



Comprehensive Annual Financial Report

For the fiscal year ended December 31, 2018

Cover Photo –Jon Jennings

CITY OF POULSBO

WASHINGTON

COMPREHENSIVE ANNUAL FINANCIAL

REPORT

For the fiscal year ended

December 31, 2018

Finance Director
Deborah Booher

PREPARED BY

THE CITY FINANCE TEAM:

Finance Director

Deborah Booher

Accounting Manager

Jana Brown

Accounting Technician

Sandi Ryen

Accounting Technician

Jessica Walser

Accounting Technician

Larissa Campbell

Accounting Clerk

Chloe Wardle

Accounting Clerk

Jon Jennings

For comments or questions, contact
City of Poulsbo, Finance Department
360.394.9881

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City of Poulsbo



June 26, 2019

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, 2018. 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 2018.

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. Economic development continues to diversify consistent with the City’s long-range plan. The City encompasses over 2,989 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. A new undeveloped parcel of land was purchased on the waterfront. Planning for future development into a park is underway. 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.

Fishline, a local food bank built a \$3.9 million facility along Viking Avenue in 2018. The sole purpose to provide those in need of food and other social services in the north end of the county. Arco, a new gas station with mini mart and carwash was completed at the north end of Viking and opened 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 new development VIBE opened for business in 2018. The center hosts a community workplace for citizens to operate and telecommute allowing citizens to work closer to home and not commute or commit to long term leasing options. The building houses a café for quick dining options and continues to develop with a new restaurant set to open in 2019. In 2018, a three-story storage facility broke ground and should be completed in 2019.

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 continues to remain strong in 2018. Development revenues continued to grow in 2018 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. All cash and investment balances were compliant with the City’s Cash Management Policy in 2018.

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.

Investment balances continued to grow in 2018 due to revenues being higher than anticipated and rising interest rates led to more idle cash being invested maximizing earning potential. All investments in 2018 were made in accordance with the City’s investment policy.

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 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 closed 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 use of reserves was not necessary. This allowed 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 2017-2018 Biennial 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, 2017.

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 2018 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,



Deborah L. Booher
Finance Director



Government Finance Officers Association

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

Presented to

**City of Poulsbo
Washington**

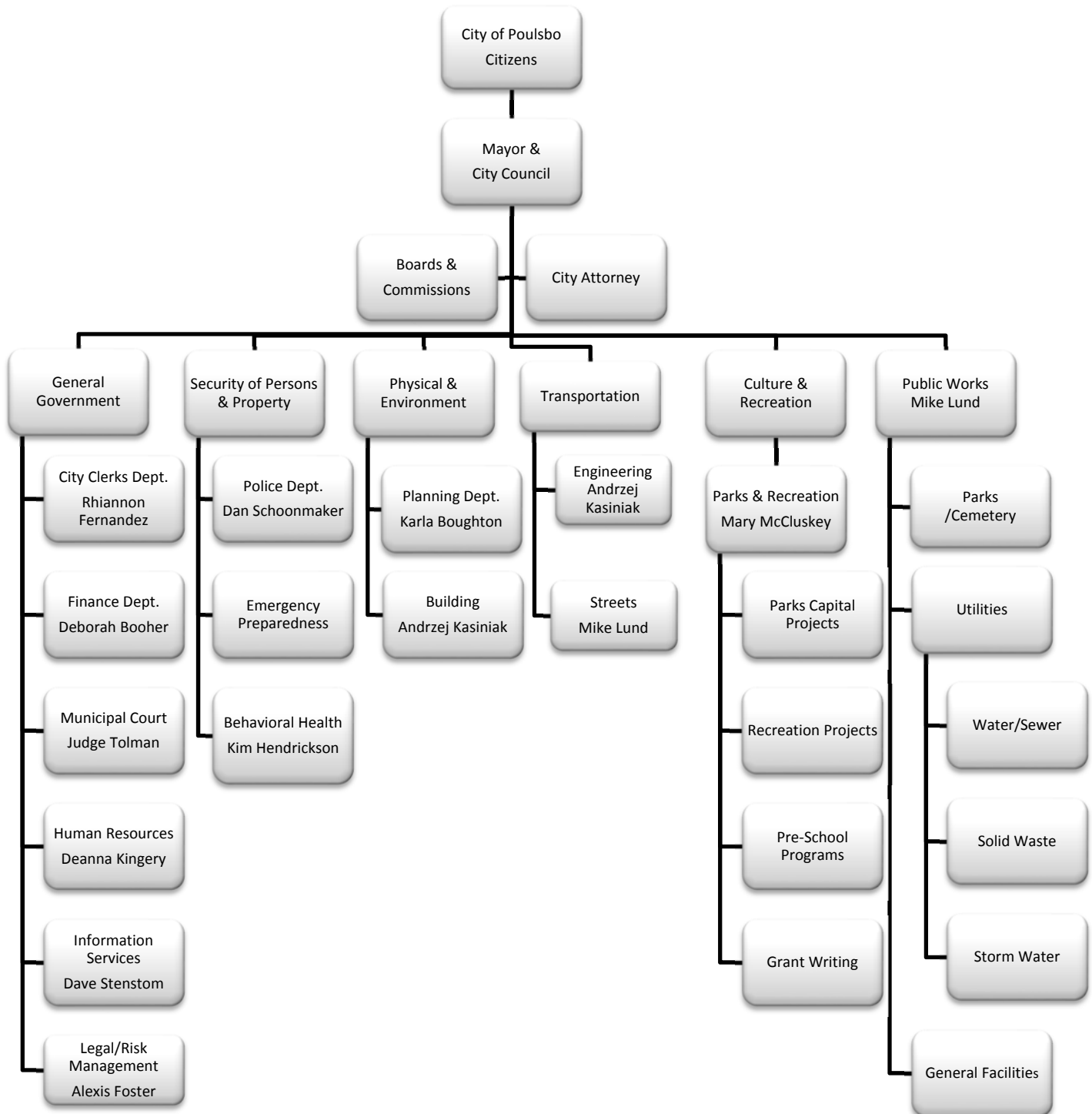
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2017

Christopher P. Morill

Executive Director/CEO

City of Poulsbo Organization Chart



City of Poulsbo Officials

As of December 31, 2018

Mayor

Becky Erickson

December 31, 2021

City Council

David Musgrove

December 31, 2021

Ed Stern

December 31, 2021

Abby Garland

December 31, 2019

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

June 19, 2019

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, as of and for the year ended December 31, 2018, 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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General and City Street funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 14 to the financial statements, in 2018, the City adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

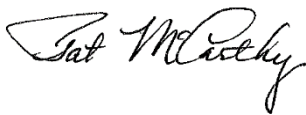
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining financial statements and schedules are presented for the purposes of additional analysis and is not a required part of the basic financial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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we will also issue our report dated June 19, 2019 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report will be issued under separate cover. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

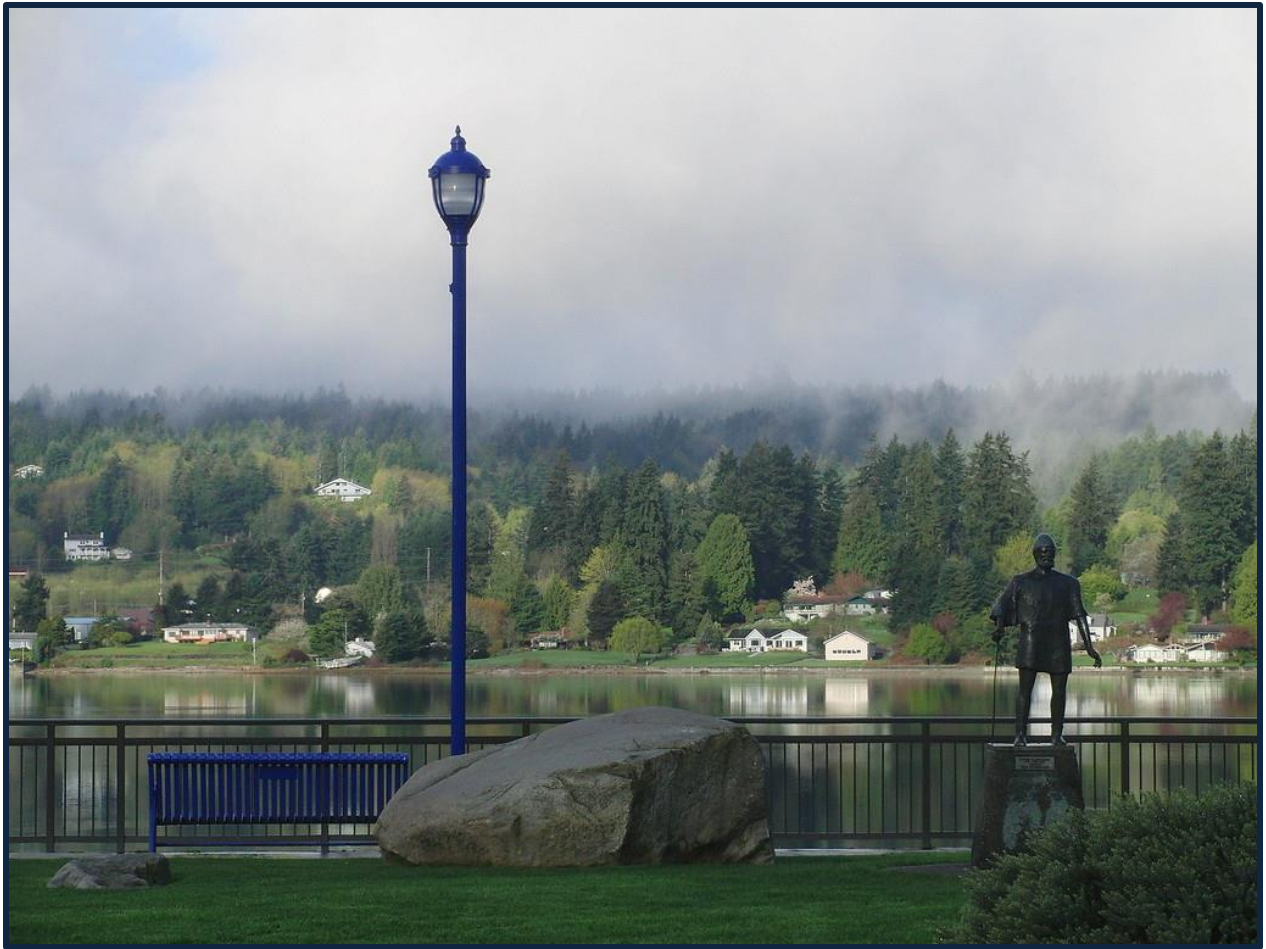
Sincerely,

A handwritten signature in black ink, appearing to read "Pat McCarthy". The signature is fluid and cursive, with the first name "Pat" and last name "McCarthy" clearly distinguishable.

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, 2018. 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 2018 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 2018 fiscal year by \$156 million (net position). Of this amount, \$19 million (unrestricted net position) may be used to meet the city's ongoing obligations to its citizens and creditors.
- Reported net position increased \$9.3 million. Net position of governmental activities increased \$1.6 million, or 2.1%, during 2018. Net position of business-type activities increased \$7.7 million, or 10.84%, during 2018. The variations are spread over several areas and can be attributed to many factors.
 - Increase in sales tax revenue created a growing cash balance increasing current assets.

- A large increase to business type capital assets was \$11 million for the City's portion of the County's sewage treatment plant and a new pump station. Funding for the assets consisted of revenue debt in the amount of \$7.5 million combined with contributed capital the County had collected on behalf of the City.
 - Purchase of four waterfront parcels of land on the west side of town to utilize for the development of a new park and one of the parcels is to be developed for stormwater mitigation.
 - Utility capital improvement to Pugh/Lincoln Well serving water needs on the eastside of town accounted for approximately \$1 million of the increase to business type capital.
 - Continued design and purchase of right-of-ways for the Noll Road Project to be constructed over the next several years were expended in 2018.
 - 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 2018 are attributed to the City's proportionate share per the state's formula. The proportionate share is adjusted annually and provided by Washington State Department of Retirement.
- Net investment in capital assets, increased \$9.3 million with the bulk of the increase occurring in business-type activities. Much of this is due to the City's payment of \$11 million to the County for their share of the County's treatment plant and improvements which is netted against the liability for revenue bonds in the amount \$7.5 million. There also were several improvements infrastructure support the water, sewer and storm drain utilities. Government increases are a net increase from \$2.1 million in contributed capital and the disposition of the library building which was given to the library district for their operations.
 - Total liabilities increased by \$8 million. This is primarily due to the \$7.5 million issued in revenue debt supporting the payment to the County for sewer plant and pump station upgrades serving the City of Poulsbo.
 - The book value of capital assets has increased \$16 million over 2017. Total capital assets from governmental activities increased \$1.6 million or 2.08%. The increase in governmental capital assets is primarily attributed to the contributed capital to the City from several developments, purchase of new park land. Capital assets of business-type activities increased \$14.3 million or 25.27%. This is due to several utility projects for infrastructure improvements and recording the City's portion of the County treatment plant upgrades.
 - City governmental fund tax revenue has increased an average of 6.8% over the past five years. In 2018, the City saw an increase over the prior year of \$683 thousand. Local sales tax is the largest revenue source for Poulsbo and was the primary contributor of the increase, with an increase of \$497 thousand. Much of the tax sales tax increase in 2018 is due to new regulations commonly referred to as the 'Wayfair Decision' requiring on-line retailers to report sales tax generated under their business and not reported by the individual business falling under their web umbrella. Almost 50% of the 13% increase can be attributed to additional sales tax reported under this new regulation. The increase in sales tax is spread among many categories, with the largest category increases in Retail Trade and Construction. This helps provide assurance the increase is diversified and not dependent on one industry or one-time revenues.
 - Utility taxes have slightly increased in 2018. All utility tax rates have remained at 6%. The dollar increase is expected and anticipated with current established rates, growing customer base from new development and cost of living rate increases to utilities. The revenue continues to be consistent with regular growth due to utility rates increasing with cost of living inflators.

- 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 purposes 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 2018.
 - 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 \$12.4 million. Approximately 66.5% of this total amount, or \$8.3 million, is available for spending at the government’s discretion and 33.5% or \$4.2 million is non-spendable or restricted per debt or legal requirements.
- The ending unassigned fund balance for the General Fund was \$1.1 million or 9.5% of the total General Fund expenditures. The total General Fund balance amounts to \$5 million which equates 43% of General Fund expenditures. This is similar to 2017 levels, showing a healthy fund balance exceeding the City’s Financial Management Policy requirement.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

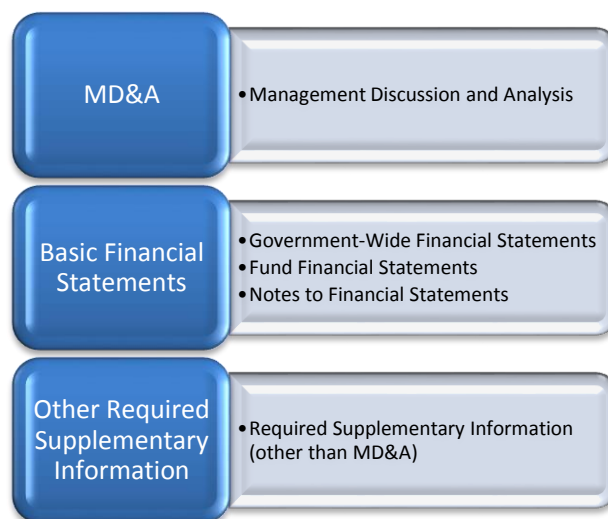
- Government-wide Financial Statements
- Fund Financial Statements
- Notes to the Financial Statements

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 2018. The statement distinguishes revenue generated by specific functions from revenue provided by taxes and other sources not related to a specific function. The revenue generated by specific functions (charges for services, grants and contributions) is compared to the expenses for those functions to show the degree to which each function supports itself or relies on taxes and other general funding sources. This is intended to summarize and simplify the user's analysis of cost to various governmental services and/or subsidy to various business-type activities. By separating program revenue from general revenue, users of the financial statements can identify the extent to which each program relies on taxes for funding.

The Statement of Net Position and the Statement of Activities are divided into two categories:

- *Governmental Activities* - Most of the City's basic services are reported here, including the police, facilities, parks, planning, engineering and general administration. Taxes (property, sales, and utility) and intergovernmental revenues finance most of these activities.
- *Business-Type Activities* - The City charges a fee to customers to help cover all or most of the costs of certain services provided. The City charges fees to recoup the cost of the operations of water, sewer, storm drain, and solid waste utilities as well as all capital and debt expenses associated with the individual utility.

Fund Financial Statements

The annual financial report includes fund financial statements in addition to the government-wide financial statements. While the government-wide statements present the City finances based on the type of activity, the fund financial statements are presented by fund type. A fund is a fiscal and accounting entity with a self-balancing set of accounts used to account for specific activities or meet certain objectives. Funds are often set up in accordance with special regulations, restrictions or limitations.

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

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

Governmental Funds: Governmental Funds are used to account for essentially the same functions reported as governmental activities in the Government-wide Financial Statements. These reports use a different “basis of accounting” than used in government-wide financial statements. The focus of governmental fund financial statements is on near-term inflows and outflows of available resources and on balances of resources available at the end of the fiscal year. Such information is useful in evaluating near-term financing requirements and immediate fiscal health.

Because the focus of governmental funds is narrower than that of the governmental-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. This provides the reader a better understanding of the long-term impact of the governments near-term financial decisions. To assist with the comparison, reconciliations between the governmental fund statements and the government-wide financial statements are included with the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances.

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

Proprietary Funds: The City’s Proprietary funds are the enterprise funds which provide services to customers. The City uses enterprise funds to account for its water, sewer, solid waste and storm drain activities. The services and necessary capital expenditures are supported by rate payers. Proprietary funds use the same basis of accounting as business-type activities.

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

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

Other Information: In addition to the basic financial statements and accompanying notes, this report also contains certain required supplementary information concerning the City of Poulsbo’s progress in funding its obligation to provide pension benefits, and lifetime medical benefits to uniformed personnel hired before October 1, 1977. Required supplementary information may be found immediately following the notes to the financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The Statement of Net Position looks at the City 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 2018 and 2017. Governmental Activities net position has an increase of \$1.6 million. The increase is due to several factors including growing cash balances from increased tax revenues, new capital assets including a waterfront land purchase for future park development, and transportation capital improvements. 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 2018. 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 \$7.7 million to the Net Position. The increase is due to a combination of several items. A major contributor to the increase is paying the County and booking the City's share of capital improvements to the Central Treatment Facility and a pump station. The City paid \$11.1 million and recorded a debt liability of \$7.5 million. Other capital improvements included several infrastructure improvements for all utilities. Contributed capital also contributed to the increase, which is a combination of increased connection fees and infrastructure from developments contributed at the end of the project.

The overall financial position for the City of Poulsbo has improved over the prior year. In 2018, assets exceeded liabilities by \$156 million, an increase of \$9.3 million or 6.35%. The largest portion of the City's net position, \$133 million or 85% reflects its investment in capital assets (land, buildings, machinery and equipment, infrastructure and intangible); less any related outstanding debt used to acquire those assets. The City's capital assets are used to provide services to citizens. Consequently, these assets are not available for future spending.

Table 1: Condensed Statement of Net Position

	<u>GOVERNMENTAL ACTIVITIES</u>		<u>BUSINESS-TYPE ACTIVITIES</u>		<u>TOTAL PRIMARY GOVERNMENT</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Current and Other Assets	\$ 14,254,182	\$ 13,302,799	\$ 17,080,866	\$ 16,473,658	\$31,335,048	\$29,776,457
Capital Assets Net	78,219,821	76,625,263	71,059,337	56,724,089	149,279,157	133,349,352
Pension Asset	1,204,125	785,854	-	-	1,204,125	785,854
TOTAL ASSETS	93,678,128	90,713,916	88,140,202	73,197,747	181,818,330	163,911,663
Deferred Outflows of	1,197,119	1,072,532	152,366	152,903	1,349,485	1,225,436
Long-term Debt	10,495,481	10,454,217	7,670,950	187,650	18,166,431	10,641,867
Pension Obligation	3,218,103	2,590,380	657,592	945,719	3,875,694	3,536,099
Other Liabilities	2,573,786	2,350,274	714,897	790,040	3,288,683	3,140,314
TOTAL LIABILITIES	16,287,369	15,394,871	9,043,439	1,923,409	25,330,808	17,318,280
Deferred Inflows of Resources	1,230,222	644,808	258,207	161,112	1,488,428	805,920
NET POSITION						
Net investment in Capital	69,608,469	67,195,884	63,613,785	56,724,089	133,222,255	123,919,973
Restricted	4,144,728	3,754,620	-	-	4,144,728	3,754,620
Unrestricted (deficit)	3,604,459	4,796,265	15,377,138	14,542,041	18,981,597	19,338,306
TOTAL NET POSITION	\$77,357,656	\$75,746,769	\$78,990,924	\$71,266,130	\$156,348,579	\$147,012,899

The City's total restricted net position amounts to 2.65%. 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.

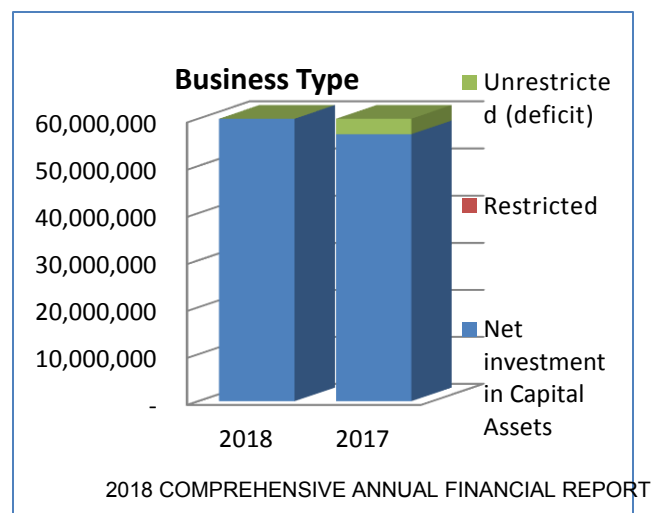
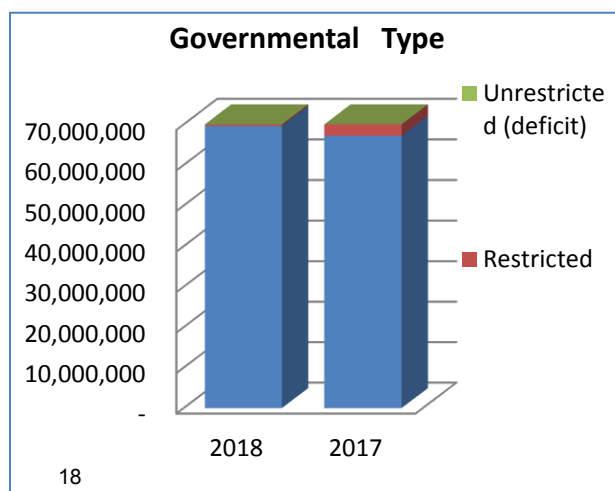


Table 2 illustrates changes in net position for the years 2018 and 2017. This is a condensed version of the Statement of Activities for the City. The revenues for 2018 show an increase in Capital Grants/Contributions attributed to a combination of Impact fees collected for transportation and park development, connection fees for City Utilities and infrastructure capital from new developments which occurred in 2018. Also showing an increase is revenue for sales tax majorly due to internet sales increases due to new legal regulations.

Table 2-Changes in Net Position

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL PRIMARY GOVERNMENT	
	2018	2017	2018	2017	2018	2017
Revenues						
Program Revenues						
Charges for Services	\$ 2,120,640	\$ 2,272,811	\$ 10,173,266	\$ 9,214,846	\$ 12,293,905	\$ 11,487,657
Operating Grants/Contribr	975,732	977,832	-	8,195	975,732	986,027
Capital Grants / Contribr	3,354,870	2,403,489	6,398,378	2,291,492	9,753,248	4,694,982
General Revenues						
Property Taxes	2,505,945	2,400,282	-	-	2,505,945	2,400,282
Retail Sales & Use Tax	4,516,544	3,985,840	-	-	4,516,544	3,985,840
Business Taxes	2,738,718	2,743,783	-	-	2,738,718	2,743,783
Investment Earnings	274,289	107,482	195,444	61,650	469,734	169,132
Other	(181,869)	(751,097)	(5,347)	(18,442)	(187,216)	(769,539)
Total Revenues	16,304,869	14,140,422	16,761,741	11,557,741	33,066,610	25,698,164
Program Expenses						
General government	2,810,801	1,386,987	-	-	2,810,801	1,386,987
Judicial	434,608	401,814	-	-	434,608	401,814
Security of Per & Prop	4,280,502	3,495,629	-	-	4,280,502	3,495,629
Utilities & Environment	210,947	524,341	-	-	210,947	524,341
Transportation	2,797,834	2,998,467	-	-	2,797,834	2,998,467
Economic Environment	1,189,609	1,031,024	-	-	1,189,609	1,031,024
Mental & Physical Health	344,875	245,572	-	-	344,875	245,572
Culture & Recreation	1,811,980	1,400,013	-	-	1,811,980	1,400,013
Interest Long-Term Debt	251,599	378,391	-	-	251,599	378,391
Water	-	-	1,982,786	1,625,472	1,982,786	1,625,472
Sewer	-	-	3,024,655	2,716,954	3,024,655	2,716,954
Solid Waste	-	-	2,331,314	2,096,082	2,331,314	2,096,082
Storm Drain	-	-	1,750,631	1,647,010	1,750,631	1,647,010
Total expenses	14,132,756	11,862,238	9,089,387	8,085,518	23,222,143	19,947,756
Excess (deficiency)	2,172,112	2,278,185	7,672,354	3,472,223	9,844,467	5,750,408
Changes in Net Position	2,172,112	2,278,185	7,672,354	3,472,223	9,844,467	5,750,408
Beginning Net Position	75,746,769	73,619,236	71,266,130	67,793,907	147,012,899	141,413,143
Chng in Accounting Practice	(775,274)		-	-	(775,274)	(150,651)
Prior Year Adjustments	214,049	(150,651)	52,439		266,488	
Ending Net Position	<u>\$ 77,357,656</u>	<u>\$ 75,746,769</u>	<u>\$ 78,990,924</u>	<u>\$ 71,266,130</u>	<u>\$ 156,348,579</u>	<u>\$ 147,012,899</u>

GOVERNMENTAL ACTIVITIES

Revenues

Taxes account for the largest revenue category in the governmental funds, generating 60% 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 \$9,761,207.

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 2018 was \$1,633,068,314. The assessed value showed an increase from the prior year primarily due to new construction of several housing developments and some commercial development. In 2018 the City levied the 1% plus the amount banked from 2017 when they did not take the 1% allowed. For 2018, the City's regular property levy tax rate was \$1.52 per \$1,000 of assessed value.

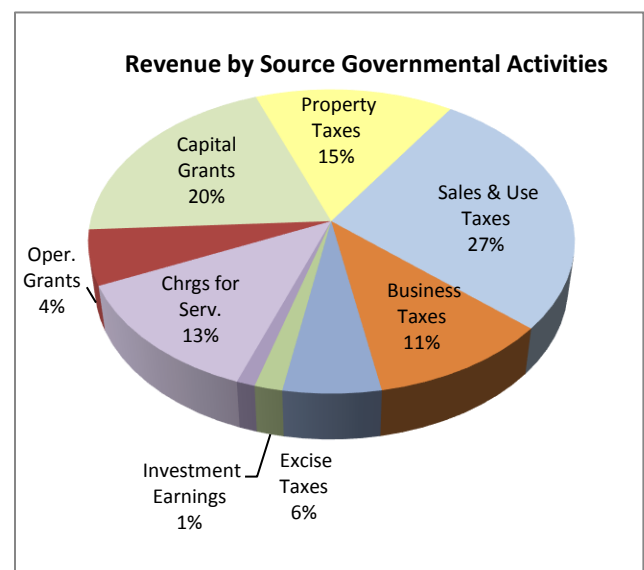
Sales and Use tax revenue, in contrast to property tax, can be a highly fluctuating tax source. The City saw a 13% increase in 2018. The increase over the prior year is due to a growing economy, development in Poulsbo and more retail sales tax being collected due to the Wayfair Decision, a requirement for internet sellers to collect the tax for all sales and not only the retailers who had a presence in the state. Vacancies are minimal in retail establishments and new retail establishments opened in 2018. Many categories saw increases, with the largest being in Retail Trade. New retail establishments opened in 2018, and others expanded their operations, such as a used car dealership grew their footprint and a nursery re-located and expanded their operations. 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 2018, sales tax received in the City's General Fund totaled \$4,191,420. The City allocates a portion of sales tax revenue to allocate funding for capital equipment/small tools purchases (7%), but the majority supports governmental operations.

Much of sales tax revenue (55%) comes from the retail trade category. The next largest sales tax categories are Construction (14%) and Accommodations and Food Services (11%). Retail development continues to be diversified with new businesses opening throughout the City and collecting funds from increasing internet sales. This allows the revenue to not be dependent on certain categories.

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 11% of governmental revenues and 18% of tax revenue. The utility tax rate for all utilities is 6%. The tax on water and sewer has seen several changes over the past 6 years. It was a goal of the Council to maintain a 6% rate to be consistent with other utility tax rates.

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. REET taxes saw a significant increase in 2018 and the actual revenue 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 have planned uses as defined in the City Improvement plan for transportation improvements. Two large project to utilize the funds will be the Noll Road and Finn Hill 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.

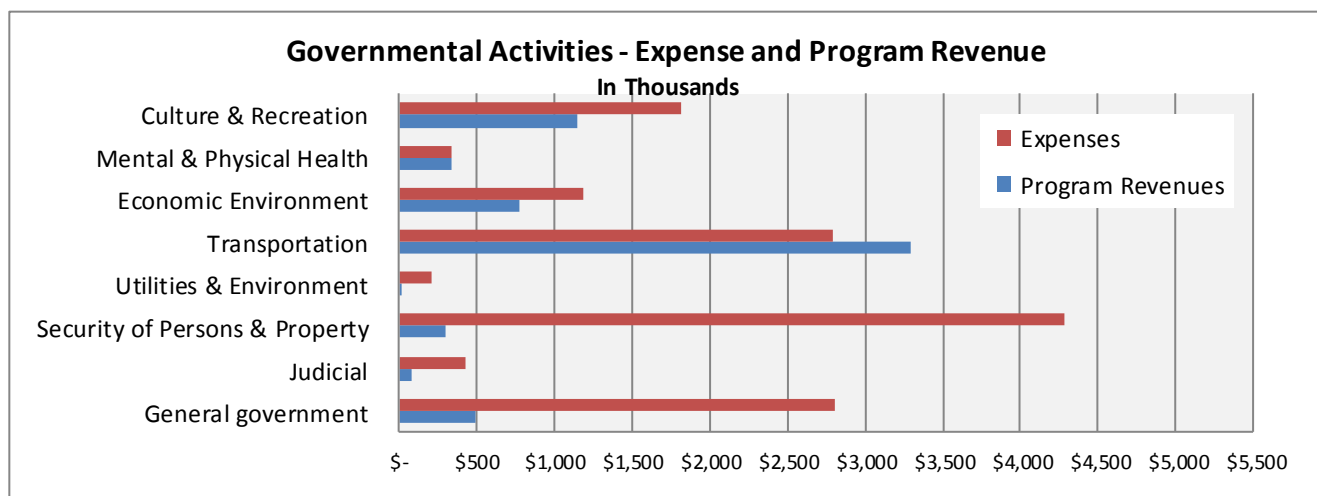
Transportation services provide maintenance of the City's streets, sidewalks, paths and traffic control signs/signals.

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

Mental and Physical Health. 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.



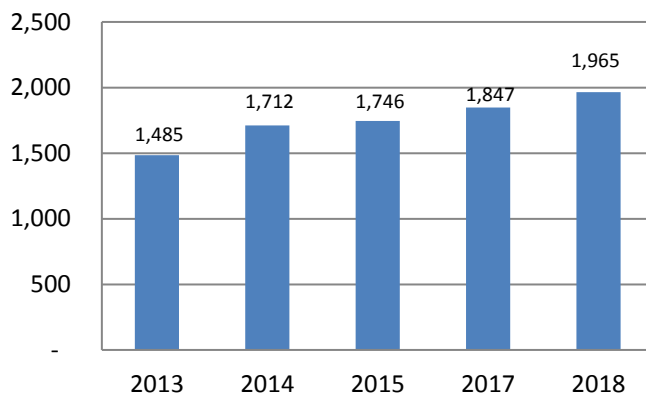
BUSINESS-TYPE ACTIVITY

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.

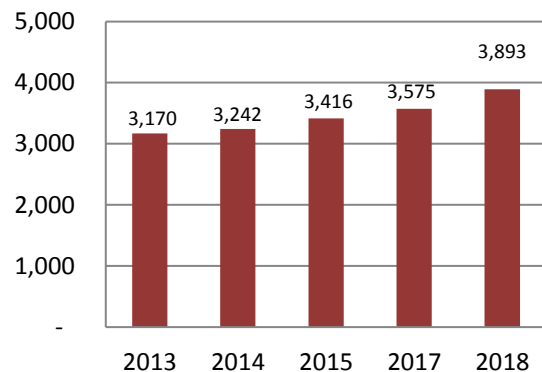
Key elements of the increases are as follows:

- There was a cost of living adjustment (COLA) for 2018, which resulted in an increase to utility rates creating an increase of revenue in 2018.
- A sewer rate increase was recommended by an updated functional plan and was implemented in 2018.
- Growing number of developments, connections and customers provides more operating revenue.
- Solid Waste updated their user fees after preparation of an updated functional plan. Rates were also increased due to substantial increases in recycling charges.

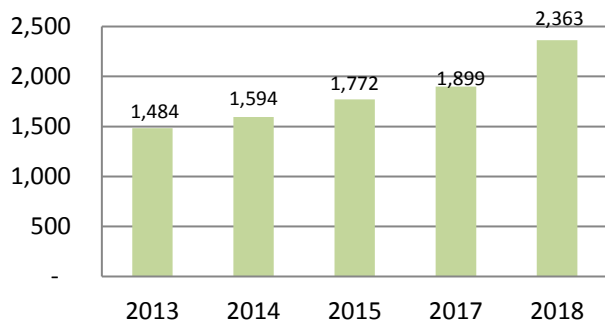
Water Service Charge Revenue
In Thousands



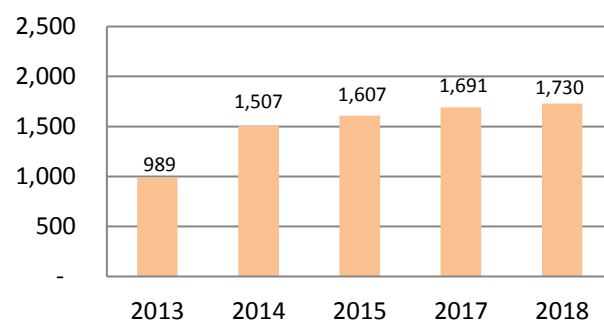
Sewer Service Charge Revenue
In Thousands



Solid Waste Service Charge Revenue
In Thousands



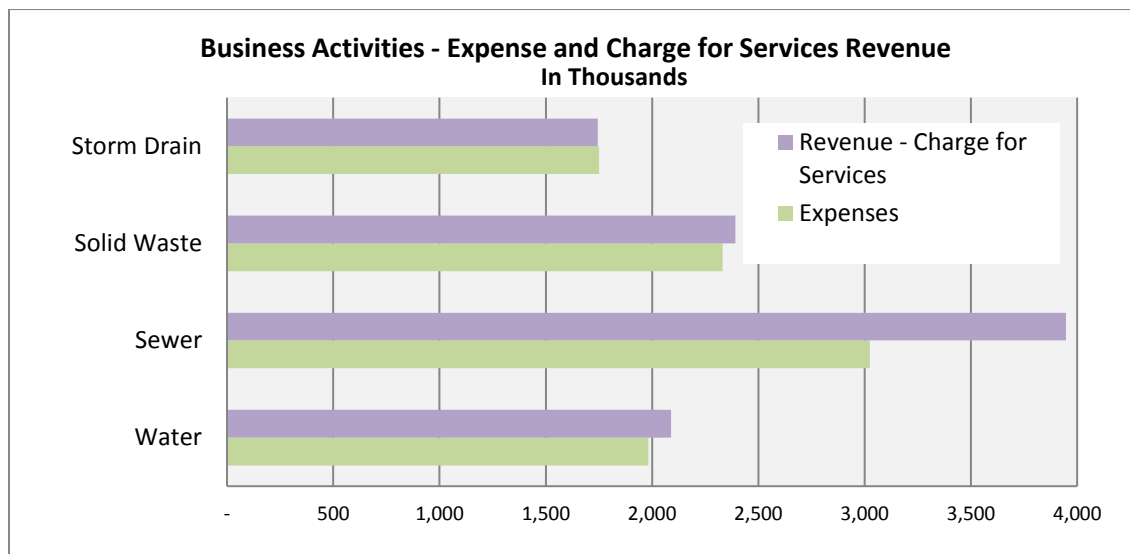
Storm Drain Service Charge Revenue
In Thousands



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 2018, business activity program revenues exceeded expenditures because rates were set to accommodate future capital improvements for a fully functioning system. All utilities have 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. Solid waste rates increased in 2018 as recommended in the updated functional plan to support ongoing operations and replace outdated equipment. A mid-year rate adjustment to solid waste rates was also necessary to account for the large increase in recycling expenditures. 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 shares in joint projects to upgrade the sewer's processing plant which requires the City to pay based on their guaranteed flow through the plant. Debt was issued in 2018 increasing the operational expenditures by the interest portion of the debt.

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 \$14.4 million and expenditures of \$13.5 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 slightly decreased by 1.36%. The City's revenues were greater than expenditures in 2018, but additional transfer to a capital reserve to support funding a future public works building was made, slightly decreasing the fund balance. Most of the revenue increase can be attributed to growing sales tax revenues. Much of the increase is due to growing economy and internet sales taxation resulting from the Wayfair Decision. There is a change in how revenues and expenditures were reported for the indirect allocation charge to utilities for the governmental contribution of administrative support to the utilities. Unlike 2017, where it was reflected in the Charges for Service revenue, it was recorded as a reduction in expenditures in 2018. This change was recommended by the State Auditor's Office to show comparative reporting between governmental agencies. Increase in investment earnings was seen in 2018. Interest rates have increased and available cash to invest was utilized to gain the best earnings for the City. 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 2018
- Additional grant for mental health services to the City
- Increased investment earning

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 2018 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 2018, 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. Revenues and expenditures remained consistent with 2017 showing slight increases consistent with cost of living adjustments.
- **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 2018, there were large Capital Grants due a combination of connections fees and housing developments contributing capital in the form of infrastructure improvements.
 - The large contributed capital in sewer was recorded recognizing the connection fees the County collected on behalf of the City and utilized to support the City's portion of improvements to the County's treatment plant.

The City's portion is based on flow capacity owned by the City.

- All utility funds saw increases in charges for services as they have cost of living inflators built into their rates.
- Sewer rates had an additional 2% rate increase as recommended in the updated functional plan.
- Solid Waste recognized more revenues due to rate changes to cover cost of operating the system, increased recycling costs and necessary new capital equipment.
- Staffing levels were increased in both the Water and Solid Waste fund.
- New revenue debt was issued for sewer improvements with the first interest payment occurring in 2018.

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 decreased 11.2%, or \$1,370,097 of the original adopted budget. This decrease was due to the change in how the City recorded the indirect charge for support by governmental funds to the utility funds. Prior to 2018 the charge was recorded as a revenue in the General Fund but changed to reduce affected expenditures. This change was recommended by the State Auditors office, and a budget amendment was recorded to reflect the change in the new application of the charges.
- The final General Fund expenditure budget decreased by approximately 6.3%, or \$816,701. The decrease is a net effect of several adjustments:
 - The change to accounting for the indirect allocation by reducing expenditures
 - Wages and benefits increased with the largest adjustment due to cash outs of leave for retiring employees
 - Insurance premium being higher than projected
 - Increase for a new agreement with a lobbyist
 - Increase for expenses related to housing prisoners in the County jail
 - Expenditures related to the mental health services grant
 - A contract to utilize a message archiver over the cloud
 - Transfers out of to reserve funds for future capital projects
 - Allocate funding for interior painting of City Hall
 - Purchase of storage containers to house holiday decorations and other City items
 - Payment to the Library District for the remaining funds from the closing of the Capital Library Facility District for roofing repairs the library district is making to the building
- The General Fund amended budget anticipated the ending Fund Balance to increase \$553,198 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:

- Tax revenues were larger than anticipated with the bulk of the variance in sales tax
- Legal expenditures were less than anticipated
- Jail costs higher than projection, some of it related to the medical costs of inmates
- Behavioral Health grant was not fully expended, and the remaining balance will carry over into 2019
- A grant for records archiving will be carried over into 2019

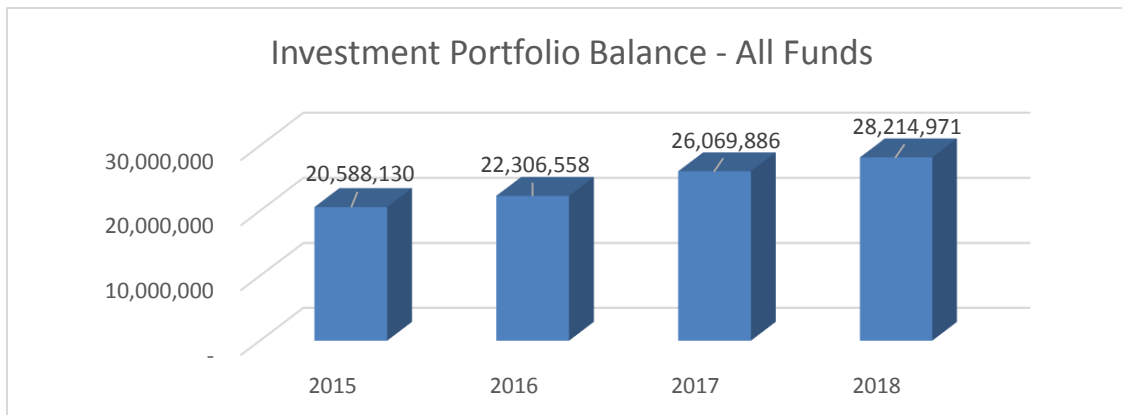
- Real Estate Excise Tax higher than projected. Home sales due to developments were higher and sooner than anticipated and change in ownership of some large commercial transactions occurred in 2018.
- Capital projects, related transfers and grants were not completed as per projected and most will carry over into 2019

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 dboohier@cityofpoulsbo.com.

CASH MANAGEMENT

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

The chart reflects the investment balances as of December 31. The substantial growth in 2018 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.



DEBT ADMINISTRATION

The City participates in various forms of debt, which is summarized as follows: \$8.4 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 \$148,737.

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. A new revenue bond for sewer improvements was issued in 2018. The balance at the end of 2018 is \$6.87 million.

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 (\$1,874,513,276), or \$28,117,699;
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 (\$1,874,513,276). For 2019, the City's limit is \$46,862,832 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 2018:

This Debt is controlled by assessed Valuation Debt Limits							
				2019 Assessed Valuation	\$ 1,874,513,276		
X	0.025	=	\$	46,862,832	Limited for Combined Debt	Balance Available	\$ 38,455,202
X	0.015	=	\$	28,117,699	Limited for Non-Voted Debt	Balance Available	\$ 19,710,069

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.

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 multiphase project on Noll Road to expand over several years continued in 2018 with design and purchase of right of ways necessary for the project. Construction is set to occur in 2020. 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. The City will continue with the process of chip sealing 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 2018 is primarily in business type activities. A large improvement was recorded for a payment to the County for the City's share of the sewage treatment plant. Per an interlocal agreement, the City owns a portion of the structure necessary to process flow generated by the City. Revenue debt in the amount of \$7.5 million was issued to fund the \$11.5 capital expenditure. Connection fees collected on behalf of the City and reserves was used to fund the remaining portion. Two large infrastructure improvements were made for water and sewer on Fjord Drive and Harrison.

Water meters continued to be replaced throughout the City and will continue and be completed in 2019. Improvements to the Pugh Well were completed in 2018 to increase flow and provide treatment for manganese. 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>	
	<u>2018</u>	<u>2017</u> <u>Restated</u>	<u>2018</u>	<u>2017</u> <u>Restated</u>	<u>2018</u>	<u>2017</u> <u>Restated</u>
Land/Intangibles	\$ 32,541,073	\$ 31,126,858	\$ 3,922,069	\$ 3,257,987	\$ 36,463,142	\$ 34,384,845
Buildings	11,907,698	12,312,666	2,597,252	2,421,816	14,504,950	14,734,482
Other Improvements	1,100,690	1,334,532	634,313	347,557	1,735,004	1,682,090
Infrastructure	28,989,364	29,025,842	45,643,549	42,185,505	74,632,914	71,211,347
Intangibles (Depreciable)	91,357	129,750	14,327,288	3,283,504	14,418,645	3,413,254
Machinery & Equipment	1,240,048	1,394,994	2,523,462	1,025,162	3,763,510	2,420,156
Work in Progress	2,349,589	1,519,891	1,411,404	4,254,308	3,760,993	5,774,198
Totals	\$ 78,219,821	\$ 76,844,533	\$ 71,059,337	\$ 56,775,838	\$ 149,279,157	\$ 133,620,372

ECONOMIC FACTORS AND POULSBORO 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 8% in sales tax since 2013, with the largest increase in 2018 of 13%. The increase is anticipated to continue with new and expanded commercial development occurring in the City and the sales generated from internet regulation and activity. 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 2018 and is expected to continue at a strong pace in 2019, with many projects' construction occurring in 2018 and expected to continue in 2019. At present there is an inventory shortage for housing in both owning and renting. Helping to alleviate some of the demand, there have been some multifamily developments completed with more under planning and/or construction in 2019. Commercial construction continues, but at a slower pace than residential. A new development combining a work solution for telecommuting and eating establishments opened in 2018, allowing more people to stay in their community and promote local economy. The City continues to grow and maintain strong revenues because of diversification, promotion of economic development and sound financial policies.

In 2018 the City operated the second year under its first biennial budget and 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 2019 beginning balances.

Sales tax rates in the county were increased .3% by a vote of the people in 2018. The tax is being utilized by Kitsap Transit to develop and run a foot ferry system. The funds were also used 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.

The City Council chose for property tax to levy 1% of the highest allowable levy allowed by law and the banked amount generated from not levying the 1% in 2017.

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 negotiated an agreement for recycling services. The agreement included a substantial increase due to the rising costs of recycling affected by the impacts of China not purchasing much of the US's recycling waste. Rates were increased to reflect the increase. Solid waste rates are one composite rate with recycling and taxes included in the rate. There are cost inflators built into the agreement which will then affect the City's rate charged to customers.

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 contributed their share of the capital improvements to the regional treatment plant pump stations necessary to process Poulsbo's sewage flow. The expenditures were paid and recorded 2018. The City intend to use connections fees banked with the County and issued revenue debt for the remainder

Several large construction projects continued in 2018. 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 several transacted in 2018 with the remainder to occur in 2019. 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 2020. The City is still actively looking for grants to support the additional funding requirement.

Anticipated to construct in 2019 is the improvements to Finn Hill which provide access to Highway 3, a freeway connecting and providing access to other major cities in Kitsap County. The project will include road improvements as well as pedestrian safety improvements. Partnering with the County to include the improvements to the County's portion should be completed in 2019. Design has been completed, which will now lead to the purchase of necessary right of ways and construction of the improvement to be completed over the next couple years.

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. A new grant was awarded in 2019 but will not fully fund the program. Combined with the grant the City will partner with our surrounding cities to provide services to their jurisdictions and they will share in the cost of providing the program.,

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 on the west side of the City 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.

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 and services provided to the local school district and community events require the new rates.

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 (TBD) 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, however a new initiative is being introduced which would limit or not allow the City to implement the TBD. Council will continue to follow the movement and monitor for possible future implementation.

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 continues to work collaboratively with local organizations to market and emphasize this asset, bringing more citizens and businesses to our local area. New signage and collaborative meetings and events continue to show Poulsbo's commitment to the program.

The City officially turned over the Marine Science Center building on Poulsbo's waterfront to Western Washington University to operate the program. This eliminated building maintenance expenditures for the City and allows citizens to benefit from a Marine Science Museum and educational programs.

The City is corrected property lines for the Library operated by the Kitsap Regional Library District, then turned the building over to the library district. Remaining funds generated from the previous Capital Library District, created to fund the

building were turned over to the city per the agreement. The City then allocated the funds to the Library District to support a necessary repair and restructure of the roof. The District took ownership of the building and all associated maintenance and operational costs.

The old Police Building is still under a tentative purchase and sale agreement. The tentative plans for the building located on the edge of the downtown district is for a multifamily development with some retail space. The hopes are the final planning process will be completed and sales transaction will occur in 2019.

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

Bargaining unit agreements were negotiated in 2018 with the Teamster agreement ratified and all increased implemented in the long-range economic plan. The Police Association Agreement was not completed at the end of the 2018 but went into mediation with a ratified agreement in April of 2019. The agreements cover a three-year period, supporting a better forecasting for the next several years.

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, 2018**

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets			
Cash and Cash Equivalents	\$ 161,276	\$ 81,733	\$ 243,010
Investments	12,078,176	16,045,779	28,123,955
Receivables: <i>Net of Uncollectibles</i>			
Taxes	1,255,866	-	1,255,866
Customer Accounts	228,500	891,058	1,119,558
Special Assessments	20,380	-	20,380
Other Receivables	-	-	-
Due from Other Governments	268,526	15,851	284,377
Inventories	7,132	44,944	52,076
Prepaid Items	-	1,500	1,500
Restricted Assets:			
Investments	91,016	-	91,016
Note Receivable	143,311	-	143,311
Capital Asset not being depreciated:			
Land & Right of Ways	32,541,073	3,922,069	36,463,142
Construction in Progress	2,349,589	1,411,404	3,760,993
Capital Assets (net of accumulated depreciation):			
Buildings and Structures	11,907,698	2,597,252	14,504,950
Other Improvements	30,090,055	46,277,863	76,367,917
Machinery and Equipment	1,240,048	2,523,462	3,763,510
Intangibles	91,357	14,327,288	14,418,645
Pension Asset	1,204,125	-	1,204,125
Total Assets	93,678,128	88,140,202	181,818,330
Deferred Outflows of Resources			
Deferred Amount of Refunding	605,929	-	605,929
Pension	591,190	152,366	743,556
Total Deferred Outflows of Resources	1,197,119	152,366	1,349,485
Liabilities			
Current Payables:			
Accounts/Claims	632,513	265,506	898,019
Employee Wages	457,334	89,039	546,372
Interest	29,191	23,867	53,057
Unearned Revenues	84,670	3,052	87,722
Customer Deposits	301,789	26,413	328,202
Long-Term Liabilities:			
Due within one year	1,068,290	307,019	1,375,310
Due in more than one year	10,495,481	7,670,950	18,166,431
Pension Obligation	3,218,103	657,592	3,875,694
Total Liabilities	16,287,369	9,043,439	25,330,808
Deferred Inflows of Resources			
Pension	1,230,222	258,207	1,488,428
Total Deferred Inflows of Resources	1,230,222	258,207	1,488,428
Net Position			
Net Investment in Capital Assets	69,608,469	63,613,785	133,222,255
Restricted for:			
Public, Educational, Governmental Cable	-	-	-
Substance Abuse Program	54,714	-	54,714
Capital Purpose	3,674,979	-	3,674,979
Drug Enforcement	46,998	-	46,998
Criminal Justice	115,506	-	115,506
Promoting Downtown Businesses	47,511	-	47,511
Promoting Tourism	93,744	-	93,744
City Beautification-Expendable	3,922	-	3,922
City Beautification-Nonexpendable	91,016	-	91,016
Debt Service	16,338	-	16,338
Unrestricted	3,604,459	15,377,138	18,981,597
Total Net Position	77,357,656	\$ 78,990,924	\$ 156,348,579

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

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

Page 1 of 2

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 2,810,801	\$ 357,834	\$ 142,961	\$ -
Judicial	434,608	74,442	3,692	-
Security of Persons & Property	4,280,502	142,503	163,322	-
Utilities & Environment	210,947	6,400	-	93
Transportation	2,797,834	166,074	243,502	2,882,492
Economic Environment	1,189,609	773,100	-	-
Mental & Physical Health	344,875	-	340,060	-
Culture & Recreation	1,811,980	600,286	82,196	472,286
Interest on Long-Term Debt	251,599	-	-	-
Total Governmental Activities	14,132,756	2,120,640	975,732	3,354,870
Business-Type Activities:				
Water	1,982,786	2,089,015	-	787,115
Sewer	3,024,655	3,947,885	-	4,575,214
Solid Waste	2,331,314	2,391,489	-	-
Storm Drain	1,750,631	1,744,877	-	1,036,049
Total Business-Type Activities	9,089,387	10,173,266	-	6,398,378
Total Primary Government	\$ 23,222,143	\$ 12,293,905	\$ 975,732	\$ 9,753,248

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

Change in Accounting Practice

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, 2018

Page 2 of 2

Net (Expenses) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (2,310,006)	\$ -	\$ (2,310,006)
(356,474)	-	(356,474)
(3,974,677)	-	(3,974,677)
(204,455)	-	(204,455)
494,233	-	494,233
(416,509)	-	(416,509)
(4,815)	-	(4,815)
(657,212)	-	(657,212)
(251,599)	-	(251,599)
(7,681,515)	-	(7,681,515)
-	893,344	893,344
-	5,498,444	5,498,444
-	60,174	60,174
-	1,030,295	1,030,295
-	7,482,257	7,482,257
\$ (7,681,515)	\$ 7,482,257	\$ (199,257)
2,505,945	-	2,505,945
4,516,544	-	4,516,544
1,782,092	-	1,782,092
956,626	-	956,626
274,289	195,444	469,734
(181,869)	(5,347)	(187,216)
9,853,627	190,097	10,043,724
2,172,112	7,672,354	9,844,467
75,746,769	71,266,130	147,012,899
(775,274)	-	(775,274)
214,049	52,439	266,488
\$ 77,357,656	\$ 78,990,924	\$ 156,348,579

**BALANCE SHEET-GOVERNMENTAL FUNDS
DECEMBER 31, 2018**

	General Fund	City Street Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets				
Cash and Cash Equivalents	\$ 77,435	\$ 3,219	\$ 80,623	\$ 161,276
Investments	4,706,519	205,973	7,165,684	12,078,176
Receivables:				
Taxes	1,168,917	33,521	86,949	1,289,387
Accounts	32,915	-	-	32,915
Special Assessments	-	-	20,380	20,380
Other Receivables	-	-	-	-
Due from Other Governments	51,931	-	216,595	268,526
Inventories	7,132	-	-	7,132
Investments-Restricted	-	-	91,016	91,016
Total Assets	6,044,849	242,713	7,661,246	13,948,807
Deferred Outflows of Resources	-	-	-	-
Total Assets and Deferred Outflows of Resources	6,044,849	242,713	7,661,246	13,948,807
Liabilities				
Accounts Payable	232,254	6,439	393,820	632,513
Payroll Payable	437,201	13,021	7,112	457,334
Due to Other Governments	-	-	-	-
Unearned Revenues	72,457	-	12,212	84,670
Custodial Accounts	298,915	-	2,874	301,789
Total Liabilities	1,040,827	19,459	416,019	1,476,305
Deferred Inflows of Resources				
Unavailable Revenue - Property Taxes	46,381	-	-	46,381
Total Deferred Inflows of Resources	46,381	-	-	46,381
Fund Balances				
Nonspendable Fund Balance	8,782	-	91,016	99,798
Restricted Fund Balance	60,505	-	3,998,998	4,059,503
Assigned Fund Balance	3,770,848	223,253	3,155,214	7,149,315
Unassigned Fund Balance	1,117,506	-	-	1,117,506
Total Fund Balances	4,957,641	223,253	7,245,228	12,426,122
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 6,044,849	\$ 242,713	\$ 7,661,246	\$ 13,948,807

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, 2018**

Total Governmental Fund Balances: \$ 12,426,122
*Amounts reported for governmental activities in the statement of net
position are different because:*

Capital assets used in governmental activities are not financial resources
and therefore are not reported in the governmental funds. 78,219,821

These assets consist of:

Land	\$	32,541,073	
Buildings and structures		14,884,025	
Improvements		48,565,618	
Machinery and Equipment		3,721,713	
Construction in Progress		2,349,589	
Intangibles		739,019	
Less: Accumulated Depreciation		(24,581,218)	

Other Assets that are not available to pay for current-period
expenditures and therefore are not reported in governmental funds. 2,706,619

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	29,191		
Long-term Liabilities	15,965,714	(15,994,905)	

Net Position of governmental activities		\$ 77,357,656	
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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 BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	General Fund	City Street Fund	Non-Major Governmental Funds	Total
Revenues				
Taxes	\$ 8,784,504	\$ -	\$ 980,621	\$ 9,765,124
Licenses and Permits	731,261	22,845	-	754,106
Intergovernmental	549,877	242,358	788,423	1,580,658
Charges for Services	1,227,207	-	535,810	1,763,017
Fines and Forfeitures	68,494	-	197	68,691
Interest and Other Earnings	204,948	1,774	74,107	280,830
Miscellaneous	76,058	3,398	87,276	166,732
Total Revenues	11,642,348	270,375	2,466,434	14,379,157
Expenditures				
General Government	2,717,964	-	-	2,717,964
Security of Persons & Property	3,700,287	-	48,019	3,748,307
Utilities & Environment	153,233	-	-	153,233
Transportation	208,971	904,392	-	1,113,363
Economic Environment	961,780	-	133,865	1,095,645
Mental & Physical Health	331,552	-	-	331,552
Culture & Recreation	1,342,635	-	86,593	1,429,228
Debt Service:				
Principal	-	-	728,777	728,777
Interest & Other Charges	-	-	351,116	351,116
Capital Outlay	-	-	1,789,001	1,789,001
Total Expenditures	9,416,422	904,392	3,137,372	13,458,186
Excess of Revenues Over (Under) Expenditures	2,225,926	(634,017)	(670,937)	920,971
Other Financing Sources (Uses)				
Transfers In	2,500	645,000	2,703,251	3,350,751
Transfers Out	(2,320,190)	-	(1,030,561)	(3,350,751)
Issuance of Long-Term Debt	-	-	-	-
Premium on Bonds Sold	-	-	-	-
Sale of Capital Assets	23,394	-	-	23,394
Insurance Recoveries	-	-	-	-
Total Other Financing Sources and Uses	(2,294,296)	645,000	1,672,690	23,394
Net Change in Fund Balances	(68,370)	10,983	1,001,753	944,365
Fund Balances Beginning of Year	5,026,011	212,270	6,252,413	11,490,695
Prior Year Adjustment	-	-	(8,938)	(8,938)
Fund Balances End of Year	\$ 4,957,641	\$ 223,253	\$ 7,245,228	\$ 12,426,122

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, 2018**

Net change in Fund balance--total governmental funds	\$	944,365
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Amounts reported for Governmental activities in the statement of activities are different because:

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

This is the amount of capital outlays		1,789,001
This is the amount of depreciation		(2,271,807)
This is the amount of Gain (Loss) on Capital Assets		(205,263)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the government funds.		47,940
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Developers construct and then contributed capital infrastructure assets to the City. These assets are reported on the statement of activities but not reported in the fund statements.		2,059,640
--	--	-----------

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		728,777
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Some expenses reported in the statement of activities do not require the use of the governmental funds.		(920,541)
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Change in net position of governmental activities	\$	<u><u>2,172,112</u></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, 2018**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (negative)
Revenues				
Taxes	\$ 7,904,298	\$ 7,904,298	\$ 8,784,504	\$ 880,206
Licenses and Permits	836,830	836,830	731,261	(105,569)
Intergovernmental	600,331	652,315	549,877	(102,438)
Charges for Services	2,633,871	1,211,790	1,227,207	15,417
Fines and Forfeitures	77,100	77,100	68,494	(8,606)
Interest and Other Earnings	96,700	96,700	204,948	108,248
Miscellaneous	78,121	78,121	76,058	(2,063)
Total Revenues	12,227,251	10,857,154	11,642,348	785,194
Expenditures				
Current:				
General Government	3,694,740	3,021,721	2,717,964	303,757
Security of Persons & Property	3,590,147	3,641,347	3,700,287	(58,940)
Utilities & Environment	589,783	112,735	153,233	(40,498)
Transportation	628,972	225,044	208,971	16,073
Economic Environment	987,757	986,512	961,780	24,732
Mental & Physical Health	412,633	414,672	331,552	83,120
Culture & Recreation	1,175,667	1,300,067	1,342,635	(42,568)
Total Expenditures	11,079,699	9,702,098	9,416,422	285,676
Excess of Revenues Over (Under) Expenditures	1,147,552	1,155,056	2,225,926	1,070,870
Other Financing Sources (Uses)				
Transfers In	2,500	2,500	2,500	-
Transfers Out	(1,813,118)	(2,374,018)	(2,320,190)	53,828
Comp for Impairment of Capital Assets	5,100	5,100	23,394	18,294
Total Other Financing Sources (Uses)	(1,805,518)	(2,366,418)	(2,294,296)	72,122
Net Change in Fund Balance	(657,966)	(1,211,362)	(68,370)	1,142,992
Fund Balance Beginning of Year	2,850,693	3,957,287	5,026,011	1,068,724
Fund Balance End of Year	\$ 2,192,727	\$ 2,745,925	\$ 4,957,641	\$ 2,211,716

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, 2018**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (negative)
Revenues				
License and Permits	\$ 12,000	\$ 12,000	\$ 22,845	\$ 10,845
Gifts and Pledges	-	1,400	1,400	-
Intergovernmental	244,587	244,587	242,358	(2,229)
Interest and Other Earnings	1,000	1,000	1,774	774
Miscellaneous	-	1,898	1,998	100
Total Revenues	257,587	260,885	270,375	9,490
Expenditures				
Transportation:				
Street Maintenance	890,422	905,169	904,392	777
Total Expenditures	890,422	905,169	904,392	777
Excess of Revenues Over (Under) Expenditures	(632,835)	(644,284)	(634,017)	10,267
Other Financing Sources (Uses)				
Transfers In	6,450,000	645,000	645,000	-
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	6,450,000	645,000	645,000	-
Net Change in Fund Balance	5,817,165	716	10,983	10,267
Fund Balance Beginning of Year	156,130	177,381	212,270	34,889
Fund Balance End of Year	\$ 5,973,295	\$ 178,097	\$ 223,253	\$ 45,156

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

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2018**

	Business-type Activities Enterprise Funds				
	Water	Sewer	Solid Waste	Storm Drain	Total
Assets					
Current Assets:					
Cash and Cash Equivalents	\$ 19,181	\$ 18,347	\$ 20,327	\$ 23,878	\$ 81,733
Investments	4,473,157	8,100,356	1,404,865	2,067,401	16,045,779
Accounts Receivable	148,094	365,447	227,203	150,314	891,058
Due from Other Governments	-	-	-	15,851	15,851
Inventories	39,930	5,015	-	-	44,944
Prepaid	500	500	250	250	1,500
Total Current Assets	4,680,861	8,489,665	1,652,645	2,257,694	17,080,866
Noncurrent Assets:					
Restricted cash, cash equivalents, and invests.:					
Revenue bond covenant investment	-	-	-	-	-
Capital Assets Not Being Depreciated:					
Land & Right of Ways	347,806	509,580	191,213	2,873,470	3,922,069
Construction in Progress	628,940	616,922	-	165,542	1,411,404
Capital Assets:					
Buildings and Structures	508,089	326,322	875,291	1,315,992	3,025,694
Intangibles	107,603	16,383,443	-	178,908	16,669,955
Other Improvements	21,614,206	28,110,168	12,403	15,509,512	65,246,289
Machinery and Equipment	1,129,012	1,591,853	1,284,702	367,711	4,373,277
Less: Accumulated Depreciation	(6,832,010)	(11,503,323)	(713,760)	(4,540,256)	(23,589,350)
Total Noncurrent Assets	17,503,645	36,034,964	1,649,848	15,870,879	71,059,337
Total Assets	22,184,507	44,524,630	3,302,493	18,128,573	88,140,202
Deferred Outflows of Resources					
Deferred Amount of Refunding Pension	-	-	-	-	-
	43,628	29,011	33,632	46,095	152,366
Total Deferred Outflows of Resources	43,628	29,011	33,632	46,095	152,366
Liabilities					
Current Liabilities					
Accounts payable	42,501	153,489	108,749	49,806	354,545
Accrued interest payable	-	23,867	-	-	23,867
Rev. bonds payable		253,778			253,778
Unearned Revenue	2,458	179	242	174	3,052
Custodial	7,391	19,022	-	-	26,413
Compensated Absences	14,669	10,319	13,491	14,763	53,242
Total Current Liabilities	67,019	460,653	122,482	64,743	714,897
Noncurrent Liabilities:					
Rev. bonds payable	-	7,191,774	-	-	7,191,774
Compensated absences	132,019	92,874	121,419	132,864	479,176
Pension Obligation	187,548	125,034	146,437	198,572	657,592
Total Noncurrent Liabilities	319,567	7,409,682	267,856	331,436	8,328,542
Total Liabilities	386,586	7,870,335	390,338	396,179	9,043,439
Deferred Inflows of Resources					
Pension	73,625	49,070	57,528	77,984	258,207
Total Deferred Inflows of Resources	73,625	49,070	57,528	77,984	258,207
Net Position					
Net Investment in capital assets	17,503,645	28,589,413	1,649,848	15,870,879	63,613,785
Restricted for debt service	-	-	-	-	-
Unrestricted	4,264,279	8,044,822	1,238,412	1,829,626	15,377,138
Total Net Position	\$ 21,767,924	\$ 36,634,235	\$ 2,888,259	\$ 17,700,505	\$ 78,990,924

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, 2018**

	Business-type Activities Enterprise Funds				
	Water	Sewer	Solid Waste	Storm Drain	Total
Operating Revenues:					
Charges for Services	\$ 1,964,803	\$ 3,892,668	\$ 2,362,784	\$ 1,729,675	\$ 9,949,930
Other Operating Revenues	4,068	3,420	-	-	7,488
Total Operating Revenues	1,968,871	3,896,088	2,362,784	1,729,675	9,957,418
Operating Expenses:					
Depreciation	517,816	881,777	113,351	505,422	2,018,367
Salaries and Wages	685,274	542,542	695,181	652,632	2,575,629
Personnel Benefits	221,738	184,551	241,938	283,819	932,045
Supplies	81,003	45,141	60,434	13,155	199,734
Services	476,954	532,451	1,127,622	256,176	2,393,203
Intergovernmental Services and Payments	-	648,157	92,743	39,427	780,328
Total Operating Expenses	1,982,786	2,834,620	2,331,269	1,750,631	8,899,306
Operating Income (Loss)	(13,915)	1,061,469	31,515	(20,957)	1,058,112
Nonoperating Revenues (Expenses):					
Interest and Other Earnings	171,385	156,157	46,805	36,899	411,246
Interest Expense	-	(190,036)	-	-	(190,036)
State Grants	-	-	-	20,990	20,990
Gain/Loss from Sale of Capital Assets	(2,808)	(6,689)	4,150	-	(5,347)
Total Nonoperating Revenue (Expenses)	168,578	(40,568)	50,955	57,889	236,854
Income (loss) Before Contributions	154,663	1,020,901	82,470	36,932	1,294,966
Capital Contributions	787,115	4,575,214	-	1,015,059	6,377,388
Change in Net Position	941,778	5,596,116	82,470	1,051,991	7,672,354
Total Net Position Beginning of Year	20,826,146	31,038,120	2,805,789	16,596,075	71,266,130
Prior Period Adjustment				52,439	52,439
Total Net Position End of Year	\$ 21,767,924	\$ 36,634,235	\$ 2,888,259	\$ 17,700,505	\$ 78,990,924

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, 2018**

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	\$ 2,083,930	\$ 3,930,972	\$ 2,344,984	\$ 1,740,153	\$ 10,100,039
Payments for interfund services provided	(722)	(648,331)	(91,365)	(39,553)	(779,970)
Payments to suppliers	(566,341)	(590,518)	(1,197,001)	(275,731)	(2,629,591)
Payments to employees	(861,699)	(693,048)	(908,251)	(906,859)	(3,369,857)
Net cash provided (used) by operating activities	655,170	1,999,075	148,366	518,010	3,320,621
Cash Flows from Capital and Related Financing Activities					
State and Federal Grants	-	-	-	(197,590)	(197,590)
Proceeds from Capital Debt	-	7,588,239	-	-	7,588,239
Capital contributions	421,170	4,099,307	-	116,599	4,637,076
Purchase of capital assets	(39,252)	(13,201)	(252,193)	(203,654)	(508,300)
Acquisition and construction of capital assets	(1,251,034)	(12,864,616)	574	(109,791)	(14,224,866)
Principal paid on capital debt	-	(100,000)	-	-	(100,000)
Interest paid on capital debt	-	(208,856)	-	-	(208,856)
Proceeds from Disposition of capital assets	23	954	4,150	-	5,127
Net cash provided (used) by capital and related financing activities	(869,093)	(1,498,174)	(247,469)	(394,436)	(3,009,171)
Cash Flows from Investing Activities					
Proceeds from sales and maturities of investments	2,712,378	18,254,923	990,045	1,245,788	23,203,133
Purchase of investment	(2,613,128)	(18,874,865)	(964,063)	(1,433,741)	(23,885,798)
Interest and dividends received	51,241	104,361	18,146	21,696	195,444
Net cash used by investing activities	150,491	(515,581)	44,127	(166,257)	(487,221)
Net increase in cash and cash equivalents	(63,432)	(14,680)	(54,975)	(42,683)	(175,771)
Cash and cash equivalents Beginning of Year	82,613	33,027	75,303	66,561	257,504
Cash and cash equivalents End of Year	\$ 19,181	\$ 18,347	\$ 20,327	\$ 23,878	\$ 81,733

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, 2018

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)	\$ (13,915)	\$ 1,061,469	\$ 31,515	\$ (20,957)	\$ 1,058,112
Adjustments to reconcile operating income to net cash provided (used) by operating activities					
Depreciation	517,816	881,777	113,351	505,422	2,018,367
(Increase) decrease in accounts receivable	(5,826)	(35,935)	(46,460)	(4,724)	(92,944)
(Increase) decrease in inventories	(8,733)	1,468	-	-	(7,266)
Increase (decrease) in accounts payable	92	(13,275)	(5,903)	(5,550)	(24,636)
Increase (decrease) in Custodial Funds	764	19,022	-	-	19,786
Increase (decrease) in Pension Funds	(51,443)	(31,839)	(47,367)	(59,847)	(190,495)
Increase (decrease) in compensated absences	96,293	64,592	74,571	88,463	323,918
Increase (decrease) in Interest and Other Earnings	120,121	51,796	28,659	15,202	215,779
Total Adjustments	669,084	937,606	116,851	538,966	2,262,508
Net Cash Provided By Operating Activities	\$ 655,170	\$ 1,999,075	\$ 148,366	\$ 518,010	\$ 3,320,621
Noncash investing, financing and capital activities					
Investment Earnings Unrealized	\$ 23	\$ 3,082	\$ 5,000	\$ 918	\$ 9,023
Capital Contributions by Developers	365,945	475,908		898,459	1,740,312

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

STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUND
DECEMBER 31, 2018

Agency Fund		
Assets		
Cash and Cash Equivalents	\$	235,819
Investments		83,909
Accounts Receivable		18
Total Assets		319,745
Liabilities		
Accounts Payable and Accrued Expenses		(2,364)
Retainage Payable		84,266
Custodial Funds		237,843
Total Liabilities		319,745

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

NOTES TO THE FINANCIAL STATEMENTS

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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.

As a rule, the effect of interfund activity has been eliminated from the government-wide statements. Exceptions to this general rule are charges between the government's utilities 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.

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. Most of revenues are from property taxes. However, additional funding come from state shared gas taxes and grants restricted for transportation.

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. Its revenue are received from service charges and system connection charges.

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 \$91,016 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 \$3,922. This amount also represents the designated unrealized investment earnings.

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.

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.

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, 2018, the City was holding \$ 243,010 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).

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 2018.

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, 2018 were as follows:

	Transfers Out:			
	General Fund	City Street Fund	Non-Major Gov'l	Total
Transfers In:				
General Fund	-	-	2,500	2,500
City Street Fund	645,000	-	-	645,000
Non-Major Gov'l Funds	1,675,190	-	1,028,061	2,703,251
Total Transfers	\$ 2,320,190	\$ -	\$ 1,030,561	\$ 3,350,751

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:

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

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. An OPEB liability using the alternative measurement method has been recognized.

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 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 statements 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 statements 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	\$ 8,782	\$ -	\$ -	\$ 1,117,506	\$ 1,126,288
Public, Education, Government Cable		54,714			54,714
Substance Abuse Program		5,791			5,791
Stabilization Fund			3,395,848		3,395,848
Compensated Absences Liability			150,000		150,000
Legal Reserves			225,000		225,000
Subtotals, General Fund	8,782	60,505	3,770,848	1,117,506	4,957,641
<u>City Street Fund</u>					
Transportation Maintenance & Operation			223,253		223,253
Subtotals, City Street Fund	-	-	223,253	-	223,253
<u>Other Governmental Funds</u>					
Transportation Improvements		1,973,688	1,256,820		3,230,508
Parks Improvements		185,004	295,790		480,794
Cemetery Improvements			25,435		25,435
Capital Equipment			385,373		385,373
Capital Improvements		1,516,287	1,175,472		2,691,759
Drug Enforcement		46,998			46,998
Criminal Justice		115,506	16,324		131,830
Promote Downtown Businesses		47,511			47,511
Promoting Tourism		93,744			93,744
City Beautification	91,016	3,922			94,938
Debt Service		16,338			16,338
Subtotals, Other Governmental Funds	91,016	3,998,998	3,155,214	-	7,245,228
Totals	\$ 99,798	\$ 4,059,503	\$ 7,149,315	\$ 1,117,506	\$ 12,426,122

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 2018, 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.

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

As of December 31, 2018, 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	\$ 911,753
In-transit items	(350,666)
Custodial funds held in agency funds	(319,727)
Petty Cash on hand	1,650
Total Cash	\$ 243,010

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 in Local Government Investment Pool (LGIP)

The City is a participant in the Local Government Investment Pool was authorized by Chapter 294, Laws of 1986, and is managed and operated by the Washington State Treasurer. The State Finance Committee is the administrator of the statute that created the pool and adopts rules. The State Treasurer is responsible for establishing the investment policy for the pool and reviews the policy annually and proposed changes are reviewed by the LGIP advisory Committee.

Investments in the LGIP, a qualified external investment pool, are reported at amortized cost which approximates fair value. The LGIP is an unrated external investment pool. The pool portfolio is invested in a manner that meets the maturity, quality, diversification and liquidity requirements set forth by the GASBS 79 for external investments pools that elect to measure, for financial reporting purposes, investments at amortized cost. The LGIP does not have any legally binding guarantees of share values. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals.

The Office of the State Treasurer prepares a stand-alone LGIP financial report. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, online at www.tre.wa.gov.

As of December 31, 2018, the City held the following investments at amortized Cost:

Washington State Local Government Inv. Pool	\$ 5,839,715
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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, 2018:

Investments	Valuation Measurement Method	Fair Value 12/31/18	Maturities		Total
			Less Than One Year	One to Three Years	
US agency securities					
US Treasury Bills, Notes & Bonds	Level 1	\$ 9,925,726	\$ 4,475,034	\$ 5,450,692	\$ 9,925,726
Federal Farm Credit Bank	Level 1	2,767,981		2,767,981	2,767,981
Federal Home Loan Bank	Level 1	4,468,178	2,231,933	2,236,246	4,468,178
Federal Home Loan Mortgage Corp	Level 1	2,987,966	1,500,496	1,487,471	2,987,966
Federal National Mortgage Association	Level 1	2,225,404	747,088	1,478,316	2,225,404
Total Investments		\$ 22,375,255	\$ 8,954,550	\$13,420,705	\$ 22,375,255

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	\$ 9,925,726	1.19	35%	AA+
Federal Farm Credit Bank	2,767,981	1.76	10%	AA+
Federal Home Loan Bank	4,468,178	1.22	16%	AA+
Federal Home Loan Mortgage Corp	2,987,966	1.00	11%	AA+
Federal National Mortgage Association	2,225,404	1.05	8%	AA+
Washington State Local Government Inv. Pool	5,839,715		21%	
Total Investments	\$ 28,214,971	1.24	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 2018, the City's levy for general governmental services was \$1.520229 per \$1,000 on the assessed valuation of \$1,633,068,314 for a total of \$2,482,639.

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 and received within 60 days. 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. City of Poulsbo has no known tax abatements in place.

NOTE 5: CAPITAL ASSETS

Capital asset activity for the primary government for the year ended December 31, 2018 was as follows:

	BEGINNING BALANCE- Restated	INCREASES	DECREASES	ENDING BALANCE
Governmental-Type Activities				
Capital assets, not being depreciated:				
Land	\$ 8,987,260	\$ 603,811	\$ (65,889)	\$ 9,525,183
Intangible - Right of Way/Easements	22,139,598	876,293	-	23,015,891
Construction Work in Progress	1,519,891	1,591,047	(761,349)	2,349,589
Total capital assets not being depreciated	32,646,749	3,071,151	(827,238)	34,890,663
Capital assets, being depreciated:				
Buildings	15,171,933	46,731	(334,638)	14,884,025
Other Improvements	3,474,657	9,807	(159,956)	3,324,509
Machinery and Equipment	3,905,281	139,302	(322,870)	3,721,713
Intangible	739,019	-	-	739,019
Infrastructure	43,894,394	1,346,715	-	45,241,109
Total capital assets being depreciated	67,185,285	1,542,555	(817,464)	67,910,376
Less accumulated depreciation for:				
Buildings	(2,859,267)	(348,092)	231,032	(2,976,327)
Other Improvements	(2,140,125)	(207,882)	124,188	(2,223,819)
Machinery and Equipment	(2,510,287)	(294,248)	322,870	(2,481,665)
Intangible	(609,269)	(38,393)	-	(647,662)
Infrastructure	(14,868,552)	(1,383,192)	-	(16,251,745)
Total accumulated depreciation	(22,987,501)	(2,271,807)	678,091	(24,581,218)
Total capital assets, being depreciated, net	44,197,784	(729,252)	(139,374)	43,329,158
Governmental activity capital assets, net	\$ 76,844,533	\$ 2,341,899	\$ (966,611)	\$ 78,219,821

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 escrow deposit was provided. 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	356,365.85
Security of Persons and Property	139,507.18
Utilities and Environment	2,407.50
Transportation	\$ 1,523,975
Economic Environment	-
Culture and Recreation	249,552.32
Total depreciation expense - governmental activities	\$ 2,271,807

	BEGINNING BALANCE- Restated	INCREASES	DECREASES	ENDING BALANCE
Business-Type Activities				
Capital assets, not being depreciated:				
Land	\$ 2,973,242	\$ 587,664	\$ -	\$ 3,560,906
Intangible - Right of Way/Easements	284,745	76,418	-	361,163
Construction Work in Progress	4,254,308	2,930,762	(5,773,666)	1,411,404
Total capital assets not being depreciated	7,512,294	3,594,843	(5,773,666)	5,333,472
Capital assets, being depreciated:				
Buildings	2,814,240	236,930	(25,476)	3,025,694
Other Improvements	745,492	409,932	(5,008)	1,150,416
Machinery and Equipment	2,840,603	1,720,140	(187,466)	4,373,277
Intangible	5,414,421	11,255,533	-	16,669,955
Infrastructure	59,343,727	4,868,603	(116,458)	64,095,872
Total capital assets being depreciated	71,158,484	18,491,138	(334,408)	89,315,214
Less accumulated depreciation for:				
Buildings	(392,424)	(53,850)	17,833	(428,442)
Other Improvements	(397,935)	(123,176)	5,008	(516,103)
Machinery and Equipment	(1,815,442)	(221,840)	187,466	(1,849,816)
Intangible	(2,130,917)	(211,749)	-	(2,342,667)
Infrastructure	(17,158,222)	(1,407,751)	113,650	(18,452,323)
Total accumulated depreciation	(21,894,940)	(2,018,367)	323,957	(23,589,350)
Total capital assets, being depreciated, net	49,263,544	16,472,772	(10,451)	65,725,864
Business-type activity capital assets, net	\$ 56,775,838	\$ 20,067,615	\$ (5,784,117)	\$ 71,059,337

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

Business-type activities:

Water	\$ 517,816
Sewer	881,777
Solid Waste	113,351
Storm Drain	505,422
Public Works Administration	
Total depreciation expense - business-type activities	\$ 2,018,367

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 2018:

Aggregate Pension Amounts - All Plans	
Pension liabilities	\$ 2,689,997
Pension assets	\$ 1,204,125
Deferred outflows of resources	\$ 629,249
Deferred inflows of resources	\$ 1,388,092
Pension expense/expenditures	\$ 218,334

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 2018 were as follows:

PERS Plan 1		
Actual Contribution Rates:	Employer	Employee*
January - August 2018		
PERS Plan 1	7.49%	6.00%
PERS Plan 1 UAAL	5.03%	
Administrative Fee	0.18%	
Total	12.70%	6.00%
September - December 2018		
PERS Plan 1	7.52%	6.00%
PERS Plan 1 UAAL	5.13%	
Administrative Fee	0.18%	
Total	12.83%	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 2018 were as follows:

PERS Plan 2/3		
Actual Contribution Rates:	Employer 2/3	Employee 2*
January - August 2018:		
PERS Plan 2/3	7.49%	7.38%
PERS Plan 1 UAAL	5.03%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	12.70%	7.38%
September - December 2018		
PERS Plan 2/3	7.52%	7.41%
PERS Plan 1 UAAL	5.13%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	12.83%	7.41%

* For employees participating in JBM, the contribution rate was 18.45% to 18.53%

The City's actual PERS plan contributions were \$286,998 to PERS Plan 1 and \$425,275 to PERS Plan 2/3 for the year ended December 31, 2018.

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 2018. 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.

Effective July 1, 2017, when a LEOFF employer charges a fee or recovers costs for services rendered by a LEOFF 2 member to a non-LEOFF employer, the LEOFF employer must cover both the employer and state contributions on the LEOFF 2 basic salary earned for those services.

The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2018 were as follows:

LEOFF Plan 2		
Actual Contribution Rates:	Employer	Employee
State and local governments	5.25%	8.75%
Administrative Fee	0.18%	
Total	5.43%	8.75%
Ports and Universities	8.75%	8.75%
Administrative Fee	0.18%	
Total	8.93%	8.75%

The City of Poulsbo's actual contributions to the plan were \$ 102,989 for the year ended December 31, 2018.

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, 2018, the state contributed \$68,152,127 to LEOFF Plan 2. The amount recognized by the City as its proportionate share of this amount is \$63,671.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2018 with a valuation date of June 30, 2017. 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 *2017 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2017 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2018. Plan liabilities were rolled forward from June 30, 2017, to June 30, 2018, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 2.75% total economic inflation; 3.5% salary inflation
- **Salary increases:** In addition to the base 3.50% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.4%

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.

- Lowered the valuation interest rate from 7.70% to 7.50% for all systems except LEOFF 2. For LEOFF 2 the valuation interest rate was lowered from 7.50% to 7.40%.
- Lowered the assumed general salary growth from 3.75% to 3.50% for all systems.
- Lowered assumed inflation from 3.00% to 2.75% for all systems.
- Modified how the valuation software calculates benefits paid to remarried duty-related death survivors of LEOFF 2 members.
- Updated the trend that the valuation software uses to project medical inflation for LEOFF 2 survivors of a duty-related death, and for certain LEOFF 2 medical-related duty disability benefits.

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.4 percent.

To determine that rate, an asset sufficiency test included an assumed 7.5 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. (All plans use 7.5 percent except LEOFF 2, which has assumed 7.4 percent). Consistent with the long-term expected rate of return, a 7.4 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 7.4 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 7.4 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, 2018, 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	7%	4.90%
Real Estate	18%	5.80%
Global Equity	32%	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 7.4 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 (6.4 percent) or 1-percentage point higher (8.4 percent) than the current rate.

	1% Decrease 6.40%	Current Discount 7.40%	1% Increase 8.40%
PERS 1	2,217,345	1,804,278	1,446,478
PERS 2/3	4,051,302	885,719	(1,709,705)
LEOFF 1	(42,043)	(52,849)	(62,153)
LEOFF 2	(153,098)	(1,151,276)	(1,965,406)

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, 2018, the City of Poulsbo reported a total pension liability of \$ 2,689,997 and total pension asset of \$1,204,125 for its proportionate share of the net pension liabilities as follows:

	Liability or Asset
PERS 1	\$ 1,804,278
PERS 2/3	885,719
LEOFF 1	(52,849)
LEOFF 2	(1,151,276)

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	(52,849)	(1,151,276)
State's proportionate share of the net pension asset associated with the employer	(357,471)	(745,429)
TOTAL	(410,320)	(1,896,705)

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

	Proportionate Share 6/30/17	Proportionate Share 6/30/18	Change in Proportion
PERS 1	0.038376%	0.040400%	0.002024%
PERS 2/3	0.049363%	0.051875%	0.002512%
LEOFF 1	0.002999%	0.002911%	-0.000088%
LEOFF 2	0.053352%	0.056707%	0.003355%

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 2018. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2018, 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 2018, the state of Washington contributed 39.30 percent of LEOFF 2 employer contributions pursuant to RCW 41.26.725 and all other employers contributed the remaining 60.70 percent of employer contributions.

The collective net pension liability (asset) was measured as of June 30, 2018, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2017, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2018, the City of Poulsbo recognized pension expense as follows:

	Pension Expense
PERS 1	\$ 257,099
PERS 2/3	15,049
LEOFF 1	(7,285)
LEOFF 2	(46,529)
TOTAL	\$ 218,334

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 of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings on pension plan investments	-	(71,701)
Contributions subsequent to the measurement date	150,277	-
TOTAL	\$ 150,277	\$ (71,701)
PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 108,566	\$ (155,073)
Net difference between projected and actual investment earnings on pension plan investments	-	(543,518)
Changes of assumptions	10,361	(252,069)
Changes in proportion and differences between contributions and proportionate share of contributions	112,431	(17,527)
Contributions subsequent to the measurement date	221,688	-
TOTAL	\$ 453,046	\$ (968,187)
LEOFF 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment	-	(4,291)
TOTAL	\$ -	\$ (4,291)
LEOFF 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 61,672	\$ (26,733)
Net difference between projected and actual investment earnings on pension plan investments	-	(201,489)
Changes of assumptions	652	(165,229)
Changes in proportion and differences between contributions and proportionate share of contributions	2,256	(36,404)
Contributions subsequent to the measurement date	50,596	-
TOTAL	\$ 115,175	\$ (429,855)

All Plans	Deferred Outflows	Deferred Inflows of
Differences between expected and actual experience	\$ 170,238	\$ (181,806)
Net difference between projected and actual investment earnings on pension plan investments	-	(820,999)
Changes of assumptions	11,013	(417,297)
Changes in proportion and differences between contributions and proportionate share of contributions	114,687	(53,931)
Contributions subsequent to the measurement date	422,561	-
TOTAL	\$ 718,498	\$ (1,474,034)

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, 2019. 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
2019	3,137
2020	(15,674)
2021	(47,034)
2022	(12,130)
2023	-
Thereafter	-
TOTAL	(71,701)
Year ended December 31	PERS 2/3
2019	(55,878)
2020	(165,500)
2021	(320,211)
2022	(110,723)
2023	(33,127)
Thereafter	(54,697)
TOTAL	(740,136)
Year ended December 31	LEOFF 1
2019	4
2020	(968)
2021	(2,636)
2022	(691)
2023	-
Thereafter	-
TOTAL	(4,291)
Year ended December 31	LEOFF 2
2019	(28,413)
2020	(58,920)
2021	(122,280)
2022	(48,546)
2023	(19,981)
Thereafter	(87,136)

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 160 Members.

New members initially contract for a three-year term, and thereafter automatically renew on an annual basis. A one-year withdrawal notice is required before membership can be terminated. Termination does not relieve a former member from its unresolved loss history incurred during membership.

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

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

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

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

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

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

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

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

NOTE 8: LONG-TERM DEBT

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

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, 2018, the governmental long-term debt of the City consisted of the following:

Issuance Date	Purpose	Original Issue	Interest Rates	Maturity Date	Debt Outstanding
2010	LOCAL Program GO Bonds: Issued to provide funds to purchase the Park and Rec building.	310,000	4.10%	2030	210,000
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	1,445,000
2015	2015 GO Debt: Refunded 2005 GO Bond and callable portion of the 2009 GO Bond	7,320,000	2-4%	2033	6,410,000
2017	LOCAL Program GO Bonds: Issued to provide funds to purchase Fleet Vehicles	460,000	1.19%	2021	342,630
				Total	\$ 8,407,630

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

As of December 31, 2018, the long-term debt payable from proprietary fund resources consisted of the following:

Issuance Date	Purpose	Original Issue	Interest Rates	Maturity Date	Debt Outstanding
2018	City's share of Kitsap County wastewater treatment facilities improvements	6,970,000	3-5%	2038	6,870,000
				Total	\$ 6,870,000

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, 2018, 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	148,737
				Total	\$ 148,737

DEBT SERVICE REQUIREMENTS TO MATURITY FOR PRIMARY GOVERNMENT

Year Ended Dec 31	General Obligation Bonds			Public Works Trust Fund Loans		
	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2019	703,685	320,556	1,024,241	225,000	286,400	511,400
2020	724,119	297,554	1,021,674	235,000	277,400	512,400
2021	749,825	268,806	1,018,631	245,000	265,650	510,650
2022	650,000	241,616	891,616	255,000	253,400	508,400
2023	680,000	216,635	896,635	270,000	240,650	510,650
2024-2028	2,735,000	708,068	3,443,068	1,505,000	1,046,750	2,551,750
2029-2033	2,165,000	242,850	2,407,850	1,865,000	694,900	2,559,900
2034-2038	-	-	-	2,270,000	279,400	2,549,400
Total	\$ 8,407,630	\$ 2,296,084	\$ 10,703,714	\$ 6,870,000	\$ 3,344,550	\$ 10,214,550

Year Ended Dec 31	Public Works Trust Fund Loans		
	Governmental Activities		
	Principal	Interest	Total
2019	74,368	4,462	78,830
2020	74,368	2,231	76,599
	\$ 148,737	\$ 6,693	\$ 155,430

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, 2018, the City has no arbitrage rebate liability.

LONG-TERM LIABILITIES**Long-term liability activity:**

	Beginning			Ending	Due Within
	Balance *	Additions	Reductions	Balance	One Year
Governmental Activities					
Bonds payable:					
General obligation bonds	\$ 9,062,038	\$ -	\$ 654,409	\$ 8,407,630	\$ 703,685
Less Unamortized Bond Discount	(15,539)	-	(1,678)	(13,861)	(1,678)
Plus Unamortized Bond Premium	732,041	-	57,266	674,775	57,266
Pension/OPEB Obligation	4,245,419	5,915,268	6,942,584	3,218,103	-
Compensated Absences	891,309	1,484,776	29,595	2,346,491	234,649
Due to Other Governmental Units	223,105	-	74,368	148,737	74,368
Total Governmental activity long-term liabilities	\$15,138,373	\$7,400,044	\$7,756,544	\$14,781,874	\$1,068,290
Business-type Activities					
Bonds payable:					
Revenue Bonds	\$ -	\$6,970,000	\$ 100,000	\$ 6,870,000	\$ 225,000
Less Unamortized Bond Discount	-	(28,298)	(690)	(27,608)	(1,380)
Plus Unamortized Bond Premium	-	618,239	15,079	603,160	30,158
Pension Obligation	945,719	657,592	945,719	657,592	-
Compensated Absences	208,500	333,183	9,265	532,418	53,242
Total Business-type activity long-term liabilities	\$ 1,154,219	\$8,550,715	\$1,069,373	\$ 8,635,561	\$ 307,019
*Restated (See Note 11)					

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, 2018, 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, 2018, the City had 11 significant contractual obligations with the following balances:

<u>Project</u>	<u>Vendor</u>	<u>Amount</u>
Lemolo Siphon Study	BHC Consultants LLC	\$ 24,307
Telemetry Equipment	Correct Equipment	39,320
Fish Park Design	Fischer-Bouma	81,229
Raab Park Water Tank Replace - design	Gray & Osborne	9,404
Stormwater testing services NTE \$25K/yr	Kitsap Public Health District	107,183
Liberty Bay Waterfront Trail	Parametrix	15,125
Noll Road Phase III Design/ROW	Parametrix	109,242
Noll Road Phase III Final Design	Parametrix	531,513
I&I Study	RH2 Engineering	10,173
Forest Rock Overlay Design/Const Supp	Soundwest Engineering	16,460
Finn Hill Shared Use Path Services	Struck Environmental	13,160
		\$ 957,118

NOTE 10: JOINT VENTURES**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**LAW ENFORCEMENT OFFICERS' AND FIRE FIGHTERS' RETIREMENT SYSTEM (LEOFF)**

The following table represents the aggregate OPEB amounts for all plans subject to the requirements of the GASB Statement 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions for the year 2018:

Aggregate OPEB Amounts - All Plans	
OPEB Liabilities	\$ 1,185,697
Deferred outflow of resources	10,658
Pension Expense/expenditures	(13,010)

Plan description

The City of Poulsbo administers a single-employer defined benefit healthcare plan. It is a closed plan that provides post-retirement health care benefits, in accordance with State statute to all LEOFF 1 retirees. As of December 31, 2018, there are 2 LEOFF 1 retirees covered by the benefit terms. There are no active employees or inactive employees not receiving benefits covered under this plan. This plan was closed to new entrants on October 1, 1977.

Benefits Provided

The City reimburses one hundred percent of the amount of validated claims for medical and hospitalization costs incurred by retirees. State statute provides that the City's responsibility for medical payments of LEOFF 1 retirees is secondary to any other coverage retirees receive or are eligible to receive. Therefore, upon reaching the eligible age for Medicare, the City requires the retirees to apply for and utilize Medicare Part B coverage.

Funding Policy

Employer contributions are financed on a pay-as-you-go basis and there are no assets accumulated in a qualifying trust. Expenditures for post-retirement health care benefits are recognized as retirees report claims. During the year, expenditures of \$21,983 were recognized for post-retirement health care.

Total OPEB Liability

The City has elected to calculate the total OPEB liability using the alternative measurement method permitted by GASB Statement 75 for employers with plans that have fewer than one hundred total plan members. The City's total OPEB liability of \$1,185,697 was measured as of June 30, 2018 and was determined using the entry age valuation method on that date.

Valuation assumptions and other inputs

The total OPEB liability in the June 30, 2018 valuation was determined using the following assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified. Unless noted otherwise, assumptions and inputs are consistent with the 2016 LEOFF I Medical Benefits Actuarial Valuation Report published by the Washington State Actuary's Office:

Inflation :	3.00%
Discount Rate:	3.87%
Healthcare cost trend rates:	Initial medical costs rate is approximately 12% and trends down to about 5% in 2080. Long-term care is 4.5%. Medicare Part B premiums is approximately 5%

A 3% general inflation rate was used based on the CPI for Urban Wage Earners and Clerical Workers, Seattle-Tacoma-Bremerton, WA - All Items

The discount rate is based on the Bond Buyer General Obligation 20-Bond Municipal Index

Mortality rates were based on the RP-2000 Mortality Table for males with adjustments for mortality improvements based on Scale BB.

Sensitivity of the Total OPEB Liability

Healthcare Cost Trend Rate. The following presents the total OPEB liability of the City of Poulsbo calculated using the current healthcare cost trend rate of 12 percent, as well as what the OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 -percentage point lower (11%) or 1-percentage point higher (13%) than the current rate.

	1% Decrease (11%)	Current healthcare Cost Trend Rate (12%)	1% Increase (13%)
Total OPEB Liability	\$ 1,051,320	\$ 1,185,697	\$ 1,343,208

Discount Rate

The following presents the total OPEB liability of the City of Poulsbo calculated using the current discount rate of 3.87 percent, as well as what the OPEB Liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.87%) or 1-percentage point higher (4.87%) than the current rate.

	1% Decrease (2.87%)	Current healthcare Cost Trend Rate (3.87%)	1% Increase (4.87%)
Total OPEB Liability	\$ 1,353,858	\$ 1,185,697	\$ 1,045,698

Change in the Total OPEB Liability			
Balance at 6/30/2017			\$ 1,220,280
Changes for the year:			
Interest Cost			43,106
changes in Experience Data and Assumptions			(45,011)
Estimated Benefit Payments			(32,678)
Net changes			(34,583)
Balance at 6/30/2018			\$ 1,185,697

Changes in experience data and assumptions reflect a change in the discount rate from 3.58 percent in 2017 to 3.87 percent in 2018

Deferred outflows of resources of \$10,658 resulting from payments subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended December 31, 2019.

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 Activities	Business-Type Activities	Governmental Fund Statements	Reason
131	Historic Downtown Poulso Association Fund	\$ (3,132)		\$ (3,132)	Record late invoice for 2017 Winter Holiday Campaign
302	Park Reserve Fund			(3,716)	Record prior year correction to record proper capital project split for the Waterfront Park purchase
311	Street Reserve Fund			(219,270)	Eliminate capital project Split for the Noll Road/Johnson Parkway Project (this is the net of revenues and expenditures)
311	Street Reserve Fund	218,580		218,580	Record prior year correction to record split for the Noll Road/Johnson Parkway
314	Cemetery Reserve Fund	(1,400)		(1,400)	Refund of Correction for memorial bench placement
410	Storm Drain Fund		(218,580)		Eliminate Project Split for the Noll Road/Johnson Parkway Project (this is the net of revenues and expenditures)
410	Storm Drain Fund		271,020		Record prior year correction for Land portion of project
		\$ 214,049	\$ 52,439	\$ (8,938)	

NOTE 13: RECONCILIATION OF NET INVESTMENT IN CAPITAL ASSETS

<u>Governmental Activities:</u>		<u>Business-Type Activities:</u>	
Capital Assets, Net of Depreciation	\$ 78,219,821	Capital Assets, Net of Depreciation	\$ 71,059,337
General Obligation Bonds Payable	(8,407,630)	Revenue Bonds Payable	(6,870,000.00)
Unamortized premium on Bonds	(674,775)	Unamortized premium on Bonds	(603,159.60)
Unamortized discount on Bonds	13,861	Unamortized discount on Bonds	27,608.20
Deferred Outflows - Loss on Refunding	605,929		
Due to Other Governments	(148,737)		
Net Investment in Capital Assets	\$ 69,608,469	Net Investment in Capital Assets	\$ 63,613,785

NOTE 14: ACCOUNTING AND REPORTING CHANGES

In 2018, the City implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB). GASB 75 requires the City to report an OPEB liability for benefits that have accrued for eligible retirees who are members of plan 1 of the Law Enforcement Officer's and Fire Fighters' Retirement System (LEOFF 1). The City's liability at December 31, 2018 was \$ 775,274

REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
 LEOFF 1
 As of June 30, 2018

	<u>2018</u>
Total OPEB liability - beginning	\$ 1,220,280
Service cost	-
Interest	43,106
Changes in Experience Data and Assumptions	(45,011)
Estimated Benefit Payments	(32,678)
Benefit payments	-
Other changes	-
Total OPEB liability - ending	<u><u>\$ 1,185,697</u></u>
Covered-employee payroll**	0
Total OPEB liability as a % of covered payroll	0.00%

Notes to Schedule:

* Until a full 10-year trend is compiled, only information for those years available is presented.

** No active employees

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PERS 1
As of June 30, 2018
Last 5 years

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Employer's proportion of the net pension liability (asset)	0.036729%	0.037386%	0.038976%	0.038376%	0.040400%
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>	<u>\$ 1,804,278</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>	<u><u>\$ 1,804,278</u></u>
Employer's covered employee payroll	\$ 4,045,587	\$ 4,285,003	\$ 4,671,276	\$ 4,839,503	\$ 5,379,587
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	45.73%	45.64%	44.81%	37.63%	33.54%
Plan fiduciary net position as a percentage of the total pension liability	61.19%	59.10%	57.03%	61.24%	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, 2018
Last 5 years

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Employer's proportion of the net pension liability (asset)	4.728900%	0.048290%	0.049929%	0.049363%	0.051875%
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>	<u>\$ 885,719</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>	<u><u>\$ 885,719</u></u>
Employer's covered employee payroll	\$ 4,045,587	\$ 4,285,003	\$ 4,671,276	\$ 4,839,503	\$ 5,379,587
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	23.63%	40.27%	53.82%	35.44%	16.46%
Plan fiduciary net position as a percentage of the total pension liability	93.29%	89.20%	85.82%	90.97%	95.77%

See notes to Required Supplementary Information

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LEOFF 1
As of June 30, 2018
Last 5 years

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Employer's proportion of the net pension liability (asset)	0.504300%	0.005085%	0.003743%	0.002999%	0.002911%
Employer's proportionate share of the net pension liability	\$ (61,161)	\$ (61,282)	\$ (38,564)	\$ (45,501)	\$ (52,849)
State's proportionate share of the net pension liability (asset) associated with the employer	<u>*</u>	<u>\$ (366,222)</u>	<u>\$ (260,843)</u>	<u>\$ (307,771)</u>	<u>\$ (357,471)</u>
Total	<u>\$ (61,161)</u>	<u>\$ (61,282)</u>	<u>\$ (38,564)</u>	<u>\$ (45,501)</u>	<u>\$ (52,849)</u>
Employer's covered employee payroll	0	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	N/A
Plan fiduciary net position as a percentage of the total pension liability	126.91%	127.36%	123.74%	135.96%	144.42%

*Information not available for 2014

See notes to Required Supplementary Information

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LEOFF 2
As of June 30, 2018
Last 5 years

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Employer's proportion of the net pension liability (asset)	0.052340%	0.053889%	0.053380%	0.053352%	0.056707%
Employer's proportionate share of the net pension liability (asset)	\$ (694,574)	\$ (553,871)	\$ (310,474)	\$ (740,353)	\$ (1,151,276)
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>	<u>(745,429)</u>
Total	<u><u>\$ (1,148,394)</u></u>	<u><u>\$ (920,093)</u></u>	<u><u>\$ (512,881)</u></u>	<u><u>\$ (1,220,606)</u></u>	<u><u>\$ (1,896,705)</u></u>
Employer's covered employee payroll	\$ 1,456,576	\$ 1,564,053	\$ 1,617,108	\$ 1,668,942	\$ 1,858,381
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	47.69%	35.41%	19.20%	44.36%	61.95%
Plan fiduciary net position as a percentage of the total pension liability	116.75%	111.67%	106.04%	113.36%	118.50%

See notes to Required Supplementary Information

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
PERS 1
As of December 31, 2018
Last 5 years

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Statutorily or contractually required contributions	\$ 167,996	\$ 199,036	\$ 224,037	\$ 249,559	\$ 286,998
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>	<u>(286,998)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employer payroll	\$ 4,152,711	\$ 4,510,640	\$ 4,696,806	\$ 5,098,268	\$ 5,670,880
Contributions as a percentage of covered employee payroll	4.05%	4.41%	4.77%	4.89%	5.06%

See notes to Required Supplementary Information

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
PERS 2/3
As of December 31, 2018
Last 5 years

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Statutorily or contractually required contributions	\$ 208,036	\$ 255,711	\$ 292,611	\$ 348,499	\$ 425,275
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>	<u>(425,275)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employer payroll	\$ 4,152,711	\$ 4,510,640	\$ 4,696,806	\$ 5,098,268	\$ 5,670,880
Contributions as a percentage of covered employee payroll	5.01%	5.67%	6.23%	6.84%	7.50%

See notes to Required Supplementary Information

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
LEOFF 1
As of December 31, 2018
Last 5 years

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Statutorily or contractually required contributions	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the statutorily or contractually required contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>-</u>	<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%	0.00%

See notes to Required Supplementary Information

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
LEOFF 2
As of December 31, 2018
Last 5 years

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Statutorily or contractually required contributions	\$ 78,406	\$ 80,712	\$ 80,293	\$ 91,334	\$ 102,989
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>	<u>(102,989)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employer payroll	\$ 1,552,594	\$ 1,598,225	\$ 1,589,968	\$ 1,776,493	\$ 1,937,302
Contributions as a percentage of covered employee payroll	5.05%	5.05%	5.05%	5.14%	5.32%

See notes to Required Supplementary Information

**Notes to Required Supplementary Information – Pensions
December 31, 2018**

Note 1 – Information provided

GASB 68 was implemented for the year ended December 31, 2015. Therefore, limited information is available for 2014 and no data is available for years prior to 2013.

There are no City employees participating in the PERS 1 or LEOFF 1 plans in 2018; 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.

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.





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, 2018**

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	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	\$ 109	\$ 37	\$ 95	\$ 4,006	\$ 212
Investments	1,449,176	1,973,651	166,475	41,761	18,054
Restricted Investments	-	-	-	-	-
Receivables:					
Taxes	67,002	-	-	-	168
Accounts	-	-	-	-	-
Special Assessments	-	-	-	20,380	-
Due from Other Governments	-	-	-	-	-
Cash and Investments-Restricted	-	-	-	-	-
Total Assets	1,516,287	1,973,688	166,570	66,146	18,434
Deferred Outflows of Resources	-	-	-	-	-
Liabilities					
Accounts Payable	-	-	-	6,423	-
Payroll	-	-	-	-	-
Unearned Revenue	-	-	-	12,212	-
Custodial Accounts	-	-	-	-	-
Total Liabilities	-	-	-	18,635	-
Deferred Inflows of Resources	-	-	-	-	-
Fund Balances					
Nonspendable Fund Balance	-	-	-	-	-
Restricted Fund Balance	1,516,287	1,973,688	166,570	47,511	18,434
Committed fund balance	-	-	-	-	-
Assigned Fund Balance	-	-	-	-	-
Unassigned Fund Balance	-	-	-	-	-
Total Fund Balance	1,516,287	1,973,688	166,570	47,511	18,434
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 1,516,287	\$ 1,973,688	\$ 166,570	\$ 66,146	\$ 18,434

COMBINING BALANCE SHEET (continued)
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2018

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				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
\$ 304	\$ 522	\$ 603	\$ 5,888	\$ 5	\$ 75	80
49,938	107,810	132,937	3,939,801	4,545	11,713	16,258
-	-	-	-	-	-	-
-	16,924	2,855	86,949	-	-	-
-	-	-	-	-	-	-
-	-	-	20,380	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
50,241	125,256	136,395	4,053,018	4,550	11,788	16,338
-	-	-	-	-	-	-
370	31,512	4,565	42,869	-	-	-
-	-	-	-	-	-	-
-	-	-	12,212	-	-	-
2,874	-	-	2,874	-	-	-
3,244	31,512	4,565	57,956	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
46,998	93,744	115,506	3,978,738	4,550	11,788	16,338
-	-	-	-	-	-	-
-	-	16,324	16,324	-	-	-
-	-	-	-	-	-	-
46,998	93,744	131,830	3,995,062	4,550	11,788	16,338
\$ 50,241	\$ 125,256	\$ 136,395	\$ 4,053,018	\$ 4,550	\$ 11,788	\$ 16,338

COMBINING BALANCE SHEET (continued)
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2018

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	Capital Project			
	Equipment Acquisition Fund	Park Reserve Fund	Street Reserve Fund	Cemetery Reserve Fund
Assets				
Cash and Cash Equivalents	\$ 4,163	\$ 24,845	\$ 16,509	\$ 1,024
Investments	383,673	226,801	1,423,461	24,412
Restricted Investments	-	-	-	-
Receivables:				
Taxes	-	-	-	-
Accounts	-	-	-	-
Special Assessments	-	-	-	-
Due from Other Governments	-	58,114	158,481	-
Cash and Investments-Restricted	-	-	-	-
Total Assets	387,835	309,760	1,598,450	25,435
Deferred Outflows of Resources	-	-	-	-
Liabilities				
Accounts Payable	2,462	13,672	334,816	-
Payroll	-	297	6,814	-
Unearned Revenue	-	-	-	-
Custodial Accounts	-	-	-	-
Total Liabilities	2,462	13,970	341,631	-
Deferred Inflows of Resources	-	-	-	-
Fund Balances				
Nonspendable Fund Balance	-	-	-	-
Restricted Fund Balance	-	-	-	-
Committed fund balance	-	-	-	-
Assigned Fund Balance	385,373	295,790	1,256,820	25,435
Unassigned Fund Balance	-	-	-	-
Total Fund Balance	385,373	295,790	1,256,820	25,435
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 387,835	\$ 309,760	\$ 1,598,450	\$ 25,435

COMBINING BALANCE SHEET (continued)
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2018

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		Permanent	
Facilities Fund	Total Non-Major Capital Project Funds	Bernice Borgen Beautification Trust Fund	Total Non-Major Governmental Funds
\$ 27,819	\$ 74,359	\$ 297	\$ 80,623
1,147,654	3,205,999	3,625	7,165,684
-	-	-	-
-	-	-	86,949
-	-	-	-
-	-	-	20,380
-	216,595	-	216,595
-	-	91,016	91,016
1,175,472	3,496,953	94,938	7,661,246
-	-	-	-
-	350,951	-	393,820
-	7,112	-	7,112
-	-	-	12,212
-	-	-	2,874
-	358,063	-	416,019
-	-	-	-
-	-	91,016	91,016
-	-	3,922	3,998,998
-	-	-	-
1,175,472	3,138,890	-	3,155,214
-	-	-	-
1,175,472	3,138,890	94,938	7,245,228
\$ 1,175,472	\$ 3,496,953	\$ 94,938	\$ 7,661,246

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

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	Special Revenue				
	Capital Improvements Fund	Transportation Development Fund	Park Development Fund	Historic Downtown Poulsbo Association Fund	Paths and Trails Fund
Revenues					
Taxes	\$ 842,816	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	1,144
Charges for Services	-	402,664	126,746	-	-
Fines and Forfeitures	-	-	-	-	-
Interest and Other Earnings	12,187	19,557	4,264	926	223
Miscellaneous	-	-	-	78,440	-
Total Revenues	855,003	422,221	131,010	79,367	1,367
Expenditures					
Current:					
Security of Persons & Property	-	-	-	-	-
Economic Environment	-	-	-	-	-
Culture and Recreation	-	-	-	86,593	-
Debt Service:					
Principal	-	-	-	-	-
Interest & Other Charges	-	-	-	-	-
Capital Outlay	-	-	-	-	-
Total Expenditures	-	-	-	86,593	-
Excess of Revenues over (under) Expenditures	855,003	422,221	131,010	(7,226)	1,367
Other Financing Sources (Uses)					
Transfers In	-	-	-	-	-
Transfers Out	(331,061)	(350,000)	(325,000)	-	-
Total Other Financing Sources and Uses	(331,061)	(350,000)	(325,000)	-	-
Net Change in Fund Balances	523,942	72,221	(193,990)	(7,226)	1,367
Fund Balances - Beginning of Year	992,345	1,901,467	360,560	57,869	17,067
Prior Year Adjustment	-	-	-	(3,132)	-
Fund Balances - Ending of Year	\$ 1,516,287	\$ 1,973,688	\$ 166,570	\$ 47,511	\$ 18,434

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (continued)
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

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				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
\$ -	\$ 137,804	\$ -	\$ 980,621	\$ -	\$ -	\$ -
-	-	31,527	32,670	-	-	-
-	-	-	529,410	-	-	-
-	-	197	197	-	-	-
865	1,103	799	39,923	148	3,349	3,497
2,771	-	826	82,038	-	-	-
3,636	138,908	33,349	1,664,860	148	3,349	3,497
14,987	-	33,033	48,019	-	-	-
-	133,865	-	133,865	-	-	-
-	-	-	86,593	-	-	-
-	-	-	-	74,368	654,409	728,777
-	-	-	-	6,693	344,423	351,116
-	-	-	-	-	-	-
14,987	133,865	33,033	268,478	81,061	998,831	1,079,893
(11,350)	5,043	316	1,396,382	(80,914)	(995,482)	(1,076,396)
-	-	-	-	81,061	995,307	1,076,368
(15,000)	-	(7,000)	(1,028,061)	-	-	-
(15,000)	-	(7,000)	(1,028,061)	81,061	995,307	1,076,368
(26,350)	5,043	(6,684)	368,321	147	(175)	(28)
73,348	88,701	138,514	3,629,872	4,403	11,963	16,366
-	-	-	(3,132)	-	-	-
\$ 46,998	\$ 93,744	\$ 131,830	\$ 3,995,062	\$ 4,550	\$ 11,788	16,338

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (continued)
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

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	Capital Project			
	Equipment Acquisition Fund	Park Reserve Fund	Street Reserve Fund	Cemetery Reserve Fund
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	336,966	418,787	-
Charges for Services	-	-	-	6,400
Fines and Forfeitures	-	-	-	-
Interest and Other Earnings	3,611	1,536	14,027	672
Miscellaneous	-	5,145	-	93
Total Revenues	3,611	343,647	432,814	7,165
Expenditures				
Current:				
Security of Persons & Property	-	-	-	-
Economic Environment	-	-	-	-
Culture and Recreation	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest & Fiscal Charges	-	-	-	-
Capital Outlay	146,722	683,270	867,291	45,905
Total Expenditures	146,722	683,270	867,291	45,905
Excess of Revenues over (under) Expenditures	(143,111)	(339,623)	(434,477)	(38,740)
Other Financing Sources (Uses)				
Transfers In	106,983	431,000	553,000	10,900
Transfers Out	-	(2,500)	-	-
Total Other Financing Sources and Uses	106,983	428,500	553,000	10,900
Net Change in Fund Balances	(36,128)	88,877	118,523	(27,840)
Fund Balances - Beginning of Year	421,501	210,630	1,138,987	54,676
Prior Year Adjustment	-	(3,716)	(690)	(1,400)
Fund Balances - Ending of Year	\$ 385,373	\$ 295,790	\$ 1,256,820	\$ 25,435

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (continued)
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

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		Permanent	
Facilities Fund	Total Non-Major Capital Project Funds	Bernice Borgen Beautification Trust Fund	Total Non-Major Governmental Funds
\$ -	\$ -	\$ -	\$ 980,621
-	755,753	-	788,423
-	6,400	-	535,810
-	-	-	197
9,662	29,508	1,178	74,107
-	5,238	-	87,276
9,662	796,899	1,178	2,466,434
-	-	-	48,019
-	-	-	133,865
-	-	-	86,593
-	-	-	728,777
-	-	-	351,116
45,813	1,789,001	-	1,789,001
45,813	1,789,001	-	3,137,372
(36,151)	(992,102)	1,178	(670,937)
525,000	1,626,883	-	2,703,251
-	(2,500)	-	(1,030,561)
525,000	1,624,383	-	1,672,690
488,849	632,281	1,178	1,001,753
686,623	2,512,416	93,760	6,252,413
-	(5,807)	-	(8,938)
\$ 1,175,472	\$ 3,138,890	\$ 94,938	\$ 7,245,228

CAPITAL IMPROVEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2018

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Taxes:			
Excise Tax	\$ 500,000	\$ 842,816	\$ 342,816
Interest and Other Earnings	2,800	12,187	9,387
Total Revenues	502,800	855,003	352,203
Expenditures			
Miscellaneous	-	-	-
Total Expenditures	-	-	-
Excess of Revenues Over (Under) Expenditures	502,800	855,003	352,203
Other Financing Sources (Uses)			
Transfers Out	(331,061)	(331,061)	-
Total Other Financing Sources (Uses)	(331,061)	(331,061)	-
Net Change in Fund Balance	171,739	523,942	352,203
Fund Balance Beginning of Year	926,190	992,345	66,155
Fund Balance End of Year	\$ 1,097,929	\$ 1,516,287	\$ 418,358

TRANSPORTATION DEVELOPMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2018

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Growth Mgmt Act Impact	\$ -	\$ 255,890	\$ 255,890
SEPA Mitigation	375,000	146,774	(228,226)
Interest and Other Earnings	500	19,557	19,057
Total Revenues	375,500	422,221	46,721
Expenditures			
Miscellaneous	-	-	-
Total Expenditures	-	-	-
Excess of Revenues Over (Under) Expenditures	375,500	422,221	46,721
Other Financing Sources (Uses)			
Transfers In	-	-	-
Transfers Out	(1,820,000)	(350,000)	1,470,000
Total Other Financing Sources (Uses)	(1,820,000)	(350,000)	1,470,000
Net Change in Fund Balance	(1,444,500)	72,221	1,516,721
Fund Balance Beginning of Year	1,901,467	1,901,467	-
Fund Balance End of Year	\$ 456,967	\$ 1,973,688	\$ 1,516,721

PARK DEVELOPMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2018

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Growth Mgmt Act Impact	\$ 151,765	\$ 102,746	(49,019)
SEPA Mitigation	\$ 76,750	24,000	(52,750)
Interest and Other Earnings	1,500	4,264	2,764
Total Revenues	230,015	131,010	(99,005)
Expenditures			
Miscellaneous	-	-	-
Total Expenditures	-	-	-
Excess of Revenues Over (Under) Expenditures	230,015	131,010	(99,005)
Other Financing Sources (Uses)			
Transfers In	-	-	-
Transfers Out	(546,184)	(325,000)	221,184
Total Other Financing Sources (Uses)	(546,184)	(325,000)	221,184
Net Change in Fund Balance	(316,169)	(193,990)	122,179
Fund Balance Beginning of Year	360,560	360,560	-
Fund Balance End of Year	\$ 44,391	\$ 166,570	\$ 122,179

HISTORIC DOWNTOWN POULSBO ASSOCIATION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2018

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Special Assessments	\$ 47,000	\$ 46,500	\$ (500)
Gifts and Pledges	34,500	31,941	(2,559)
Interest and Other Earnings	328	926	598
Total Revenues	81,828	79,367	(2,461)
Expenditures			
Bad Debt Expense	500	3,113	(2,613)
Office & Operating Supplies	500	566	(66)
Small Tools & Minor Equipment	200	-	200
Professional Services	8,150	4,447	3,703
Advertising	70,300	47,235	23,065
Communication	400	461	(61)
Postage	100	100	-
Insurance	1,700	1,563	137
Repairs and Maintenance	20,950	19,644	1,307
Miscellaneous	6,032	9,464	(3,432)
Interfund Professional Services	3,000	-	3,000
Total Expenditures	111,832	86,593	25,239
Excess of Revenues Over (Under) Expenditures	(30,004)	(7,226)	22,778
Other Financing Sources (Uses)			
Transfers In	-	-	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balance	(30,004)	(7,226)	22,778
Fund Balance Beginning of Year	57,869	57,869	-
Prior Year Adjustment	-	(3,132)	(3,132)
Fund Balance End of Year	\$ 27,865	\$ 47,511	\$ 19,646

PATH AND TRAILS RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2018

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Intergovernmental	\$ 1,085	\$ 1,144	\$ 59
Interest and Other Earnings	80	223	143
Total Revenues	1,165	1,367	202
Expenditures			
Miscellaneous	-	-	-
Total Expenditures	-	-	-
Excess of Revenues Over (Under) Expenditures	1,165	1,367	202
Other Financing Sources (Uses)			
Transfers In	-	-	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balance	1,165	1,367	202
Fund Balance Beginning of Year	16,892	17,067	175
Fund Balance End of Year	\$ 18,057	\$ 18,434	\$ 377

DRUG ENFORCEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2018

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Interest and Other Earnings	\$ 400	\$ 865	\$ 465
Miscellaneous	-	2,771	2,771
Total Revenues	400	3,636	3,236
Expenditures			
Special Unit Program	15,500	10,584	4,916
K-9 Program	4,600	4,402	198
Total Expenditures	20,100	14,987	5,113
Excess of Revenues Over (Under) Expenditures	(19,700)	(11,350)	8,350
Other Financing Sources (Uses)			
Disposal of Capital Assets	-	-	-
Transfers Out	(15,000)	(15,000)	-
Total Other Financing Sources (Uses)	(15,000)	(15,000)	-
Net Change in Fund Balance	(34,700)	(26,350)	8,350
Fund Balance Beginning of Year	73,348	73,348	-
Fund Balance End of Year	\$ 38,648	\$ 46,998	\$ 8,350

TRANSIENT OCCUPANCY TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2018

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Hotel/Motel Tax	\$ 110,000	\$ 77,374	\$ (32,626)
Additional 2% Hotel/Motel Tax	-	60,430	60,430
Interest and Other Earnings	400	1,103	703
Total Revenues	110,400	138,908	28,508
Expenditures			
Poulsbo Marketing Coalition	73,000		
General Poulsbo Marketing		13,147	
Poulsbo Historic Society		19,000	
Poulsbo Chamber Visitor Center		19,500	
3rd of July Community Event		9,985	
Viking Fest Community Event		9,832	
Viking Holiday Tree Lighting		1,535	-
Visit Kitsap	25,000	25,000	-
North Kitsap Tourism Coalition	2,500	2,500	-
Historic Downtown Poulsbo Association	30,000	29,691	309
Twilight Criterium	2,000	1,174	826
Bremerton Symphony	2,500	2,500	-
Total Expenditures	135,000	133,865	1,135
Excess of Revenues Over (Under) Expenditures	(24,600)	5,043	29,643
Other Financing Sources (Uses)			
Transfers In	-	-	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balance	(24,600)	5,043	29,643
Fund Balance Beginning of Year	73,417	88,701	15,284
Prior Year Adjustment	-	-	-
Fund Balance End of Year	\$ 48,817	\$ 93,744	\$ 44,927

POLICE RESTRICTED FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2018

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Vessel Registration	\$ 8,000	\$ 7,522	\$ (478)
Criminal Justice	11,028	11,172	144
Marine Safety Grant	12,650	12,832	182
Intergovernmental	-	-	-
Fines & Forfeitures	-	197	197
Interest and Other Earnings	1,000	799	(201)
Miscellaneous	1,000	826	(174)
Total Revenues	33,678	33,349	(329)
Expenditures			
Marine Safety	22,675	17,796	4,879
Criminal Justice	12,800	8,803	3,997
Miscellaneous	5,000	6,434	(1,434)
Total Expenditures	40,475	33,033	7,442
Excess of Revenues Over (Under) Expenditures	(6,797)	316	7,113
Other Financing Sources (Uses)			
Transfers In	-	-	-
Transfers Out	(7,000)	(7,000)	-
Total Other Financing Sources (Uses)	(7,000)	(7,000)	-
Net Change in Fund Balance	(13,797)	(6,684)	7,113
Fund Balance Beginning of Year	135,816	138,514	2,698
Fund Balance End of Year	\$ 122,019	\$ 131,830	\$ 9,811

MISCELLANEOUS GOVERNMENTAL DEBT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2018

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Interest and Other Earnings	\$ 20	\$ 148	\$ 128
Total Revenues	20	148	128
Expenditures			
Debt Service:			
Intergovernmental Loan-Principal	74,369	74,368	1
Interest and Related Costs	6,693	6,693	-
Total Expenditures	81,062	81,061	1
Excess of Revenues Over (Under) Expenditures	(81,042)	(80,914)	128
Other Financing Sources (Uses)			
Transfers In	81,061	81,061	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	81,061	81,061	-
Net Change in Fund Balance	19	147	128
Fund Balance Beginning of Year	4,403	4,403	-
Fund Balance End of Year	\$ 4,422	\$ 4,550	\$ 128

NON-VOTED GENERAL OBLIGATION DEBT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2018

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Interest and Other Earnings	\$ 60	\$ 3,349	\$ 3,289
Miscellaneous	-	-	-
Total Revenues	60	3,349	3,289
Expenditures			
Debt Service:			
General Obligation Bond-Principal	654,409	654,409	0
Interest and Other Costs	344,448	344,423	25
Total Expenditures	998,857	998,831	26
Excess of Revenues Over (Under) Expenditures	(998,797)	(995,482)	3,315
Other Financing Sources (Uses)			
Bond Proceeds	-	-	-
Premium on Bonds Sold	-	-	-
Transfers In	999,135	995,307	(3,828)
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	999,135	995,307	(3,828)
Net Change in Fund Balance	338	(175)	(513)
Fund Balance Beginning of Year	11,963	11,963	-
Fund Balance End of Year	\$ 12,301	\$ 11,788	\$ (514)

EQUIPMENT ACQUISITION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2018

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Interest and Other Earnings	\$ 2,750	\$ 3,611	\$ 861
Miscellaneous	-	-	-
Total Revenues	2,750	3,611	861
Expenditures			
Capital Outlay:			
Police Capital	32,400	23,004	9,396
Emergency Response Trailer			
Evidence Lockers			
Public Works Capital	56,700	56,242	458
Vehicle			
Forklift			
Truck Canopy			
General Government Lasherfiche	59,200	49,278	9,922
Court Equipment	18,000	18,199	(199)
Total Expenditures	166,300	146,722	19,578
Excess of Revenues Over (Under) Expenditures	(163,550)	(143,111)	20,439
Other Financing Sources (Uses)			
Transfers In	106,983	106,983	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	106,983	106,983	-
Net Change in Fund Balance	(56,567)	(36,128)	20,439
Fund Balance Beginning of Year	421,820	421,501	(319)
Fund Balance End of Year	\$ 365,253	\$ 385,373	\$ 20,120

PARK RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2018

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Intergovernmental:			
ALEA/WA Dept of Fish & Wildlife	\$ 801,850	\$ 336,966	\$ (464,884)
Gifts and Pledges	-	5,145	5,145
Interest and Other Earnings	1,000	1,536	536
Total Revenues	802,850	343,647	(459,203)
Expenditures			
Capital Outlay:			
Muriel Williams Park Restrooms	10,260	10,167	93
Fish Park	249,438	53,890	195,548
Morrow Manor Park	498,298	374	497,925
Nelson Park Trail Easement	7,689	2,875	4,814
Nelson Park Playground	25,000	24,719	281
Centennial Park	42,450	33,830	8,620
West Poulsbo Waterfront Park	650,000	557,415	92,585
State Park	25,000	-	25,000
Total Expenditures	1,508,135	683,270	824,865
Excess of Revenues Over (Under) Expenditures	(705,285)	(339,623)	365,662
Other Financing Sources (Uses)			
Transfers In	702,184	431,000	(271,184)
Transfers Out	(2,500)	(2,500)	-
Total Other Financing Sources (Uses)	699,684	428,500	(271,184)
Net Change in Fund Balance	(5,601)	88,877	94,478
Fund Balance Beginning of Year	210,630	210,630	-
Prior Year Adjustment	-	(3,716)	(3,716)
Fund Balance End of Year	\$ 205,029	\$ 295,790	\$ 90,761

STREET RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2018

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Intergovernmental	\$ 3,561,441	\$ 418,787	\$ (3,142,654)
Interest and Other Earnings	4,000	14,027	10,027
Total Revenues	3,565,441	432,814	(3,132,627)
Expenditures			
Capital Outlay:			
Noll Road Right of Way	1,485,721	193,811	1,291,910
Noll Road Phase III	1,683,864	514,611	1,169,253
Neighborhood Streets	263,000	-	263,000
Liberty Bay Trail	203,906	8,453	195,453
Finn Hill Road Construction	2,040,271	89,581	1,950,690
Forest Rock Restoration	675,000	60,835	614,165
Citywide Safety Program	50,000	-	50,000
Total Expenditures	6,401,762	867,291	5,534,471
Excess of Revenues Over (Under) Expenditures	(2,836,321)	(434,477)	2,401,844
Other Financing Sources (Uses)			
Transfers In	2,023,000	553,000	(1,470,000)
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	2,023,000	553,000	(1,470,000)
Net Change in Fund Balance	(813,321)	118,523	931,844
Fund Balance Beginning of Year	1,138,987	1,138,987	-
Prior Year Adjustment	-	(690)	(690)
Fund Balance End of Year	\$ 325,666	\$ 1,256,820	\$ 931,154

CEMETERY RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2018

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Gravesites	\$ 3,000	\$ 6,400	\$ 3,400
Gifts and Pledges	-	93	93
Interest and Other Earnings	250	672	422
Total Revenues	3,250	7,165	3,915
Expenditures			
Pergola	46,000	45,905	95
Total Expenditures	46,000	45,905	95
Excess of Revenues Over (Under) Expenditures	(42,750)	(38,740)	4,010
Other Financing Sources (Uses)			
Transfers In	10,900	10,900	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	10,900	10,900	-
Net Change in Fund Balance	(31,850)	(27,840)	4,010
Fund Balance Beginning of Year	54,676	54,676	-
Prior Year Adjustment	-	(1,400)	(1,400)
Fund Balance End of Year	\$ 22,826	\$ 25,435	\$ 2,609

FACILITIES FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2018

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Interest and Other Earnings	\$ 2,100	\$ 9,662	\$ 7,562
Miscellaneous	-	-	-
Total Revenues	2,100	9,662	7,562
Expenditures			
Professional Services	-	-	-
Building & Structures	253,935	45,813	208,122
Total Expenditures	253,935	45,813	208,122
Excess of Revenues Over (Under) Expenditures	(251,835)	(36,151)	215,684
Other Financing Sources (Uses)			
Transfers In	525,000	525,000	-
Transfers Out	-	-	-
Sale of Capital Assets	775,000	-	(775,000)
Total Other Financing Sources (Uses)	1,300,000	525,000	(775,000)
Net Change in Fund Balance	1,048,165	488,849	(559,316)
Fund Balance Beginning of Year	686,623	686,623	-
Fund Balance End of Year	\$ 1,734,788	\$ 1,175,472	\$ (559,316)

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

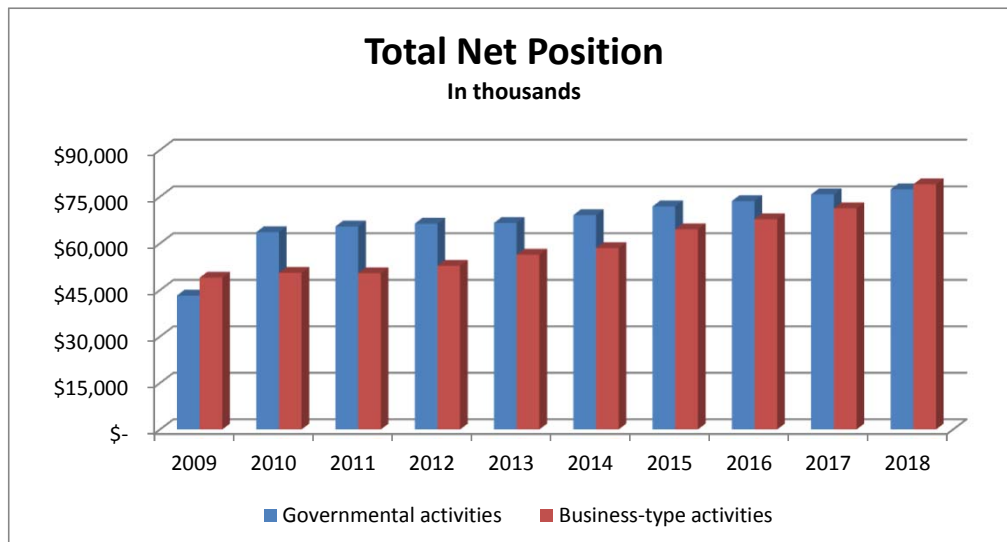
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	2009	2010	2011	2012
Governmental Activities				
Net Investment in Capital Assets	\$ 35,548,551	\$ 58,447,929	\$ 60,292,177	\$ 61,173,480
Restricted	643,717	602,068	733,527	771,117
Unrestricted	7,074,512	4,587,722	4,449,433	4,427,348
Total Governmental Activities Net Position	\$ 43,266,780	\$ 63,637,719	\$ 65,475,137	\$ 66,371,945
Business-type Activities				
Net Investment in Capital Assets	\$ 38,376,953	\$ 38,276,261	\$ 37,042,937	\$ 37,440,865
Restricted	492,011	434,587	492,011	442,900
Unrestricted	10,139,706	11,822,918	12,880,492	14,956,989
Total Business-type Activities Net Position	\$ 49,008,669	\$ 50,533,766	\$ 50,415,439	\$ 52,840,754
Primary Government				
Net Investment in Capital Assets	\$ 73,925,503	\$ 96,724,190	\$ 97,335,114	\$ 98,614,345
Restricted	1,135,728	1,036,655	1,225,538	1,214,017
Unrestricted	17,214,218	16,410,640	17,329,924	19,384,337
Total Primary Government Net Position	\$ 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	2018
\$ 61,384,364	\$ 63,759,780	\$ 67,037,545	\$ 67,834,718	\$ 67,195,884	\$ 69,608,469
1,073,118	879,424	1,931,830	2,416,841	3,754,620	4,144,728
4,134,707	4,455,115	2,935,244	3,367,677	4,796,265	3,604,459
<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>	<u>\$ 77,357,656</u>
\$ 41,152,937	\$ 42,142,755	\$ 50,368,250	\$ 52,652,252	\$ 56,724,089	\$ 63,613,785
313,400	313,400	313,400	313,400	-	-
14,912,634	16,020,323	13,818,164	14,827,869	14,542,041	15,377,138
<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>	<u>\$ 78,990,924</u>
\$ 102,537,302	\$ 105,902,534	\$ 117,405,795	\$ 120,486,970	\$ 123,919,973	\$ 133,222,255
1,386,518	1,192,824	2,245,230	2,730,241	3,754,620	4,144,728
19,047,341	20,475,438	16,753,408	18,195,546	19,338,306	18,981,597
<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>	<u>\$ 156,348,579</u>



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

Page 1 of 4

	2009	2010	2011	2012
Expenses				
Governmental Activities:				
General Government	\$ 1,673,197	\$ 1,731,193	\$ 1,758,688	\$ 2,148,291
Judicial	363,204	372,227	347,030	374,672
Security of Persons & Property	2,735,396	2,733,363	2,631,619	2,651,809
Utilities & Environment	495,083	478,035	494,668	463,211
Transportation	1,590,515	1,731,695	1,685,655	1,852,794
Economic Environment	848,002	861,538	633,782	665,027
Mental & Physical Health	14,213	14,481	14,573	14,705
Culture & Recreation	1,501,571	1,509,164	1,468,720	1,427,910
Interest on Long-Term Debt	517,679	561,569	553,206	556,341
Total Governmental Activities Expenses	9,738,860	9,993,266	9,587,940	10,154,759
Business-Type Activities:				
Water	1,109,257	1,094,734	1,199,529	1,282,886
Sewer	1,716,646	1,844,726	2,052,589	2,109,868
Solid Waste	999,853	999,164	1,161,445	1,247,121
Storm Drain	881,451	931,723	935,763	1,011,619
Total Business-Type Activities	4,707,206	4,870,347	5,349,326	5,651,494
Total Primary Government Expenses	\$ 14,446,066	\$ 14,863,613	\$ 14,937,266	\$ 15,806,253
Program Revenues				
Governmental Activities:				
Charges for Services				
General Government	\$ 269,871	\$ 266,497	\$ 540,342	\$ 345,044
Judicial	100,989	111,022	106,027	112,308
Security of Persons & Property	149,761	175,358	169,029	168,580
Utilities & Environment	41,545	43,703	51,162	53,193
Transportation	8,428	9,239	9,225	12,100
Economic Environment	529,054	332,333	281,722	505,177
Mental & Physical Health	-	-	-	-
Culture & Recreation	446,626	504,935	493,156	538,424
Interest on Long-Term Debt	-	-	-	-
Operating Grants and Contributions	462,488	477,260	425,702	468,960
Capital Grants and Contributions	2,616,738	1,539,559	1,547,093	1,758,099
Total Governmental Activities Program Revenues	4,625,500	3,459,906	3,623,457	3,961,884
Business-Type Activities:				
Charges for Services:				
Water	1,436,637	1,420,038	1,407,214	1,461,638
Sewer	2,388,293	2,526,708	2,558,143	2,803,005
Solid Waste	1,262,911	1,282,151	1,287,617	1,382,449
Storm Drain	732,023	732,782	738,081	801,795
Operating Grants and Contributions	53,270	57,555	94,789	66,936
Capital Grants and Contributions	3,180,784	221,116	312,382	1,503,112
Total Business-Type Activities Program Revenues	9,053,919	6,240,350	6,398,226	8,018,935
Total Primary Government Program Revenues	\$ 13,679,418	\$ 9,700,256	\$ 10,021,682	\$ 11,980,819

CHANGES IN NET POSITION (continued)
Last Ten Fiscal Years

Page 2 of 4

2013	2014	2015	2016	2017	2018
\$ 1,640,535	\$ 1,572,173	\$ 1,539,405	\$ 1,776,629	\$ 1,386,987	\$ 2,810,801
355,656	357,993	370,046	383,968	401,814	434,608
2,826,033	3,009,996	3,146,848	3,327,528	3,495,629	4,280,502
500,646	456,860	481,077	506,396	524,341	210,947
2,716,499	2,820,286	2,703,349	2,922,462	2,998,467	2,797,834
779,317	890,459	963,163	999,731	1,031,024	1,189,609
13,978	14,356	29,772	131,162	245,572	344,875
1,336,339	1,338,814	1,422,703	1,469,255	1,400,013	1,811,980
536,673	518,677	458,869	391,781	378,391	251,599
10,705,677	10,979,613	11,115,232	11,908,913	11,862,238	14,132,756
1,356,314	1,484,034	1,670,634	1,692,690	1,625,472	1,982,786
2,240,098	2,236,003	2,531,582	2,686,558	2,716,954	3,024,655
1,298,015	1,320,150	1,493,671	1,759,556	2,096,082	2,331,314
972,205	1,088,006	1,433,190	1,676,166	1,647,010	1,750,631
5,866,631	6,128,192	7,129,077	7,814,970	8,085,518	9,089,387
\$ 16,572,308	\$ 17,107,805	\$ 18,244,309	\$ 19,723,883	\$ 19,947,756	\$ 23,222,143
\$ 327,650	\$ 345,370	\$ 360,990	\$ 370,369	\$ 415,833	\$ 357,834
108,500	112,624	117,154	279,232	58,842	74,442
148,342	120,687	143,892	133,347	123,696	142,503
11,227	5,444	4,715	3,400	4,800	6,400
67,595	112,095	93,439	82,592	144,829	166,074
558,996	471,539	907,245	1,087,421	949,198	773,100
-	-	-	-	-	-
530,637	525,946	525,247	535,811	575,614	600,286
-	-	-	-	-	-
479,485	496,338	605,198	710,043	977,832	975,732
1,493,376	3,673,904	5,027,389	1,633,211	2,403,489	3,354,870
3,725,807	5,863,947	7,785,269	4,835,426	5,654,133	6,451,242
1,528,732	1,590,972	1,831,511	1,857,036	1,960,128	2,089,015
3,040,822	3,208,493	3,287,822	3,460,657	3,626,637	3,947,885
1,456,824	1,501,028	1,614,036	1,793,421	1,922,024	2,391,489
786,897	1,014,112	1,521,196	1,621,933	1,706,057	1,744,877
-	-	115,058	84,948	8,195	-
2,492,406	862,361	5,784,476	2,234,980	2,291,492	6,398,378
9,305,682	8,176,966	14,154,100	11,052,975	11,514,533	16,571,644
\$ 13,031,489	\$ 14,040,913	\$ 21,939,368	\$ 15,888,401	\$ 17,168,666	\$ 23,022,886

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

Page 3 of 4

	2009	2010	2011	2012
Net (Expense)/Revenue				
Governmental Activities	\$ (5,113,360)	\$ (6,533,359)	\$ (5,964,483)	\$ (6,192,875)
Business-Type Activities	4,346,712	1,370,003	1,048,900	2,367,441
Total Primary Government Net Expense	<u>\$ (766,648)</u>	<u>\$ (5,163,357)</u>	<u>\$ (4,915,583)</u>	<u>\$ (3,825,434)</u>
General Revenues and Other Changes in Net Position				
Governmental Activities:				
Taxes:				
Property Taxes	\$ 1,972,984	\$ 2,046,143	\$ 2,061,784	\$ 2,119,770
Retail Sales & Use Taxes	2,983,521	3,089,028	2,905,695	2,700,885
Utility Taxes	-	-	-	-
Business Taxes	1,527,557	1,532,771	1,691,487	1,718,219
Excise Taxes	398,550	340,508	300,344	587,590
Motor Fuel Taxes	-	-	-	-
Penalties & Interest	-	-	-	-
Investment Earnings	157,625	104,893	61,220	59,267
Gain (loss) on Disposal of Capital Assets	724,911	-	13,139	4,712
Permanent Fund Contributions	-	-	-	-
Specialty Item	-	-	-	-
Transfers	-	-	-	-
Insurance Recoveries	-	-	-	-
Total Governmental Activities	<u>7,765,148</u>	<u>7,113,343</u>	<u>7,033,670</u>	<u>7,190,443</u>
Business-Type Activities				
Penalties & Interest	-	-	-	-
Investment Earnings	87,942	96,415	56,345	56,111
Gain (loss) on Disposal of Capital Assets	-	-	-	-
Transfers	-	-	-	-
Total Business-Type Activities	<u>87,942</u>	<u>96,415</u>	<u>56,345</u>	<u>56,111</u>
Total Primary Government	<u>\$ 7,853,090</u>	<u>\$ 7,209,758</u>	<u>\$ 7,090,016</u>	<u>\$ 7,246,554</u>
Change in Net Position				
Governmental Activities	\$ 2,651,788	\$ 579,984	\$ 1,069,187	\$ 997,568
Business-Type Activities	4,434,655	1,466,417	1,105,245	2,423,552
Total Primary Government	<u>\$ 7,086,442</u>	<u>\$ 2,046,401</u>	<u>\$ 2,174,432</u>	<u>\$ 3,421,120</u>

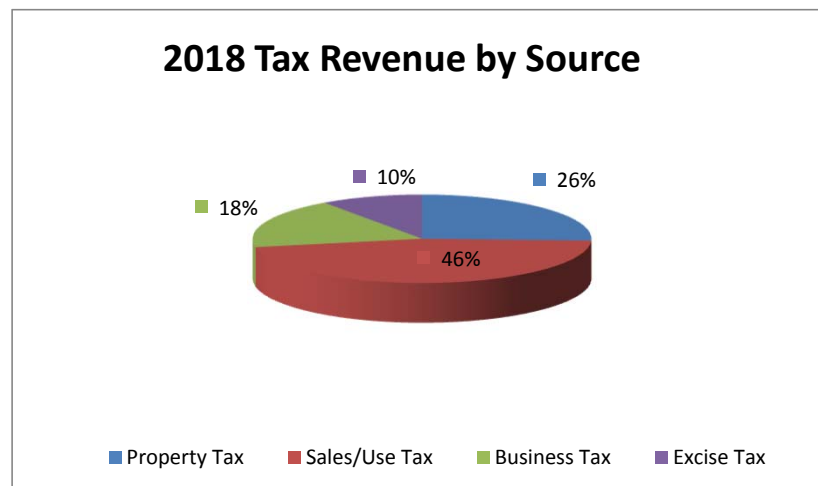
CHANGES IN NET POSITION (continued)
Last Ten Fiscal Years

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2013	2014	2015	2016	2017	2018
\$ (6,979,869)	\$ (5,115,667)	\$ (3,329,963)	\$ (7,073,487)	\$ (6,208,105)	\$ (7,681,515)
3,439,051	2,048,774	7,025,023	3,238,005	3,429,015	7,482,257
\$ (3,540,819)	\$ (3,066,892)	\$ 3,695,060	\$ (3,835,482)	\$ (2,779,090)	\$ (199,257)
\$ 1,967,770	\$ 2,085,784	\$ 2,191,189	\$ 2,264,194	\$ 2,400,282	\$ 2,505,945
2,967,756	3,227,329	3,393,849	3,742,485	3,985,840	4,516,544
-	-	-	-	-	-
1,647,259	1,658,873	2,038,443	1,841,119	1,827,400	1,782,092
622,312	592,983	748,026	866,886	916,383	956,626
-	-	-	-	-	-
-	-	-	-	-	-
33,016	47,924	40,329	76,833	107,482	274,289
124,658	5,715	12,182	15,309	(751,097)	(181,869)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
20,306	-	-	-	-	-
7,383,077	7,618,608	8,424,018	8,806,826	8,486,289	9,853,627
-	-	-	-	-	-
25,987	39,785	30,716	54,780	61,650	195,444
-	11,885	14,211	922	(18,442)	(5,347)
-	-	-	-	-	-
25,987	51,670	44,927	55,702	43,208	190,097
\$ 7,409,064	\$ 7,670,278	\$ 8,468,945	\$ 8,862,528	\$ 8,529,497	\$ 10,043,724
\$ 403,207	\$ 2,502,942	\$ 5,094,055	\$ 1,733,339	\$ 2,278,185	\$ 2,172,112
3,465,038	2,100,444	7,069,950	3,293,707	3,472,223	7,672,354
\$ 3,868,245	\$ 4,603,386	\$ 12,164,004	\$ 5,027,046	\$ 5,750,408	\$ 9,844,467

GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE
Last Ten Fiscal Years

Fiscal Year	Property Tax	Sales/Use Tax	Business Tax	Excise Tax	Total Taxes
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
2018	2,505,945	4,516,544	1,782,092	956,626	9,761,207

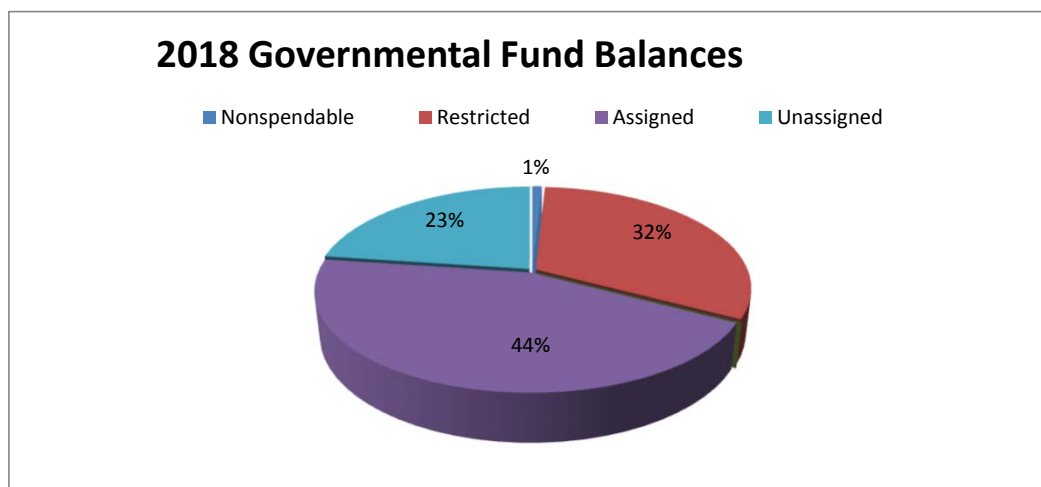


**FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years**

Fiscal Year	General Fund					All Other Governmental Funds			
	Non- spendable	Restricted*	Assigned	Unassigned	Total General Fund	Non- spendable	Restricted	Assigned	Total All Other Governmental Funds
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
2018	8,782	60,505	3,770,848	1,117,506	4,957,641	91,016	3,998,998	3,378,467	7,468,481

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

	2009	2010	2011	2012
Revenues				
Taxes	\$ 6,757,754	\$ 6,947,838	\$ 6,975,383	\$ 7,194,171
Licenses and Permits	460,321	397,513	351,107	604,450
Intergovernmental Revenues	2,893,320	1,897,881	1,682,571	1,471,002
Charges for Services	1,611,449	1,501,119	1,710,343	1,656,123
Fines and Forfeitures	89,382	87,184	85,063	79,049
Interest & Other Earnings	156,803	104,688	61,220	63,285
Miscellaneous	143,996	122,600	138,250	202,158
Total Revenues	12,113,024	11,058,823	11,003,936	11,270,239
Expenditures				
General Government	2,557,344	2,623,129	2,609,575	2,765,463
Security of Persons and Property	2,544,115	2,648,619	2,516,324	2,557,190
Utilities and Environment	474,649	460,417	479,286	455,458
Transportation	837,427	819,169	740,214	744,424
Economic Environment	845,073	857,604	630,374	660,244
Mental and Physical Health	14,213	14,481	14,573	14,705
Culture and Recreation	1,218,559	1,209,305	1,125,459	1,173,379
Capital Outlay	7,788,933	8,907,259	2,662,204	1,522,990
Debt Service				
Principal	704,323	604,368	634,368	3,114,368
Interest & Other Charges	430,172	506,692	493,171	513,038
Total Expenditures	17,414,810	18,651,045	11,905,548	13,521,260
Excess of Revenues				
Over (Under) Expenditures	(5,301,785)	(7,592,223)	(901,612)	(2,251,020)
Other Financing Sources (Uses)				
Proceeds of Long Term Debt	6,096,515	1,510,000	625,000	2,455,000
Premium on Bonds Sold	-	1,044	-	69,630
Disposal of Capital Assets	2,800,000	20,000	16,970	4,712
Comp for Impairment of Cap Assets	-	-	273,639	-
Insurance Recoveries	-	-	-	-
Net Transfers In (Out)	-	98,800	-	-
Intergovernmental Payment	-	-	-	-
Payment to Refund Bond Escrow Agent	-	-	-	-
Issuance Discount on Long-Term Debt	(54,071)	(6,473)	-	(34,561)
Total Other Financing Sources (Uses)	8,842,445	1,623,371	915,609	2,494,781
Net Change in Fund Balances	\$ 3,540,659	\$ (5,968,852)	\$ 13,997	\$ 243,760
Debt Service as a Percentage of				
Noncapital Expenditures	11.79%	11.40%	12.20%	30.23%

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

Page 2 of 2

2013	2014	2015	2016	2017	2018
\$ 7,155,680	\$ 7,509,669	\$ 8,345,893	\$ 8,677,430	\$ 9,082,043	\$ 9,765,124
622,819	558,113	830,042	901,185	989,990	754,106
646,175	3,384,699	1,066,034	1,050,282	970,537	1,580,658
2,190,358	2,228,941	3,590,226	2,974,396	3,990,077	1,763,017
76,729	83,238	83,442	70,774	58,820	68,691
37,631	52,355	45,143	82,219	113,488	280,830
203,606	156,557	227,560	186,840	207,430	166,732
10,932,998	13,973,573	14,188,341	13,943,125	15,412,384	14,379,157
2,701,167	2,704,029	2,850,202	3,108,256	3,220,759	2,717,964
2,764,164	2,847,128	2,924,101	3,152,296	3,468,946	3,748,307
512,596	443,940	501,104	532,379	547,718	153,233
1,533,295	1,559,694	1,409,078	1,446,570	1,528,998	1,113,363
785,598	886,387	969,480	1,010,489	1,055,026	1,095,645
13,978	14,356	29,772	131,162	244,847	331,552
1,080,951	1,097,577	1,193,366	1,223,569	1,197,913	1,429,228
856,046	3,196,591	1,395,507	1,479,311	1,825,198	1,789,001
579,368	589,368	8,815,383	709,368	729,368	728,777
495,456	479,814	426,681	373,098	360,614	351,116
11,322,619	13,818,885	20,514,675	13,166,499	14,179,387	13,458,186
(389,620)	154,688	(6,326,334)	776,626	1,232,998	920,971
-	-	7,320,000	-	422,038	-
-	-	774,756	-	39,280	-
272,103	5,715	19,461	7,649	905,113	23,394
20,306	7,528	-	-	-	-
-	613	7,461	5,206	770	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
292,408	13,856	8,121,678	12,855	1,367,201	23,394
\$ (97,212)	\$ 168,544	\$ 1,795,343	\$ 789,481	\$ 2,600,199	\$ 944,365
10.27%	10.07%	48.34%	9.26%	8.82%	9.25%

GENERAL GOVERNMENTAL REVENUES BY SOURCE
Last Ten Fiscal Years

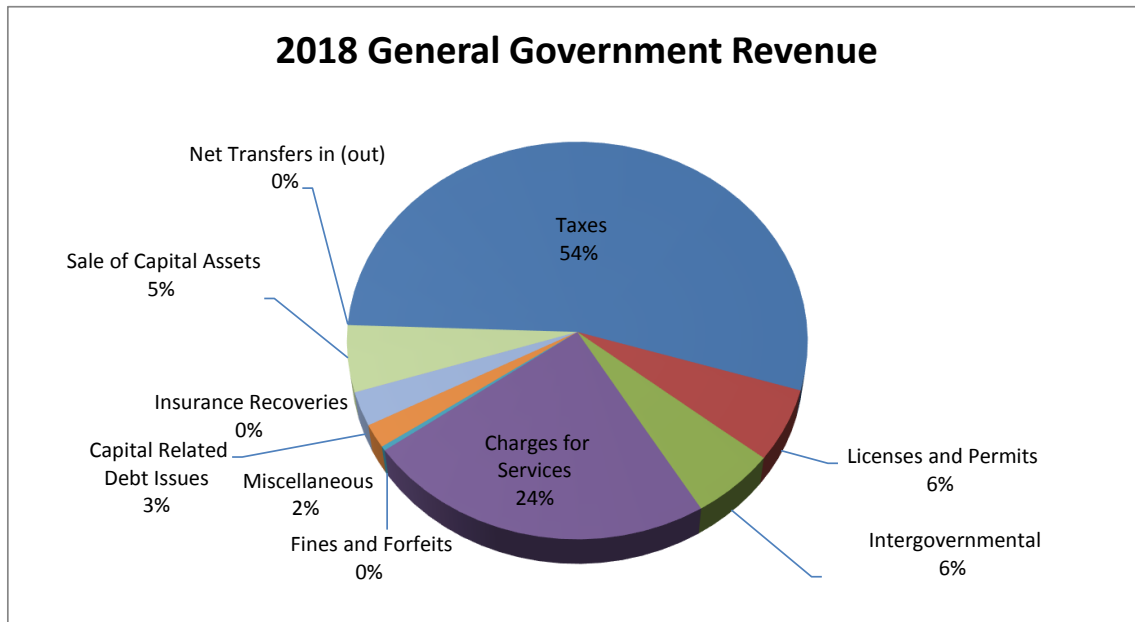
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	REVENUES													
Fiscal Year	Taxes		Licenses and Permits		Inter-gov Charges		Charges for Services		Fines and Forfeits		Misc.	Total Revenues		
2009	\$	6,757,754	\$	460,321	\$	2,893,320	\$	1,611,449	\$	89,382	\$	300,799	\$	12,113,024
2010		6,947,838		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
2018		9,765,124		754,106		1,580,658		1,763,017		68,691		447,561		14,379,157

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					
\$	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
	-		-		23,394		-		23,394		14,402,551



**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
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%
2018	1,886,548,769	55,724,013	67,759,506	1,874,513,276	1.520	2,103,830,837	89.1%

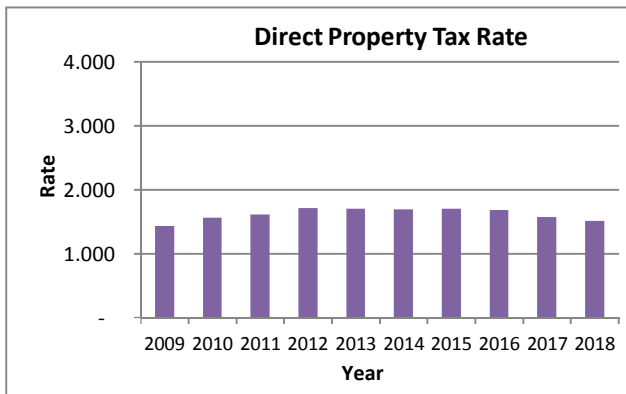
Source: Kitsap County Assessor's Office

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		
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
2018	1.520	1.520	1.020	3.021	2.685	0.269	1.936	0.068	0.432	-	9.431	10.951

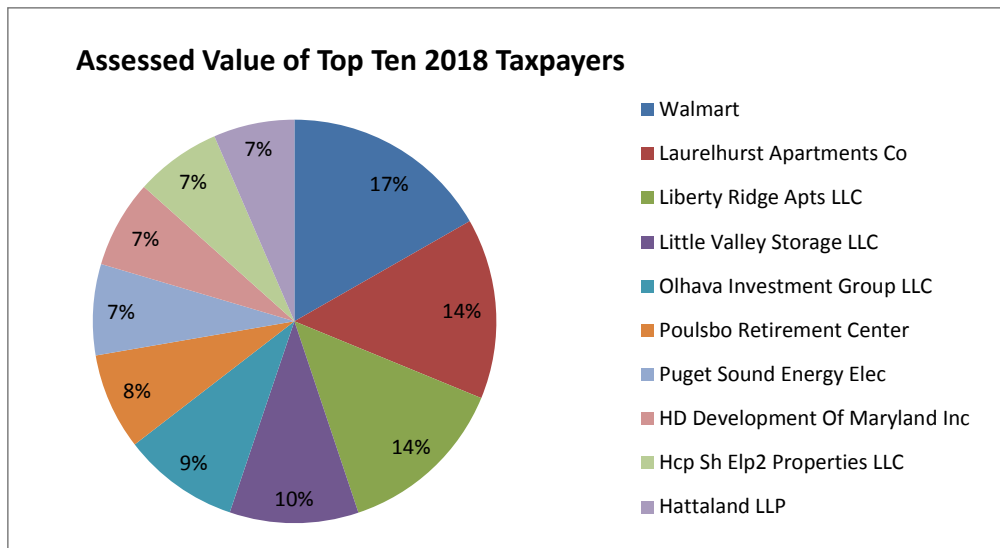
Source: Kitsap County Assessor's Office - Statement of Assessments



PRINCIPAL TAXPAYERS
Current Year and Ten Years Ago

2018					2009				
Taxpayer	Assessed Valuation	Rank	% of Total Assessed Valuation		Taxpayer	Assessed Valuation	Rank	% of Total Assessed Valuation	
Walmart	\$ 25,029,990	1	1.34%		Olhava Associates Limited	\$ 22,872,270	1	1.75%	
Laurelhurst Apartments Co	21,669,070	2	1.16%		Walmart	20,133,500	2	1.54%	
Liberty Ridge Apts LLC	20,454,430	3	1.09%		Laurelhurst Apartments Co	15,375,950	3	1.17%	
Little Valley Storage LLC	15,453,750	4	0.82%		Poulsbo Retirement Center	13,961,330	4	1.07%	
Olhava Investment Group LLC	14,018,000	5	0.75%		Liberty Ridge Apts LLC	13,079,210	5	1.00%	
Poulsbo Retirement Center	11,572,570	6	0.62%		Tim Ryan Properties LP	12,455,170	6	0.95%	
Puget Sound Energy Elec	10,910,644	7	0.58%		College Marketplace LLC	11,696,550	7	0.89%	
HD Development Of Maryland Inc	10,530,730	8	0.56%		Hd Development Of Maryland Inc	11,065,000	8	0.84%	
Hcp Sh Elp2 Properties LLC	10,293,150	9	0.55%		Montclair Senior Living LLC	10,893,110	9	0.83%	
Hattaland LLP	9,742,890	10	0.52%		John & Terri Hern	10,014,680	10	0.76%	
Totals:	\$ 149,675,224		7.98%		Totals:	\$ 141,546,770		10.80%	

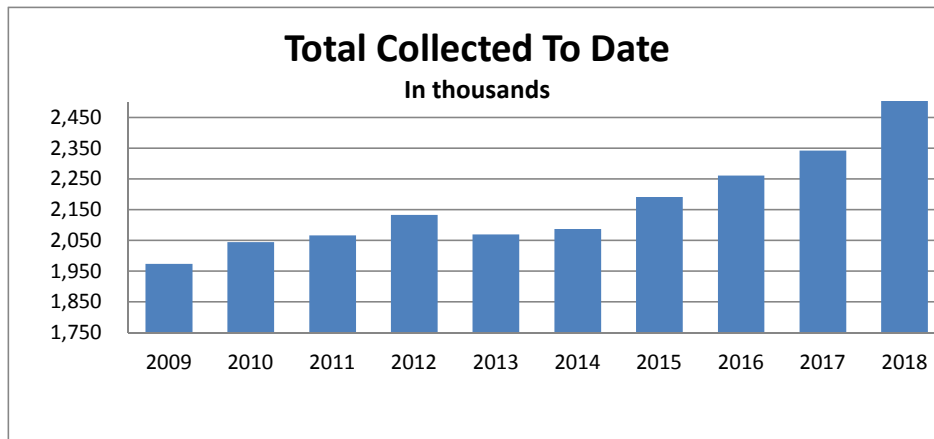
Source: Kitsap County Assessor's Office



**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		
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%	49,974	2,133,426	99.86%	3,005	0.14%
2013	2,069,802	1,994,508	96.36%	75,132	2,069,640	99.99%	162	0.01%
2014	2,088,707	2,030,020	97.19%	57,603	2,087,623	99.95%	1,084	0.05%
2015	2,192,765	2,171,629	99.04%	19,907	2,191,536	99.94%	1,229	0.06%
2016	2,269,562	2,244,248	98.88%	16,848	2,261,096	99.63%	8,466	0.37%
2017	2,351,831	2,323,188	98.78%	19,760	2,342,947	99.62%	8,884	0.38%
2018	2,574,704	2,488,016	96.63%	69,565	2,557,581	99.33%	17,123	0.67%

Source: Kitsap County Treasurer and Assessor's Office



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

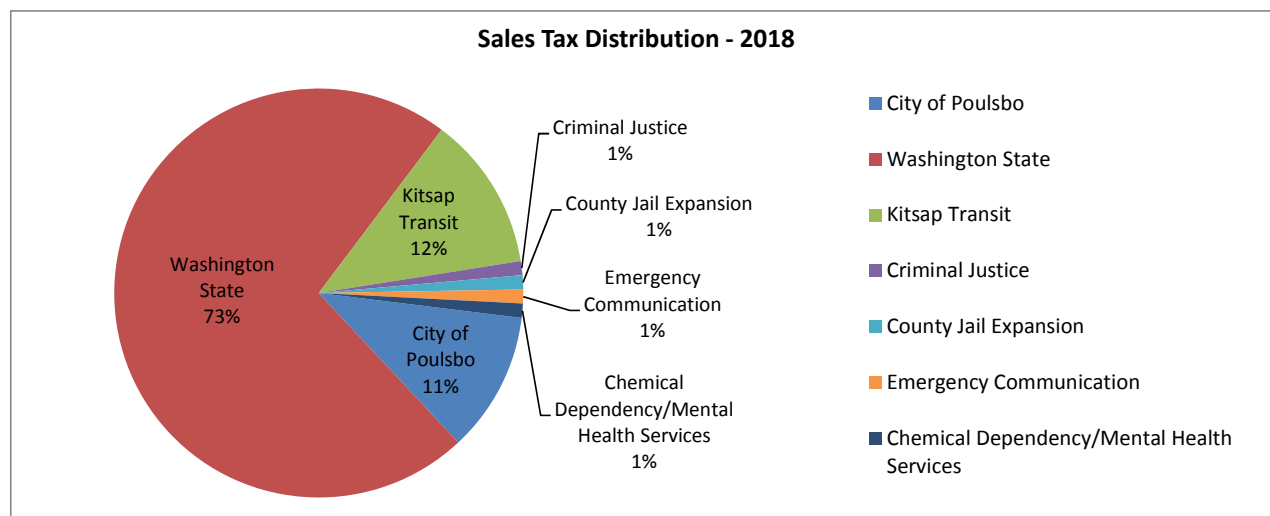
	2009	2010	2011	2012	2013	2014 ⁽¹⁾	2015	2016	2017 ⁽²⁾	2018
Basic Sales Tax Rates										
City of Poulsbo	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Washington State	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%
Kitsap Transit	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	1.1%	1.1%
Criminal Justice	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%	0.1%	0.1%	0.1%	0.1%	0.1%
Total Basic Combined Sales Tax Rate	8.6%	8.6%	8.6%	8.6%	8.6%	8.7%	8.7%	8.7%	9.0%	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

	2009	2010	2011	2012
Major Industry Sector				
Accommodation and Food Svcs.	\$ 273,308	\$ 282,394	\$ 286,244	\$ 292,749
Admin, Supp, Remed Svcs	32,001	31,310	36,795	36,487
Agriculture, Forestry Fishing	665	620	593	800
Arts, Entertain, Recreation	6,971	10,245	12,699	9,239
Company Management	37	17	6	-
Construction	273,295	318,387	316,718	142,181
Educational Services	5,988	6,393	6,521	5,096
Finance and Insurance	7,962	7,174	9,228	8,760
Health Care and Social Assistance	13,310	8,280	8,885	19,078
Information	101,511	104,216	88,226	84,823
Manufacturing	30,774	34,968	40,558	34,385
Mining	252	556	384	427
Other Services	80,180	83,445	76,553	72,163
Prof, Scientific and Technical Svcs	43,304	31,335	29,699	27,102
Public Administration	18,365	16,806	18,065	18,032
Real Estate, Rental, Leasing	75,948	55,022	41,234	52,455
Retail Trade	1,712,476	1,747,160	1,692,686	1,657,265
Transportation and Warehousing	1,188	1,566	1,921	2,707
Unknown	4,721	22,144	41,121	36,448
Utilities	2,618	1,876	2,081	2,744
Wholesale Trade	91,669	86,317	89,855	90,710
Total Retail Sales Tax Revenues*	\$ 2,776,543	\$ 2,850,232	\$ 2,800,072	\$ 2,593,651

**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

2013		2014		2015		2016		2017		2018	
\$	291,623	\$	333,336	\$	362,577	\$	408,529	\$	430,016	\$	453,404
	43,261		46,006		51,911		59,866		67,589		115,668
	886		662		539		4,958		4,298		4,185
	9,233		13,043		16,785		9,799		11,271		12,266
	-		-		6		199		164		227
	294,260		318,024		300,625		343,021		416,871		585,113
	5,804		4,625		5,942		5,168		3,684		4,200
	11,653		11,033		12,935		20,383		15,396		16,769
	17,443		13,022		14,789		18,045		26,120		28,120
	91,504		102,047		97,189		110,385		116,592		118,706
	27,948		49,122		35,145		59,717		46,118		53,081
	464		636		589		39		204		71
	75,236		84,693		87,482		93,947		104,885		96,686
	33,033		43,310		46,226		53,170		54,208		64,847
	23,196		28,695		27,064		35,571		39,483		3,209
	54,208		61,165		56,902		65,509		70,718		73,200
	1,703,931		1,863,729		1,953,167		1,988,786		2,107,661		2,297,269
	1,914		2,262		2,656		4,277		4,281		4,185
	37,266		13,903		12,511		16,833		4,755		58,209
	3,512		3,039		3,209		2,312		2,844		4,152
	98,657		110,341		131,638		165,808		167,400		197,853
\$	2,825,032	\$	3,102,693	\$	3,219,887	\$	3,466,322	\$	3,694,558	\$	4,191,420

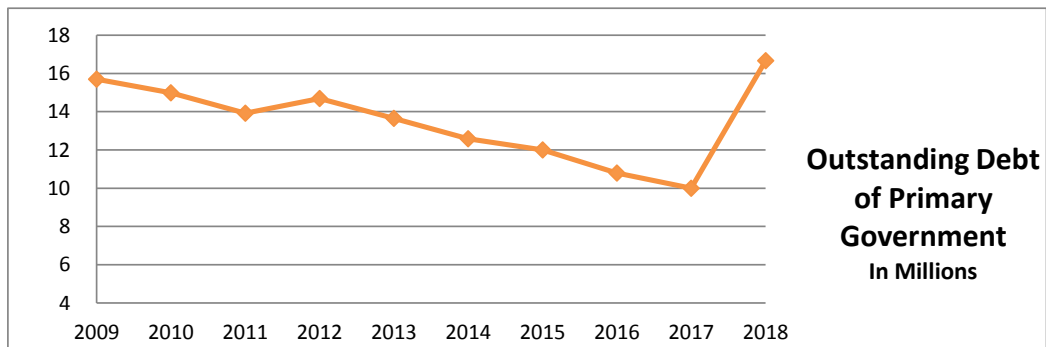
RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years

Fiscal Year	Governmental Activities		Business-Type Activities			Total Primary Government	Percentage of Personal Income ¹	Per Capita ¹
	General Obligation Bonds	PWTF Loans	Water Bonds	Sewer Bonds	PWTF Loans			
2009	11,241,351	818,051	740,740	2,626,260	275,086	15,701,488	4.20%	1,769
2010	11,018,548	743,683	659,340	2,337,660	229,239	14,988,470	4.08%	1,677
2011	10,458,651	669,315	575,080	2,038,920	183,391	13,925,357	3.53%	1,503
2012	11,744,178	594,946	487,960	1,730,040	137,543	14,694,667	3.52%	1,561
2013	11,233,972	520,578	396,880	1,407,120	91,696	13,650,246	3.13%	1,416
2014	10,713,764	446,210	302,500	1,072,500	45,848	12,580,822	2.78%	1,287
2015	10,703,313	371,841	205,040	726,960	-	12,007,154	2.49%	1,207
2016	10,020,267	297,473	104,500	370,500	-	10,792,740	2.25%	1,057
2017	9,778,540	223,105	-	-	-	10,001,645	1.95%	980
2018	9,068,544	148,737	-	7,445,551	-	16,662,832	-	1,632

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.



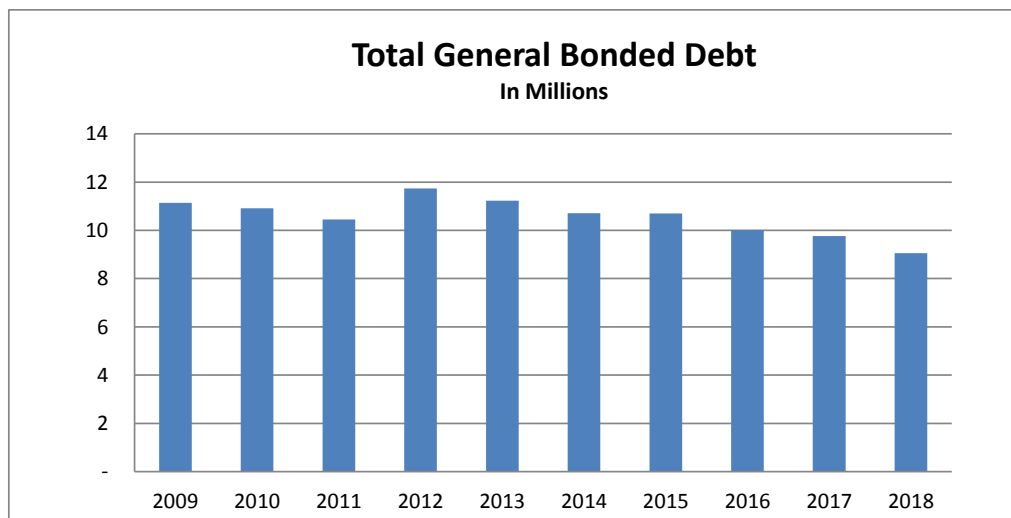
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	% of Estimated Actual Taxable Value¹ of Property	Per Capita²
2009	11,241,351	99,362	11,141,989	0.79%	1,245
2010	11,018,548	72,582	10,912,418	0.76%	1,180
2011	10,458,651	3,177	10,455,474	0.74%	1,127
2012	11,744,178	3,967	11,740,211	0.85%	1,246
2013	11,233,972	3,217	11,230,755	0.84%	1,164
2014	10,713,764	4,738	10,709,026	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
2018	9,068,544	11,788	9,056,756	0.49%	835

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.



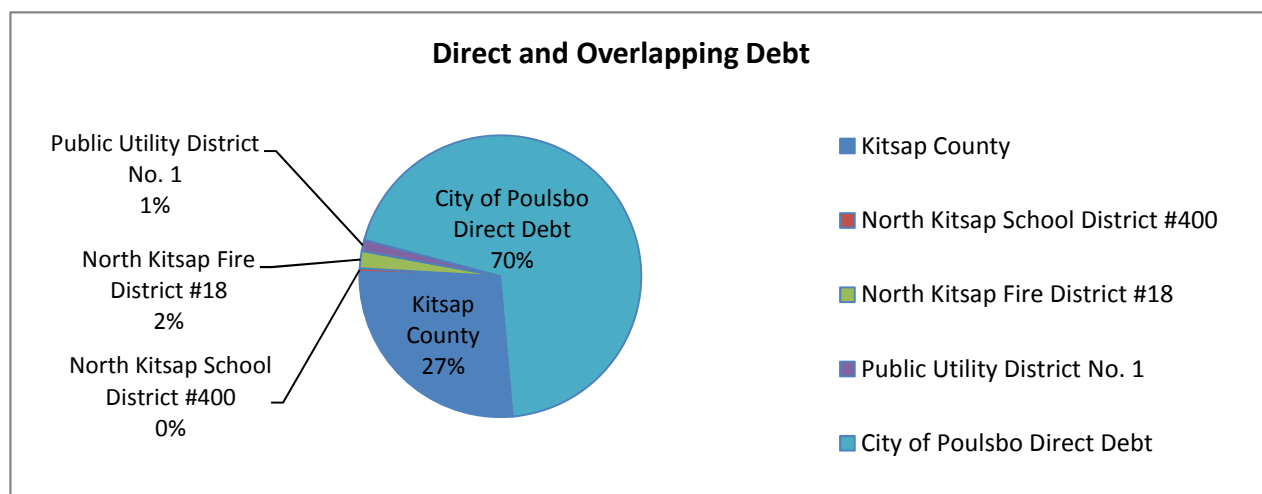
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
December 31, 2018

Governmental Unit	Debt Outstanding	Estimated % Applicable¹	Estimated Share of Overlapping Debt
Kitsap County	\$ 68,128,485	4.78%	\$ 3,255,293
North Kitsap School District #400	210,658	22.40%	47,179
North Kitsap Fire District #18	577,000	41.50%	239,465
Public Utility District No. 1	3,300,000	4.78%	157,680
<i>Subtotal, Overlapping Debt</i>			<u>3,699,616</u>
City of Poulsbo Direct Debt	8,407,630	100%	<u>8,407,630</u>
Total Direct and Overlapping Debt			<u><u>\$ 12,107,246</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

	2009		2010		2011		2012		2013	
Debt Limit	\$	98,252,528	\$	96,053,196	\$	93,319,286	\$	90,835,620	\$	92,257,495
Total net debt applicable to limit		11,105,638		10,912,418		10,415,231		11,661,033		10,641,783
Legal debt margin	\$	87,146,890	\$	85,140,778	\$	82,904,055	\$	79,174,587	\$	81,615,712
Total net debt applicable to the limit as a % of debt limit		11.30%		11.36%		11.16%		12.84%		11.53%

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

2014	2015	2016	2017	2018
\$ 96,176,052	\$ 100,957,763	\$ 111,596,650	\$ 122,480,124	\$ 122,480,124
10,640,262	9,925,663	9,283,128	9,050,075	8,395,842
<u>\$ 85,535,790</u>	<u>\$ 91,032,100</u>	<u>\$ 102,313,522</u>	<u>\$ 113,430,049</u>	<u>\$ 114,084,281</u>
11.06%	9.83%	8.32%	7.39%	6.85%

Legal Debt Margin Calculation for Fiscal Year 2018

Assessed value	\$ 1,633,068,314
Debt Limit (7.5% of total assessed value)	122,480,124
Debt Applicable to Limit:	
General Obligation Bonds	8,407,630
Less: Amount set aside for repayment of GO Debt	<u>11,788</u>
Total Net Debt Applicable to Limit	<u>8,395,842</u>
Legal Debt Margin	<u><u>\$ 114,084,281</u></u>

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	
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%
2018	5,864,959	4,817,405	1,047,554	100,000	148,469	422%

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		Kitsap County		School Enrollment ^{2 ***}
			Personal Income* ¹		Personal Income ¹		Per Capita Income*	Unemployment Rate**	
2009	8,855	247,600	\$ 10,454,459	\$	373,886	\$	41,493	7.6%	3,060
2010	8,920	251,133	10,355,171		367,806		42,150	7.3%	3,124
2011	9,245	253,900	10,842,161		394,784		42,952	7.9%	2,992
2012	9,360	254,500	11,359,138		417,766		44,692	7.4%	2,901
2013	9,585	254,000	11,563,863		436,376		45,006	7.1%	2,892
2014	9,775	255,900	11,838,125		452,199		47,697	6.2%	3,088
2015	9,950	258,200	12,473,946		480,696		48,711	5.6%	3,141
2016	10,210	262,590	13,163,570		511,825		50,230	5.8%	3,099
2017	10,510	264,300	13,988,937		556,276		52,508	4.9%	3,118
2018	10,850	267,120	-		-		-	4.7%	3,103

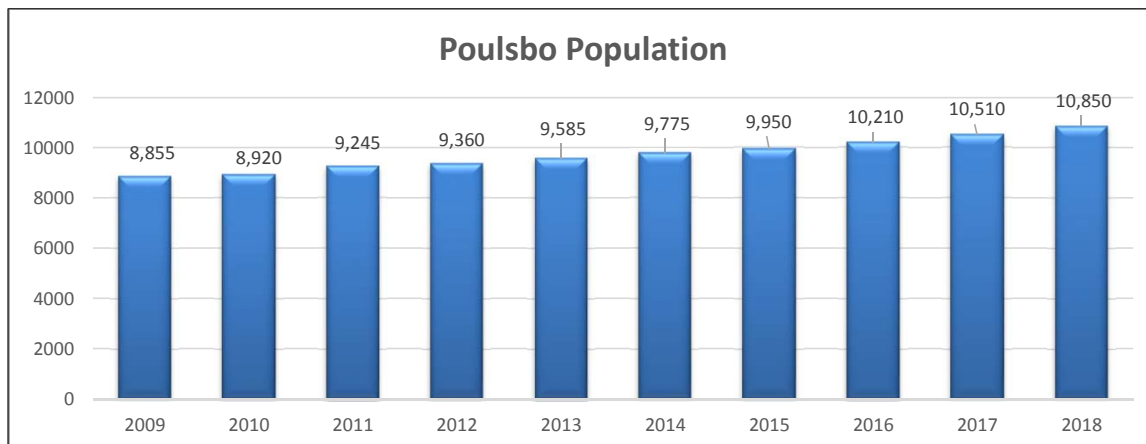
¹ Thousands of Dollars and information only available through 2017

² Totals for only schools in city limits

* Source: US Bureau of Economic Analysis-Kitsap County based on population of City only available through 2017

** 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>	2018			2008		
		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

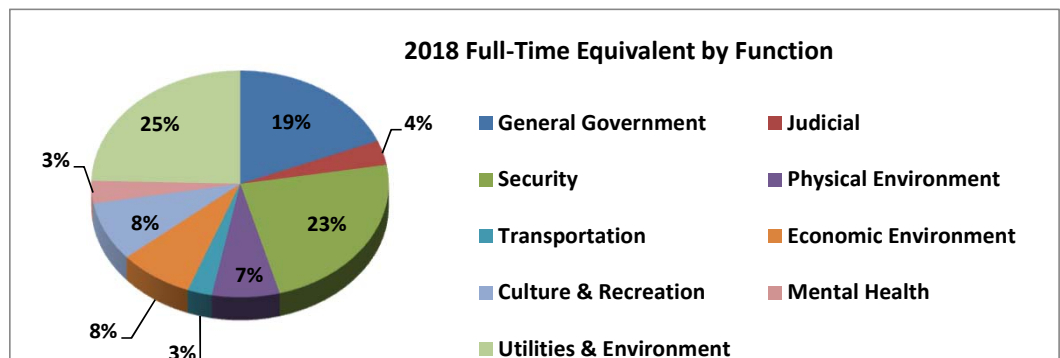
² Office closed or moved out of City

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		2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Government:	Executive (Mayor)	2.00	2.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
	Clerk's Department	4.00	4.00	3.00	3.00	3.00	2.00	2.00	2.00	2.00	2.83
	Finance Department	8.00	8.00	7.00	7.00	7.00	7.00	7.00	8.00	8.00	7.83
	Grant Writer	0.40	0.40	-	-	-	-	-	-	-	-
	Information Services	2.00	2.00	1.00	1.50	1.50	1.50	1.50	1.50	1.50	1.50
	Personnel	1.00	1.15	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
	Prosecutor	-	-	-	-	-	-	1.00	1.00	1.00	1.00
	Risk Management	-	-	-	-	-	1.00	0.50	0.50	1.00	1.00
	Central Services	1.90	1.90	2.50	2.50	2.50	2.55	2.55	2.55	2.52	2.52
	Municipal Court	4.21	4.21	3.77	3.99	3.39	3.39	3.39	3.39	3.39	3.48
Judicial:	Police Department	22.00	21.00	19.00	19.50	20.30	20.80	20.82	21.50	23.00	23.25
Physical Environ.:	Engineering	5.95	5.95	5.63	5.63	5.63	5.95	6.45	6.33	10.30	7.30
Transportation:	Streets	4.70	4.70	3.70	3.70	3.25	4.40	3.15	2.70	2.64	2.64
Economic Environ.:	Planning & Building	8.45	8.45	6.55	6.55	6.55	7.00	7.92	8.00	5.00	8.00
Culture & Recreation:	Parks & Recreation	6.42	6.62	5.87	5.87	6.16	5.95	6.17	6.17	6.17	6.17
	Parks & Cemetery	2.25	2.25	2.25	2.25	2.28	2.30	2.30	2.25	2.22	2.22
	Library	0.60	0.60	-	-	-	-	-	-	-	-
Mental Health:	Mental Health	-	-	-	-	-	-	-	-	4.00	3.17
Utilities & Environ.:	Water	2.90	2.90	3.30	3.30	3.33	3.65	5.90	5.90	5.82	5.90
	Sewer	3.15	3.15	3.05	3.05	3.08	3.40	3.65	3.65	3.63	3.71
	Solid Waste	3.05	3.05	3.05	3.05	3.10	3.32	4.32	4.32	4.62	4.62
	Storm Drain	3.95	3.95	3.65	3.65	3.65	3.45	5.87	6.20	5.93	5.86
	General Facilities	1.00	1.00	1.00	1.00	0.83	-	-	-	-	-
	Administration	5.10	5.10	3.88	3.88	3.85	3.48	3.48	4.10	4.32	4.32
Total Number of Full-Time Equivalent Employees		93.03	92.38	80.20	81.42	81.40	83.14	89.97	92.06	99.06	99.32

Source: City of Poulsbo, Human Resources



OPERATING INDICATORS BY FUNCTION
Last Ten Fiscal Years

Page 1 of 2

		2009	2010	2011	2012
Governmental Functions					
General Government	Number of:				
	Bargaining groups represented	2	2	2	2
	City council meetings	43	39	42	39
	Public records requests processed	87	88	75	83
	Pages of ordinances codified	*	*	*	*
	Business licenses issued	1,563	1,404	1,463	1,639
	Passports processed	1,015	617	805	783
	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	12,842	13,744	13,591	12,139
	Traffic stops	*	*	*	*
	Incident reports filed	1,698	1,746	1,552	1,595
	Infractions issued by officers	1,223	1,250	1,155	1,031
	Responses to motor vehicle accidents	*	*	*	*
	Reportable motor vehicle accidents	*	*	*	*
	Driving impaired citations issued	103	84	77	50
	Vacation house checks	847	1,114	677	398
	Parking complaints dispatched	*	*	*	*
	Parking infractions issued	114	568	802	636
Transportation	Miles of streets maintained	47	48	48	48
	Miles of sidewalks maintained	49	50	50	50
	Number of hours spent street sweeping	468	323	225	312
	Number of street signs maintained	2,204	2,204	2,215	2,255
Culture and Recreation	Number of parks maintained	17	17	17	17
	Total acreage of parks/open space maintained	67	67	67	67
Economic Environment	Number of:				
	New single family building permits issued	58	20	35	96
	New commercial building permits issued	2	7	4	3
	Existing single family building permits issued	47	57	52	50
	Existing commercial building permits issued	119	77	47	60
	All other building permits	61	74	64	53
Physical Environment	Number of:				
	Right of way permits issued	40	57	41	41
	Clearing & grading apps & permits issued	6	9	6	10
	Land use pre-applications reviewed	16	14	15	12
	Land use commercial applications reviewed	18	14	10	13
	Land use residential applications reviewed	16	14	9	9
	Land use un-classified ¹ applications reviewed	8	22	7	17
Business-Type Functions					
Water	Number of active water services	3,133	3,156	3,161	3,194
	Miles of watermain lines maintained	62	63	63	63
	Average number of water meters read monthly	3,147	3,259	3,292	3,355
Sewer	Number of active sewer services	2,963	2,985	3,001	3,073
	Miles of sewermain lines maintained	34	34	34	34
	Number of pump stations maintained	9	9	9	9
Solid Waste	Number of:				
	Residential garbage accounts	2,623	2,641	2,668	2,785
	Multi-family units	1,102	1,102	1,102	1,012
	Commercial accounts	266	277	282	311
	Tons of waste to landfill	4,894	4,810	4,874	5,144
	Free dumpsters for residential clean-up provided	312	356	300	306
Storm Drain	Number of detention ponds maintained	29	29	29	29

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

** 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.

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

2013	2014	2015	2016	2017	2018
2	2	2	2	2	2
37	39	40	40	37	41
119	165	130	275	303	624
382	145	150	254	379	235
1,629	1729	1825	1944	1913	2261
723	814	715	742	692	544
*	*	12	9	15	5
*	*	2	1	1	0
*	*	220	337	437	411
*	*	2645	3124	3575	4750
*	*	2	2	9	14
*	*	*	1	1	1
11,653	12,473	12,429	12,215	12,852	13,238
2,814	3,025	2,612	1,879	2,584	3,477
1,392	1,356	1,774	1,751	1,967	1,742
978	1,012	962	732	730	1,101
316	370	382	403	433	402
145	165	197	208	201	186
29	26	28	38	50	59
590	150	0	376	355	100
229	290	176	274	256	154
301	357	363	436	240	176
48	48	**56	56	56	56
50	50	50	64	64	65
312	312	354	310	350	581
2,280	2,290	2,290	3,000	3,100	3,170
17	17	17	17	17	18
67	67	67	67	67	71
109	75	99	113	104	75
2	2	2	2	10	1
61	69	128	146	22	6
56	71	9	5	27	33
49	73	314	347	226	368
59	64	57	51	66	78
6	8	5	18	18	5
16	14	14	25	22	33
10	17	12	14	19	20
10	10	17	7	8	11
8	5	4	6	10	16
3,256	3,344	3,500	3,837	3,951	4,013
63	64	67	67	68	68
3,445	3,550	3,410	3,828	3,950	4,082
3,164	3,422	3,400	3,561	3,682	3,803
34	34	53	53	54	56
9	9	9	9	9	9
2,897	3,022	3,040	3,196	3,399	3,500
1,022	1,022	1,022	1,022	1,040	1,076
307	228	315	334	341	344
5,063	5,402	5,600	5,979	6,207	6,409
309	311	315	300	271	278
29	29	29	29	29	29

CAPITAL ASSETS STATISTICS BY FUNCTION
Last Ten Fiscal Years

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental Functions										
General Government										
Number of City vehicles (not listed below)	12	13	13	13	13	12	12	12	9	10
Generators	2	2	2	2	2	2	2	4	4	4
Public Safety										
Number of police vehicles	23	21	22	20	21	25	24	25	26	25
Number of police boats	1	1	1	1	1	1	1	1	1	1
Transportation										
Number of vehicles (not specified below)	7	7	7	7	7	6	6	7	6	8
Number of street sweepers	1	1	1	1	2	2	2	2	2	2
Number of dump trucks	6	6	6	6	6	6	6	6	7	7
Construction equipment	8	8	8	8	8	10	11	13	15	14
Miles of streets	47	48	48	48	48	48	**56	56	56	56
Number of traffic signals	8	8	8	8	8	9	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	-	-	-	-
Number of boats ¹	37	37	37	34	32	32	34	13	13	13
Number of neighborhood parks ²	10	10	10	10	10	11	11	9	9	9
Number of community parks ²	5	5	5	5	5	5	5	2	2	2
Number of regional parks ²								3	3	3
Number of natural/open space sites ²								6	6	7
Miles of trails ²								6	6	6
Total park acreage ³								137	137	139
Maintenance equipment	5	5	5	5	6	6	6	8	11	10
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	2	1
Physical Environment										
Number of engineering dept vehicles	4	4	1	1	1	1	1	1	1	1
Business-Type Functions										
Water										
Generators	2	2	2	2	2	2	2	3	3	3
Miles of water mains	62	63	63	63	63	64	**67	67	68	69
Number of vehicles	10	5	5	5	4	4	5	6	9	10
Number of hydrants	400	402	406	425	427	433	**538	538	551	615
Sewer										
Generators	4	4	4	4	4	4	4	7	7	8
Number of vehicles	4	5	5	5	5	5	4	4	3	4
Number of construction vehicles	3	2	2	2	2	2	2	3	3	3
Sewer inspection camera	1	1	1	1	2	2	2	2	1	1
Treatment plants (Pumping Stations)	9	9	9	9	9	9	9	9	9	9
Miles of sewer mains	34	34	34	34	34	34	**53	53	54	56
Solid Waste										
Number of vehicles									1	1
Number of garbage trucks	6	6	6	6	6	7	5	5	6	5
Storm Drain										
Number of vehicles	3	3	3	3	3	4	2	3	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

