



Comprehensive Annual Financial Report

For the fiscal year ended December 31, 2017

Cover Photo – Jon Jennings

**CITY OF POULSBO
WASHINGTON**

**COMPREHENSIVE ANNUAL FINANCIAL
REPORT**

For the fiscal year ended

December 31, 2017

Finance Director
Deborah Booher

PREPARED BY

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City of Poulsbo



June 26, 2018

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, 2017. 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 exceed \$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 2017.

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 continues to enjoy several dining options for City residents and visiting tourists, often being referred to as “Destination Dining”. A growing number of breweries and tasting rooms have located in Poulsbo. They are split in location between Downtown Poulsbo and Viking Avenue Corridor. 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. 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, 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.

Construction of a new transit center was completed in 2017 at the end of the Viking Corridor. Much of Viking Avenue has rebounded with new businesses taking up residence on the corridor including a new travel trailer dealership and nursery. Fishline, a local food bank is building a new larger facility to be completed in 2018. A new gas station with mini mart is under construction at the north end of Viking and set to be open in 2018. The Mayor and City Council continue to work actively with current business owners to support growth, stability and encourage economic stability.

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.

Commercial growth occupies both sides of State Highway 305 enjoying a healthy growing customer base. A business park campus located on Lincoln Hill, east of State Highway 305 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 located along the corridor. A brand-new drive-up Starbucks, car wash and paint store located on the SR305 corridor opened in 2017.

In 2015, due to Albertson's purchasing Safeway, the Albertson's that for more than 30 years had been located on the west side of the highway in a shopping complex closed their doors to focus their customer base to the newer larger Safeway store located on the other side of the state highway. The old Albertson's site remains vacant. The Mayor and Council continue to reach out to tenants who could support 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 more than 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 partners 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. There are several adjacent strip malls. The growing retail development has significantly helped diversify Poulsbo's resources.

Poulsbo continued to strongly rebound in 2017 from the prior economic downturn. Many revenues not only reached but surpassed the 2008 levels. Development revenues continued to grow in 2017 with many additional developments beginning the planning process. Several housing developments and multifamily homes are under construction. Many of the new developments have been completely sold prior to completion. At present, there is a shortage of available housing for both purchase and rental. Current and planned development is helping 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. 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.

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 an advantage to the City to prudently invest idle funds. The City contracts with an investment advisor to support managing the City's portfolio and provide recommendations to provide the City with investment recommendations with 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 funds 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 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 an adequate reserve balance to support fluctuations from the plan.

The City entered its inaugural year of the 2017-18 biennial budget. Looking out two years it was anticipated to use General Fund reserves in 2018, but with revenues exceeding projections and expenditures less than anticipated it is no longer anticipated to use reserves in 2018. This allows reserve balances to grow and be compliant with the City's Financial Management Policies.

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 2017-18 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, 2016.

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 2017 Comprehensive Annual Financial Report to the GFOA for review. The Certificate of Achievement is the highest form of recognition in Governmental Financial Reporting, and its award represents a 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 fluid and cursive, with the first name "Deborah" being more prominent than the last name "Booher".

Deborah L. Booher
Finance Director



Government Finance Officers Association

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

Presented to

**City of Poulsbo
Washington**

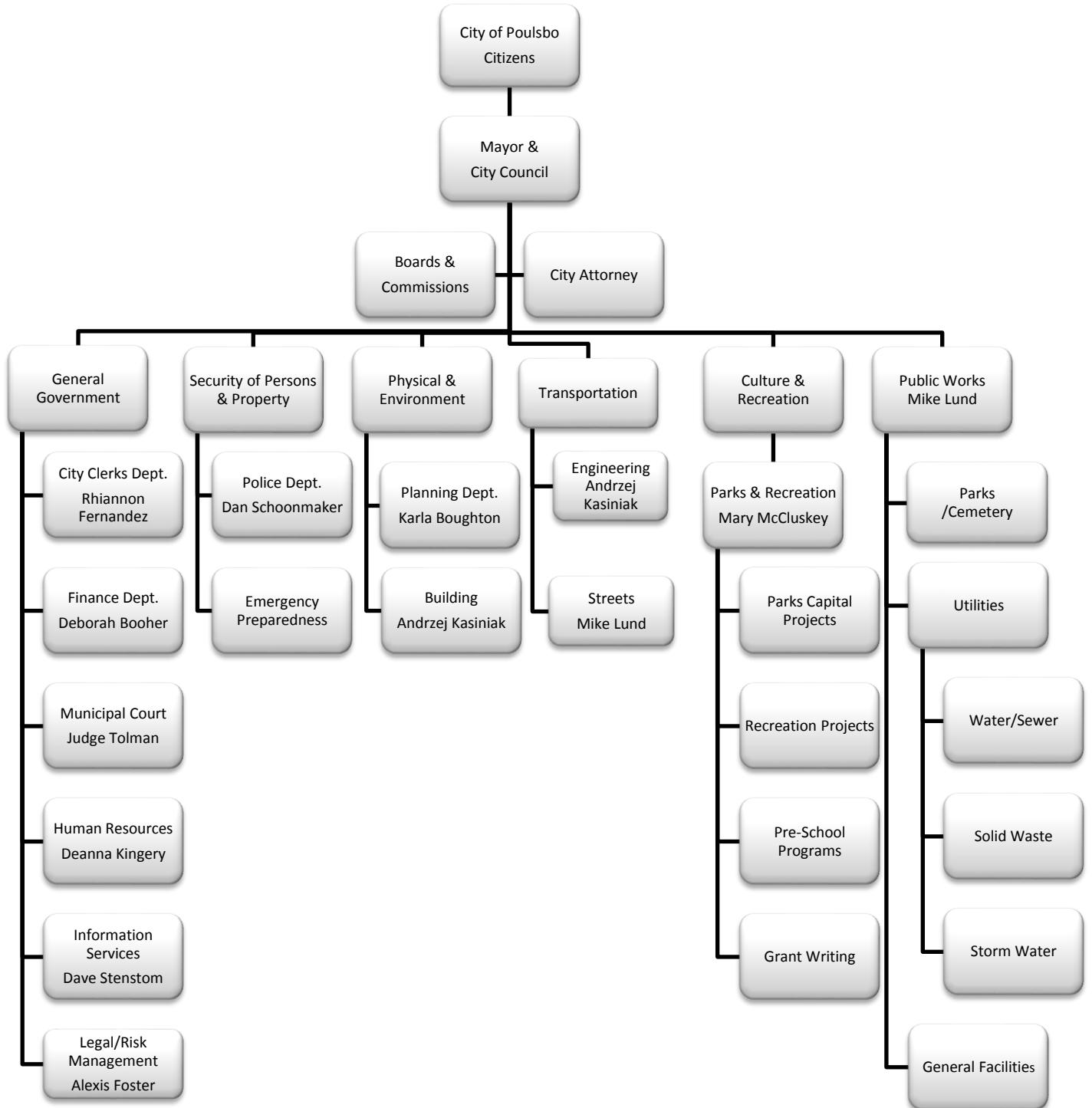
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2016

Christopher P. Morill

Executive Director/CEO

City of Poulsbo Organization Chart



City of Poulsbo Officials

As of December 31, 2017

Mayor

Becky Erickson

December 31, 2021

City Council

David Musgrove

December 31, 2021

Ed Stern

December 31, 2021

Vacant

December 31, 2021

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

Foster Pepper



Office of the Washington State Auditor
Pat McCarthy

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

July 18, 2018

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, 2017, 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, as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General and City Street funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed in the table of contents 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

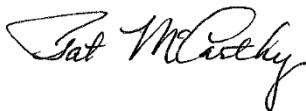
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining financial statements and schedules are presented for the purposes of additional analysis and is not a required part of the basic financial 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 Introductory and Statistical Sections are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we will also issue our report dated July 18, 2018, 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.

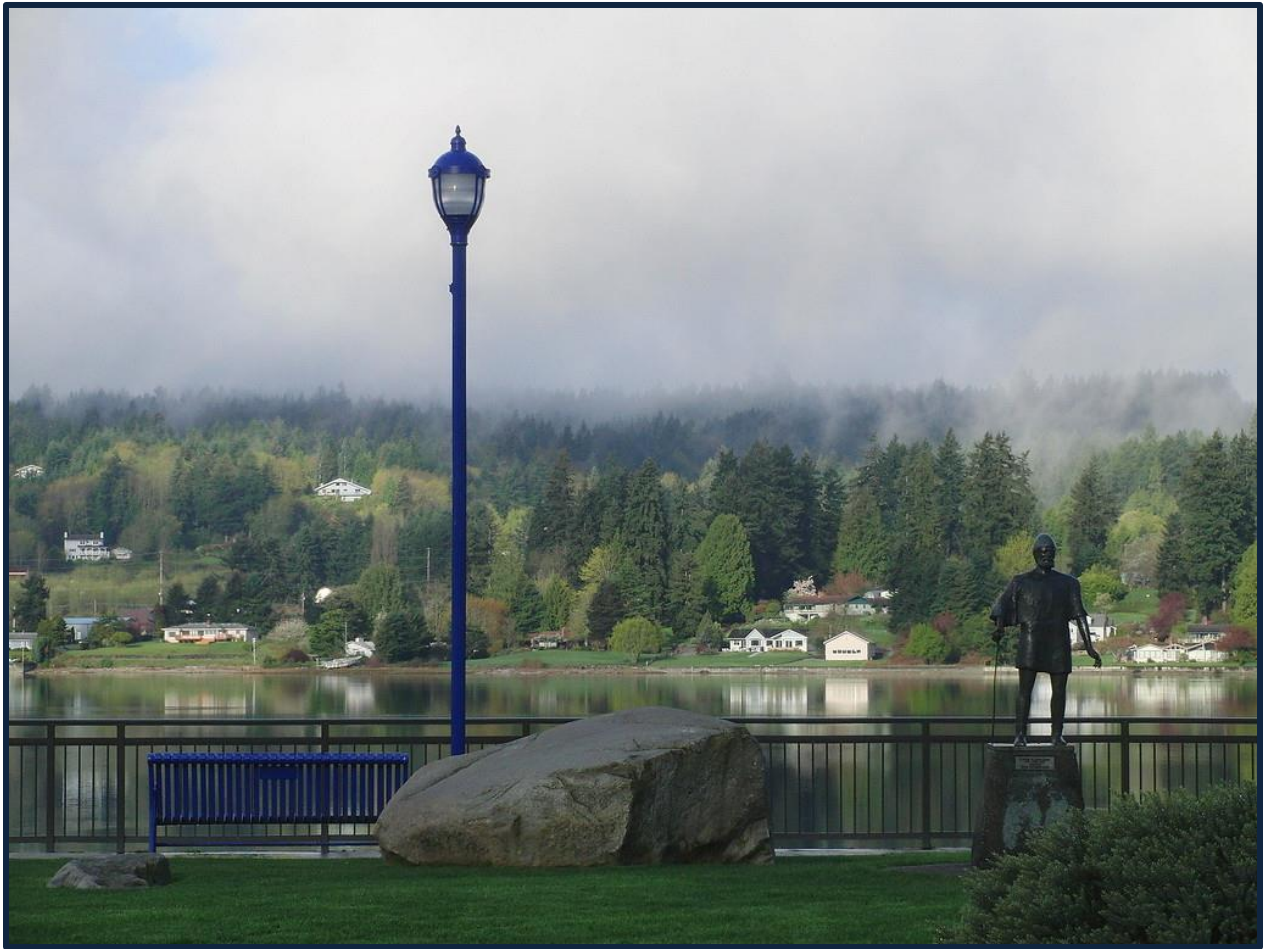
Sincerely,

A handwritten signature in cursive script that reads "Pat McCarthy".

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, 2017. 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 2017 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 biennial 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 2017 fiscal year by \$147 million (net position). Of this amount, \$19.3 million (unrestricted net position) may be used to meet the city's ongoing obligations to its citizens and creditors.
- Reported net position increased \$5.6 million. Net position of governmental activities increased \$2 million, or 2.89%, during 2017. Net position of business-type activities increased \$3.5 million, or 5.12%, during 2017. 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 current assets. The City contributed the Marine Science Center building to Western Washington University which will be providing curriculum and operating the museum for the public. The old City Hall property was sold in

2017. Both properties being eliminated from the City's inventory are reflected in a reduction to government assets.
- Construction of capital structures in the utility funds occurred in 2017. Pump stations and wells received large capital upgrades.
 - City's Pension Obligation are calculated and updated per GASB 68 standards and provided by Washington State Department of Retirement resulting in variance to deferred inflows, outflows and pension obligations. Large variations in 2017 are attributed to higher investment earnings in the plan and the City's proportionate share per the state's formula was adjusted. The proportionate share is adjusted annually and provided by Washington State Department of Retirement.
- Net investment in capital assets, increased \$3.4 million with the bulk of the increase occurring in business-type activities. Much of this is due to City projects being completed in 2017, including work on two sewer pump stations and wells. Other factors were contributed capital inclusive of connections fees and infrastructure from developers. Capital assets in governmental activities saw a reduction due to removing the Marine Science Center and old City Hall properties from City assets. Offsetting the decrease was an increase in contributed capital which was primarily two parcels for future park development. One parcel is connected to Fish Park and another is for a neighborhood park at the new housing development at Mountain Aire, located on the north side town.
 - Total liabilities decreased by \$1.3 million. Most of the decrease can be attributed to the reduction of Pension Obligation an entry per GASB requirements and calculated with guidance from the State Auditor's Office.
 - The book value of capital assets has increased \$2.7 million over 2016. Total capital assets from governmental activities decreased (\$921,267) or -1.2%. The decrease in governmental capital assets is primarily attributed to the sale of the Old City Hall property and contributing the Marine Science Center building to Western Washington University. Capital assets of business-type activities increased \$3.6 million or 6.8%. This is due to several projects, with some of the largest being two sewer pump stations, two water tank refurbishments and a small waterfront parking lot retrofit for storm drain purposes.
 - City governmental fund tax revenue has increased an average of 6.2% over the past five years. In 2017, the City saw an increase over the prior year of \$404,612. In 2017 the modified accrual timing basis was adjusted to reflect receipts within 60 days for revenues generated based on 2017 activity. This is a different measurement/timing period from prior years, which had been based on 20 days for the states recommended closing period. Although 12 months of revenue had been reflected, it was a change in the timing of the 12 months and recognition of receivables. Increased taxes in several funds were a result, but if material they are shown as prior year adjustments. About 1% of the average increase is due to the timing adjustment. Local sales tax is the largest revenue source for Poulsbo and was the primary contributor of the increase with an increase of \$257,115. The increase in sales tax is spread among many categories, with the largest category increases in Retail Trade, Construction, and Food Services. This helps provide assurance the increase is diversified and not dependent to one industry or one-time revenues, proving the hard work, the Mayor and Council have done to diversify development.
 - Utility taxes are reflecting a decrease in 2017 which much is due to Council reducing the City utility tax rates for water and sewer services from 9% to 6%. The 6% rate is consistent with other utility taxes. The lower rate helps to keep the utility rates lower as they are a factor when developing user rates. The overall decrease is smaller than what would have been reflected due to the yearend adjustment for change in measurement period.

- 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 to reflect a government’s intended use of resources.
 - 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 2017.
 - 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 \$11.5 million. Approximately 67% of this total amount, or \$7.7 million, is available for spending at the government’s discretion and 33% or \$3.8 million is non-spendable or restricted per debt or legal requirements.
- The ending unassigned fund balance for the General Fund was \$2.6 million or 22% of the total General Fund expenditures. The total General Fund balance amounts to \$5 million which equates 42% of General Fund expenditures. This is significantly higher than prior years due to the timing difference of modified accrual recognition period.

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.

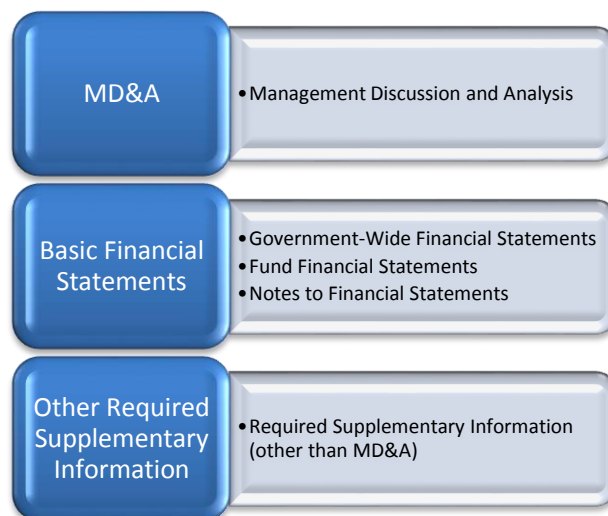
- Government-wide Financial Statements
- Fund Financial Statements
- Notes to the Financial Statements

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 2017. 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 government-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 as a whole 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 2017 and 2016. Governmental Activities net position has an increase of \$2.1 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 2017. 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. An increase in the Pension Asset and reduction in Pension Obligation, calculation per GASB requirements contributed to an increased ending Net Position. These numbers are calculated based on figures provided by Washington State Department of Retirement Systems.

The Business-Type Activities had an increase of \$3.5 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. Contributed capital increase is a combination of increased connection fees and infrastructure from developments contributed at the end of the project. Reduction in liabilities in large part can be attributed to 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. Construction of several business-type facilities including new pump stations, well rehabilitation, and new mains in congruence with road projects were completed or under construction in 2017.

The overall financial position for the City of Poulsbo has improved over the prior year. In 2017, assets exceeded liabilities by \$147 million, an increase of \$5.6 million or 4.0%. The largest portion of the City's net position, \$124 million or 84% 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

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL PRIMARY GOVERNMENT	
	2017	2016	2017	2016	2017	2016
Current and Other Assets	\$ 13,302,799	\$ 10,682,558	\$ 16,473,658	\$ 16,767,947	\$29,776,457	\$27,450,505
Capital Assets Net	76,625,263	77,546,529	56,724,089	53,110,319	133,349,352	130,656,848
Pension Asset	785,854	349,038	-	-	785,854	349,038
TOTAL ASSETS	90,713,916	88,578,126	73,197,747	69,878,266	163,911,663	158,456,391
Deferred Outflows of	1,072,532	1,434,378	152,903	248,931	1,225,436	1,683,309
Long-term Debt	10,454,217	10,709,798	187,650	172,584	10,641,867	10,882,382
Pension Obligation	2,590,380	3,362,927	945,719	1,244,154	3,536,099	4,607,080
Other Liabilities	2,350,274	2,253,409	790,040	894,527	3,140,314	3,147,936
TOTAL LIABILITIES	15,394,871	16,326,134	1,923,409	2,311,265	17,318,280	18,637,399
Deferred Inflows of Resources	644,808	67,134	161,112	22,411	805,920	89,545
NET POSITION						
Net investment in Capital	67,195,884	67,834,718	56,724,089	52,652,252	123,919,973	120,486,970
Restricted	3,754,620	2,416,841	-	313,400	3,754,620	2,730,241
Unrestricted (deficit)	4,796,265	3,367,677	14,542,041	14,827,869	19,338,306	18,195,546
TOTAL NET POSITION	\$75,746,769	\$73,619,236	\$71,266,130	\$67,793,521	\$147,012,899	\$141,412,756

The City's total restricted net position amounts to 2.6%. 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.

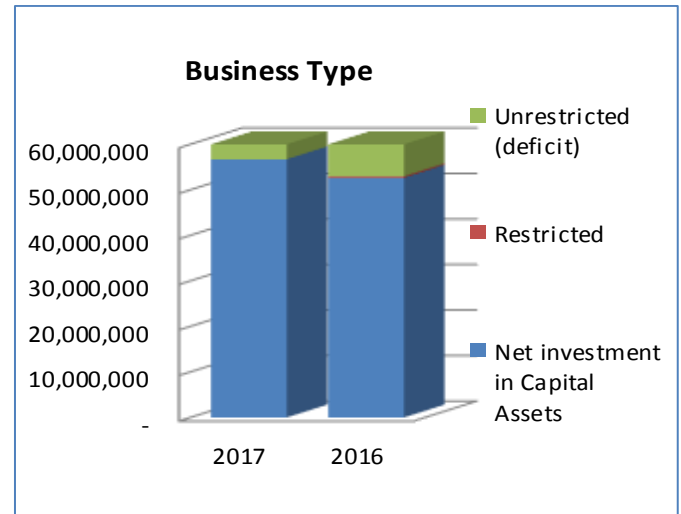
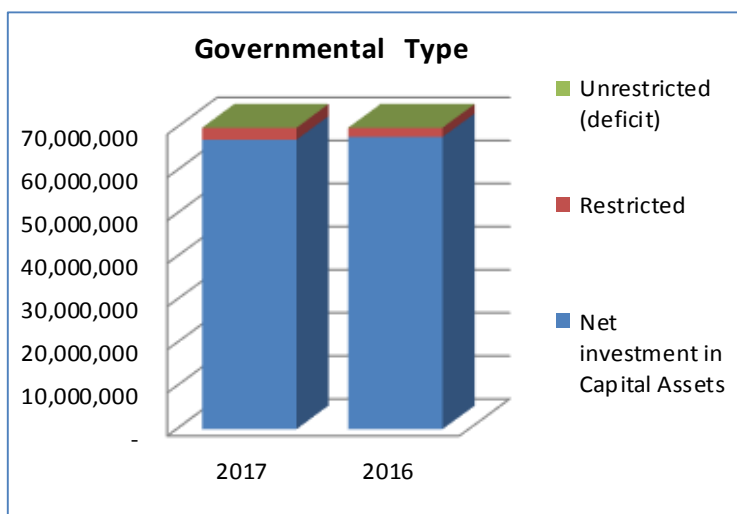


Table 2 illustrates changes in net position for the years 2017 and 2016. This is a condensed version of the Statement of Activities for the City. The revenues for 2017 show an increase in Capital Grants/Contributions attributed to a combination of Impact fees collected for transportation and park development which occurred in 2017.

Table 2-Changes in Net Position

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL PRIMARY GOVERNMENT	
	2017	2016	2017	2016	2017	2016
Revenues						
Program Revenues						
Charges for Services	\$ 2,272,811	\$ 2,492,172	\$ 9,214,846	\$ 8,733,046	\$ 11,487,657	\$ 11,225,218
Operating Grants/Contribr	977,832	710,043	8,195	84,948	986,027	794,992
Capital Grants / Contribr	2,403,489	1,633,211	2,291,492	2,234,980	4,694,982	3,868,191
General Revenues						
Property Taxes	2,400,282	2,264,194	-	-	2,400,282	2,264,194
Retail Sales & Use Tax	3,985,840	3,742,485	-	-	3,985,840	3,742,485
Business Taxes	2,743,783	2,708,005	-	-	2,743,783	2,708,005
Investment Earnings	107,482	76,833	61,650	54,780	169,132	131,613
Other	(751,097)	15,309	(18,442)	922	(769,539)	16,231
Total Revenues	14,140,422	13,642,252	11,557,741	11,108,678	25,698,164	24,750,929
Program Expenses						
General government	1,386,987	1,776,629	-	-	1,386,987	1,776,629
Judicial	401,814	383,968	-	-	401,814	383,968
Security of Per & Prop	3,495,629	3,327,528	-	-	3,495,629	3,327,528
Utilities & Environment	524,341	506,396	-	-	524,341	506,396
Transportation	2,998,467	2,922,462	-	-	2,998,467	2,922,462
Economic Environment	1,031,024	999,731	-	-	1,031,024	999,731
Mental & Physical Health	245,572	131,162	-	-	245,572	131,162
Culture & Recreation	1,400,013	1,469,255	-	-	1,400,013	1,469,255
Interest Long-Term Debt	378,391	391,781	-	-	378,391	391,781
Water	-	-	1,625,472	1,692,690	1,625,472	1,692,690
Sewer	-	-	2,716,954	2,686,558	2,716,954	2,686,558
Solid Waste	-	-	2,096,082	1,759,556	2,096,082	1,759,556
Storm Drain	-	-	1,647,010	1,676,166	1,647,010	1,676,166
Total expenses	11,862,238	11,908,913	8,085,518	7,814,970	19,947,756	19,723,883
Excess (deficiency)	2,278,185	1,733,339	3,472,223	3,293,707	5,750,408	5,027,046
Changes in Net Position	2,278,185	1,733,339	3,472,223	3,293,707	5,750,408	5,027,046
Beginning Net Position	73,619,236	71,904,619	67,793,907	64,499,813	141,413,143	136,404,432
Prior Year Adjustments	(150,651)	(18,722)	-	-	(150,651)	(18,722)
Ending Net Position	<u>\$ 75,746,769</u>	<u>\$ 73,619,236</u>	<u>\$ 71,266,130</u>	<u>\$ 67,793,521</u>	<u>\$ 147,012,899</u>	<u>\$ 141,412,756</u>

GOVERNMENTAL ACTIVITIES

Revenues

Taxes account for the largest revenue category in the governmental funds, generating 59% of the total revenue. Much of tax revenue is received in the General Fund accounting for 90% 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 \$9,082,043.

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 2017 was \$1,487,955,331. The assessed value showed an increase from the prior year primarily due to new construction of several new housing developments and some commercial development. In 2017 the City did not levy the 1%, but chose to bank for the intended 2018 levy. For 2017, the City's regular property levy tax rate was \$1.58 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 6% increase in 2017. The increase over the prior year is due to a growing economy and development in Poulsbo. Not only are vacancies minimal in retail establishments, but new retail establishments opened in 2017. Many categories saw increases, with the largest being in Retail Trade. A new travel trailer dealership opened their doors in 2017, while others expanded their operations, such as a used car dealership grew their footprint and a Starbucks moved to a new drive up facility. Consistent with construction being the next category to show the highest increase, home repair and garden stores category continues to show an increase. It is anticipated to see continued 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.

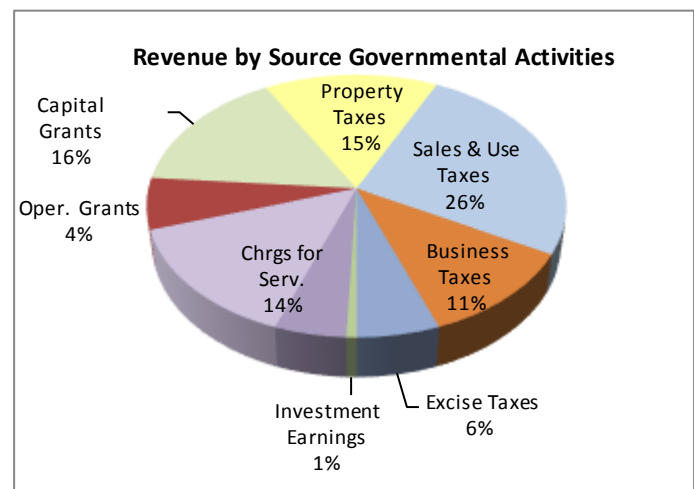
In 2017, sales tax received in the City's General Fund totaled \$3,694,558. The City allocates a portion of sales tax revenue to other funds supporting capital equipment purchases.

Much of sales tax revenue (57%) comes from the retail trade category. The next largest sales tax categories are Accommodations and Food Services (12%) and Construction (11%). Retail development continues to be diversified 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 19% of the governmental tax revenue. The utility rate for City water and sewer City owned utilities was reduced from 9% to 6% in 2017. The tax on water and sewer has

seen several changes over the past 6 years. It was a goal of the Council to get the rate back down to 6% which is consistent with other utility tax rates. This resulted in a slight decline in utility taxes, however it was strategic.

Excise Taxes are admissions tax, leasehold, and real estate excise tax (REET). Most of these taxes are due to REET. Revenues fluctuate due to the change in the economy and home sales. There was slight growth (2%) in 2017 over 2016, however the actual dollars exceeded projections. The City uses the revenue generated by REET to fund debt payments related to the City Hall and transportation capital projects. Reserves are growing at a steady rate and will be used for future capital transportation 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.

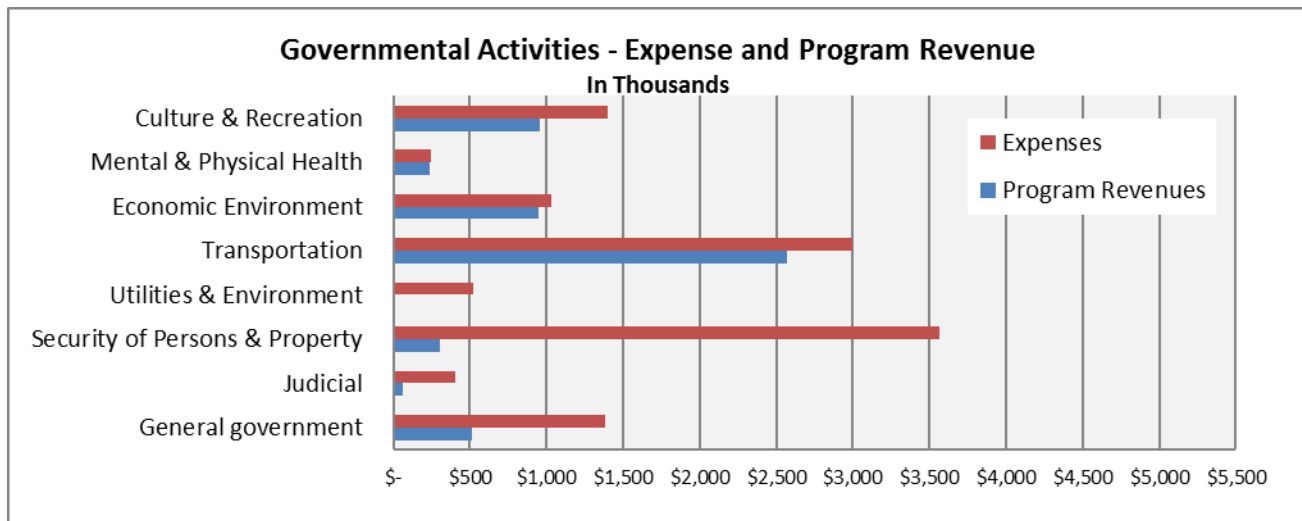
Transportation services provide maintenance of the City's streets, sidewalks, paths and traffic control signs/signals.

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

Mental and Physical Health services include an interlocal agreement with Kitsap Public Health District the City's support towards a 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. Also reported under this program are expenditures related to the Mental Health Grant to help the court systems in providing direction to resources a citizen can utilize for their needs.

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.



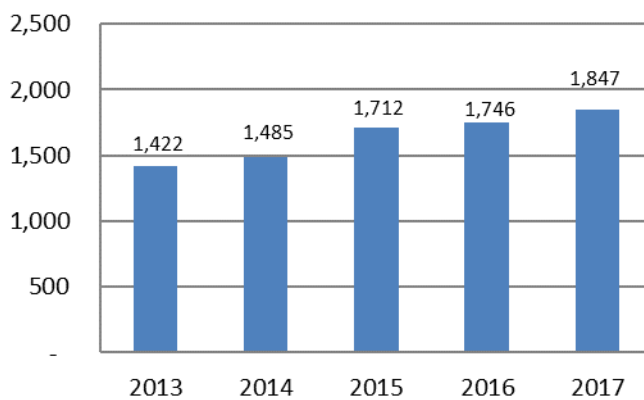
BUSINESS-TYPE ACTIVITY

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 for planned growth.

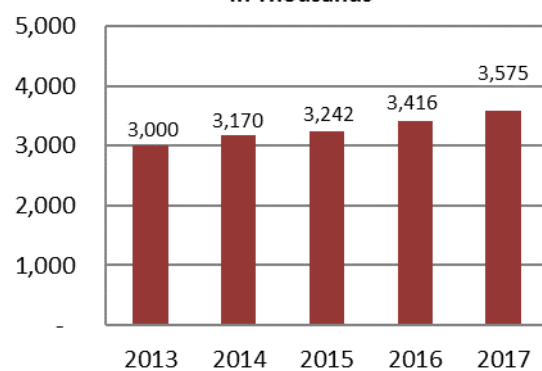
Key elements of the increases are as follows:

- There was a cost of living adjustment (COLA) for 2017, which resulted in an increase to utility rates creating an increase of revenue in 2017.
- Growing number of developments, connections and customers provides more operating revenue.
- Solid Waste updated their technology and made operational changes so customers were correctly charged for garbage overage. This change is reflected in the 2017 increased revenue.

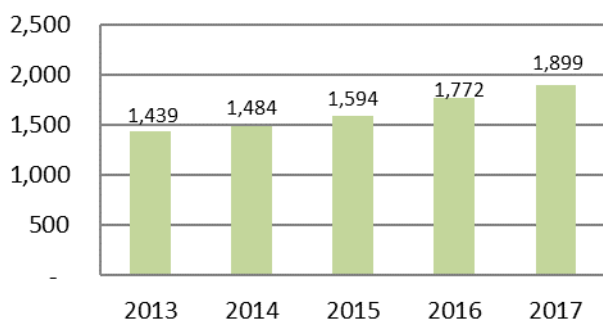
Water Service Charge Revenue
In Thousands



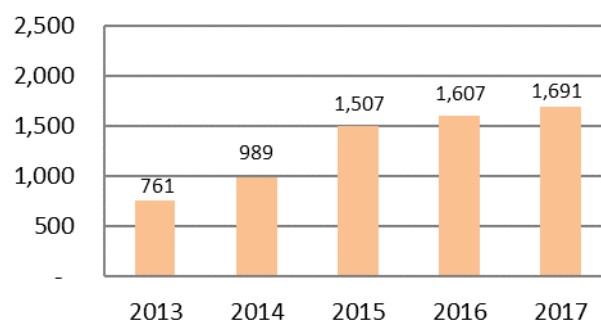
Sewer Service Charge Revenue
In Thousands



Solid Waste Service Charge Revenue
In Thousands



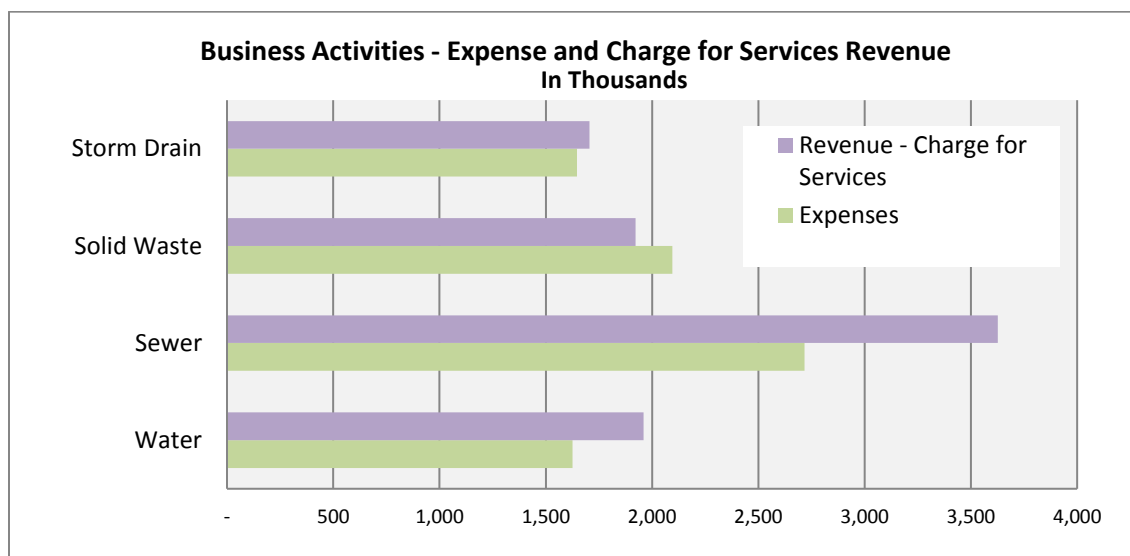
Storm Drain Service Charge Revenue
In Thousands



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 2017, business activity program revenues exceeded expenditures because rates were set to accommodate future capital improvements for a fully functioning system. Utilities, except for Solid Waste, implemented updated functional plans with rates to fund operating expenses and future improvements. The City prepared a functional plan for the solid waste system for the first time in 2017. As the chart below illustrates, Solid Waste's revenues did not support the expenditures in 2017. Rates increased effective 2018 to support ongoing operations and replace outdated equipment. 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 33. 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 City Street Fund as a major fund. There has been a lot of activity in maintaining City Streets and making improvements for pedestrian safety. It was decided to highlight the funds allocated to maintaining the streets, sidewalks and right of ways. 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 \$15.4 million and expenditures of \$14.2 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 in the General Fund supporting governmental functions of the City.

The Fund Balance for the General Fund has increased by 53%. The City's revenues were greater than expenditures in 2017; 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. Another large contributor to General Fund Balance is due to the modified accrual recognition timing difference. This reflected in a prior period adjustment and additional months of revenue for the modified accrual, but small change in the government wide statements. Transfers to other funds for projects or reserving for future use were greater in 2017, creating more funds for future capital. An additional transfer for transportation was made in 2017 allocating funds for road preservation. The General Fund reserves still maintains a healthy fund balance and meets the criteria of the Financial Management Policy.

Use of reserves was 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 2017
- 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

Restricted Fund Balance was added to the General Fund as resources for Public Education Government (PEG) fees with resources restricted by the City's cable franchise agreement and substance abuse funds restricted by state law. In the past these funds were either fully utilized or sent to other agencies to support the function. In 2017 the City accumulated funds for future use.

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

- **City Street Fund:** The fund records revenue and expenditures for maintaining City streets, sidewalks and right of way. Resources consist of state shared gas tax, right of way permits and transfers of general revenues, primarily from the General Fund. In 2017, the City maintained the streets with street sweeping, lane striping and markings, paid City street lights utility charges, completed bridge inspections at Lindvig Avenue crossing Dogfish Creek, maintained street signal lights and installed benches at several City locations next to sidewalks providing a space for walkers to rest.
- **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 2017, there were large Capital Grants due a combination of connections fees and housing developments contributing capital in the form of infrastructure improvements.
 - All utility funds saw increases in charges for services as they have cost of living inflators built into their rates.
 - 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 100. The significant budgetary changes in the General Fund include:

- The final General Fund revenue budget increased less than 1%, or \$107,216 of the original adopted budget. This was due to several increases including; the mental health services grant, investment earnings and transfers from capital reserves for specific expenditures and items not meeting the capital threshold.
- The final General Fund expenditure budget increased by approximately 1.3%, or \$157,914. The increase can be attributed to several items, but the main adjustments are:
 - Wages and benefits increased with the largest adjustment due to cash outs of leave for retiring employees
 - Insurance premium being higher than projected
 - Expenditures related to the mental health services grant
 - Prior period adjustments the largest being a study for a rock wall, which never resulted into a capital project
 - One time increase to the Police Department training budget
 - Increase for small tools and equipment paid with the proceeds of the Suquamish mitigation fund grant. The grant funded the purchase of updated tasers and a new equipped mobile unit incident trailer to support the City and surrounding areas
 - Repairs to the caretaker's residence at Nelson Park
 - Professional services for Engineering services specific to several ongoing projects such as transportation update, neighborhood streets evaluation and Marine Science Center short plat
 - City share of funds for a collaborative study regarding the SR 305 traffic study
 - Professional services to support economic development staffing changes and allocating funds for professional services to address the heavy workload in 2017
 - Funding for debt related to vehicle purchases; 9 police and 1 building vehicles
- The General Fund amended budget anticipated the ending Fund Balance to increase \$644,684 over the original projected ending Fund Balance. This increase is primarily due to the actual beginning balance being higher than the original projection.

All Funds: Per Council direction, Budget verses Actual is monitored regularly and any variations more than 15% are highlighted. Some areas of variance highlighted were:

- Revenue from indirect allocation. When the formula was adjusted to actual 2017 figures, the revenue was higher than anticipated.
- Revenues related to development fees were larger than anticipated
- Contribution due to closing of the Poulsbo Library Capital Facility funds from the County to the City. Funds are to be used for capital improvements at the library. It is anticipated the City will turn the funds over with the building to the Library district. The district is anticipating their use towards a new roof on the building.
- Legal expenditures were less than anticipated
- Jail costs higher than projection, some of it related to the medical costs of inmates.
- Real Estate Excise Tax higher than projected. Home sales due to developments were higher and sooner than anticipated and change in ownership of some large commercial transactions occurred in 2017.
- Capital projects and grants were not completed as per projected and most will carry over into 2018

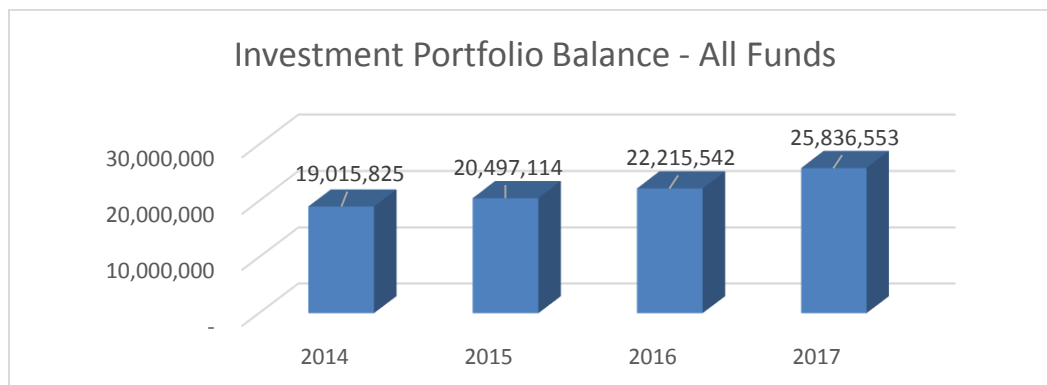
- Unanticipated drug seizure and property seizure revenues were collected
- Donations for new benches at City parks, cemetery and right of ways were collected

Copies of the City's Budget and Budget-in-Brief are available on our website www.cityofpoulsbo.com. The complete budget provides details of the City's plans for using its resources during the biennial cycle and may also be obtained by contacting our Finance Director at 360-394-9720 or dboohar@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 substantial growth in 2017 is due to a couple factors: the amount of cash has increased due to revenue growth, and more funds were invested leaving less funds in the City's checking account. Funds still maintain adequate liquidity, but provide higher investment earnings as the rates have continued to increase.



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: \$9.1 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 \$223,105.

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 final payment was 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 (\$1,633,068,314), or \$24,496,025;
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 (\$1,633,068,314). For 2018, the City's limit is \$40,826,708 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 2017:

This Debt is controlled by assessed Valuation Debt Limits							
				2018 Assessed Valuation	\$ 1,633,068,314		
X	0.025	=	\$	40,826,708	Limited for Combined Debt	Balance Available	\$ 31,764,670
X	0.015	=	\$	24,496,025	Limited for Non-Voted Debt	Balance Available	\$ 15,433,987

Additional information on the City's debt is provided in Note 8, "Long-Term Debt" and may be found on page 71 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. A large purchase funded by a debt issue was for a fleet of nine new police vehicles and one vehicle for the Engineering/Building Department. Replacing vehicles had been delayed and slowed to allow more funds to be available for services provided by the City. This allowed the City to replace half of their aged fleet in 2017.

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 2017 the City tested the results of chip sealing three areas to lengthen the life of the road and delaying a full road overlay. The program was a success and the City will continue with this process for other neighborhood streets that qualify for the interim improvement. The City continually struggles to direct more efforts to

building maintenance programs and plans for future renovation and replacement, but does address the requirement during the Capital Improvement Plan process by highlighting the necessary ongoing maintenance costs. An annual transfer of \$25,000 is made to the capital facilities fund to build a reserve balance for some of the large ticket items which will need to be replaced in the future at the end of their life. 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 2017 is primarily in business type activities. Two sewer pump stations had a major update and repairs to some of Poulsbo's water tanks occurred and will continue into 2018. A large project commenced at the end of 2017 to repair and line a major sewer main. A project on Noll Road, occurring over several years and phases, continued the design and right of way purchase process in 2017. 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, parks and streets throughout developments. There will be many Capital projects in 2018 with much of the focus continued to be on the Noll Road corridor project and on Finn Hill, funded with a combination of grants, traffic mitigation fees and contributions from the County for their portion of the project. Additional information on the City's capital assets is provided in Note 5, beginning on page 60.

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

	<u>GOVERNMENTAL ACTIVITIES</u>		<u>BUSINESS-TYPE ACTIVITIES</u>		<u>TOTAL</u>	
	2017	2016 Restated	2017	2016 Restated	2017	2016 Restated
Land/Intangibles	\$ 31,126,858	\$ 31,210,860	\$ 2,272,345	\$ 2,160,490	\$ 33,399,203	\$ 33,371,350
Buildings	12,312,666	13,249,388	5,598,112	5,634,056	17,910,778	18,883,443
Other Improvements	1,334,532	1,076,709	347,557	459,219	1,682,090	1,535,927
Infrastructure	29,025,842	29,820,561	42,900,127	42,785,296	71,925,969	72,605,858
Intangibles (Depreciable)	129,750	79,561	107,208	145,248	236,958	224,810
Machinery & Equipment	1,394,994	903,665	1,025,162	760,904	2,420,156	1,664,569
Work in Progress	1,300,620	1,174,919	4,473,578	1,165,493	5,774,198	2,340,411
Totals	\$ 76,625,263	\$ 77,515,662	\$ 56,724,089	\$ 53,110,706	\$ 133,349,352	\$ 130,626,368

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, business and occupation, 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 2012. 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 2017 and is expected to continue at a strong pace in 2018, with many projects going through the planning and permitting process. At present there is an inventory shortage for housing in both owning and renting. Helping to alleviate some of the demand, there are several multifamily structures under construction. At least two were completed in 2017 and a few more are under construction and expected to be complete in 2018. Commercial construction was completed in 2017, including a local car wash, a new drive-up Starbucks and a paint supply store adding to the retail tax base. Under construction is a new gas station-mini mart set to open in 2018. The City continues to grow and maintain

strong revenues because of diversification, promotion of economic development and sound financial policies.

In 2017 the City adopted its first biennial budget and the City Council maintained the practice of developing conservative but realistic projections. A mid-year budget modification was passed updating budgets to be consistent with the City's amended Capital Improvement Plan and additional requests approved for funding by the Council. Revenues generated were higher than estimated and conservative spending created a higher level of cash to support the additional budget modifications and create higher 2018 beginning balances.

Sales tax rates in the county were increased .3% by a vote of the people. The tax is to be utilized by Kitsap Transit to develop and run a foot ferry system. The funds were also promised to reinstate several services which had been reduced or removed during the economic downturn. Increased services are expected to provide an economic advantage to live and visit the Kitsap Peninsula, however the higher sales tax will increase the cost of providing business. Rates are still slightly less than surrounding King and Pierce Counties.

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. 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. Projection for 2018 increased by the 1% allowable by law and the banked capacity gained in 2017.

As was Council's goal to reduce utility tax for water and sewer, the 2016 rate of 9% was lowered to 6%. The lower amount is consistent with other utility taxes collected in the City. Long range functional plans have been prepared using a 6% utility tax figure.

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. In 2017 a functional plan was prepared with new rates adopted for 2018 to support maintenance and build reserves intended for capital purchases and projects. In 2018 the City is renegotiating the agreement for recycling services. Recycling rates have had minimal increases over several years. New mandates and the economic impact of China not purchasing recycling, the rates are going to need a substantial increase. Solid waste rates are one rate with recycling and taxes included in the rate. Most likely the rates will need to be increased again in early 2018 to support the rates being imposed by the contracted recycling vendor.

The City must participate with the County for sewer plant upgrades and other capital improvements supporting the treatment of Poulsbo's sewage. Rates and capital plans have been built to support these requirements. The City is set to contribute their share of the capital improvements to the regional treatment plant pump stations necessary to process Poulsbo's sewage flow. The expenditures were planned in 2017, but will be carried over into 2018 waiting on final figures from the County. The City intends to use connections fees banked with the County and issue revenue debt for the remainder. It is anticipated to issue revenue debt for approximately \$7.5 million.

Several large construction projects continued in 2017. The 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 obtained to complete the project. Negotiations for the right of ways have been ongoing and many are expected to transact in 2018. Much of the project is grant and impact fee funded, but in a couple years may require a General Obligation debt issue for the City's financial match. The debt issue will most likely not occur until 2019-20. The City is still actively looking for grants to support the additional funding requirement.

The City is the lead agency in the County administering a grant for a mental health program to support the court and law enforcement systems. The program provides direction for options to support persons who may benefit from help with mental health and chemical dependencies. The grant ends at the end of 2018, but the program is hoping to continue by working with other surrounding agencies and possible legislation to support an ongoing program for the City and surrounding areas.

Daytime population is much higher for the City 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) allowing the ability to purchase water and provide water services in new development areas in the west end of the City. 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 at peak hours. The City also provides sewer, garbage and storm drain service and receives utility taxes for these services.

The state adopted an operating budget, but did not pass the capital budget until almost a year later. Several grants anticipated for the City for transportation and parks projects were included in the budget. The projects have now been funded, but delayed so they will commence a year later than anticipated.

A change to retirement rates for Law Enforcement personnel (LEOFF) was approved. The state would not supplement their portion (3%) of the rate for any services provided by the City to non-LEOFF employers. This went into effect July 1, 2017. This required the City to set new rates and processes to account and report for the additional fee.

New legislation regarding small cell towers is being proposed. The first round was not approved, but changes were made and sent through the next session. It too was not approved, but the City anticipates continued push for this legislation. The small cell towers would be installed in the City's right of ways and limit the City's authority and revenue for the towers. The City will be working with the City Attorney for a resolution to best protect the City's control and resources.

The Mayor and City Council continue to be proactive with other agencies to monitor and lobby for regulations to minimize impacts to the City, and provide more funds for City services. A lobbyist was hired and is working hard to achieve legislative support and action on items which may impact the City.

An allowable fee the City may be able to implement through council 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 are imposed on retailers. The majority of funds will remain at the state level. Allocation of shared revenues is distributed to local jurisdictions, but only 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.

The local Olympic Community College has partnered with Western Washington University to offer a growing number of 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 City has officially turned over the Marine Science Center building on Poulsbo's waterfront to Western Washington University to operate the program. This will eliminate any building maintenance or operation expenditures for the City and allow citizens to benefit from a Marine Science Museum and educational programs.

The City is correcting property lines for the Library operated by the Kitsap Regional Library District. The intention is for the District to take ownership of the building and all associated maintenance and operational costs. The library's capital facility district dissolved in 2017 and the remainder of approximately \$119,000 was turned over to the City. These funds, intended to be used for a new roof, will be turned over to the library district with 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 or Deborah Booher, Finance Director at (360) 394-9720, dbooher@cityofpoulsbo.com.



**STATEMENT OF NET POSITION
DECEMBER 31, 2017**

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets			
Cash and Cash Equivalents	825,288	\$ 257,504	\$ 1,082,793
Investments	10,473,438	15,363,114	25,836,553
Receivables: <i>Net of Uncollectibles</i>			
Taxes	1,200,038	-	1,200,038
Customer Accounts	220,703	797,165	1,017,868
Special Assessments	18,961	-	18,961
Other Receivables	100,754	-	100,754
Due from Other Governments	75,728	16,696	92,423
Inventories	5,883	37,679	43,562
Prepaid Items	-	1,500	1,500
Restricted Assets:			
Investments	233,334	-	233,334
Note Receivable	148,672	-	148,672
Capital Asset not being depreciated:			
Land & Right of Ways	31,126,858	2,272,345	33,399,203
Construction in Progress	1,300,620	4,473,578	5,774,198
Capital Assets (net of accumulated depreciation):			
Buildings and Structures	12,312,666	5,598,112	17,910,778
Other Improvements	30,360,374	43,247,685	73,608,058
Machinery and Equipment	1,394,994	1,025,162	2,420,156
Intangibles	129,750	107,208	236,958
Pension Asset	785,854	-	785,854
Total Assets	90,713,916	73,197,747	163,911,663
Deferred Outflows of Resources			
Deferred Amount of Refunding	572,266	-	572,266
Pension	500,266	152,903	653,169
Total Deferred Outflows of Resources	1,072,532	152,903	1,225,436
Liabilities			
Current Payables:			
Accounts/Claims	481,881	674,970	1,156,851
Employee Wages	442,577	84,644	527,221
Interest	32,160	-	32,160
Unearned Revenues	80,302	2,948	83,250
Customer Deposits	439,859	6,627	446,486
Long-Term Liabilities:			
Due within one year	873,496	20,850	894,346
Due in more than one year	10,454,217	187,650	10,641,867
Pension Obligation	2,590,380	945,719	3,536,099
Total Liabilities	15,394,871	1,923,409	17,318,280
Deferred Inflows of Resources			
Pension	644,808	161,112	805,920
Total Deferred Inflows of Resources	644,808	161,112	805,920
Net Position			
Net Investment in Capital Assets	67,195,884	56,724,089	123,919,973
Restricted for:			
Public, Educational, Governmental Cable	39,793	-	39,793
Substance Abuse Program	2,963	-	2,963
Capital Purpose	3,271,439	-	3,271,439
Drug Enforcement	73,348	-	73,348
Criminal Justice	110,381	-	110,381
Promoting Downtown Businesses	57,869	-	57,869
Promoting Tourism	88,701	-	88,701
City Beautification-Expendable	2,744	-	2,744
City Beautification-Nonexpendable	91,016	-	91,016
Debt Service	16,366	-	16,366
Unrestricted	4,796,265	14,542,041	19,338,306
Total Net Position	75,746,769	\$ 71,266,130	\$ 147,012,899

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

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

Page 1 of 2

		Program Revenues		
		Charges for	Operating Grants	Capital Grants and
	Expenses	Services	and Contributions	Contributions
Governmental activities:				
General government	\$ 1,386,987	\$ 415,833	\$ 150,648	\$ -
Judicial	401,814	58,842	211	-
Security of Persons & Property	3,495,629	123,696	179,142	-
Utilities & Environment	524,341	4,800	-	5,600
Transportation	2,998,467	144,829	234,180	2,191,266
Economic Environment	1,031,024	949,198	-	-
Mental & Physical Health	245,572	-	235,624	-
Culture & Recreation	1,400,013	575,614	178,027	206,623
Interest on Long-Term Debt	378,391	-	-	-
Total Governmental Activities	11,862,238	2,272,811	977,832	2,403,489
Business-Type Activities:				
Water	1,625,472	1,960,128	-	872,088
Sewer	2,716,954	3,626,637	-	737,361
Solid Waste	2,096,082	1,922,024	-	-
Storm Drain	1,647,010	1,706,057	8,195	682,044
Total Business-Type Activities	8,085,518	9,214,846	8,195	2,291,492
Total Primary Government	\$ 19,947,756	\$ 11,487,657	\$ 986,027	\$ 4,694,982

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-Restated
Prior Period Adjustments

Net Position End of Year

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

STATEMENT OF ACTIVITIES *(continued)*
FOR THE YEAR ENDED DECEMBER 31, 2017

Page 2 of 2

Net (Expenses) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (820,505)	\$ -	\$ (820,505)
(342,761)	-	(342,761)
(3,192,791)	-	(3,192,791)
(513,941)	-	(513,941)
(428,192)	-	(428,192)
(81,825)	-	(81,825)
(9,948)	-	(9,948)
(439,749)	-	(439,749)
(378,391)	-	(378,391)
(6,208,105)	-	(6,208,105)
-	1,206,744	1,206,744
-	1,647,044	1,647,044
-	(174,058)	(174,058)
-	749,286	749,286
-	3,429,015	3,429,015
\$ (6,208,105)	\$ 3,429,015	\$ (2,779,090)
2,400,282	-	2,400,282
3,985,840	-	3,985,840
1,827,400	-	1,827,400
916,383	-	916,383
107,482	61,650	169,132
(751,097)	(18,442)	(769,539)
8,486,289	43,208	8,529,497
2,278,185	3,472,223	5,750,408
73,619,236	67,793,907	141,413,143
(150,651)	-	(150,651)
\$ 75,746,769	\$ 71,266,130	\$ 147,012,899

**BALANCE SHEET-GOVERNMENTAL FUNDS
DECEMBER 31, 2017**

	General Fund	City Street Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets				
Cash and Cash Equivalents	\$ 504,007	\$ 9,192	\$ 312,089	\$ 825,288
Investments	4,520,656	207,729	5,745,054	10,473,438
Receivables:				
Taxes	1,027,544	34,890	137,604	1,200,038
Accounts	47,093	-	5,095	52,188
Special Assessments	-	-	18,961	18,961
Other Receivables	100,754	-	-	100,754
Due from Other Governments	49,156	-	26,571	75,728
Inventories	5,883	-	-	5,883
Investments-Restricted	-	-	233,334	233,334
Total Assets	6,255,093	251,810	6,478,708	12,985,612
Deferred Outflows of Resources	-	-	-	-
Total Assets and Deferred Outflows of Resources	6,255,093	251,810	6,478,708	12,985,612
Liabilities				
Accounts Payable	248,740	28,453	204,688	481,881
Payroll Payable	422,457	11,087	9,033	442,577
Unearned Revenues	68,925	-	11,377	80,302
Custodial Accounts	438,662	-	1,197	439,859
Total Liabilities	1,178,784	39,540	226,295	1,444,618
Deferred Inflows of Resources				
Unavailable Revenue - Property Taxes	50,299	-	-	50,299
Total Deferred Inflows of Resources	50,299	-	-	50,299
Fund Balances				
Nonspendable Fund Balance	7,533	-	91,016	98,549
Restricted Fund Balance	42,756	-	3,620,848	3,663,604
Assigned Fund Balance	2,348,381	212,270	2,540,549	5,101,200
Unassigned Fund Balance	2,627,341	-	-	2,627,341
Total Fund Balances	5,026,011	212,270	6,252,413	11,490,695
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 6,255,093	\$ 251,810	\$ 6,478,708	\$ 12,985,612

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, 2017**

Total Governmental Fund Balances:		\$ 11,490,695
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		76,625,263
These assets consist of:		
Land	\$ 31,126,858	
Buildings and structures	15,171,933	
Improvements	47,369,052	
Machinery and Equipment	3,905,281	
Construction in Progress	1,300,620	
Intangibles	739,019	
Less: Accumulated Depreciation	(22,987,501)	
Other Assets that are not available to pay for current-period expenditures and therefore are not reported in governmental funds.		2,225,873
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	32,160	
Long-term Liabilities	14,562,901	(14,595,061)
Net Position of governmental activities		<u><u>\$ 75,746,769</u></u>

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

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	General Fund	City Street Fund	Non-Major Governmental Funds	Total
Revenues				
Taxes	\$ 8,157,200	\$ -	\$ 924,843	\$ 9,082,043
Licenses and Permits	973,435	16,555	-	989,990
Intergovernmental	582,540	232,899	155,098	970,537
Charges for Services	2,844,137	-	1,145,940	3,990,077
Fines and Forfeitures	58,589	-	231	58,820
Interest and Other Earnings	86,969	1,055	25,464	113,488
Miscellaneous	93,871	7,000	106,559	207,430
Total Revenues	12,796,741	257,509	2,358,135	15,412,384
Expenditures				
General Government	3,220,759	-	-	3,220,759
Security of Persons & Property	3,454,110	-	14,836	3,468,946
Utilities & Environment	547,718	-	-	547,718
Transportation	661,124	867,874	-	1,528,998
Economic Environment	918,283	-	136,743	1,055,026
Mental & Physical Health	244,847	-	-	244,847
Culture & Recreation	1,150,419	-	47,494	1,197,913
Debt Service:				
Principal	-	-	729,368	729,368
Interest & Other Charges	-	-	360,614	360,614
Capital Outlay	-	-	1,825,198	1,825,198
Total Expenditures	10,197,260	867,874	3,114,253	14,179,387
Excess of Revenues Over (Under) Expenditures	2,599,481	(610,365)	(756,119)	1,232,998
Other Financing Sources (Uses)				
Transfers In	27,025	604,000	2,133,090	2,764,115
Transfers Out	(1,746,797)	-	(1,017,317)	(2,764,115)
Issuance of Long-Term Debt	-	-	422,038	422,038
Premium on Bonds Sold	-	-	39,280	39,280
Sale of Capital Assets	5,113	-	900,000	905,113
Insurance Recoveries	770	-	-	770
Total Other Financing Sources and Uses	(1,713,889)	604,000	2,477,090	1,367,201
Net Change in Fund Balances	885,592	(6,365)	1,720,972	2,600,199
Fund Balances Beginning of Year	3,288,597	185,897	4,419,343	7,893,837
Prior Year Adjustment	851,822	32,738	112,098	996,659
Fund Balances End of Year	\$ 5,026,011	\$ 212,270	\$ 6,252,413	\$ 11,490,695

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, 2017**

Net change in Fund balance--total governmental funds	\$	2,600,199
--	----	-----------

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		1,825,198
This is the amount of depreciation		(2,086,398)
Less a prior year depreciation correction		(20,808)
This is the amount of Gain (Loss) on Capital Assets		(1,656,210)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the government funds.		80,027
---	--	--------

Developers construct and then contributed capital infrastructure assets to the City. These assets are reported on the statement of activities but not reported in the fund statements.		1,083,964
--	--	-----------

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		729,368
Bond Proceeds		(422,038)
Premium on Bonds Sold		(39,280)

Some expenses reported in the statement of activities do not require the use of the governmental funds.		184,163
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Change in net position of governmental activities	\$	<u>2,278,185</u>
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The notes to the financial statements are an integral part of this statement.

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (negative)
Revenues				
Taxes	\$ 7,644,742	\$ 7,644,742	\$ 8,157,200	\$ 512,458
Licenses and Permits	782,080	782,080	973,435	191,355
Intergovernmental	414,029	458,217	582,540	124,323
Charges for Services	2,602,956	2,602,956	2,844,137	241,181
Fines and Forfeitures	74,450	74,450	58,589	(15,861)
Interest and Other Earnings	62,000	92,000	86,969	(5,031)
Miscellaneous	78,120	79,121	93,871	14,750
Total Revenues	11,658,377	11,733,566	12,796,741	1,063,175
Expenditures				
Current:				
General Government	3,397,949	3,439,449	3,220,759	218,690
Security of Persons & Property	3,370,813	3,405,579	3,454,110	(48,531)
Utilities & Environment	559,545	562,776	547,718	15,058
Transportation	599,343	633,963	661,124	(27,161)
Economic Environment	948,202	961,006	918,283	42,723
Mental & Physical Health	237,561	253,749	244,847	8,902
Culture & Recreation	1,147,702	1,181,279	1,150,419	30,860
Total Expenditures	10,261,115	10,437,801	10,197,260	240,541
Excess of Revenues Over (Under) Expenditures	1,397,262	1,295,765	2,599,481	1,303,716
Other Financing Sources (Uses)				
Transfers in	27,025	27,025	27,025	-
Transfers out	(1,776,874)	(1,746,801)	(1,746,797)	4
Sale of Capital Assets	-	-	5,113	5,113
Insurance Recoveries	-	-	770	770
Total Other Financing Sources (Uses)	(1,749,849)	(1,719,776)	(1,713,889)	5,887
Net Change in Fund Balance	(352,587)	(424,011)	885,592	1,309,602
Fund Balance Beginning of Year	2,585,619	3,281,001	3,288,597	7,596
Prior Year Adjustment	-	-	851,822	851,822
Fund Balance End of Year	\$ 2,233,032	\$ 2,856,990	\$ 5,026,011	\$ 2,169,021

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

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
CITY STREET FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (negative)
Revenues				
License and Permits	\$ 12,000	\$ 12,000	\$ 16,555	\$ 4,555
Gifts and Pledges	-	11,200	7,000	(4,200)
Intergovernmental	232,891	232,891	232,899	8
Interest and Other Earnings	-	950	1,055	105
Miscellaneous	-	-	-	-
Total Revenues	244,891	257,041	257,509	468
Expenditures				
Transportation:				
Street Maintenance	875,219	890,808	867,874	22,934
Total Expenditures	875,219	890,808	867,874	22,934
Excess of Revenues Over (Under) Expenditures	(630,328)	(633,767)	(610,365)	23,402
Other Financing Sources (Uses)				
Transfers in	604,000	604,000	604,000	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	604,000	604,000	604,000	-
Net Change in Fund Balance	(26,328)	(29,767)	(6,365)	23,402
Fund Balance Beginning of Year	167,350	185,897	185,897	-
Prior Year Adjustment	-	-	32,738	32,738
Fund Balance End of Year	\$ 141,022	\$ 156,130	\$ 212,270	\$ 56,140

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

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2017**

	Business-type Activities Enterprise Funds				
	Water	Sewer	Solid Waste	Storm Drain	Total
Assets					
Current Assets:					
Cash and Cash Equivalents	\$ 82,613	\$ 33,027	\$ 75,303	\$ 66,561	\$ 257,504
Investments	4,572,407	7,480,414	1,430,846	1,879,447	15,363,114
Accounts Receivable	142,207	329,507	180,710	144,740	797,165
Due from Other Governments	-	-	-	16,696	16,696
Inventories	31,196	6,483	-	-	37,679
Prepaid	500	500	250	250	1,500
Total Current Assets	4,828,924	7,849,931	1,687,109	2,107,695	16,473,658
Noncurrent Assets:					
Restricted cash, cash equivalents, and invests.:					
Revenue bond covenant investment	-	-	-	-	-
Capital Assets Not Being Depreciated:					
Land & Right of Ways	331,186	474,596	191,213	1,275,350	2,272,345
Construction in Progress	1,487,180	2,635,109	-	351,289	4,473,578
Capital Assets:					
Buildings and Structures	271,159	5,332,093	875,291	1,315,992	7,794,536
Intangibles	107,603	147,614	-	178,908	434,126
Other Improvements	20,415,552	24,946,234	12,403	15,700,671	61,074,861
Machinery and Equipment	442,811	837,345	1,200,485	359,963	2,840,603
Less: Accumulated Depreciation	(6,390,061)	(10,701,660)	(768,385)	(4,305,853)	(22,165,959)
Total Noncurrent Assets	16,665,431	23,671,332	1,511,006	14,876,321	56,724,089
Total Assets	21,494,354	31,521,262	3,198,115	16,984,016	73,197,747
Deferred Outflows of Resources					
Deferred Amount of Refunding	-	-	-	-	-
Pension	43,362	28,477	34,470	46,595	152,903
Total Deferred Outflows of Resources	43,362	28,477	34,470	46,595	152,903
Liabilities					
Current Liabilities					
Accounts payable	339,801	267,435	114,077	38,300	759,614
Accrued interest payable	-	-	-	-	-
Rev. bonds payable	-	-	-	-	-
Unearned Revenue	2,397	173	208	169	2,948
Custodial	6,627	-	-	-	6,627
Compensated Absences	5,040	3,860	6,034	5,916	20,850
Total Current Liabilities	353,865	271,469	120,320	44,386	790,040
Noncurrent Liabilities:					
Rev. bonds payable	-	-	-	-	-
Compensated absences	45,356	34,741	54,306	53,247	187,650
Pension Obligation	266,884	175,509	215,464	287,863	945,719
Total Noncurrent Liabilities	312,239	210,251	269,770	341,110	1,133,369
Total Liabilities	666,104	481,720	390,089	385,496	1,923,409
Deferred Inflows of Resources					
Pension	45,466	29,900	36,706	49,040	161,112
Total Deferred Inflows of Resources	45,466	29,900	36,706	49,040	161,112
Net Position					
Net Investment in capital assets	16,665,431	23,671,332	1,511,006	14,876,321	56,724,089
Restricted for debt service	-	-	-	-	-
Unrestricted	4,160,716	7,366,788	1,294,783	1,719,753	14,542,041
Total Net Position	\$ 20,826,146	\$ 31,038,120	\$ 2,805,789	\$ 16,596,075	\$ 71,266,130

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, 2017**

	Business-type Activities Enterprise Funds				
	Water	Sewer	Solid Waste	Storm Drain	Total
Operating Revenues:					
Charges for Services	\$ 1,846,673	\$ 3,574,744	\$ 1,898,644	\$ 1,690,643	\$ 9,010,705
Other Operating Revenues	113,273	51,306	23,235	15,338	203,152
Total Operating Revenues	1,959,946	3,626,050	1,921,879	1,705,982	9,213,857
Operating Expenses:					
Depreciation	380,550	949,629	64,566	488,249	1,882,994
Salaries and Wages	319,295	216,602	299,221	408,833	1,243,951
Personnel Benefits	123,533	88,989	138,772	151,088	502,382
Supplies	107,777	25,810	88,261	21,743	243,591
Services	381,270	447,524	950,508	192,740	1,972,042
Intergovernmental Services and Payments	311,257	989,398	554,609	384,281	2,239,545
Total Operating Expenses	1,623,682	2,717,952	2,095,937	1,646,935	8,084,506
Operating Income (Loss)	336,264	908,098	(174,058)	59,047	1,129,351
Nonoperating Revenues (Expenses):					
Interest and Other Earnings	18,685	28,582	7,451	6,932	61,650
Interest Expense	(1,608)	1,585	-	-	(23)
State Grants	-	-	-	199,721	199,721
Federal Grants	-	-	-	93,626	93,626
Special Assessments	14,932	-	-	-	14,932
Loss from disposal of Capital Assets	-	(18,442)	-	-	(18,442)
Total Nonoperating Revenue (Expenses)	32,008	11,725	7,451	300,279	351,464
Income (loss) Before Contributions	368,273	919,823	(166,607)	359,325	1,480,814
Capital Contributions	857,156	737,361		396,892	1,991,409
Change in Net Position	1,225,428	1,657,184	(166,607)	756,217	3,472,223
Total Net Position Beginning of Year - Restated	19,600,718	29,380,936	2,972,396	15,839,858	67,793,907
Total Net Position End of Year	\$ 20,826,146	\$ 31,038,120	\$ 2,805,789	\$ 16,596,075	\$ 71,266,130

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, 2017**

Page 1 of 2

	Business-type Activities Enterprise Funds				
	Water	Sewer	Solid Waste	Storm Drain	Total
Cash Flows from Operating Activities					
Receipts from customers and users	\$ 1,948,592	\$ 3,540,659	\$ 1,910,409	\$ 1,704,574	\$ 9,104,233
Payments for interfund services provided	(311,257)	(989,398)	(554,609)	(384,281)	(2,239,545)
Payments to suppliers	(474,472)	(473,936)	(1,012,827)	(228,180)	(2,189,415)
Payments to employees	(469,123)	(325,413)	(422,879)	(567,560)	(1,784,976)
Net cash provided (used) by operating activities	693,739	1,751,913	(79,907)	524,552	2,890,298
Cash Flows From Noncapital Financing Activities					
State and Federal Grants	-	-	-	293,347	293,347
Proceeds from Insurance Claims	-	-	-	-	-
Net cash provided (used) by noncapital and related financing activities	-	-	-	293,347	293,347
Cash Flows from Capital and Related Financing Activities					
Proceeds from Capital Debt					
Capital contributions	576,720	518,477	-	154,149	1,249,347
Purchase of capital assets	(97,208)	(59,707)	(271,217)	(22,031)	(450,163)
Acquisition and construction of capital assets	(1,121,022)	(2,273,925)	(2,124)	(472,053)	(3,869,124)
Principal paid on capital debt	(104,500)	(370,500)	-	-	(475,000)
Interest paid on capital debt	(5,370)	(16,092)	-	-	(21,462)
Net cash provided (used) by capital and related financing activities	(751,379)	(2,201,747)	(273,341)	(339,935)	(3,566,402)
Cash Flows from Investing Activities					
Proceeds from sales and maturities of investments	2,372,850	4,699,660	963,381	407,832	8,443,723
Purchase of investment	(2,727,132)	(4,530,449)	(937,602)	(1,023,075)	(9,218,259)
Interest and dividends received	18,685	28,582	7,451	6,932	61,650
Net cash used by investing activities	(335,598)	197,793	33,230	(608,311)	(712,886)
Net increase in cash and cash equivalents	(393,238)	(252,041)	(320,019)	(130,347)	(1,095,644)
Cash and cash equivalents Beginning of Year	475,851	285,068	395,321	196,908	1,353,148
Cash and cash equivalents End of Year	\$ 82,613	\$ 33,027	\$ 75,303	\$ 66,561	\$ 257,504

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

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2017

Page 2 of 2

	Business-type Activities Enterprise Funds				
	Water	Sewer	Solid Waste	Storm Drain	Total
Reconciliation of operating income to net cash provided (used) by operating activities:					
Operating Income (Loss)	\$ 336,264	\$ 908,098	\$ (174,058)	\$ 59,047	\$ 1,129,351
Adjustments to reconcile operating income to net cash provided (used) by operating activities					
Depreciation	380,550	949,629	64,566	488,249	1,882,994
(Increase) decrease in accounts receivable	(10,374)	(17,895)	(11,622)	(1,488)	(41,379)
(Increase) decrease in inventories	14,575	(15)	-	-	14,560
Increase (decrease) in accounts payable	5,397	3,095	28,436	(332)	36,596
Increase (decrease) in Custodial Funds	163	(68,088)	-	-	(67,925)
Increase (decrease) in Pension Funds	(31,641)	(16,191)	2,266	(35,074)	(80,640)
Increase (decrease) in compensated absences	(1,194)	(6,720)	10,504	14,150	16,740
Total Adjustments	357,475	843,815	94,151	465,506	1,760,947
Net Cash Provided By Operating Activities	\$ 693,739	\$ 1,751,913	\$ (79,907)	\$ 524,552	\$ 2,890,298
Noncash investing, financing and capital activities					
Capital Contributions by Developers	295,368	218,884		242,743	756,994
Investment Earnings Unrealized	\$ (14,070)	\$ (38,886)	\$ (2,630)	\$ (1,713)	\$ (57,299)

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

STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUND
DECEMBER 31, 2017

Agency Fund	
Assets	
Cash and cash equivalents	\$ 30,779
Investments	61,921
Accounts Receivable	23
Total Assets	92,723
Deferred Outflows of Resources	
	-
Liabilities	
Accounts Payable and accrued expenses	211
Retainage Payable	24,418
Custodial funds	68,094
Total Liabilities	92,723
Deferred Inflows of Resources	
	-
Net Position	\$ -

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

NOTES TO THE FINANCIAL STATEMENTSINDEX

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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.

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.

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.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

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

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

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

The City reports the following major governmental funds:

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

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

The City reports the following major proprietary funds:

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

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

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

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

Additionally, the City reports the following fund types:

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

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

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

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 \$2,744. 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 (\$1,685,626 in 2017) 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.

Implementation GASB Statements

In 2017, the following Governmental Accounting Standards Board (GASB) Statements were implemented

GASB Statement No. 77 Tax Abatement Disclosure

For financial reporting purposes, this Statement defines tax abatements as resulting from an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens.

ASSETS, LIABILITIES, AND NET POSITION OR EQUITY

Cash and Investments

It is the City's policy to invest all temporary cash surpluses. At December 31, 2017, the City was holding \$ 1,082,793 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, 2017.

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.

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 2017.

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, 2017 were as follows:

	Transfers Out:			
	General Fund	City Street Fund	Non-Major Gov'l	Total
Transfers In:				
General Fund	-	-	27,025	27,025
City Street Fund	604,000	-	-	604,000
Non-Major Gov'l Funds	1,142,797	-	990,292	2,133,090
Total Transfers	\$ 1,746,797	\$ -	\$ 1,017,317	\$ 2,764,115

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.

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.

Restricted Assets

Restricted Assets include resources reserved for capital purchases from debt service funds and the amount of our permanent trust fund.

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.

Capital Assets

Capital assets are generally considered property and equipment owned by the City costing \$5,000 or more and having an estimated useful life of 3 years or more. Additionally, new infrastructure construction (e.g. roads, bridges, sidewalks, etc.) of \$100,000 or more is also reported as capital. Assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if the actual cost is not available. Donated capital assets are recorded at acquisition value at the date of donation.

Costs for additions or improvements to capital assets are capitalized when they increase the effectiveness or efficiency of the asset.

The cost for normal maintenance and repairs are not capitalized.

Major outlays for capital assets and improvements are recorded in Construction in Progress as they are constructed and capitalized upon completion.

Assets are depreciated using the straight-line method over the following estimated useful lives:

	Estimated Useful Life in Years
Bridges	100
Roads and Street Lighting	30-40
Sidewalks	10-40
Water, Sewer & Storm Drain Mains	40
Hydrants & Wells	50
Buildings	10-50
Playfields and Other Recreational Facilities	20
Other Improvements	5-25
Vehicles, Boats, Construction Equipment	5-10

Machinery/Shop Equipment	5-40
Office/Communication Equipment	5-20
Furniture	10
Intangibles	5-10
Law Enforcement Equipment	5
Computer Software/Hardware	4-5

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% for employees hired before December 31, 2012 or 25% for employees hired after January 1, 2013, once a 1,000-hour balance is reached. All sick leave is payable upon resignation, retirement or the death of an employee for 50% for employees hired before December 31, 2012 or 25% for employees hired after January 1, 2013, 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 the applicable percentage 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.

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. The City has two retirees who qualify for this benefit. 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.

Custodial Accounts

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

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.

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.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources until then.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources until that time.

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. The General Fund is the only fund that may show a positive unassigned fund balance. In other governmental funds it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than the General Fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

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

	Nonspendable Purposes	Restricted Purposes	Assigned Purposes	Unassigned Purposes	Totals
<u>General Fund</u>					
General Government	\$ 7,533	\$ -	\$ -	\$ 2,627,341	\$ 2,634,874
Public, Education, Government Cable		39,793			39,793
Substance Abuse Program		2,963			2,963
Stabilization Fund			2,123,381		2,123,381
Legal Reserves			225,000		225,000
Subtotals, General Fund	7,533	42,756	2,348,381	2,627,341	5,026,011
<u>City Street Fund</u>					
Transportation Maintenance & Operation			212,270		212,270
Subtotals, City Street Fund	-	-	212,270	-	212,270
<u>Other Governmental Funds</u>					
Transportation Improvements		1,901,467	1,138,987		3,040,454
Parks Improvements		377,627	210,630		588,257
Cemetery Improvements			54,676		54,676
Capital Equipment			1,108,123		1,108,123
Capital Improvements		992,345			992,345
Drug Enforcement		73,348			73,348
Criminal Justice		110,381	28,134		138,514
Promote Downtown Businesses		57,869			57,869
Promoting Tourism		88,701			88,701
City Beautification	91,016	2,744			93,760
Debt Service		16,366			16,366
Subtotals, Other Governmental Funds	91,016	3,620,848	2,540,549	-	6,252,413
Totals	\$ 98,549	\$ 3,663,604	\$ 5,101,200	\$ 2,627,341	\$ 11,490,695

Minimum Fund Balances

The City has formally adopted a minimum fund balance policy because it is the belief that 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-year 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

BUDGETARY INFORMATION

The City of Poulsbo budgets its funds in accordance with the Revised Code of Washington (RCW) 35A.34 that is on a basis consistent with accounting principles generally accepted in the United States of America. In compliance with the code, budgets for all funds are established with the exception of the Permanent and Fiduciary funds.

The biennial budget is proposed by the Mayor and adopted by the City Council with legal budgetary control at the fund level for all funds. Expenditures and other financing used may not exceed budgeted appropriations at these levels. 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 (CIP). The CIP is the document that communicates the City's plan for capital construction and purchases for a six-year period as required by the Growth Management Act of 1990 (GMA). The GMA requires the City to develop a comprehensive plan that contains land use, housing, capital facilities, utilities, public facilities and transportation elements. By City policy, a capital project is defined as a project of a non-recurring nature with a cost not less than \$15,000 and an estimated life not less than 10 years.

The CIP is updated as an initial step in the budget process. Projects are prioritized by the department and working Council committees. The CIP, as a whole is then reviewed by the City Council with funding options established.

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

YEAR 1

APRIL – JUNE

- Council Retreat/Goal Setting
- Capital Improvement team begins process to update Capital Improvement Plan (CIP)

JULY

- Budget Recommendations & Directions to Staff for Development

AUGUST – OCTOBER

- Department Budget Presentations to Council committees
- Develop Proposed Preliminary & Preliminary Budget

NOVEMBER

- Public Participation at City Council Meetings
- Public Hearings held
- Budget Workshop
- Property tax levy set

DECEMBER

- Final Budget Approval and Adoption

YEAR 2

APRIL – JUNE

- Council Retreat/Goal Status Review
- Capital Project Review

SEPTEMBER – OCTOBER

- Department Formalized Review of Budget Status
- Department Budget Update Presentation to Committees
- Develop Proposed Mid-Biennium Budget Amendment

NOVEMBER

- Public Participation at City Council Meetings
- Public Hearings held
- Property tax levy set

DECEMBER

- Mid-Biennium Budget Amendment Approval and Adoption

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.

BUDGETARY COMPLIANCE

In 2017, 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**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 Depositary Insurance Corporation (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the State of Washington Public Deposit Protection Commission (WPDPC). The FDIC insures the first \$250,000 of the City's deposits. The deposit balances over \$250,000 are collateralized by the WPDPC.

As of December 31, 2017, the carrying amount of the City's change funds, petty cash, and bank demand deposit accounts with financial institutions was the following:

Cash	
FDIC or PDPC insured bank deposits	\$ 1,868,428
In-transit items	(694,585)
Custodial funds held in agency funds	(92,700)
Petty Cash on hand	1,650
Total Cash	\$ 1,082,793

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, 2017, the City held the following investments at amortized Cost:

Washington State Local Government Inv. Pool	\$ 6,581,326
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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, 2017:

Investments	Valuation Measurement Method	Fair Value 12/31/16	Maturities		
			Less Than One Year	One to Three Years	Total
US agency securities					
US Treasury Bills, Notes & Bonds	Level 1	\$ 7,179,432	\$ 2,725,253	\$ 4,454,180	\$ 7,179,432
Federal Farm Credit Bank	Level 1	745,537	745,537	-	745,537
Federal Home Loan Bank	Level 1	4,459,559	1,494,547	2,965,012	4,459,559
Federal Home Loan Mortgage Corp	Level 1	2,989,775	1,497,971	1,491,804	2,989,775
Federal National Mortgage Association	Level 1	4,114,259	2,624,781	1,489,478	4,114,259
Total Investments		\$ 19,488,561	\$ 9,088,087	\$10,400,474	\$ 19,488,561

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 years 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	Modified Duration	% of Portfolio	S&P Rating
Investments				
US agency securities				
US Treasury Bills, Notes & Bonds	\$ 7,179,432	1.30	28%	AA+
Federal Farm Credit Bank	745,537	0.75	3%	AA+
Federal Home Loan Bank	4,459,559	1.43	17%	AA+
Federal Home Loan Mortgage Corp	2,989,775	0.96	11%	AA+
Federal National Mortgage Association	4,114,259	0.85	16%	AA+
Washington State Local Government Inv. Pool	6,581,326		25%	
Total Investments	\$ 26,069,886	1.06	100%	

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 2017, the City's levy for general governmental services was \$1.5798050 per \$1,000 on the assessed valuation of \$1,487,955,331 for a total of \$2,350,680.

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.

Tax Abatement

The Government Accounting Standards Board (GASB) Statement No. 77 requires state and local government to disclose tax abatements where a decrease in a specific tax is received due to a program or policy. Kitsap County has abated \$2,643 applicable to the City of Poulsbo in taxes for the purpose of land held in use for future development of exempt churches.

NOTE 5: CAPITAL ASSETS

Capital asset activity for the primary government for the year ended December 31, 2017 was as follows:

	BEGINNING BALANCE- Restated	INCREASES	DECREASES	ENDING BALANCE
Governmental-Type Activities				
Capital assets, not being depreciated:				
Land	\$ 9,524,054	\$ 151,739	\$ (688,532)	\$ 8,987,260
Intangible - Right of Way/Easements	21,686,806	452,792	-	22,139,598
Construction Work in Progress	1,174,919	1,181,410	(1,055,708)	1,300,620
Total capital assets not being depreciated	32,385,778	1,785,941	(1,744,241)	32,427,479
Capital assets, being depreciated:				
Buildings	17,420,121	444,628	(2,692,817)	15,171,933
Other Improvements	3,060,674	413,984	-	3,474,657
Machinery and Equipment	3,230,443	693,707	(18,868)	3,905,281
Intangible	667,125	71,895	-	739,019
Infrastructure	43,483,809	565,945	(155,360)	43,894,394
Total capital assets being depreciated	67,862,173	2,190,158	(2,867,045)	67,185,285
Less accumulated depreciation for:				
Buildings	(4,170,734)	(346,660)	1,658,127	(2,859,267)
Other Improvements	(1,983,965)	(156,160)	-	(2,140,125)
Machinery and Equipment	(2,326,778)	(202,378)	18,868	(2,510,287)
Intangible	(587,564)	(21,706)	-	(609,269)
Infrastructure	(13,663,248)	(1,360,664)	155,360	(14,868,552)
Total accumulated depreciation	(22,732,289)	(2,087,567)	1,832,355	(22,987,501)
Total capital assets, being depreciated, net	45,129,884	102,591	(1,034,690)	44,197,784
Governmental activity capital assets, net	\$ 77,515,662	\$ 1,888,532	\$ (2,778,931)	\$ 76,625,263

An evaluation of the City's fixed assets system and all assets was completed in 2017. Some assets were found to be misclassified due to software limitations. Adjustments were processed, and assets reclassified to reflect the accurate class. Beginning balances were then adjusted to reflect the reclassified activity. The change to governmental-type was reclassifying improvements to infrastructure, as well as some minor corrections.

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.

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

Governmental activities:	
General Government	\$ 323,462
Security of Persons and Property	65,427
Utilities and Environment	2,889
Transportation	1,470,839
Economic Environment	-
Culture and Recreation	224,950
Total depreciation expense - governmental activities	\$ 2,087,567

	BEGINNING BALANCE- Restated	INCREASES	DECREASES	ENDING BALANCE
Business-Type Activities				
Capital assets, not being depreciated:				
Land	\$ 1,980,011	\$ 7,589	\$ -	\$ 1,987,600
Intangible - Right of Way/Easements	180,479	104,266	-	284,745
Construction Work in Progress	1,165,493	4,283,742	(975,657)	4,473,578
Total capital assets not being depreciated	3,325,983	4,395,597	(975,657)	6,745,923
Capital assets, being depreciated:				
Buildings	7,756,758	140,706	(102,928)	7,794,536
Other Improvements	745,492	-	-	745,492
Machinery and Equipment	2,454,435	445,484	(59,315)	2,840,603
Intangible	434,126	-	-	434,126
Infrastructure	58,820,679	1,508,690	-	60,329,368
Total capital assets being depreciated	70,211,489	2,094,880	(162,243)	72,144,126
Less accumulated depreciation for:				
Buildings	(2,122,702)	(158,208)	84,486	(2,196,423)
Other Improvements	(286,273)	(111,662)	-	(397,935)
Machinery and Equipment	(1,693,531)	(181,226)	59,315	(1,815,442)
Intangible	(288,877)	(38,041)	-	(326,918)
Infrastructure	(16,035,383)	(1,393,859)	-	(17,429,241)
Total accumulated depreciation	(20,426,766)	(1,882,994)	143,801	(22,165,959)
Total capital assets, being depreciated, net	49,784,723	211,885	(18,442)	49,978,166
Business-type activity capital assets, net	\$ 53,110,706	\$ 4,607,482	\$ (994,099)	\$ 56,724,089

An evaluation of the City's fixed assets system and all assets was completed in 2017. Some assets were found to be misclassified due to software limitations. Adjustments were processed, and assets reclassified to reflect the accurate class. Beginning balances were then adjusted to reflect the reclassified activity. The change to business-type was reclassifying improvements to infrastructure, and one significant asset to buildings and several pumping equipment assets from machinery and equipment to infrastructure, as well as some minor corrections. As well as there were adjustments between the funds.

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

Business-type activities:		
Water	\$	380,550
Sewer		949,629
Solid Waste		64,566
Storm Drain		488,249
Public Works Administration		
Total depreciation expense - business-type activities	\$	1,882,994

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 2017:

Aggregate Pension Amounts - All Plans	
Pension liabilities	\$ (3,536,099)
Pension assets	\$ 785,854
Deferred outflows of resources	\$ 653,169
Deferred inflows of resources	\$ (805,920)
Pension expense/expenditures	\$ 359,918

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.

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 2017 were as follows:

PERS Plan 1		
Actual Contribution Rates:	Employer	Employee*
January - June 2017		
PERS Plan 1	6.23%	6.00%
PERS Plan 1 UAAL	4.77%	6.00%
Administrative Fee	0.18%	
Total	11.18%	6.00%
July - December 2017		
PERS Plan 1	7.49%	6.00%
PERS Plan 1 UAAL	5.03%	6.00%
Administrative Fee	0.18%	
Total	12.70%	6.00%

* 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 2017 were as follows:

PERS Plan 2/3		
Actual Contribution Rates:	Employer 2/3	Employee 2*
January - June 2017:		
PERS Plan 2/3	6.23%	6.12%
PERS Plan 1 UAAL	4.77%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	11.18%	6.12%
July - December 2017:		
PERS Plan 2/3	7.49%	6.12%
PERS Plan 1 UAAL	5.03%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	12.70%	6.12%

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

The City's actual PERS plan contributions were \$249,559 to PERS Plan 1 and \$348,499 to PERS Plan 2/3 for the year ended December 31, 2017.

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 2017. 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 2017 were as follows:

LEOFF Plan 2		
Actual Contribution Rates:	Employer	Employee
January - June 2017:		
State and local governments	5.05%	8.41%
Administrative Fee	0.18%	
Total	5.23%	8.41%
July - December 2017:		
State and local governments	5.25%	8.75%
Administrative Fee	0.18%	
Total	5.43%	8.41%

The City of Poulsbo's actual contributions to the plan were \$ 91,334 for the year ended December 31, 2017.

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, 2017, the state contributed \$62,155,262 to LEOFF Plan 2. The amount recognized by the City as its proportionate share of this amount is \$54,672

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2017 with a valuation date of June 30, 2016. 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* and the *2015 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2016 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2017. Plan liabilities were rolled forward from June 30, 2016, to June 30, 2017, 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 plans except LEOFF Plan 1, how terminated and vested member benefits are valued was corrected.
- How the basic minimum COLA in PERS Plan 1 is valued for legal order payees was improved.
- For all plans, the average expected remaining service lives calculation was revised.

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. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered capital market assumptions and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns over various time horizons

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, 2017, 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
Fixed Income	20%	1.70%
Tangible Assets	5%	4.90%
Real Estate	15%	5.80%
Global Equity	37%	6.30%
Private Equity	23%	9.30%
	100%	

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 6.50%	Current Discount 7.50%	1% Increase 8.50%
PERS 1	2,218,291	1,820,971	1,476,807
PERS 2/3	4,620,735	1,715,128	(665,586)
LEOFF 1	(33,751)	(45,501)	(55,592)
LEOFF 2	160,211	(740,353)	(1,474,095)

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, 2017, the City of Poulsbo reported a total pension liability of \$ 3,536,099 and total pension asset of \$785,854 for its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	\$ 1,820,971
PERS 2/3	1,715,128
LEOFF 1	(45,501)
LEOFF 2	(740,353)

The amount of the asset reported above for LEOFF Plans 1 and 2 reflects a reduction for State pension support provided to the City of Poulsbo. The amount recognized by the City as its proportionate share of the net pension asset, the related State support, and the total portion of the net pension asset that was associated with the City were as follows:

	LEOFF I Asset	LEOFF II Asset
Employer's proportionate share	(45,501)	(740,353)
State's proportionate share of the net pension asset associated with the employer	(307,771)	(480,253)
TOTAL	(353,272)	(1,220,606)

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

	Proportionate Share 6/30/16	Proportionate Share 6/30/17	Change in Proportion
PERS 1	0.038976%	0.038376%	-0.000600%
PERS 2/3	0.049929%	0.049363%	-0.000566%
LEOFF 1	0.003743%	0.002999%	-0.000744%
LEOFF 2	0.053380%	0.053352%	-0.000028%

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 2017. Historical data was obtained from a 2011

study by the Office of the State Actuary (OSA). In fiscal year 2017, 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 2017, the state of Washington contributed 39.35 percent of LEOFF 2 employer contributions pursuant to RCW 41.26.725 and all other employers contributed the remaining 60.65 percent of employer contributions.

The collective net pension liability (asset) was measured as of June 30, 2017, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2016, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2017, the City of Poulsbo recognized pension expense as follows:

	Pension Expense
PERS 1	\$ 79,277
PERS 2/3	255,314
LEOFF 1	1,210
LEOFF 2	24,116
TOTAL	\$ 359,918

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS 1	Deferred Outflows	Deferred Inflows of
Net difference between projected and actual investment earnings on pension plan investments	-	(67,954)
Contributions subsequent to the measurement date	133,324	-
TOTAL	\$ 133,324	\$ (67,954)

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 173,783	\$ (56,408)
Net difference between projected and actual investment earnings on pension plan investments	-	(457,212)
Changes of assumptions	18,218	-
Changes in proportion and differences between contributions and proportionate share of contributions	48,817	(20,832)
Contributions subsequent to the measurement date	196,687	-
TOTAL	\$ 437,504	\$ (534,452)

LEOFF 1	Deferred Outflows	Deferred Inflows of
Net difference between projected and actual investment	-	(4,228)
TOTAL	\$ -	\$ (4,228)

LEOFF 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 32,540	\$ (28,075)
Net difference between projected and actual investment earnings on pension plan investments	-	(166,214)
Changes of assumptions	892	-
Changes in proportion and differences between contributions and proportionate share of contributions	2,967	(4,996)
Contributions subsequent to the measurement date	45,943	-
TOTAL	\$ 82,341	\$ (199,286)

All Plans	Deferred Outflows	Deferred Inflows of
Differences between expected and actual experience	\$ 206,323	\$ (84,483)
Net difference between projected and actual investment	-	(695,608)
Changes of assumptions	19,109	-
Changes in proportion and differences between	51,783	(25,829)
Contributions subsequent to the measurement date	375,953	-
TOTAL	\$ 653,169	\$ (805,920)

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:

Year ended December 31	PERS 1
2018	(45,932)
2019	14,502
2020	(3,367)
2021	(33,156)
2022	-
Thereafter	-

Year ended December 31	PERS 2/3
2018	(159,848)
2019	65,301
2020	(39,823)
2021	(187,199)
2022	12,145
Thereafter	15,789

Year ended December 31	LEOFF 1
2018	(2,654)
2019	716
2020	(286)
2021	(2,005)
2022	-
Thereafter	-

Year ended December 31	LEOFF 2
2018	(77,664)
2019	15,988
2020	(12,713)
2021	(72,250)
2022	(2,902)
Thereafter	(13,348)

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 161 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 would be repaid by proprietary fund revenues; however, we have none at this time. 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.

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, 2017, 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	195,000
2010	LOCAL Program GO Bonds: Issued to provide funds to purchase the Park and Rec building.	310,000	4.10%	2030	225,000
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	1,535,000
2015	2015 GO Debt: Refunded 2005 GO Bond and callable portion of the 2009 GO Bond	7,320,000	2-4%	2033	6,685,000
2017	LOCAL Program GO Bonds: Issued to provide funds to purchase Fleet Vehicles	460,000	1.19%	2021	422,038
Total					\$ 9,062,038

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, 2017, 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	223,105
Total					\$ 223,105

DEBT SERVICE REQUIREMENTS TO MATURITY FOR PRIMARY GOVERNMENT

Year Ended Dec 31	General Obligation Bonds Governmental Activities			Public Works Trust Fund Loans Governmental Activities		
	Principal	Interest	Total	Principal	Interest	Total
2018	654,409	343,547	997,955	74,368	6,693	81,061
2019	703,685	320,556	1,024,241	74,368	4,462	78,830
2020	724,119	297,554	1,021,674	74,368	2,231	76,599
2021	749,825	268,806	1,018,631	-	-	-
2022	650,000	241,616	891,616	-	-	-
2023-2027	2,970,000	823,015	3,793,015	-	-	-
2028-2032	2,235,000	329,538	2,564,538	-	-	-
2033	375,000	15,000	390,000	-	-	-
Total	\$ 9,062,038	\$2,639,631	\$11,701,669	\$ 223,105	\$ 13,386	\$ 236,491

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, 2017, the City has no arbitrage rebate liability.

LONG-TERM LIABILITIESLong-term liability activity:

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental Activities				
Bonds payable:				
General obligation bonds	\$ 9,295,000	\$ 422,038	\$ 655,000	\$ 9,062,038
Less Unamortized Bond Discount	(18,073)	-	(2,534)	(15,539)
Plus Unamortized Bond Premium	743,341	39,280	50,579	732,041
Pension/OPEB Obligation	3,801,902	2,651,945	3,428,708	3,025,139
Compensated Absences	807,134	739,058	654,882	891,309
Due to Other Governmental Units	297,473	-	74,368	223,105
Total Governmental activity long-term liabilities	\$ 14,926,776	\$ 3,852,321	\$ 4,861,004	\$ 13,918,093
Business-type Activities				
Bonds payable:				
Revenue Bonds	\$ 475,000	\$ -	\$ 475,000	\$ -
Pension/OPEB Obligation	1,244,154	945,719	1,244,154	945,719
Compensated Absences	191,760	164,537	147,797	208,500
Total Business-type activity long-term liabilities	\$ 1,910,914	\$ 1,110,256	\$ 1,866,951	\$ 1,154,219

Liabilities due within one year:

Date of Issue	Liabilities Due Within One Year - Governmental Activities	Due within one year
2017	Certificate of Participation to finance the acquisition of Fleet Vehicles	79,409
2015	GO Debt: Refunded 2005 GO Bond and callable portion of the 2009 GO Bond	275,000
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	90,000
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	195,000
2000	Due to Other Governmental Units(PWTF)-Street Improvements to Front Street	74,368
	Unamortized premium on GO Bond	57,266
	Unamortized Bond Discount	(1,678)
	Compensated Absences	89,131
Total Governmental Activities		\$ 873,496

Date of Issue	Liabilities Due Within One Year - Business-Type Activities	Due within one year
	Compensated Absences	20,850
Total Business-Type Activities		\$ 20,850

NOTE 9: CONTINGENCIES AND COMMITMENTS**LITIGATION**

In the opinion of management, the City's insurance policies and/or self-insurance reserves are adequate to pay all known or pending claims, suits and other actions in which payment is considered probable (see Note No. 7 – Risk Management). Currently, there are no judgments 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 no recorded contingent liabilities because management believes it is not probable 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, 2017, 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, 2017, the City had 17 significant contractual obligations with the following balances:

<u>Project</u>	<u>Vendor</u>	<u>Amount</u>
Design Central Interceptor/Pk Storage	BHC Consulting	\$ 3,422
Poulsbo Village Pump - Design	CHS Engineers, LLC	31,446
Liberty Bay Pump - Design	CHS Engineers, LLC	22,798
Telemetry Equipment	Correct Equipment	39,320
Fjord Utilities Design	Exeltech	21,746
Raab Park Water Tank Replace - Design	Gray & Osborne	16,318
Pugh/Lincoln Well 2 Treatment Plant	Gray & Osborne	9,098
Liberty Bay/Village Pump Stations	Harbor Pacific Contractors	2,820
Lincoln Well 2 Treatment Plant	Harbor Pacific Contractors	407,764
Central Interceptor CIPP Construction	Insta-Pipe Inc	593,105
Nelson Park Connector Trail	Kitsap Conserv District	7,041
Stormwater Testing Services NTE	Kitsap Public Health District	119,761
Testing for Lincoln Well 2 Treatment Plant	Krazan	6,103
Liberty Bay Waterfront Trail	Parametrix	19,557
Noll Road Phase III Design	Parametrix	193,923
Noll Road ROW	Parametrix	201,700
I&I Study	RH2 Engineering	10,173
		<u>\$ 1,706,093</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 \$2,741 is included with the City's compensated absences.

NOTE 10: JOINT VENTURES**LIBRARY**

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.

SEWER TREATMENT PLANT

The City has an agreement with Kitsap county for providing use of the sewer treatment plant. The plant was jointly built in 1977 to provide sufficient capacity for both the County and the City. The plant is owned and operated by the county. However, the agreement provides for the City to pay for its share of the costs of operating the plant and any needed capital improvements.

The financials for Kitsap County are available at www.kitsapgov.com or by contacting the Kitsap County Auditor's Office at 614 Division Street, Port Orchard, Washington 98366 (360) 337-7129

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, 2017, the City has two covered members in this group. Dental and dependent costs are not covered.

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 and long-term care 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 amounts of validated claims for medical, vision and hospitalization costs incurred.

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, 2017.

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. 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 table shows the components of the City's annual OPEB cost for 2017 and the prior two years, the amounts contributed to the plan, and changes in the City's net OPEB. The net OPEB obligation (NOO) of \$434,758 is included as a long-term liability on the Statement of Position.

	<u>Year Ending 2015</u>	<u>Year Ending 2016- Restated</u>	<u>Year Ending 2017</u>
<u>Determination of Annual Required Contribution:</u>			
Normal Cost at Year End	\$0	\$0	\$0
Amorization of Unfunded Actuarial Accrued Liability (UAAL)	108,950	104,949	101,058
Annual Required Contribution	<u>\$108,950</u>	<u>\$104,949</u>	<u>\$101,058</u>
<u>Determination of Net OPEB Obligation:</u>			
Annual Required Contribution	\$108,950	\$104,949	\$101,058
Interest prior year Net OPEB Obligation	9,218	12,163	14,928
Adjustments to ARC	(20,728)	(27,349)	(33,565)
Annual OPEB Cost	\$97,440	\$89,763	\$82,420
Contributions	(23,824)	(20,645)	(20,855)
Increase in Net OPEB Obligations	<u>\$73,616</u>	<u>\$69,118</u>	<u>\$61,565</u>
Net OPEB Obligation-Beginning of Year	\$230,458	\$304,075	\$373,193
NET OPEB Obligation-End of Year	<u>\$304,075</u>	<u>\$373,193</u>	<u>\$434,758</u>

The City's OPEB cost, the percentage of OPEB cost contributed to the plan and the net OPEB obligation for 2017 and the nine prior years is as follows:

<u>Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Contribution as a Percentage of OPEB Cost</u>	<u>Net OPEB Obligation</u>
12/31/2008	\$ 65,964	40.5%	\$ 39,244
12/31/2009	59,838	45.3%	71,962
12/31/2010	58,264	48.3%	102,080
12/31/2011	58,803	40.8%	136,900
12/31/2012	54,309	56.1%	160,732
12/31/2013	49,575	54.5%	183,290
12/31/2014	75,352	37.4%	230,458
12/31/2015	97,440	24.4%	304,075
12/31/2016	89,763	23.0%	373,193
12/31/2017	82,420	25.3%	434,758

Funded Status and Funding Progress

As of December 31, 2017, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability (AAL) for benefits was \$1,123,600 and the actuarial value of the assets was \$0 resulting in a UAAL of \$1,123,600. 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 fund that were considered to be of a material value:

Fund #	Fund Description	Governmental Statement Amount	Government-Wide Statement Amount	Reason
001	General Fund	\$ 851,822	\$ (210,131)	Correction for revenue recognition period to 60 days for all available tax revenues. The receivables had historically been done for the Government-wide, however not in the governmental statements. This was to correct.
101	City Street Fund	32,738	32,738	Correction for revenue recognition in 60 days availability period
121	Capital Improvement Fund	24,172	24,172	Correction for revenue recognition in 60 days availability period
181	Transient Occupancy Tax Fund	18,345	-	Correction for revenue recognition in 60 days availability period
191	Police Restricted Fund	2,569	2,569	Correction for revenue recognition in 60 days availability period
331	Facilities Fund	67,012		Prior year adjustment due to delay recording county portion of demolition costs for Old City Hall property
		<u>\$ 996,659</u>	<u>\$ (150,651)</u>	

An evaluation of the City's fixed assets system and all assets was completed in 2017. Some assets were found to be misclassified due to software limitations. Adjustments were processed, and assets reclassified to reflect the accurate class. Beginning balances were then restated to reflect the reclassified activity. The following are the adjustments made to the beginning balances:

	Water Fund	Sewer Fund	Solid Waste Fund	Storm Drain Fund
<i>Asset- Net of Depreciation</i>				
Buildings	(2,945)	11,355	(3,542)	(2,587)
Improvements	(304,928)	(1,747,542)	3,305	116,630
Machinery & Equipment	(16,454)	1,963,891	(11,067)	(17,894)
Intangibles	925	33,405	(12,229)	(9,937)
	<u>\$ (323,403)</u>	<u>\$ 261,110</u>	<u>\$ (23,533)</u>	<u>\$ 86,212</u>

NOTE 13: RECONCILIATION OF NET INVESTMENT IN CAPITAL ASSETS**Governmental Activities:**

Capital Assets, Net of Depreciation	\$ 76,625,263
General Obligation Bonds Payable	(9,062,038)
Unamortized premium on Bonds	(732,041)
Unamortized discount on Bonds	15,539
Deferred Outflows - Loss on Refunding	572,266
Due to Other Governments	(223,105)

Net Investment in Capital Assets **\$ 67,195,884**

Business-Type Activities:

Capital Assets, Net of Depreciation	\$ 56,724,089
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Net Investment in Capital Assets **\$ 56,724,089**

NOTE 14: SUBSEQUENT EVENTS

The City has a joint agreement with Kitsap County for sewer treatment services. This agreement provides capacity to the City in exchange for the City paying for the share of the costs of operating the plant and of capital improvements based upon the proportionate ratio of capacity. The City is charged a fixed fee for operations and maintenance costs. The City also collects sewer General Facility Fees on behalf of the County and passes them along to the County to be held for any capital projects to support the City's flow and capacity processing. In the past few years several large improvement projects have been completed and the City is currently working with the County to finalize the numbers. The City's portion of the finalized costs are approximately \$10.8 million. The City issued debt for \$7.5 million in bonds. Bonds were sold in June at a premium creating a principal balance due of \$6,970,000. The remainder of the amount due to the County will be applied from the General Facility fees the County is currently holding on behalf of the City.

REQUIRED SUPPLEMENTARY INFORMATION
LEOFF I RETIREE MEDICAL BENEFITS
SCHEDULE OF FUNDING PROGRESS
December 31, 2017

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
12/31/2010	\$ -	\$ 662,910	\$ 662,910	0%	-	N/A*
12/31/2011	-	684,261	684,261	0%	-	N/A*
12/31/2012	-	653,990	653,990	0%	-	N/A*
12/31/2013	-	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	-	1,166,865	1,166,865	0%	-	N/A*
12/31/2017	-	1,123,600	1,123,600	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, 2017
Last 4 years

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Employer's proportion of the net pension liability (asset)	0.036729%	0.037386%	0.038976%	0.038376%
Employer's proportionate share of the net pension liability	<u>\$ 1,850,241</u>	<u>\$ 1,955,635</u>	<u>\$ 2,093,195</u>	<u>\$ 1,820,971</u>
Total	<u><u>\$ 1,850,241</u></u>	<u><u>\$ 1,955,635</u></u>	<u><u>\$ 2,093,195</u></u>	<u><u>\$ 1,820,971</u></u>
Employer's covered employee payroll	\$ 4,045,587	\$ 4,285,003	\$ 4,671,276	\$ 4,839,503
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	45.73%	45.64%	44.81%	37.63%
Plan fiduciary net position as a percentage of the total pension liability	61.19%	59.10%	57.03%	61.24%

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, 2017
Last 4 years

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Employer's proportion of the net pension liability (asset)	0.047289%	0.048290%	0.049929%	0.049363%
Employer's proportionate share of the net pension liability	<u>\$ 955,881</u>	<u>\$ 1,725,429</u>	<u>\$ 2,513,886</u>	<u>\$ 1,715,128</u>
Total	<u><u>\$ 955,881</u></u>	<u><u>\$ 1,725,429</u></u>	<u><u>\$ 2,513,886</u></u>	<u><u>\$ 1,715,128</u></u>
Employer's covered employee payroll	\$ 4,045,587	\$ 4,285,003	\$ 4,671,276	\$ 4,839,503
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	23.63%	40.27%	53.82%	35.44%
Plan fiduciary net position as a percentage of the total pension liability	93.29%	89.20%	85.82%	90.97%

See notes to Required Supplementary Information

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LEOFF 1
As of June 30, 2017
Last 4 years

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Employer's proportion of the net pension liability (asset)	0.005043%	0.005085%	0.003743%	0.002999%
Employer's proportionate share of the net pension liability	<u>\$ (61,161)</u>	<u>\$ (61,282)</u>	<u>\$ (38,564)</u>	<u>\$ (45,501)</u>
Total	<u><u>\$ (61,161)</u></u>	<u><u>\$ (61,282)</u></u>	<u><u>\$ (38,564)</u></u>	<u><u>\$ (45,501)</u></u>
Employer's covered employee payroll	0	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	N/A
Plan fiduciary net position as a percentage of the total pension liability	126.91%	127.36%	123.74%	135.96%

See notes to Required Supplementary Information

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LEOFF 2
As of June 30, 2017
Last 4 years

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Employer's proportion of the net pension liability (asset)	0.052340%	0.053889%	0.053380%	0.053352%
Employer's proportionate share of the net pension liability (asset)	\$ (694,574)	\$ (553,871)	\$ (310,474)	\$ (740,353)
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>	<u>(480,253)</u>
Total	<u>\$ (1,148,394)</u>	<u>\$ (920,093)</u>	<u>\$ (512,881)</u>	<u>\$ (1,220,606)</u>
Employer's covered employee payroll	\$ 1,456,576	\$ 1,564,053	\$ 1,617,108	\$ 1,668,942
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	47.69%	35.41%	19.20%	44.36%
Plan fiduciary net position as a percentage of the total pension liability	116.75%	111.67%	106.04%	113.36%

See notes to Required Supplementary Information

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
PERS 1
As of December 31, 2017
Last 4 years

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Statutorily or contractually required contributions	\$ 167,996	\$ 199,036	\$ 224,037	\$ 249,559
Contributions in relation to the statutorily or contractually required contributions	<u>(167,996)</u>	<u>(199,036)</u>	<u>(224,037)</u>	<u>(249,559)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employer payroll	\$ 4,152,711	\$ 4,510,640	\$ 4,696,806	\$ 5,098,268
Contributions as a percentage of covered employee payroll	4.05%	4.41%	4.77%	4.89%

See notes to Required Supplementary Information

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
PERS 2/3
As of December 31, 2017
Last 4 years

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Statutorily or contractually required contributions	\$ 208,036	\$ 255,711	\$ 292,611	\$ 348,499
Contributions in relation to the statutorily or contractually required contributions	<u>(208,036)</u>	<u>(255,711)</u>	<u>(292,611)</u>	<u>(348,499)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employer payroll	\$ 4,152,711	\$ 4,510,640	\$ 4,696,806	\$ 5,098,268
Contributions as a percentage of covered employee payroll	5.01%	5.67%	6.23%	6.84%

See notes to Required Supplementary Information

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
LEOFF 1
As of December 31, 2017
Last 4 years

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Statutorily or contractually required contributions	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the statutorily or contractually required contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered employer payroll	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered employee payroll	0.00%	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, 2017
Last 4 years

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Statutorily or contractually required contributions	\$ 78,406	\$ 80,712	\$ 80,293	\$ 91,334
Contributions in relation to the statutorily or contractually required contributions	<u>(78,406)</u>	<u>(80,712)</u>	<u>(80,293)</u>	<u>(91,334)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employer payroll	\$ 1,552,594	\$ 1,598,225	\$ 1,589,968	\$ 1,776,493
Contributions as a percentage of covered employee payroll	5.05%	5.05%	5.05%	5.14%

See notes to Required Supplementary Information

Notes to Required Supplementary Information – Pensions December 31, 2017

Note 1 – Information provided

There are no City employees participating in the PERS 1 or LEOFF 1 plans in 2017; 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 1 plan decreased 0.000600% or \$272,234, totaling 0.038376% or \$1,820,971. This results in the percentage of covered employee payroll in the City's proportionate share decreasing 7.18%.

The City's proportionate share of the PERS 2/3 plan decreased 0.000566% or \$798,757, totaling 0.049363% or \$1,715,128. This results in the percentage of covered employee payroll in the City's proportionate share decreasing 18.38%.

The City's proportionate share of the LEOFF 2 plan percentage decreased 0.000028%, however the City's net asset increased \$429,879 due to the State's increased net investment earnings. This results in the percentage of covered employee payroll in the City's proportionate share increasing 25.16%.

Note 2 – Significant errors

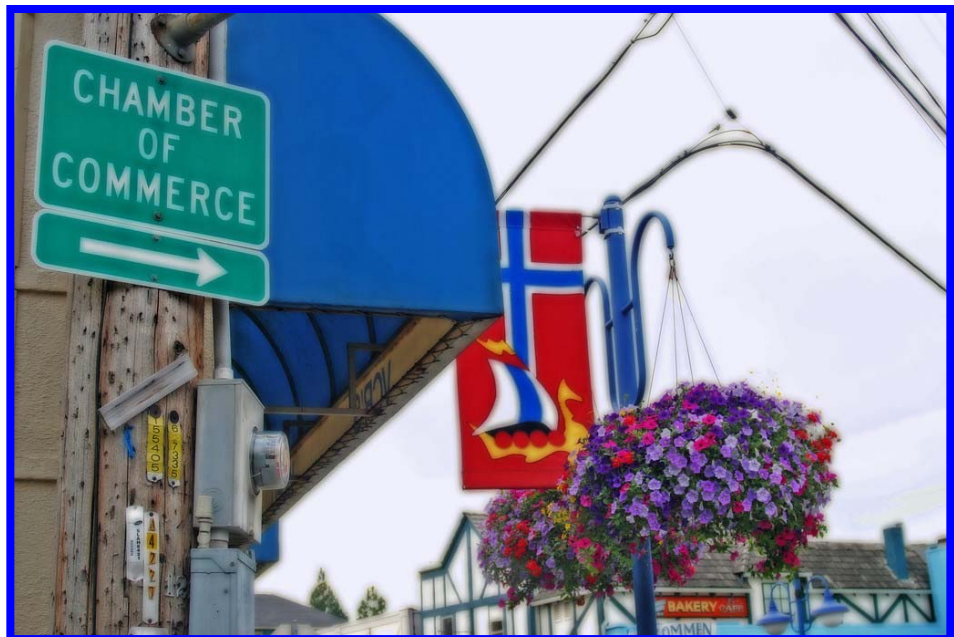
There were no changes of benefit terms, significant changes in the employees covered under the benefit terms or in the use of different assumptions.

Note 3 – Employer contribution rate changes

The State Pension Funding Council adopted increases to employer contributions in the PERS Plan 1 UAAL, PERS Plan 2/3 and LEOFF Plan 2 that were effective July 1st, 2017.

PERS Plan 2/3 contributions increased 1.52% to 12.70% from 11.18%. The total increase is made up of increases to PERS Plan 1 UAAL of 0.26% and PERS Plan 2/3 of 1.26%.

LEOFF Plan 2 contributions increased 0.20% to 5.43% from 5.23%.



NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

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

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

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

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

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

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

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

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

Debt Service Funds

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

The **Miscellaneous Governmental Debt** was created in 2003 to account for the revenue and debt expenditures associated with miscellaneous governmental debt.

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.

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, 2017**

Page 1 of 4

	Special Revenue				
	Capital Improvements Fund	Transportation Development Fund	Park Development Fund	Historic Downtown Poulsbo Association Fund	Paths and Trails Fund
Assets					
Cash and Cash Equivalents	\$ 12,231	\$ 4,530	\$ 1,812	\$ 5,230	\$ 1,811
Investments	860,668	1,896,937	358,748	46,373	15,081
Receivables:					
Taxes	119,446	-	-	-	175
Accounts	-	-	-	-	-
Special Assesments	-	-	-	18,961	-
Due from Other Governments	-	-	-	-	-
Cash and Investments-Restricted	-	-	-	-	-
Total Assets	992,345	1,901,467	360,560	70,564	17,067
Deferred Outflows of Resources	-	-	-	-	-
Liabilities					
Accounts Payable	-	-	-	1,318	-
Payroll	-	-	-	-	-
Unearned Revenue	-	-	-	11,377	-
Custodial Accounts	-	-	-	-	-
Total Liabilities	-	-	-	12,695	-
Deferred Inflows of Resources	-	-	-	-	-
Fund Balances					
Nonspendable Fund Balance	-	-	-	-	-
Restricted Fund Balance	992,345	1,901,467	360,560	57,869	17,067
Assigned Fund Balance	-	-	-	-	-
Unassigned Fund Balance	-	-	-	-	-
Total Fund Balance	992,345	1,901,467	360,560	57,869	17,067
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 992,345	\$ 1,901,467	\$ 360,560	\$ 70,564	\$ 17,067

COMBINING BALANCE SHEET (continued)
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2017

Page 2 of 4

				Debt Service		
Drug Enforcement Fund	Transient Occupancy Fund	Police Restricted Fund	Total Non-Major Special Revenue Funds	Misc Governmental Debt Fund	Non-Voted General Oblig Debt Fund	Total Non- Major Debt Service Funds
\$ 1,822 67,723	\$ 3,048 94,007	\$ 2,475 133,401	\$ 32,959 3,472,938	\$ 115 4,287	\$ 2,849 9,114	2,964 13,401
-	15,284	2,698	137,604	-	-	-
5,095	-	-	5,095	-	-	-
-	-	-	18,961	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
74,640	112,339	138,574	3,667,557	4,403	11,963	16,366
-	-	-	-	-	-	-
155	23,638	-	25,110	-	-	-
-	-	-	-	-	-	-
-	-	-	11,377	-	-	-
1,137	-	60	1,197	-	-	-
1,292	23,638	60	37,685	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
73,348	88,701	110,381	3,601,739	4,403	11,963	16,366
-	-	28,134	28,134	-	-	-
-	-	-	-	-	-	-
73,348	88,701	138,514	3,629,872	4,403	11,963	16,366
\$ 74,640	\$ 112,339	\$ 138,574	\$ 3,667,557	\$ 4,403	\$ 11,963	\$ 16,366

COMBINING BALANCE SHEET (continued)
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2017
Page 3 of 4

	Capital Project			
	Equipment Acquisition Fund	Park Reserve Fund	Street Reserve Fund	Cemetery Reserve Fund
Assets				
Cash and Cash Equivalents	\$ 61,589	\$ 49,916	\$ 130,464	\$ 186
Investments	358,617	174,765	1,015,245	54,490
Receivables:				
Taxes	-	-	-	-
Accounts	-	-	-	-
Special Assesments	-	-	-	-
Due from Other Governments	-	-	26,571	-
Cash and Investments-Restricted	142,318	-	-	-
Total Assets	562,524	224,681	1,172,280	54,676
Deferred Outflows of Resources	-	-	-	-
Liabilities				
Accounts Payable	140,570	10,189	28,577	-
Payroll	454	3,863	4,717	-
Unearned Revenue	-	-	-	-
Custodial Accounts	-	-	-	-
Total Liabilities	141,023	14,052	33,294	-
Deferred Inflows of Resources	-	-	-	-
Fund Balances				
Nonspendable Fund Balance	-	-	-	-
Restricted Fund Balance	-	-	-	-
Assigned Fund Balance	421,501	210,630	1,138,987	54,676
Unassigned Fund Balance	-	-	-	-
Total Fund Balance	421,501	210,630	1,138,987	54,676
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 562,524	\$ 224,681	\$ 1,172,280	\$ 54,676

COMBINING BALANCE SHEET (continued)
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2017

Page 4 of 4

		Permanent	
Facilities Fund	Total Non-Major Capital Project Funds	Bernice Borgen Beautification Trust Fund	Total Non-Major Governmental Funds
\$ 33,850	\$ 276,005	\$ 161	\$ 312,089
653,014	2,256,132	2,583	5,745,054
-	-	-	137,604
-	-	-	5,095
-	-	-	18,961
-	26,571	-	26,571
-	142,318	91,016	233,334
686,864	2,701,026	93,760	6,478,708
-	-	-	-
241	179,577	-	204,688
-	9,033	-	9,033
-	-	-	11,377
-	-	-	1,197
241	188,610	-	226,295
-	-	-	-
-	-	91,016	91,016
-	-	2,744	3,620,848
686,623	2,512,416	-	2,540,549
-	-	-	-
686,623	2,512,416	93,760	6,252,413
\$ 686,864	\$ 2,701,026	\$ 93,760	\$ 6,478,708

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

Page 1 of 4

	Special Revenue				
	Capital Improvements Fund	Transportation Development Fund	Park Development Fund	Historic Downtown Poulsbo Association	Paths and Trails Fund
Revenues					
Taxes	\$ 794,781	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	1,281
Charges for Services	-	976,227	164,913	-	-
Fines and Forfeitures	-	-	-	-	-
Interest and Other Earnings	1,559	4,421	1,676	592	101
Miscellaneous	-	-	-	56,411	-
Total Revenues	796,340	980,648	166,589	57,003	1,382
Expenditures					
Security of Persons & Property	-	-	-	-	-
Economic Environment	-	-	-	-	-
Culture and Recreation	-	-	-	47,494	-
Debt Service:					
Principal	-	-	-	-	-
Interest & Other Charges	-	-	-	-	-
Capital Outlay	-	-	-	-	-
Total Expenditures	-	-	-	47,494	-
Excess of Revenues over (under) Expenditures	796,340	980,648	166,589	9,509	1,382
Other Financing Sources (Uses)					
Transfers In	-	-	-	-	-
Transfers Out	(435,292)	(195,000)	(90,000)	-	-
Issuance of Long Term Debt	-	-	-	-	-
Premium on Bonds Sold	-	-	-	-	-
Sale of Capital Assets	-	-	-	-	-
Total Other Financing Sources and Uses	(435,292)	(195,000)	(90,000)	-	-
Net Change in Fund Balances	361,047	785,648	76,589	9,509	1,382
Fund Balances - Beginning of Year	607,125	1,115,819	283,971	48,360	15,685
Prior Year Adjustment	24,172	-	-	-	-
Fund Balances - Ending of Year	\$ 992,345	\$ 1,901,467	\$ 360,560	\$ 57,869	\$ 17,067

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES *(continued)*
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

Page 2 of 4

				Debt Service		
Drug Enforcement Fund	Transient Occupancy Fund	Police Restricted Fund	Total Non-Major Special Revenue Funds	Misc Governmental Debt Fund	Non-Voted GO Debt Fund	Total Non-Major Debt Service Funds
\$ -	\$ 130,062	\$ -	\$ 924,843	\$ -	\$ -	\$ -
-	-	23,694	24,975	-	-	-
-	-	-	1,141,140	-	-	-
-	-	231	231	-	-	-
450	578	592	9,968	29	490	519
10,233	-	4,047	70,691	-	-	-
10,683	130,640	28,564	2,171,848	29	490	519
2,696	-	12,140	14,836	-	-	-
-	136,743	-	136,743	-	-	-
-	-	-	47,494	-	-	-
-	-	-	-	74,368	655,000	729,368
-	-	-	-	8,924	349,371	358,296
-	-	-	-	-	-	-
2,696	136,743	12,140	199,074	83,292	1,004,371	1,087,664
7,986	(6,103)	16,424	1,972,774	(83,264)	(1,003,881)	(1,087,145)
-	-	-	-	83,292	1,003,971	1,087,264
-	-	-	(720,292)	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	(720,292)	83,292	1,003,971	1,087,264
7,986	(6,103)	16,424	1,252,482	29	90	119
65,362	76,460	119,522	2,332,304	4,374	11,872	16,246
-	18,345	2,569	45,086	-	-	-
\$ 73,348	\$ 88,701	\$ 138,514	\$ 3,629,872	\$ 4,403	\$ 11,963	16,366

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES *(continued)*
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

Page 3 of 4

	Capital Project			
	Equipment Acquisition Fund	Park Reserve Fund	Street Reserve Fund	Cemetery Reserve Fund
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	6,048	124,075	-
Charges for Services	-	-	-	4,800
Fines and Forfeitures	-	-	-	-
Interest and Other Earnings	3,678	1,718	4,007	347
Miscellaneous	-	30,268	-	5,600
Total Revenues	3,678	38,034	128,082	10,747
Expenditures				
Security of Persons & Property	-	-	-	-
Economic Environment	-	-	-	-
Culture and Recreation	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest & Fiscal Charges	2,318	-	-	-
Capital Outlay	693,435	493,634	517,664	9,408
Total Expenditures	695,753	493,634	517,664	9,408
Excess of Revenues over (under) Expenditures	(692,075)	(455,600)	(389,581)	1,339
Other Financing Sources (Uses)				
Transfers In	166,826	460,000	394,000	-
Transfers Out	-	(4,125)	(11,300)	(1,600)
Issuance of Long Term Debt	422,038	-	-	-
Premium on Bonds Sold	39,280	-	-	-
Sale of Capital Assets	-	-	-	-
Total Other Financing Sources and Uses	628,144	455,875	382,700	(1,600)
Net Change in Fund Balances	(63,931)	275	(6,881)	(261)
Fund Balances - Beginning of Year	485,432	210,355	1,145,868	54,936
Prior Year Adjustment	-	-	-	-
Fund Balances - Ending of Year	\$ 421,501	\$ 210,630	\$ 1,138,987	\$ 54,676

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES *(continued)*
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

Page 4 of 4

		Permanent	
Facilities Fund	Total Non-Major Capital Project Funds	Bernice Borgen Beautification Trust Fund	Total Non-Major Governmental Funds
\$ -	\$ -	\$ -	\$ 924,843
-	130,123	-	155,098
-	4,800	-	1,145,940
-	-	-	231
4,332	14,083	894	25,464
-	35,868	-	106,559
4,332	184,874	894	2,358,135
-	-	-	14,836
-	-	-	136,743
-	-	-	47,494
-	-	-	729,368
-	2,318	-	360,614
111,057	1,825,198	-	1,825,198
111,057	1,827,516	-	3,114,253
(106,725)	(1,642,642)	894	(756,119)
25,000	1,045,826	-	2,133,090
(280,000)	(297,025)	-	(1,017,317)
-	422,038	-	422,038
-	39,280	-	39,280
900,000	900,000	-	900,000
645,000	2,110,119	-	2,477,090
538,275	467,477	894	1,720,972
81,335	1,977,926	92,866	4,419,343
67,012	67,012	-	112,098
\$ 686,623	\$ 2,512,416	\$ 93,760	\$ 6,252,413

CAPITAL IMPROVEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2017

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Taxes:			
Excise Tax	\$ 600,000	\$ 794,781	\$ 194,781
Interest and Other Earnings	2,800	1,559	(1,241)
Total Revenues	602,800	796,340	193,540
Expenditures			
Miscellaneous	-	-	-
Total Expenditures	-	-	-
Excess of Revenues Over (Under) Expenditures	602,800	796,340	193,540
Other Financing Sources (Uses)			
Transfers out	(435,292)	(435,292)	-
Total Other Financing Sources (Uses)	(435,292)	(435,292)	-
Net Change in Fund Balance	167,508	361,047	193,539
Fund Balance Beginning of Year	607,125	607,125	-
Prior Year Adjustment	-	24,172	24,172
Fund Balance End of Year	\$ 774,633	\$ 992,345	\$ 217,712

TRANSPORTATION DEVELOPMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2017

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Growth Mgmt Act Impact	\$ 100,000	\$ 742,705	\$ 642,705
SEPA Mitigation	350,000	233,522	(116,478)
Interest and Other Earnings	500	4,421	3,921
Total Revenues	450,500	980,648	530,148
Expenditures			
Miscellaneous	-	-	-
Total Expenditures	-	-	-
Excess of Revenues Over (Under) Expenditures	450,500	980,648	530,148
Other Financing Sources (Uses)			
Transfers in	-	-	-
Transfers out	(900,000)	(195,000)	705,000
Total Other Financing Sources (Uses)	(900,000)	(195,000)	705,000
Net Change in Fund Balance	(449,500)	785,648	1,235,148
Fund Balance Beginning of Year	1,115,819	1,115,819	-
Fund Balance End of Year	\$ 666,319	\$ 1,901,467	\$ 1,235,148

PARK DEVELOPMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2017

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Growth Mgmt Act Impact	\$ 149,887	\$ 132,913	(16,974)
SEPA Mitigation	\$ 46,250	32,000	(14,250)
Interest and Other Earnings	1,500	1,676	176
Total Revenues	197,637	166,589	(31,048)
Expenditures			
Miscellaneous	-	-	-
Total Expenditures	-	-	-
Excess of Revenues Over (Under) Expenditures	197,637	166,589	(31,048)
Other Financing Sources (Uses)			
Transfers in	-	-	-
Transfers out	(170,000)	(90,000)	80,000
Total Other Financing Sources (Uses)	(170,000)	(90,000)	80,000
Net Change in Fund Balance	27,637	76,589	48,952
Fund Balance Beginning of Year	283,971	283,971	-
Fund Balance End of Year	\$ 311,608	\$ 360,560	\$ 48,952

HISTORIC DOWNTOWN POULSBO ASSOCIATION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2017

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Special Assessments	\$ 47,000	\$ 46,165	\$ (835)
Gifts and Pledges	10,245	10,246	1
Facility Rental	-	-	-
Interest and Other Earnings	378	592	214
Miscellaneous	-	-	-
Total Revenues	57,623	57,003	(620)
Expenditures			
Bad Debt Expense	500	1,948	(1,448)
Office & Operating Supplies	400	129	271
Small Tools & Minor Equipment	200	-	200
Professional Services	8,150	4,650	3,500
Advertising	18,345	10,401	7,944
Communication	400	996	(596)
Postage	100	105	(5)
Insurance	1,700	1,546	154
Repairs and Maintenance	20,950	21,403	(453)
Miscellaneous	7,532	6,315	1,217
Total Expenditures	58,277	47,494	10,783
Excess of Revenues Over (Under) Expenditures	(654)	9,509	10,163
Other Financing Sources (Uses)			
Transfers in	-	-	-
Transfers out	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balance	(654)	9,509	10,163
Fund Balance Beginning of Year	48,360	48,360	-
Fund Balance End of Year	\$ 47,706	\$ 57,869	\$ 10,163

PATH AND TRAILS RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2017

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Intergovernmental	\$ 1,064	\$ 1,281	\$ 217
Interest and Other Earnings	80	101	21
Total Revenues	1,144	1,382	238
Expenditures			
Miscellaneous	-	-	-
Total Expenditures	-	-	-
Excess of Revenues Over (Under) Expenditures	1,144	1,382	238
Other Financing Sources (Uses)			
Transfers in	-	-	-
Transfers out	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balance	1,144	1,382	238
Fund Balance Beginning of Year	15,685	15,685	-
Fund Balance End of Year	\$ 16,829	\$ 17,067	\$ 238

DRUG ENFORCEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2017

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Interest and Other Earnings	\$ 400	\$ 450	\$ 50
Miscellaneous	-	10,233	10,233
Total Revenues	400	10,683	10,283
Expenditures			
Special Unit Program	8,600	1,027	7,573
K-9 Program	4,700	1,669	3,031
Total Expenditures	13,300	2,696	10,604
Excess of Revenues Over (Under) Expenditures	(12,900)	7,986	20,886
Other Financing Sources (Uses)			
Disposal of Capital Assets	-	-	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balance	(12,900)	7,986	20,886
Fund Balance Beginning of Year	65,362	65,362	-
Fund Balance End of Year	\$ 52,462	\$ 73,348	\$ 20,886

TRANSIENT OCCUPANCY TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2017

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Hotel/Motel Tax	\$ 110,000	\$ 69,078	\$ (40,922)
Additional 2% Hotel/Motel Tax	-	60,984	60,984
Interest and Other Earnings	400	578	178
Total Revenues	110,400	130,640	20,240
Expenditures			
Poulsbo Marketing Coalition	95,000		
General Poulsbo Marketing		31,734	
Poulsbo Historic Society		21,000	
Poulsbo Chamber Visitor Center		18,000	
3rd of July Community Event		10,000	
Viking Fest Community Event		10,000	
Viking Holiday Tree Lighting		4,322	(55)
Visit Kitsap	24,000	24,000	-
North Kitsap Tourism Coalition	8,500	7,942	558
Historic Downtown Poulsbo Association	5,745	5,746	(1)
Twilight Criterium	4,000	4,000	-
Total Expenditures	137,245	136,743	502
Excess of Revenues Over (Under) Expenditures	(26,845)	(6,103)	20,742
Other Financing Sources (Uses)			
Transfers in	-	-	-
Transfers out	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balance	(26,845)	(6,103)	20,742
Fund Balance Beginning of Year	76,460	76,460	-
Prior Year Adjustment	-	18,345	18,345
Fund Balance End of Year	\$ 49,615	\$ 88,701	\$ 39,086

POLICE RESTRICTED FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2017

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Vessel Registration	\$ 8,000	\$ 7,100	\$ (900)
Criminal Justice	10,618	10,607	(11)
Marine Safety Grant	-	5,987	5,987
Intergovernmental	-	-	-
Fines & Forfeitures	-	231	231
Interest and Other Earnings	1,000	592	(408)
Miscellaneous	1,000	4,047	3,047
Total Revenues	20,618	28,564	7,946
Expenditures			
Marine Safety	10,025	6,705	3,320
Criminal Justice	4,500	4,353	147
Miscellaneous	2,000	1,082	918
Total Expenditures	16,525	12,140	4,385
Excess of Revenues Over (Under) Expenditures	4,093	16,424	12,331
Other Financing Sources (Uses)			
Transfers in	-	-	-
Transfers out	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balance	4,093	16,424	12,331
Fund Balance Beginning of Year	119,522	119,522	-
Prior Year Adjustment	-	2,569	2,569
Fund Balance End of Year	\$ 123,615	\$ 138,514	\$ 14,899

MISCELLANEOUS GOVERNMENTAL DEBT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2017

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Interest and Other Earnings	\$ 20	\$ 29	\$ 9
Total Revenues	20	29	9
Expenditures			
Debt Service:			
Intergovernmental Loan-Principal	74,369	74,368	1
Interest and Related Costs	8,924	8,924	-
Total Expenditures	83,293	83,292	1
Excess of Revenues Over (Under) Expenditures	(83,273)	(83,264)	9
Other Financing Sources (Uses)			
Transfers in	83,292	83,292	-
Transfers out	-	-	-
Total Other Financing Sources (Uses)	83,292	83,292	-
Net Change in Fund Balance	19	29	10
Fund Balance Beginning of Year	4,374	4,374	-
Fund Balance End of Year	\$ 4,393	\$ 4,403	\$ 10

NON-VOTED GENERAL OBLIGATION DEBT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2017

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Interest and Other Earnings	\$ 60	\$ 490	\$ 430
Miscellaneous	-	-	-
Total Revenues	60	490	430
Expenditures			
Debt Service:			
General Obligation Bond-Principal	655,000	655,000	-
Interest and Other Costs	349,472	349,371	101
Total Expenditures	1,004,472	1,004,371	101
Excess of Revenues Over (Under) Expenditures	(1,004,412)	(1,003,881)	531
Other Financing Sources (Uses)			
Bond Proceeds	-	-	-
Premium on Bonds Sold	-	-	-
Transfers in	1,003,972	1,003,971	(1)
Transfers out	-	-	-
Total Other Financing Sources (Uses)	1,003,972	1,003,971	(1)
Net Change in Fund Balance	(440)	90	530
Fund Balance Beginning of Year	11,872	11,872	-
Fund Balance End of Year	\$ 11,432	\$ 11,963	\$ 531

EQUIPMENT ACQUISITION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2017

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Interest and Other Earnings	\$ 464,068	\$ 464,996	\$ 928
Miscellaneous	-	-	-
Total Revenues	464,068	464,996	928
Expenditures			
Capital Outlay:			
Police Vehicles	430,000	430,069	(69)
Public Works Vehicles	102,400	100,095	2,305
Crack Sealer Machine	65,000	54,080	10,920
SmartGov Software	42,765	9,660	33,105
Building Dept Vehicle	30,000	27,199	2,801
Security Cameras	19,800	19,564	236
Records Management Software	16,000	-	16,000
City Hall Renovations	13,000	13,417	(417)
Floating Dock	12,500	11,350	1,150
Parks Equipment	12,400	14,993	(2,593)
Police Software and Equipment	11,871	3,506	8,365
Debt Issue Costs	5,318	2,318	3,000
Speed Signs	2,375	9,501	(7,126)
Total Expenditures	763,429	695,753	67,676
Excess of Revenues Over (Under) Expenditures	(299,361)	(230,757)	68,604
Other Financing Sources (Uses)			
Transfers in	166,829	166,826	(3)
Transfers out	-	-	-
Total Other Financing Sources (Uses)	166,829	166,826	(3)
Net Change in Fund Balance	(132,532)	(63,931)	68,601
Fund Balance Beginning of Year	485,432	485,432	-
Fund Balance End of Year	\$ 352,900	\$ 421,501	\$ 68,601

PARK RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2017

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Intergovernmental:			
ALEA/WA Dept of Fish & Wildlife	\$ 117,048	\$ 6,048	\$ (111,000)
Gifts and Pledges	-	30,268	30,268
Interest and Other Earnings	1,000	1,718	718
Total Revenues	118,048	38,034	(80,014)
Expenditures			
Capital Outlay:			
Muriel Williams Park Restrooms	345,950	335,690	10,260
Fish Park	111,048	22,657	88,391
Morrow Manor Park	82,379	265	82,114
M.I.W. Park Benches	45,000	69,632	(24,632)
Nelson Park Trail Easement	34,507	26,818	7,689
M.I.W. Pavillion Roof	32,000	27,888	4,112
Nelson Park Playground	25,000	-	25,000
Centennial Park	25,000	9,400	15,600
Trail Easements	10,000	-	10,000
Fish Park House	1,300	1,285	15
Total Expenditures	712,184	493,634	218,550
Excess of Revenues Over (Under) Expenditures	(594,136)	(455,600)	138,536
Other Financing Sources (Uses)			
Transfers in	540,000	460,000	(80,000)
Transfers out	(4,125)	(4,125)	-
Total Other Financing Sources (Uses)	535,875	455,875	(80,000)
Net Change in Fund Balance	(58,261)	275	58,536
Fund Balance Beginning of Year	210,355	210,355	-
Fund Balance End of Year	\$ 152,094	\$ 210,630	\$ 58,536

STREET RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2017

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Intergovernmental	\$ 1,512,287	\$ 124,075	\$ (1,388,212)
Interest and Other Earnings	4,000	4,007	7
Total Revenues	1,516,287	128,082	(1,388,205)
Expenditures			
Capital Outlay:			
Noll Road Right of Way	1,551,795	81,525	1,470,270
Noll Road Phase III	967,861	66,774	901,087
Neighborhood Streets	300,000	266,046	33,954
Liberty Bay Trail	260,101	56,195	203,906
Finn Hill Road Construction	83,623	58,352	25,271
Bond/Lindvig Signal	10,000	-	10,000
Peterson Rockwall Reclassified as Operating	-	(11,228)	11,228
Total Expenditures	3,173,380	517,664	2,655,716
Excess of Revenues Over (Under) Expenditures	(1,657,093)	(389,581)	1,267,512
Other Financing Sources (Uses)			
Transfers in	1,099,000	394,000	(705,000)
Transfers out	(11,300)	(11,300)	-
Total Other Financing Sources (Uses)	1,087,700	382,700	(705,000)
Net Change in Fund Balance	(569,393)	(6,881)	562,512
Fund Balance Beginning of Year	1,139,848	1,145,868	6,020
Fund Balance End of Year	\$ 570,455	\$ 1,138,987	\$ 568,532

CEMETERY RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2017

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Gravesites	\$ 3,000	\$ 4,800	\$ 1,800
Gifts and Pledges	-	5,600	5,600
Interest and Other Earnings	250	347	97
Total Revenues	3,250	10,747	7,497
Expenditures			
General Government	17,117	9,408	7,709
Total Expenditures	17,117	9,408	7,709
Excess of Revenues Over (Under) Expenditures	(13,867)	1,339	15,206
Other Financing Sources (Uses)			
Transfers in	-	-	-
Transfers out	(1,600)	(1,600)	-
Total Other Financing Sources (Uses)	(1,600)	(1,600)	-
Net Change in Fund Balance	(15,467)	(261)	15,206
Fund Balance Beginning of Year	54,936	54,936	-
Fund Balance End of Year	\$ 39,469	\$ 54,676	\$ 15,207

FACILITIES FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2017

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Interest and Other Earnings	\$ 2,100	\$ 4,332	\$ 2,232
Gifts and Pledges	22,500	-	(22,500)
Miscellaneous	-	-	-
Total Revenues	24,600	4,332	(20,268)
Expenditures			
Professional Services	-	-	-
Building & Structures	429,428	111,057	318,371
Total Expenditures	429,428	111,057	318,371
Excess of Revenues Over (Under) Expenditures	(404,828)	(106,725)	298,103
Other Financing Sources (Uses)			
Transfers in	25,000	25,000	-
Transfers out	(280,000)	(280,000)	-
Sale of Capital Assets	1,725,000	900,000	(825,000)
Total Other Financing Sources (Uses)	1,470,000	645,000	(825,000)
Net Change in Fund Balance	1,065,172	538,275	(526,897)
Fund Balance Beginning of Year	81,335	81,335	-
Prior Year Adjustment	-	67,012	67,012
Fund Balance End of Year	\$ 1,146,507	\$ 686,623	\$ (459,884)

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

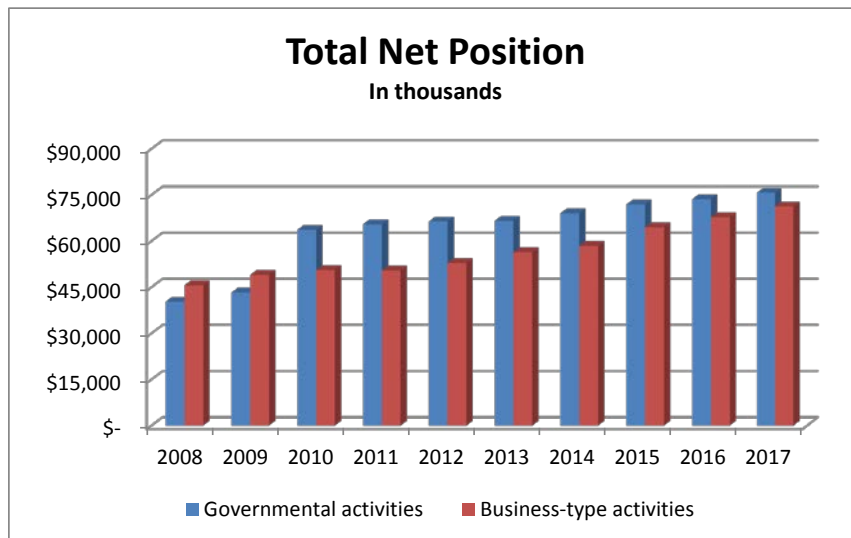
Page 1 of 2

	2008	2009	2010	2011	2012
Governmental Activities					
Net Investment in Capital Assets	\$ 32,758,461	\$ 35,548,551	\$ 58,447,929	\$ 60,292,177	\$ 61,173,480
Restricted	683,649	643,717	602,068	733,527	771,117
Unrestricted	6,831,365	7,074,512	4,587,722	4,449,433	4,427,348
Total Governmental Activities Net Position	\$ 40,273,475	\$ 43,266,780	\$ 63,637,719	\$ 65,475,137	\$ 66,371,945
Business-type Activities					
Net Investment in Capital Assets	\$ 35,806,531	\$ 38,376,953	\$ 38,276,261	\$ 37,042,937	\$ 37,440,865
Restricted	492,011	492,011	434,587	492,011	442,900
Unrestricted	9,313,622	10,139,706	11,822,918	12,880,492	14,956,989
Total Business-type Activities Net Position	\$ 45,612,163	\$ 49,008,669	\$ 50,533,766	\$ 50,415,439	\$ 52,840,754
Primary Government					
Net Investment in Capital Assets	\$ 68,564,992	\$ 73,925,503	\$ 96,724,190	\$ 97,335,114	\$ 98,614,345
Restricted	1,175,659	1,135,728	1,036,655	1,225,538	1,214,017
Unrestricted	16,144,986	17,214,218	16,410,640	17,329,924	19,384,337
Total Primary Government Net Position	\$ 85,885,638	\$ 92,275,449	\$ 114,171,485	\$ 115,890,576	\$ 119,212,698

NET POSITION BY COMPONENT (continued)
Last Ten Fiscal Years

Page 2 of 2

2013	2014	2015	2016	2017
\$ 61,384,364	\$ 63,759,780	\$ 67,037,545	\$ 67,834,718	\$ 67,195,884
1,073,118	879,424	1,931,830	2,416,841	3,754,620
4,134,707	4,455,115	2,935,244	3,367,677	4,796,265
<u>\$ 66,592,189</u>	<u>\$ 69,094,319</u>	<u>\$ 71,904,619</u>	<u>\$ 73,619,236</u>	<u>\$ 75,746,769</u>
\$ 41,152,937	\$ 42,142,755	\$ 50,368,250	\$ 52,652,252	\$ 56,724,089
313,400	313,400	313,400	313,400	-
14,912,634	16,020,323	13,818,164	14,827,869	14,542,041
<u>\$ 56,378,971</u>	<u>\$ 58,476,477</u>	<u>\$ 64,499,813</u>	<u>\$ 67,793,521</u>	<u>\$ 71,266,130</u>
\$ 102,537,302	\$ 105,902,534	\$ 117,405,795	\$ 120,486,970	\$ 123,919,973
1,386,518	1,192,824	2,245,230	2,730,241	3,754,620
19,047,341	20,475,438	16,753,408	18,195,546	19,338,306
<u>\$ 122,971,160</u>	<u>\$ 127,570,796</u>	<u>\$ 136,404,432</u>	<u>\$ 141,412,756</u>	<u>\$ 147,012,899</u>



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

Page 1 of 4

	2008	2009	2010	2011
Expenses				
Governmental Activities:				
General Government	\$ 1,752,358	\$ 1,673,197	\$ 1,731,193	\$ 1,758,688
Judicial	338,206	363,204	372,227	347,030
Security of Persons & Property	2,485,650	2,735,396	2,733,363	2,631,619
Utilities & Environment	605,326	495,083	478,035	494,668
Transportation	3,473,777	1,590,515	1,731,695	1,685,655
Economic Environment	894,507	848,002	861,538	633,782
Mental & Physical Health	13,694	14,213	14,481	14,573
Culture & Recreation	2,067,109	1,501,571	1,509,164	1,468,720
Interest on Long-Term Debt	303,190	517,679	561,569	553,206
Total Governmental Activities Expenses	11,933,818	9,738,860	9,993,266	9,587,940
Business-Type Activities:				
Water	928,153	1,109,257	1,094,734	1,199,529
Sewer	1,520,839	1,716,646	1,844,726	2,052,589
Solid Waste	961,512	999,853	999,164	1,161,445
Storm Drain	675,448	881,451	931,723	935,763
Total Business-Type Activities	4,085,952	4,707,206	4,870,347	5,349,326
Total Primary Government Expenses	\$ 16,019,770	\$ 14,446,066	\$ 14,863,613	\$ 14,937,266
Program Revenues				
Governmental Activities:				
Charges for Services				
General Government	\$ 268,307	\$ 269,871	\$ 266,497	\$ 540,342
Judicial	106,268	100,989	111,022	106,027
Security of Persons & Property	142,855	149,761	175,358	169,029
Utilities & Environment	58,143	41,545	43,703	51,162
Transportation	7,096	8,428	9,239	9,225
Economic Environment	508,805	529,054	332,333	281,722
Culture & Recreation	488,532	446,626	504,935	493,156
Operating Grants and Contributions	403,541	462,488	477,260	425,702
Capital Grants and Contributions	8,170,785	2,616,738	1,539,559	1,547,093
Total Governmental Activities Program Revenues	10,154,333	4,625,500	3,459,906	3,623,457
Business-Type Activities:				
Charges for Services:				
Water	1,314,880	1,436,637	1,420,038	1,407,214
Sewer	1,988,486	2,388,293	2,526,708	2,558,143
Solid Waste	1,287,759	1,262,911	1,282,151	1,287,617
Storm Drain	701,872	732,023	732,782	738,081
Operating Grants and Contributions	56,428	53,270	57,555	94,789
Capital Grants and Contributions	7,612,412	3,180,784	221,116	312,382
Total Business-Type Activities Program Revenues	12,961,838	9,053,919	6,240,350	6,398,226
Total Primary Government Program Revenues	\$ 23,116,170	\$ 13,679,418	\$ 9,700,256	\$ 10,021,682

CHANGES IN NET POSITION (continued)**Last Ten Fiscal Years**

Page 2 of 4

2012	2013	2014	2015	2016	2017
\$ 2,148,291	\$ 1,640,535	\$ 1,572,173	\$ 1,539,405	\$ 1,776,629	\$ 1,386,987
374,672	355,656	357,993	370,046	383,968	401,814
2,651,809	2,826,033	3,009,996	3,146,848	3,327,528	3,495,629
463,211	500,646	456,860	481,077	506,396	524,341
1,852,794	2,716,499	2,820,286	2,703,349	2,922,462	2,998,467
665,027	779,317	890,459	963,163	999,731	1,031,024
14,705	13,978	14,356	29,772	131,162	245,572
1,427,910	1,336,339	1,338,814	1,422,703	1,469,255	1,400,013
556,341	536,673	518,677	458,869	391,781	378,391
10,154,759	10,705,677	10,979,613	11,115,232	11,908,913	11,862,238
1,282,886	1,356,314	1,484,034	1,670,634	1,692,690	1,625,472
2,109,868	2,240,098	2,236,003	2,531,582	2,686,558	2,716,954
1,247,121	1,298,015	1,320,150	1,493,671	1,759,556	2,096,082
1,011,619	972,205	1,088,006	1,433,190	1,676,166	1,647,010
5,651,494	5,866,631	6,128,192	7,129,077	7,814,970	8,085,518
\$ 15,806,253	\$ 16,572,308	\$ 17,107,805	\$ 18,244,309	\$ 19,723,883	\$ 19,947,756
\$ 345,044	\$ 327,650	\$ 345,370	\$ 360,990	\$ 370,369	\$ 415,833
112,308	108,500	112,624	117,154	279,232	58,842
168,580	148,342	120,687	143,892	133,347	123,696
53,193	11,227	5,444	4,715	3,400	4,800
12,100	67,595	112,095	93,439	82,592	144,829
505,177	558,996	471,539	907,245	1,087,421	949,198
538,424	530,637	525,946	525,247	535,811	575,614
468,960	479,485	496,338	605,198	710,043	977,832
1,758,099	1,493,376	3,673,904	5,027,389	1,633,211	2,403,489
3,961,884	3,725,807	5,863,947	7,785,269	4,835,426	5,654,133
1,461,638	1,528,732	1,590,972	1,831,511	1,857,036	1,960,128
2,803,005	3,040,822	3,208,493	3,287,822	3,460,657	3,626,637
1,382,449	1,456,824	1,501,028	1,614,036	1,793,421	1,922,024
801,795	786,897	1,014,112	1,521,196	1,621,933	1,706,057
66,936	-	-	115,058	84,948	8,195
1,503,112	2,492,406	862,361	5,784,476	2,234,980	2,291,492
8,018,935	9,305,682	8,176,966	14,154,100	11,052,975	11,514,533
\$ 11,980,819	\$ 13,031,489	\$ 14,040,913	\$ 21,939,368	\$ 15,888,401	\$ 17,168,666

CHANGES IN NET POSITION (continued)**Last Ten Fiscal Years**

Page 3 of 4

	2008	2009	2010	2011
Net (Expense)/Revenue				
Governmental Activities	\$ (1,779,485)	\$ (5,113,360)	\$ (6,533,359)	\$ (5,964,483)
Business-Type Activities	8,875,886	4,346,712	1,370,003	1,048,900
Total Primary Government Net Expense	<u>\$ 7,096,400</u>	<u>\$ (766,648)</u>	<u>\$ (5,163,357)</u>	<u>\$ (4,915,583)</u>
General Revenues and Other Changes in Net Position				
Governmental Activities:				
Taxes:				
Property Taxes	\$ 1,898,668	\$ 1,972,984	\$ 2,046,143	\$ 2,061,784
Retail Sales & Use Taxes	3,241,145	2,983,521	3,089,028	2,905,695
Business Taxes	1,452,140	1,527,557	1,532,771	1,691,487
Excise Taxes	565,800	398,550	340,508	300,344
Investment earnings	579,695	157,625	104,893	61,220
Gain (loss) on Disposal of Capital Assets	701	724,911	-	13,139
Insurance Recoveries	-	-	-	-
Total Governmental Activities	<u>7,738,149</u>	<u>7,765,148</u>	<u>7,113,343</u>	<u>7,033,670</u>
Business-Type Activities				
Investment earnings	275,353	87,942	96,415	56,345
Gain (loss) on Disposal of Capital Assets	-	-	-	-
Total Business-Type Activities	<u>275,353</u>	<u>87,942</u>	<u>96,415</u>	<u>56,345</u>
Total Primary Government	<u>\$ 8,013,502</u>	<u>\$ 7,853,090</u>	<u>\$ 7,209,758</u>	<u>\$ 7,090,016</u>
Change in Net Position				
Governmental Activities	\$ 5,958,663	\$ 2,651,788	\$ 579,984	\$ 1,069,187
Business-Type Activities	9,151,239	4,434,655	1,466,417	1,105,245
Total Primary Government	<u>\$ 15,109,902</u>	<u>\$ 7,086,442</u>	<u>\$ 2,046,401</u>	<u>\$ 2,174,432</u>

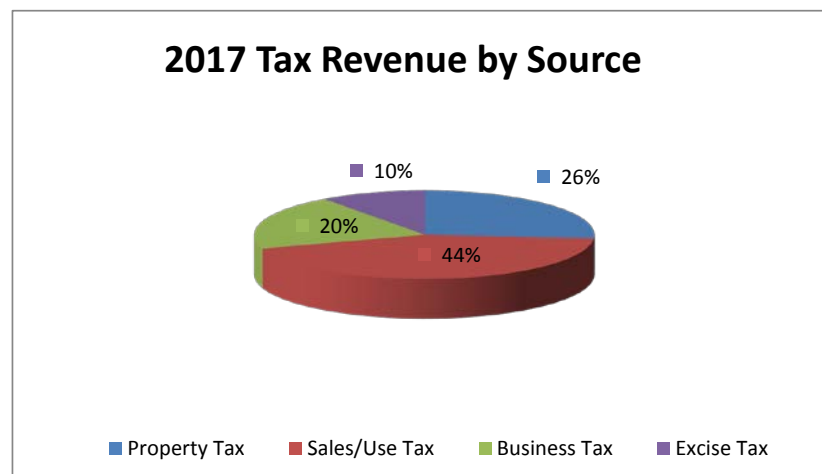
CHANGES IN NET POSITION (continued)
Last Ten Fiscal Years

Page 4 of 4

2012	2013	2014	2015	2016	2017
\$ (6,192,875)	\$ (6,979,869)	\$ (5,115,667)	\$ (3,329,963)	\$ (7,073,487)	\$ (6,208,105)
2,367,441	3,439,051	2,048,774	7,025,023	3,238,005	3,429,015
<u>\$ (3,825,434)</u>	<u>\$ (3,540,819)</u>	<u>\$ (3,066,892)</u>	<u>\$ 3,695,060</u>	<u>\$ (3,835,482)</u>	<u>\$ (2,779,090)</u>
\$ 2,119,770	\$ 1,967,770	\$ 2,085,784	\$ 2,191,189	\$ 2,264,194	\$ 2,400,282
2,700,885	2,967,756	3,227,329	3,393,849	3,742,485	3,985,840
1,718,219	1,647,259	1,658,873	2,038,443	1,841,119	1,827,400
587,590	622,312	592,983	748,026	866,886	916,383
59,267	33,016	47,924	40,329	76,833	107,482
4,712	124,658	5,715	12,182	15,309	(751,097)
-	20,306	-	-	-	-
<u>7,190,443</u>	<u>7,383,077</u>	<u>7,618,608</u>	<u>8,424,018</u>	<u>8,806,826</u>	<u>8,486,289</u>
56,111	25,987	39,785	30,716	54,780	61,650
-	-	11,885	14,211	922	(18,442)
<u>56,111</u>	<u>25,987</u>	<u>51,670</u>	<u>44,927</u>	<u>55,702</u>	<u>43,208</u>
<u>\$ 7,246,554</u>	<u>\$ 7,409,064</u>	<u>\$ 7,670,278</u>	<u>\$ 8,468,945</u>	<u>\$ 8,862,528</u>	<u>\$ 8,529,497</u>
\$ 997,568	\$ 403,207	\$ 2,502,942	\$ 5,094,055	\$ 1,733,339	\$ 2,278,185
2,423,552	3,465,038	2,100,444	7,069,950	3,293,707	3,472,223
<u>\$ 3,421,120</u>	<u>\$ 3,868,245</u>	<u>\$ 4,603,386</u>	<u>\$ 12,164,004</u>	<u>\$ 5,027,046</u>	<u>\$ 5,750,408</u>

GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE
Last Ten Fiscal Years

Fiscal Year	Property Tax	Sales/Use Tax	Business Tax	Excise Tax	Total Taxes
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
2017	2,400,282	3,985,840	1,827,400	916,383	9,129,905

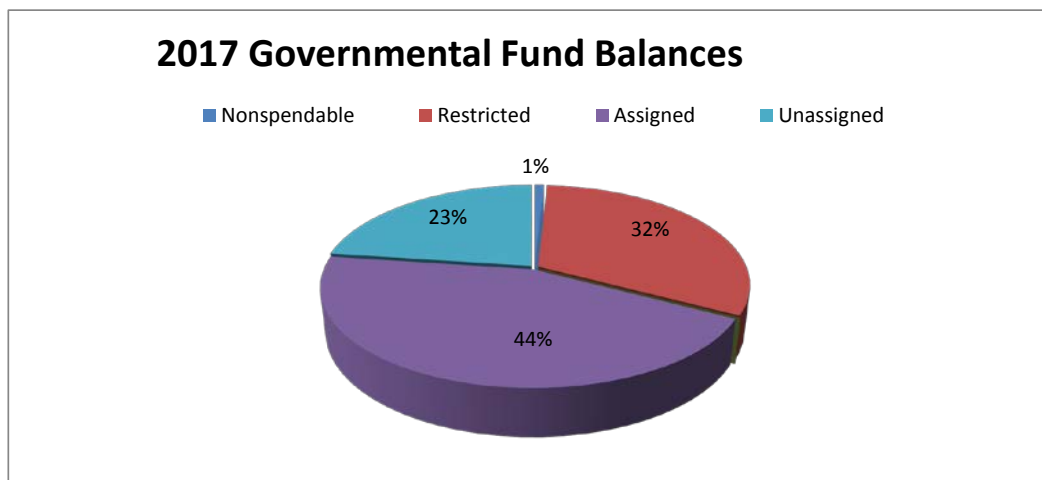


**FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years**

Fiscal Year	General Fund					All Other Governmental Funds			Total All Other Governmental Funds
	Non- spendable	Restricted*	Assigned	Unassigned	Total General Fund	Non- spendable	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
2017	7,533	42,756	2,348,381	2,627,341	5,026,011	91,016	3,620,848	2,752,819	6,464,684

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

**Note: General Fund did not have restricted prior to 2017*



CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years

Page 1 of 2

	2008	2009	2010	2011
Revenues				
Taxes	\$ 7,269,716	\$ 6,757,754	\$ 6,947,838	\$ 6,975,383
Licenses and Permits	386,251	460,321	397,513	351,107
Intergovernmental Revenues	2,117,665	2,893,320	1,897,881	1,682,571
Charges for Services	1,611,662	1,611,449	1,501,119	1,710,343
Fines and Forfeitures	103,210	89,382	87,184	85,063
Interest & Other Earnings	576,967	156,803	104,688	61,220
Miscellaneous	65,517	143,996	122,600	138,250
Total Revenues	12,130,988	12,113,024	11,058,823	11,003,936
Expenditures				
General Government	2,510,110	2,557,344	2,623,129	2,609,575
Security of Persons and Property	2,289,655	2,544,115	2,648,619	2,516,324
Utilities and Environment	585,591	474,649	460,417	479,286
Transportation	2,657,624	837,427	819,169	740,214
Economic Environment	891,608	845,073	857,604	630,374
Mental and Physical Health	13,694	14,213	14,481	14,573
Culture and Recreation	1,779,008	1,218,559	1,209,305	1,125,459
Capital Outlay	3,624,733	7,788,933	8,907,259	2,662,204
Debt Service				
Principal	1,199,323	704,323	604,368	634,368
Interest & Other Charges	303,190	430,172	506,692	493,171
Total Expenditures	15,854,538	17,414,810	18,651,045	11,905,548
Excess of revenues				
over (under) expenditures	(3,723,550)	(5,301,785)	(7,592,223)	(901,612)
Other financing sources (uses)				
Proceeds of Long Term Debt	-	6,096,515	1,510,000	625,000
Premium on Bonds Sold	-	-	1,044	-
Disposal of Capital Assets	2,180	2,800,000	20,000	16,970
Comp for Impairment of Cap Assets	-	-	-	273,639
Insurance Recoveries	-	-	-	-
Net Transfers In (Out)	-	-	98,800	-
Intergovernmental Payment	(15,000)	-	-	-
Issuance Discount on Long-Term Debt	-	(54,071)	(6,473)	-
Total other financing sources (uses)	(12,820)	8,842,445	1,623,371	915,609
Net change in fund balances	\$ (3,736,370)	\$ 3,540,659	\$ (5,968,852)	\$ 13,997
Debt service as a percentage of noncapital expenditures	12.29%	11.79%	11.40%	12.20%

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS (continued)
Last Ten Fiscal Years

Page 2 of 2

2012		2013		2014		2015		2016		2017	
\$	7,194,171	\$	7,155,680	\$	7,509,669	\$	8,345,893	\$	8,677,430	\$	9,082,043
	604,450		622,819		558,113		830,042		901,185		989,990
	1,471,002		646,175		3,384,699		1,066,034		1,050,282		970,537
	1,656,123		2,190,358		2,228,941		3,590,226		2,974,396		3,990,077
	79,049		76,729		83,238		83,442		70,774		58,820
	63,285		37,631		52,355		45,143		82,219		113,488
	202,158		203,606		156,557		227,560		186,840		207,430
	11,270,239		10,932,998		13,973,573		14,188,341		13,943,125		15,412,384
	2,765,463		2,701,167		2,704,029		2,850,202		3,108,256		3,220,759
	2,557,190		2,764,164		2,847,128		2,924,101		3,152,296		3,468,946
	455,458		512,596		443,940		501,104		532,379		547,718
	744,424		1,533,295		1,559,694		1,409,078		1,446,570		1,528,998
	660,244		785,598		886,387		969,480		1,010,489		1,055,026
	14,705		13,978		14,356		29,772		131,162		244,847
	1,173,379		1,080,951		1,097,577		1,193,366		1,223,569		1,197,913
	1,522,990		856,046		3,196,591		1,395,507		1,479,311		1,825,198
	3,114,368		579,368		589,368		8,815,383		709,368		729,368
	513,038		495,456		479,814		426,681		373,098		360,614
	13,521,260		11,322,619		13,818,885		20,514,675		13,166,499		14,179,387
	(2,251,020)		(389,620)		154,688		(6,326,334)		776,626		1,232,998
	2,455,000		-		-		7,320,000		-		422,038
	69,630		-		-		774,756		-		39,280
	4,712		272,103		5,715		19,461		7,649		905,113
	-		20,306		7,528		-		-		-
	-		-		613		7,461		5,206		770
	-		-		-		-		-		-
	-		-		-		-		-		-
	(34,561)		-		-		-		-		-
	2,494,781		292,408		13,856		8,121,678		12,855		1,367,201
\$	243,760	\$	(97,212)	\$	168,544	\$	1,795,343	\$	789,481	\$	2,600,199
	30.23%		10.27%		10.07%		48.34%		9.26%		8.82%

GENERAL GOVERNMENTAL REVENUES BY SOURCE
Last Ten Fiscal Years

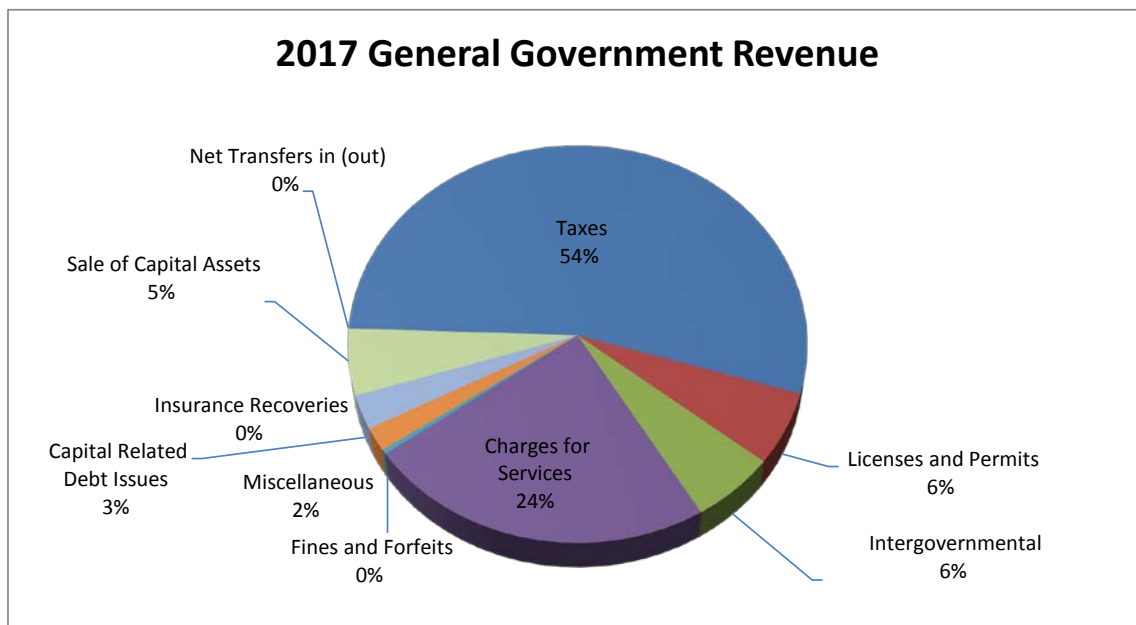
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	REVENUES													
Fiscal Year	Taxes		Licenses and Permits		Inter-gov Charges		Charges for Services		Fines and Forfeits		Misc.	Total Revenues		
2008	\$	7,269,716	\$	386,251	\$	2,117,665	\$	1,611,662	\$	103,210	\$	642,483	\$	12,130,988
2009		6,757,754		460,321		2,893,320		1,611,449		89,382		300,799		12,113,024
2010		6,947,838		397,513		1,897,881		1,501,119		87,184		227,288		11,058,823
2011		6,975,383		351,107		1,682,571		1,710,343		85,063		199,470		11,003,936
2012		7,194,171		604,450		1,471,002		1,656,123		79,049		265,444		11,270,239
2013		7,155,680		622,819		646,175		2,190,358		76,729		241,237		10,932,998
2014		7,509,669		558,113		3,384,699		2,228,941		83,238		208,912		13,973,573
2015		8,345,893		830,042		1,066,034		3,590,226		83,442		272,703		14,188,341
2016		8,677,430		901,185		1,050,282		2,974,396		70,774		269,059		13,943,125
2017		9,082,043		989,990		970,537		3,990,077		58,820		320,918		15,412,384

GENERAL GOVERNMENTAL REVENUES BY SOURCE (continued)
Last Ten Fiscal Years

Page 2 of 2

OTHER FINANCING SOURCES (USES)						Total Revenues and Other Sources
Capital Related Debt Issues	Insurance Recovery	Sale of Capital Assets	Net Transfers in (out)	Total Other Financing Sources & Uses		
\$ (15,000)	\$ -	\$ 2,180	\$ -	\$ (12,820)	\$ 12,118,168	
6,042,445	-	2,800,000	-	8,842,445	20,955,469	
311,044	-	1,213,527	98,800	1,623,371	12,682,193	
273,639	-	641,970	-	915,609	11,919,545	
2,490,069	-	4,712	-	2,494,781	13,765,020	
-	2,297	290,112	-	292,408	11,225,407	
-	613	13,243	-	13,856	13,987,429	
8,094,756	7,461	19,461	-	8,121,678	22,310,018	
-	5,206	7,649	-	12,855	13,955,980	
461,318	770	905,113	-	1,367,201	16,779,585	



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

Fiscal Year Ended December 31	Real Property	Personal Property	Less: Tax Exempt Real Property	Total Taxable Assessed Value¹	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
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%
2017	1,485,086,384	52,521,843	49,652,896	1,487,955,331	1.580	1,668,111,358	89.2%

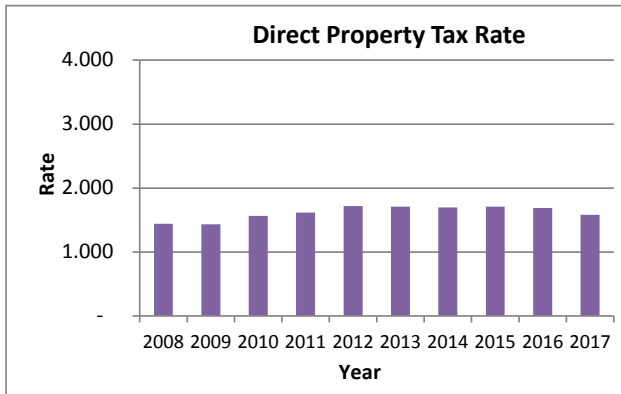
Source: Kitsap County Assessor's Office

¹ Figure represents current year assessed value payable in following year

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

Fiscal Year	Operating Total City		School			Other Overlapping Rates					Total Overlapping Rates	Total Direct & Overlapping
			Kitsap County	State School	NK School District	Port of Poulsbo	Fire District #18	Public Utility	Kitsap Regional Library	Poulsbo Library		
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
2017	1.580	1.580	1.086	2.117	3.929	0.284	2.064	0.074	0.353	-	9.907	11.486

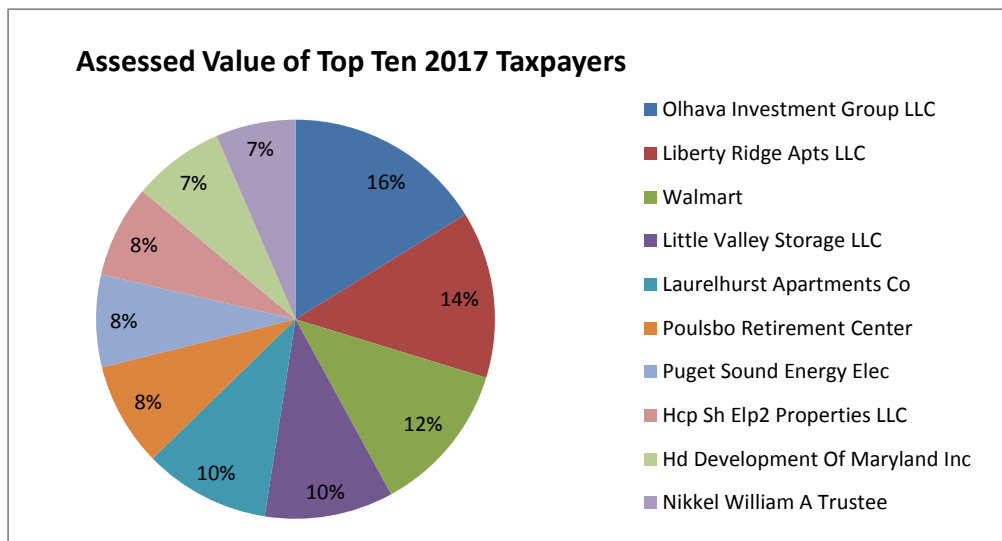
Source: Kitsap County Assessor's Office - Statement of Assessments



PRINCIPAL TAXPAYERS
Current Year and Ten Years Ago

Taxpayer	2017			Taxpayer	2007		
	Assessed Valuation	Rank	% of Total Assessed Valuation		Assessed Valuation	Rank	% of Total Assessed Valuation
Olhava Investment Group LLC	\$ 22,309,070	1	1.37%	Olhava Associates Limited	\$ 26,685,920	1	2.00%
Liberty Ridge Apts LLC	18,625,350	2	1.14%	Walmart	21,634,250	2	1.62%
Walmart	16,929,400	3	1.04%	Laurelhurst Apartments Co	16,078,200	3	1.20%
Little Valley Storage LLC	14,364,390	4	0.88%	Tim Ryan Properties LP	13,412,580	4	1.00%
Laurelhurst Apartments Co	14,082,470	5	0.86%	Liberty Ridge Apts LLC	13,225,420	5	0.99%
Poulsbo Retirement Center	11,572,570	6	0.71%	Current Development Inc	12,424,930	6	0.93%
Puget Sound Energy Elec	10,309,879	7	0.63%	Hd Development Of Maryland Inc	11,882,080	7	0.89%
Hcp Sh Elp2 Properties LLC	10,293,150	8	0.63%	Capstone Homes LLC	11,263,410	8	0.84%
Hd Development Of Maryland Inc	10,240,800	9	0.63%	Poulsbo Retirement Center	10,325,700	9	0.77%
Nikkel William A Trustee	8,911,560	10	0.55%	Liberty Ridge Apts LLC	9,929,360	10	0.74%
Totals:	\$ 137,638,639		8.43%	Totals:	\$ 146,861,850		10.98%

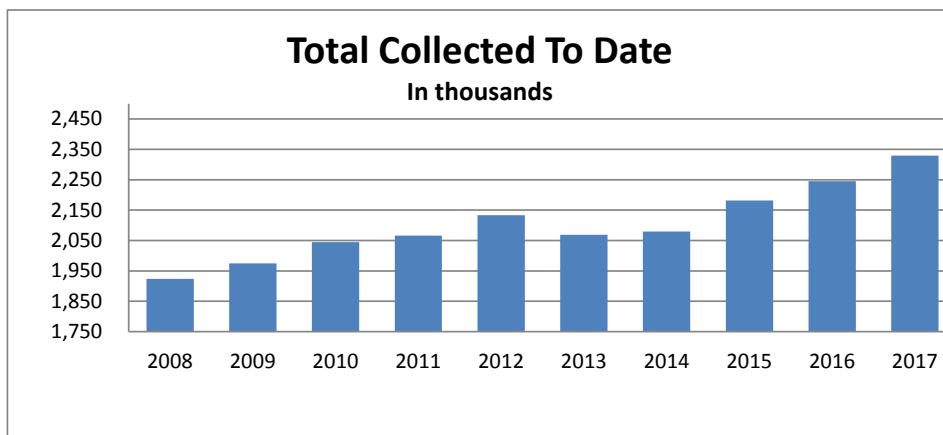
Source: Kitsap County Assessor's Office



**PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS**

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		
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%
2017	2,351,831	2,323,188	98.78%	6,503	2,329,690	99.06%	22,141	0.94%

Source: Kitsap County Treasurer and Assessor's Office



SALES TAX RATE DIRECT AND OVERLAPPING GOVERNMENTS
Last Ten Fiscal Years

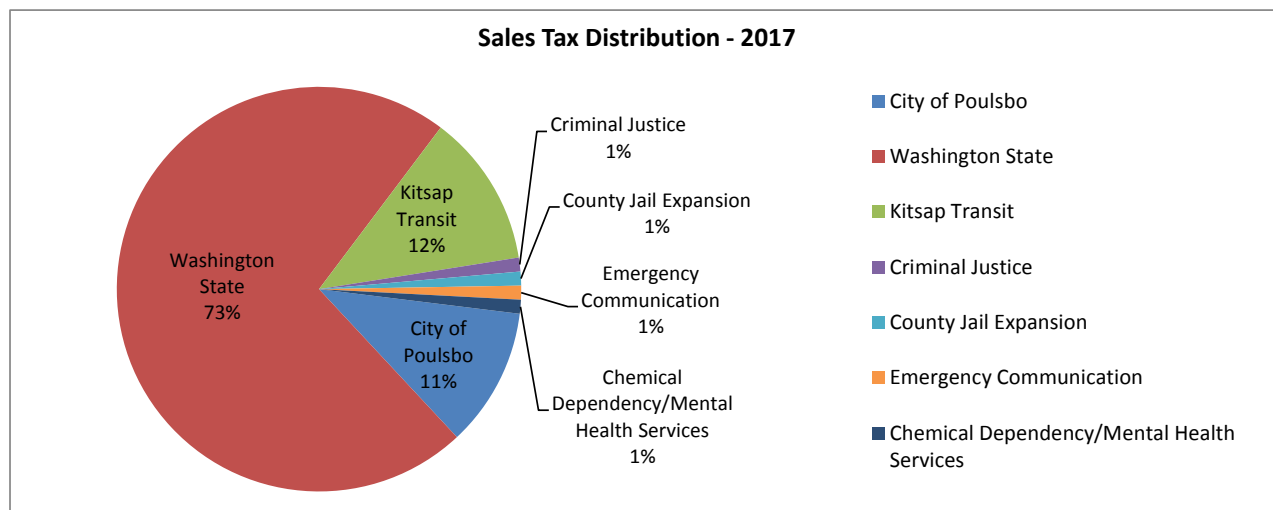
	2008	2009	2010	2011	2012	2013	2014 ⁽¹⁾	2015	2016	2017 ⁽²⁾
Basic Sales Tax Rates										
City of Poulsbo	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Washington State	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%
Kitsap Transit	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	1.1%
Criminal Justice	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%	0.1%	0.1%	0.1%	0.1%
Total Basic Combined Sales Tax Rate	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%	8.7%	8.7%	8.7%	9.0%
Special Sales Tax Rates										
Hotel/Motel ⁽³⁾	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%

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

⁽²⁾ Effective April 2017, Kitsap County increased the rate three tenths of one percent (.3%) for Kitsap Transit Passenger-only Ferry Services

⁽³⁾ 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

Page 1 of 2

	2008	2009	2010	2011
Major Industry Sector				
Accommodation and Food Svcs.	\$ 249,801	\$ 273,308	\$ 282,394	\$ 286,244
Admin, Supp, Remed Svcs	39,076	32,001	31,310	36,795
Agriculture, Forestry Fishing	526	665	620	593
Arts, Entertain, Recreation	13,749	6,971	10,245	12,699
Company Management	89	37	17	6
Construction	420,541	273,295	318,387	316,718
Educational Services	6,380	5,988	6,393	6,521
Finance and Insurance	15,116	7,962	7,174	9,228
Health Care and Social Assistance	10,820	13,310	8,280	8,885
Information	103,749	101,511	104,216	88,226
Manufacturing	34,999	30,774	34,968	40,558
Mining	96	252	556	384
Other Services	88,906	80,180	83,445	76,553
Prof, Scientific and Technical Svcs	42,981	43,304	31,335	29,699
Public Administration	245	18,365	16,806	18,065
Real Estate, Rental, Leasing	59,476	75,948	55,022	41,234
Retail Trade	1,780,157	1,712,476	1,747,160	1,692,686
Transportation and Warehousing	1,093	1,188	1,566	1,921
Unknown	8,529	4,721	22,144	41,121
Utilities	2,866	2,618	1,876	2,081
Wholesale Trade	144,849	91,669	86,317	89,855
Total Retail Sales Tax Revenues*	\$ 3,024,044	\$ 2,776,543	\$ 2,850,232	\$ 2,800,072

**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

RETAIL SALES TAX REVENUE BY SECTOR (continued)
Last Ten Fiscal Years

Page 2 of 2

2012	2013	2014	2015	2016	2017
\$ 292,749	\$ 291,623	\$ 333,336	\$ 362,577	\$ 408,529	\$ 430,016
36,487	43,261	46,006	51,911	59,866	67,589
800	886	662	539	4,958	4,298
9,239	9,233	13,043	16,785	9,799	11,271
-	-	-	6	199	164
142,181	294,260	318,024	300,625	343,021	416,871
5,096	5,804	4,625	5,942	5,168	3,684
8,760	11,653	11,033	12,935	20,383	15,396
19,078	17,443	13,022	14,789	18,045	26,120
84,823	91,504	102,047	97,189	110,385	116,592
34,385	27,948	49,122	35,145	59,717	46,118
427	464	636	589	39	204
72,163	75,236	84,693	87,482	93,947	104,885
27,102	33,033	43,310	46,226	53,170	54,208
18,032	23,196	28,695	27,064	35,571	39,483
52,455	54,208	61,165	56,902	65,509	70,718
1,657,265	1,703,931	1,863,729	1,953,167	1,988,786	2,107,661
2,707	1,914	2,262	2,656	4,277	4,281
36,448	37,266	13,903	12,511	16,833	4,755
2,744	3,512	3,039	3,209	2,312	2,844
90,710	98,657	110,341	131,638	165,808	167,400
\$ 2,593,651	\$ 2,825,032	\$ 3,102,693	\$ 3,219,887	\$ 3,466,322	\$ 3,694,558

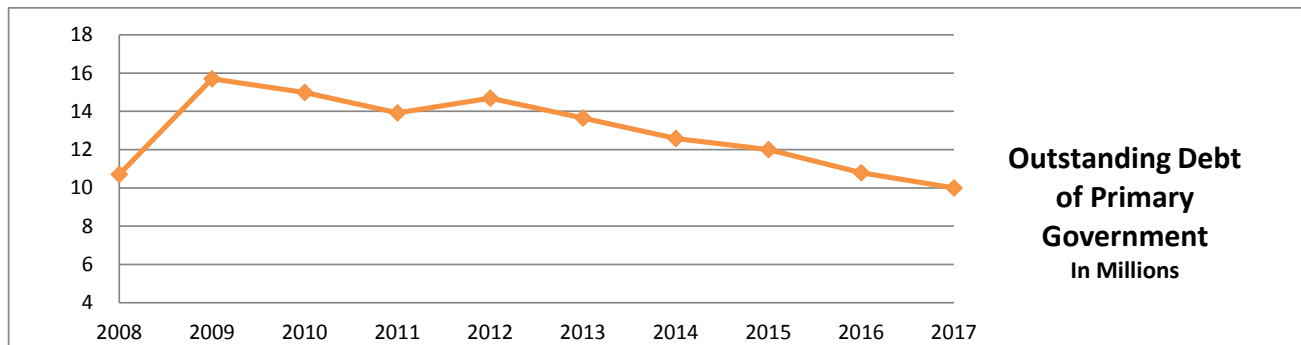
RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years

Fiscal Year	Governmental Activities				Business-Type Activities			Total Primary Government	Percentage of Personal Income ¹	Per Capita ¹
	General Obligation Bonds	PWTF Loans	Bond Premium	Unamortized Bond Discount	Water Bonds	Sewer Bonds	PWTF Loans			
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	2.11%	1,057
2017	9,062,038	223,105	732,041	(15,539)	-	-	-	10,001,645	-	952

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

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

Percentage of Personal Income data only available through 2015.



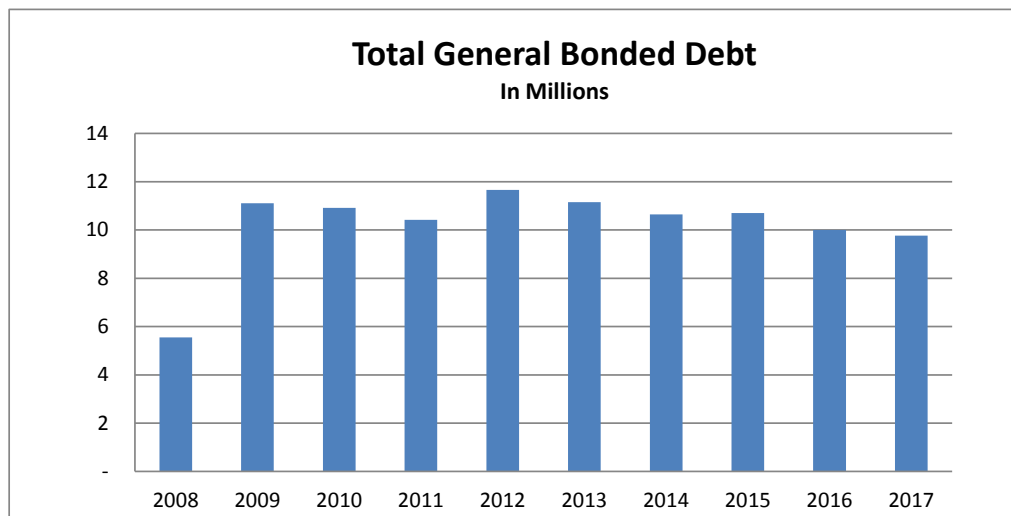
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	% of Estimated Actual Taxable Value¹ of Property	Per Capita²
2008	\$ 5,810,000	\$ 254,032	\$ 5,555,968	0.41%	627
2009	11,205,000	99,362	11,105,638	0.83%	1,245
2010	10,985,000	72,582	10,912,418	0.77%	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
2017	9,778,540	11,963	9,766,577	0.59%	929

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

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

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



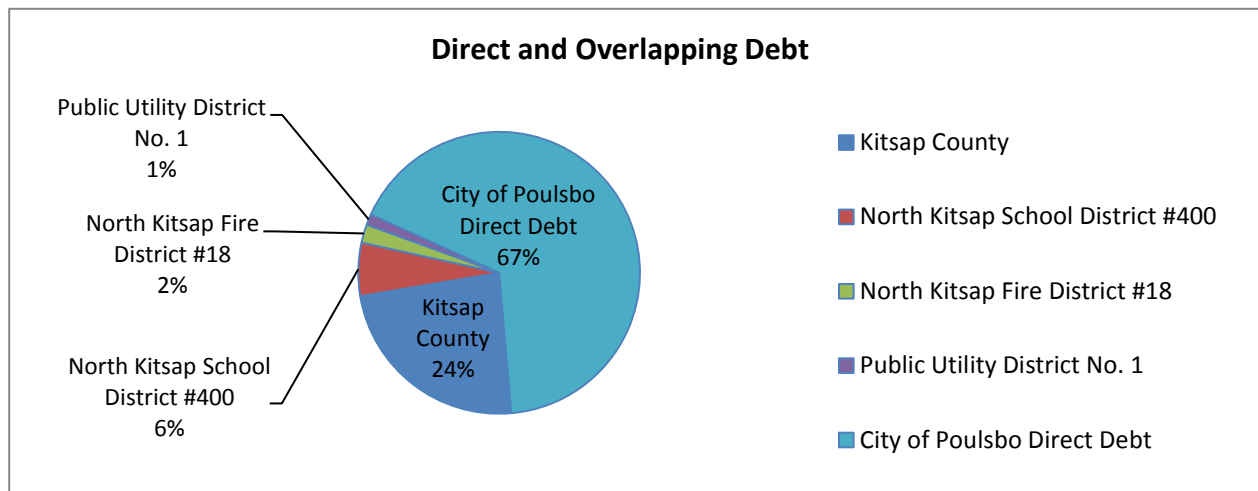
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
December 31, 2017

Governmental Unit	Debt Outstanding	Estimated % Applicable¹	Estimated Share of Overlapping Debt
Kitsap County	\$ 74,367,047	4.78%	\$ 3,553,382
North Kitsap School District #400	4,071,863	22.40%	911,934
North Kitsap Fire District #18	592,961	53.28%	315,951
Public Utility District No. 1	3,870,000	4.78%	184,915
<i>Subtotal, Overlapping Debt</i>			<u>4,966,182</u>
City of Poulsbo Direct Debt	10,001,645	100%	<u>10,001,645</u>
Total Direct and Overlapping Debt			<u><u>\$ 14,967,827</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.

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



LEGAL DEBT MARGIN INFORMATION
Last Ten Fiscal Years

Page 1 of 2

	2008		2009		2010		2011		2012
Debt Limit	\$ 103,366,369	\$	98,252,528	\$	96,053,196	\$	93,319,286	\$	90,835,620
Total net debt applicable to limit	5,555,968		11,105,638		10,912,418		10,415,231		11,661,033
Legal debt margin	\$ 97,810,401	\$	87,146,890	\$	85,140,778	\$	82,904,055	\$	79,174,587
Total net debt applicable to the limit as a % of debt limit	5.38%		11.30%		11.36%		11.16%		12.84%

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.

LEGAL DEBT MARGIN INFORMATION (continued)
Last Ten Fiscal Years

Page 2 of 2

2013	2014	2015	2016	2017
\$ 92,257,495	\$ 96,176,052	\$ 100,957,763	\$ 111,596,650	\$ 122,480,124
10,641,783	10,640,262	9,925,663	9,283,128	9,050,075
\$ 81,615,712	\$ 85,535,790	\$ 91,032,100	\$ 102,313,522	\$ 113,430,048
11.53%	11.06%	9.83%	8.32%	7.39%

Legal Debt Margin Calculation for Fiscal Year 2017

Assessed value	\$ 1,633,068,314
Debt Limit (7.5% of total assessed value)	122,480,124
Debt Applicable to Limit:	
General Obligation Bonds	9,062,038
Less: Amount set aside for repayment of GO Debt	11,963
Total Net Debt Applicable to Limit	9,050,075
Legal Debt Margin	\$ 113,430,048

PLEDGED-REVENUE COVERAGE
Last Ten Fiscal Years

Fiscal Year	Water and Sewer Revenue Bonds					
	Charges for Services & Other	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
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%
2017	5,585,996	4,341,634	1,244,362	475,000	8,194	258%

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

Fiscal Year	Poulsbo Population	County Population	Kitsap County	Poulsbo	Per Capita Income*	Kitsap County	School Enrollment ^{2 ***}
			Personal Income* ¹	Personal Income ¹		Unemployment Rate**	
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	13,163,570	511,825	49,709	5.8%	3,099
2017	10,510	264,300	-	-	-	4.9%	3,118

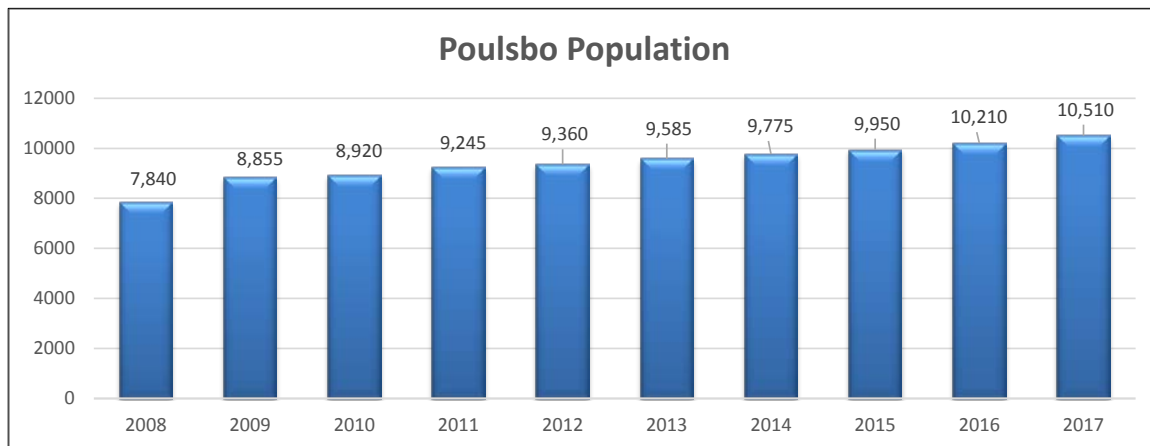
¹ Thousands of Dollars and information only available through 2016

² Totals for only schools in city limits

* Source: US Bureau of Economic Analysis-Kitsap County based on population of City only available through 2016

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

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



PRINCIPAL EMPLOYERS
Current Year and Ten Years Ago

<u>Taxpayer</u>	<u>Type of Business</u>	2017			2007		
		TOTAL EMPLOYEES ¹	Rank	% of Total City Employment	TOTAL EMPLOYEES ¹	Rank	% of Total City Employment
North Kitsap School District	Public Education	1102	1	16.24%	590		8.07%
Martha & Mary Lutheran Services	Social Services	412	2	6.07%	293		4.01%
Walmart	Retail Trade	335	3	4.94%	598		8.18%
Central Market	Retail Trade	313	4	4.61%	396		5.42%
Home Depot	Retail Trade	140	5	2.06%	0		0.00%
Liberty Shores / Harbor House	Healthcare	117	6	1.72%	0		0.00%
City of Poulsbo	Municipal Government	99	7	1.46%	68		0.93%
Safeway	Retail Trade	95	8	1.40%	0		0.00%
Marine View Beverage	Distribution	61	9	0.90%	0		0.00%
Masterworks	Marketing	58	10	0.85%	0		0.00%
Boxlight ²	Retail Trade				91		1.24%
Frontier Bank ²	Banking				66		0.90%
eAcceleration ²	Auto Dealership				65		0.89%
Paladin Data Systems Corp	Professional Services				68		0.93%
Poulsbo RV ²	Natural Resources				65		0.89%
Subtotal of Ten Largest Employers		2732		40.27%	2300		31.45%
All Other Employers		4052		59.73%	5013		68.55%
Total Poulsbo Employment		6784		100.00%	7313		100.00%

¹ Full and part-time employees are tracked

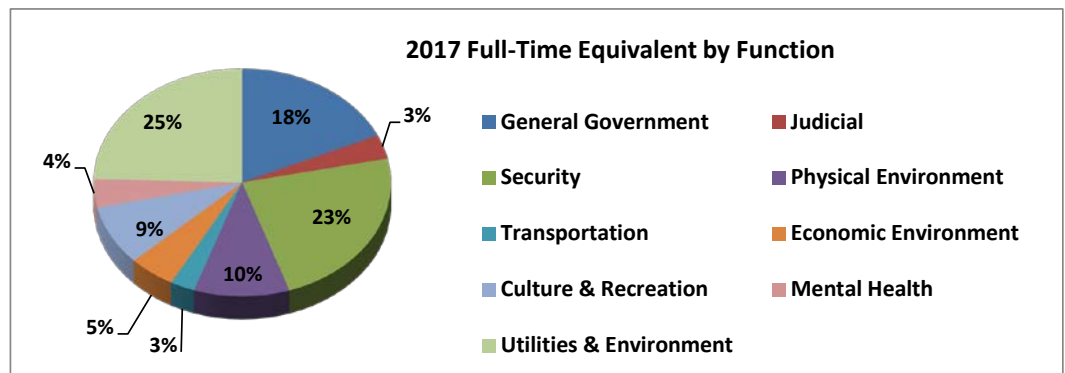
² Office closed or moved out of City

Source: Kitsap Economic Development Alliance and referenceUSA.com
City of Poulsbo Finance Department

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
Last Ten Fiscal Years

Function		2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Government:	Executive (Mayor)	1.63	2.00	2.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
	Clerk's Department	4.00	4.00	4.00	3.00	3.00	3.00	2.00	2.00	2.00	2.00
	Finance Department	8.00	8.00	8.00	7.00	7.00	7.00	7.00	7.00	8.00	8.00
	Grant Writer	0.40	0.40	0.40	-	-	-	-	-	-	-
	Information Services	2.00	2.00	2.00	1.00	1.50	1.50	1.50	1.50	1.50	1.50
	Personnel	1.00	1.00	1.15	1.00	1.00	1.00	1.00	1.00	1.00	1.00
	Prosecutor	-	-	-	-	-	-	-	1.00	1.00	1.00
	Risk Management	-	-	-	-	-	-	1.00	0.50	0.50	1.00
	Central Services	1.90	1.90	1.90	2.50	2.50	2.50	2.55	2.55	2.55	2.52
Judicial:	Municipal Court	4.26	4.21	4.21	3.77	3.99	3.39	3.39	3.39	3.39	3.39
Security:	Police Department	22.00	22.00	21.00	19.00	19.50	20.30	20.80	20.82	21.50	23.00
Physical Environ.:	Engineering	6.45	5.95	5.95	5.63	5.63	5.63	5.95	6.45	6.33	10.30
Transportation:	Streets	4.70	4.70	4.70	3.70	3.70	3.25	4.40	3.15	2.70	2.64
Economic Environ.:	Planning & Building	9.45	8.45	8.45	6.55	6.55	6.55	7.00	7.92	8.00	5.00
Culture & Recreation:	Parks & Recreation	6.42	6.42	6.62	5.87	5.87	6.16	5.95	6.17	6.17	6.17
	Parks & Cemetery	3.25	2.25	2.25	2.25	2.25	2.28	2.30	2.30	2.25	2.22
	Library	0.60	0.60	0.60	-	-	-	-	-	-	-
Mental Health:	Mental Health	-	-	-	-	-	-	-	-	-	4.00
Utilities & Environ.:	Water	2.90	2.90	2.90	3.30	3.30	3.33	3.65	5.90	5.90	5.82
	Sewer	3.15	3.15	3.15	3.05	3.05	3.08	3.40	3.65	3.65	3.63
	Solid Waste	3.55	3.05	3.05	3.05	3.05	3.10	3.32	4.32	4.32	4.62
	Storm Drain	3.95	3.95	3.95	3.65	3.65	3.65	3.45	5.87	6.20	5.93
	General Facilities	1.00	1.00	1.00	1.00	1.00	0.83	-	-	-	-
	Administration	5.10	5.10	5.10	3.88	3.88	3.85	3.48	3.48	4.10	4.32
Total Number of Full-Time Equivalent Employees:		95.71	93.03	92.38	80.20	81.42	81.40	83.14	89.97	92.06	99.06

Source: City of Poulsbo, Human Resources



OPERATING INDICATORS BY FUNCTION

Last Ten Fiscal Years

Page 1 of 2

		2008	2009	2010	2011
Governmental Functions					
General Government	Number of:				
	Bargaining groups represented	2	2	2	2
	City council meetings	44	43	39	42
	Public records requests processed	79	87	88	75
	Pages of ordinances codified	*	*	*	*
	Business licenses issued	1,351	1,563	1,404	1,463
	Passports processed	1,018	1,015	617	805
	Claims for damages filed against the City	*	*	*	*
	Tort litigations initiated against the City	*	*	*	*
	Criminal case referrals from City police	*	*	*	*
	Criminal hearings	*	*	*	*
	Civil asset forfeiture referrals from City police	*	*	*	*
	Code enforcement referrals	*	*	*	*
Public Safety	Number of:				
	Calls for service	12,234	12,842	13,744	13,591
	Traffic stops	*	*	*	*
	Incident reports filed	1,783	1,698	1,746	1,552
	Infractions issued by officers	985	1,223	1,250	1,155
	Responses to motor vehicle accidents	*	*	*	*
	Reportable motor vehicle accidents	*	*	*	*
	Driving impaired citations issued	71	103	84	77
	Vacation house checks	847	847	1,114	677
	Parking complaints dispatched	*	*	*	*
	Parking infractions issued	230	114	568	802
Transportation	Miles of streets maintained	45	47	48	48
	Miles of sidewalks maintained	48	49	50	50
	Number of hours spent street sweeping	468	468	323	225
	Number of street signs maintained	2,174	2,204	2,204	2,215
Culture and Recreation	Number of parks maintained	17	17	17	17
	Total acreage of parks/open space maintained	65	67	67	67
Economic Environment	Number of:				
	New single family building permits issued	95	58	20	35
	New commercial building permits issued	2	2	7	4
	Existing single family building permits issued	59	47	57	52
	Existing commercial building permits issued	66	119	77	47
Physical Environment	All other building permits	74	61	74	64
	Number of:				
	Right of way permits issued	46	40	57	41
	Clearing & grading apps & permits issued	8	6	9	6
	Land use pre-applications reviewed	30	16	14	15
	Land use commercial applications reviewed	16	18	14	10
	Land use residential applications reviewed	12	16	14	9
	Land use un-classified ¹ applications reviewed	6	8	22	7
Business-Type Functions					
Water	Number of active water services	3,142	3,133	3,156	3,161
	Miles of watermain lines maintained	61	62	63	63
	Average number of water meters read monthly	3,093	3,147	3,259	3,292
Sewer	Number of active sewer services	2,869	2,963	2,985	3,001
	Miles of sewermain lines maintained	33	34	34	34
	Number of pump stations maintained	9	9	9	9
Solid Waste	Number of:				
	Residential garbage accounts	2,746	2,623	2,641	2,668
	Multi-family units	1,012	1,102	1,102	1,102
	Commercial accounts	231	266	277	282
	Tons of waste to landfill	4,794	4,894	4,810	4,874
Storm Drain	Free dumpsters for residential clean-up provided	308	312	356	300
	Number of detention ponds maintained	29	29	29	29

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

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

Source: Internal Operating Statistics

OPERATING INDICATORS BY FUNCTION *(continued)*

Last Ten Fiscal Years

Page 2 of 2

2012	2013	2014	2015	2016	2017
2	2	2	2	2	2
39	37	39	40	40	37
83	119	165	130	275	303
*	382	145	150	254	379
1,639	1,629	1729	1825	1944	1913
783	723	814	715	742	692
*	*	*	12	9	15
*	*	*	2	1	1
*	*	*	220	337	437
*	*	*	2645	3124	3575
*	*	*	2	2	9
*	*	*	*	1	1
12,139	11,653	12,473	12,429	12,215	12,852
*	2,814	3,025	2,612	1,879	2,584
1,595	1,392	1,356	1,774	1,751	1,967
1,031	978	1,012	962	732	730
*	316	370	382	403	433
*	145	165	197	208	201
50	29	26	28	38	50
398	590	150	0	376	355
*	229	290	176	274	256
636	301	357	363	436	240
48	48	48	56	56	56
50	50	50	50	64	64
312	312	312	354	310	350
2,255	2,280	2,290	2,290	3,000	3,100
17	17	17	17	17	17
67	67	67	67	67	67
96	109	75	99	113	104
3	2	2	2	2	10
50	61	69	128	146	22
60	56	71	9	5	27
53	49	73	314	347	226
41	59	64	57	51	66
10	6	8	5	18	18
12	16	14	14	25	22
13	10	17	12	14	19
9	10	10	17	7	8
17	8	5	4	6	10
3,194	3,256	3,344	3,500	3,837	3,951
63	63	64	67	67	68
3,355	3,445	3,550	3,410	3,828	3,950
3,073	3,164	3,422	3,400	3,561	3,682
34	34	34	53	53	54
9	9	9	9	9	9
2,785	2,897	3,022	3,040	3,196	3,399
1,012	1,022	1,022	1,022	1,022	1,040
311	307	228	315	334	341
5,144	5,063	5,402	5,600	5,979	6,207
306	309	311	315	300	271
29	29	29	29	29	29

CAPITAL ASSETS STATISTICS BY FUNCTION
Last Ten Fiscal Years

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental Functions										
General Government										
Number of City vehicles (not listed below)	11	12	13	13	13	13	12	12	12	9
Generators	-	2	2	2	2	2	2	2	4	4
Public Safety										
Number of police vehicles	22	23	21	22	20	21	25	24	25	26
Number of police boats	1	1	1	1	1	1	1	1	1	1
Transportation										
Number of vehicles (not specified below)	6	7	7	7	7	7	6	6	7	6
Number of street sweepers	1	1	1	1	1	2	2	2	2	2
Number of dump trucks	5	6	6	6	6	6	6	6	6	7
Construction equipment	7	8	8	8	8	8	10	11	13	15
Miles of streets	45	47	48	48	48	48	48	**56	56	56
Number of traffic signals	8	8	8	8	8	8	9	9	9	9
Number of bridges	1	1	1	1	1	1	1	1	1	1
Culture and Recreation										
Number of vehicles	1	1	1	1	1	1	1	-	-	-
Number of boats ¹		37	37	37	34	32	32	34	13	13
Number of neighborhood parks ²	8	10	10	10	10	10	11	11	9	9
Number of community parks ²	8	5	5	5	5	5	5	5	2	2
Number of regional parks ²									3	3
Number of natural/open space sites ²									6	6
Miles of trails ²									6	6
Total park acreage ³									137	137
Maintenance equipment	5	5	5	5	5	6	6	6	8	11
Number of indoor recreational facilities	1	1	1	1	1	1	1	1	1	1
Economic Environment										
Number of building dept vehicles	1	1	1	1	1	1	1	1	1	2
Physical Environment										
Number of engineering dept vehicles	4	4	4	1	1	1	1	1	1	1
Business-Type Functions										
Water										
Generators	2	2	2	2	2	2	2	2	3	3
Miles of water mains	61	62	63	63	63	63	64	**67	67	68
Number of vehicles	10	10	5	5	5	4	4	5	6	9
Number of hydrants	399	400	402	406	425	427	433	**538	538	551
Sewer										
Generators	4	4	4	4	4	4	4	4	7	7
Number of vehicles	4	4	5	5	5	5	5	4	4	3
Number of construction vehicles	2	3	2	2	2	2	2	2	3	3
Sewer inspection camera	1	1	1	1	1	2	2	2	2	1
Treatment plants (Pumping Stations)	9	9	9	9	9	9	9	9	9	9
Miles of sewer mains	33	34	34	34	34	34	34	**53	53	54
Solid Waste										
Number of vehicles										1
Number of garbage trucks	5	6	6	6	6	6	7	5	5	6
Storm Drain										
Number of vehicles	3	3	3	3	3	3	4	2	3	3
Number of vacuum trucks	1	1	1	1	1	1	1	1	1	1

¹ Information added to report in 2016. Data prior to 2009 is not available.

² 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.

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

**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