

City of Poulsbo, Washington

Comprehensive Annual Financial Report



For the fiscal year ended December 31, 2014

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CITY OF POULSBO

WASHINGTON

**COMPREHENSIVE ANNUAL FINANCIAL
REPORT**

For the fiscal year ended

December 31, 2014

Finance Director

Deborah Booher

PREPARED BY

THE CITY FINANCE TEAM:

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City of Poulsbo



June 29, 2015

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, 2014. 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 & Recreation and Public Works operation. 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 small businesses and restaurants and provides 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, small natural amphitheater and numerous forms of wildlife. The City was donated two parcels 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 pre-owned auto dealership opened for business in 2014 and another large vacant dealership was purchased at the end of 2014, with planned occupation in 2015. Fishline, who provides meals and support to those who are in need of this assistance, also relocated their food bank to Viking Avenue, while maintaining 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.

In 2014, a new large Safeway store inclusive of a gas station opened for business. This large retail grocery development will enhance the options for residents as well as entice travelers to make a quick stop with easy highway access and a covered parking option to help protect from any climate impacts.

A new CVS full service pharmacy opened for business in 2014, providing more options for resident's pharmacy and other needs.

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. The college continues to enhance their program and partner with Western Washington University offering several 4 year baccalaureate programs. 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 slowed construction; however, activity seems to be seeing a resurgent beginning in 2014. A new full serve restaurant offering Asian cuisine opened for business in 2014. Conversations and marketing regarding future development in this area continue.

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 2014 budget was developed, delaying some capital acquisitions and postponing capital projects as well as developing additional revenue streams. 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 2014 Budget with the intention of using reserve funds, but still maintaining levels consistent with the City's policies. Due to increased and unanticipated revenues and conservative spending, it was not necessary to use reserves in 2014 to stabilize the fund. For the first time in several years the General Fund current operating revenues supported expenditures.

Risk Management

Effective January 1, 2014, the City changed carriers for its liability and property coverage to Washington Cities Insurance Authority (WCIA). Due to the larger pool of Cities, WCIA is able to offer a lower premium and options for more training at no additional cost to the City. The carrier also requires mandatory levels of training, attendance at board meetings and internal audits which makes the City much more active and accountable with the change in coverage. In 2014 the City reorganized and created a Risk Manager position to support the risk management function, be more proactive and monitor the City's program to maintain our eligibility compliance.

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 2014 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, 2013.

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 2014 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.

Deborah L. Booher
Finance Director



Government Finance Officers Association

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

Presented to

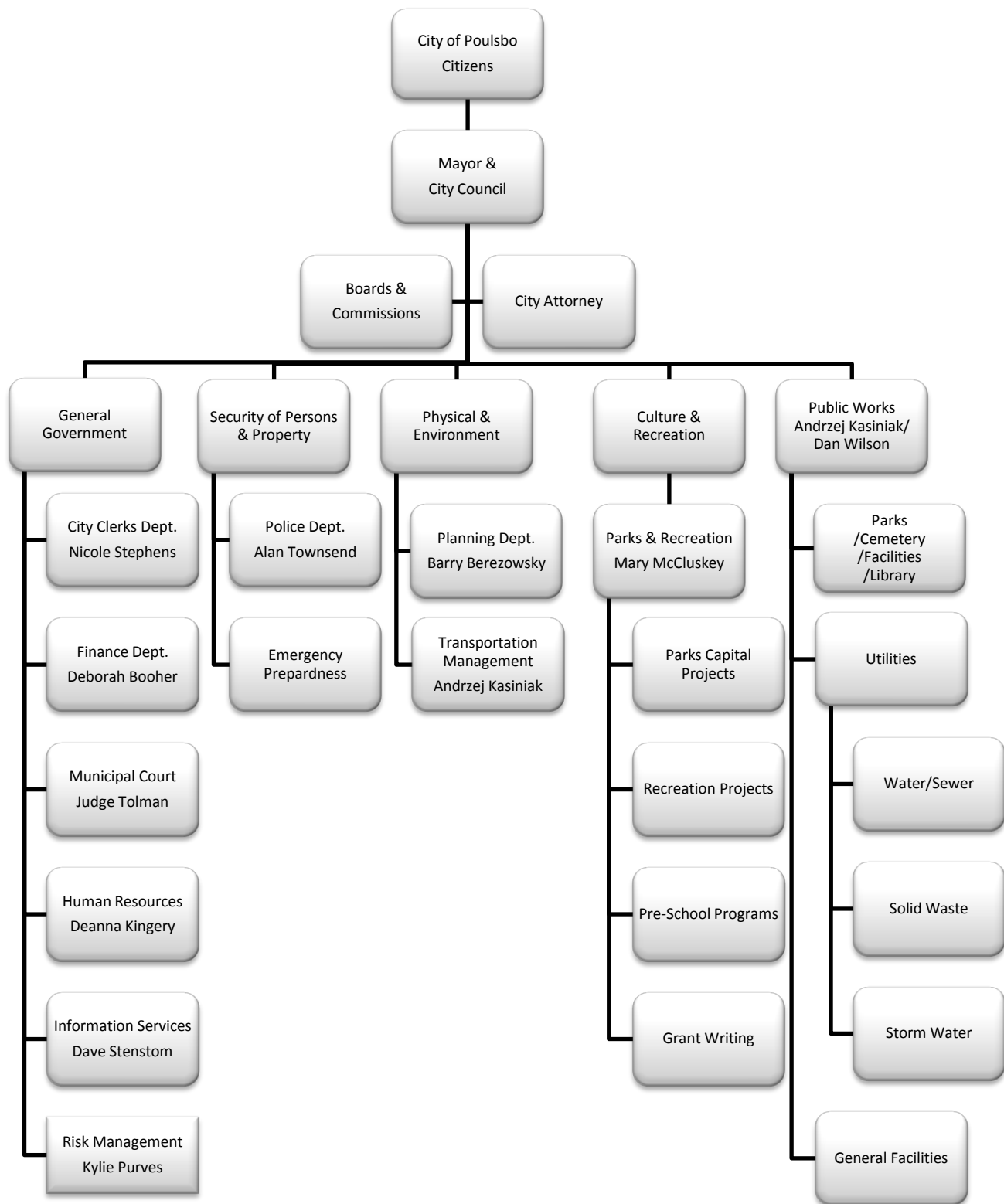
**City of Poulsbo
Washington**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2013

Executive Director/CEO

City of Poulsbo Organization Chart



City of Poulsbo Officials

As of December 31, 2014

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

Nicole Stephens

Municipal Judge

Jeffrey Tolman

Prosecutor

Kitsap County Prosecutor

City Attorney

Jim Haney, Ogden Murphy Wallace

Bond Attorney

Preston Gates and Ellis





Washington State Auditor's Office

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

June 23, 2015

Mayor and City Council
City of Poulsbo
Poulsbo, Washington

REPORT ON THE 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, 2014, 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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 74 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

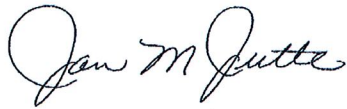
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying information listed as combining financial statements and supplementary information on pages 78 through 102 is presented for purposes 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 is not a required part of the basic financial statements of the City. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we 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 23, 2015, 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. That report will be issued under separate cover in the City's Single Audit Report. 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 "Jan M. Jutte".

JAN M. JUTTE, CPA, CGFM

ACTING STATE AUDITOR

OLYMPIA, WA



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, 2014. 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 2014 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 2014 fiscal year by \$127.6 million (net position). Of this amount, \$20.5 million (unrestricted net position) may be used to meet the city's ongoing obligations to its citizens and creditors.
- Reported net position increased \$4.6 million. Net position of governmental activities increased \$2.5 million, or 3.76%, during 2014. Net position of business-type activities increased \$2.1 million, or 3.7%, during 2014. In 2014 much of the variation can be attributed to increases in capital assets and a decrease in debt as principal payments made in 2014 decreased the outstanding amount due.
- Investments in capital assets net of debt, increased \$3.4 million with the bulk of the increase occurring in the governmental activities. Much of this is due to clearing and refunding custodial accounts, which were deposits held from contractors for pending projects and a large invoice due to a contractor for a transportation project.

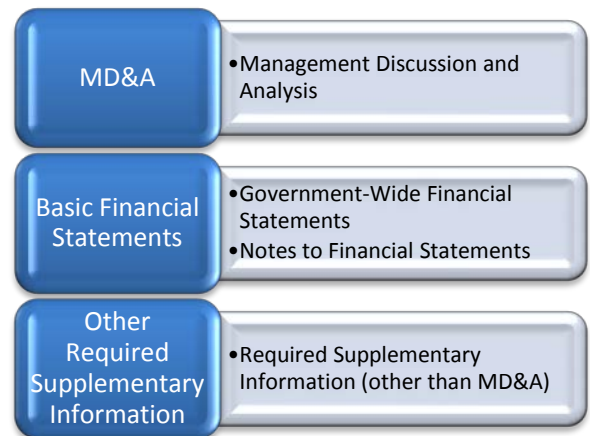
- Total liabilities decreased by \$438 thousand. This is primarily due to debt principal payments reducing the amount owed for existing issues and an outstanding invoice for a contractor on a large transportation project that awaits payment.
- The book value of capital assets has increased \$2.3 million over 2013. Total capital assets from governmental activities increased \$1.8 million or 2.4%. The increase in capital assets is primarily attributed to a large transportation project located on Lincoln Road. Capital assets of business-type activities increased \$480 thousand or 1.1%. This is due to utility projects being completed in 2014.
- City governmental fund tax revenue has increased an average of 2% for the past several years. This average is based on the largest increase in 2014 of 5% and the lowest of -54% in 2013. Sales tax is the largest revenue source for Poulsbo. In 2014 the City saw an increase over the prior year of \$354 thousand. Poulsbo is fortunate the increase is attributable to several categories, proving the hard work the Mayor and Council has done to diversify development. Utility taxes have seen an increase due to a combination of the number of new homes in the area and due to Council increasing the City utility tax rates for water and sewer services. Sales tax saw a significant increase, which is reflective of the recovering economy and new commercial businesses constructing and opening their doors for business. The new Safeway opened for business in 2014 with retail sales tax replacing the revenue generated in the construction category and a new CVS was built and opened for business in late 2014. The City continues to focus and promote diversification, planning for future growth and not remaining dependent on a single line of business.
- 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 2014.
 - 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 \$5.2 million. Approximately 83% of this total amount, or \$4.3 million, is available for spending at the government's discretion and 17% or \$877 thousand 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 \$661,204 or 6.62% of the total General Fund expenditures. The total General Fund balance inclusive of the amount assigned for revenue stabilization and legal expenditures amounts to \$2.18 million which equates 21.8% 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 2014. 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: The City's Proprietary funds are the enterprise funds which provide services to customers. The City uses enterprise funds to account for its water, sewer, solid waste and storm drain activities. 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 2014 and 2013. Governmental Activities net position has an increase of \$2.5 million. The increase is due to several factors, with the largest being an increase in capital assets. The completion of several large transportation capital projects increased the City's assets.

The Business Type Activities had an increase of \$2.1 million to the Net Position. The increase is due to a combination of several items. Cash balances have grown, capital assets increased with construction of capital projects and debt balances decreased due to principal payments reducing the outstanding amount. Increased current assets 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 2014, assets exceeded liabilities by \$127.5 million, an increase of \$4.6 million or 3.74%. The largest portion of the City's net position, \$105.9 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>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Current and Other Assets	\$ 8,008,656	\$ 7,202,243	\$ 16,827,891	\$ 15,716,820	\$24,836,548	\$22,919,063
Capital Assets Net	74,919,753	73,138,914	44,372,705	43,892,563	119,292,458	117,031,477
TOTAL ASSETS	82,928,410	80,341,157	61,200,597	59,609,383	144,129,006	139,950,540
Deferred Outflows of Resources	-	-	50,798	67,731	50,798	67,731
Long-term Debt	11,389,060	11,986,277	1,741,246	2,263,171	13,130,307	14,249,448
Other Liabilities	2,445,030	1,762,691	1,033,671	1,034,971	3,478,701	2,797,662
TOTAL LIABILITIES	13,834,091	13,748,968	2,774,918	3,298,142	16,609,008	17,047,110
NET POSITION						
Invested in Capital Assets Net of Debt	63,759,780	61,384,364	42,142,755	41,152,937	105,902,534	102,537,302
Restricted	879,424	1,073,118	313,400	313,400	1,192,824	1,386,518
Unrestricted (deficit)	4,455,115	4,134,707	16,020,323	14,912,634	20,475,438	19,047,341
TOTAL NET POSITION	\$69,094,319	\$66,592,189	\$58,476,477	\$56,378,971	\$127,570,796	\$122,971,160

The City's total restricted net position amounts to 1%. 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.

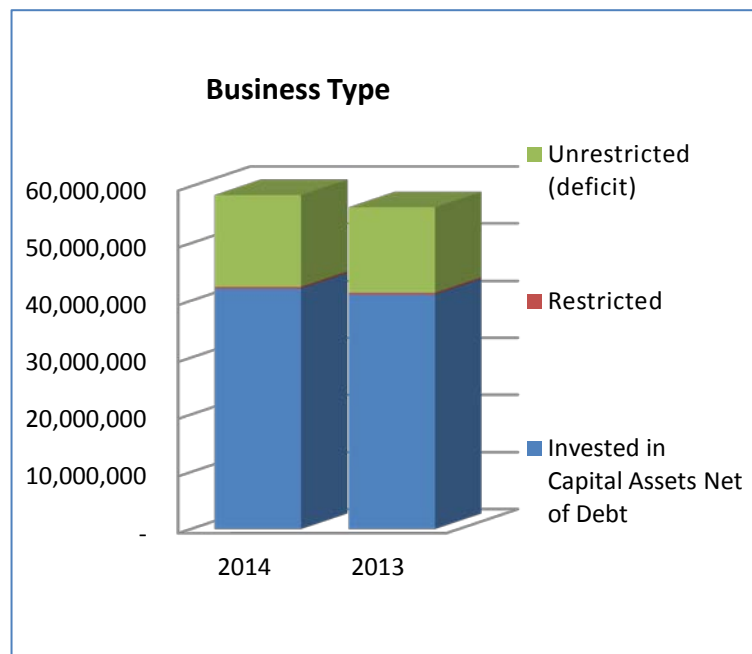
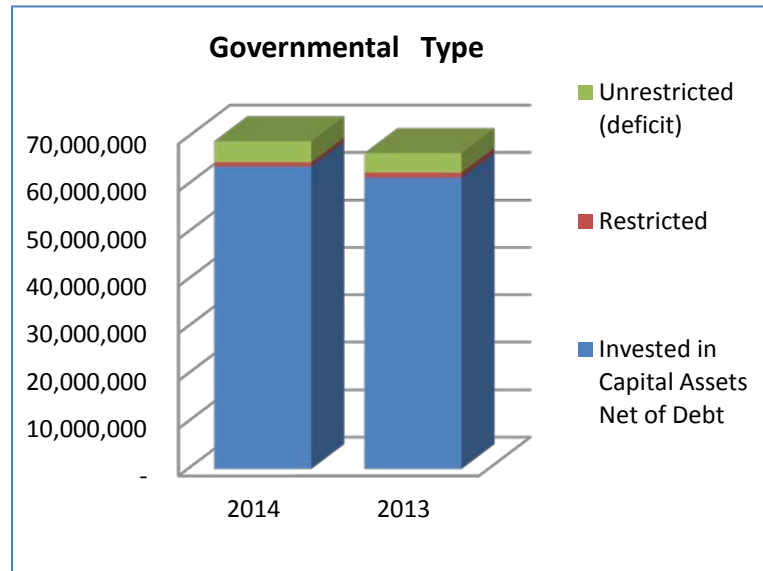


Table 2 illustrates changes in net position for the years 2014 and 2013. This is a condensed version of the Statement of Activities for the City. The revenues for 2014 show an increase attributed to a combination of increased charges for services and grant revenue. The increase in other category represents a gain to capital assets resulting in the disposal of a parcel of land sold by the City.

Table 2-Changes in Net Position

	<u>GOVERNMENTAL ACTIVITIES</u>		<u>BUSINESS-TYPE ACTIVITIES</u>		<u>TOTAL PRIMARY GOVERNMENT</u>	
	2014	2013	2014	2013	2014	2013
Revenues						
Program Revenues						
Charges for Services	\$ 1,693,704	\$ 1,752,947	\$ 7,314,605	\$ 6,813,276	\$ 9,008,309	\$ 8,566,222
Operating Grants/Contribr	496,338	479,485	-	-	496,338	479,485
Capital Grants / Contribr	3,673,904	1,493,376	862,361	2,492,406	4,536,266	3,985,782
General Revenues						
Property Taxes	2,085,784	1,967,770	-	-	2,085,784	1,967,770
Retail Sales & Use Tax	3,227,329	2,967,756	-	-	3,227,329	2,967,756
Business Taxes	2,251,856	2,269,571	-	-	2,251,856	2,269,571
Investment Earnings	47,924	33,016	39,785	25,987	87,709	59,003
Other	5,715	144,963	11,885	-	17,600	144,963
Total Revenues	13,482,555	11,108,884	8,228,636	9,331,669	21,711,191	20,440,553
Program Expenses						
General government	1,572,173	1,640,535	-	-	1,572,173	1,640,535
Judicial	357,993	355,656	-	-	357,993	355,656
Security of Per & Prop	3,009,996	2,826,033	-	-	3,009,996	2,826,033
Utilities & Environment	456,860	500,646	-	-	456,860	500,646
Transportation	2,820,286	2,716,499	-	-	2,820,286	2,716,499
Economic Environment	890,459	779,317	-	-	890,459	779,317
Mental & Physical Health	14,356	13,978	-	-	14,356	13,978
Culture & Recreation	1,338,814	1,336,339	-	-	1,338,814	1,336,339
Interest Long-Term Debt	518,677	536,673	-	-	518,677	536,673
Water	-	-	1,484,034	1,356,314	1,484,034	1,356,314
Sewer	-	-	2,236,003	2,240,098	2,236,003	2,240,098
Solid Waste	-	-	1,320,150	1,298,015	1,320,150	1,298,015
Storm Drain	-	-	1,088,006	972,205	1,088,006	972,205
Total expenses	10,979,613	10,705,677	6,128,192	5,866,631	17,107,805	16,572,308
Excess (deficiency)	2,502,942	403,207	2,100,444	3,465,038	4,603,386	3,868,245
Changes in Net Position	2,502,942	403,207	2,100,444	3,465,038	4,603,386	3,868,245
Beginning Net Position	66,595,127	66,298,764	56,376,033	52,913,934	122,971,160	119,212,698
Prior Year Adjustments	(3,750)	(109,782)	-	-	(3,750)	(109,782)
Ending Net Position	\$69,094,319	\$66,592,189	\$58,476,477	\$56,378,971	\$127,570,796	\$122,971,160

GOVERNMENTAL ACTIVITIES

Revenues

Taxes account for the largest revenue category in the governmental funds, generating 56% of the total revenue. The majority of tax revenue is received in the General Fund accounting for 69% 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 \$7,564,969.

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 2014 was \$1,230,099,929. The assessed value showed an increase from the prior year. This is the first time since 2009 an increase was reflected, however the total assessed value is substantially lower than the city's highest assessed value of \$1,378,593,157 in 2009. The good news is we believe the City should begin to see continual increases to the value due to continued new construction. The property tax amount continued to be affected as the City was not able to levy the full 1% increase above the highest allowable levy. For 2014, the City's regular property levy tax rate was \$1.70 per \$1,000 of assessed value.

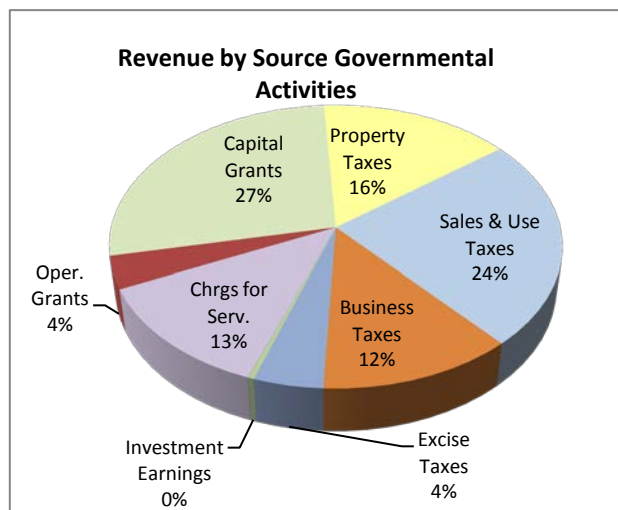
The City transferred 31% of property tax revenue to the City Street Operations Fund and 2.15% of property taxes to the Street and Park Reserve Funds for capital projects. The amount transferred for pavement restoration to Street Reserves Fund for capital restoration projects was 7% of property tax revenues.

Sales and Use tax revenue, in contrast to property tax, can be a highly fluctuating tax source. The City saw an 9% increase in 2014. The revenue is an anticipated increase over the prior year, due to a construction and grand opening of a new Safeway grocery store and CVS Pharmacy in 2014. Although the revenue was projected for these two large projects, the good news is many categories saw increases, due to the strategic planning by the Mayor and Council for diversification. Viking Avenue, an area greatly affected by the economic downturn, saw several new businesses opened in 2014 and will continue to develop in 2015. Retail trade, the category generating the largest amount of sales tax, is continuing to see slight increases which is an optimistic sign of Poulsbo's continued improving economy. 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 2014, sales tax received in the City's General Fund totaled \$3,071,034. The City's allocates a portion of sales tax revenue to other funds supporting capital equipment purchases. About 3% was transferred to the Capital Equipment Acquisition Fund.

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. Continued development is anticipated for both residential and new businesses in 2014. These new developments help Poulsbo continue to grow a diversified revenue base.

Business Taxes are taxes applied to utilities providing services in the City including City-owned and privately owned utilities. On the whole, these taxes tend to be stable reflecting some growth from year to year making up 20% of the governmental tax revenue. The utility rate for City and water and sewer City owned utilities was changed from 10% to 9% and the other City utilities of storm drain and solid waste maintained a 6% rate consistent with other utility tax rates. The increase in taxes



represents a portion of the growing revenue and the increase rate to City utilities.

Excise Taxes are admissions tax, leasehold and real estate excise tax (REET). The majority of these taxes are the REET which make up 80% of the category. Revenues have fluctuated due to the change in the economy and home sales. The City uses the revenue generated by REET to fund debt payments related to the City Hall and transportation capital projects. Another portion is used to support the operations of street maintenance.

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.

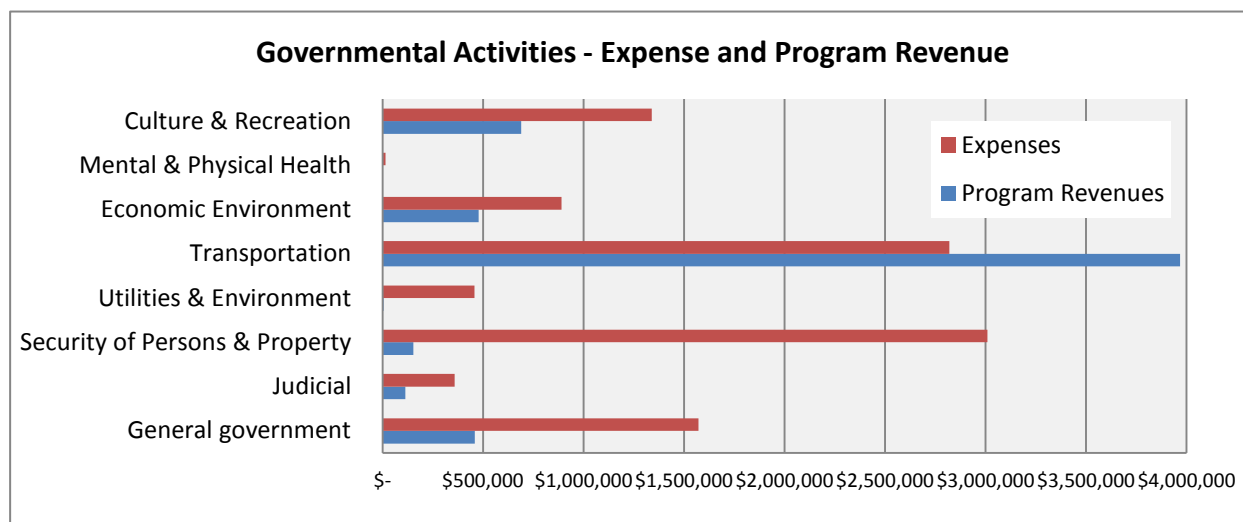
Transportation services provide maintenance of the City's streets, sidewalks, paths and traffic control signs/signals. In 2014 revenues greatly exceed expenditures due to the receipt of capital grants for capital projects which will then be reported on a balance sheet as an asset and not an operational expenditure.

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.



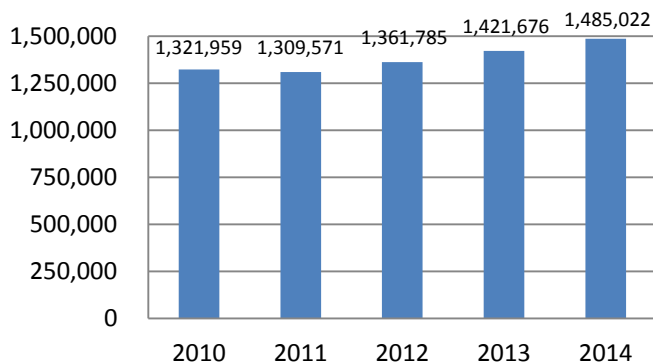
BUSINESS-TYPE ACTIVITY

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 and provide services to the planned growth.

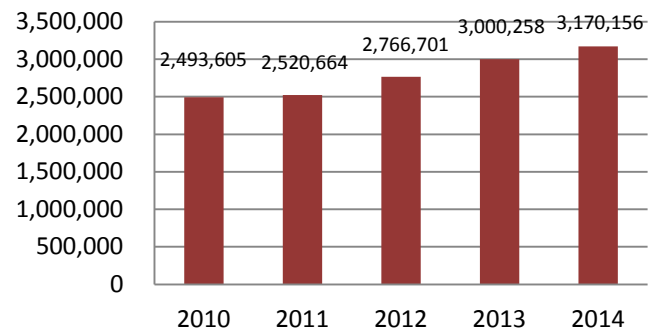
Key elements of the increases are as follows:

- There was a cost of living adjustment (COLA) for 2014, which resulted in an increase to utility rates creating an increase of revenue in 2014.
- After a review of the storm drain system and implementation of continually increasing regulatory requirements, it was necessary to increase storm drain rates. A brief review and analysis of the operating revenues to expenses showed the fund has been operating at a negative net income. The functional plan update was completed in 2015 and rates will significantly increase in 2015 to fund the operating costs as well as build a reserve balance for anticipated capital improvements.
- Although storm drain service charges were increased, it was determined a couple impervious surfaces had been measured incorrectly, which resulted in charging an incorrect higher rate. A refund was issued in 2013 and the rates were reduced accordingly reflecting in a lower 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.

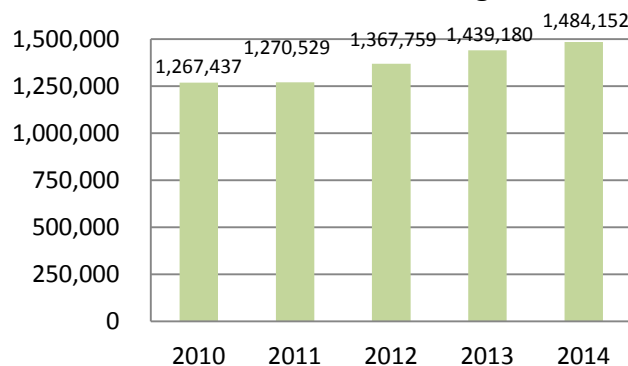
Water Service Charge Revenue



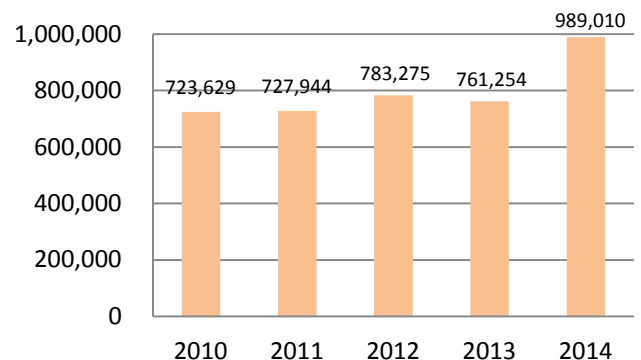
Sewer Service Charge Revenue



Solid Waste Service Charge Revenue

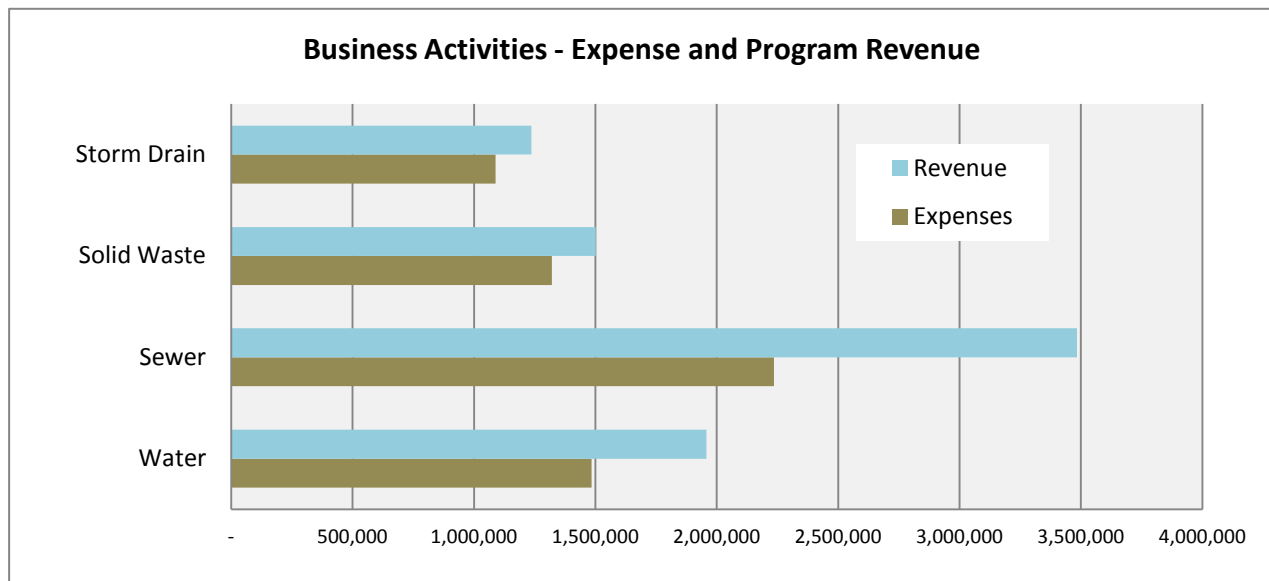


Storm Drain Service Charge Revenue



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 2014, 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 began updates in 2014 to address future needs and implementation of new and ever changing regulatory requirements. Rates will be set to reflect these updated plans. It is anticipated a joint project with the County to upgrade the sewer's processing plant will occur 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: In 2014, the City eliminated its last Internal Service Fund. Prior to 2014 the City accounted for mechanic services in an internal service fund then charged back to the functions where the services were provided. In 2014 expenses were directly accounted for in the pertaining function.

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 Street Reserve Fund and the General Fund met the requirements to qualify as major funds. These funds are accounted for using the modified accrual basis of accounting. As reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances, governmental funds have total revenues of \$14 million and expenditures of \$13.8 million.

- General Fund:** General Fund accounts for the main operating revenues and expenditures of the City's governmental functions. Revenues and expenditures related to Administrative Services, 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 increased by 6.3%. The City's revenues were greater than expenditures in 2014 increasing the fund balance. Although some of the increased revenues can be attributed to revenue related to

development, creating one time fees, some of the revenues such as sales tax and utility taxes are increasing because of the growing economy. Expenditures are also substantially less than prior years for legal fees, jail costs and departmental conservative spending.

Although the use of reserves was anticipated, it was not necessary and no reserves were used. Revenues 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

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.

- **Street Reserves Fund:** Accounts for major capital improvements to City streets and transportation projects. The City continues to be successful in receiving grants for transportation projects. Large projects in 2014 included:
 - Lincoln Road improvements
 - Major pavement restoration to three City locations

Both projects were major construction projects supporting traffic and pedestrian safety as well as maintaining the roadway for increased traffic flow.

The fund balance will fluctuate based on capital projects in construction and use of City reserves to fund the projects.

- **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 86. The significant budgetary changes in the General Fund include:

- The final General Fund revenue budget increased by 3.6%, or \$343 thousand of the original adopted budget. This was primarily due to increase in grant revenue to fund a county wide transportation plan and a midyear sales tax projection increase in order to fund the related transfers to reserves.
- The final General Fund expenditure budget increased by approximately 2.2%, or \$231 thousand. The majority of increase can be attributed to:
 - Items such as professional services and small tools carried over from the prior year's budget to expend in 2014
 - Expenditures to support the operation of the historical museum
 - Expenditures related to the county wide transportation plan funded by a grant
 - Salary and Wage increases due to retirement leave cashouts

- The General Fund amended budget anticipated the Fund Balance to increase \$70,649. This increase is primarily due to the actual beginning balance being higher than the original projection and increased sales tax revenue projection.
- Copies of the City's Budget and Budget-in-Brief are available on our website www.cityofpoulsbo.com. The complete budget provides details of the City's plans for using its resources during the year and may also be obtained by contacting our Finance Director at 360-394-9720 or dbooher@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 certified 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: \$10.6 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 \$446,210 and one is recorded in Business-Type Activities with a principal balance of \$45,848.

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 \$1,375,000.

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 (\$1,230,099,929), or \$18,451,499;
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, 230,099,929). For 2014 the City's limit is \$30,752,498 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.

Below is a chart showing the debt limits as of the end of 2014:

			2014 Assessed Valuation	\$ 1,230,099,929	Outstanding Debt	\$10,645,000
X	0.025	=	\$ 30,752,498	Limited for Combined Debt	Balance Available	\$ 20,107,498
X	0.015	=	\$ 18,451,499	Limited for Non-Voted Debt	Balance Available	\$ 7,806,499

Additional information on the City's debt is provided in Note 11, "Long-Term Debt" and may be found on page 67 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. The Capital Acquisition Fund's resources are transfers from General Fund established by a percent of Sales Tax dollars. For 2014 these transfers continued to be reduced to leave more operational dollars in the general fund. Capital purchases are prioritized and items not falling within the funding levels 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 2014 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. The City continually struggles to direct more efforts to building maintenance programs and plan for future renovation and replacement, but does address the requirement during the Capital Improvement Plan process by highlighting the necessary ongoing maintenance costs. 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 2014 is primarily in the governmental type activities. A large project on Lincoln Road and three major pavement restoration programs were constructed in 2014. Many of the business type projects were partially constructed in 2014 and will carry over into 2015. One large project which is underway is the combined Decant and Solid Waste transfer station facility. Progress has been slow throughout 2014, but formal bids and a contract was executed with construction moving forward at the end of 2014. There will be many Capital projects in 2015 with much of the focus on utility projects. 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

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2014	2013	2014	2013	2014	2013
Land/Intangibles	28,890,752	28,415,727	1,025,036	1,025,036	29,915,787	29,440,763
Buildings	13,639,127	13,982,745	236,060	245,261	13,875,186	14,228,006
Other Improvements	6,287,874	5,344,839	40,850,727	40,948,298	47,138,601	46,293,136
Infrastructure	22,436,583	23,065,306			22,436,583	23,065,306
Intangibles (Depreciable)	140,508	211,338	214,421	254,692	354,928	466,029
Machinery & Equipment	739,984	847,760	693,609	519,844	1,433,593	1,367,604
Work in Progress	2,784,926	1,271,199	1,352,853	899,434	4,137,779	2,170,633
Totals	74,919,753	73,138,914	44,372,705	43,892,563	119,292,458	117,031,477

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. For several years the City saw a decline in sales tax from the prior year, but in 2013 the City began to see an increase. Although the increase was anticipated due to a new large grocery store being constructed, the City continued to see the increases in 2014. The good news is the increase is diversified and not attributed to one category. A couple large retail establishments opened their doors in 2014 which helped to offset the onetime construction revenue. Residential development is continuing in 2015, with not only the projects which had been prior approved and delayed due the economy but with new developments as well. Much of the prior decline can be attributed to the loss of tax generated by vehicle sales due to several automobile dealerships closing their doors leaving vacant business fronts on the Viking Avenue corridor. These vacant spaces have started to fill at an increasing rate in 2014 with more growth anticipated in 2015. The City continues to grow and maintain strong revenues because of diversification and promotion of economic development. The City was able to weather the impact, continue growing, while maintaining a healthy level of reserves. Overall the average for the five years preceding 2014 reflected no change. The practice of Council is to not estimate more revenue than received the prior year.

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 utility functional plans are all going through updates over the next several years. The study for storm drain was substantially completed by the end of 2014 and rates are anticipated to increase in 2015. Most increases in expenditures, which are resulting in rate increases, can be attributed to increased environmental regulations imposed.

Several large construction projects continued in 2014. The City completed improvements to Lincoln Road including shared use paths, bicycle lanes, sidewalks and storm drainage retrofitting. The majority of the project was funded with grant funds. Pavement restoration to three major roadways in Poulsbo was completed in 2014 with grant funds. Design and bids were completed for the new decant and solid waste transfer station. Construction started in 2014 and will be completed in 2015.

This is the first phase for the City's planned new Public Works facility to be located on the west side of Poulsbo at the north end of Viking Avenue.

The City's estimated population in 2015 has grown by 190 people or 1.9% 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, obtain 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 Public Utility District (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 early 2015 the functional plan for Storm Drain and Water were completed and new rates were updated per the plans. Water rate increases were minimal with the exception of connection fees which were much lower than comparable cities. Storm Drain rates were increased almost 40% due to the growing expenditures related to new regulatory environmental laws for reporting and monitoring the system. Also impacting the fund was allocation of street expenditures directly related to the function of storm drain, but had been funded with governmental funds.

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 passed in 2011 which called 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. 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. As the biennial state budget is being debated at the state capital it is again proposed to reduce amounts distributed to cities. Representatives on behalf of cities are continuing to lobby for local funds to be maintained to support the increased enforcement necessary to regulate. The funds distributed to Poulsbo are not substantial, so although it is an impact, it is slight.

The Mayor and 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. The fees must be used for transportation expenditures clearly defined when implementing. The Council continues to discuss this option and in the 2015 budget process directed staff to develop the transportation plan and documents necessary to approve by Council action a \$20 car tab fee. Once passed the fee cannot be collected for 6 months. Two surrounding Cities within Kitsap County have implemented the fee.

The City Council approved a 6% Cable Utility tax to be implemented in 2015. This will be receipted into the governmental funds and is anticipated to support transportation maintenance and capital improvements which has continually been reduced with the decline in tax revenue experiences over the past several years.

A large change for the State of Washington, contradictory to federal laws, passed by voters is the legalization of marijuana,

not only for 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 will not be 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. It is being proposed at the state legislature to share a portion of the proceeds with localities that have these establishments in their jurisdiction. At this time there are no existing businesses located in the City of Poulsbo, and formal council action was passed to not allow any of these establishments to operate within the City limits.

The local Olympic Community College has partnered with Western Washington University to offer four year programs allowing citizens the option for an affordable and local degree program. The City Council is working collaboratively with local organizations to market and emphasize this asset bringing more citizens and businesses to our local area.

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 or Deborah Booher, Finance Director at (360) 394-9720, dbooher@cityofpoulsbo.com.



**STATEMENT OF NET POSITION
DECEMBER 31, 2014**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and Cash Equivalents	\$ 1,175,197	\$ 1,668,431	\$ 2,843,627
Investments	4,677,357	14,025,067	18,702,425
Receivables:			
Taxes	1,010,947	-	1,010,947
Accounts	7,876	666,524	674,401
Special Assessments	19,623	-	19,623
Other Receivables	46,373	-	46,373
Due from Other Governments	807,401	114,144	921,545
Materials and Supplies Inventory	9,762	38,825	48,587
Prepaid Items	-	1,500	1,500
Restricted Assets:			
Investments	91,016	313,400	404,416
Note Receivable	163,105	-	163,105
Capital Asset not being depreciated:			
Land & Right of Ways	28,890,752	1,025,036	29,915,787
Construction in Progress	2,784,926	1,352,853	4,137,779
Capital Assets (net of accumulated depreciation):			
Buildings and Structures	13,639,127	236,060	13,875,186
Other Improvements	28,724,457	40,850,727	69,575,184
Machinery and Equipment	739,984	693,609	1,433,593
Intangibles	140,508	214,421	354,928
Total Assets	82,928,410	61,200,597	144,129,006
Deferred Outflows of Resources			
Deferred Amount of Debt Refunded	-	50,798	50,798
Liabilities			
Current Payables:			
Accounts/Claims	611,380	262,595	873,975
Employee Wages	340,759	69,318	410,077
Interest	44,070	52,521	96,591
Retainage held	-	-	-
Due to other Governments	49,066	-	49,066
Unearned Revenues	75,605	3,689	79,293
Customer Deposits	546,996	17,796	564,792
Long-Term Liabilities:			
Due within one year	777,154	627,753	1,404,907
Due in more than one year	11,389,060	1,741,246	13,130,307
Total Liabilities	13,834,091	2,774,918	16,609,008
Deferred Inflows of Resources			
	-	-	-
Net Position			
Net Investment in Capital Assets	63,759,780	42,142,755	105,902,534
Restricted for:			
Capital Purpose	509,622	-	509,622
Drug Enforcement	16,778	-	16,778
Criminal Justice	91,099	-	91,099
Promoting Downtown Businesses	77,712	-	77,712
Promoting Tourism	64,848	-	64,848
City Beautification-Expendable	5,720	-	5,720
City Beautification-Nonexpendable	91,016	-	91,016
Debt Service	22,629	313,400	336,029
Unrestricted	4,455,115	16,020,323	20,475,438
Total Net Position	\$ 69,094,319	\$ 58,476,477	\$ 127,570,796

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

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014**

Page 1 of 2

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 1,572,173	\$ 345,370	\$ 113,161	\$ -
Judicial	357,993	112,624	349	-
Security of Persons & Property	3,009,996	120,687	31,956	-
Utilities & Environment	456,860	5,444	-	-
Transportation	2,820,286	112,095	288,126	3,568,270
Economic Environment	890,459	471,539	5,400	-
Mental & Physical Health	14,356	-	-	-
Culture & Recreation	1,338,814	525,946	57,346	105,634
Interest on Long-Term Debt	518,677	-	-	-
Total Governmental Activities	10,979,613	1,693,704	496,338	3,673,904
Business-Type Activities:				
Water	1,484,034	1,590,972	-	365,762
Sewer	2,236,003	3,208,493	-	274,955
Solid Waste	1,320,150	1,501,028	-	-
Storm Drain	1,088,006	1,014,112	-	221,645
Total Business-Type Activities	6,128,192	7,314,605	-	862,361
Total Primary Government	\$ 17,107,805	\$ 9,008,309	\$ 496,338	\$ 4,536,266

General Revenues:

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

Total General Revenues, Special Items, and Transfers

Change in Net Position

Net Position Beginning of Year (Restated - see Note 15)

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, 2014**

Page 2 of 2

Net (Expenses) Revenue and Changes in Net Assets				
Primary Government				
Governmental Activities	Business-Type Activities		Total	
\$ (1,113,642)	-	\$	(1,113,642)	
(245,020)	-		(245,020)	
(2,857,352)	-		(2,857,352)	
(451,417)	-		(451,417)	
1,148,205	-		1,148,205	
(413,520)	-		(413,520)	
(14,356)	-		(14,356)	
(649,888)	-		(649,888)	
(518,677)	-		(518,677)	
(5,115,667)	-		(5,115,667)	
-	472,700		472,700	
-	1,247,445		1,247,445	
-	180,878		180,878	
-	147,751		147,751	
-	2,048,774		2,048,774	
(5,115,667)	2,048,774	\$	(3,066,892)	
2,085,784	-		2,085,784	
3,227,329	-		3,227,329	
1,658,873	-		1,658,873	
592,983	-		592,983	
47,631	39,785		87,416	
293			293	
5,715	11,885		17,600	
7,618,608	51,670		7,670,278	
2,502,942	2,100,444		4,603,386	
66,595,127	56,376,033		122,971,160	
(3,750)			(3,750)	
\$ 69,094,319	58,476,477	\$	127,570,796	

**BALANCE SHEET-GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General Fund	Street Reserve Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets				
Cash and Cash Equivalents	\$ 194,752	\$ 330,537	\$ 649,908	\$ 1,175,197
Investments	3,006,698	-	1,670,659	4,677,357
Receivables:				
Taxes	12,198	-	28,927	41,126
Accounts	7,209	-	668	7,876
Special Assessments	-	-	19,623	19,623
Due from other govern units	12,152	748,888	46,360	807,401
Inventories	9,762	-	-	9,762
Cash and Investments-Restricted	-	-	91,016	91,016
Total Assets	3,242,772	1,079,425	2,507,160	6,829,357
Deferred Outflows of Resources	-	-	-	-
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	97,488	457,434	56,458	611,380
Payroll Payable	319,806	3,872	17,081	340,759
Due to Other Governments	49,066	-	-	49,066
Unearned Revenues	4,534	-	12,347	16,881
Revenues Collected in Advance	58,724	-	-	58,724
Custodial Accounts	537,778	-	9,218	546,996
Total Liabilities	1,067,397	461,306	95,104	1,623,806
Deferred Inflows of Resources	-	-	-	-
Fund Balances:				
Nonspendable fund balance	12,412	-	91,016	103,428
Restricted fund balance	-	-	773,736	773,736
Assigned fund balance	1,501,759	618,120	1,547,305	3,667,183
Unassigned fund balance	661,204	-	-	661,204
Total Fund Balances	2,175,375	618,120	2,412,057	5,205,551
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 3,242,772	\$ 1,079,425	\$ 2,507,160	\$ 6,829,357

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, 2014**

Total Governmental Fund Balances:		\$ 5,205,551
<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.		74,919,753
These assets consist of:		
Land	\$ 28,890,752	
Buildings and structures	17,118,430	
Improvements	41,290,430	
Machinery and Equipment	3,013,240	
Construction in Progress	2,784,926	
Intangibles	647,486	
Less: Accumulated Depreciation	(18,825,511)	
Other Assets that are not available to pay for current-period expenditures and therefore are not reported in governmental funds.		1,179,299
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	44,070	
Long-term Liabilities	12,166,215	(12,210,285)
Net Position of governmental activities		<u>\$ 69,094,319</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, 2014

	General Fund	Street Reserve Fund	Non-Major Governmental Funds	Total
Revenues				
Taxes	\$ 6,929,422	\$ -	\$ 580,248	\$ 7,509,669
Licenses and Permits	541,433	-	16,680	558,113
Intergovernmental	207,686	2,752,065	424,948	3,384,699
Charges for Services	2,071,043	-	157,897	2,228,941
Fines and Forfeitures	83,029	-	209	83,238
Interest and Other Earnings	49,330	129	2,896	52,355
Miscellaneous	95,569	-	60,989	156,557
Total Revenues	9,977,512	2,752,194	1,243,866	13,973,573
Expenditures				
Current:				
General Government	2,704,029	-	-	2,704,029
Security of Persons & Property	2,805,702	-	41,426	2,847,128
Utilities and Environment	443,940	-	-	443,940
Transportation	535,520	-	1,024,174	1,559,694
Economic Environment	774,401	-	111,986	886,387
Mental and Physical Health	14,356	-	-	14,356
Culture and Recreation	1,039,993	-	57,584	1,097,577
Debt Service:				
Principal	-	-	589,368	589,368
Interest & Fiscal Charges	-	-	479,814	479,814
Capital Outlay	-	2,964,835	231,756	3,196,591
Total Expenditures	8,317,941	2,964,835	2,536,109	13,818,885
<i>Excess of Revenues Over (Under) Expenditures</i>	<i>1,659,572</i>	<i>(212,641)</i>	<i>(1,292,243)</i>	<i>154,688</i>
Other Financing Sources (Uses)				
Transfers In	21,246	558,465	2,056,276	2,635,988
Transfers Out	(1,662,986)	(24,535)	(948,467)	(2,635,988)
Sale of Capital Assets	5,715	-	-	5,715
Compensation for Impairment of Capital Assets	1,506	-	6,022	7,528
Insurance Recoveries	613	-	-	613
Total Other Financing Sources and Uses	(1,633,906)	533,930	1,113,832	13,856
<i>Net Change in Fund Balances</i>	<i>25,666</i>	<i>321,290</i>	<i>(178,412)</i>	<i>168,544</i>
<i>Fund Balances Beginning of Year (Restated-See Note 15)</i>	<i>2,057,143</i>	<i>296,830</i>	<i>2,686,783</i>	<i>5,040,757</i>
<i>Prior Year Adjustment</i>	<i>92,565</i>	<i>-</i>	<i>(96,315)</i>	<i>(3,750)</i>
Fund Balances End of Year	\$ 2,175,375	\$ 618,120	\$ 2,412,057	\$ 5,205,551

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, 2014**

Net change in Fund balance--total governmental funds	\$	168,544
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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		3,196,591
This is the amount of depreciation		(1,966,570)
This is the amount of Gain (Loss) on Capital Assets		-

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the government funds.		57,940
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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.		550,818
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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		589,368
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Some expenses reported in the statement of activities do not require the use of the governmental funds.		(93,750)
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Change in net position of governmental activities		<u>\$ 2,502,942</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, 2014**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
Revenues				
Taxes	\$ 6,665,432	\$ 6,840,432	\$ 6,929,422	\$ 88,990
Licenses and Permits	455,150	455,150	541,433	86,283
Intergovernmental	100,829	245,735	207,686	(38,049)
Charges for Services	2,011,597	2,011,597	2,071,043	59,446
Fines and Forfeitures	75,600	75,600	83,029	7,429
Interest and Other Earnings	49,500	49,500	49,330	(170)
Miscellaneous	107,705	109,705	95,569	(14,136)
Total Revenues	9,465,813	9,787,719	9,977,512	189,793
Expenditures				
Current:				
General Government	2,936,271	2,917,448	2,704,029	213,419
Security of Persons & Property	2,889,901	2,879,245	2,805,702	73,543
Utilities and Environment	504,852	507,202	443,940	63,261
Transportation	503,122	624,352	535,520	88,832
Economic Environment	725,357	792,803	774,401	18,402
Mental and Physical Health	14,228	14,228	14,356	(128)
Culture and Recreation	1,077,309	1,103,583	1,039,993	63,591
Total Expenditures	8,651,040	8,838,861	8,317,941	520,920
Excess of Revenues Over Expenditures	814,773	948,858	1,659,572	710,714
Other Financing Sources (Uses)				
Transfers in	-	21,246	21,246	-
Transfers out	(1,631,980)	(1,675,230)	(1,662,986)	12,244
Intergovernmental Payment	-	-	-	-
Sale of Capital Assets	-	-	5,715	5,715
Comp for Impairment of Capital Assets	-	-	1,506	1,506
Insurance Recoveries	-	-	613	613
Total Other Financing Sources (Uses)	(1,631,980)	(1,653,984)	(1,633,906)	20,078
Net Change in Fund Balance	(817,207)	(705,126)	25,666	730,792
Fund Balance Beginning of Year	2,077,089	2,035,657	2,057,143	21,486
Prior Year Adjustment			92,565	92,565
Fund Balance End of Year	\$ 1,259,882	\$ 1,330,531	\$ 2,175,375	\$ 844,843

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, 2014**

	Business-type Activities Enterprise Funds				
	Water	Sewer	Solid Waste	Storm Drain	Total
Assets					
Current Assets:					
Cash and Cash Equivalents	\$ 320,360	647,011	\$ 107,128	\$ 593,932	\$ 1,668,431
Investments	3,304,349	7,732,161	2,124,885	863,672	14,025,067
Accounts Receivable	120,519	280,476	139,085	126,444	666,524
Due from Other Governments	25,000			89,144	114,144
Inventories	32,094	6,732	-	-	38,825
Prepaid	500	500	250	250	1,500
Total Current Assets	<u>3,802,822</u>	<u>8,666,880</u>	<u>2,371,348</u>	<u>1,673,442</u>	<u>16,514,491</u>
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	17,542,240	25,367,994	9,098	12,774,451	55,693,784
Machinery and Equipment	490,307	810,281	934,969	321,468	2,557,025
Construction in Progress	466,116	342,717	175,262	368,758	1,352,853
Less: Accumulated Depreciation	(5,110,328)	(8,696,866)	(577,573)	(2,930,924)	(17,315,691)
Total Noncurrent Assets	<u>14,167,372</u>	<u>18,700,789</u>	<u>781,457</u>	<u>11,036,487</u>	<u>44,686,105</u>
Total Assets	<u>17,970,194</u>	<u>27,367,669</u>	<u>3,152,805</u>	<u>12,709,929</u>	<u>61,200,597</u>
Deferred Outflows of Resources	<u>11,176</u>	<u>39,623</u>	<u>-</u>	<u>-</u>	<u>50,798</u>
Liabilities					
Current Liabilities					
Accounts payable	107,498	109,947	71,178	43,289	331,913
Accrued interest payable	10,658	41,863			52,521
Rev. bonds payable	97,460	345,540	-	-	443,000
Unearned Revenue	3,304	99	189	97	3,689
Custodial	4,770	13,026	-	-	17,796
Compensated Absences	3,478	3,603	4,145	2,679	13,905
Notes Payable		125,000			125,000
Due to Other Governmental Units	8,161	37,687			45,848
Total Current Liabilities	<u>235,328</u>	<u>676,765</u>	<u>75,513</u>	<u>46,065</u>	<u>1,033,671</u>
Noncurrent Liabilities:					
Rev. bonds payable	205,040	726,960			932,000
Compensated absences	31,300	32,426	37,309	24,108	125,144
Notes Payable		684,103			684,103
Total Noncurrent Liabilities	<u>236,340</u>	<u>1,443,488</u>	<u>37,309</u>	<u>24,108</u>	<u>1,741,246</u>
Total Liabilities	<u>471,669</u>	<u>2,120,254</u>	<u>112,822</u>	<u>70,173</u>	<u>2,774,918</u>
Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Position					
Invested in capital assets, net of related debt	13,787,763	16,537,047	781,457	11,036,487	42,142,755
Restricted for debt service	68,948	244,452	-	-	313,400
Unrestricted	3,652,990	8,505,539	2,258,526	1,603,269	16,020,323
Total net position	<u>\$ 17,509,701</u>	<u>\$ 25,287,037</u>	<u>\$ 3,039,983</u>	<u>\$ 12,639,756</u>	<u>\$ 58,476,477</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, 2014**

	Business-type Activities Enterprise Funds				
	Water	Sewer	Solid Waste	Storm Drain	Total
Operating Revenues:					
Charges for Services	1,485,022	3,170,156	1,484,152	989,010	7,128,341
Other Operating Revenues	105,950	38,336	16,876	25,102	186,264
Total Operating Revenues	1,590,972	3,208,493	1,501,028	1,014,112	7,314,605
Operating Expenses:					
Depreciation	421,632	607,438	52,416	346,229	1,427,715
Bad Debt Expense	41	60	89	456	647
Salaries and Wages	244,304	223,676	233,755	239,947	941,681
Personnel Benefits	106,625	98,672	101,871	105,114	412,282
Supplies	64,374	19,611	96,391	15,474	195,850
Services	419,035	447,934	288,877	151,912	1,307,759
Intergovernmental Services and Payments	211,253	778,109	546,751	228,874	1,764,986
Total Operating Expenses	1,467,265	2,175,499	1,320,150	1,088,006	6,050,919
Operating Income (Loss)	123,708	1,032,994	180,878	(73,894)	1,263,685
Nonoperating Revenues (Expenses):					
Interest and Other Earnings	8,739	21,796	5,573	3,678	39,785
Interest Expense	(13,044)	(47,296)	-	-	(60,340)
State Grants	-	-	-	178,737	178,737
Federal Grants	25,000				25,000
Amortization of Debt Issue Costs	(3,725)	(13,208)	-	-	(16,933)
Proceeds from sale of Capital Assets			11,885		11,885
Total Nonoperating Revenue (Expenses)	16,970	(38,708)	17,458	182,415	178,135
Income (loss) Before Contributions	140,677	994,286	198,336	108,521	1,441,820
Capital Contributions	340,762	274,955		42,908	658,624
Change in Net Position	481,439	1,269,241	198,336	151,429	2,100,444
Total Net Position Beginning of Year (Restated-See Note 15)	17,028,262	24,017,797	2,841,647	12,488,327	56,376,033
Total Net Position End of Year	17,509,701	25,287,037	3,039,983	12,639,756	58,476,477

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, 2014**

Page 1 of 2

Business-type Activities Enterprise Funds					
	Water	Sewer	Solid Waste	Storm Drain	Total
Cash Flows from Operating Activities					
Receipts from customers and users	1,566,367	3,145,620	1,497,051	943,603	7,152,641
Payments for interfund services provided	(211,253)	(207,547)	(546,751)	(228,874)	(1,194,425)
Payments to suppliers	(493,539)	(1,033,192)	(380,412)	(210,542)	(2,117,684)
Payments to employees	(341,584)	(316,204)	(333,250)	(344,495)	(1,335,534)
Net cash provided (used) by operating activities	519,992	1,588,677	236,639	159,691	2,504,998
Cash Flows From Noncapital Financing Activities					
State & Federal Grants	25,000			178,737	203,737
Net cash provided (used) by noncapital and related financing activities	25,000	-	-	178,737	203,737
Cash Flows from Capital and Related Financing Activities					
Capital contributions	122,667	270,937			393,604
Purchase of capital assets		(265,247)	(298,231)		(563,478)
Acquisition and construction of capital assets	(589,105)	(82,863)	(74,158)	(273,915)	(1,020,041)
Principal paid on capital debt	(102,541)	(418,584)			(521,125)
Interest paid on capital debt	(14,182)	(50,807)			(64,989)
Proceeds from Disposition of capital assets			11,885		11,885
Net cash provided (used) by capital and related financing activities	(583,160)	(546,564)	(360,503)	(273,915)	(1,764,143)
Cash Flows from Investing Activities					
Proceeds from sales and maturities of investments	1,625,203	2,223,408	1,375,132	625,246	5,848,989
Purchase of investment	(1,825,169)	(3,672,373)	(1,354,489)	(348,491)	(7,200,521)
Interest and dividends received	8,739	21,796	5,573	3,678	39,785
Net cash used by investing activities	(191,227)	(1,427,169)	26,216	280,433	(1,311,748)
Net increase in cash and cash equivalents	(229,395)	(385,057)	(97,649)	344,946	(367,155)
Cash and cash equivalents Beginning of Year	549,756	1,032,068	204,776	248,986	2,035,586
Cash and cash equivalents End of Year	320,360	647,011	107,128	593,932	1,668,431

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, 2014**

Page 2 of 2

	Business-type Activities Enterprise Funds				
	Water	Sewer	Solid Waste	Storm Drain	Total
Reconciliation of operating income to net cash provided (used) by operating activities:					
Operating Income (Loss)	123,708	1,032,994	180,878	(73,894)	1,263,685
Adjustments to reconcile operating income to net cash provided (used) by operating activities					
Depreciation	421,632	607,438	52,416	346,229	1,427,715
(Increase)decrease due to prior period	(972)	(359)	(5,283)	(827)	(7,441)
(Increase) decrease in accounts receivable	(37,163)	(20,183)	(4,050)	(70,512)	(131,909)
(Increase) decrease in inventories	3,530	(836)	(250)	(250)	2,194
Increase (decrease) in accounts payable	402	8,249	5,281	(39,360)	(25,427)
Increase (decrease) in Custodial Funds	1,919	(42,692)	-	-	(40,773)
Increase (decrease) in compensated absences payable	6,936	4,067	7,646	(1,695)	16,953
Total Adjustments	396,284	555,683	55,761	233,585	1,241,313
Net Cash Provided By Operating Activities	519,992	1,588,677	236,639	159,691	2,504,998
Noncash investing, financing and capital activities					
Capital Contributions by Developers	207,464	4,018	42,908	-	254,390
Investment Earnings Unrealized	(8)	-	(2,881)	7,958	5,070

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

**STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUND
DECEMBER 31, 2014**

Agency Fund	
Assets	
Cash and cash equivalents	\$ 23,937
Investments	103,306
Accounts Receivable	18
Total Assets	127,261
Deferred Outflows of Resources	
	-
Liabilities	
Accounts Payable and accrued expenses	510
Retainage Payable	6,804
Custodial funds	119,947
Total Liabilities	127,261
Deferred Inflows of Resources	
	-
Net Position	\$ (0)

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 *Street Reserve Fund* was established to account for capital improvements to the City street system. The significant resources accounted for in this fund are Federal and State transportation grants, developer contributions and transfers from allocations made of taxes received by the City designated to fund Street improvements.

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.

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 \$5,720. 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 (\$1,110,632 in 2014). 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, 2014.

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 one interfund loan in 2014. However, it was paid back in full with interest by year-end.

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, 2014 were as follows:

Transfers Out:				
Transfers In:	Street		Non-Major	Total
	General Fund	Reserve Fund	Gov'l	
General Fund	-	-	21,246	21,246
Street Reserve Fund	217,967	-	340,499	558,465
Non-Major Gov'l Funds	1,445,020	24,535	586,722	2,056,276
Total Transfers	\$ 1,662,986	\$ 24,535	\$ 948,467	\$ 2,635,988

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.
- 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 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:

	Nonspendable Purposes	Restricted Purposes	Assigned Purposes	Unassigned Purposes	Totals
<u>General Fund</u>					
General Government	\$ 12,412	\$ -	\$ -	\$ 661,204	\$ 673,616
Stabilization Fund			1,277,265		1,277,265
Legal Reserves			224,494		224,494
Subtotals, General Fund	12,412	-	1,501,759	661,204	2,175,375
<u>Street Reserve Fund</u>					
Capital Improvements			618,120		618,120
Subtotals, City Street Fund	-	-	618,120	-	618,120
<u>Other Governmental Funds</u>					
Transportation Improvements		-	241,270		241,270
Parks Improvements		127,393	246,316		373,709
Cemetery Improvements			72,093		72,093
Capital Equipment			534,991		534,991
Capital Improvements		382,229	437,963		820,192
Drug Enforcement		16,778			16,778
Criminal Justice		91,099	14,672		105,771
Promote Downtown Businesses		77,712			77,712
Promoting Tourism		64,848			64,848
City Beautification	91,016	5,720			96,736
Debt Service		7,957			7,957
Subtotals, Other Governmental Funds	91,016	773,736	1,547,305	-	2,412,057
Totals	\$ 103,428	\$ 773,736	\$ 3,667,183	\$ 661,204	\$ 5,205,551

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 changed prepared and distributed

DECEMBER

- Final review and adoption of budget

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

B. BUDGETARY COMPLIANCE

In 2014, 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.

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 (WPDP). The FDIC insures the first \$250,000 of the City's deposits. The deposit balances over \$250,000 are collateralized by the WPDP. State statute permits additional amounts to be assessed on a pro rata basis to members of the WPDP 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, 2014, the City held the following deposits and investments:

Investment Type	Fair Value	Modified Duration	% of Portfolio
Cash			
FDIC or PDPC insured bank deposits	\$ 3,171,641		
In-transit items	(203,420)		
Custodial funds held in agency funds	(127,244)		
Petty Cash on hand	2,650		
Total Cash	2,843,627		
Investments			
US agency securities			
US Treasury Bills, Notes & Bonds	\$ 10,501,251	1.80	55%
Federal Farm Credit Banks	1,001,817	0.80	5%
Federal Home Loan Mortgage Corp	1,001,727	2.10	5%
Federal National Mortgage Association	2,494,790	1.30	13%
Washington State Local Government Inv. Pool	4,107,256	0.00	21%
Total Investments	19,106,841	1.20	100%
Total Cash, Cash Equivalents, Investments	\$ 21,950,468		

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 2014, the City's levy for general governmental services was \$1.697917 per \$1,000 on the assessed valuation of \$1,230,099,929 for a total of \$2,088,608.

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, 2014, was as follows:

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
Governmental-Type Activities				
Capital assets, not being depreciated:				
Land	\$ 8,576,588	\$ 475,025	\$ -	\$ 9,051,612
Intangible - Right of Way	19,839,139	-	-	19,839,139
Construction Work in Progress	1,271,199	3,091,813	(1,578,086)	2,784,926
Total capital assets not being depreciated	29,686,926	3,566,838	(1,578,086)	31,675,678
Capital assets, being depreciated:				
Buildings	17,118,430	-	-	17,118,430
Other Improvements	8,268,980	1,668,822	-	9,937,803
Machinery and Equipment	2,952,326	89,835	(28,921)	3,013,240
Intangible	647,486	-	-	647,486
Infrastructure	31,352,627	-	-	31,352,627
Total capital assets being depreciated	60,339,849	1,758,657	(28,921)	62,069,586
Less accumulated depreciation for:				
Buildings	(3,135,685)	(343,618)	-	(3,479,303)
Other Improvements	(2,924,141)	(725,787)	-	(3,649,929)
Machinery and Equipment	(2,104,566)	(197,611)	28,921	(2,273,256)
Intangible	(436,148)	(70,830)	-	(506,979)
Infrastructure	(8,287,321)	(628,723)	-	(8,916,044)
Total accumulated depreciation	(16,887,862)	(1,966,570)	28,921	(18,825,511)
Total capital assets, being depreciated, net	43,451,988	(207,913)	-	43,244,075
Governmental activity capital assets, net	\$ 73,138,914	\$ 3,358,925	\$ (1,578,086)	74,919,753

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

Governmental activities:

General Government	\$ 358,306
Security of Persons and Property	94,209
Utilities and Environment	2,889
Transportation	1,275,832
Economic Environment	-
Culture and Recreation	235,334
Total depreciation expense - governmental activities	\$ 1,966,570

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
Business-Type Activities				
Capital assets, not being depreciated:				
Land	\$ 1,025,036	\$ -	\$ -	\$ 1,025,036
Construction Work in Progress	899,434	1,090,376	(636,957)	1,352,853
Total capital assets not being depreciated	1,924,469	1,090,376	(636,957)	2,377,888
Capital assets, being depreciated:				
Buildings	637,738	-	-	637,738
Other Improvements	54,537,576	1,156,594	(387)	55,693,784
Machinery and Equipment	2,546,888	298,231	(288,093)	2,557,025
Intangible	421,961	-	-	421,961
Total capital assets being depreciated	58,144,162	1,454,825	(288,480)	59,310,508
Less accumulated depreciation for:				
Buildings	(392,477)	(9,201)	-	(401,678)
Other Improvements	(13,589,279)	(1,253,778)	-	(14,843,057)
Machinery and Equipment	(2,027,044)	(124,465)	288,093	(1,863,416)
Intangible	(167,269)	(40,271)	-	(207,540)
Total accumulated depreciation	(16,176,068)	(1,427,715)	288,093	(17,315,691)
Total capital assets, being depreciated, net	41,968,094	27,109	(387)	41,994,817
Business-type activity capital assets, net	\$ 43,892,563	\$ 1,117,485	\$ (637,343)	44,372,705

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

Business-type activities:

Water	\$ 421,632
Sewer	607,438
Solid Waste	52,416
Storm Drain	346,229
Public Works Administration	
Total depreciation expense - business-type activities	\$ 1,427,715

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.

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, 2013:

Retirees and Beneficiaries Receiving Benefits	\$ 85,328
Terminated Plan Members Entitled To But Not Yet Receiving Benefits	31,047
Active Plan Members Vested	150,706
Active Plan Members Non-vested	101,191
Total	\$ 368,272

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, 2014, 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 were as follows:

	PERS Plan 2	PERS Plan 3
2014	\$ 301,935	\$ 81,593
2013	\$ 255,032	\$ 75,783
2012	\$ 216,648	\$ 64,115

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

Plan Description:

LEOFF was established in 1970 by the Legislature. Membership 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 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 members who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 are Plan 2 members.

Effective 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, 2013:

Retirees and Beneficiaries Receiving Benefits	\$ 10,511
Terminated Plan Members Entitled To But Not Yet Receiving Benefits	699
Active Plan Members Vested	16,830
Active Plan Members Non-vested	1,600
Total	\$ 29,640

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 2014, the state contributed \$55.6 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, 2014 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
2014	\$ -	\$ 81,201
2013	\$ -	\$ 71,335
2012	\$ -	\$ 72,623

NOTE 7: RISK MANAGEMENT

At the beginning of 2014, The City of Poulsbo changed coverage by terminating membership with the Association of Washington Cities Risk Management Service Agency (AWC RMSA) and became a member of the Washington Cities Insurance Authority (WCIA). There are no outstanding or reported potential claims that would be covered under AWC RMSA.

Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and/or jointly contracting for risk management services. WCIA has a total of 175 Members.

New members initially contract for a three-year term, and thereafter automatically renew on an annual basis. A one-year

withdrawal notice is required before membership can be terminated. Termination does not relieve a former member from its unresolved loss history incurred during membership.

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, public officials' errors or omissions, stop gap, and employee benefits liability. Limits are \$4 million per occurrence self insured layer, and \$16 million per occurrence in the re-insured excess layer. The excess layer is insured by the purchase of reinsurance and insurance and is subject to aggregate limits. Total limits are \$20 million per occurrence subject to aggregate sublimits in the excess layers. The Board of Directors determines the limits and terms of coverage annually.

Insurance coverage for property, automobile physical damage, fidelity, inland marine, and boiler and machinery are purchased on a group basis. Various deductibles apply by type of coverage. Property insurance and auto physical damage are self-funded from the members' deductible to \$750,000, for all perils other than flood and earthquake, and insured above that amount by the purchase of insurance.

In-house services include risk management consultation, loss control field services, claims and litigation administration, and loss analyses. WCIA contracts for the claims investigation consultants for personnel issues and land use problems, insurance brokerage, and lobbyist services.

WCIA is fully funded by its members, who make annual assessments on a prospectively rated basis, as determined by an outside, independent actuary. The assessment covers loss, loss adjustment, and administrative expenses. As outlined in the interlocal, WCIA retains the right to additionally assess the membership for any funding shortfall.

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

An investment committee, using investment brokers, produces additional revenue by investment of WCIA's assets in financial instruments which comply with all State guidelines.

A Board of Directors governs WCIA, which is comprised of one designated representative from each member. The Board elects an Executive Committee and appoints a Treasurer to provide general policy direction for the organization. The WCIA Executive Director reports to the Executive Committee and is responsible for conducting the day to day operations of WCIA.

NOTE 8: ADOPTION OF NEW GASB PRONOUNCEMENTS

GASB Statement No. 67 Financial Reporting for Pension Plans- This Statement was implemented by Washington State Department of Retirement Systems who administers the cost-sharing multiple-employer public employee defined benefit retirement plan the City participates in. There are no changes to be implemented in City of Poulsbo's financial statements.

NOTE 9: FUTURE ADOPTION OF GASB PRONOUNCEMENTS

The following GASB pronouncements have been issued, but are not yet effective at December 31, 2014:

- 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.
- GASB Statement No. 72 Fair Value Measurement and Application- The objective of this Statement is to provide guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

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, 2014 the City had 15 significant contractual obligations with the following balances:

<u>Project</u>	<u>Vendor</u>	<u>Amount</u>
Water Comprehensive Plan Update	Gray & Osbourne, Inc	\$ 1,489
Value Engineering	Parametrix	4,305
SCADA Technical Support	Parametrix	3,534
City Hall Demolition	Pacific Rim	4,985
Liberty Bay TMDL	Parametrix	211,058
KRCC Multi-modal	Heffron	31,908
Task #2 - Bjorgen Creek Culvert Replacement	Parametrix	6,295
Liberty Bay Waterfront Trail	Parametrix	124,622
Lincoln Road Improvements	Pacific Coast General, LLC	399,801
Noll Road Phase III Configuration Study	Parametrix	14,428
Peterson Rockwall	Landau Associates	6,000
Stormwater Capacity Grant - 2	Parametrix	52,460
Lincoln Well #2	Water Engineering Solutions	53,402
Lincoln Road Improvements - Eng & Survey	Parametrix	3,826
Solid Waste/Decant	McClure & Sons	1,711,712
		<u>\$ 2,629,825</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, 2014, the governmental long-term debt of the City consisted of the following:

<u>Issuance Date</u>	<u>Purpose</u>	<u>Original Issue</u>	<u>Interest Rates</u>	<u>Maturity Date</u>	<u>Debt Outstanding</u>
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	3,325,000
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	4,960,000
2010	LOCAL Program GO Bonds: Issued to provide funds to purchase the Park and Rec building.	310,000	4.10%	2030	270,000
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	2,090,000
Total					\$10,645,000

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

As of December 31, 2014, 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	1,375,000
Total					\$ 1,375,000

B. PUBLIC WORKS TRUST FUND LOANS

State of Washington Public Works Trust Fund Loans (PWTF) are an intergovernmental loan from the Public Works Board to undertake local public works projects. These loans are a direct responsibility of the City. Poulsbo currently has 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, 2014, 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	\$ 45,848
2000	Street Improvements to Front Street	1,406,930	3.0%	2020	446,210
Total					\$ 492,058

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, 2014 the City has paid \$ 1,311,742.

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
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	595,000	365,976	960,976	-	-	-
2020-2024	3,340,000	1,457,194	4,797,194	-	-	-
2025-2029	2,490,000	775,223	3,265,223	-	-	-
2030-2033	1,740,000	219,875	1,959,875	-	-	-
	\$ 10,645,000	\$ 4,491,923	\$ 15,136,923	\$ 1,375,000	\$ 95,979	\$ 1,470,979

Year Ended Dec 31	Public Works Trust Fund Loans					
	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
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	74,368	4,462	78,830	-	-	-
2020	74,368	2,231	76,599	-	-	-
	\$ 446,210	\$ 46,852	\$ 493,062	\$ 45,848	\$ 1,375	\$ 47,223

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, 2014 the City has no arbitrage rebate liability.

F. LONG-TERM LIABILITIES

1. Long-term liability activity:

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental Activities				
Bonds payable:				
General obligation bonds	\$ 11,160,000	\$ -	\$ 515,000	\$ 10,645,000
Less Unamortized Bond Discount	(50,408)	-	(4,595)	(45,813)
Plus Unamortized Bond Premium	124,380	-	9,803	114,577
Compensated Absences	714,458	554,861	493,537	775,782
Due to Other Governmental Units	520,578	-	74,368	446,210
Misc NonCurrent Liability	183,290	47,168	-	230,459
Total Governmental activity long-term liabilities	\$ 12,652,298	\$ 602,029	\$ 1,088,112	\$ 12,166,214
Business-type Activities				
Bonds payable:				
Revenue Bonds	\$ 1,804,000	\$ -	\$ 429,000	\$ 1,375,000
Compensated Absences	137,103	101,678	99,733	139,048
Notes Payable	843,931	-	34,828	809,103
Due to Other Governmental Units	91,696	-	45,848	45,848
Total Business-type activity long-term liabilities	\$ 2,876,729	\$ 101,678	\$ 609,408	\$ 2,368,999

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	245,000
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	175,000
2010	Certificate of Participation to finance the acquisition of the Parks and Recreation facility.	15,000
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	185,000
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	77,578
Total Governmental Activities		\$ 777,154

Date of Issue	Liabilities Due Within One Year - Business-Type Activities	Due within one year
2005	Water/Sewer Refunded Revenue Bonds	443,000
1995	Due to Other Governmental Units(PWTF)-Sewer Improvements to Jensen Way	45,848
2009	Note Payable	125,000
	Compensated Absences	13,905
Total Business-Type Activities		\$ 627,753

NOTE 12: CONTINGENCIES AND COMMITMENTS

The City has recorded in its financial statements all material liabilities, including an estimate for situations which are not yet resolved but where, based on available information, management believes it is probable that the City will have to make payment. In the opinion of management, the City insurance policies and legal reserves are adequate to pay all known or pending claims.

As discussed in Note 11, Long-Term Debt, the City is contingently liable for repayment of refunded debt.

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, 2014, 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 \$2,817 is included with the City's compensated absences.

NOTE 13: JOINT VENTURES

The City, Kitsap County, and the Kitsap Regional Library agreed back in 1997 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 which is reflected in the Government-Wide Statement of Net Position. The City is responsible for its continued maintenance and the Kitsap Regional Library is responsible for running the day to day operations of the library within the building.

Any capital improvements needed will be funded out of the Facilities Fund like all other City owned properties. Routine maintenance costs are funded out of the General Fund central services budget.

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

NOTE 14: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONSPlan 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. As of December 31, 2014 the City has two retired members in this group.

Funding Policy

Funding for LEOFF retiree healthcare costs is provided entirely by the City as required by RCW. The City currently funds post-employment healthcare benefits on a pay-as-you-go basis. The city finances the plan by purchasing medical insurance and self-funding deductibles and co-pays not covered by the insurance. The expenditures are budgeted in the Police annual operating budget. The city reimburses 100% of the amount of validated claims for medical, dental, vision and hospitalization costs incurred by the retirees.

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, 2014.

Actuarial Methods and Assumptions

The City used the alternative measurement method permitted under GASB Statement No. 45. Actual retirement ages are used for the City's two LEOFF members who benefit for the purpose of determining the Actuarial accrued liability (AAL) and normal cost. The mortality rate is assumed following the LEOFF 1 mortality rates used in the June 30, 2011 actuarial valuation report issued by the Office of the Washington 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 2013 and using a 1% medical inflation rate. 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 with an annual budget growth of 2%. Since everything is paid as the expenses are incurred there are no investments held. 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 Over Age 65 w/Excise Tax			Medical Inflation Trend Under Age 65 w/Excise Tax			Annual Medical Cost by Age		
Medical		Long-Term Care	Medical		Long-Term Care	Age	Non-Medicare	Medicare
2012	7.0%	4.8%	2012	7.0%	4.8%	57	\$12,776	N/A
2013	7.5%	4.8%	2013	7.5%	4.8%	62	\$16,401	N/A
2014	6.2%	4.8%	2014	6.2%	4.8%	67	N/A	\$10,947
2015	5.8%	4.8%	2015	5.8%	4.8%	72	N/A	\$12,134
2016	5.7%	4.8%	2016	5.7%	4.8%	77	N/A	\$13,133
2017	12.9%	4.8%	2017	24.7%	4.8%	82	N/A	\$13,791
2018	6.3%	4.8%	2018	6.2%	4.8%	87	N/A	\$14,119
2019	6.5%	4.8%						
2020+	5.6%	4.8%						

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 \$230,458 is included as a non-current liability on the Statement of Position.

<u>Determination of Annual Required Contribution:</u>	<u>Year Ending 2012</u>	<u>Year Ending 2013</u>	<u>Year Ending 2014</u>
Normal Cost at Year End	\$0	\$0	\$0
Amorization of Unfunded Actuarial Accrued Liability (UAAL)	60,895	57,308	84,506
Annual Required Contribution	<u>\$60,895</u>	<u>\$57,308</u>	<u>\$84,506</u>
<u>Determination of Net OPEB Obligation:</u>			
Annual Required Contribution	\$60,895	\$57,308	\$84,506
Interest prior year Net OPEB Obligation	6,161	7,233	7,332
Adjustments to ARC	(12,747)	(14,966)	(16,485)
Annual OPEB Cost	\$54,309	\$49,575	\$75,352
Contributions	(30,476)	(27,017)	(28,184)
Increase in Net OPEB Obligations	<u>\$23,833</u>	<u>\$22,558</u>	<u>\$47,168</u>
Net OPEB Obligation-Beginning of Year	\$136,900	\$160,732	\$183,290
NET OPEB Obligation-End of Year	<u>\$160,732</u>	<u>\$183,290</u>	<u>\$230,458</u>

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

Year Ending	Annual OPEB Cost	Contribution as a Percentage of OPEB Cost	Net OPEB Obligation
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
12/31/2014	75,352	37.4%	230,458

Funded Status and Funding Progress

As of December 31, 2014, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability (AAL) for benefits was \$939,567 and the actuarial value of the assets was \$0 resulting in a UAAL of \$939,567. 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.

NOTE 15: PRIOR PERIOD ADJUSTMENTS AND CHANGES IN ACCOUNTING PRINCIPALS

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
001	General Fund	\$92,565		Correction made due to an error in posting General Property Tax Revenue applied to the Excise Tax Revenue in 2013
101	Street Reserve Fund	-\$3,750	-\$3,750	Adjustment made for an invoice received late for the services provided in 2013
121	Street Reserve Fund	-\$92,565		Correction made due a posting of Property Tax Revenue applied to the Excise Tax Revenue in 2013
		-\$3,750	-\$3,750	

At the End of 2013, it was decided to change in how the City charges some indirect costs and to close out the, General Facilities Fund. Each year this internal service fund was 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 2013 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 increase of \$2,938 to the Beginning Net Position of the Governmental Activities and a \$2,938 decrease to the beginning Net Position of the Business Type Activities.

The following is a table showing the details of this change on the individual funds:

General fund	\$ 2,938
Busines-Type Internal Fund	(6,142)
Water Fund	398
Sewer Fund	305
Storm Drain Fund	2,162
Solid Waste Fund	338
Net change from previous year	\$ (2,938)

NOTE 16: RECONCILIATION OF NET INVESTMENT IN CAPITAL ASSETS

Governmental Activities:

Capital Assets, Net of Depreciation	\$ 74,919,753
General Obligation Bonds Payable	(10,645,000)
Unamortized premium on Bonds	(114,577)
Unamortized discount on Bonds	45,813
Due to Other Governments	(446,210)

Invested in Capital Assets, Net of Related Debt

\$ 63,759,780

Business-Type Activities:

Capital Assets, Net of Depreciation	\$ 44,372,705
Revenue Bonds Payable	(1,375,000)
Notes Payable	(809,103)
Due to Other Governments	(45,848)

Invested in Capital Assets, Net of Related Debt

\$ 42,142,755

REQUIRED SUPPLEMENTARY INFORMATION
LEOFF I RETIREE MEDICAL BENEFITS
SCHEDULE OF FUNDING PROGRESS
December 31, 2014

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
12/31/2010	\$ -	\$ 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	\$ -	\$ 939,567	\$ 939,567	0%	-	N/A*
12/31/2014	\$ -	\$ 939,567	\$ 939,567	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 **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 **Capital Improvements Fund** accounts for the receipt and expenditure of the first ¼ of 1% real estate excise tax authorized by State RCW 82.46. These revenues are dedicated for capital purposes defined in RCW 35.43.040, including public buildings and facilities.

The **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 **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, 2014**

Page 1 of 4

Special Revenue						
	City Street Funds	Capital Improvements Funds	Transportation Development Funds	Park Development Funds	Historic Downtown Poulsbo Association Funds	Paths and Trails Funds
Assets						
Cash and Cash Equivalents	\$ 233,765	\$ 73,519	\$ -	\$ 62,824	\$ 308	\$ 352
Investments	73,146	279,783	-	51,047	70,359	13,169
Restricted Investments	-	-	-	-	-	-
Receivables:						
Taxes	-	28,927	-	-	-	-
Accounts	-	-	-	-	-	-
Special Assessments	-	-	-	-	19,623	-
Due from Other Governments	360	-	-	-	-	-
Total Assets	307,270	382,229	-	113,871	90,290	13,521
Deferred Outflows of Resources	-	-	-	-	-	-
Liabilities and Fund Balances						
Liabilities						
Accounts Payable	48,919	-	-	-	231	-
Payroll	17,081	-	-	-	-	-
Unearned Revenue	-	-	-	-	12,347	-
Custodial Accounts	-	-	-	-	-	-
Total Liabilities	66,000	-	-	-	12,578	-
Deferred Inflows of Resources	-	-	-	-	-	-
Fund Balances						
Nonspendable fund balance	-	-	-	-	-	-
Restricted fund balance	-	382,229	-	113,871	77,712	13,521
Assigned fund balance	241,270	-	-	-	-	-
Unassigned fund balance	-	-	-	-	-	-
Total Fund Balance	241,270	382,229	-	113,871	77,712	13,521
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 307,270	\$ 382,229	\$ -	\$ 113,871	\$ 90,290	\$ 13,521

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (continued)
DECEMBER 31, 2014

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
\$ 192	\$ 11,187	\$ 18,261	\$ 400,408	\$ -	\$ 370	\$ 370
24,890	60,905	87,819	661,119	3,219	4,369	7,588
-	-	-	-	-	-	-
-	-	-	28,927	-	-	-
668	-	-	668	-	-	-
-	-	-	19,623	-	-	-
-	-	-	360	-	-	-
25,750	72,092	106,081	1,111,104	3,219	4,738	7,957
-	-	-	-	-	-	-
14	7,244	50	56,458	-	-	-
-	-	-	17,081	-	-	-
-	-	-	12,347	-	-	-
8,958	-	260	9,218	-	-	-
8,972	7,244	310	95,104	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
16,778	64,848	91,099	760,059	3,219	4,738	7,957
-	-	14,672	255,942	-	-	-
-	-	-	-	-	-	-
16,778	64,848	105,771	1,016,001	3,219	4,738	7,957
\$ 25,750	\$ 72,092	\$ 106,081	\$ 1,111,104	\$ 3,219	\$ 4,738	\$ 7,957

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (continued)
DECEMBER 31, 2014
Page 3 of 4

Capital Project					
	Equipment Acquisition Funds	Park Reserve Funds	Cemetery Reserve Funds	Street Equipment Reserves Funds	Facilities Fund
Assets					
Cash and Cash Equivalents	\$ 165,142	\$ 44,772	\$ 1,208	\$ 141	\$ 37,287
Investments	292,677	155,544	70,886	77,031	400,676
Restricted Investments	-	-	-	-	-
Receivables:					
Taxes	-	-	-	-	-
Accounts	-	-	-	-	-
Special Assesments	-	-	-	-	-
Due from Other Governments	-	46,000	-	-	-
Total Assets	457,819	246,316	72,093	77,172	437,963
Deferred Outflows of Resources	-	-	-	-	-
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	-	-	-	-	-
Payroll	-	-	-	-	-
Unearned Revenue	-	-	-	-	-
Custodial Accounts	-	-	-	-	-
Total Liabilities	-	-	-	-	-
Deferred Inflows of Resources	-	-	-	-	-
Fund Balances					
Nonspendable fund balance	-	-	-	-	-
Restricted fund balance	-	-	-	-	-
Assigned fund balance	457,819	246,316	72,093	77,172	437,963
Unassigned fund balance	-	-	-	-	-
Total Fund Balance	457,819	246,316	72,093	77,172	437,963
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 457,819	\$ 246,316	\$ 72,093	\$ 77,172	\$ 437,963

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (continued)
DECEMBER 31, 2014

Page 4 of 4

	Permanent	
Total Non-Major Capital Project Funds	Bernice Borgen Beautification Trust Funds	Total Non-Major Governmental Funds
\$ 248,551	\$ 579	\$ 649,908
996,812	5,140	1,670,659
-	91,016	91,016
-	-	28,927
-	-	668
-	-	19,623
46,000	-	46,360
1,291,363	96,736	2,507,160
-	-	-
-	-	56,458
-	-	17,081
-	-	12,347
-	-	9,218
-	-	95,104
-	-	-
-	91,016	91,016
-	5,720	773,736
1,291,363	-	1,547,305
-	-	-
1,291,363	96,736	2,412,057
\$ 1,291,363	\$ 96,736	\$ 2,507,160

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR YEAR ENDED DECEMBER 31, 2014

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	Special Revenue				
	City Street Funds	Capital Improvements Funds	Transportation Development Funds	Park Development Funds	Historic Downtown Poulsbo Association Funds
Revenues					
Taxes	\$ -	\$ 474,906	\$ -	\$ -	\$ -
Licenses and Permits	16,680	-	-	-	-
Intergovernmental	322,281	-	-	-	-
Charges for Services	-	-	139,827	15,670	-
Fines and Forfeitures	-	-	-	-	-
Interest and Other Earnings	128	394	35	64	395
Miscellaneous	-	-	-	-	53,039
Total Revenues	339,089	475,300	139,862	15,734	53,434
Expenditures					
Current:					
Security of Persons & Property	-	-	-	-	-
Transportation	1,024,174	-	-	-	-
Economic Environment	-	-	-	-	-
Culture and Recreation	-	-	-	-	57,584
Debt Service:					
Principal	-	-	-	-	-
Interest & Fiscal Charges	-	-	-	-	-
Capital Outlay	-	-	-	-	-
Total Expenditures	1,024,174	-	-	-	57,584
Excess of Revenues over Expenditures	(685,086)	475,300	139,862	15,734	(4,150)
Other Financing Sources (Uses)					
Transfers In	752,470	-	-	-	-
Transfers Out	(190,656)	(440,000)	(239,828)	(25,236)	-
Compensation for Impairment of Capital Assets	-	-	-	-	-
Total Other Financing Sources and Uses	561,813	(440,000)	(239,828)	(25,236)	-
Net Change in Fund Balances	(123,272)	35,300	(99,966)	(9,502)	(4,150)
Fund Balances - Beginning	368,292	439,495	99,966	123,374	81,863
Prior Year Adjustment	(3,750)	(92,565)	-	-	-
Fund Balances - Ending	\$ 241,270	\$ 382,229	\$ (0)	\$ 113,871	\$ 77,712

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR YEAR ENDED DECEMBER 31, 2014

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Special Revenue					Debt Service		
Paths and Trails Funds	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
\$ -	\$ -	\$ 105,342	\$ -	\$ 580,248	\$ -	\$ -	\$ -
-	-	-	-	16,680	-	-	-
989	-	-	16,322	339,591	-	-	-
-	-	-	-	155,497	-	-	-
-	-	-	209	209	-	-	-
9	18	81	61	1,184	2	113	115
-	7,724	-	118	60,881	-	-	-
997	7,743	105,423	16,710	1,154,291	2	113	115
-	16,219	-	25,207	41,426	-	-	-
-	-	-	-	1,024,174	-	-	-
-	-	111,986	-	111,986	-	-	-
-	-	-	-	57,584	-	-	-
-	-	-	-	-	74,368	515,000	589,368
-	-	-	-	-	15,617	464,197	479,814
-	-	-	-	-	-	-	-
-	16,219	111,986	25,207	1,235,170	89,986	979,197	1,069,182
997	(8,476)	(6,563)	(8,497)	(80,880)	(89,984)	(979,084)	(1,069,068)
-	-	-	-	752,470	89,986	978,518	1,068,504
-	-	-	-	(895,721)	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	(143,251)	89,986	978,518	1,068,504
997	(8,476)	(6,563)	(8,497)	(224,131)	2	(566)	(564)
12,524	25,254	71,412	114,268	1,336,447	3,217	5,304	8,521
-	-	-	-	(96,315)	-	-	-
\$ 13,521	\$ 16,778	\$ 64,848	\$ 105,771	\$ 1,016,001	\$ 3,219	\$ 4,738	\$ 7,957

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR YEAR ENDED DECEMBER 31, 2014

Page 3 of 4

Capital Project					
	Equipment Acquisition Funds	Park Reserve Funds	Cemetery Reserve Funds	Street Equipment Reserve Funds	Facilities Funds
Revenues					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and Permits	-	-	-	-	-
Intergovernmental	-	85,357	-	-	-
Charges for Services	-	-	2,400	-	-
Fines and Forfeitures	-	-	-	-	-
Interest and Other Earnings	456	251	14	183	400
Miscellaneous	-	107	-	-	-
Total Revenues	456	85,715	2,414	183	400
Expenditures					
Current:					
Security of Persons & Property	-	-	-	-	-
Transportation	-	-	-	-	-
Economic Environment	-	-	-	-	-
Culture and Recreation	-	-	-	-	-
Debt Service:					
Principal	-	-	-	-	-
Interest & Fiscal Charges	-	-	-	-	-
Capital Outlay	41,519	124,293	-	48,316	17,628
Total Expenditures	41,519	124,293	-	48,316	17,628
Excess of Revenues over Expenditures	(41,064)	(38,578)	2,414	(48,133)	(17,228)
Other Financing Sources (Uses)					
Transfers In	165,900	69,403	-	-	-
Transfers Out	(36,200)	-	-	-	(16,546)
Compensation for Impairment of Capital Assets	-	-	-	-	6,022
Total Other Financing Sources and Uses	129,700	69,403	-	-	(10,524)
Net Change in Fund Balances	88,636	30,825	2,414	(48,133)	(27,752)
Fund Balances - Beginning	369,183	215,491	69,680	125,305	465,715
Prior Year Adjustment	-	-	-	-	-
Fund Balances - Ending	\$ 457,819	\$ 246,316	\$ 72,093	\$ 77,172	\$ 437,963

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR YEAR ENDED DECEMBER 31, 2014

Page 4 of 4

Total Non-Major Capital Project Funds	Permanent	
	Bernice Borgen Beautification Trust Funds	Total Non-Major Governmental Funds
\$ -	\$ -	\$ 580,248
-	-	16,680
85,357	-	424,948
2,400	-	157,897
-	-	209
1,303	293	2,896
107	-	60,989
89,167	293	1,243,866
-	-	41,426
-	-	1,024,174
-	-	111,986
-	-	57,584
-	-	589,368
-	-	479,814
231,756	-	231,756
231,756	-	2,536,109
(142,589)	293	(1,292,243)
235,303	-	2,056,276
(52,746)	-	(948,467)
6,022	-	6,022
188,579	-	1,113,832
45,990	293	(178,412)
1,245,373	96,442	2,686,783
-	-	(96,315)
\$ 1,291,363	\$ 96,736	\$ 2,412,057

CITY STREET FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2014

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
License and Permits	\$ 4,000	\$ 16,680	\$ 12,680
Intergovernmental	426,175	322,281	(103,894)
Interest and Other Earnings	-	128	128
Total Revenues	430,175	339,089	(91,086)
Expenditures			
Transportation:			
Street Maintenance	1,229,650	1,024,174	205,476
Total Expenditures	1,229,650	1,024,174	205,476
Excess of Revenues Over Expenditures	(799,475)	(685,086)	114,390
Other Financing Sources (Uses)			
Transfers in	761,269	752,470	(8,799)
Transfers out	(189,526)	(190,656)	(1,130)
Total Other Financing Sources (Uses)	571,743	561,813	(9,930)
Net Change in Fund Balance	(227,732)	(123,272)	104,460
Fund Balance Beginning of Year	368,292	368,292	0
Prior Year Adjustment	-	(3,750)	(3,750)
Fund Balance End of Year	\$ 140,560	\$ 241,270	\$ 100,710

CAPITAL IMPROVEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2014

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Taxes:			
Excise Tax	\$ 390,000	\$ 474,906	\$ 84,906
Interest and Other Earnings	100	394	294
Total Revenues	390,100	475,300	85,200
Expenditures			
Current:			
Miscellaneous	-	-	-
Total Expenditures	-	-	-
Excess of Revenues Over Expenditures	390,100	475,300	85,200
Other Financing Sources (Uses)			
Transfers out	(440,000)	(440,000)	0
Total Other Financing Sources (Uses)	(440,000)	(440,000)	0
Net Change in Fund Balance	(49,900)	35,300	85,200
Fund Balance Beginning of Year	439,495	439,495	(0)
Prior Year Adjustment	-	(92,565)	(92,565)
Fund Balance End of Year	\$ 389,595	\$ 382,229	\$ (7,366)

TRANSPORTATION DEVELOPMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2014

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Transportation Impact Fees	\$ 191,000	\$ 139,827	\$ (51,173)
Interest and Other Earnings	-	35	35
Total Revenues	191,000	139,862	(51,138)
Expenditures			
Current:			
Miscellaneous	-	-	-
Total Expenditures	-	-	-
Excess of Revenues Over Expenditures	191,000	139,862	(51,138)
Other Financing Sources (Uses)			
Transfers in	-	-	-
Transfers out	(286,785)	(239,828)	46,957
Total Other Financing Sources (Uses)	(286,785)	(239,828)	46,957
Net Change in Fund Balance	(95,785)	(99,966)	(4,181)
Fund Balance Beginning of Year	99,966	99,966	0
Fund Balance End of Year	\$ 4,181	\$ -	\$ (4,181)

PARK DEVELOPMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2014

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Growth Mgmt Act Impact	\$ -	\$ 4,780	4,780
SEPA Mitigation	-	10,890	10,890
Interest and Other Earnings	-	64	64
Total Revenues	-	15,734	15,734
Expenditures			
Current:			
Miscellaneous	-	-	-
Total Expenditures	-	-	-
Excess of Revenues Over Expenditures	-	15,734	15,734
Other Financing Sources (Uses)			
Transfers in	-	-	-
Transfers out	(25,236)	(25,236)	-
Total Other Financing Sources (Uses)	(25,236)	(25,236)	-
Net Change in Fund Balance	(25,236)	(9,502)	15,734
Fund Balance Beginning of Year	123,374	123,374	(0)
Fund Balance End of Year	\$ 98,138	\$ 113,871	\$ 15,733

**HISTORIC DOWNTOWN POULSBO ASSOCIATION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Special Assessments	\$ 46,500	\$ 48,489	\$ 1,989
Gifts and Pledges	5,500	4,500	(1,000)
Facility Rental	-	50	50
Interest and Other Earnings	335	395	60
Miscellaneous	-	-	-
Total Revenues	52,335	53,434	1,099
Expenditures			
Bad Debt Expense	1,000	672	328
Office & Operating Supplies	250	140	110
Small Tools & Minor Equipment	500	-	500
Professional Services	6,500	6,412	88
Advertising	24,250	24,427	(177)
Communication	1,250	1,002	248
Postage	100	-	100
Insurance	1,750	1,398	352
Repairs and Maintenance	21,000	20,639	361
Miscellaneous	2,500	2,893	(393)
Total Expenditures	59,100	57,584	1,516
Excess of Revenues Over Expenditures	(6,765)	(4,150)	2,615
Other Financing Sources (Uses)			
Transfers in	-	-	-
Transfers out	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balance	(6,765)	(4,150)	2,615
Fund Balance Beginning of Year	81,863	81,863	-
Fund Balance End of Year	\$ 75,098	\$ 77,712	\$ 2,614

PATH AND TRAILS RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2014

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Intergovernmental	\$ 978	\$ 989	\$ 11
Interest and Other Earnings	-	9	9
Total Revenues	978	997	19
Expenditures			
Current:			
Miscellaneous	-	-	-
Total Expenditures	-	-	-
Excess of Revenues Over Expenditures	978	997	19
Other Financing Sources (Uses)			
Transfers in	-	-	-
Transfers out	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balance	978	997	19
Fund Balance Beginning of Year	12,524	12,524	-
Fund Balance End of Year	\$ 13,502	\$ 13,521	\$ 19

DRUG ENFORCEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2014

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Interest and Other Earnings	\$ 50	\$ 18	\$ (32)
Miscellaneous	-	7,724	7,724
Total Revenues	50	7,743	7,693
Expenditures			
Current:			
Special Unit Program	4,750	2,630	2,120
K-9 Program	11,750	13,589	(1,839)
Total Expenditures	16,500	16,219	281
Excess of Revenues Over Expenditures	(16,450)	(8,476)	7,974
Other Financing Sources (Uses)			
Disposal of Capital Assets	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balance	(16,450)	(8,476)	7,974
Fund Balance Beginning of Year	25,254	25,254	(0)
Fund Balance End of Year	\$ 8,804	\$ 16,778	\$ 7,974

TRANSIENT OCCUPANCY TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2014

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Hotel/Motel Tax	\$ 90,000	\$ 52,671	\$ (37,329)
Additional 2% Hotel/Motel Tax	-	52,671	52,671
Interest and Other Earnings	-	81	81
Total Revenues	90,000	105,423	15,423
Expenditures			
Economic Environment:			
Spectator and Community Events:			
Administration	13,500	13,606	(106)
Miscellaneous	100,500	98,380	2,120
Total Expenditures	114,000	111,986	2,014
Excess of Revenues Over Expenditures	(24,000)	(6,563)	17,437
Other Financing Sources (Uses)			
Transfers in	-	-	-
Transfers out	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balance	(24,000)	(6,563)	17,437
Fund Balance Beginning of Year	71,412	71,412	-
Fund Balance End of Year	\$ 47,412	\$ 64,848	\$ 17,436

POLICE RESTRICTED FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2014

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Vessel Registration	\$ 6,500	\$ 7,190	\$ 690
Criminal Justice	8,339	9,132	793
Fines & Forfeitures	-	209	209
Interest and Other Earnings	300	61	(239)
Miscellaneous	2,000	118	(1,882)
Total Revenues	17,139	16,710	(429)
Expenditures			
Marine Safety	11,100	13,810	(2,710)
Criminal Justice	9,872	8,756	1,116
Miscellaneous	6,000	2,641	3,359
Total Expenditures	26,972	25,207	1,765
Excess of Revenues Over Expenditures	(9,833)	(8,497)	1,336
Other Financing Sources (Uses)			
Transfers in	-	-	-
Transfers out	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balance	(9,833)	(8,497)	1,336
Fund Balance Beginning of Year	114,268	114,268	(0)
Fund Balance End of Year	\$ 104,435	\$ 105,771	\$ 1,336

**MISCELLANEOUS GOVERNMENTAL DEBT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Interest and Other Earnings	\$ -	\$ 2	\$ 2
Total Revenues	-	2	2
Expenditures			
Debt Service:			
Intergovernmental Loan-Principal	74,368	74,368	(0)
Interest and Related Costs	15,617	15,617	(0)
Total Expenditures	89,985	89,986	(1)
Excess of Revenues Over Expenditures	(89,985)	(89,984)	1
Other Financing Sources (Uses)			
Transfers in	89,985	89,986	1
Transfers out	-	-	-
Total Other Financing Sources (Uses)	89,985	89,986	1
Net Change in Fund Balance	-	2	2
Fund Balance Beginning of Year	3,217	3,217	(0)
Fund Balance End of Year	\$ 3,217	\$ 3,219	\$ 2

NON-VOTED GENERAL OBLIGATION DEBT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2014

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Interest and Other Earnings	\$ -	\$ 113	\$ 113
Total Revenues	-	113	113
Expenditures			
Debt Service:			
General Obligation Bond-Principal	515,000	515,000	-
Interest and Related Costs	464,515	464,197	318
Total Expenditures	979,515	979,197	318
Excess of Revenues Over Expenditures	(979,515)	(979,084)	431
Other Financing Sources (Uses)			
Transfers in	978,518	978,518	-
Transfers out	-	-	-
Total Other Financing Sources (Uses)	978,518	978,518	-
Net Change in Fund Balance	(997)	(566)	431
Fund Balance Beginning of Year	5,304	5,304	-
Fund Balance End of Year	\$ 4,307	\$ 4,738	\$ 431

EQUIPMENT ACQUISITION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2014

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Interest and Other Earnings	\$ -	\$ 456	\$ 456
Total Revenues	-	456	456
Expenditures			
Capital Outlay	226,418	41,519	184,899
Total Expenditures	226,418	41,519	184,899
Excess of Revenues Over Expenditures	(226,418)	(41,064)	185,354
Other Financing Sources (Uses)			
Transfers in	165,900	165,900	-
Transfers out	(36,200)	(36,200)	0
Total Other Financing Sources (Uses)	129,700	129,700	(0)
Net Change in Fund Balance	(96,718)	88,636	185,354
Fund Balance Beginning of Year	368,664	369,183	519
Fund Balance End of Year	\$ 271,946	\$ 457,819	\$ 185,873

PARK RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2014

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Intergovernmental:			
RCO - (IAC) ALEA Grant	\$ 182,369	\$ 85,357	\$ (97,012)
Gifts and Pledges	-	107	107
Interest and Other Earnings	-	251	251
Total Revenues	182,369	85,715	(96,654)
Expenditures			
Current:			
Capital Outlay:			
Fish Park	247,322	114,186	133,136
Lions Park Fencing	9,000	-	9,000
M.I. Williams Pavilion Improvements	25,431	1,250	24,181
Morrow Manor Park Planning	15,000	9,352	5,648
Net Shed Park	-	(3,114)	3,114
Trail Easements Planning	110,000	2,619	107,381
Total Expenditures	406,753	124,293	282,460
Excess of Revenues Over Expenditures	(224,384)	(38,578)	185,806
Other Financing Sources (Uses)			
Transfers in	70,059	69,403	(656)
Transfers out	-	-	-
Total Other Financing Sources (Uses)	70,059	69,403	(656)
Net Change in Fund Balance	(154,325)	30,825	185,150
Fund Balance Beginning of Year	215,491	215,491	0
Fund Balance End of Year	\$ 61,166	\$ 246,316	\$ 185,150

STREET RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2014

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Intergovernmental	\$ 3,769,765	\$ 2,752,065	\$ (1,017,700)
Interest and Other Earnings	-	129	\$ 129
Total Revenues	3,769,765	2,752,194	(1,017,571)
Expenditures			
Capital Outlay	4,492,437	2,964,835	1,527,602
Total Expenditures	4,492,437	2,964,835	1,527,602
Excess of Revenues Over Expenditures	(722,672)	(212,641)	510,031
Other Financing Sources (Uses)			
Transfers in	1,607,083	812,465	(794,618)
Transfers out	(1,024,535)	(278,535)	746,000
Total Other Financing Sources (Uses)	582,548	533,930	(48,618)
Net Change in Fund Balance	(140,124)	321,290	461,414
Fund Balance Beginning of Year	296,830	296,830	-
Fund Balance End of Year	\$ 156,706	\$ 618,120	\$ 461,414

CEMETERY RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2014

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Gravesites	\$ 3,200	\$ 2,400	\$ (800)
Interest and Other Earnings	-	14	14
Total Revenues	3,200	2,414	(786)
Expenditures			
Current:			
General Government	-	-	-
Total Expenditures	-	-	-
Excess of Revenues Over Expenditures	3,200	2,414	(786)
Other Financing Sources (Uses)			
Transfers in	-	-	-
Transfers out	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balance	3,200	2,414	(786)
Fund Balance Beginning of Year	69,680	69,680	-
Fund Balance End of Year	\$ 72,880	\$ 72,093	\$ (787)

**CITY STREET EQUIPMENT RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Interest and Other Earnings	\$ -	\$ 183	\$ 183
Miscellaneous	-	-	-
Total Revenues	-	183	183
Expenditures			
Capital Outlay	92,500	48,316	44,185
Total Expenditures	92,500	48,316	44,185
Excess of Revenues Over Expenditures	(92,500)	(48,133)	44,367
Other Financing Sources (Uses)			
Transfers in	-	-	-
Transfers out	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balance	(92,500)	(48,133)	44,367
Fund Balance Beginning of Year	125,305	125,305	-
Fund Balance End of Year	\$ 32,805	\$ 77,172	\$ 44,367

FACILITIES FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2014

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Interest and Other Earnings	\$ -	\$ 400	\$ 400
Miscellaneous	-	-	-
Total Revenues	-	400	400
Expenditures			
Professional Services	-	-	-
Building & Structures	220,000	17,628	202,372
Total Expenditures	220,000	17,628	202,372
Excess of Revenues Over Expenditures	(220,000)	(17,228)	202,772
Other Financing Sources (Uses)			
Transfers in	-	-	-
Transfers out	(16,546)	(16,546)	-
Disposal of Capital Assets	-	-	-
Sale of Capital Assets	1,200,000	-	(1,200,000)
Governmental Obligation Bond Proceeds	-	-	-
Premium on Bonds Sold	-	-	-
Proceeds of Other Long Term Debt	-	-	-
Compensation for Impairment of Capital Assets	-	6,022	6,022
Total Other Financing Sources (Uses)	1,183,454	(10,524)	(1,193,978)
Net Change in Fund Balance	963,454	(27,752)	(991,206)
Fund Balance Beginning of Year	465,715	465,715	-
Fund Balance End of Year	\$ 1,429,169	\$ 437,963	\$ (991,206)

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.

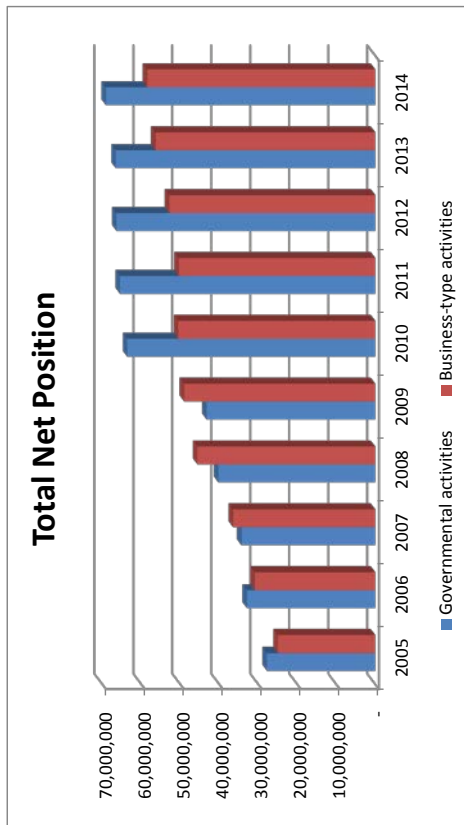
Data Sources:

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental activities										
Net Investment in Capital Assets	\$ 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	\$ 63,759,780
Restricted	866,364	974,441	946,843	683,649	643,717	602,068	733,527	771,117	1,073,118	879,424
Unrestricted	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	4,455,115
Total governmental activities net position	\$ 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	\$ 69,094,319
Business-type activities										
Net Investment in Capital Assets	\$ 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	\$ 42,142,755
Restricted	496,499	623,042	491,489	492,011	492,011	434,587	492,011	442,900	313,400	313,400
Unrestricted	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	16,020,323
Total business-type activities net position	\$ 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	\$ 58,476,477
Primary government										
Net Investment in Capital Assets	\$ 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	\$ 105,902,534
Restricted	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	1,192,824
Unrestricted	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	20,475,438
Total primary government net position	\$ 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	\$ 127,570,796



CHANGES IN NET POSITION
Last Ten Fiscal Years

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses										
Governmental Activities:										
General government	\$ 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	\$ 1,572,173
Judicial	257,550	272,248	303,106	338,206	363,204	372,227	347,030	374,672	355,656	357,993
Security of Persons & Property	2,112,042	2,194,372	2,432,958	2,485,650	2,735,396	2,733,363	2,631,619	2,651,809	2,826,033	3,009,996
Utilities & Environment	436,786	502,929	579,460	605,326	495,083	478,035	494,668	463,211	500,646	456,860
Transportation	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	2,820,286
Economic Environment	650,391	751,947	846,131	894,507	848,002	861,538	633,782	665,027	779,317	890,459
Mental & Physical Health	12,489	12,838	13,489	13,694	14,213	14,481	14,573	14,705	13,978	14,356
Culture & Recreation	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	1,338,814
Interest on Long-Term Debt	150,670	332,355	323,951	303,190	517,679	561,569	553,206	556,341	536,673	518,677
Total Governmental Activities Expenses	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	10,979,613
Business-Type Activities:										
Water ¹	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	1,484,034
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	2,236,003
Solid Waste	807,384	945,221	1,158,976	961,512	999,853	999,164	1,161,445	1,247,121	1,298,015	1,320,150
Storm Drain	323,217	417,209	559,800	675,448	881,451	931,723	935,763	1,011,619	972,205	1,088,006
Total Business-Type Activities	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	6,128,192
Total Primary Government Expenses	\$ 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	\$ 17,107,805

Program Revenues

Governmental Activities:										
Charges for services										
General Government	\$ 224,133	\$ 230,890	\$ 259,258	\$ 268,307	\$ 269,871	\$ 266,497	\$ 540,342	\$ 345,044	\$ 327,650	\$ 345,370
Judicial	109,137	123,309	123,489	106,268	100,989	111,022	106,027	112,308	108,500	112,624
Security of Persons & Property	73,172	108,076	180,967	142,855	149,761	175,358	169,029	168,580	148,342	120,687
Utilities & Environment	144,532	186,395	147,659	58,143	41,545	43,703	51,162	53,193	11,227	5,444
Transportation	7,776	7,315	6,625	7,096	8,428	9,239	9,225	12,100	67,595	112,095
Economic Environment	580,137	667,550	1,111,693	508,805	529,054	332,333	281,722	505,177	558,996	471,539
Culture & Recreation	529,938	524,913	485,590	488,532	446,626	504,935	493,156	538,424	530,637	525,946
Operating grants and contributions	453,211	421,073	697,301	403,541	462,488	477,260	425,702	468,960	479,485	496,338
Capital grants and contributions	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	3,673,904
Total Governmental Activities Program Revenues	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	5,863,947

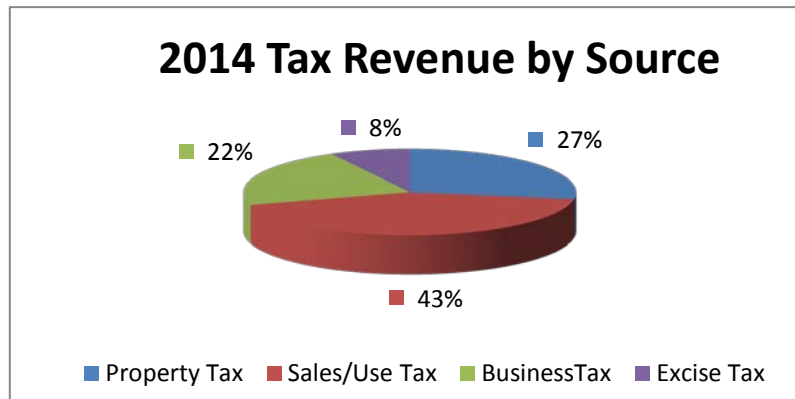
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Business-Type Activities:										
Charges for services:										
Water ¹	3,449,272	1,261,909	1,278,995	1,314,880	1,436,637	1,420,038	1,407,214	1,461,638	1,528,732	1,590,972
Sewer	-	1,845,779	1,903,284	1,988,486	2,388,293	2,526,708	2,558,143	2,803,005	3,040,822	3,208,493
Solid Waste	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	1,501,028
Storm Drain	602,950	655,959	708,002	701,872	732,023	732,782	738,081	801,795	786,897	1,014,112
Operating grants and contributions	-	-	-	56,428	53,270	57,555	94,789	66,936	-	-
Capital grants and contributions	-	4,476,680	4,372,821	7,612,412	3,180,784	221,116	312,382	1,503,112	2,492,406	862,361
Total Business-Type Activities Program										
Revenues	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	8,176,966
Total Primary Government Program Revenues	\$ 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	\$ 14,040,913
Net (Expense)/Revenue										
Governmental Activities	\$ (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)	\$ (5,115,667)
Business-type activities	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	2,048,774
Total Primary Government Net Expense	\$ (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)	\$ (3,066,892)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes:										
Property Taxes	\$ 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	\$ 2,085,784
Retail Sales & Use Taxes	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	3,227,329
Utility Taxes	6,121	-	-	-	-	-	-	-	-	-
Business Taxes	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	1,658,873
Excise Taxes	645,992	656,366	739,141	565,800	398,550	340,508	300,344	587,590	622,312	592,983
Penalties & Interest	33	95	-	-	-	-	-	-	-	-
Investment earnings	237,180	718,819	818,379	579,695	157,625	104,893	61,220	59,267	33,016	47,924
Gain (loss) on disposal of capital assets	4,913	865	(6,963)	701	724,911	-	13,139	4,712	124,658	5,715
Transfers	249,764	246,000	258,251	-	-	-	-	-	-	-
Insurance Recoveries	-	-	-	-	-	-	-	-	20,306	-
Total Governmental Activities	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	7,618,608
Business-Type Activities										
Investment earnings	101,882	239,850	334,691	275,353	87,942	96,415	56,345	56,111	25,987	39,785
Gain (loss) on disposal of capital assets	(23,633)	-	800	-	-	-	-	-	-	11,885
Transfers	(249,764)	(246,000)	-	-	-	-	-	-	-	-
Total Business-Type Activities	(171,514)	(6,151)	335,491	275,353	87,942	96,415	56,345	56,111	25,987	51,670
Total Primary Government	\$ 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	\$ 7,670,278
Change in Net Position										
Governmental Activities	\$ 2,388,074	\$ 5,084,847	\$ 3,834,787	\$ 5,958,663	\$ 2,651,788	\$ 579,984	\$ 1,069,187	\$ 997,568	\$ 403,207	\$ 2,502,942
Business-Type Activities	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	2,100,444
Total Primary Government	\$ 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	\$ 4,603,386

Note:

¹ 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
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
2014	2,085,784	3,227,329	1,658,873	592,983	7,564,969



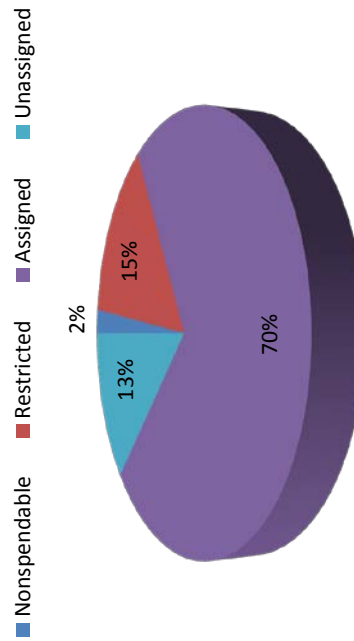
FUND BALANCES OF GOVERNMENTAL FUNDS

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
2014	12,412	1,501,759	661,204	2,175,375	91,016	773,736	2,165,425	3,030,177

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

2014 Governmental Fund Balances



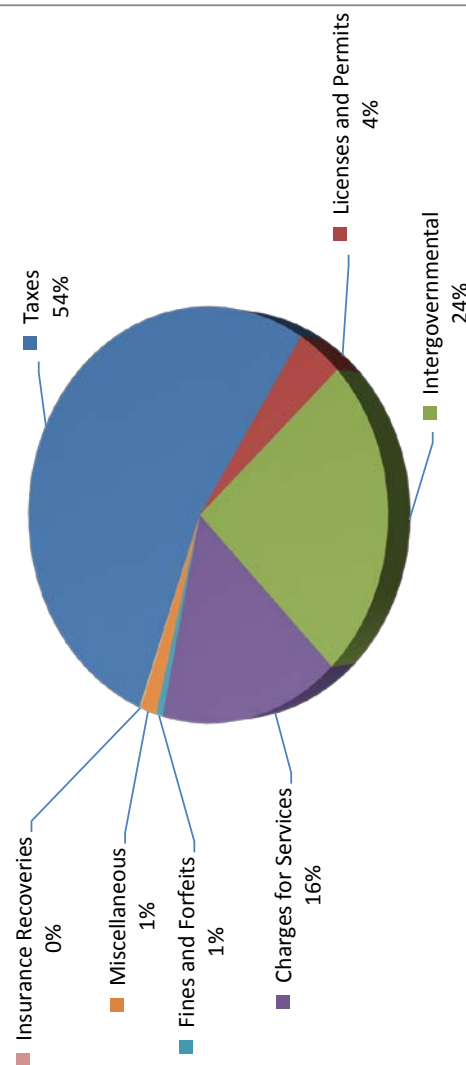
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues										
Taxes	\$ 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	\$ 7,509,669
Licenses and Permits	614,391	517,095	860,178	386,251	460,321	397,513	351,107	604,450	622,819	558,113
Intergovernmental Revenues	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	3,384,699
Charges for Services	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	2,228,941
Fines and Forfeitures	97,108	108,781	106,704	103,210	89,382	87,184	85,063	79,049	76,729	83,238
Interest & Other Earnings	231,415	710,248	811,654	576,967	156,803	104,688	61,220	63,285	37,631	52,355
Miscellaneous	226,861	124,439	213,682	65,517	143,996	122,600	138,250	202,158	203,606	156,557
Total Revenues	9,930,555	12,080,967	14,193,041	12,130,988	12,113,024	11,058,823	11,003,936	11,270,239	10,932,998	13,973,573
Expenditures										
General Government	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	2,704,029
Security of Persons and Property	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	2,847,128
Utilities and Environment	425,839	497,437	566,156	585,591	474,649	460,417	479,286	455,458	512,596	443,940
Transportation	612,296	675,217	2,756,203	2,657,624	837,427	819,169	740,214	744,424	1,533,295	1,559,694
Economic Environment	634,263	738,917	839,269	891,608	845,073	857,604	630,374	660,244	785,598	886,387
Mental and Physical Health	12,489	12,838	13,489	13,694	14,213	14,481	14,573	14,705	13,978	14,356
Culture and Recreation	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	1,097,577
Capital Outlay	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	3,196,591
Debt Service										
Principal	384,323	579,323	574,323	1,199,323	704,323	604,368	634,368	3,114,368	579,368	589,368
Interest & Fiscal Charges	150,670	332,355	323,951	303,190	430,172	506,692	493,171	513,038	495,456	479,814
Total Expenditures	8,999,932	13,169,345	13,979,345	15,854,538	17,414,810	18,651,045	11,905,548	13,521,260	11,322,619	13,818,885
Excess of revenues over (under) expenditures	930,623	(1,088,379)	213,696	(3,723,550)	(5,301,785)	(7,592,223)	(901,612)	(2,251,020)	(389,620)	154,688
Other financing sources (uses)										
Proceeds of Long Term Debt	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	4,913	865	-	2,180	2,800,000	20,000	16,970	4,712	272,103	5,715
Comp for Impairment of Cap Assets	-	-	-	-	-	-	273,639	-	20,306	7,528
Insurance Recoveries	-	-	-	-	-	-	-	-	-	613
Net Transfers In (Out)	15,260	51,985	67,350	-	-	98,800	-	-	-	-
Intergovernmental Payment	-	-	-	(15,000)	-	-	-	-	-	-
Issuance Discount on Long-Term Debt	(82,451)	-	-	-	(54,071)	(6,473)	-	(34,561)	-	-
Total other financing sources (uses)	5,122,722	52,850	67,350	(12,820)	8,842,445	1,623,371	915,609	2,494,781	292,408	13,856
Net change in fund balances	\$ 6,053,345	\$ (1,035,529)	\$ 281,046	\$ (3,736,370)	\$ 3,540,659	\$ (5,968,852)	\$ 13,997	\$ 243,760	\$ (97,212)	\$ 168,544
Debt service as a percentage of noncapital expenditures	7.32%	10.77%	7.87%	12.29%	11.79%	11.40%	12.20%	30.23%	10.27%	10.07%

GENERAL GOVERNMENTAL REVENUES BY SOURCE
Last Ten Fiscal Years

Fiscal Year	REVENUES					OTHER FINANCING SOURCES (USES)							Total Revenues and Other Sources
	Taxes	Licenses and Permits	Inter-gov Charges	Charges for Services	Fines and Forfeits	Misc.	Total Revenues	Capital Related Debt Issues	Insurance Recovery	Sale of Capital Assets	Net Transfers in (out)	Financing Sources (Uses)	
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	-	2,297	290,112	-	292,408	11,225,407
2014	7,509,669	558,113	3,384,699	2,228,941	83,238	208,912	13,973,573	-	613	13,243	-	13,856	13,987,429

2014 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 ¹	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
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
2014	1,395,698,299	50,866,478	164,218,411	1,282,346,366	1.698	1,409,171,831	91.0

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

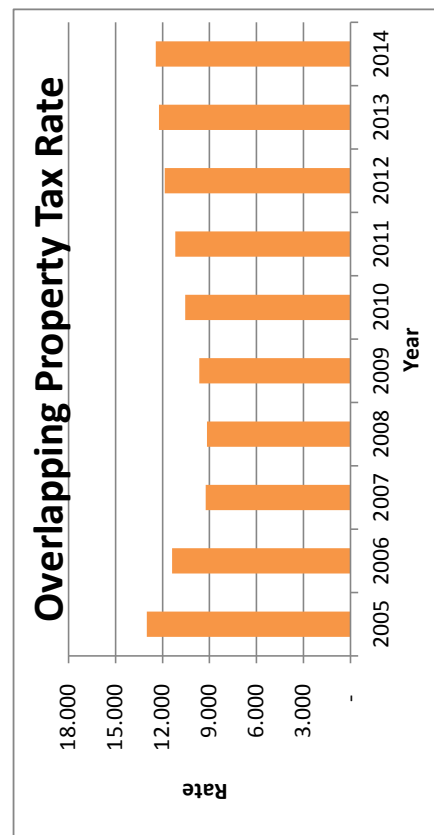
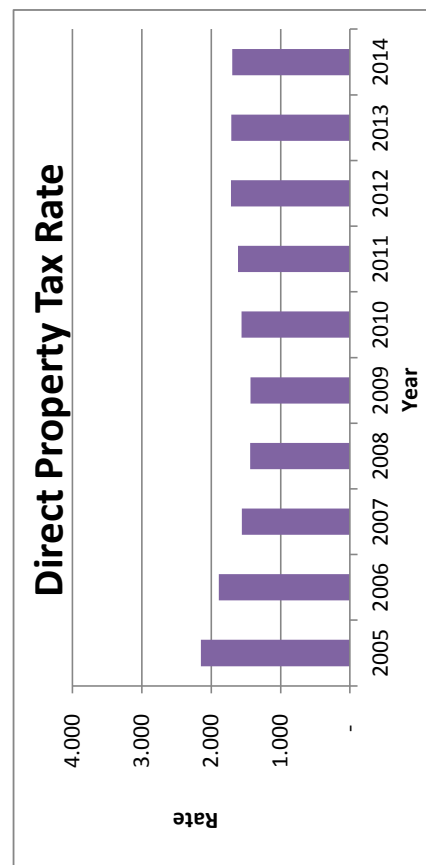
PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS

Last Ten Fiscal Years

Fiscal Year	Debt			School		Other Overlapping Rates						Total Direct & Overlapping	
	Operating	Service**	Total City	Kitsap	State	NK School	Port of Poulsbo	Fire District #18	Public Utility	Kitsap	Poulsbo Library		Total Overlapping Rates
				County	School	District				Regional Library			
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
2014	1.698	-	1.698	1.236	2.472	4.222	0.310	2.000	0.085	0.402	-	10.728	12.426

**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

	2014				2005			
	Taxpayer	2014 Assessed Valuation	Rank	% of Total Assessed Valuation	2005 Assessed Valuation	Rank	% of Total Assessed Valuation	
OLHAVA ASSOCIATES LMTD PTNSP	\$23,739,620	1	1.85%	\$ 76,380,680	1	8.44%		
WAL MART STORE 5272	\$16,660,390	2	1.30%	\$ 18,865,500	2	2.08%		
LAURELHURST APARTMENTS CO	\$12,915,670	3	1.01%	\$ 13,364,540	3	1.48%		
LIBERTY RIDGE APTS LLC	\$11,316,140	4	0.88%	\$ 11,407,750	4	1.26%		
HD DEVELOPMENT OF MARYLAND INC	\$10,041,060	5	0.78%	\$ 10,325,960	5	1.14%		
PUGET SOUND ENERGY ELEC	\$9,356,632	6	0.73%	\$ 9,841,350	6	1.09%		
COLLEGE MARKETPLACE LLC	\$8,918,790	7	0.70%	\$ 9,386,400	7	1.04%		
SAFEWAY INC	\$8,650,780	8	0.67%	\$ 9,263,160	8	1.02%		
POULSBO RETIREMENT CENTER	\$8,369,240	9	0.65%	\$ 8,850,490	9	0.98%		
NIKKEL WILLIAM A TRUSTEE	\$8,321,990	10	0.65%	\$ 7,903,070	10	0.87%		
TOTALS:		\$ 118,290,312	9.22%	\$ 175,588,900		19.39%		

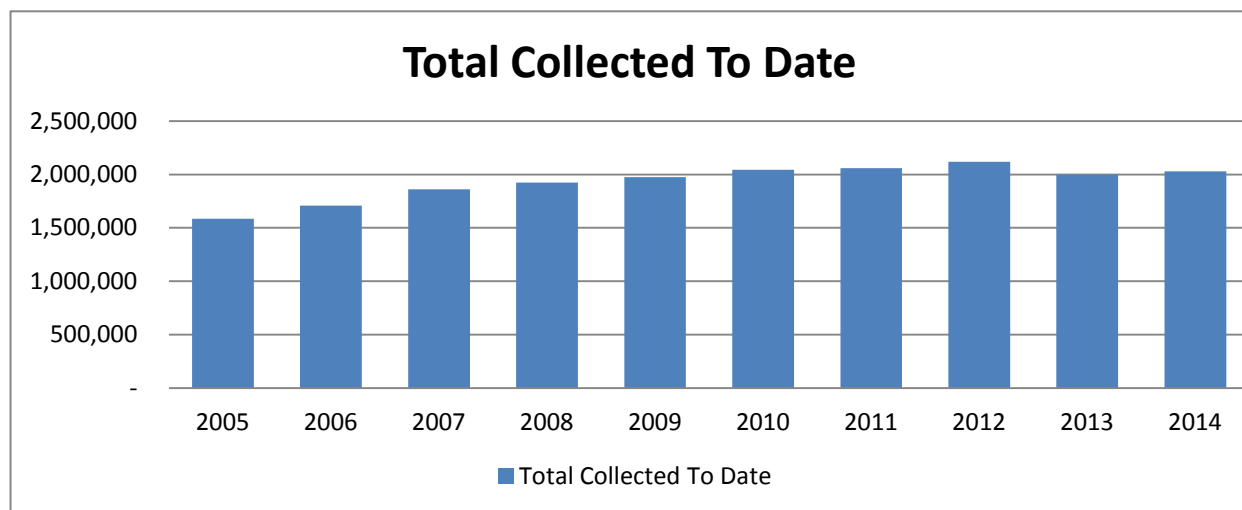
Source: Kitsap County Assessor's Office



PROPERTY TAX LEVIES AND COLLECTIONS
2005 - 2014

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		
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%
2014	2,088,707	2,030,020	97.19%	(298)	2,029,722	97.18%	58,985	2.82%

Source: Kitsap County Treasurer and Assessor's Office



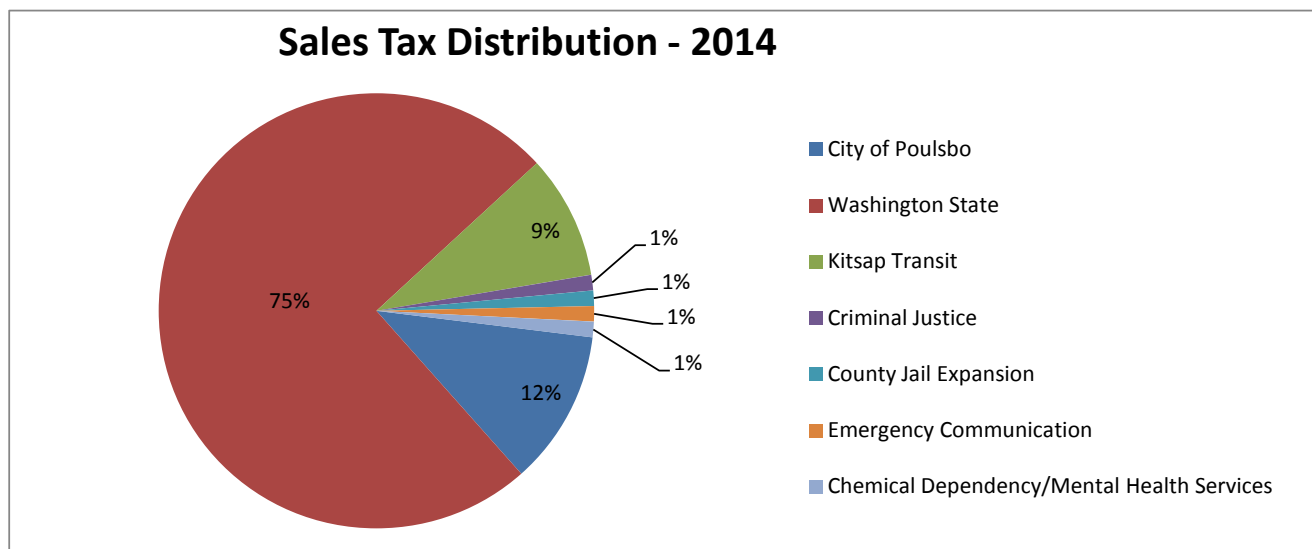
SALES TAX RATE DIRECT AND OVERLAPPING GOVERNMENTS
Last Ten Fiscal Years

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014 ^(a)
Basic Sales Tax Rates										
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%
Chemical Dependency/Mental Health Services	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%
Total Basic Combined Sales Tax Rate	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%	8.7%
Special Sales Tax Rates										
Hotel/Motel ^(b)	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%

^(a) Effective 2014, Kitsap County increased the rate one tenth of one percent (.1%) for chemical dependency or mental health treatment services

^(b) 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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Major Industry Sector										
Unknown	8,044	13,373	15,140	8,529	4,721	22,144	41,121	36,448	37,266	13,903
Agriculture, Forestry Fishing	232	567	459	526	665	620	593	800	886	662
Mining	298	334	150	96	252	556	384	427	464	636
Utilities	1,018	1,538	1,694	2,866	2,618	1,876	2,081	2,744	3,512	3,039
Construction	427,005	467,266	454,627	420,541	273,295	318,387	316,718	142,181	294,260	318,024
Manufacturing	21,837	27,855	38,137	34,999	30,774	34,968	40,558	34,385	27,948	49,122
Wholesale Trade	144,851	135,929	150,273	144,849	91,669	86,317	89,855	90,710	98,657	110,341
Retail Trade	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	1,863,729
Transportation and Warehousing	2,172	2,094	1,593	1,093	1,188	1,566	1,921	2,707	1,914	2,262
Information	101,994	108,898	78,940	103,749	101,511	104,216	88,226	84,823	91,504	102,047
Finance and Insurance	11,817	19,385	18,841	15,116	7,962	7,174	9,228	8,760	11,653	11,033
Real Estate, Rental, Leasing	64,113	68,775	66,251	59,476	75,948	55,022	41,234	52,455	54,208	61,165
Prof Sci, Technical Svcs	34,326	33,269	38,658	42,981	43,304	31,335	29,699	27,102	33,033	43,310
Company Management	208	214	175	89	37	17	6	-	-	-
Admin, Supp, Remed Svcs	32,093	38,446	37,446	39,076	32,001	31,310	36,795	36,487	43,261	46,006
Educational Services	4,615	4,058	7,017	6,380	5,988	6,393	6,521	5,096	5,804	4,625
Health Care Social Assistance	6,210	6,927	13,924	10,820	13,310	8,280	8,885	19,078	17,443	13,022
Arts, Entertain, Recreation	6,484	11,650	12,997	13,749	6,971	10,245	12,699	9,239	9,233	13,043
Accommodation and Food Svcs.	236,119	241,044	237,134	249,801	273,308	282,394	286,244	292,749	291,623	333,336
Other Services	79,433	86,062	90,581	88,906	80,180	83,445	76,553	72,163	75,236	84,693
Public Administration	567	12	21	245	18,365	16,806	18,065	18,032	23,196	28,695
Total Retail Sales Tax Revenues*	\$2,415,900	\$3,083,160	\$3,152,807	\$3,024,044	\$2,776,543	\$2,850,232	\$2,800,072	\$2,593,651	\$2,825,032	\$3,102,693

*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

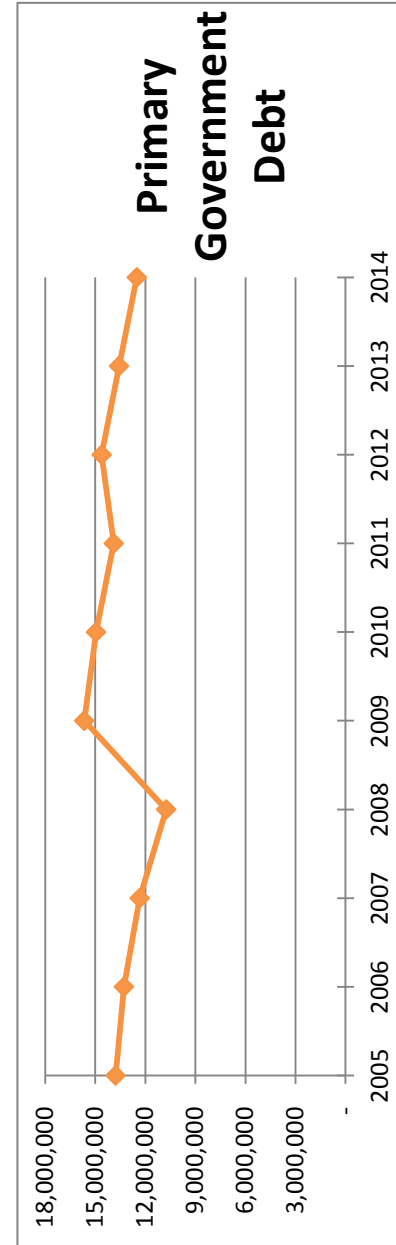
Last Ten Fiscal Years

Fiscal Year	Governmental Activities			Business-Type Activities				Total Primary Government	Percentage of Personal Income ¹	Per Capita ¹
	General Obligation Bonds	PWTF Loans	Water Bonds	Sewer Bonds	PWTF Loans					
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	3.11%	1,416
2014	10,645,000	446,210	302,500	1,072,500	45,848			12,512,058	0%	1,305

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

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

*Percentage of Personal Income data only available through 2013.



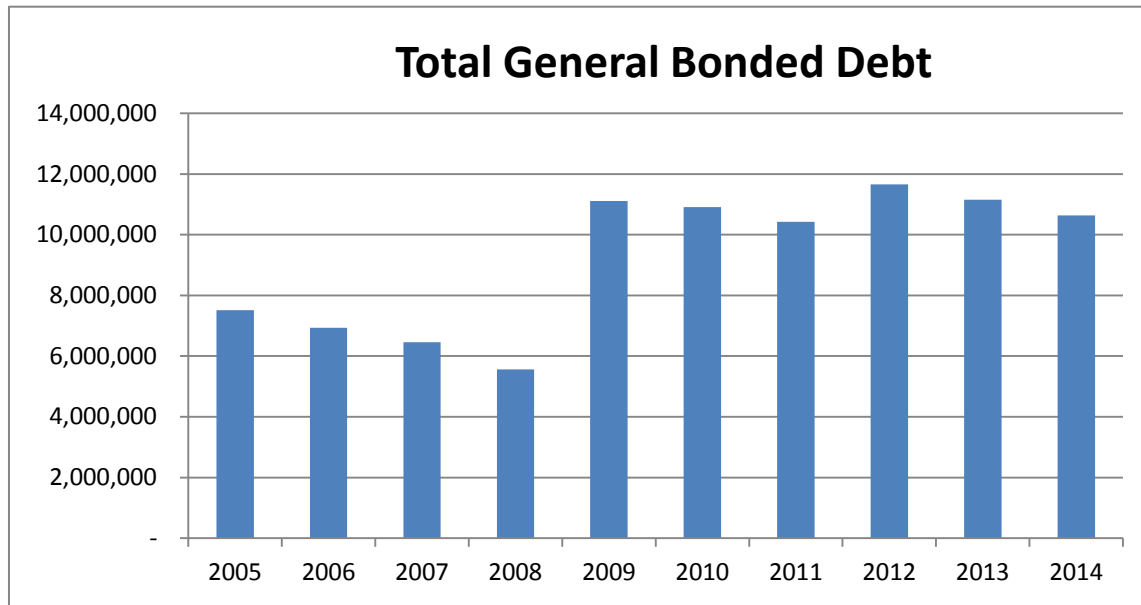
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	% of Estimated Actual Taxable Value¹ of Property	Per Capita²
2005	7,910,000	395,506	7,514,494	0.55%	1,003
2006	7,415,000	483,345	6,931,655	0.46%	917
2007	6,925,000	463,990	6,461,010	0.40%	824
2008	5,810,000	254,032	5,555,968	0.37%	627
2009	11,205,000	99,362	11,105,638	0.77%	1,245
2010	10,985,000	72,582	10,912,418	0.78%	1,180
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	0.79%	1,164
2014	10,645,000	4,738	10,640,262	0.76%	1,089

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

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

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



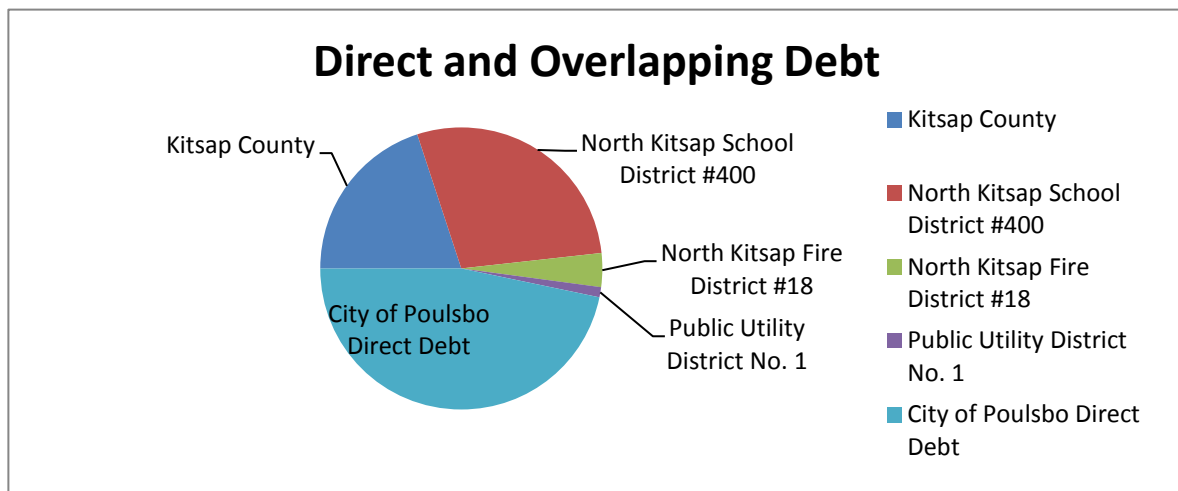
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
As of December 31, 2014

Governmental Unit	Debt Outstanding	Estimated % Applicable¹	Estimated Share of Overlapping Debt
Kitsap County	\$ 96,198,914	4.72%	\$ 4,541,953
North Kitsap School District #400	29,505,794	21.86%	\$ 6,451,061
North Kitsap Fire District #18	2,176,145	40.46%	\$ 880,524
Public Utility District No. 1	5,570,000	4.72%	\$ 262,983
<i>Subtotal, Overlapping Debt</i>			12,136,521
City of Poulsbo Direct Debt	10,645,000	100%	10,645,000
Total Direct and Overlapping Debt			\$ 22,781,521

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

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

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



LEGAL DEBT MARGIN INFORMATION
Last Ten Fiscal Years

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Debt Limit	\$ 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	\$ 96,176,052
Total net debt applicable to limit	7,514,494	6,931,655	6,461,010	5,555,968	11,105,638	10,912,418	10,415,231	11,661,033	10,641,783	10,640,262
Legal debt margin	\$ 60,386,928	\$ 82,701,084	\$ 93,839,288	\$ 97,810,401	\$ 87,146,890	\$ 85,140,778	\$ 82,904,055	\$ 79,174,587	\$ 81,615,712	\$ 85,535,791
Total net debt applicable to the limit as a % of debt limit	11.07%	7.73%	6.44%	5.38%	11.30%	11.36%	11.16%	12.84%	11.53%	11.06%

Legal Debt Margin Calculation for Fiscal Year 2014

Assessed value	1,282,347,366
Debt limit (7.5% of total assessed value)	96,176,052
Debt applicable to limit:	
General obligation bonds	10,645,000
Less: Amount set aside for repayment of GO Debt	4,738
Total net debt applicable to limit	10,640,262
Legal debt margin	\$ 85,535,791

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

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	
2005	4,057,152	3,010,151	1,047,001	3,260,000 ¹	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%
2014	4,799,465	3,642,764	1,156,701	429,000	60,340	236%

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

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

DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years

FISCAL YEAR	COUNTY POPULATION	KC PERSONAL INCOME* ¹	PERSONAL INCOME ¹	PER CAPITA INCOME*	UNEMPLOYMENT RATE**	SCHOOL ENROLLMENT ^{2 ***}	
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	11,563,863	436,376	45,533	7.1%	2,892
2014	9,775	255,900	0	0	0	6.2%	3,088

¹ Thousands of Dollars and information only available through 2013

² 2005-2014 are totals for only schools in city limits

* Source: US Bureau of Economic Analysis-Kitsap County based on population of City only available through 2013

** 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

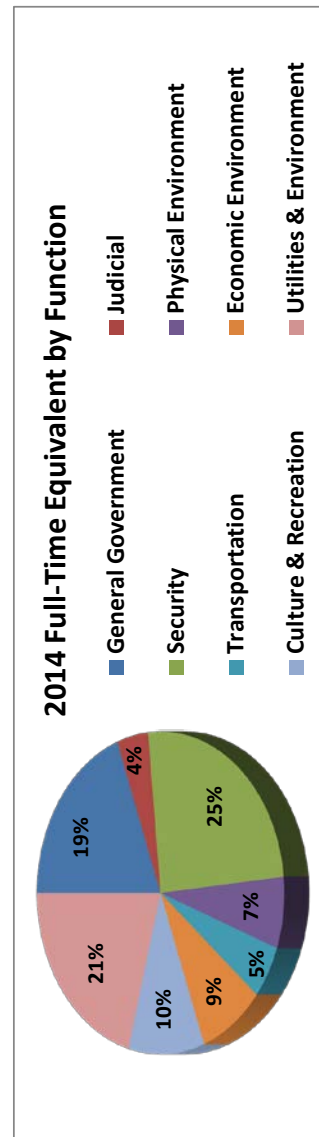
	2014				2004			
	TOTAL		% of Total City		TOTAL		% of Total City	
<u>Taxpayer</u>	<u>Type of Business</u>	<u>EMPLOYEES¹</u>	<u>Rank</u>	<u>Employment</u>	<u>EMPLOYEES¹</u>	<u>Rank</u>	<u>Employment</u>	<u>Rank</u>
North Kitsap School District	Public Education	844	1	10.79%	956	1	13.07%	
Martha & Mary Lutheran Services	Social Services	373	2	4.77%	397	3	5.43%	
Walmart	Retail Trade	350	3	4.48%				
Central Market	Retail Trade	241	4	3.08%	362	4	4.95%	
Raytheon Systems	Government Contracting	167	5	2.14%			0.00%	
Home Depot	Retail Trade	120	6	1.53%				
Safeway	Retail Trade	114	7	1.46%				
Liberty Shores / Harbor House	Healthcare	105	8	1.34%	95	9	1.30%	
Gateway Fellowship	Education/Religious	103	9	1.32%	76			
City of Poulsbo	Municipal Government	83	10	1.06%	84	10	1.15%	
Powder Hill Group ²	Technical Services				108	7	1.48%	
General Construction ²	Construction				400	2	5.47%	
Seattle Systems ²					199	5	2.72%	
eAcceleration	Technical Services				190	6	2.60%	
Electronic Datasystems ²	Government Contracting				100	8	1.37%	
Subtotal of Ten Largest Employers		2500		31.97%	2967		40.57%	
All Other Employers		5320		68.03%	4346		59.43%	
Total Poulsbo Employment³		7820		100.00%	7313		100.00%	

¹ Full and part-time employees are tracked.² Office closed or moved out of City³ Total Poulsbo Employment numbers from ESD as of Q1 2014 & Q1 2004

Source: WA St Employment Security Department, City of Poulsbo Finance Department

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
As of December 31, 2014

Function	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Government:										
Executive (Mayor)	1.00	1.00	1.63	1.63	2.00	2.00	1.00	1.00	1.00	1.00
Clerk's Department	4.00	4.00	4.00	4.00	4.00	4.00	3.00	3.00	3.00	2.00
Finance Department	6.50	7.00	7.00	8.00	8.00	8.00	7.00	7.00	7.00	7.00
Grant Writer	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	1.50
Personnel	1.00	1.00	1.00	1.00	1.00	1.15	1.00	1.00	1.00	1.00
Risk Management	-	-	-	-	-	-	-	-	-	1.00
Central Services	1.90	1.90	1.90	1.90	1.90	1.90	2.50	2.50	2.50	2.55
Municipal Court	3.39	3.39	3.90	4.26	4.21	4.21	3.77	3.99	3.39	3.39
Police Department	20.00	20.00	20.00	22.00	22.00	21.00	19.00	19.50	20.30	20.80
Engineering	5.00	6.00	6.00	6.45	5.95	5.95	5.63	5.63	5.63	5.95
Streets	4.36	4.36	4.70	4.70	4.70	4.70	3.70	3.70	3.25	4.40
Planning & Building	7.50	8.50	9.00	9.45	8.45	8.45	6.55	6.55	6.55	7.00
Parks & Recreation	5.92	6.32	6.42	6.42	6.42	6.62	5.87	5.87	6.16	5.95
Parks & Cemetery	3.48	3.98	3.25	3.25	2.25	2.25	2.25	2.25	2.28	2.30
Library	0.54	0.54	0.60	0.60	0.60	0.60	-	-	-	-
Water	3.46	3.46	2.90	2.90	2.90	2.90	3.30	3.30	3.33	3.65
Sewer	1.80	1.80	3.15	3.15	3.15	3.15	3.05	3.05	3.08	3.40
Solid Waste	3.49	3.99	3.55	3.55	3.05	3.05	3.05	3.05	3.10	3.32
Storm Drain	1.97	2.97	2.95	3.95	3.95	3.95	3.65	3.65	3.65	3.45
General Facilities	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	0.83	-
Administration	5.00	6.00	5.00	5.10	5.10	5.10	3.88	3.88	3.85	3.48
Total Number of Full-Time Equivalent Employees:	82.71	88.61	89.35	95.71	93.03	92.38	80.20	81.42	81.40	83.14



Source: City of Poulsbo, Human Resources

OPERATING INDICATORS BY FUNCTION
Last Ten Fiscal Years

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<u>Governmental Functions</u>										
General Government Other										
Number of Unions Represented	2	2	2	2	2	2	2	2	2	2
Number of City Council meetings	38	42	40	44	43	39	42	39	37	39
Number of public records requests processed	57	44	73	79	87	88	75	83	119	165
Number of pages of Ordinances codified	*	*	*	*	*	*	*	*	382	145
Number of passports processed	806	1,119	1,024	1,018	1,015	617	805	783	723	814
Number of Business Licenses Issued	914	1,375	1,575	1,351	1,563	1,404	1,463	1,639	1,629	1,729
Public Safety										
Number of case reports filed	1,586	1,998	2,090	1,783	1,698	1,746	1,552	1,595	1,391	1,354
Number of citations issued	2,162	2,167	2,325	985	1,223	1,250	1,155	1,031	1,415	1,503
Number of calls for service	11,229	13,374	12,942	12,234	12,842	13,744	13,591	12,139	11,653	12,473
Number of responses to motor vehicle accidents	211	175	271	235	302	347	205	182	181	370
Number of driving impaired citations issued	58	110	72	71	103	84	77	50	28	23
Number of vacation house checks	909	1,034	1,049	847	847	1,114	677	398	590	150
Number of parking citations issued	177	231	63	230	114	568	802	636	327	374
Transportation										
Miles of streets maintained	37	39	45	45	45	47	48	48	48	48
Miles of sidewalks maintained	42	44	47	48	49	50	50	50	50	50
Number of hours spent street sweeping	490	546	550	468	468	323	225	312	312	312
Number of street signs maintained	1,805	1,875	2,174	2,174	2,204	2,204	2,215	2,255	2,280	2,290
Culture and Recreation										
Number of parks maintained	16	16	16	17	17	17	17	17	17	17
Total acreage of parks/open space maintained	61	64	64	65	67	67	67	67	67	67
Economic Environment										
Number of new single family building permits issued	75	93	197	95	58	20	35	96	109	75
Number of new commercial building permits issued	40	10	6	2	2	7	4	3	2	2
Number of existing single family building permits issued	**	76	69	59	47	57	52	50	61	69
Number of existing commercial building permits issued	**	978	81	66	119	77	47	60	56	71
Number of all other building permits	**	142	116	74	61	74	64	53	49	73

OPERATING INDICATORS BY FUNCTION

Last Ten Fiscal Years

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Physical Environment										
Number of Right of Way permits issued	47	47	42	46	40	57	41	41	59	64
Number of Clearing & Grading applications & permits issued ²	20	4	15	8	6	9	6	10	6	8
Number of Land Use pre-applications reviewed	**	42	47	30	16	14	15	12	16	14
Number of Land Use Commercial applications reviewed	**	22	24	16	18	14	10	13	10	17
Number of Land Use Residential applications reviewed	**	37	31	12	16	14	9	9	10	10
Number of Land Use Un-Classified ¹ applications reviewed	**	8	9	6	8	22	7	17	8	5
Total Number of Land Use Applications Reviewed	**	109	111	64	58	63	41	51	44	46
Business-Type Functions										
Water										
Number of active water services	2,707	2,820	2,990	3,142	3,133	3,156	3,161	3,194	3,256	3,344
Miles of watermain lines maintained	58	60	61	61	62	62	63	63	63	63
Average number of water meters read monthly	2,663	2,758	3,051	3,093	3,147	3,259	3,292	3,355	3,445	3,550
Sewer										
Number of active sewer services	2,561	2,631	2,778	2,869	2,963	2,985	3,001	3,073	3,164	3,422
Miles of sewermain lines maintained	31	32	33	34	34	34	34	34	34	34
Number of pump stations maintained	8	8	9	9	9	9	9	9	9	9
Solid Waste										
Number of residential garbage accounts	2,273	2,310	2,430	2,746	2,623	2,641	2,668	2,785	2,897	3,022
Number of multi-family units	1,030	1,038	1,012	1,012	1,102	1,102	1,102	1,012	1,022	1,022
Number of commercial accounts	224	229	201	231	266	277	282	311	307	228
Number of tons of waste to landfill	5,200	5,690	5,700	4,794	4,894	4,810	4,874	5,144	5,063	5,402
Number of 3 day free dumpsters for residential clean-up provided	363	326	350	308	312	356	300	306	309	311
Storm Drain										
Number of detention ponds maintained	22	29	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

¹ Un-Classified includes Light Industrial, Park, Business Park, Office Commercial Industrial and Administrative Permits (TIP/Water System Plan)

Source: Internal Operating Statistics

CAPITAL ASSETS STATISTICS BY FUCTION
Last Ten Fiscal Years

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<u>Governmental Functions</u>										
General Government										
Number of City Vehicles (not listed below)	*	15	5	6	6	7	13	13	13	12
Generators	*	1	1	1	1	1	1	1	1	1
Public Safety										
Number of police vehicles	*	24	23	22	22	20	20	20	21	21
Number of police boats	1	1	1	1	1	1	1	1	1	1
Transportation										
Number of Vehicles (not specified below)			6	11	6	7	7	7	7	6
Number of Street Sweepers	1	1	1	1	1	1	1	1	2	2
Number of Dump Trucks	8	8	4	4	4	4	4	4	4	4
Construction Equipment	7	7	8	8	8	8	8	8	8	9
Miles of streets	37	39	39	45	47	48	48	48	48	48
Number of Traffic Signals	8	8	9	8	8	8	8	8	8	9
Number of bridges	1	1	1	1	1	1	1	1	1	1
Culture and Recreation										
Number of vehicles	1	1	1	1	1	1	1	1	1	1
Neighborhood parks	3	3	3	8	10	10	10	10	10	11
Community parks	13	13	13	8	5	5	5	5	5	5
Maintenance Equipment	5	5	5	5	5	5	5	5	6	6
Indoor recreational facilities	1	1	1	1	1	1	1	1	1	1
Economic Environment										
Number of Building vehicles	1	1	1	1	1	1	1	1	1	1
Physical Environment										
Number of Engineering vehicles	3	4	4	4	4	4	1	1	1	1

CAPITAL ASSETS STATISTICS BY FUCTION
Last Ten Fiscal Years

<u>Business-Type Functions</u>	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Water										
Generators	2	2	2	2	2	2	2	2	2	2
Miles of water mains	58	58	60	61	62	63	63	63	63	64
Number of vehicles	*	4	4	4	4	4	4	4	4	4
Number of hydrants	*	299	315	399	400	402	406	425	427	433
Sewer										
Generators	*	3	3	5	5	5	5	5	5	5
Number of vehicles	*	4	4	3	3	3	3	3	3	3
Number of construction vehicles	*	3	3	6	4	4	4	4	4	4
Sewer inspection camera	1	1	1	1	1	1	1	1	2	2
Treatment plants (Pumping Stations)	8	8	8	9	9	9	9	9	9	9
Miles of sewer mains	31	31	33	33	34	34	34	34	34	34
Solid Waste										
Number of garbage trucks	4	5	5	4	6	6	6	6	6	5
Storm Drain										
Number of vehicles	*	2	3	3	3	3	3	3	3	2
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

