several new housing developments under construction. Retail trade is the category generating the largest amount of sales tax and has continually seen a decline, but in 2013 the category stabilized and saw an increase. 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 2013, sales tax received in the City's General Fund totaled \$2,825,035. The City's allocation of sales tax revenue to other funds was reduced in 2013 to retain more dollars in the General Fund for governmental expenditures: about 1% was transferred to the Capital Equipment Acquisition Fund for capital replacement.

The majority of sales tax revenue (60%) comes from the retail trade category. The next largest sales tax categories are Construction and Accommodations, each accounting for 10% of the tax. A large retail development continues to provide an increasing retail tax base with new businesses opening their doors and continued development planned for 2014. A large grocery store began construction and anticipates opening their doors in 2014 and at least two restaurants are anticipated to construct and be open to business in 2014. These new developments help Poulsbo continue to grow 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 reflecting some growth from year to year making up 22% of the governmental tax revenue. The City increased the tax rate by 2% for City owned utilities, but mid year decreased the tax to the Storm Drain revenue by 4%. The increase in taxes represents a portion of the growing revenue and the increase rate to City utilities.



## Expenses

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

Judicial services provide support of the City's Municipal Court system.

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

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

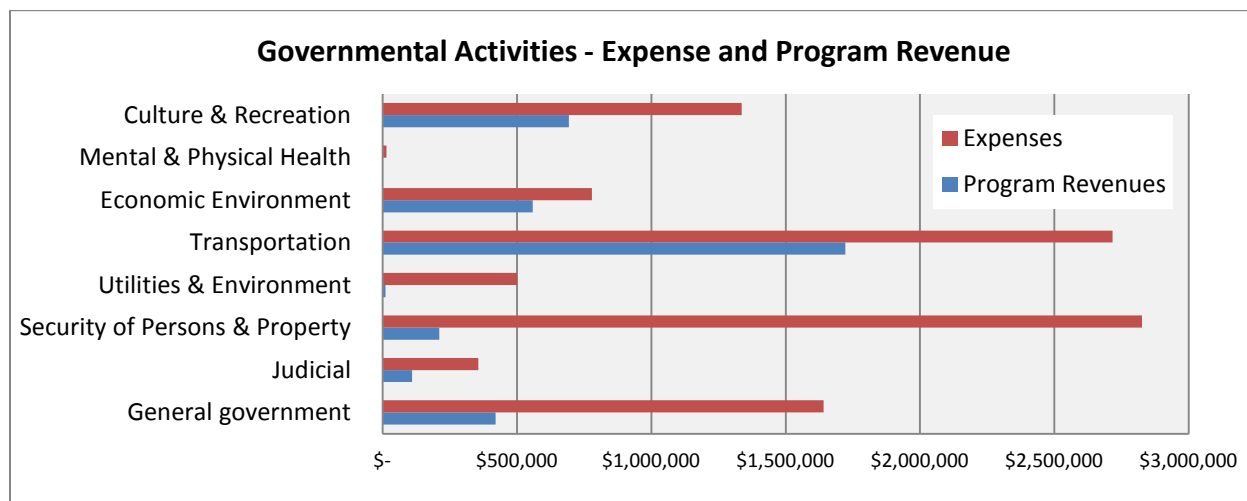
Transportation services provide maintenance of the City's streets, sidewalks, paths and traffic control signs/signals.

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

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

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

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

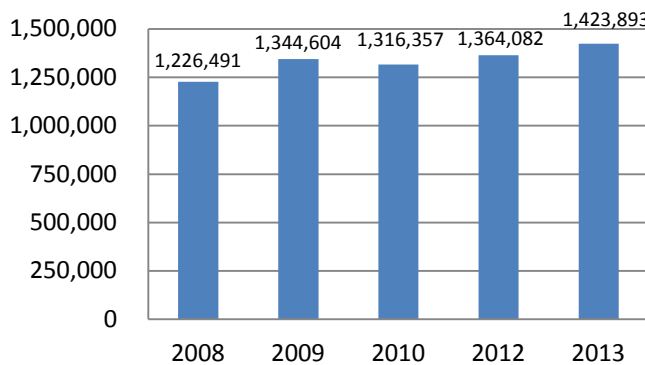
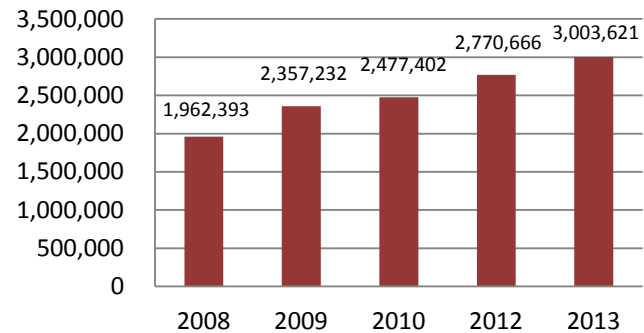
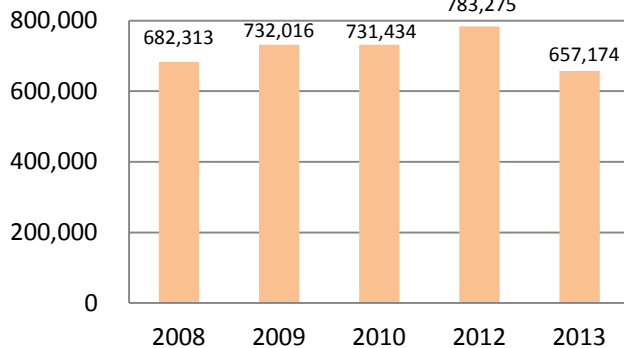
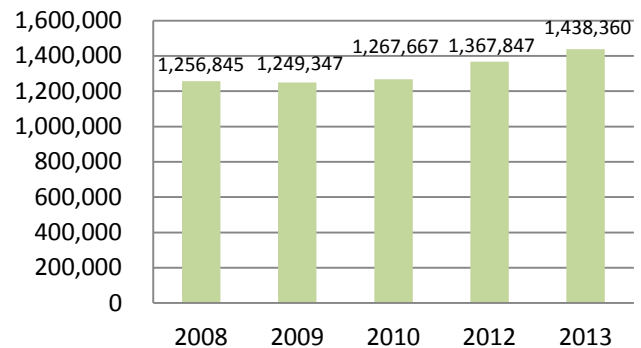


## BUSINESS-TYPE ACTIVITY

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

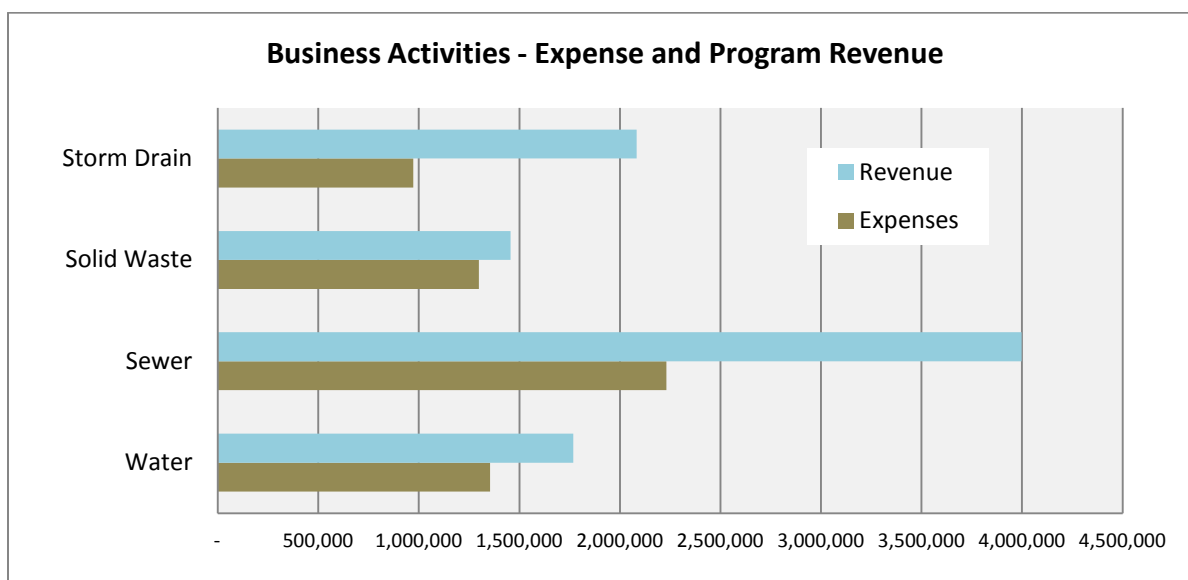
**Key elements of the increases are as follows:**

- There was a cost of living adjustment (COLA) for 2013, which resulted in an increase to the water rate creating an increase of revenue in 2013.
- After a review of the storm drain system and implementing new regulatory requirements, it was necessary to increase the storm water rates. A brief review and analyzing operating revenues to expenses the fund has been operating at a negative net income. The rate was increased to overcome the short term solution with the intent to update the long term functional plan. The utility tax rate paid to the City was reduced by 2% to help minimize the rate increase.
- Although storm drain service charges were increased, a large refund was issued in 2013 causing a reduction in revenues. It was determined a couple impervious surfaces had been measured incorrectly, which resulted in charging an incorrect higher rate. A large refund was issued in 2013 reducing the revenue.
- Solid waste service in annexed areas was under a 5 year moratorium to the prior provider. Several accounts ended the 5 year term and became customers of the City of Poulsbo in 2013, increasing the number of accounts the City serves thus increasing revenue.

**Water Service Charge Revenue****Sewer Service Charge Revenue****Storm Drain Service Charge Revenue****Solid Waste Service Charge Revenue**

The City seeks to supplement business activities, as well as governmental activities, through the prudent application of third party funding sources in the form of grants wherever possible. During 2013, business activity program revenues exceeded expenditures because rates were set to accommodate future capital improvements for a fully functioning system. Although all utilities either implemented or updated their functional plans to evaluate future improvements and operating costs, the City will begin updates in 2014 to address future needs and implementation of new and ever changing regulatory requirements. Rates have been set to reflect these plans. It is anticipated a joint project with the County to upgrade the sewer's processing plant will need a major upgrade in the near future, which is why sewer revenue has a larger variance between revenues and expenditures than the other utilities.

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



**Internal Service Funds:** The City of Poulsbo also has one Internal Service Fund to 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 one fund that falls into this category: General Facilities Fund. Prior to 2013, there was an additional Internal Service Fund to account for the administration of the Public Works Function. It was eliminated in 2013 and it is anticipated the remaining General Facilities Fund will be eliminated in 2014.

**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.

### Major Fund Analysis

**The City's Funds:** Information about the City's major governmental funds begins on page 36. The City, in accordance with GASB 34, performed the major fund calculation and determined the City Street 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 \$10.9 million and expenditures of \$11.3 million.

- **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.

The Fund Balance for the General Fund has decreased by 2.6%. The City used a portion of their reserves in 2013. The City knowingly used General Fund reserves primarily to fund additional staffing in the Police Department. The use was a net effect from reorganizing vacant positions and filling new positions.

Although the use of reserves was minimal it was anticipated for a larger amount, but was minimized due to several contributing factors in revenue and expenditures. For several years, actual revenue being generated was consistently higher than the City's conservative projections. Due to the declining economy, the revenues were at or slightly below projection figures; however they have shown modest growth in almost every category. Some of the contributing factors are:

- Increases in utility taxes due to an increased rate for City Utilities and increased revenues from outside providers.
- Increase in development revenues for new projects constructing in Poulsbo
- Increase in Business License revenue due to moving on the state system which resulted in businesses complying with the need for a City license
- Expenditures not reaching their anticipated levels due to conservatism
- Positions remaining vacant for a portion of the year upon employee's exits
- Prior year adjustment for programs moving into the General Fund which did not qualify to be in a special revenue fund

The City maintains the bulk of general reserves in an Assigned Fund Balance which requires a super majority of City Council to approve allocation from the fund balance.

- **City Street Fund:** Accounts for operation and maintenance of the City Streets. This is also inclusive of transportation related debt. In 2013, the City facilitated a grant for street lighting for safety. The grant was for a portion of highway located outside the City. Since this was not an asset for the City, the grant was administered through the operating fund, creating larger revenues and expenditures allowing the fund to qualify as a Major fund.
- **Enterprise Funds:** The City's utilities are accounted for in four enterprise funds: 1) water utility fund; 2) sewer utility fund; 3) solid waste utility fund; and 4) storm drain utility fund. The funds are reported on a full-accrual basis, accounting for all assets and liabilities. Fund balances remained fairly consistent with the prior year, but slightly increased, building stronger fund balances in anticipation of long-term capital projects to maintain a functioning system.

## BUDGETARY HIGHLIGHTS

**General Fund Budget Analysis:** The following is a brief review of the budgeting changes from the adopted to the amended final budget for the General Fund. Please note, budget to actual comparisons start on page 40 for the major current expense and special revenue funds. Budget to Actuals for all other funds begin on page 88. The significant budgetary changes in the General Fund include:

- The final General Fund revenue budget increased by 2.5%, or \$234 thousand of the original adopted budget. This was primarily due to increase in grant revenue to fund a county wide transportation plan.

- The final General Fund expenditure budget increased by approximately 3.4%, or \$335 thousand. The majority of increases can be attributed to:
  - Items such as professional services and small tools carried over from the prior year's budget to expend in 2013.
  - Expenditures related to the county wide transportation plan funded by a grant.
  - Additional staffing for the Police Department. Although the costs associated with these expenditures are much more than the total increase, it was offset by partial vacant positions.
  - Increased funding to cover additional jail costs.
- The General Fund amended budget anticipated the Fund Balance to increase \$131,972. This increase is primarily due to the actual beginning balance being higher than the original projection.
- Copies of the City's Budget and Budget-in-Brief are available on our website [www.cityofpoulsbo.com](http://www.cityofpoulsbo.com). The complete budget provides details of the City's plans for using its resources during the year hence and may also be obtained by contacting our Finance Director at 360-394-9720 or [dboohier@cityofpoulsbo.com](mailto:dboohier@cityofpoulsbo.com).

## CASH MANAGEMENT

Aggressive efforts to maximize interest earnings of temporary cash reserves have been as successful as the economy allows. The City contracts with an investment broker for professional recommendations to maintain security and liquidity of the City's cash in accordance with the City's Investment Policy. The City manages cash accounts by the pooled cash management concept and plans investment maturities to coincide with cash needs. The pool concept provides for investing greater amounts of money at more favorable interest rates, but still maintaining liquidity.

The City has a Financial Management Policy with recommended levels of cash and reserves. These balances are regularly monitored to assure compliance with the requirements of the policy. In order to use the reserves, which are intended for one time not ongoing expenditures, a super majority of City Council must approve the use. Ongoing obligations will be built into future budgets supported by City revenues. Quarterly, the City Council receives and reviews an extensive variance report including cash levels and budgetary compliance, noting items which are less or greater than the recommended variance.

## DEBT ADMINISTRATION

The City participates in various forms of debt, which is summarized as follows: \$11.2 million of a General Obligation (GO) bond type. There are two types of GO debt; those that are retired by tax levies (Voted GO/Levy) and those that, while secured by the tax base, are actually being retired by revenue from the various sources and funds. The City also has two Public Works Trust Fund loans (PWTF). One is recorded in Governmental Activities with a principal balance of \$520,578 and one is recorded in Business-Type Activities with a principal balance of \$91,695.

Revenue bonds are retired by means of revenue in the proprietary funds. There is no general tax liability for these obligations. Revenue bond debt in utilities is controlled by bond covenants. The outstanding principal amount is \$1,804,000.

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 (\$1,212,398,966), or \$18,185,984;
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 (\$1,212,398,966). For 2013 the City's limit is \$30,309,974, less any amount issued as non-voted debt. At this time the City does not have any voted debt.
3. The third limit is also calculated as a percentage of assessed value. This statutory limit allows a City to incur general obligation debt of up to an additional 2.5% of its assessed value for bond issues approved by the voters for the purpose of utility improvements and an additional 2.5% for parks or open space development.

Additional information on the City's debt is provided in Note 11, "Long-Term Debt" and may be found on page 68 of these statements.

## **CAPITAL EQUIPMENT AND UPGRADING CAPITAL FACILITIES**

The City continues to provide for replacement of capital items of \$5,000 or more such as motor vehicles and public works equipment, as well as other miscellaneous equipment through the utilization of the capital replacement fund. These replacements are funded with transfers from the General Fund to the Capital Acquisition Fund. In prior years the Capital Acquisition Fund's resources were transfers from General Fund established by a percent of Sales Tax dollars. For 2013 these transfers continued to be reduced to leave more operational dollars in the general fund. Capital purchases were delayed or reserve dollars used to purchase necessary capital items.

The City's budget continues to primarily focus on operation and maintenance costs. Annually the City updates the City Improvement Plan (CIP) to prioritize and establish funding sources for capital outlay costs to maintain and upgrade the existing infrastructure. With revenue streams continually being challenged, the City has had the fortune of securing grants for many of the capital transportation and park projects. The City continues to allocate funds for pavement restoration, but the amount was reduced in 2013 to allow more funds to remain in the General Fund for operations. These funds have normally been incorporated into larger projects to complete the restoration and receive the biggest benefit for the dollars. It has become apparent the City must continue to direct more efforts to building maintenance programs and begin to plan for future renovation and replacement. The City continues to look for energy savings measures and revenue streams to support ongoing maintenance of City facilities.

The increase in capital assets in 2013 is primarily in the business type activities. There is a decrease in governmental activities caused by the sale of a City property and the offset of depreciation against new capital. There are several projects contributing to the capital increase in business type activities, such as improvements to 6<sup>th</sup> Avenue for both utility and road, Anderson Parkway for storm drain issues, and new distribution mains in a few different City locations. Additional information on the City's capital assets is provided in Note 5, beginning on page 58.



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

	<b>GOVERNMENTAL ACTIVITIES</b>		<b>BUSINESS-TYPE ACTIVITIES</b>		<b><u>TOTAL</u></b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Land/Intangibles	28,415,727	28,645,385	1,025,036	942,823	29,440,763	29,588,208
Buildings	13,982,745	14,326,432	245,261	254,447	\$14,228,006	14,580,879
Other Improvements	5,344,839	3,493,281	40,948,298	37,643,387	\$46,293,136	41,136,667
Infrastructure	23,065,306	23,714,507			\$23,065,306	23,714,507
Intangibles (Depreciable)	211,338	321,591	254,692	310,398	\$466,029	631,988
Machinery & Equipment	847,760	798,894	519,844	600,834	\$1,367,604	1,399,728
Work in Progress	1,271,199	2,115,044	899,434	911,465	\$2,170,633	3,026,509
<b>Totals</b>	<b>\$73,138,914</b>	<b>\$73,415,132</b>	<b>43,892,563</b>	<b>\$40,663,353</b>	<b>117,031,477</b>	<b>114,078,485</b>

## ECONOMIC FACTORS AND POULSBO IN THE FUTURE

The State of Washington does not have a state personal income tax and therefore the state operates primarily using property, sales, utility, and gas taxes. The City relies on sales, property and utility taxes and a limited array of permitted other taxes, fees, and state and federal grants to support governmental activities.

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

Sales tax represents a major revenue source for governmental funds and provides an economic measurement of the local economy. In 2008 the City began to see the impact of the economic slowdown consistent with the national economy. Over the past several years the City has continued to see a decline in sales tax from the prior year, but in 2013 the City experienced its first increase in several years. The increase was anticipated due to a new large grocery store being constructed. Once the doors open for business it is anticipated the sales tax for the establishment will actually be less than the amount generated for construction, due to a majority of the retail sales is non-taxable. There are many new projects anticipated for 2014, which will supplement the decline. Much of the prior decline can be attributed to the loss of tax generated by vehicle sales. Several of the automobile dealerships closed their doors leaving vacant business fronts on the Viking Avenue corridor. Through proactive planning the City Council has promoted diversification. This loss of sales tax prior to 2005 would have devastated the City, but because of diversification and promotion of economic development, the City is able to weather the impact and still remain a growing environment and maintain a healthy level of reserves. Several large and small developments, both commercial and residential, continue to work with the City through the planning stages anticipating construction in 2014. Overall the average for the five years preceding 2013 reflected a 2% average decrease. The practice of Council is to not estimate more than received the prior year but due to the certainty of the new development this revenue projection remained flat anticipating the increase will offset any reductions recognized in 2013. New potential commercial projects will not only supplement the construction category of sales tax, but provide an additional revenue stream for retail trade.

Although there has been a decline, some areas of the City continue to reflect growth. A new used car dealership, two new restaurants are anticipated to open for business in 2014. Housing developments continue to flourish. This is inclusive of several projects stopped by the economy but now again moving forward.

The City Council set a new utility rate of 9% for water and sewer, but reduced the amount for storm drain to 6% for 2014. The amount is consistent with a statewide average, but does not immediately impact a rate increase for water and sewer

and minimized the necessary increase for storm drain. The increase was absorbed into the rates showing no additional increase due to the tax increase.

Several large construction projects continued in 2013. The City completed improvement to 6<sup>th</sup> Avenue inclusive of utility improvements to the existing infrastructure. Improvements to Anderson Parkway for storm drainage and lighting issues were completed in 2013. The parkway is the main parking lot and entrance to the City's heavily used Waterfront Park. Both of these projects were largely funded by federal and state grants. Completion of design for widening of Lincoln Road reconstruction was completed in 2013, with construction to occur in 2014.

The City's estimated population in 2014 has grown by 225 people or 1% as reported by the Office of Financial Management (OFM). The daytime population is much higher and will continue to grow as Poulsbo becomes a destination for many county residents to shop, conduct medical treatments and send students to school for all grade levels including Community College. This continues to be a challenge to allow for utilities to provide services in peak hours. The City has established an agreement with the Kitsap PUD (KPUD) to provide water services in a new development which is adjacent to their service area and also the ability to purchase water if needed. At this point it has not been necessary for the City to purchase additional water, but some of the new developments in the City's formally annexed area will be serviced by the KPUD for water services. This will continue to allow development but not tax the City's water system for fire protection and peak hours. The City will provide sewer, garbage and storm drain service and receive utility tax for all of these services.

In 2014 it is anticipated the Comprehensive Plan for Storm Drain will be updated and rates most likely increased. There was an increase in mid 2013, but this was a temporary fix to eliminate the fund operating at a loss. It is becoming more difficult for the City to operate the system on current revenues as the regulations have substantially increased requiring an increased level of reporting and monitoring. These regulations have made it necessary for the City to increase the resources allocated to the function, which have been causing the fund to operate at much lower level of return and not allowing building necessary reserves for future capital improvements. The Council will also be looking at services necessary to maintain streets, which have been previously supported by general government funds, but the services necessary for storm water functions.

Washington continues to be a state impacted by tax limiting initiatives and a struggling state budget. The City receives funds related to liquor sales in two different distributions. The first is liquor profits and the second is liquor excise tax. Both are distributed as a state shared revenue based on population. An initiative in 2011 calling for state operated liquor stores to be closed and the ability for retail establishments to apply for a license to sell liquor from their establishment passed. The initiative eliminated state shared liquor profits but called for local entities to be funded at the same levels which are to be supplemented by the licensing and permitting fees. The state reduced the shared excise taxes, and has brought back a small amount to localities, but at a much larger reduced level.

For several years the law had changed regarding lodging tax revenue, which was set to expire June 30, 2013. The legislature changed the law leaving intact the allowable use to support operations of tourist events. This will allow the City to provide security, set up, take down, and maintenance during the events. This allows the City to fund these expenditures and allow the sponsoring agencies to continue hosting these annual tourist events.

The City Council continues to be proactive with other agencies to monitor and lobby for regulations to minimize the impact to the City and provide funds for City services. The City continues to support a possible street utility to provide funding to maintain streets and pay for growing electricity charges related to street lights. The City will continue to work with surrounding agencies for sharing of service opportunities and minimize expenses.

An allowable fee the City may be able to implement through councilmatic action or a larger amount by the voters is for

Transportation Benefit District Fees. This could be issued through an increased car tab fee, but must be used for transportation expenditures clearly defined when implementing. The Council is continuing this option and will put it under serious consideration in 2014. Two surrounding Cities within Kitsap County have implemented the fee.

A large change for the State of Washington, contradictory to federal laws, passed by voters is the legalization of marijuana, not only medicinal but recreational use. A state excise tax and license fees will be imposed on retailers. All of these funds will remain at the state level and not distributed back to Cities and Counties. Sales will also be subject to retail sales tax and distributed back to the local agencies in their sales tax distributions. At this time there are no existing businesses selling these items within the City of Poulsbo, so sales tax projections have not been increased anticipating any additional revenues.

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

#### **Request for Financial Information**

This financial report is designed to provide our citizens, taxpayers, creditors and investors with a general overview of the City's finances and to show the City's accountability for the monies it receives. Any questions about this report or requests for additional financial information should be addressed to the Finance Department, City of Poulsbo, 200 NE Moe Street, Poulsbo, Washington, 98370. Personal inquiries may be directed to Jana McQuade, Accounting Manager at (360) 394-9721, [jmcquade@cityofpoulsbo.com](mailto:jmcquade@cityofpoulsbo.com) or Deborah Booher, Finance Director at (360) 394-9720, [dbooher@cityofpoulsbo.com](mailto:dbooher@cityofpoulsbo.com).



**STATEMENT OF NET POSITION  
DECEMBER 31, 2013**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and Cash Equivalents	\$ 619,698	\$ 2,043,031	\$ 2,662,728
Investments	5,024,790	12,679,740	17,704,530
Receivables:			
Taxes	953,910	-	953,910
Accounts	12,069	622,421	634,490
Special Assessments	18,817	-	18,817
Other Receivables	39,303	-	39,303
Due from Other Governments	266,387	26,339	292,726
Materials and Supplies Inventory	8,719	31,890	40,608
Restricted Assets:			
Cash and Cash Equivalents	-	-	-
Investments	91,016	313,400	404,416
Note Receivable	167,535		167,535
Capital Assets (net of accumulated depreciation):			
Land & Right of Ways	28,415,727	1,025,036	29,440,763
Buildings and Structures	13,982,745	245,261	14,228,006
Other Improvements	28,410,145	40,948,298	69,358,443
Machinery and Equipment	847,760	519,844	1,367,604
Construction in Progress	1,271,199	899,434	2,170,633
Intangibles	211,338	254,692	466,029
<b>Total Assets</b>	<b>80,341,157</b>	<b>59,609,383</b>	<b>139,950,540</b>
<b>Deferred Outflows of Resources</b>			
Deferred Amount of Debt Refunded	-	67,731	67,731
<b>Liabilities</b>			
Accounts Payable and other current liabilities	616,296	302,114	918,411
Due to Other Governmental Units	49,066	-	49,066
Accrued Interest Payable	46,425	57,171	103,596
Unearned Revenues	80,053	3,560	83,613
Custodial Accounts	304,829	58,569	363,397
Short-Term Note Payable	-	-	-
Long-Term Liabilities:			
Due within one year	666,022	613,558	1,279,580
Due in more than one year	11,986,277	2,263,171	14,249,448
<b>Total Liabilities</b>	<b>13,748,968</b>	<b>3,298,142</b>	<b>17,047,110</b>
<b>Deferred Inflows of Resources</b>	-	-	-
<b>Net Position</b>			
Net Investment in Capital Assets	61,384,364	41,152,937	102,537,302
Restricted for:			
Capital Purpose	675,359	-	675,359
Drug Enforcement	25,254	-	25,254
Criminal Justice	91,099	-	91,099
Promoting Downtown Businesses	81,863	-	81,863
Promoting Tourism	71,412	-	71,412
City Beautification-Expendable	5,426	-	5,426
City Beautification-Nonexpendable	91,016	-	91,016
Debt Service	31,690	313,400	345,090
Unrestricted	4,134,707	14,912,634	19,047,341
<b>Total Net Position</b>	<b>\$ 66,592,189</b>	<b>\$ 56,378,971</b>	<b>\$ 122,971,160</b>

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

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

Page 1 of 2

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental activities:</b>				
General government	\$ 1,640,535	\$ 327,650	\$ 92,218	\$ -
Judicial	355,656	108,500	1,281	-
Security of Persons & Property	2,826,033	148,342	62,333	-
Utilities & Environment	500,646	11,227	-	-
Transportation	2,716,499	67,595	238,708	1,416,107
Economic Environment	779,317	558,996	-	-
Mental & Physical Health	13,978	-	-	-
Culture & Recreation	1,336,339	530,637	84,945	77,269
Interest on Long-Term Debt	536,673	-	-	-
<b>Total Governmental Activities</b>	<b>10,705,677</b>	<b>1,752,947</b>	<b>479,485</b>	<b>1,493,376</b>
<b>Business-Type Activities:</b>				
Water	1,356,314	1,528,732	-	239,230
Sewer	2,240,098	3,040,822	-	957,329
Solid Waste	1,298,015	1,456,824	-	-
Storm Drain	972,205	786,897	-	1,295,847
<b>Total Business-Type Activities</b>	<b>5,866,631</b>	<b>6,813,276</b>	<b>-</b>	<b>2,492,406</b>
<b>Total Primary Government</b>	<b>\$ 16,572,308</b>	<b>\$ 8,566,222</b>	<b>\$ 479,485</b>	<b>\$ 3,985,782</b>

**General Revenues:**

Property Taxes  
Retail Sales & Use Taxes  
Business and Occupation Taxes  
Excise Taxes  
Unrestricted Investment Earnings  
Restricted Investment Earnings  
Gain (loss) on disposal of capital assets  
Insurance Recoveries

**Total General Revenues, Special Items, and Transfers**

Change in Net Position

Net Position Beginning of Year  
Prior Period Adjustments

**Net Position End of Year**

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

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

Page 2 of 2

Net (Expenses) Revenue and Changes in Net Assets				
Primary Government				
	Governmental Activities	Business-Type Activities		Total
\$	(1,220,667)	-	\$	(1,220,667)
	(245,876)	-		(245,876)
	(2,615,358)	-		(2,615,358)
	(489,419)	-		(489,419)
	(994,089)	-		(994,089)
	(220,322)	-		(220,322)
	(13,978)	-		(13,978)
	(643,488)	-		(643,488)
	(536,673)	-		(536,673)
	<b>(6,979,869)</b>	-		<b>(6,979,869)</b>
	-	411,649		411,649
	-	1,758,053		1,758,053
	-	158,809		158,809
	-	1,110,539		1,110,539
	-	<b>3,439,051</b>		<b>3,439,051</b>
	<b>(6,979,869)</b>	<b>3,439,051</b>	\$	<b>(3,540,819)</b>
	1,967,770	-		1,967,770
	2,967,756	-		2,967,756
	1,647,259	-		1,647,259
	622,312	-		622,312
	32,795	25,987		58,782
	221			221
	124,658	-		124,658
	20,306			20,306
	<b>7,383,077</b>	<b>25,987</b>		<b>7,409,064</b>
	403,207	3,465,038		3,868,245
	66,298,764	52,913,934		119,212,698
	(109,782)			(109,782)
\$	<b>66,592,189</b>	<b>56,378,971</b>	\$	<b>122,971,160</b>

**BALANCE SHEET-GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General Fund	City Street Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and Cash Equivalents	\$ 102,673	\$ 60,352	\$ 456,673	\$ 619,698
Investments	2,714,361	195,123	2,115,307	5,024,790
Receivables:				
Taxes	39,388	-	-	39,388
Accounts	12,069	-	-	12,069
Special Assessments	-	-	18,817	18,817
Due from other govern units	36,648	223,847	5,893	266,387
Inventories	8,719	-	-	8,719
Cash and Investments-Restricted	-	-	91,016	91,016
<b>Total Assets</b>	<b>2,913,857</b>	<b>479,321</b>	<b>2,687,705</b>	<b>6,080,884</b>
<b>Deferred Outflows of Resources</b>	-	-	-	-
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts Payable	456,742	111,029	48,526	616,296
Due to Other Governments	49,066	-	-	49,066
Unearned Revenues	68,239	-	11,815	80,053
Custodial Accounts	292,785	-	12,044	304,829
<b>Total Liabilities</b>	<b>866,831</b>	<b>111,029</b>	<b>72,385</b>	<b>1,050,245</b>
<b>Deferred Inflows of Resources</b>	-	-	-	-
<b>Fund Balances:</b>				
Nonspendable fund balance	8,719	-	91,016	99,735
Restricted fund balance	-	-	958,933	958,933
Assigned fund balance	1,501,759	368,292	1,565,372	3,435,423
Unassigned fund balance	536,548	-	-	536,548
<b>Total Fund Balances</b>	<b>2,047,026</b>	<b>368,292</b>	<b>2,615,321</b>	<b>5,030,639</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 2,913,857</b>	<b>\$ 479,321</b>	<b>\$ 2,687,705</b>	<b>\$ 6,080,884</b>

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



**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

<b>Total Governmental Fund Balances:</b>		\$ 5,030,639
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		73,138,914
These assets consist of:		
Land	\$ 28,415,727	
Buildings and structures	17,118,430	
Improvements	39,621,607	
Machinery and Equipment	2,943,326	
Construction in Progress	1,271,199	
Intangibles	647,486	
Less: Accumulated Depreciation	(16,878,862)	
Other Assets that are not available to pay for current-period expenditures and therefore are not reported in governmental funds.		1,121,359
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the governmental funds.		
Interest Payable	46,425	
Long-term Liabilities	12,652,298	(12,698,723)
Net Position of governmental activities		<u>\$ 66,592,189</u>

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

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

	General Fund	City Street Fund	Non-Major Governmental Funds	Total
<b>Revenues</b>				
Taxes	\$ 6,563,838	\$ -	\$ 591,842	\$ 7,155,680
Licenses and Permits	610,024	12,795	-	622,819
Intergovernmental	178,024	416,377	51,775	646,175
Charges for Services	2,048,382	-	141,976	2,190,358
Fines and Forfeitures	76,586	-	143	76,729
Interest and Other Earnings	33,966	326	3,339	37,631
Miscellaneous	107,665	-	95,942	203,606
<b>Total Revenues</b>	<b>9,618,484</b>	<b>429,498</b>	<b>885,016</b>	<b>10,932,998</b>
<b>Expenditures</b>				
Current:				
General Government	2,701,167	-	-	2,701,167
Security of Persons & Property	2,746,316	-	17,848	2,764,164
Utilities and Environment	512,596	-	-	512,596
Transportation	467,860	1,065,434	-	1,533,295
Economic Environment	696,579	-	89,019	785,598
Mental and Physical Health	13,978	-	-	13,978
Culture and Recreation	1,005,486	-	75,465	1,080,951
Debt Service:				
Principal	-	-	579,368	579,368
Interest & Fiscal Charges	-	-	495,456	495,456
Capital Outlay	-	-	856,046	856,046
<b>Total Expenditures</b>	<b>8,143,983</b>	<b>1,065,434</b>	<b>2,113,201</b>	<b>11,322,619</b>
<i>Excess of Revenues Over (Under) Expenditures</i>	<b>1,474,501</b>	<b>(635,936)</b>	<b>(1,228,185)</b>	<b>(389,620)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers In	44,000	682,995	1,561,151	2,288,146
Transfers Out	(1,632,244)	(185,685)	(470,217)	(2,288,146)
Sale of Capital Assets	38,650	-	233,453	272,103
Compensation for Impairment of Capital Assets	20,306	-	-	20,306
<b>Total Other Financing Sources and Uses</b>	<b>(1,529,289)</b>	<b>497,310</b>	<b>1,324,388</b>	<b>292,408</b>
<i>Net Change in Fund Balances</i>	<b>(54,788)</b>	<b>(138,626)</b>	<b>96,203</b>	<b>(97,212)</b>
<i>Fund Balances Beginning of Year</i>	2,101,814	506,919	2,374,978	4,983,710
<i>Prior Year Adjustment</i>	-	-	144,141	144,141
<b>Fund Balances End of Year</b>	<b>\$ 2,047,026</b>	<b>\$ 368,292</b>	<b>\$ 2,615,321</b>	<b>\$ 5,030,639</b>

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

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

Net change in Fund balance--total governmental funds	\$	(97,212)
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*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		856,046
This is the amount of depreciation	(1,910,398)	
This is the amount of Gain (Loss) on Capital Assets	(147,445)	

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the government funds.		46,939
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Developers construct and then contributed capital infrastructure assets to the City. These assets are reported on the statement of activities but not reported in the fund statements.		1,089,060
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Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which repayments exceeded proceeds.

Principal payments		579,368
--------------------	--	---------

Some expenses reported in the statement of activities do not require the use of the governmental funds.		(13,151)
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Change in net position of governmental activities	\$	<u>403,207</u>
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The notes to the financial statements are an integral part of this statement.

**STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
<b>Revenues</b>				
Taxes	\$ 6,691,862	\$ 6,691,862	\$ 6,563,838	\$ (128,024)
Licenses and Permits	379,550	379,550	610,024	230,474
Intergovernmental	115,061	305,108	178,024	(127,084)
Charges for Services	2,023,161	2,023,161	2,048,382	25,221
Fines and Forfeitures	80,800	80,800	76,586	(4,214)
Interest and Other Earnings	46,220	46,220	33,966	(12,254)
Miscellaneous	110,028	110,028	107,665	(2,363)
<b>Total Revenues</b>	<b>9,446,682</b>	<b>9,636,729</b>	<b>9,618,484</b>	<b>(18,245)</b>
<b>Expenditures</b>				
Current:				
General Government	2,866,578	2,896,116	2,701,167	194,949
Security of Persons & Property	2,722,040	2,765,415	2,746,316	19,099
Utilities and Environment	558,559	574,084	512,596	61,488
Transportation	412,084	648,606	467,860	180,746
Economic Environment	722,622	720,732	696,579	24,153
Mental and Physical Health	14,132	14,132	13,978	155
Culture and Recreation	1,013,436	1,026,206	1,005,486	20,719
<b>Total Expenditures</b>	<b>8,309,451</b>	<b>8,645,291</b>	<b>8,143,983</b>	<b>501,308</b>
Excess of Revenues Over Expenditures	1,137,231	991,438	1,474,501	483,063
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	44,000	44,000	-
Transfers out	(1,674,336)	(1,674,336)	(1,632,244)	42,092
Intergovernmental Payment	-	-	-	-
Sale of Capital Assets	-	-	38,650	38,650
Comp for Impairment of Capital Assets	-	-	20,306	20,306
<b>Total Other Financing Sources (Uses)</b>	<b>(1,674,336)</b>	<b>(1,630,336)</b>	<b>(1,529,289)</b>	<b>101,047</b>
Net Change in Fund Balance	(537,105)	(638,898)	(54,788)	584,110
Fund Balance Beginning of Year	1,855,000	2,088,763	2,101,814	13,051
Prior Year Adjustment			-	-
<b>Fund Balance End of Year</b>	<b>\$ 1,317,895</b>	<b>\$ 1,449,865</b>	<b>\$ 2,047,026</b>	<b>\$ 597,161</b>

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

**STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
CITY STREET FUND  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
<b>Revenues</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and Permits	4,000	4,000	12,795	8,795
Intergovernmental	193,190	613,190	416,377	(196,813)
Charges for Services	-	-	-	-
Fines and Forfeitures	-	-	-	-
Interest and Other Earnings	-	-	326	326
Miscellaneous	-	-	-	-
<b>Total Revenues</b>	<b>197,190</b>	<b>617,190</b>	<b>429,498</b>	<b>(187,692)</b>
<b>Expenditures</b>				
Current:				
General Government	-	-	-	-
Security of Persons & Property	-	-	-	-
Utilities and Environment	-	-	-	-
Transportation	859,776	1,357,521	1,065,434	292,087
Economic Environment	-	-	-	-
Mental and Physical Health	-	-	-	-
Culture and Recreation	-	-	-	-
<b>Total Expenditures</b>	<b>859,776</b>	<b>1,357,521</b>	<b>1,065,434</b>	<b>292,087</b>
Excess of Revenues Over Expenditures	(662,586)	(740,331)	(635,936)	104,395
<b>Other Financing Sources (Uses)</b>				
Transfers in	681,641	805,641	682,995	(122,646)
Transfers out	(240,678)	(240,678)	(185,685)	54,993
<b>Total Other Financing Sources (Uses)</b>	<b>440,963</b>	<b>564,963</b>	<b>497,310</b>	<b>(67,653)</b>
Net Change in Fund Balance	(221,623)	(175,368)	(138,626)	36,742
Fund Balance Beginning of Year	271,903	506,919	506,919	(0)
<b>Fund Balance End of Year</b>	<b>\$ 50,280</b>	<b>\$ 331,551</b>	<b>\$ 368,292</b>	<b>\$ 36,741</b>

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

**STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Business-type Activities Enterprise Funds					
	Water	Sewer	Solid Waste	Storm Drain	Total	Internal Service Funds
<b>Assets</b>						
Current Assets:						
Cash and Cash Equivalents	\$ 548,385	\$ 1,031,017	\$ 197,332	\$ 247,821	\$ 2,024,554	\$ 18,476
Investments	3,104,383	6,283,197	2,145,528	1,140,427	12,673,535	6,204
Accounts Receivable	108,356	260,293	135,035	118,738	622,421	-
Due from Other Governments				26,339	26,339	-
Inventories	25,494	6,396	-	-	31,890	-
Total Current Assets	3,786,618	7,580,902	2,477,895	1,533,324	15,378,739	24,681
Noncurrent Assets:						
Restricted cash, cash equivalents, and invests.:						
Revenue bond covenant investment	68,948	244,452	-	-	313,400	-
Capital Assets:						
Land	331,186	234,396	191,213	268,241	1,025,036	-
Buildings and Structures	272,226	283,606	36,259	45,646	637,738	-
Intangibles	106,678	114,209	12,229	188,845	421,961	-
Other Improvements	17,156,384	25,099,115	9,098	12,272,979	54,537,576	-
Machinery and Equipment	490,307	825,482	897,342	333,757	2,546,888	9,000
Construction in Progress	1,255	243,684	101,087	553,407	899,434	-
Less: Accumulated Depreciation	(4,688,695)	(8,104,630)	(785,761)	(2,596,983)	(16,176,068)	(9,000)
Total Noncurrent Assets	13,738,288	18,940,315	461,468	11,065,893	44,205,963	-
<b>Total Assets</b>	<b>17,524,906</b>	<b>26,521,216</b>	<b>2,939,362</b>	<b>12,599,217</b>	<b>59,584,702</b>	<b>24,681</b>
<b>Deferred Outflows of Resources</b>	<b>14,901</b>	<b>52,830</b>	<b>-</b>	<b>-</b>	<b>67,731</b>	<b>-</b>
<b>Liabilities</b>						
Current Liabilities						
Accounts payable	52,998	96,980	65,953	82,652	298,583	3,532
Accrued interest payable	11,796	45,374	-	-	57,171	-
Rev. bonds payable	94,380	334,620	-	-	429,000	-
Unearned Revenue	3,254	96	116	94	3,560	-
Custodial	2,851	55,718	-	-	58,569	-
Compensated Absences	2,784	3,196	3,381	2,848	12,210	1,501
Notes Payable		125,000			125,000	-
Due to Other Governmental Units	8,161	37,687			45,848	-
Total Current Liabilities	176,223	698,672	69,449	85,594	1,029,939	5,032
Noncurrent Liabilities:						
Rev. bonds payable	302,500	1,072,500			1,375,000	-
Compensated absences	25,058	28,766	30,428	25,634	109,886	13,507
Notes Payable		718,931			718,931	-
Due to Other Governmental Units	8,161	37,687			45,848	-
Total Noncurrent Liabilities	335,719	1,857,883	30,428	25,634	2,249,665	13,507
<b>Total Liabilities</b>	<b>511,943</b>	<b>2,556,555</b>	<b>99,877</b>	<b>111,229</b>	<b>3,279,603</b>	<b>18,539</b>
<b>Deferred Inflows of Resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Position</b>						
Invested in capital assets, net of related debt	13,256,138	16,369,438	461,468	11,065,893	41,152,937	-
Restricted for debt service	68,948	244,452	-	-	313,400	-
Unrestricted	3,702,778	7,403,601	2,378,018	1,422,095	14,906,492	6,142
<b>Total net position</b>	<b>\$ 17,027,864</b>	<b>\$ 24,017,492</b>	<b>\$ 2,839,485</b>	<b>\$ 12,487,988</b>	<b>\$ 56,372,830</b>	<b>\$ 6,142</b>

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

Total business-type Internal Service Fund assets	24,681	
Less total business-type Internal Service Fund liabilities	(18,539)	6,142
Net assets of business-type activities		<u>\$ 56,378,971</u>

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

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Business-type Activities Enterprise Funds					Internal Service Funds
	Water	Sewer	Solid Waste	Storm Drain	Total	
<b>Operating Revenues:</b>						
Charges for Services	\$ 1,421,676	\$ 3,000,258	\$ 1,439,180	\$ 761,254	\$ 6,622,368	\$ 155,407
Other Operating Revenues	107,056	40,565	17,644	25,643	190,907	-
<b>Total Operating Revenues</b>	<b>1,528,732</b>	<b>3,040,822</b>	<b>1,456,824</b>	<b>786,897</b>	<b>6,813,276</b>	<b>155,407</b>
<b>Operating Expenses:</b>						
Depreciation	379,766	584,484	36,816	319,323	1,320,389	-
Bad Debt Expense	1	-	1	5	6	-
Salaries and Wages	217,116	199,445	197,176	230,228	843,965	52,461
Personnel Benefits	98,122	89,237	90,771	103,762	381,891	24,153
Supplies	54,016	34,206	75,828	10,180	174,231	21,420
Services	361,690	497,525	352,137	127,461	1,338,812	9,377
Intergovernmental Services and Payments	220,870	749,338	536,516	180,143	1,686,867	60,616
<b>Total Operating Expenses</b>	<b>1,331,581</b>	<b>2,154,235</b>	<b>1,289,244</b>	<b>971,101</b>	<b>5,746,161</b>	<b>168,027</b>
Operating Income (Loss)	197,152	886,587	167,580	(184,204)	1,067,115	(12,620)
<b>Nonoperating Revenues (Expenses):</b>						
Interest and Other Earnings	7,725	11,345	4,040	2,866	25,977	10
Interest Expense	(16,610)	(60,334)	-	-	(76,944)	-
State Grants	-	-	-	499,690	499,690	-
Amortization of Debt Issue Costs	(6,799)	(24,107)	-	-	(30,906)	-
<b>Total Nonoperating Revenue (Expenses)</b>	<b>(15,684)</b>	<b>(73,096)</b>	<b>4,040</b>	<b>502,556</b>	<b>417,817</b>	<b>10</b>
Income (loss) Before Contributions	181,468	813,491	171,620	318,353	1,484,931	(12,610)
Capital Contributions	239,230	957,329	-	796,157	1,992,716	-
Change in Net Position	420,698	1,770,820	171,620	1,114,510	3,477,648	(12,610)
Total Net Position Beginning of Year	16,607,167	22,246,672	2,667,865	11,373,479		18,752
Prior Year Adjustments	-	-	-	-		
<b>Total Net Position End of Year</b>	<b>\$ 17,027,865</b>	<b>\$ 24,017,492</b>	<b>\$ 2,839,485</b>	<b>\$ 12,487,988</b>		<b>\$ 6,142</b>

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.

(12,610)  
*Change in Net Position of Business-type Activities*      \$ 3,465,038

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, 2013**

Page 1 of 2

	Business-type Activities Enterprise Funds					
	Water	Sewer	Solid Waste	Storm Drain	Total	Internal Service Funds
<b>Cash Flows from Operating Activities</b>						
Receipts from customers and users	1,536,552	3,100,520	1,453,418	738,834	6,829,323	155,407
Payments for interfund services provided	(220,870)	(198,139)	(536,516)	(180,143)	(1,135,668)	-
Payments to suppliers	(418,499)	(1,133,149)	(426,494)	(83,707)	(2,061,849)	(91,690)
Payments to employees	(314,481)	(286,980)	(279,806)	(328,379)	(1,209,646)	(75,886)
<b>Net cash provided (used) by operating activities</b>	<b>582,702</b>	<b>1,482,252</b>	<b>210,602</b>	<b>146,604</b>	<b>2,422,161</b>	<b>(12,169)</b>
<b>Cash Flows From Noncapital Financing Activities</b>						
State & Federal Grants				499,690	499,690	
<b>Net cash provided (used) by noncapital and related financing activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>499,690</b>	<b>499,690</b>	<b>-</b>
<b>Cash Flows from Capital and Related Financing Activities</b>						
Proceeds from Capital Debt	-	-	-	-	-	-
Capital contributions	208,530	447,846	-	-	656,376	-
Purchase of capital assets	(61,525)	(77,831)	(67,083)	(54,392)	(260,831)	-
Acquisition and construction of capital assets	(1,437,109)	(313,946)	(39,032)	(1,362,364)	(3,152,451)	-
Principal paid on capital debt	(99,241)	(489,388)	-	-	(588,629)	-
Interest paid on capital debt	(17,569)	(63,078)	-	-	(80,647)	-
Proceeds from Disposition of capital assets	49,666	98,647	-	-	148,313	-
<b>Net cash provided (used) by capital and related financing activities</b>	<b>(1,357,248)</b>	<b>(397,750)</b>	<b>(106,116)</b>	<b>(1,416,755)</b>	<b>(3,277,869)</b>	<b>-</b>
<b>Cash Flows from Investing Activities</b>						
Proceeds from sales and maturities of investments	1,737,724	1,859,588	254,121	912,369	4,763,802	3,153
Purchase of investment	(801,478)	(2,385,308)	(484,550)	(28,314)	(3,699,651)	(10)
Interest and dividends received	7,725	11,345	3,964	2,866	25,900	10
<b>Net cash used by investing activities</b>	<b>943,971</b>	<b>(514,375)</b>	<b>(226,465)</b>	<b>886,921</b>	<b>1,090,051</b>	<b>3,153</b>
Net increase in cash and cash equivalents	169,425	570,127	(121,979)	116,460	734,033	(9,016)
Cash and cash equivalents Beginning of Year	378,960	460,889	319,311	131,361	1,290,521	27,492
<b>Cash and cash equivalents End of Year</b>	<b>548,385</b>	<b>1,031,016</b>	<b>197,332</b>	<b>247,821</b>	<b>2,024,554</b>	<b>18,476</b>

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, 2013**

Page 2 of 2

**Business-type Activities Enterprise Funds**

	<b>Water</b>	<b>Sewer</b>	<b>Solid</b>	<b>Waste</b>	<b>Storm Drain</b>	<b>Total</b>	<b>Internal Service Funds</b>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>							
Operating Income (Loss)	197,152	886,587		167,580	(184,204)	1,067,115	(12,620)
<b>Adjustments to reconcile operating income to net cash provided (used) by operating activities</b>							
Depreciation	379,766	584,484		36,816	319,323	1,320,389	
(Increase)decrease due to prior period						-	
(Increase) decrease in accounts receivable	6,203	3,884		(3,522)	(48,153)	(41,587)	
(Increase) decrease in inventories	230	4		-	-	235	456
Increase (decrease) in accounts payable	(1,435)	(49,140)		6,183	56,892	12,500	(1,095)
Increase (decrease) in Custodial Funds	1,377	55,718		-	-	57,095	-
Increase (decrease) in compensated absences payable	(591)	715		3,544	2,746	6,414	1,090
<b>Total Adjustments</b>	<b>385,551</b>	<b>595,665</b>		<b>43,022</b>	<b>330,808</b>	<b>1,355,046</b>	<b>452</b>
<b>Net Cash Provided By Operating Activities</b>	<b>582,702</b>	<b>1,482,252</b>		<b>210,602</b>	<b>146,604</b>	<b>2,422,161</b>	<b>(12,169)</b>
<b>Noncash investing, financing and capital activities</b>							
Capital Contributions by Developers	30,700	509,483		-	796,157	1,336,340	
Investment Earnings Unrealized	(4,172)	(8,924)		(1,467)	(5,981)	(20,545)	

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

**STATEMENT OF FIDUCIARY NET POSITION  
AGENCY FUND  
DECEMBER 31, 2013**

<b>Agency Fund</b>	
<b>Assets</b>	
Cash and cash equivalents	\$ 68,369
Investments	75,108
Accounts Receivable	79
<b>Total Assets</b>	<b>143,555</b>
<b>Deferred Outflows of Resources</b>	
	-
<b>Liabilities</b>	
Accounts Payable and accrued expenses	24,738
Retainage Payable	34,358
Custodial funds	84,460
<b>Total Liabilities</b>	<b>143,555</b>
<b>Deferred Inflows of Resources</b>	
	-
<b>Net Position</b>	<b>\$ -</b>

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

## NOTES TO THE FINANCIAL STATEMENTS

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

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

**A. REPORTING ENTITY**

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

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

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

The City's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

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

The *Statement of Activities* presents changes in the government-wide net 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.

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

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

The City reports the following major governmental funds:

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

The *City Street Fund* accounts for special revenue funds received to provide general governmental services for the administration and operation of street-oriented maintenance and repair.

The City reports the following major proprietary funds:

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

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

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

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

Additionally, the City reports the following fund types:

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

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

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

*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 one *Internal Service Fund*:

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. Each year it is

necessary to calculate the activity to determine if services are mostly governmental or business-type in nature. In 2013 the General Facilities Fund was found to be more business-type in nature and thus reflected as such on the government-wide financial statements.

*Agency funds* account for assets held by the City as an agent for private individuals or other governments. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of the results of operation.

*Permanent Funds* account for resources that are legally restricted to the extent that only the earnings, and not the principal, may be used for specific purposes that support the City's programs and benefit the City and its citizens. The City has one *Permanent fund*, the Bernice Borgen Beautification Fund. The fund accounts for a trust established from Ms. Borgen's estate of an original donation of \$90,002 in 2000 and an additional contribution of \$1,014 in 2002. Only the interest earned on this donation can be used for beautification of the City. The City Council has the authority to determine what these expenditures will be. As of year-end, funds available for expenditure are \$5,426. This amount also represents the designated unrealized investment earnings.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Direct expenses of the functional categories are included in the government-wide statement of activities while indirect expense allocations are eliminated (\$1,102,076 in 2013). Indirect expenses are primarily charged to the various functions through the use of internal service funds for fleet maintenance and Public Works Administration. Elimination of payments to internal service funds are treated as expense reductions. No other indirect expenses are allocated to the various governmental functions. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's utility functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

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

#### **D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY**

##### **1. Cash and Investments**

The City's cash and equivalents are considered to be currency on hand and demand deposits with banks. 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 Position and Combining Balance Sheets as cash and cash equivalents or investments.

In accordance with City policy and Washington State law, authorized investment purchases include Certificates of Deposit with financial institutions qualified by the Washington Public Deposit Protection Commission, US Treasury and Agency Securities, bankers' acceptances, bonds of Washington state and any local government in Washington state which have, at the time of purchase, one of the three highest credit ratings of a nationally recognized rating agency, repurchase agreements, the State Investment Pool (which is a 2a7 pool), and mutual funds used specifically for debt issues related to

arbitrage.

The City reports its deposit and investment risk disclosures in accordance with GASB 40 (see note 3). All investments are stated at fair value as of December 31, 2013.

## 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 2013.

The City levies a utility tax on the revenues of its own enterprise funds (Water/Sewer, Solid Waste, and Storm Drain). On the fund statements, these taxes are recorded as an expense in enterprise funds, and as revenue in the General Fund.

Other interfund transfers at December 31, 2013 were as follows:

	Transfers Out:			
	Non-Major			Total
Transfers In:	General Fund	Street Fund	Gov'l	
General Fund	-	-	44,000	44,000
Street Fund	614,819		68,176	682,995
Non-Major Gov'l Funds	1,017,425	185,685	358,041	1,561,151
<b>Total Transfers</b>	<b>\$ 1,632,244</b>	<b>\$ 185,685</b>	<b>\$ 470,217</b>	<b>\$ 2,288,146</b>

## 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:

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

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

#### 6. Restricted Assets

Restricted Assets include resources reserved for construction and debt service in enterprise funds. Certain proceeds of the enterprise fund revenue bonds, as well as certain resources set aside for their repayment are classified as restricted assets on the balance sheet because they may be maintained in separate accounts and their use is limited by applicable bond covenants. The amount listed in the governmental funds represents the permanent trust fund.

#### 7. Note Receivable

Note Receivable consists of the amount owed to the City from the Poulsbo Historical Society for a portion of real estate sold to house the Poulsbo Historical Museum.

#### 8. Capital Assets

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

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated assets are valued at estimated fair market value at time of acquisition. Where historical cost is not known, assets are recorded at estimated historical costs. The City maintains a capitalization threshold of \$5,000. The City's infrastructure consists of roads, bridges, storm sewers, and water and sewer distribution and collection systems. Improvements are capitalized but the costs of normal maintenance and repairs, not adding to the value of the asset or materially extending an asset's life, are not. Property, plant, and equipment of the primary government are depreciated using the straight-line method and reported in the government-wide statements and proprietary funds using the following estimate useful lives:

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

#### 9. Compensated Absences

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

Sick leave accumulation is unlimited, but the annual accrual could be elected to be cashed out for 50% once a 1,000 hour balance is reached. All sick leave is payable upon resignation, retirement or the death of an employee for 50% up to a maximum balance of 1,200 hours.

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

The City's General Facilities internal service fund predominantly serves the business type-funds and, therefore, their compensated absences liability is included with the business-type activities. The entire compensated absence liability is



reported on the government-wide financial statements. In the proprietary funds, the entire amount of compensated absences is reported as a fund liability.

In prior years, the General Fund and proprietary funds have typically been used to liquidate these liabilities.

#### 10. Other Post-Employment Benefits

Lifetime full medical coverage is provided to uniformed Police and Fire personnel who became members of the Law Enforcement Officers and Fire Fighters (LEOFF 1) retirement system prior to October 1, 1977. A liability for the accumulated unfunded actuarially required contribution is reported in the Statement of Net Position. The actual medical costs are reported as expenditures in the year they are incurred.

#### 11. Custodial Accounts

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

#### 12. Accrued Liabilities and Long-Term Obligations

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

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

#### 13. Unearned Revenues

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

#### 14. Fund Balance Classification

In the fund financial statements, governmental funds report fund balances based on the extent to which the City is bound to observe constraints on the use of the governmental funds' resources. Fund balances are classified in the following manner:

- *Nonspendable* - includes amounts that are either 1) not in spendable form, or 2) legally or contractually required to be maintained intact. Inventories, prepaid items, and permanent trusts are classified as nonspendable fund balances.
- *Restricted* - includes amounts which are constrained for specific purposes that are 1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or 2) imposed by law through enabling legislation.
- *Committed* - includes amounts that can be used for specific purposes with constraints imposed by formal action of the highest level of decision-making authority. The authorization specifying the purposes for which committed funds can be used should have the consent of both the legislative and executive branches of government. The City operates under a Mayor-Council form of government. As Executive Officer, the Mayor supervises the administrative process of the City and works with the City Council. The City Council enacts ordinances and resolutions that may impose, modify or rescind fund balance commitments. (The City does not have any committed balances)
- *Assigned* - includes amounts that are intended to be used for specific purposes, but are neither restricted nor committed. The authority for assignment of funds is not required to be the government's highest level of decision making authority. Furthermore, the constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on committed fund balances. The City Council may authorize executive officers to assign fund balances for specific purposes through Council files, ordinances and resolutions.

- *Unassigned* - includes amounts that are not assigned to other funds and do not meet the criteria for being classified as restricted, committed, or assigned. Fund balances that can be utilized for economic stabilization, emergencies and contingencies that do not qualify as restricted or committed are reported as unassigned.

The primary flow assumption utilized by the City is: 1) Restricted, 2) Committed, 3) Assigned, 4) Unassigned. However, prior to the commencement of any project, the flow assumption is reviewed to ensure that the proper resources are being used. The following is the breakdown:

	<b>Nonspendable Purposes</b>	<b>Restricted Purposes</b>	<b>Assigned Purposes</b>	<b>Unassigned Purposes</b>	<b>Totals</b>
<b><u>General Fund</u></b>					
General Government	\$ 8,719	\$ -	\$ -	\$ 536,548	\$ 545,267
Stabilization Fund			1,277,265		1,277,265
Legal Reserves			224,494		224,494
<b>Subtotals, General Fund</b>	<b>8,719</b>	<b>-</b>	<b>1,501,759</b>	<b>536,548</b>	<b>2,047,026</b>
<b><u>City Street Fund</u></b>					
Transportation Services			368,292		368,292
<b>Subtotals, City Street Fund</b>	<b>-</b>	<b>-</b>	<b>368,292</b>	<b>-</b>	<b>368,292</b>
<b><u>Other Governmental Funds</u></b>					
Transportation Improvements		99,966	296,830		396,796
Parks Improvements		123,374	215,491		338,865
Cemetery Improvements			69,680		69,680
Capital Equipment			494,488		494,488
Capital Improvements		452,019	465,715		917,734
Drug Enforcement		25,254			25,254
Criminal Justice		91,099	23,169		114,268
Promote Downtown Businesses		81,863			81,863
Promoting Tourism		71,412			71,412
City Beautification	91,016	5,426			96,442
Debt Service		8,521			8,521
<b>Subtotals, Other Governmental Funds</b>	<b>91,016</b>	<b>958,933</b>	<b>1,565,372</b>	<b>-</b>	<b>2,615,321</b>
<b>Totals</b>	<b>\$ 99,735</b>	<b>\$ 958,933</b>	<b>\$ 3,435,423</b>	<b>\$ 536,548</b>	<b>\$ 5,030,639</b>

#### 15. Minimum Fund Balances

The City has formally adopted a minimum fund balance policy because it is the belief adequate reserve levels are a necessary component of the City's overall financial management strategy and a key factor in external agencies' measurement of the City's financial strength.

#### General Fund

It will be the policy of the city to maintain a General Fund Reserve at a level of at least equal to twelve percent (12%) of the total General Fund budgeted operating revenue, excluding the beginning fund balance and identified one-time revenue. This shall be in addition to the maintenance of two months operating cash within the General Fund itself.

These operating reserves are maintained to:

- address temporary revenue shortfalls;
- payment of approved expenditures due to cash flow shortage;
- reserves for expenditures deemed necessary by the Mayor and City Council; and
- temporary short-term interfund loans.

Annual contribution will be budgeted from General Fund resources as available to maintain the target reserve level.

#### Capital Reserve Funds

The city shall maintain capital reserve funds to provide funding for the six years Capital Improvement Plan, less proprietary fund projects. The use of any funds within the Capital Improvement Funds shall be approved by the City Council.

Contributions to the capital reserve funds will be made as per the budget recommendations set by the City Council.

All expenditures drawn from reserve accounts shall require prior Council super majority approval unless previously specifically authorized by the City Council for expenditure in the annual budget

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

### **A. BUDGETARY INFORMATION**

The City prepares an annual budget in accordance with the Revised Code of Washington (RCW) 35.33 that is on a basis consistent with accounting principles generally accepted in the United States of America. All funds except custodial agency funds and permanent funds are budgeted to the fund level. Annual appropriated budgets are adopted for all funds and lapse at the end of each year. However, some of the special revenue and capital funds may carry forward budgeted amounts beyond the year for completion of certain projects.

Budget amounts shown in the basic financial statements include the original budget amount and all appropriation transfers and adjustments approved by the City Council, as required. The Mayor is authorized to approve intra-fund budget transfers from one department to another or between line items of the same department. Only the City Council has the authority to increase a given fund's budget. This is executed by City ordinance.

In addition to authorizing the budget, the City Council approves the Capital Improvement Plan. This is a five year plan for capital project expenditures and anticipated revenue sources. Expenditures and revenue for these projects are budgeted in the Capital Project Funds.

The calendar below outlines the process for preparing, reviewing and adopting the annual budget:

#### **MAY – JULY**

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

#### **JULY – AUGUST**

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

#### **SEPTEMBER – DECEMBER**

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

#### **DECEMBER**

- Final review and adoption of budget

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

**B. BUDGETARY COMPLIANCE**

In 2013, there were no City funds that reported actual expenditures above budgeted appropriations. Though specific line items may be exceeded, no fund's appropriations can be legally exceeded. It should be noted, however, that the "Statement of Revenues, Expenditures and Changes in Fund Balances" including the comparisons of "Budget and Actual," could be misinterpreted due to its format and, by so doing, lead one to believe that budgeted expenditures have been exceeded. The City budgets not only expenditures but also "Beginning Fund Balances" so as to maintain a budget in balance with receipts and disbursements. By increasing expenditure appropriations by the budget values for these items, it can be seen that no City fund has exceeded its legally established appropriation. All budgets lapse at year-end.

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

**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 entirely covered by the Federal Depository Insurance Corporation (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the State of Washington Public Deposit Protection Commission (WPDPC). The FDIC insures the first \$250,000 of the City's deposits. The deposit balances over \$250,000 are collateralized by the WPDPC. State statute permits additional amounts to be assessed on a pro rata basis to members of the WPDPC pool in the event the pool's collateral should be insufficient to cover a loss.

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

As of December 31, 2013, the City held the following deposits and investments:

<b>Investment Type</b>	<b>Fair Value</b>	<b>Modified Duration</b>	<b>% of Portfolio</b>
<b>Cash</b>			
FDIC or PDPC insured bank deposits	\$ 3,128,554		
In-transit items	(325,000)		
Custodial funds held in agency funds	(143,477)		
Petty Cash on hand	2,650		
<b>Total Cash</b>	<b>2,662,728</b>		
<b>Investments</b>			
US agency securities			
US Treasury Bills, Notes & Bonds	\$ 2,999,726	1.80	17%
Federal Farm Credit Banks	5,007,788	0.80	28%
Federal Home Loan Mortgage Corp	2,001,875	2.10	11%
Federal National Mortgage Association	3,996,398	1.30	22%
Washington State Local Government Inv. Pool	4,103,159	0.00	23%
<b>Total Investments</b>	<b>18,108,946</b>	<b>1.200</b>	<b>100%</b>
<b>Total Cash, Cash Equivalents, Investments</b>	<b>\$ 20,771,674</b>		

The Local Government Investment Pool (LGIP) is an unrated 2a-7 like pool, as defined by GASB 31. Accordingly, participants' balances in the LGIP are not subject to interest rate risk, as the weighted average maturity of the portfolio will not exceed 90 days. Per GASB 40 guidelines the balances are also not subject to custodial credit risk. The credit risk of the LGIP is limited as most investments are either obligations of the US government, government sponsored enterprises, or insured demand deposit accounts and certificates of deposit. Investments or deposits held by the LGIP are either insured or held by a third-party custody provider in the LGIP's name. The fair value of the City's pool investments is determined by the pool's share price. The City has no regulatory oversight responsibility for the LGIP which is governed by the Washington

State Finance Committee and is administered by the State Treasurer. The LGIP is audited annually by the Washington State Auditor's Office, an independently elected public official.

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

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

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

**Maximum Allowed Diversification by security type:**

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

#### **NOTE 4: PROPERTY TAXES**

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

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

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

For property taxes to be collected in 2013, the City's levy for general governmental services was \$1.708886 per \$1,000 on the assessed valuation of \$1,211,141,601 for a total of \$2,069,703.

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

Property Tax Calendar

Jan 1	Taxes are levied and become an enforceable lien against properties
Feb 14	Tax statements are mailed
April 30	First of two equal installment payments is due

May 31 Assessed value of property is established at 100% of market value for next year's levy

Oct 31 Second installment is due

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

#### NOTE 5: CAPITAL ASSETS

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

Capital asset activity for the primary government for the year ended December 31, 2013, was as follows:

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
<b>Governmental-Type Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 8,784,149	\$ 148,313	\$ (355,875)	\$ 8,576,588
Intangible - Right of Way	19,861,236	-	(22,097)	19,839,139
Construction Work in Progress	2,115,044	557,166	(1,401,011)	1,271,199
<b>Total capital assets not being depreciated</b>	<b>30,760,429</b>	<b>705,480</b>	<b>(1,778,982)</b>	<b>29,686,926</b>
Capital assets, being depreciated:				
Buildings	17,229,405	17,746	(128,721)	17,118,430
Other Improvements	5,788,655	2,480,325	-	8,268,980
Machinery and Equipment	2,760,407	218,301	(35,383)	2,943,326
Intangible	640,143	7,343	-	647,486
Infrastructure	31,352,627	-	-	31,352,627
<b>Total capital assets being depreciated</b>	<b>57,771,238</b>	<b>2,723,715</b>	<b>(164,104)</b>	<b>60,330,849</b>
Less accumulated depreciation for:				
Buildings	(2,902,973)	(358,755)	126,043	(3,135,685)
Other Improvements	(2,295,375)	(628,767)	-	(2,924,141)
Machinery and Equipment	(1,961,513)	(169,550)	35,497	(2,095,566)
Intangible	(318,552)	(117,596)	-	(436,148)
Infrastructure	(7,638,120)	(649,200)	-	(8,287,321)
<b>Total accumulated depreciation</b>	<b>(15,116,534)</b>	<b>(1,923,868)</b>	<b>161,540</b>	<b>(16,878,862)</b>
Total capital assets, being depreciated, net	42,654,704	799,847	(2,564)	43,451,988
<b>Governmental activity capital assets, net</b>	<b>\$ 73,415,132</b>	<b>\$ 1,505,327</b>	<b>\$ (1,781,546)</b>	<b>73,138,914</b>

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

**Governmental activities:**

General Government	\$ 423,087
Security of Persons and Property	57,384
Utilities and Environment	2,889
Transportation	1,179,467
Economic Environment	-
Culture and Recreation	247,571
<b>Total depreciation expense - governmental activities</b>	<b>\$ 1,910,398</b>

*Amounts do not reconcile to capital asset activity table listed above due to a prior year adjustment*

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
<b>Business-Type Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 942,823	\$ 230,526	\$ (148,313)	\$ 1,025,036
Construction Work in Progress	911,465	3,100,886	(3,112,917)	899,434
<b>Total capital assets not being depreciated</b>	<b>1,854,288</b>	<b>3,331,412</b>	<b>(3,261,231)</b>	<b>1,924,469</b>
Capital assets, being depreciated:				
Buildings	517,016	128,721	(8,000)	637,738
Other Improvements	50,088,319	4,449,257	-	54,537,576
Machinery and Equipment	2,533,760	22,127	-	2,555,888
Intangible	421,961	-	-	421,961
<b>Total capital assets being depreciated</b>	<b>53,561,057</b>	<b>4,600,106</b>	<b>(8,000)</b>	<b>58,153,162</b>
Less accumulated depreciation for:				
Buildings	(262,570)	(137,907)	8,000	(392,477)
Other Improvements	(12,444,932)	(1,144,347)	-	(13,589,279)
Machinery and Equipment	(1,932,927)	(103,117)	-	(2,036,044)
Intangible	(111,563)	(55,706)	-	(167,269)
<b>Total accumulated depreciation</b>	<b>(14,751,992)</b>	<b>(1,441,077)</b>	<b>8,000</b>	<b>(16,185,068)</b>
Total capital assets, being depreciated, net	38,809,065	3,159,029	-	41,968,094
<b>Business-type activity capital assets, net</b>	<b>\$ 40,663,353</b>	<b>\$ 6,490,441</b>	<b>\$ (3,261,231)</b>	<b>43,892,563</b>

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

**Business-type activities:**

Water	\$ 379,766
Sewer	584,484
Solid Waste	36,816
Storm Drain	319,323
Public Works Administration	
<b>Total depreciation expense - business-type activities</b>	<b>\$ 1,320,389</b>

*Amounts do not reconcile to capital asset activity table listed above due to a prior year adjustment*

## 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 following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit retirement plans. The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to: Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380; or it may be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov). The following disclosures are made pursuant to GASB Statements 27, *Accounting for Pensions by State and Local Government Employers* and 50, *Pension Disclosures, an Amendment of GASB Statements 25 and 27*.

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

Plan Descriptions:

The Legislature established PERS in 1947. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts; employees of legislative committees; employees of district and municipal courts; and employees of local governments. Membership also includes higher education employees not participating in higher education retirement programs. Approximately 49 percent of PERS salaries are accounted for by

state employment. PERS retirement benefit provisions are established in Chapters 41.34 and 41.40 RCW and may be amended only by the State Legislature.

PERS is a cost-sharing multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a defined benefit plan with a defined contribution component.

PERS members who joined the system by September 30, 1977 are Plan 1 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 exercised an option to transfer their membership to Plan 3. PERS members 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 irrevocable option of choosing membership in either PERS Plan 2 or Plan 3. The option must be exercised within 90 days of employment. Employees who fail to choose within 90 days default to Plan 3.

PERS is comprised of and reported as three separate plans for accounting purposes: Plan 1, Plan 2/3, and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3 accounts for the defined benefits of Plan 2 members, and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered to be a single plan for accounting purposes.

PERS Plan 1 and Plan 2 retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to the PERS Plan 1 and Plan 2 defined benefit plans accrue interest at a rate specified by the Director of DRS. During DRS' Fiscal Year 2013, the rate was five and one-half percent compounded quarterly. Members in PERS Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest thereon, in lieu of any retirement benefit, upon separation from PERS-covered employment.

PERS Plan 1 members are vested after the completion of five years of eligible service.

PERS Plan 1 members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with 25 years of service, or at age 60 with at least 5 years of service. Plan 1 members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits.

The monthly benefit is 2 percent of the average final compensation (AFC) per year of service, but the benefit may not exceed 60 percent of the AFC. The AFC is the monthly average of the 24 consecutive highest-paid service credit months.

PERS Plan 1 retirement benefits are actuarially reduced to reflect the choice, if made, of a survivor option.

Plan 1 members may elect to receive an optional COLA that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 1 provides duty and non-duty disability benefits. Duty disability retirement benefits for disablement prior to the age of 60 consist of a temporary life annuity. The benefit amount is \$350 a month, or two-thirds of the monthly AFC, whichever is less. The benefit is reduced by any workers' compensation benefit and is payable as long as the member remains disabled or until the member attains the age of 60, at which time the benefit is converted to the member's service retirement amount.

A member with five years of covered employment is eligible for non-duty disability retirement. Prior to the age of 55, the benefit amount is 2 percent of the AFC for each year of service reduced by 2 percent for each year that the member's age is less than 55. The total benefit is limited to 60 percent of the AFC and is actuarially reduced to reflect the choice of a survivor option. Plan 1 members may elect to receive an optional COLA amount (based on the Consumer Price Index), capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is 2 percent of the AFC per year of service. The AFC is the monthly average of the 60 consecutive highest-paid service months. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.



PERS Plan 2 members who have at least 20 years of service credit, and are 55 years of age or older, are eligible for early retirement with a reduced benefit. The benefit is reduced by an early retirement factor (ERF) that varies according to age, for each year before age 65.

PERS Plan 2 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions, if hired prior to May 1, 2013:

With a benefit that is reduced by 3 percent for each year before age 65; or

With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of 5 percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service.

PERS Plan 2 retirement benefits are actuarially reduced to reflect the choice, if made, of a survivor option.

PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component and member contributions finance a defined contribution component. As established by Chapter 41.34 RCW, employee contribution rates to the defined contribution component range from 5 percent to 15 percent of salaries, based on member choice. Members who do not choose a contribution rate default to a 5 percent rate. There are currently no requirements for employer contributions to the defined contribution component of PERS Plan 3.

PERS Plan 3 defined contribution retirement benefits are dependent upon the results of investment activities. Members may elect to self-direct the investment of their contributions. Any expenses incurred in conjunction with self-directed investments are paid by members. Absent a member's self-direction, PERS Plan 3 contributions are invested in the Retirement Strategy Fund that assumes the member will retire at age 65.

For DRS' Fiscal Year 2013, PERS Plan 3 employee contributions were \$99.0 million, and plan refunds paid out were \$69.4 million.

The defined benefit portion of PERS Plan 3 provides members a monthly benefit that is 1 percent of the AFC per year of service. The AFC is the monthly average of the 60 consecutive highest-paid service months. There is no cap on years of service credit, and Plan 3 provides the same cost-of-living allowance as Plan 2.

Effective June 7, 2006, PERS Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service, if twelve months of that service are earned after age 44; or after five service credit years earned in PERS Plan 2 by June 1, 2003. Plan 3 members are immediately vested in the defined contribution portion of their plan.

Vested Plan 3 members are eligible for normal retirement at age 65, or they may retire early with the following conditions and benefits:

If they have at least ten service credit years and are 55 years old, the benefit is reduced by an ERF that varies with age, for each year before age 65.

If they have 30 service credit years and are at least 55 years old, and were hired before May 1, 2013, they have the choice of a benefit that is reduced by 3 percent for each year before age 65; or a benefit with a smaller (or no) reduction factor (depending on age) that imposes stricter return-to-work rules.

If they have 30 service credit years, are at least 55 years old, and were hired after May 1, 2013, they have the option to retire early by accepting a reduction of 5 percent for each year before age 65.

PERS Plan 3 benefits are actuarially reduced to reflect the choice, if made, of a survivor option.

PERS Plan 2 and Plan 3 provide disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 monthly benefit amount is 2 percent of the AFC per year of service. For Plan 3, the monthly benefit amount is 1 percent of the AFC per year of service. These disability benefit amounts are actuarially reduced for each year that the member's age is less than 65, and to reflect the choice of a survivor option. There is no cap on years of service credit, and a cost-of-living allowance is granted (based on the Consumer Price Index) capped at 3 percent annually.

PERS members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors.

A one-time duty-related death benefit is provided to the beneficiary or the estate of a PERS member who dies as a result of injuries sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of the member's covered employment, if found eligible by the Department of Labor and Industries.

From January 1, 2007 through December 31, 2007, judicial members of PERS were given the choice to elect participation in the Judicial Benefit Multiplier (JBM) Program enacted in 2006. Justices and judges in PERS Plan 1 and Plan 2 were able to make an 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 AFC. Judges in PERS Plan 3 could elect a 1.6 percent of pay per year of service benefit, capped at 37.5 percent of AFC.

Newly elected or appointed justices and judges who chose to become PERS members on or after January 1, 2007, or who had not previously opted into PERS membership, were required to participate in the JBM Program.

There are 1,176 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2012:

Retirees and Beneficiaries Receiving Benefits	\$ 82,242
Terminated Plan Members Entitled To But Not Yet Receiving Benefits	30,515
Active Plan Members Vested	106,317
Active Plan Members Non-vested	44,273
<b>Total</b>	<b>\$ 263,347</b>

#### Funding Policy

Each biennium, the state Pension Funding Council adopts PERS Plan 1 employer contribution rates, PERS Plan 2 employer and employee contribution rates, and PERS 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 at 7.5 percent for state government elected officials. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. Under PERS Plan 3, employer contributions finance the defined benefit portion of the plan and member contributions finance the defined contribution portion. The Plan 3 employee contribution rates range from 5 percent to 15 percent.

As a result of the implementation of the Judicial Benefit Multiplier Program in January 2007, a second tier of employer and employee rates was developed to fund, along with investment earnings, the increased retirement benefits of those justices and judges that participate in the program

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, 2013, are as follows:

Members Not Participating in JBM:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer*	9.21%**	9.21%**	9.21%***
Employee	6.00%****	4.92%****	*****

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

\*\*The employer rate for state elected officials is 10.80% for Plan 1 and 7.25% 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 4.64% 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*	11.71%	11.71%	11.71%
Employer-Local Govt.*	9.21%	9.21%	9.21%
Employee-State Agency	9.76%	9.80%	7.50%***
Employee- Local Govt.	12.26%	12.30%	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, 2013 were as follows:

	PERS Plan 2	PERS Plan 3
2013	\$ 255,032	\$ 75,783
2012	\$ 216,648	\$ 64,115
2011	\$ 189,702	\$ 51,348

**D. LAW ENFORCEMENT OFFICERS AND FIRE FIGHTERS RETIREMENT SYSTEM (LEOFF)**Plan Description:

The Legislature established LEOFF in 1970. Membership in the system includes all full-time, fully compensated, local law enforcement commissioned officers, firefighters and, as of July 24, 2005, emergency medical technicians. LEOFF membership is comprised primarily of non-state employees, with Department of Fish and Wildlife enforcement officers, who were first included prospectively effective July 27, 2003, being an exception. LEOFF retirement benefit provisions are established in Chapter 41.26 RCW and may be amended only by the State Legislature.

LEOFF is a cost-sharing multiple-employer retirement system comprised of two separate defined benefit plans. 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 defined benefit retirement benefits are financed from a combination of investment earnings, employer and employee contributions, and a special funding situation in which the state pays through state legislative appropriations.

Effective July 1, 2003, the LEOFF Plan 2 Retirement Board was established by Initiative 790 to provide governance of LEOFF Plan 2. The Board's duties include adopting contribution rates and recommending policy changes to the Legislature.

LEOFF retirement benefits are financed from a combination of investment earnings, employer and employee contributions, and a special funding situation in which the state pays through legislative appropriations. Employee contributions to the LEOFF Plan 1 and Plan 2 defined benefit plans accrue interest at a rate specified by the Director of DRS. During DRS' Fiscal Year 2013, the rate was five and one-half percent compounded quarterly. Members in LEOFF Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest earnings, in lieu of any retirement benefit, upon separation from LEOFF-covered employment.

LEOFF Plan 1 members are vested after the completion of 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 (FAS) is as follows:

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

The FAS is the basic monthly salary received at the time of retirement, provided a member has held the same position or rank for 12 months preceding the date of retirement. Otherwise, it is the average of the highest consecutive 24 months' salary within the last 10 years of service. A cost-of-living allowance is granted (based on the Consumer Price Index).

LEOFF Plan 1 provides death and disability benefits. Death benefits for survivors of Plan 1 members on active duty consist of the following: (1) If there is an eligible spouse, 50 percent of the FAS, plus 5 percent of the FAS for each eligible surviving child, with a limitation on the combined benefit of 60 percent of the FAS; or (2) If there is no eligible spouse, eligible children receive 30 percent of the FAS for the first child plus 10 percent for each additional child, subject to a 60 percent limitation of the FAS, divided equally.

A one-time duty-related death benefit is provided to the beneficiary or the estate of a LEOFF Plan 1 member who dies as a result of injuries or illness sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of the member's covered employment, if found eligible by the Department of Labor and Industries.

The LEOFF Plan 1 disability benefit is 50 percent of the FAS plus 5 percent for each child up to a maximum of 60 percent. Upon recovery from disability before the age of 50, a member is restored to service with full credit for service while disabled. Upon recovery after the age of 50, the benefit continues as the greater of the member's disability benefit or service retirement benefit.

LEOFF Plan 2 members are vested after the completion of five years of eligible service.

Plan 2 members are eligible for retirement at the age of 53 with five years of service, or at age 50 with 20 years of service. Plan 2 members receive a benefit of 2 percent of the FAS per year of service (the FAS is based on the highest consecutive 60 months), actuarially reduced to reflect the choice of a survivor option. Members who retire prior to the age of 53 receive reduced benefits. If the member has at least 20 years of service and is age 50, the reduction is 3 percent for each year prior to age 53. Otherwise, the benefits are actuarially reduced for each year prior to age 53. A cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

LEOFF Plan 2 provides disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 benefit amount is 2 percent of the FAS for each year of service. Benefits are reduced to reflect the choice of survivor option and for each year that the member's age is less than 53, unless the disability is duty-related. If the member has at least 20 years of service and is age 50, the reduction is 3 percent for each year prior to age 53.

A disability benefit equal to 70 percent of their FAS, subject to offsets for workers' compensation and Social Security disability benefits received, is also available to those LEOFF Plan 2 members who are catastrophically disabled in the line of duty and incapable of future substantial gainful employment in any capacity. Effective June 2010, benefits to LEOFF Plan 2 members who are catastrophically disabled include payment of eligible health care insurance premiums.

Members of LEOFF Plan 2 who leave service because of a line of duty disability are allowed to withdraw 150 percent of accumulated member contributions. This withdrawal benefit is not subject to federal income tax. Alternatively, members of LEOFF Plan 2 who leave service because of a line of duty disability may be eligible to receive a retirement benefit of at least 10 percent of FAS and 2 percent per year of service beyond five years. The first 10 percent of the FAS is not subject to federal income tax.

LEOFF Plan 2 retirees may return to work in an eligible position covered by another retirement system, choose membership in that system and suspend their pension benefits, or not choose membership and continue receiving pension benefits without interruption.

A one-time duty-related death benefit is provided to the beneficiary or the estate of a LEOFF Plan 2 member who dies as a result of injuries or illness sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of the member's covered employment, if found eligible by the Department of Labor and Industries.

Benefits to eligible surviving spouses and dependent children of LEOFF Plan 2 members killed in the course of employment include the payment of eligible health care insurance premiums.

Legislation passed in 2009 provides to the Washington state registered domestic partners of LEOFF Plan 2 members the same treatment as married spouses, to the extent that the treatment is not in conflict with federal laws.

LEOFF members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors.

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, 2012:

Retirees and Beneficiaries Receiving Benefits	\$ 10,189
Terminated Plan Members Entitled To But Not Yet Receiving Benefits	689
Active Plan Members Vested	14,273
Active Plan Members Non-vested	2,633
<b>Total</b>	<b>\$ 27,784</b>

Funding Policy:

Employer and employee contribution rates are developed by the Office of the State Actuary to fully fund the plans. Starting on July 1, 2000, Plan 1 employers and employees contribute zero percent, as long as the plan remains fully funded. Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board.

The Legislature, by means of a special funding arrangement, appropriates money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute. For DRS' Fiscal Year 2013, the state contributed \$54.2 million to LEOFF Plan 2.

The methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.26 and 41.45 RCW.

The required contribution rates expressed as a percentage of current-year covered payrolls, as of December 31, 2013 were as follows:

	LEOFF Plan 1	LEOFF Plan 2
Employer*	0.18%	5.23%**
Employee	0.00%	8.41%
State	n/a	3.36%

\*The employer rates include the employer administrative expense fee currently set at 0.18%

\*\* The employer rate for ports and universities is 8.59%

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
2013	\$ -	\$ 71,335
2012	\$ -	\$ 72,623
2011	\$ -	\$ 66,134

## NOTE 7: RISK MANAGEMENT

### A. RISK POOL

During 2013, The City of Poulsbo was 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 into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant

to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC RMSA was formed on January 1, 1989 when 32 municipalities in the State of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 31, 2013, 91 municipalities/entities participate in the AWC RMSA 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 insurance coverage. Boiler and machinery is included with the property reinsurance carrier 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 coverage.

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 \$250,000 for liability and \$50,000 for property, and thereafter purchases excess liability insurance through ACE Insurance Company up to \$1 million, and CV Starr, from \$1 million to \$10 million. The excess property coverage is purchased through Lexington with limits up to \$250 million, using the Pool's broker, Arthur J. Gallagher Risk Management Services. Since AWC RMSA is a cooperative program, there is a joint liability among the participating members.

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.

In accordance with WAC 200.100.02023, the AWC RMSA is governed by a board of directors which is comprised of elected officials of participating members.

The specific financials of the AWC RMSA can be seen in the Annual Report on file with the City of Poulsbo.

The City has not had any settlement exceeding the insurance coverage over the past three years.

Members contract to remain in the AWC RMSA pool for a minimum of one year and must give a one-year notice before terminating participation. 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 signatory to the Interlocal Governmental Agreement.

During 2013, the City continued its liability and property coverage as a member of the Association of Washington Cities Risk Management Service Agency. In 2012, in order to be fiscally responsible, the City requested quotes from three different risk pools. After receiving competing quotes, firms were interviewed by a City panel. The process resulted in the selection of a new carrier, Washington Cities Insurance Authority (WCIA), effective January 1, 2014. Due to the larger pool of Cities, the new carrier is able to offer a lower premium and options for more training at no additional cost to the City.

## **NOTE 8: ADOPTION OF NEW GASB PRONOUNCEMENTS**

**GASB Statement No. 61 The Financial Reporting Entity: Omnibus-an amendment of GASB Statements No. 14 and No. 34-** This Statement modifies certain requirements for inclusion of component units in the financial reporting entity and was effective for reporting after June 15, 2012. The City does not have any component units to be reported.

**GASB STATEMENT NO 65 ITEMS PREVIOUSLY REPORTED AS ASSETS AND LIABILITIES-** This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

**NOTE 9: FUTURE ADOPTION OF GASB PRONOUNCEMENTS**

The following GASB pronouncements have been issued, but are not yet effective at December 31, 2013:

- GASB Statement No. 67 Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25—The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.
- GASB Statement No. 68 Accounting and Financial Reporting for Pensions an amendment of GASB Statement No. 27— The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities.
- GASB Statement No. 71 Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68—The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

The City of Poulsbo will implement the new GASB pronouncements in the fiscal year no later than the required effective date. The City has not yet determined if the above listed new GASB pronouncements will have a significant financial impact to the City in issuing its financial statements.

**NOTE 10: CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS**

At December 31, 2013 the City had 16 significant contractual obligations with the following balances:

<u>Project</u>	<u>Vendor</u>	<u>Amount</u>
Task #2 - Bjorgen Creek Culvert Replacement	Parametrix	\$ 8,873
Lincoln Road Improvements - Phase 2	Parametrix	21,001
Liberty Bay Waterfront Trail	Parametrix	2,803
Stormwater Conveyance Assessment	Parametrix	763
Nelson Park Preliminary Design	Parametrix	744
Transportation Plan Update	Parametrix	5,992
6th & 9th Pump Station Replacement	CHS Engineering	7,825
6th Ave Improvements	Primo Construction	1,492
KRCC Multi-modal	Heffron	120,448
SR305 Lighting Improvements	Stan Palmer Construction	67,611
Water Comprehensive Plan Update	Gray & Osbourne, Inc	36,844
Fish Park Bridge Alternative Analysis	Parametrix	6,861
Bond Road Water Line	AES Consultants, Inc	4,500
Central Business District	Parametrix	67,849
Stormwater Capacity Grant	Parametrix	32,900
Road Reclassification	Parametrix	6,215
		<u>\$ 392,719</u>

**NOTE 11: 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, 2013, the governmental long-term debt of the City consisted of the following:

Issuance Date	Purpose	Original Issue	Interest Rates	Maturity Date	Debt Outstanding
2005	Limited GO Bonds: Issued to provide funds to finance the Municipal Campus Project that was slated to be on 10th Ave and then was stopped and incorporated into a new City Hall project in the downtown corridor due to public vote	5,185,000	3.25 - 4.30%	2025	3,560,000
2009	Limited GO Bonds: Issued to provide funds for the City Hall Project being constructed at 200 Moe St, which consists of a 30,000 sq ft City Hall facility.	6,015,000	1.4-5.5%	2033	5,130,000
2010	LOCAL Program GO Bonds: Issued to provide funds to purchase the Park and Rec building.	310,000	4.10%	2030	280,000
2012	Limited GO Bonds: Issued to provide funds to prepay the 2010 Anticipation Note used for City Hall final construction and to refund 2003 GO Bond	2,455,000	.04-3.50%	2031	2,190,000
Total					<b>\$11,160,000</b>

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

As of December 31, 2013, the long-term debt payable from proprietary fund resources consisted of the following:

Issuance Date	Purpose	Original Issue	Interest Rates	Maturity Date	Debt Outstanding
2005	Refunding of 1998 Water/Sewer Revenue Bonds	3,134,000	3.45%	2017	1,804,000
Total					<b>\$ 1,804,000</b>

**B. PUBLIC WORKS TRUST FUND LOANS**

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

As of December 31, 2013, 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	\$ 91,696
2000	Street Improvements to Front Street	1,406,930	3.0%	2020	520,578
Total					<b>\$ 612,274</b>



**C. NOTES PAYABLE**

In March 2009 the City negotiated an agreement to pay Olhava Associates, LP for the City's share of the Bond Road pump station and force main improvements needed for the College Market Place Development. It is intended as an addendum to the Olhava Development Agreement entered into between the parties in April 2004. The total cost of the improvement was \$ 5,101,894. The parties agreed Olhava Associates, LP's share is \$ 2,959,098 and the City of Poulsbo's share was \$2,142,796. The original agreement stated reimbursement would be paid with no interest applied and by using sewer connections fees collected from those whose properties benefited with the completed improvement. As of December, 2013 the City has paid \$ 1,265,465.

**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
2014	515,000	463,295	978,295	429,000	62,238	491,238
2015	620,000	448,300	1,068,300	443,000	47,438	490,438
2016	630,000	428,995	1,058,995	457,000	32,154	489,154
2017	655,000	408,933	1,063,933	475,000	16,388	491,388
2018	575,000	387,428	962,428	-	-	-
2019-2023	3,215,000	1,585,580	4,800,580	-	-	-
2024-2028	2,750,000	900,463	3,650,463	-	-	-
2029-2033	2,200,000	332,225	2,532,225	-	-	-
	<b>\$ 11,160,000</b>	<b>\$ 4,955,218</b>	<b>\$ 16,115,218</b>	<b>\$ 1,804,000</b>	<b>\$ 158,217</b>	<b>\$ 1,962,217</b>

Year Ended Dec 31	Public Works Trust Fund Loans					
	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2014	74,368	15,617	89,986	45,848	2,751	48,599
2015	74,368	13,386	87,755	45,848	1,375	47,223
2016	74,368	11,155	85,524	-	-	-
2017	74,368	8,924	83,292	-	-	-
2018	74,368	6,693	81,061	-	-	-
2019-2020	148,737	6,693	155,430	-	-	-
	<b>\$ 520,578</b>	<b>\$ 62,469</b>	<b>\$ 583,047</b>	<b>\$ 91,696</b>	<b>\$ 4,126</b>	<b>\$ 95,822</b>

**E. Arbitrage Rebate**

Rebatable arbitrage is defined by the Internal Revenue Service Code Section 148 as earnings on investments purchased from the gross proceeds of a bond issue that are in excess of the amount that would have been earned if the investments were invested at a yield equal to the yield on the bond issue. The rebatable arbitrage must be paid to the federal government. The City of Poulsbo monitors its investments to restrict earnings to a yield less than the bond issue, and therefore limit any arbitrage liability. As of December 31, 2013 the City has no arbitrage rebate liability.

**F. LONG-TERM LIABILITIES**1. Long-term liability activity:

	Beginning Balance	Additions	Reductions	Ending Balance
<b>Governmental Activities</b>				
Bonds payable:				
General obligation bonds	\$ 11,665,000	\$ -	\$ 505,000	\$ 11,160,000
Less Unamortized Bond Discount	(55,004)	-	(4,595)	(50,408)
Plus Unamortized Bond Premium	134,182	-	9,803	124,380
Compensated Absences	730,911	506,783	523,236	714,458
Due to Other Governmental Units	594,946	-	74,368	520,578
Misc NonCurrent Liability	160,733	22,558	-	183,291
<b>Total Governmental activity long-term liabilities</b>	<b>\$ 13,230,769</b>	<b>\$ 529,341</b>	<b>\$ 1,107,812</b>	<b>\$ 12,652,298</b>
<b>Business-type Activities</b>				
Bonds payable:				
Revenue Bonds	\$ 2,218,000	\$ -	\$ 414,000	\$ 1,804,000
Compensated Absences	129,599	95,363	87,859	137,103
Notes Payable	965,581	-	121,650	843,931
Due to Other Governmental Units	137,543	-	45,848	91,696
<b>Total Business-type activity long-term liabilities</b>	<b>\$ 3,450,723</b>	<b>\$ 95,363</b>	<b>\$ 669,357</b>	<b>\$ 2,876,729</b>

2. Liabilities due within one year:

Date of Issue	Liabilities Due Within One Year - Governmental Activities	Due within one year
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	235,000
2009	Limited GO Bonds: Issued to provide funds to finance the City Hall Project being constructed at 200 Moe St, which consists of a 30,000 square foot City Hall facility, including civil site work and architecture and engineering costs	170,000
2010	Certificate of Participation to finance the acquisition of the Parks and Recreation facility.	10,000
2012	Limited GO Bonds: Issued to provide funds to prepay the 2010 Anticipation Note used for City Hall final construction and to refund 2003 GO Bond	100,000
2000	Due to Other Governmental Units(PWTF)-Street Improvements to Front Street	74,368
	Unamortized premium on GO Bond	9,803
	Unamortized Bond Discount	(4,595)
	Compensated Absences	71,446
<b>Total Governmental Activities</b>		<b>\$ 666,022</b>

Date of Issue	Liabilities Due Within One Year - Business-Type Activities	Due within one year
2005	Water/Sewer Refunded Revenue Bonds	429,000
1995	Due to Other Governmental Units(PWTF)-Sewer Improvements to Jensen Way	45,848
2009	Note Payable	125,000
	Compensated Absences	13,710
<b>Total Business-Type Activities</b>		<b>\$ 613,558</b>

#### NOTE 12: CONTINGENCIES AND COMMITMENTS

The City participates in federally assisted grant programs. These programs are subject to program compliance audits by the grantors and their representatives. The audits of these programs for or including the year ended December 31, 2013, have not yet been conducted. Accordingly, the City's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures that may be disallowed by the granting agencies cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

The City's annexation to Fire District #18 in 1999 carried with it two contingencies. The first contingency was the City's obligation to continue paying off the General Obligation bonds for the Fire Hall which were paid off in 2008. The second contingency is to reimburse to the Fire District any leave cashed out by employees that was accrued before the annexation. The City's portion of the reimbursement is calculated at fifty percent of the cash out. The outstanding leave balance of \$6,626 is included with the City's compensated absences.

#### NOTE 13: JOINT VENTURES

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

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

#### NOTE 14: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

##### Plan Description

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

##### 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 actuarially determined in accordance with the parameters of GASB No. 45. The ARC represents a level of funding that if paid on an ongoing basis is projected to cover the normal cost each year and amortized any unfunded actuarial liabilities over a period of ten years as of December 31, 2013. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB. The net OPEB obligation (NOO) of \$160,732 is included as a non-current liability on the Statement of Position.

<u><b>Determination of Annual Required Contribution:</b></u>	<u><b>Year Ending 2008</b></u>	<u><b>Year Ending 2009</b></u>	<u><b>Year Ending 2010</b></u>	<u><b>Year Ending 2011</b></u>	<u><b>Year Ending 2012</b></u>	<u><b>Year Ending 2013</b></u>
Normal Cost at Year End	\$0	\$0	\$0	\$0	\$0	\$0
Amorization of Unfunded						
Actuarial Accrued Liability (UAAL)	65,964	61,726	61,726	63,714	60,895	57,308
Annual Required Contribution	\$65,964	\$61,726	\$61,726	\$63,714	\$60,895	\$57,308
<u><b>Determination of Net OPEB Obligation:</b></u>						
Annual Required Contribution	\$65,964	\$61,726	\$61,726	\$63,714	\$60,895	\$57,308
Interest prior year Net OPEB Obligation	0	1,766	3,238	4,594	6,161	7,233
Adjustments to ARC	0	(3,654)	(6,701)	(9,505)	(12,747)	(14,966)
Annual OPEB Cost	\$65,964	\$59,838	\$58,264	\$58,803	\$54,309	\$49,575
Contributions	(26,720)	(27,120)	(28,146)	(23,983)	(30,476)	(27,017)
Increase in Net OPEB Obligations	\$39,244	\$32,718	\$30,118	\$34,820	\$23,833	\$22,558
Net OPEB Obligation-Beginning of Year	\$0	\$39,244	71,962	\$102,080	\$136,900	\$160,732
NET OPEB Obligation-End of Year	\$39,244	\$71,962	\$102,080	\$136,900	\$160,732	\$183,290

The City's OPEB cost, the percentage of OPEB cost contributed to the plan and the net OPEB obligation were as follows:

<u>Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Contribution as a Percentage of OPEB Cost</u>	<u>Net OPEB Obligation</u>
12/31/2008	65,964	40.5%	39,244
12/31/2009	59,838	45.3%	71,962
12/31/2010	58,264	48.3%	102,080
12/31/2011	58,803	40.8%	136,900
12/31/2012	54,309	56.1%	160,732
12/31/2013	49,575	54.5%	183,290

Funded Status and Funding Progress

As of December 31, 2013, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability (AAL) for benefits was \$615,465 and the actuarial value of the assets was \$0 resulting in a UAAL of \$615,465. 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

We used the alternative measurement method permitted under GASB Statement No. 45. A single retirement age of 56.24 was assumed for all active members for the purpose of determining the AAL and normal cost. Retirement, disablement, termination, and mortality rates were assumed to follow the LEOFF 1 rates used in the June 30, 2009 actuarial valuation report issued by the Office of the State Actuary (OSA). Healthcare costs and trends were determined by Milliman and used by OSA in the state-wide LEOFF 1 medical study performed in 2011. The results were based on grouped data with 4 active groupings and 4 inactive groupings. The actuarial cost method used to determine the AAL was Projected Unit Credit. The AAL and NOO are amortized on an open basis as a level dollar over 15 years. These assumptions are individually and collectively reasonable for the purposes of this valuation.

The following charts show the trends and assumptions used by Milliman in the assumptions:

Medical Inflation Trend			Annual Medical Cost by Age			Aging Factors	
Year	Medical	Long-Term Care	Age	Non-Medicare	Medicare	Age	Aging Factor
2007	9.0%	4.5%	47	\$5,902	N/A	0-64	6.0%
2008	8.5%	4.5%	52	\$7,898	N/A	65-71	2.5%
2009	8.0%	4.5%	57	\$10,569	N/A	72-76	1.2%
2010	7.5%	4.5%	62	\$14,144	N/A	77+	0.5%
2011	7.0%	4.5%	67	N/A	\$6,526		
2012	6.5%	4.5%	72	N/A	\$7,290		
2013	6.0%	4.5%	77	N/A	\$7,685		
2014	5.5%	4.5%	82	N/A	\$7,879		
2015+	5.0%	4.5%	87	N/A	\$8,078		

**NOTE 15: 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:

Fund #	Fund Description	Governmental Statement Amount	Government-Wide Statement Amount	Reason
191	Police Restricted Fund	\$10,199	\$10,199	This was a correction due adjustments made from the State Parks Commission for the Boating Safety Program expenses in prior years.
311	Street Reserve Fund	\$73,235		This was a reallocation for the 6th Avenue Project that changed from a Street only project to incorporating water and storm drain costs (Capital Outlay adjustment it will not be listed on the Statement of Activities)
311	Street Reserve Fund	-\$29,539	-\$29,539	This was a reallocation of Revenue received for the 6th Avenue Project that changed from a Street only project to incorporating water and storm drain costs
331	Facilities Fund	\$90,247		This was a reallocation of the Public Works facility that was adjusted in a prior year due to the building of the Poulsbo Library. However, it was discovered to never had been recorded. This fixes the allocation. (Capital Outlay adjustment it will not be listed on the Statement of Activities)
<i>Adjustment for reporting purposes only on government-wide</i>			-\$90,442	This was due to the implementation of GASB 65 prior debt costs that were amortized had to be expensed out.
		\$144,141	-\$109,782	

At the End of 2012, it was decided to change in how the City charges some indirect costs and to close out the, Public Works Administration Internal Service Fund. Each year these internal service funds are reviewed to determine if the predominant use is either proprietary or governmental and classified as such. The ending Net Position was determined to be predominantly for proprietary use and thus the entire balance was reflected in the 2012 Net Position End of the Year for Business Type. However, when the fund was closed out, it was merged into the funds in a more detailed manner and some of the liabilities and assets were transferred to the governmental funds. This resulted in a decrease of \$73,180 to the Beginning Net Position of the Governmental Activities and an increase to the Net Position of the Business Type Activities.

#### NOTE 16: RECONCILIATION OF NET INVESTMENT IN CAPITAL ASSETS

##### Governmental Activities:

Capital Assets, Net of Depreciation	\$ 73,138,914
General Obligation Bonds Payable	(11,160,000)
Unamortized premium on Bonds	(124,380)
Unamortized discount on Bonds	50,408
Due to Other Governments	(520,578)

##### ***Invested in Capital Assets, Net of Related Debt***

**\$ 61,384,364**

##### Business-Type Activities:

Capital Assets, Net of Depreciation	\$ 43,892,563
Revenue Bonds Payable	(1,804,000)
Notes Payable	(843,931)
Due to Other Governments	(91,696)

##### ***Invested in Capital Assets, Net of Related Debt***

**\$ 41,152,937**

**REQUIRED SUPPLEMENTARY INFORMATION**  
**LEOFF I RETIREE MEDICAL BENEFITS**  
**SCHEDULE OF FUNDING PROGRESS**  
**December 31, 2013**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability Entry Age (b)</b>	<b>Unfunded Actuarial Accrued Liability (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll [(b-a)/c]</b>
12/31/2010	\$ -	\$ 662,910	\$ 662,910	0%	-	N/A*
12/31/2011	\$ -	\$ 684,261	\$ 684,261	0%	-	N/A*
12/31/2012	\$ -	\$ 653,990	\$ 653,990	0%	-	N/A*
12/31/2013	\$ -	\$ 615,465	\$ 615,465	0%	-	N/A*

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





## NONMAJOR GOVERNMENTAL FUNDS

### Special Revenue Funds

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

The **Capital Improvements Fund** accounts for the receipt and expenditure of the first ¾ of 1% real estate excise tax authorized by State RCW 82.46. These revenues are dedicated for capital purposes defined in RCW 35.43.040, including public buildings and facilities.

The **Transportation Development Fund** accounts for all traffic and sidewalk mitigation fees collected from developers.

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

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

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

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

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

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

### Debt Service Funds

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

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

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.

### Capital Projects Funds

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

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

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

The **Street Reserve Fund** was established to account for money used for improvements to the City street system.

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

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

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

### Permanent Fund

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

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



**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2013**

Page 1 of 4

<b>Special Revenue</b>					
	<b>Capital Improvements Funds</b>	<b>Transportation Development Funds</b>	<b>Park Development Funds</b>	<b>Historic Downtown Poulsbo Association Funds</b>	<b>Paths and Trails Funds</b>
<b>Assets</b>					
Cash and Cash Equivalents	\$ 112,791	\$ 3,651	\$ 3,390	\$ 26,782	\$ 201
Investments	326,704	96,315	119,984	70,331	12,323
Restricted Investments					
Receivables:					
Taxes	-	-	-	-	-
Accounts	-	-	-	-	-
Special Assessments	-	-	-	18,817	-
Due from Other Governments	-	-	-	-	-
<b>Total Assets</b>	<b>439,495</b>	<b>99,966</b>	<b>123,374</b>	<b>115,930</b>	<b>12,524</b>
<b>Deferred Outflows of Resources</b>	-	-	-	-	-
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts Payable	-	-	-	22,253	-
Unearned Revenue	-	-	-	11,815	-
Custodial Accounts	-	-	-	-	-
<b>Total Liabilities</b>	-	-	-	<b>34,068</b>	-
<b>Deferred Inflows of Resources</b>	-	-	-	-	-
<b>Fund Balances</b>					
Nonspendable fund balance	-	-	-	-	-
Restricted fund balance	439,495	99,966	123,374	81,863	12,524
Assigned fund balance	-	-	-	-	-
Unassigned fund balance	-	-	-	-	-
<b>Total Fund Balance</b>	<b>439,495</b>	<b>99,966</b>	<b>123,374</b>	<b>81,863</b>	<b>12,524</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 439,495</b>	<b>\$ 99,966</b>	<b>\$ 123,374</b>	<b>\$ 115,930</b>	<b>\$ 12,524</b>

**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS (continued)**  
**DECEMBER 31, 2013**  
Page 2 of 4

				Debt Service		
Drug Enforcement Funds	Transient Occupancy Funds	Police Restricted Funds	Total Non- Major Special Revenue Funds	Misc Governmental Debt Funds	Non-voted General Oblig Debt Fund	Total Non- Major Debt Service Funds
\$ 10,696	\$ 792	\$ 26,486	\$ 184,790	\$ 430	\$ 790	\$ 1,220
26,372	78,690	88,042	818,759	2,786	4,514	7,301
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	18,817	-	-	-
-	-	-	-	-	-	-
<b>37,068</b>	<b>79,482</b>	<b>114,528</b>	<b>1,022,366</b>	<b>3,217</b>	<b>5,304</b>	<b>8,521</b>
-	-	-	-	-	-	-
30	8,070	-	30,353	-	-	-
-	-	-	11,815	-	-	-
11,784	-	260	12,044	-	-	-
<b>11,814</b>	<b>8,070</b>	<b>260</b>	<b>54,212</b>	<b>-</b>	<b>-</b>	<b>-</b>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
25,254	71,412	91,099	944,986	3,217	5,304	8,521
-	-	23,169	23,169	-	-	-
-	-	-	-	-	-	-
25,254	71,412	114,268	968,154	3,217	5,304	8,521
<b>\$ 37,068</b>	<b>\$ 79,482</b>	<b>\$ 114,528</b>	<b>\$ 1,022,366</b>	<b>\$ 3,217</b>	<b>\$ 5,304</b>	<b>\$ 8,521</b>

**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS (continued)**  
**DECEMBER 31, 2013**  
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	<b>Capital Project</b>			
	<b>Equipment Acquisition Funds</b>	<b>Park Reserve Funds</b>	<b>Street Reserve Fund</b>	<b>Cemetery Reserve Funds</b>
<b>Assets</b>				
Cash and Cash Equivalents	\$ 6,822	\$ 9,791	\$ 58,168	\$ 42
Investments	362,361	207,244	249,398	69,638
Restricted Investments			-	
Receivables:				
Taxes	-	-	-	-
Accounts	-	-	-	-
Special Assesments	-	-	-	-
Due from Other Governments	-	5,219	674	-
<b>Total Assets</b>	<b>369,183</b>	<b>222,254</b>	<b>308,240</b>	<b>69,680</b>
<b>Deferred Outflows of Resources</b>	-	-	-	-
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts Payable	-	6,763	11,410	-
Unearned Revenue	-	-	-	-
Custodial Accounts	-	-	-	-
<b>Total Liabilities</b>	-	<b>6,763</b>	<b>11,410</b>	-
<b>Deferred Inflows of Resources</b>	-	-	-	-
<b>Fund Balances</b>				
Nonspendable fund balance	-	-	-	-
Restricted fund balance	-	-	-	-
Assigned fund balance	369,183	215,491	296,830	69,680
Unassigned fund balance	-	-	-	-
<b>Total Fund Balance</b>	<b>369,183</b>	<b>215,491</b>	<b>296,830</b>	<b>69,680</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 369,183</b>	<b>\$ 222,254</b>	<b>\$ 308,240</b>	<b>\$ 69,680</b>

**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS (continued)**  
**DECEMBER 31, 2013**

Page 4 of 4

			<b>Permanent</b>	
<b>Street Equipment Reserves Funds</b>	<b>Facilities Fund</b>	<b>Total Non-Major Capital Project Funds</b>	<b>Bernice Borgen Beautification Trust Funds</b>	<b>Total Non-Major Governmental Funds</b>
\$ 3,532	\$ 192,308	\$ 270,662	\$ -	\$ 456,673
121,773	273,407	1,283,820	5,426	2,115,307
	-	-	91,016	91,016
		-		-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	18,817
-	-	5,893	-	5,893
<b>125,305</b>	<b>465,715</b>	<b>1,560,376</b>	<b>96,442</b>	<b>2,687,705</b>
-	-	-	-	-
-	-	18,173	-	48,526
-	-	-	-	11,815
-	-	-	-	12,044
<b>-</b>	<b>-</b>	<b>18,173</b>	<b>-</b>	<b>72,385</b>
-	-	-	-	-
-	-	-	91,016	91,016
-	-	-	5,426	958,933
125,305	465,715	1,542,203	-	1,565,372
-	-	-	-	-
125,305	465,715	1,542,203	96,442	2,615,321
<b>\$ 125,305</b>	<b>\$ 465,715</b>	<b>\$ 1,560,376</b>	<b>\$ 96,442</b>	<b>\$ 2,687,705</b>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR YEAR ENDED DECEMBER 31, 2013**

Page 1 of 4

	Special Revenue				
	Capital Improvements Funds	Transportation Development Funds	Park Development Funds	HISTORIC Downtown Poulsbo Association Funds	Paths and Trails Funds
<b>Revenues</b>					
Taxes	\$ 496,216	\$ -	\$ -	\$ -	\$ -
Licenses and Permits	-	-	-	-	-
Intergovernmental	-	-	-	-	967
Charges for Services	-	74,986	59,390	-	-
Fines and Forfeitures	-	-	-	-	-
Interest and Other Earnings	218	97	117	533	12
Miscellaneous	-	-	-	83,149	-
<b>Total Revenues</b>	<b>496,433</b>	<b>75,082</b>	<b>59,507</b>	<b>83,683</b>	<b>979</b>
<b>Expenditures</b>					
Current:					
Security of Persons & Property	-	-	-	-	-
Economic Environment	-	-	-	-	-
Culture and Recreation	-	-	-	75,465	-
Debt Service:					
Principal	-	-	-	-	-
Interest & Fiscal Charges	-	-	-	-	-
Capital Outlay	-	-	-	-	-
<b>Total Expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>75,465</b>	<b>-</b>
Excess of Revenues over Expenditures	496,433	75,082	59,507	8,218	979
<b>Other Financing Sources (Uses)</b>					
Transfers In	-	-	-	-	-
Transfers Out	(302,176)	(33,541)	(20,000)	-	-
Sale of Capital Assets	-	-	-	-	-
<b>Total Other Financing Sources and Uses</b>	<b>(302,176)</b>	<b>(33,541)</b>	<b>(20,000)</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balances	194,258	41,541	39,507	8,218	979
Fund Balances - Beginning	245,237	58,425	83,866	73,644	11,545
Prior Year Adjustment	-	-	-	-	-
<b>Fund Balances - Ending</b>	<b>\$ 439,495</b>	<b>\$ 99,966</b>	<b>\$ 123,374</b>	<b>\$ 81,863</b>	<b>\$ 12,524</b>



**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR YEAR ENDED DECEMBER 31, 2013**

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Special Revenue				Debt Service		
Drug Enforcement Funds	Transient Occupancy Funds	Police Restricted Funds	Total Non-Major Special Revenue Funds	Misc Governmental Debt Funds	Non-Voted G O Debt Funds	Total Non-Major Debt Service Funds
\$ -	\$ 95,627	\$ -	\$ 591,842	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	14,961	15,928	-	-	-
-	-	-	134,376	-	-	-
-	-	143	143	-	-	-
28	77	180	1,262	3	94	97
5,714	-	1,330	90,194	-	-	-
<b>5,742</b>	<b>95,704</b>	<b>16,614</b>	<b>833,745</b>	<b>3</b>	<b>94</b>	<b>97</b>
5,579	-	12,269	17,848	-	-	-
-	89,019	-	89,019	-	-	-
-	-	-	75,465	-	-	-
-	-	-	-	74,368	505,000	579,368
-	-	-	-	17,848	477,607	495,456
-	-	-	-	-	-	-
<b>5,579</b>	<b>89,019</b>	<b>12,269</b>	<b>182,332</b>	<b>92,217</b>	<b>982,607</b>	<b>1,074,824</b>
163	6,684	4,346	651,413	(92,213)	(982,514)	(1,074,727)
-	-	-	-	92,217	982,395	1,074,612
-	-	-	(355,717)	-	-	-
-	-	-	-	-	-	-
<b>-</b>	<b>-</b>	<b>-</b>	<b>(355,717)</b>	<b>92,217</b>	<b>982,395</b>	<b>1,074,612</b>
163	6,684	4,346	295,697	4	(119)	(115)
25,091	64,727	99,724	662,259	3,213	5,423	8,636
-	-	10,199	10,199	-	-	-
<b>\$ 25,254</b>	<b>\$ 71,412</b>	<b>\$ 114,268</b>	<b>\$ 968,154</b>	<b>\$ 3,217</b>	<b>\$ 5,304</b>	<b>8,521</b>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS (continued)**  
**FOR YEAR ENDED DECEMBER 31, 2013**

Page 3 of 4

	Capital Project			
	Equipment Acquisition Funds	Park Reserve Funds	Street Reserve Funds	Cemetery Reserve Funds
<b>Revenues</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and Permits	-	-	-	-
Intergovernmental	-	7,631	28,215	-
Charges for Services	-	-	-	7,600
Fines and Forfeitures	-	-	-	-
Interest and Other Earnings	645	332	223	76
Miscellaneous	-	5,748	-	-
<b>Total Revenues</b>	<b>645</b>	<b>13,711</b>	<b>28,438</b>	<b>7,676</b>
<b>Expenditures</b>				
Current:				
Security of Persons & Property	-	-	-	-
Economic Environment	-	-	-	-
Culture and Recreation	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest & Fiscal Charges	-	-	-	-
Capital Outlay	69,146	50,294	580,107	-
<b>Total Expenditures</b>	<b>69,146</b>	<b>50,294</b>	<b>580,107</b>	<b>-</b>
Excess of Revenues over Expenditures	(68,501)	(36,583)	(551,669)	7,676
<b>Other Financing Sources (Uses)</b>				
Transfers In	119,309	61,901	258,596	-
Transfers Out	(37,500)	-	(73,000)	-
Sale of Capital Assets	-	-	-	-
<b>Total Other Financing Sources and Uses</b>	<b>81,808</b>	<b>61,901</b>	<b>185,596</b>	<b>-</b>
Net Change in Fund Balances	13,307	25,317	(366,073)	7,676
Fund Balances - Beginning	355,876	190,174	619,207	62,004
Prior Year Adjustment	-	-	43,696	-
<b>Fund Balances - Ending</b>	<b>\$ 369,183</b>	<b>\$ 215,491</b>	<b>\$ 296,830</b>	<b>\$ 69,680</b>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS (continued)**  
**FOR YEAR ENDED DECEMBER 31, 2013**

Page 4 of 4

Capital Project			Permanent	
Street Equipment Reserve Funds	Facilities Funds	Total Non-Major Capital Project Funds	Bernice Borgen Beautification Trust Funds	Total Non-Major Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 591,842
-	-	-	-	-
-	-	35,846	-	51,775
-	-	7,600	-	141,976
-	-	-	-	143
322	162	1,759	221	3,339
-	-	5,748	-	95,942
<b>322</b>	<b>162</b>	<b>50,953</b>	<b>221</b>	<b>885,016</b>
-	-	-	-	17,848
-	-	-	-	89,019
-	-	-	-	75,465
-	-	-	-	579,368
-	-	-	-	495,456
156,498	-	856,046	-	856,046
<b>156,498</b>	<b>-</b>	<b>856,046</b>	<b>-</b>	<b>2,113,201</b>
(156,177)	162	(805,092)	221	(1,228,185)
46,734	-	486,539	-	1,561,151
-	-	(110,500)	(4,000)	(470,217)
-	233,453	233,453	-	233,453
<b>46,734</b>	<b>233,453</b>	<b>609,492</b>	<b>(4,000)</b>	<b>1,324,388</b>
(109,443)	233,615	(195,600)	(3,779)	96,203
234,748	141,853	1,603,861	100,221	2,374,978
-	90,247	133,942	-	144,141
<b>\$ 125,305</b>	<b>\$ 465,715</b>	<b>\$ 1,542,203</b>	<b>\$ 96,442</b>	<b>\$ 2,615,321</b>

**CAPITAL IMPROVEMENT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET TO ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>			
Taxes:			
Excise Tax	\$ 446,000	\$ 496,216	\$ 50,216
Interest and Other Earnings	200	218	18
<b>Total Revenues</b>	<b>446,200</b>	<b>496,433</b>	<b>50,233</b>
<b>Expenditures</b>			
Current:			
Miscellaneous	-	-	-
<b>Total Expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess of Revenues Over Expenditures	446,200	496,433	50,233
<b>Other Financing Sources (Uses)</b>			
Transfers out	(396,000)	(302,176)	93,824
<b>Total Other Financing Sources (Uses)</b>	<b>(396,000)</b>	<b>(302,176)</b>	<b>93,824</b>
<b>Net Change in Fund Balance</b>	<b>50,200</b>	<b>194,258</b>	<b>144,058</b>
Fund Balance Beginning of Year	245,237	245,237	-
<b>Fund Balance End of Year</b>	<b>\$ 295,437</b>	<b>\$ 439,495</b>	<b>\$ 144,058</b>

**TRANSPORTATION DEVELOPMENT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET TO ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>			
Transportation Impact Fees	\$ 56,000	\$ 74,986	\$ 18,986
Interest and Other Earnings	100	97	(3)
<b>Total Revenues</b>	<b>56,100</b>	<b>75,082</b>	<b>18,982</b>
<b>Expenditures</b>			
Current:			
Miscellaneous	-	-	-
<b>Total Expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess of Revenues Over Expenditures	56,100	75,082	18,982
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	-	-
Transfers out	(33,541)	(33,541)	-
<b>Total Other Financing Sources (Uses)</b>	<b>(33,541)</b>	<b>(33,541)</b>	<b>-</b>
<b>Net Change in Fund Balance</b>	<b>22,559</b>	<b>41,541</b>	<b>18,982</b>
Fund Balance Beginning of Year	58,424	58,425	1
<b>Fund Balance End of Year</b>	<b>\$ 80,983</b>	<b>\$ 99,966</b>	<b>\$ 18,983</b>

**PARK DEVELOPMENT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET TO ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>			
SEPA Mitigation	\$ -	\$ 59,390	\$ 59,390
Interest and Other Earnings	-	117	117
<b>Total Revenues</b>	<b>-</b>	<b>59,507</b>	<b>59,507</b>
<b>Expenditures</b>			
Current:			
Miscellaneous	-	-	-
<b>Total Expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess of Revenues Over Expenditures	-	59,507	59,507
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	-	-
Transfers out	(20,000)	(20,000)	-
<b>Total Other Financing Sources (Uses)</b>	<b>(20,000)</b>	<b>(20,000)</b>	<b>-</b>
<b>Net Change in Fund Balance</b>	<b>(20,000)</b>	<b>39,507</b>	<b>59,507</b>
Fund Balance Beginning of Year	83,866	83,866	0
<b>Fund Balance End of Year</b>	<b>\$ 63,866</b>	<b>\$ 123,374</b>	<b>\$ 59,508</b>

**HISTORIC DOWNTOWN POULSBO ASSOCIATION FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET TO ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>			
Special Assessments	\$ 48,000	\$ 45,732	\$ (2,268)
Gifts and Pledges	42,500	37,488	(5,012)
Facility Rental	-	50	50
Interest and Other Earnings	335	413	78
Miscellaneous	-	-	-
<b>Total Revenues</b>	<b>90,835</b>	<b>83,683</b>	<b>(7,152)</b>
<b>Expenditures</b>			
Bad Debt Expense	500	-	500
Office & Operating Supplies	250	250	0
Small Tools & Minor Equipment	500	11	489
Professional Services	6,000	2,775	3,225
Communication	500	-	500
Postage	100	46	54
Advertising	57,000	49,575	7,425
Insurance	1,750	1,555	195
Repairs and Maintenance	16,000	17,408	(1,408)
Miscellaneous	4,000	3,846	154
<b>Total Expenditures</b>	<b>86,600</b>	<b>75,465</b>	<b>11,135</b>
Excess of Revenues Over Expenditures	4,235	8,218	3,983
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	-	-
Transfers out	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balance</b>	<b>4,235</b>	<b>8,218</b>	<b>3,983</b>
Fund Balance Beginning of Year	73,644	73,644	-
Prior Year Adjustment	-	-	-
<b>Fund Balance End of Year</b>	<b>\$ 77,879</b>	<b>\$ 81,863</b>	<b>\$ 3,984</b>

**PATH AND TRAILS RESERVE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET TO ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>			
Intergovernmental	-	967	\$ 967
Interest and Other Earnings	\$ -	\$ 12	\$ 12
<b>Total Revenues</b>	<b>-</b>	<b>979</b>	<b>979</b>
<b>Expenditures</b>			
Current:			
Miscellaneous	-	-	-
<b>Total Expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess of Revenues Over Expenditures	-	979	979
<b>Other Financing Sources (Uses)</b>			
Transfers in	978	-	(978)
Transfers out	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>978</b>	<b>-</b>	<b>(978)</b>
<b>Net Change in Fund Balance</b>	<b>978</b>	<b>979</b>	<b>1</b>
Fund Balance Beginning of Year	11,545	11,545	-
<b>Fund Balance End of Year</b>	<b>\$ 12,523</b>	<b>\$ 12,524</b>	<b>\$ 1</b>



**DRUG ENFORCEMENT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET TO ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>			
Kitsap County -Westnet Grant	\$ -	\$ -	\$ -
Interest and Other Earnings	50	28	(22)
Miscellaneous	500	5,714	5,214
<b>Total Revenues</b>	<b>550</b>	<b>5,742</b>	<b>5,192</b>
<b>Expenditures</b>			
Current:			
LIBNET Program	6,475	932	5,543
K-9 Program	-	4,647	(4,647)
<b>Total Expenditures</b>	<b>6,475</b>	<b>5,579</b>	<b>896</b>
Excess of Revenues Over Expenditures	(5,925)	163	6,088
<b>Other Financing Sources (Uses)</b>			
Disposal of Capital Assets	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balance</b>	<b>(5,925)</b>	<b>163</b>	<b>6,088</b>
Fund Balance Beginning of Year	25,091	25,091	0
<b>Fund Balance End of Year</b>	<b>\$ 19,166</b>	<b>\$ 25,254</b>	<b>\$ 6,088</b>

**TRANSIENT OCCUPANCY TAX FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET TO ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>			
Hotel/Motel Tax	\$ 40,000	\$ 47,813	\$ 7,813
Additional 2% Hotel/Motel Tax	40,000	47,813	7,813
Interest and Other Earnings	-	77	77
<b>Total Revenues</b>	<b>80,000</b>	<b>95,704</b>	<b>15,704</b>
<b>Expenditures</b>			
Economic Environment:			
Spectator and Community Events:			
Administration	73,800	48,989	24,811
Miscellaneous	34,500	40,030	(5,530)
<b>Total Expenditures</b>	<b>108,300</b>	<b>89,019</b>	<b>19,281</b>
Excess of Revenues Over Expenditures	(28,300)	6,684	34,984
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	-	-
Transfers out	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balance</b>	<b>(28,300)</b>	<b>6,684</b>	<b>34,984</b>
Fund Balance Beginning of Year	64,727	64,727	-
<b>Fund Balance End of Year</b>	<b>\$ 36,427</b>	<b>\$ 71,412</b>	<b>\$ 34,985</b>

**POLICE RESTRICTED FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET TO ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>			
Vessel Registration	\$ 9,100	\$ 6,582	\$ (2,518)
Criminal Justice	7,600	8,379	779
Fines & Forfeitures	500	874	374
Interest and Other Earnings	300	180	(120)
Miscellaneous	-	600	600
<b>Total Revenues</b>	<b>17,500</b>	<b>16,614</b>	<b>(886)</b>
<b>Expenditures</b>			
Marine Safety	3,643	1,011	2,632
Criminal Justice	11,073	9,978	1,095
Miscellaneous	8,600	1,280	7,320
<b>Total Expenditures</b>	<b>23,316</b>	<b>12,269</b>	<b>11,048</b>
Excess of Revenues Over Expenditures	(5,816)	4,346	10,162
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	-	-
Transfers out	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balance</b>	<b>(5,816)</b>	<b>4,346</b>	<b>10,162</b>
Fund Balance Beginning of Year	99,723	99,724	1
Prior Year Adjustment	-	10,199	10,199
<b>Fund Balance End of Year</b>	<b>\$ 93,907</b>	<b>\$ 114,268</b>	<b>\$ 20,361</b>

**MISCELLANEOUS GOVERNMENTAL DEBT  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET TO ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>			
Interest and Other Earnings	\$ -	\$ 3	\$ 3
<b>Total Revenues</b>	<b>-</b>	<b>3</b>	<b>3</b>
<b>Expenditures</b>			
Debt Service:			
Intergovernmental Loan-Principal	74,368	74,368	(0)
Interest and Related Costs	17,848	17,848	(0)
<b>Total Expenditures</b>	<b>92,216</b>	<b>92,217</b>	<b>(1)</b>
Excess of Revenues Over Expenditures	(92,216)	(92,213)	3
<b>Other Financing Sources (Uses)</b>			
Transfers in	92,217	92,217	-
Transfers out	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>92,217</b>	<b>92,217</b>	<b>-</b>
<b>Net Change in Fund Balance</b>	<b>1</b>	<b>4</b>	<b>3</b>
Fund Balance Beginning of Year	3,213	3,213	0
<b>Fund Balance End of Year</b>	<b>\$ 3,214</b>	<b>\$ 3,217</b>	<b>\$ 3</b>

**NON-VOTED GENERAL OBLIGATION DEBT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET TO ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>			
Interest and Other Earnings	\$ -	\$ 94	\$ 94
<b>Total Revenues</b>	<b>-</b>	<b>94</b>	<b>94</b>
<b>Expenditures</b>			
Debt Service:			
General Obligation Bond-Principal	505,000	505,000	-
Interest and Related Costs	477,701	477,607	93
<b>Total Expenditures</b>	<b>982,701</b>	<b>982,607</b>	<b>93</b>
Excess of Revenues Over Expenditures	(982,701)	(982,514)	187
<b>Other Financing Sources (Uses)</b>			
Transfers in	982,395	982,395	0
Transfers out	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>982,395</b>	<b>982,395</b>	<b>0</b>
<b>Net Change in Fund Balance</b>	<b>(306)</b>	<b>(119)</b>	<b>187</b>
Fund Balance Beginning of Year	5,422	5,423	-
<b>Fund Balance End of Year</b>	<b>\$ 5,117</b>	<b>\$ 5,304</b>	<b>\$ 188</b>

**EQUIPMENT ACQUISITION FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET TO ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>			
Interest and Other Earnings	\$ -	\$ 645	\$ 645
<b>Total Revenues</b>	<b>-</b>	<b>645</b>	<b>645</b>
<b>Expenditures</b>			
Small Tools and Minor Equipment:			
General Government	-	-	-
Security of Persons & Property	-	-	-
Utilities and Environment	-	-	-
Economic Environment	-	-	-
Culture and Recreation	-	-	-
Capital Outlay	284,043	69,146	214,897
<b>Total Expenditures</b>	<b>284,043</b>	<b>69,146</b>	<b>214,897</b>
Excess of Revenues Over Expenditures	(284,043)	(68,501)	215,542
<b>Other Financing Sources (Uses)</b>			
Transfers in	118,182	119,309	1,127
Transfers out	(37,500)	(37,500)	0
<b>Total Other Financing Sources (Uses)</b>	<b>80,682</b>	<b>81,808</b>	<b>1,126</b>
Net Change in Fund Balance	(203,361)	13,307	216,668
Fund Balance Beginning of Year	355,876	355,876	(0)
<b>Fund Balance End of Year</b>	<b>\$ 152,515</b>	<b>\$ 369,183</b>	<b>\$ 216,668</b>

**PARK RESERVE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET TO ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>			
Intergovernmental:			
RCO - (IAC) ALEA Grant	\$ 100,000	\$ 7,631	\$ (92,369)
Gifts and Pledges	5,177	5,748	571
Interest and Other Earnings	-	332	332
<b>Total Revenues</b>	<b>105,177</b>	<b>13,711</b>	<b>(91,466)</b>
<b>Expenditures</b>			
Current:			
Capital Outlay:			
Fish Park	144,253	16,299	127,954
M.I. Williams Pavilion Improvements	35,177	9,746	25,431
Net Shed Park Planning	15,000	3,114	11,887
Trail Easements Planning	20,000	21,135	(1,135)
<b>Total Expenditures</b>	<b>214,430</b>	<b>50,294</b>	<b>164,136</b>
Excess of Revenues Over Expenditures	(109,253)	(36,583)	72,670
<b>Other Financing Sources (Uses)</b>			
Transfers in	64,640	61,901	(2,739)
Transfers out	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>64,640</b>	<b>61,901</b>	<b>(2,739)</b>
Net Change in Fund Balance	(44,613)	25,317	69,930
Fund Balance Beginning of Year	190,174	190,174	(0)
Prior Year Adjustment	-	-	-
<b>Fund Balance End of Year</b>	<b>\$ 145,561</b>	<b>\$ 215,491</b>	<b>\$ 69,930</b>

**STREET RESERVE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET TO ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>			
Indirect Federal Grants	\$ 220,674	\$ 20,000	\$ (200,674)
State Dept of Ecology Grant	-	-	-
State Dept of Transportation Grant	-	-	-
CTED Grant	40,000	-	(40,000)
North Kitsap School District	10,000	8,215	(1,785)
Interest and Other Earnings	-	223	223
<b>Total Revenues</b>	<b>270,674</b>	<b>28,438</b>	<b>(242,236)</b>
<b>Expenditures</b>			
Current:			
3rd Avenue - Moe to Iverson	116,632	440	116,191
6th Avenue - Traffic Safety Improvements	110,000	104,144	5,856
Anderson Pkwy LID	212,296	198,694	13,602
Hostmark Sidewalk (Bike Lane)	24,923	13,020	11,903
Hostmark Sidewalk Gap Fill	10,000	8,215	1,785
Liberty Bay Waterfront Trail	244,774	8,227	236,547
Lincoln Road Improvements	249,442	218,455	30,986
Noll Road Roundabout	75,341	28,912	46,429
SR 307	60,000	-	60,000
<b>Total Expenditures</b>	<b>1,103,407</b>	<b>580,107</b>	<b>523,300</b>
Excess of Revenues Over Expenditures	(832,733)	(551,669)	281,064
<b>Other Financing Sources (Uses)</b>			
Transfers in	322,260	258,596	(63,664)
Transfers out	(73,000)	(73,000)	-
<b>Total Other Financing Sources (Uses)</b>	<b>249,260</b>	<b>185,596</b>	<b>(63,664)</b>
Net Change in Fund Balance	(583,473)	(366,073)	217,400
Fund Balance Beginning of Year	619,208	619,207	(1)
Prior Year Adjustment	-	43,696	43,696
<b>Fund Balance End of Year</b>	<b>\$ 35,735</b>	<b>\$ 296,830</b>	<b>\$ 261,095</b>



**CEMETERY RESERVE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET TO ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>			
Gravesites	\$ 1,200	\$ 7,600	\$ 6,400
Interest and Other Earnings	-	76	76
<b>Total Revenues</b>	<b>1,200</b>	<b>7,676</b>	<b>6,476</b>
<b>Expenditures</b>			
Current:			
General Government	-	-	-
<b>Total Expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess of Revenues Over Expenditures	1,200	7,676	6,476
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	-	-
Transfers out	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balance	1,200	7,676	6,476
Fund Balance Beginning of Year	62,004	62,004	-
<b>Fund Balance End of Year</b>	<b>\$ 63,204</b>	<b>\$ 69,680</b>	<b>\$ 6,476</b>

**CITY STREET EQUIPMENT RESERVE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET TO ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>			
Interest and Other Earnings	\$ -	\$ 322	\$ 322
Miscellaneous	-	-	-
<b>Total Revenues</b>	<b>-</b>	<b>322</b>	<b>322</b>
<b>Expenditures</b>			
Capital Outlay	277,000	156,498	120,502
<b>Total Expenditures</b>	<b>277,000</b>	<b>156,498</b>	<b>120,502</b>
Excess of Revenues Over Expenditures	(277,000)	(156,177)	120,823
<b>Other Financing Sources (Uses)</b>			
Transfers in	48,742	46,734	(2,008)
Transfers out	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>48,742</b>	<b>46,734</b>	<b>(2,008)</b>
Net Change in Fund Balance	(228,258)	(109,443)	118,815
Fund Balance Beginning of Year	234,748	234,748	-
<b>Fund Balance End of Year</b>	<b>\$ 6,490</b>	<b>\$ 125,305</b>	<b>\$ 118,815</b>

**FACILITIES FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET TO ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>			
Interest and Other Earnings	\$ -	\$ 162	\$ 162
Miscellaneous	-	-	-
<b>Total Revenues</b>	<b>-</b>	<b>162</b>	<b>162</b>
<b>Expenditures</b>			
Professional Services	17,000	-	17,000
<b>Total Expenditures</b>	<b>17,000</b>	<b>-</b>	<b>17,000</b>
Excess of Revenues Over Expenditures	(17,000)	162	17,162
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	-	-
Transfers out	-	-	-
Sale of Capital Assets	250,000	233,453	(16,547)
<b>Total Other Financing Sources (Uses)</b>	<b>250,000</b>	<b>233,453</b>	<b>(16,547)</b>
Net Change in Fund Balance	233,000	233,615	615
Fund Balance Beginning of Year	141,853	141,853	-
Prior Year Adjustment	-	90,247	90,247
<b>Fund Balance End of Year</b>	<b>\$ 374,853</b>	<b>\$ 465,715</b>	<b>\$ 90,862</b>

### 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.

**STATEMENT OF NET POSITION**  
**INTERNAL SERVICE FUND**  
**DECEMBER 31, 2013**

	<b>Business-type Activities</b>
	<b>General Facilities</b>
<b>Assets</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 18,476
Investments	\$ 6,204
Total Current Assets	<u>\$ 24,681</u>
Noncurrent assets:	
Machinery and Equipment	\$ 9,000
Less: Accumulated Depreciation	\$ (9,000)
Total Noncurrent Assets	<u>\$ -</u>
<b>Total Assets</b>	<u><b>\$ 24,681</b></u>
<b>Liabilities</b>	
Current Liabilities:	
Accounts Payable	\$ 3,532
Compensated Absences Short Term	\$ 1,501
Total Current Liabilities	<u>\$ 5,032</u>
Non Current Liabilities:	
Compensated Absences Long Term	\$ 13,507
Total Non Current Liabilites	<u>\$ 13,507</u>
<b>Total Liabilities</b>	<u><b>\$ 18,539</b></u>
<b>Net Position</b>	
Unrestricted	\$ 6,142
<b>Total Net Position</b>	<u><b>\$ 6,142</b></u>

**STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET POSITION  
INTERNAL SERVICE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<b>Business-type Activities</b>	
	<b>General Facilities</b>	
<b>Operating Revenues:</b>		
Charges for Services	\$	155,407
<b>Total operating revenues</b>		<b>155,407</b>
<b>Operating Expenses:</b>		
Salaries & Wages		52,461
Personnel Benefits		24,153
Supplies		21,420
Services		9,377
Intergovernmental Services & Payments		60,616
<b>Total Operating Expenses</b>		<b>168,027</b>
Operating Income (loss)		(12,620)
<b>Nonoperating Revenues (Expenses):</b>		
Interest and Other Earnings		10
<b>Total Nonoperating Revenue (Expenses)</b>		<b>10</b>
Change in Net Position		(12,610)
Total Net Position Beginning of Year		18,752
Prior Year Adjustments		-
<b>Total Net Position End of Year</b>	<b>\$</b>	<b>6,142</b>

**STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<b>Business-type Activities</b>
	<b>General Facilities</b>
<b>Cash Flows from Operating Activities</b>	
Receipts from customers and users	\$ 155,407
Payments to suppliers for goods and services	(91,690)
Payments to employees	(75,886)
<b>Net cash provided (used) by operating activities</b>	<b>(12,169)</b>
<b>Cash Flows from Investing Activities</b>	
Proceeds from sales and maturities of investments	3,153
Purchase of investments	(10)
Interest and dividends received	10
<b>Net cash used by investing activities</b>	<b>3,153</b>
Net increase in cash and cash equivalents	(9,016)
Cash and cash equivalents Beginning of Year	27,492
<b>Cash and cash equivalents End of Year</b>	<b>\$ 18,476</b>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>	
Operating Income	(12,620)
(Increase) decrease in inventories	456
Increase (decrease) in accounts payable	(1,095)
Increase(decrease) in comp. absences payable	1,090
<b>Total Adjustments</b>	<b>452</b>
<b>Net Cash Provided By Operating Activities</b>	<b>\$ (12,169)</b>

## FIDUCIARY FUNDS

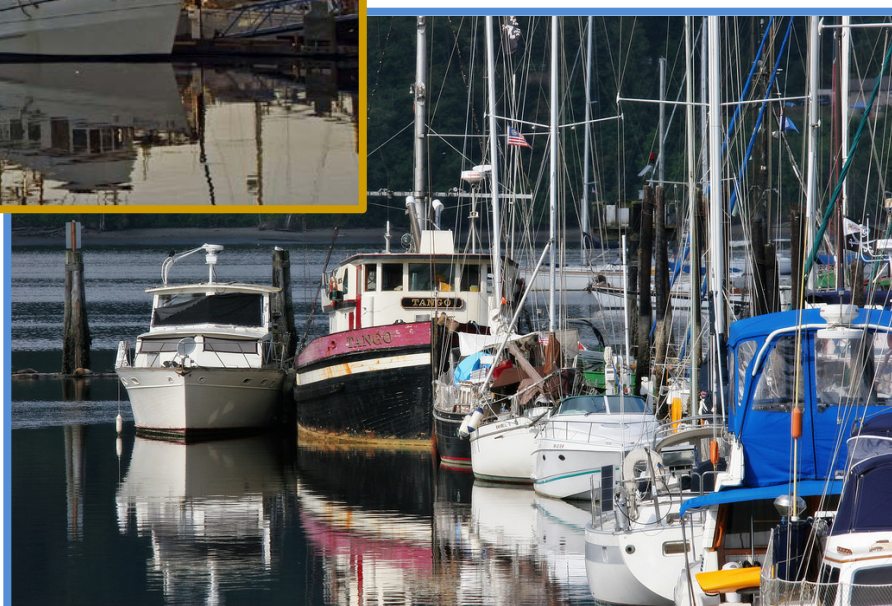
Fiduciary Funds are used to account for assets held by a by a government in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds.

**The Agency Fund** accounts 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.



**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**AGENCY FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

	1/1/13 Balance	Additions	Deletions	12/31/13 Balance
<b>Assets</b>				
Cash and cash equivalents	\$ 30,724	\$ 289,794	\$ 252,149	\$ 68,369
Accounts Receivable	49	93,707	93,677	79
Investments	64,239	23,382	12,514	75,108
<b>Total Assets</b>	<b>95,012</b>	<b>406,883</b>	<b>358,340</b>	<b>143,555</b>
<b>Liabilities</b>				
Retainage Payable	\$ 730	\$ 249,682	\$ 191,316	\$ 59,095
Custodial funds	94,283	260,103	269,926	84,460
<b>Total Liabilities</b>	<b>95,012</b>	<b>509,785</b>	<b>461,242</b>	<b>143,555</b>
<b>Net Position</b>	<b>\$ 0</b>			<b>\$ 0</b>



## STATISTICAL SECTION

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

### Contents

#### Financial Trends

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

#### Revenue Capacity

These schedules contain information to help the reader assess the government's most significant local revenue sources, property tax and sales tax.

#### Debt Capacity

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

#### Demographic and Economic Information

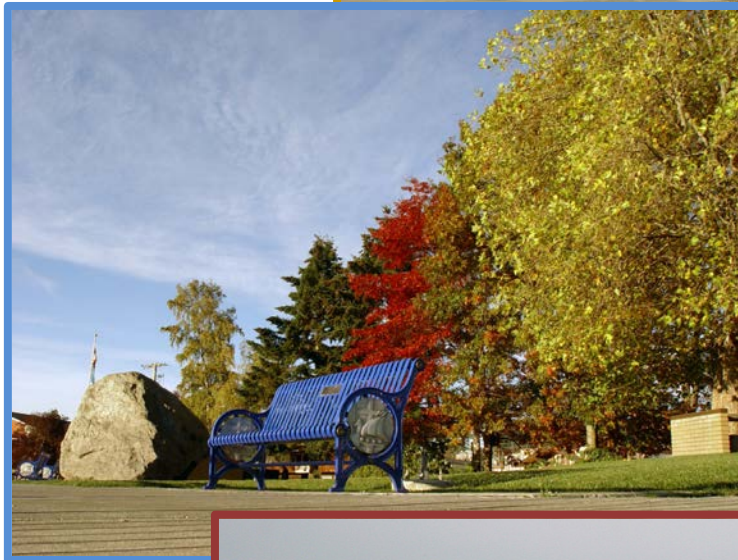
These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

#### Operating Information

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

#### *Data Sources:*

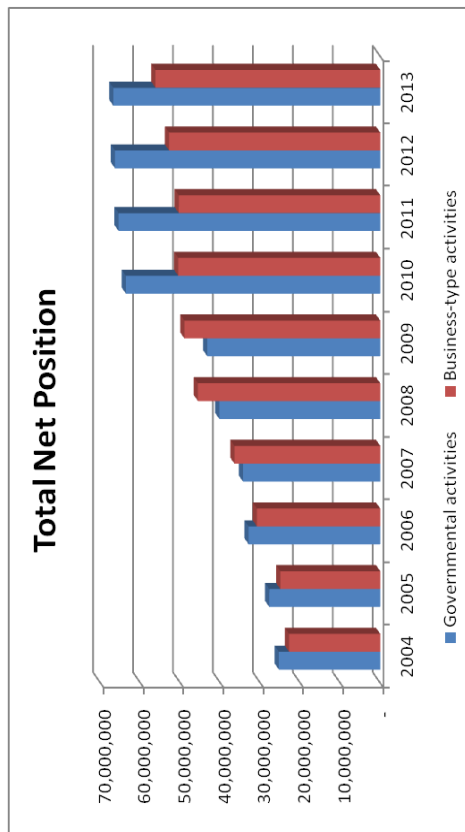
Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.





**NET POSITION BY COMPONENT**  
Last Ten Fiscal Years

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Governmental activities</b>										
Net Investment in Capital Assets	\$ 18,857,715	\$ 14,526,547	\$ 21,314,960	\$ 22,927,641	\$ 32,758,461	\$ 35,548,551	\$ 58,447,929	\$ 60,292,177	\$ 61,173,480	\$ 61,384,364
Restricted	287,739	866,364	974,441	946,843	683,649	643,717	602,068	733,527	771,117	1,073,118
Unrestricted	6,221,541	12,367,678	10,640,044	10,460,327	6,831,365	7,074,512	4,587,722	4,449,433	4,427,348	4,134,707
Total governmental activities net position	\$ 25,366,996	\$ 27,760,589	\$ 32,929,444	\$ 34,334,811	\$ 40,273,475	\$ 43,266,780	\$ 63,637,719	\$ 65,475,137	\$ 66,371,945	\$ 66,592,189
<b>Business-type activities</b>										
Net Investment in Capital Assets	\$ 16,903,395	\$ 17,250,848	\$ 25,702,744	\$ 25,907,276	\$ 35,806,531	\$ 38,376,953	\$ 38,276,261	\$ 37,042,937	\$ 37,440,865	\$ 41,152,937
Restricted	-	496,499	623,042	491,489	492,011	492,011	434,587	492,011	442,900	313,400
Unrestricted	5,916,001	7,258,373	4,526,032	10,062,161	9,313,622	10,139,706	11,822,918	12,880,492	14,956,989	14,912,634
Total business-type activities net position	\$ 22,819,397	\$ 25,005,720	\$ 30,851,818	\$ 36,460,925	\$ 45,612,163	\$ 49,008,669	\$ 50,533,766	\$ 50,415,439	\$ 52,840,754	\$ 56,378,971
<b>Primary government</b>										
Net Investment in Capital Assets	\$ 35,761,110	\$ 31,777,395	\$ 47,017,703	\$ 48,834,917	\$ 68,564,992	\$ 73,925,503	\$ 96,724,190	\$ 97,335,114	\$ 98,614,345	\$ 102,537,302
Restricted	287,739	1,362,863	1,597,483	1,438,331	1,175,659	1,135,728	1,036,655	1,225,538	1,214,017	1,386,518
Unrestricted	12,137,543	19,626,051	15,166,076	20,522,488	16,144,986	17,214,218	16,410,640	17,329,924	19,384,337	19,047,341
Total primary government net position	\$ 48,186,392	\$ 52,766,309	\$ 63,781,263	\$ 70,795,736	\$ 85,885,638	\$ 92,275,449	\$ 114,171,485	\$ 115,890,576	\$ 119,212,698	\$ 122,971,160



**CHANGES IN NET POSITION**  
Last Ten Fiscal Years

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Expenses</b>										
Governmental Activities:										
General government	\$ 1,530,017	\$ 1,356,943	\$ 1,639,401	\$ 1,729,870	\$ 1,752,358	\$ 1,673,197	\$ 1,731,193	\$ 1,758,688	\$ 2,148,291	\$ 1,640,535
Judicial	260,744	257,550	272,248	303,106	338,206	363,204	372,227	347,030	374,672	355,656
Security of Persons & Property	1,939,609	2,112,042	2,104,372	2,432,958	2,485,650	2,735,396	2,733,363	2,631,619	2,651,809	2,826,033
Utilities & Environment	502,815	436,786	502,929	579,460	605,326	495,083	478,035	494,668	463,211	500,646
Transportation	1,086,014	1,069,701	1,105,132	3,303,834	3,473,777	1,590,515	1,731,695	1,685,655	1,852,794	2,716,499
Economic Environment	595,488	650,391	751,947	846,131	894,507	848,002	861,538	633,782	665,027	779,317
Mental & Physical Health	10,767	12,489	12,838	13,489	13,694	14,213	14,481	14,573	14,705	13,978
Culture & Recreation	1,196,036	1,273,809	1,381,978	1,820,165	2,067,109	1,501,571	1,509,164	1,468,720	1,427,910	1,336,339
Interest on Long-Term Debt	161,767	150,670	332,355	323,951	303,190	517,679	561,569	553,206	556,341	536,673
Total Governmental Activities Expenses	7,283,256	7,320,381	8,193,199	11,352,964	11,933,818	9,738,860	9,993,266	9,587,940	10,154,759	10,705,677
Business-Type Activities:										
Water <sup>1</sup>	2,096,780	2,195,301	870,959	1,017,582	928,153	1,109,257	1,094,734	1,199,529	1,282,886	1,356,314
Sewer	-	-	1,368,353	1,518,045	1,520,839	1,716,646	1,844,726	2,052,589	2,109,868	2,240,098
Solid Waste	870,166	807,384	945,221	1,158,976	961,512	999,853	999,164	1,161,445	1,247,121	1,298,015
Storm Drain	283,778	323,217	417,209	559,800	675,448	881,451	931,723	935,763	1,011,619	972,205
Total Business-Type Activities	3,250,724	3,325,902	3,601,742	4,254,402	4,085,952	4,707,206	4,870,347	5,349,326	5,651,494	5,866,631
Total Primary Government Expenses	\$ 10,533,980	\$ 10,646,283	\$ 11,794,941	\$ 15,607,366	\$ 16,019,770	\$ 14,446,066	\$ 14,863,613	\$ 14,937,266	\$ 15,806,253	\$ 16,572,308
<b>Program Revenues</b>										
Governmental Activities:										
Charges for services										
General Government	\$ 198,872	\$ 224,133	\$ 230,890	\$ 259,258	\$ 268,307	\$ 269,871	\$ 266,497	\$ 540,342	\$ 345,044	\$ 327,650
Judicial	112,403	109,137	123,309	123,489	106,268	100,989	111,022	106,027	112,308	108,500
Security of Persons & Property	74,405	73,172	108,076	180,967	142,855	149,761	175,358	169,029	168,580	148,342
Utilities & Environment	123,440	144,532	186,395	147,659	58,143	41,545	43,703	51,162	53,193	11,227
Transportation	3,750	7,776	7,315	6,625	7,096	8,428	9,239	9,225	12,100	67,595
Economic Environment	385,157	580,137	667,550	1,111,693	508,805	529,054	332,333	281,722	505,177	558,996
Culture & Recreation	606,882	529,938	524,913	485,590	488,532	446,626	504,935	493,156	538,424	530,637
Operating grants and contributions	401,880	453,211	421,073	697,301	403,541	462,488	477,260	425,702	468,960	479,485
Capital grants and contributions	1,254,588	1,330,358	3,353,002	3,958,650	8,170,785	2,616,738	1,539,559	1,547,093	1,758,099	1,493,376
Total Governmental Activities Program Revenues	3,161,378	3,452,396	5,622,522	6,971,232	10,154,333	4,625,500	3,459,906	3,623,457	3,961,884	3,725,807

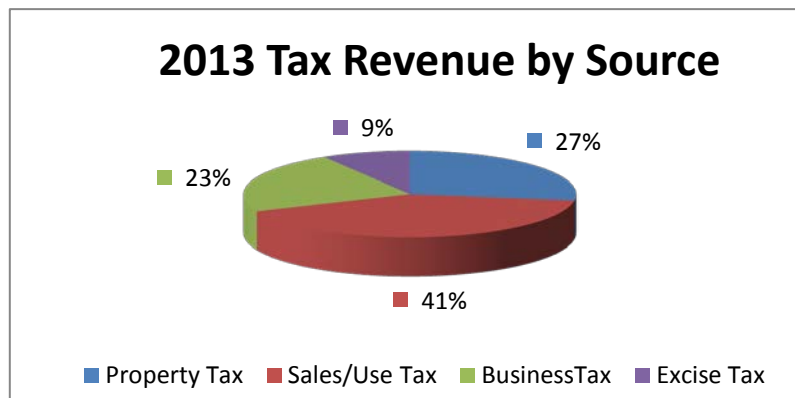
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Business-Type Activities:</b>										
Charges for services:										
Water <sup>1</sup>	3,250,588	3,449,272	1,261,909	1,278,995	1,314,880	1,436,637	1,420,038	1,407,214	1,461,638	1,528,732
Sewer	-	-	1,845,779	1,903,284	1,988,486	2,388,293	2,526,708	2,558,143	2,803,005	3,040,822
Solid Waste	1,094,879	1,149,082	1,213,664	1,236,305	1,287,759	1,262,911	1,282,151	1,287,617	1,382,449	1,456,824
Storm Drain	549,545	602,950	655,959	708,002	701,872	732,023	732,782	738,081	801,795	786,897
Operating grants and contributions	-	-	-	-	56,428	53,270	57,555	94,789	66,936	-
Capital grants and contributions	494,143	-	4,476,680	4,372,821	7,612,412	3,180,784	221,116	312,382	1,503,112	2,492,406
Total Business-Type Activities Program										
Revenues	5,389,156	5,201,303	9,453,991	9,499,408	12,961,838	9,053,919	6,240,350	6,398,226	8,018,935	9,305,682
Total Primary Government Program Revenues	\$ 8,550,534	\$ 8,653,699	\$ 15,076,513	\$ 16,470,639	\$ 23,116,170	\$ 13,679,418	\$ 9,700,256	\$ 10,021,682	\$ 11,980,819	\$ 13,031,489
<b>Net (Expense)/Revenue</b>										
Governmental Activities	\$ (4,121,878)	\$ (3,867,985)	\$ (2,570,677)	\$ (4,381,732)	\$ (1,779,485)	\$ (5,113,360)	\$ (6,533,359)	\$ (5,964,483)	\$ (6,192,875)	\$ (6,979,869)
Business-type activities	2,138,432	1,875,401	5,852,249	5,245,005	8,875,886	4,346,712	1,370,003	1,048,900	2,367,441	3,439,051
Total Primary Government Net Expense	\$ (1,983,446)	\$ (1,992,584)	\$ 3,281,572	\$ 863,273	\$ 7,096,400	\$ (766,648)	\$ (5,163,357)	\$ (4,915,583)	\$ (3,825,434)	\$ (3,540,819)
<b>General Revenues and Other Changes in Net Position</b>										
Governmental Activities:										
Taxes:										
Property Taxes	\$ 1,246,453	\$ 1,590,561	\$ 1,730,490	\$ 1,787,878	\$ 1,898,668	\$ 1,972,984	\$ 2,046,143	\$ 2,061,784	\$ 2,119,770	\$ 1,967,770
Retail Sales & Use Taxes	2,281,822	2,506,720	3,323,801	3,509,621	3,241,145	2,983,521	3,089,028	2,905,695	2,700,885	2,967,756
Utility Taxes	-	6,121	-	-	-	-	-	-	-	-
Business Taxes	978,923	1,014,777	979,088	1,110,212	1,452,140	1,527,557	1,532,771	1,691,487	1,718,219	1,647,259
Excise Taxes	477,220	645,992	656,366	739,141	565,800	398,550	340,508	300,344	587,590	622,312
Penalties & Interest	-	33	95	-	-	-	-	-	-	-
Investment earnings	130,220	237,180	718,819	818,379	579,695	157,625	104,893	61,220	59,267	33,016
Gain (loss) on disposal of capital assets	(79,307)	4,913	865	(6,963)	701	724,911	-	13,139	4,712	124,658
Transfers	265,918	249,764	246,000	258,251	-	-	-	-	-	-
Insurance Recoveries	-	-	-	-	-	-	-	-	-	20,306
Total Governmental Activities	5,301,247	6,256,059	7,655,524	8,216,519	7,738,149	7,765,148	7,113,343	7,033,670	7,190,443	7,383,077
<b>Business-Type Activities</b>										
Investment earnings	42,439	101,882	239,850	334,691	275,353	87,942	96,415	56,345	56,111	25,987
Gain (loss) on disposal of capital assets	-	(23,633)	-	800	-	-	-	-	-	-
Transfers	(265,918)	(249,764)	(246,000)	-	-	-	-	-	-	-
Total Business-Type Activities	(223,478)	(171,514)	(6,151)	335,491	275,353	87,942	96,415	56,345	56,111	25,987
Total Primary Government	\$ 5,077,769	\$ 6,084,544	\$ 7,649,373	\$ 8,552,010	\$ 8,013,502	\$ 7,853,090	\$ 7,209,758	\$ 7,090,016	\$ 7,246,554	\$ 7,409,064
<b>Change in Net Position</b>										
Governmental Activities	\$ 1,179,370	\$ 2,388,074	\$ 5,084,847	\$ 3,834,787	\$ 5,958,663	\$ 2,651,788	\$ 579,984	\$ 1,069,187	\$ 997,568	\$ 403,207
Business-Type Activities	1,914,954	1,703,887	5,846,098	5,580,497	9,151,239	4,434,655	1,466,417	1,105,245	2,423,552	3,465,038
Total Primary Government	\$ 3,094,324	\$ 4,091,961	\$ 10,930,945	\$ 9,415,284	\$ 15,109,902	\$ 7,086,442	\$ 2,046,401	\$ 2,174,432	\$ 3,421,120	\$ 3,868,245

Note:

<sup>1</sup> Water and Sewer activities were reported together until the 2006 CAFR.

**GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE**  
**Last Ten Fiscal Years**

Fiscal Year	Property Tax	Sales/Use Tax	BusinessTax	Excise Tax	Total Taxes
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	1,779,890	3,482,944	1,081,811	738,857	7,083,501
2008	1,888,104	3,340,683	1,475,115	565,813	7,269,716
2009	1,899,846	2,953,050	1,502,823	398,229	6,753,948
2010	2,053,214	3,038,419	1,516,144	340,062	6,947,838
2011	2,062,373	2,917,745	1,695,236	300,104	6,975,458
2012	2,119,770	2,700,885	1,718,219	587,590	7,126,464
2013	1,967,770	2,967,756	1,647,259	622,312	7,205,098



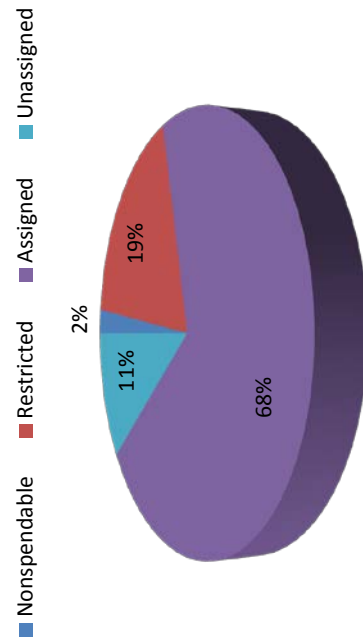


**FUND BALANCES OF GOVERNMENTAL FUNDS**  
Last Ten Fiscal Years

Fiscal Year	General Fund			Total General Fund	All Other Governmental Funds			Total All Other Governmental Funds
	Nonspendable	Assigned	Unassigned		Nonspendable	Restricted	Assigned	
2011	9,843	1,628,270	269,971	1,908,084	91,016	642,511	2,198,283	2,931,810
2012	9,635	1,577,089	514,274	2,100,998	91,016	657,162	2,133,718	2,881,896
2013	8,719	1,501,759	536,548	2,047,026	91,016	958,933	1,933,664	2,983,613

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

### 2013 Governmental Fund Balances



## CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

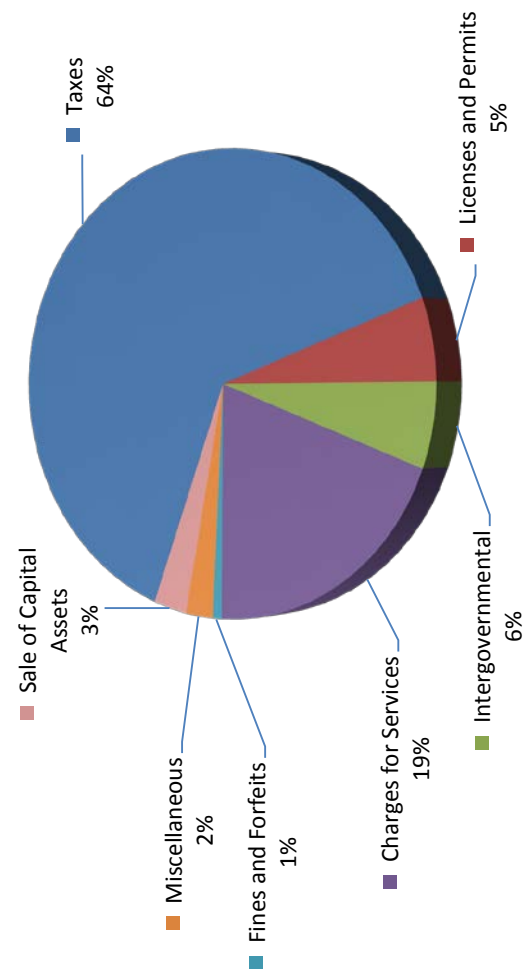
Last Ten Fiscal Years

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Revenues</b>										
Taxes	\$ 5,255,334	\$ 5,876,048	\$ 6,828,714	\$ 7,381,362	\$ 7,269,716	\$ 6,757,754	\$ 6,947,838	\$ 6,975,383	\$ 7,194,171	\$ 7,155,680
Licenses and Permits	382,285	614,391	517,095	860,178	386,251	460,321	397,513	351,107	604,450	622,819
Intergovernmental Revenues	1,151,526	432,120	2,155,192	3,014,360	2,117,665	2,893,320	1,897,881	1,682,571	1,471,002	646,175
Charges for Services	1,364,581	2,452,611	1,636,497	1,805,101	1,611,662	1,611,449	1,501,119	1,710,343	1,656,123	2,190,358
Fines and Forfeitures	104,859	97,108	108,781	106,704	103,210	89,382	87,184	85,063	79,049	76,729
Interest & Other Earnings	127,181	231,415	710,248	811,654	576,967	156,803	104,688	61,220	63,285	37,631
Miscellaneous	268,953	226,861	124,439	213,682	65,517	143,996	122,600	138,250	202,158	203,606
<b>Total Revenues</b>	<b>8,654,718</b>	<b>9,930,555</b>	<b>12,080,967</b>	<b>14,193,041</b>	<b>12,130,988</b>	<b>12,113,024</b>	<b>11,058,823</b>	<b>11,003,936</b>	<b>11,270,239</b>	<b>10,932,998</b>
<b>Expenditures</b>										
General Government	2,068,988	1,880,437	2,222,182	2,401,891	2,510,110	2,557,344	2,623,129	2,609,575	2,765,463	2,701,167
Security of Persons and Property	1,815,863	2,010,463	2,116,770	2,377,818	2,289,655	2,544,115	2,648,619	2,516,324	2,557,190	2,764,164
Utilities and Environment	479,589	425,839	497,437	566,156	585,591	474,649	460,417	479,286	455,458	512,596
Transportation	604,561	612,296	675,217	2,756,203	2,657,624	837,427	819,169	740,214	744,424	1,533,295
Economic Environment	572,399	634,263	738,917	839,269	891,608	845,073	857,604	630,374	660,244	785,598
Mental and Physical Health	10,767	12,489	12,838	13,489	13,694	14,213	14,481	14,573	14,705	13,978
Culture and Recreation	1,128,611	1,201,711	1,290,717	1,553,747	1,779,008	1,218,559	1,209,305	1,125,459	1,173,379	1,080,951
Capital Outlay	2,223,203	1,687,441	4,703,590	2,572,498	3,624,733	7,788,933	8,907,259	2,662,204	1,522,990	856,046
Debt Service										
Principal	348,608	384,323	579,323	574,323	1,199,323	704,323	604,368	634,368	3,114,368	579,368
Interest & Fiscal Charges	160,605	150,670	332,355	323,951	303,190	430,172	506,692	493,171	513,038	495,456
<b>Total Expenditures</b>	<b>9,413,193</b>	<b>8,999,932</b>	<b>13,169,345</b>	<b>13,979,345</b>	<b>15,854,538</b>	<b>17,414,810</b>	<b>18,651,045</b>	<b>11,905,548</b>	<b>13,521,260</b>	<b>11,322,619</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(758,475)</b>	<b>930,623</b>	<b>(1,088,379)</b>	<b>213,696</b>	<b>(3,723,550)</b>	<b>(5,301,785)</b>	<b>(7,592,223)</b>	<b>(901,612)</b>	<b>(2,251,020)</b>	<b>(389,620)</b>
<b>Other financing sources (uses)</b>										
Proceeds of Long Term Debt	42,944	5,185,000	-	-	-	6,096,515	1,510,000	625,000	2,455,000	-
Premium on Bonds Sold	-	-	-	-	-	-	1,044	-	69,630	-
Disposal of Capital Assets	1,878	4,913	865	-	2,180	2,800,000	20,000	16,970	4,712	272,103
Comp for Impairment of Cap Assets	-	-	-	-	-	-	-	273,639	-	20,306
Net Transfers in (Out)	58,079	15,260	51,985	67,350	-	-	98,800	-	-	-
Intergovernmental Payment	-	-	-	-	(15,000)	-	-	-	-	-
Issuance Discount on Long-Term Debt	1,162	(82,451)	-	-	-	(54,071)	(6,473)	-	(34,561)	-
<b>Total other financing sources (uses)</b>	<b>104,064</b>	<b>5,122,722</b>	<b>52,850</b>	<b>67,350</b>	<b>(12,820)</b>	<b>8,842,445</b>	<b>1,623,371</b>	<b>915,609</b>	<b>2,494,781</b>	<b>292,408</b>
<b>Net change in fund balances</b>	<b>\$ (654,411)</b>	<b>\$ 6,053,345</b>	<b>\$ (1,035,529)</b>	<b>\$ 281,046</b>	<b>\$ (3,736,370)</b>	<b>\$ 3,540,659</b>	<b>\$ (5,968,852)</b>	<b>\$ 13,997</b>	<b>\$ 243,760</b>	<b>\$ (97,212)</b>
Debt service as a percentage of noncapital expenditures	7.08%	7.32%	10.77%	7.87%	12.29%	11.79%	11.40%	12.20%	30.23%	10.27%

**GENERAL GOVERNMENTAL REVENUES BY SOURCE**  
Last Ten Fiscal Years

Fiscal Year	REVENUES						OTHER FINANCING SOURCES (USES)						
	Licenses and Permits		Inter-governmental	Charges for Services		Fines and Forfeits	Miscellaneous	Total Revenues	Capital Related Debt Issues	Sale of Capital Assets	Net Transfers in (out)	Financing Sources (Uses)	Total Revenues and Other Sources
	Taxes												
2004	5,255,333	382,285	1,151,526	1,364,581	104,859	396,134	8,654,718	42,944	1,878	58,079	102,901	8,757,619	
2005	5,876,048	614,391	432,120	2,452,611	97,108	226,861	9,699,139	5,102,549	4,913	15,260	5,122,722	14,821,861	
2006	6,828,714	517,095	2,155,192	1,636,497	108,781	834,687	12,080,967	-	865	51,985	52,850	12,133,817	
2007	7,381,362	860,178	3,014,360	1,805,101	106,704	1,025,336	14,193,041	-	-	67,350	67,350	14,260,391	
2008	7,269,716	386,251	2,117,665	1,611,662	103,210	642,483	12,130,988	(15,000)	2,180	-	(12,820)	12,118,168	
2009	6,757,754	460,321	2,893,320	1,611,449	89,382	300,799	12,113,024	6,042,445	2,800,000	-	8,842,445	20,955,469	
2010	6,947,838	397,513	1,897,881	1,501,119	87,184	227,288	11,058,823	311,044	1,213,527	98,800	1,623,371	12,682,193	
2011	6,975,383	351,107	1,682,571	1,710,343	85,063	199,470	11,003,936	273,639	641,970	-	915,609	11,919,545	
2012	7,194,171	604,450	1,471,002	1,656,123	79,049	265,444	11,270,239	2,490,069	4,712	-	2,494,781	13,765,020	
2013	7,155,680	622,819	646,175	2,190,358	76,729	241,237	10,932,998	-	292,408	-	292,408	11,225,407	

### 2013 General Governmental Revenue



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

Fiscal Year Ended December 31	Real Property		Personal Property		Less: Tax Exempt Real Property		Total Taxable Assessed Value <sup>1</sup>		Total Direct Tax Rate		Estimated Actual Taxable Value		Assessed Value as a Percentage of Actual Value
	Real Property	Personal Property	Real Property	Personal Property	Real Property	Personal Property	Real Property	Personal Property	Rate				
2004	811,445,976	32,598,832	104,902,292				739,142,516		1.960		849,589,099		87.0
2005	998,820,555	37,296,158	130,764,431				905,352,282		2.151		1,004,830,502		90.1
2006	1,359,944,770	37,817,375	202,658,963				1,195,103,182		1.891		1,359,616,817		87.9
2007	1,500,268,177	55,589,284	218,520,151				1,337,337,310		1.561		1,523,163,223		87.8
2008	1,524,122,775	40,675,295	186,579,815				1,378,218,255		1.440		1,598,861,085		86.2
2009	1,435,423,041	52,673,622	178,062,955				1,310,033,708		1.434		1,519,760,682		86.2
2010	1,427,087,076	52,724,550	199,102,348				1,280,709,278		1.563		1,448,766,152		88.4
2011	1,358,145,256	51,027,470	164,915,580				1,244,257,146		1.615		1,401,190,480		88.8
2012	1,314,300,278	51,974,423	155,133,100				1,211,141,601		1.717		1,363,898,199		88.8
2013	1,329,419,463	53,365,536	152,715,070				1,230,069,929		1.709		1,335,580,813		92.1

<sup>1</sup> Figure represents current year assessed value payable in following year

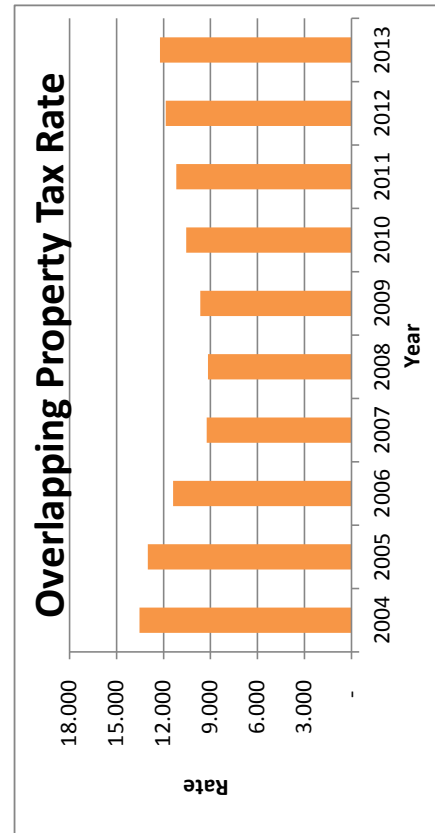
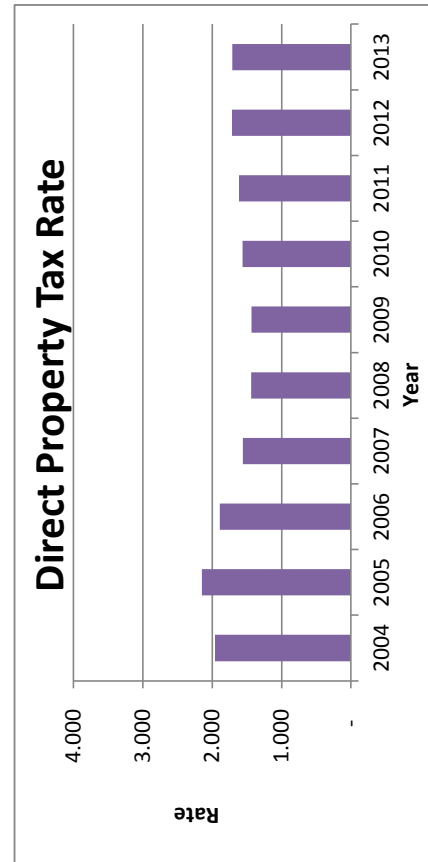
Source: Kitsap County Assessor's Office

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

Fiscal Year	School			Other Overlapping Rates								Total Direct & Overlapping	
	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		Total Overlapping Rates
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	0.877	2.028	2.594	0.236	1.607	0.062	0.280	0.031	7.716	9.156
2009	1.434	-	1.434	0.901	2.026	2.793	0.243	1.837	0.063	0.320	0.031	8.214	9.648
2010	1.563	-	1.563	0.990	2.134	3.148	0.260	2.042	0.068	0.320	0.033	8.996	10.558
2011	1.615	-	1.615	1.068	2.378	3.400	0.272	2.000	0.074	0.347	0.036	9.575	11.190
2012	1.717	-	1.717	1.139	2.497	3.723	0.291	2.000	0.078	0.371	0.038	10.137	11.854
2013	1.709		1.709	1.202	2.507	3.997	0.303	2.000	0.082	0.391	0.039	10.520	12.229

\*\*Note: The last year for debt service for a voted bond was in 2007

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



## PRINCIPAL TAXPAYERS

Current Year and Nine Years Ago

	2013				2004			
	2014 Assessed		% of Total Assessed		2003 Assessed		% of Total Assessed	
Taxpayer	Valuation	Rank	Valuation		Valuation	Rank	Valuation	
OLHAVA ASSOCIATES LMTD PTNSP	\$ 23,739,620	1	1.93%		\$ 48,598,910	1	6.58%	
WAL MART TRS LLC STORE 5272 POULSB	\$ 16,723,690	2	1.36%		\$ 12,040,140	2	1.63%	
LAURELHURST APARTMENTS CO	\$ 13,234,340	3	1.08%		\$ 10,234,650	3	1.38%	
LIBERTY RIDGE APTS LLC	\$ 10,211,710	4	0.83%		\$ 9,711,900	4	1.31%	
HD DEVELOPMENT OF MARYLAND INC	\$ 10,070,450	5	0.82%		\$ 8,541,240	5	1.16%	
NIKKEL WILLIAM A TRUSTEE	\$ 8,934,440	6	0.73%		\$ 8,456,220	6	1.14%	
COLLEGE MARKETPLACE LLC	\$ 8,918,790	7	0.73%		\$ 7,224,520	7	0.98%	
PUGET SOUND ENERGY ELEC	\$ 8,901,636	8	0.72%		\$ 7,119,880	8	0.96%	
HATTALAND	\$ 8,873,510	9	0.72%		\$ 5,306,120	9	0.72%	
POULSBO RETIREMENT CENTER	\$ 8,369,240	10	0.68%		\$ 5,241,726	10	0.71%	
<b>TOTALS:</b>	<b>\$ 117,977,426</b>		<b>9.59%</b>		<b>\$ 122,475,306</b>		<b>16.57%</b>	

Source: Kitsap County Assessor's Office

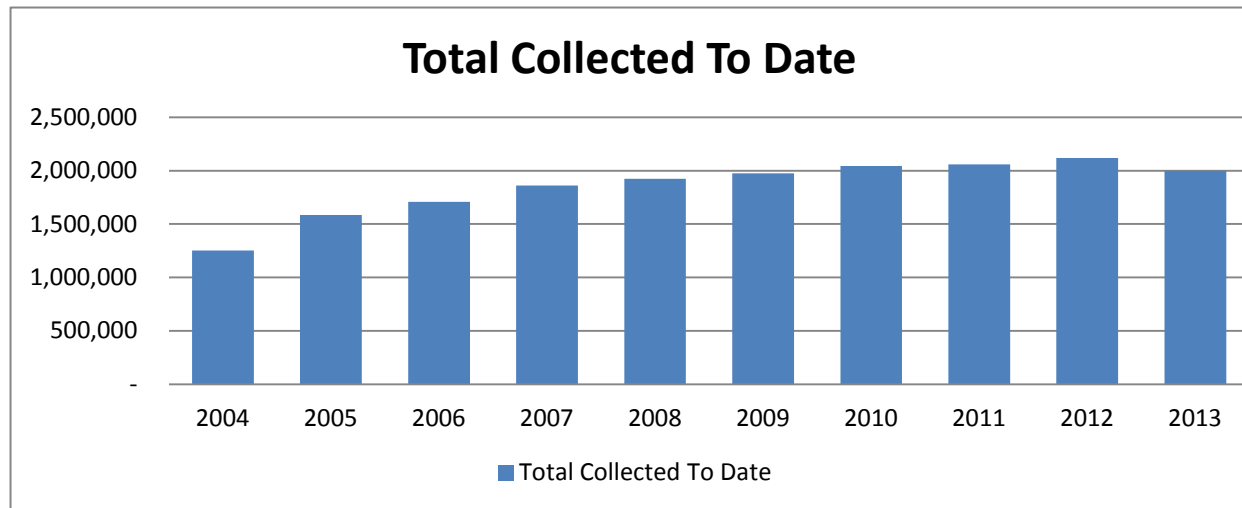
## Assessed Value of Top Ten Taxpayers



**PROPERTY TAX LEVIES AND COLLECTIONS**  
**2004 - 2013**

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		
2004	1,253,074	1,221,213	97.46%	29,935	1,251,148	99.85%	1,926	0.15%
2005	1,589,053	1,550,699	97.59%	35,446	1,586,145	99.82%	2,908	0.18%
2006	1,710,873	1,685,921	98.54%	21,896	1,707,817	99.82%	3,056	0.18%
2007	1,864,277	1,820,831	97.67%	41,358	1,862,189	99.89%	2,088	0.11%
2008	1,925,724	1,873,649	97.30%	49,490	1,923,139	99.87%	2,585	0.13%
2009	1,976,950	1,900,928	96.15%	73,293	1,974,221	99.86%	2,729	0.14%
2010	2,047,191	1,981,228	96.78%	62,958	2,044,186	99.85%	3,005	0.15%
2011	2,067,936	1,995,773	96.51%	64,486	2,060,259	99.63%	7,677	0.37%
2012	2,136,431	2,083,452	97.52%	36,030	2,119,482	99.21%	16,949	0.79%
2013	2,069,802	1,994,508	96.36%	4,018	1,998,526	96.56%	71,276	3.44%

Source: Kitsap County Treasurer and Assessor's Office

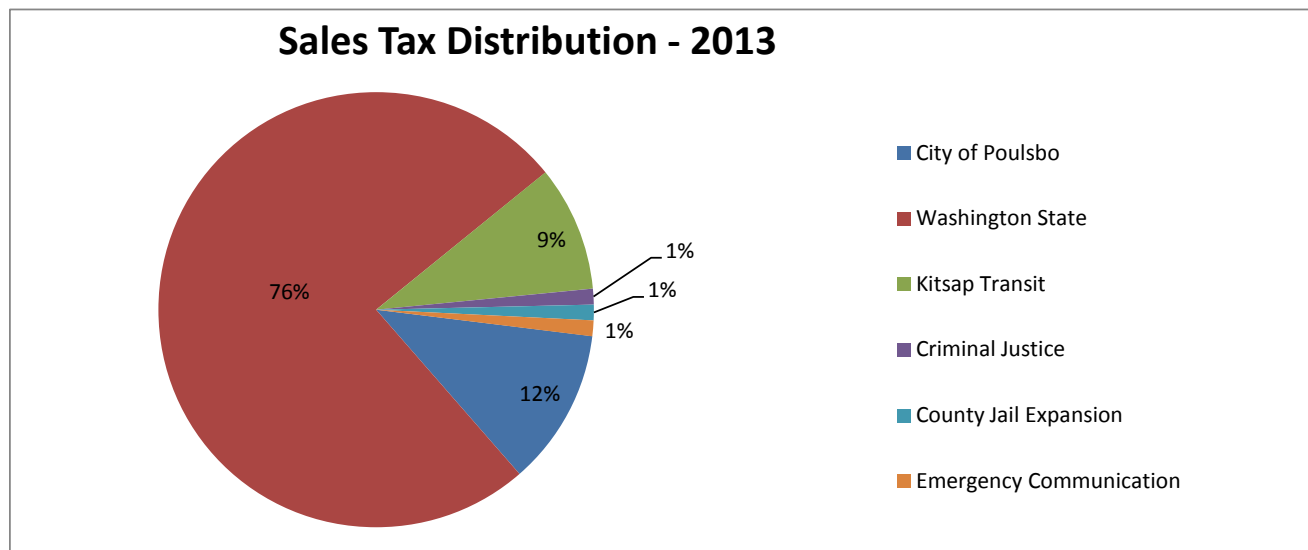


**SALES TAX RATE DIRECT AND OVERLAPPING GOVERNMENTS**  
**Last Ten Fiscal Years**

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Basic Sales Tax Rates</b>										
City of Poulsbo	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Washington State	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%
Kitsap Transit	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%
Criminal Justice	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
County Jail Expansion	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Emergency Communication	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
<b>Total Basic Combined Sales Tax Rate</b>	<b>8.6%</b>	<b>8.6%</b>	<b>8.6%</b>	<b>8.6%</b>	<b>8.6%</b>	<b>8.6%</b>	<b>8.6%</b>	<b>8.6%</b>	<b>8.6%</b>	<b>8.6%</b>
<b>Special Sales Tax Rates</b>										
Hotel/Motel <sup>(a)</sup>	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%

<sup>(a)</sup> In effect since 1998, this 2% Hotel/Motel Tax was approved by Ordinance 98-03 in accordance with RCW 82.08

Source: Washington State Department of Revenue Local Sales and Use Tax Rates





**RETAIL SALES TAX REVENUE BY SECTOR**  
Last Ten Fiscal Years

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Major Industry Sector</b>										
Unknown	8,142	8,044	13,373	15,140	8,529	4,721	22,144	41,121	36,448	37,266
Agriculture, Forestry Fishing	301	232	567	459	526	665	620	593	800	886
Mining	285	298	334	150	96	252	556	384	427	464
Utilities	1,222	1,018	1,538	1,694	2,866	2,618	1,876	2,081	2,744	3,512
Construction	325,656	427,005	467,266	454,627	420,541	273,295	318,387	316,718	142,181	294,260
Manufacturing	22,842	21,837	27,855	38,137	34,999	30,774	34,968	40,558	34,385	27,948
Wholesale Trade	122,172	144,851	135,929	150,273	144,849	91,669	86,317	89,855	90,710	98,657
Retail Trade	1,130,908	1,232,464	1,815,464	1,888,749	1,780,157	1,712,476	1,747,160	1,692,686	1,657,265	1,703,931
Transportation and Warehousing	1,568	2,172	2,094	1,593	1,093	1,188	1,566	1,921	2,707	1,914
Information	122,665	101,994	108,898	78,940	103,749	101,511	104,216	88,226	84,823	91,504
Finance and Insurance	12,277	11,817	19,385	18,841	15,116	7,962	7,174	9,228	8,760	11,653
Real Estate, Rental, Leasing	58,020	64,113	68,775	66,251	59,476	75,948	55,022	41,234	52,455	54,208
Prof Sci, Technical Svcs	30,799	34,326	33,269	38,658	42,981	43,304	31,335	29,699	27,102	33,033
Company Management	158	208	214	175	89	37	17	6	-	-
Admin, Supp, Remed Svcs	38,253	32,093	38,446	37,446	39,076	32,001	31,310	36,795	36,487	43,261
Educational Services	5,877	4,615	4,058	7,017	6,380	5,988	6,393	6,521	5,096	5,804
Health Care Social Assistance	7,503	6,210	6,927	13,924	10,820	13,310	8,280	8,885	19,078	17,443
Arts, Entertain, Recreation	8,501	6,484	11,650	12,997	13,749	6,971	10,245	12,699	9,239	9,233
Accommodation and Food Svcs.	222,014	236,119	241,044	237,134	249,801	273,308	282,394	286,244	292,749	291,623
Other Services	79,221	79,433	86,062	90,581	88,906	80,180	83,445	76,553	72,163	75,236
Public Administration	13	567	12	21	245	18,365	16,806	18,065	18,032	23,196
<b>Total Retail Sales Tax Revenues*</b>	<b>\$2,198,397</b>	<b>\$2,415,900</b>	<b>\$3,083,160</b>	<b>\$3,152,807</b>	<b>\$3,024,044</b>	<b>\$2,776,543</b>	<b>\$2,850,232</b>	<b>\$2,800,072</b>	<b>\$2,593,651</b>	<b>\$2,825,032</b>

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

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

## RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Fiscal Years

Fiscal Year	Governmental Activities				Business-Type Activities				Total Primary Government	Percentage of Personal Income <sup>1</sup>	Per Capita <sup>1</sup>
	General Obligation Bonds	PWTF Loans	Water Bonds	Sewer Bonds	PWTF Loans	Water Bonds	Sewer Bonds	PWTF Loans			
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	457,477				13,781,821	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	3.28%	1,371
2009	11,205,000	818,051	740,740	2,626,260	275,086				15,665,137	4.19%	1,769
2010	10,985,000	743,683	659,340	2,337,660	229,239				14,954,922	4.07%	1,677
2011	10,425,000	669,315	575,080	2,038,920	183,391				13,891,706	3.52%	1,503
2012	11,665,000	594,946	487,960	1,730,040	137,543				14,615,489	3.50%	1,561
2013	11,160,000	520,578	396,880	1,407,120	91,696				13,576,274	0*	1,416

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

<sup>1</sup> See the Schedule of Demographic and Economic Statistics for personal income and population data.

\*Percentage of Personal Income data only available through 2012.



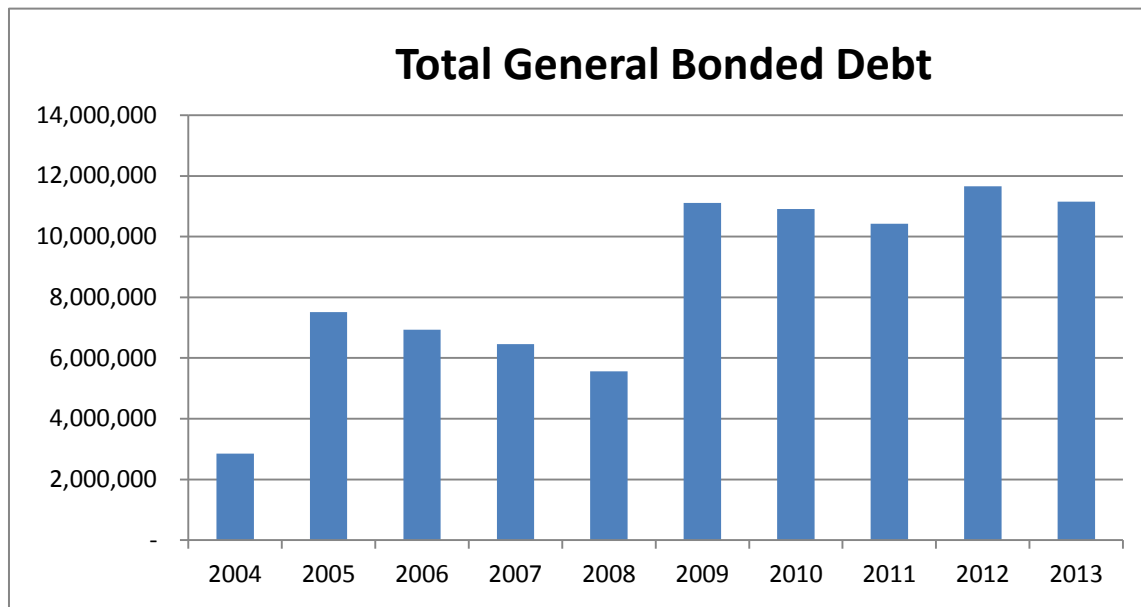
**RATIOS OF GENERAL BONDED DEBT OUTSTANDING**  
**Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>General Obligation Bonds</b>	<b>Less: Amounts Available in Debt Service Fund</b>	<b>Total</b>	<b>% of Estimated Actual Taxable Value<sup>1</sup> of Property</b>	<b>Per Capita<sup>2</sup></b>
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
2009	11,205,000	99,362	11,105,638	0.73%	1,254
2010	10,985,000	72,582	10,912,418	0.75%	1,223
2011	10,425,000	3,177	10,421,823	0.74%	1,127
2012	11,665,000	3,967	11,661,033	0.85%	1,246
2013	11,160,000	3,217	11,156,783	0.84%	1,164

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

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

<sup>2</sup> Population data can be found in the Schedule of Demographic and Economic Statistics.



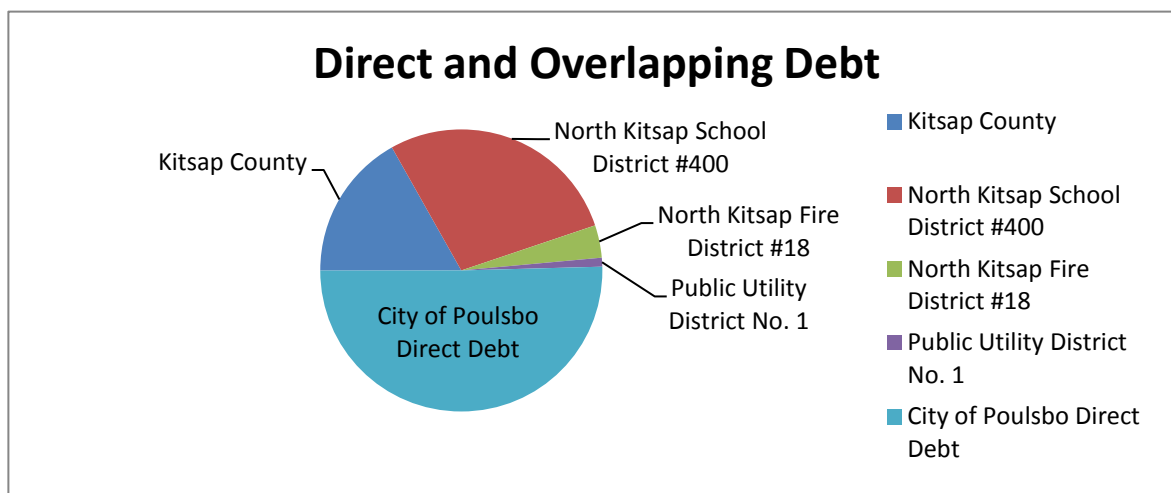
**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT****As of December 31, 2013**

<b>Governmental Unit</b>	<b>Debt Outstanding</b>	<b>Estimated % Applicable<sup>1</sup></b>	<b>Estimated Share of Overlapping Debt</b>
Kitsap County	\$ 101,827,438	4.75%	\$ 4,834,178
North Kitsap School District #400	36,993,925	21.77%	\$ 8,052,587
North Kitsap Fire District #18	2,647,782	40.38%	\$ 1,069,225
Public Utility District No. 1	6,105,000	4.75%	\$ 289,830
<i>Subtotal, Overlapping Debt</i>			14,245,820
City of Poulsbo Direct Debt	14,497,897	100%	14,497,897
Total Direct and Overlapping Debt			<u>\$ 28,743,717</u>

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

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

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



## LEGAL DEBT MARGIN INFORMATION

## Last Ten Fiscal Years

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Debt Limit	\$ 55,435,689	\$ 67,901,421	\$ 89,632,739	\$ 100,300,298	\$ 103,366,369	\$ 98,252,528	\$ 96,053,196	\$ 93,319,286	\$ 90,835,620	\$ 92,257,495
Total net debt applicable to limit	3,204,043	7,514,494	6,931,655	6,461,010	5,555,968	11,105,638	10,912,418	10,415,231	11,661,033	11,156,783
Legal debt margin	\$ 52,231,646	\$ 60,386,928	\$ 82,701,084	\$ 93,839,288	\$ 97,810,401	\$ 87,146,890	\$ 85,140,778	\$ 82,904,055	\$ 79,174,587	\$ 81,100,711
Total net debt applicable to the limit as a % of debt limit	5.78%	11.07%	7.73%	6.44%	5.38%	11.30%	11.36%	11.16%	12.84%	12.09%

Legal Debt Margin Calculation for Fiscal Year 2013

Assessed value	1,230,099,929
Debt limit (7.5% of total assessed value)	92,257,495
Debt applicable to limit:	
General obligation bonds	11,160,000
Less: Amount set aside for repayment of GO Debt	3,217
Total net debt applicable to limit	11,156,783
Legal debt margin	\$ 81,100,711

Sources: Assessed value data used to estimate applicable percentages provided by the Kitsap County Auditor's Office.

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

**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	
2004	3,990,634	2,938,560	1,052,074	265,000	238,599	209%
2005	4,057,152	3,010,151	1,047,001	3,260,000 <sup>1</sup>	211,136	30%
2006	3,108,704	2,195,044	913,660	319,000	188,322	180%
2007	3,182,279	2,355,900	826,379	325,000	177,073	165%
2008	3,303,366	2,850,000	453,366	341,000	165,567	89%
2009	3,824,083	2,658,098	1,165,985	352,000	148,164	233%
2010	3,946,746	2,799,832	1,146,914	370,000	122,885	233%
2011	3,965,357	3,110,144	855,213	383,000	112,324	173%
2012	4,264,643	3,229,154	1,035,489	396,000	103,020	208%
2013	4,569,555	3,485,816	1,083,739	414,000	76,944	221%

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.

<sup>1</sup> In 2005, A portion of the 1998 Revenue Bonds were refunded.

**DEMOGRAPHIC AND ECONOMIC STATISTICS**  
**Last Ten Fiscal Years**

<b>FISCAL YEAR</b>	<b>POPULATION</b>	<b>COUNTY POPULATION</b>	<b>KC PERSONAL INCOME* <sup>1</sup></b>	<b>PERSONAL INCOME <sup>1</sup></b>	<b>PER CAPITA INCOME*</b>	<b>UNEMPLOYMENT RATE**</b>	<b>SCHOOL ENROLLMENT <sup>2</sup> ***</b>
2004	7,200	239,500	8,284,815	249,063	35,178	5.8%	3,324
2005	7,450	240,400	8,706,269	269,807	37,769	5.1%	3,367
2006	7,490	243,400	9,398,583	289,217	39,777	4.8%	3,524
2007	7,560	244,800	9,888,582	305,383	42,163	4.4%	3,330
2008	7,840	246,800	10,312,169	327,583	43,851	5.4%	3,013
2009	8,855	247,600	10,454,459	373,886	43,404	7.6%	3,060
2010	8,920	251,133	10,355,171	367,806	41,135	7.3%	3,124
2011	9,245	253,900	10,842,161	394,784	42,580	7.9%	2,992
2012	9,360	254,500	11,359,138	417,766	44,547	7.4%	2,901
2013	9,585	254,000	0	0	0	7.1%	2,892

<sup>1</sup> Thousands of Dollars and information only available through 2012

<sup>2</sup> 2004-2013 are totals for only schools in city limits

\* Source: US Bureau of Economic Analysis-Kitsap County based on population of City only available through 2012

\*\* 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

2013					2003		
Taxpayer	Type of Business	TOTAL EMPLOYEES <sup>1</sup>	Rank	% of Total City Employment	TOTAL EMPLOYEES <sup>1</sup>	Rank	% of Total City Employment
North Kitsap School District	Public Education	844	1	10.91%	878	1	11.97%
Martha & Mary Lutheran Services	Social Services	599	2	7.74%	373	3	5.09%
Walmart	Retail Trade	300	3	3.88%			
Central Market	Retail Trade	230	4	2.97%	395	2	5.39%
Raytheon Systems	Government Contracting	167	5	2.16%	225	5	3.07%
Home Depot	Retail Trade	116	6	1.50%			
Liberty Shores / Harbor House	Healthcare	105	7	1.36%	90	9	1.23%
Masterworks	Advertising	95	8	1.23%			
City of Poulsbo	Municipal Government	81	9	1.05%	84	10	1.15%
Gateway Fellowship	Education/Religious	79	10	1.02%	93	8	1.27%
Powder Hill Group <sup>2</sup>	Technical Services				108	7	1.47%
Seattle Orthopedic Group <sup>2</sup>	Manufacturing				199	6	2.71%
Courtesy Auto Group <sup>2</sup>	Auto Sales				300	4	4.09%
Subtotal of Ten Largest Employers		2616		33.82%	2745		37.43%
All Other Employers		5120		66.18%	4589		62.57%
Total Poulsbo Employment <sup>3</sup>		7736		100.00%	7334		100.00%

<sup>1</sup> Full and part-time employees are tracked.<sup>2</sup> Office closed or moved out of City<sup>3</sup> Total Poulsbo Employment numbers from ESD as of Q1 2013 & Q1 2003

Source: Kitsap Economic Development Council Survey, WA St Employment Security Department, City of Poulsbo Finance Department



**FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION**  
As of December 31, 2013

Function	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Government:										
Executive (Mayor)	1.00	1.00	1.00	1.63	1.63	2.00	2.00	1.00	1.00	1.00
Clerk's Department	4.00	4.00	4.00	4.00	4.00	4.00	4.00	3.00	3.00	3.00
Finance Department	7.00	6.50	7.00	7.00	8.00	8.00	8.00	7.00	7.00	7.00
Grant Writer	0.40	0.40	0.40	0.40	0.40	0.40	0.40	-	-	-
Information Services	-	1.00	1.00	1.00	2.00	2.00	2.00	1.00	1.50	1.50
Purchasing	2.00	-	-	-	-	-	-	-	-	-
Personnel	1.00	1.00	1.00	1.00	1.00	1.00	1.15	1.00	1.00	1.00
Central Services	1.79	1.90	1.90	1.90	1.90	1.90	1.90	2.50	2.50	2.50
Municipal Court	3.90	3.39	3.39	3.90	4.26	4.21	4.21	3.77	3.99	3.39
Police Department	20.00	20.00	20.00	20.00	22.00	22.00	21.00	19.00	19.50	20.30
Engineering	6.50	5.00	6.00	6.00	6.45	5.95	5.95	5.63	5.63	5.63
Streets	3.91	4.36	4.36	4.70	4.70	4.70	4.70	3.70	3.70	3.25
Planning & Building	5.75	7.50	8.50	9.00	9.45	8.45	8.45	6.55	6.55	6.55
Parks & Recreation	5.92	5.92	6.32	6.42	6.42	6.42	6.62	5.87	5.87	6.16
Parks & Cemetery	2.90	3.48	3.98	3.25	3.25	2.25	2.25	2.25	2.25	2.28
Library	0.49	0.54	0.54	0.60	0.60	0.60	0.60	-	-	-
Water	2.28	3.46	3.46	2.90	2.90	2.90	2.90	3.30	3.30	3.33
Sewer	1.37	1.80	1.80	3.15	3.15	3.15	3.15	3.05	3.05	3.08
Solid Waste	2.88	3.49	3.99	3.55	3.55	3.05	3.05	3.05	3.05	3.10
Storm Drain	1.85	1.97	2.97	2.95	3.95	3.95	3.95	3.65	3.65	3.65
General Facilities	0.89	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	0.83
Administration	7.64	5.00	6.00	5.00	5.10	5.10	5.10	3.88	3.88	3.85
<b>Total Number of Full-Time Equivalent Employees:</b>	<b>83.47</b>	<b>82.71</b>	<b>88.61</b>	<b>89.35</b>	<b>95.71</b>	<b>93.03</b>	<b>92.38</b>	<b>80.20</b>	<b>81.42</b>	<b>81.40</b>



Source: City of Poulsbo, Human Resources

**OPERATING INDICATORS BY FUNCTION**  
Last Ten Fiscal Years

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b><u>Governmental Functions</u></b>										
<b>General Government Other</b>										
Number of Unions Represented	2	2	2	2	2	2	2	2	2	2
Number of City Council meetings	37	38	42	40	44	43	39	42	39	37
Number of public records requests processed	56	57	44	73	79	87	88	75	83	119
Number of pages of Ordinances codified	*	*	*	*	*	*	*	*	*	382
Number of passports processed	858	806	1,119	1,024	1,018	1,015	617	805	783	723
Number of Business Licenses Issued	907	914	1,375	1,575	1,351	1,563	1,404	1,463	1,639	1,629
<b>Public Safety</b>										
Number of case reports filed	1,611	1,586	1,998	2,090	1,783	1,698	1,746	1,552	1,595	1,391
Number of citations issued	2,191	2,162	2,167	2,325	985	1,223	1,250	1,155	1,031	1,415
Number of calls for service	10,458	11,229	13,374	12,942	12,234	12,842	13,744	13,591	12,139	11,653
Number of responses to motor vehicle accidents	160	211	175	271	235	302	347	205	182	181
Number of driving impaired citations issued	49	58	110	72	71	103	84	77	50	28
Number of vacation house checks	1,350	909	1,034	1,049	847	847	1,114	677	398	590
Number of parking citations issued	171	177	231	63	230	114	568	802	636	327
<b>Transportation</b>										
Miles of streets maintained	35	37	39	45	45	45	45	45	45	47
Miles of sidewalks maintained	42	42	44	47	48	49	50	51	50	50
Number of hours spent street sweeping	420	490	546	550	468	468	323	225	312	312
Number of street signs maintained	1,553	1,805	1,875	2,174	2,174	2,204	2,204	2,215	2,255	2,280
<b>Culture and Recreation</b>										
Number of parks maintained	16	16	16	16	17	17	17	17	17	17
Total acreage of parks/open space maintained	48	61	64	64	65	67	67	67	67	67
<b>Economic Environment</b>										
Number of single family building permits issued	132	75	227	265	154	105	78	51	96	109
Number of commercial building permits	53	40	108	86	68	47	84	51	3	2
Number of all other building permits	**	**	91	117	74	61	74	100	163	166
<b>Physical Environment</b>										
Number of Right of Way Permits issued	37	47	41	42	46	40	57	41	42	59

**OPERATING INDICATORS BY FUNCTION**  
Last Ten Fiscal Years

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Physical Environment (continued)</b>										
Number of Land Use Applications reviewed	97	108	96	156	89	90	26	31	38	28
Number of grading/site construction permits/applications	**	20	19	10	42	4	9	5	11	6
Number of land use applications reviewed for commercial sites	**	9	6	19	14	7	11	3	9	12
Number of land use applications reviewed for residential sites	**	217	1,189	500	8	9	6	3	4	10
<b>Business-Type Functions</b>										
<b>Water</b>										
Number of active water services	2,674	2,707	2,820	2,990	3,142	3,133	3,156	3,249	3,194	3,280
Miles of watermain lines maintained	57	58	60	61	61	62	62	62	63	63
Average number of water meters read monthly	2,554	2,663	2,758	3,051	3,093	3,147	3,259	3,292	3,355	3,480
<b>Sewer</b>										
Number of active sewer services	2,525	2,561	2,631	2,778	2,869	2,963	2,985	3,015	3,073	3,200
Miles of sewermain lines maintained	31	31	32	33	34	34	34	34	34	34
Number of pump stations maintained	8	8	8	9	9	9	9	9	9	9
<b>Solid Waste</b>										
Number of residential garbage accounts	2,217	2,273	2,310	2,430	2,746	2,623	2,641	2,668	2,785	2,900
Number of multi-family units	1,016	1,030	1,038	1,012	1,012	1,102	1,102	1,102	1,012	1,022
Number of commercial accounts	192	224	229	201	231	266	277	282	311	314
Number of tons of waste to landfill	5,181	5,200	5,690	5,700	4,794	4,894	4,810	487	5,144	5,200
Number of 3 day free dumpsters for residential clean-up provided	420	363	326	350	308	312	356	300	306	310
<b>Storm Drain</b>										
Number of detention ponds maintained	20	22	29	29	29	29	29	29	29	29

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

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

Source: Internal Operating Statistics

**CAPITAL ASSETS STATISTICS BY FUCTION**  
**Last Ten Fiscal Years**

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b><u>Governmental Functions</u></b>										
<b>General Government</b>										
Number of City Vehicles (not listed below)	*	*	15	5	6	6	7	14	14	14
Generators	*	*	1	1	1	1	1	1	1	1
<b>Public Safety</b>										
Number of police vehicles	*	*	24	23	22	22	20	20	20	21
Number of police boats	1	1	1	1	1	1	1	1	1	1
<b>Transportation</b>										
Number of Vehicles (not specified below)				6	11	6	7	7	7	7
Number of Street Sweepers	1	1	1	1	1	1	1	1	1	2
Number of Dump Trucks	8	8	8	4	4	4	4	4	4	4
Miles of streets	35	37	39	39	45	47	48	48	48	48
Number of Traffic Signals	8	8	8	9	8	8	8	8	8	8
Number of bridges	1	1	1	1	1	1	1	1	1	1
<b>Culture and Recreation</b>										
Number of vehicles	1	1	1	1	1	1	1	1	1	1
Neighborhood parks	3	3	3	3	8	10	10	10	10	10
Community parks	13	13	13	13	8	5	5	5	5	5
Indoor recreational facilities	1	1	1	1	1	1	1	1	1	1
<b>Economic Environment</b>										
Number of Planning vehicles	1	1	1	1	1	1	1	1	1	1
<b>Physical Environment</b>										
Number of Engineering vehicles	*	3	4	4	4	4	4	1	1	1

**CAPITAL ASSETS STATISTICS BY FUCTION**  
Last Ten Fiscal Years

<u>Business-Type Functions</u>	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Water</b>										
Generators	2	2	2	2	2	2	2	2	2	2
Miles of water mains	57	58	58	60	61	62	63	63	63	63
Number of vehicles	*	*	4	4	4	4	4	4	4	4
Number of construction vehicles	*	*	4	3	1	1	1	1	1	1
Number of hydrants	*	*	299	315	399	400	402	406	425	427
<b>Sewer</b>										
Generators	*	*	3	3	5	5	5	5	5	5
Number of vehicles	*	*	4	4	2	2	2	2	2	2
Number of construction vehicles	*	*	3	3	6	3	3	3	3	3
Number of Vacuum Trucks	1	1	1	1	1	1	1	1	1	1
Sewer inspection camera	1	1	1	1	1	1	1	1	1	2
Treatment plants (Pumping Stations)	8	8	8	8	9	9	9	9	9	9
Miles of sewer mains	31	31	31	33	33	34	34	34	34	34
<b>Solid Waste</b>										
Number of garbage trucks	4	4	5	5	4	6	6	6	6	6
<b>Storm Drain</b>										
Number of vehicles	*	*	2	3	3	3	3	3	3	3
Number of Vacuum Trucks	1	1	1	1	1	1	1	1	1	1

\* The City implemented GASB 44 in 2006, prior year data is not readily available  
Source: City of Poulsbo Fixed Asset Module

