



Comprehensive Annual Financial Report

For the fiscal year ended December 31, 2019



CITY OF POULSBO

WASHINGTON

**COMPREHENSIVE ANNUAL FINANCIAL
REPORT**

For the fiscal year ended

December 31, 2019

Finance Director
Deborah Booher

PREPARED BY

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City of Poulsbo



July 6, 2020

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, 2019. 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 recognizes 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 2019.

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 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 including storm drain services and 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. The park continues to grow through the generous donation of land parcels and hopes to obtain grants for continued development of the natural paths and wildlife viewing areas.

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. McDonalds demolished and built a new restaurant providing extended customer service options. New dealerships providing local options to purchase travel trailers and camping needs opened on the Viking Avenue corridor. Kitsap Transit station is located at the North end of the corridor providing transportation options for those choosing to utilize public transportation. Several multi-family (apartments/condominiums) developments have opened or are under construction along the corridor. These developments support the lack of available housing occurring in the City. The improvements and continued development support the economic growth of the Viking Avenue Corridor. 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 meal 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 a new high-end restaurant providing additional options to have an intimate meal or place to host a large group.

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. Plans are working their way through the development process to construct a new hotel and an apartment complex in the area. Hotel groundbreaking is slated to occur in 2020.

Poulsbo's development continued to remain strong in 2019. Development compared to 2018 slowed but stayed consistent with the five-year average. Several housing developments and multifamily homes are under construction and several others are working through the planning and permitting process. At present, there continues to be a shortage of available housing for both purchase and rental, but the problem is decreasing with new apartments available and housing developments being completed.

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 2019.

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 2019 due to revenues being higher than anticipated and rising interest rates led to more idle cash being invested maximizing earning potential. All investments in 2019 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 the plan is a tool and not an exact science, the City has an adequate reserve balance to support fluctuations from the plan. Budgets have been developed to utilize funds for one-time purchases, providing and maintaining services for the City of Poulsbo citizens, while retaining a fund balance compliant with the Financial Management Policy.

The City closed its first year of the 2019-20 biennial budget. It was anticipated to use General Fund reserves in both 2019 and 2020. Less reserves were utilized in 2019 than anticipated due to revenues being slightly higher and expenditures less than projected. 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 2019-2020 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, 2018.

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 2019 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, Sheila Danielson, who manages the CAFR preparation.

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

Respectfully submitted,

A handwritten signature in black ink, reading "Deborah L. Booher". The signature is written in a cursive style with a large initial "D".

Deborah L. Booher
Finance Director



Government Finance Officers Association

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

Presented to

**City of Poulsbo
Washington**

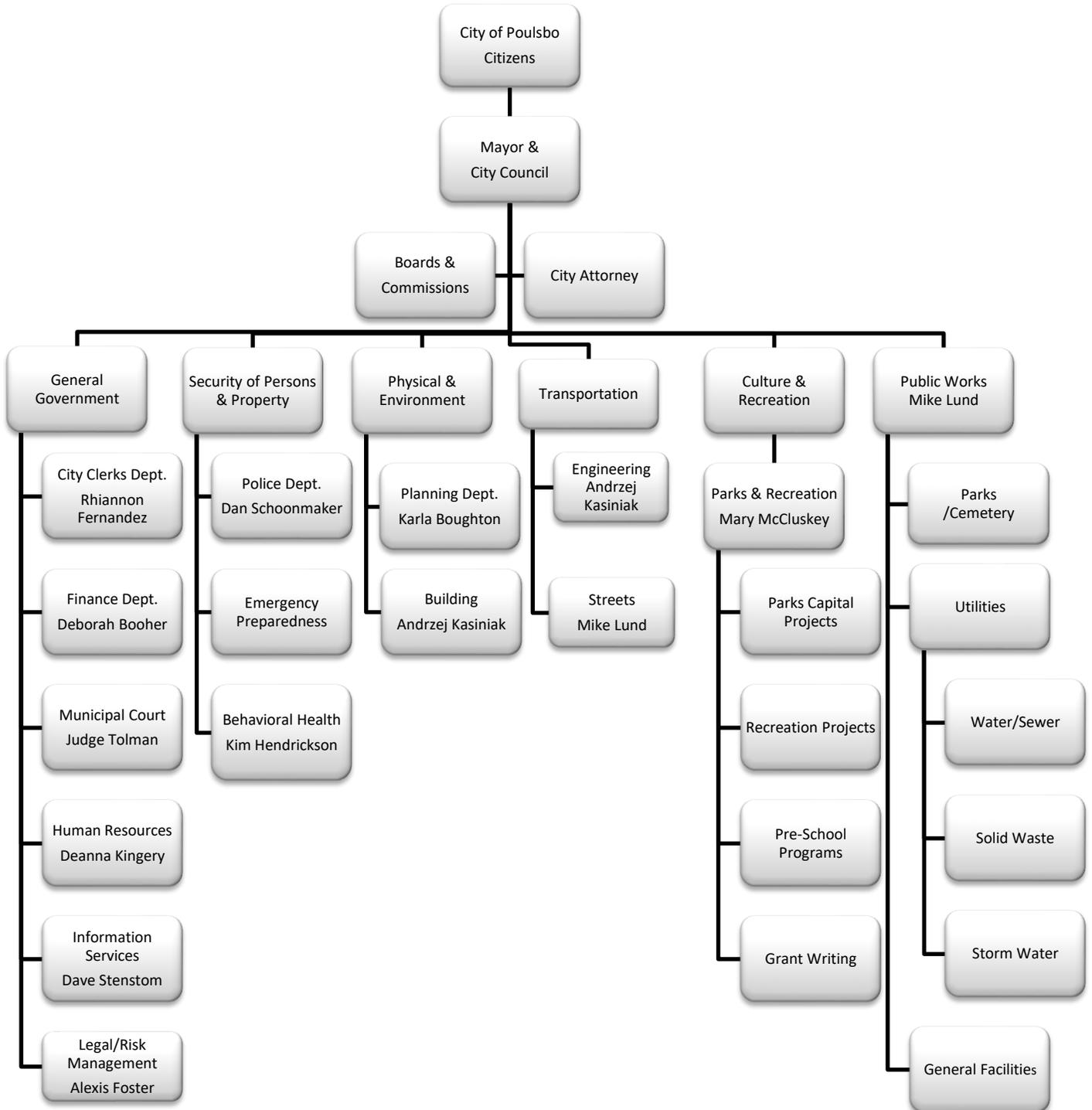
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2018

Christopher P. Morrill

Executive Director/CEO

City of Poulsbo Organization Chart



City of Poulsbo Officials

As of December 31, 2019

Mayor

Becky Erickson

December 31, 2021

City Council

David Musgrove

December 31, 2021

Ed Stern

December 31, 2021

Gary McVey

December 31, 2021

Kenneth Thomas

December 31, 2019

Gary Nystul

December 31, 2019

Connie Lord

December 31, 2019

Jeff McGinty

December 31, 2019

Executive Staff and Legal Counsel

Police Chief

Dan Schoonmaker

Finance Director

Deborah Booher

Planning Director

Karla Boughton

Parks & Recreation Director

Mary McCluskey

Director of Engineering

Andrzej Kasiniak

Public Works Superintendent

Mike Lund

City Clerk

Rhiannon Fernandez

Municipal Judge

Jeffrey Tolman

Prosecutor

Alexis Foster

City Attorney

Jim Haney, Ogden Murphy Wallace

Bond Attorney

Foster Pepper



Office of the Washington State Auditor Pat McCarthy

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

July 2, 2020

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, 2019, 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.

Opinions

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, 2019, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General, City Street and City Street Reserve 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 2019, the City adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

As discussed in Note 15 to the financial statements, in February 2020, a state of emergency was declared that could have a negative financial effect on the City. 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 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 as a whole. The combining and individual fund statements and schedules are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. This information has been subjected to auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we will also issue our report dated July 2, 2020, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Sincerely,



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, 2019. 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 2019 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 plus deferred outflows exceeded its liabilities plus deferred inflows at the close of the 2019 fiscal year by \$163 million (net position). Of this amount, \$23 million (unrestricted net position) may be used to meet the city's ongoing obligations to its citizens and creditors.
- Reported net position increased \$6.4 million. Net position of governmental activities increased \$3.2 million, or 4.1%, during 2019. Net position of business-type activities increased \$3.3 million, or 4.1%, during 2019. The variations are spread over several areas and can be attributed to many factors.
 - Increase in sales tax revenue and investment earnings created a growing cash balance increasing current assets.

- A decrease in long term debt due to paying off the principal balance for the Parks and Recreation building in the amount of \$195,000 and other annual debt payments reducing the liability.
 - Continued design and purchase of right-of-ways for the Noll Road Project to be constructed over the next several years were expended in 2019.
 - An increase in cash flow in the Business Activity as the revenues have been collected through the rates to support future infrastructure improvements.
 - 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 2019 are attributed a prior period adjustment to correct the 2018 posting and recognize 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 \$1.45 million with the bulk of the increase occurring in governmental activities. The increase is primarily due to purchasing right-of-way land for a future transportation project and contributed capital for parks projects inclusive of a parcel to enlarge Poulsbo's Fish Park and a parcel for a future park located in a housing development known as Morrow Manor located on the west side of Poulsbo.
 - Total liabilities decreased by \$3.7 million. This is primarily due to a combination of early payoff of the debt for the City's Park and Recreation building and annual principal debt payments.
 - The book value of capital assets has increased \$308,792 over 2018. Total capital assets from governmental activities increased \$756,060 or .97%. The increase in governmental capital assets is primarily attributed to the contributed capital for park parcels and the purchase of right of ways for the Noll Road project. Capital assets of business-type activities decreased \$447,268 or .63%. Very few utility projects were constructed in 2019 to offset the annual depreciation posting creating a net decrease in asset value.
 - City governmental fund tax revenue has increased an average of 4.16% over the past five years. In 2019, the City saw an increase over the prior year of \$246 thousand. Local sales tax is the largest revenue source for Poulsbo and was the primary contributor of the increase, with an increase of \$89 thousand. Much of the sales tax increase in 2019 is diversified over several categories. The largest increase was in Retail Trade, which continues to grow due to internet sales collected and per the destination rates and rules. A decrease from 2018 in the Construction category occurred, reflective of the slight slowdown in residential building. This was anticipated, as 2018 was higher than the average activity. The increase in sales tax is spread among many categories, helping diversification and not being dependent on one industry or one-time revenues.
 - Utility taxes have slightly increased in 2019 in the amount of \$3,628. All utility tax rates have remained at 6%. City utilities generated \$39 thousand more taxes than the prior year due to increased rates and growing customer base. Telephone utility tax continues to see declines as more people eliminate phone lines and utilize telephone services over the internet. Electric utility tax saw a decrease which can be attributed to a milder winter and less electricity usage.
 - 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 2019.
 - 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 \$12.1 million. Approximately 62.3% of this total amount, or \$7.5 million, is available for spending at the government’s discretion and 37.7% or \$4.6 million is non-spendable or restricted per debt or legal requirements.
 - The ending unassigned fund balance for the General Fund was \$1 million or 8.3% of the total General Fund expenditures. The total General Fund balance amounts to \$4.9 million which equates 40% of General Fund expenditures. This is slightly less than 2018 Fund Balance. The decrease was expected as the budget was built in anticipation of utilizing a portion of the balance for expenditures not supported by revenues. The fund balance remains healthy and exceeds the minimum requirements of the City’s Financial Management Policy.

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 2019. 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 Custodial 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 2019 and 2018. Governmental Activities net position has an increase of \$3.2 million. The increase can primarily be attributed in a reduced liability for long term debt due to a combination of paying off the outstanding debt for the Park & Recreation building and annual principal payments. Another contributing factor is a prior period adjustment for Pension Obligations due to an incorrect posting in 2018; debits and credits were reversed. Restricted Assets show an increase, with the largest increase attributed to Real Estate Excise Tax revenue.

The Business-Type Activities had an increase of \$3.3 million to Net Position. The increase is due to a combination of several items. An increase to the current assets as cash and investment balances grew from revenues collected intended for future improvements. Liabilities are reflecting a decrease due to principal payments for revenue debt being made and an adjustment to the Pension Obligations due to adjusted calculated figures per GASB 68.

The overall financial position for the City of Poulsbo has improved over the prior year. In 2019, assets exceeded liabilities by \$163 million, an increase of \$6.4 million or 4.1%. The largest portion of the City's net position, \$135 million or 82.7% 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</u> <u>ACTIVITIES</u>		<u>BUSINESS-TYPE</u> <u>ACTIVITIES</u>		<u>TOTAL PRIMARY</u> <u>GOVERNMENT</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Current and Other Assets	\$ 13,830,047	\$ 14,254,182	\$ 20,030,601	\$ 17,080,866	\$33,860,648	\$31,335,048
Capital Assets Net	78,975,881	78,219,821	70,612,068	71,059,337	149,587,950	149,279,157
Pension Asset	1,358,009	1,204,125	-	-	1,358,009	1,204,125
TOTAL ASSETS	94,163,937	93,678,128	90,642,669	88,140,202	184,806,606	181,818,330
Deferred Outflows of	1,179,329	1,197,119	171,421	152,366	1,350,751	1,349,485
Long-term Debt	8,160,398	10,495,481	7,104,999	7,670,950	15,265,398	18,166,431
Pension Obligation	2,876,008	3,218,103	499,579	657,592	3,375,588	3,875,694
Other Liabilities	2,350,238	2,573,786	665,193	714,897	3,015,431	3,288,683
TOTAL LIABILITIES	13,386,644	16,287,369	8,269,772	9,043,439	21,656,416	25,330,808
Deferred Inflows of Resources	1,432,347	1,230,222	285,950	258,207	1,718,296	1,488,428
NET POSITION						
Net investment in Capital	71,251,169	69,608,469	63,420,295	63,613,785	134,671,464	133,222,255
Restricted	5,388,184	4,144,728	-	-	5,388,184	4,144,728
Unrestricted (deficit)	3,884,922	3,604,459	18,838,075	15,377,138	22,722,996	18,981,597
TOTAL NET POSITION	\$80,524,275	\$77,357,656	\$82,258,369	\$78,990,924	\$162,782,644	\$156,348,579

The City’s total restricted net position amounts to 3.31%. This represents 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 the Revised Code of Washington (RCW) and Impact Fees restricted for future development.

Table 2 illustrates changes in net position for the years 2019 and 2018. This is a condensed version of the Statement of Activities for the City. The revenues for 2019 show a decrease 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. A contribution from the County of sewer connections fees for the City’s support of the plant improvements was included in the revenue of 2018.

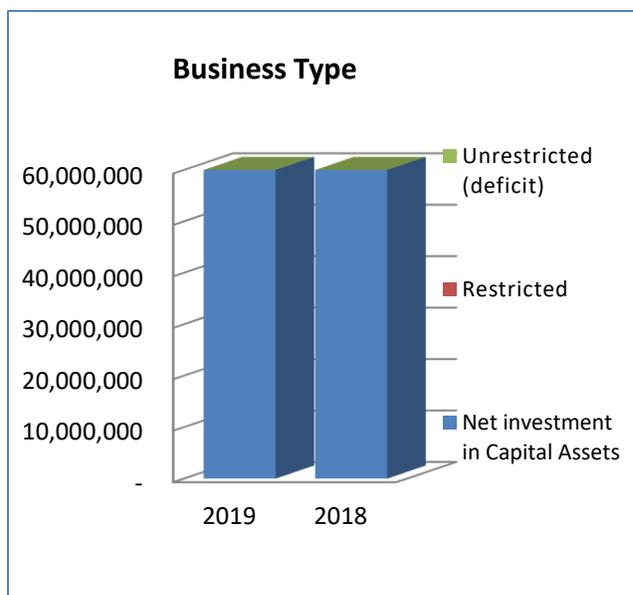
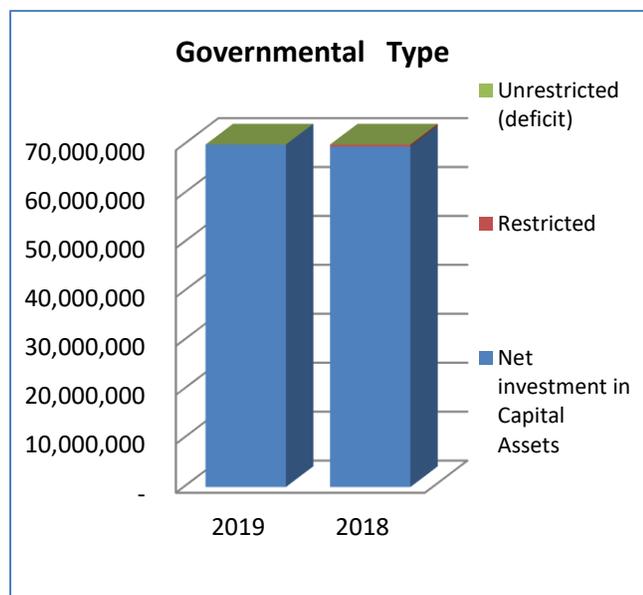


Table 2-Changes in Net Position

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL PRIMARY GOVERNMENT	
	2019	2018	2019	2018	2019	2018
Revenues						
Program Revenues						
Charges for Services	\$ 2,227,925	\$ 2,120,640	\$ 10,802,059	\$ 10,173,266	\$ 13,029,984	\$ 12,293,905
Operating Grants/Contribr	1,598,363	975,732	-	-	1,598,363	975,732
Capital Grants / Contribr	1,894,309	3,354,870	1,052,865	6,398,378	2,947,174	9,753,248
General Revenues						
Property Taxes	2,568,117	2,505,945	-	-	2,568,117	2,505,945
Retail Sales & Use Tax	4,628,686	4,516,544	-	-	4,628,686	4,516,544
Business Taxes	2,810,555	2,738,718	-	-	2,810,555	2,738,718
Investment Earnings	482,508	274,289	361,686	195,444	844,194	469,734
Other	5,624	(181,869)	5	(5,347)	5,629	(187,216)
Total Revenues	16,216,088	16,304,869	12,216,615	16,761,741	28,432,703	33,066,610
Program Expenses						
General government	2,768,497	2,810,801	-	-	2,768,497	2,810,801
Judicial	433,486	434,608	-	-	433,486	434,608
Security of Per & Prop	4,046,487	4,280,502	-	-	4,046,487	4,280,502
Utilities & Environment	102,289	210,947	-	-	102,289	210,947
Transportation	3,555,833	2,797,834	-	-	3,555,833	2,797,834
Economic Environment	1,115,517	1,189,609	-	-	1,115,517	1,189,609
Mental & Physical Health	458,461	344,875	-	-	458,461	344,875
Culture & Recreation	1,595,771	1,811,980	-	-	1,595,771	1,811,980
Interest Long-Term Debt	437,737	251,599	-	-	437,737	251,599
Water	-	-	1,791,832	1,982,786	1,791,832	1,982,786
Sewer	-	-	3,374,255	3,024,655	3,374,255	3,024,655
Solid Waste	-	-	2,342,826	2,331,314	2,342,826	2,331,314
Storm Drain	-	-	1,520,262	1,750,631	1,520,262	1,750,631
Total expenses	14,514,078	14,132,756	9,029,175	9,089,387	23,543,253	23,222,143
Excess (deficiency)	1,702,009	2,172,112	3,187,440	7,672,354	4,889,450	9,844,467
Changes in Net Position	1,702,009	2,172,112	3,187,440	7,672,354	4,889,450	9,844,467
Beginning Net Position	77,357,656	75,746,769	78,990,924	71,266,130	156,348,579	147,012,899
Change in Accounting	-	214,049	-	52,439	-	266,488
Prior Year Adjustments	1,464,610	(775,274)	80,005	-	1,544,615	(775,274)
Ending Net Position	\$ 80,524,275	\$ 77,357,656	\$ 82,258,369	\$ 78,990,924	\$ 162,782,644	\$ 156,348,579

GOVERNMENTAL ACTIVITIES

Revenues

Taxes account for the largest revenue category in the governmental funds, generating 62% of the total revenue. Much of tax revenue is received in the General Fund accounting for 89% 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 \$10,012,103.

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 Poulso for 2019 was \$1,874,513,276. The assessed value showed an increase from the prior year primarily due to new construction of several housing developments and some commercial development. In 2019 the City levied the full 1%. For 2019, the City’s regular property levy tax rate was \$1.37 per \$1,000 of assessed value. The rate is less than the maximum \$1.60 allowed by state law but is limited due to the 1% cap and increased assessed valuation creating a lower rate.

Sales and Use tax revenue, in contrast to property tax, can be a highly fluctuating tax source. The City saw a 2% increase in 2019. The increase over the prior year is lower than the five year average, but consistent with the expected trend now that new revenues created from 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, have now stabilized. Vacancies are minimal in retail establishments and some existing businesses have expanded their operations. Many categories saw increases, with the largest being in Retail Trade. Construction related sales tax saw a significant decrease (24%). This was expected as the prior year showed an increase not consistent with a five-year trend. 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.

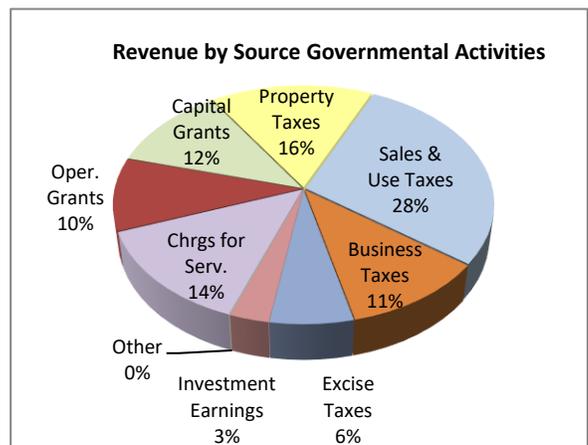
In 2019, sales tax received in the City’s General Fund totaled \$4,280,772. The City allocates a portion of sales tax revenue to allocate funding for capital equipment/small tools purchases (7%), but the majority supports governmental operations.

Much of sales tax revenue (57%) comes from the retail trade category. The next largest sales tax categories are Construction (11%) 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 28% 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 2019 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 projects 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.

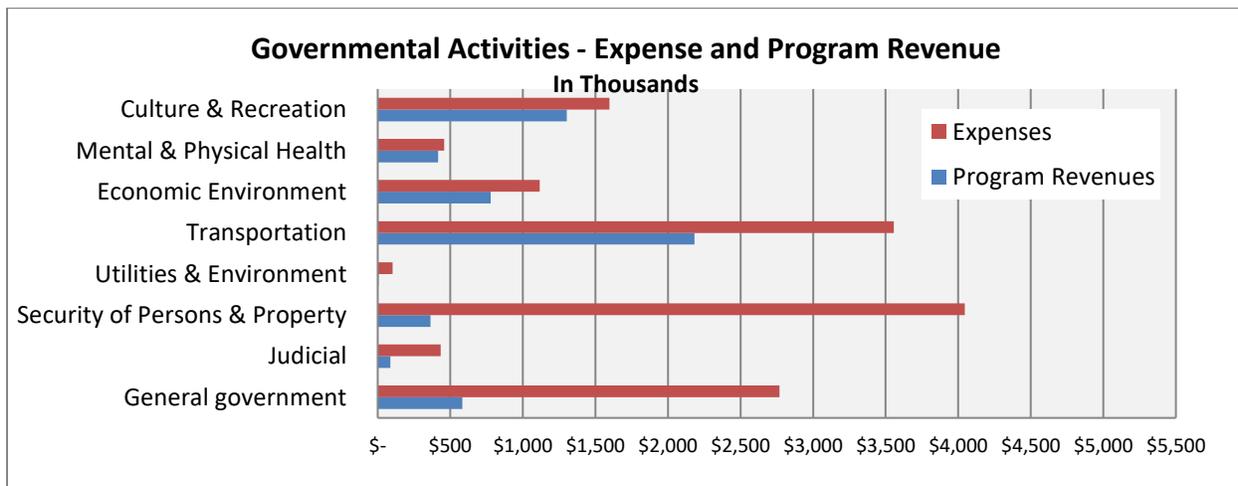
Transportation services provide maintenance of the City’s streets, sidewalks, paths and traffic control signs/signals.

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 police and court systems in provide 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.



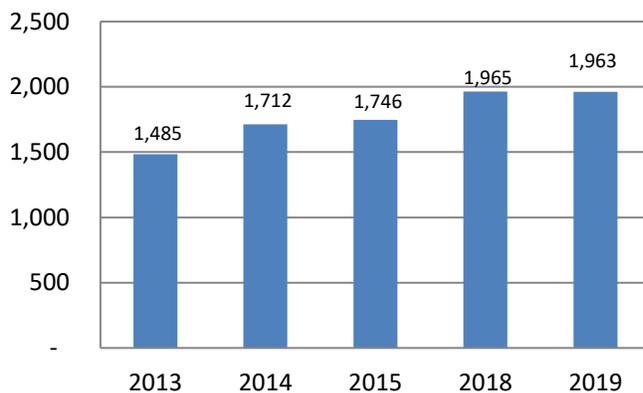
BUSINESS-TYPE ACTIVITY

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.

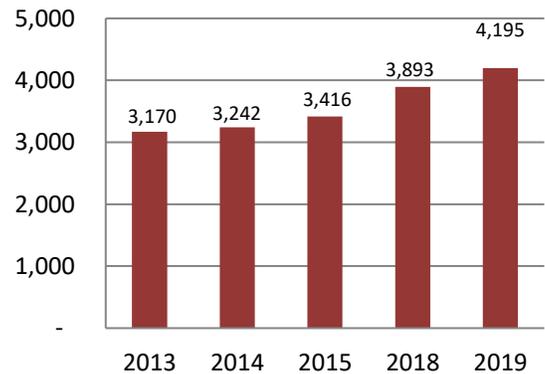
Key elements of the increases are as follows:

- There was a cost of living adjustment (COLA) for 2019, which resulted in an increase to utility rates creating an increase of revenue in 2019.
- New water meters installed over the past several years allow for more accurate reads resulting in more revenue due to capturing all usage.
- Growing number of developments, connections and customers provides more operating revenue.
- Solid Waste updates were able to better track and correctly bill for additional garbage.

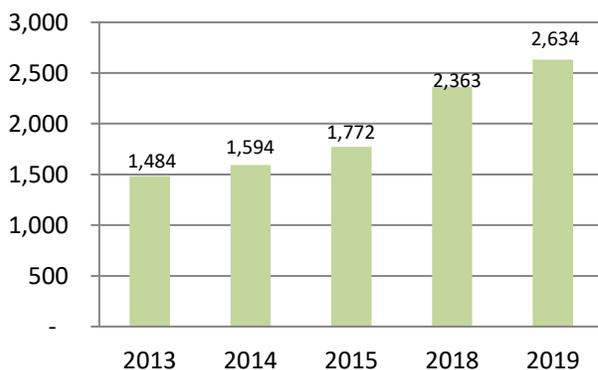
Water Service Charge Revenue
In Thousands



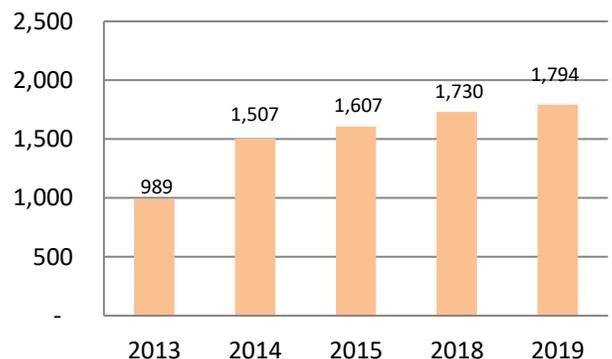
Sewer Service Charge Revenue
In Thousands



Solid Waste Service Charge Revenue
In Thousands

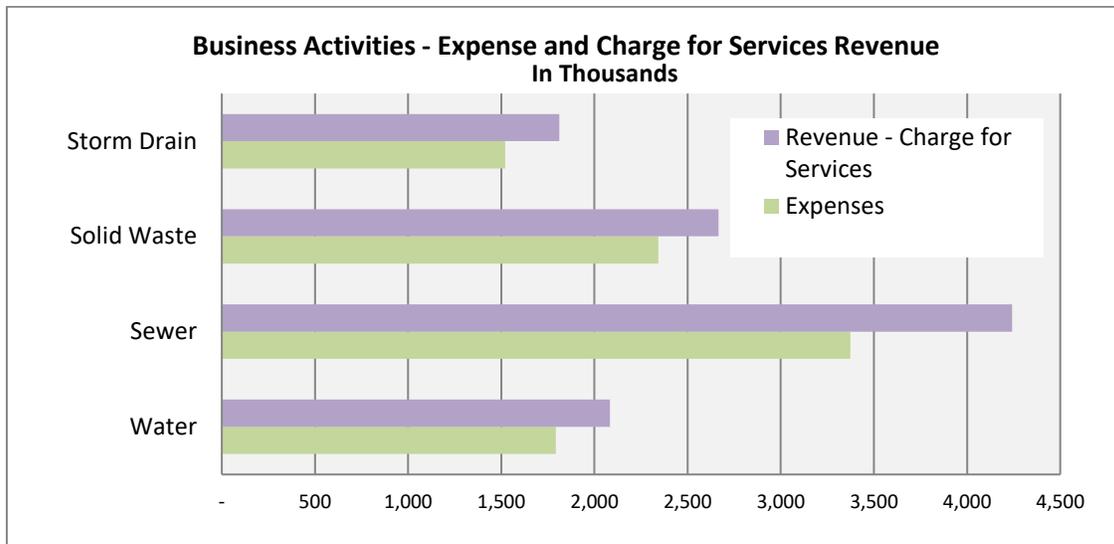


Storm Drain Service Charge Revenue
In Thousands



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 2019, 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. Functional plans exist for all city utility services and rates are evaluated every three years to adjust for correct revenue and expenditure projections. The City will continue to address future needs and implementation of new and ever-changing regulatory requirements.

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 37. The City, in accordance with GASB 34, performed the major fund calculation and determined the General and City Street Reserve Funds met the requirements to qualify as major fund. The City decided to also present the City Street Fund as a major fund. There has been a lot of activity in maintaining City Streets and making improvements for pedestrian safety. It was decided to highlight the funds allocated to maintaining the streets, sidewalks and right of ways. These funds are accounted for using the modified accrual basis of accounting. As reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances, governmental funds have total revenues of \$15.7 million and expenditures of \$16 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. Most 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 2%. The City’s operating revenues were greater than expenditures in 2019, but transfers to capital reserve funds for future transportation and park projects decreased the fund balance. Most revenue is consistent with the prior year but shows slight increases as projected by growth and increased cost of living. A significant increase in investment earnings was seen in 2019 due to increased rates and available cash. As rates are greatly impacted by the changing economy, dependence on investments earnings remains conservative. The General Fund reserves still maintains a healthy fund balance and exceeds the criteria of the Financial

Management Policy.

Use of reserves was strategically planned as the reserve balance continued to grow. It was utilized for specific one-time allocations or to temporarily supplement programs to be evaluated for future revenue increases, specifically the Behavioral Health program developed by the City intended to be pushed to our neighboring agencies. Revenues have shown modest growth in almost every category. Some of contributing factors are:

- Tax revenue saw a slight increase
- Additional grant for mental health services to the City
- Increased investment earning

Restricted Fund Balance in the General Fund is made up of

- Public Education Government (PEG) fees with resources restricted by the City's cable franchise agreement
- Substance abuse funds restricted by state law

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, grants and transfers of general revenues. In 2019, 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. Most revenues and expenditures remained consistent with 2018. An exception is a grant revenue for a little more than \$500,000 and related expenses for developing a road project own with multiple funding sources.
- **City Street Reserve Fund:** The fund records revenue and expenditures for capital transportation. There were several transportation projects in transition either with construction or design. The majority of the projects are funded by grants or traffic impact fees transferred. A major pavement restoration project was completed in 2019. Purchase of right of ways, and design of a major roadway occurred in 2019 and will continue into 2020. Construction beginning in 2020 and anticipating the fund to calculate as a major fund led to the choice of presenting this as a major fund.
- **Enterprise Funds:** The City's utilities are accounted for in four enterprise funds: 1) water utility fund; 2) sewer utility fund; 3) solid waste utility fund; and 4) storm drain utility fund. The funds are reported on a full-accrual basis, accounting for all assets and liabilities. 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 2019, there were large Capital Contributions in the water fund due a combination of connections fees and housing developments contributing capital in the form of infrastructure improvements.
 - All utility funds saw increases in charges for services as they have cost of living inflators built into their rates.
 - Expenditures reflect a reduction due to adjusting the indirect allocation charged by the governmental funds for services based on re-evaluating the percentage allocations and adjusting figures to actual amounts.

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 41 for the major General Fund. Budget to Actuals for all other funds begin on page 105. The significant budgetary changes in the General Fund include:

- The final General Fund revenue budget increased 3.8%, or \$425,608 of the original adopted budget. This increase was due to an updated and increased sales tax projection and recognizing a several grants received in 2019 for planning functions.
- The final General Fund expenditure budget increased by 4.4%, or \$529,856. The increase is a net effect of several adjustments:
 - Expenditures related to several planning grants
 - Wages and benefits increased with the largest adjustment due to cash outs of leave for retiring employees
 - 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
 - Agreement with a local Small Business Development organization to support economic development
 - Property/evidence room ventilation
- The General Fund amended budget anticipated the ending Fund Balance to increase \$475,530 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 versus Actual is monitored regularly and any variations more than 15% are highlighted. Some areas of variance highlighted were:

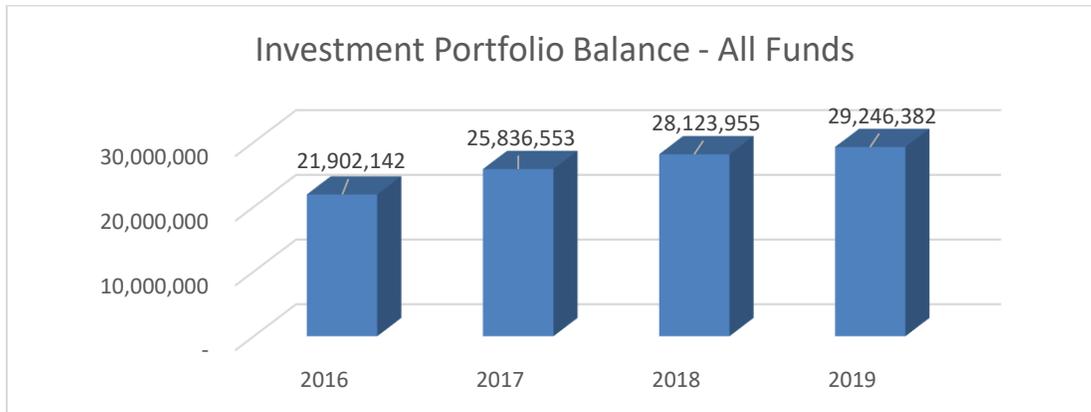
- Tax revenues were larger than anticipated with the bulk of the variance in sales tax and real estate excise tax
- Legal expenditures were less than anticipated
- Jail costs higher than projection
- Behavioral Health grant was not fully expended, and the remaining balance will carry over into 2020
- Grants for planning functions awarded at the end of the year to be carried over into 2020
- Capital projects, related transfers and grants were not completed as per projected and most will carry over into 2020

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 dbooher@cityofpoulsbo.com.

CASH MANAGEMENT

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

The chart reflects the investment balances as of December 31. The growth in 2019 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: \$7.5 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 \$74,368.

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 revenue bond for sewer improvements was issued in 2018. The balance at the end of 2019 is \$6.645 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 (\$2,030,684,280), or \$30,460,264;
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 (\$2,030,684,280). For 2020, the City’s limit is \$50,767,107 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 for 2020:

This Debt is controlled by assessed Valuation Debt Limits					
			2020 Assessed Valuation	\$ 2,030,684,280	
			Limited for Combined Debt	Balance Available	\$ 43,258,162
X	0.025	= \$	50,767,107	Limited for Non-Voted Debt	Balance Available
X	0.015	= \$	30,460,264		\$ 22,951,320

Additional information on the City's debt is provided in Note 8, "Long-Term Debt" and may be found on page 75 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 2019 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 2019 is primarily in governmental type activities. Right-of-way purchases were made in 2019 for the purpose of the Noll Road enhancements. The Noll Road Project is a very large project combining City, County and State roads to provide additional traffic options and pedestrian enhancements through the City. Most of the project is grant funded and addresses the necessary traffic enhancements for planned continued residential development. A major re-pavement project was complete in 2019 for Forest Rock Hills, a major road connecting housing development on the east side of Poulsbo to Highway 305.

Another contributor to capital assets is contributed capital from new housing developments for utility infrastructure and parks within new housing developments. There are many Capital projects planned in 2020 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 and State for their portion of the project. Additional information on the City's capital assets is provided in Note 5, beginning on page 64.

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

	<u>GOVERNMENTAL ACTIVITIES</u>		<u>BUSINESS-TYPE ACTIVITIES</u>		<u>TOTAL</u>	
	2019	2018	2019	2018	2019	2018
Land/Intangibles	\$ 33,564,732	\$ 32,541,073	\$ 4,118,960	\$ 3,922,069	\$ 37,683,693	\$ 36,463,142
Buildings	11,581,734	11,907,698	2,539,557	2,597,252	14,121,291	14,504,950
Other Improvements	1,020,679	1,100,690	481,728	634,313	1,502,407	1,735,004
Infrastructure	28,323,254	28,989,364	46,193,432	45,643,549	74,516,686	74,632,914
Intangibles (Depreciable)	58,342	91,357	14,003,063	14,327,288	14,061,405	14,418,645
Machinery & Equipment	1,061,299	1,240,048	2,791,833	2,523,462	3,853,132	3,763,510
Work in Progress	3,365,840	2,349,589	483,495	1,411,404	3,849,335	3,760,993
Totals	\$ 78,975,881	\$ 78,219,821	\$ 70,612,068	\$ 71,059,337	\$ 149,587,950	\$ 149,279,157

ECONOMIC FACTORS AND POULSBO IN THE FUTURE

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

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

Sales tax represents a major revenue source for governmental funds and provides an economic measurement of the local economy. The City has continued to see an increase of more than 7% in sales tax since 2013, with the largest increase in 2018 of 13% over the prior year. 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 2019 and is expected to continue in 2020, but at a slightly slower rate than the past couple years. At present there is an inventory shortage for housing in both owning and renting. Helping to alleviate some of the demand, there have been several multifamily developments completed with more currently under planning and/or construction in 2020. Commercial construction continues, but at a slower pace than residential. The City continues to grow and maintain strong revenues because of diversification, promotion of economic development and sound financial policies.

In 2019 the City operated the first year under its second biennial budget and City Council maintained the practice of developing conservative but realistic projections. A mid-year budget modification was passed for 2020 updating budgets to be consistent with the City's amended Capital Improvement Plan and updating revenue and expenditures projections. Revenues generated were higher than estimated and conservative spending created a higher level of cash to support the additional budget modifications and create higher 2020 beginning balances.

Utility functional plans and related sewer rates were evaluated in 2019. Rates were increased an additional 2% in 2020 to support increased operations and planned infrastructure improvements. All functional plans and long-term rate studies are planned for updates over the next several years, with the sewer utility to be the first service updated. This is prioritized to be consistent with the County's plan as all sewage is processed through the County treatment plant and their improvements will affect the City's financial and service plan. To be included in the study is an evaluation of the level of

flow the City owns and if it is sufficient to support Poulsbo's projected growth. The City must participate with the County for sewer plant upgrades and other capital improvements supporting the treatment of Poulsbo's sewage. The City contributed their share of the capital improvements to the regional treatment plant pump stations necessary to process Poulsbo's sewage flow by issuing revenue debt in 2018. There are several improvements the County has completed that the City will need to pay the County as per the Interlocal Agreement. There are some very large improvements that must be completed over the next six years which addresses the single point of transmission to the County's treatment plant. Improvement to the aging infrastructure will be made. The City will use connections fees, reserves and debt proceeds to fund this project.

Several large construction projects commenced in 2019 with additional planned projects for 2020. 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 2019 with the few remaining to occur in 2020 for this phase of the project. Much of the project is grant and impact fee funded, but in a future debt issue will be necessary for a fully funded project. The debt issue will most likely occur until the end of 2020. The City is still actively pursuing grants to support the additional funding requirement.

Anticipated to construct in 2020 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 2020. Design has been completed, which will now lead to the purchase of necessary right of ways and construction of the improvement to be completed in 2020.

Some large improvements to some of the City's water system are set to occur in 2020. Improvements to the water treatment plant, removal and replacement of a large water tank relocating to a new location to increase the size providing more capacity to serve the growing population on the east side of Poulsbo. Replacing infrastructure that have reached the end of the life.

The City has the capacity to support future planned growth due to an agreement with the local Public Utility District who can take over serving the newer development on the west side of Poulsbo.

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 2020 but will not fully fund the program. Combining the grant with city contributions and contributions of surrounding cities sharing in the costs of the program provides services throughout Kitsap County.

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.

New legislation regarding small cell towers continues to be addressed for placement on infrastructure within government's right of ways. Although nothing has been approved it is a concern for City's as proposals limit the agencies ability to assess

fees and control where and how the towers will be placed. The City will continue 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. The City works with a lobbyist to achieve legislative support and action on items which may impact the City.

An allowable fee the City was considering through council action or a larger amount approved by the voters is Transportation Benefit District (TBD) Fees. Luckily the City never implemented these fees, as the voters passed legislation in 2019 that will eliminate these districts impacting funding for local government transportation projects. The State is still evaluating the impacts to local governments.

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. 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 turned the library building operated by Kitsap Regional Library District over to the 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. Some of the planning and permitting process has been slowed due to legal challenges by neighbors. The hopes are the planning process delays will be resolved and completed and a sales transaction will occur in 2020.

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 increases 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 forecast for the next several years.

A very large global impact incident has taken place after the end of fiscal year 2019 but prior to the publication of the

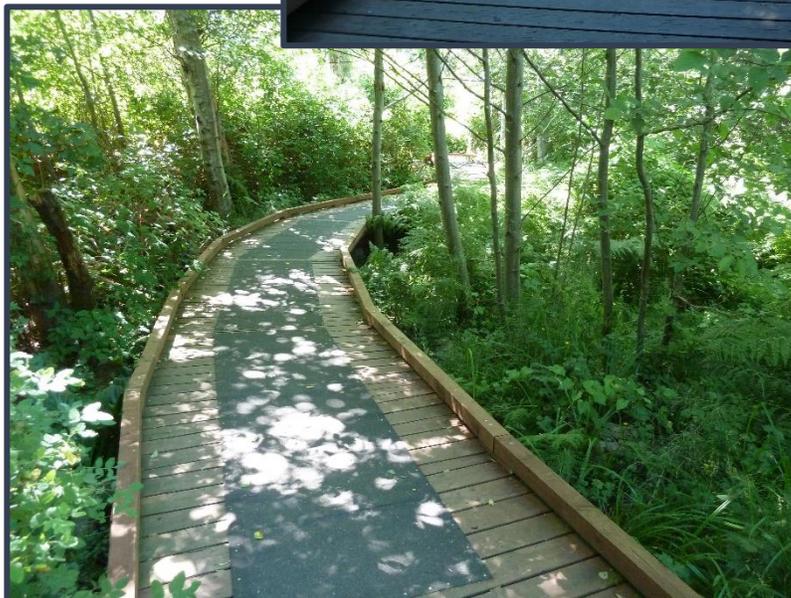
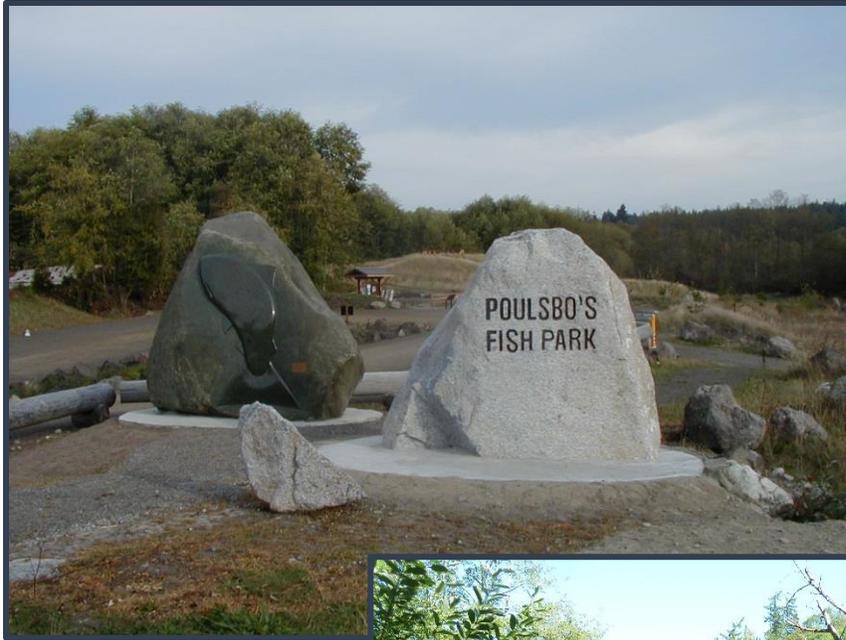
annual statement. COVID-19, a pandemic virus, hit the world in the beginning of 2020. Much of the world went into quarantine beginning in March with an anticipated ending in May, closing all but essential services. This impacted the travel industry, small businesses, and closed schools for the remainder of 2019-20 school year. On-line internet sales have significantly increased supporting sales tax being paid at the point of destination; however, many businesses were forced to close their doors. Small businesses have opportunities to gain federal assistance, but many may not re-open after the pandemic has ended. Unemployment is expected to grow significantly as many of these businesses close their doors. The pandemic is expected to touch many industries; utility revenues will be impacted due to the larger commercial and public buildings closing, travel has been eliminated, entertainment including theaters and recreational facilities were closed, food services only available for take-out options, retail sales for live shopping are just a few to highlight. The City of Poulsbo is expecting revenue declines in the range of 10 – 15% and is working to reevaluate their long-range financial plan. The City has healthy reserves and will be able to sustain much of the impact, however, needs to evaluate future service and funding levels.

Also impacted is interest rates related to both earning and debt issues. As the City moves forward with planned capital projects the necessity for debt becomes a concerning issue which may delay events. This could jeopardize grant funding. The City is working to prioritize all issues and evaluate the projected impact.

This pandemic will also address how business and governments operate in the future. Many have developed telecommuting options, including accessing server applications while working at home and learning how to conduct public and staff meetings via the internet. Looking at all options for resources will include the new way employers incorporate new tools and rules to conduct business.

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 Sheila Danielson, Accounting Manager at (360) 394-9721, sdanielson@cityofpoulsbo.com or Deborah Booher, Finance Director at (360) 394-9720, dbooher@cityofpoulsbo.com.



**STATEMENT OF NET POSITION
DECEMBER 31, 2019**

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets			
Cash and Cash Equivalents	\$ 730,881	\$ 907,846	\$ 1,638,727
Investments	11,107,650	18,138,732	29,246,382
Receivables: <i>Net of Uncollectibles</i>			
Taxes	1,253,142	-	1,253,142
Customer Accounts	283,274	928,137	1,211,411
Special Assessments	23,995	-	23,995
Other Receivables	-	-	-
Due from Other Governments	263,680	12,540	276,220
Inventories	8,146	41,845	49,991
Prepaid Items	-	1,500	1,500
Restricted Assets:			
Investments	21,592	-	21,592
Note Receivable	137,687	-	137,687
Capital Asset not being depreciated:			
Land & Right of Ways	33,564,732	4,118,960	37,683,693
Construction in Progress	3,365,840	483,495	3,849,335
Capital Assets (net of accumulated depreciation):			
Buildings and Structures	11,581,734	2,539,557	14,121,291
Other Improvements	29,343,933	46,675,160	76,019,094
Machinery and Equipment	1,061,299	2,791,833	3,853,132
Intangibles	58,342	14,003,063	14,061,405
Pension Asset	1,358,009	-	1,358,009
Total Assets	94,163,937	90,642,669	184,806,606
Deferred Outflows of Resources			
Deferred Amount of Refunding	471,278	-	471,278
Pension	708,051	171,421	879,473
Total Deferred Outflows of Resources	1,179,329	171,421	1,350,751
Liabilities			
Current Payables:			
Accounts/Claims	458,132	237,409	695,540
Employee Wages	487,790	97,409	585,199
Interest	25,505	23,117	48,622
Unearned Revenues	110,156	2,265	112,421
Customer Deposits	343,798	21,548	365,346
Long-Term Liabilities:			
Due within one year	924,858	283,445	1,208,302
Due in more than one year	8,160,398	7,104,999	15,265,398
Pension and OPEB Obligation	2,876,008	499,579	3,375,588
Total Liabilities	13,386,644	8,269,772	21,656,416
Deferred Inflows of Resources			
Pension	1,432,347	285,950	1,718,296
Total Deferred Inflows of Resources	1,432,347	285,950	1,718,296
Net Position			
Net Investment in Capital Assets	71,251,169	63,420,295	134,671,464
Restricted for:			
Public, Educational, Governmental Cable	54,714	-	54,714
Substance Abuse Program	5,791	-	5,791
Capital Purpose	4,876,270	-	4,876,270
Drug Enforcement	60,244	-	60,244
Criminal Justice	126,316	-	126,316
Promoting Downtown Businesses	53,546	-	53,546
Promoting Tourism	98,416	-	98,416
City Beautification-Expendable	5,156	-	5,156
City Beautification-Nonexpendable	91,016	-	91,016
Debt Service	16,715	-	16,715
Unrestricted	3,884,922	18,838,075	22,722,996
Total Net Position	80,524,275	\$ 82,258,369	\$ 162,782,644

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

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019**

Page 1 of 2

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 2,768,497	\$ 392,318	\$ 191,140	\$ -
Judicial	433,486	86,419	276	-
Security of Persons & Property	4,046,487	208,418	156,025	-
Utilities & Environment	102,289	5,600	-	1,400
Transportation	3,555,833	117,394	738,658	1,326,299
Economic Environment	1,115,517	775,932	1,450	-
Mental & Physical Health	458,461	-	415,932	-
Culture & Recreation	1,595,771	641,844	94,881	566,610
Interest on Long-Term Debt	437,737	-	-	-
Total Governmental Activities	14,514,078	2,227,925	1,598,363	1,894,309
Business-Type Activities:				
Water	1,791,832	2,082,860	-	596,974
Sewer	3,374,255	4,242,423	-	256,706
Solid Waste	2,342,826	2,665,747	-	-
Storm Drain	1,520,262	1,811,029	-	199,185
Total Business-Type Activities	9,029,175	10,802,059	-	1,052,865
Total Primary Government	\$ 23,543,253	\$ 13,029,984	\$ 1,598,363	\$ 2,947,174

General Revenues:
Property Taxes
Retail Sales & Use Taxes
Business and Occupation Taxes
Excise Taxes
Unrestricted Interest & Investment Earnings
Gain on disposal of capital assets
Total General Revenues
Change in Net Position
Net Position Beginning of Year-Restated
Prior Period Adjustments
Net Position End of Year

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

STATEMENT OF ACTIVITIES (continued)
FOR THE YEAR ENDED DECEMBER 31, 2019

Page 2 of 2

Net (Expenses) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (2,185,040)	\$ -	\$ (2,185,040)
(346,791)	-	(346,791)
(3,682,043)	-	(3,682,043)
(95,289)	-	(95,289)
(1,373,482)	-	(1,373,482)
(338,135)	-	(338,135)
(42,528)	-	(42,528)
(292,436)	-	(292,436)
(437,737)	-	(437,737)
(8,793,481)	-	(8,793,481)
-	888,002	888,002
-	1,124,874	1,124,874
-	322,921	322,921
-	489,952	489,952
-	2,825,749	2,825,749
\$ (8,793,481)	\$ 2,825,749	\$ (5,967,732)
2,568,117	-	2,568,117
4,628,686	-	4,628,686
1,788,092	-	1,788,092
1,022,463	-	1,022,463
482,508	361,686	844,194
5,624	5	5,629
10,495,490	361,691	10,857,182
1,702,009	3,187,440	4,889,450
77,357,656	78,990,924	156,348,579
1,464,610	80,005	1,544,615
\$ 80,524,275	\$ 82,258,369	\$ 162,782,644

**BALANCE SHEET-GOVERNMENTAL FUNDS
DECEMBER 31, 2019**

	General Fund	City Street Fund	Street Reserve Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets					
Cash and Cash Equivalents	\$ 50,312	\$ 120,969	\$ 74,059	\$ 485,541	\$ 730,881
Investments	4,645,854	75,789	733,730	5,652,277	11,107,650
Receivables:					
Taxes	1,146,882	17,927	-	88,333	1,253,142
Accounts	118,861	-	-	1,909	120,770
Special Assessments	-	-	-	23,995	23,995
Other Receivables	-	-	-	-	-
Due from Other Governments	11,941	62,912	148,673	40,153	263,680
Inventories	8,146	-	-	-	8,146
Investments-Restricted	19,287	-	-	2,305	21,592
Total Assets	6,001,283	277,597	956,463	6,294,514	13,529,856
Deferred Outflows of Resources					
	-	-	-	-	-
Total Assets and Deferred Outflows of Resources	6,001,283	277,597	956,463	6,294,514	13,529,856
Liabilities					
Accounts Payable	225,911	111,568	109,450	39,909	486,839
Payroll Payable	466,435	13,386	7,889	80	487,790
Due to Other Governments	-	-	-	-	-
Unearned Revenues	97,266	-	-	12,889	110,156
Custodial Accounts	315,091	-	-	-	315,091
Total Liabilities	1,104,703	124,955	117,338	52,879	1,399,875
Deferred Inflows of Resources					
Unavailable Revenue - Property Taxes	36,033	-	-	-	36,033
Total Deferred Inflows of Resources	36,033	-	-	-	36,033
Fund Balances					
Nonspendable Fund Balance	8,782	-	-	91,016	99,798
Restricted Fund Balance	60,505	-	-	4,397,539	4,458,044
Assigned Fund Balance	3,770,848	152,642	839,124	1,753,080	6,515,694
Unassigned Fund Balance	1,020,412	-	-	-	1,020,412
Total Fund Balances	4,860,547	152,642	839,124	6,241,635	12,093,948
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 6,001,283	\$ 277,597	\$ 956,463	\$ 6,294,514	\$ 13,529,856

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, 2019**

Total Governmental Fund Balances:		\$ 12,093,948
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		78,975,881
These assets consist of:		
Land	\$ 33,564,732	
Buildings and structures	14,902,803	
Improvements	49,403,061	
Machinery and Equipment	3,839,831	
Construction in Progress	3,365,840	
Intangibles	744,917	
Less: Accumulated Depreciation	(26,845,304)	
Other Assets that are not available to pay for current-period expenditures and therefore are not reported in governmental funds.		2,837,529
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	25,505	
Long-term Liabilities	13,357,578	(13,383,083)
		\$ 80,524,275
Net Position of governmental activities		\$ 80,524,275

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, 2019

	General Fund	City Street Fund	City Street Reserve Fund	Non-Major Governmental Funds	Total
Revenues					
Taxes	\$ 8,945,158	\$ -	\$ -	\$ 1,066,945	\$ 10,012,103
Licenses and Permits	645,665	18,195	-	-	663,860
Intergovernmental	716,684	737,593	1,120,135	155,710	2,730,122
Charges for Services	1,290,333	-	-	206,026	1,496,359
Fines and Forfeitures	77,466	-	-	317	77,783
Interest and Other Earnings	359,140	2,271	20,131	107,824	489,366
Miscellaneous	134,293	3,242	-	112,730	250,265
Total Revenues	12,168,739	761,301	1,140,266	1,649,552	15,719,858
Expenditures					
General Government	3,017,865	-	-	-	3,017,865
Security of Persons & Property	3,908,518	-	-	27,373	3,935,891
Utilities & Environment	146,715	-	-	-	146,715
Transportation	503,149	1,540,912	-	-	2,044,061
Economic Environment	1,020,496	-	-	146,346	1,166,843
Mental & Physical Health	472,604	-	-	-	472,604
Culture & Recreation	1,304,917	-	-	85,263	1,390,180
Debt Service:					
Principal	-	-	-	973,053	973,053
Interest & Other Charges	-	-	-	325,818	325,818
Capital Outlay	-	-	2,212,961	370,065	2,583,026
Total Expenditures	10,374,265	1,540,912	2,212,961	1,927,917	16,056,055
Excess of Revenues Over (Under) Expenditures	1,794,474	(779,611)	(1,072,695)	(278,365)	(336,198)
Other Financing Sources (Uses)					
Transfers In	-	709,000	655,000	1,556,022	2,920,022
Transfers Out	(1,897,192)	-	-	(1,022,830)	(2,920,022)
Issuance of Long-Term Debt	-	-	-	-	-
Premium on Bonds Sold	-	-	-	-	-
Sale of Capital Assets	5,624	-	-	-	5,624
Insurance Recoveries	-	-	-	-	-
Total Other Financing Sources and Uses	(1,891,568)	709,000	655,000	533,192	5,624
Net Change in Fund Balances	(97,094)	(70,611)	(417,695)	254,827	(330,574)
Fund Balances Beginning of Year	4,957,641	223,253	1,256,820	5,988,408	12,426,122
Prior Year Adjustment	-	-	-	(1,600)	(1,600)
Fund Balances End of Year	\$ 4,860,547	\$ 152,642	\$ 839,124	\$ 6,241,635	\$ 12,093,948

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, 2019**

Net change in Fund balance--total governmental funds	\$	(330,574)
--	----	-----------

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		2,583,026
This is the amount of depreciation		(2,264,086)
This is the amount of Gain (Loss) on Capital Assets		-

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the government funds.		53,485
---	--	--------

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.		437,121
--	--	---------

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		973,053
--------------------	--	---------

Some expenses reported in the statement of activities do not require the use of the governmental funds.		249,984
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Change in net position of governmental activities	\$	<u><u>1,702,009</u></u>
---	----	-------------------------

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

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (negative)
Revenues				
Taxes	\$ 8,411,922	\$ 8,511,922	\$ 8,945,158	\$ 433,236
Licenses and Permits	844,280	744,280	645,665	(98,615)
Intergovernmental	602,955	1,013,563	716,684	(296,879)
Charges for Services	1,185,105	1,145,105	1,290,333	145,228
Fines and Forfeitures	77,000	77,000	77,466	466
Interest and Other Earnings	133,500	188,500	359,140	170,640
Miscellaneous	85,021	80,521	134,293	53,772
Total Revenues	11,339,783	11,760,891	12,168,739	407,848
Expenditures				
Current:				
General Government	3,105,175	3,234,175	3,017,865	216,310
Security of Persons & Property	3,951,457	3,975,557	3,908,518	67,039
Utilities & Environment	164,785	164,785	146,715	18,070
Transportation	217,736	225,492	503,149	(277,657)
Economic Environment	1,043,041	1,348,791	1,020,496	328,295
Mental & Physical Health	451,782	510,340	472,604	37,736
Culture & Recreation	1,265,704	1,270,396	1,304,917	(34,521)
Total Expenditures	10,199,680	10,729,536	10,374,265	355,271
Excess of Revenues Over (Under) Expenditures	1,140,103	1,031,355	1,794,474	763,119
Other Financing Sources (Uses)				
Transfers In	-	-	-	-
Transfers Out	(1,897,192)	(1,897,192)	(1,897,192)	-
Sale of Capital Assets	-	4,500	5,624	1,124
Comp for Impairment of Capital Assets	-	-	-	-
Total Other Financing Sources (Uses)	(1,897,192)	(1,892,692)	(1,891,568)	1,124
Net Change in Fund Balance	(757,089)	(861,337)	(97,094)	764,243
Fund Balance Beginning of Year	4,370,330	4,950,108	4,957,641	7,533
Fund Balance End of Year	\$ 3,613,241	\$ 4,088,771	\$ 4,860,547	\$ 771,776

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, 2019**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (negative)
Revenues				
License and Permits	\$ 22,000	\$ 22,000	\$ 18,195	\$ (3,805)
Gifts and Pledges	-	7,000	2,800	(4,200)
Intergovernmental	1,238,661	788,661	737,593	(51,068)
Interest and Other Earnings	1,000	1,000	2,271	1,271
Miscellaneous	-	-	442	442
Total Revenues	1,261,661	818,661	761,301	(57,360)
Expenditures				
Transportation:				
Street Maintenance	1,947,051	1,620,726	1,540,912	79,814
Total Expenditures	1,947,051	1,620,726	1,540,912	79,814
Excess of Revenues Over (Under) Expenditures	(685,390)	(802,065)	(779,611)	22,454
Other Financing Sources (Uses)				
Transfers In	665,000	709,000	709,000	-
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	665,000	709,000	709,000	-
Net Change in Fund Balance	(20,390)	(93,065)	(70,611)	22,454
Fund Balance Beginning of Year	178,097	223,253	223,253	-
Fund Balance End of Year	\$ 157,707	\$ 130,188	\$ 152,642	\$ 22,454

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 RESERVE FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (negative)
Revenues				
License and Permits	\$ -	\$ -	\$ -	\$ -
Gifts and Pledges	-	-	-	-
Intergovernmental	1,910,000	3,327,998	1,120,135	(2,207,863)
Interest and Other Earnings	4,000	4,000	20,131	16,131
Miscellaneous	-	-	-	-
Total Revenues	1,914,000	3,331,998	1,140,266	(2,191,732)
Expenditures				
Transportation:				
Street Maintenance	2,410,000	6,278,807	2,212,961	4,065,846
Total Expenditures	2,410,000	6,278,807	2,212,961	4,065,846
Excess of Revenues Over (Under) Expenditures	(496,000)	(2,946,809)	(1,072,695)	1,874,114
Other Financing Sources (Uses)				
Transfers In	555,000	2,136,000	655,000	1,481,000
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	555,000	2,136,000	655,000	1,481,000
Net Change in Fund Balance	59,000	(810,809)	(417,695)	393,114
Fund Balance Beginning of Year	325,666	1,256,820	1,256,820	-
Fund Balance End of Year	\$ 384,666	\$ 446,011	\$ 839,124	\$ 393,113

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

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2019**

	Business-type Activities Enterprise Funds				
	Water	Sewer	Solid Waste	Storm Drain	Total
Assets					
Current Assets:					
Cash and Cash Equivalents	\$ 373,110	\$ 45,325	\$ 227,076	\$ 262,335	\$ 907,846
Investments	4,847,797	9,371,275	1,443,092	2,476,569	18,138,732
Accounts Receivable	149,819	378,910	242,973	156,435	928,137
Due from Other Governments	-	-	-	12,540	12,540
Inventories	36,790	5,055	-	-	41,845
Prepaid	500	500	250	250	1,500
Total Current Assets	5,408,016	9,801,065	1,913,390	2,908,129	20,030,601
Noncurrent Assets:					
Restricted cash, cash equivalents, and invests.:					
Revenue bond covenant investment	-	-	-	-	-
Capital Assets Not Being Depreciated:					
Land & Right of Ways	486,108	509,580	191,213	2,932,060	4,118,960
Construction in Progress	114,934	48,113	-	320,448	483,495
Capital Assets:					
Buildings and Structures	508,089	251,322	875,291	1,315,992	2,950,694
Intangibles	113,501	16,389,341	5,898	234,806	16,743,545
Other Improvements	22,514,079	29,323,113	12,403	15,453,620	67,303,215
Machinery and Equipment	1,317,856	1,773,675	1,452,387	403,303	4,947,221
Less: Accumulated Depreciation	(7,434,505)	(12,633,574)	(837,701)	(5,029,282)	(25,935,062)
Total Noncurrent Assets	17,620,062	35,661,570	1,699,490	15,630,947	70,612,068
Total Assets	23,028,078	45,462,635	3,612,880	18,539,076	90,642,669
Deferred Outflows of Resources					
Deferred Amount of Refunding					
Pension	48,508	32,932	37,602	52,380	171,421
Total Deferred Outflows of Resources	48,508	32,932	37,602	52,380	171,421
Liabilities					
Current Liabilities					
Accounts payable	50,453	138,241	111,802	52,270	352,766
Accrued interest payable	-	23,117	-	-	23,117
Rev. bonds payable	-	263,778	-	-	263,778
Unearned Revenue	1,681	184	221	180	2,265
Custodial	3,600	-	-	-	3,600
Compensated Absences	4,611	4,334	4,577	6,145	19,667
Total Current Liabilities	60,345	429,653	116,600	58,595	665,193
Noncurrent Liabilities:					
Rev. bonds payable	-	6,927,996	-	-	6,927,996
Compensated absences	41,498	39,006	41,190	55,309	177,003
Pension and OPEB Obligation	139,866	96,395	109,959	153,359	499,579
Total Noncurrent Liabilities	181,365	7,063,397	151,149	208,668	7,604,579
Total Liabilities	241,710	7,493,050	267,750	267,263	8,269,772
Deferred Inflows of Resources					
Pension					
	80,065	55,136	62,979	87,770	285,950
Total Deferred Inflows of Resources	80,065	55,136	62,979	87,770	285,950
Net Position					
Net Investment in capital assets	17,620,062	28,469,796	1,699,490	15,630,947	63,420,295
Restricted for debt service	-	-	-	-	-
Unrestricted	5,134,750	9,477,586	1,620,263	2,605,476	18,838,075
Total Net Position	\$ 22,754,812	\$ 37,947,381	\$ 3,319,753	\$ 18,236,423	\$ 82,258,369

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, 2019**

	Business-type Activities Enterprise Funds				
	Water	Sewer	Solid Waste	Storm Drain	Total
Operating Revenues:					
Charges for Services	\$ 1,962,722	\$ 4,195,324	\$ 2,633,559	\$ 1,793,627	\$ 10,585,231
Other Operating Revenues	3,060	2,232	-	-	5,292
Total Operating Revenues	1,965,782	4,197,556	2,633,559	1,793,627	10,590,523
Operating Expenses:					
Depreciation	602,494	1,221,874	123,941	489,027	2,437,336
Salaries and Wages	439,290	400,548	563,753	494,320	1,897,910
Personnel Benefits	210,776	185,098	233,526	226,415	855,814
Supplies	63,107	23,102	74,000	12,156	172,365
Services	476,091	597,400	935,911	260,314	2,269,716
Intergovernmental Services and Payments	-	688,573	410,448	36,837	1,135,858
Total Operating Expenses	1,791,758	3,116,596	2,341,577	1,519,068	8,768,998
Operating Income (Loss)	174,025	1,080,960	291,981	274,559	1,821,525
Nonoperating Revenues (Expenses):					
Interest and Other Earnings	215,890	232,647	59,507	62,173	570,218
Interest Expense	-	(257,172)	-	-	(257,172)
Gain/Loss from Sale of Capital Assets	-	5	-	-	5
Total Nonoperating Revenue (Expenses)	215,890	(24,520)	59,507	62,173	313,050
Income (loss) Before Contributions	389,914	1,056,440	351,489	336,733	2,134,575
Capital Contributions	596,974	256,706	-	199,185	1,052,865
Change in Net Position	986,888	1,313,146	351,489	535,918	3,187,440
Total Net Position Beginning of Year	21,767,924	36,634,235	2,888,259	17,700,505	78,990,924
Prior Period Adjustment	-	-	80,005	-	80,005
Total Net Position End of Year	\$ 22,754,812	\$ 37,947,381	\$ 3,319,753	\$ 18,236,423	\$ 82,258,369

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, 2019**

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	\$ 2,074,792	\$ 4,209,457	\$ 2,648,708	\$ 1,807,030	\$ 10,739,986
Payments for interfund services provided	566	(687,133)	(71,186)	(36,950)	(794,702)
Payments to suppliers	(536,555)	(598,247)	(1,346,447)	(260,035)	(2,741,284)
Payments to employees	(793,660)	(672,614)	(839,770)	(844,377)	(3,150,421)
Net cash provided (used) by operating activities	745,144	2,251,463	391,305	665,667	4,053,579
Cash Flows From Noncapital Financing Activities					
State and Federal Grants	-	-	-	-	-
Proceeds from Insurance Claims	1,700	-	-	-	1,700
Net cash provided (used) by noncapital and related financing activities	1,700	-	-	-	1,700
Cash Flows from Capital and Related Financing Activities					
State and Federal Grants	-	-	-	114,440	114,440
Proceeds from Capital Debt	-	-	-	-	-
Capital contributions	138,620	225,145	-	82,047	445,812
Purchase of capital assets	(26,972)	(20,389)	(173,583)	(91,490)	(312,433)
Acquisition and construction of capital assets	(228,810)	(834,893)	(1,315)	(169,006)	(1,234,023)
Principal paid on capital debt	-	(225,000)	-	-	(225,000)
Interest paid on capital debt	-	(286,700)	-	-	(286,700)
Proceeds from Disposition of capital assets	-	5	-	-	5
Net cash provided (used) by capital and related financing activities	(117,161)	(1,141,833)	(174,898)	(64,008)	(1,497,899)
Cash Flows from Investing Activities					
Proceeds from sales and maturities of investments	2,725,751	4,354,363	402,804	607,547	8,090,466
Purchase of investment	(3,100,390)	(5,625,283)	(441,031)	(1,016,715)	(10,183,419)
Interest and dividends received	98,886	188,267	28,568	45,965	361,686
Net cash used by investing activities	(275,754)	(1,082,652)	(9,659)	(363,203)	(1,731,267)
Net increase in cash and cash equivalents	353,930	26,978	206,749	238,456	826,113
Cash and cash equivalents Beginning of Year	19,181	18,347	20,327	23,878	81,733
Cash and cash equivalents End of Year	\$ 373,110	\$ 45,325	\$ 227,076	\$ 262,335	\$ 907,846

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, 2019

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)	\$ 174,025	\$ 1,080,960	\$ 291,981	\$ 274,559	\$ 1,821,525
Adjustments to reconcile operating income to net cash provided (used) by operating activities					
Depreciation	602,494	1,221,874	123,941	489,027	2,437,336
(Increase) decrease in accounts receivable	(2,503)	(13,458)	(15,790)	(2,805)	(34,556)
(Increase) decrease in inventories	3,140	(40)	-	-	3,099
Increase (decrease) in accounts payable	3,175	23,116	4,368	16,563	47,223
Increase (decrease) in Custodial Funds	(3,791)	(19,022)	-	-	(22,813)
Increase (decrease) in Pension Funds	(46,122)	(26,494)	(34,996)	(41,712)	(149,324)
Increase (decrease) in compensated absences	(100,579)	(59,853)	(9,138)	(86,173)	(255,743)
Increase (decrease) in Interest and Other Earnings	115,304	44,380	30,939	16,208	206,831
Total Adjustments	571,119	1,170,503	99,323	391,108	2,232,054
Net Cash Provided By Operating Activities	\$ 745,144	\$ 2,251,463	\$ 391,305	\$ 665,667	\$ 4,053,579
-					
Noncash investing, financing and capital activities					
Investment Earnings Unrealized	\$ 31,528	\$ 68,275	\$ 8,656	\$ 10,920	\$ 119,379
Capital Contributions by Developers	458,353	31,562		2,698	492,613

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

**STATEMENT OF FIDUCIARY NET POSITION
CUSTODIAL FUND
DECEMBER 31, 2019**

Custodial Fund	
Assets	
Cash and Cash Equivalents	\$ 7,497
Investments	-
Accounts Receivable	-
Total Assets	7,497
Liabilities	
Accounts Payable	-
Custodial Funds	-
Total Liabilities	-
Net Position	
Restricted For:	
Individuals, Organizations & Other Governments	7,497
Total Net Position	\$ 7,497

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

**STATEMENT OF CHANGES FIDUCIARY NET POSITION
CUSTODIAL FUND
DECEMBER 31, 2019**

	Custodial Fund
ADDITIONS:	
Collections of Funds for other governments:	
Bail Funds and Restitution	26,316
Seized Property	1,885
TOTAL ADDITIONS:	28,201
DEDUCTIONS:	
Distribution of Funds to Other Governments:	
Bail Funds and Restitution	88,405
Seized Property	2,327
TOTAL DEDUCTIONS:	90,732
Net Increase (Decrease) in Fiduciary Net Position	(62,531)
Change in Accounting Practice	(167,732)
Net Position - Beginning	237,759
Net Position - Ending	7,497

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 Street Reserve Fund*, under the administration of the Engineering Department, provides for the planning, design and construction improvements associated with the City's transportation system. This includes construction of roads, traffic control devices, curbs, gutters, and sidewalks as well as roadway drainage improvements and pavement restoration. The majority of revenue sources are from state, federal and local transportation grants. Additional funding may come from operating transfers from the general government funds.

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 is 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.

Custodial funds account for assets held by the City as an agent for private individuals or other governments. Custodial funds are fiduciary in nature and are prepared using the economic resources measurement focus and full accrual basis of accounting. The resources in custodial funds, upon receipt, are normally expected

to be held for three months or less. These funds are excluded from the government-wide financial statements.

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 \$5,156. 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, 2019, the City was holding \$1,638,727 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 2019.

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 as of December 31, 2019 were as follows:

	Transfers Out:				
	General Fund	City Street Fund	Street Reserve Fund	Non-Major Gov'l	Total
Transfers In:					
General Fund	-		-	-	-
City Street Fund	709,000				709,000
City Street Reserve Fund	205,000			450,000	655,000
Non-Major Gov'l Funds	983,192			572,830	1,556,022
Total Transfers	\$ 1,897,192	\$ -	\$ -	\$ 1,022,830	\$ 2,920,022

Amounts Due to and from Other Governmental Units

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

Inventories

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

in valuing and recording inventory items that are used:

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

Restricted Assets

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

Note Receivable

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

Capital Assets

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

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

The cost for normal maintenance and repairs are not capitalized.

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

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

	Estimated Useful Life in Years
Bridges	100
Roads and Street Lighting	30-40
Sidewalks	10-40
Water, Sewer & Storm Drain Mains	40
Hydrants & Wells	50
Buildings	10-50
Playfields and Other Recreational Facilities	20
Other Improvements	5-25
Vehicles, Boats, Construction Equipment	5-10
Machinery/Shop Equipment	5-40
Office/Communication Equipment	5-20
Furniture	10
Intangibles	5-10
Law Enforcement Equipment	5
Computer Software/Hardware	4-5

Compensated Absences

It is the City's policy to permit employees to accumulate earned, but unused, vacation leave up to a maximum of 240 hours. Vacation pay is payable to the maximum upon resignation, retirement, or the death of an employee. Compensatory time may be accrued up to a maximum of 80 hours for uniformed officers and up to 40 hours for all other employees.

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:

	<u>Nonspendable Purposes</u>	<u>Restricted Purposes</u>	<u>Assigned Purposes</u>	<u>Unassigned Purposes</u>	<u>Totals</u>
<u>General Fund</u>					
General Government	\$ 8,782	\$ -	\$ -	\$ 1,020,412	\$ 1,029,193
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	1,020,412	4,860,547
<u>City Street Fund</u>					
Transportation Maintenance & Operation			152,642		152,642
Subtotals, City Street Fund	-	-	152,642	-	152,642
<u>Street Reserve Fund</u>					
Transportation Maintenance & Operation			839,124		839,124
Subtotals, City Street Fund	-	-	839,124	-	839,124
<u>Other Governmental Funds</u>					
Transportation Improvements		1,679,170			1,679,170
Parks Improvements		220,394	295,379		515,773
Cemetery Improvements			31,229		31,229
Capital Equipment			399,015		399,015
Capital Improvements		2,137,547	1,010,453		3,148,000
Affordable Housing		35			35
Drug Enforcement		60,244			60,244
Criminal Justice		126,316	17,004		143,320
Promote Downtown Businesses		53,546			53,546
Promoting Tourism		98,416			98,416
City Beautification	91,016	5,156			96,172
Debt Service		16,715			16,715
Subtotals, Other Governmental Funds	91,016	4,397,539	1,753,080	-	6,241,635
Totals	\$ 99,798	\$ 4,458,044	\$ 6,515,694	\$ 1,020,412	\$ 12,093,948

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 2019, 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 is 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, 2019, the carrying amount of the City's change funds, petty cash, and bank demand deposit accounts with financial institutions was the following:

Cash	
FDIC or PDPC insured bank deposits	\$ 1,839,464
In-transit items	(194,889)
Custodial funds	(7,497)
Petty Cash on hand	1,650
Total Cash	\$ 1,638,727

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's participation in the Local Government Investment Pool (LGIP) was authorized by Chapter 294, Washington Laws of 1986, and is managed and operated by the Washington State Treasurer. The Washington State Finance Committee is the administrator of the statute that created the pool and adopts rules. The Washington 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 GASB Statement 79 for external investment 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 Washington State Treasurer prepares a stand-alone LGIP financial report. A copy of the report is available from the Washington Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, online at www.tre.wa.gov.

As of December 31, 2019, the City held the following investments at amortized Cost:

Washington State Local Government Inv. Pool	\$ 5,819,343
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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, 2019:

Investments	Valuation Measurement Method	Fair Value 12/31/19	Maturities		Total
			Less Than One Year	One to Three Years	
US agency securities					
US Treasury Bills, Notes & Bonds	Level 1	\$ 9,796,514	\$ 4,003,172	\$ 5,793,342	\$ 9,796,514
Federal Farm Credit Bank	Level 1	3,791,951	1,759,985	2,031,966	3,791,951
Federal Home Loan Bank	Level 1	4,042,539	1,497,877	2,544,662	4,042,539
Federal Home Loan Mortgage Corp	Level 1	1,506,515	749,933	756,581	1,506,515
Federal National Mortgage Association	Level 1	4,291,826	1,499,255	2,792,571	4,291,826
Total Investments		\$ 23,429,345	\$ 9,510,222	\$ 13,919,122	\$ 23,429,345

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 superior 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. Below is a table outlining the City's portfolio distribution:

Investment Type	Fair Value	Maturity Duration	% of Portfolio
Investments			
US agency securities			
US Treasury Bills, Notes & Bonds	\$ 9,796,514	1.38	33%
Federal Farm Credit Bank	3,791,951	0.93	13%
Federal Home Loan Bank	4,042,539	1.49	14%
Federal Home Loan Mortgage Corp	1,506,515	0.57	5%
Federal National Mortgage Association	4,291,826	1.23	15%
Washington State Local Government Inv. Pool	5,819,343		20%
Total Investments	29,248,687	1.12	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 Implicit Price Deflator (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 2019, the City's levy for general governmental services was \$1.37 per \$1,000 on the assessed valuation of \$1,874,513,276 for a total of \$2,574,704.

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 Kitsap 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 year ended December 31, 2019 is summarized below:

General Government Activities:

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
Governmental-Type Activities				
Capital assets, not being depreciated:				
Land	\$ 9,525,183	\$ 866,621		\$ 10,391,804
Intangible - Right of Way/Easements	23,015,891	157,038	-	23,172,929
Construction Work in Progress	2,349,589	2,136,313	(1,120,062)	3,365,840
Total capital assets not being depreciated	34,890,663	3,159,972	(1,120,062)	36,930,573
Capital assets, being depreciated:				
Buildings	14,884,025	18,778		14,902,803
Other Improvements	3,324,509	99,402		3,423,911
Machinery and Equipment	3,721,713	118,118		3,839,831
Intangible	739,019	5,898	-	744,917
Infrastructure	45,241,109	738,041	-	45,979,150
Total capital assets being depreciated	67,910,376	980,237	-	68,890,612
Less accumulated depreciation for:				
Buildings	(2,976,327)	(344,742)		(3,321,069)
Other Improvements	(2,223,819)	(179,413)		(2,403,232)
Machinery and Equipment	(2,481,665)	(296,867)		(2,778,531)
Intangible	(647,662)	(38,912)	-	(686,575)
Infrastructure	(16,251,745)	(1,404,152)	-	(17,655,896)
Total accumulated depreciation	(24,581,218)	(2,264,086)	-	(26,845,304)
Total capital assets, being depreciated, net	43,329,158	(1,283,849)	-	42,045,309
Governmental activity capital assets, net	\$ 78,219,821	\$ 1,876,122	\$ (1,120,062)	\$ 78,975,881

- The City acquired \$866,600 in land for the Finn Hill, Morrow Manner, Fish Park and Noll Road projects. In addition, the City acquired \$157,000 in right of way purchases for the Noll Road project.
- \$2,136,300 was spent on construction work in progress for various capital projects including throughout the year. Improvements at Centennial Park, Austurbruin Park Playground, and Muriel Iverson Williams Waterfront Park in addition to the Forest Rock Street overlay project and stormwater capacity upgrades were completed in 2019. Improvements at Fish Park, the Liberty Bay Waterfront Trail, Lions Park, Morrow Manner, and Noll Road are still in progress.
- \$99,400 was expended on various improvements including upgraded security at the Police Department, Oyster Park dock repairs, new fencing at Lions Park and American Legion Memorial Plaza, and landscaping at Muriel Iverson Waterfront Park.
- \$118,100 was expended to acquire and repair equipment and machinery including a vehicle lift, backhoe, and street sweeper; playground equipment for Austurbruin Park; and telephone software for City Hall.
- \$738,000 of governmental infrastructure costs covered the full depth reclamation of Forest Rock Lane, repairing a retaining wall at Austurbruin Park, and sidewalk and road improvements at Muriel Iverson Williams Waterfront Park and surrounding the newly renovated Poulsbo McDonalds restaurant.

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

Governmental activities:	
General Government	368,731.18
Security of Persons and Property	135,382.27
Utilities and Environment	-
Transportation	\$ 1,525,632
Economic Environment	-
Culture and Recreation	234,341.16
Total depreciation expense - governmental activities	\$ 2,264,086

Business like activities:

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
Business-Type Activities				
Capital assets, not being depreciated:				
Land	\$ 3,560,906	\$ 58,590	\$ -	\$ 3,619,496
Intangible - Right of Way/Easements	361,163	138,302	-	499,465
Construction Work in Progress	1,411,404	1,258,611	(2,186,520)	483,495
Total capital assets not being depreciated	5,333,472	1,455,503	(2,186,520)	4,602,455
Capital assets, being depreciated:				
Buildings	3,025,694	-	(75,000)	2,950,694
Other Improvements	1,150,416	-	-	1,150,416
Machinery and Equipment	4,373,277	590,567	(16,623)	4,947,221
Intangible	16,669,955	73,590	-	16,743,545
Infrastructure	64,095,872	2,287,739	(230,812)	66,152,799
Total capital assets being depreciated	89,315,214	2,951,896	(322,435)	91,944,675
Less accumulated depreciation for:				
Buildings	(428,442)	(57,695)	75,000	(411,136)
Other Improvements	(516,103)	(152,585)	-	(668,689)
Machinery and Equipment	(1,849,816)	(322,196)	16,623	(2,155,389)
Intangible	(2,342,667)	(397,815)	-	(2,740,482)
Infrastructure	(18,452,323)	(1,507,044)	-	(19,959,367)
Total accumulated depreciation	(23,589,350)	(2,437,336)	91,623	(25,935,062)
Total capital assets, being depreciated, net	65,725,864	514,561	(230,812)	66,009,613
Business-type activity capital assets, net	\$ 71,059,337	\$ 1,970,064	\$ (2,417,332)	\$ 70,612,068

- The City expended \$590,600 on machinery and equipment including an upgrade to utility telemetry equipment, repairs to a backhoe and streetsweeper and the purchase of a transfer trailer and 50, yard drop boxes. Intangible costs covered an upgrade to asset tracking software.
- The value of \$138,300 in intangible right of way was acquired as contributed capital for the Arenal, McDonalds and Woodcreek developments.
- \$2,287,700 in infrastructure added this year included contributed capital for Morrow Manor, Arenal, McDonalds as well as assts from completed construction in progress projects.
- The City incurred \$1,258,600 in costs for construction in progress for the 11th Avenue/Raab Park sewer lining, SR 305 manhole rehabilitation, telemetry upgrade, and meter replacements.

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

Business-type activities:	Depreciation Expense
Water	\$ 602,494
Sewer	1,209,657
Sewer - Prior Period Adjustment	12,216
Solid Waste	123,941
Storm Drain	518,861
Storm - Prior Period Adjustment	(29,834)
Public Works Administration	
Total depreciation expense - business-type activities	\$ 2,437,336

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 2019:

Aggregate Pension Amounts - All Plans	
Pension liabilities	\$ (2,159,732)
Pension assets	\$ 1,358,009
Deferred outflows of resources	\$ 869,232
Deferred inflows of resources	\$ (1,718,296)
Pension expense/expenditures	\$ 358,550

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 2019 were as follows:

PERS Plan 1		
Actual Contribution Rates:	Employer	Employee*
January - June 2019		
PERS Plan 1	7.52%	6.00%
PERS Plan 1 UAAL	5.13%	
Administrative Fee	0.18%	
Total	12.83%	6.00%
June - December 2019		
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.76%	
Administrative Fee	0.18%	
Total	12.86%	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 2019 were as follows:

PERS Plan 2/3		
Actual Contribution Rates:	Employer 2/3	Employee 2*
January - June 2019:		
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%
July - December 2019		
PERS Plan 2/3	7.92%	7.90%
PERS Plan 1 UAAL	4.76%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	12.86%	7.90%

* For employees participating in JBM, the contribution rate was 18.53% to 19.75%

The City's actual PERS plan contributions were \$303,689 to PERS Plan 1 and \$471,748 to PERS Plan 2/3 for the year ended December 31, 2019.

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 2019 were as follows:

LEOFF Plan 2		
Actual Contribution Rates:	Employer	Employee
January - June 2019		
State and local governments	5.25%	8.75%
Administrative Fee	0.18%	
Total	5.43%	8.75%
July - December 2019		
State and local governments	5.15%	8.75%
Administrative Fee	0.18%	
Total	5.33%	8.75%
Ports and Universities	8.59%	
Administrative Fee	0.18%	
Total	8.77%	8.59%

The City of Poulsbo's actual contributions to the plan were \$ 104,711 for the year ended December 31, 2019.

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, 2019, the state contributed \$72,959,897 to LEOFF Plan 2. The amount recognized by the City as its proportionate share of this amount is \$69,017.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2019 with a valuation date of June 30, 2018. 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 2018 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2019. Plan liabilities were rolled forward from June 30, 2018, to June 30, 2019, 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 changes in methods and assumptions since the last valuation.

- OSA updated modeling to reflect providing benefit payments to the date of the initial retirement eligibility for terminated vested members who delay application for retirement benefits.
- OSA updated COLA programming to reflect legislation signed during the 2018 legislative session that provides PERS and TRS Plan 1 annuitants who are not receiving a basic minimum, alternate minimum, or temporary disability benefit with a one-time permanent 1/5% increase to their monthly retirement benefit, not to exceed a maximum of \$62.50 per month.

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, 2019, 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%	2.20%
Tangible Assets	7%	5.10%
Real Estate	18%	6.30%
Global Equity	32%	6.30%
Private Equity	23%	9.30%
	100%	

Sensitivity of NPL

The table below presents the City of Poulso's proportionate share of the net pension liability calculated using the discount rate of 7.4 percent, as well as what the City of Poulso'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	2,039,555	1,628,623	1,272,086
PERS 2/3	4,073,397	531,109	(2,375,572)
LEOFF 1	(27,602)	(33,741)	(39,041)
LEOFF 2	(246,237)	(1,324,268)	(2,204,188)

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, 2019, the City of Poulso reported a total pension liability of \$2,159,732 and total pension asset of \$1,358,009 for its proportionate share of the net pension liabilities as follows:

	Liability or Asset
PERS 1	\$ 1,628,623
PERS 2/3	531,109
LEOFF 1	(33,741)
LEOFF 2	(1,324,268)

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 Poulso. 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	(33,741)	(1,324,268)
State's proportionate share of the net pension asset associated with the employer	(228,222)	(867,218)
TOTAL	(261,962)	(2,191,486)

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

	Proportionate Share 6/30/18	Proportionate Share 6/30/19	Change in Proportion
PERS 1	0.040400%	0.042353%	0.001953%
PERS 2/3	0.051875%	0.054678%	0.002803%
LEOFF 1	0.002911%	0.001707%	-0.001204%
LEOFF 2	0.056707%	0.057162%	0.000455%

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 2019. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2019, 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 2019, the state of Washington contributed 39.57 percent of LEOFF 2 employer contributions pursuant to RCW 41.26.725 and all other employers contributed the remaining 60.43 percent of employer contributions.

The collective net pension liability (asset) was measured as of June 30, 2019, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2018, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2019, the City of Poulsbo recognized pension expense as follows:

	Pension Expense
PERS 1	\$ 165,567
PERS 2/3	155,875
LEOFF 1	18,316
LEOFF 2	18,792
TOTAL	\$ 358,550

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2019, 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	-	(108,806)
Contributions subsequent to the measurement date	149,849	-
TOTAL	\$ 149,849	\$ (108,806)

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 152,164	\$ (114,186)
Net difference between projected and actual investment earnings on pension plan investments	-	(773,079)
Changes of assumptions	13,600	(222,836)
Changes in proportion and differences between contributions and proportionate share of contributions	157,819	(14,218)
Contributions subsequent to the measurement date	246,863	-
TOTAL	\$ 570,445	\$ (1,124,318)

LEOFF 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings on pension plan investments	-	(3,498)
TOTAL	\$ -	\$ (3,498)

LEOFF 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 95,293	\$ (23,814)
Net difference between projected and actual investment earnings on pension plan investments	-	(271,516)
Changes of assumptions	2,182	(149,023)
Changes in proportion and differences between contributions and proportionate share of contributions	1,547	(37,322)
Contributions subsequent to the measurement date	49,916	-
TOTAL	\$ 148,938	\$ (481,675)

All Plans	Deferred Outflows	Deferred Inflows of
Differences between expected and actual experience	\$ 247,457	\$ (137,999)
Net difference between projected and actual investment earnings on pension plan investments	-	(1,156,899)
Changes of assumptions	15,782	(371,858)
Changes in proportion and differences between contributions and proportionate share of contributions	159,366	(51,540)
Contributions subsequent to the measurement date	446,628	-
TOTAL	\$ 869,232	\$ (1,718,296)

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, 2020. 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
2020	(24,019)
2021	(56,895)
2022	(20,304)
2023	(7,588)
2024	-
Thereafter	-
TOTAL	(108,806)

Year ended December 31	PERS 2/3
2020	(209,756)
2021	(372,652)
2022	(151,844)
2023	(70,055)
2024	(17,269)
Thereafter	20,840
TOTAL	(800,735)

Year ended December 31	LEOFF 1
2020	(812)
2021	(1,791)
2022	(650)
2023	(245)
2024	-
Thereafter	-
TOTAL	(3,498)

Year ended December 31	LEOFF 2
2020	(76,466)
2021	(140,346)
2022	(66,015)
2023	(37,221)
2024	(15,465)
Thereafter	(47,141)
TOTAL	(382,653)

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 163 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, errors or omissions, stop gap, employment practices and employee benefits liability. Limits are \$4 million per occurrence in the self-insured layer, and \$16 million in limits above the self-insured layer is provided by reinsurance. Total limits are \$20 million per occurrence subject to aggregates and sublimits. 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, reinsurance and other 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.

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, 2019, the governmental long-term debt of the City consisted of the following:

Issuance Date	Purpose	Original Issue	Interest Rates	Maturity Date	Debt Outstanding
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	1,350,000
2015	2015 GO Debt: Refunded 2005 GO Bond and callable portion of the 2009 GO Bond	7,320,000	2-4%	2033	5,925,000
2017	LOCAL Program GO Bonds: Issued to provide funds to purchase Fleet Vehicles	460,000	1.19%	2021	233,945
				Total	\$ 7,508,945

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

As of December 31, 2019, 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	6,645,000
				Total	\$ 6,645,000

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, 2019, 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	74,368
				Total	\$ 74,368

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
2020	709,119	289,819	998,939	235,000	277,400	512,400
2021	734,825	261,596	996,421	245,000	265,650	510,650
2022	635,000	234,950	869,950	255,000	253,400	508,400
2023	665,000	210,550	875,550	270,000	240,650	510,650
2024	685,000	185,000	870,000	280,000	232,550	512,550
2025-2029	2,400,000	586,575	2,986,575	1,565,000	986,550	2,551,550
2030-2035	1,680,000	158,000	1,838,000	2,380,000	687,350	3,067,350
2036-2038	-	-	-	1,415,000	114,600	1,529,600
Total	\$ 7,508,945	\$ 1,926,490	\$ 9,435,435	\$ 6,645,000	\$ 3,058,150	\$ 9,703,150

Year Ended Dec 31	Public Works Trust Fund Loans		
	Governmental Activities		
	Principal	Interest	Total
2020	74,368	2,231	76,599
	\$ 74,368	\$ 2,231	\$ 76,599

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, 2019, 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	\$ 8,407,630	\$ -	\$ 898,685	\$ 7,508,945	\$ 709,119
Less Unamortized Bond Discount	(13,861)	-	(5,527)	(8,333)	(694)
Plus Unamortized Bond Premium	674,775	-	53,764	621,010	53,138
Pension/OPEB Obligation	3,218,103	2,752,963	3,218,103	2,752,963	-
Compensated Absences	2,346,491	789,405	2,246,630	889,266	88,927
Due to Other Governmental Units	148,737	-	74,368	74,368	74,368
Total Governmental activity long-term liabilities	\$ 14,781,874	\$ 3,542,369	\$ 6,486,023	\$ 11,838,219	\$ 924,858
Business-type Activities					
Bonds payable:					
Revenue Bonds	\$ 6,870,000	\$ -	\$ 225,000	\$ 6,645,000	\$ 235,000
Less Unamortized Bond Discount	(27,608)	-	(1,380)	(26,228)	(1,380)
Plus Unamortized Bond Premium	603,160	-	30,158	573,002	30,158
Pension Obligation	657,592	499,579	657,592	499,579	-
Compensated Absences	532,418	167,499	503,247	196,670	19,667
Total Business-type activity long-term liabilities	\$ 8,635,561	\$ 667,078	\$ 1,414,616	\$ 7,888,023	\$ 283,445

NOTE 9: CONTINGENCIES AND LITIGATIONS**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, 2019, 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.

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.

CONTRACTUAL COMMITMENTS

As of December 31, 2019, the City had 10 significant contractual obligations with the following balances:

Project	Vendor	Amount
Liberty Bay Waterfront Trail	Parametrix	9,891.16
Fish Park Design	Fischer-Bouma	33,666.91
Stormwater Testing Services	Kitsap Public Health District	80,900.37
Liberty Bay Bioretention Design	Struck Environmental	1,780.00
Dogfish Creek Restoration Design	Struck Environmental	9,560.00
Noll/Johnson Pkwy Project (all elements)	Parametrix	167,341.20
Westside Well Pilot Test	Gray & Osborne	4,362.44
Austurbruin Playground	KCDA via AllPlay	1,593.10
Fish Park Trails	Struck Environmental	1,170.00
Westside Well Treatment Facility Design	Gray & Osborne	119,264.29
		\$ 429,529

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.

BEHAVIORAL HEALTH OUTREACH PROGRAM

The City has an agreement with Kitsap County to be the lead agency in coordinating a Behavioral Health Outreach Program throughout Kitsap County. The 2019 grant from the County was \$296,784 (originating from the 1/10 of 1% of retail sales tax restricted for the purpose of providing for the operation or delivery of chemical dependency or mental health treatment programs and services and for the operation or delivery of therapeutic court programs and services; RCW 82.14.460).

The City is tasked with being the lead agency in coordinating all available funding resources to fund the mental health and chemical dependency services of the agreement. The goal of the program is to prevent and reduce the impacts of disabling chemical dependency and mental illness by creating and investing in a data driven program for recovery and care.

The project embeds behavioral health specialists ("Navigator's") in police departments in Poulsbo, Bainbridge Island, Bremerton, Port Orchard, and the Kitsap County Sheriff's Office. The City established interlocal agreements with each of the named agencies to participate in cost sharing and program coordination. The project grant was renewed for fiscal years 2020 and 2021.

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 2019:

Aggregate OPEB Amounts - All Plans	
OPEB Liabilities	\$1,215,855
Deferred outflows of resources	10,240
OPEB expenses/expenditures	51,293

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, 2019, 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 \$20,717 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 \$1,215,855 was measured as of June 30, 2019 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, 2019 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 2018 LEOFF I Medical Benefits Actuarial Valuation Report published by the Washington State Actuary's Office:

Inflation :	3.60%
Discount Rate:	3.50%
Healthcare cost trend rates:	Initial medical costs rate is approximately 6% and trends down to about 5% in the 2020's. Long-term care is 4.5%. Medicare Part B premiums is approximately 5%.

A 3.6% 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 6 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 (5%) or 1-percentage point higher (7%) than the current rate.

	1% Decrease (5%)	Current healthcare Cost Trend Rate (6%)	1% Increase (7%)
Total OPEB Liability	\$1,064,449	\$1,215,855	\$1,396,098

Discount Rate

The following presents the total OPEB liability of the City of Poulsbo calculated using the current discount rate of 3.50 percent, as well as what the OPEB Liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.50%) or 1-percentage point higher (4.50%) than the current rate.

	1% Decrease (2.87%)	Current healthcare Cost Trend Rate (3.87%)	1% Increase (4.87%)
Total OPEB Liability	\$1,407,733	\$1,215,855	\$1,058,650

Change in the Total OPEB Liability			
	Balance at 6/30/2018		\$ 1,185,697
	Changes for the year:		
	Interest Cost		45,286
	changes in Experience Data and Assumptions		16,187
	Estimated Benefit Payments		(31,315)
	Net changes		30,158
	Balance at 6/30/2019		\$ 1,215,855

Changes in experience data and assumptions reflect a change in the discount rate from 3.87 percent in 2018 to 3.50 percent in 2019.

Deferred outflows of resources of \$10,240 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, 2020.

NOTE 12: PRIOR PERIOD ADJUSTMENTS

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

Fund #	Fund Description	Governmental Activities	Business-Type Activities	Governmental Fund Statements	Reason
314	Cemetery Reserve Fund	\$1,600.00		\$1,600.00	Correcting Entry: Revenue Adjustment: Four Cemetery Plots Refunded and Returned to the City
404	Sewer Utility Fund		(\$80,005.10)		Correcting Entry to Prior Year Compensated Absences Expense
900	General Long Term Debt Account Group	(\$1,466,209.96)		(\$1,466,209.96)	Correcting Entry to Prior Year Compensated Absences Expense
		(\$1,464,609.96)	(\$80,005.10)	(\$1,464,609.96)	

The adjustment to compensated absences was due to a calculation error in measuring the 2018 liability. The Water Fund, Solid Waste Fund, and Storm Fund were also impacted but were not material in nature and therefore reported in the expenditure lines in those funds.

NOTE 13: RECONCILIATION OF NET INVESTMENT IN CAPITAL ASSETS

<u>Governmental Activities:</u>		<u>Business-Type Activities:</u>	
Capital Assets, Net of Depreciation	\$ 78,975,881	Capital Assets, Net of Depreciation	\$ 70,612,068
General Obligation Bonds Payable	(7,508,945)	Revenue Bonds Payable	(6,645,000)
Unamortized premium on Bonds	(621,010)	Unamortized premium on Bonds	(573,002)
Unamortized discount on Bonds	8,333	Unamortized discount on Bonds	26,228
Deferred Outflows - Loss on Refunding	471,278		
Due to Other Governments	(74,368)		
Net Investment in Capital Assets	\$ 71,251,169	Net Investment in Capital Assets	\$ 63,420,295

NOTE 14: ACCOUNTING AND REPORTING CHANGES

In Fiscal Year 2019 the City implemented GASB Statement 84, Fiduciary Activities. GASB 84 establishes criteria to improve the identification of fiduciary activities for accounting and financial reporting purposes. The focus of the criteria is whether the government is controlling the assets of the fiduciary activity and the beneficiaries with whom a fiduciary relationship exists.

Activities meeting the criteria are reported in a fiduciary fund in the basic financial statements. Fiduciary activities include:

- A Pension Plan or Other Postemployment Benefit Plan (OPEB) that is administered through a trust (*The City did not have any pension or OPEB fiduciary activities that met the criteria in 2019*).
- External Investment Trust Funds (*The City did not have any Investment Trust Fund fiduciary activity that met the criteria in 2019*).
- Private Purpose Trust Funds (*The City did not have any Private Purpose Trust Fund fiduciary activity that met the criteria in 2019*).
- Custodial Funds (The City has presented a Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position to report custodial funds)

In order to adopt the changes of Statement 84, The City has restated the cumulative effect to net position as of December 31, 2019 using the economic resources measurement focus and full accrual basis of accounting. The effect of this change is (\$245,879).

NOTE 15: SUBSEQUENT EVENTS

The City experienced financial and operating impacts due to the COVID 19 outbreak that began in February of 2020 in Kitsap County. The full impact of the economic effects will not be known until after the second or third quarter of Fiscal Year 2020. The City is anticipating unprecedented negative financial impacts due to a surge in unemployment rates, decrease in consumer confidence, local business closures, decrease in demand for arts and leisure activities, decrease in construction activities, impacts in the ability to issue debt and lower investment returns. The City believes that its fund reserves are adequate to sustain budgetary impacts in Fiscal Year 2020.



REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
 LEOFF 1
 As of June 30, 2019

	<u>2018</u>	<u>2019</u>
Total OPEB liability - beginning	\$ 1,220,280	\$ 1,185,697
Service cost	-	-
Interest	43,106	45,286
Changes in Experience Data and Assumptions	(45,011)	16,187
Estimated Benefit Payments	(32,678)	(31,315)
Benefit payments	-	-
Other changes	-	-
Total OPEB liability - ending	<u>\$ 1,185,697</u>	<u>\$ 1,215,855</u>
Covered-employee payroll**	0	0
Total OPEB liability as a % of covered payroll	0.00%	0.00%

Notes to Schedule:

** No active employees

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

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, 2019
Last 5 years

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Employer's proportion of the net pension liability (asset)	0.037386%	0.038976%	0.038376%	0.040400%	0.042353%
Employer's proportionate share of the net pension liability	<u>\$ 1,955,635</u>	<u>\$ 2,093,195</u>	<u>\$ 1,820,971</u>	<u>\$ 1,804,278</u>	<u>\$ 1,628,623</u>
Total	<u>\$ 1,955,635</u>	<u>\$ 2,093,195</u>	<u>\$ 1,820,971</u>	<u>\$ 1,804,278</u>	<u>\$ 1,628,623</u>
Employer's covered payroll	\$ 4,285,003	\$ 4,671,276	\$ 4,839,503	\$ 5,379,587	\$ 5,943,262
Employer's proportionate share of the net pension liability as a percentage of covered payroll	45.64%	44.81%	37.63%	33.54%	27.40%
Plan fiduciary net position as a percentage of the total pension liability	59.10%	57.03%	61.24%	61.24%	67.12%

Notes to Schedule:

Until a full 10-year trend is compiled, only information for those years available is presented.
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, 2019
Last 5 years

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Employer's proportion of the net pension liability (asset)	0.048290%	0.049929%	0.049363%	0.051875%	0.054678%
Employer's proportionate share of the net pension liability	<u>\$ 1,725,429</u>	<u>\$ 2,513,886</u>	<u>\$ 1,715,128</u>	<u>\$ 885,719</u>	<u>\$ 531,109</u>
Total	<u>\$ 1,725,429</u>	<u>\$ 2,513,886</u>	<u>\$ 1,715,128</u>	<u>\$ 885,719</u>	<u>\$ 531,109</u>
Employer's covered payroll	\$ 4,285,003	\$ 4,671,276	\$ 4,839,503	\$ 5,379,587	\$ 5,943,262
Employer's proportionate share of the net pension liability as a percentage of covered payroll	40.27%	53.82%	35.44%	16.46%	8.94%
Plan fiduciary net position as a percentage of the total pension liability	89.20%	85.82%	90.97%	95.77%	97.77%

Notes to Schedule:

Until a full 10-year trend is compiled, only information for those years available is presented.
See notes to Required Supplementary Information

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LEOFF 1
As of June 30, 2019
Last 5 years

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Employer's proportion of the net pension liability (asset)	0.005085%	0.003743%	0.002999%	0.002911%	0.001707%
Employer's proportionate share of the net pension liability	\$ (61,282)	\$ (38,564)	\$ (45,501)	\$ (52,849)	\$ (33,741)
State's proportionate share of the net pension liability (asset) associated with the employer	<u>\$ (366,222)</u>	<u>\$ (260,843)</u>	<u>\$ (307,771)</u>	<u>\$ (357,471)</u>	<u>\$ (228,222)</u>
Total	<u>\$ (427,504)</u>	<u>\$ (299,407)</u>	<u>\$ (353,272)</u>	<u>\$ (410,320)</u>	<u>\$ (261,962)</u>
Employer's covered payroll	0	0	0	0	0
Employer's proportionate share of the net pension liability as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	127.36%	123.74%	135.96%	144.42%	148.78%

Notes to Schedule:

Until a full 10-year trend is compiled, only information for those years available is presented.
See notes to Required Supplementary Information

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LEOFF 2
As of June 30, 2019
Last 5 years

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Employer's proportion of the net pension liability (asset)	0.053889%	0.053380%	0.053352%	0.056707%	0.057162%
Employer's proportionate share of the net pension liability (asset)	\$ (553,871)	\$ (310,474)	\$ (740,353)	\$ (1,151,276)	\$ (1,324,268)
State's proportionate share of the net pension liability (asset) associated with the employer	<u>(366,222)</u>	<u>(202,407)</u>	<u>(480,253)</u>	<u>(745,429)</u>	<u>(867,218)</u>
Total	<u>\$ (920,093)</u>	<u>\$ (512,881)</u>	<u>\$ (1,220,606)</u>	<u>\$ (1,896,705)</u>	<u>\$ (2,191,486)</u>
Employer's covered payroll	\$ 1,564,053	\$ 1,617,108	\$ 1,668,942	\$ 1,858,381	\$ 1,988,602
Employer's proportionate share of the net pension liability as a percentage of covered payroll	35.41%	19.20%	44.36%	61.95%	66.59%
Plan fiduciary net position as a percentage of the total pension liability	111.67%	106.04%	113.36%	118.50%	119.43%

Notes to Schedule:

Until a full 10-year trend is compiled, only information for those years available is presented.
See notes to Required Supplementary Information

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
PERS 1
As of December 31, 2019
Last 5 years

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Statutorily or contractually required contributions	\$ 199,036	\$ 224,037	\$ 249,559	\$ 286,998	\$ 303,261
Contributions in relation to the statutorily or contractually required contributions	<u>(199,036)</u>	<u>(224,037)</u>	<u>(249,559)</u>	<u>(286,998)</u>	<u>(303,261)</u>
Contribution deficiency (excess)	<u>\$ -</u>				
Covered payroll	\$ 4,510,640	\$ 4,696,806	\$ 5,098,268	\$ 5,670,880	\$ 6,119,710
Contributions as a percentage of covered payroll	4.41%	4.77%	4.89%	5.06%	4.96%

Notes to Schedule:

Until a full 10-year trend is compiled, only information for those years available is presented.
See notes to Required Supplementary Information

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
PERS 2/3
As of December 31, 2019
Last 5 years

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Statutorily or contractually required contributions	\$ 255,711	\$ 292,611	\$ 348,499	\$ 425,275	\$ 471,748
Contributions in relation to the statutorily or contractually required contributions	<u>(255,711)</u>	<u>(292,611)</u>	<u>(348,499)</u>	<u>(425,275)</u>	<u>(471,748)</u>
Contribution deficiency (excess)	<u>\$ -</u>				
Covered payroll	\$ 4,510,640	\$ 4,696,806	\$ 5,098,268	\$ 5,670,880	\$ 6,119,710
Contributions as a percentage of covered payroll	5.67%	6.23%	6.84%	7.50%	7.71%

Notes to Schedule:

Until a full 10-year trend is compiled, only information for those years available is presented.
See notes to Required Supplementary Information

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
LEOFF 2
As of December 31, 2019
Last 5 years

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Statutorily or contractually required contributions	\$ 80,712	\$ 80,293	\$ 91,334	\$ 102,989	\$ 104,711
Contributions in relation to the statutorily or contractually required contributions	<u>(80,712)</u>	<u>(80,293)</u>	<u>(91,334)</u>	<u>(102,989)</u>	<u>(104,711)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 1,598,225	\$ 1,589,968	\$ 1,776,493	\$ 1,937,302	\$ 1,989,036
Contributions as a percentage of covered payroll	5.05%	5.05%	5.14%	5.32%	5.26%

Notes to Schedule:

Until a full 10-year trend is compiled, only information for those years available is presented.
See notes to Required Supplementary Information

**Notes to Required Supplementary Information – Pensions
December 31, 2019**

Note 1 – Information provided

There are no City employees participating in the PERS 1 or LEOFF 1 plans in 2019; 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 ¼ of 1% real estate excise tax authorized by State RCW 82.46. These revenues are dedicated for capital purposes defined in RCW 35.43.040, including public buildings and facilities.

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

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

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

The **Affordable Housing Fund** accounts for state shared sales and use tax assessed from prior year taxable retail sales within the city for the use of acquiring, rehabilitating, or constructing affordable or supportive housing, or may be used to provide rental assistance to tenants that are at or below 60% of the median income.

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 **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, 2019**

Page 1 of 4

	Special Revenue					
	Capital Improvements Fund	Transportation Development Fund	Park Development Fund	Affordable Housing Fund	Historic Downtown Poulsbo Association Fund	Paths and Trails Fund
Assets						
Cash and Cash Equivalents	\$ 232,135	\$ 4,200	\$ 2,159	\$ 1	\$ 12,914	\$ 1,355
Investments	1,840,339	1,674,969	198,444	-	33,167	18,345
Restricted Investments	-	-	-	-	-	-
Receivables:						
Taxes	65,074	-	-	35	-	90
Accounts	-	-	-	-	-	-
Special Assessments	-	-	-	-	23,995	-
Due from Other Governments	-	-	-	-	-	-
Cash and Investments-Restricted	-	-	-	-	-	-
Total Assets	2,137,547	1,679,170	200,603	35	70,076	19,791
Deferred Outflows of Resources	-	-	-	-	-	-
Liabilities						
Accounts Payable	-	-	-	-	3,641	-
Payroll	-	-	-	-	-	-
Unearned Revenue	-	-	-	-	12,889	-
Total Liabilities	-	-	-	-	16,530	-
Deferred Inflows of Resources	-	-	-	-	-	-
Fund Balances						
Nonspendable Fund Balance	-	-	-	-	-	-
Restricted Fund Balance	2,137,547	1,679,170	200,603	35	53,546	19,791
Assigned Fund Balance	-	-	-	-	-	-
Total Fund Balance	2,137,547	1,679,170	200,603	35	53,546	19,791
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 2,137,547	\$ 1,679,170	\$ 200,603	\$ 35	\$ 70,076	\$ 19,791

COMBINING BALANCE SHEET (continued)
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2019

Page 2 of 4

				Debt Service		
Drug Enforcement Fund	Transient Occupancy Fund	Police Restricted Fund	Total Non-Major Special Revenue Funds	Misc. Governmental Debt Fund	Non-Voted General Oblig Debt Fund	Total Non- Major Debt Service Funds
\$ 19,353	\$ 14,186	\$ 18,520	\$ 304,823	\$ 5	\$ 1,276	1,280
39,116	81,303	121,758	4,007,442	4,751	10,684	15,434
-	-	-	-	-	-	-
-	20,092	3,042	88,333	-	-	-
1,909	-	-	1,909	-	-	-
-	-	-	23,995	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
60,378	115,582	143,320	4,426,502	4,755	11,960	16,715
-	-	-	-	-	-	-
134	17,166	-	20,941	-	-	-
-	-	-	-	-	-	-
-	-	-	12,889	-	-	-
134	17,166	-	33,831	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
60,244	98,416	126,316	4,375,667	4,755	11,960	16,715
-	-	17,004	17,004	-	-	-
60,244	98,416	143,320	4,392,671	4,755	11,960	16,715
\$ 60,378	\$ 115,582	\$ 143,320	\$ 4,426,502	\$ 4,755	\$ 11,960	\$ 16,715

COMBINING BALANCE SHEET (continued)
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2019

Page 3 of 4

	Capital Project					
	Equipment Acquisition Fund	Park Reserve Fund	Cemetery Reserve Fund	Facilities Fund		Total Non-Major Capital Project Funds
Assets						
Cash and Cash Equivalents	\$ 14,172	\$ 63,084	\$ 6,424	\$ 1,891	\$	85,570
Investments	384,843	211,190	24,806	1,008,562		1,629,401
Restricted Investments	-	-	-	-		-
Receivables:						
Taxes	-	-	-	-		-
Accounts	-	-	-	-		-
Special Assessments	-	-	-	-		-
Due from Other Governments	-	40,153	-	-		40,153
Cash and Investments-Restricted	-	-	-	-		-
Total Assets	399,015	314,427	31,229	1,010,453		1,755,124
Deferred Outflows of Resources	-	-	-	-		-
Liabilities						
Accounts Payable	-	18,968	-	-		18,968
Payroll	-	80	-	-		80
Unearned Revenue	-	-	-	-		-
Total Liabilities	-	19,048	-	-		19,048
Deferred Inflows of Resources	-	-	-	-		-
Fund Balances						
Nonspendable Fund Balance	-	-	-	-		-
Restricted Fund Balance	-	-	-	-		-
Assigned Fund Balance	399,015	295,379	31,229	1,010,453		1,736,076
Total Fund Balance	399,015	295,379	31,229	1,010,453		1,736,076
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 399,015	\$ 314,427	\$ 31,229	\$ 1,010,453	\$	1,755,124

COMBINING BALANCE SHEET (continued)
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2019
 Page 4 of 4

Permanent			
Bernice Borgen Beautification Trust Fund		Total Non-Major Governmental Funds	
\$ 93,867	\$	485,541	
-		5,652,277	
2,305		2,305	
-		88,333	
-		1,909	
-		23,995	
-		40,153	
-		-	
96,172		6,294,514	
-		-	
-		39,909	
-		80	
-		12,889	
-		52,879	
-		-	
91,016		91,016	
5,156		4,397,539	
-		1,753,080	
96,172		6,241,635	
\$ 96,172	\$	6,294,514	

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Page 1 of 4

	Special Revenue				
	Capital Improvements Fund	Transportation Development Fund	Park Development Fund	Affordable Housing Fund	Historic Downtown Poulsbo Association Fund
Revenues					
Taxes	\$ 917,386	\$ -	\$ -	\$ 35	\$ -
Intergovernmental	-	-	-	-	-
Charges for Services	-	164,162	36,263	-	-
Fines and Forfeitures	-	-	-	-	-
Interest and Other Earnings	32,704	35,319	2,770	-	1,080
Miscellaneous	-	-	-	-	90,217
Total Revenues	950,090	199,482	39,033	35	91,298
Expenditures					
Current:					
Security of Persons & Property	-	-	-	-	-
Economic Environment	-	-	-	-	-
Culture and Recreation	-	-	-	-	85,263
Debt Service:					
Principal	-	-	-	-	-
Interest & Other Charges	-	-	-	-	-
Capital Outlay	-	-	-	-	-
Total Expenditures	-	-	-	-	85,263
Excess of Revenues over (under) Expenditures	950,090	199,482	39,033	35	6,035
Other Financing Sources (Uses)					
Transfers In	-	-	-	-	-
Transfers Out	(328,830)	(494,000)	(5,000)	-	-
Total Other Financing Sources and Uses	(328,830)	(494,000)	(5,000)	-	-
Net Change in Fund Balances	621,260	(294,518)	34,033	35	6,035
Fund Balances - Beginning of Year	1,516,287	1,973,688	166,570	-	47,511
Prior Year Adjustment	-	-	-	-	-
Fund Balances - Ending of Year	\$ 2,137,547	\$ 1,679,170	\$ 200,603	\$ 35	\$ 53,546

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (continued)
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Page 2 of 4

					Debt Service		
Paths and Trails Fund	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
\$ -	\$ -	\$ 149,524	\$ -	\$ 1,066,945	\$ -	\$ -	\$ -
1,065	-	-	28,579	29,645	-	-	-
-	-	-	-	200,426	-	-	-
-	-	-	317	317	-	-	-
291	678	1,494	2,050	76,387	205	971	1,176
-	19,278	-	1,206	110,702	-	-	-
1,357	19,956	151,018	32,153	1,484,421	205	971	1,176
-	6,710	-	20,663	27,373	-	-	-
-	-	146,346	-	146,346	-	-	-
-	-	-	-	85,263	-	-	-
-	-	-	-	-	74,368	898,685	973,053
-	-	-	-	-	4,462	321,356	325,818
-	-	-	-	-	-	-	-
-	6,710	146,346	20,663	258,982	78,830	1,220,041	1,298,871
1,357	13,246	4,672	11,490	1,225,440	(78,625)	(1,219,070)	(1,297,695)
-	-	-	-	-	78,830	1,219,242	1,298,072
-	-	-	-	(827,830)	-	-	-
-	-	-	-	(827,830)	78,830	1,219,242	1,298,072
1,357	13,246	4,672	11,490	397,610	205	172	377
18,434	46,998	93,744	131,830	3,995,062	4,550	11,788	16,338
-	-	-	-	-	-	-	-
\$ 19,791	\$ 60,244	\$ 98,416	\$ 143,320	\$ 4,392,671	\$ 4,755	\$ 11,960	16,715

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (continued)
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Page 3 of 4

	Capital Project			
	Equipment Acquisition Fund	Park Reserve Fund	Cemetery Reserve Fund	Facilities Fund
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	126,065	-	-
Charges for Services	-	-	5,600	-
Fines and Forfeitures	-	-	-	-
Interest and Other Earnings	6,894	4,389	394	17,349
Miscellaneous	-	629	1,400	-
Total Revenues	6,894	131,083	7,394	17,349
Expenditures				
Current:				
Security of Persons & Property	-	-	-	-
Economic Environment	-	-	-	-
Culture and Recreation	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest & Fiscal Charges	-	-	-	-
Capital Outlay	111,202	246,494	-	12,369
Total Expenditures	111,202	246,494	-	12,369
Excess of Revenues over (under) Expenditures	(104,308)	(115,411)	7,394	4,981
Other Financing Sources (Uses)				
Transfers In	117,950	115,000	-	25,000
Transfers Out	-	-	-	(195,000)
Total Other Financing Sources and Uses	117,950	115,000	-	(170,000)
Net Change in Fund Balances	13,642	(411)	7,394	(165,019)
Fund Balances - Beginning of Year	385,373	295,790	25,435	1,175,472
Prior Year Adjustment	-	-	(1,600)	-
Fund Balances - Ending of Year	\$ 399,015	\$ 295,379	\$ 31,229	\$ 1,010,453

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (continued)
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Page 4 of 4

Total Non-Major Capital Project Funds	Permanent	
	Bernice Borgen Beautification Trust Fund	Total Non-Major Governmental Funds
\$ -	\$ -	\$ 1,066,945
126,065	-	155,710
5,600	-	206,026
-	-	317
29,027	1,234	107,824
2,029	-	112,730
162,721	1,234	1,649,552
-	-	27,373
-	-	146,346
-	-	85,263
-	-	973,053
-	-	325,818
370,065	-	370,065
370,065	-	1,927,917
(207,344)	1,234	(278,365)
257,950	-	1,556,022
(195,000)	-	(1,022,830)
62,950	-	533,192
(144,394)	1,234	254,827
1,882,070	94,938	5,988,408
(1,600)	-	(1,600)
\$ 1,736,076	\$ 96,172	\$ 6,241,635

CAPITAL IMPROVEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2019

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Taxes:			
Excise Tax	\$ 500,000	\$ 917,386	\$ 417,386
Interest and Other Earnings	5,000	32,704	27,704
Total Revenues	505,000	950,090	445,090
Expenditures			
Miscellaneous	-	-	-
Total Expenditures	-	-	-
Excess of Revenues Over (Under) Expenditures	505,000	950,090	445,090
Other Financing Sources (Uses)			
Transfers Out	(328,830)	(328,830)	\$ -
Total Other Financing Sources (Uses)	(328,830)	(328,830)	\$ -
Net Change in Fund Balance	176,170	621,260	445,090
Fund Balance Beginning of Year	1,516,287	1,516,287	-
Fund Balance End of Year	\$ 1,692,457	\$ 2,137,547	\$ 445,090

TRANSPORTATION DEVELOPMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2019

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Growth Mgmt Act Impact	\$ 200,000	\$ 164,162	\$ (35,838)
SEPA Mitigation	-	-	-
Interest and Other Earnings	4,000	35,319	31,319
Total Revenues	204,000	199,482	(4,518)
Expenditures			
Miscellaneous	-	-	-
Total Expenditures	-	-	-
Excess of Revenues Over (Under) Expenditures	204,000	199,482	(4,518)
Other Financing Sources (Uses)			
Transfers In	-	-	-
Transfers Out	(1,975,000)	(494,000)	1,481,000
Total Other Financing Sources (Uses)	(1,975,000)	(494,000)	1,481,000
Net Change in Fund Balance	(1,771,000)	(294,518)	1,476,482
Fund Balance Beginning of Year	1,973,688	1,973,688	-
Fund Balance End of Year	\$ 202,688	\$ 1,679,170	\$ 1,476,482

PARK DEVELOPMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2019

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Growth Mgmt Act Impact	\$ 60,000	\$ 36,263	(23,737)
SEPA Mitigation	\$ -	-	-
Interest and Other Earnings	1,000	2,770	1,770
Total Revenues	61,000	39,033	(21,967)
Expenditures			
Miscellaneous	-	-	-
Total Expenditures	-	-	-
Excess of Revenues Over (Under) Expenditures	61,000	39,033	(21,967)
Other Financing Sources (Uses)			
Transfers In	-	-	-
Transfers Out	(5,000)	(5,000)	-
Total Other Financing Sources (Uses)	(5,000)	(5,000)	-
Net Change in Fund Balance	56,000	34,033	(21,967)
Fund Balance Beginning of Year	166,570	166,570	-
Fund Balance End of Year	\$ 222,570	\$ 200,603	\$ (21,967)

AFFORDABLE HOUSING FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2019

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Affordable House Sales & Use Tax	\$ -	\$ 35	\$ 35
Interest and Other Earnings	-	-	-
Total Revenues	-	35	35
Expenditures			
Supplies	-	-	-
Total Expenditures	-	-	-
Excess of Revenues Over (Under) Expenditures	-	35	35
Other Financing Sources (Uses)			
Transfers In	-	-	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balance	-	35	35
Fund Balance Beginning of Year	-	-	-
Prior Year Adjustment	-	-	-
Fund Balance End of Year	\$ -	\$ 35	\$ 35

HISTORIC DOWNTOWN POULSBO ASSOCIATION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2019

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Special Assessments	\$ 47,000	\$ 50,068	\$ 3,068
Gifts and Pledges	37,500	40,150	2,650
Interest and Other Earnings	328	1,080	752
Total Revenues	84,828	91,298	6,470
Expenditures			
Bad Debt Expense	500	1,577	(1,077)
Office & Operating Supplies	2,000	472	1,528
Small Tools & Minor Equipment	200	156	44
Professional Services	11,400	11,735	(335)
Advertising	55,000	34,017	20,983
Communication	500	928	(428)
Postage	200	169	31
Insurance	1,700	1,805	(105)
Repairs and Maintenance	12,000	29,844	(17,844)
Miscellaneous	3,500	4,560	(1,060)
Interfund Professional Services	-	-	-
Total Expenditures	87,000	85,263	1,737
Excess of Revenues Over (Under) Expenditures	(2,172)	6,035	8,207
Other Financing Sources (Uses)			
Transfers In	-	-	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balance	(2,172)	6,035	8,207
Fund Balance Beginning of Year	47,511	47,511	-
Prior Year Adjustment	-	-	-
Fund Balance End of Year	\$ 45,339	\$ 53,546	\$ 8,207

PATH AND TRAILS RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2019

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Intergovernmental	\$ 1,124	\$ 1,065	\$ (59)
Interest and Other Earnings	100	291	191
Total Revenues	1,224	1,357	133
Expenditures			
Miscellaneous	-	-	-
Total Expenditures	-	-	-
Excess of Revenues Over (Under) Expenditures	1,224	1,357	133
Other Financing Sources (Uses)			
Transfers In	-	-	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balance	1,224	1,357	133
Fund Balance Beginning of Year	18,434	18,434	-
Fund Balance End of Year	\$ 19,658	\$ 19,791	\$ 133

DRUG ENFORCEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2019

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Interest and Other Earnings	\$ 700	\$ 678	\$ (22)
Miscellaneous	-	19,278	19,278
Total Revenues	700	19,956	19,256
Expenditures			
Special Unit Program	5,850	3,885	1,965
K-9 Program	3,430	2,825	605
Total Expenditures	9,280	6,710	2,570
Excess of Revenues Over (Under) Expenditures	(8,580)	13,246	21,826
Other Financing Sources (Uses)			
Disposal of Capital Assets	-	-	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balance	(8,580)	13,246	21,826
Fund Balance Beginning of Year	46,998	46,998	-
Fund Balance End of Year	\$ 38,418	\$ 60,244	\$ 21,826

TRANSIENT OCCUPANCY TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2019

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Hotel/Motel Tax	\$ 130,000	\$ 149,524	\$ 19,524
Interest and Other Earnings	500	1,494	994
Total Revenues	130,500	151,018	20,518
Expenditures			
Poulsbo Marketing Coalition	75,000		
Poulsbo Historic Society		26,000	
Poulsbo Chamber Visitor Center		25,000	
3rd of July Community Event		10,460	
Viking Fest Community Event		10,220	
Viking Holiday Tree Lighting		3,320	-
Visit Kitsap	33,500	33,500	-
North Kitsap Tourism Coalition	5,000	5,000	-
Historic Downtown Poulsbo Association	33,000	32,750	250
Bremerton Symphony	3,500		3,500
Supplies	-	97	(97)
Total Expenditures	150,000	146,346	3,654
Excess of Revenues Over (Under) Expenditures	(19,500)	4,672	24,172
Other Financing Sources (Uses)			
Transfers In	-	-	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balance	(19,500)	4,672	24,172
Fund Balance Beginning of Year	93,744	93,744	-
Prior Year Adjustment	-	-	-
Fund Balance End of Year	\$ 74,244	\$ 98,416	\$ 24,172

POLICE RESTRICTED FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2019

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Vessel Registration	\$ 7,600	\$ 8,175	\$ 575
Criminal Justice	-	-	-
Marine Safety Grant	-	-	-
Intergovernmental	23,827	20,405	(3,422)
Fines & Forfeitures	100	924	824
Interest and Other Earnings	1,200	2,050	850
Contributions & Donations	-	600	600
Total Revenues	32,727	32,153	(574)
Expenditures			
Marine Safety	15,400	9,308	6,092
Criminal Justice	7,750	8,778	(1,028)
Miscellaneous	2,350	2,576	(226)
Total Expenditures	25,500	20,663	4,837
Excess of Revenues Over (Under) Expenditures	7,227	11,490	4,263
Other Financing Sources (Uses)			
Transfers In	-	-	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balance	7,227	11,490	4,263
Fund Balance Beginning of Year	131,831	131,830	(1)
Fund Balance End of Year	\$ 139,058	\$ 143,320	\$ 4,262

MISCELLANEOUS GOVERNMENTAL DEBT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2019

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Interest and Other Earnings	\$ 50	\$ 205	\$ 155
Total Revenues	50	205	155
Expenditures			
Debt Service:			
Intergovernmental Loan-Principal	74,369	74,368	1
Interest and Related Costs	4,462	4,462	-
Total Expenditures	78,831	78,830	1
Excess of Revenues Over (Under) Expenditures	(78,781)	(78,625)	156
Other Financing Sources (Uses)			
Transfers In	78,831	78,830	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	78,831	78,830	-
Net Change in Fund Balance	50	205	155
Fund Balance Beginning of Year	4,550	4,550	-
Fund Balance End of Year	\$ 4,600	\$ 4,755	\$ 155

NON-VOTED GENERAL OBLIGATION DEBT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2019

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Interest and Other Earnings	\$ 500	\$ 971	\$ 471
Miscellaneous	-	-	-
Total Revenues	500	971	471
Expenditures			
Debt Service:			
General Obligation Bond-Principal	898,685	898,685	(0)
Interest and Other Costs	326,455	321,356	5,099
Total Expenditures	1,225,140	1,220,041	5,099
Excess of Revenues Over (Under) Expenditures	(1,224,640)	(1,219,070)	5,570
Other Financing Sources (Uses)			
Bond Proceeds	-	-	-
Premium on Bonds Sold	-	-	-
Transfers In	1,224,242	1,219,242	(5,000)
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	1,224,242	1,219,242	(5,000)
Net Change in Fund Balance	(398)	172	570
Fund Balance Beginning of Year	11,787	11,788	-
Fund Balance End of Year	\$ 11,389	\$ 11,960	\$ 571

EQUIPMENT ACQUISITION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2019

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Interest and Other Earnings	\$ 3,000	\$ 6,894	\$ 3,894
Miscellaneous	-	-	-
Total Revenues	3,000	6,894	3,894
Expenditures			
Capital Outlay:			
Police Capital	7,000	7,082	(82)
Public Works Capital	40,000	35,592	4,408
Public Works Capital	13,355	11,607	1,748
Parks	24,000	13,329	10,671
Parks & Recreation	7,500	6,961	539
General Government	27,220	36,631	(9,411)
Total Expenditures	119,075	111,202	7,873
Excess of Revenues Over (Under) Expenditures	(116,075)	(104,308)	11,767
Other Financing Sources (Uses)			
Transfers In	117,950	117,950	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	117,950	117,950	-
Net Change in Fund Balance	1,875	13,642	11,767
Fund Balance Beginning of Year	385,373	385,373	-
Fund Balance End of Year	\$ 387,248	\$ 399,015	\$ 11,767

PARK RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2019

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Intergovernmental:			
ST-RCO (IAC)-ALEA Grant	\$ 118,200	\$ 86,720	\$ (31,480)
St-Department of Commerce	\$ -	\$ 37,345	\$ 37,345
Suquamish Tribe	\$ -	\$ 2,000	\$ 2,000
Gifts and Pledges	-	629	629
Interest and Other Earnings	1,000	4,389	3,389
Total Revenues	119,200	131,083	11,883
Expenditures			
Capital Outlay:			
Austurbruin Playground Replacement	50,000	50,623	(623)
Centennial Park	8,620	7,695	925
Fish Park Phase IV	105,000	131,462	(26,462)
Lions Park	24,000	23,681	319
Morrow Manor Park/Eastside	5,000	4,070	930
Muriel Williams Park/North End Improve.	20,000	19,811	189
Skate Park	25,000	-	25,000
Oyster Park Piling	9,100	9,047	53
Viking Ave Waterfront Park	-	105	(105)
Total Expenditures	246,720	246,494	226
Excess of Revenues Over (Under) Expenditures	(127,520)	(115,411)	12,109
Other Financing Sources (Uses)			
Transfers In	115,000	115,000	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	115,000	115,000	-
Net Change in Fund Balance	(12,520)	(411)	12,109
Fund Balance Beginning of Year	295,790	295,790	-
Prior Year Adjustment	-	-	-
Fund Balance End of Year	\$ 283,270	\$ 295,379	\$ 12,109

CEMETERY RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2019

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Gravesites	\$ 3,000	\$ 5,600	\$ 2,600
Gifts and Pledges	-	1,400	1,400
Interest and Other Earnings	150	394	244
Total Revenues	3,150	7,394	4,244
Expenditures			
Construction Capital Asset	-	-	-
Total Expenditures	-	-	-
Excess of Revenues Over (Under) Expenditures	3,150	7,394	4,244
Other Financing Sources (Uses)			
Transfers In	-	-	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balance	3,150	7,394	4,244
Fund Balance Beginning of Year	25,435	25,435	-
Prior Year Adjustment	-	(1,600)	(1,600)
Fund Balance End of Year	\$ 28,585	\$ 31,229	\$ 2,644

FACILITIES FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2019

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Interest and Other Earnings	\$ 5,000	\$ 17,349	\$ 12,349
Miscellaneous	-	-	-
Total Revenues	5,000	17,349	12,349
Expenditures			
Professional Services	-	-	-
Building & Structures	244,671	12,369	232,302
Total Expenditures	244,671	12,369	232,302
Excess of Revenues Over (Under) Expenditures	(239,671)	4,981	244,652
Other Financing Sources (Uses)			
Transfers In	25,000	25,000	-
Transfers Out	(200,000)	(195,000)	5,000
Sale of Capital Assets	825,000	-	(825,000)
Total Other Financing Sources (Uses)	650,000	(170,000)	(820,000)
Net Change in Fund Balance	410,329	(165,019)	(575,348)
Fund Balance Beginning of Year	1,175,472	1,175,472	-
Fund Balance End of Year	\$ 1,585,801	\$ 1,010,453	\$ (575,348)

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

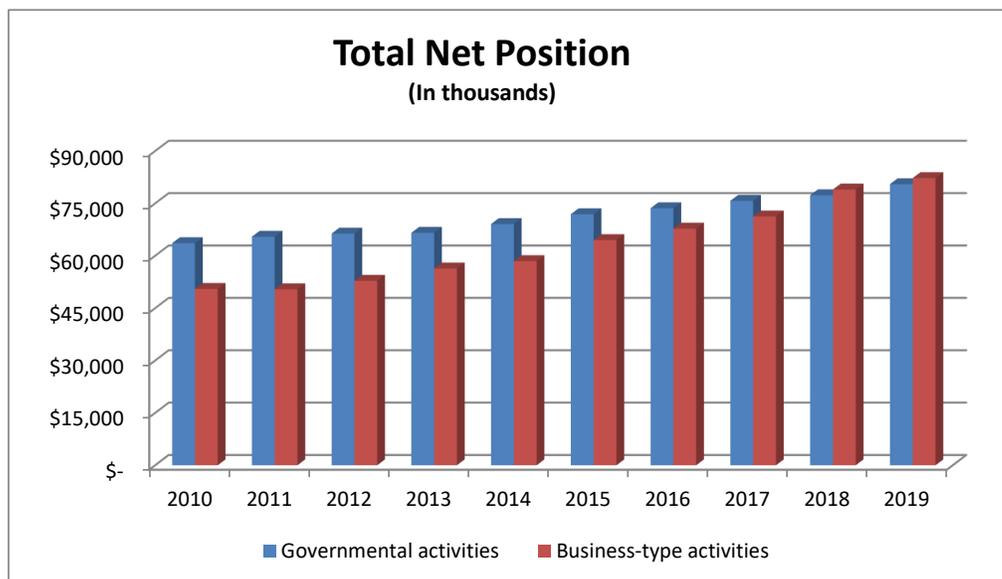
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	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Governmental Activities				
Net Investment in Capital Assets	\$ 58,447,929	\$ 60,292,177	\$ 61,173,480	\$ 61,384,364
Restricted	602,068	733,527	771,117	1,073,118
Unrestricted	<u>4,587,722</u>	<u>4,449,433</u>	<u>4,427,348</u>	<u>4,134,707</u>
Total Governmental Activities Net Position	<u>\$ 63,637,719</u>	<u>\$ 65,475,137</u>	<u>\$ 66,371,945</u>	<u>\$ 66,592,189</u>
Business-type Activities				
Net Investment in Capital Assets	\$ 38,276,261	\$ 37,042,937	\$ 37,440,865	\$ 41,152,937
Restricted	434,587	492,011	442,900	313,400
Unrestricted	<u>11,822,918</u>	<u>12,880,492</u>	<u>14,956,989</u>	<u>14,912,634</u>
Total Business-type Activities Net Position	<u>\$ 50,533,766</u>	<u>\$ 50,415,439</u>	<u>\$ 52,840,754</u>	<u>\$ 56,378,971</u>
Primary Government				
Net Investment in Capital Assets	\$ 96,724,190	\$ 97,335,114	\$ 98,614,345	\$ 102,537,302
Restricted	1,036,655	1,225,538	1,214,017	1,386,518
Unrestricted	<u>16,410,640</u>	<u>17,329,924</u>	<u>19,384,337</u>	<u>19,047,341</u>
Total Primary Government Net Position	<u>\$ 114,171,485</u>	<u>\$ 115,890,576</u>	<u>\$ 119,212,698</u>	<u>\$ 122,971,160</u>

NET POSITION BY COMPONENT (continued)
Last Ten Fiscal Years

Page 2 of 2

2014	2015	2016	2017	2018	2019
\$ 63,759,780	\$ 67,037,545	\$ 67,834,718	\$ 67,195,884	\$ 69,608,469	\$ 71,251,169
879,424	1,931,830	2,416,841	3,754,620	4,144,728	5,388,184
4,455,115	2,935,244	3,367,677	4,796,265	3,604,459	3,884,922
<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>	<u>\$ 80,524,275</u>
\$ 42,142,755	\$ 50,368,250	\$ 52,652,252	\$ 56,724,089	\$ 63,613,785	\$ 63,420,295
313,400	313,400	313,400	-	-	-
16,020,323	13,818,164	14,827,869	14,542,041	15,377,138	18,838,075
<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>	<u>\$ 82,258,369</u>
\$ 105,902,534	\$ 117,405,795	\$ 120,486,970	\$ 123,919,973	\$ 133,222,255	\$ 134,671,464
1,192,824	2,245,230	2,730,241	3,754,620	4,144,728	5,388,184
20,475,438	16,753,408	18,195,546	19,338,306	18,981,597	22,722,996
<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>	<u>\$ 162,782,644</u>



CHANGES IN NET POSITION
Last Ten Fiscal Years

Page 1 of 4

	2010	2011	2012	2013
Expenses				
Governmental Activities:				
General Government	\$1,731,193	\$1,758,688	\$2,148,291	\$1,640,535
Judicial	372,227	347,030	374,672	355,656
Security of Persons & Property	2,733,363	2,631,619	2,651,809	2,826,033
Utilities & Environment	478,035	494,668	463,211	500,646
Transportation	1,731,695	1,685,655	1,852,794	2,716,499
Economic Environment	861,538	633,782	665,027	779,317
Mental & Physical Health	14,481	14,573	14,705	13,978
Culture & Recreation	1,509,164	1,468,720	1,427,910	1,336,339
Interest on Long-Term Debt	561,569	553,206	556,341	536,673
Total Governmental Activities Expenses	<u>9,993,266</u>	<u>9,587,940</u>	<u>10,154,759</u>	<u>10,705,677</u>
Business-Type Activities:				
Water	1,094,734	1,199,529	1,282,886	1,356,314
Sewer	1,844,726	2,052,589	2,109,868	2,240,098
Solid Waste	999,164	1,161,445	1,247,121	1,298,015
Storm Drain	931,723	935,763	1,011,619	972,205
Total Business-Type Activities	<u>4,870,347</u>	<u>5,349,326</u>	<u>5,651,494</u>	<u>5,866,631</u>
Total Primary Government Expenses	<u>\$14,863,613</u>	<u>\$14,937,266</u>	<u>\$15,806,253</u>	<u>\$16,572,308</u>
Program Revenues				
Governmental Activities:				
Charges for Services				
General Government	\$266,497	\$540,342	\$345,044	\$327,650
Judicial	111,022	106,027	112,308	108,500
Security of Persons & Property	175,358	169,029	168,580	148,342
Utilities & Environment	43,703	51,162	53,193	11,227
Transportation	9,239	9,225	12,100	67,595
Economic Environment	332,333	281,722	505,177	558,996
Mental & Physical Health	-	-	-	-
Culture & Recreation	504,935	493,156	538,424	530,637
Interest on Long-Term Debt	-	-	-	-
Operating Grants and Contributions	477,260	425,702	468,960	479,485
Capital Grants and Contributions	1,539,559	1,547,093	1,758,099	1,493,376
Total Governmental Activities Program Revenues	<u>3,459,906</u>	<u>3,623,457</u>	<u>3,961,884</u>	<u>3,725,807</u>
Business-Type Activities:				
Charges for Services:				
Water	1,420,038	1,407,214	1,461,638	1,528,732
Sewer	2,526,708	2,558,143	2,803,005	3,040,822
Solid Waste	1,282,151	1,287,617	1,382,449	1,456,824
Storm Drain	732,782	738,081	801,795	786,897
Operating Grants and Contributions	57,555	94,789	66,936	-
Capital Grants and Contributions	221,116	312,382	1,503,112	2,492,406
Total Business-Type Activities Program Revenues	<u>6,240,350</u>	<u>6,398,226</u>	<u>8,018,935</u>	<u>9,305,682</u>
Total Primary Government Program Revenues	<u>\$9,700,256</u>	<u>\$10,021,682</u>	<u>\$11,980,819</u>	<u>\$13,031,489</u>

CHANGES IN NET POSITION (continued)
Last Ten Fiscal Years
Page 2 of 4

2014	2015	2016	2017	2018	2019
\$1,572,173	\$1,539,405	\$1,776,629	\$1,386,987	\$2,810,801	\$2,768,497
357,993	370,046	383,968	401,814	434,608	433,486
3,009,996	3,146,848	3,327,528	3,495,629	4,280,502	4,046,487
456,860	481,077	506,396	524,341	210,947	102,289
2,820,286	2,703,349	2,922,462	2,998,467	2,797,834	3,555,833
890,459	963,163	999,731	1,031,024	1,189,609	1,115,517
14,356	29,772	131,162	245,572	344,875	458,461
1,338,814	1,422,703	1,469,255	1,400,013	1,811,980	1,595,771
518,677	458,869	391,781	378,391	251,599	437,737
10,979,613	11,115,232	11,908,913	11,862,238	14,132,756	14,514,078
1,484,034	1,670,634	1,692,690	1,625,472	1,982,786	1,791,832
2,236,003	2,531,582	2,686,558	2,716,954	3,024,655	3,374,255
1,320,150	1,493,671	1,759,556	2,096,082	2,331,314	2,342,826
1,088,006	1,433,190	1,676,166	1,647,010	1,750,631	1,520,262
6,128,192	7,129,077	7,814,970	8,085,518	9,089,387	9,029,175
\$17,107,805	\$18,244,309	\$19,723,883	\$19,947,756	\$23,222,143	\$23,543,253
\$345,370	\$360,990	\$370,369	\$415,833	\$357,834	\$392,318
112,624	117,154	279,232	58,842	74,442	86,419
120,687	143,892	133,347	123,696	142,503	208,418
5,444	4,715	3,400	4,800	6,400	5,600
112,095	93,439	82,592	144,829	166,074	117,394
471,539	907,245	1,087,421	949,198	773,100	775,932
-	-	-	-	-	-
525,946	525,247	535,811	575,614	600,286	641,844
-	-	-	-	-	-
496,338	605,198	710,043	977,832	975,732	1,598,363
3,673,904	5,027,389	1,633,211	2,403,489	3,354,870	1,894,309
5,863,947	7,785,269	4,835,426	5,654,133	6,451,242	5,720,597
1,590,972	1,831,511	1,857,036	1,960,128	2,089,015	2,082,860
3,208,493	3,287,822	3,460,657	3,626,637	3,947,885	4,242,423
1,501,028	1,614,036	1,793,421	1,922,024	2,391,489	2,665,747
1,014,112	1,521,196	1,621,933	1,706,057	1,744,877	1,811,029
-	115,058	84,948	8,195	-	-
862,361	5,784,476	2,234,980	2,291,492	6,398,378	1,052,865
8,176,966	14,154,100	11,052,975	11,514,533	16,571,644	11,854,924
\$14,040,913	\$21,939,368	\$15,888,401	\$17,168,666	\$23,022,886	\$17,575,521

CHANGES IN NET POSITION (continued)
Last Ten Fiscal Years

Page 3 of 4

	2010	2011	2012	2013
Net (Expense)/Revenue				
Governmental Activities	(\$6,533,359)	(\$5,964,483)	(\$6,192,875)	(\$6,979,869)
Business-Type Activities	1,370,003	1,048,900	2,367,441	3,439,051
Total Primary Government Net Expense	<u>(\$5,163,357)</u>	<u>(\$4,915,583)</u>	<u>(\$3,825,434)</u>	<u>(\$3,540,819)</u>
General Revenues and Other Changes in Net Position				
Governmental Activities:				
Taxes:				
Property Taxes	\$2,046,143	\$2,061,784	\$2,119,770	\$1,967,770
Retail Sales & Use Taxes	3,089,028	2,905,695	2,700,885	2,967,756
Utility Taxes	-	-	-	-
Business Taxes	1,532,771	1,691,487	1,718,219	1,647,259
Excise Taxes	340,508	300,344	587,590	622,312
Motor Fuel Taxes	-	-	-	-
Penalties & Interest	-	-	-	-
Investment Earnings	104,893	61,220	59,267	33,016
Gain (loss) on Disposal of Capital Assets	-	13,139	4,712	124,658
Permanent Fund Contributions	-	-	-	-
Specialty Item	-	-	-	-
Transfers	-	-	-	-
Insurance Recoveries	-	-	-	20,306
Total Governmental Activities	<u>7,113,343</u>	<u>7,033,670</u>	<u>7,190,443</u>	<u>7,383,077</u>
Business-Type Activities				
Penalties & Interest	-	-	-	-
Investment Earnings	96,415	56,345	56,111	25,987
Gain (loss) on Disposal of Capital Assets	-	-	-	-
Transfers	-	-	-	-
Total Business-Type Activities	<u>96,415</u>	<u>56,345</u>	<u>56,111</u>	<u>25,987</u>
Total Primary Government	<u>\$7,209,758</u>	<u>\$7,090,016</u>	<u>\$7,246,554</u>	<u>\$7,409,064</u>
Change in Net Position				
Governmental Activities	\$579,984	\$1,069,187	\$997,568	\$403,207
Business-Type Activities	1,466,417	1,105,245	2,423,552	3,465,038
Total Primary Government	<u>\$2,046,401</u>	<u>\$2,174,432</u>	<u>\$3,421,120</u>	<u>\$3,868,245</u>

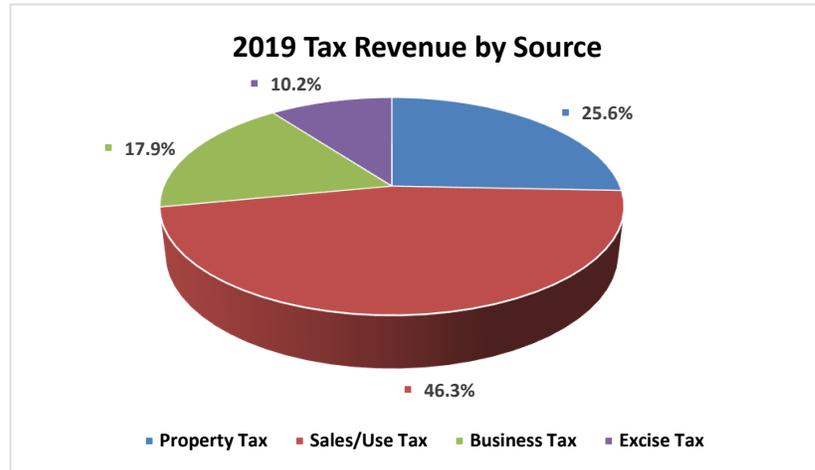
CHANGES IN NET POSITION (continued)**Last Ten Fiscal Years**

Page 4 of 4

2014	2015	2016	2017	2018	2019
(\$5,115,667)	(\$3,329,963)	(\$7,073,487)	(\$6,208,105)	(\$7,681,515)	(\$8,793,481)
2,048,774	7,025,023	3,238,005	3,429,015	7,482,257	2,825,749
(\$3,066,892)	\$3,695,060	(\$3,835,482)	(\$2,779,090)	(\$199,257)	(\$5,967,732)
\$2,085,784	\$2,191,189	\$2,264,194	\$2,400,282	\$2,505,945	\$2,568,117
3,227,329	3,393,849	3,742,485	3,985,840	4,516,544	4,628,686
-	-	-	-	-	-
1,658,873	2,038,443	1,841,119	1,827,400	1,782,092	1,788,092
592,983	748,026	866,886	916,383	956,626	1,022,463
-	-	-	-	-	-
-	-	-	-	-	-
47,924	40,329	76,833	107,482	274,289	482,508
5,715	12,182	15,309	(751,097)	(181,869)	5,624
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
7,618,608	8,424,018	8,806,826	8,486,289	9,853,627	10,495,490
-	-	-	-	-	-
39,785	30,716	54,780	61,650	195,444	361,686
11,885	14,211	922	(18,442)	(5,347)	5
-	-	-	-	-	-
51,670	44,927	55,702	43,208	190,097	361,691
\$7,670,278	\$8,468,945	\$8,862,528	\$8,529,497	\$10,043,724	\$10,857,182
\$2,502,942	\$5,094,055	\$1,733,339	\$2,278,185	\$2,172,112	\$1,702,009
2,100,444	7,069,950	3,293,707	3,472,223	7,672,354	3,187,440
\$4,603,386	\$12,164,004	\$5,027,046	\$5,750,408	\$9,844,467	\$4,889,450

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

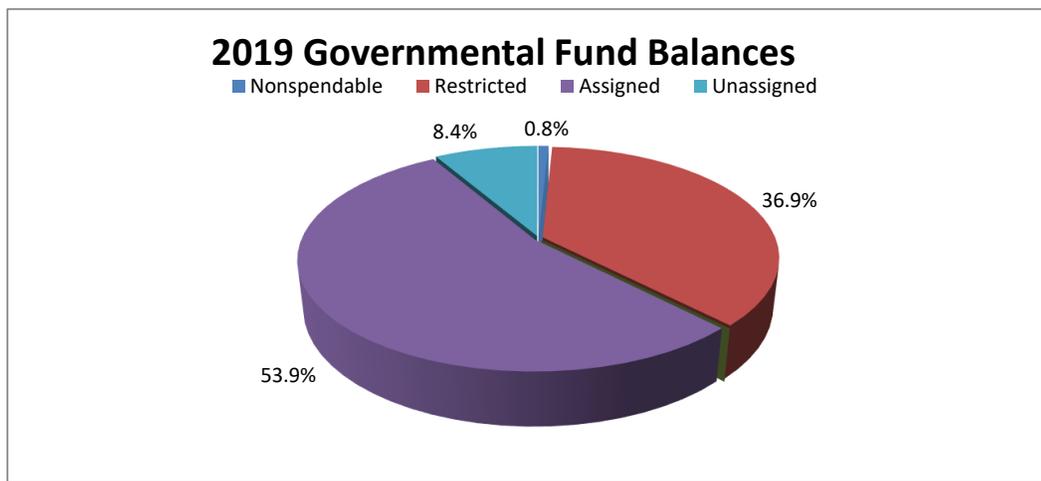
Fiscal Year	Property Tax	Sales/Use Tax	Business Tax	Excise Tax	Total Taxes
2010	2,053,214	3,038,419	1,516,144	340,062	6,947,838
2011	2,062,373	2,917,745	1,695,236	300,104	6,975,458
2012	2,119,770	2,700,885	1,718,219	587,590	7,126,464
2013	1,967,770	2,967,756	1,647,259	622,312	7,205,098
2014	2,085,784	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
2019	2,568,117	4,628,686	1,788,092	1,022,463	10,007,359



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

Fiscal Year	General Fund					All Other Governmental Funds			Total All Other Governmental Funds
	Non-spendable	Restricted*	Assigned	Unassigned	Total General Fund	Non-spendable	Restricted	Assigned	
2011	\$9,843	\$ -	\$1,628,270	\$269,971	\$1,908,084	\$91,016	\$642,511	\$2,198,283	\$2,931,810
2012	9,635	-	1,577,089	514,274	2,100,998	91,016	657,162	2,133,718	2,881,896
2013	8,719	-	1,501,759	536,548	2,047,026	91,016	958,933	1,933,664	2,983,613
2014	12,412	-	1,501,759	661,204	2,175,375	91,016	773,736	2,165,425	3,030,177
2015	12,692	-	1,518,604	1,643,946	3,175,241	91,016	1,819,915	2,036,907	3,947,838
2016	7,597	-	2,174,924	1,106,077	3,288,597	91,016	2,325,825	2,188,399	4,605,240
2017	7,533	42,756	2,348,381	2,627,341	5,026,011	91,016	3,620,848	2,752,819	6,464,684
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
2019	8,782	60,505	3,770,848	1,020,412	4,860,547	91,016	4,397,539	2,744,846	7,233,401

*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

	2010	2011	2012	2013
Revenues				
Taxes	\$6,947,838	\$6,975,383	\$7,194,171	\$7,155,680
Licenses and Permits	397,513	351,107	604,450	622,819
Intergovernmental Revenues	1,897,881	1,682,571	1,471,002	646,175
Charges for Services	1,501,119	1,710,343	1,656,123	2,190,358
Fines and Forfeitures	87,184	85,063	79,049	76,729
Interest & Other Earnings	104,688	61,220	63,285	37,631
Miscellaneous	122,600	138,250	202,158	203,606
Total Revenues	11,058,823	11,003,936	11,270,239	10,932,998
Expenditures				
General Government	2,623,129	2,609,575	2,765,463	2,701,167
Security of Persons and Property	2,648,619	2,516,324	2,557,190	2,764,164
Utilities and Environment	460,417	479,286	455,458	512,596
Transportation	819,169	740,214	744,424	1,533,295
Economic Environment	857,604	630,374	660,244	785,598
Mental and Physical Health	14,481	14,573	14,705	13,978
Culture and Recreation	1,209,305	1,125,459	1,173,379	1,080,951
Capital Outlay	8,907,259	2,662,204	1,522,990	856,046
Debt Service				
Principal	604,368	634,368	3,114,368	579,368
Interest & Other Charges	506,692	493,171	513,038	495,456
Total Expenditures	18,651,045	11,905,548	13,521,260	11,322,619
Excess of Revenues				
Over (Under) Expenditures	(7,592,223)	(901,612)	(2,251,020)	(389,620)
Other Financing Sources (Uses)				
Proceeds of Long Term Debt	1,510,000	625,000	2,455,000	-
Premium on Bonds Sold	1,044	-	69,630	-
Disposal of Capital Assets	20,000	16,970	4,712	272,103
Comp for Impairment of Cap Assets	-	273,639	-	20,306
Insurance Recoveries	-	-	-	-
Net Transfers In (Out)	98,800	-	-	-
Intergovernmental Payment	-	-	-	-
Payment to Refund Bond Escrow Agent	-	-	-	-
Issuance Discount on Long-Term Debt	(6,473)	-	(34,561)	-
Total Other Financing Sources (Uses)	1,623,371	915,609	2,494,781	292,408
Net Change in Fund Balances	(\$5,968,852)	\$13,997	\$243,760	(\$97,212)
Debt Service as a Percentage of Noncapital Expenditures	11.40%	12.20%	30.23%	10.27%

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

Page 2 of 2

2014	2015	2016	2017	2018	2019
\$7,509,669	\$8,345,893	\$8,677,430	\$9,082,043	\$9,765,124	\$ 10,012,103
558,113	830,042	901,185	989,990	754,106	663,860
3,384,699	1,066,034	1,050,282	970,537	1,580,658	2,730,122
2,228,941	3,590,226	2,974,396	3,990,077	1,763,017	1,496,359
83,238	83,442	70,774	58,820	68,691	77,783
52,355	45,143	82,219	113,488	280,830	489,366
156,557	227,560	186,840	207,430	166,732	250,265
13,973,573	14,188,341	13,943,125	15,412,384	14,379,157	15,719,858
2,704,029	2,850,202	3,108,256	3,220,759	2,717,964	3,017,865
2,847,128	2,924,101	3,152,296	3,468,946	3,748,307	3,935,891
443,940	501,104	532,379	547,718	153,233	146,715
1,559,694	1,409,078	1,446,570	1,528,998	1,113,363	2,044,061
886,387	969,480	1,010,489	1,055,026	1,095,645	1,166,843
14,356	29,772	131,162	244,847	331,552	472,604
1,097,577	1,193,366	1,223,569	1,197,913	1,429,228	1,390,180
3,196,591	1,395,507	1,479,311	1,825,198	1,789,001	2,583,026
589,368	8,815,383	709,368	729,368	728,777	973,053
479,814	426,681	373,098	360,614	351,116	325,818
13,818,885	20,514,675	13,166,499	14,179,387	13,458,186	16,056,055
154,688	(6,326,334)	776,626	1,232,998	920,971	(336,198)
-	7,320,000	-	422,038	-	-
-	774,756	-	39,280	-	-
5,715	19,461	7,649	905,113	23,394	5,624
7,528	-	-	-	-	-
613	7,461	5,206	770	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
13,856	8,121,678	12,855	1,367,201	23,394	5,624
\$168,544	\$1,795,343	\$789,481	\$2,600,199	\$944,365	(\$330,574)
10.07%	48.34%	9.26%	8.82%	9.25%	9.64%

GENERAL GOVERNMENTAL REVENUES BY SOURCE
Last Ten Fiscal Years

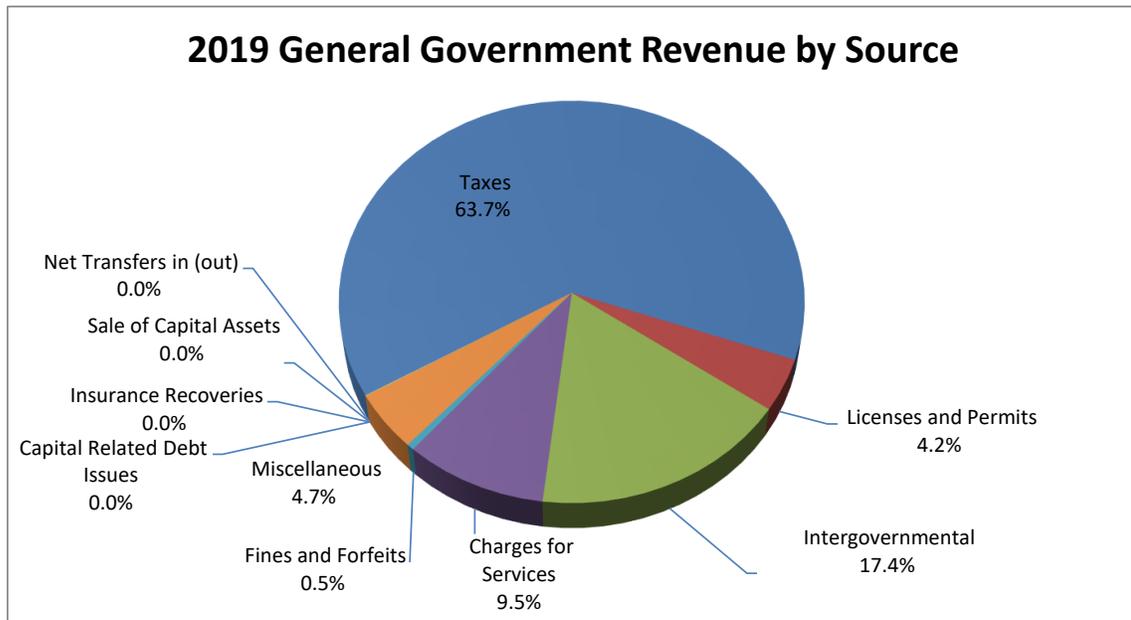
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REVENUES							
Fiscal Year	Taxes	Licenses and Permits	Inter-gov Charges	Charges for Services	Fines and Forfeits	Misc.	Total Revenues
2010	\$6,947,838	\$397,513	\$1,897,881	\$1,501,119	\$87,184	\$227,288	\$11,058,823
2011	6,975,383	351,107	1,682,571	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
2019	10,012,103	663,860	2,730,122	1,496,359	77,783	739,631	15,719,858

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	
\$311,044	\$0	\$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
-	-	5,624	-	5,624	15,725,481



**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
2010	\$1,427,087,076	\$52,724,550	\$199,102,348	\$1,280,709,278	1.615	\$1,485,741,622	86.2%
2011	1,358,145,256	51,027,470	164,915,580	1,244,257,146	1.717	1,443,453,766	86.2%
2012	1,314,300,278	51,974,423	155,133,100	1,211,141,601	1.709	1,370,069,684	88.4%
2013	1,329,419,463	53,365,536	152,715,070	1,230,069,929	1.698	1,335,580,813	92.1%
2014	1,395,699,299	50,866,478	164,218,411	1,282,347,366	1.710	1,409,172,930	91.0%
2015	1,335,212,301	54,281,382	45,525,120	1,343,968,563	1.686	1,428,234,392	94.1%
2016	1,342,718,272	52,165,101	48,779,870	1,346,103,503	1.580	1,514,177,169	88.9%
2017	1,485,086,384	52,521,843	49,652,896	1,487,955,331	1.520	1,668,111,358	89.2%
2018	1,645,103,807	55,724,013	67,759,506	1,633,068,314	1.520	1,832,848,837	89.1%
2019	1,893,965,005	54,924,918	74,376,647	1,874,513,276	1.373	2,073,576,633	90.4%

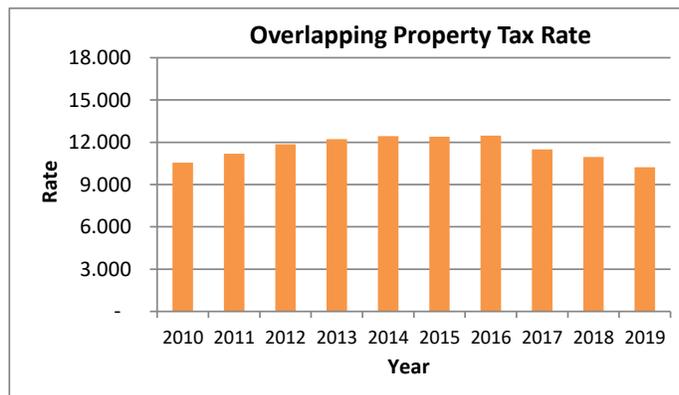
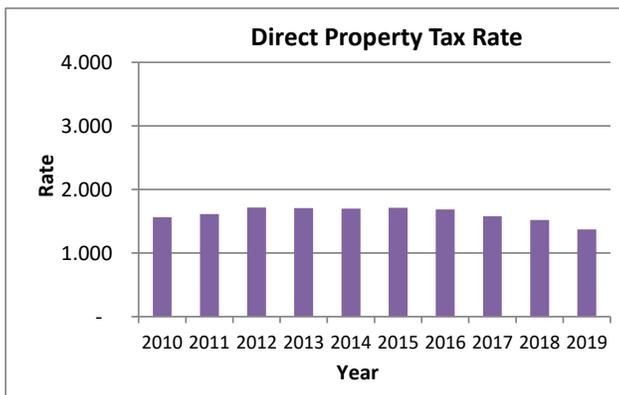
Source: Kitsap County Assessor's Office

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		
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
2019	1.373	1.373	0.930	2.662	2.537	0.243	2.031	0.064	0.394	-	8.860	10.234

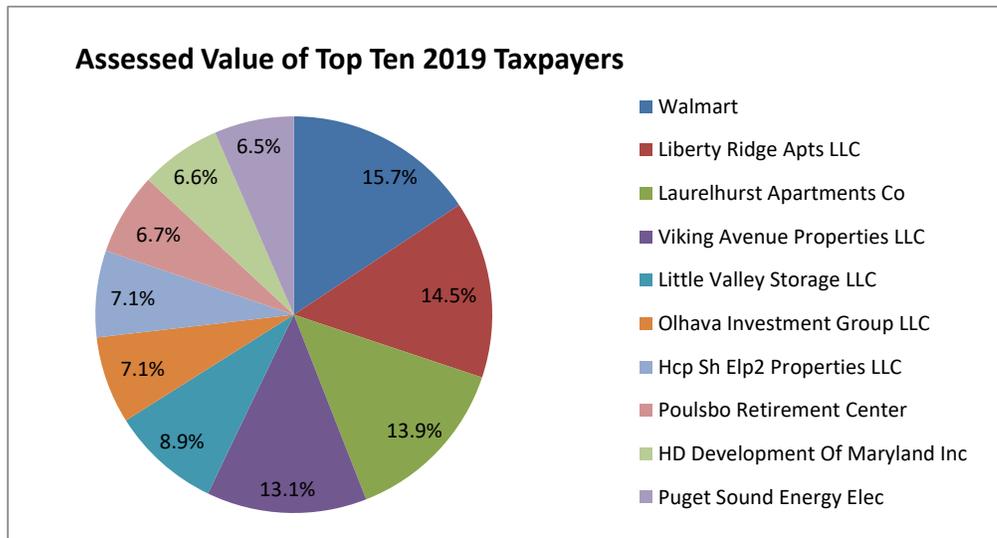
Source: Kitsap County Assessor's Office - Statement of Assessments



PRINCIPAL TAXPAYERS
Current Year and Ten Years Ago

Taxpayer	2019			Taxpayer	2010		
	Assessed Valuation	Rank	% of Total Assessed Valuation		Assessed Valuation	Rank	% of Total Assessed Valuation
Walmart	\$ 25,029,990	1	1.34%	Olhava Associates Lmtd Ptensp	\$ 19,792,910	1	1.51%
Liberty Ridge Apts LLC	23,081,530	2	1.23%	Walmart	18,419,580	2	1.41%
Laurelhurst Apartments Co	22,263,970	3	1.19%	Laurelhurst Apartments Co	14,611,610	3	1.12%
Viking Avenue Properties LLC	20,858,300	4	1.11%	Liberty Ridge Apts LLC	12,420,900	4	0.95%
Little Valley Storage LLC	14,250,450	5	0.76%	HD Development Of Maryland Inc	11,792,650	5	0.90%
Olhava Investment Group LLC	11,372,920	6	0.61%	College Marketplace LLC	11,693,310	6	0.89%
Hcp Sh Elp2 Properties LLC	11,264,290	7	0.60%	Ryan Tim Properties LP	11,133,990	7	0.85%
Poulsbo Retirement Center	10,696,320	8	0.57%	Poulsbo Retirement Center	10,066,240	8	0.77%
HD Development Of Maryland Inc	10,530,730	9	0.56%	Hern John M & Terri A	9,524,440	9	0.73%
Puget Sound Energy Elec	10,367,299	10	0.55%	BRE/SW Montclair Park LLC	8,491,930	10	0.65%
Totals:	\$ 159,715,799		8.52%	Totals:	\$ 127,947,560		9.77%

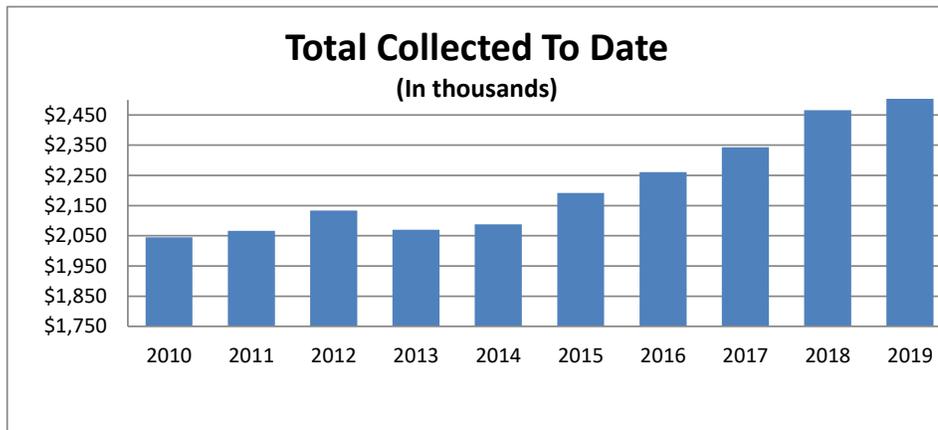
Source: Kitsap County Assessor's Office



**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		
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	2,482,716	2,439,955	98.28%	25,638	2,465,593	99.31%	17,123	0.69%
2019	2,577,202	2,546,351	98.80%	13,640	2,559,991	99.33%	17,211	0.67%

Source: Kitsap County Treasurer and Assessor's Office



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

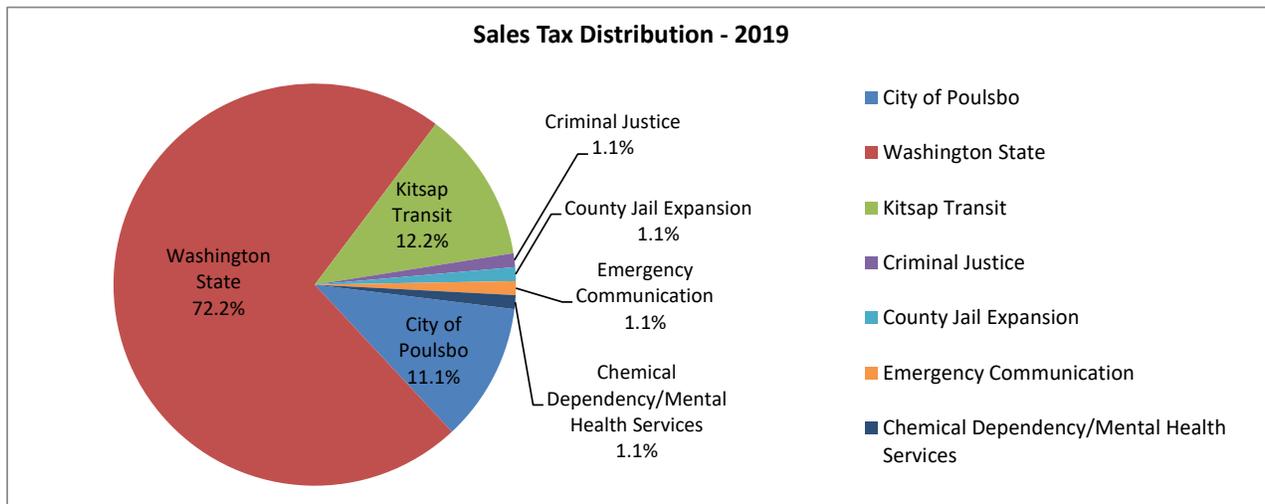
	2010	2011	2012	2013	2014 ⁽¹⁾	2015	2016	2017 ⁽²⁾	2018	2019
Basic Sales Tax Rates										
City of Poulsbo	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Washington State	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%
Kitsap Transit	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	1.1%	1.1%	1.1%
Criminal Justice	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%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Total Basic Combined Sales Tax Rate	8.6%	8.6%	8.6%	8.6%	8.7%	8.7%	8.7%	9.0%	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

	2010	2011	2012	2013	2014
Major Industry Sector					
Accommodation and Food Svcs.	\$282,394	\$286,244	\$292,749	\$291,623	\$333,336
Admin, Supp, Remed Svcs	31,310	36,795	36,487	43,261	46,006
Agriculture, Forestry Fishing	620	593	800	886	662
Arts, Entertain, Recreation	10,245	12,699	9,239	9,233	13,043
Company Management	17	6	0	0	0
Construction	318,387	316,718	142,181	294,260	318,024
Educational Services	6,393	6,521	5,096	5,804	4,625
Finance and Insurance	7,174	9,228	8,760	11,653	11,033
Health Care and Social Assistance	8,280	8,885	19,078	17,443	13,022
Information	104,216	88,226	84,823	91,504	102,047
Manufacturing	34,968	40,558	34,385	27,948	49,122
Mining	556	384	427	464	636
Other Services	83,445	76,553	72,163	75,236	84,693
Prof, Scientific and Technical Svcs	31,335	29,699	27,102	33,033	43,310
Public Administration	16,806	18,065	18,032	23,196	28,695
Real Estate, Rental, Leasing	55,022	41,234	52,455	54,208	61,165
Retail Trade	1,747,160	1,692,686	1,657,265	1,703,931	1,863,729
Transportation and Warehousing	1,566	1,921	2,707	1,914	2,262
Unknown	22,144	41,121	36,448	37,266	13,903
Utilities	1,876	2,081	2,744	3,512	3,039
Wholesale Trade	86,317	89,855	90,710	98,657	110,341
Total Retail Sales Tax Revenues*	\$2,850,232	\$2,800,072	\$2,593,651	\$2,825,032	\$3,102,693

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

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

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

Page 2 of 2

	2015	2016	2017	2018	2019
Major Industry Sector					
Accommodation and Food Svcs.	\$362,577	\$408,529	\$430,016	\$453,404	\$460,455
Admin, Supp, Remed Svcs	51,911	59,866	67,589	115,668	129,176
Agriculture, Forestry Fishing	539	4,958	4,298	4,185	4,022
Arts, Entertain, Recreation	16,785	9,799	11,271	12,266	12,413
Company Management	6	199	164	227	1
Construction	300,625	343,021	416,871	585,113	471,783
Educational Services	5,942	5,168	3,684	4,200	3,311
Finance and Insurance	12,935	20,383	15,396	16,769	17,341
Health Care and Social Assistance	14,789	18,045	26,120	28,120	50,343
Information	97,189	110,385	116,592	118,706	129,983
Manufacturing	35,145	59,717	46,118	53,081	63,609
Mining	589	39	204	71	554
Other Services	87,482	93,947	104,885	96,686	107,901
Prof, Scientific and Technical Svcs	46,226	53,170	54,208	64,847	69,236
Public Administration	27,064	35,571	39,483	3,209	1,519
Real Estate, Rental, Leasing	56,902	65,509	70,718	73,200	83,737
Retail Trade	1,953,167	1,988,786	2,107,661	2,297,269	2,420,781
Transportation and Warehousing	2,656	4,277	4,281	4,185	3,856
Unknown	12,511	16,833	4,755	58,209	37,197
Utilities	3,209	2,312	2,844	4,152	4,565
Wholesale Trade	131,638	165,808	167,400	197,853	208,987
Total Retail Sales Tax Revenues*	\$3,219,887	\$3,466,322	\$3,694,558	\$4,191,420	\$4,280,770

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

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

**RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years**

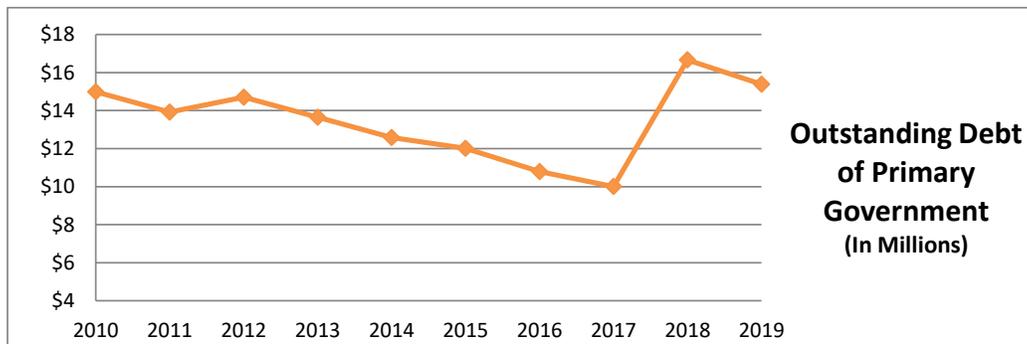
Fiscal Year	Governmental Activities		Business-Type Activities			Total Primary Government	Percentage of Personal Income ¹	Per Capita ²
	General Obligation Bonds*	PWTF Loans	Water Bonds	Sewer Bonds	PWTF Loans			
2010	11,018,548	743,683	659,340	2,337,660	229,239	14,988,470	4.08%	1,680
2011	10,458,651	669,315	575,080	2,038,920	183,391	13,925,357	3.53%	1,506
2012	11,744,178	594,946	487,960	1,730,040	137,543	14,694,667	3.52%	1,570
2013	11,233,972	520,578	396,880	1,407,120	91,696	13,650,246	3.13%	1,424
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	2.50%	1,207
2016	10,020,267	297,473	104,500	370,500	-	10,792,740	2.11%	1,057
2017	9,778,540	223,105	-	-	-	10,001,645	1.80%	952
2018	9,068,544	148,737	-	7,445,551	-	16,662,832	2.70%	1,536
2019	8,121,622	74,368	-	7,191,774	-	15,387,764	-	1,376

* Includes Unamortized Premium / Discount

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.

² Percentage of Personal Income data only available through 2018.



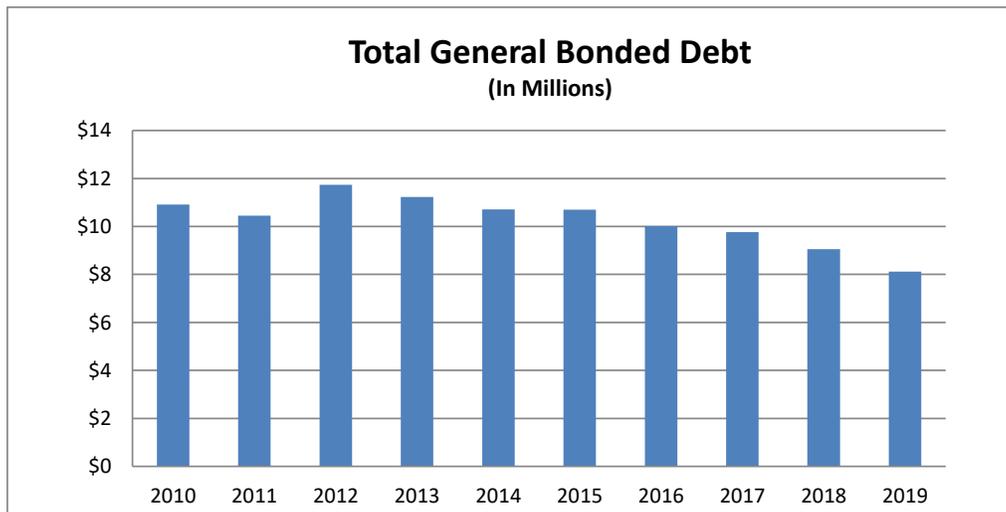
**RATIOS OF GENERAL BONDED DEBT OUTSTANDING
Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Less: Amounts Available in Debt Service Fund</u>	<u>Total</u>	<u>% of Estimated Actual Taxable Value¹ of Property</u>	<u>Per Capita²</u>
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	0.44%	835
2019	8,121,622	4,755	8,116,866	0.39%	726

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.



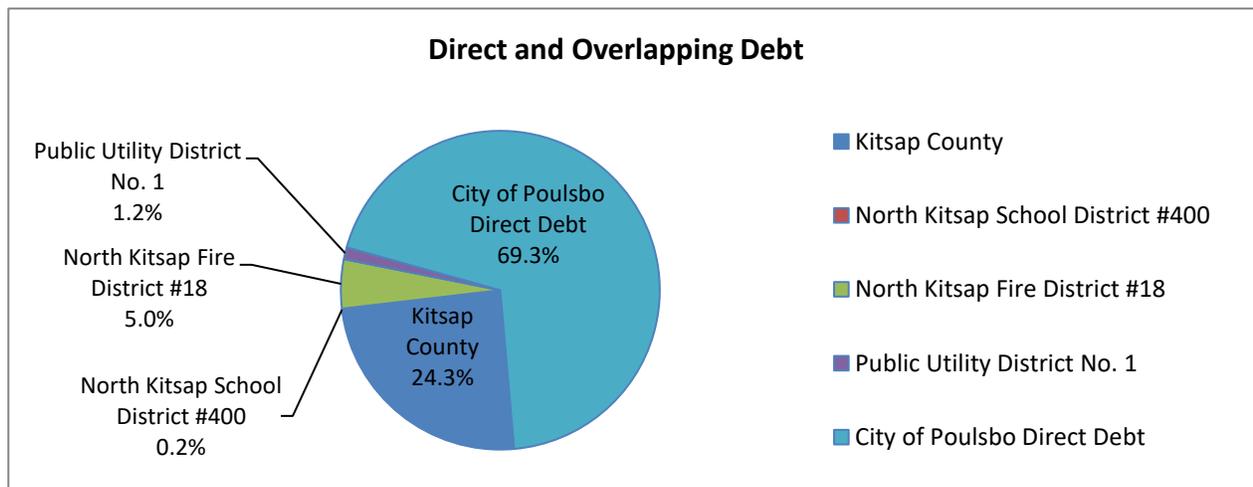
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
December 31, 2019

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated % Applicable¹</u>	<u>Estimated Share of Overlapping Debt</u>
Kitsap County	\$ 58,796,341	4.90%	\$ 2,879,612
North Kitsap School District #400	101,188	22.97%	23,243
North Kitsap Fire District #18	1,387,261	42.48%	589,337
Public Utility District No. 1	<u>2,930,000</u>	4.90%	<u>143,500</u>
<i>Subtotal, Overlapping Debt</i>	63,214,790		3,635,692
City of Poulsbo Direct Debt	8,195,990	100%	<u>8,195,990</u>
Total Direct and Overlapping Debt			<u><u>\$ 11,831,682</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

	2010	2011	2012	2013	2014
Debt Limit	\$96,053,196	\$93,319,286	\$90,835,620	\$92,257,495	\$96,176,052
Total net debt applicable to limit	10,912,418	10,415,231	11,661,033	10,641,783	10,640,262
Legal debt margin	<u>\$85,140,778</u>	<u>\$82,904,055</u>	<u>\$79,174,587</u>	<u>\$81,615,712</u>	<u>\$85,535,790</u>
Total net debt applicable to the limit as a % of debt limit	11.36%	11.16%	12.84%	11.53%	11.06%

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

2015	2016	2017	2018	2019
\$100,957,763	\$111,596,650	\$122,480,124	\$122,480,124	\$140,588,496
9,925,663	9,283,128	9,050,075	8,395,842	7,504,190
<u>\$91,032,100</u>	<u>\$102,313,522</u>	<u>\$113,430,049</u>	<u>\$114,084,281</u>	<u>\$133,084,306</u>
9.83%	8.32%	7.39%	6.85%	5.34%

Legal Debt Margin Calculation for Fiscal Year 2019

Assessed value	\$1,874,513,276
Debt Limit (7.5% of total assessed value)	140,588,496
Debt Applicable to Limit:	
General Obligation Bonds	7,508,945
Less: Amount set aside for repayment of GO Debt	<u>4,755</u>
Total Net Debt Applicable to Limit	<u>7,504,190</u>
Legal Debt Margin	<u>\$133,084,306</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	
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%
2019	6,163,338	4,908,353	1,254,985	225,000	285,650	246%

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

DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years

Fiscal Year	Poulsbo Population	County Population	Kitsap County	Poulsbo	Per Capita Income*	Kitsap County	School Enrollment ² ***
			Personal Income* ¹	Personal Income ¹		Unemployment Rate**	
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	\$15,174,970	\$616,384	\$56,244	4.7%	3,103
2019	11,180	270,100	\$0	\$0	\$0	4.7%	3,097

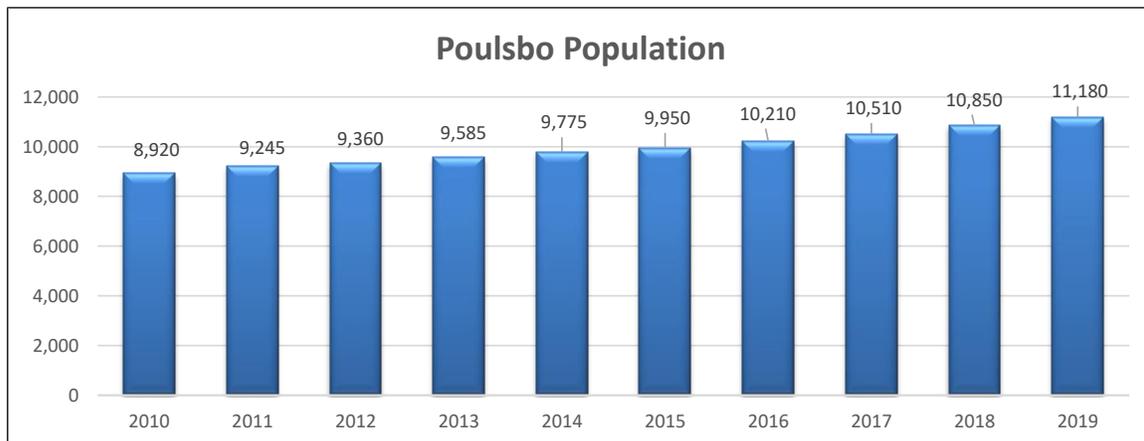
¹ Thousands of Dollars and information only available through 2018

² Totals for only schools in city limits

* Source: US Bureau of Economic Analysis-Kitsap County based on population of City only available through 2018

** 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>	<u>2019</u>			<u>2009</u>		
		<u>TOTAL</u> <u>EMPLOYEES</u> ¹	<u>Rank</u>	<u>% of</u> <u>Total City</u> <u>Employment</u>	<u>TOTAL</u> <u>EMPLOYEES</u> ¹	<u>Rank</u>	<u>% of</u> <u>Total City</u> <u>Employment</u>
North Kitsap School District	Public Education	1129	1	10.33%	1000		13.67%
Martha & Mary Lutheran Services	Social Services	477	2	4.37%	450		6.15%
Walmart	Retail Trade	350	3	3.20%	314		4.29%
Central Market	Retail Trade	250	4	2.29%	230		3.15%
City of Poulsbo ¹	Municipal Government	179	5	1.64%	81		1.11%
Home Depot	Retail Trade	140	6	1.28%	120		1.64%
Safeway/Albertsons	Retail Trade	120	7	1.10%	75		1.03%
Masterworks	Marketing	101	8	0.92%	115		1.57%
Liberty Shores / Harbor House	Healthcare	100	9	1.72%	97		0.00%
Marine View Beverage/Columbia Distributing	Distribution	61	10	0.56%	0		0.00%
Sound Publishing Inc ²	Publishing				101		1.38%
Boxlight ²	Retail Trade				91		1.24%
Frontier Bank ²	Banking				66		0.90%
eAcceleration ²	Tech Firm				65		0.89%
Paladin Data Systems Corp	Professional Services				68		0.93%
Poulsbo RV ²	Retail Sales				65		0.89%
Subtotal of Ten Largest Employers		2907		26.60%	2938		40.18%
All Other Employers		8020		73.40%	4375		59.82%
Total Poulsbo Employment		10927		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

Poulsbo Walmart

Central Market

Masterworks.com

Kitsap Sun.com

Liberty Shores/Harbir House

North Kitsap School District

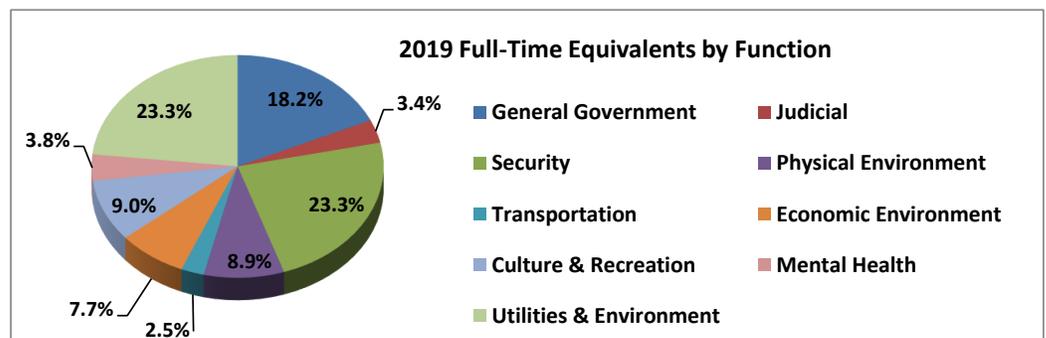
Poulsbo Safeway

US Census Bureau

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

Function		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Government:	Executive (Mayor)	2.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
	Clerk's Department	4.00	3.00	3.00	3.00	2.00	2.00	2.00	2.00	2.83	3.00
	Finance Department	8.00	7.00	7.00	7.00	7.00	7.00	8.00	8.00	7.83	8.00
	Grant Writer	0.40	-	-	-	-	-	-	-	-	-
	Information Services	2.00	1.00	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
	Personnel	1.15	1.00	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	1.00
	Risk Management	-	-	-	-	1.00	0.50	0.50	1.00	1.00	1.00
	Central Services	1.90	2.50	2.50	2.50	2.55	2.55	2.55	2.52	2.52	2.52
Judicial:	Municipal Court	4.21	3.77	3.99	3.39	3.39	3.39	3.39	3.39	3.48	3.52
Security:	Police Department	21.00	19.00	19.50	20.30	20.80	20.82	21.50	23.00	23.25	24.33
Physical Environ.:	Engineering	5.95	5.63	5.63	5.63	5.95	6.45	6.33	10.30	7.30	9.30
Transportation:	Streets	4.70	3.70	3.70	3.25	4.40	3.15	2.70	2.64	2.64	2.64
Economic Environ.:	Planning & Building	8.45	6.55	6.55	6.55	7.00	7.92	8.00	5.00	8.00	8.00
Culture & Recreation:	Parks & Recreation	6.62	5.87	5.87	6.16	5.95	6.17	6.17	6.17	6.17	6.17
	Parks & Cemetery	2.25	2.25	2.25	2.28	2.30	2.30	2.25	2.22	2.22	3.22
	Library	0.60	-	-	-	-	-	-	-	-	-
Mental Health:	Mental Health	-	-	-	-	-	-	-	4.00	3.17	4.00
Utilities & Environ.:	Water	2.90	3.30	3.30	3.33	3.65	5.90	5.90	5.82	5.90	5.87
	Sewer	3.15	3.05	3.05	3.08	3.40	3.65	3.65	3.63	3.71	3.68
	Solid Waste	3.05	3.05	3.05	3.10	3.32	4.32	4.32	4.62	4.62	4.62
	Storm Drain	3.95	3.65	3.65	3.65	3.45	5.87	6.20	5.93	5.86	5.83
	General Facilities	1.00	1.00	1.00	0.83	-	-	-	-	-	-
	Administration	5.10	3.88	3.88	3.85	3.48	3.48	4.10	4.32	4.32	4.32
Total Number of Full-Time Equivalent Employees:		92.38	80.20	81.42	81.40	83.14	89.97	92.06	99.06	99.32	104.52

Source: City of Poulsbo, Human Resources



**PRINCIPAL CUSTOMER BY AMOUNT BILLED
FOR THE YEAR ENDED DECEMBER 31, 2019**

Individual Water Customers

Customer	Type of Business	Amount Billed
CFA Properties Inc	Condominiums	\$21,492
Poulsbo Mobile Home Park	Mobile Home Park	19,957
Car Wash Enterprises Inc	Car Wash	11,851
Safeway Inc	Grocery Store	10,533
Emeritus Senior Living	Senior Assisted Living	10,203
Town & Country Markets Inc	Grocery Store	10,102
Hostmark Village Cove	Apartments	10,087
The Home Depot	Home Improvement Store	9,095
Ashley Burke	Car Wash	9,085
Martha & Mary Health Services	Senior Assisted Living	8,718
Total of Ten Largest Water Customers		\$121,122

Individual Sewer Customers

Customer	Type of Business	Amount Billed
CFA Properties Inc	Condominiums	\$67,135
Poulsbo Mobile Home Park	Mobile Home Park	65,894
Car Wash Enterprises Inc	Car Wash	39,852
Safeway Inc	Grocery Store	33,729
Town & Country Markets Inc	Grocery Store	32,513
Emeritus Senior Living	Senior Assisted Living	30,540
Ashley Burks	Car Wash	30,270
Hostmark Village Cove	Apartments	28,866
Martha & Mary Health Services	Senior Assisted Living	28,338
The Home Depot	Home Improvement Store	26,266
Total of Ten Largest Sewer Customers		\$383,402

CAPITAL ASSETS STATISTICS BY FUNCTION
Last Ten Fiscal Years

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental Functions										
General Government										
Number of City vehicles (not listed below)	13	13	13	13	12	12	12	9	10	11
Generators	2	2	2	2	2	2	4	4	4	4
Public Safety										
Number of police vehicles	21	22	20	21	25	24	25	26	25	26
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	6	6	7	6	8	8
Number of street sweepers	1	1	1	2	2	2	2	2	2	2
Number of dump trucks	6	6	6	6	6	6	6	7	7	7
Construction equipment	8	8	8	8	10	11	13	15	14	16
Miles of streets	48	48	48	48	48	**56	56	56	56	56
Number of traffic signals	8	8	8	8	9	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	-	-	-	-	-
Number of boats ¹	37	37	34	32	32	34	13	13	13	12
Number of neighborhood parks ²	10	10	10	10	11	11	9	9	9	9
Number of community parks ²	5	5	5	5	5	5	2	2	2	2
Number of regional parks ²							3	3	3	4
Number of natural/open space sites ²							6	6	7	7
Miles of trails ²							6	6	6	6
Total park acreage ³							137	137	139	150
Maintenance equipment	5	5	5	6	6	6	8	11	10	12
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	2	1	1
Physical Environment										
Number of engineering dept vehicles	4	1	1	1	1	1	1	1	1	1
Business-Type Functions										
Water										
Generators	2	2	2	2	2	2	3	3	3	3
Miles of water mains	63	63	63	63	64	**67	67	68	69	69
Number of vehicles	5	5	5	4	4	5	6	9	10	10
Number of hydrants	402	406	425	427	433	**538	538	551	615	633
Sewer										
Generators	4	4	4	4	4	4	7	7	8	8
Number of vehicles	5	5	5	5	5	4	4	3	4	4
Number of construction vehicles	2	2	2	2	2	2	3	3	3	3
Sewer inspection camera	1	1	1	2	2	2	2	1	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	**53	53	54	56	56.5
Solid Waste										
Number of vehicles								1	1	2
Number of garbage trucks	6	6	6	6	7	5	5	6	5	5
Storm Drain										
Number of vehicles	3	3	3	3	4	2	3	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

OPERATING INDICATORS BY FUNCTION
Last Ten Fiscal Years

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		2010	2011	2012	2013
Governmental Functions					
General Government	Number of:				
	Bargaining groups represented	2	2	2	2
	City council meetings	39	42	39	37
	Public records requests processed	88	75	83	119
	Pages of ordinances codified	*	*	*	382
	Business licenses issued	1,404	1,463	1,639	1,629
	Passports processed	617	805	783	723
	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	13,744	13,591	12,139	11,653
	Traffic stops	*	*	*	2,814
	Incident reports filed	1,746	1,552	1,595	1,392
	Infractions issued by officers	1,250	1,155	1,031	978
	Responses to motor vehicle accidents	*	*	*	316
	Reportable motor vehicle accidents	*	*	*	145
	Driving impaired citations issued	84	77	50	29
	Vacation house checks	1,114	677	398	590
	Parking complaints dispatched	*	*	*	229
	Parking infractions issued	568	802	636	301
Transportation	Miles of streets maintained	48	48	48	48
	Miles of sidewalks maintained	50	50	50	50
	Number of hours spent street sweeping	323	225	312	312
	Number of street signs maintained	2,204	2,215	2,255	2,280
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	20	35	96	109
	New commercial building permits issued	7	4	3	2
	Existing single family building permits issued	57	52	50	61
	Existing commercial building permits issued	77	47	60	56
	All other building permits	74	64	53	49
Physical Environment	Number of:				
	Right of way permits issued	57	41	41	59
	Clearing & grading apps & permits issued	9	6	10	6
	Land use pre-applications reviewed	14	15	12	16
	Land use commercial applications reviewed	14	10	13	10
	Land use residential applications reviewed	14	9	9	10
	Land use un-classified ¹ applications reviewed	22	7	17	8
Business-Type Functions					
Water	Number of active water service customers	3,156	3,161	3,194	3,256
	Miles of watermain lines maintained	63	63	63	63
	Average number of water meters read monthly	3,259	3,292	3,355	3,445
Sewer	Number of active sewer services customers	2,985	3,001	3,073	3,164
	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	2,641	2,668	2,785	2,897
	Multi-family units	1,102	1,102	1,012	1,022
	Commercial accounts	277	282	311	307
	Tons of waste to landfill	4,810	4,874	5,144	5,063
	Free dumpsters for residential clean-up provided	356	300	306	309
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

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2014	2015	2016	2017	2018	2019
2	2	2	2	2	2
39	40	40	37	41	33
165	130	275	303	624	710
145	150	254	379	235	278
1729	1825	1944	1913	2261	1814
814	715	742	692	544	580
*	12	9	15	5	11
*	2	1	1	0	2
*	220	337	437	411	415
*	2645	3124	3575	4750	4543
*	2	2	9	14	5
*	*	1	1	1	0
12,473	12,429	12,215	12,852	13,238	11,647
3,025	2,612	1,879	2,584	3,477	2,107
1,356	1,774	1,751	1,967	1,742	1,948
1,012	962	732	730	1,101	564
370	382	403	433	402	436
165	197	208	201	186	200
26	28	38	50	59	44
150	0	376	355	100	0
290	176	274	256	154	207
357	363	436	240	176	165
48	**56	56	56	56	56
50	50	64	64	65	65
312	354	310	350	581	480
2,290	2,290	3,000	3,100	3,170	3,170
17	17	17	17	18	19
67	67	67	67	71	71
75	99	113	104	75	51
2	2	2	10	1	4
69	128	146	22	6	35
71	9	5	27	33	61
73	314	347	226	368	323
64	57	51	66	78	65
8	5	18	18	5	2
14	14	25	22	33	36
17	12	14	19	20	17
10	17	7	8	11	24
5	4	6	10	16	9
3,344	3,500	3,837	3,951	4,013	4,100
64	67	67	68	68	70
3,550	3,410	3,828	3,950	4,082	4,165
3,422	3,400	3,561	3,682	3,803	3,895
34	53	53	54	56	57
9	9	9	9	9	9
3,022	3,040	3,196	3,399	3,500	3,584
1,022	1,022	1,022	1,040	1,076	1,163
228	315	334	341	344	384
5,402	5,600	5,979	6,207	6,409	6,446
311	315	300	271	278	288
29	29	29	29	29	31