

*City of Poulsbo, Washington*

***Comprehensive Annual Financial Report***



*For the fiscal year ended December 31, 2016*

***Cover Photo –Jon Jennings***

**CITY OF POULSBO**

**WASHINGTON**

**COMPREHENSIVE ANNUAL FINANCIAL  
REPORT**

For the fiscal year ended

December 31, 2016

Finance Director

Deborah Booher

PREPARED BY

THE CITY FINANCE TEAM:

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Accounting Manager

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# City of Poulsbo

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June 26, 2017

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, 2016. 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, if the proceeds are in excess of \$750,000 per annum. 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 single audit report would be issued in a separate document. The City did not meet the dollar threshold in 2016 resulting in not requiring a single audit.

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 the remaining three council positions appear on the ballot.

To provide a full range of services to its citizens, the City of Poulsbo is divided into departments, 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 2,954 acres and for economic 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, 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 40-acre Fish Park that boasts trails, boardwalks, viewing platforms, interpretive signs, small natural amphitheater and numerous forms of wildlife. Each November, the local businesses organize an event for the community where everyone comes together around the notorious Norseman sculpture and lights up a festive tree for the holidays.

Construction of a new transit center is underway at the end of the Viking Corridor. The planned opening for operations is early 2017. Much of Viking Avenue, which took a hard hit during the economic downturn, has rebounded with new businesses taking up residence on this corridor. The Mayor and City Council continue to work actively with current business owners to support growth, stability and encourage new potential opportunities.

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 a peak hour high occupancy vehicle (HOV) lane 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, commercial growth occupies both sides of State Highway 305 enjoying 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 can provide family wage earning jobs for professionals who prefer not to commute to the Seattle area. Central Market, which has been deemed a destination market, boasting local produce, in-store dining, full grocery products, extensive wine and beer selections and many quick gourmet dining options is here. CVS Pharmacy opened a brand-new store in 2015 and an additional drive-up Starbucks, car wash and paint store located on the SR305 corridor are under construction and set to open in 2017.

In 2015, due to Albertson's purchasing Safeway, the Albertson's which had been located on one side of the highway in a shopping complex for more than 30 years closed their doors to focus their customer base to the newer larger Safeway store located on the other side of the state highway. Now, the old Albertson's site remains vacant and the Mayor with Council continue to support finding a new occupant supporting the local economic plan.

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. In 2015, the bank holding the debt for the remaining parcels in the development foreclosed on the vacant properties. In 2016, the foreclosed properties were re-purchased and are now being actively marketed. The planning process is being initiated to develop and start constructing multi-family units in the area. A new drive up Starbucks and retail car wash in the College Market Place development opened early 2015.

The area continues to develop and grow. The City is actively working with the local YMCA, community and college about the potential of locating a new YMCA facility in the area for a combined use for YMCA's health and

fitness; student use along with a teaching program; and the City's recreational programs. A feasibility study was conducted in 2016 to establish the want and need for the program. While the community responded for the want, there needs to be more work done focusing on the funding plan.

Poulsbo continued to strongly rebound in 2016 from the prior economic downturn. Many revenues not only reached but surpassed the 2008 levels. Development revenues saw a record year in 2016 with many additional developments beginning the planning process. Growth is diversified in fairly equal scatterings among single family, multifamily, industrial and commercial development. Several housing developments and multifamily homes are under construction. Many of the new developments have been completely sold prior to construction completion. At present, there is a shortage of housing availability for both purchase and rental. Current and planned development should help to alleviate the demands, and help the local economy grow and remain strong.

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. Poulsbo is a very fortunate community where leaders have been conservative in spending. Excess funds have been banked in reserves to help stabilize revenues and support one-time specific expenses. 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. 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 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 2016 General Fund operating 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 2016 to stabilize the fund. The General Fund current operating revenues supported expenditures and reserves were used for specific items outside on-going operations.

The City prepared its first biennial budget for 2017-18. The process helped to continue the focus on long range planning as it put some certainty with more detail for two years of projections and providing a better focused look on the impact of what changes in the short term will do to future years.

### **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 2016 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, 2015.

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 2016 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 Brown, who manages the CAFR preparation.

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

Respectfully submitted,

A handwritten signature in dark ink, reading "Deborah L. Booher". The signature is written in a cursive, flowing style. The first name "Deborah" is written in a larger, more prominent script, and the last name "Booher" follows in a similar but slightly smaller script. The initials "L." are written in a small, simple font between the first and last names.

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

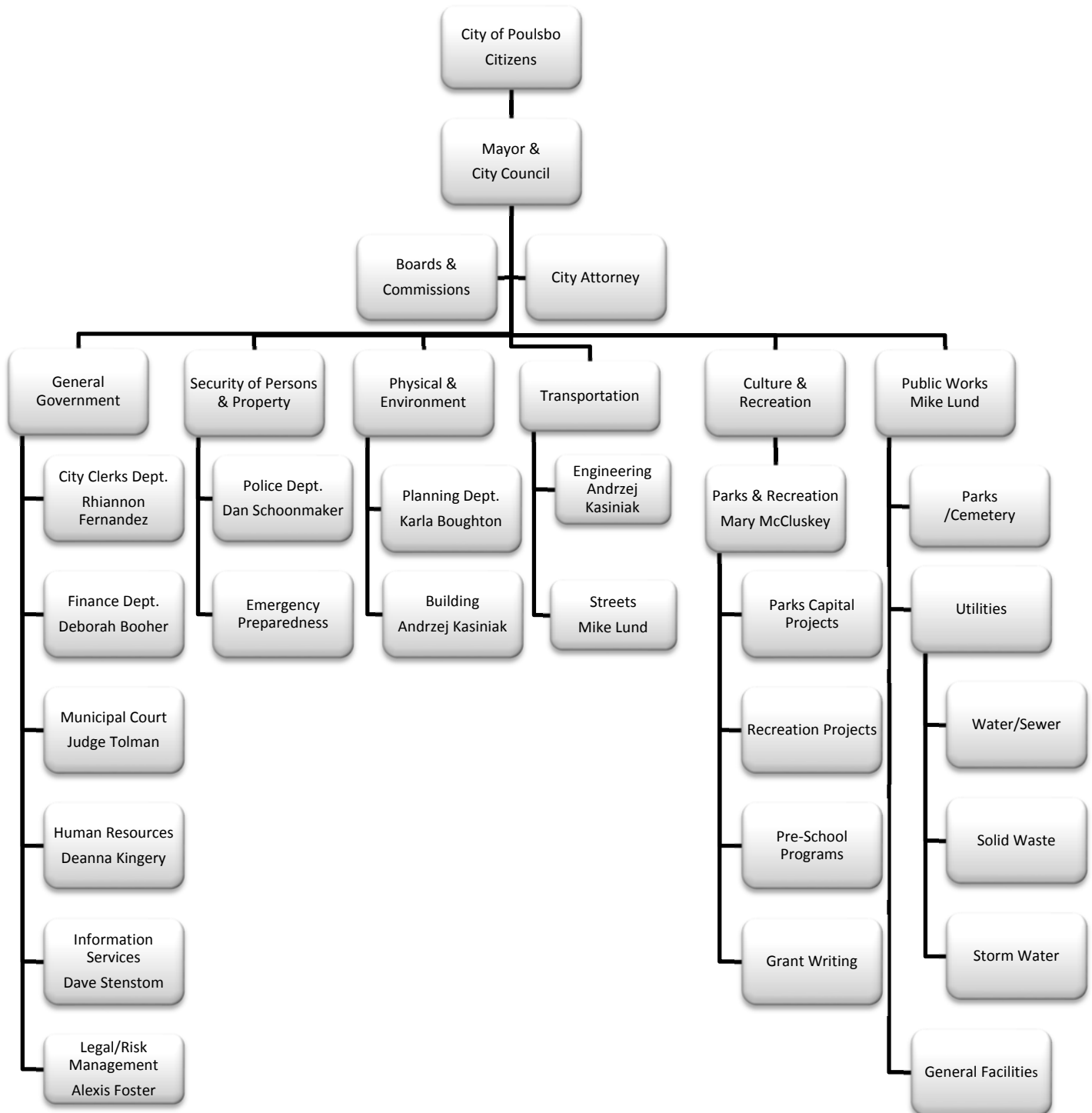
**December 31, 2015**

A handwritten signature in black ink, appearing to read 'Jeffrey R. Emen'.

Executive Director/CEO



## City of Poulsbo Organization Chart



# City of Poulsbo Officials

As of December 31, 2016

## Mayor

Becky Erickson

December 31, 2017

## City Council

David Musgrove

December 31, 2017

Ed Stern

December 31, 2017

Jim Henry

December 31, 2017

Kenneth Thomas

December 31, 2019

Gary Nystul

December 31, 2019

Connie Lord

December 31, 2019

Jeff McGinty

December 31, 2019

## Executive Staff and Legal Counsel

Police Chief

Dan Schoonmaker

Finance Director

Deborah Booher

Planning Director

Karla Boughton

Parks & Recreation Director

Mary McCluskey

Director of Engineering

Andrzej Kasiniak

Public Works Superintendent

Mike Lund

City Clerk

Rhiannon Fernandez

Municipal Judge

Jeffrey Tolman

Prosecutor

Alexis Foster

City Attorney

Jim Haney, Ogden Murphy Wallace

Bond Attorney

Preston Gates and Ellis





## Office of the Washington State Auditor Pat McCarthy

### INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

June 23, 2017

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, 2016, 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, 2016, 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 32, information on postemployment benefits other than pensions on page 77 and pension plan information on pages 78 through 86 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 87 through 113 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 is presented for purposes of additional analysis and is not a required part of the basic financial statements of the City. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we 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, 2017, 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. 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 black ink, reading "Pat McCarthy". The signature is written in a cursive, flowing style with a large initial "P" and "M".

Pat McCarthy

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, 2016. The intent of this discussion and analysis is to look at the City's financial performance.

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 2016 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 acts on all recommendations made by SAO.

### FINANCIAL HIGHLIGHTS

- City of Poulsbo assets exceeded its liabilities at the close of the 2016 fiscal year by \$141 million (net position). Of this amount, \$18.2 million (unrestricted net position) may be used to meet the city's ongoing obligations to its citizens and creditors.
- Reported net position increased \$5 million. Net position of governmental activities increased \$1.7 million, or 2.38%, during 2016. Net position of business-type activities increased \$3.3 million, or 5.1%, during 2016. The variations are spread over several areas and can be attributed to many factors. Increase in development and sales tax revenue created a growing cash balance increasing the current assets. Construction of capital assets which were primarily grant funded increasing the City's assets, but not reducing cash. Contributed capital due to developments contributing infrastructure and street lights to the City. An increase in the City's Pension Obligation as figures are updated per GASB 68 standards and provided by Washington State Department of Retirement.

- Net investment in capital assets, increased \$3.1 million with the bulk of the increase occurring in business-type activities. Much of this is due to City projects being completed in 2016, including a project on Hostmark Street replacing infrastructure and pavement. Other factors were contributed capital inclusive of connections fees and infrastructure from developers.
- Total liabilities decreased by \$843,990. Most of the decrease can be attributed to the expiration of debt principal in large part because of an amount owed to a developer for the City's portion of the infrastructure improvements. A large final payment was made in 2016 reducing the liability.
- The book value of capital assets has increased \$1.7 million over 2015. Total capital assets from governmental activities increased \$73,422 or .1%. The increase in capital assets is primarily attributed to new equipment purchases and a pavement restoration project on Hostmark. Capital assets of business-type activities increased \$1.6 million or 3%. This is due to the completion of the Decant/Transfer Station and replacement of Hostmark infrastructure supporting the utility functions.
- City governmental fund tax revenue has increased an average of 4.9% for the past several years. This average is based on the largest increase in 2015 of 11.14% and the lowest of -.54% in 2013. In 2016, the City saw an increase over the prior year of \$331,538. Sales tax is the largest revenue source for Poulsbo and saw an increase of \$217,022. The increase is spread among many categories, with the largest category increases in Construction, Retail Trade and Food Services. This helps provide assurance the increase is not attributable to one time revenues, proving the hard work the Mayor and Council have done to diversify development.
- Utility taxes have seen a decrease in 2016 which is due to Council reducing the City utility tax rates for water and sewer services from 12% to 9%. The City continues to focus and promote diversification, planning for future growth and not remain dependent on a single line of business. It is the intention to lower utility tax rates for water and sewer to 6% in 2017, to be consistent with all other utility tax rates.
- 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 2016.
  - 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 \$7.9 million. Approximately 70% of this total amount, or \$5.5 million, is available for spending at the government's discretion and 30% or \$2.4 million is non-spendable or restricted per debt or legal requirements.
- At the end of the current fiscal year, the unassigned fund balance for the General Fund was \$1.1 million or 9.5% of the total General Fund expenditures. The total General Fund balance inclusive of the amount assigned for revenue stabilization and legal expenditures amounts to \$3.3 million which equates 27% 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.

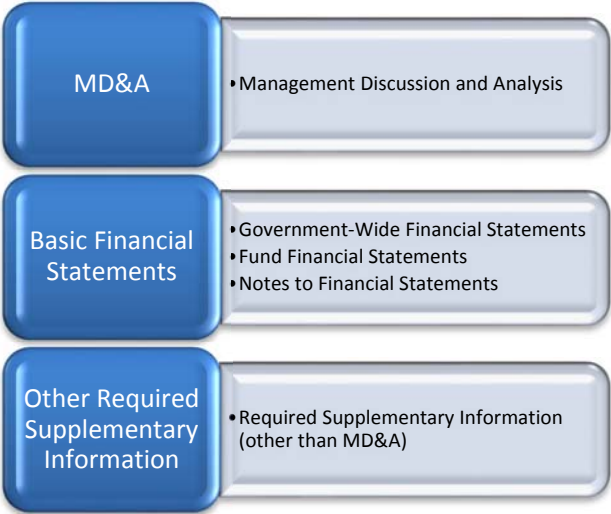
Government-Wide Financial Statements

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, deferred outflows, deferred inflows and liabilities. Revenues are recognized 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, liabilities and deferred inflows/outflows, with the difference 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 position during 2016. The statement distinguishes revenue generated by specific functions from revenue provided by taxes and other sources not related to a specific function. The revenue generated by specific functions (charges for services, grants and contributions) is compared to the expenses for those functions to show the degree to which each function supports itself or relies on taxes and other general funding sources. 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.



The Statement of Net Position and the Statement of 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

The annual financial report includes fund financial statements in addition to the government-wide financial statements. While the government-wide statements present the City finances based on the type of activity, the fund financial statements are presented by fund type. 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 plus deferred outflows, liabilities plus deferred inflows, 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 plus deferred outflows, liabilities plus deferred inflows, 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 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 near-term financing requirements and immediate fiscal health.

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 governments 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. The services and necessary capital expenditures are supported by rate payers. 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 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 progress in funding its obligation to provide pension benefits, and lifetime medical benefits to uniformed personnel hired before October 1, 1977. 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 and can serve as a useful indicator of the City's financial position. Table 1 provides a summary comparing the City's net position for 2016 and 2015. Governmental Activities net position has an increase of \$1.7 million. The increase is due to several factors including growing cash balances, increased tax revenues and revenues related to development. Restricted Assets also show an increase primarily in the category restricted for Capital Purpose, which can be attributed to increases in Real Estate Excise Tax and Traffic Impact Fee revenues in 2016 needing to be restricted for specific capital uses. It is also important to highlight the change in assets and liabilities due to the recording of Pension Asset and Pension Obligations in accordance with GASB 68 requirements. These numbers are calculated based on figures provided by Washington State Department of Retirement Systems.

The Business-Type Activities had an increase of \$3.3 million to the Net Position. The increase is due to a combination of several items. Capital assets increased because of increases to construction of capital projects and contributed capital, largely due to increased number of utility connections in 2016. Reduction in liabilities is due to debt principal payments reducing the amount of outstanding debt. An obligation to a local developer for City infrastructure was issued a final payment in 2016. Construction of several business-type facilities including new pump stations, decant and solid waste transfer station, and new mains in congruence with road projects were completed or under construction in 2016. It is also important to highlight the change in assets and liabilities due to the recording of Pension Asset and Pension Obligations in accordance with GASB 68 requirements. These numbers are calculated based on figures provided by Washington State Department of Retirement Systems and can vary based on the states data.

The overall financial position for the City of Poulsbo has improved over the prior year. In 2016, assets exceeded liabilities by \$141 million, an increase of \$5 million or 3.7%. The largest portion of the City's net position, \$120 million or 85% 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**

|                               | <b>GOVERNMENTAL<br/>ACTIVITIES</b> |                     | <b>BUSINESS-TYPE<br/>ACTIVITIES</b> |                     | <b>TOTAL PRIMARY<br/>GOVERNMENT</b> |                      |
|-------------------------------|------------------------------------|---------------------|-------------------------------------|---------------------|-------------------------------------|----------------------|
|                               | <b>2016</b>                        | <b>2015</b>         | <b>2016</b>                         | <b>2015</b>         | <b>2016</b>                         | <b>2015</b>          |
| Current and Other Assets      | \$ 10,682,558                      | \$ 9,545,920        | \$ 16,767,947                       | \$ 16,259,610       | \$27,450,505                        | \$25,805,530         |
| Capital Assets Net            | 77,546,529                         | 77,473,108          | 53,110,319                          | 51,506,911          | 130,656,848                         | 128,980,019          |
| Pension Asset                 | 349,038                            | 615,157             | -                                   | -                   | 349,038                             | 615,157              |
| <b>TOTAL ASSETS</b>           | <b>88,578,126</b>                  | <b>87,634,185</b>   | <b>69,878,266</b>                   | <b>67,766,521</b>   | <b>158,456,391</b>                  | <b>155,400,706</b>   |
| Deferred Outflows of          | 1,434,378                          | 1,076,138           | 248,931                             | 162,865             | 1,683,309                           | 1,239,003            |
| Long-term Debt                | 10,709,798                         | 11,431,890          | 172,584                             | 742,392             | 10,882,382                          | 12,174,282           |
| Pension Obligation            | 3,362,927                          | 2,682,048           | 1,244,154                           | 999,017             | 4,607,080                           | 3,681,065            |
| Other Liabilities             | 2,253,409                          | 2,091,922           | 894,527                             | 1,534,120           | 3,147,936                           | 3,626,042            |
| <b>TOTAL LIABILITIES</b>      | <b>16,326,134</b>                  | <b>16,205,860</b>   | <b>2,311,265</b>                    | <b>3,275,529</b>    | <b>18,637,399</b>                   | <b>19,481,389</b>    |
| Deferred Inflows of Resources | 67,134                             | 599,844             | 22,411                              | 154,044             | 89,545                              | 753,887              |
| <b>NET POSITION</b>           |                                    |                     |                                     |                     |                                     |                      |
| Net investment in Capital     | 67,834,718                         | 67,037,545          | 52,652,252                          | 50,368,250          | 120,486,970                         | 117,405,795          |
| Restricted                    | 2,416,841                          | 1,931,830           | 313,400                             | 313,400             | 2,730,241                           | 2,245,230            |
| Unrestricted (deficit)        | 3,367,677                          | 2,935,244           | 14,827,869                          | 13,818,164          | 18,195,546                          | 16,753,408           |
| <b>TOTAL NET POSITION</b>     | <b>\$73,619,236</b>                | <b>\$71,904,619</b> | <b>\$67,793,521</b>                 | <b>\$64,499,813</b> | <b>\$141,412,756</b>                | <b>\$136,404,432</b> |

The City's total restricted net position amounts to 1.93%. These represent resources which are subject to external restrictions on how they may be used. Much of the amount can be attributed to restrictions for debt purposes, Real Estate Excise Taxes restricted for capital use by RCW and Impact Fees restricted for future development.

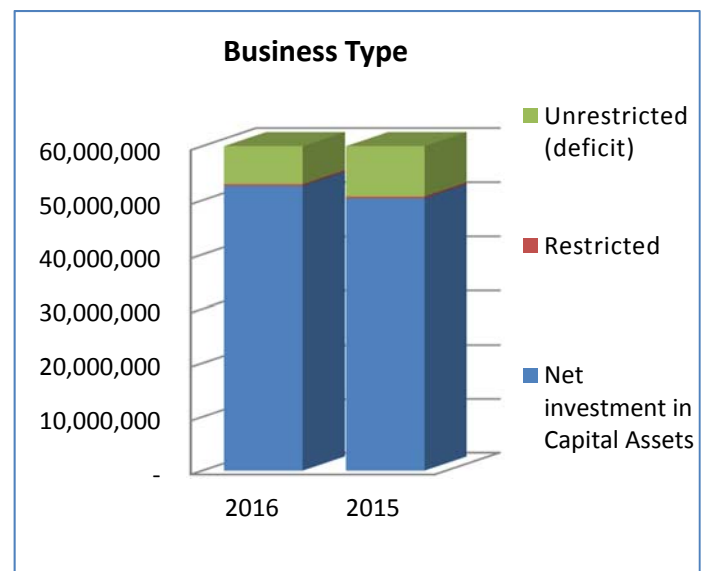
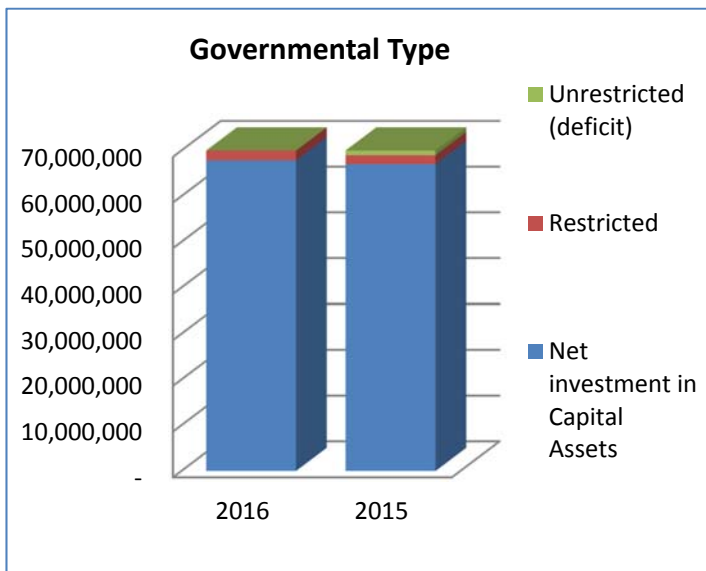


Table 2 illustrates changes in net position for the years 2016 and 2015. This is a condensed version of the Statement of Activities for the City. The revenues for 2016 show a decrease in Capital Grants/Contributions attributed to a combination of grant revenue and contributed capital of infrastructure such as roads and street lights for housing developments which occurred in 2015.

Table 2-Changes in Net Position

|                                | <b>GOVERNMENTAL<br/>ACTIVITIES</b> |                      | <b>BUSINESS-TYPE<br/>ACTIVITIES</b> |                      | <b>TOTAL PRIMARY<br/>GOVERNMENT</b> |                       |
|--------------------------------|------------------------------------|----------------------|-------------------------------------|----------------------|-------------------------------------|-----------------------|
|                                | <b>2016</b>                        | <b>2015</b>          | <b>2016</b>                         | <b>2015</b>          | <b>2016</b>                         | <b>2015</b>           |
| <b>Revenues</b>                |                                    |                      |                                     |                      |                                     |                       |
| <b>Program Revenues</b>        |                                    |                      |                                     |                      |                                     |                       |
| Charges for Services           | \$ 2,492,172                       | \$ 2,152,681         | \$ 8,733,046                        | \$ 8,254,566         | \$ 11,225,218                       | \$ 10,407,247         |
| Operating Grants/Contribr      | 710,043                            | 605,198              | 84,948                              | 115,058              | 794,992                             | 720,256               |
| Capital Grants / Contribr      | 1,633,211                          | 5,027,389            | 2,234,980                           | 5,784,476            | 3,868,191                           | 10,811,865            |
| <b>General Revenues</b>        |                                    |                      |                                     |                      |                                     |                       |
| Property Taxes                 | 2,264,194                          | 2,191,189            | -                                   | -                    | 2,264,194                           | 2,191,189             |
| Retail Sales & Use Tax         | 3,742,485                          | 3,393,849            | -                                   | -                    | 3,742,485                           | 3,393,849             |
| Business Taxes                 | 2,708,005                          | 2,786,469            | -                                   | -                    | 2,708,005                           | 2,786,469             |
| Investment Earnings            | 76,833                             | 40,329               | 54,780                              | 30,716               | 131,613                             | 71,045                |
| Other                          | 15,309                             | 12,182               | 922                                 | 14,211               | 16,231                              | 26,393                |
| <b>Total Revenues</b>          | <b>13,642,252</b>                  | <b>16,209,286</b>    | <b>11,108,678</b>                   | <b>14,199,027</b>    | <b>24,750,929</b>                   | <b>30,408,313</b>     |
| <b>Program Expenses</b>        |                                    |                      |                                     |                      |                                     |                       |
| General government             | 1,776,629                          | 1,539,405            | -                                   | -                    | 1,776,629                           | 1,539,405             |
| Judicial                       | 383,968                            | 370,046              | -                                   | -                    | 383,968                             | 370,046               |
| Security of Per & Prop         | 3,327,528                          | 3,146,848            | -                                   | -                    | 3,327,528                           | 3,146,848             |
| Utilities & Environment        | 506,396                            | 481,077              | -                                   | -                    | 506,396                             | 481,077               |
| Transportation                 | 2,922,462                          | 2,703,349            | -                                   | -                    | 2,922,462                           | 2,703,349             |
| Economic Environment           | 999,731                            | 963,163              | -                                   | -                    | 999,731                             | 963,163               |
| Mental & Physical Health       | 131,162                            | 29,772               | -                                   | -                    | 131,162                             | 29,772                |
| Culture & Recreation           | 1,469,255                          | 1,422,703            | -                                   | -                    | 1,469,255                           | 1,422,703             |
| Interest Long-Term Debt        | 391,781                            | 458,869              | -                                   | -                    | 391,781                             | 458,869               |
| Water                          | -                                  | -                    | 1,692,690                           | 1,670,634            | 1,692,690                           | 1,670,634             |
| Sewer                          | -                                  | -                    | 2,686,558                           | 2,531,582            | 2,686,558                           | 2,531,582             |
| Solid Waste                    | -                                  | -                    | 1,759,556                           | 1,493,671            | 1,759,556                           | 1,493,671             |
| Storm Drain                    | -                                  | -                    | 1,676,166                           | 1,433,190            | 1,676,166                           | 1,433,190             |
| <b>Total expenses</b>          | <b>11,908,913</b>                  | <b>11,115,232</b>    | <b>7,814,970</b>                    | <b>7,129,077</b>     | <b>19,723,883</b>                   | <b>18,244,309</b>     |
| <b>Excess (deficiency)</b>     | <b>1,733,339</b>                   | <b>5,094,055</b>     | <b>3,293,707</b>                    | <b>7,069,950</b>     | <b>5,027,046</b>                    | <b>12,164,004</b>     |
| <b>Changes in Net Position</b> | <b>1,733,339</b>                   | <b>5,094,055</b>     | <b>3,293,707</b>                    | <b>7,069,950</b>     | <b>5,027,046</b>                    | <b>12,164,004</b>     |
| Beginning Net Position         | 71,904,619                         | 69,094,319           | 64,499,813                          | 58,476,477           | 136,404,432                         | 127,570,796           |
| Prior Year Adjustments         | (18,722)                           | 122,185              | -                                   | -                    | (18,722)                            | 122,185               |
| Prior Period Adjustments       | -                                  | (2,405,939)          | -                                   | (1,046,614)          | -                                   | (3,452,553)           |
| Pension Obligation (GASB 68)   |                                    |                      |                                     |                      |                                     |                       |
| <b>Ending Net Position</b>     | <b>\$ 73,619,236</b>               | <b>\$ 71,904,619</b> | <b>\$ 67,793,521</b>                | <b>\$ 64,499,813</b> | <b>\$ 141,412,756</b>               | <b>\$ 136,404,432</b> |



## GOVERNMENTAL ACTIVITIES

### Revenues

Taxes account for the largest revenue category in the governmental funds, generating 64% of the total revenue. Much of tax revenue is received in the General Fund accounting for 89.9% of the tax revenue. This category tends to receive most attention because of the percentage ratio. Included in this category are sales, property, utility, criminal justice, and gambling taxes. Governmental fund taxes total \$8,714,683

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 2016 was \$1,346,103,503. The assessed value showed an increase from the prior year primarily due to new construction of several new housing developments and some commercial development. The property tax amount continued to be affected as the City levied slightly less than the full 1% increase above the highest allowable levy. For 2016, the City's regular property levy tax rate was \$1.69 per \$1,000 of assessed value.

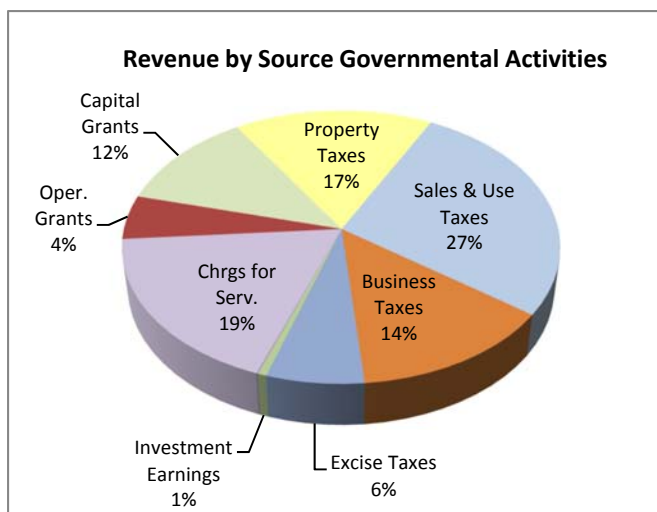
Sales and Use tax revenue, in contrast to property tax, can be a highly fluctuating tax source. The City saw a 7% increase in 2016. The revenue is an anticipated increase over the prior year, due to a growing economy and development. Not only are vacancies minimal in retail establishments, but new retail establishments opened in 2016. Many categories saw increases, with the largest being in Food Services. Existing businesses experienced growing revenues and a new drive up Starbucks opened in 2016 contributing to the increase. Another category increase was Construction, which is consistent with increased revenues related to development. It is anticipated to continue to see growth due to the strategic planning for diversification by the Mayor and Council. 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 2016, sales tax received in the City's General Fund totaled \$3,437,042. The City's allocates a portion of sales tax revenue to other funds supporting capital equipment purchases.

Much of sales tax revenue (58%) comes from the retail trade category. The next largest sales tax categories are Accommodations and Food Services (12%) and Construction (10%). Retail development continues to be diversified throughout the City with new businesses opening throughout the City and not confined to certain areas.

Business Taxes are taxes applied to utilities providing services in the City, including City-owned and privately owned utilities. Overall, these taxes tend to be stable reflecting some growth from year to year and make up 21% of the governmental tax revenue. The utility rate for City water and sewer City owned utilities was reduced from 12% to 9% in 2016 and other City utilities of storm drain and solid waste maintained a 6% rate, consistent with other utility tax rates.

Excise Taxes are admissions tax, leasehold, and real estate excise tax (REET). Most these taxes are due to REET. Revenues fluctuate due to the change in the economy and home sales. There was significant growth (16%) in 2016 over 2015. The City uses the revenue generated by REET to fund debt payments related to the City Hall and transportation capital projects and reserves the remaining amount for future capital projects.



## Expenses

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

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

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

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

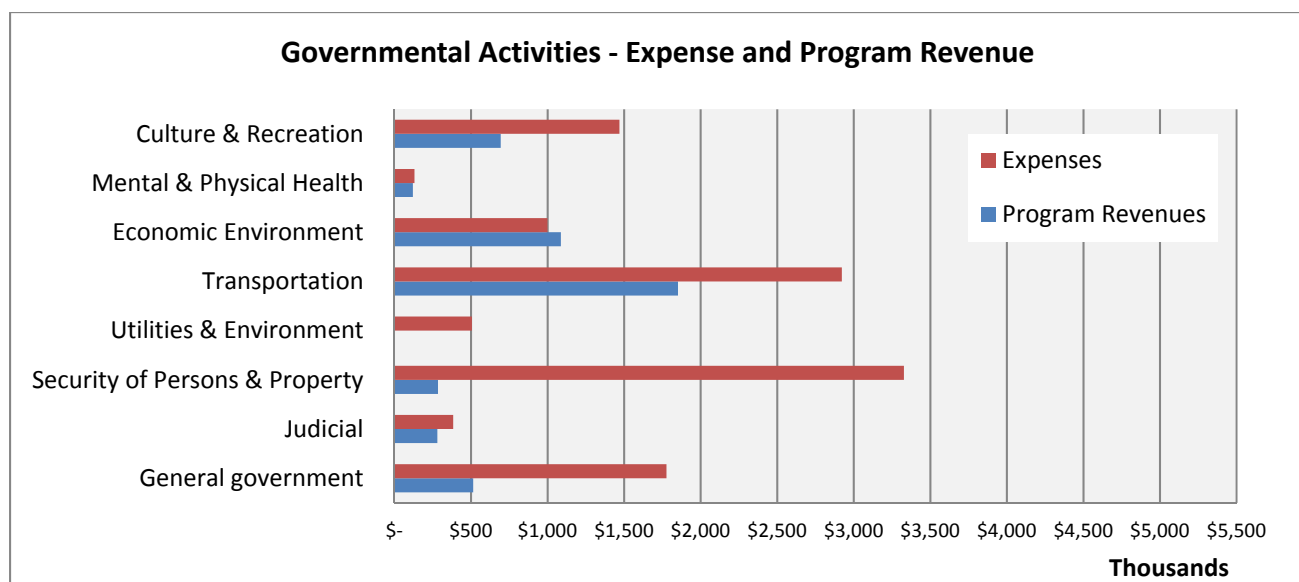
Transportation services provide maintenance of the City's streets, sidewalks, paths and traffic control signs/signals.

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

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

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

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



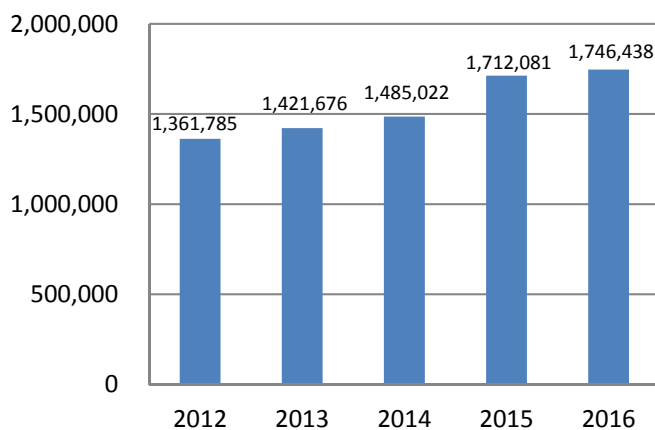
## BUSINESS-TYPE ACTIVITY

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

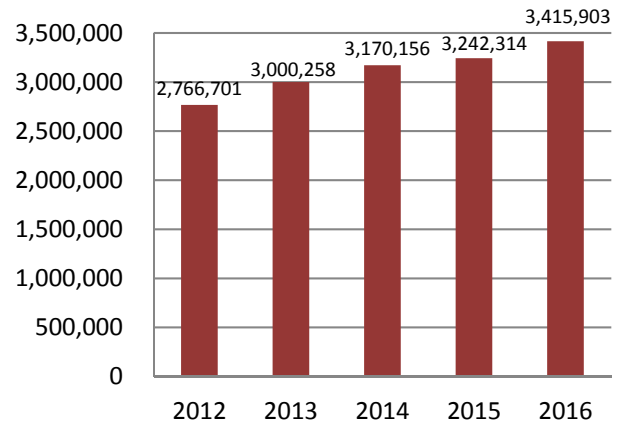
### Key elements of the increases are as follows:

- There was a cost of living adjustment (COLA) for 2016, which resulted in an increase to utility rates creating an increase of revenue in 2016.
- The functional plan update for Storm Drain was completed in 2015 and rates significantly increased to fund operating costs as well as build a reserve balance for anticipated capital improvements.
- The functional plan update for Water was completed in 2015 and rates increased to fund operating costs as well as build a reserve balance for anticipated capital improvements.
- Solid Waste updated their technology and made operational changes so customers were correctly charged for garbage overage. This change is reflected in the 2016 increased revenue.

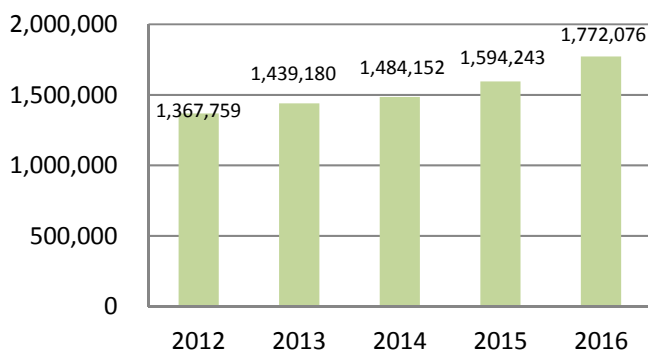
**Water Service Charge Revenue**



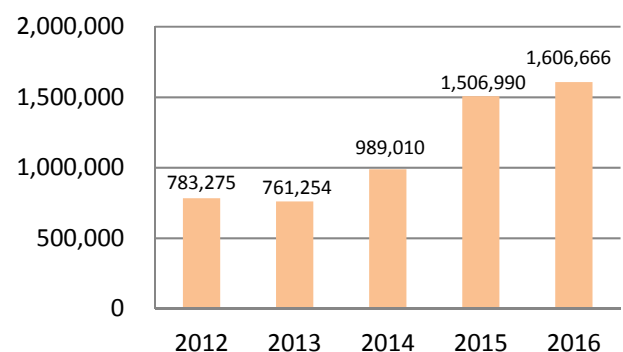
**Sewer Service Charge Revenue**



**Solid Waste Service Charge Revenue**



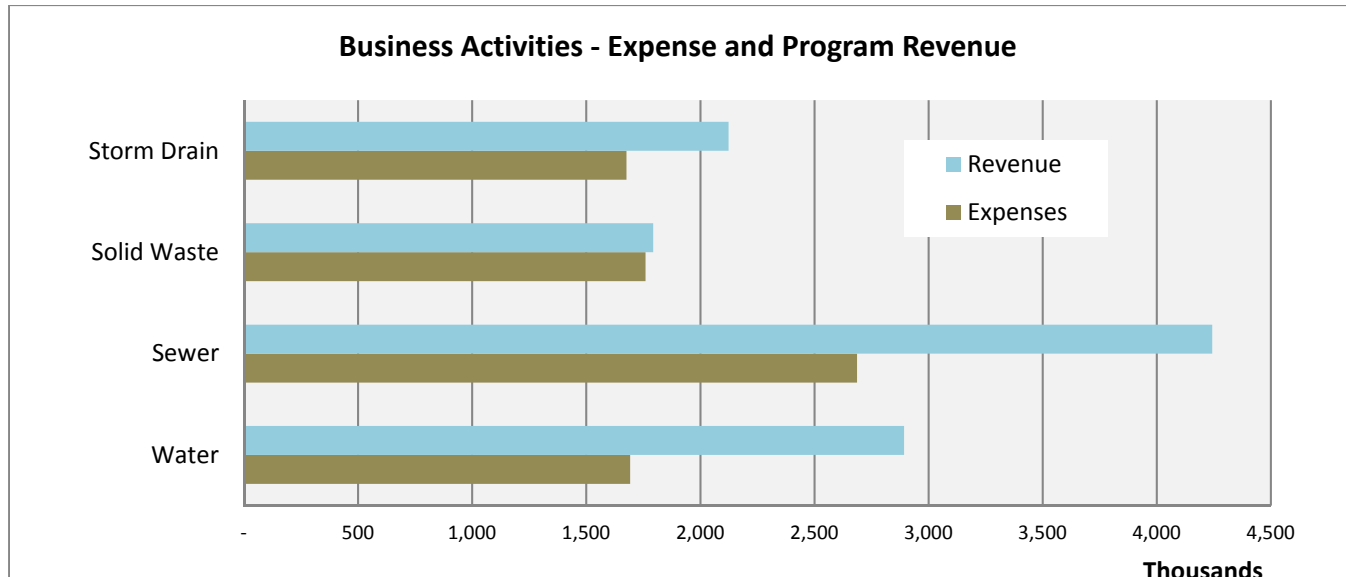
**Storm Drain Service Charge Revenue**



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 2016, business activity program revenues exceeded expenditures because rates were set to accommodate future capital improvements for a fully functioning system and grants received to support both operations and capital projects in the Storm Drain system. Utilities, except for Solid Waste, implemented updated functional plans with rates to fund operating expenses and future improvements. The City conducted a study in 2016 evaluating solid waste services and the feasibility of continuing to provide the service or contract with an outside agency. It was determined the City will continue to provide the service but will be working on creating and implementing a functional plan for this service. Although functional plans cover much longer time frames, rates, at a minimum will be re-evaluated every three years to assure revenues are supporting expenses. The City will continue to address future needs and implementation of new and ever changing regulatory requirements.

Per an agreement with the County, the City will share in a joint project to upgrade the sewer's processing plant which will require payment in the next two years. The City will need to financially support the improvements based on the capacity of the plant owned by the City.

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



## 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 General Fund met the requirements to qualify as major fund. The City decided to also present the Street Reserve Fund as a major fund. Over the next several years there will be substantial funds related to large grant funded transportation projects occurring and felt presenting the fund as a major fund will provide consistent reporting. 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 \$13.9 million and expenditures of \$13.2 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 government accounted for in General Fund. The majority of tax revenues are receipted into the General Fund supporting governmental functions of the City.

The Fund Balance for the General Fund has increased by 3.6%. The City's revenues were greater than expenditures in 2016; increasing the fund balance. Although increased revenues can somewhat be attributed to development, creating one time fees, revenues such as sales tax and utility taxes are increasing because of the growing economy. Transfers to other funds for projects or reserving for future use were greater in 2016, creating more funds for future capital. An additional transfer for transportation was made in 2016 allocating funds for road preservation. The General Fund reserves still maintains a healthy fund balance and meets the criteria of the Financial Management Policy.

Although the use of reserves was anticipated to balance the fund, it was not necessary and reserves were only used for specific one time allocations as approved by City Council through budget amendments. Revenues have shown modest growth in almost every category. Some of contributing factors are:

- Sales tax revenue saw a significant increase in 2016
- Increase in development revenues for new projects constructing in Poulsbo
- Additional grant for mental health services to the City
- Increased revenues for the City's indirect service charge to other funds for services provided by the General Fund

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

- **Street Reserve Fund:** The fund records revenue and expenditures for capital transportation projects. Resources consist of grants and transfers of general revenues primarily from the General Fund. In 2016, the City completed a pavement restoration program on Hostmark Street and design work for several other projects anticipated for construction in 2017. A very large project on Noll Road is planned over the next several years. It is anticipated to link to state routes, construct a roundabout, enlarge the number of lanes and relocate a transit station to this location. The project continued with the design process and began the right-of-way purchase process. Several right-of-ways will need to be purchased to complete the planned road.
- **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. Revenue is primarily charges for services by rate payers. Rates are developed to support ongoing operation as well as build reserves to support future capital needs. Fund balances remained consistent with the prior year, but slightly increased, due to several factors;
  - In 2016, there were large Capital Grants due a combination of connections fees and housing developments contributing capital in the form of infrastructure improvements.
  - Sewer and Storm Drain Funds saw increases in charges for services as both services had rate increases due to built in cost of living inflators.
  - Solid Waste recognized more revenues due to the ability to better charge customers for extra garbage which had not been done in the past.

## BUDGETARY HIGHLIGHTS

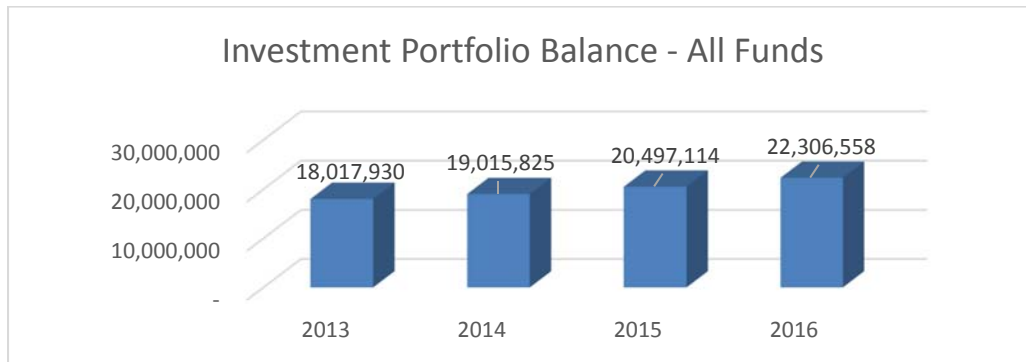
**General Fund Budget Analysis:** The following is a brief review of the budgeting changes from the adopted to the amended final budget for the General Fund. Please note, budget to actual comparisons start on page 40 for the major General Fund. Budget to Actuals for all other funds begin on page 98. The significant budgetary changes in the General Fund include:

- The final General Fund revenue budget increased by 1.7%, or \$180,950 of the original adopted budget. This was mainly due a new grant for mental health services and an increase in the indirect charges to proprietary funds for services provided by the General Fund.
- The final General Fund expenditure budget increased by approximately 5.2%, or \$587,531. The increase can be attributed to several items, but the main adjustments are:
  - Professional services for Engineering services specific to several ongoing projects such as transportation update, neighborhood streets evaluation and Marine Science Center short plat
  - Professional services to support economic development staffing changes and allocating funds for professional services to address the heavy workload in 2016
  - Overtime for the building department to address the heavy workload in 2016
  - Expenditures related with mental health grant
  - Expenses related to the City's new Code Enforcement officer
  - New rifle sights for the police department
  - Funds for a new Police Chief recruitment process
  - Transfer out to capital reserves to fund a neighborhood streets program
- The General Fund amended budget anticipated the ending Fund Balance to increase \$754,210 over the original projected ending Fund Balance. This increase is primarily due to the actual beginning balance being higher than the original projection.
- Per Council direction, Budget verses Actual is monitored regularly and any variations more than 15% are highlighted. Some areas of variance highlighted were:
  - Revenues related to development fees were larger than anticipated
  - Capital projects and grants were not completed as per projected and most will carry over into 2017
  - Real Estate Excise Taxes were larger than anticipated and higher than the previous trend
  - Unanticipated drug seizure revenues were collected
- Copies of the City's Budget and Budget-in-Brief are available on our website [www.cityofpoulsbo.com](http://www.cityofpoulsbo.com). The complete budget provides details of the City's plans for using its resources during the biennial cycle and may also be obtained by contacting our Finance Director at 360-394-9720 or [dboohier@cityofpoulsbo.com](mailto:dboohier@cityofpoulsbo.com).

## CASH MANAGEMENT

Aggressive efforts to maximize interest earnings of temporary cash reserves have been as successful as the economy allows. The City contracts with an investment broker for professional recommendations to maintain security and liquidity of the City's cash in accordance with the City's 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 chart reflects the investment balances as of December 31.



The City has a Financial Management Policy with recommended levels of cash and reserves. The policy calls for 12% of operating revenues and/or 2 months operating cash. These balances are regularly monitored to assure compliance with the requirements of the policy. Use of reserves, which are intended for one time, not ongoing expenditures, requires a super majority of City Council for approval. Ongoing obligations will be built into future budgets supported by City revenues. Monthly, 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. This report is also posted to the City's website.

## DEBT ADMINISTRATION

The City participates in various forms of debt, which is summarized as follows: \$9.3 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 being retired by revenue from the various sources and funds. The City also has one Public Works Trust Fund loans (PWTF) recorded in Governmental Activities with a principal balance of \$297,473.

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 \$475,000 with final payment being made in 2017

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 (\$1,487,955,331), or \$22,319,330;
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 (\$1,487,955,331). For 2017, the City's limit is \$37,198,883 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.

To follow is a chart showing the debt limits as of the end of 2016:



| This Debt is controlled by assessed Valuation Debt Limits |       |   |               |                            |                   |               |
|---|-------|---|---------------|----------------------------|-------------------|---------------|
| 2017 Assessed Valuation                                   |       |   |               | \$ 1,487,955,331           | Outstanding Debt  | \$ 9,295,000  |
| X   | 0.025 | = | \$ 37,198,883 | Limited for Combined Debt  | Balance Available | \$ 27,903,883 |
| X   | 0.015 | = | \$ 22,319,330 | Limited for Non-Voted Debt | Balance Available | \$ 13,024,330 |

Additional information on the City's debt is provided in Note 8, "Long-Term Debt" and may be found on page 69 of these statements.

## CAPITAL EQUIPMENT AND UPGRADING CAPITAL FACILITIES

The City has a capital threshold of \$5,000. Equipment for governmental services are funded from reserves built in the Capital Acquisition Fund. Fund resources consist of transfers from the General Fund to the Capital Acquisition Fund. The transfer amounts are established by City Council through the budget process. Capital purchases are prioritized and items not falling within the funding levels were delayed or reserves were allocated 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 existing infrastructure. With revenue streams continually being challenged, the City has had the fortune of securing grants for many of the capital transportation, park and storm drain projects. The City continues to allocate funds for pavement restoration in the neighborhood streets. Neighborhood streets do not qualify for grant funding, so Council established a funding source and process to maintain infrastructure. In 2016, the existing road inventory was evaluated and in 2017 the City will be testing three different types of road restoration to find the best quality for the best price. 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 2016 is primarily in business type activities. A project on Hostmark Street, replacing the mains for all utilities was completed in 2016 and the primary contributor of the increase. A project on Noll Road, occurring over several years and phases began the design and right of way purchase process in 2016. The project will primarily be transportation, but will also include infrastructure improvements supporting City utilities. Another contributor to capital assets is contributed capital from new housing developments consisting of retention ponds for storm drain functions and streets throughout developments. There will be many Capital projects in 2017 with much of the focus on sewer pump stations, well replacements and Noll Road corridor as well as new garbage trucks to replace old fleet vehicles. Additional information on the City's capital assets is provided in Note 5, beginning on page 59.

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

|                           | <b>GOVERNMENTAL<br/>ACTIVITIES</b> |                     | <b>BUSINESS-TYPE<br/>ACTIVITIES</b> |                     | <b><u>TOTAL</u></b> |                    |
|---------------------------|------------------------------------|---------------------|-------------------------------------|---------------------|---------------------|--------------------|
|                           | <b>2016</b>                        | <b>2015</b>         | <b>2016</b>                         | <b>2015</b>         | <b>2016</b>         | <b>2015</b>        |
| Land/Intangibles          | 31,210,860                         | 30,658,826          | 2,160,490                           | 2,160,490           | 33,371,350          | 32,819,316         |
| Buildings                 | 12,956,585                         | 13,304,812          | 2,483,161                           | 226,685             | \$15,439,746        | 13,531,497         |
| Other Improvements        | 10,215,852                         | 10,450,869          | 46,288,603                          | 43,145,043          | \$56,504,455        | 53,595,912         |
| Infrastructure            | 21,151,025                         | 21,781,858          |                                     |                     | \$21,151,025        | 21,781,858         |
| Intangibles (Depreciable) | 90,334                             | 112,851             | 133,879                             | 174,150             | \$224,213           | 287,000            |
| Machinery & Equipment     | 716,087                            | 669,715             | 878,694                             | 599,700             | \$1,594,781         | 1,269,415          |
| Work in Progress          | 1,205,786                          | 494,178             | 1,165,493                           | 5,200,843           | \$2,371,278         | 5,695,021          |
| <b>Totals</b>             | <b>\$77,546,529</b>                | <b>\$77,473,108</b> | <b>53,110,319</b>                   | <b>\$51,506,911</b> | <b>130,656,848</b>  | <b>128,980,019</b> |

## ECONOMIC FACTORS AND POULSBO IN THE FUTURE

The State of Washington does not have a state personal income tax and therefore the state operates primarily using property, sales, utility, and gas taxes. The City relies on sales, property and utility taxes and a limited array of other permitted 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. The City has continued to see an increase of more than 5% in sales tax since 2013. The increase is anticipated to continue with new and expanded commercial development occurring in the City. The good news is the increase is diversified and not attributed to one category, helping to sustain and provide assured future revenues. Residential development continued in 2016 and is expected to continue at a strong pace in 2017, with many projects going through the planning and permitting process. At present there is an inventory shortage for housing in both owning and renting. There are several multifamily structures expected to be completed in 2017 helping to provide housing and alleviate some of the demand. Commercial construction continued in 2016 with new establishments expected to open for business in 2017, including a local car wash, a new drive-up Starbucks and paint supply store. The City continues to grow and maintain strong revenues because of diversification and promotion of economic development. The City was able to continue growth, while maintaining a healthy level of reserves. Overall the average sales tax for the five years preceding 2017 reflected a 3% increase. In 2017 the City adopted its first biennial budget and the City Council maintained practice of developing conservative but realistic projections. Past conservative estimates have supported a larger beginning balance as revenues continue to increase.

As the City crossed the 10,000-population threshold, the City is allowed to levy the lower of 1% of the highest allowable levy or Implicit Price Deflator (IPD) for July. In 2017 the IPD was less than 1%, which then requires Council to pass a “substantial need” resolution to levy the full 1%. With healthy revenues and fund balances in 2016 the City Council chose to not take the 1% of the highest allowable levy allowed by law, however, they did pass the “substantial need” resolution to bank the capacity for future levies.

A utility rate of 9% for water and sewer was set for 2016, which was lower than the 2015 rate of 12%. The amount is consistent with the statewide average. The goal of City Council is to review utility tax rates through the budget process and lower the rate to 6% consistent with other utility tax rates. The rates will be decreased to 6% for 2017 and allow utility user rates to minimize future rate increases.

Utility functional plans have been updated or are in the process of updates. A study was conducted in 2016 for the feasibility of the City continuing to operate the Solid Waste Utility. It was determined the City would continue providing solid waste services. A functional plan will be prepared in 2017 and address levels of service and rates to support the services.

The City must participate with the County for sewer plant upgrades, and new regulatory requirements decreasing environmental impacts. Rates and capital plans have been built to support these requirements. The City's share of this capital has been included in the 2017 City Improvement Plan and is anticipated to issue revenue debt for the City's first contribution of approximately \$5 million.

Several large construction projects continued in 2016. Noll Road corridor is much of the City's focus in the future, which will include connectivity of State Route 305, pedestrian and bicycle safety and a future location of Kitsap Transit Transfer Station. Several right of ways must be purchased, which will occur in 2017. Much of the project is grant funded, but may require a General Obligation debt issue for the City's match. The City is still actively looking for grants to support the additional funding requirement.

The City received a local grant spanning through mid-2017. This has allowed the City to proactively address the growing population with mental health issues. The program directs persons to available resources to help and support keeping them out of the legal system. It is anticipated the City will apply for continued grant funding allowing personnel to continue to support the City's Court and Police Department needs.

The City's estimated population in 2016 is 10,210 growing by 260 people or 2.6% as reported by the Office of Financial Management (OFM). Since the City's population has now crossed the 10,000 threshold, the City is classified as a Class A city adding legal requirements. The City has and will continue to address additional requirements from the change. The primary impact was related to the property tax increase, but other changes will not be much of an impact as most of the requirements have been standard operation for the City. 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 College. This continues to be a challenge for utilities to provide services in peak hours. The City has an agreement with Kitsap Public Utility District (KPUD) providing the ability to purchase water and provide water services in new development areas in the west end of the City, adjacent to their service area. At this point it has not been necessary for the City to purchase additional water, but new developments in the City's formally annexed area are 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 also provides sewer, garbage and storm drain service and receives utility tax for these services.

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. The state reduced the shared excise taxes to support the state budget. Amounts have been reinstated to cities, but still not at the funding level prior to the reductions. Cities tried to request full restoration, but the state budget was adopted without fully restoring funding. It is anticipated funding in the next couple years will stay consistent with the 2016 level. Funds distributed to Poulsbo are not substantial, so although it is an impact, it is slight.

A possible change to retirement rates for Law Enforcement personnel is being proposed for the state to not supplement the rate, but local agencies to fund the entire rate. This could be a substantial increase of almost 3% to retirement rates for our law enforcement personnel.

The Mayor and City Council continue 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 Transportation Benefit District Fees. The fees must be used for transportation expenditures clearly defined upon implementation. The Council continues to discuss this option in conjunction with the transportation plan update. Once passed the fee cannot be collected for 6 months. Three surrounding Cities within Kitsap County have implemented the fee. With property tax revenue growth limited, but growing needs for transportation improvements, this will continue to be explored.

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. The majority of funds will remain at the state level. Allocation of shared revenues was established in 2015, but only distributed back to localities who allow the retail establishments for sale of legal recreational marijuana. Sales are subject to retail sales tax and distributed back to the local agencies in their sales tax distributions. At this time there are no existing businesses 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, so the City will not be a recipient of the state shared revenue.

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. City Council is working collaboratively with local organizations to market and emphasize this asset, bringing more citizens and businesses to our local area. The College is growing the number of 4-year degree programs and in 2016 has added a Cyber Security degree.

The City has changed the lease for the Marine Science Center building to be held with Western Washington University to operate the program. The City is working on correcting the boundary lines of the building with the intention of giving the building to Western Washington University to use for educational purposes. This will eliminate any building maintenance or operation expenditures and allow citizens to continue to benefit from a Marine Science program.

The City is correcting property lines for the Library operated by the County Library district. The intention is for the Library to take ownership of the library building and all associated maintenance and operational costs of the building.

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 Brown, Accounting Manager at (360) 394-9721, [jbrown@cityofpoulsbo.com](mailto:jbrown@cityofpoulsbo.com) or Deborah Booher, Finance Director at (360) 394-9720, [dbooher@cityofpoulsbo.com](mailto:dbooher@cityofpoulsbo.com).

**STATEMENT OF NET POSITION  
DECEMBER 31, 2016**

|   | Primary Government         |                             |                       |
|---|----------------------------|-----------------------------|-----------------------|
|   | Governmental<br>Activities | Business-Type<br>Activities | Total                 |
| <b>Assets</b>                                     |                            |                             |                       |
| Cash and Cash Equivalents                         | \$ 1,335,434               | \$ 1,353,148                | \$ 2,688,583          |
| Investments                                       | 7,626,964                  | 14,275,178                  | 21,902,142            |
| Receivables: <i>Net of Uncollectibles</i>         |                            |                             |                       |
| Taxes   | 1,049,826                  | -                           | 1,049,826             |
| Customer Accounts                                 | 183,597                    | 756,559                     | 940,156               |
| Special Assessments                               | 16,539                     | -                           | 16,539                |
| Other Receivables                                 | 106,103                    | -                           | 106,103               |
| Due from Other Governments                        | 114,349                    | 15,923                      | 130,272               |
| Materials and Supplies Inventory                  | 4,947                      | 52,239                      | 57,185                |
| Prepaid Items                                     | -                          | 1,500                       | 1,500                 |
| Restricted Assets:                                |                            |                             |                       |
| Investments                                       | 91,016                     | 313,400                     | 404,416               |
| Note Receivable                                   | 153,784                    | -                           | 153,784               |
| Capital Asset not being depreciated:              |                            |                             |                       |
| Land & Right of Ways                              | 31,210,860                 | 2,160,490                   | 33,371,350            |
| Construction in Progress                          | 1,205,786                  | 1,165,493                   | 2,371,278             |
| Capital Assets (net of accumulated depreciation): |                            |                             |                       |
| Buildings and Structures                          | 12,956,585                 | 2,483,161                   | 15,439,746            |
| Other Improvements                                | 31,366,878                 | 46,288,603                  | 77,655,480            |
| Machinery and Equipment                           | 716,087                    | 878,694                     | 1,594,781             |
| Intangibles                                       | 90,334                     | 133,879                     | 224,213               |
| Pension Asset                                     | 349,038                    | -                           | 349,038               |
| <b>Total Assets</b>                               | <b>88,578,126</b>          | <b>69,878,266</b>           | <b>158,456,391</b>    |
| <b>Deferred Outflows of Resources</b>             |                            |                             |                       |
| Deferred Amount of Refunding                      | 605,929                    | 16,933                      | 622,862               |
| Pension   | 828,449                    | 231,998                     | 1,060,447             |
| <b>Total Deferred Outflows of Resources</b>       | <b>1,434,378</b>           | <b>248,931</b>              | <b>1,683,309</b>      |
| <b>Liabilities</b>                                |                            |                             |                       |
| Current Payables:                                 |                            |                             |                       |
| Accounts/Claims                                   | 537,726                    | 209,815                     | 747,540               |
| Employee Wages                                    | 371,601                    | 73,537                      | 445,138               |
| Interest  | 33,066                     | 38,372                      | 71,438                |
| Due to other Governments                          | 74,368                     | -                           | 74,368                |
| Unearned Revenues                                 | 99,500                     | 4,076                       | 103,575               |
| Customer Deposits                                 | 357,466                    | 74,552                      | 432,018               |
| Long-Term Liabilities:                            |                            |                             |                       |
| Due within one year                               | 779,683                    | 494,176                     | 1,273,859             |
| Due in more than one year                         | 10,709,798                 | 172,584                     | 10,882,382            |
| Pension Obligation                                | 3,362,927                  | 1,244,154                   | 4,607,080             |
| <b>Total Liabilities</b>                          | <b>16,326,134</b>          | <b>2,311,265</b>            | <b>18,637,399</b>     |
| <b>Deferred Inflows of Resources</b>              |                            |                             |                       |
| Pension   | 67,134                     | 22,411                      | 89,545                |
| <b>Total Deferred Inflows of Resources</b>        | <b>67,134</b>              | <b>22,411</b>               | <b>89,545</b>         |
| <b>Net Position</b>                               |                            |                             |                       |
| Net Investment in Capital Assets                  | 67,834,718                 | 52,652,252                  | 120,486,970           |
| Restricted for:                                   |                            |                             |                       |
| Capital Purpose                                   | 2,022,601                  | -                           | 2,022,601             |
| Drug Enforcement                                  | 65,362                     | -                           | 65,362                |
| Criminal Justice                                  | 94,946                     | -                           | 94,946                |
| Promoting Downtown Businesses                     | 48,360                     | -                           | 48,360                |
| Promoting Tourism                                 | 76,460                     | -                           | 76,460                |
| City Beautification-Expendable                    | 1,850                      | -                           | 1,850                 |
| City Beautification-Nonexpendable                 | 91,016                     | -                           | 91,016                |
| Debt Service                                      | 16,246                     | 313,400                     | 329,646               |
| Unrestricted                                      | 3,367,677                  | 14,827,869                  | 18,195,546            |
| <b>Total Net Position</b>                         | <b>\$ 73,619,236</b>       | <b>\$ 67,793,521</b>        | <b>\$ 141,412,756</b> |

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

**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

Page 1 of 2

|                                       |                      | Program Revenues     |                                    |                                  |
|---------------------------------------|----------------------|----------------------|------------------------------------|----------------------------------|
|                                       | Expenses             | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| <b>Governmental activities:</b>       |                      |                      |                                    |                                  |
| General government                    | \$ 1,776,629         | \$ 370,369           | \$ 143,862                         | \$ -                             |
| Judicial                              | 383,968              | 279,232              | 745                                | -                                |
| Security of Persons & Property        | 3,327,528            | 133,347              | 150,772                            | -                                |
| Utilities & Environment               | 506,396              | 3,400                | -                                  | -                                |
| Transportation                        | 2,922,462            | 82,592               | 219,860                            | 1,549,664                        |
| Economic Environment                  | 999,731              | 1,087,421            | -                                  | -                                |
| Mental & Physical Health              | 131,162              | -                    | 120,227                            | -                                |
| Culture & Recreation                  | 1,469,255            | 535,811              | 74,578                             | 83,546                           |
| Interest on Long-Term Debt            | 391,781              | -                    | -                                  | -                                |
| <b>Total Governmental Activities</b>  | <b>11,908,913</b>    | <b>2,492,172</b>     | <b>710,043</b>                     | <b>1,633,211</b>                 |
| <b>Business-Type Activities:</b>      |                      |                      |                                    |                                  |
| Water                                 | 1,692,690            | 1,857,036            | -                                  | 1,035,502                        |
| Sewer                                 | 2,686,558            | 3,460,657            | 9,347                              | 773,422                          |
| Solid Waste                           | 1,759,556            | 1,793,421            | -                                  | -                                |
| Storm Drain                           | 1,676,166            | 1,621,933            | 75,601                             | 426,057                          |
| <b>Total Business-Type Activities</b> | <b>7,814,970</b>     | <b>8,733,046</b>     | <b>84,948</b>                      | <b>2,234,980</b>                 |
| <b>Total Primary Government</b>       | <b>\$ 19,723,883</b> | <b>\$ 11,225,218</b> | <b>\$ 794,992</b>                  | <b>\$ 3,868,191</b>              |

**General Revenues:**

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

**Total General Revenues**

Change in Net Position

Net Position Beginning of Year

Prior Period Adjustments

**Net Position End of Year**

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

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2016**

Page 2 of 2

| <b>Net (Expenses) Revenue and Changes in Net Position</b> |                                    |                                     |           |                    |
|---|------------------------------------|-------------------------------------|-----------|--------------------|
| <b>Primary Government</b>                                 |                                    |                                     |           |                    |
|   | <b>Governmental<br/>Activities</b> | <b>Business-Type<br/>Activities</b> |           | <b>Total</b>       |
| \$  | (1,262,398)                        | -                                   | \$        | (1,262,398)        |
|   | (103,991)                          | -                                   |           | (103,991)          |
|   | (3,043,408)                        | -                                   |           | (3,043,408)        |
|   | (502,996)                          | -                                   |           | (502,996)          |
|   | (1,070,346)                        | -                                   |           | (1,070,346)        |
|   | 87,690                             | -                                   |           | 87,690             |
|   | (10,935)                           | -                                   |           | (10,935)           |
|   | (775,320)                          | -                                   |           | (775,320)          |
|   | (391,781)                          | -                                   |           | (391,781)          |
|   | <b>(7,073,487)</b>                 | <b>-</b>                            |           | <b>(7,073,487)</b> |
|   | -                                  | 1,199,847                           |           | 1,199,847          |
|   | -                                  | 1,556,867                           |           | 1,556,867          |
|   | -                                  | 33,865                              |           | 33,865             |
|   | -                                  | 447,425                             |           | 447,425            |
|   | <b>-</b>                           | <b>3,238,005</b>                    |           | <b>3,238,005</b>   |
|   | <b>(7,073,487)</b>                 | <b>3,238,005</b>                    | \$        | <b>(3,835,482)</b> |
|   | 2,264,194                          | -                                   |           | 2,264,194          |
|   | 3,742,485                          | -                                   |           | 3,742,485          |
|   | 1,841,119                          | -                                   |           | 1,841,119          |
|   | 866,886                            | -                                   |           | 866,886            |
|   | 76,833                             | 54,780                              |           | 131,613            |
|   | 15,309                             | 922                                 |           | 16,231             |
|   | <b>8,806,826</b>                   | <b>55,702</b>                       |           | <b>8,862,528</b>   |
|   | 1,733,339                          | 3,293,707                           |           | 5,027,046          |
|   | 71,904,619                         | 64,499,813                          |           | 136,404,432        |
|   | (18,722)                           | -                                   |           | (18,722)           |
| <b>\$</b>   | <b>73,619,236</b>                  | <b>67,793,521</b>                   | <b>\$</b> | <b>141,412,756</b> |

**BALANCE SHEET-GOVERNMENTAL FUNDS  
DECEMBER 31, 2016**

|   | General<br>Fund     | Street Reserve<br>Fund | Non-Major<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|---------------------|------------------------|------------------------------------|--------------------------------|
| <b>Assets</b>   |                     |                        |                                    |                                |
| Cash and Cash Equivalents   | \$ 543,077          | \$ 321,421             | \$ 470,937                         | \$ 1,335,434                   |
| Investments   | 3,828,015           | 845,048                | 2,953,901                          | 7,626,964                      |
| Receivables:  |                     |                        |                                    |                                |
| Taxes   | 6,378               | -                      | 55,389                             | 61,767                         |
| Accounts  | 9,114               | -                      | -                                  | 9,114                          |
| Special Assessments   | -                   | -                      | 16,539                             | 16,539                         |
| Due from other govern units   | 48,637              | 58,364                 | 7,347                              | 114,349                        |
| Inventories   | 4,947               | -                      | -                                  | 4,947                          |
| Cash and Investments-Restricted   | -                   | -                      | 91,016                             | 91,016                         |
| <b>Total Assets</b>   | <b>4,440,168</b>    | <b>1,224,832</b>       | <b>3,595,129</b>                   | <b>9,260,129</b>               |
| <b>Deferred Outflows of Resources</b>                                     | <b>-</b>            | <b>-</b>               | <b>-</b>                           | <b>-</b>                       |
| <b>Total Assets and Deferred Outflows of Resources</b>                    | <b>\$ 4,440,168</b> | <b>\$ 1,224,832</b>    | <b>\$ 3,595,129</b>                | <b>\$ 9,260,129</b>            |
| <b>Liabilities</b>  |                     |                        |                                    |                                |
| Accounts Payable  | 349,642             | 77,692                 | 110,392                            | 537,726                        |
| Payroll Payable   | 357,056             | 1,272                  | 13,273                             | 371,601                        |
| Unearned Revenues   | 87,407              | -                      | 12,093                             | 99,500                         |
| Custodial Accounts  | 357,466             | -                      | -                                  | 357,466                        |
| <b>Total Liabilities</b>  | <b>1,151,571</b>    | <b>78,964</b>          | <b>135,757</b>                     | <b>1,366,292</b>               |
| <b>Deferred Inflows of Resources</b>                                      | <b>-</b>            | <b>-</b>               | <b>-</b>                           | <b>-</b>                       |
| <b>Fund Balances</b>  |                     |                        |                                    |                                |
| Nonspendable fund balance   | 7,597               | -                      | 91,016                             | 98,613                         |
| Restricted fund balance   | -                   | -                      | 2,325,825                          | 2,325,825                      |
| Assigned fund balance   | 2,174,924           | 1,145,868              | 1,042,531                          | 4,363,323                      |
| Unassigned fund balance   | 1,106,077           | -                      | -                                  | 1,106,077                      |
| <b>Total Fund Balances</b>  | <b>3,288,597</b>    | <b>1,145,868</b>       | <b>3,459,372</b>                   | <b>7,893,837</b>               |
| <b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b> | <b>\$ 4,440,168</b> | <b>\$ 1,224,832</b>    | <b>\$ 3,595,129</b>                | <b>\$ 9,260,129</b>            |

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



**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
December 31, 2016**

**Total Governmental Fund Balances:** \$ 7,893,837

*Amounts reported for governmental activities in the statement of net position are different because:*

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

77,546,529

These assets consist of:

|                                |    |              |  |
|--------------------------------|----|--------------|--|
| Land                           | \$ | 31,210,860   |  |
| Buildings and structures       |    | 17,115,446   |  |
| Improvements                   |    | 46,879,658   |  |
| Machinery and Equipment        |    | 3,178,969    |  |
| Construction in Progress       |    | 1,205,786    |  |
| Intangibles                    |    | 647,486      |  |
| Less: Accumulated Depreciation |    | (22,691,675) |  |

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

3,205,845

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      | 33,066     |              |  |
| Long-term Liabilities | 14,993,910 | (15,026,976) |  |

Net Position of governmental activities

\$ 73,619,236

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, 2016**

|   | General<br>Fund     | Street Reserve<br>Fund | Non-Major<br>Governmental<br>Funds | Total               |
|---|---------------------|------------------------|------------------------------------|---------------------|
| <b>Revenues</b>                                     |                     |                        |                                    |                     |
| Taxes   | \$ 7,801,969        | \$ -                   | \$ 875,462                         | \$ 8,677,430        |
| Licenses and Permits                                | 886,385             | -                      | 14,800                             | 901,185             |
| Intergovernmental                                   | 301,171             | 475,684                | 273,426                            | 1,050,282           |
| Charges for Services                                | 2,521,626           | -                      | 452,769                            | 2,974,396           |
| Fines and Forfeitures                               | 70,774              | -                      | -                                  | 70,774              |
| Interest and Other Earnings                         | 70,892              | 1,414                  | 9,914                              | 82,219              |
| Miscellaneous                                       | 92,473              | -                      | 94,367                             | 186,840             |
| <b>Total Revenues</b>                               | <b>11,745,290</b>   | <b>477,098</b>         | <b>1,720,738</b>                   | <b>13,943,125</b>   |
| <b>Expenditures</b>                                 |                     |                        |                                    |                     |
| Current:  |                     |                        |                                    |                     |
| General Government                                  | 3,108,256           | -                      | -                                  | 3,108,256           |
| Security of Persons & Property                      | 3,120,582           | -                      | 31,714                             | 3,152,296           |
| Utilities and Environment                           | 532,379             | -                      | -                                  | 532,379             |
| Transportation                                      | 651,482             | -                      | 795,088                            | 1,446,570           |
| Economic Environment                                | 898,672             | -                      | 111,816                            | 1,010,489           |
| Mental and Physical Health                          | 131,162             | -                      | -                                  | 131,162             |
| Culture and Recreation                              | 1,128,766           | -                      | 94,803                             | 1,223,569           |
| Debt Service:                                       |                     |                        |                                    |                     |
| Principal   | -                   | -                      | 709,368                            | 709,368             |
| Interest & Other Charges                            | -                   | -                      | 373,098                            | 373,098             |
| Capital Outlay                                      | -                   | 810,783                | 668,528                            | 1,479,311           |
| <b>Total Expenditures</b>                           | <b>9,571,301</b>    | <b>810,783</b>         | <b>2,784,416</b>                   | <b>13,166,499</b>   |
| <i>Excess of Revenues Over (Under) Expenditures</i> | <i>2,173,989</i>    | <i>(333,685)</i>       | <i>(1,063,678)</i>                 | <i>776,626</i>      |
| <b>Other Financing Sources (Uses)</b>               |                     |                        |                                    |                     |
| Transfers In  | 5,000               | 775,500                | 2,122,411                          | 2,902,911           |
| Transfers Out                                       | (2,078,487)         | (5,000)                | (819,424)                          | (2,902,911)         |
| Sale of Capital Assets                              | 7,649               | -                      | -                                  | 7,649               |
| Insurance Recoveries                                | 5,206               | -                      | -                                  | 5,206               |
| <b>Total Other Financing Sources and Uses</b>       | <b>(2,060,632)</b>  | <b>770,500</b>         | <b>1,302,987</b>                   | <b>12,855</b>       |
| <i>Net Change in Fund Balances</i>                  | <i>113,356</i>      | <i>436,815</i>         | <i>239,309</i>                     | <i>789,481</i>      |
| <i>Fund Balances Beginning of Year</i>              | <i>3,175,241</i>    | <i>709,053</i>         | <i>3,238,785</i>                   | <i>7,123,079</i>    |
| <i>Prior Year Adjustment</i>                        | <i>-</i>            | <i>-</i>               | <i>(18,722)</i>                    | <i>(18,722)</i>     |
| <b>Fund Balances End of Year</b>                    | <b>\$ 3,288,597</b> | <b>\$ 1,145,868</b>    | <b>\$ 3,459,372</b>                | <b>\$ 7,893,837</b> |

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

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2016**

|  |    |         |
|--|----|---------|
| Net change in Fund balance--total governmental funds | \$ | 789,481 |
|--|----|---------|

*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               | 1,479,311   |  |
| This is the amount of depreciation                  | (2,098,757) |  |
| This is the amount of Gain (Loss) on Capital Assets | 7,661       |  |

|   |         |  |
|---|---------|--|
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the government funds. | 274,063 |  |
|---|---------|--|

|  |         |  |
|--|---------|--|
| 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. | 685,208 |  |
|--|---------|--|

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    | 709,368 |  |
| Bond Proceeds         | -       |  |
| Premium on Bonds Sold | -       |  |

|   |           |  |
|---|-----------|--|
| Some expenses reported in the statement of activities do not require the use of the governmental funds. | (112,995) |  |
|---|-----------|--|

|   |    |                  |
|---|----|------------------|
| Change in net position of governmental activities | \$ | <u>1,733,339</u> |
|---|----|------------------|

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, 2016**

|   | ORIGINAL<br>BUDGET  | FINAL BUDGET        | ACTUAL              | VARIANCE WITH<br>FINAL BUDGET<br>POSITIVE<br>(NEGATIVE) |
|---|---------------------|---------------------|---------------------|---|
| <b>Revenues</b>                             |                     |                     |                     |   |
| Taxes                                       | \$ 7,282,339        | \$ 7,282,339        | \$ 7,801,969        | \$ 519,630  |
| Licenses and Permits                        | 587,130             | 587,130             | 886,385             | 299,255   |
| Intergovernmental                           | 161,669             | 220,023             | 301,171             | 81,148  |
| Charges for Services                        | 2,119,067           | 2,229,929           | 2,521,626           | 291,697   |
| Fines and Forfeitures                       | 75,200              | 75,200              | 70,774              | (4,426)   |
| Interest and Other Earnings                 | 46,000              | 46,000              | 70,892              | 24,892  |
| Miscellaneous                               | 78,121              | 84,855              | 92,473              | 7,618   |
| <b>Total Revenues</b>                       | <b>10,349,526</b>   | <b>10,525,476</b>   | <b>11,745,290</b>   | <b>1,219,814</b>  |
| <b>Expenditures</b>                         |                     |                     |                     |   |
| Current:                                    |                     |                     |                     |   |
| General Government                          | 3,308,856           | 3,334,273           | 3,108,256           | 226,016   |
| Security of Persons & Property              | 3,113,629           | 3,139,479           | 3,120,582           | 18,897  |
| Utilities and Environment                   | 513,632             | 513,632             | 532,379             | (18,747)  |
| Transportation                              | 537,785             | 651,834             | 651,482             | 352   |
| Economic Environment                        | 925,552             | 981,967             | 898,672             | 83,295  |
| Mental and Physical Health                  | 14,864              | 70,718              | 131,162             | (60,444)  |
| Culture and Recreation                      | 1,131,830           | 1,139,274           | 1,128,766           | 10,508  |
| <b>Total Expenditures</b>                   | <b>9,546,148</b>    | <b>9,831,177</b>    | <b>9,571,301</b>    | <b>259,876</b>  |
| Excess of Revenues Over Expenditures        | 803,378             | 694,299             | 2,173,989           | 1,479,690   |
| <b>Other Financing Sources (Uses)</b>       |                     |                     |                     |   |
| Transfers in                                | 37,000              | 42,000              | 5,000               | (37,000)  |
| Transfers out                               | (1,775,987)         | (2,078,487)         | (2,078,487)         | -   |
| Sale of Capital Assets                      | -                   | -                   | 7,649               | 7,649   |
| Insurance Recoveries                        | -                   | -                   | 5,206               | 5,206   |
| <b>Total Other Financing Sources (Uses)</b> | <b>(1,738,987)</b>  | <b>(2,036,487)</b>  | <b>(2,060,632)</b>  | <b>(24,145)</b>   |
| Net Change in Fund Balance                  | (935,609)           | (1,342,188)         | 113,356             | 1,455,544   |
| Fund Balance Beginning of Year              | 2,001,759           | 3,162,550           | 3,175,241           | 12,691  |
| <b>Fund Balance End of Year</b>             | <b>\$ 1,066,150</b> | <b>\$ 1,820,362</b> | <b>\$ 3,288,597</b> | <b>\$ 1,468,235</b>                                     |

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



**STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
AS OF DECEMBER 31, 2016**

|  | Business-type Activities Enterprise Funds |                      |                     |                      |                      |
|--|---|----------------------|---------------------|----------------------|----------------------|
|  | Water                                     | Sewer                | Solid Waste         | Storm Drain          | Total                |
| <b>Assets</b>                                    |   |                      |                     |                      |                      |
| Current Assets:                                  |   |                      |                     |                      |                      |
| Cash and Cash Equivalents                        | \$ 475,851                                | \$ 285,068           | \$ 395,321          | \$ 196,908           | \$ 1,353,148         |
| Investments                                      | 4,149,177                                 | 7,405,172            | 1,456,624           | 1,264,205            | 14,275,178           |
| Accounts Receivable                              | 131,834                                   | 311,612              | 169,088             | 144,025              | 756,559              |
| Due from Other Governments                       | -   | -                    | -                   | 15,923               | 15,923               |
| Inventories                                      | 45,771                                    | 6,468                | -                   | -                    | 52,239               |
| Prepaid  | 500                                       | 500                  | 250                 | 250                  | 1,500                |
| Total Current Assets                             | 4,803,132                                 | 8,008,820            | 2,021,284           | 1,621,311            | 16,454,547           |
| Noncurrent Assets:                               |   |                      |                     |                      |                      |
| Restricted cash, cash equivalents, and invests.: |   |                      |                     |                      |                      |
| Revenue bond covenant investment                 | 68,948                                    | 244,452              | -                   | -                    | 313,400              |
| Capital Assets Not Being Depreciated:            |   |                      |                     |                      |                      |
| Land   | 331,186                                   | 414,874              | 191,213             | 1,223,217            | 2,160,490            |
| Construction in Progress                         | 515,366                                   | 335,575              | 22                  | 314,530              | 1,165,493            |
| Capital Assets:                                  |   |                      |                     |                      |                      |
| Buildings and Structures                         | 272,226                                   | 441,491              | 876,953             | 1,316,700            | 2,907,371            |
| Intangibles                                      | 106,678                                   | 114,209              | 12,229              | 188,845              | 421,961              |
| Other Improvements                               | 19,720,168                                | 29,229,737           | 9,098               | 14,960,241           | 63,919,244           |
| Machinery and Equipment                          | 599,562                                   | 1,091,997            | 933,018             | 358,925              | 2,983,502            |
| Less: Accumulated Depreciation                   | (5,969,827)                               | (9,960,219)          | (696,770)           | (3,820,926)          | (20,447,742)         |
| Total Noncurrent Assets                          | 15,644,308                                | 21,912,116           | 1,325,763           | 14,541,532           | 53,423,719           |
| <b>Total Assets</b>                              | <b>20,447,440</b>                         | <b>29,920,936</b>    | <b>3,347,047</b>    | <b>16,162,842</b>    | <b>69,878,266</b>    |
| <b>Deferred Outflows of Resources</b>            |   |                      |                     |                      |                      |
| Deferred Amount of Refunding                     | 3,725                                     | 13,208               | -                   | -                    | 16,933               |
| Deferred Outflow - Pension                       | 67,467                                    | 43,402               | 48,345              | 72,784               | 231,998              |
| <b>Total Deferred Outflows of Resources</b>      | <b>71,193</b>                             | <b>56,609</b>        | <b>48,345</b>       | <b>72,784</b>        | <b>248,931</b>       |
| <b>Liabilities</b>                               |   |                      |                     |                      |                      |
| Current Liabilities                              |   |                      |                     |                      |                      |
| Accounts payable                                 | 52,835                                    | 106,232              | 85,647              | 38,638               | 283,352              |
| Accrued interest payable                         | 7,487                                     | 30,885               | -                   | -                    | 38,372               |
| Rev. bonds payable                               | 104,500                                   | 370,500              | -                   | -                    | 475,000              |
| Unearned Revenue                                 | 3,541                                     | 168                  | 202                 | 164                  | 4,076                |
| Custodial  | 6,464                                     | 68,088               | -                   | -                    | 74,552               |
| Compensated Absences                             | 5,159                                     | 4,532                | 4,984               | 4,501                | 19,176               |
| Total Current Liabilities                        | 179,986                                   | 580,405              | 90,833              | 43,303               | 894,527              |
| Noncurrent Liabilities:                          |   |                      |                     |                      |                      |
| Rev. bonds payable                               | -   | -                    | -                   | -                    | -                    |
| Compensated absences                             | 46,430                                    | 40,790               | 44,852              | 40,512               | 172,584              |
| Pension Obligation                               | 361,582                                   | 232,340              | 259,111             | 391,121              | 1,244,154            |
| Total Noncurrent Liabilities                     | 408,013                                   | 273,130              | 303,963             | 431,633              | 1,416,738            |
| <b>Total Liabilities</b>                         | <b>587,999</b>                            | <b>853,535</b>       | <b>394,796</b>      | <b>474,936</b>       | <b>2,311,265</b>     |
| <b>Deferred Inflows of Resources</b>             |   |                      |                     |                      |                      |
| Deferred Inflow - Pension                        | 6,513                                     | 4,185                | 4,667               | 7,045                | 22,411               |
| <b>Total Deferred Inflows of Resources</b>       | <b>6,513</b>                              | <b>4,185</b>         | <b>4,667</b>        | <b>7,045</b>         | <b>22,411</b>        |
| <b>Net Position</b>                              |   |                      |                     |                      |                      |
| Net Investment in capital assets                 | 15,474,585                                | 21,310,372           | 1,325,763           | 14,541,532           | 52,652,252           |
| Restricted for debt service                      | 68,948                                    | 244,452              | -                   | -                    | 313,400              |
| Unrestricted                                     | 4,380,588                                 | 7,565,002            | 1,670,165           | 1,212,114            | 14,827,869           |
| <b>Total Net Position</b>                        | <b>\$ 19,924,121</b>                      | <b>\$ 29,119,826</b> | <b>\$ 2,995,928</b> | <b>\$ 15,753,645</b> | <b>\$ 67,793,521</b> |

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, 2016**

|  | Business-type Activities Enterprise Funds |                      |                     |                      |                      |
|--|---|----------------------|---------------------|----------------------|----------------------|
|  | Water                                     | Sewer                | Solid Waste         | Storm Drain          | Total                |
| <b>Operating Revenues:</b>                   |   |                      |                     |                      |                      |
| Charges for Services                         | \$ 1,746,438                              | \$ 3,415,903         | \$ 1,772,076        | \$ 1,606,666         | \$ 8,541,082         |
| Other Operating Revenues                     | 110,537                                   | 44,611               | 21,322              | 15,259               | 191,729              |
| <b>Total Operating Revenues</b>              | <b>1,856,975</b>                          | <b>3,460,513</b>     | <b>1,793,398</b>    | <b>1,621,925</b>     | <b>8,732,811</b>     |
| <b>Operating Expenses:</b>                   |   |                      |                     |                      |                      |
| Depreciation                                 | 443,147                                   | 686,073              | 61,274              | 460,426              | 1,650,920            |
| Salaries and Wages                           | 329,849                                   | 294,854              | 255,865             | 392,157              | 1,272,723            |
| Personnel Benefits                           | 149,414                                   | 127,189              | 113,037             | 199,605              | 589,245              |
| Supplies                                     | 132,077                                   | 61,589               | 73,936              | 24,456               | 292,057              |
| Services                                     | 399,450                                   | 565,024              | 681,554             | 311,836              | 1,957,863            |
| Intergovernmental Services and Payments      | 229,746                                   | 919,664              | 573,985             | 287,824              | 2,011,218            |
| <b>Total Operating Expenses</b>              | <b>1,683,682</b>                          | <b>2,654,393</b>     | <b>1,759,650</b>    | <b>1,676,304</b>     | <b>7,774,028</b>     |
| Operating Income (Loss)                      | 173,293                                   | 806,120              | 33,748              | (54,379)             | 958,783              |
| <b>Nonoperating Revenues (Expenses):</b>     |   |                      |                     |                      |                      |
| Interest and Other Earnings                  | 12,602                                    | 37,275               | 3,316               | 1,587                | 54,780               |
| Interest Expense                             | (9,065)                                   | (32,139)             | -                   | -                    | (41,204)             |
| State Grants                                 | -   | -                    | -                   | 86,869               | 86,869               |
| Federal Grants                               | -   | -                    | -                   | 127,142              | 127,142              |
| Insurance Recoveries                         | 117                                       | 9,464                | 117                 | 146                  | 9,843                |
| Proceeds from sale of Capital Assets         | -   | 922                  | -                   | -                    | 922                  |
| <b>Total Nonoperating Revenue (Expenses)</b> | <b>3,654</b>                              | <b>15,522</b>        | <b>3,433</b>        | <b>215,744</b>       | <b>238,353</b>       |
| Income (loss) Before Contributions           | 176,947                                   | 821,643              | 37,181              | 161,366              | 1,197,136            |
| Capital Contributions                        | 1,035,502                                 | 773,422              | -                   | 287,647              | 2,096,571            |
| Change in Net Position                       | 1,212,449                                 | 1,595,064            | 37,181              | 449,012              | 3,293,707            |
| Total Net Position Beginning of Year         | 18,711,671                                | 27,524,761           | 2,958,747           | 15,304,633           | 64,499,813           |
| <b>Total Net Position End of Year</b>        | <b>\$ 19,924,121</b>                      | <b>\$ 29,119,826</b> | <b>\$ 2,995,928</b> | <b>\$ 15,753,645</b> | <b>\$ 67,793,521</b> |

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

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

Page 1 of 2

| <b>Business-type Activities Enterprise Funds</b>                               |                   |                    |                    |                    |                     |
|--|-------------------|--------------------|--------------------|--------------------|---------------------|
|  | <b>Water</b>      | <b>Sewer</b>       | <b>Solid Waste</b> | <b>Storm Drain</b> | <b>Total</b>        |
| <b>Cash Flows from Operating Activities</b>                                    |                   |                    |                    |                    |                     |
| Receipts from customers and users  | \$ 1,856,358      | \$ 3,393,577       | \$ 1,782,631       | \$ 1,679,984       | \$ 8,712,551        |
| Payments for interfund services provided                                       | (229,746)         | (919,664)          | (573,985)          | (287,824)          | (2,011,218)         |
| Payments to suppliers  | (546,371)         | (626,235)          | (767,452)          | (473,820)          | (2,413,878)         |
| Payments to employees  | (479,459)         | (433,135)          | (366,382)          | (556,895)          | (1,835,871)         |
| <b>Net cash provided (used) by operating activities</b>                        | <b>600,782</b>    | <b>1,414,543</b>   | <b>74,812</b>      | <b>361,445</b>     | <b>2,451,583</b>    |
| <b>Cash Flows From Noncapital Financing Activities</b>                         |                   |                    |                    |                    |                     |
| State & Federal Grants   | -                 | -                  | -                  | 214,011            | 214,011             |
| Proceeds from Insurance Claims   | 117               | 9,464              | 117                | 146                | 9,843               |
| <b>Net cash provided (used) by noncapital and related financing activities</b> | <b>117</b>        | <b>9,464</b>       | <b>117</b>         | <b>214,157</b>     | <b>223,854</b>      |
| <b>Cash Flows from Capital and Related Financing Activities</b>                |                   |                    |                    |                    |                     |
| Proceeds from Capital Debt   |                   |                    |                    |                    |                     |
| Capital contributions  | 732,234           | 653,468            | -                  | 39,039             | 1,424,742           |
| Purchase of capital assets   | (121,392)         | (500,617)          | -                  | (30,100)           | (652,109)           |
| Acquisition and construction of capital assets                                 | (636,433)         | (1,092,198)        | (34,639)           | (492,930)          | (2,256,200)         |
| Principal paid on capital debt   | (100,540)         | (596,987)          | -                  | -                  | (697,527)           |
| Interest paid on capital debt  | (7,074)           | (25,080)           | -                  | -                  | (32,154)            |
| <b>Net cash provided (used) by capital and related financing activities</b>    | <b>(133,205)</b>  | <b>(1,561,413)</b> | <b>(34,639)</b>    | <b>(483,991)</b>   | <b>(2,213,249)</b>  |
| <b>Cash Flows from Investing Activities</b>                                    |                   |                    |                    |                    |                     |
| Proceeds from sales and maturities of investments                              | 2,646,722         | 5,446,698          | 1,883,957          | 452,141            | 10,429,518          |
| Purchase of investment   | (3,106,765)       | (5,235,169)        | (1,916,526)        | (851,744)          | (11,110,203)        |
| Interest and dividends received  | 12,602            | 37,275             | 3,316              | 1,587              | 54,780              |
| <b>Net cash used by investing activities</b>                                   | <b>(447,441)</b>  | <b>248,805</b>     | <b>(29,253)</b>    | <b>(398,016)</b>   | <b>(625,905)</b>    |
| Net increase in cash and cash equivalents                                      | 20,254            | 111,398            | 11,037             | (306,405)          | (163,716)           |
| Cash and cash equivalents Beginning of Year                                    | 455,597           | 173,670            | 384,284            | 503,313            | 1,516,864           |
| <b>Cash and cash equivalents End of Year</b>                                   | <b>\$ 475,851</b> | <b>\$ 285,068</b>  | <b>\$ 395,321</b>  | <b>\$ 196,908</b>  | <b>\$ 1,353,148</b> |

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



**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

Page 2 of 2

|  | Business-type Activities Enterprise Funds |                     |                  |                   |                     |
|--|---|---------------------|------------------|-------------------|---------------------|
|  | Water                                     | Sewer               | Solid Waste      | Storm Drain       | Total               |
| <b>Reconciliation of operating income to net cash provided (used) by operating activities:</b> |   |                     |                  |                   |                     |
| Operating Income (Loss)  | \$ 173,293                                | \$ 806,120          | \$ 33,748        | \$ (54,379)       | \$ 958,783          |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities  |   |                     |                  |                   |                     |
| Depreciation   | 443,147                                   | 686,073             | 61,274           | 460,426           | 1,650,920           |
| (Increase) decrease in accounts receivable   | (1,873)                                   | (22,462)            | (10,756)         | 58,046            | 22,956              |
| (Increase) decrease in inventories   | (14,845)                                  | 521                 | -                | -                 | (14,323)            |
| Increase (decrease) in accounts payable  | (6,339)                                   | (7,885)             | (11,979)         | (130,654)         | (156,857)           |
| Increase (decrease) in Custodial Funds   | 1,200                                     | (44,623)            | -                | -                 | (43,423)            |
| Increase (decrease) in Pension Funds   | (2,018)                                   | (7,149)             | (1,124)          | 20,797            | 10,506              |
| Increase (decrease) in compensated absences payable  | 8,217                                     | 3,947               | 3,649            | 7,209             | 23,021              |
| <b>Total Adjustments</b>   | <b>427,489</b>                            | <b>608,423</b>      | <b>41,064</b>    | <b>415,824</b>    | <b>1,492,800</b>    |
| <b>Net Cash Provided By Operating Activities</b>   | <b>\$ 600,782</b>                         | <b>\$ 1,414,543</b> | <b>\$ 74,812</b> | <b>\$ 361,445</b> | <b>\$ 2,451,583</b> |
| <b>Noncash investing, financing and capital activities</b>                                     |   |                     |                  |                   |                     |
| Capital Contributions by Developers  | 303,268                                   | 120,876             |                  | 248,608           | 672,751             |
| Investment Earnings Unrealized   | (2,983)                                   | (375)               | (3,586)          | (3,661)           | (10,605)            |

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

**STATEMENT OF FIDUCIARY NET POSITION  
AGENCY FUND  
DECEMBER 31, 2016**

| <b>Agency Fund</b>                    |                |
|---------------------------------------|----------------|
| <b>Assets</b>                         |                |
| Cash and cash equivalents             | \$ 90,486      |
| Investments                           | 92,242         |
| Accounts Receivable                   | 53             |
| <b>Total Assets</b>                   | <b>182,781</b> |
| <b>Deferred Outflows of Resources</b> |                |
|                                       | -              |
| <b>Liabilities</b>                    |                |
| Accounts Payable and accrued expenses | 4,136          |
| Retainage Payable                     | 72,813         |
| Custodial funds                       | 105,832        |
| <b>Total Liabilities</b>              | <b>182,781</b> |
| <b>Deferred Inflows of Resources</b>  |                |
|                                       | -              |
| <b>Net Position</b>                   | <b>\$ -</b>    |

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

NOTES TO THE FINANCIAL STATEMENTS

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## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

For the reporting year ended December 31, 2016, the City has implemented the following new standards issued by the Governmental Accounting Standards Board (GASB):

Statement No. 72 Fair Value Measurement and Application. This statement defines fair value and provides guidance for determining a fair value measurement for financial reporting purposes.

Statement No. 79 Certain External Investment Pools and Pool Participants. This statement establishes criteria for an external investment pool to qualify for making the election to measure all its investments at amortized cost for financial reporting purposes. Certain provisions of Statement 79 related to portfolio quality, custodial credit risk, and shadow pricing are not effective until fiscal year 2017.

### 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. BASIS OF PRESENTATION-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 position 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 make improvements to the transportation system. Funding is from State and Federal grants and operating transfers.

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 \$1,850. 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 (\$1,280,660 in 2016). 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 POSITION OR EQUITY**

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

It is the City's policy to invest all temporary cash surpluses. At December 31, 2016, the City was holding \$ 2,688,583 in short-term residual investments of surplus cash. This amount is classified on the balance sheet as cash and cash equivalents in various funds. The interest on these investments is prorated to the various funds.

For purposes of the statement of cash flows, the City considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

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, 2016.

## 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 consists of current and delinquent assessments and related interest and penalties. Deferred assessments consist of unbilled special assessments that are liens against the property benefited.

## 3. Interfund Transactions

During the course of normal operations, the City has numerous transactions between City funds. Interfund transactions such as buying goods and services are recorded as revenues and expenditures. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. Transfers between funds are included as "other financing sources or uses." Interfund loans, when applicable, are recorded as receivables in the lending fund and payables in the borrowing fund. The City had no interfund loans in 2016.

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, 2016 were as follows:

| <b>Transfers Out:</b>  |                     |                     |                   |                     |
|------------------------|---------------------|---------------------|-------------------|---------------------|
| <b>Transfers In:</b>   | <b>Street</b>       |                     | <b>Non-Major</b>  | <b>Total</b>        |
|                        | <b>General Fund</b> | <b>Reserve Fund</b> | <b>Gov'l</b>      |                     |
| General Fund           | -                   | 5,000               | -                 | 5,000               |
| Street Reserve Fund    | 500,500             | -                   | 275,000           | 775,500             |
| Non-Major Gov'l Funds  | 1,577,987           | -                   | 544,424           | 2,122,411           |
| <b>Total Transfers</b> | <b>\$ 2,078,487</b> | <b>\$ 5,000</b>     | <b>\$ 819,424</b> | <b>\$ 2,902,911</b> |

## 4. Amounts Due to and from Other Governmental Units

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

#### 5. Inventories

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

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

#### 6. 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 employee's 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. Pensions and OPEB

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

#### 11. Custodial Accounts

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

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

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

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

#### 13. Unearned Revenues

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

#### 14. Fund Balance Classification

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

- *Nonspendable* - includes amounts that are either 1) not in spendable form, or 2) legally or contractually required to be maintained intact. Inventories, prepaid items, and permanent trusts are classified as nonspendable fund balances.
- *Restricted* - includes amounts which are constrained for specific purposes that are 1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or 2) imposed by law through enabling legislation.

- *Committed* - includes amounts that can be used for specific purposes with constraints imposed by formal action of the highest level of decision-making authority. The authorization specifying the purposes for which committed funds can be used should have the consent of both the legislative and executive branches of government. The City operates under a Mayor-Council form of government. As Executive Officer, the Mayor supervises the administrative process of the City and works with the City Council. The City Council enacts ordinances and resolutions that may impose, modify or rescind fund balance commitments. (The City does not have any committed balances)
- *Assigned* - includes amounts that are intended to be used for specific purposes, but are neither restricted nor committed. The authority for assignment of funds is not required to be the government's highest level of decision making authority. Furthermore, the constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on committed fund balances. The City Council may authorize executive officers to assign fund balances for specific purposes through Council files, ordinances and resolutions.
- *Unassigned* - includes amounts that are not assigned to other funds and do not meet the criteria for being classified as restricted, committed, or assigned. Fund balances that can be utilized for economic stabilization, emergencies and contingencies that do not qualify as restricted or committed are reported as unassigned.

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

|  | <b>Nonspendable<br/>Purposes</b> | <b>Restricted<br/>Purposes</b> | <b>Assigned<br/>Purposes</b> | <b>Unassigned<br/>Purposes</b> | <b>Totals</b>       |
|--|----------------------------------|--------------------------------|------------------------------|--------------------------------|---------------------|
| <b><u>General Fund</u></b>                 |                                  |                                |                              |                                |                     |
| General Government                         | \$ 7,597                         | \$ -                           | \$ -                         | \$ 1,106,077                   | \$ 1,113,674        |
| Stabilization Fund                         |                                  |                                | 1,949,924                    |                                | 1,949,924           |
| Legal Reserves                             |                                  |                                | 225,000                      |                                | 225,000             |
| <b>Subtotals, General Fund</b>             | <b>7,597</b>                     | <b>-</b>                       | <b>2,174,924</b>             | <b>1,106,077</b>               | <b>3,288,597</b>    |
| <b><u>Street Reserve Fund</u></b>          |                                  |                                |                              |                                |                     |
| Transportation Improvements                |                                  |                                | 1,145,868                    |                                | 1,145,868           |
| <b>Subtotals, City Street Fund</b>         | <b>-</b>                         | <b>-</b>                       | <b>1,145,868</b>             | <b>-</b>                       | <b>1,145,868</b>    |
| <b><u>Other Governmental Funds</u></b>     |                                  |                                |                              |                                |                     |
| Transportation Improvements                |                                  | 1,115,819                      | 185,897                      |                                | 1,301,716           |
| Parks Improvements                         |                                  | 299,656                        | 210,355                      |                                | 510,011             |
| Cemetery Improvements                      |                                  |                                | 54,936                       |                                | 54,936              |
| Capital Equipment                          |                                  |                                | 566,767                      |                                | 566,767             |
| Capital Improvements                       |                                  | 607,125                        |                              |                                | 607,125             |
| Drug Enforcement                           |                                  | 65,362                         |                              |                                | 65,362              |
| Criminal Justice                           |                                  | 94,946                         | 24,576                       |                                | 119,522             |
| Promote Downtown Businesses                |                                  | 48,360                         |                              |                                | 48,360              |
| Promoting Tourism                          |                                  | 76,460                         |                              |                                | 76,460              |
| City Beautification                        | 91,016                           | 1,850                          |                              |                                | 92,866              |
| Debt Service                               |                                  | 16,246                         |                              |                                | 16,246              |
| <b>Subtotals, Other Governmental Funds</b> | <b>91,016</b>                    | <b>2,325,825</b>               | <b>1,042,531</b>             | <b>-</b>                       | <b>3,459,372</b>    |
| <b>Totals</b>                              | <b>\$ 98,613</b>                 | <b>\$ 2,325,825</b>            | <b>\$ 4,363,323</b>          | <b>\$ 1,106,077</b>            | <b>\$ 7,893,837</b> |

#### 15. Minimum Fund Balances

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

#### General Fund

It will be the policy of the city to maintain a General Fund Reserve at a level of at least equal to twelve percent (12%) of the total General Fund budgeted operating revenue, excluding the beginning fund balance and identified one-

time revenue. This shall be in addition to the maintenance of two months operating cash within the General Fund itself.

These operating reserves are maintained to:

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

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

#### Capital Reserve Funds

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

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

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

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

### **A. BUDGETARY INFORMATION**

In 2016, the City prepared 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 and is published on the City's website; [www.cityofpoulsbo.com](http://www.cityofpoulsbo.com).

In 2017, the City has taken a progressive step to implement its first biennial budget.

## B. BUDGETARY COMPLIANCE

In 2016, 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

### A. Deposits

#### Custodial Credit Risk

Custodial credit risk is the risk associated with the failure of a depository financial institution. In the event of a depository financial institution's failure, it is the risk that the city would not be able to recover its deposits or collateralized securities that are in the possession of the outside parties.

The City's bank 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.

As of December 31, 2016, the carrying amount of the City's change funds, petty cash, and bank demand deposit accounts with financial institutions was the following:

|                                      |                         |
|--------------------------------------|-------------------------|
| <b>Cash</b>                          |                         |
| FDIC or PDPC insured bank deposits   | \$ 3,283,448            |
| In-transit items                     | (414,787)               |
| Custodial funds held in agency funds | (182,728)               |
| Petty Cash on hand                   | 2,650                   |
| <b>Total Cash</b>                    | <b><u>2,688,583</u></b> |

**B. Investments**

The City pools cash from all sources and all funds, and invests its pooled idle cash according to the State of Washington's law and the City's Investment Policy approved by City Council. The basic principles underlying the City's investment philosophy are to ensure the safety of public funds, ensure sufficient funds are available to meet current expenditures, and achieve a reasonable rate of return on investments. Qualifying investments include obligations of the United States government, Treasury and Agency securities, bankers' acceptances, certificates of deposit and repurchase agreements.

**Investments measured at Amortized Cost**

The City's deposits with the Washington State Local Government Investment Pool (LGIP) are managed by the Washington State Office of the Treasurer. The LGIP is comparable to a Rule 2a7-pool recognized by the Securities and Exchange Commission. A 2a7-like-pool is an external investment pool that is not registered with the SEC as an investment company but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Rule 2a7 allows SEC-registered mutual funds to use amortized cost, which approximates fair value, to report net assets and compute share prices.

As of December 31, 2016 the City held the following investments at amortized Cost:

|   |              |
|---|--------------|
| Washington State Local Government Inv. Pool | \$ 4,135,385 |
|---|--------------|

**Investments measured at Fair Value**

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. All the investments are measured using level 1 inputs.

The following is a summary of the fair value investments of the City as of December 31, 2016:

| Investments                           | Valuation<br>Measurement<br>Method | Fair Value<br>12/31/16 | Maturities            |                       | Total                |
|---------------------------------------|------------------------------------|------------------------|-----------------------|-----------------------|----------------------|
|                                       |                                    |                        | Less Than<br>One Year | One to<br>Three Years |                      |
| US agency securities                  |                                    |                        |                       |                       |                      |
| US Treasury Bills, Notes & Bonds      | Level 1                            | \$ 8,716,415           | \$ 5,982,993          | \$ 2,733,423          | \$ 8,716,415         |
| Federal Farm Credit Bank              | Level 1                            | 746,327                |                       | 746,327               | 746,327              |
| Federal Home Loan Bank                | Level 1                            | 2,987,019              | 749,757               | 2,237,262             | 2,987,019            |
| Federal Home Loan Mortgage Corp       | Level 1                            | 2,095,550              | 599,978               | 1,495,572             | 2,095,550            |
| Federal National Mortgage Association | Level 1                            | 3,625,862              | 1,000,647             | 2,625,215             | 3,625,862            |
| <b>Total Investments</b>              |                                    | <b>\$ 18,171,173</b>   | <b>\$ 8,333,374</b>   | <b>\$ 9,837,799</b>   | <b>\$ 18,171,173</b> |

**Custodial Credit Risk**

For investments, this is the risk that in the event of a failure of the counterparty to an investment transaction (typically a broker-dealer) the City would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City limits its exposure by only purchasing insured or registered investments, and by the control of a third-party custodian to hold the securities for safekeeping.

**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.

| Investment Type                             | Fair Value        | Maturity Duration | % of Portfolio | S&P Rating |
|---|-------------------|-------------------|----------------|------------|
| <b>Investments</b>                          |                   |                   |                |            |
| US agency securities                        |                   |                   |                |            |
| US Treasury Bills, Notes & Bonds            | \$ 8,716,415      | 0.84              | 39%            | AA+        |
| Federal Farm Credit Bank                    | \$ 746,327        | 1.74              | 3%             | AA+        |
| Federal Home Loan Bank                      | 2,987,019         | 1.38              | 13%            | AA+        |
| Federal Home Loan Mortgage Corp             | 2,095,550         | 0.83              | 9%             | AA+        |
| Federal National Mortgage Association       | 3,625,862         | 1.02              | 16%            | AA+        |
| Washington State Local Government Inv. Pool | 4,135,385         |                   | 19%            |            |
| <b>Total Investments</b>                    | <b>22,306,558</b> | <b>1.16</b>       | <b>100%</b>    |            |

#### 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 2016, the City's levy for general governmental services was \$1.685960 per \$1,000 on the assessed valuation of \$1,346,103,503 for a total of \$2,269,477.

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, 2016, was as follows:

|   | BEGINNING<br>BALANCE | INCREASES          | DECREASES           | ENDING BALANCE       |
|---|----------------------|--------------------|---------------------|----------------------|
| <b>Governmental-Type Activities</b>               |                      |                    |                     |                      |
| Capital assets, not being depreciated:            |                      |                    |                     |                      |
| Land  | \$ 10,819,687        | \$ 552,033         | \$ -                | \$ 11,371,720        |
| Intangible - Right of Way                         | 19,839,139           | -                  | -                   | 19,839,139           |
| Construction Work in Progress                     | 494,178              | 993,281            | (281,672)           | 1,205,786            |
| <b>Total capital assets not being depreciated</b> | <b>31,153,004</b>    | <b>1,545,314</b>   | <b>(281,672)</b>    | <b>32,416,645</b>    |
| Capital assets, being depreciated:                |                      |                    |                     |                      |
| Buildings   | 17,115,446           | -                  | -                   | 17,115,446           |
| Other Improvements                                | 14,826,943           | 700,088            | -                   | 15,527,031           |
| Machinery and Equipment                           | 3,023,447            | 208,649            | (53,128)            | 3,178,969            |
| Intangible  | 647,486              | -                  | -                   | 647,486              |
| Infrastructure                                    | 31,352,627           | -                  | -                   | 31,352,627           |
| <b>Total capital assets being depreciated</b>     | <b>66,965,949</b>    | <b>908,738</b>     | <b>(53,128)</b>     | <b>67,821,559</b>    |
| Less accumulated depreciation for:                |                      |                    |                     |                      |
| Buildings   | (3,810,635)          | (348,227)          | -                   | (4,158,861)          |
| Other Improvements                                | (4,376,074)          | (935,105)          | -                   | (5,311,179)          |
| Machinery and Equipment                           | (2,353,732)          | (162,077)          | 52,928              | (2,462,881)          |
| Intangible  | (534,636)            | (22,516)           | -                   | (557,152)            |
| Infrastructure                                    | (9,570,769)          | (630,832)          | -                   | (10,201,602)         |
| <b>Total accumulated depreciation</b>             | <b>(20,645,846)</b>  | <b>(2,098,757)</b> | <b>52,928</b>       | <b>(22,691,675)</b>  |
| Total capital assets, being depreciated, net      | 46,320,104           | (1,190,020)        | (200)               | 45,129,884           |
| <b>Governmental activity capital assets, net</b>  | <b>\$ 77,473,108</b> | <b>\$ 355,294</b>  | <b>\$ (281,872)</b> | <b>\$ 77,546,529</b> |

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

### Governmental activities:

|   |                     |
|---|---------------------|
| General Government  | \$ 312,975          |
| Security of Persons and Property                            | 62,244              |
| Utilities and Environment                                   | 2,889               |
| Transportation  | 1,482,536           |
| Economic Environment  | -                   |
| Culture and Recreation                                      | 238,114             |
| <b>Total depreciation expense - governmental activities</b> | <b>\$ 2,098,757</b> |

|   | BEGINNING<br>BALANCE | INCREASES           | DECREASES             | ENDING BALANCE      |
|---|----------------------|---------------------|-----------------------|---------------------|
| <b>Business-Type Activities</b>                   |                      |                     |                       |                     |
| Capital assets, not being depreciated:            |                      |                     |                       |                     |
| Land  | \$ 2,160,490         | \$ -                | \$ -                  | \$ 2,160,490        |
| Construction Work in Progress                     | 5,200,843            | 2,066,966           | (6,102,316)           | 1,165,493           |
| <b>Total capital assets not being depreciated</b> | <b>7,361,333</b>     | <b>2,066,966</b>    | <b>(6,102,316)</b>    | <b>3,325,983</b>    |
| Capital assets, being depreciated:                |                      |                     |                       |                     |
| Buildings   | 637,738              | 2,269,633           | -                     | 2,907,371           |
| Other Improvements                                | 59,338,202           | 4,581,042           | -                     | 63,919,244          |
| Machinery and Equipment                           | 2,573,835            | 439,003             | (29,336)              | 2,983,502           |
| Intangible  | 421,961              | -                   | -                     | 421,961             |
| <b>Total capital assets being depreciated</b>     | <b>62,971,735</b>    | <b>7,289,679</b>    | <b>(29,336)</b>       | <b>70,232,078</b>   |
| Less accumulated depreciation for:                |                      |                     |                       |                     |
| Buildings   | (411,053)            | (13,157)            | -                     | (424,210)           |
| Other Improvements                                | (16,193,159)         | (1,437,482)         | -                     | (17,630,641)        |
| Machinery and Equipment                           | (1,974,134)          | (160,010)           | 29,336                | (2,104,809)         |
| Intangible  | (247,811)            | (40,271)            | -                     | (288,082)           |
| <b>Total accumulated depreciation</b>             | <b>(18,826,157)</b>  | <b>(1,650,920)</b>  | <b>29,336</b>         | <b>(20,447,742)</b> |
| Total capital assets, being depreciated, net      | 44,145,578           | 5,638,758           | -                     | 49,784,336          |
| <b>Business-type activity capital assets, net</b> | <b>\$ 51,506,911</b> | <b>\$ 7,705,724</b> | <b>\$ (6,102,316)</b> | <b>53,110,319</b>   |

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

**Business-type activities:**

|  |                     |
|--|---------------------|
| Water  | \$ 443,147          |
| Sewer  | 686,073             |
| Solid Waste  | 61,274              |
| Storm Drain  | 460,426             |
| Public Works Administration                                  |                     |
| <b>Total depreciation expense - business-type activities</b> | <b>\$ 1,650,920</b> |

## NOTE 6: EMPLOYEE RETIREMENT AND PENSION PLANS

The following table represents the aggregate pension amounts for all plans subject to the requirements of the GASB Statement 68, Accounting and Financial Reporting for Pensions for the year 2016:

| Aggregate Pension Amounts - All Plans |                |
|---------------------------------------|----------------|
| Pension liabilities                   | \$ (4,607,080) |
| Pension assets                        | \$ 349,038     |
| Deferred outflows of resources        | \$ 1,060,447   |
| Deferred inflows of resources         | \$ (89,545)    |
| Pension expense/expenditures          | \$ 683,072     |

### State Sponsored Pension Plans

Substantially all 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 and defined contribution retirement plans. The state Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.



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 98540-8380

Or the DRS CAFR may be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov).

### **Public Employees' Retirement System (PERS)**

PERS members include elected officials; state employees; employees of the Supreme, Appeals and Superior Courts; employees of the legislature; employees of district and municipal courts; employees of local governments; and higher education employees not participating in higher education retirement programs. PERS is comprised of three separate pension plans for membership purposes. PERS plans 1 and 2 are defined benefit plans, and PERS plan 3 is a defined benefit plan with a defined contribution component.

**PERS Plan 1** provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

### **Contributions**

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2016 were as follows:

| <b>PERS Plan 1</b>                |                 |                  |
|-----------------------------------|-----------------|------------------|
| <b>Actual Contribution Rates:</b> | <b>Employer</b> | <b>Employee*</b> |
| PERS Plan 1                       | 6.23%           | 6.00%            |
| PERS Plan 1 UAAL                  | 4.77%           | 6.00%            |
| Administrative Fee                | 0.18%           |                  |
| <b>Total</b>                      | <b>11.18%</b>   | <b>6.00%</b>     |

\* For employees participating in JBM, the contribution rate was 12.26%

**PERS Plan 2/3** provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 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 benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

- With a benefit that is reduced by three 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 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of five 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 credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service. 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 12 months of that service are earned after age 44.

**PERS Plan 3** defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. PERS Plan 3 members choose their contribution rate upon joining membership and have a chance to change rates upon changing employers. As established by statute, Plan 3 required defined contribution rates are set at a minimum of 5 percent and escalate to 15 percent with a choice of six options. Employers do not contribute to the defined contribution benefits. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

#### **Contributions**

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2016 were as follows:

| <b>PERS Plan 2/3</b>              |                     |                    |
|-----------------------------------|---------------------|--------------------|
| <b>Actual Contribution Rates:</b> | <b>Employer 2/3</b> | <b>Employee 2*</b> |
| PERS Plan 2/3                     | 6.23%               | 6.12%              |
| PERS Plan 1 UAAL                  | 4.77%               |                    |
| Administrative Fee                | 0.18%               |                    |
| Employee PERS Plan 3              |                     | varies             |
| <b>Total</b>                      | <b>11.18%</b>       | <b>6.12%</b>       |

\* For employees participating in JBM, the contribution rate was 15.30%

The city's actual PERS plan contributions were \$224,037 to PERS Plan 1 and \$292,611 to PERS Plan 2/3 for the year ended December 31, 2016.

#### **Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF)**

LEOFF membership includes all full-time, fully compensated, local law enforcement commissioned officers, firefighters, and as of July 24, 2005, emergency medical technicians. LEOFF is comprised of two separate defined benefit plans.

**LEOFF Plan 1** provides retirement, disability and death benefits. Retirement benefits are determined per year of service calculated as a percent of final average salary (FAS) as follows:

- 20+ years of service – 2.0% of FAS
- 10-19 years of service – 1.5% of FAS
- 5-9 years of service – 1% of FAS

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 ten years of service. Members are eligible for retirement with five years of service at the age of 50. Other benefits include duty and non-duty disability payments, a cost-of living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. LEOFF 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

### **Contributions**

Starting on July 1, 2000, **LEOFF Plan 1** employers and employees contribute zero percent, as long as the plan remains fully funded. The LEOFF Plan 1 had no required employer or employee contributions for fiscal year 2015. Employers paid only the administrative expense of 0.18 percent of covered payroll.

**LEOFF Plan 2** provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the final average salary (FAS) per year of service (the FAS is based on the highest consecutive 60 months). Members are eligible for retirement with a full benefit at 53 with at least five years of service credit. 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 three percent for each year prior to age 53. Otherwise, the benefits are actuarially reduced for each year prior to age 53. LEOFF 2 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. LEOFF 2 members are vested after the completion of five years of eligible service.

### **Contributions**

The **LEOFF Plan 2** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2. The employer rate included an administrative expense component set at 0.18 percent. Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board. The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2016 were as follows:

| <b>LEOFF Plan 2</b>               |                 |                 |
|-----------------------------------|-----------------|-----------------|
| <b>Actual Contribution Rates:</b> | <b>Employer</b> | <b>Employee</b> |
| State and local governments       | 5.05%           | 8.41%           |
| Administrative Fee                | 0.18%           |                 |
| <b>Total</b>                      | <b>5.23%</b>    | <b>8.41%</b>    |
| Ports and Universities            | 8.41%           | 8.41%           |
| Administrative Fee                | 0.18%           |                 |
| <b>Total</b>                      | <b>8.59%</b>    | <b>8.41%</b>    |

The City of Poulsbo's actual contributions to the plan were \$ 80,293 for the year ended December 31, 2016.

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 the state fiscal year ending June 30, 2016, the state contributed \$60,375,158 to LEOFF Plan 2. The amount recognized by the city as its proportionate share of this amount is \$53,239

### **Actuarial Assumptions**

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2016 with a valuation date of June 30, 2015. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2007-2012 Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2015 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2016. Plan liabilities were rolled forward from June 30, 2015, to June 30, 2016, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 3% total economic inflation; 3.75% salary inflation
- **Salary increases:** In addition to the base 3.75% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.5%

Mortality rates were based on the RP-2000 report's Combined Healthy Table and Combined Disabled Table, published by the Society of Actuaries. The OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

There were minor changes in methods and assumptions since the last valuation.

- For all systems, except LEOFF Plan 2, the assumed valuation interest rate was lowered from 7.8% to 7.7%. Assumed administrative factors were updated.
- Valuation software was corrected on how the nonduty disability benefits for LEOFF Plan 2 active members is calculated.
- New LEOFF Plan 2 benefit definitions were added within the OSA valuation software to model legislation signed into law during the 2015 legislative session.

#### **Discount Rate**

The discount rate used to measure the total pension liability for all DRS plans was 7.5 percent.

To determine that rate, an asset sufficiency test included an assumed 7.7 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. (All plans use 7.7 percent except LEOFF 2, which has assumed 7.5 percent). Consistent with the long-term expected rate of return, a 7.5 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue being made at contractually required rates (including PERS 2/3, PSERS 2, SERS 2/3, and TRS 2/3 employers, whose rates include a component for the PERS 1, and TRS 1 plan liabilities). Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.5 percent was used to determine the total liability.

#### **Long-Term Expected Rate of Return**

The long-term expected rate of return on the DRS pension plan investments of 7.5 percent was determined using a building-block-method. The Washington State Investment Board (WSIB) used a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, including inflation) to develop each major asset class. Those expected returns make up one component of WSIB's capital market assumptions. The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns at various future times. The long-term expected rate of return of 7.5 percent approximately equals the median of the simulated investment returns over a 50-year time horizon.

#### **Estimated Rates of Return by Asset Class**

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

| Asset Class     | Target Allocation | % Long-Term Expected Real Rate of Return Arithmetic |
|-----------------|-------------------|---|
| Fixed Income    | 20%               | 1.70%   |
| Tangible Assets | 5%                | 4.40%   |
| Real Estate     | 15%               | 5.80%   |
| Global Equity   | 37%               | 6.60%   |
| Private Equity  | 23%               | 9.60%   |
|                 | <b>100%</b>       |   |

### Sensitivity of NPL

The table below presents the City of Poulsbo's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the City of Poulsbo's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5 percent) or 1-percentage point higher (8.5 percent) than the current rate.

|          | 1% Decrease<br>6.50% | Current Discount<br>7.50% | 1% Increase<br>8.50% |
|----------|----------------------|---------------------------|----------------------|
| PERS 1   | 2,524,182            | 2,093,195                 | 1,722,303            |
| PERS 2/3 | 4,628,516            | 2,513,886                 | (1,308,623)          |
| LEOFF 1  | (22,908)             | (38,564)                  | (51,945)             |
| LEOFF 2  | 870,655              | (310,474)                 | (1,200,702)          |

### Pension Plan Fiduciary Net Position

Detailed information about the State's pension plans' fiduciary net position is available in the separately issued DRS financial report.

### Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the City of Poulsbo reported a total pension liability of \$ 4,607,080 and total pension asset of \$349,038 for its proportionate share of the net pension liabilities as follows:

|          | Liability (or Asset) |
|----------|----------------------|
| PERS 1   | \$ 2,093,195         |
| PERS 2/3 | 2,513,886            |
| LEOFF 1  | (38,564)             |
| LEOFF 2  | (310,474)            |

The amount of the liability/(asset) reported above for LEOFF Plan 2 reflects a reduction for State pension support provided to the City. The amount recognized by the city as its proportionate share of the net pension liability/(asset), the related State support, and the total portion of the net pension liability/(asset) that was associated with the city were as follows:

|   | LEOFF 1 Asset | LEOFF 2 Asset |
|---|---------------|---------------|
| Employer's proportionate share  | \$ 38,564     | \$ 310,474    |
| State's proportionate share of the net pension asset associated with the employer | 260,843       | 202,407       |
| TOTAL   | \$ 266,407    | \$ 512,881    |

At June 30, the City of Poulsbo's proportionate share of the collective net pension liabilities was as follows:

|                 | Proportionate Share 6/30/15 | Proportionate Share 6/30/16 | Change in Proportion |
|-----------------|-----------------------------|-----------------------------|----------------------|
| <b>PERS 1</b>   | 0.037386%                   | 0.038976%                   | 0.001590%            |
| <b>PERS 2/3</b> | 0.048290%                   | 0.049929%                   | 0.001639%            |
| <b>LEOFF 1</b>  | 0.005085%                   | 0.003743%                   | -0.001342%           |
| <b>LEOFF 2</b>  | 0.053889%                   | 0.053380%                   | -0.000509%           |

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the *Schedules of Employer and Nonemployer Allocations* for all plans except LEOFF 1.

LEOFF Plan 1 allocation percentages are based on the total historical employer contributions to LEOFF 1 from 1971 through 2000 and the retirement benefit payments in fiscal year 2016. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2016, the state of Washington contributed 87.12 percent of LEOFF 1 employer contributions and all other employers contributed the remaining 12.88 percent of employer contributions. LEOFF 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. The allocation method the plan chose reflects the projected long-term contribution effort based on historical data.

In fiscal year 2016, the state of Washington contributed 39.46 percent of LEOFF 2 employer contributions pursuant to RCW 41.27.726 and all other employers contributed the remaining 60.54 percent of employer contributions.

The collective net pension liability (asset) was measured as of June 30, 2016, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2015, with update procedures used to roll forward the total pension liability to the measurement date.

#### Pension Expense

For the year ended December 31, 2016, the City of Poulsbo recognized pension expense as follows:

|                 | Pension Expense   |
|-----------------|-------------------|
| <b>PERS 1</b>   | \$ 198,895        |
| <b>PERS 2/3</b> | 375,553           |
| <b>LEOFF 1</b>  | 8,456             |
| <b>LEOFF 2</b>  | 100,168           |
| <b>TOTAL</b>    | <b>\$ 683,072</b> |

#### Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2016, the city reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| PERS 1  | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------|-------------------------------|
| Net difference between projected and actual investment earnings on pension plan investments | 52,703                         | -                             |
| Contributions subsequent to the measurement date  | 114,609                        | -                             |
| <b>TOTAL</b>  | <b>\$ 167,312</b>              | <b>\$ -</b>                   |

| <b>PERS 2/3</b>  | <b>Deferred Outflows<br/>of Resources</b> | <b>Deferred Inflows of<br/>Resources</b> |
|--|---|--|
| Differences between expected and actual experience   | \$ 133,863                                | \$ (82,987)                              |
| Net difference between projected and actual investment earnings on pension plan investments          | 307,627                                   |  |
| Changes of assumptions   | 25,983                                    | -  |
| Changes in proportion and differences between contributions and proportionate share of contributions | 74,451                                    |  |
| Contributions subsequent to the measurement date   | 149,689                                   | -  |
| <b>TOTAL</b>   | <b>\$ 691,612</b>                         | <b>\$ (82,987)</b>                       |

| <b>LEOFF 1</b>  | <b>Deferred Outflows<br/>of Resources</b> | <b>Deferred Inflows of<br/>Resources</b> |
|---|---|--|
| Net difference between projected and actual investment earnings on pension plan investments | 3,920                                     | -  |
| <b>TOTAL</b>  | <b>\$ 3,920</b>                           | <b>\$ -</b>                              |

| <b>LEOFF 2</b>   | <b>Deferred Outflows<br/>of Resources</b> | <b>Deferred Inflows of<br/>Resources</b> |
|--|---|--|
| Differences between expected and actual experience   | \$ 42,543                                 | \$ -                                     |
| Net difference between projected and actual investment earnings on pension plan investments          | 111,566                                   | -  |
| Changes of assumptions   | 1,171                                     | -  |
| Changes in proportion and differences between contributions and proportionate share of contributions | 3,432                                     | (6,558)                                  |
| Contributions subsequent to the measurement date   | 38,891                                    | -  |
| <b>TOTAL</b>   | <b>\$ 197,602</b>                         | <b>\$ (6,558)</b>                        |

Deferred outflows of resources related to pensions resulting from the city's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <b>Year ended December 31</b> | <b>PERS 1</b> |
|-------------------------------|---------------|
| 2017                          | (12,977)      |
| 2018                          | (12,977)      |
| 2019                          | 48,402        |
| 2020                          | 30,254        |

| <b>Year ended December 31</b> | <b>PERS 2/3</b> |
|-------------------------------|-----------------|
| 2017                          | 27,371          |
| 2018                          | 27,371          |
| 2019                          | 255,166         |
| 2020                          | 149,029         |

| Year ended December 31 | LEOFF 1 |
|------------------------|---------|
| 2017                   | (810)   |
| 2018                   | (810)   |
| 2019                   | 3,395   |
| 2020                   | 2,145   |

| Year ended December 31 | LEOFF 2 |
|------------------------|---------|
| 2017                   | (2,389) |
| 2018                   | (2,389) |
| 2019                   | 91,312  |
| 2020                   | 62,595  |
| 2021                   | 3,026   |

## NOTE 7: RISK MANAGEMENT

The city of Poulsbo is a member of the Washington Cities Insurance Authority (WCIA).

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 168 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 for property, automobile physical damage, fidelity, inland marine, and boiler and machinery coverage are purchased on a group basis. Various deductibles apply by type of coverage. Property coverage is self-funded from the members' deductible to \$750,000, for all perils other than flood and earthquake, and insured above that to \$300 million per occurrence subject to aggregates and sublimits. Automobile physical damage coverage is self-funded from the members' deductible to \$250,000 and insured above that to \$100 million per occurrence subject to aggregates and sublimits.

In-house services include risk management consultation, loss control field services, and claims and litigation administration. WCIA contracts for certain claims investigations, consultants for personnel and land use issues, insurance brokerage, actuarial, 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.

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.

The City workers' comprehensive insurance is purchased through the State Labor and Industries program, Unemployment is purchased through Washington State Employment Security, and Health insurance is purchased for staff through Northwest Administrators. The City does not self-insure for any services.

In the past three years, there have been no settlements that exceeded coverage.

## NOTE 8: LONG-TERM DEBT

The City issues general obligation and revenue bonds to finance the purchase of capital assets and the construction of infrastructure. Bonded indebtedness has also been entered into (currently and in prior years) to advance refund several general obligation and revenue bonds. General obligation bonds have been issued for general government and are being repaid from the applicable resources. The revenue bonds are being repaid by proprietary fund revenues. The city is also liable for state loans that were entered into for the construction of street infrastructure. These loans are considered obligations of the general government and are being repaid with general governmental revenue sources.

### 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, 2016, the governmental long-term debt of the City consisted of the following:

| Issuance Date | Purpose   | Original Issue | Interest Rates | Maturity Date | Debt Outstanding    |
|---------------|---|----------------|----------------|---------------|---------------------|
| 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%       | 2018          | 380,000             |
| 2010          | LOCAL Program GO Bonds: Issued to provide funds to purchase the Park and Rec building.  | 310,000        | 4.10%          | 2030          | 240,000             |
| 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          | 1,725,000           |
| 2015          | 2015 GO Debt: Refunded 2005 GO Bond and callable portion of the 2009 GO Bond  | 7,320,000      | 2-4%           | 2033          | 6,950,000           |
| Total         |   |                |                |               | <b>\$ 9,295,000</b> |

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

As of December 31, 2016, 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          | 475,000           |
| Total         |   |                |                |               | <b>\$ 475,000</b> |

### B. PUBLIC WORKS TRUST FUND LOANS

State of Washington Public Works Trust Fund Loans (PWTF) are an intergovernmental loan from the Public Works Board to undertake local public works projects. These loans are a direct responsibility of the City. Poulsbo currently has one such loan. The PWTF loan of \$1,406,930 which will be repaid from governmental funds, is for Front Street reconstruction.

As of December 31, 2016, the long-term debt payable for the PWTF loan consisted of the following:

| Issuance Date | Purpose                             | Original Issue | Interest Rates | Maturity Date | Debt Outstanding  |
|---------------|-------------------------------------|----------------|----------------|---------------|-------------------|
| 2000          | Street Improvements to Front Street | 1,406,930      | 3.0%           | 2020          | 297,473           |
| Total         |                                     |                |                |               | <b>\$ 297,473</b> |

### C. DEBT SERVICE REQUIREMENTS TO MATURITY FOR PRIMARY GOVERNMENT

| Year Ended<br>Dec 31 | General Obligation Bonds<br>Governmental Activities |                     |                      | Revenue Bonds<br>Business-Type Activities |                  |                   |
|----------------------|---|---------------------|----------------------|---|------------------|-------------------|
|                      | Principal   | Interest            | Total                | Principal                                 | Interest         | Total             |
| 2017                 | 655,000   | 343,020             | 998,020              | 475,000                                   | 16,388           | 491,388           |
| 2018                 | 575,000   | 324,430             | 899,430              | -   | -                | -                 |
| 2019                 | 595,000   | 306,141             | 901,141              | -   | -                | -                 |
| 2020                 | 610,000   | 288,710             | 898,710              | -   | -                | -                 |
| 2021                 | 630,000   | 265,810             | 895,810              | -   | -                | -                 |
| 2022-2026            | 3,190,000   | 946,256             | 4,136,256            | -   | -                | -                 |
| 2027-2031            | 2,310,000   | 418,713             | 2,728,713            | -   | -                | -                 |
| 2032-2033            | 730,000   | 44,200              | 774,200              | -   | -                | -                 |
|                      | <b>\$ 9,295,000</b>                                 | <b>\$ 2,937,280</b> | <b>\$ 12,232,280</b> | <b>\$ 475,000</b>                         | <b>\$ 16,388</b> | <b>\$ 491,388</b> |

| Public Works Trust Fund Loans |                         |                  |                   |                          |             |             |
|-------------------------------|-------------------------|------------------|-------------------|--------------------------|-------------|-------------|
| Year Ended<br>Dec 31          | Governmental Activities |                  |                   | Business-Type Activities |             |             |
|                               | Principal               | Interest         | Total             | Principal                | Interest    | Total       |
| 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            | -                        | -           | -           |
|                               | <b>\$ 297,473</b>       | <b>\$ 22,310</b> | <b>\$ 319,784</b> | <b>\$ -</b>              | <b>\$ -</b> | <b>\$ -</b> |

### D. 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, 2016, the City has no arbitrage rebate liability.

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

|   | Beginning<br>Balance | Additions           | Reductions          | Ending<br>Balance    |
|---|----------------------|---------------------|---------------------|----------------------|
| <b>Governmental Activities</b>                            |                      |                     |                     |                      |
| Bonds payable:  |                      |                     |                     |                      |
| General obligation bonds                                  | \$ 9,930,000         | \$ -                | \$ 635,000          | \$ 9,295,000         |
| Less Unamortized Bond Discount                            | (20,607)             | -                   | (2,534)             | (18,073)             |
| Plus Unamortized Bond Premium                             | 793,920              | -                   | 50,579              | 743,341              |
| Pension/OPEB Obligation                                   | 3,059,739            | 3,424,211           | 2,682,048           | 3,801,902            |
| Compensated Absences                                      | 813,758              | 667,933             | 674,558             | 807,134              |
| Due to Other Governmental Units                           | 371,841              | -                   | 74,368              | 297,473              |
| <b>Total Governmental activity long-term liabilities</b>  | <b>\$ 14,948,651</b> | <b>\$ 4,092,144</b> | <b>\$ 4,114,019</b> | <b>\$ 14,926,776</b> |
| <b>Business-type Activities</b>                           |                      |                     |                     |                      |
| Bonds payable:  |                      |                     |                     |                      |
| Revenue Bonds   | \$ 932,000           | \$ -                | \$ 457,000          | \$ 475,000           |
| Pension/OPEB Obligation                                   | 999,017              | 1,244,154           | 999,017             | 1,244,154            |
| Compensated Absences                                      | 168,739              | 140,366             | 117,345             | 191,760              |
| Notes Payable   | 240,527              | -                   | 240,527             | -                    |
| <b>Total Business-type activity long-term liabilities</b> | <b>\$ 2,340,283</b>  | <b>\$ 1,384,520</b> | <b>\$ 1,813,889</b> | <b>\$ 1,910,914</b>  |

2. Liabilities due within one year:

| Date of<br>Issue                     | Liabilities Due Within One Year - Governmental Activities   | Due within<br>one year |
|--------------------------------------|---|------------------------|
| 2015                                 | 2015 GO Debt: Refunded 2005 GO Bond and callable portion of the 2009 GO Bond  | 265,000                |
| 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   | 190,000                |
| 2010                                 | Certificate of Participation to finance the acquisition of the Parks and Recreation facility.   | 15,000                 |
| 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 | 185,000                |
| 2000                                 | Due to Other Governmental Units(PWTF)-Street Improvements to Front Street   | 74,368                 |
|                                      | Unamortized premium on GO Bond  | 46,504                 |
|                                      | Unamortized Bond Discount   | (2,534)                |
|                                      | Compensated Absences  | 80,713                 |
| <b>Total Governmental Activities</b> |   | <b>\$ 854,051</b>      |

| Date of<br>Issue                      | Liabilities Due Within One Year - Business-Type Activities | Due within<br>one year |
|---------------------------------------|--|------------------------|
| 2005                                  | Water/Sewer Refunded Revenue Bonds                         | 475,000                |
|                                       | Compensated Absences                                       | 19,176                 |
| <b>Total Business-Type Activities</b> |  | <b>\$ 494,176</b>      |

## NOTE 9: CONTINGENCIES AND COMMITMENTS

### LITIGATION

As of December 31, 2016, there were several damage claims and lawsuits pending against the City. In the opinion of management, the City's insurance policies and/or legal reserves are adequate to pay all known or pending claims, suits and other actions in which payment is considered probable (see Note 7- Risk Management). At this time, there are no judgements against the City, and the City has no material contingent liabilities for which it does not also have insurance coverage. As a result, the City has not recorded any contingent liabilities because management believes that it is not probable that payment will be required.

### GRANTS

The City participates in federal-and state- assisted grant programs. These programs are subject to compliance audits by the grantors and their representatives. The audits of these programs for or including the year ended December 31, 2016, 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.

### Contractual Commitments

As of December 31, 2016, the City had 14 significant contractual obligations with the following balances:

| <u>Project</u>                        | <u>Vendor</u>            | <u>Amount</u>        |
|---------------------------------------|--------------------------|----------------------|
| Storm Drain Review                    | Parametrix               | \$ 4,763.88          |
| P&R Roof Repair                       | Garland/DBS Inc.         | 41,934.29            |
| Liberty Bay Waterfront Trail          | Parametrix               | 18,622.34            |
| Noll Road Phase III Design            | Parametrix               | 96,442.24            |
| Noll Road ROW                         | Parametrix               | 234,909.77           |
|                                       |                          |                      |
| Finn Hill Road Improvements           | Sealaska                 | 47,255.90            |
| Raab Park Water Tank Replace - design | Gray & Osborne           | 23,144.84            |
| Viking Ave PRV                        | Olympic Peninsula Const. | 361,266.62           |
| Viking Ave PRV Eng Support            | Gray & Osborne           | 867.46               |
| Poulsbo Village Pump - Design         | CHS Engineers, LLC       | 26,447.24            |
| Liberty Bay Pump - Design             | CHS Engineers, LLC       | 20,051.61            |
| I&I Study                             | RH2                      | 15,830.96            |
| Anderson Pkwy Phase II                | Sealaska                 | 18.00                |
| Raingarden and LID Assistance         | KC Conservation District | 13,378.73            |
|                                       |                          | <u>\$ 904,933.88</u> |

### CONTRACTUAL CONTINGENCIES

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 \$2,803 is included with the City's compensated absences.

As discussed in Note 8, Long-Term Debt, the City is contingently liable for repayment of refunded debt.

## NOTE 10: 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 Regional Library are available at 1301 Sylvan Way, Bremerton, Washington 98310. Contact: Dan Baer, Chief Financial Officer (360) 405-9137 or on their website [www.krl.org](http://www.krl.org).

## **NOTE 11: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

### Plan Description

As required by the Revised Code of Washington (RCW) Chapter 41.26, the City provides lifetime medical care for members of the Law Enforcement Officers and Firefighters (LEOFF) retirement system hired before October 1, 1977 under a defined benefit healthcare plan administered by the City. The member's 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, 2016, 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, 2016.

### 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, 2014 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 | 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 contributed to the plan, and changes in the City's net OPEB. The net OPEB obligation (NOO) of \$365,358 is included as a long-term 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> | <u>Year Ending 2015</u> | <u>Year Ending 2016</u> |
|--|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Normal Cost at Year End                                    | \$0                     | \$0                     | \$0                     | \$0                     | \$0                     |
| Amorization of Unfunded Actuarial Accrued Liability (UAAL) | 60,895                  | 57,308                  | 84,506                  | 108,950                 | 97,114                  |
| Annual Required Contribution                               | \$60,895                | \$57,308                | \$84,506                | \$108,950               | \$97,114                |
| <u>Determination of Net OPEB Obligation:</u>               |                         |                         |                         |                         |                         |
| Annual Required Contribution                               | \$60,895                | \$57,308                | \$84,506                | \$108,950               | \$97,114                |
| Interest prior year Net OPEB Obligation                    | 6,161                   | 7,233                   | 7,332                   | 9,218                   | 12,163                  |
| Adjustments to ARC   | (12,747)                | (14,966)                | (16,485)                | (20,728)                | (27,349)                |
| Annual OPEB Cost   | \$54,309                | \$49,575                | \$75,352                | \$97,440                | \$81,929                |
| Contributions  | (30,476)                | (27,017)                | (28,184)                | (23,824)                | (20,645)                |
| Increase in Net OPEB Obligations                           | \$23,833                | \$22,558                | \$47,168                | \$73,616                | \$61,284                |
| Net OPEB Obligation-Beginning of Year                      | \$136,900               | \$160,732               | \$183,290               | \$230,458               | \$304,075               |
| NET OPEB Obligation-End of Year                            | \$160,732               | \$183,290               | \$230,458               | \$304,075               | \$365,358               |

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 |
|-------------|------------------|---|---------------------|
| 12/31/2012  | 54,309           | 56.1%                                     | 160,732             |
| 12/31/2013  | 49,575           | 54.5%                                     | 183,290             |
| 12/31/2014  | 75,352           | 37.4%                                     | 230,458             |
| 12/31/2015  | 97,440           | 24.4%                                     | 304,075             |
| 12/31/2016  | 81,929           | 25.2%                                     | 365,358             |

#### Funded Status and Funding Progress

As of December 31, 2016, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability (AAL) for benefits was \$1,079,756 and the actuarial value of the assets was \$0 resulting in a UAAL of \$1,079,756. 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 12: PRIOR PERIOD ADJUSTMENTS

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

| Fund # | Fund Description                          | Governmental<br>Statement Amount | Government-Wide<br>Statement<br>Amount | Reason   |
|--------|---|----------------------------------|--|--|
| 101    | City Street Fund                          | \$ 9,714.90                      | \$ 9,714.90                            | Prior year adjustment due to grant revenue received unexpectedly for a prior year expense. |
| 123    | Transportation<br>Development Fund        | (36,633.99)                      | (36,633.99)                            | Prior year adjustment for funds transferred for mitigation in error                        |
| 131    | Historic Downtown Fund                    | 1,224.20                         | 1,224.20                               | Prior year adjustment due to overpayment made for advertising                              |
| 191    | Police Restricted Fund                    | 6,741.50                         | 6,741.50                               | Prior year adjustment for marine vessel grant recorded in the incorrect fund               |
| 204    | Non-Voted General<br>Obligation Debt Fund | 231.15                           | 231.15                                 | Prior year adjustment due to overpayment made for debt service costs.                      |
|        |   | <u>\$ (18,722.24)</u>            | <u>\$ (18,722.24)</u>                  |  |

## NOTE 13: RECONCILIATION OF NET INVESTMENT IN CAPITAL ASSETS

### Governmental Activities:

|                                       |                  |
|---------------------------------------|------------------|
| Capital Assets, Net of Depreciation   | \$ 77,546,529    |
| General Obligation Bonds Payable      | (9,295,000)      |
| Unamortized premium on Bonds          | (743,341)        |
| Unamortized discount on Bonds         | 18,073           |
| Deferred Outflows - Loss on Refunding | 605,929          |
| Due to Other Governments              | <u>(297,473)</u> |

### Net Investment in Capital Assets

\$ 67,834,718

### Business-Type Activities:

|                                       |               |
|---------------------------------------|---------------|
| Capital Assets, Net of Depreciation   | \$ 53,110,319 |
| Revenue Bonds Payable                 | (475,000)     |
| Deferred Outflows - Loss on Refunding | <u>16,933</u> |

### Net Investment in Capital Assets

\$ 52,652,252

## NOTE 14: SUBSEQUENT EVENTS

On June 4, 2014, the City Council approved the sale of the commercial property known as the "Old City Hall Site" at 19050 Jensen Way NE, Poulsbo, Washington for \$1.2 million. The sale was contingent on securing approval by Kitsap County, a feasibility study for site plan approval on intended development, segregation of property, demolition of existing building and proof of hazardous substances study. This agreement and subsequent closing date has been extended due to remedial action needed discovered during demolition, which was completed. The final closing occurred on April 24<sup>th</sup>, 2017. After providing Kitsap County with their share of the proceeds, the Council have allocated funds to be reserved for early redemption of the debt issued for the new city hall. The remaining proceeds will be devoted to both capital improvements and to replenish the revenue stabilization reserves fund balance.

On June 10, 2015, the City Council approved the sale of the commercial property known as the "Old Police Station" at 367 NE Hostmark Street, Poulsbo, Washington for \$900,000. The sale was contingent on obtaining a site plan approval for a planned development. The original agreement was rescinded when the purchaser failed to provide escrow at the same time Washington State Department of Ecology established the proper Ordinary High Water Mark

alignment on the property diminishing the amount of land available for planned development. On January 30, 2017, the City Council approved a new agreement of sale for \$825,000. A \$50,000 promissory note was provided contingent on 120-day feasibility period. The Council allocated proceeds may be used for early redemption of the debt issued for the purpose of the construction of the new city hall. The remaining proceeds of this sale will be devoted to both capital improvements and to replenish the revenue stabilization reserves fund balance.



**REQUIRED SUPPLEMENTARY INFORMATION**  
**LEOFF I RETIREE MEDICAL BENEFITS**  
**SCHEDULE OF FUNDING PROGRESS**  
**December 31, 2016**

| <b>Actuarial<br/>Valuation<br/>Date</b> | <b>Actuarial<br/>Value of<br/>Assets<br/>(a)</b> | <b>Actuarial<br/>Accrued<br/>Liability<br/>(b)</b> | <b>Unfunded<br/>Actuarial<br/>Accrued<br/>Liability<br/>(UAAL)<br/>(b-a)</b> | <b>Funded<br/>Ratio<br/>(a/b)</b> | <b>Covered<br/>Payroll<br/>(c)</b> | <b>UAAL as a<br/>Percentage<br/>of Covered<br/>Payroll<br/>[(b-a)/c]</b> |
|---|--|--|--|-----------------------------------|------------------------------------|--|
| 12/31/2010                              | \$ -   | \$ 662,910   | \$ 662,910   | 0%                                | -                                  | N/A*   |
| 12/31/2011                              | \$ -   | \$ 684,261   | \$ 684,261   | 0%                                | -                                  | N/A*   |
| 12/31/2012                              | \$ -   | \$ 653,990   | \$ 653,990   | 0%                                | -                                  | N/A*   |
| 12/31/2013                              | \$ -   | \$ 615,465   | \$ 615,465   | 0%                                | -                                  | N/A*   |
| 12/31/2014                              | \$ -   | \$ 939,567   | \$ 939,567   | 0%                                | -                                  | N/A*   |
| 12/31/2015                              | \$ -   | \$ 1,211,345                                       | \$ 1,211,345   | 0%                                | -                                  | N/A*   |
| 12/31/2016                              | \$ -   | \$ 1,079,756                                       | \$ 1,079,756   | 0%                                | -                                  | N/A*   |

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

**REQUIRED SUPPLEMENTARY INFORMATION**  
**Schedule of Proportionate Share of the Net Pension Liability**  
**PERS 1**  
**As of June 30, 2016**  
**Last 3 years**

|   | <u>2014</u>                | <u>2015</u>                | <u>2016</u>                |
|---|----------------------------|----------------------------|----------------------------|
| Employer's proportion of the net pension liability (asset)  | 0.036729%                  | 0.037386%                  | 0.038976%                  |
| Employer's proportionate share of the net pension liability   | <u>\$ 1,850,241</u>        | <u>\$ 1,955,635</u>        | <u>\$ 2,093,195</u>        |
| Total   | <u><u>\$ 1,850,241</u></u> | <u><u>\$ 1,955,635</u></u> | <u><u>\$ 2,093,195</u></u> |
| Employer's covered employee payroll   | \$ 4,045,587               | \$ 4,285,003               | \$ 4,671,276               |
| Employer's proportionate share of the net pension liability as a percentage of covered employee payroll | 46%                        | 46%                        | 45%                        |
| Plan fiduciary net position as a percentage of the total pension liability                              | 61.19%                     | 59.10%                     | 57.03%                     |

See notes to Required Supplementary Information

**REQUIRED SUPPLEMENTARY INFORMATION**  
**Schedule of Proportionate Share of the Net Pension Liability**  
**PERS 2/3**  
**As of June 30, 2016**  
**Last 3 years**

|   | <u>2014</u>              | <u>2015</u>                | <u>2016</u>                |
|---|--------------------------|----------------------------|----------------------------|
| Employer's proportion of the net pension liability (asset)  | 0.047289%                | 0.048290%                  | 0.049929%                  |
| Employer's proportionate share of the net pension liability   | <u>\$ 955,881</u>        | <u>\$ 1,725,429</u>        | <u>\$ 2,513,886</u>        |
| Total   | <u><u>\$ 955,881</u></u> | <u><u>\$ 1,725,429</u></u> | <u><u>\$ 2,513,886</u></u> |
| Employer's covered employee payroll   | \$ 4,045,587             | \$ 4,285,003               | \$ 4,671,276               |
| Employer's proportionate share of the net pension liability as a percentage of covered employee payroll | 23.63%                   | 40.27%                     | 53.82%                     |
| Plan fiduciary net position as a percentage of the total pension liability                              | 93.29%                   | 89.20%                     | 85.82%                     |

See notes to Required Supplementary Information

**REQUIRED SUPPLEMENTARY INFORMATION**  
**Schedule of Proportionate Share of the Net Pension Liability**  
**LEOFF 1**  
**As of June 30, 2016**  
**Last 3 years**

|   | <u>2014</u>               | <u>2015</u>               | <u>2016</u>               |
|---|---------------------------|---------------------------|---------------------------|
| Employer's proportion of the net pension liability (asset)  | 0.005043%                 | 0.005085%                 | 0.003743%                 |
| Employer's proportionate share of the net pension liability   | <u>\$ (61,161)</u>        | <u>\$ (61,282)</u>        | <u>\$ (38,564)</u>        |
| Total   | <u><u>\$ (61,161)</u></u> | <u><u>\$ (61,282)</u></u> | <u><u>\$ (38,564)</u></u> |
| Employer's covered employee payroll   | 0                         | 0                         | 0                         |
| Employer's proportionate share of the net pension liability as a percentage of covered employee payroll | N/A                       | N/A                       | N/A                       |
| Plan fiduciary net position as a percentage of the total pension liability                              | 126.91%                   | 127.36%                   | 123.74%                   |

See notes to Required Supplementary Information

**REQUIRED SUPPLEMENTARY INFORMATION**  
**Schedule of Proportionate Share of the Net Pension Liability**  
**LEOFF 2**  
**As of June 30, 2016**  
**Last 3 years**

|   | <u>2014</u>                  | <u>2015</u>                | <u>2016</u>                |
|---|------------------------------|----------------------------|----------------------------|
| Employer's proportion of the net pension liability (asset)  | 0.052340%                    | 0.053889%                  | 0.053380%                  |
| Employer's proportionate share of the net pension liability   | \$ (694,574)                 | \$ (553,871)               | \$ (310,474)               |
| State's proportionate share of the net pension liability (asset) associated with the employer           | <u>\$ (453,820)</u>          | <u>\$ (366,222)</u>        | <u>\$ (202,407)</u>        |
| Total   | <u><u>\$ (1,148,394)</u></u> | <u><u>\$ (920,093)</u></u> | <u><u>\$ (512,881)</u></u> |
| Employer's covered employee payroll   | \$ 1,456,576                 | \$ 1,564,053               | \$ 1,617,108               |
| Employer's proportionate share of the net pension liability as a percentage of covered employee payroll | 47.69%                       | 35.41%                     | 19.20%                     |
| Plan fiduciary net position as a percentage of the total pension liability                              | 116.75%                      | 111.67%                    | 106.04%                    |

See notes to Required Supplementary Information

**REQUIRED SUPPLEMENTARY INFORMATION**  
**Schedule of Employer Contributions**  
**PERS 1**  
**As of December 31, 2016**  
**Last 3 years**

|  | <u>2014</u>      | <u>2015</u>      | <u>2016</u>      |
|--|------------------|------------------|------------------|
| Statutorily or contractually required contributions                                  | \$ 167,996       | \$ 199,036       | \$ 224,037       |
| Contributions in relation to the statutorily or contractually required contributions | <u>(167,996)</u> | <u>(199,036)</u> | <u>(224,037)</u> |
| Contribution deficiency (excess)   | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      |
| Covered employer payroll   | \$ 4,152,711     | \$ 4,510,640     | \$ 4,696,806     |
| Contributions as a percentage of covered employee payroll                            | 4.05%            | 4.41%            | 4.77%            |

See notes to Required Supplementary Information

**REQUIRED SUPPLEMENTARY INFORMATION**  
**Schedule of Employer Contributions**  
**PERS 2/3**  
**As of December 31, 2016**  
**Last 3 years**

|  | <u>2014</u>      | <u>2015</u>      | <u>2016</u>      |
|--|------------------|------------------|------------------|
| Statutorily or contractually required contributions                                  | \$ 208,036       | \$ 255,711       | \$ 292,611       |
| Contributions in relation to the statutorily or contractually required contributions | <u>(208,036)</u> | <u>(255,711)</u> | <u>(292,611)</u> |
| Contribution deficiency (excess)   | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      |
| Covered employer payroll   | \$ 4,152,711     | \$ 4,510,640     | \$ 4,696,806     |
| Contributions as a percentage of covered employee payroll                            | 5.01%            | 5.67%            | 6.23%            |

See notes to Required Supplementary Information

**REQUIRED SUPPLEMENTARY INFORMATION**  
**Schedule of Employer Contributions**  
**LEOFF 1**  
**As of December 31, 2016**  
**Last 3 years**

|  | <u>2014</u> | <u>2015</u> | <u>2016</u> |
|--|-------------|-------------|-------------|
| Statutorily or contractually required contributions                                  | 0           | 0           | 0           |
| Contributions in relation to the statutorily or contractually required contributions | <u>0</u>    | <u>0</u>    | <u>0</u>    |
| Contribution deficiency (excess)   | <u>0</u>    | <u>0</u>    | <u>0</u>    |
| Covered employer payroll   | 0           | 0           | 0           |
| Contributions as a percentage of covered employee payroll                            | 0.00%       | 0.00%       | 0.00%       |

See notes to Required Supplementary Information



**REQUIRED SUPPLEMENTARY INFORMATION**  
**Schedule of Employer Contributions**  
**LEOFF 2**  
**As of December 31, 2016**  
**Last 3 years**

|  | <u>2014</u>     | <u>2015</u>     | <u>2016</u>     |
|--|-----------------|-----------------|-----------------|
| Statutorily or contractually required contributions                                  | \$ 78,406       | \$ 80,712       | \$ 80,293       |
| Contributions in relation to the statutorily or contractually required contributions | <u>(78,406)</u> | <u>(80,712)</u> | <u>(80,293)</u> |
| Contribution deficiency (excess)   | <u>\$ -</u>     | <u>\$ -</u>     | <u>\$ -</u>     |
| Covered employer payroll   | \$ 1,552,594    | \$ 1,598,225    | \$ 1,589,968    |
| Contributions as a percentage of covered employee payroll                            | 5.05%           | 5.05%           | 5.05%           |

See notes to Required Supplementary Information

**Notes to Required Supplementary Information – Pensions  
Year Ended December 31, 2016**

**Note 1 – Information provided**

There are no City employees participating in the PERS 1 or LEOFF 1 plans in 2016; therefore, there is no covered payroll reported under LEOFF 1.

PERS 1 employer contributions include the PERS 1 employer contributions of PERS 2 and PERS 3, which are required to fund the unfunded actuarially accrued liability pursuant to RCW 41.45.060. LEOFF 1 is fully funded, and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation.

The City's proportionate share of the PERS 2/3 plan increased 0.001639% or \$788,456, totaling 0.049929% or \$2,513,886. This results in the percentage of covered employee payroll in the City's proportionate share increasing 13.55%.

The City's proportionate share of the LEOFF 2 plan decreased 0.000509% or \$243,397, totaling 0.053380% or \$310,474. This results in the percentage of covered employee payroll in the City's proportionate share decreasing 16.21%. The State's proportionate share of the LEOFF 2 plan also decreased \$163,815, totaling \$202,407.

**Note 2 – Significant errors**

There were no changes of benefit terms, significant changes in the employees covered under the benefit terms or in the use of different assumptions.

**Note 3 – Employer contribution rate changes**

There were no changes in employer contribution rates in 2016.

## **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 ¾ of 1% real estate excise tax authorized by State RCW 82.46. These revenues are dedicated for capital purposes defined in RCW 35.43.040, including public buildings and facilities.

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

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

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

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

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

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

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

### **Debt Service Funds**

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

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

The **Non-Voted General Obligation Debt** accounts for the debt service on Council approved general obligation debt. Currently this includes four bond issues.

### 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 fund is also presented here. The fund name is *italicized* for identification purposes.

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

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

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

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, 2016**

Page 1 of 4

**Special Revenue**

|   | City Street<br>Funds | Capital<br>Improvements<br>Funds | Transportation<br>Development<br>Funds | Park<br>Development<br>Funds | Historic<br>Downtown<br>Poulsbo<br>Association<br>Funds | Paths and<br>Trails Funds |
|---|----------------------|----------------------------------|--|------------------------------|---|---------------------------|
| <b>Assets</b>   |                      |                                  |  |                              |   |                           |
| Cash and Cash Equivalents   | \$ 63,223            | \$ 187,770                       | \$ 138,929                             | \$ 10,608                    | \$ 9,748  | \$ 706                    |
| Investments   | 150,869              | 363,966                          | 976,890                                | 273,363                      | 43,070  | 14,980                    |
| Receivables:  |                      |                                  |  |                              |   |                           |
| Taxes   | -                    | 55,389                           | -                                      | -                            | -   | -                         |
| Special Assesments  | -                    | -                                | -                                      | -                            | 16,539  | -                         |
| Due from Other Governments  | -                    | -                                | -                                      | -                            | -   | -                         |
| Cash and Investments-Restricted   | -                    | -                                | -                                      | -                            | -   | -                         |
| <b>Total Assets</b>   | <b>214,091</b>       | <b>607,125</b>                   | <b>1,115,819</b>                       | <b>283,971</b>               | <b>69,356</b>   | <b>15,685</b>             |
| <b>Deferred Outflows of Resources</b>   | -                    | -                                | -                                      | -                            | -   | -                         |
| <b>Liabilities and Fund Balances</b>  |                      |                                  |  |                              |   |                           |
| <b>Liabilities</b>  |                      |                                  |  |                              |   |                           |
| Accounts Payable  | 16,350               | -                                | -                                      | -                            | 8,904   | -                         |
| Payroll   | 11,844               | -                                | -                                      | -                            | -   | -                         |
| Unearned Revenue  | -                    | -                                | -                                      | -                            | 12,093  | -                         |
| <b>Total Liabilities</b>  | <b>28,195</b>        | -                                | -                                      | -                            | <b>20,997</b>   | -                         |
| <b>Deferred Inflows of Resources</b>  | -                    | -                                | -                                      | -                            | -   | -                         |
| <b>Fund Balances</b>  |                      |                                  |  |                              |   |                           |
| Nonspendable fund balance   | -                    | -                                | -                                      | -                            | -   | -                         |
| Restricted fund balance   | -                    | 607,125                          | 1,115,819                              | 283,971                      | 48,360  | 15,685                    |
| Assigned fund balance   | 185,897              | -                                | -                                      | -                            | -   | -                         |
| Unassigned fund balance   | -                    | -                                | -                                      | -                            | -   | -                         |
| <b>Total Fund Balance</b>   | <b>185,897</b>       | <b>607,125</b>                   | <b>1,115,819</b>                       | <b>283,971</b>               | <b>48,360</b>   | <b>15,685</b>             |
| <b>Total Liabilities, Deferred Inflows<br/>of Resources and Fund Balances</b> | <b>\$ 214,091</b>    | <b>\$ 607,125</b>                | <b>\$ 1,115,819</b>                    | <b>\$ 283,971</b>            | <b>\$ 69,356</b>  | <b>\$ 15,685</b>          |

**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS (continued)**  
**DECEMBER 31, 2016**

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|                              |                                 |                               |   | Debt Service                       |   |  |
|------------------------------|---------------------------------|-------------------------------|---|------------------------------------|---|--|
| Drug<br>Enforcement<br>Funds | Transient<br>Occupancy<br>Funds | Police<br>Restricted<br>Funds | Total Non-Major<br>Special Revenue<br>Funds | Misc<br>Governmental<br>Debt Funds | Non-Voted<br>General Oblig<br>Debt Fund | Total Non-Major<br>Debt Service<br>Funds |
| \$ 274                       | \$ 240                          | \$ 19,376                     | \$ 430,873                                  | \$ 115                             | \$ 249                                  | 364                                      |
| 65,404                       | 78,179                          | 100,146                       | 2,066,866                                   | 4,259                              | 11,623                                  | 15,882                                   |
| -                            | -                               | -                             | 55,389                                      | -                                  | -                                       | -  |
| -                            | -                               | -                             | 16,539                                      | -                                  | -                                       | -  |
| -                            | -                               | -                             | -   | -                                  | -                                       | -  |
| -                            | -                               | -                             | -   | -                                  | -                                       | -  |
| <b>65,678</b>                | <b>78,418</b>                   | <b>119,522</b>                | <b>2,569,667</b>                            | <b>4,374</b>                       | <b>11,872</b>                           | <b>16,246</b>                            |
| -                            | -                               | -                             | -   | -                                  | -                                       | -  |
| 316                          | 1,958                           | -                             | 27,529                                      | -                                  | -                                       | -  |
| -                            | -                               | -                             | 11,844                                      | -                                  | -                                       | -  |
| -                            | -                               | -                             | 12,093                                      | -                                  | -                                       | -  |
| <b>316</b>                   | <b>1,958</b>                    | <b>-</b>                      | <b>51,466</b>                               | <b>-</b>                           | <b>-</b>                                | <b>-</b>                                 |
| -                            | -                               | -                             | -   | -                                  | -                                       | -  |
| -                            | -                               | -                             | -   | -                                  | -                                       | -  |
| 65,362                       | 76,460                          | 94,946                        | 2,307,728                                   | 4,374                              | 11,872                                  | 16,246                                   |
| -                            | -                               | 24,576                        | 210,473                                     | -                                  | -                                       | -  |
| -                            | -                               | -                             | -   | -                                  | -                                       | -  |
| <b>65,362</b>                | <b>76,460</b>                   | <b>119,522</b>                | <b>2,518,201</b>                            | <b>4,374</b>                       | <b>11,872</b>                           | <b>16,246</b>                            |
| <b>\$ 65,678</b>             | <b>\$ 78,418</b>                | <b>\$ 119,522</b>             | <b>\$ 2,569,667</b>                         | <b>\$ 4,374</b>                    | <b>\$ 11,872</b>                        | <b>\$ 16,246</b>                         |

**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS (continued)**  
**DECEMBER 31, 2016**

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**Capital Project**

|   | Equipment<br>Acquisition<br>Funds | Park Reserve<br>Funds | Cemetery<br>Reserve Funds | Facilities Fund  | Total Non-Major<br>Capital Project<br>Funds |
|---|-----------------------------------|-----------------------|---------------------------|------------------|---|
| <b>Assets</b>   |                                   |                       |                           |                  |   |
| Cash and Cash Equivalents   | \$ 17,236                         | \$ 3,182              | \$ 19,118                 | \$ 2             | \$ 39,539                                   |
| Investments   | 502,907                           | 246,547               | 38,393                    | 81,617           | 869,464                                     |
| Receivables:  |                                   |                       |                           |                  |   |
| Taxes   | -                                 | -                     | -                         | -                | -   |
| Special Assessments   | -                                 | -                     | -                         | -                | -   |
| Due from Other Governments  | -                                 | 7,347                 | -                         | -                | 7,347                                       |
| Cash and Investments-Restricted   | -                                 | -                     | -                         | -                | -   |
| <b>Total Assets</b>   | <b>520,143</b>                    | <b>257,077</b>        | <b>57,511</b>             | <b>81,619</b>    | <b>916,350</b>                              |
| <b>Deferred Outflows of Resources</b>   |                                   |                       |                           |                  |   |
|   | -                                 | -                     | -                         | -                | -   |
| <b>Liabilities and Fund Balances</b>  |                                   |                       |                           |                  |   |
| <b>Liabilities</b>  |                                   |                       |                           |                  |   |
| Accounts Payable  | 33,584                            | 46,705                | 2,574                     | -                | 82,863                                      |
| Payroll   | 1,127                             | 17                    | -                         | 284              | 1,428                                       |
| Unearned Revenue  | -                                 | -                     | -                         | -                | -   |
| <b>Total Liabilities</b>  | <b>34,711</b>                     | <b>46,722</b>         | <b>2,574</b>              | <b>284</b>       | <b>84,291</b>                               |
| <b>Deferred Inflows of Resources</b>  |                                   |                       |                           |                  |   |
|   | -                                 | -                     | -                         | -                | -   |
| <b>Fund Balances</b>  |                                   |                       |                           |                  |   |
| Nonspendable fund balance   | -                                 | -                     | -                         | -                | -   |
| Restricted fund balance   | -                                 | -                     | -                         | -                | -   |
| Assigned fund balance   | 485,432                           | 210,355               | 54,936                    | 81,335           | 832,058                                     |
| Unassigned fund balance   | -                                 | -                     | -                         | -                | -   |
| <b>Total Fund Balance</b>   | <b>485,432</b>                    | <b>210,355</b>        | <b>54,936</b>             | <b>81,335</b>    | <b>832,058</b>                              |
| <b>Total Liabilities, Deferred Inflows<br/>of Resources and Fund Balances</b> |                                   |                       |                           |                  |   |
|   | <b>\$ 520,143</b>                 | <b>\$ 257,077</b>     | <b>\$ 57,511</b>          | <b>\$ 81,619</b> | <b>\$ 916,350</b>                           |



**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS (continued)**  
**DECEMBER 31, 2016**  
Page 4 of 4

| <b>Permanent</b>   |               |   |                  |
|--|---------------|---|------------------|
|  |               |   |                  |
| <b>Bernice Borgen<br/>Beautification<br/>Trust Funds</b> |               | <b>Total Non-Major<br/>Governmental<br/>Funds</b> |                  |
| \$   | 161           | \$  | 470,937          |
|  | 1,689         |   | 2,953,901        |
|  | -             |   | 55,389           |
|  | -             |   | 16,539           |
|  | -             |   | 7,347            |
|  | 91,016        |   | 91,016           |
|  | <b>92,866</b> |   | <b>3,595,129</b> |
|  |               |   |                  |
|  | -             |   | -                |
|  |               |   |                  |
|  | -             |   | 110,392          |
|  | -             |   | 13,273           |
|  | -             |   | 12,093           |
|  | -             |   | <b>135,757</b>   |
|  |               |   |                  |
|  | -             |   | -                |
|  |               |   |                  |
|  | 91,016        |   | 91,016           |
|  | 1,850         |   | 2,325,825        |
|  | -             |   | 1,042,531        |
|  | -             |   | -                |
|  | <b>92,866</b> |   | <b>3,459,372</b> |
| <b>\$</b>  | <b>92,866</b> | <b>\$</b>   | <b>3,595,129</b> |

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR YEAR ENDED DECEMBER 31, 2016**

Page 1 of 4

|   | Special Revenue      |                                  |  |                              |   |
|---|----------------------|----------------------------------|--|------------------------------|---|
|   | City Street<br>Funds | Capital<br>Improvements<br>Funds | Transportation<br>Development<br>Funds | Park<br>Development<br>Funds | Historic Downtown<br>Poulsbo Association<br>Funds |
| <b>Revenues</b>                               |                      |                                  |  |                              |   |
| Taxes   | \$ -                 | \$ 747,323                       | \$ -                                   | \$ -                         | \$ -  |
| Licenses and Permits                          | 14,800               | -                                | -                                      | -                            | -   |
| Intergovernmental                             | 223,876              | -                                | -                                      | -                            | -   |
| Charges for Services                          | -                    | -                                | 388,772                                | 60,597                       | -   |
| Fines and Forfeitures                         | -                    | -                                | -                                      | -                            | -   |
| Interest and Other Earnings                   | 108                  | 84                               | 2,323                                  | 722                          | 619   |
| Miscellaneous                                 | -                    | -                                | -                                      | -                            | 71,654  |
| <b>Total Revenues</b>                         | <b>238,785</b>       | <b>747,407</b>                   | <b>391,096</b>                         | <b>61,319</b>                | <b>72,273</b>                                     |
| <b>Expenditures</b>                           |                      |                                  |  |                              |   |
| Current:                                      |                      |                                  |  |                              |   |
| Security of Persons & Property                | -                    | -                                | -                                      | -                            | -   |
| Transportation                                | 795,088              | -                                | -                                      | -                            | -   |
| Economic Environment                          | -                    | -                                | -                                      | -                            | -   |
| Culture and Recreation                        | -                    | -                                | -                                      | -                            | 94,803  |
| Debt Service:                                 |                      |                                  |  |                              |   |
| Principal                                     | -                    | -                                | -                                      | -                            | -   |
| Interest & Other Charges                      | -                    | -                                | -                                      | -                            | -   |
| Capital Outlay                                | -                    | -                                | -                                      | -                            | -   |
| <b>Total Expenditures</b>                     | <b>795,088</b>       | <b>-</b>                         | <b>-</b>                               | <b>-</b>                     | <b>94,803</b>                                     |
| Excess of Revenues over Expenditures          | (556,303)            | 747,407                          | 391,096                                | 61,319                       | (22,530)  |
| <b>Other Financing Sources (Uses)</b>         |                      |                                  |  |                              |   |
| Transfers In                                  | 735,000              | -                                | -                                      | -                            | -   |
| Transfers Out                                 | (140,524)            | (448,900)                        | (220,000)                              | (10,000)                     | -   |
| Compensation for Impairment of Capital Assets | -                    | -                                | -                                      | -                            | -   |
| <b>Total Other Financing Sources and Uses</b> | <b>594,476</b>       | <b>(448,900)</b>                 | <b>(220,000)</b>                       | <b>(10,000)</b>              | <b>-</b>  |
| Net Change in Fund Balances                   | 38,173               | 298,507                          | 171,096                                | 51,319                       | (22,530)  |
| Fund Balances - Beginning                     | 138,009              | 308,618                          | 981,358                                | 232,652                      | 69,665  |
| Prior Year Adjustment                         | 9,715                | -                                | (36,634)                               | -                            | 1,224   |
| <b>Fund Balances - Ending</b>                 | <b>\$ 185,897</b>    | <b>\$ 607,125</b>                | <b>\$ 1,115,819</b>                    | <b>\$ 283,971</b>            | <b>\$ 48,360</b>                                  |

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR YEAR ENDED DECEMBER 31, 2016**

Page 2 of 4

| Special Revenue           |                              |                                 |                               |   | Debt Service                       |                             |                                       |
|---------------------------|------------------------------|---------------------------------|-------------------------------|---|------------------------------------|-----------------------------|---------------------------------------|
| Paths and Trails<br>Funds | Drug<br>Enforcement<br>Funds | Transient<br>Occupancy<br>Funds | Police<br>Restricted<br>Funds | Total Non-Major<br>Special Revenue<br>Funds | Misc<br>Governmental<br>Debt Funds | Non-Voted G O<br>Debt Funds | Total Non-Major<br>Debt Service Funds |
| \$ -                      | \$ -                         | \$ 128,138                      | \$ -                          | \$ 875,462                                  | \$ -                               | \$ -                        | \$ -                                  |
| -                         | -                            | -                               | -                             | 14,800                                      | -                                  | -                           | -                                     |
| 1,074                     | -                            | -                               | 32,690                        | 257,641                                     | -                                  | -                           | -                                     |
| -                         | -                            | -                               | -                             | 449,369                                     | -                                  | -                           | -                                     |
| -                         | -                            | -                               | -                             | -   | -                                  | -                           | -                                     |
| 45                        | 217                          | 235                             | 343                           | 4,697                                       | 36                                 | 250                         | 286                                   |
| -                         | 18,925                       | -                               | 1,680                         | 92,258                                      | -                                  | -                           | -                                     |
| <b>1,119</b>              | <b>19,141</b>                | <b>128,373</b>                  | <b>34,713</b>                 | <b>1,694,227</b>                            | <b>36</b>                          | <b>250</b>                  | <b>286</b>                            |
| -                         | 10,304                       | -                               | 21,411                        | 31,714                                      | -                                  | -                           | -                                     |
| -                         | -                            | -                               | -                             | 795,088                                     | -                                  | -                           | -                                     |
| -                         | -                            | 111,816                         | -                             | 111,816                                     | -                                  | -                           | -                                     |
| -                         | -                            | -                               | -                             | 94,803                                      | -                                  | -                           | -                                     |
| -                         | -                            | -                               | -                             | -   | 74,368                             | 635,000                     | 709,368                               |
| -                         | -                            | -                               | -                             | -   | 11,155                             | 361,943                     | 373,098                               |
| -                         | -                            | -                               | -                             | -   | -                                  | -                           | -                                     |
| <b>-</b>                  | <b>10,304</b>                | <b>111,816</b>                  | <b>21,411</b>                 | <b>1,033,421</b>                            | <b>85,524</b>                      | <b>996,943</b>              | <b>1,082,466</b>                      |
| 1,119                     | 8,838                        | 16,557                          | 13,302                        | 660,805                                     | (85,487)                           | (996,693)                   | (1,082,180)                           |
| -                         | -                            | -                               | -                             | 735,000                                     | 85,524                             | 995,960                     | 1,081,484                             |
| -                         | -                            | -                               | -                             | (819,424)                                   | -                                  | -                           | -                                     |
| -                         | -                            | -                               | -                             | -   | -                                  | -                           | -                                     |
| <b>-</b>                  | <b>-</b>                     | <b>-</b>                        | <b>-</b>                      | <b>(84,424)</b>                             | <b>85,524</b>                      | <b>995,960</b>              | <b>1,081,484</b>                      |
| 1,119                     | 8,838                        | 16,557                          | 13,302                        | 576,381                                     | 37                                 | (733)                       | (696)                                 |
| 14,567                    | 56,524                       | 59,903                          | 99,479                        | 1,960,773                                   | 4,337                              | 12,374                      | 16,712                                |
| -                         | -                            | -                               | 6,742                         | (18,953)                                    | -                                  | 231                         | 231                                   |
| <b>\$ 15,685</b>          | <b>\$ 65,362</b>             | <b>\$ 76,460</b>                | <b>\$ 119,522</b>             | <b>\$ 2,518,201</b>                         | <b>\$ 4,374</b>                    | <b>\$ 11,872</b>            | <b>\$ 16,246</b>                      |

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR YEAR ENDED DECEMBER 31, 2016**

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**Capital Project**

|   | <b>Equipment<br/>Acquisition<br/>Funds</b> | <b>Park<br/>Reserve<br/>Funds</b> | <b>Cemetery<br/>Reserve<br/>Funds</b> | <b>Facilities<br/>Funds</b> | <b>Total Non-Major<br/>Capital Project Funds</b> |
|---|--|-----------------------------------|---------------------------------------|-----------------------------|--|
| <b>Revenues</b>                                   |  |                                   |                                       |                             |  |
| Taxes   | \$ -                                       | \$ -                              | \$ -                                  | \$ -                        | \$ -   |
| Licenses and Permits                              | -  | -                                 | -                                     | -                           | -  |
| Intergovernmental                                 | -  | 15,786                            | -                                     | -                           | 15,786   |
| Charges for Services                              | -  | -                                 | 3,400                                 | -                           | 3,400  |
| Fines and Forfeitures                             | -  | -                                 | -                                     | -                           | -  |
| Interest and Other Earnings                       | 1,897                                      | 701                               | 286                                   | 1,535                       | 4,419  |
| Miscellaneous                                     | -  | 2,108                             | -                                     | -                           | 2,108  |
| <b>Total Revenues</b>                             | <b>1,897</b>                               | <b>18,594</b>                     | <b>3,686</b>                          | <b>1,535</b>                | <b>25,713</b>                                    |
| <b>Expenditures</b>                               |  |                                   |                                       |                             |  |
| Current:  |  |                                   |                                       |                             |  |
| Security of Persons & Property                    | -  | -                                 | -                                     | -                           | -  |
| Transportation                                    | -  | -                                 | -                                     | -                           | -  |
| Economic Environment                              | -  | -                                 | -                                     | -                           | -  |
| Culture and Recreation                            | -  | -                                 | -                                     | -                           | -  |
| Debt Service:                                     |  |                                   |                                       |                             |  |
| Principal   | -  | -                                 | -                                     | -                           | -  |
| Interest & Fiscal Charges                         | -  | -                                 | -                                     | -                           | -  |
| Capital Outlay                                    | 260,482                                    | 106,802                           | 25,619                                | 275,626                     | 668,528  |
| <b>Total Expenditures</b>                         | <b>260,482</b>                             | <b>106,802</b>                    | <b>25,619</b>                         | <b>275,626</b>              | <b>668,528</b>                                   |
| Excess of Revenues over Expenditures              | (258,584)                                  | (88,207)                          | (21,933)                              | (274,091)                   | (642,815)  |
| <b>Other Financing Sources (Uses)</b>             |  |                                   |                                       |                             |  |
| Transfers In                                      | 175,927                                    | 105,000                           | -                                     | 25,000                      | 305,927  |
| Transfers Out                                     | -  | -                                 | -                                     | -                           | -  |
| Compensation for Impairment of Capital Assets     | -  | -                                 | -                                     | -                           | -  |
| <b>Total Other Financing Sources and Uses</b>     | <b>175,927</b>                             | <b>105,000</b>                    | <b>-</b>                              | <b>25,000</b>               | <b>305,927</b>                                   |
| Net Change in Fund Balances                       | (82,657)                                   | 16,793                            | (21,933)                              | (249,091)                   | (336,888)  |
| Fund Balances - Beginning (Restated -See Note 14) | 568,089                                    | 193,562                           | 76,869                                | 330,426                     | 1,168,946  |
| Prior Year Adjustment                             | -  | -                                 | -                                     | -                           | -  |
| <b>Fund Balances - Ending</b>                     | <b>\$ 485,432</b>                          | <b>\$ 210,355</b>                 | <b>\$ 54,936</b>                      | <b>\$ 81,335</b>            | <b>\$ 832,058</b>                                |

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR YEAR ENDED DECEMBER 31, 2016**

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| <b>Permanent</b>            |                           |
|-----------------------------|---------------------------|
| <b>Bernice Borgen</b>       |                           |
| <b>Beautification Trust</b> | <b>Total Non-Major</b>    |
| <b>Funds</b>                | <b>Governmental Funds</b> |
| \$ -                        | \$ 875,462                |
| -                           | 14,800                    |
| -                           | 273,426                   |
| -                           | 452,769                   |
| -                           | -                         |
| 512                         | 9,914                     |
| -                           | 94,367                    |
| <b>512</b>                  | <b>1,720,738</b>          |
| -                           | 31,714                    |
| -                           | 795,088                   |
| -                           | 111,816                   |
| -                           | 94,803                    |
| -                           | 709,368                   |
| -                           | 373,098                   |
| -                           | 668,528                   |
| -                           | <b>2,784,416</b>          |
| 512                         | (1,063,678)               |
| -                           | 2,122,411                 |
| -                           | (819,424)                 |
| -                           | -                         |
| -                           | <b>1,302,987</b>          |
| 512                         | 239,309                   |
| 92,354                      | 3,238,785                 |
| -                           | (18,722)                  |
| <b>\$ 92,866</b>            | <b>\$ 3,459,372</b>       |

**CITY STREET FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET TO ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

|   | Final Budget      | Actual Amounts    | Variance with Final<br>Budget - Positive<br>(Negative) |
|---|-------------------|-------------------|--|
| <b>Revenues</b>                             |                   |                   |  |
| License and Permits                         | \$ 12,000         | \$ 14,800         | \$ 2,800   |
| Intergovernmental                           | 213,612           | 223,876           | 10,264   |
| Interest and Other Earnings                 | -                 | 108               | 108  |
| Miscellaneous                               | -                 | -                 | -  |
| <b>Total Revenues</b>                       | <b>225,612</b>    | <b>238,785</b>    | <b>13,173</b>  |
| <b>Expenditures</b>                         |                   |                   |  |
| Transportation:                             |                   |                   |  |
| Street Maintenance                          | 795,098           | 795,088           | 10   |
| <b>Total Expenditures</b>                   | <b>795,098</b>    | <b>795,088</b>    | <b>10</b>  |
| Excess of Revenues Over Expenditures        | (569,486)         | (556,303)         | 13,183   |
| <b>Other Financing Sources (Uses)</b>       |                   |                   |  |
| Transfers in                                | 735,000           | 735,000           | -  |
| Transfers out                               | (140,524)         | (140,524)         | -  |
| <b>Total Other Financing Sources (Uses)</b> | <b>594,476</b>    | <b>594,476</b>    | <b>-</b>   |
| Net Change in Fund Balance                  | 24,990            | 38,173            | 13,183   |
| Fund Balance Beginning of Year              | 138,009           | 138,009           | -  |
| Prior Year Adjustment                       | -                 | 9,715             | 9,715  |
| <b>Fund Balance End of Year</b>             | <b>\$ 162,999</b> | <b>\$ 185,897</b> | <b>\$ 22,898</b>                                       |

**CAPITAL IMPROVEMENT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET TO ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

|   | Final Budget      | Actual Amounts    | Variance with Final<br>Budget - Positive<br>(Negative) |
|---|-------------------|-------------------|--|
| <b>Revenues</b>                             |                   |                   |  |
| Taxes:                                      |                   |                   |  |
| Excise Tax                                  | \$ 400,000        | \$ 747,323        | \$ 347,323   |
| Interest and Other Earnings                 | 150               | 84                | (66)   |
| <b>Total Revenues</b>                       | <b>400,150</b>    | <b>747,407</b>    | <b>347,257</b>   |
| <b>Expenditures</b>                         |                   |                   |  |
| Current:                                    |                   |                   |  |
| Miscellaneous                               | -                 | -                 | -  |
| <b>Total Expenditures</b>                   | <b>-</b>          | <b>-</b>          | <b>-</b>   |
| Excess of Revenues Over Expenditures        | 400,150           | 747,407           | 347,257  |
| <b>Other Financing Sources (Uses)</b>       |                   |                   |  |
| Transfers out                               | (448,900)         | (448,900)         | -  |
| <b>Total Other Financing Sources (Uses)</b> | <b>(448,900)</b>  | <b>(448,900)</b>  | <b>-</b>   |
| <b>Net Change in Fund Balance</b>           | <b>(48,750)</b>   | <b>298,507</b>    | <b>347,257</b>   |
| Fund Balance Beginning of Year              | 308,618           | 308,618           | -  |
| <b>Fund Balance End of Year</b>             | <b>\$ 259,868</b> | <b>\$ 607,125</b> | <b>\$ 347,257</b>                                      |

**TRANSPORTATION DEVELOPMENT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET TO ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

|   | Final Budget      | Actual Amounts      | Variance with Final<br>Budget - Positive<br>(Negative) |
|---|-------------------|---------------------|--|
| <b>Revenues</b>                             |                   |                     |  |
| Transportation Impact Fees                  | \$ -              | \$ 388,772          | \$ 388,772   |
| Interest and Other Earnings                 | 50                | 2,323               | 2,273  |
| <b>Total Revenues</b>                       | <b>50</b>         | <b>391,096</b>      | <b>391,046</b>   |
| <b>Expenditures</b>                         |                   |                     |  |
| Current:                                    |                   |                     |  |
| Miscellaneous                               | -                 | -                   | -  |
| <b>Total Expenditures</b>                   | <b>-</b>          | <b>-</b>            | <b>-</b>   |
| Excess of Revenues Over Expenditures        | 50                | 391,096             | 391,046  |
| <b>Other Financing Sources (Uses)</b>       |                   |                     |  |
| Transfers in                                | -                 | -                   | -  |
| Transfers out                               | (370,000)         | (220,000)           | 150,000  |
| <b>Total Other Financing Sources (Uses)</b> | <b>(370,000)</b>  | <b>(220,000)</b>    | <b>150,000</b>   |
| <b>Net Change in Fund Balance</b>           | <b>(369,950)</b>  | <b>171,096</b>      | <b>541,046</b>   |
| Fund Balance Beginning of Year              | 981,358           | 981,358             | -  |
| Prior Year Adjustment                       |                   | (36,634)            | (36,634)   |
| <b>Fund Balance End of Year</b>             | <b>\$ 611,408</b> | <b>\$ 1,115,819</b> | <b>\$ 504,411</b>                                      |



**PARK DEVELOPMENT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET TO ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

|   | Final Budget     | Actual Amounts    | Variance with Final<br>Budget - Positive<br>(Negative) |
|---|------------------|-------------------|--|
| <b>Revenues</b>                             |                  |                   |  |
| Growth Mgmt Act Impact                      | \$ -             | \$ 8,365          | 8,365  |
| SEPA Mitigation                             | -                | 52,232            | 52,232   |
| Interest and Other Earnings                 | -                | 722               | 722  |
| <b>Total Revenues</b>                       | <b>-</b>         | <b>61,319</b>     | <b>61,319</b>  |
| <b>Expenditures</b>                         |                  |                   |  |
| Current:                                    |                  |                   |  |
| Miscellaneous                               | -                | -                 | -  |
| <b>Total Expenditures</b>                   | <b>-</b>         | <b>-</b>          | <b>-</b>   |
| Excess of Revenues Over Expenditures        | -                | 61,319            | 61,319   |
| <b>Other Financing Sources (Uses)</b>       |                  |                   |  |
| Transfers in                                | -                | -                 | -  |
| Transfers out                               | (175,000)        | (10,000)          | 165,000  |
| <b>Total Other Financing Sources (Uses)</b> | <b>(175,000)</b> | <b>(10,000)</b>   | <b>165,000</b>   |
| <b>Net Change in Fund Balance</b>           | <b>(175,000)</b> | <b>51,319</b>     | <b>226,319</b>   |
| Fund Balance Beginning of Year              | 232,651          | 232,652           | -  |
| <b>Fund Balance End of Year</b>             | <b>\$ 57,651</b> | <b>\$ 283,971</b> | <b>\$ 226,319</b>                                      |

**HISTORIC DOWNTOWN POULSBO ASSOCIATION FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET TO ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

|   | Final Budget     | Actual Amounts   | Variance with Final<br>Budget - Positive<br>(Negative) |
|---|------------------|------------------|--|
| <b>Revenues</b>                             |                  |                  |  |
| Special Assessments                         | \$ 45,000        | \$ 50,064        | \$ 5,064   |
| Gifts and Pledges                           | 31,000           | 21,590           | (9,410)  |
| Facility Rental                             | -                | -                | -  |
| Interest and Other Earnings                 | 160              | 619              | 459  |
| Miscellaneous                               | -                | -                | -  |
| <b>Total Revenues</b>                       | <b>76,160</b>    | <b>72,273</b>    | <b>(3,887)</b>   |
| <b>Expenditures</b>                         |                  |                  |  |
| Bad Debt Expense                            | 500              | 2,445            | (1,945)  |
| Office & Operating Supplies                 | 250              | 1,155            | (905)  |
| Small Tools & Minor Equipment               | 500              | 15,000           | (14,500)   |
| Professional Services                       | 16,000           | 12,173           | 3,827  |
| Advertising                                 | 42,500           | 31,673           | 10,827   |
| Communication                               | 100              | -                | 100  |
| Postage                                     | 100              | 108              | (8)  |
| Insurance                                   | 1,700            | 1,509            | 191  |
| Repairs and Maintenance                     | 36,000           | 25,527           | 10,473   |
| Miscellaneous                               | 4,000            | 5,215            | (1,215)  |
| <b>Total Expenditures</b>                   | <b>101,650</b>   | <b>94,803</b>    | <b>6,847</b>   |
| Excess of Revenues Over Expenditures        | (25,490)         | (22,530)         | 2,960  |
| <b>Other Financing Sources (Uses)</b>       |                  |                  |  |
| Transfers in                                | -                | -                | -  |
| Transfers out                               | -                | -                | -  |
| <b>Total Other Financing Sources (Uses)</b> | <b>-</b>         | <b>-</b>         | <b>-</b>   |
| <b>Net Change in Fund Balance</b>           | <b>(25,490)</b>  | <b>(22,530)</b>  | <b>2,960</b>   |
| Fund Balance Beginning of Year              | 69,665           | 69,665           | -  |
| Prior Year Adjustment                       | -                | 1,224            | 1,224  |
| <b>Fund Balance End of Year</b>             | <b>\$ 44,175</b> | <b>\$ 48,360</b> | <b>\$ 4,185</b>  |

**PATH AND TRAILS RESERVE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET TO ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

|   | Final Budget     | Actual Amounts   | Variance with Final<br>Budget - Positive<br>(Negative) |
|---|------------------|------------------|--|
| <b>Revenues</b>                             |                  |                  |  |
| Intergovernmental                           | \$ 1,009         | \$ 1,074         | \$ 65  |
| Interest and Other Earnings                 | -                | 45               | 45   |
| <b>Total Revenues</b>                       | <b>1,009</b>     | <b>1,119</b>     | <b>110</b>   |
| <b>Expenditures</b>                         |                  |                  |  |
| Current:                                    |                  |                  |  |
| Miscellaneous                               | -                | -                | -  |
| <b>Total Expenditures</b>                   | <b>-</b>         | <b>-</b>         | <b>-</b>   |
| Excess of Revenues Over Expenditures        | 1,009            | 1,119            | 110  |
| <b>Other Financing Sources (Uses)</b>       |                  |                  |  |
| Transfers in                                | -                | -                | -  |
| Transfers out                               | -                | -                | -  |
| <b>Total Other Financing Sources (Uses)</b> | <b>-</b>         | <b>-</b>         | <b>-</b>   |
| <b>Net Change in Fund Balance</b>           | <b>1,009</b>     | <b>1,119</b>     | <b>110</b>   |
| Fund Balance Beginning of Year              | 14,567           | 14,567           | -  |
| <b>Fund Balance End of Year</b>             | <b>\$ 15,576</b> | <b>\$ 15,685</b> | <b>\$ 109</b>  |

**DRUG ENFORCEMENT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET TO ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

|   | Final Budget     | Actual Amounts   | Variance with Final<br>Budget - Positive<br>(Negative) |
|---|------------------|------------------|--|
| <b>Revenues</b>                             |                  |                  |  |
| Interest and Other Earnings                 | \$ 50            | \$ 217           | \$ 167   |
| Miscellaneous                               | -                | 18,925           | 18,925   |
| <b>Total Revenues</b>                       | <b>50</b>        | <b>19,141</b>    | <b>19,091</b>  |
| <b>Expenditures</b>                         |                  |                  |  |
| Current:                                    |                  |                  |  |
| Special Unit Program                        | 5,375            | 961              | 4,414  |
| K-9 Program                                 | 7,750            | 9,343            | (1,593)  |
| <b>Total Expenditures</b>                   | <b>13,125</b>    | <b>10,304</b>    | <b>2,821</b>   |
| Excess of Revenues Over Expenditures        | (13,075)         | 8,838            | 21,913   |
| <b>Other Financing Sources (Uses)</b>       |                  |                  |  |
| Disposal of Capital Assets                  | -                | -                | -  |
| Transfers Out                               | -                | -                | -  |
| <b>Total Other Financing Sources (Uses)</b> | <b>-</b>         | <b>-</b>         | <b>-</b>   |
| <b>Net Change in Fund Balance</b>           | <b>(13,075)</b>  | <b>8,838</b>     | <b>21,913</b>  |
| Fund Balance Beginning of Year              | 56,524           | 56,524           | -  |
| <b>Fund Balance End of Year</b>             | <b>\$ 43,449</b> | <b>\$ 65,362</b> | <b>\$ 21,913</b>                                       |

**TRANSIENT OCCUPANCY TAX FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET TO ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

|   | Final Budget     | Actual Amounts   | Variance with Final<br>Budget - Positive<br>(Negative) |
|---|------------------|------------------|--|
| <b>Revenues</b>                             |                  |                  |  |
| Hotel/Motel Tax                             | \$ 100,000       | \$ 64,069        | \$ (35,931)  |
| Additional 2% Hotel/Motel Tax               | -                | 64,069           | 64,069   |
| Interest and Other Earnings                 | -                | 235              | 235  |
| <b>Total Revenues</b>                       | <b>100,000</b>   | <b>128,373</b>   | <b>28,373</b>  |
| <b>Expenditures</b>                         |                  |                  |  |
| Economic Environment:                       |                  |                  |  |
| Spectator and Community Events:             |                  |                  |  |
| Administration                              | 120,000          | 16,799           | 103,201  |
| Miscellaneous                               | -                | 95,017           | (95,017)   |
| <b>Total Expenditures</b>                   | <b>120,000</b>   | <b>111,816</b>   | <b>8,184</b>   |
| Excess of Revenues Over Expenditures        | (20,000)         | 16,557           | 36,557   |
| <b>Other Financing Sources (Uses)</b>       |                  |                  |  |
| Transfers in                                | -                | -                | -  |
| Transfers out                               | -                | -                | -  |
| <b>Total Other Financing Sources (Uses)</b> | <b>-</b>         | <b>-</b>         | <b>-</b>   |
| <b>Net Change in Fund Balance</b>           | <b>(20,000)</b>  | <b>16,557</b>    | <b>36,557</b>  |
| Fund Balance Beginning of Year              | 59,903           | 59,903           | -  |
| <b>Fund Balance End of Year</b>             | <b>\$ 39,903</b> | <b>\$ 76,460</b> | <b>\$ 36,557</b>                                       |

**POLICE RESTRICTED FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET TO ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

|   | Final Budget     | Actual Amounts    | Variance with Final<br>Budget - Positive<br>(Negative) |
|---|------------------|-------------------|--|
| <b>Revenues</b>                             |                  |                   |  |
| Vessel Registration                         | \$ 7,340         | \$ 8,027          | \$ 687   |
| Criminal Justice                            | 9,652            | 9,992             | 340  |
| Marine Safety Grant                         | -                | 11,416            | 11,416   |
| Intergovernmental                           | 3,700            | 3,256             | (444)  |
| Fines & Forfeitures                         | -                | -                 | -  |
| Interest and Other Earnings                 | 200              | 343               | 143  |
| Miscellaneous                               | 500              | 1,680             | 1,180  |
| <b>Total Revenues</b>                       | <b>21,392</b>    | <b>34,713</b>     | <b>13,321</b>  |
| <b>Expenditures</b>                         |                  |                   |  |
| Marine Safety                               | 11,101           | 15,199            | (4,098)  |
| Criminal Justice                            | 9,872            | 4,611             | 5,261  |
| Miscellaneous                               | 13,300           | 1,601             | 11,699   |
| <b>Total Expenditures</b>                   | <b>34,273</b>    | <b>21,411</b>     | <b>12,862</b>  |
| Excess of Revenues Over Expenditures        | (12,881)         | 13,302            | 26,183   |
| <b>Other Financing Sources (Uses)</b>       |                  |                   |  |
| Transfers in                                | -                | -                 | -  |
| Transfers out                               | -                | -                 | -  |
| <b>Total Other Financing Sources (Uses)</b> | <b>-</b>         | <b>-</b>          | <b>-</b>   |
| <b>Net Change in Fund Balance</b>           | <b>(12,881)</b>  | <b>13,302</b>     | <b>26,183</b>  |
| Fund Balance Beginning of Year              | 99,479           | 99,479            | -  |
| Prior Year Adjustment                       | -                | 6,742             | 6,742  |
| <b>Fund Balance End of Year</b>             | <b>\$ 86,598</b> | <b>\$ 119,522</b> | <b>\$ 32,924</b>                                       |

**MISCELLANEOUS GOVERNMENTAL DEBT  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET TO ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2016**

|   | Final Budget    | Actual Amounts  | Variance with Final<br>Budget - Positive<br>(Negative) |
|---|-----------------|-----------------|--|
| <b>Revenues</b>                             |                 |                 |  |
| Interest and Other Earnings                 | \$ -            | \$ 36           | \$ 36  |
| <b>Total Revenues</b>                       | <b>-</b>        | <b>36</b>       | <b>36</b>  |
| <b>Expenditures</b>                         |                 |                 |  |
| Debt Service:                               |                 |                 |  |
| Intergovernmental Loan-Principal            | 74,369          | 74,368          | 1  |
| Interest and Related Costs                  | 11,155          | 11,155          | -  |
| <b>Total Expenditures</b>                   | <b>85,524</b>   | <b>85,524</b>   | <b>1</b>   |
| Excess of Revenues Over Expenditures        | (85,524)        | (85,487)        | 37   |
| <b>Other Financing Sources (Uses)</b>       |                 |                 |  |
| Transfers in                                | 85,524          | 85,524          | -  |
| Transfers out                               | -               | -               | -  |
| <b>Total Other Financing Sources (Uses)</b> | <b>85,524</b>   | <b>85,524</b>   | <b>-</b>   |
| <b>Net Change in Fund Balance</b>           | <b>-</b>        | <b>37</b>       | <b>37</b>  |
| Fund Balance Beginning of Year              | 4,337           | 4,337           | -  |
| <b>Fund Balance End of Year</b>             | <b>\$ 4,337</b> | <b>\$ 4,374</b> | <b>\$ 37</b>   |

**NON-VOTED GENERAL OBLIGATION DEBT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET TO ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

|   | Final Budget     | Actual Amounts   | Variance with Final<br>Budget - Positive<br>(Negative) |
|---|------------------|------------------|--|
| <b>Revenues</b>                             |                  |                  |  |
| Interest and Other Earnings                 | \$ -             | \$ 250           | \$ 250   |
| Miscellaneous                               | -                | -                | -  |
| <b>Total Revenues</b>                       | <b>-</b>         | <b>250</b>       | <b>250</b>   |
| <b>Expenditures</b>                         |                  |                  |  |
| Debt Service:                               |                  |                  |  |
| General Obligation Bond-Principal           | 635,000          | 635,000          | -  |
| Interest and Other Costs                    | 361,947          | 361,943          | 4  |
| <b>Total Expenditures</b>                   | <b>996,947</b>   | <b>996,943</b>   | <b>4</b>   |
| Excess of Revenues Over Expenditures        | (996,947)        | (996,693)        | 254  |
| <b>Other Financing Sources (Uses)</b>       |                  |                  |  |
| Bond Proceeds                               | -                | -                | -  |
| Premium on Bonds Sold                       | -                | -                | -  |
| Transfers in                                | 995,960          | 995,960          | -  |
| Transfers out                               | -                | -                | -  |
| <b>Total Other Financing Sources (Uses)</b> | <b>995,960</b>   | <b>995,960</b>   | <b>-</b>   |
| <b>Net Change in Fund Balance</b>           | <b>(987)</b>     | <b>(733)</b>     | <b>254</b>   |
| Fund Balance Beginning of Year              | 12,374           | 12,374           | -  |
| Prior Year Adjustment                       | -                | 231              | 231  |
| <b>Fund Balance End of Year</b>             | <b>\$ 11,387</b> | <b>\$ 11,872</b> | <b>\$ 485</b>  |



**EQUIPMENT ACQUISITION FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET TO ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

|   | Final Budget      | Actual Amounts    | Variance with Final<br>Budget - Positive<br>(Negative) |
|---|-------------------|-------------------|--|
| <b>Revenues</b>                             |                   |                   |  |
| Interest and Other Earnings                 | \$ -              | \$ 1,897          | \$ 1,897   |
| Miscellaneous                               | -                 | -                 | -  |
| <b>Total Revenues</b>                       | <b>-</b>          | <b>1,897</b>      | <b>1,897</b>   |
| <b>Expenditures</b>                         |                   |                   |  |
| Capital Outlay                              | 465,070           | 260,482           | 204,588  |
| <b>Total Expenditures</b>                   | <b>465,070</b>    | <b>260,482</b>    | <b>204,588</b>   |
| Excess of Revenues Over Expenditures        | (465,070)         | (258,584)         | 206,486  |
| <b>Other Financing Sources (Uses)</b>       |                   |                   |  |
| Transfers in                                | 175,927           | 175,927           | -  |
| Transfers out                               | -                 | -                 | -  |
| <b>Total Other Financing Sources (Uses)</b> | <b>175,927</b>    | <b>175,927</b>    | <b>-</b>   |
| Net Change in Fund Balance                  | (289,143)         | (82,657)          | 206,486  |
| Fund Balance Beginning of Year              | 568,089           | 568,089           | -  |
| <b>Fund Balance End of Year</b>             | <b>\$ 278,946</b> | <b>\$ 485,432</b> | <b>\$ 206,486</b>                                      |

**PARK RESERVE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET TO ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

|   | Final Budget     | Actual Amounts    | Variance with Final<br>Budget - Positive<br>(Negative) |
|---|------------------|-------------------|--|
| <b>Revenues</b>                             |                  |                   |  |
| Intergovernmental:                          |                  |                   |  |
| ALEA/WA Dept of Fish & Wildlife             | \$ 16,000        | \$ 15,786         | \$ (214)   |
| Suquamish Tribe                             | -                | -                 | -  |
| Gifts and Pledges                           | -                | 2,108             | 2,108  |
| Interest and Other Earnings                 | -                | 701               | 701  |
| <b>Total Revenues</b>                       | <b>16,000</b>    | <b>18,594</b>     | <b>2,594</b>   |
| <b>Expenditures</b>                         |                  |                   |  |
| Current:                                    |                  |                   |  |
| Capital Outlay:                             |                  |                   |  |
| Fish Park                                   | 26,000           | 23,916            | 2,084  |
| Nelson Park                                 | 51,542           | 17,035            | 34,507   |
| Morrow Manor Park                           | 53,148           | 5,769             | 47,379   |
| P&R Roof Repair                             | 60,000           | 45,890            | 14,110   |
| Vista Park                                  | 50,000           | -                 | 50,000   |
| Centennial Park                             | 25,000           | -                 | 25,000   |
| Muriel Williams Park Restrooms              | 100,000          | 4,050             | 95,950   |
| Trail Easements                             | 10,000           | -                 | 10,000   |
| M.I.W. Pavillion Posts                      | 10,000           | -                 | 10,000   |
| American Legion Park Playground             | -                | 10,141            | (10,141)   |
| <b>Total Expenditures</b>                   | <b>385,690</b>   | <b>106,802</b>    | <b>278,888</b>   |
| Excess of Revenues Over Expenditures        | (369,690)        | (88,207)          | 281,483  |
| <b>Other Financing Sources (Uses)</b>       |                  |                   |  |
| Transfers in                                | 270,000          | 105,000           | (165,000)  |
| Transfers out                               | -                | -                 | -  |
| <b>Total Other Financing Sources (Uses)</b> | <b>270,000</b>   | <b>105,000</b>    | <b>(165,000)</b>                                       |
| Net Change in Fund Balance                  | (99,690)         | 16,793            | 116,483  |
| Fund Balance Beginning of Year              | 193,562          | 193,562           | -  |
| <b>Fund Balance End of Year</b>             | <b>\$ 93,872</b> | <b>\$ 210,355</b> | <b>\$ 116,483</b>                                      |

**STREET RESERVE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET TO ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

|   | Final Budget      | Actual Amounts      | Variance with Final<br>Budget - Positive<br>(Negative) |
|---|-------------------|---------------------|--|
| <b>Revenues</b>                             |                   |                     |  |
| Intergovernmental                           | \$ 2,502,474      | \$ 475,684          | \$ (2,026,790)   |
| Interest and Other Earnings                 | -                 | 1,414               | \$ 1,414   |
| <b>Total Revenues</b>                       | <b>2,502,474</b>  | <b>477,098</b>      | <b>(2,025,376)</b>                                     |
| <b>Expenditures</b>                         |                   |                     |  |
| Capital Outlay                              |                   |                     | -  |
| Lincoln Road                                | 17,800            | 347                 | 17,453   |
| Noll Road Phase III                         | 512,608           | 294,747             | 217,861  |
| Finn Hill Road Construction                 | 150,000           | 46,377              | 103,623  |
| Noll Road Right of Way                      | 1,620,000         | 68,205              | 1,551,795  |
| Pavement Restoration Hostmark               | 345,000           | 266,175             | 78,825   |
| Bond/Lindvig Signal                         | 89,469            | 49,662              | 39,807   |
| Liberty Bay Trail                           | 218,871           | 78,770              | 140,101  |
| Roadside Development                        | 5,500             | 6,500               | (1,000)  |
| Neighborhood Streets                        | 263,000           | -                   | 263,000  |
| <b>Total Expenditures</b>                   | <b>3,222,248</b>  | <b>810,783</b>      | <b>2,411,465</b>                                       |
| Excess of Revenues Over Expenditures        | (719,774)         | (333,685)           | 386,089  |
| <b>Other Financing Sources (Uses)</b>       |                   |                     |  |
| Transfers in                                | 925,500           | 775,500             | (150,000)  |
| Transfers out                               | (5,000)           | (5,000)             | -  |
| <b>Total Other Financing Sources (Uses)</b> | <b>920,500</b>    | <b>770,500</b>      | <b>(150,000)</b>                                       |
| Net Change in Fund Balance                  | 200,726           | 436,815             | 236,089  |
| Fund Balance Beginning of Year              | 709,053           | 709,053             | -  |
| <b>Fund Balance End of Year</b>             | <b>\$ 909,779</b> | <b>\$ 1,145,868</b> | <b>\$ 236,089</b>                                      |

**CEMETERY RESERVE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET TO ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

|   | Final Budget     | Actual Amounts   | Variance with Final<br>Budget - Positive<br>(Negative) |
|---|------------------|------------------|--|
| <b>Revenues</b>                             |                  |                  |  |
| Gravesites                                  | \$ 2,000         | \$ 3,400         | \$ 1,400   |
| Interest and Other Earnings                 | -                | 286              | 286  |
| <b>Total Revenues</b>                       | <b>2,000</b>     | <b>3,686</b>     | <b>1,686</b>   |
| <b>Expenditures</b>                         |                  |                  |  |
| Current:                                    |                  |                  |  |
| General Government                          | 42,736           | 25,619           | 17,117   |
| <b>Total Expenditures</b>                   | <b>42,736</b>    | <b>25,619</b>    | <b>17,117</b>  |
| Excess of Revenues Over Expenditures        | (40,736)         | (21,933)         | 18,803   |
| <b>Other Financing Sources (Uses)</b>       |                  |                  |  |
| Transfers in                                | -                | -                | -  |
| Transfers out                               | -                | -                | -  |
| <b>Total Other Financing Sources (Uses)</b> | <b>-</b>         | <b>-</b>         | <b>-</b>   |
| Net Change in Fund Balance                  | (40,736)         | (21,933)         | 18,803   |
| Fund Balance Beginning of Year              | 76,869           | 76,869           | -  |
| <b>Fund Balance End of Year</b>             | <b>\$ 36,133</b> | <b>\$ 54,936</b> | <b>\$ 18,803</b>                                       |

**FACILITIES FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET TO ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

|   | Final Budget        | Actual Amounts   | Variance with Final<br>Budget - Positive<br>(Negative) |
|---|---------------------|------------------|--|
| <b>Revenues</b>                             |                     |                  |  |
| Interest and Other Earnings                 | \$ 200              | \$ 1,535         | \$ 1,335   |
| Miscellaneous                               | -                   | -                | -  |
| <b>Total Revenues</b>                       | <b>200</b>          | <b>1,535</b>     | <b>1,335</b>   |
| <b>Expenditures</b>                         |                     |                  |  |
| Professional Services                       | -                   | -                | -  |
| Building & Structures                       | 417,231             | 275,626          | 141,605  |
| <b>Total Expenditures</b>                   | <b>417,231</b>      | <b>275,626</b>   | <b>141,605</b>   |
| Excess of Revenues Over Expenditures        | (417,031)           | (274,091)        | 142,940  |
| <b>Other Financing Sources (Uses)</b>       |                     |                  |  |
| Transfers in                                | 25,000              | 25,000           | -  |
| Transfers out                               | (37,000)            | -                | 37,000   |
| Sale of Capital Assets                      | 1,200,000           | -                | (1,200,000)  |
| <b>Total Other Financing Sources (Uses)</b> | <b>1,188,000</b>    | <b>25,000</b>    | <b>(1,163,000)</b>                                     |
| Net Change in Fund Balance                  | 770,969             | (249,091)        | (1,020,060)  |
| Fund Balance Beginning of Year              | 330,426             | 330,426          | -  |
| <b>Fund Balance End of Year</b>             | <b>\$ 1,101,395</b> | <b>\$ 81,335</b> | <b>\$ (1,020,060)</b>                                  |



## STATISTICAL SECTION

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

### Contents

#### Financial Trends

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

#### Revenue Capacity

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

#### Debt Capacity

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

#### Demographic and Economic Information

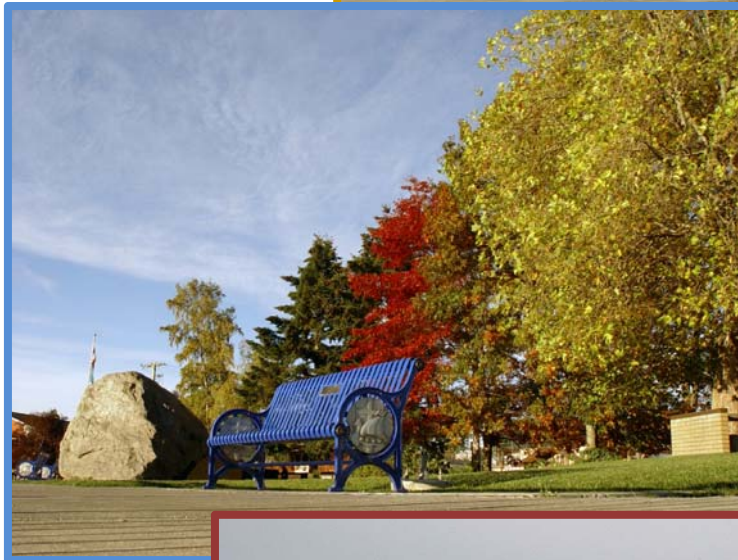
These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

#### Operating Information

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

#### ***Data Sources:***

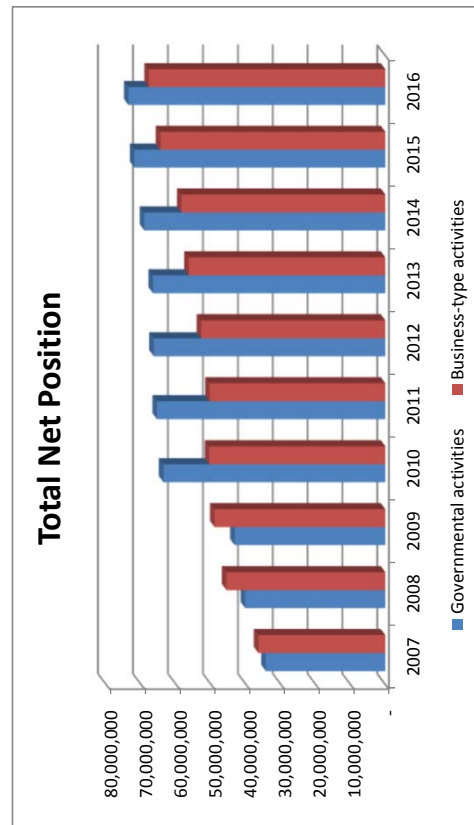
Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.





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

|   | 2007          | 2008          | 2009          | 2010           | 2011           | 2012           | 2013           | 2014           | 2015           | 2016           |
|---|---------------|---------------|---------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| <b>Governmental activities</b>              |               |               |               |                |                |                |                |                |                |                |
| Net Investment in Capital Assets            | \$ 22,927,641 | \$ 32,758,461 | \$ 35,548,551 | \$ 58,447,929  | \$ 60,292,177  | \$ 61,173,480  | \$ 61,384,364  | \$ 63,759,780  | \$ 67,037,545  | \$ 67,834,718  |
| Restricted                                  | 946,843       | 683,649       | 643,717       | 602,068        | 733,527        | 771,117        | 1,073,118      | 879,424        | 1,931,830      | 2,416,841      |
| Unrestricted                                | 10,460,327    | 6,831,365     | 7,074,512     | 4,587,722      | 4,449,433      | 4,427,348      | 4,134,707      | 4,455,115      | 2,935,244      | 3,367,677      |
| Total governmental activities net position  | \$ 34,334,811 | \$ 40,273,475 | \$ 43,266,780 | \$ 63,637,719  | \$ 65,475,137  | \$ 66,371,945  | \$ 66,592,189  | \$ 69,094,319  | \$ 71,904,619  | \$ 73,619,236  |
| <b>Business-type activities</b>             |               |               |               |                |                |                |                |                |                |                |
| Net Investment in Capital Assets            | \$ 25,907,276 | \$ 35,806,531 | \$ 38,376,953 | \$ 38,276,261  | \$ 37,042,937  | \$ 37,440,865  | \$ 41,152,937  | \$ 42,142,755  | \$ 50,368,250  | \$ 52,652,252  |
| Restricted                                  | 491,489       | 492,011       | 492,011       | 434,587        | 492,011        | 442,900        | 313,400        | 313,400        | 313,400        | 313,400        |
| Unrestricted                                | 10,062,161    | 9,313,622     | 10,139,706    | 11,822,918     | 12,880,492     | 14,956,989     | 14,912,634     | 16,020,323     | 13,818,164     | 14,827,869     |
| Total business-type activities net position | \$ 36,460,925 | \$ 45,612,163 | \$ 49,008,669 | \$ 50,533,766  | \$ 50,415,439  | \$ 52,840,754  | \$ 56,378,971  | \$ 58,476,477  | \$ 64,499,813  | \$ 67,793,521  |
| <b>Primary government</b>                   |               |               |               |                |                |                |                |                |                |                |
| Net Investment in Capital Assets            | \$ 48,834,917 | \$ 68,564,992 | \$ 73,925,503 | \$ 96,724,190  | \$ 97,335,114  | \$ 98,614,345  | \$ 102,537,302 | \$ 105,902,534 | \$ 117,405,795 | \$ 120,486,970 |
| Restricted                                  | 1,438,331     | 1,175,659     | 1,135,728     | 1,036,655      | 1,225,538      | 1,214,017      | 1,386,518      | 1,192,824      | 2,245,230      | 2,730,241      |
| Unrestricted                                | 20,522,488    | 16,144,986    | 17,214,218    | 16,410,640     | 17,329,924     | 19,384,337     | 19,047,341     | 20,475,438     | 16,753,408     | 18,195,546     |
| Total primary government net position       | \$ 70,795,736 | \$ 85,885,638 | \$ 92,275,449 | \$ 114,171,485 | \$ 115,890,576 | \$ 119,212,698 | \$ 122,971,160 | \$ 127,570,796 | \$ 136,404,432 | \$ 141,412,756 |



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

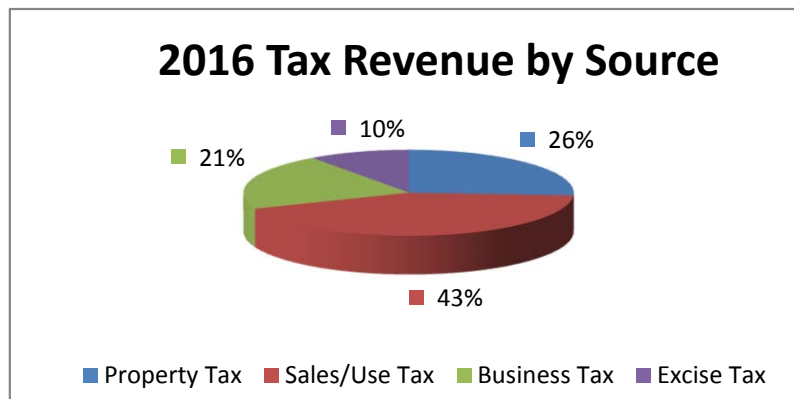
|  | 2007          | 2008          | 2009          | 2010          | 2011          | 2012          | 2013          | 2014          | 2015          | 2016          |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| <b>Expenses</b>                                |               |               |               |               |               |               |               |               |               |               |
| Governmental Activities:                       |               |               |               |               |               |               |               |               |               |               |
| General government                             | \$ 1,729,870  | \$ 1,752,358  | \$ 1,673,197  | \$ 1,731,193  | \$ 1,758,688  | \$ 2,148,291  | \$ 1,640,535  | \$ 1,572,173  | \$ 1,539,405  | \$ 1,776,629  |
| Judicial                                       | 303,106       | 338,206       | 363,204       | 372,227       | 347,030       | 374,672       | 355,656       | 357,993       | 370,046       | 383,968       |
| Security of Persons & Property                 | 2,432,958     | 2,485,650     | 2,735,396     | 2,733,363     | 2,631,619     | 2,651,809     | 2,826,033     | 3,009,996     | 3,146,848     | 3,327,528     |
| Utilities & Environment                        | 579,460       | 605,326       | 495,083       | 478,035       | 494,668       | 463,211       | 500,646       | 456,860       | 481,077       | 506,396       |
| Transportation                                 | 3,303,834     | 3,473,777     | 1,590,515     | 1,731,695     | 1,685,655     | 1,852,794     | 2,716,499     | 2,820,286     | 2,703,349     | 2,922,462     |
| Economic Environment                           | 846,131       | 894,507       | 848,002       | 861,538       | 633,782       | 665,027       | 779,317       | 890,459       | 963,163       | 999,731       |
| Mental & Physical Health                       | 13,489        | 13,694        | 14,213        | 14,481        | 14,573        | 14,705        | 13,978        | 14,356        | 29,772        | 131,162       |
| Culture & Recreation                           | 1,820,165     | 2,067,109     | 1,501,571     | 1,509,164     | 1,468,720     | 1,427,910     | 1,336,339     | 1,338,814     | 1,422,703     | 1,469,255     |
| Interest on Long-Term Debt                     | 323,951       | 303,190       | 517,679       | 561,569       | 553,206       | 556,341       | 536,673       | 518,677       | 458,869       | 391,781       |
| Total Governmental Activities Expenses         | 11,352,964    | 11,933,818    | 9,738,860     | 9,993,266     | 9,587,940     | 10,154,759    | 10,705,677    | 10,979,613    | 11,115,232    | 11,908,913    |
| Business-Type Activities:                      |               |               |               |               |               |               |               |               |               |               |
| Water <sup>1</sup>                             | 1,017,582     | 928,153       | 1,109,257     | 1,094,734     | 1,199,529     | 1,282,886     | 1,356,314     | 1,484,034     | 1,670,634     | 1,692,690     |
| Sewer  | 1,518,045     | 1,520,839     | 1,716,646     | 1,844,726     | 2,052,589     | 2,109,868     | 2,240,098     | 2,236,003     | 2,531,582     | 2,686,558     |
| Solid Waste                                    | 1,158,976     | 961,512       | 999,853       | 999,164       | 1,161,445     | 1,247,121     | 1,298,015     | 1,320,150     | 1,493,671     | 1,759,556     |
| Storm Drain                                    | 559,800       | 675,448       | 881,451       | 931,723       | 935,763       | 1,011,619     | 972,205       | 1,088,006     | 1,433,190     | 1,676,166     |
| Total Business-Type Activities                 | 4,254,402     | 4,085,952     | 4,707,206     | 4,870,347     | 5,349,326     | 5,651,494     | 5,866,631     | 6,128,192     | 7,129,077     | 7,814,970     |
| Total Primary Government Expenses              | \$ 15,607,366 | \$ 16,019,770 | \$ 14,446,066 | \$ 14,863,613 | \$ 14,937,266 | \$ 15,806,253 | \$ 16,572,308 | \$ 17,107,805 | \$ 18,244,309 | \$ 19,723,883 |
| <b>Program Revenues</b>                        |               |               |               |               |               |               |               |               |               |               |
| Governmental Activities:                       |               |               |               |               |               |               |               |               |               |               |
| Charges for services                           |               |               |               |               |               |               |               |               |               |               |
| General Government                             | \$ 259,258    | \$ 268,307    | \$ 269,871    | \$ 266,497    | \$ 540,342    | \$ 345,044    | \$ 327,650    | \$ 345,370    | \$ 360,990    | \$ 370,369    |
| Judicial                                       | 123,489       | 106,268       | 100,989       | 111,022       | 106,027       | 112,308       | 108,500       | 112,624       | 117,154       | 279,232       |
| Security of Persons & Property                 | 180,967       | 142,855       | 149,761       | 175,358       | 169,029       | 168,580       | 148,342       | 120,687       | 143,892       | 133,347       |
| Utilities & Environment                        | 147,659       | 58,143        | 41,545        | 43,703        | 51,162        | 53,193        | 11,227        | 5,444         | 4,715         | 3,400         |
| Transportation                                 | 6,625         | 7,096         | 8,428         | 9,239         | 9,225         | 12,100        | 67,595        | 112,095       | 93,439        | 82,592        |
| Economic Environment                           | 1,111,693     | 508,805       | 529,054       | 332,333       | 281,722       | 505,177       | 558,996       | 471,539       | 907,245       | 1,087,421     |
| Culture & Recreation                           | 485,590       | 488,532       | 446,626       | 504,935       | 493,156       | 538,424       | 530,637       | 525,946       | 525,247       | 535,811       |
| Operating grants and contributions             | 697,301       | 403,541       | 462,488       | 477,260       | 425,702       | 468,960       | 479,485       | 496,338       | 605,198       | 710,043       |
| Capital grants and contributions               | 3,958,650     | 8,170,785     | 2,616,738     | 1,539,559     | 1,547,093     | 1,758,099     | 1,493,376     | 3,673,904     | 5,027,389     | 1,633,211     |
| Total Governmental Activities Program Revenues | 6,971,232     | 10,154,333    | 4,625,500     | 3,459,906     | 3,623,457     | 3,961,884     | 3,725,807     | 5,863,947     | 7,785,269     | 4,835,426     |

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

|   | 2007           | 2008           | 2009           | 2010           | 2011           | 2012           | 2013           | 2014           | 2015           | 2016           |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| <b>Business-Type Activities:</b>                          |                |                |                |                |                |                |                |                |                |                |
| Charges for services:                                     |                |                |                |                |                |                |                |                |                |                |
| Water <sup>1</sup>  | 1,278,995      | 1,314,880      | 1,436,637      | 1,420,038      | 1,407,214      | 1,461,638      | 1,528,732      | 1,590,972      | 1,831,511      | 1,857,036      |
| Sewer   | 1,903,284      | 1,988,486      | 2,388,293      | 2,526,708      | 2,558,143      | 2,803,005      | 3,040,822      | 3,208,493      | 3,287,822      | 3,460,657      |
| Solid Waste   | 1,236,305      | 1,287,759      | 1,262,911      | 1,282,151      | 1,287,617      | 1,382,449      | 1,456,824      | 1,501,028      | 1,614,036      | 1,793,421      |
| Storm Drain   | 708,002        | 701,872        | 732,023        | 732,782        | 738,081        | 801,795        | 786,897        | 1,014,112      | 1,521,196      | 1,621,933      |
| Operating grants and contributions                        | -              | 56,428         | 53,270         | 57,555         | 94,789         | 66,936         | -              | -              | 115,058        | 84,948         |
| Capital grants and contributions                          | 4,372,821      | 7,612,412      | 3,180,784      | 221,116        | 312,382        | 1,503,112      | 2,492,406      | 862,361        | 5,784,476      | 2,234,980      |
| Total Business-Type Activities Program                    |                |                |                |                |                |                |                |                |                |                |
| Revenues  | 9,499,408      | 12,961,838     | 9,053,919      | 6,240,350      | 6,398,226      | 8,018,935      | 9,305,682      | 8,176,966      | 14,154,100     | 11,052,975     |
| Total Primary Government Program Revenues                 | \$ 16,470,639  | \$ 23,116,170  | \$ 13,679,418  | \$ 9,700,256   | \$ 10,021,682  | \$ 11,980,819  | \$ 13,031,489  | \$ 14,040,913  | \$ 21,939,368  | \$ 15,888,401  |
| <b>Net (Expense)/Revenue</b>                              |                |                |                |                |                |                |                |                |                |                |
| Governmental Activities                                   | \$ (4,381,732) | \$ (1,779,485) | \$ (5,113,360) | \$ (6,533,359) | \$ (5,964,483) | \$ (6,192,875) | \$ (6,979,869) | \$ (5,115,667) | \$ (3,329,963) | \$ (7,073,487) |
| Business-type activities                                  | 5,245,005      | 8,875,886      | 4,346,712      | 1,370,003      | 1,048,900      | 2,367,441      | 3,439,051      | 2,048,774      | 7,025,023      | 3,238,005      |
| Total Primary Government Net Expense                      | \$ 863,273     | \$ 7,096,400   | \$ (766,648)   | \$ (5,163,357) | \$ (4,915,583) | \$ (3,825,434) | \$ (3,540,819) | \$ (3,066,892) | \$ 3,695,060   | \$ (3,835,482) |
| <b>General Revenues and Other Changes in Net Position</b> |                |                |                |                |                |                |                |                |                |                |
| Governmental Activities:                                  |                |                |                |                |                |                |                |                |                |                |
| Taxes:  |                |                |                |                |                |                |                |                |                |                |
| Property Taxes  | \$ 1,787,878   | \$ 1,898,668   | \$ 1,972,984   | \$ 2,046,143   | \$ 2,061,784   | \$ 2,119,770   | \$ 1,967,770   | \$ 2,085,784   | \$ 2,191,189   | \$ 2,264,194   |
| Retail Sales & Use Taxes                                  | 3,509,621      | 3,241,145      | 2,983,521      | 3,089,028      | 2,905,695      | 2,700,885      | 2,967,756      | 3,227,329      | 3,393,849      | 3,742,485      |
| Business Taxes  | 1,110,212      | 1,452,140      | 1,527,557      | 1,532,771      | 1,691,487      | 1,718,219      | 1,647,259      | 1,658,873      | 2,038,443      | 1,841,119      |
| Excise Taxes  | 739,141        | 565,800        | 398,550        | 340,508        | 300,344        | 587,590        | 622,312        | 592,983        | 748,026        | 866,886        |
| Penalties & Interest                                      | -              | -              | -              | -              | -              | -              | -              | -              | -              | -              |
| Investment earnings                                       | 818,379        | 579,695        | 157,625        | 104,893        | 61,220         | 59,267         | 33,016         | 47,924         | 40,329         | 76,833         |
| Gain (loss) on disposal of capital assets                 | (6,963)        | 701            | 724,911        | -              | 13,139         | 4,712          | 124,658        | 5,715          | 12,182         | 15,309         |
| Transfers   | 258,251        | -              | -              | -              | -              | -              | -              | -              | -              | -              |
| Insurance Recoveries                                      | -              | -              | -              | -              | -              | -              | 20,306         | -              | -              | -              |
| Total Governmental Activities                             | 8,216,519      | 7,738,149      | 7,765,148      | 7,113,343      | 7,033,670      | 7,190,443      | 7,383,077      | 7,618,608      | 8,424,018      | 8,806,826      |
| <b>Business-Type Activities</b>                           |                |                |                |                |                |                |                |                |                |                |
| Investment earnings                                       | 334,691        | 275,353        | 87,942         | 96,415         | 56,345         | 56,111         | 25,987         | 39,785         | 30,716         | 54,780         |
| Gain (loss) on disposal of capital assets                 | 800            | -              | -              | -              | -              | -              | -              | 11,885         | 14,211         | 922            |
| Transfers   | -              | -              | -              | -              | -              | -              | -              | -              | -              | -              |
| Total Business-Type Activities                            | 335,491        | 275,353        | 87,942         | 96,415         | 56,345         | 56,111         | 25,987         | 51,670         | 44,927         | 55,702         |
| Total Primary Government                                  | \$ 8,552,010   | \$ 8,013,502   | \$ 7,853,090   | \$ 7,209,758   | \$ 7,090,016   | \$ 7,246,554   | \$ 7,409,064   | \$ 7,670,278   | \$ 8,468,945   | \$ 8,862,528   |
| <b>Change in Net Position</b>                             |                |                |                |                |                |                |                |                |                |                |
| Governmental Activities                                   | \$ 3,834,787   | \$ 5,958,663   | \$ 2,651,788   | \$ 579,984     | \$ 1,069,187   | \$ 997,568     | \$ 403,207     | \$ 2,502,942   | \$ 5,094,055   | \$ 1,733,339   |
| Business-Type Activities                                  | 5,580,497      | 9,151,239      | 4,434,655      | 1,466,417      | 1,105,245      | 2,423,552      | 3,465,038      | 2,100,444      | 7,069,950      | 3,293,707      |
| Total Primary Government                                  | \$ 9,415,284   | \$ 15,109,902  | \$ 7,086,442   | \$ 2,046,401   | \$ 2,174,432   | \$ 3,421,120   | \$ 3,868,245   | \$ 4,603,386   | \$ 12,164,004  | \$ 5,027,046   |

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

| Fiscal Year | Property Tax | Sales/Use Tax | Business Tax | Excise Tax | Total Taxes |
|-------------|--------------|---------------|--------------|------------|-------------|
| 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   |
| 2015        | 2,191,189    | 3,393,849     | 2,038,443    | 748,026    | 8,371,508   |
| 2016        | 2,264,194    | 3,742,485     | 1,841,119    | 866,886    | 8,714,683   |



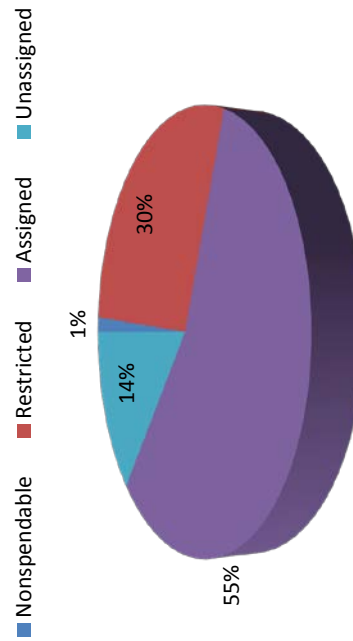
## FUND BALANCES OF GOVERNMENTAL FUNDS

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                          |
| 2015        | 12,692       | 1,518,604 | 1,643,946  | 3,175,241          | 91,016                       | 1,819,915  | 2,036,907 | 3,947,838                          |
| 2016        | 7,597        | 2,174,924 | 1,106,077  | 3,288,597          | 91,016                       | 2,325,825  | 2,188,399 | 4,605,240                          |

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

## 2016 Governmental Fund Balances



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

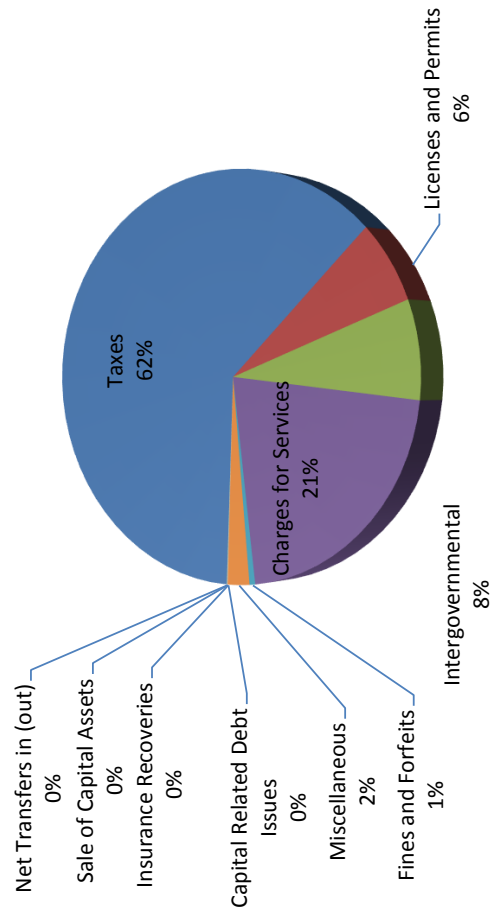
|   | 2007              | 2008                  | 2009                | 2010                  | 2011              | 2012               | 2013               | 2014              | 2015                | 2016              |
|---|-------------------|-----------------------|---------------------|-----------------------|-------------------|--------------------|--------------------|-------------------|---------------------|-------------------|
| <b>Revenues</b>   |                   |                       |                     |                       |                   |                    |                    |                   |                     |                   |
| Taxes   | \$ 7,381,362      | \$ 7,269,716          | \$ 6,757,754        | \$ 6,947,838          | \$ 6,975,383      | \$ 7,194,171       | \$ 7,155,680       | \$ 7,509,669      | \$ 8,345,893        | \$ 8,677,430      |
| Licenses and Permits                                    | 860,178           | 386,251               | 460,321             | 397,513               | 351,107           | 604,450            | 622,819            | 558,113           | 830,042             | 901,185           |
| Intergovernmental Revenues                              | 3,014,360         | 2,117,665             | 2,893,320           | 1,897,881             | 1,682,571         | 1,471,002          | 646,175            | 3,384,699         | 1,066,034           | 1,050,282         |
| Charges for Services                                    | 1,805,101         | 1,611,662             | 1,611,449           | 1,501,119             | 1,710,343         | 1,656,123          | 2,190,358          | 2,228,941         | 3,590,226           | 2,974,396         |
| Fines and Forfeitures                                   | 106,704           | 103,210               | 89,382              | 87,184                | 85,063            | 79,049             | 76,729             | 83,238            | 83,442              | 70,774            |
| Interest & Other Earnings                               | 811,654           | 576,967               | 156,803             | 104,688               | 61,220            | 63,285             | 37,631             | 52,355            | 45,143              | 82,219            |
| Miscellaneous   | 213,682           | 65,517                | 143,996             | 122,600               | 138,250           | 202,158            | 203,606            | 156,557           | 227,560             | 186,840           |
| <b>Total Revenues</b>                                   | <b>14,193,041</b> | <b>12,130,988</b>     | <b>12,113,024</b>   | <b>11,058,823</b>     | <b>11,003,936</b> | <b>11,270,239</b>  | <b>10,932,998</b>  | <b>13,973,573</b> | <b>14,188,341</b>   | <b>13,943,125</b> |
| <b>Expenditures</b>                                     |                   |                       |                     |                       |                   |                    |                    |                   |                     |                   |
| General Government                                      | 2,401,891         | 2,510,110             | 2,557,344           | 2,623,129             | 2,609,575         | 2,765,463          | 2,701,167          | 2,704,029         | 2,850,202           | 3,108,256         |
| Security of Persons and Property                        | 2,377,818         | 2,289,655             | 2,544,115           | 2,648,619             | 2,516,324         | 2,557,190          | 2,764,164          | 2,847,128         | 2,924,101           | 3,152,296         |
| Utilities and Environment                               | 566,156           | 585,591               | 474,649             | 460,417               | 479,286           | 455,458            | 512,596            | 443,940           | 501,104             | 532,379           |
| Transportation  | 2,756,203         | 2,657,624             | 837,427             | 819,169               | 740,214           | 744,424            | 1,533,295          | 1,559,694         | 1,409,078           | 1,446,570         |
| Economic Environment                                    | 839,269           | 891,608               | 845,073             | 857,604               | 630,374           | 660,244            | 785,598            | 886,387           | 969,480             | 1,010,489         |
| Mental and Physical Health                              | 13,489            | 13,694                | 14,213              | 14,481                | 14,573            | 14,705             | 13,978             | 14,356            | 29,772              | 131,162           |
| Culture and Recreation                                  | 1,553,747         | 1,779,008             | 1,218,559           | 1,209,305             | 1,125,459         | 1,173,379          | 1,080,951          | 1,097,577         | 1,193,366           | 1,223,569         |
| Capital Outlay  | 2,572,498         | 3,624,733             | 7,788,933           | 8,907,259             | 2,662,204         | 1,522,990          | 856,046            | 3,196,591         | 1,395,507           | 1,479,311         |
| Debt Service  |                   |                       |                     |                       |                   |                    |                    |                   |                     |                   |
| Principal   | 574,323           | 1,199,323             | 704,323             | 604,368               | 634,368           | 3,114,368          | 579,368            | 589,368           | 8,815,383           | 709,368           |
| Interest & Other Charges                                | 323,951           | 303,190               | 430,172             | 506,692               | 493,171           | 513,038            | 495,456            | 479,814           | 426,681             | 373,098           |
| <b>Total Expenditures</b>                               | <b>13,979,345</b> | <b>15,854,538</b>     | <b>17,414,810</b>   | <b>18,651,045</b>     | <b>11,905,548</b> | <b>13,521,260</b>  | <b>11,322,619</b>  | <b>13,818,885</b> | <b>20,514,675</b>   | <b>13,166,499</b> |
| <b>Excess of revenues over (under) expenditures</b>     | <b>213,696</b>    | <b>(3,723,550)</b>    | <b>(5,301,785)</b>  | <b>(7,592,223)</b>    | <b>(901,612)</b>  | <b>(2,251,020)</b> | <b>(389,620)</b>   | <b>154,688</b>    | <b>(6,326,334)</b>  | <b>776,626</b>    |
| <b>Other financing sources (uses)</b>                   |                   |                       |                     |                       |                   |                    |                    |                   |                     |                   |
| Proceeds of Long Term Debt                              | -                 | -                     | 6,096,515           | 1,510,000             | 625,000           | 2,455,000          | -                  | -                 | 7,320,000           | -                 |
| Premium on Bonds Sold                                   | -                 | -                     | -                   | 1,044                 | -                 | 69,630             | -                  | -                 | 774,756             | -                 |
| Disposal of Capital Assets                              | -                 | 2,180                 | 2,800,000           | 20,000                | 16,970            | 4,712              | 272,103            | 5,715             | 19,461              | 7,649             |
| Comp for Impairment of Cap Assets                       | -                 | -                     | -                   | -                     | 273,639           | -                  | 20,306             | 7,528             | -                   | -                 |
| Insurance Recoveries                                    | -                 | -                     | -                   | -                     | -                 | -                  | -                  | 613               | 7,461               | 5,206             |
| Net Transfers In (Out)                                  | 67,350            | -                     | -                   | 98,800                | -                 | -                  | -                  | -                 | -                   | -                 |
| Intergovernmental Payment                               | -                 | (15,000)              | -                   | -                     | -                 | -                  | -                  | -                 | -                   | -                 |
| Issuance Discount on Long-Term Debt                     | -                 | -                     | (54,071)            | (6,473)               | -                 | (34,561)           | -                  | -                 | -                   | -                 |
| <b>Total other financing sources (uses)</b>             | <b>67,350</b>     | <b>(12,820)</b>       | <b>8,842,445</b>    | <b>1,623,371</b>      | <b>915,609</b>    | <b>2,494,781</b>   | <b>292,408</b>     | <b>13,856</b>     | <b>8,121,678</b>    | <b>12,855</b>     |
| <b>Net change in fund balances</b>                      | <b>\$ 281,046</b> | <b>\$ (3,736,370)</b> | <b>\$ 3,540,659</b> | <b>\$ (5,968,852)</b> | <b>\$ 13,997</b>  | <b>\$ 243,760</b>  | <b>\$ (97,212)</b> | <b>\$ 168,544</b> | <b>\$ 1,795,343</b> | <b>\$ 789,481</b> |
| Debt service as a percentage of noncapital expenditures | 7.87%             | 12.29%                | 11.79%              | 11.40%                | 12.20%            | 30.23%             | 10.27%             | 10.07%            | 48.34%              | 9.26%             |

## 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) |                                  |
| 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                       |
| 2015        | 8,345,893 | 830,042              | 1,066,034         | 3,590,226            | 83,442             | 272,703                        | 14,188,341     | 8,094,756                   | 7,461              | 19,461                 | -                      | 8,121,678                | 22,310,018                       |
| 2016        | 8,677,430 | 901,185              | 1,050,282         | 2,974,396            | 70,774             | 269,059                        | 13,943,125     | -                           | 5,206              | 7,649                  | -                      | 12,855                   | 13,955,980                       |

## 2016 General Government Revenue



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

| Fiscal Year<br>Ended<br>December 31 | Real Property | Personal Property | Less: Tax Exempt<br>Real Property | Total Taxable<br>Assessed Value <sup>1</sup> | Total Direct Tax<br>Rate | Estimated Actual<br>Taxable Value | Assessed Value<br>as a Percentage<br>of Actual Value |
|-------------------------------------|---------------|-------------------|-----------------------------------|--|--------------------------|-----------------------------------|--|
|                                     |               |                   |                                   |  |                          |                                   |  |
| 2007                                | 1,500,268,177 | 55,589,284        | 218,520,151                       | 1,337,337,310                                | 1.561                    | 1,484,281,143                     | 90.1   |
| 2008                                | 1,524,122,775 | 40,675,295        | 186,579,815                       | 1,378,218,255                                | 1.440                    | 1,567,938,857                     | 87.9   |
| 2009                                | 1,435,423,041 | 52,673,622        | 178,062,955                       | 1,310,033,708                                | 1.434                    | 1,492,065,727                     | 87.8   |
| 2010                                | 1,427,087,076 | 52,724,550        | 199,102,348                       | 1,280,709,278                                | 1.563                    | 1,485,741,622                     | 86.2   |
| 2011                                | 1,358,145,256 | 51,027,470        | 164,915,580                       | 1,244,257,146                                | 1.615                    | 1,443,453,766                     | 86.2   |
| 2012                                | 1,314,300,278 | 51,974,423        | 155,133,100                       | 1,211,141,601                                | 1.717                    | 1,370,069,684                     | 88.4   |
| 2013                                | 1,329,419,463 | 53,365,536        | 152,715,070                       | 1,230,069,929                                | 1.709                    | 1,335,580,813                     | 92.1   |
| 2014                                | 1,395,699,299 | 50,866,478        | 164,218,411                       | 1,282,347,366                                | 1.698                    | 1,409,172,930                     | 91.0   |
| 2015                                | 1,335,212,301 | 54,281,382        | 45,525,120                        | 1,343,968,563                                | 1.710                    | 1,428,234,392                     | 94.1   |
| 2016                                | 1,342,718,272 | 52,165,101        | 48,779,870                        | 1,346,103,503                                | 1.686                    | 1,514,177,169                     | 88.9   |

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

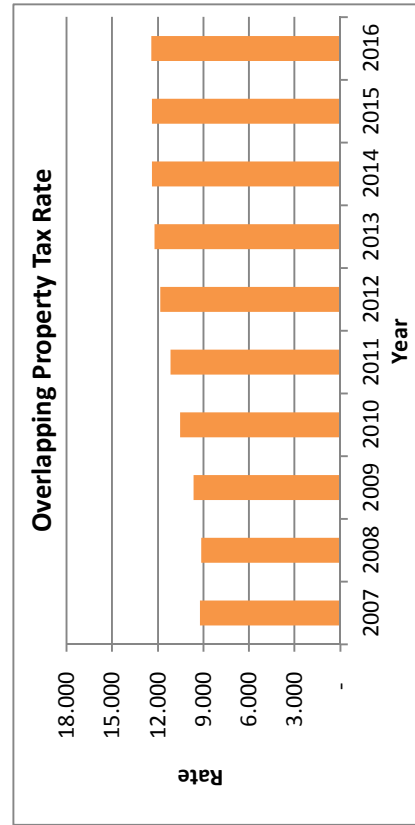
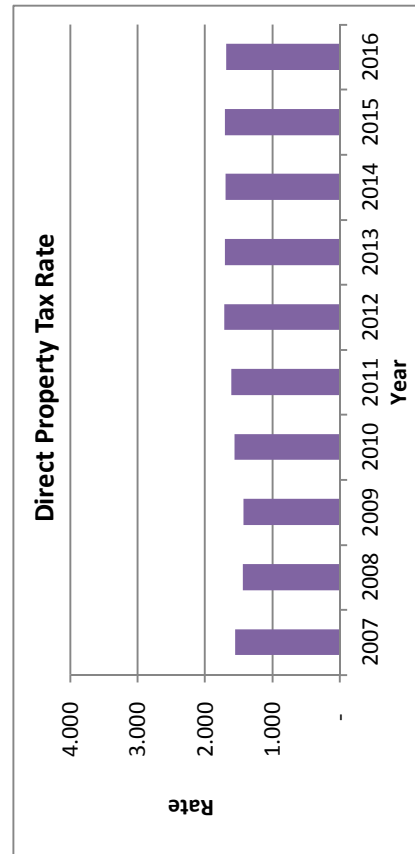


**PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS**  
Last Ten Fiscal Years

| Fiscal Year | School    |                |            |               | Other Overlapping Rates |                    |                 |                   |                |                         |                 |                         | Total Direct & Overlapping |
|-------------|-----------|----------------|------------|---------------|-------------------------|--------------------|-----------------|-------------------|----------------|-------------------------|-----------------|-------------------------|----------------------------|
|             | Operating | Debt Service** | Total City | Kitsap County | State School            | NK School District | Port of Poulsbo | Fire District #18 | Public Utility | Kitsap Regional Library | Poulsbo Library | Total Overlapping Rates |                            |
| 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                     |
| 2015        | 1.710     | -              | 1.710      | 1.202         | 2.177                   | 4.349              | 0.308           | 2.186             | 0.083          | 0.390                   | -               | 10.695                  | 12.405                     |
| 2016        | 1.686     | -              | 1.686      | 1.166         | 2.355                   | 4.327              | 0.302           | 2.169             | 0.081          | 0.382                   | -               | 10.783                  | 12.469                     |

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

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

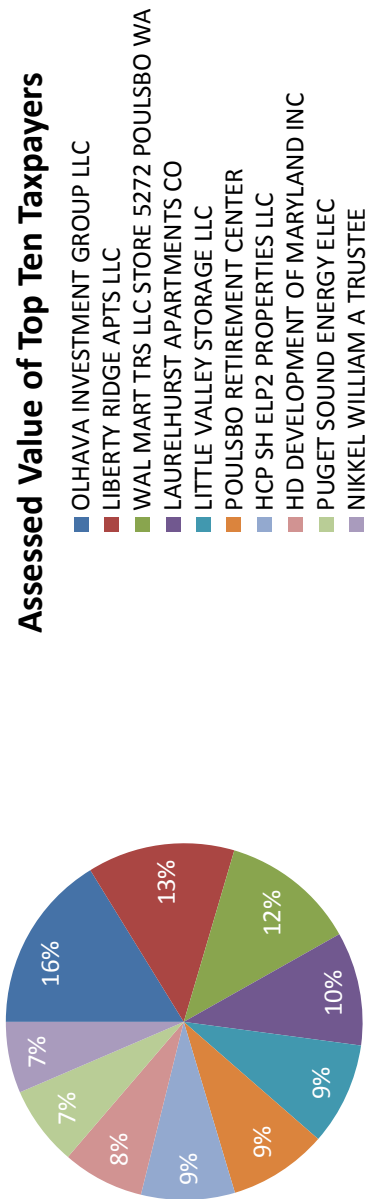


## PRINCIPAL TAXPAYERS

Current Year and Ten Years Ago

| 2016                                  |                    |      |                    | 2006                               |      |                    |      |                               |
|---------------------------------------|--------------------|------|--------------------|------------------------------------|------|--------------------|------|-------------------------------|
| Taxpayer                              | % of Total         |      |                    | Assessed Valuation                 | Rank | Assessed Valuation | Rank | % of Total Assessed Valuation |
|                                       | Assessed Valuation | Rank | Assessed Valuation |                                    |      |                    |      |                               |
| OLHAVA INVESTMENT GROUP LLC           | 22,237,310         | 1    | 1.73%              | Olhava Associates LMTD Partnership |      | \$ 69,210,480      | 1    | 7.64%                         |
| LIBERTY RIDGE APTS LLC                | 18,389,600         | 2    | 1.43%              | Poulsbo Retirement Center          |      | \$ 18,865,500      | 2    | 2.08%                         |
| WAL MART TRS LLC STORE 5272 POULSBO \ | 16,929,400         | 3    | 1.32%              | Laurelhurst Apartments Company     |      | \$ 12,981,140      | 3    | 1.43%                         |
| LAURELHURST APARTMENTS CO             | 14,082,470         | 4    | 1.10%              | Tim Ryan Properties LP             |      | \$ 11,407,750      | 4    | 1.26%                         |
| LITTLE VALLEY STORAGE LLC             | 12,838,580         | 5    | 1.00%              | Current Development LLC            |      | \$ 10,325,960      | 5    | 1.14%                         |
| POULSBO RETIREMENT CENTER             | 12,320,180         | 6    | 0.96%              | Poulsbo Inn LLC                    |      | \$ 9,841,350       | 6    | 1.09%                         |
| HCP SH ELP2 PROPERTIES LLC            | 11,607,410         | 7    | 0.91%              | Walmart Real Estate Business       |      | \$ 9,263,160       | 7    | 1.02%                         |
| HD DEVELOPMENT OF MARYLAND INC        | 10,208,610         | 8    | 0.80%              | Hattaland                          |      | \$ 9,066,990       | 8    | 1.00%                         |
| PUGET SOUND ENERGY ELEC               | 9,954,266          | 9    | 0.78%              | Montclair Park at Poulsbo          |      | \$ 8,850,490       | 9    | 0.98%                         |
| NIKKEL WILLIAM A TRUSTEE              | 8,911,560          | 10   | 0.69%              | Liberty Ridget Apartments LLC      |      | \$ 7,903,070       | 10   | 0.87%                         |
| TOTALS: \$ 137,479,386                |                    |      |                    |                                    |      | \$ 167,715,890     |      | 18.52%                        |

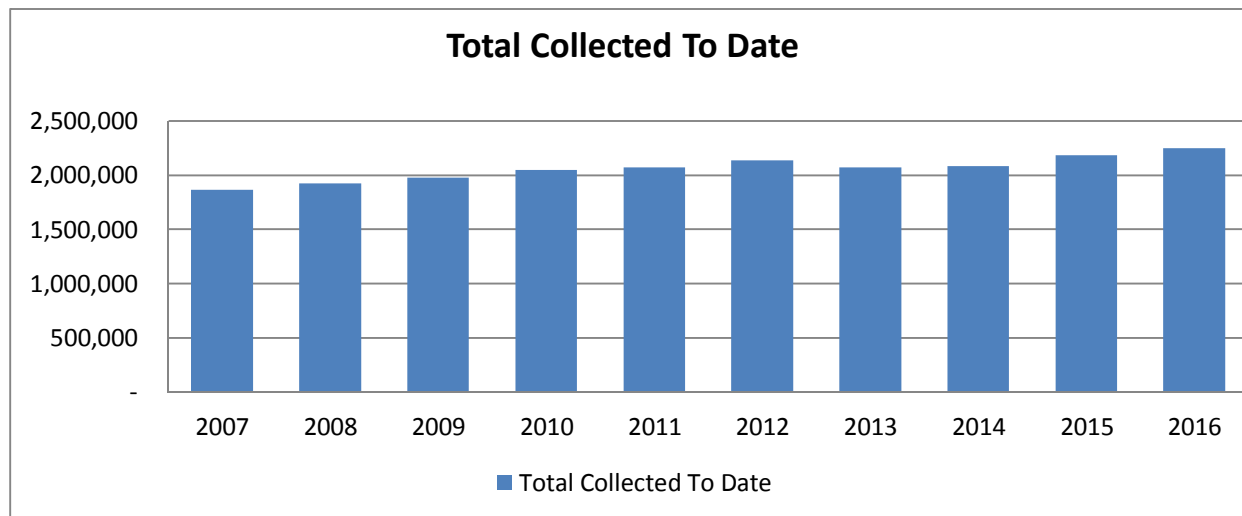
Source: Kitsap County Assessor's Office



**PROPERTY TAX LEVIES AND COLLECTIONS  
2007 - 2016**

| 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 |                                    |                          |
| 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%    | 49,574                   | 1,923,222                 | 99.87%    | 2,502                              | 0.13%                    |
| 2009        | 1,976,950      | 1,900,928                                    | 96.15%    | 73,443                   | 1,974,371                 | 99.87%    | 2,579                              | 0.13%                    |
| 2010        | 2,047,191      | 1,981,228                                    | 96.78%    | 63,360                   | 2,044,588                 | 99.87%    | 2,603                              | 0.13%                    |
| 2011        | 2,067,936      | 1,995,773                                    | 96.51%    | 70,587                   | 2,066,360                 | 99.92%    | 1,576                              | 0.08%                    |
| 2012        | 2,136,431      | 2,083,452                                    | 97.52%    | 49,975                   | 2,133,427                 | 99.86%    | 3,004                              | 0.14%                    |
| 2013        | 2,069,802      | 1,994,508                                    | 96.36%    | 74,589                   | 2,069,097                 | 99.97%    | 705                                | 0.03%                    |
| 2014        | 2,088,707      | 2,030,020                                    | 97.19%    | 49,896                   | 2,079,916                 | 99.58%    | 8,791                              | 0.42%                    |
| 2015        | 2,192,765      | 2,171,629                                    | 99.04%    | 10,371                   | 2,182,000                 | 99.51%    | 10,765                             | 0.49%                    |
| 2016        | 2,269,562      | 2,244,248                                    | 98.88%    | 1,101                    | 2,245,349                 | 98.93%    | 24,213                             | 1.07%                    |

Source: Kitsap County Treasurer and Assessor's Office



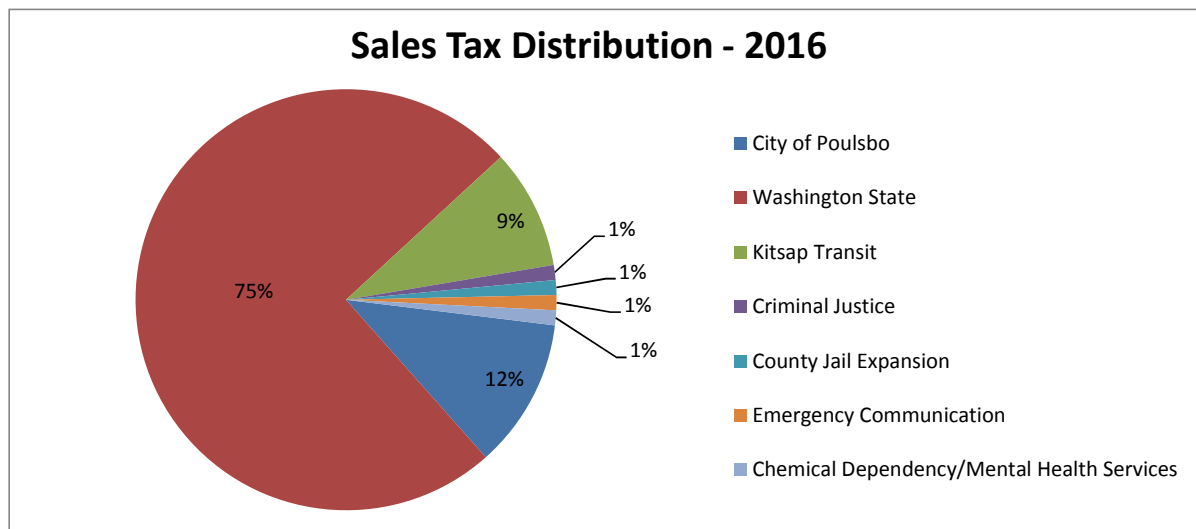
**SALES TAX RATE DIRECT AND OVERLAPPING GOVERNMENTS**  
**Last Ten Fiscal Years**

|  | 2007        | 2008        | 2009        | 2010        | 2011        | 2012        | 2013        | 2014 <sup>(a)</sup> | 2015        | 2016        |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|---------------------|-------------|-------------|
| <b>Basic Sales Tax Rates</b>               |             |             |             |             |             |             |             |                     |             |             |
| City of Poulsbo                            | 1.0%        | 1.0%        | 1.0%        | 1.0%        | 1.0%        | 1.0%        | 1.0%        | 1.0%                | 1.0%        | 1.0%        |
| Washington State                           | 6.5%        | 6.5%        | 6.5%        | 6.5%        | 6.5%        | 6.5%        | 6.5%        | 6.5%                | 6.5%        | 6.5%        |
| Kitsap Transit                             | 0.8%        | 0.8%        | 0.8%        | 0.8%        | 0.8%        | 0.8%        | 0.8%        | 0.8%                | 0.8%        | 0.8%        |
| Criminal Justice                           | 0.1%        | 0.1%        | 0.1%        | 0.1%        | 0.1%        | 0.1%        | 0.1%        | 0.1%                | 0.1%        | 0.1%        |
| County Jail Expansion                      | 0.1%        | 0.1%        | 0.1%        | 0.1%        | 0.1%        | 0.1%        | 0.1%        | 0.1%                | 0.1%        | 0.1%        |
| Emergency Communication                    | 0.1%        | 0.1%        | 0.1%        | 0.1%        | 0.1%        | 0.1%        | 0.1%        | 0.1%                | 0.1%        | 0.1%        |
| Chemical Dependency/Mental Health Services | 0.0%        | 0.0%        | 0.0%        | 0.0%        | 0.0%        | 0.0%        | 0.0%        | 0.1%                | 0.1%        | 0.1%        |
| <b>Total Basic Combined Sales Tax Rate</b> | <b>8.6%</b> | <b>8.6%</b> | <b>8.6%</b> | <b>8.6%</b> | <b>8.6%</b> | <b>8.6%</b> | <b>8.6%</b> | <b>8.7%</b>         | <b>8.7%</b> | <b>8.7%</b> |
| <b>Special Sales Tax Rates</b>             |             |             |             |             |             |             |             |                     |             |             |
| Hotel/Motel <sup>(b)</sup>                 | 2.0%        | 2.0%        | 2.0%        | 2.0%        | 2.0%        | 2.0%        | 2.0%        | 2.0%                | 2.0%        | 2.0%        |

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

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

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



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

|   | 2007               | 2008               | 2009               | 2010               | 2011               | 2012               | 2013               | 2014               | 2015               | 2016               |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| <b>Major Industry Sector</b>            |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |
| Unknown                                 | 15,140             | 8,529              | 4,721              | 22,144             | 41,121             | 36,448             | 37,266             | 13,903             | 12,511             | 16,833             |
| Agriculture, Forestry Fishing           | 459                | 526                | 665                | 620                | 593                | 800                | 886                | 662                | 539                | 4,958              |
| Mining                                  | 150                | 96                 | 252                | 556                | 384                | 427                | 464                | 636                | 589                | 39                 |
| Utilities                               | 1,694              | 2,866              | 2,618              | 1,876              | 2,081              | 2,744              | 3,512              | 3,039              | 3,209              | 2,312              |
| Construction                            | 454,627            | 420,541            | 273,295            | 318,387            | 316,718            | 142,181            | 294,260            | 318,024            | 300,625            | 343,021            |
| Manufacturing                           | 38,137             | 34,999             | 30,774             | 34,968             | 40,558             | 34,385             | 27,948             | 49,122             | 35,145             | 59,717             |
| Wholesale Trade                         | 150,273            | 144,849            | 91,669             | 86,317             | 89,855             | 90,710             | 98,657             | 110,341            | 131,638            | 165,808            |
| Retail Trade                            | 1,888,749          | 1,780,157          | 1,712,476          | 1,747,160          | 1,692,686          | 1,657,265          | 1,703,931          | 1,863,729          | 1,953,167          | 1,988,786          |
| Transportation and Warehousing          | 1,593              | 1,093              | 1,188              | 1,566              | 1,921              | 2,707              | 1,914              | 2,262              | 2,656              | 4,277              |
| Information                             | 78,940             | 103,749            | 101,511            | 104,216            | 88,226             | 84,823             | 91,504             | 102,047            | 97,189             | 110,385            |
| Finance and Insurance                   | 18,841             | 15,116             | 7,962              | 7,174              | 9,228              | 8,760              | 11,653             | 11,033             | 12,935             | 20,383             |
| Real Estate, Rental, Leasing            | 66,251             | 59,476             | 75,948             | 55,022             | 41,234             | 52,455             | 54,208             | 61,165             | 56,902             | 65,509             |
| Prof Sci, Technical Svcs                | 38,658             | 42,981             | 43,304             | 31,335             | 29,699             | 27,102             | 33,033             | 43,310             | 46,226             | 53,170             |
| Company Management                      | 175                | 89                 | 37                 | 17                 | 6                  | -                  | -                  | -                  | 6                  | 199                |
| Admin, Supp, Remed Svcs                 | 37,446             | 39,076             | 32,001             | 31,310             | 36,795             | 36,487             | 43,261             | 46,006             | 51,911             | 59,866             |
| Educational Services                    | 7,017              | 6,380              | 5,988              | 6,393              | 6,521              | 5,096              | 5,804              | 4,625              | 5,942              | 5,168              |
| Health Care Social Assistance           | 13,924             | 10,820             | 13,310             | 8,280              | 8,885              | 19,078             | 17,443             | 13,022             | 14,789             | 18,045             |
| Arts, Entertain, Recreation             | 12,997             | 13,749             | 6,971              | 10,245             | 12,699             | 9,239              | 9,233              | 13,043             | 16,785             | 9,799              |
| Accommodation and Food Svcs.            | 237,134            | 249,801            | 273,308            | 282,394            | 286,244            | 292,749            | 291,623            | 333,336            | 362,577            | 408,529            |
| Other Services                          | 90,581             | 88,906             | 80,180             | 83,445             | 76,553             | 72,163             | 75,236             | 84,693             | 87,482             | 93,947             |
| Public Administration                   | 21                 | 245                | 18,365             | 16,806             | 18,065             | 18,032             | 23,196             | 28,695             | 27,064             | 35,571             |
| <b>Total Retail Sales Tax Revenues*</b> | <b>\$3,152,807</b> | <b>\$3,024,044</b> | <b>\$2,776,543</b> | <b>\$2,850,232</b> | <b>\$2,800,072</b> | <b>\$2,593,651</b> | <b>\$2,825,032</b> | <b>\$3,102,693</b> | <b>\$3,219,887</b> | <b>\$3,466,322</b> |

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

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

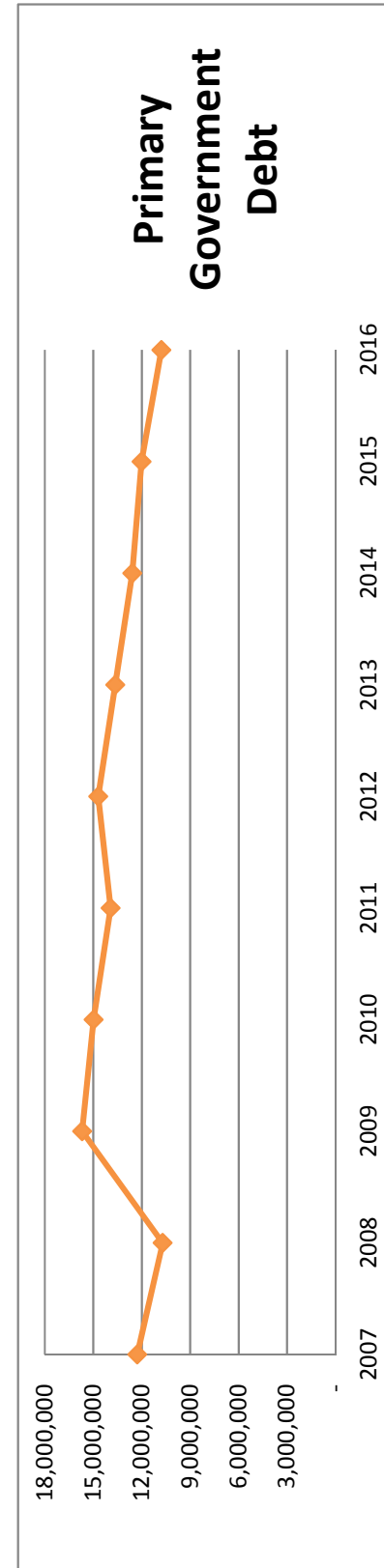
## RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Fiscal Years

| Fiscal Year | Governmental Activities  |            |              |                           | Business-Type Activities |             |            |            | Total Primary Government | Percentage of Personal Income <sup>1</sup> | Per Capita <sup>1</sup> |
|-------------|--------------------------|------------|--------------|---------------------------|--------------------------|-------------|------------|------------|--------------------------|--|-------------------------|
|             | General Obligation Bonds | PWTF Loans | Bond Premium | Unamortized Bond Discount | Water Bonds              | Sewer Bonds | PWTF Loans |            |                          |  |                         |
| 2007        | 6,925,000                | 986,698    | -            | (53,104)                  | 893,200                  | 3,166,800   | 366,782    | 12,285,376 | 4.02%                    | 1,632                                      |                         |
| 2008        | 5,810,000                | 902,375    | -            | (49,134)                  | 818,180                  | 2,900,820   | 320,934    | 10,703,175 | 3.27%                    | 1,371                                      |                         |
| 2009        | 11,205,000               | 818,051    | 81,515       | (45,164)                  | 740,740                  | 2,626,260   | 275,086    | 15,701,488 | 4.20%                    | 1,769                                      |                         |
| 2010        | 10,985,000               | 743,683    | 78,483       | (44,935)                  | 659,340                  | 2,337,660   | 229,239    | 14,988,470 | 4.08%                    | 1,677                                      |                         |
| 2011        | 10,425,000               | 669,315    | 74,356       | (40,705)                  | 575,080                  | 2,038,920   | 183,391    | 13,925,357 | 3.53%                    | 1,503                                      |                         |
| 2012        | 11,665,000               | 594,946    | 134,182      | (55,004)                  | 487,960                  | 1,730,040   | 137,543    | 14,694,667 | 3.52%                    | 1,561                                      |                         |
| 2013        | 11,160,000               | 520,578    | 124,380      | (50,408)                  | 396,880                  | 1,407,120   | 91,696     | 13,650,246 | 3.13%                    | 1,416                                      |                         |
| 2014        | 10,645,000               | 446,210    | 114,577      | (45,813)                  | 302,500                  | 1,072,500   | 45,848     | 12,580,822 | 2.78%                    | 1,287                                      |                         |
| 2015        | 9,930,000                | 371,841    | 793,920      | (20,607)                  | 205,040                  | 726,960     | -          | 12,007,154 | 2.49%                    | 1,207                                      |                         |
| 2016        | 9,295,000                | 297,473    | 743,341      | (18,073)                  | 104,500                  | 370,500     | -          | 10,792,741 | -                        | 1,057                                      |                         |

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

<sup>1</sup> See the Schedule of Demographic and Economic Statistics for personal income and population data.  
Percentage of Personal Income data only available through 2015.



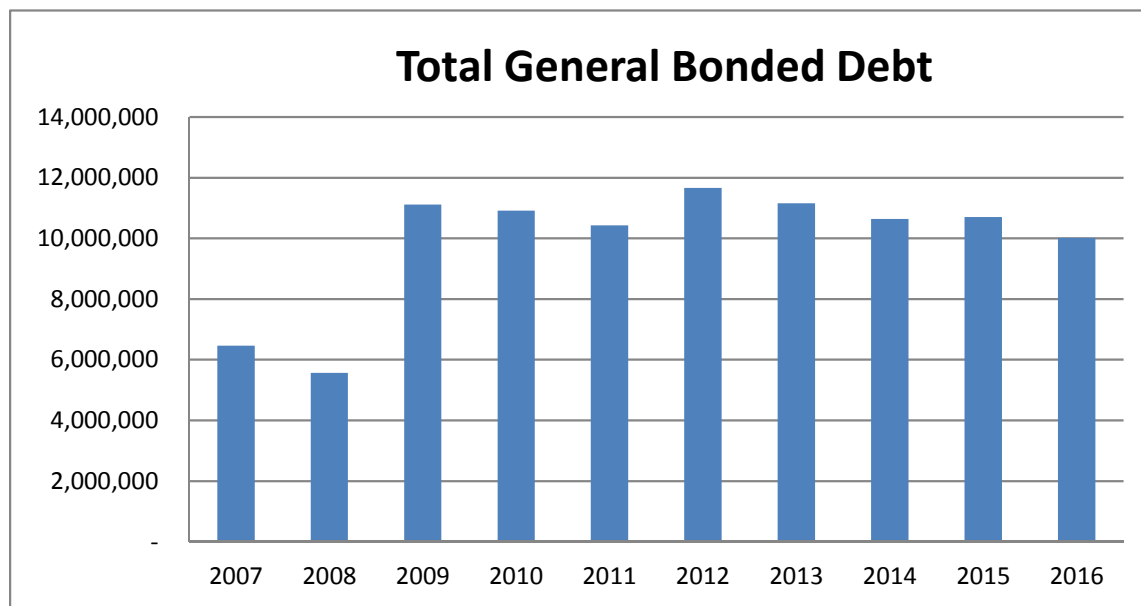
**RATIOS OF GENERAL BONDED DEBT OUTSTANDING**  
**Last Ten Fiscal Years**

| <b>Fiscal Year</b> | <b>General Obligation Bonds</b> | <b>Less: Amounts Available in Debt Service Fund</b> | <b>Total</b> | <b>% of Estimated Actual Taxable Value<sup>1</sup> of Property</b> | <b>Per Capita<sup>2</sup></b> |
|--------------------|---------------------------------|---|--------------|--|-------------------------------|
| 2007               | 6,925,000                       | 463,990   | 6,461,010    | 0.43%  | 824                           |
| 2008               | 5,810,000                       | 254,032   | 5,555,968    | 0.38%  | 627                           |
| 2009               | 11,205,000                      | 99,362  | 11,105,638   | 0.81%  | 1,245                         |
| 2010               | 10,985,000                      | 72,582  | 10,912,418   | 0.82%  | 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   | 0.84%  | 1,164                         |
| 2014               | 10,645,000                      | 4,738   | 10,640,262   | 0.76%  | 1,089                         |
| 2015               | 10,703,313                      | 4,337   | 10,698,976   | 0.75%  | 1,075                         |
| 2016               | 10,020,267                      | 11,872  | 10,008,395   | 0.66%  | 980                           |

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

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

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



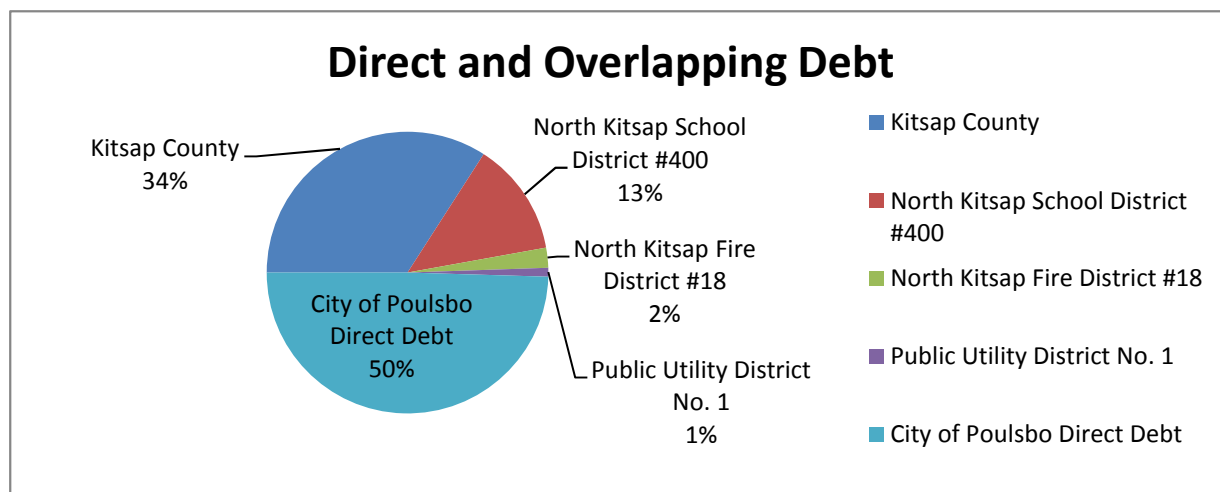
**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT****As of December 31, 2016**

| <b>Governmental Unit</b>          | <b>Debt Outstanding</b> | <b>Estimated % Applicable<sup>1</sup></b> | <b>Estimated Share of Overlapping Debt</b> |
|-----------------------------------|-------------------------|---|--|
| Kitsap County                     | \$ 149,232,873          | 4.76%                                     | \$ 7,101,064                               |
| North Kitsap School District #400 | 12,217,842              | 22.29%                                    | \$ 2,723,805                               |
| North Kitsap Fire District #18    | 1,149,873               | 41.19%                                    | \$ 473,620                                 |
| Public Utility District No. 1     | 4,455,000               | 4.76%                                     | \$ 211,986                                 |
| <i>Subtotal, Overlapping Debt</i> |                         |   | <u>10,510,475</u>                          |
| City of Poulsbo Direct Debt       | 10,317,741              | 100%                                      | <u>10,317,741</u>                          |
| Total Direct and Overlapping Debt |                         |   | <u><u>\$ 20,828,216</u></u>                |

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

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

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





**LEGAL DEBT MARGIN INFORMATION**  
Last Ten Fiscal Years

|   | 2007          | 2008          | 2009          | 2010          | 2011          | 2012          | 2013          | 2014          | 2015           | 2016           |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|----------------|----------------|
| Debt Limit  | \$100,300,298 | \$103,366,369 | \$ 98,252,528 | \$ 96,053,196 | \$ 93,319,286 | \$ 90,835,620 | \$ 92,257,495 | \$ 96,176,052 | \$ 100,957,763 | \$ 111,596,650 |
| Total net debt applicable to limit                          | 6,461,010     | 5,555,968     | 11,105,638    | 10,912,418    | 10,415,231    | 11,661,033    | 10,641,783    | 10,640,262    | 9,925,663      | 9,283,128      |
| Legal debt margin   | \$ 93,839,288 | \$ 97,810,401 | \$ 87,146,890 | \$ 85,140,778 | \$ 82,904,055 | \$ 79,174,587 | \$ 81,615,712 | \$ 85,535,790 | \$ 91,032,100  | \$ 102,313,522 |
| Total net debt applicable to the limit as a % of debt limit | 6.44%         | 5.38%         | 11.30%        | 11.36%        | 11.16%        | 12.84%        | 11.53%        | 11.06%        | 9.83%          | 8.32%          |
| <b>Legal Debt Margin Calculation for Fiscal Year 2016</b>   |               |               |               |               |               |               |               |               |                |                |
| Assessed value  | 1,487,955,331 |               |               |               |               |               |               |               |                |                |
| Debt limit (7.5% of total assessed value)                   | 111,596,650   |               |               |               |               |               |               |               |                |                |
| Debt applicable to limit:                                   |               |               |               |               |               |               |               |               |                |                |
| General obligation bonds                                    | 9,295,000     |               |               |               |               |               |               |               |                |                |
| Less: Amount set aside for repayment of GO Debt             | 11,872        |               |               |               |               |               |               |               |                |                |
| Total net debt applicable to limit                          | 9,283,128     |               |               |               |               |               |               |               |                |                |
| Legal debt margin   | \$102,313,522 |               |               |               |               |               |               |               |                |                |

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

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

**PLEDGED-REVENUE COVERAGE**  
**Last Ten Fiscal Years**

| Fiscal<br>Year | Water and Sewer Revenue Bonds      |                                |                             |              |          |          |
|----------------|------------------------------------|--------------------------------|-----------------------------|--------------|----------|----------|
|                | Charges for<br>Services &<br>Other | Less:<br>Operating<br>Expenses | Net<br>Available<br>Revenue | Debt Service |          | Coverage |
|                |                                    |                                |                             | Principal    | Interest |          |
| 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%     |
| 2015           | 5,119,333                          | 4,132,273                      | 987,060                     | 443,000      | 42,510   | 203%     |
| 2016           | 5,317,488                          | 4,338,074                      | 979,414                     | 457,000      | 24,271   | 204%     |

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.

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

| <b>FISCAL<br/>YEAR</b> | <b>POPULATION</b> | <b>COUNTY<br/>POPULATION</b> | <b>Kitsap County<br/>KC PERSONAL<br/>INCOME* <sup>1</sup></b> | <b>Poulsbo<br/>PERSONAL<br/>INCOME <sup>1</sup></b> | <b>PER CAPITA<br/>INCOME*</b> | <b>UNEMPLOYMENT<br/>RATE**</b> | <b>SCHOOL<br/>ENROLLMENT <sup>2</sup> ***</b> |
|------------------------|-------------------|------------------------------|---|---|-------------------------------|--------------------------------|---|
| 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                      | 11,838,125  | 452,199   | 46,573                        | 6.2%                           | 3,088   |
| 2015                   | 9,950             | 258,200                      | 12,473,946  | 480,696   | 47,953                        | 5.6%                           | 3,141   |
| 2016                   | 10,210            | 262,590                      | -   | -   | -                             | 5.8%                           | 3,099   |

<sup>1</sup> Thousands of Dollars and information only available through 2015

<sup>2</sup> Totals for only schools in city limits

\* Source: US Bureau of Economic Analysis-Kitsap County based on population of City only available through 2015

\*\* 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

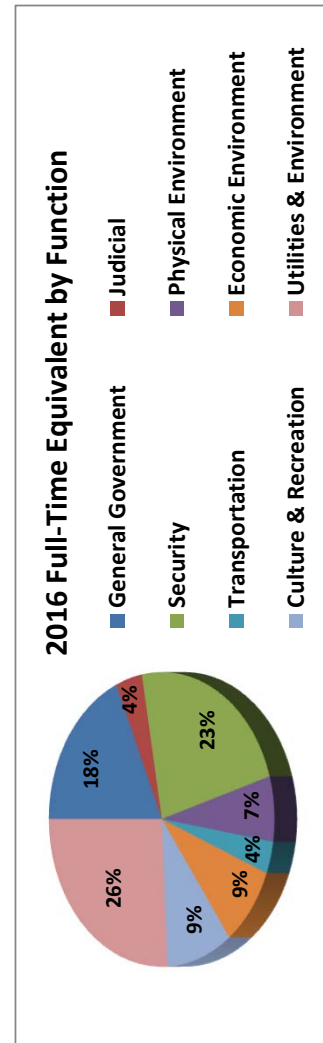
| Taxpayer                                 | Type of Business       | 2016                            |      |                               | 2006                            |      |                               |
|--|------------------------|---------------------------------|------|-------------------------------|---------------------------------|------|-------------------------------|
|  |                        | TOTAL<br>EMPLOYEES <sup>1</sup> | Rank | % of Total City<br>Employment | TOTAL<br>EMPLOYEES <sup>1</sup> | Rank | % of Total City<br>Employment |
|  |                        |                                 |      |                               |                                 |      |                               |
| North Kitsap School District             | Public Education       | 1042                            | 1    | 15.36%                        | 468                             | 2    | 6.40%                         |
| Martha & Mary Lutheran Services          | Social Services        | 528                             | 2    | 7.78%                         | 397                             | 3    | 5.43%                         |
| Walmart                                  | Retail Trade           | 369                             | 3    | 5.44%                         | 647                             | 1    | 8.85%                         |
| Central Market                           | Retail Trade           | 278                             | 4    | 4.10%                         | 0                               |      | 0.00%                         |
| Home Depot                               | Retail Trade           | 139                             | 5    | 2.05%                         | 120                             | 6    | 1.64%                         |
| Safeway                                  | Retail Trade           | 128                             | 6    | 1.89%                         | 0                               |      | 0.00%                         |
| City of Poulsbo                          | Municipal Government   | 120                             | 7    | 1.77%                         | 84                              | 8    | 1.15%                         |
| Liberty Shores / Harbor House            | Healthcare             | 108                             | 8    | 1.59%                         | 0                               |      | 0.00%                         |
| Masterworks                              | Marketing              | 98                              | 9    | 1.44%                         | 0                               |      | 0.00%                         |
| Marine View Beverage                     | Distribution           | 91                              | 10   | 1.34%                         | 0                               |      | 0.00%                         |
| Raytheon Systems <sup>2</sup>            | Government Contracting |                                 |      |                               | 243                             | 4    | 3.32%                         |
| Powder Hill Group <sup>2</sup>           | Technical Services     |                                 |      |                               | 108                             | 7    | 1.48%                         |
| Courtesy Auto Group                      | Auto Dealership        |                                 |      |                               | 219                             | 5    | 2.99%                         |
| Paladin Data Systems Corp                | Professional Services  |                                 |      |                               | 65                              | 10   | 0.89%                         |
| Olympic Resource Management              | Natural Resources      |                                 |      |                               | 65                              | 9    | 0.89%                         |
| <b>Subtotal of Ten Largest Employers</b> |                        | 2901                            |      | 42.76%                        | 2416                            |      | 33.04%                        |
| All Other Employers                      |                        | 3883                            |      | 57.24%                        | 4897                            |      | 66.96%                        |
| <b>Total Poulsbo Employment</b>          |                        | 6784                            |      | 100.00%                       | 7313                            |      | 100.00%                       |

<sup>1</sup> Full and part-time employees are tracked<sup>2</sup> Office closed or moved out of City

Source: WA St Employment Security Department report with average employment and total city employment as of 2016 & 2006  
City of Poulsbo Finance Department

**FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION**  
**As of December 31, 2016**

| Function   | 2007         | 2008         | 2009         | 2010         | 2011         | 2012         | 2013         | 2014         | 2015         | 2016         |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| General Government:                                    |              |              |              |              |              |              |              |              |              |              |
| Executive (Mayor)                                      | 1.63         | 1.63         | 2.00         | 2.00         | 1.00         | 1.00         | 1.00         | 1.00         | 1.00         | 1.00         |
| Clerk's Department                                     | 4.00         | 4.00         | 4.00         | 4.00         | 3.00         | 3.00         | 3.00         | 2.00         | 2.00         | 2.00         |
| Finance Department                                     | 7.00         | 8.00         | 8.00         | 8.00         | 7.00         | 7.00         | 7.00         | 7.00         | 7.00         | 8.00         |
| Grant Writer   | 0.40         | 0.40         | 0.40         | 0.40         | -            | -            | -            | -            | -            | -            |
| Information Services                                   | 1.00         | 2.00         | 2.00         | 2.00         | 1.00         | 1.50         | 1.50         | 1.50         | 1.50         | 1.50         |
| Personnel  | 1.00         | 1.00         | 1.00         | 1.15         | 1.00         | 1.00         | 1.00         | 1.00         | 1.00         | 1.00         |
| Prosecutor   | -            | -            | -            | -            | -            | -            | -            | -            | 1.00         | 1.00         |
| Risk Management  | -            | -            | -            | -            | -            | -            | -            | 1.00         | 0.50         | 0.50         |
| Central Services                                       | 1.90         | 1.90         | 1.90         | 1.90         | 2.50         | 2.50         | 2.50         | 2.55         | 2.55         | 2.55         |
| Municipal Court  | 3.90         | 4.26         | 4.21         | 4.21         | 3.77         | 3.99         | 3.39         | 3.39         | 3.39         | 3.39         |
| Judicial:  |              |              |              |              |              |              |              |              |              |              |
| Police Department                                      | 20.00        | 22.00        | 22.00        | 21.00        | 19.00        | 19.50        | 20.30        | 20.80        | 20.82        | 21.50        |
| Engineering  | 6.00         | 6.45         | 5.95         | 5.95         | 5.63         | 5.63         | 5.63         | 5.95         | 6.45         | 6.33         |
| Streets  | 4.70         | 4.70         | 4.70         | 4.70         | 3.70         | 3.70         | 3.25         | 4.40         | 3.15         | 2.70         |
| Planning & Building                                    | 9.00         | 9.45         | 8.45         | 8.45         | 6.55         | 6.55         | 6.55         | 7.00         | 7.92         | 8.00         |
| Economic Environ.:                                     |              |              |              |              |              |              |              |              |              |              |
| Parks & Recreation                                     | 6.42         | 6.42         | 6.42         | 6.62         | 5.87         | 5.87         | 6.16         | 5.95         | 6.17         | 6.17         |
| Culture & Recreation:                                  |              |              |              |              |              |              |              |              |              |              |
| Parks & Cemetery                                       | 3.25         | 3.25         | 2.25         | 2.25         | 2.25         | 2.25         | 2.28         | 2.30         | 2.30         | 2.25         |
| Library  | 0.60         | 0.60         | 0.60         | 0.60         | -            | -            | -            | -            | -            | -            |
| Utilities & Environ.:                                  |              |              |              |              |              |              |              |              |              |              |
| Water  | 2.90         | 2.90         | 2.90         | 2.90         | 3.30         | 3.30         | 3.33         | 3.65         | 5.90         | 5.90         |
| Sewer  | 3.15         | 3.15         | 3.15         | 3.15         | 3.05         | 3.05         | 3.08         | 3.40         | 3.65         | 3.65         |
| Solid Waste  | 3.55         | 3.55         | 3.05         | 3.05         | 3.05         | 3.05         | 3.10         | 3.32         | 4.32         | 4.32         |
| Storm Drain  | 2.95         | 3.95         | 3.95         | 3.95         | 3.65         | 3.65         | 3.65         | 3.45         | 5.87         | 6.20         |
| General Facilities                                     | 1.00         | 1.00         | 1.00         | 1.00         | 1.00         | 1.00         | 0.83         | -            | -            | -            |
| Administration   | 5.00         | 5.10         | 5.10         | 5.10         | 3.88         | 3.88         | 3.85         | 3.48         | 3.48         | 4.10         |
| <b>Total Number of Full-Time Equivalent Employees:</b> | <b>89.35</b> | <b>95.71</b> | <b>93.03</b> | <b>92.38</b> | <b>80.20</b> | <b>81.42</b> | <b>81.40</b> | <b>83.14</b> | <b>89.97</b> | <b>92.06</b> |



Source: City of Poulsbo, Human Resources

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

|  | 2007   | 2008   | 2009   | 2010   | 2011   | 2012   | 2013   | 2014   | 2015   | 2016   |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| <b><u>Governmental Functions</u></b>                     |        |        |        |        |        |        |        |        |        |        |
| <b>General Government Other</b>                          |        |        |        |        |        |        |        |        |        |        |
| Number of bargaining groups represented                  | 2      | 2      | 2      | 2      | 2      | 2      | 2      | 2      | 2      | 2      |
| Number of city council meetings                          | 40     | 44     | 43     | 39     | 42     | 39     | 37     | 39     | 40     | 40     |
| Number of public records requests processed              | 73     | 79     | 87     | 88     | 75     | 83     | 119    | 165    | 130    | 275    |
| Number of pages of ordinances codified                   | *      | *      | *      | *      | *      | *      | *      | 145    | 150    | 254    |
| Number of passports processed                            | 1,024  | 1,018  | 1,015  | 617    | 805    | 783    | 723    | 814    | 715    | 742    |
| Number of business licenses issued                       | 1,575  | 1,351  | 1,563  | 1,404  | 1,463  | 1,639  | 1,629  | 1,729  | 1,825  | 1,944  |
| <b>Public Safety</b>                                     |        |        |        |        |        |        |        |        |        |        |
| Number of case reports filed                             | 2,090  | 1,783  | 1,698  | 1,746  | 1,552  | 1,595  | 1,391  | 1,354  | 1,766  | 1,760  |
| Number of citations issued                               | 2,325  | 985    | 1,223  | 1,250  | 1,155  | 1,031  | 1,415  | 1,503  | 1,467  | 1,358  |
| Number of calls for service                              | 12,942 | 12,234 | 12,842 | 13,744 | 13,591 | 12,139 | 11,653 | 12,473 | 12,429 | 12,215 |
| Number of responses to motor vehicle accidents           | 271    | 235    | 302    | 347    | 205    | 182    | 181    | 370    | 345    | 403    |
| Number of driving impaired citations issued              | 72     | 71     | 103    | 84     | 77     | 50     | 28     | 23     | 29     | 21     |
| Number of vacation house checks                          | 1,049  | 847    | 847    | 1,114  | 677    | 398    | 590    | 150    | 0      | 376    |
| Number of parking citations issued                       | 63     | 230    | 114    | 568    | 802    | 636    | 327    | 374    | 377    | 456    |
| <b>Transportation</b>                                    |        |        |        |        |        |        |        |        |        |        |
| Miles of streets maintained                              | 45     | 45     | 45     | 47     | 48     | 48     | 48     | 48     | 48     | 54     |
| Miles of sidewalks maintained                            | 47     | 48     | 49     | 50     | 50     | 50     | 50     | 50     | 50     | 64     |
| Number of hours spent street sweeping                    | 550    | 468    | 468    | 323    | 225    | 312    | 312    | 312    | 354    | 310    |
| Number of street signs maintained                        | 2,174  | 2,174  | 2,204  | 2,204  | 2,215  | 2,255  | 2,280  | 2,290  | 2,290  | 3,000  |
| <b>Culture and Recreation</b>                            |        |        |        |        |        |        |        |        |        |        |
| Number of parks maintained                               | 16     | 17     | 17     | 17     | 17     | 17     | 17     | 17     | 17     | 17     |
| Total acreage of parks/open space maintained             | 64     | 65     | 67     | 67     | 67     | 67     | 67     | 67     | 67     | 67     |
| <b>Economic Environment</b>                              |        |        |        |        |        |        |        |        |        |        |
| Number of new single family building permits issued      | 197    | 95     | 58     | 20     | 35     | 96     | 109    | 75     | 99     | 113    |
| Number of new commercial building permits issued         | 6      | 2      | 2      | 7      | 4      | 3      | 2      | 2      | 2      | 2      |
| Number of existing single family building permits issued | 69     | 59     | 47     | 57     | 52     | 50     | 61     | 69     | 128    | 146    |
| Number of existing commercial building permits issued    | 81     | 66     | 119    | 77     | 47     | 60     | 56     | 71     | 9      | 5      |
| Number of all other building permits                     | 116    | 74     | 61     | 74     | 64     | 53     | 49     | 73     | 314    | 347    |

## OPERATING INDICATORS BY FUNCTION

Last Ten Fiscal Years

|   | 2007  | 2008  | 2009  | 2010  | 2011  | 2012  | 2013  | 2014  | 2015  | 2016  |
|---|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| <b>Physical Environment</b>   |       |       |       |       |       |       |       |       |       |       |
| Number of right of way permits issued                               | 42    | 46    | 40    | 57    | 41    | 41    | 59    | 64    | 57    | 51    |
| Number of clearing & grading applications & permits issued          | 15    | 8     | 6     | 9     | 6     | 10    | 6     | 8     | 5     | 18    |
| Number of land use pre-applications reviewed                        | 47    | 30    | 16    | 14    | 15    | 12    | 16    | 14    | 14    | 25    |
| Number of land use commercial applications reviewed                 | 24    | 16    | 18    | 14    | 10    | 13    | 10    | 17    | 12    | 14    |
| Number of land use residential applications reviewed                | 31    | 12    | 16    | 14    | 9     | 9     | 10    | 10    | 17    | 7     |
| Number of land use un-classified <sup>1</sup> applications reviewed | 9     | 6     | 8     | 22    | 7     | 17    | 8     | 5     | 4     | 6     |
| Total Number of land use applications reviewed                      | 111   | 64    | 58    | 63    | 41    | 51    | 44    | 46    | 47    | 52    |
| <b>Business-Type Functions</b>                                      |       |       |       |       |       |       |       |       |       |       |
| <b>Water</b>  |       |       |       |       |       |       |       |       |       |       |
| Number of active water services                                     | 2,990 | 3,142 | 3,133 | 3,156 | 3,161 | 3,194 | 3,256 | 3,344 | 3,500 | 3,837 |
| Miles of watermain lines maintained                                 | 61    | 61    | 62    | 62    | 63    | 63    | 63    | 63    | 64    | 67    |
| Average number of water meters read monthly                         | 3,051 | 3,093 | 3,147 | 3,259 | 3,292 | 3,355 | 3,445 | 3,550 | 3,410 | 3,828 |
| <b>Sewer</b>  |       |       |       |       |       |       |       |       |       |       |
| Number of active sewer services                                     | 2,778 | 2,869 | 2,963 | 2,985 | 3,001 | 3,073 | 3,164 | 3,422 | 3,400 | 3,561 |
| Miles of sewermain lines maintained                                 | 33    | 34    | 34    | 34    | 34    | 34    | 34    | 34    | 34    | 47    |
| Number of pump stations maintained                                  | 9     | 9     | 9     | 9     | 9     | 9     | 9     | 9     | 9     | 9     |
| <b>Solid Waste</b>  |       |       |       |       |       |       |       |       |       |       |
| Number of residential garbage accounts                              | 2,430 | 2,746 | 2,623 | 2,641 | 2,668 | 2,785 | 2,897 | 3,022 | 3,040 | 3,196 |
| Number of multi-family units  | 1,012 | 1,012 | 1,102 | 1,102 | 1,102 | 1,012 | 1,022 | 1,022 | 1,022 | 1,022 |
| Number of commercial accounts                                       | 201   | 231   | 266   | 277   | 282   | 311   | 307   | 228   | 315   | 334   |
| Number of tons of waste to landfill                                 | 5,700 | 4,794 | 4,894 | 4,810 | 4,874 | 5,144 | 5,063 | 5,402 | 5,600 | 5,979 |
| Number of 3 day free dumpsters for residential clean-up provided    | 350   | 308   | 312   | 356   | 300   | 306   | 309   | 311   | 315   | 300   |
| <b>Storm Drain</b>  |       |       |       |       |       |       |       |       |       |       |
| Number of detention ponds maintained                                | 29    | 29    | 29    | 29    | 29    | 29    | 29    | 29    | 29    | 29    |

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

<sup>1</sup> 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

|   | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|------|------|------|------|------|------|------|------|------|------|
| <b>Governmental Functions</b>                   |      |      |      |      |      |      |      |      |      |      |
| <b>General Government</b>                       |      |      |      |      |      |      |      |      |      |      |
| Number of City vehicles (not listed below)      | 10   | 11   | 12   | 13   | 13   | 13   | 13   | 12   | 12   | 12   |
| Generators                                      | 1    | -    | 2    | 2    | 2    | 2    | 2    | 2    | 2    | 4    |
| <b>Public Safety</b>                            |      |      |      |      |      |      |      |      |      |      |
| Number of police vehicles                       | 21   | 22   | 23   | 21   | 22   | 20   | 21   | 25   | 24   | 25   |
| Number of police boats                          | 1    | 1    | 1    | 1    | 1    | 1    | 1    | 1    | 1    | 1    |
| <b>Transportation</b>                           |      |      |      |      |      |      |      |      |      |      |
| Number of vehicles (not specified below)        | 6    | 6    | 7    | 7    | 7    | 7    | 7    | 6    | 6    | 7    |
| Number of street sweepers                       | 1    | 1    | 1    | 1    | 1    | 1    | 2    | 2    | 2    | 2    |
| Number of dump trucks                           | 4    | 5    | 6    | 6    | 6    | 6    | 6    | 6    | 6    | 6    |
| Construction equipment                          | 7    | 7    | 8    | 8    | 8    | 8    | 8    | 10   | 11   | 13   |
| Miles of streets                                | 39   | 45   | 47   | 48   | 48   | 48   | 48   | 48   | **56 | 56   |
| Number of traffic signals                       | 9    | 8    | 8    | 8    | 8    | 8    | 8    | 9    | 9    | 9    |
| Number of bridges                               | 1    | 1    | 1    | 1    | 1    | 1    | 1    | 1    | 1    | 1    |
| <b>Culture and Recreation</b>                   |      |      |      |      |      |      |      |      |      |      |
| Number of vehicles                              | 1    | 1    | 1    | 1    | 1    | 1    | 1    | 1    | -    | -    |
| Number of boats <sup>1</sup>                    |      |      | 37   | 37   | 37   | 34   | 32   | 32   | 34   | 13   |
| Number of neighborhood parks <sup>2</sup>       | 3    | 8    | 10   | 10   | 10   | 10   | 10   | 11   | 11   | 9    |
| Number of community parks <sup>2</sup>          | 13   | 8    | 5    | 5    | 5    | 5    | 5    | 5    | 5    | 2    |
| Number of regional parks <sup>2</sup>           |      |      |      |      |      |      |      |      |      | 3    |
| Number of natural/open space sites <sup>2</sup> |      |      |      |      |      |      |      |      |      | 6    |
| Miles of trails <sup>2</sup>                    |      |      |      |      |      |      |      |      |      | 5.59 |
| Total park acreage <sup>3</sup>                 |      |      |      |      |      |      |      |      |      | 137  |
| Maintenance equipment                           | 5    | 5    | 5    | 5    | 5    | 5    | 6    | 6    | 6    | 8    |
| Number of indoor recreational facilities        | 1    | 1    | 1    | 1    | 1    | 1    | 1    | 1    | 1    | 1    |
| <b>Economic Environment</b>                     |      |      |      |      |      |      |      |      |      |      |
| Number of building dept vehicles                | 1    | 1    | 1    | 1    | 1    | 1    | 1    | 1    | 1    | 1    |
| <b>Physical Environment</b>                     |      |      |      |      |      |      |      |      |      |      |
| Number of engineering dept vehicles             | 4    | 4    | 4    | 4    | 1    | 1    | 1    | 1    | 1    | 1    |

<sup>1</sup>Information added to report in 2016. Data prior to 2009 is not available.

<sup>2</sup>Park data was previously categorized as Neighborhood or Community only. The data has been updated to be consistent with the categories and information reported in the City's 2016 Comprehensive Parks, Recreation, and Open Space Plan.

<sup>3</sup>Includes total acres for all Neighborhood Parks, Community Parks, Regional Parks, Natural/Open Space, and Trails.



## CAPITAL ASSETS STATISTICS BY FUCTION

Last Ten Fiscal Years

| Business-Type Functions             | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015  | 2016 |
|-------------------------------------|------|------|------|------|------|------|------|------|-------|------|
| <b>Water</b>                        |      |      |      |      |      |      |      |      |       |      |
| Generators                          | 2    | 2    | 2    | 2    | 2    | 2    | 2    | 2    | 2     | 3    |
| Miles of water mains                | 60   | 61   | 62   | 63   | 63   | 63   | 63   | 64   | **67  | 67   |
| Number of vehicles                  | 8    | 10   | 10   | 5    | 5    | 5    | 4    | 4    | 5     | 6    |
| Number of hydrants                  | 315  | 399  | 400  | 402  | 406  | 425  | 427  | 433  | **538 | 538  |
| <b>Sewer</b>                        |      |      |      |      |      |      |      |      |       |      |
| Generators                          | 3    | 4    | 4    | 4    | 4    | 4    | 4    | 4    | 4     | 7    |
| Number of vehicles                  | 3    | 4    | 4    | 5    | 5    | 5    | 5    | 5    | 4     | 4    |
| Number of construction vehicles     | 2    | 2    | 3    | 2    | 2    | 2    | 2    | 2    | 2     | 3    |
| Sewer inspection camera             | 1    | 1    | 1    | 1    | 1    | 1    | 2    | 2    | 2     | 2    |
| Treatment plants (Pumping Stations) | 8    | 9    | 9    | 9    | 9    | 9    | 9    | 9    | 9     | 9    |
| Miles of sewer mains                | 33   | 33   | 34   | 34   | 34   | 34   | 34   | 34   | **53  | 53   |
| <b>Solid Waste</b>                  |      |      |      |      |      |      |      |      |       |      |
| Number of garbage trucks            | 5    | 5    | 6    | 6    | 6    | 6    | 6    | 7    | 5     | 5    |
| <b>Storm Drain</b>                  |      |      |      |      |      |      |      |      |       |      |
| Number of vehicles                  | 2    | 3    | 3    | 3    | 3    | 3    | 3    | 4    | 2     | 3    |
| Number of vacuum trucks             | 1    | 1    | 1    | 1    | 1    | 1    | 1    | 1    | 1     | 1    |

\*\*In 2015 the City completed an update of GIS mapping for all water mains, sewer mains, hydrants, and streets. The data reflects this updated mapping as well as any increases in 2015.

Source: City of Poulsbo Fixed Asset Module, City of Poulsbo Departments, City 2016 Comprehensive Plan