

*City of Poulsbo, Washington*

# Comprehensive Annual Financial Report

*For the fiscal year ended December 31, 2020*



**CITY OF POULSBO**

**WASHINGTON**

**COMPREHENSIVE ANNUAL FINANCIAL  
REPORT**

For the fiscal year ended

December 31, 2020

Finance Director  
Deborah Booher

PREPARED BY

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# City of Poulsbo

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July 23<sup>rd</sup>, 2021

Mayor Erickson,  
The Poulsbo City Council, and  
Citizens of Poulsbo, Washington:

I am pleased to provide the Comprehensive Annual Financial Report of the City of Poulsbo for the fiscal year ended December 31, 2020. This report is published yearly 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 comprehensiveness 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 City met this dollar threshold in fiscal year 2020, and the single audit report will be issued as an addendum to this report.

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 disposal and recycling; 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 Comprehensive Annual Financial Report 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 are located in Poulsbo. They are split in location between Downtown Poulsbo and the Viking Avenue Corridor. Along with commerce, City Hall is located in the heart of the historic downtown. All City Departments are located in the building, with the exception of Public Works. The central location provides a one-stop shop for City residents. The building also offers multiple meeting rooms, which have been available to the public prior to the COVID-19 pandemic, which brought additional 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 designed to maximize pedestrian and bicycle safety. The corridor hosts various businesses and restaurants and provides access to two bustling 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 of said facility is to provide for those in need of food and other social services in the north end of the county. Arco, a 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 are a welcome response to the lack of available housing within 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 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, boasts local produce, in-store dining, grocery products, extensive wine and beer selections and many quick gourmet meal options, and is also located along the corridor. A new development called VIBE opened for business in 2018. The center hosts a community workplace for citizens to operate and telecommute, allowing residents to work closer to home and reducing the need to commit to long term leases. The building houses a café for quick dining, and a 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 had been located on the west side of the highway in a shopping complex for more than 30 years closed their doors to focus their customer base at 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. Groundbreaking to construct a new hotel and an apartment complex in the area occurred in 2020.

Poulsbo's development was temporarily halted in 2020 due to the COVID-19 pandemic. Since resumption, development has picked up strongly and is expected to continue in 2021 at a slower rate than previous years. 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 inventory 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 2020.

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 2020 due to revenue growth and an increase in the amount of funds invested. All investments in 2020 were made in accordance with the City's investment policy.

## **Long-term 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 five years ahead 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 second year of the 2019-2020 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. In 2020, the General Fund balance has decreased 15% year over year. The 2020 budget was built accounting for strategic use of the fund balance, which was allowable due to the fund balance being much greater than required by the Financial Management Policy.

## **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 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 Comprehensive Annual Financial Report 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 2020 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.

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 that reads "Deborah L. Booher". The signature is written in a cursive, flowing style.

Deborah L. Booher  
Finance Director



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**City of Poulsbo  
Washington**

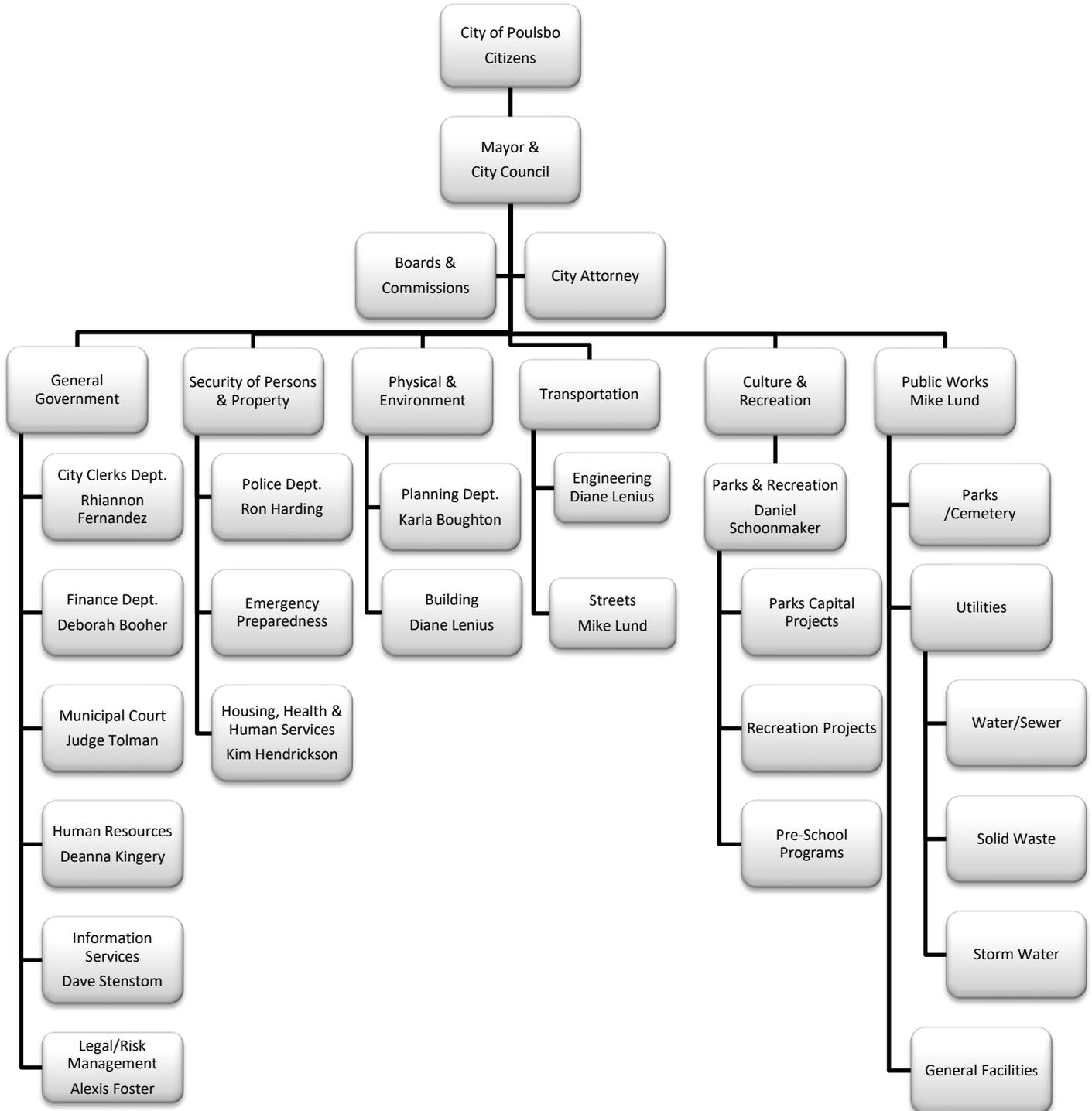
For its Comprehensive Annual  
Financial Report  
For the Fiscal Year Ended

December 31, 2019

*Christopher P. Morrill*

Executive Director/CEO

## City of Poulsbo Organizational Chart



# City of Poulsbo

## List of Elected and Appointed Officials

As of December 31, 2020

### Elected Officials

<b>Becky Erickson, Mayor</b>	<b>December 31, 2021</b>
<b>David Musgrove, City Council Member</b>	<b>December 31, 2021</b>
<b>Ed Stern, City Council Member</b>	<b>December 31, 2021</b>
<b>Gary McVey, City Council Member</b>	<b>December 31, 2021</b>
<b>Andrew Phillips, City Council Member</b>	<b>December 31, 2023</b>
<b>Britt Livdahl, City Council Member</b>	<b>December 31, 2023</b>
<b>Connie Lord, City Council Member</b>	<b>December 31, 2023</b>
<b>Jeff McGinty, City Council Member</b>	<b>December 31, 2023</b>

### Appointed Officials

<b>Police Chief</b>	<b>Ron Harding</b>
<b>Finance Director</b>	<b>Deborah Booher</b>
<b>Planning Director</b>	<b>Karla Boughton</b>
<b>Parks &amp; Recreation Director</b>	<b>Daniel Schoonmaker</b>
<b>Director of Engineering</b>	<b>Diane Lenius</b>
<b>Public Works Superintendent</b>	<b>Mike Lund</b>
<b>City Clerk</b>	<b>Rhiannon Fernandez</b>
<b>Municipal Judge</b>	<b>Jeffrey Tolman</b>
<b>Prosecutor</b>	<b>Alexis Foster</b>
<b>City Attorney</b>	<b>Jim Haney, Ogden Murphy Wallace</b>
<b>Bond Attorney</b>	<b>Foster Garvey PC</b>



## Office of the Washington State Auditor Pat McCarthy

### INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

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, 2020, 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, 2020, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General 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 15 to the financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the City is unknown. 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 23, 2021, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report will be issued under separate cover in the City's Single Audit Report. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Sincerely,

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

Pat McCarthy, State Auditor

Olympia, WA

July 23, 2021



## 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, 2020. The intent of this discussion and analysis is to review and accurately present 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 2020 financial activities for the City of Poulsbo.

These materials are 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 with management's understanding and approval
- Reasonable assurance that transactions are executed in accordance with 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 2020 fiscal year by \$169 million (net position). Of this amount, \$27 million (unrestricted net position) may be used to meet the city's ongoing obligations to its citizens and creditors.
- Reported net position increased \$6.6 million. Net position of governmental activities increased \$2.6 million, or 3.1%, during 2020. Net position of business-type activities increased \$4 million, or 4.85%, during 2020. The variations are spread over several areas and can be attributed to many factors:
  - Increase in the current assets for Business Type funds is a result from operating revenue in utility funds larger than expenses for the purpose of building funds for future capital infrastructure improvements.

- A decrease in long term debt due principal payments reducing the liability.
- An increase in Capital Assets with most occurring in the Governmental Funds which can primarily be attributed to a large project at Fish Park and two major transportation projects; Finn Hill and Noll Road.
- The City's Pension Liability is calculated and updated per GASB 68 standards and provided by Washington State Department of Retirement resulting in variance to deferred inflows, outflows and pension liabilities. The proportionate share is adjusted annually and provided by Washington State Department of Retirement.
- Net investment in capital assets, increased \$2.3 million with the bulk of the increase occurring in governmental activities.
  - Continued improvements to capital for park and transportation projects. Large transportation projects on Finn Hill was substantially completed in 2020 and a large ongoing Noll Road Project will constructed over the next several years including a double level roundabout with a pedestrian tunnel. Right of way purchases were completed in 2020. A large park project to Fish Park was substantially completed in 2020 increasing trails, boardwalks, viewing platforms and parking availability.
  - Capital improvements to utility infrastructure were completed or in progress in 2020 including: Liberty Bay bioretention to support storm drain improvements for the marine health of Liberty Bay, and payments to Kitsap County for improvement to pump stations supporting the City's sewer system share in the County's Treatment Plant.
- Total liabilities decreased by \$819 thousand. This is due to a combination of debt principal payments reducing the liability and reduction in Pension Liability as calculated with date provided by Washington State Department of Retirement.
- The book value of capital assets has increased \$1.2 million over 2019. Total capital assets from governmental activities increased \$1.7 million or 2.11%. The increase in governmental capital assets is primarily attributed to the contributed capital from developers and construction Finn Hill Road transportation project and the final purchase of right of ways for the Noll Road Corridor project. Capital assets of business-type activities decreased \$425 thousand or -.6%. Few utility projects were constructed in 2020 which are offset by the annual depreciation posting creating a net decrease in asset value.
- City governmental fund tax revenue has increased an average of 3.8% over the past five years. In 2020, the City saw an increase over the prior year of \$48 thousand or .48% over the prior year. Local sales tax is the largest revenue source for Poulsbo. The increase was minimal but primarily due to sales and utility taxes. Due to the Pandemic COVID-19 occurring in 2020 tax changes were occurred in different categories than past trends. Increases in on-line sales brought more funds to the City due to destination-based revenue and home improvements greatly increased in 2020 due to travel restrictions. These increases off-set the reduced taxes for dining, entertainment, and lodging categories. Sales tax is spread among many categories, helping diversification and not being dependent on one industry or one-time revenues.
- Utility taxes have increased in 2020 in the amount of \$121 thousand. Utility tax rates for water, sewer, and storm drain increased in October. The Council increased the tax to offset revenue reductions in governmental revenue for charges for services due to the pandemic affecting the ability to offer programs, but the need to continue to operate many governmental functions without the revenue stream to support the program. City utilities generated \$131 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. Cable tax saw a decrease which results from more internet streaming and less utilizing cable services.

- Admissions and lodging taxes in 2020 saw significant decreases due to the inability to operate theaters and travel restrictions during the pandemic COVID-19.
- 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 Poulso does not have any committed fund balance for 2020.
  - Restricted – Fund balances which have externally enforceable limitations on use by grantors, creditors or legal restrictions.
  - Nonspendable – This is comprised of assets, which will never convert to cash such as inventory or portion of proceeds which cannot be expended because they must be intact such as imprest funds.
- At the close of the current fiscal year, the City’s governmental funds reported combined ending fund balances of \$11.6 million. Approximately 62% of this total amount, or \$7.2 million, is available for spending at the government’s discretion and 38% or \$4.3 million is non-spendable or restricted per debt or legal requirements.
- The ending unassigned fund balance for the General Fund was \$0. The net change in the General Fund which is inclusive of transfers to capital reserve and debt service funds ended with a deficit of \$747,616 change in fund balance. The City strategically utilized Unassigned and Assigned funds to provide funds for one-time expenditures and minimal operating expenditures to maintain levels of services. The unintended impacts due to the pandemic COVID-19 also caused a reduction in revenues for programs not able to operate due to legal restrictions decreasing exposure to the worldwide virus and the unknown timing affects not allowing for expenditures to be reduced in as quick manner. The total General Fund balance amounts to \$4.1 million which equates 31% of General Fund expenditures. This is less than 2019 Fund Balance because of the planned uses and the reduction of program revenues. Much of 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 Poulso’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 2020. 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 2020 and 2019. Governmental Activities net position has an increase of \$2.6 million. The increase can be attributed to a combination of a reduction in liability as the City pays down the principal in debt issues and increased assets both as City capital projects and contributed capital from developers.

The Business-Type Activities had an increase of \$4 million to Net Position. Most of the increase is due to Capital Contributions in the form of connections fees assessed for utility connections and developers turning their infrastructure improvements over to the City. The other contributor to the balance is revenues exceeding expenditures in order to reserve funds for future infrastructure capital maintenance and improvements.

The overall financial position for the City of Poulsbo has improved over the prior year. In 2020, assets exceeded liabilities by \$169 million, an increase of \$6.6 million or 4%. The largest portion of the City's net position, \$137 million or 81% 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.

### City of Poulsbo's Condensed Statement of Net Position

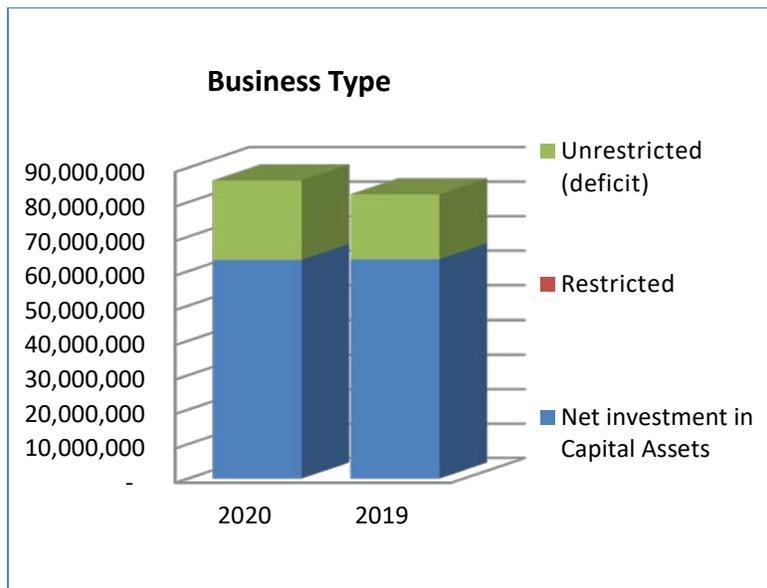
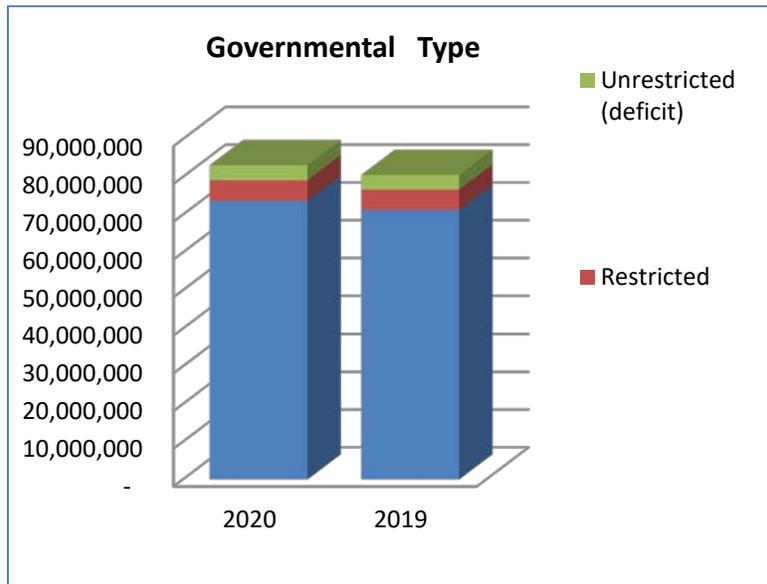
**Table 1**

	<u>GOVERNMENTAL</u>		<u>BUSINESS-TYPE</u>		<u>TOTAL PRIMARY</u>	
	<u>ACTIVITIES</u>		<u>ACTIVITIES</u>		<u>GOVERNMENT</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Current and Other Assets	\$ 13,505,953	\$ 13,830,047	\$ 24,092,745	\$ 20,030,601	\$ 37,598,697	\$ 33,860,648
Capital Assets Net	80,643,346	78,975,881	70,187,389	70,612,068	150,830,735	149,587,950
Pension Asset	1,138,531	1,358,009	-	-	1,138,531	1,358,009
<b>TOTAL ASSETS</b>	<b>95,287,830</b>	<b>94,163,937</b>	<b>94,280,133</b>	<b>90,642,669</b>	<b>189,567,963</b>	<b>184,806,606</b>
Deferred Outflows of Resources	1,289,548	1,179,329	191,022	171,421	1,480,570	1,350,751
Long-term Debt	7,508,767	8,160,398	6,844,123	7,104,999	14,352,890	15,265,398
Pension Liability	2,768,171	2,876,008	520,819	499,579	3,288,990	3,375,588
Other Liabilities	2,491,010	2,350,238	704,267	665,193	3,195,276	3,015,431
<b>TOTAL LIABILITIES</b>	<b>12,767,948</b>	<b>13,386,644</b>	<b>8,069,209</b>	<b>8,269,772</b>	<b>20,837,157</b>	<b>21,656,416</b>
Deferred Inflows of Resources	713,729	1,432,347	154,820	285,950	868,549	1,718,296
<b>NET POSITION</b>						
Net investment in Capital Assets	73,665,321	71,251,169	63,259,392	63,420,295	136,924,714	134,671,464
Restricted	5,463,498	5,388,184	-	-	5,463,498	5,388,184
Unrestricted (deficit)	3,966,882	3,884,922	22,987,735	18,838,075	26,954,616	22,722,996
<b>TOTAL NET POSITION</b>	<b>83,095,701</b>	<b>80,524,275</b>	<b>86,247,127</b>	<b>82,258,369</b>	<b>169,342,828</b>	<b>162,782,644</b>

The City's total restricted net position amounts to 3.23%. 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 2020 and 2019. This is a condensed version of the Statement of Activities for the City. The revenues for 2020 show a significant increase in Capital Grants/Contributions attributed to a combination of a large number of grants for capital and operating programs including federal funds supporting the

pandemic of COVID-19, development of road and park project, utility connection fees and infrastructure given to the City from development projects.



## City of Poulsbo's Changes in Net Position

Table 2

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL PRIMARY GOVERNMENT	
	2020	2019	2020	2019	2020	2019
<b>Revenues</b>						
<b>Program Revenues</b>						
Charges for Services	\$ 1,579,899	\$ 2,227,925	\$ 11,012,111	\$ 10,802,059	\$ 12,592,009	\$ 13,029,984
Operating Grants/Contribr	2,086,040	1,598,363	24,966	-	2,111,006	1,598,363
Capital Grants / Contribr	3,077,912	1,894,309	2,506,252	1,052,865	5,584,164	2,947,174
<b>General Revenues</b>						
Property Taxes	2,682,753	2,568,117	-	-	2,682,753	2,568,117
Retail Sales & Use Tax	4,626,093	4,628,686	-	-	4,626,093	4,628,686
Business Taxes	2,772,366	2,810,555	-	-	2,772,366	2,810,555
Investment Earnings	330,550	482,508	305,903	361,686	636,453	844,194
Other	(18,897)	5,624	(45,870)	5	(64,766)	5,629
<b>Total Revenues</b>	<b>17,136,716</b>	<b>16,216,088</b>	<b>13,803,362</b>	<b>12,216,615</b>	<b>30,940,078</b>	<b>28,432,703</b>
<b>Program Expenses</b>						
General government	3,138,251	2,768,497	-	-	3,138,251	2,768,497
Judicial	440,026	433,486	-	-	440,026	433,486
Security of Per & Prop	4,062,697	4,046,487	-	-	4,062,697	4,046,487
Utilities & Environment	(20,889)	102,289	-	-	(20,889)	102,289
Transportation	3,589,312	3,555,833	-	-	3,589,312	3,555,833
Economic Environment	1,168,146	1,115,517	-	-	1,168,146	1,115,517
Mental & Physical Health	482,409	458,461	-	-	482,409	458,461
Culture & Recreation	1,409,420	1,595,771	-	-	1,409,420	1,595,771
Interest Long-Term Debt	295,919	437,737	-	-	295,919	437,737
Water	-	-	2,091,673	1,791,832	2,091,673	1,791,832
Sewer	-	-	3,608,388	3,374,255	3,608,388	3,374,255
Solid Waste	-	-	2,495,220	2,342,826	2,495,220	2,342,826
Storm Drain	-	-	1,619,323	1,520,262	1,619,323	1,520,262
<b>Total expenses</b>	<b>14,565,290</b>	<b>14,514,078</b>	<b>9,814,604</b>	<b>9,029,175</b>	<b>24,379,894</b>	<b>23,543,253</b>
Excess (deficiency)	2,571,425	1,702,009	3,988,758	3,187,440	6,560,184	4,889,450
Changes in Net Position	2,571,425	1,702,009	3,988,758	3,187,440	6,560,184	4,889,450
Beginning Net Position	80,524,275	77,357,656	82,258,369	78,990,924	162,782,644	156,348,579
Change in Accounting	-	-	-	-	-	-
Prior Year Adjustments	-	1,464,610	-	80,005	-	1,544,615
<b>Ending Net Position</b>	<b>\$ 83,095,701</b>	<b>\$ 80,524,275</b>	<b>\$ 86,247,127</b>	<b>\$ 82,258,369</b>	<b>\$ 169,342,828</b>	<b>\$ 162,782,644</b>

## GOVERNMENTAL ACTIVITIES

### Revenues

Taxes account for the largest revenue category in the governmental funds, generating 59% of the total revenue. Much of tax revenue is received in the General Fund accounting for 90% of the tax revenue. This category tends to receive most attention because of the percentage ratio. Included in this category are sales, property, utility, criminal justice, and gambling taxes. Governmental fund taxes total \$10,060,147.

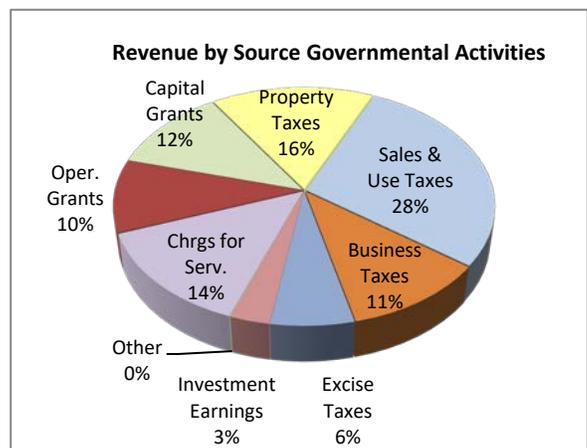
Property tax receipts involve the very predictable effect of the 101% levy lid limitation, and a somewhat more variable consideration of new construction. The assessed valuation for property located within the City limits of Poulsbo for 2020 was \$2,030,684,280. The assessed value showed an increase from the prior year primarily due to new construction of several housing developments and some commercial development. In 2020 the City levied the full 1%. For 2020, the City's regular property levy tax rate was \$1.32 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 less than a 1% increase in 2020, which is less than the five-year average increase of 5.8%. Early 2020 when the pandemic COVID-19 began, sales tax saw a significant decrease, but prior to year end the revenue recovered and actual dollars generated were more than the mid-year anticipated adjustment. The declines in areas such as Accommodation and Food Services and Construction were offset by the increases in retail trade as more citizens ordered products on-line for home delivery instead of travelling to retail developments generating the tax by destination. Based on the year end trend and strategic planning for diversification by the Mayor and Council, anticipate continued revenue growth. 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 2020, sales tax received in the City's General Fund totaled \$4,285,995. 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 (60%) comes from the retail trade category. The next largest sales tax categories are Construction (10%) and Accommodations and Food Services (9%). 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 City operated utilities of water, sewer and storm drain were raised in October of 2020 to 12%. The tax was increased to support an anticipated decline in revenues, but with a strategic reduction plan over the next several years to reduce the tax to 6% which is consistent with the rate for all other utilities.



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 decrease in 2020, but revenues much higher than anticipated. The City uses the revenue generated by REET to fund debt payments related to the City Hall and transportation capital projects. Excess funds are reserved in a restricted fund balance intended for long range capital plan and uses consistent with legal allowances 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.

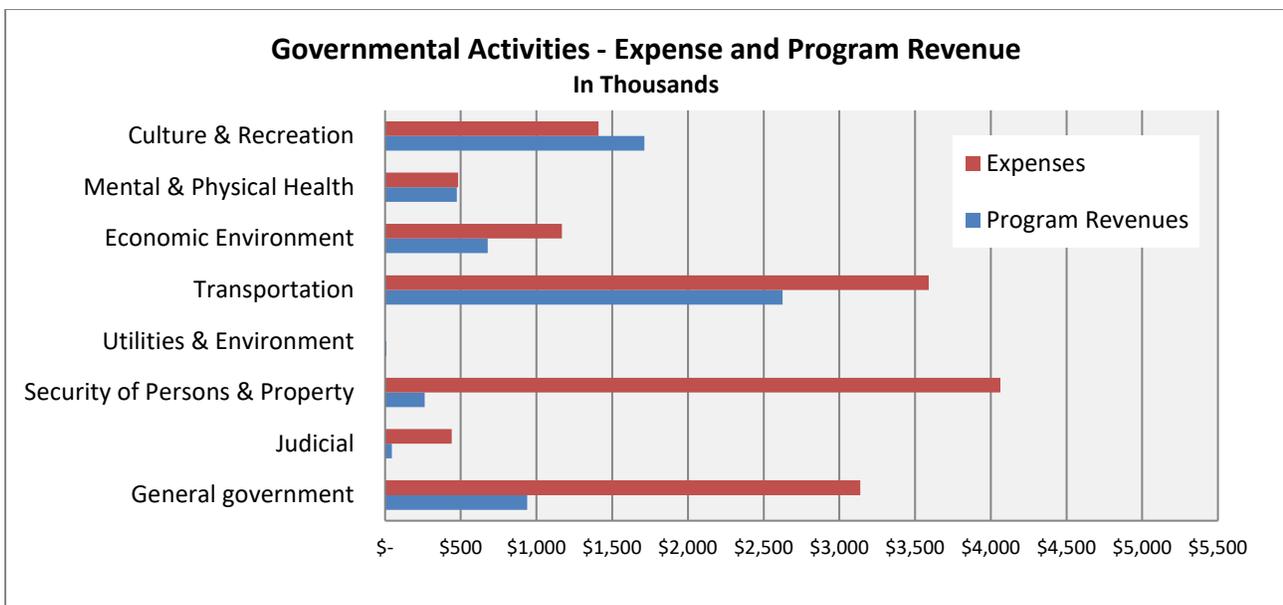
Transportation services provide maintenance of the City’s streets, sidewalks, paths and traffic control signs/signals.

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.



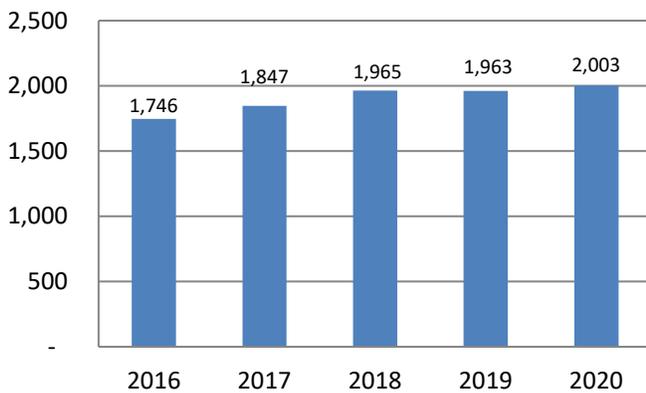
**BUSINESS-TYPE ACTIVITY**

**Enterprise Funds:** The City of Poulsville 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.

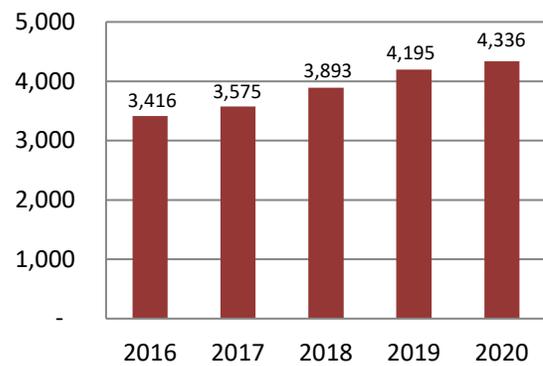
**Key elements of the increases are as follows:**

- There was a cost-of-living adjustment (COLA) for 2020, which resulted in an increase to utility rates creating an increase of revenue in 2020.
- 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.

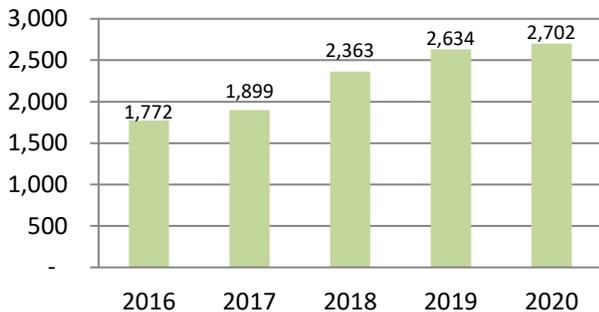
**Water Service Charge Revenue**  
In Thousands



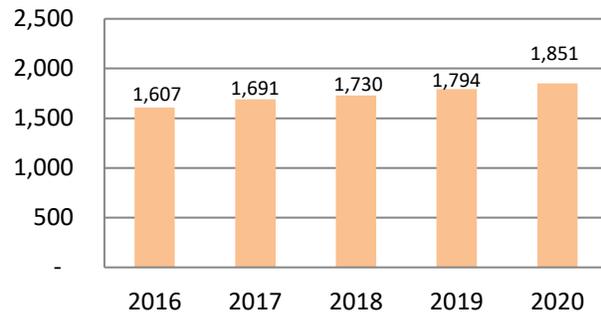
**Sewer Service Charge Revenue**  
In Thousands



**Solid Waste Service Charge Revenue**  
In Thousands

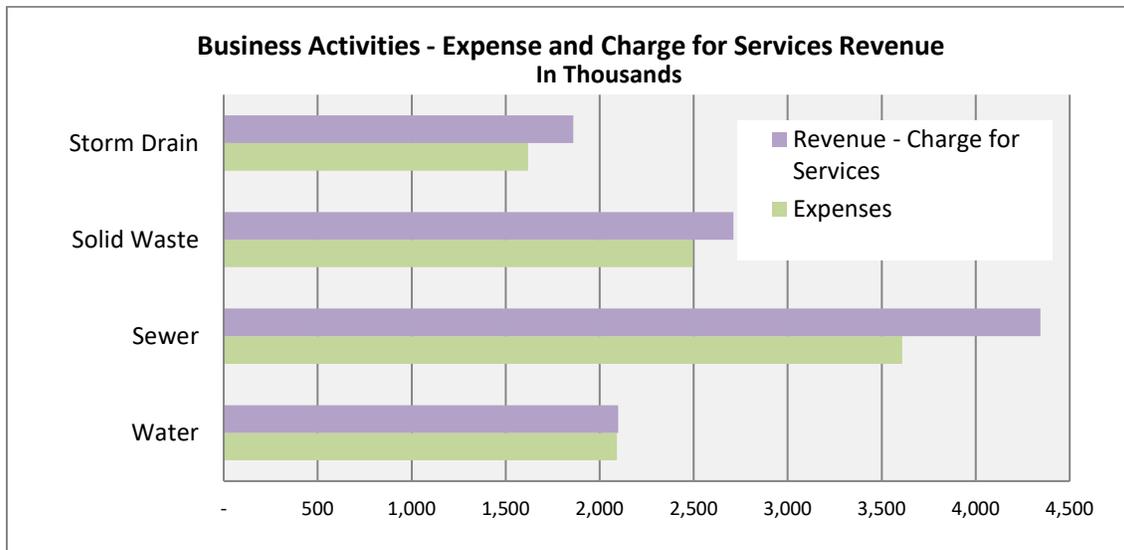


**Storm Drain Service Charge Revenue**  
In Thousands



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 2020, 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 be focusing the next several years to update the functional plans consistent with updated population and development projections.

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 can be found on the governmental funds balance sheet. 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 funds. These funds are accounted for using the modified accrual basis of accounting. As reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances, governmental funds have total revenues of \$16.2 million and expenditures of \$16.7 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 decreased 15%. The fund balance had been growing and much larger than required by the Financial Management Policy, so it was strategically planned to use the fund balance. The 2020 budget was built anticipating the uses for one-time expenditures and maintaining existing levels of service. The City’s operating revenues were greater than operating expenditures in 2020, 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 with some large variances in charges for services due to the inability to offer recreation programs because of the pandemic restrictions. This revenue decrease was offset by the increase in grant revenue with a large distribution of federal funds to support impacts from COVID-19. They City was also the recipient for several awards supporting planning

processes for a comprehensive plan update and a feasibility study for a new regional recreation center. 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 federal CARES dollars supporting the pandemic COVID-19
- Increased investment earning

Expenditures show a significant increase related to transportation. This was due to a large transportation project on Finn Hill with a portion being completed on behalf of the County. Since the portion of the improvements are not located in the City limits and is not owned by the City the expenditure and related revenue from the County are recorded in the General Fund.

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 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. A major transportation project on Finn Hill for improved traffic flow and pedestrian safety was substantially completed in 2020. A portion of the project is owned by the County which the City managed. Work on Noll Road continued in 2020 in anticipation of construction occurring in 2021. Easements were purchased and construction management worked in preparation of accepting construction bids.
- **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 2020, there were large Capital Contributions in the storm drain 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 and a growing number of customers due to several housing developments completed in 2019 and 2020.
  - 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 102. The significant budgetary changes in the General Fund include:

- The final General Fund revenue budget increased 6.4%, or \$759,180 of the original adopted budget. This increase was due to unanticipated grant revenue for COVID-19 and a planning grant for regional recreation center.
- The final General Fund expenditure budget increased by 5.7%, or \$759,370. The increase is a net effect of several adjustments:
  - Expenditures related to grants
  - Wages and benefits increase due to cash outs of leave for retiring employees
  - Expenditures related to the mental health services program
- The General Fund amended budget anticipated the ending Fund Balance to increase \$762,029 over the original projected ending Fund Balance. This increase is primarily due to the actual beginning balance being higher than the original projection.

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

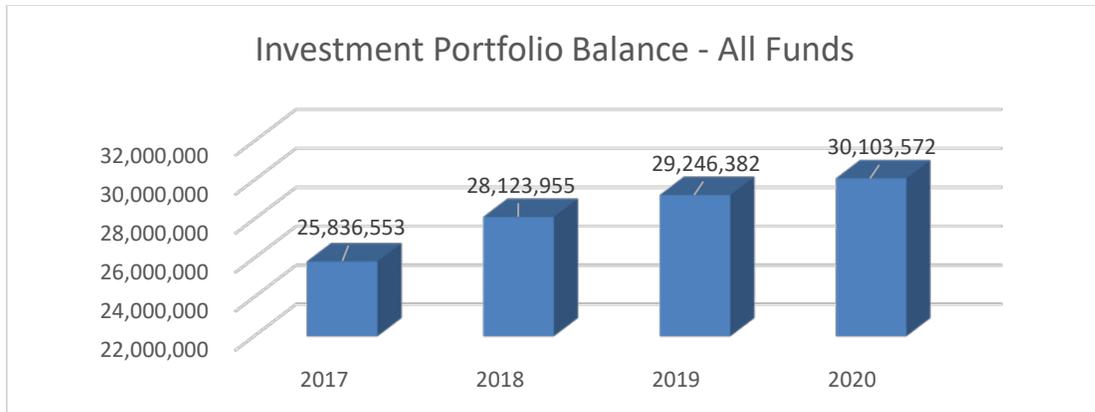
- Tax revenues were larger than anticipated with the bulk of the variance in sales tax and real estate excise tax
- Legal expenditures were more than anticipated
- Expenses related to grant revenue for planning projects. The amounts will be carried over into the 2021 budget.
- Behavioral Health grant was not fully expended, and the remaining balance will carry over into 2021.
- Capital projects, related transfers and grants were not completed as per projected and most will carry over into 2021

Copies of the City's Budget and Budget-in-Brief are available on our website [www.cityofpoulsbo.com](http://www.cityofpoulsbo.com). The complete budget provides details of the City's plans for using its resources during the biennial cycle and may also be obtained by contacting the City Finance Director at 360-394-9720 or [dboohar@cityofpoulsbo.com](mailto:dboohar@cityofpoulsbo.com).

## CASH MANAGEMENT

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

The chart reflects the investment balances as of December 31, 2020. The growth in 2020 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: \$6.9 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.

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 2020 is \$6.4 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 (\$2,176,734,837), or \$32,651,023;
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 (\$2,176,734,83). For 2021, the City’s limit is \$54,418,371 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 2021:

This Debt is controlled by assessed Valuation Debt Limits					
		2021 Assessed Valuation	\$ 2,176,734,837		
X	0.025	= \$ 54,418,371	Limited for Combined Debt	Balance Available	\$47,562,964
X	0.015	= \$ 32,651,023	Limited for Non-Voted Debt	Balance Available	\$25,795,616

Additional information on the City’s debt is provided in Note 8, “Long-Term Debt” and may be found on page 74 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 increase in capital assets in 2020 is primarily in governmental type activities. 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. The multiphase project spanning over several years continued in 2020 with design and purchase of right of ways necessary for the project. Construction is set to occur in 2021.

A transportation project on Finn Hill was substantially completed in 2020. The project spans the boundaries between the City of Poulsbo and Kitsap County, so the City managed the project on behalf of both agencies as it made financial and workload sense. The project included pedestrian safety improvement as Finn Hill is a main access road providing access to the freeway, College Market Place development, several housing developments, and a local elementary school.

The City continues to allocate funds for pavement restoration in the neighborhood streets. Neighborhood streets do not qualify for grant funding. City 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.

A large improvement to Fish Park, a natural park overlooking Dogfish Creek connection to Liberty Bay providing a stream for salmon to spawn increasing their population. The park consists of trails, boardwalks, natural amphitheater, and viewing platforms has continued to grow with purchases and donations of land expanding the park boundaries. A large enhancement to the newest addition to the park land was substantially completed in 2020 expanding the boardwalks, viewing platforms and an additional parking lot connecting different sections of the park.

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 2021 with much of the focus continued to be on the Noll Road corridor project, 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 63.

**City of Poulsbo's Capital Assets at Year End, Net of Depreciation/Amortization****Table 3**

	<u>GOVERNMENTAL ACTIVITIES</u>		<u>BUSINESS-TYPE ACTIVITIES</u>		<u>TOTAL</u>	
	2020	2019	2020	2019	2020	2019
Land/Intangibles	\$ 33,977,734	\$ 33,564,732	\$ 4,198,322	\$ 4,118,960	\$ 38,176,057	\$ 37,683,693
Buildings	11,766,477	11,581,734	2,481,863	2,539,557	14,248,340	14,121,291
Other Improvements	1,167,455	1,020,679	451,755	481,728	1,619,209	1,502,407
Infrastructure	27,690,404	28,323,254	45,891,122	46,193,432	73,581,527	74,516,686
Intangibles (Depreciable)	26,685	58,342	13,881,912	14,003,063	13,908,596	14,061,405
Machinery & Equipment	913,548	1,061,299	2,570,885	2,791,833	3,484,433	3,853,132
Work in Progress	5,101,044	3,365,840	711,529	483,495	5,812,573	3,849,335
<b>Totals</b>	<b>\$ 80,643,346</b>	<b>\$ 78,975,881</b>	<b>\$ 70,187,389</b>	<b>\$ 70,612,068</b>	<b>\$ 150,830,735</b>	<b>\$ 149,587,950</b>

**ECONOMIC FACTORS AND POULSBO IN THE FUTURE**

The State of Washington does not have a state personal income tax and therefore the state operates primarily using property, sales, 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. These revenues were severely impacted during the pandemic with the largest to recreation programs. The City's recreation program is working hard to offer opportunities through webinars as well as social distancing programs. As the state continues to lessen its restrictions in 2021 the department is working hard to expand the programs and be ready offer many opportunities to the public. The revenue projections reflect the reductions, with growth taking some time to fully recover. The City is also working hard with local citizens and leaders to develop a new Event/Recreation Center with attached ballfields. The City owns the land for the ballfields and will contribute this to the program for development. Future development will be dependent on voter approval and determination of whether this should be operated as a separate park district or fall under the City of Poulsbo's programs.

Sales tax represents a major revenue source for governmental funds and provides an economic measurement of the local economy. The City has continued to see an increase of more than 5% in sales tax since 2014, with the largest increase in 2018 of 13% over the prior year. Due to the global pandemic of COVID-19, it had been predicted sales tax would be negatively impacted due to many industries being shut down. The City saw an impact in the beginning of the year but recovered and finished the year with a slight increase. Budget projections were built in 2021 and 2022 biennial budget reflecting a conservative decrease. Based on updated economic forecasts and actual trends, those estimates may be more conservative than necessary, but the City will continue to monitor this revenue stream monthly. The City was strategic and lucky to have diversified revenue, which supports the City to maintain stability as certain industries are more heavily impacted than others.

Residential development continued in 2020 after a temporary shut down during the pandemic, but quickly picked up when allowed to function and is expected to continue in 2021, but at a slightly slower rate than in the past. 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 2021. 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.

Utility functional plans and related sewer rates were evaluated in 2019, but a full functional plan will be occurring over 2021 and 2022. The plan will be updated to account for the growing population and the amount of capacity owned by the City for the County's treatment plant. 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. The City's population and development has grown at a rate higher than originally projected. The plan will evaluate the needs and costs necessary to support the updated planned growth. 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 pay the County as per the Interlocal Agreement. A multi-million-dollar project by the County is planned to occur in 2021, which will require substantial City support for their share of the County project. The projected costs have been accounted for on the City's CIP and are anticipated to be due in 2023. It is intended to use reserves building in the sewer fund for these costs, but a future revenue debt issue will be necessary for the other improvement set to begin in 2024. 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.

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 rights-of-way were obtained to complete the project. Negotiations for the rights-of-way have been ongoing and were completed in 2020 for this phase of the project. Much of the project is grant, impact fee and real estate excise tax funded, but a future debt issue will be necessary for a fully funded project. The debt issue will most likely occur in 2021 combining other capital improvements and refunding for a lower interest rate the 2012 debt issue. The City is still actively pursuing grants to support the additional funding requirement.

Some large improvements to some of the City's water system are set to occur in over the next couple years. A large new water tank will be constructed at RAAB Park requiring relocation of existing restrooms and parking. The improvement will support the additional need for the growing residential developments on the east side of the City.

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.

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 to the City in conjunction with the Fire District in 2021 to support the expanding program and sharing local resources. The City was also the recipient of a grant to fund a part time navigator and combined with City funds was able to maintain a full time Navigator for the City.

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 agency's 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. Voters passed legislation in 2019 that was intended to eliminate funding for local government transportation projects. The courts ruled this elimination was unconstitutional and the bill overturned. The City will be exploring the implementation of these fees. The intent would be to support the struggling neighborhood pavement program which cannot be supported by any state or federal grants. At this time the City of Poulsbo is the only City within Kitsap County who has not implemented the fee.

A large change for the State of Washington several years ago, 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 City Council will in the future review of zoning and policy allowance to determine if they are willing and able allow establishments in the future. This would increase both sales tax and state shared revenues.

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 2021.

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 for the two different labor associations will be ending in 2021. New agreements will begin the bargaining process in 2021.

A very large global impact incident has taken place after the end of fiscal year 2019, COVID-19 a pandemic virus, hit the world in the beginning of 2020. Much of the world went into quarantine beginning in March closing all but essential

services. This impacted the travel industry, small businesses, and closed schools for the remainder of 2019-2020 school year continuing into 2021-2022. 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 be able survive the financial set back and 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, elimination of late fees and inability to shut off services for non-payment, 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 State has phased openings of industries under a processed taking into consideration testing results and the roll out of vaccinations. The City was a recipient of federal funds passed through the state which allowed the City to continue to function many of their services and pass on grants to local businesses and agencies to support their operations through the pandemic. Additional dollars are anticipated to be funded in 2022 and 2023 supplementing the loss of revenues, infrastructure improvements and support of local business and citizens to support the ongoing economic environment. The City intends to replace staff affected by the reductions which occurred in 2020 through a voluntary separation agreement, attrition, and elimination of existing programs. There are also plans to pass through grant awards to local businesses and agencies supporting the ongoing economy as well as those struggling with utility and rent obligations. Funding details are being finalized and upon those details the City will develop a formal plan and process for the use.

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.

After the close of the year, the City had the opportunity to purchase a large parcel of land with an existing structure adjacent to our public works property on Viking Avenue which is being developed in phases with the intention of having all Public Works operations centralized to the location. The purchase was approved by City Council and completed in March 2021. A debt issue for the price of the land and tenant improvements as well as including a small portion to fund the last portion of the Noll Road improvements and refunding the 2012 issue with a lower interest rate was completed in March. The City will move forward with the Public Works site improvements through stages based on financial strategies for funding based on City finances. The City secured a bank loan with a very attractive overall interest rate saving several thousand dollars on the refunding of the 2012 issue. Tenant improvements to move the Public Works administrative offices is anticipated to be completed in 2021.

### **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 Deborah Booher, Finance Director at (360) 394-9720, [dbooher@cityofpoulsbo.com](mailto:dbooher@cityofpoulsbo.com).

**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2020**

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
<b>Assets</b>			
Cash and Cash Equivalents	\$ 1,582,182	\$ 1,871,305	\$ 3,453,486
Investments	9,002,971	21,100,601	30,103,572
Receivables: <i>Net of Uncollectibles</i>			
Taxes	1,268,454	-	1,268,454
Customer Accounts	237,734	997,433	1,235,167
Other Receivables	2	-	2
Due from Other Governments	1,262,307	72,038	1,334,345
Inventories	6,850	49,868	56,718
Prepaid Items	-	1,500	1,500
Restricted Assets:			
Investments	13,664	-	13,664
Note Receivable	131,788	-	131,788
Capital Asset not being depreciated:			
Land & Right of Ways	33,977,734	4,198,322	38,176,057
Construction in Progress	5,101,044	711,529	5,812,573
Capital Assets (net of accumulated depreciation):			
Buildings and Structures	11,766,477	2,481,863	14,248,340
Other Improvements	28,857,859	46,342,877	75,200,736
Machinery and Equipment	913,548	2,570,885	3,484,433
Intangibles	26,685	13,881,912	13,908,596
Pension Asset	1,138,531	-	1,138,531
<b>Total Assets</b>	<b>95,287,830</b>	<b>94,280,133</b>	<b>189,567,963</b>
<b>Deferred Outflows of Resources</b>			
Deferred Amount of Refunding	437,615	-	437,615
Pension	851,932	191,022	1,042,955
<b>Total Deferred Outflows of Resources</b>	<b>1,289,548</b>	<b>191,022</b>	<b>1,480,570</b>
<b>Liabilities</b>			
Current Payables:			
Accounts/Claims	576,265	274,546	850,811
Employee Wages	486,479	103,949	590,428
Interest	22,049	22,138	44,187
Unearned Revenues	19,177	1,556	20,732
Customer Deposits	484,967	7,200	492,167
Long-Term Liabilities:			
Due within one year	900,684	294,878	1,195,562
Due in more than one year	7,510,156	6,844,123	14,354,279
Total OPEB Liability due within one year	38,644	-	38,644
Net Pension Liability and Total OPEB Liability	2,729,527	520,819	3,250,346
<b>Total Liabilities</b>	<b>12,767,948</b>	<b>8,069,209</b>	<b>20,837,157</b>
<b>Deferred Inflows of Resources</b>			
Deferred Amount of Refunding			-
Pension	713,729	154,820	868,549
<b>Total Deferred Inflows of Resources</b>	<b>713,729</b>	<b>154,820</b>	<b>868,549</b>
<b>Net Position</b>			
Net Investment in Capital Assets	73,665,321	63,259,392	136,924,714
Restricted for:			
Public, Educational, Governmental Cable	88,954	-	88,954
Substance Abuse Program	12,052	-	12,052
Capital Purpose	4,922,883	-	4,922,883
Drug Enforcement	58,997	-	58,997
Criminal Justice	128,421	-	128,421
Promoting Downtown Businesses	57,454	-	57,454
Promoting Tourism	82,367	-	82,367
City Beautification-Expendable	5,171	-	5,171
City Beautification-Nonexpendable	91,016	-	91,016
Debt Service	16,184	-	16,184
Unrestricted	3,966,882	22,987,735	26,954,616
<b>Total Net Position</b>	<b>\$ 83,095,701</b>	<b>\$ 86,247,127</b>	<b>\$ 169,342,828</b>

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

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2020**

Primary Government	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental activities:</b>				
General government	\$ 3,138,251	\$ 318,684	\$ 618,979	\$ -
Judicial	440,026	45,288	-	-
Security of Persons & Property	4,062,697	187,897	74,039	-
Utilities & Environment	(20,889)	8,552	-	-
Transportation	3,615,492	166,260	765,849	1,693,799
Economic Environment	1,168,146	596,895	80,976	-
Mental & Physical Health	482,409	-	474,352	-
Culture & Recreation	1,414,757	256,323	71,844	1,384,114
Interest on Long-Term Debt	295,919	-	-	-
<b>Total Governmental Activities</b>	<b>14,596,807</b>	<b>1,579,899</b>	<b>2,086,040</b>	<b>3,077,912</b>
<b>Business-Type Activities:</b>				
Water	2,113,274	2,097,405	3,822	750,564
Sewer	3,632,657	4,343,457	2,268	708,254
Solid Waste	2,495,220	2,711,827	7,721	-
Storm Drain	1,619,323	1,859,422	11,155	1,047,434
<b>Total Business-Type Activities</b>	<b>9,860,474</b>	<b>11,012,111</b>	<b>24,966</b>	<b>2,506,252</b>
<b>Total Primary Government</b>	<b>\$ 24,457,280</b>	<b>\$ 12,592,009</b>	<b>\$ 2,111,006</b>	<b>\$ 5,584,164</b>

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

**STATEMENT OF ACTIVITIES (continued)**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

Page 2 of 2

	Net (Expenses) Revenue and Changes in Net Position		
	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Governmental activities:</b>			
General government	\$ (2,200,588)	\$ -	\$ (2,200,588)
Judicial	(394,737)	-	(394,737)
Security of Persons & Property	(3,800,761)	-	(3,800,761)
Utilities & Environment	29,440	-	29,440
Transportation	(989,584)	-	(989,584)
Economic Environment	(490,275)	-	(490,275)
Mental & Physical Health	(8,057)	-	(8,057)
Culture & Recreation	297,524	-	297,524
Interest on Long-Term Debt	(295,919)	-	(295,919)
<b>Total Governmental Activities</b>	<b>(7,852,956)</b>	<b>-</b>	<b>(7,852,956)</b>
<b>Business-Type Activities:</b>			
Water	-	738,517	738,517
Sewer	-	1,421,322	1,421,322
Solid Waste	-	224,328	224,328
Storm Drain	-	1,298,689	1,298,689
<b>Total Business-Type Activities</b>	<b>-</b>	<b>3,682,855</b>	<b>3,682,855</b>
<b>Total Primary Government</b>	<b>(7,852,956)</b>	<b>3,682,855</b>	<b>(4,170,101)</b>
<b>General Revenues:</b>			
Property Taxes	2,682,753	-	2,682,753
Retail Sales & Use Taxes	4,626,093	-	4,626,093
Business and Occupation Taxes	1,906,282	-	1,906,282
Excise Taxes	866,083	-	866,083
Unrestricted Interest & Investment Earnings	330,550	305,903	636,453
Gain on disposal of capital assets	12,620	-	12,620
<b>Total General Revenues</b>	<b>10,424,382</b>	<b>305,903</b>	<b>10,730,285</b>
Change in Net Position	2,571,425	3,988,758	6,560,184
Net Position Beginning of Year	80,524,275	82,258,369	162,782,644
<b>Net Position End of Year</b>	<b>\$ 83,095,701</b>	<b>\$ 86,247,127</b>	<b>\$ 169,342,828</b>

**BALANCE SHEET-GOVERNMENTAL FUNDS  
DECEMBER 31, 2020**

	General Fund	Street Reserve Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and Cash Equivalents	\$ 261,079	\$ 532,830	\$ 694,405	\$ 1,488,314
Investments	3,377,896	539,262	5,083,493	9,000,651
Receivables:				
Taxes	1,169,597	-	98,857	1,268,454
Accounts	61,925	-	23,446	85,371
Interest	2	-	-	2
Other Receivables	-	-	-	-
Due from Other Governments	431,301	97,591	733,416	1,262,307
Inventories	6,850	-	-	6,850
Cash and Investments-Restricted	13,664	-	96,187	109,851
<b>Total Assets</b>	<b>5,322,314</b>	<b>1,169,683</b>	<b>6,729,805</b>	<b>13,221,801</b>
<b>Deferred Outflows of Resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>5,322,314</b>	<b>1,169,683</b>	<b>6,729,805</b>	<b>13,221,801</b>
<b>Liabilities</b>				
Accounts Payable	204,456	59,333	312,476	576,265
Payroll Payable	461,431	6,449	18,599	486,479
Retainage Payable	-	5,093	-	5,093
Due to Other Governments	-	-	-	-
Unearned Revenues	6,524	-	12,653	19,177
Deposits and Other Payables	479,874	-	-	479,874
<b>Total Liabilities</b>	<b>1,152,285</b>	<b>70,875</b>	<b>343,727</b>	<b>1,566,887</b>
<b>Deferred Inflows of Resources</b>				
Unavailable Revenue - Property Taxes	57,098	-	-	57,098
<b>Total Deferred Inflows of Resources</b>	<b>57,098</b>	<b>-</b>	<b>-</b>	<b>57,098</b>
<b>Fund Balances</b>				
Nonspendable Fund Balance	8,500	-	91,016	99,516
Restricted Fund Balance	101,007	-	4,172,667	4,273,674
Assigned Fund Balance	375,000	1,098,808	2,122,394	3,596,202
Unassigned Fund Balance	3,628,424	-	-	3,628,424
<b>Total Fund Balances</b>	<b>4,112,931</b>	<b>1,098,808</b>	<b>6,386,077</b>	<b>11,597,816</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 5,322,314</b>	<b>\$ 1,169,683</b>	<b>\$ 6,729,805</b>	<b>\$ 13,221,801</b>

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

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2020**

<b>Total Governmental Fund Balances:</b>		\$ 11,597,816
<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.		80,643,346
These assets consist of:		
Land	33,977,734	
Buildings and structures	15,432,611	
Improvements	50,495,696	
Machinery and Equipment	3,963,733	
Construction in Progress	5,101,044	
Intangibles	753,024	
Less: Accumulated Depreciation	(29,080,496)	
Other Assets that are not available to pay for current-period expenditures and therefore are not reported in governmental funds.		2,712,230
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	22,049	
Long-term Liabilities	11,835,642	(11,857,692)
		\$ 83,095,701
Net Position of governmental activities		\$ 83,095,701

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, 2020**

	General Fund	City Street Reserve Fund	Non-Major Governmental Funds	Total
<b>Revenues</b>				
Taxes	\$ 9,107,555	\$ -	\$ 952,592	\$ 10,060,147
Licenses and Permits	595,931	-	22,555	618,486
Intergovernmental	1,633,748	1,104,690	1,139,083	3,877,521
Charges for Services	802,272	-	293,674	1,095,946
Fines and Forfeitures	48,454	-	146	48,600
Interest and Other Earnings	270,430	7,572	58,461	336,463
Miscellaneous	53,029	-	76,636	129,665
<b>Total Revenues</b>	<b>12,511,421</b>	<b>1,112,261</b>	<b>2,543,146</b>	<b>16,166,828</b>
<b>Expenditures</b>				
Current				
General Government	3,468,268	-	-	3,468,268
Security of Persons & Property	4,015,234	-	14,492	4,029,727
Utilities & Environment	36,143	-	-	36,143
Transportation	1,056,719	-	1,049,053	2,105,772
Economic Environment	1,125,409	-	110,062	1,235,471
Mental & Physical Health	519,778	-	-	519,778
Culture & Recreation	1,161,081	-	62,512	1,223,592
Debt Service:				
Principal	-	-	797,383	797,383
Interest & Other Charges	-	-	292,650	292,650
Capital Outlay	-	1,951,578	1,085,359	3,036,937
<b>Total Expenditures</b>	<b>11,382,631</b>	<b>1,951,578</b>	<b>3,411,512</b>	<b>16,745,721</b>
Excess of Revenues Over (Under) Expenditures	1,128,789	(839,316)	(868,365)	(578,893)
<b>Other Financing Sources (Uses)</b>				
Transfers In	-	1,099,000	2,210,883	3,309,883
Transfers Out	(1,886,189)	-	(1,423,695)	(3,309,883)
Issuance of Long-Term Debt	-	-	69,477	69,477
Sale of Capital Assets	9,784	-	3,500	13,284
Insurance Recoveries	-	-	-	-
<b>Total Other Financing Sources and Uses</b>	<b>(1,876,405)</b>	<b>1,099,000</b>	<b>860,166</b>	<b>82,761</b>
Net Change in Fund Balances	(747,616)	259,684	(8,200)	(496,132)
Fund Balances Beginning of Year	4,860,547	839,124	6,394,277	12,093,948
<b>Fund Balances End of Year</b>	<b>\$ 4,112,931</b>	<b>\$ 1,098,808</b>	<b>\$ 6,386,077</b>	<b>\$ 11,597,816</b>

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

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2020**

Net change in Fund balance--total governmental funds	\$	(496,132)
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*Amounts reported for Governmental activities in the statement of activities are different because:*

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

This is the amount of capital outlays		3,036,937
This is the amount of depreciation		(2,253,196)
This is the amount of Gain (Loss) on Capital Assets		(32,180)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the government funds.		17,297
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Developers construct and then contributed capital infrastructure assets to the City. These assets are reported on the statement of activities but not reported in the fund statements.		915,905
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Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which repayments exceeded proceeds.		(69,477)
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Principal payments		797,383
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Some expenses reported in the statement of activities do not require the use of the governmental funds.		654,889
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Change in net position of governmental activities	\$	<u>2,571,425</u>
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The notes to the financial statements are an integral part of this statement.

**STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (negative)
<b>Revenues</b>				
Taxes	\$ 8,809,896	\$ 8,809,896	\$ 9,107,555	\$ 297,659
Licenses and Permits	706,520	706,520	595,931	(110,589)
Intergovernmental	894,428	1,649,408	1,633,748	(15,660)
Charges for Services	1,149,580	1,149,580	802,272	(347,308)
Fines and Forfeitures	67,800	67,800	48,454	(19,346)
Interest and Other Earnings	294,021	298,221	270,430	(27,791)
Miscellaneous	-	-	53,029	53,029
<b>Total Revenues</b>	<b>11,922,245</b>	<b>12,681,425</b>	<b>12,511,421</b>	<b>(170,004)</b>
<b>Expenditures</b>				
Current:				
General Government	3,246,934	3,557,815	3,468,268	89,547
Security of Persons & Property	4,392,195	4,416,332	4,015,234	401,098
Utilities & Environment	184,903	211,192	36,143	175,049
Transportation	533,936	557,093	1,056,719	(499,626)
Economic Environment	1,129,581	1,432,169	1,125,409	306,760
Mental & Physical Health	519,833	567,654	519,778	47,876
Culture & Recreation	1,325,971	1,350,467	1,161,081	189,387
<b>Total Expenditures</b>	<b>11,333,353</b>	<b>12,092,723</b>	<b>11,382,631</b>	<b>710,091</b>
Excess of Revenues Over (Under) Expenditures	588,892	588,702	1,128,789	540,087
<b>Other Financing Sources (Uses)</b>				
Transfers Out	(2,096,190)	(2,096,190)	(1,886,189)	210,001
Sale of Capital Assets	4,500	4,500	9,784	5,284
<b>Total Other Financing Sources (Uses)</b>	<b>(2,091,690)</b>	<b>(2,091,690)</b>	<b>(1,876,405)</b>	<b>215,285</b>
Net Change in Fund Balance	(1,502,798)	(1,502,988)	(747,616)	755,372
Fund Balance Beginning of Year	4,088,771	4,850,990	4,860,547	9,557
<b>Fund Balance End of Year</b>	<b>\$ 2,585,973</b>	<b>\$ 3,348,002</b>	<b>\$ 4,112,931</b>	<b>\$ 764,929</b>

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, 2020**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (negative)
<b>Revenues</b>				
Intergovernmental	\$ 1,227,000	\$ 3,272,373	\$ 1,104,690	\$ (2,167,683)
Interest and Other Earnings	4,000	4,000	7,572	3,572
Miscellaneous	2,500,000	2,500,000	-	(2,500,000)
<b>Total Revenues</b>	<b>3,731,000</b>	<b>5,776,373</b>	<b>1,112,261</b>	<b>(4,664,112)</b>
<b>Expenditures</b>				
Transportation:				
Street Maintenance	5,027,000	9,155,189	1,951,578	7,203,611
<b>Total Expenditures</b>	<b>5,027,000</b>	<b>9,155,189</b>	<b>1,951,578</b>	<b>7,203,611</b>
Excess of Revenues Over (Under) Expenditures	(1,296,000)	(3,378,816)	(839,316)	2,539,500
<b>Other Financing Sources (Uses)</b>				
Transfers In	1,322,000	2,930,000	1,099,000	1,831,000
<b>Total Other Financing Sources (Uses)</b>	<b>1,322,000</b>	<b>2,930,000</b>	<b>1,099,000</b>	<b>1,831,000</b>
Net Change in Fund Balance	26,000	(448,816)	259,684	708,500
Fund Balance Beginning of Year	446,011	839,124	839,124	-
<b>Fund Balance End of Year</b>	<b>\$ 472,011</b>	<b>\$ 390,308</b>	<b>\$ 1,098,808</b>	<b>\$ 708,500</b>

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

**STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
DECEMBER 31, 2020**

	Business-type Activities Enterprise Funds				
	Water	Sewer	Solid Waste	Storm Drain	Total
<b>Assets</b>					
Current Assets:					
Cash and Cash Equivalents	\$ 675,785	\$ 292,827	\$ 375,417	\$ 527,275	\$ 1,871,305
Investments	5,598,489	11,063,136	1,617,814	2,821,162	21,100,601
Accounts Receivable	164,841	406,937	259,022	166,633	997,433
Due from Other Governments	-	-	-	72,038	72,038
Inventories	44,799	5,069	-	-	49,868
Prepaid	500	500	250	250	1,500
<b>Total Current Assets</b>	<b>6,484,415</b>	<b>11,768,469</b>	<b>2,252,503</b>	<b>3,587,358</b>	<b>24,092,745</b>
Noncurrent Assets:					
Capital Assets Not Being Depreciated:					
Land & Right of Ways	497,083	545,215	191,213	2,964,811	4,198,322
Construction in Progress	270,455	56,516	-	384,559	711,529
Capital Assets:					
Buildings and Structures	508,089	251,322	875,291	1,315,992	2,950,694
Intangibles	113,501	16,675,507	5,898	234,806	17,029,711
Other Improvements	22,675,156	29,461,458	12,403	16,379,003	68,528,019
Machinery and Equipment	1,294,564	1,816,942	1,468,005	435,662	5,015,173
Less: Accumulated Depreciation	(8,019,403)	(13,787,787)	(959,563)	(5,479,307)	(28,246,060)
<b>Total Noncurrent Assets</b>	<b>17,339,444</b>	<b>35,019,172</b>	<b>1,593,246</b>	<b>16,235,526</b>	<b>70,187,389</b>
<b>Total Assets</b>	<b>23,823,859</b>	<b>46,787,641</b>	<b>3,845,749</b>	<b>19,822,885</b>	<b>94,280,133</b>
<b>Deferred Outflows of Resources</b>					
Pension	54,035	36,640	41,866	58,481	191,022
<b>Total Deferred Outflows of Resources</b>	<b>54,035</b>	<b>36,640</b>	<b>41,866</b>	<b>58,481</b>	<b>191,022</b>
<b>Liabilities</b>					
Current Liabilities					
Accounts payable	46,567	168,505	122,186	41,237	378,495
Accrued interest payable	-	22,138	-	-	22,138
Rev. bonds payable	-	273,778	-	-	273,778
Unearned Revenue	953	189	228	185	1,556
Deposits Payable	7,200	-	-	-	7,200
Compensated Absences	4,595	4,592	5,249	6,665	21,100
<b>Total Current Liabilities</b>	<b>59,316</b>	<b>469,201</b>	<b>127,662</b>	<b>48,087</b>	<b>704,267</b>
Noncurrent Liabilities:					
Rev. bonds payable	-	6,654,219	-	-	6,654,219
Compensated absences	41,356	41,326	47,239	59,983	189,904
Pension and OPEB Liability	146,606	99,885	114,789	159,540	520,819
<b>Total Noncurrent Liabilities</b>	<b>187,963</b>	<b>6,795,430</b>	<b>162,027</b>	<b>219,523</b>	<b>7,364,942</b>
<b>Total Liabilities</b>	<b>247,278</b>	<b>7,264,631</b>	<b>289,690</b>	<b>267,610</b>	<b>8,069,209</b>
<b>Deferred Inflows of Resources</b>					
Pension	43,583	29,658	34,162	47,417	154,820
<b>Total Deferred Inflows of Resources</b>	<b>43,583</b>	<b>29,658</b>	<b>34,162</b>	<b>47,417</b>	<b>154,820</b>
<b>Net Position</b>					
Net Investment in capital assets	17,339,444	28,091,176	1,593,246	16,235,526	63,259,392
Unrestricted	6,247,589	11,438,816	1,970,517	3,330,812	22,987,735
<b>Total Net Position</b>	<b>\$ 23,587,033</b>	<b>\$ 39,529,992</b>	<b>\$ 3,563,763</b>	<b>\$ 19,566,339</b>	<b>\$ 86,247,127</b>

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

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Business-type Activities Enterprise Funds				
	Water	Sewer	Solid Waste	Storm Drain	Total
<b>Operating Revenues:</b>					
Charges for Services	\$ 2,003,086	\$ 4,335,642	\$ 2,701,718	\$ 1,851,366	\$ 10,891,812
Other Operating Revenues	1,116	792	-	-	1,908
<b>Total Operating Revenues</b>	<b>2,004,202</b>	<b>4,336,434</b>	<b>2,701,718</b>	<b>1,851,366</b>	<b>10,893,720</b>
<b>Operating Expenses:</b>					
Depreciation	674,421	1,243,434	121,862	450,025	2,489,742
Salaries and Wages	580,425	465,608	633,939	580,805	2,260,778
Personnel Benefits	244,743	186,424	275,289	218,509	924,965
Supplies	78,140	45,460	99,798	43,102	266,500
Services	513,826	720,176	854,866	288,003	2,376,871
Intergovernmental Services and Payments	50	699,342	507,040	37,724	1,244,156
<b>Total Operating Expenses</b>	<b>2,091,605</b>	<b>3,360,444</b>	<b>2,492,795</b>	<b>1,618,168</b>	<b>9,563,012</b>
Operating Income (Loss)	(87,403)	975,990	208,923	233,197	1,330,708
<b>Nonoperating Revenues (Expenses):</b>					
Interest and Other Earnings	190,661	170,580	35,087	83,259	479,586
Interest Expense	-	(247,943)	-	-	(247,943)
Gain/Loss from Sale of Capital Assets	(21,601)	(24,269)	-	-	(45,870)
<b>Total Nonoperating Revenue (Expenses)</b>	<b>169,060</b>	<b>(101,632)</b>	<b>35,087</b>	<b>83,259</b>	<b>185,773</b>
Income (loss) Before Contributions	81,657	874,357	244,010	316,456	1,516,481
Capital Contributions	750,564	708,254	-	1,013,460	2,472,277
Change in Net Position	832,221	1,582,611	244,010	1,329,916	3,988,758
Total Net Position Beginning of Year	22,754,812	37,947,381	3,319,753	18,236,423	82,258,369
<b>Total Net Position End of Year</b>	<b>\$ 23,587,033</b>	<b>\$ 39,529,992</b>	<b>\$ 3,563,763</b>	<b>\$ 19,566,339</b>	<b>\$ 86,247,127</b>

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

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

Page 1 of 2

**Business-type Activities Enterprise Funds**

	Water	Sewer	Solid Waste	Storm Drain	Total
<b>Cash Flows from Operating Activities</b>					
Receipts from customers and users	\$ 2,085,187	\$ 4,361,351	\$ 2,693,345	\$ 1,788,577	\$ 10,928,460
Payments for interfund services provided	(298,002)	(298,603)	(493,441)	(265,166)	(1,355,211)
Payments to suppliers	(542,452)	(1,396,883)	(1,361,231)	(328,251)	(3,628,817)
Payments to employees	(618,989)	(431,744)	(527,410)	(616,009)	(2,194,153)
<b>Net cash provided (used) by operating activities</b>	<b>625,744</b>	<b>2,234,121</b>	<b>311,263</b>	<b>579,151</b>	<b>3,750,279</b>
<b>Cash Flows From Noncapital</b>					
<b>Financing Activities</b>					
State and Federal Grants	3,822	2,268	7,721	11,155	24,966
Proceeds from Insurance Claims	-	-	-	33,975	33,975
<b>Net cash provided (used) by noncapital and related financing activities</b>	<b>3,822</b>	<b>2,268</b>	<b>7,721</b>	<b>45,130</b>	<b>58,941</b>
<b>Cash Flows from Capital and Related</b>					
<b>Financing Activities</b>					
State and Federal Grants	-	-	-	467,552	467,552
Capital contributions	486,099	437,255	-	103,555	1,026,909
Purchase of capital assets	-	(11,535)	(15,618)	(32,359)	(59,511)
Acquisition and construction of capital assets	(160,584)	(371,336)	-	(584,723)	(1,116,643)
Principal paid on capital debt	-	(235,000)	-	-	(235,000)
Interest paid on capital debt	-	(277,700)	-	-	(277,700)
Proceeds from Disposition of capital assets	4,582	-	-	-	4,582
<b>Net cash provided (used) by capital and related financing activities</b>	<b>330,097</b>	<b>(458,316)</b>	<b>(15,618)</b>	<b>(45,974)</b>	<b>(189,810)</b>
<b>Cash Flows from Investing Activities</b>					
Proceeds from sales and maturities of investments	2,091,086	3,446,812	626,840	809,041	6,973,779
Purchase of investment	(2,841,779)	(5,138,672)	(801,562)	(1,153,634)	(9,935,648)
Interest and dividends received	93,704	161,289	19,698	31,227	305,918
<b>Net cash used by investing activities</b>	<b>(656,989)</b>	<b>(1,530,572)</b>	<b>(155,025)</b>	<b>(313,366)</b>	<b>(2,655,951)</b>
Net increase in cash and cash equivalents	302,675	247,502	148,341	264,941	963,459
Cash and cash equivalents Beginning of Year	373,110	45,325	227,076	262,335	907,846
<b>Cash and cash equivalents End of Year</b>	<b>\$ 675,785</b>	<b>\$ 292,827</b>	<b>\$ 375,417</b>	<b>\$ 527,275</b>	<b>\$ 1,871,305</b>

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, 2020**

Page 2 of 2

	<b>Business-type Activities Enterprise Funds</b>				
	<b>Water</b>	<b>Sewer</b>	<b>Solid Waste</b>	<b>Storm Drain</b>	<b>Total</b>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>					
Operating Income (Loss)	\$ (87,403)	\$ 975,990	\$ 208,923	\$ 233,197	\$ 1,330,708
Depreciation	674,421	1,243,434	121,862	450,025	2,489,742
(Increase) decrease in accounts receivable	(15,749)	(28,021)	(16,042)	(69,690)	(129,503)
(Increase) decrease in inventories	(8,009)	(14)	-	-	(8,023)
Increase (decrease) in accounts payable	1,177	12,912	10,384	(6,203)	18,270
Increase (decrease) in Custodial Funds	3,600	44,510	-	-	48,110
Increase (decrease) in Pension Funds	(35,269)	(25,696)	(28,252)	(40,274)	(129,491)
Increase (decrease) in compensated absences	(158)	2,578	6,720	5,194	14,334
Increase (decrease) in Interest and Other Earnings	93,135	8,428	7,669	6,902	116,133
<b>Total Adjustments</b>	<b>713,147</b>	<b>1,258,132</b>	<b>102,340</b>	<b>345,954</b>	<b>2,419,572</b>
<b>Net Cash Provided By Operating Activities</b>	<b>\$ 625,744</b>	<b>\$ 2,234,121</b>	<b>\$ 311,263</b>	<b>\$ 579,151</b>	<b>\$ 3,750,279</b>
<b>Noncash investing, financing and capital activities</b>					
Investment Earnings Unrealized	22,774	24,614	1,664	(559)	48,493
Capital Contributions by Developers	\$ 264,465	\$ 270,998	\$ -	\$ 442,353	\$ 977,816

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

**STATEMENT OF FIDUCIARY NET POSITION  
CUSTODIAL FUND  
DECEMBER 31, 2020**

	Custodial Fund
<b>Assets</b>	
Cash and Cash Equivalents	\$ 28,043
<b>Total Assets</b>	<b>28,043</b>
 <b>Liabilities</b>	
Accounts Payable	318
<b>Total Liabilities</b>	<b>318</b>
 <b>Net Position</b>	
Restricted For:	
Individuals, Organizations & Other Governments	27,725
<b>Total Net Position</b>	<b>\$ 27,725</b>

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

**STATEMENT OF CHANGES FIDUCIARY NET POSITION  
CUSTODIAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2020**

<b>Custodial Fund</b>	
<b>ADDITIONS:</b>	
Collections of Funds for other governments:	
Bail Funds and Restitution	\$ 47,812
Escrow	6,362
<b>TOTAL ADDITIONS:</b>	<b>54,174</b>
<b>DEDUCTIONS:</b>	
Distribution of Funds to Other Governments:	
Bail Funds and Restitution	27,266
Escrow	6,362
Seized Property	318
<b>TOTAL DEDUCTIONS:</b>	<b>33,946</b>
Net Increase (Decrease) in Fiduciary Net Position	20,228
<b>Net Position - Beginning</b>	<b>7,497</b>
<b>Net Position - Ending</b>	<b>\$ 27,725</b>

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

## NOTES TO THE FINANCIAL STATEMENTS

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## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### 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 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 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 \$5,171. 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, 2020, the City was holding \$3,453,486 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 2020.

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, 2020 were as follows:

	<u>Transfers Out:</u>		
	<u>General Fund</u>	<u>Non-Major Gov'l</u>	<u>Total</u>
<b>Transfers In:</b>			
General Fund	-		-
City Street Reserve Fund	\$ 172,000	\$ 927,000	\$ 1,099,000
Non-Major Gov'l Funds	1,714,189	496,695	2,210,883
<b>Total Transfers</b>	<b>\$ 1,886,189</b>	<b>\$ 1,423,695</b>	<b>\$ 3,309,883</b>

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:

	<b>Estimated Useful Life in Years</b>
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 to 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:

	<b>Nonspendable Purposes</b>	<b>Restricted Purposes</b>	<b>Assigned Purposes</b>	<b>Totals</b>
<b>General Fund</b>				
General Government	\$ 8,500	\$ -		\$ 8,500
Public, Education, Government Cable		88,954		88,954
Substance Abuse Program		12,052		12,052
Stabilization Fund			3,628,424	3,628,424
Compensated Absences Liability			150,000	150,000
Legal Reserves			225,000	225,000
<b>Subtotals, General Fund</b>	<b>8,500</b>	<b>101,007</b>	<b>4,003,424</b>	<b>4,112,931</b>
<b>Street Reserve Fund</b>				
Transportation Improvements			1,098,808	1,098,808
<b>Subtotals, City Street Fund</b>	<b>-</b>	<b>-</b>	<b>1,098,808</b>	<b>1,098,808</b>
<b>Other Governmental Funds</b>				
Transportation Maintenance & Operation			180,357	180,357
Transportation Improvements		1,138,013		1,138,013
Parks Improvements		128,650	427,918	556,568
Cemetery Improvements			32,940	32,940
Capital Equipment			503,605	503,605
Capital Improvements		2,520,626	960,584	3,481,210
Affordable Housing		36,786		36,786
Drug Enforcement		58,997		58,997
Criminal Justice		128,421	16,991	145,411
Promote Downtown Businesses		57,454		57,454
Promoting Tourism		82,367		82,367
City Beautification	91,016	5,171		96,187
Debt Service		16,184		16,184
<b>Subtotals, Other Governmental Funds</b>	<b>91,016</b>	<b>4,172,667</b>	<b>2,122,394</b>	<b>6,386,077</b>
<b>Totals</b>	<b>\$ 99,516</b>	<b>\$ 4,273,674</b>	<b>\$ 7,224,626</b>	<b>\$11,597,816</b>

## 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](http://www.cityofpoulsbo.com).

## BUDGETARY COMPLIANCE

In 2020, 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, 2020, the carrying amount of the City's change funds, petty cash, and bank demand deposit accounts with financial institutions was the following:

<b>Cash</b>	
FDIC or PDPC insured bank deposits	\$ 4,399,310
In-transit items	(919,431)
Custodial funds	(28,043)
Petty Cash on hand	1,650
<b>Total Cash</b>	<b><u>\$ 3,453,486</u></b>

### **Investments**

The City's investments are maintained in accordance with a Council-approved policy, which has also been certified by WPTA. 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](http://www.tre.wa.gov).

As of December 31, 2020, the City held the following investments at amortized Cost:

Washington State Local Government Inv. Pool	<u>\$ 8,260,850</u>
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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, 2020:

Investments	Valuation Measurement Method	Fair Value 12/31/20	Maturities		
			Less Than One Year	One to Three Years	Total
US agency securities					
US Treasury Bills, Notes & Bonds	Level 1	\$ 7,395,818	\$ 2,274,008	\$ 5,121,810	\$ 7,395,818
Federal Farm Credit Bank	Level 1	2,027,370	2,027,370	-	2,027,370
Federal Home Loan Bank	Level 1	3,595,113	769,268	2,825,845	3,595,113
Federal Home Loan Mortgage Corp	Level 1	4,513,433	752,010	3,761,423	4,513,433
Federal National Mortgage Association	Level 1	4,310,990	754,973	3,556,018	4,310,990
<b>Total Investments</b>		<b>\$ 21,842,723</b>	<b>\$ 6,577,628</b>	<b>\$ 15,265,095</b>	<b>\$ 21,842,723</b>

### Custodial Credit Risk

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

### Interest Rate Risk

As a means of limiting its exposure to interest rate risk, the City diversifies its investments by security type and institution, and limits holdings in any one type of investment with any one issuer. The City coordinates its investment maturities to closely match cash flow needs and restricts the maximum investment term to less than five 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 or Amortized Cost	Maturity Duration	% of Portfolio
<b>Investments</b>			
US agency securities			
US Treasury Bills, Notes & Bonds	\$ 7,395,818	1.11	25%
Federal Farm Credit Bank	\$ 2,027,370	0.52	7%
Federal Home Loan Bank	\$ 3,595,113	1.41	12%
Federal Home Loan Mortgage Corp	\$ 4,513,433	0.12	15%
Federal National Mortgage Association	\$ 4,310,990	1.59	14%
Washington State Local Government Inv. Pool	\$ 8,260,850		27%
<b>Total Investments</b>	<b>\$ 30,103,572</b>	<b>0.95</b>	<b>100%</b>

## NOTE 4: PROPERTY TAXES

The City may levy up to \$3.60 per \$1,000 of assessed valuation for general governmental services, however, that amount is reduced by the Kitsap County Library and Kitsap County Fire District 18 annexations. The Library District may levy up to a maximum of \$.50 and Fire District 18 may levy up to a maximum of \$1.50 per \$1,000 of assessed valuation.

This amount may also be reduced subject to the following limitations:

- Washington State RCW 84.55.010 limits the growth of regular property taxes to one percent per year or 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 collected in 2020, the City's levy for general governmental services was \$1.32 per \$1,000 on the assessed valuation of \$2,030,684,280 for a total of \$2,690,158.

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.

**NOTE 5: CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2020 is summarized below:

General Government Activities:

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
<b>Governmental-Type Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 10,391,804	\$ -	\$ (26,180)	\$ 10,365,624
Intangible - Right of Way/Easements	23,172,929	439,182	-	23,612,111
Construction Work in Progress	3,365,840	3,240,419	(1,505,216)	5,101,044
<b>Total capital assets not being depreciated</b>	<b>36,930,573</b>	<b>3,679,601</b>	<b>(1,531,396)</b>	<b>39,078,778</b>
Capital assets, being depreciated:				
Buildings	14,902,803	575,713	(45,905)	15,432,611
Other Improvements	3,423,911	332,185	-	3,756,096
Machinery and Equipment	3,839,831	144,009	(20,106)	3,963,733
Intangible	744,917	8,108	-	753,024
Infrastructure	45,979,150	760,449	-	46,739,600
<b>Total capital assets being depreciated</b>	<b>68,890,612</b>	<b>1,820,463</b>	<b>(66,011)</b>	<b>70,645,064</b>
Less accumulated depreciation for:				
Buildings	(3,321,069)	(346,213)	1,148	(3,666,134)
Other Improvements	(2,403,232)	(185,410)	-	(2,588,641)
Machinery and Equipment	(2,778,531)	(289,658)	18,004	(3,050,185)
Intangible	(686,575)	(39,765)	-	(726,340)
Infrastructure	(17,655,896)	(1,393,299)	-	(19,049,195)
<b>Total accumulated depreciation</b>	<b>(26,845,304)</b>	<b>(2,254,344)</b>	<b>19,152</b>	<b>(29,080,496)</b>
Total capital assets, being depreciated, net	42,045,309	(433,881)	(46,859)	41,564,569
<b>Governmental activity capital assets, net</b>	<b>\$ 78,975,881</b>	<b>\$ 3,245,721</b>	<b>\$ (1,578,256)</b>	<b>\$ 80,643,346</b>

- The City acquired \$439,182 of right of way for the Noll Road project, as well as right of way received as contributed capital for the Poulsbo Meadows development.
- \$3,240,419 was spent on construction work in progress for various capital projects throughout the year. Improvements at Fish Park were completed in 2020. Improvements at Morrow Manor Park, the Liberty Bay Waterfront Trail, Finn Hill, and Noll Road are still in progress.
- \$575,713 was expended on building and structural improvements including a new boardwalk at Fish Park, improved ventilation for the City Hall property room, and upgraded security access at City Hall.
- \$144,009 was expended to acquire and repair equipment and machinery including new switches and access points for City Hall, a new motor for the Police Department's boat, as well as repair of the Police Department garage door, and a street sweeper.
- \$760,449 of governmental infrastructure costs included contributed capital from the Poulsbo Meadows development, and concrete sidewalk along Bond Road as part of the Fish Park project.

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

	Depreciation Expense
<b>Governmental activities:</b>	
General Government	\$ 375,418
Security of Persons and Property	127,603
Utilities and Environment	-
Transportation	1,502,059
Economic Environment	-
Culture and Recreation	249,264
<b>Total depreciation expense - governmental activities</b>	<b>\$ 2,254,344</b>

Business like activities:

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
<b>Business-Type Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 3,619,496	\$ -	\$ -	\$ 3,619,496
Intangible - Right of Way/Easements	499,465	79,362	-	578,827
Construction Work in Progress	483,495	787,048	(559,013)	711,529
<b>Total capital assets not being depreciated</b>	<b>4,602,455</b>	<b>866,410</b>	<b>(559,013)</b>	<b>4,909,852</b>
Capital assets, being depreciated:				
Buildings	2,950,694	-	-	2,950,694
Other Improvements	1,150,416	43,687	-	1,194,104
Machinery and Equipment	4,947,221	105,204	(37,252)	5,015,173
Intangible	16,743,545	286,166	-	17,029,711
Infrastructure	66,152,799	1,374,465	(193,349)	67,333,916
<b>Total capital assets being depreciated</b>	<b>91,944,675</b>	<b>1,809,522</b>	<b>(230,601)</b>	<b>93,523,597</b>
Less accumulated depreciation for:				
Buildings	(411,136)	(57,694)	-	(468,831)
Other Improvements	(668,689)	(73,661)	-	(742,349)
Machinery and Equipment	(2,155,389)	(326,151)	37,252	(2,444,288)
Intangible	(2,740,482)	(407,317)	-	(3,147,799)
Infrastructure	(19,959,367)	(1,577,918)	94,491	(21,442,793)
<b>Total accumulated depreciation</b>	<b>(25,935,062)</b>	<b>(2,442,742)</b>	<b>131,743</b>	<b>(28,246,060)</b>
Total capital assets, being depreciated, net	66,009,613	(633,219)	(98,857)	65,277,537
<b>Business-type activity capital assets, net</b>	<b>\$ 70,612,068</b>	<b>\$ 233,191</b>	<b>\$ (657,870)</b>	<b>\$ 70,187,389</b>

- The City expended \$105,204 on machinery and equipment including repairs to a vactor truck, garbage truck, street sweeper, and new control panel for the Applewood pump station.
- The value of \$79,362 in intangible easements was acquired as contributed capital for the Poulsbo Meadows development.
- \$1,374,465 in infrastructure added this year included bioretention catch basins, swales, and biopods as part of the completed Liberty Bay Bioretention project, restoration of the Dogfish Creek channel, and contributed capital for Poulsbo Meadows.
- The City incurred \$787,048 in costs for construction in progress for the West Poulsbo Waterfront, Westside Well treatment, Noll Road, Pump Station, and Raab Park Watertank projects.

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

	Depreciation Expense
<b>Business-type activities:</b>	
Water	\$ 627,421
Sewer	1,243,434
Solid Waste	121,862
Storm Drain	450,025
Public Works Administration	
<b>Total depreciation expense - business-type activities</b>	<b><u>\$ 2,442,742</u></b>

## NOTE 6: EMPLOYEE RETIREMENT AND PENSION PLANS

The following table represents the aggregate pension amounts for all plans subject to the requirements of the *GASB Statement 68, Accounting and Financial Reporting for Pensions* for the year 2020:

Aggregate Pension Amounts - All Plans	
Pension liabilities	\$ (2,137,677)
Pension assets	1,138,531
Deferred outflows of resources	1,032,126
Deferred inflows of resources	(868,551)
Pension expense/expenditures	\$ 153,103

### 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 that includes financial statements and required supplementary information for each plan. The DRS Comprehensive Annual Report may be obtained by writing to:

Department of Retirement Systems  
Communications Unit  
P.O. Box 48380  
Olympia, WA 98540-8380

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

### Public Employees' Retirement System (PERS)

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

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

### **Contributions**

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2020 were as follows:

<b>PERS Plan 1</b>	<b>Employer</b>	<b>Employee*</b>
<b>Actual Contribution Rates:</b>		
January - August 2020		
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.76%	
Administrative Fee	0.18%	
<b>Total</b>	<b>12.86%</b>	<b>6.00%</b>
September - December 2020		
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.87%	
Administrative Fee	0.18%	
<b>Total</b>	<b>12.97%</b>	<b>6.00%</b>

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

**PERS Plan 2/3** provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

- With a benefit that is reduced by three percent for each year before age 65; or
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

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

### **Contributions**

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2020 were as follows:

<b>PERS Plan 2/3</b>		
<b>Actual Contribution Rates:</b>	<b>Employer 2/3</b>	<b>Employee 2*</b>
January - August 2020:		
PERS Plan 2/3	7.92%	7.90%
PERS Plan 1 UAAL	4.76%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
<b>Total</b>	<b>12.86%</b>	<b>7.41%</b>
September - December 2020		
PERS Plan 2/3	7.92%	7.90%
PERS Plan 1 UAAL	4.87%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
<b>Total</b>	<b>12.97%</b>	<b>7.90%</b>

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

The City's actual PERS plan contributions were \$299,031.01 to PERS Plan 1 and \$494,197.51 to PERS Plan 2/3 for the year ended December 31, 2020.

### **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 2020 were as follows:

<b>LEOFF Plan 2</b>		
<b>Actual Contribution Rates:</b>	<b>Employer</b>	<b>Employee</b>
January - December 2020		
State and local governments	5.15%	8.59%
Administrative Fee	0.18%	
<b>Total</b>	<b>5.33%</b>	<b>8.75%</b>
Ports and Universities	8.59%	8.59%
Administrative Fee	0.18%	
<b>Total</b>	<b>8.77%</b>	<b>8.59%</b>

The City of Poulsbo's actual contributions to the plan were \$ 107,242.82 for the year ended December 31, 2020.

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, 2020, the state contributed \$76,297,643 to LEOFF Plan 2. The amount recognized by the City as its proportionate share of this amount is \$1,106,539.

#### **Actuarial Assumptions**

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2020 with a valuation date of June 30, 2019. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) 2013-2018 Experience Study and the 2019 Economic Experience Study.

Additional assumptions for subsequent events and law changes are current as of the 2019 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2020. Plan liabilities were rolled forward from June 30, 2019, to June 30, 2020, 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 developed using the Society of Actuaries' Pub. H-2020 mortality rates, which vary by member status, as the base table. The OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society Actuaries, to project mortality rates for every year after the 2010 base table. 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 its demographic assumptions based on the results of its latest demographic experience study. See OSA's 2013-2018 Demographic Experience Study at [leg.wa.gov/osa](http://leg.wa.gov/osa).
- OSA updated the Early Retirement Factors and Joint-and-Survivor factors used in its model to match the ones implemented by DRS on October 1, 2020. These factors are used to value benefits for members who elect to retire early and for survivors of members that die prior to retirement.
- The valuation includes liabilities and assets for Plan 3 members purchasing Total Allocation Portfolio annuities when determining contribution rates and funded status.
- OSA simplified its modeling of medical premium reimbursements for survivors of duty-related deaths in LEOFF 2.
- OSA changed its method of updating certain data items that change annually, including the public safety duty-related death lump sum and Washington state average wage. OSA set these values at 2018 and will project them into the future using assumptions until the next Demographic Experience Study in 2025. See [leg.wa.gov/osa](http://leg.wa.gov/osa) for more information on this method change.

### **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, 2020, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate
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%
	<b>100%</b>	

#### Sensitivity of Net Pension Liability/(Asset)

The table below presents the City of Poulsbo's proportionate share of the net pension liability calculated using the discount rate of 7.4 percent, as well as what the City of Poulsbo's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.4 percent) or 1-percentage point higher (8.4 percent) than the current rate.

	1% Decrease 6.40%	Current Discount 7.40%	1% Increase 8.40%
PERS 1	\$ 1,819,205	\$ 1,452,394	\$ 1,132,496
PERS 2/3	4,264,016	685,283	(2,261,805)
LEOFF 1	(26,039)	(31,991)	(37,141)
LEOFF 2	\$ (21,906)	\$ (1,106,539)	\$ (1,994,637)

#### 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, 2020, the City of Poulsbo reported a total pension liability of \$2,137,677 and total pension asset of \$1,138,531 for its proportionate share of the net pension liabilities as follows:

	Liability or (Asset)
PERS 1	1,452,394
PERS 2/3	685,283
LEOFF 1	(31,991)
LEOFF 2	(1,106,539)

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

were as follows:

	LEOFF I Asset	LEOFF II Asset
Employer's proportionate share	\$ (31,991)	\$ (1,106,539)
State's proportionate share of the net pension asset associated with the employer	(216,389)	(707,548)
<b>TOTAL</b>	<b>\$ (248,380)</b>	<b>\$ (1,814,087)</b>

As of June 30, 2020, the City of Poulsbo's proportionate share of the collective net pension liabilities was as follows:

	Proportionate Share 6/30/19	Proportionate Share 6/30/20	Change in Proportion
<b>PERS 1</b>	0.042353%	0.041138%	-0.001215%
<b>PERS 2/3</b>	0.054678%	0.053582%	-0.001096%
<b>LEOFF 1</b>	0.001707%	0.001694%	-0.000013%
<b>LEOFF 2</b>	0.057162%	0.054246%	-0.002916%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30, 2020 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 2020. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2020, 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 2020, the state of Washington contributed 39 percent of LEOFF 2 employer contributions pursuant to RCW 41.26.725 and all other employers contributed the remaining 61 percent of employer contributions.

The collective net pension liability (asset) was measured as of June 30, 2020, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2019, with update procedures used to roll forward the total pension liability to the measurement date.

### Pension Expense

For the year ended December 31, 2020, the City of Poulsbo recognized pension expense as follows:

	Pension Expense
<b>PERS 1</b>	\$ 21,200
<b>PERS 2/3</b>	90,020
<b>LEOFF 1</b>	(1,414)
<b>LEOFF 2</b>	43,297
<b>TOTAL</b>	<b>\$ 153,103</b>

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

At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>PERS 1</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ (8,086)
Contributions subsequent to the measurement date	150,731	-
<b>TOTAL</b>	<b>\$ 150,731</b>	<b>\$ (8,086)</b>

<b>PERS 2/3</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 245,321	\$ (85,882)
Net difference between projected and actual investment earnings on pension plan investments	-	(34,802)
Changes of assumptions	9,760	(468,108)
Changes in proportion and differences between contributions and proportionate share of contributions	127,119	(36,378)
Contributions subsequent to the measurement date	247,446	-
<b>TOTAL</b>	<b>\$ 629,647</b>	<b>\$ (625,171)</b>

<b>LEOFF 1</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Net difference between projected and actual investment	\$ -	\$ (335)
<b>TOTAL</b>	<b>\$ -</b>	<b>\$ (335)</b>

<b>LEOFF 2</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 153,108	\$ (19,625)
Net difference between projected and actual investment earnings on pension plan investments	-	(12,333)
Changes of assumptions	1,603	(171,341)
Changes in proportion and differences between contributions and proportionate share of contributions	45,994	(31,659)
Contributions subsequent to the measurement date	51,043	-
<b>TOTAL</b>	<b>\$ 251,747</b>	<b>\$ (234,959)</b>

<b>All Plans</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 398,429	\$ (105,508)
Net difference between projected and actual investment earnings on pension plan investments	-	(55,557)
Changes of assumptions	11,363	(639,449)
Changes in proportion and differences between contributions and proportionate share of contributions	173,113	(68,037)
Contributions subsequent to the measurement date	449,220	-
<b>TOTAL</b>	<b>\$ 1,032,126</b>	<b>\$ (868,551)</b>

Deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 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
2021	\$ (36,696)
2022	(1,154)
2023	11,197
2024	18,567
2025	-
Thereafter	-
TOTAL	\$ (8,086)

Year ended December 31	PERS 2/3
2021	\$ (264,239)
2022	(47,857)
2023	32,292
2024	84,067
2025	(12,903)
Thereafter	(34,330)
TOTAL	\$ (242,970)

Year ended December 31	LEOFF 1
2021	\$ (1,195)
2022	(62)
2023	340
2024	583
2025	-
Thereafter	-
TOTAL	\$ (335)

Year ended December 31	LEOFF 2
2021	\$ (80,577)
2022	(10,058)
2023	17,268
2024	37,914
2025	(6,547)
Thereafter	7,745
TOTAL	\$ (34,254)

## 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 162 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 \$21 million in limits above the self-insured layer is provided by

reinsurance. Total limits are \$25 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 \$400 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. The City currently has zero lines of credit utilized or available for use, and there are no assets pledged as collateral for any issued debt.

## **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, 2020 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	\$ 1,255,000
2015	2015 GO Debt: Refunded 2005 GO Bond and callable portion of the 2009 GO Bond	7,320,000	2-4%	2033	5,425,000
2017	LOCAL Program GO Bonds: Issued to provide funds to purchase Fleet Vehicles	460,000	1%	2021	119,825
Total					<b>\$ 6,799,825</b>

*Revenue Bonds* are payable from revenues generated by the Water/Sewer Enterprise Fund. A reserve of cash to meet obligations is a requirement of the issued debt. The 2018 Revenue Bond does have a 10 year call provision that is not anticipated to be exercised.

As of December 31, 2020, 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	\$ 6,410,000
Total					<b>\$ 6,410,000</b>

### PUBLIC WORKS TRUST FUND LOANS

State of Washington Public Works Trust Fund Loans (PWTF) are an intergovernmental loan from the Public Works Board to undertake local public works projects. These loans are a direct responsibility of the City. In 2020 Poulsbo currently had one PWTF loan of \$1,406,930 for Front Street reconstruction, which was paid off in full in 2020.

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

### LEASES

The City of Poulsbo has entered into lease agreements for financing machinery and equipment. Lease items below the capitalization threshold are not capitalized and therefore are non-capital leases. The gross amount of assets acquired under capital leases are recorded by major asset class. The minimum future lease payments in total and for each of the next five years, and, at a minimum, are minimum future lease payments for subsequent years reported in five-year increments.

The City of Poulsbo has entered into a capital lease agreement for financing of an upgrade of network switches with a payment in year one of \$13,895.

This lease agreement qualifies as a capital lease for accounting purposes, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date. The assets acquired through this capital lease as of December 31, 2020 are as follows:

Issuance Date	Purpose	Original Issue	Interest Rates	Maturity Date	Debt Outstanding
2020	Network Switches Capital Lease	\$ 69,477	0.00%	2024	\$ 55,582
Total					\$ 55,582

### DEBT SERVICE REQUIREMENTS TO MATURITY FOR PRIMARY GOVERNMENT

Year Ended Dec 31	General Obligation Bonds Governmental Activities			Public Works Trust Fund Loans Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
	2021	\$ 734,825	\$ 261,596	\$ 996,421	\$ 245,000	\$ 265,650
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	720,000	158,388	878,388	290,000	221,350	511,350
2026-2030	2,145,000	494,063	2,639,063	1,630,000	920,550	2,550,550
2031-2036	1,215,000	92,125	1,307,125	2,480,000	588,600	3,068,600
2037-2038	-	-	-	960,000	58,000	1,018,000
Total	\$ 6,799,825	\$ 1,636,671	\$ 8,436,496	\$ 6,410,000	\$ 2,780,750	\$ 9,190,750

### 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, 2020, the City has no arbitrage rebate liability.

## LONG-TERM LIABILITIES

Long-term liability activity for the year ended December 31, 2020 was as follows:

	Beginning				Ending	Due Within
	Balance	Additions	Reductions		Balance	One Year
<b>Governmental Activities</b>						
Bonds payable:						
General obligation bonds	\$ 7,508,945	\$ -	\$ 709,119	\$	6,799,825	\$ 734,825
Less Unamortized Bond Discount	(8,333)	-	(694)		(7,639)	(694)
Plus Unamortized Bond Premium	621,010	-	53,138		567,872	53,138
Pension/OPEB Liability	2,876,008	2,768,171	2,876,008		2,768,171	-
Compensated Absences	889,266	704,905	598,971		995,200	99,520
Due to Other Governmental Units	74,368	-	74,368		-	-
Capital Lease	-	69,477	13,895		55,582	13,895
<b>Total Governmental activity long-term liabilities</b>	<b>11,961,264</b>	<b>3,542,552</b>	<b>4,324,806</b>		<b>11,179,011</b>	<b>900,684</b>
<b>Business-type Activities</b>						
Bonds payable:						
Revenue Bonds	6,645,000	-	235,000		6,410,000	245,000
Less Unamortized Bond Discount	(26,228)	-	(1,380)		(24,847)	(1,380)
Plus Unamortized Bond Premium	573,002	-	30,158		542,844	30,158
Pension Liability	499,579	520,819	499,579		520,819	-
Compensated Absences	196,670	160,459	146,124		211,005	21,100
<b>Total Business-type activity long-term liabilities</b>	<b>\$ 7,888,023</b>	<b>\$ 681,278</b>	<b>\$ 909,481</b>		<b>\$ 7,659,820</b>	<b>\$ 294,878</b>

Internal service funds predominately serve the governmental funds. Accordingly, long-term liabilities for them are included in the totals for governmental activities. For the governmental funds, long-term liabilities other than debt (i.e., compensated absences and other postemployment benefits) are generally liquidated in the general and other governmental funds.

## 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, 2020 are planned but 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 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.

There are presently two outstanding lawsuits from developers that have been filed against the City. The City Attorney is working with the City for a resolution. There is no anticipated adverse outcome or expected impact to the financial statements due to this pending litigation.

### Contractual Commitments

As of December 31, 2020, the City had 14 significant contractual obligations with the following balances:

<u>Project</u>	<u>Vendor</u>	<u>Amount</u>
Liberty Bay Waterfront Trail	Parametrix	\$ 80
Stormwater Testing Services	Kitsap Public Health District	74,202
Noll/Johnson Pkwy Project (all elements)	Parametrix	226,256
Westside Well Treatment Facility Design	Gray & Osborne	1,505
I & I Wastewater Flow Study	RH2 Engineering	94,795
Finn Hill Shared Use Path	Strickland & Sons Excavation LLC	122,571
Rotary Morrow Community Park	Fischer-Bouma	2,742
HB1923 Housing Action Plan	Beckwith Consulting Group	9,150
PERC Feasibility	Perteet Engineering	36,208
Johnson Parkway/SR305 Roundabout	Active Construction	15,323,323
Sewer Comprehensive Plan Update	BHC Consultants	84,253
Finn Hill Shared Use Path	Krazan & Associates Inc.	3,343
Norland Trails/Olhava Water Main Relocation	Chinook Contractors LLC	44,123
PERC Market Analysis	Berk & Associates	51,005
		<u>\$ 16,073,555</u>

## 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](http://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 2020 grant from the County was \$363,858 (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 financials for Kitsap County are available at [www.kitsapgov.com](http://www.kitsapgov.com) or by contacting the Kitsap County Auditor’s Office at 614 Division Street, Port Orchard, Washington 98366 (360) 337-7129.

## **POULSBO EVENT AND RECREATION CENTER (PERC)**

The Poulsbo Event and Recreation Center (PERC) is a collaboration between the City of Poulsbo, the Kitsap Public Facilities District (KPUD), and the community to create a new public facility in Poulsbo for indoor and outdoor recreation and events. The City presently has an agreement with KPUD for \$243,900 for the purpose of conducting a preliminary feasibility study for this development project. The feasibility planning phase, which includes community engagement/survey, market studies, conceptual plans, financial planning, and determining operating requirements is expected to be completed by the end of 2021.

The financials for the Kitsap Public Facilities District (KPPD) are available at <https://www.kitsap-pfd.org/> or by contacting the KPPD office at 9230 Bay Shore Drive NW, Suite 101 Silverdale, WA 98383 (360) 698-1885.

## **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 2020:

<b>Aggregate OPEB Amounts - All Plans</b>	
OPEB Liabilities	\$ 1,151,313
Deferred Outflow of resources	10,826
OPEB Expense / Expenditures	\$ (43,513)

#### **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, 2020, there are 2 LEOFF 1 retirees covered by the benefit terms. There are no active employees or inactive employees not receiving benefits covered under this plan. This plan was closed to new entrants on October 1, 1977.

#### **Benefits Provided**

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

#### **Funding Policy**

Employer contributions are financed on a pay-as-you-go basis and there are no assets accumulated in a qualifying trust. Expenditures for post-retirement health care benefits are recognized as retirees report claims. During the

year, expenditures of \$21,029 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 \$1,151,313 was measured as of June 30, 2020 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, 2020 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:

<b>Inflation :</b>	5.40%
<b>Discount Rate:</b>	2.21%
<b>Healthcare cost trend rates:</b>	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	\$1,028,579	\$1,151,313	\$1,293,421

### 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 (1.21%)	Current healthcare Cost Trend Rate (2.21%)	1% Increase (3.21%)
Total OPEB Liability	\$1,304,369	\$1,151,313	\$1,022,519

<b>Change in the Total OPEB Liability</b>	
Balance at 6/30/2019	\$ 1,215,855
Changes for the year:	
Interest Cost	41,770
Changes in Experience Data and Assumptions	(61,081)
Estimated Benefit Payments	(45,231)
Net changes	(64,542)
Balance at 6/30/2020	\$ 1,151,313

Changes in experience data and assumptions reflect a change in the discount rate from 3.50 percent in 2019 to 2.21 percent in 2020.

Deferred outflows of resources of \$10,826 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, 2021.

## **NOTE 12: PRIOR PERIOD ADJUSTMENTS**

There were no prior period adjustments that met the material threshold in fiscal year 2020.

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

### Governmental Activities:

Capital Assets, Net of Depreciation	\$ 80,643,346
General Obligation Bonds Payable	\$ (6,855,407)
Unamortized premium on Bonds	\$ (567,872)
Unamortized discount on Bonds	\$ 7,639
Deferred Outflows - Loss on Refunding	\$ 437,615
Due to Other Governments	\$ -

### **Net Investment in Capital Assets**

**\$ 73,665,321**

### Business-Type Activities:

Capital Assets, Net of Depreciation	\$ 70,187,389
Revenue Bonds Payable	\$ (6,410,000)
Unamortized premium on Bonds	\$ (542,844)
Unamortized discount on Bonds	\$ 24,847

### **Net Investment in Capital Assets**

**\$ 63,259,392**

## **NOTE 14: ACCOUNTING AND REPORTING CHANGES**

The following two GASB pronouncements are effective in Fiscal Year 2020, but do not presently apply to the City of Poulsbo:

GASB 83 – Certain Asset Retirement Obligations

GASB 89 – Accounting for Interest Cost Incurred before the End of a Construction Period

**NOTE 15: SUBSEQUENT EVENTS/COVID-19 PANDEMIC**

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of the deadly new virus known as COVID-19. In the months following the declaration, precautionary measures to slow the spread of the virus were ordered. These measures included closing schools, cancelling public events, limiting public and private gatherings, and restricting business operations, travel and non-essential activities.

In response to the COVID-19 Pandemic the City of Poulsbo closed City Hall to the public as of March 23<sup>rd</sup>, 2020. Many employees worked remotely for several months in order to establish and maintain safety protocols and limit the number of people present in the building per the Governors order.

Utility penalties and turn off services for non-payment of utility bills were eliminated and are intended to be reinstated when the Governors orders allow. Payment plans for utility customers who owe back payments due to the COVID-19 Pandemic will be offered when penalties and turn off services are resumed.

Funding from the Federal government was received to address the impacts of COVID-19. A large portion of the funds were granted to local businesses and agencies to offer economic support to combat the financial effects stemming from the pandemic.

Additional funds are expected to be received over the next two years as a source of fiscal relief due to the ongoing impacts of the COVID-19 Pandemic. The City is presently anticipating award of these funds and direction regarding the allowed expenditures and necessary reporting from the awarding agency.

The length of time these measures will continue to be in place, and the full extent of the financial impact on the City of Poulsbo is unknown at this time.

A direct borrowing, ten-year bank loan was issued in February 2021. This debt issue refunds the 2012 City Hall non-voted general obligation bond with the remaining new debt to be used for the Noll Road Capital Project and the purchase of land for the Public Works Building to include tenant/building improvements.

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS**  
**LEOFF 1**  
**For the year ended June 30, 2020**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Total OPEB liability - beginning</b>	\$ 1,215,855	\$ 1,185,697	\$ 1,220,280
Service cost	-	-	-
Interest	41,770	45,286	43,106
Changes in Experience Data and Assumptions	(61,081)	16,187	(45,011)
Estimated Benefit Payments	-	(31,315)	(32,678)
Benefit payments	(45,231)	-	-
Other changes	-	-	-
<b>Total OPEB liability - ending</b>	<u>\$ 1,151,313</u>	<u>\$ 1,215,855</u>	<u>\$ 1,185,697</u>
<b>Covered-employee payroll**</b>	0	0	0
<b>Total OPEB liability as a % of covered payroll</b>	0.00%	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, 2020**  
**Last 7 years \***

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Employer's proportion of the net pension liability (asset)	0.041138%	0.042353%	0.040400%	0.038376%	0.038976%	0.037386%	0.036729%
Employer's proportionate share of the net pension liability	<u>\$ 1,452,394</u>	<u>\$ 1,628,623</u>	<u>\$ 1,804,278</u>	<u>\$ 1,820,971</u>	<u>\$ 2,093,195</u>	<u>\$ 1,955,635</u>	<u>\$ 1,850,241</u>
<b>Total</b>	<u><u>\$ 1,452,394</u></u>	<u><u>\$ 1,628,623</u></u>	<u><u>\$ 1,804,278</u></u>	<u><u>\$ 1,820,971</u></u>	<u><u>\$ 2,093,195</u></u>	<u><u>\$ 1,955,635</u></u>	<u><u>\$ 1,850,241</u></u>
Employer's covered payroll	\$ 6,244,760	\$ 5,943,262	\$ 5,379,587	\$ 4,839,503	\$ 4,671,276	\$ 4,285,003	\$ 4,045,587
Employer's proportionate share of the net pension liability as a percentage of covered payroll	23.26%	27.40%	33.54%	37.63%	44.81%	45.64%	45.73%
Plan fiduciary net position as a percentage of the total pension liability	68.64%	67.12%	61.24%	61.24%	57.03%	59.10%	61.19%

**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, 2020**  
**Last 7 years\***

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Employer's proportion of the net pension liability (asset)	0.053582%	0.054678%	0.051875%	0.049363%	0.049929%	0.048290%	4.728900%
Employer's proportionate share of the net pension liability	<u>\$ 685,283</u>	<u>\$ 531,109</u>	<u>\$ 885,719</u>	<u>\$ 1,715,128</u>	<u>\$ 2,513,886</u>	<u>\$ 1,725,429</u>	<u>\$ 955,881</u>
Total	<u>\$ 685,283</u>	<u>\$ 531,109</u>	<u>\$ 885,719</u>	<u>\$ 1,715,128</u>	<u>\$ 2,513,886</u>	<u>\$ 1,725,429</u>	<u>\$ 955,881</u>
Employer's covered payroll	\$ 6,244,760	\$ 5,943,262	\$ 5,379,587	\$ 4,839,503	\$ 4,671,276	\$ 4,285,003	\$ 4,045,587
Employer's proportionate share of the net pension liability as a percentage of covered payroll	10.97%	8.94%	16.46%	35.44%	53.82%	40.27%	23.63%
Plan fiduciary net position as a percentage of the total pension liability	97.22%	97.77%	95.77%	90.97%	85.82%	89.20%	93.29%

**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, 2020**  
**Last 7 years\***

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Employer's proportion of the net pension liability (asset)	0.001694%	0.001707%	0.002911%	0.002999%	0.003743%	0.005085%	0.504300%
Employer's proportionate share of the net pension liability	\$ (31,991)	\$ (33,741)	\$ (52,849)	\$ (45,501)	\$ (38,564)	\$ (61,282)	\$ (61,161)
State's proportionate share of the net pension liability (asset) associated with the employer	<u>\$ (216,389)</u>	<u>\$ (228,222)</u>	<u>\$ (357,471)</u>	<u>\$ (307,771)</u>	<u>\$ (260,843)</u>	<u>\$ (366,222)</u>	<u>*</u>
Total	<u>\$ (248,380)</u>	<u>\$ (261,962)</u>	<u>\$ (410,320)</u>	<u>\$ (353,272)</u>	<u>\$ (299,407)</u>	<u>\$ (427,504)</u>	<u>\$ (61,161)</u>
Employer's covered payroll	0	0	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	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	146.88%	148.78%	144.42%	135.96%	123.74%	127.36%	126.91%

**Notes to Schedule:**

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

\*Information not available for 2014

See notes to Required Supplementary Information

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**LEOFF 2**  
**As of June 30, 2020**  
**Last 7 years\***

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Employer's proportion of the net pension liability (asset)	0.054246%	0.057162%	0.056707%	0.053352%	0.053380%	0.053889%	0.052340%
Employer's proportionate share of the net pension liability (asset)	\$ (1,106,539)	\$ (1,324,268)	\$ (1,151,276)	\$ (740,353)	\$ (310,474)	\$ (553,871)	\$ (694,574)
State's proportionate share of the net pension liability (asset) associated with the employer	<u>(707,548)</u>	<u>(867,218)</u>	<u>(745,429)</u>	<u>(480,253)</u>	<u>(202,407)</u>	<u>(366,222)</u>	<u>(453,820)</u>
Total	<u>\$ (1,814,087)</u>	<u>\$ (2,191,486)</u>	<u>\$ (1,896,705)</u>	<u>\$ (1,220,606)</u>	<u>\$ (512,881)</u>	<u>\$ (920,093)</u>	<u>\$ (1,148,394)</u>
Employer's covered payroll	\$ 2,040,369	\$ 1,988,602	\$ 1,858,381	\$ 1,668,942	\$ 1,617,108	\$ 1,564,053	\$ 1,456,576
Employer's proportionate share of the net pension liability as a percentage of covered payroll	54.23%	66.59%	61.95%	44.36%	19.20%	35.41%	47.69%
Plan fiduciary net position as a percentage of the total pension liability	115.83%	119.43%	118.50%	113.36%	106.04%	111.67%	116.75%

**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, 2020**  
**Last 7 years\***

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Statutorily or contractually required contributions	\$ 299,031	\$ 303,261	\$ 286,998	\$ 249,559	\$ 224,037	\$ 199,036	\$ 167,996
Contributions in relation to the statutorily or contractually required contributions	<u>(299,031)</u>	<u>(303,261)</u>	<u>(286,998)</u>	<u>(249,559)</u>	<u>(224,037)</u>	<u>(199,036)</u>	<u>(167,996)</u>
Contribution deficiency (excess)	<u>\$ -</u>						
Covered payroll	\$ 6,239,868	\$ 6,119,710	\$ 5,670,880	\$ 5,098,268	\$ 4,696,806	\$ 4,510,640	\$ 4,152,711
Contributions as a percentage of covered payroll	4.79%	4.96%	5.06%	4.89%	4.77%	4.41%	4.05%

**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, 2020**  
**Last 7 years\***

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Statutorily or contractually required contributions	\$ 494,198	\$ 471,748	\$ 425,275	\$ 348,499	\$ 292,611	\$ 255,711	\$ 208,036
Contributions in relation to the statutorily or contractually required contributions	<u>(494,198)</u>	<u>(471,748)</u>	<u>(425,275)</u>	<u>(348,499)</u>	<u>(292,611)</u>	<u>(255,711)</u>	<u>(208,036)</u>
Contribution deficiency (excess)	<u>\$ -</u>						
Covered payroll	\$ 6,239,868	\$ 6,119,710	\$ 5,670,880	\$ 5,098,268	\$ 4,696,806	\$ 4,510,640	\$ 4,152,711
Contributions as a percentage of covered payroll	7.92%	7.71%	7.50%	6.84%	6.23%	5.67%	5.01%

**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, 2020**  
**Last 7 years\***

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Statutorily or contractually required contributions	\$ 107,243	\$ 104,711	\$ 102,989	\$ 91,334	\$ 80,293	\$ 80,712	\$ 78,406
Contributions in relation to the statutorily or contractually required contributions	<u>(107,243)</u>	<u>(104,711)</u>	<u>(102,989)</u>	<u>(91,334)</u>	<u>(80,293)</u>	<u>(80,712)</u>	<u>(78,406)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 2,074,471	\$ 1,989,036	\$ 1,937,302	\$ 1,776,493	\$ 1,589,968	\$ 1,598,225	\$ 1,552,594
Contributions as a percentage of covered payroll	5.17%	5.26%	5.32%	5.14%	5.05%	5.05%	5.05%

**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, 2020**

**Note 1 – Information provided**

There are no City employees participating in the PERS 1 or LEOFF 1 plans in 2020; 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 **City Street Fund** accounts for special revenue funds received to provide general governmental services for the administration and operation of street-oriented maintenance and repair.

The **Capital Improvements Fund** accounts for the receipt and expenditure of the first ¼ of 1% real estate excise tax authorized by State RCW 82.46. These revenues are dedicated for capital purposes defined in RCW 35.43.040, including public buildings and facilities.

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

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

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

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

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

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

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

### Debt Service Funds

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

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

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

## Capital Projects Funds

Capital Projects Funds account for the acquisition or construction of capital facilities (except for those financed primarily by proprietary funds). These funds are financed primarily by general obligation bonds, special assessments, federal and state grants and contributions from other funds.

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

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

The **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, 2020**  
Page 1 of 4

	City Street Fund	Capital Improvements Fund	Transportation Development Fund	Park Development Fund	Affordable Housing Fund	Historic Downtown Poulsbo Association Fund
<b>Assets</b>						
Cash and Cash Equivalents	\$ 72,285	\$ 361,057	\$ 2,937	\$ 54,184	\$ 13,665	\$ 14,311
Investments	102,095	2,098,659	1,135,076	53,584	20,009	33,315
Receivables:						
Taxes	14,061	60,910	-	-	3,112	-
Accounts	26	-	-	-	-	23,420
Due from Other Governments	33,141	-	-	-	-	-
Cash and Investments-Restricted	-	-	-	-	-	-
<b>Total Assets</b>	<b>221,609</b>	<b>2,520,626</b>	<b>1,138,013</b>	<b>107,768</b>	<b>36,786</b>	<b>71,045</b>
<b>Deferred Outflows of Resources</b>	-	-	-	-	-	-
<b>Liabilities</b>						
Accounts Payable	23,994	-	-	-	-	939
Payroll	17,258	-	-	-	-	-
Unearned Revenue	-	-	-	-	-	12,653
<b>Total Liabilities</b>	<b>41,252</b>	-	-	-	-	<b>13,592</b>
<b>Fund Balances</b>						
Nonspendable Fund Balance	-	-	-	-	-	-
Restricted Fund Balance	-	2,520,626	1,138,013	107,768	36,786	57,454
Assigned Fund Balance	180,357	-	-	-	-	-
<b>Total Fund Balance</b>	<b>180,357</b>	<b>2,520,626</b>	<b>1,138,013</b>	<b>107,768</b>	<b>36,786</b>	<b>57,454</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 221,609</b>	<b>\$ 2,520,626</b>	<b>\$ 1,138,013</b>	<b>\$ 107,768</b>	<b>\$ 36,786</b>	<b>\$ 71,045</b>

**COMBINING BALANCE SHEET (continued)**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2020**

Page 2 of 4

<b>Special Revenue</b>					
	<b>Paths and Trails Fund</b>	<b>Drug Enforcement Fund</b>	<b>Transient Occupancy Fund</b>	<b>Police Restricted Fund</b>	<b>Total Non-Major Special Revenue Funds</b>
<b>Assets</b>					
Cash and Cash Equivalents	\$ 2,385	\$ 9,703	\$ 1,041	\$ 14,830	\$ 546,399
Investments	18,427	49,293	79,665	127,302	3,717,424
Receivables:					
Taxes	71	-	11,423	3,280	92,857
Accounts	-	-	-	-	23,446
Due from Other Governments	-	-	-	-	33,141
Cash and Investments-Restricted	-	-	-	-	-
<b>Total Assets</b>	<b>20,883</b>	<b>58,997</b>	<b>92,130</b>	<b>145,411</b>	<b>4,413,267</b>
<b>Deferred Outflows of Resources</b>	-	-	-	-	-
<b>Liabilities</b>					
Accounts Payable	-	-	9,763	-	34,696
Payroll	-	-	-	-	17,258
Unearned Revenue	-	-	-	-	12,653
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>9,763</b>	<b>-</b>	<b>64,607</b>
<b>Fund Balances</b>					
Nonspendable Fund Balance	-	-	-	-	-
Restricted Fund Balance	20,883	58,997	82,367	128,421	4,151,312
Assigned Fund Balance	-	-	-	16,991	197,347
<b>Total Fund Balance</b>	<b>20,883</b>	<b>58,997</b>	<b>82,367</b>	<b>145,411</b>	<b>4,348,660</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 20,883</b>	<b>\$ 58,997</b>	<b>\$ 92,130</b>	<b>\$ 145,411</b>	<b>\$ 4,413,267</b>

**COMBINING BALANCE SHEET (continued)**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2020**  
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Debt Service			Capital Project				
Misc. Governmental Debt Fund	Non-Voted General Oblig Debt Fund	Total Non-Major Debt Service Funds	Equipment Acquisition Fund	Park Reserve Fund	Cemetery Reserve Fund	Facilities Fund	Total Non-Major Capital Project Funds
\$ 5	\$ 676	\$ 680	\$ 116,760	\$ 504	\$ 8,024	\$ 22,038	\$ 147,326
4,772	10,731	15,503	386,881	223	24,916	938,546	1,350,566
-	-	-	-	-	6,000	-	6,000
-	-	-	-	-	-	-	-
-	-	-	-	700,275	-	-	700,275
-	-	-	-	-	-	-	-
<b>4,776</b>	<b>11,407</b>	<b>16,184</b>	<b>503,642</b>	<b>701,001</b>	<b>38,940</b>	<b>960,584</b>	<b>2,204,167</b>
-	-	-	-	-	-	-	-
-	-	-	37	271,742	6,000	-	277,779
-	-	-	-	1,341	-	-	1,341
-	-	-	-	-	-	-	-
-	-	-	<b>37</b>	<b>273,083</b>	<b>6,000</b>	-	<b>279,120</b>
-	-	-	-	-	-	-	-
4,776	11,407	16,184	-	-	-	-	-
-	-	-	503,605	427,918	32,940	960,584	1,925,047
<b>4,776</b>	<b>11,407</b>	<b>16,184</b>	<b>503,605</b>	<b>427,918</b>	<b>32,940</b>	<b>960,584</b>	<b>1,925,047</b>
<b>\$ 4,776</b>	<b>\$ 11,407</b>	<b>\$ 16,184</b>	<b>\$ 503,642</b>	<b>\$ 701,001</b>	<b>\$ 38,940</b>	<b>\$ 960,584</b>	<b>\$ 2,204,167</b>

**COMBINING BALANCE SHEET (continued)**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2020**

Page 4 of 4

	<u>Permanent</u>	
	Bernice Borgen Beautification Trust Fund	Total Non-Major Governmental Funds
<b>Assets</b>		
Cash and Cash Equivalents	-	\$ 694,405
Investments	-	5,083,493
Receivables:		
Taxes	-	98,857
Accounts	-	23,446
Due from Other Governments	-	733,416
Cash and Investments-Restricted	96,187	96,187
<b>Total Assets</b>	<b>96,187</b>	<b>6,729,805</b>
<b>Deferred Outflows of Resources</b>		
	-	-
<b>Liabilities</b>		
Accounts Payable	-	312,476
Payroll	-	18,599
Unearned Revenue	-	12,653
<b>Total Liabilities</b>	<b>-</b>	<b>343,727</b>
<b>Fund Balances</b>		
Nonspendable Fund Balance	91,016	91,016
Restricted Fund Balance	5,171	4,172,667
Assigned Fund Balance	-	2,122,394
<b>Total Fund Balance</b>	<b>96,187</b>	<b>6,386,077</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 96,187</b>	<b>\$ 6,729,805</b>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

Page 1 of 4

	City Street Fund	Capital Improvements Fund	Transportation Development Fund	Park Development Fund	Affordable Housing Fund
<b>Revenues</b>					
Taxes	\$ -	\$ 822,199	\$ -	\$ -	\$ 36,742
Licenses and Permits	22,555	-	-	-	-
Intergovernmental	352,997	-	-	-	-
Charges for Services	-	-	229,745	62,329	-
Fines and Forfeitures	-	-	-	-	-
Interest and Other Earnings	1,216	19,479	24,098	1,035	9
Miscellaneous	-	-	-	-	-
<b>Total Revenues</b>	<b>376,768</b>	<b>841,678</b>	<b>253,843</b>	<b>63,364</b>	<b>36,751</b>
<b>Expenditures</b>					
Current:					
Security of Persons & Property	-	-	-	-	-
Transportation	1,049,053	-	-	-	-
Economic Environment	-	-	-	-	-
Culture and Recreation	-	-	-	-	-
Debt Service:					
Principal	-	-	-	-	-
Interest & Other Charges	-	-	-	-	-
Capital Outlay	-	-	-	-	-
<b>Total Expenditures</b>	<b>1,049,053</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess of Revenues over (under) Expenditures	(672,285)	841,678	253,843	63,364	36,751
<b>Other Financing Sources (Uses)</b>					
Transfers In	700,000	-	-	-	-
Transfers Out	-	(458,599)	(795,000)	(156,200)	-
Issuance of Long Term Debt	-	-	-	-	-
Sale of Capital Assets	-	-	-	-	-
<b>Total Other Financing Sources and Uses</b>	<b>700,000</b>	<b>(458,599)</b>	<b>(795,000)</b>	<b>(156,200)</b>	<b>-</b>
Net Change in Fund Balances	27,715	383,078	(541,157)	(92,836)	36,751
Fund Balances - Beginning of Year	152,642	2,137,547	1,679,170	200,603	35
Prior Year Adjustment	-	-	-	-	-
<b>Fund Balances - Ending of Year</b>	<b>\$ 180,357</b>	<b>\$ 2,520,626</b>	<b>\$ 1,138,013</b>	<b>\$ 107,768</b>	<b>\$ 36,786</b>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES (continued)  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

Page 2 of 4

<b>Special Revenue</b>						
	Historic Downtown Poulsbo Association Fund	Paths and Trails Fund	Drug Enforcement Fund	Transient Occupancy Fund	Police Restricted Fund	Total Non-Major Special Revenue Funds
<b>Revenues</b>						
Taxes	\$ -	\$ -	\$ -	\$ 93,651	\$ -	\$ 952,592
Licenses and Permits	-	-	-	-	-	22,555
Intergovernmental	-	1,010	-	-	28,251	382,259
Charges for Services	-	-	-	-	-	292,074
Fines and Forfeitures	-	-	-	-	146	146
Interest and Other Earnings	325	82	177	362	544	47,327
Miscellaneous	66,094	-	-	-	-	66,094
<b>Total Revenues</b>	<b>66,420</b>	<b>1,092</b>	<b>177</b>	<b>94,013</b>	<b>28,941</b>	<b>1,763,046</b>
<b>Expenditures</b>						
Current:						
Security of Persons & Property	-	-	1,424	-	13,068	14,492
Transportation	-	-	-	-	-	1,049,053
Economic Environment	-	-	-	110,062	-	110,062
Culture and Recreation	62,512	-	-	-	-	62,512
Debt Service:						
Principal	-	-	-	-	-	-
Interest & Other Charges	-	-	-	-	-	-
Capital Outlay	-	-	-	-	17,281	17,281
<b>Total Expenditures</b>	<b>62,512</b>	<b>-</b>	<b>1,424</b>	<b>110,062</b>	<b>30,349</b>	<b>1,253,401</b>
Excess of Revenues over (under) Expenditures	3,908	1,092	(1,247)	(16,049)	(1,409)	509,646
<b>Other Financing Sources (Uses)</b>						
Transfers In	-	-	-	-	-	700,000
Transfers Out	-	-	-	-	-	(1,409,799)
Issuance of Long Term Debt	-	-	-	-	-	-
Sale of Capital Assets	-	-	-	-	3,500	3,500
<b>Total Other Financing Sources and Uses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,500</b>	<b>(706,299)</b>
Net Change in Fund Balances	3,908	1,092	(1,247)	(16,049)	2,091	(196,654)
Fund Balances - Beginning of Year	53,546	19,791	60,244	98,416	143,320	4,545,313
Prior Year Adjustment	-	-	-	-	-	-
<b>Fund Balances - Ending of Year</b>	<b>\$ 57,454</b>	<b>\$ 20,883</b>	<b>\$ 58,997</b>	<b>\$ 82,367</b>	<b>\$ 145,411</b>	<b>\$ 4,348,660</b>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES (continued)  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

Page 3 of 4

Debt Service			Capital Project				
Misc Governmental Debt Fund	Non-Voted GO Debt Fund	Total Non-Major Debt Service Funds	Equipment Acquisition Fund	Park Reserve Fund	Cemetery Reserve Fund	Facilities Fund	Total Non-Major Capital Project Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	756,825	-	-	756,825
-	-	-	-	-	1,600	-	1,600
-	-	-	-	-	-	-	-
21	48	69	3,490	1,033	110	6,417	11,050
-	-	-	-	4,541	6,000	-	10,541
<b>21</b>	<b>48</b>	<b>69</b>	<b>3,490</b>	<b>762,398</b>	<b>7,711</b>	<b>6,417</b>	<b>780,016</b>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
74,368	723,015	797,383	-	-	-	-	-
2,231	290,419	292,650	-	-	-	-	-
-	-	-	80,732	900,059	6,000	81,286	1,068,078
<b>76,599</b>	<b>1,013,434</b>	<b>1,090,033</b>	<b>80,732</b>	<b>900,059</b>	<b>6,000</b>	<b>81,286</b>	<b>1,068,078</b>
(76,578)	(1,013,386)	(1,089,965)	(77,242)	(137,661)	1,710	(74,869)	(288,061)
76,599	1,012,834	1,089,433	126,250	270,200	-	25,000	421,450
-	-	-	(13,895)	-	-	-	(13,895)
-	-	-	69,477	-	-	-	69,477
-	-	-	-	-	-	-	-
<b>76,599</b>	<b>1,012,834</b>	<b>1,089,433</b>	<b>181,832</b>	<b>270,200</b>	<b>-</b>	<b>25,000</b>	<b>477,032</b>
21	(552)	(531)	104,590	132,539	1,710	(49,869)	188,970
4,755	11,960	16,715	399,015	295,379	31,229	1,010,453	1,736,076
-	-	-	-	-	-	-	-
<b>\$ 4,776</b>	<b>\$ 11,407</b>	<b>\$ 16,184</b>	<b>\$ 503,605</b>	<b>\$ 427,918</b>	<b>\$ 32,940</b>	<b>\$ 960,584</b>	<b>\$ 1,925,047</b>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES (continued)  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

Page 4 of 4

	<u>Permanent</u>	
	<u>Bernice Borgen Beautification Trust Fund</u>	<u>Total Non-Major Governmental Funds</u>
<b>Revenues</b>		
Taxes	\$ -	\$ 952,592
Licenses and Permits	-	22,555
Intergovernmental	-	1,139,083
Charges for Services	-	293,674
Fines and Forfeitures	-	146
Interest and Other Earnings	15	58,461
Miscellaneous	-	76,636
<b>Total Revenues</b>	<b>15</b>	<b>2,543,146</b>
<b>Expenditures</b>		
Current:		
Security of Persons & Property	-	14,492
Transportation	-	1,049,053
Economic Environment	-	110,062
Culture and Recreation	-	62,512
Debt Service:		
Principal	-	797,383
Interest & Fiscal Charges	-	292,650
Capital Outlay	-	1,085,359
<b>Total Expenditures</b>	<b>-</b>	<b>3,411,512</b>
Excess of Revenues over (under) Expenditures	15	(868,365)
<b>Other Financing Sources (Uses)</b>		
Transfers In	-	2,210,883
Transfers Out	-	(1,423,695)
Issuance of Long Term Debt	-	69,477
Sale of Capital Assets	-	3,500
<b>Total Other Financing Sources and Uses</b>	<b>-</b>	<b>860,166</b>
Net Change in Fund Balances	15	(8,200)
Fund Balances - Beginning of Year	96,172	6,394,277
Prior Year Adjustment	-	-
<b>Fund Balances - Ending of Year</b>	<b>\$ 96,187</b>	<b>\$ 6,386,077</b>

**CITY STREET FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET TO ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>			
License and Permits	\$ 20,000	\$ 22,555	\$ 2,555
Intergovernmental	7,006,174	352,997	(6,653,177)
Interest and Other Earnings	1,000	1,216	216
<b>Total Revenues</b>	<b>7,027,174</b>	<b>376,768</b>	<b>(6,650,406)</b>
<b>Expenditures</b>			
Transportation:			
Street Maintenance	7,925,170	1,049,053	6,876,117
<b>Total Expenditures</b>	<b>7,925,170</b>	<b>1,049,053</b>	<b>6,876,117</b>
Excess of Revenues Over (Under) Expenditures	(897,996)	(672,285)	225,711
<b>Other Financing Sources (Uses)</b>			
Transfers In	850,000	700,000	150,000
<b>Total Other Financing Sources (Uses)</b>	<b>850,000</b>	<b>700,000</b>	<b>150,000</b>
<b>Net Change in Fund Balance</b>	<b>(47,996)</b>	<b>27,715</b>	<b>75,711</b>
Fund Balance Beginning of Year	152,626	152,642	16
<b>Fund Balance End of Year</b>	<b>\$ 104,630</b>	<b>\$ 180,357</b>	<b>\$ 75,727</b>

**CAPITAL IMPROVEMENT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET TO ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>			
Taxes:			
Excise Tax	\$ 500,000	\$ 822,199	\$ 322,199
Interest and Other Earnings	6,000	19,479	13,479
<b>Total Revenues</b>	<b>506,000</b>	<b>841,678</b>	<b>335,678</b>
Excess of Revenues Over (Under) Expenditures	506,000	841,678	335,678
<b>Other Financing Sources (Uses)</b>			
Transfers Out	(1,358,600)	(458,599)	-
<b>Total Other Financing Sources (Uses)</b>	<b>(1,358,600)</b>	<b>(458,599)</b>	<b>-</b>
<b>Net Change in Fund Balance</b>	<b>(852,600)</b>	<b>383,078</b>	<b>1,235,678</b>
Fund Balance Beginning of Year	2,137,547	2,137,547	-
<b>Fund Balance End of Year</b>	<b>\$ 1,284,947</b>	<b>\$ 2,520,625</b>	<b>\$ 1,235,678</b>

**TRANSPORTATION DEVELOPMENT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET TO ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>			
Growth Mgmt Act Impact	\$ -	\$ 159,943	\$ 159,943
SEPA Mitigation	200,000	69,802	(130,198)
Interest and Other Earnings	500	24,098	23,598
<b>Total Revenues</b>	<b>200,500</b>	<b>253,843</b>	<b>53,343</b>
Excess of Revenues Over (Under) Expenditures	200,500	253,843	53,343
<b>Other Financing Sources (Uses)</b>			
Transfers Out	(1,876,000)	(795,000)	1,081,000
<b>Total Other Financing Sources (Uses)</b>	<b>(1,876,000)</b>	<b>(795,000)</b>	<b>1,081,000</b>
<b>Net Change in Fund Balance</b>	<b>(1,675,500)</b>	<b>(541,157)</b>	<b>1,134,343</b>
Fund Balance Beginning of Year	1,679,170	1,679,170	-
<b>Fund Balance End of Year</b>	<b>\$ 3,670</b>	<b>\$ 1,138,013</b>	<b>\$ 1,134,343</b>

**PARK DEVELOPMENT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET TO ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>			
Growth Mgmt Act Impact	\$ 60,000	\$ 61,829	\$ 1,829
SEPA Mitigation	-	500	500
Interest and Other Earnings	1,000	1,035	35
<b>Total Revenues</b>	<b>61,000</b>	<b>63,364</b>	<b>2,364</b>
Excess of Revenues Over (Under) Expenditures	61,000	63,364	2,364
<b>Other Financing Sources (Uses)</b>			
Transfers Out	(169,700)	(156,200)	13,500
<b>Total Other Financing Sources (Uses)</b>	<b>(169,700)</b>	<b>(156,200)</b>	<b>13,500</b>
<b>Net Change in Fund Balance</b>	<b>(108,700)</b>	<b>(92,836)</b>	<b>15,864</b>
Fund Balance Beginning of Year	200,603	200,603	-
<b>Fund Balance End of Year</b>	<b>\$ 91,903</b>	<b>\$ 107,767</b>	<b>\$ 15,864</b>

**AFFORDABLE HOUSING FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET TO ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>			
Affordable House Sales & Use Tax	\$ 35,000	\$ 36,742	\$ 1,742
Interest and Other Earnings	-	9	9
<b>Total Revenues</b>	<b>35,000</b>	<b>36,751</b>	<b>1,751</b>
Excess of Revenues Over (Under) Expenditures	35,000	36,751	1,751
<b>Net Change in Fund Balance</b>	35,000	36,751	1,751
Fund Balance Beginning of Year	35	35	-
<b>Fund Balance End of Year</b>	<b>\$ 35,035</b>	<b>\$ 36,786</b>	<b>\$ 1,751</b>

**HISTORIC DOWNTOWN POULSBO ASSOCIATION FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET TO ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>			
Special Assessments	\$ 48,000	\$ 38,124	\$ (9,876)
Gifts and Pledges	40,600	27,971	(12,629)
Interest and Other Earnings	328	325	(3)
<b>Total Revenues</b>	<b>88,928</b>	<b>66,420</b>	<b>(22,508)</b>
<b>Expenditures</b>			
Bad Debt Expense	500	987	(487)
Office & Operating Supplies	2,000	3,336	(1,336)
Small Tools & Minor Equipment	200	-	200
Professional Services	11,400	7,500	3,900
Advertising	56,000	28,635	27,365
Communication	500	-	500
Postage	200	187	13
Insurance	1,700	1,892	(192)
Repairs and Maintenance	12,000	16,601	(4,601)
Miscellaneous	3,500	3,375	125
<b>Total Expenditures</b>	<b>88,000</b>	<b>62,512</b>	<b>25,488</b>
Excess of Revenues Over (Under) Expenditures	928	3,908	2,980
<b>Net Change in Fund Balance</b>	<b>928</b>	<b>3,908</b>	<b>2,980</b>
Fund Balance Beginning of Year	53,546	53,546	-
<b>Fund Balance End of Year</b>	<b>\$ 54,474</b>	<b>\$ 57,454</b>	<b>\$ 2,980</b>

**PATH AND TRAILS RESERVE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET TO ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>			
Intergovernmental	\$ 1,154	\$ 1,010	\$ (144)
Interest and Other Earnings	110	82	(28)
<b>Total Revenues</b>	<b>1,264</b>	<b>1,092</b>	<b>(172)</b>
Excess of Revenues Over (Under) Expenditures	1,264	1,092	(172)
<b>Net Change in Fund Balance</b>	<b>1,264</b>	<b>1,092</b>	<b>(172)</b>
Fund Balance Beginning of Year	19,791	19,791	-
<b>Fund Balance End of Year</b>	<b>\$ 21,055</b>	<b>\$ 20,883</b>	<b>\$ (172)</b>

**DRUG ENFORCEMENT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET TO ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>			
Interest and Other Earnings	\$ 700	\$ 177	\$ (523)
<b>Total Revenues</b>	<b>700</b>	<b>177</b>	<b>(523)</b>
<b>Expenditures</b>			
Special Unit Program	2,000	920	1,080
K-9 Program	3,450	505	2,945
<b>Total Expenditures</b>	<b>5,450</b>	<b>1,424</b>	<b>4,026</b>
Excess of Revenues Over (Under) Expenditures	(4,750)	(1,247)	3,503
<b>Net Change in Fund Balance</b>	<b>(4,750)</b>	<b>(1,247)</b>	<b>3,503</b>
Fund Balance Beginning of Year	60,244	60,244	-
<b>Fund Balance End of Year</b>	<b>\$ 55,494</b>	<b>\$ 58,997</b>	<b>\$ 3,503</b>

**TRANSIENT OCCUPANCY TAX FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET TO ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>			
Hotel/Motel Tax	\$ 136,000	\$ 93,651	\$ (42,349)
Interest and Other Earnings	500	362	(138)
<b>Total Revenues</b>	<b>136,500</b>	<b>94,013</b>	<b>(42,487)</b>
<b>Expenditures</b>			
Poulsbo Marketing Coalition	68,000		
Poulsbo Historic Society		23,800	
Poulsbo Chamber Visitor Center		17,000	
3rd of July Community Event		6,000	
Viking Holiday Tree Lighting		3,029	-
Visit Kitsap	32,000	27,200	4,800
North Kitsap Tourism Coalition	4,500	-	4,500
Historic Downtown Poulsbo Association	30,000	23,471	6,529
Sons of Norway	10,000	8,500	
Poulsbo Community Orchestra	3,000	1,063	
Poulsbo Police Department	5,000		
Bremerton Symphony	2,500	-	2,500
<b>Total Expenditures</b>	<b>155,000</b>	<b>110,062</b>	<b>18,329</b>
Excess of Revenues Over (Under) Expenditures	(18,500)	(16,049)	2,451
<b>Net Change in Fund Balance</b>	<b>(18,500)</b>	<b>(16,049)</b>	<b>2,451</b>
Fund Balance Beginning of Year	88,424	98,416	9,992
<b>Fund Balance End of Year</b>	<b>\$ 69,924</b>	<b>\$ 82,367</b>	<b>\$ 12,443</b>

**POLICE RESTRICTED FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET TO ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>			
Vessel Registration	\$ 7,800	\$ 7,305	\$ (495)
Intergovernmental	24,454	20,946	(3,508)
Fines & Forfeitures	100	146	46
Interest and Other Earnings	4,700	4,044	(656)
<b>Total Revenues</b>	<b>37,054</b>	<b>32,441</b>	<b>(4,613)</b>
<b>Expenditures</b>			
Marine Safety	30,000	26,330	3,670
Criminal Justice	3,533	3,462	71
Miscellaneous	1,200	557	643
<b>Total Expenditures</b>	<b>34,733</b>	<b>30,349</b>	<b>4,384</b>
Excess of Revenues Over (Under) Expenditures	2,321	2,091	(230)
<b>Net Change in Fund Balance</b>	<b>2,321</b>	<b>2,091</b>	<b>(230)</b>
Fund Balance Beginning of Year	143,321	143,321	-
<b>Fund Balance End of Year</b>	<b>\$ 145,642</b>	<b>\$ 145,412</b>	<b>\$ (230)</b>

**MISCELLANEOUS GOVERNMENTAL DEBT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET TO ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>			
Interest and Other Earnings	\$ 50	\$ 21	\$ (29)
<b>Total Revenues</b>	<b>50</b>	<b>21</b>	<b>(29)</b>
<b>Expenditures</b>			
Debt Service:			
Intergovernmental Loan-Principal	74,369	74,368	1
Interest and Related Costs	2,231	2,231	-
<b>Total Expenditures</b>	<b>76,600</b>	<b>76,599</b>	<b>1</b>
Excess of Revenues Over (Under) Expenditures	(76,550)	(76,578)	(28)
<b>Other Financing Sources (Uses)</b>			
Transfers In	76,600	76,599	-
<b>Total Other Financing Sources (Uses)</b>	<b>76,600</b>	<b>76,599</b>	<b>-</b>
<b>Net Change in Fund Balance</b>	<b>50</b>	<b>21</b>	<b>(29)</b>
Fund Balance Beginning of Year	4,755	4,755	-
<b>Fund Balance End of Year</b>	<b>\$ 4,805</b>	<b>\$ 4,776</b>	<b>\$ (29)</b>

**NON-VOTED GENERAL OBLIGATION DEBT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET TO ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>			
Interest and Other Earnings	\$ 500	\$ 48	\$ (452)
Miscellaneous	-	-	-
<b>Total Revenues</b>	<b>500</b>	<b>48</b>	<b>(452)</b>
<b>Expenditures</b>			
Debt Service:			
General Obligation Bond-Principal	819,015	723,015	96,001
Interest and Other Costs	405,020	290,419	114,601
<b>Total Expenditures</b>	<b>1,224,035</b>	<b>1,013,434</b>	<b>210,601</b>
Excess of Revenues Over (Under) Expenditures	(1,223,535)	(1,013,386)	210,149
<b>Other Financing Sources (Uses)</b>			
Bond Proceeds	-	-	-
Premium on Bonds Sold	-	-	-
Transfers In	1,222,835	1,012,834	(210,001)
Transfers Out	-	-	-
Governmental Obligation Bond Proceeds	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>1,222,835</b>	<b>1,012,834</b>	<b>(210,001)</b>
<b>Net Change in Fund Balance</b>	<b>(700)</b>	<b>(552)</b>	<b>148</b>
Fund Balance Beginning of Year	11,960	11,960	-
<b>Fund Balance End of Year</b>	<b>\$ 11,260</b>	<b>\$ 11,408</b>	<b>\$ 148</b>

**EQUIPMENT ACQUISITION FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET TO ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>			
Interest and Other Earnings	\$ 3,000	\$ 3,490	\$ 490
Miscellaneous	69,477	69,477	-
<b>Total Revenues</b>	<b>72,477</b>	<b>72,967</b>	<b>490</b>
<b>Expenditures</b>			
Capital Outlay:			
Public Works Capital	3,776	1,445	2,331
Public Works Capital	5,830	-	5,830
Parks & Recreation	9,450	9,810	(360)
General Government	84,082	69,477	14,605
<b>Total Expenditures</b>	<b>103,138</b>	<b>80,732</b>	<b>22,406</b>
Excess of Revenues Over (Under) Expenditures	(30,661)	(7,765)	22,896
<b>Other Financing Sources (Uses)</b>			
Transfers In	126,250	126,250	-
Transfers Out	(13,895)	(13,895)	-
<b>Total Other Financing Sources (Uses)</b>	<b>112,355</b>	<b>112,355</b>	<b>-</b>
<b>Net Change in Fund Balance</b>	<b>81,694</b>	<b>104,590</b>	<b>22,896</b>
Fund Balance Beginning of Year	399,015	399,015	-
<b>Fund Balance End of Year</b>	<b>\$ 480,709</b>	<b>\$ 503,605</b>	<b>\$ 22,896</b>

**PARK RESERVE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET TO ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>			
Intergovernmental:			
ST-RCO (IAC)-ALEA Grant	\$ 668,713	\$ 350,150	\$ (318,563)
St-Department of Commerce	-	404,038	404,038
Suquamish Tribe	-	2,000	2,000
Gifts and Pledges	-	5,178	5,178
Interest and Other Earnings	1,000	1,033	33
<b>Total Revenues</b>	<b>669,713</b>	<b>762,398</b>	<b>92,685</b>
<b>Expenditures</b>			
Capital Outlay:			
Morrow Manor Park	217,200	56,817	160,383
Poulsbo Fish Park IV	829,788	843,242	(13,454)
Lions Park	31,000	-	31,000
Urban Paths & Trails	42,500	-	42,500
<b>Total Expenditures</b>	<b>1,120,488</b>	<b>900,059</b>	<b>220,429</b>
Excess of Revenues Over (Under) Expenditures	(450,775)	(137,661)	313,114
<b>Other Financing Sources (Uses)</b>			
Transfers In	283,700	270,200	(13,500)
<b>Total Other Financing Sources (Uses)</b>	<b>283,700</b>	<b>270,200</b>	<b>(13,500)</b>
<b>Net Change in Fund Balance</b>	<b>(167,075)</b>	<b>132,539</b>	<b>299,614</b>
Fund Balance Beginning of Year	303,999	295,379	-
<b>Fund Balance End of Year</b>	<b>\$ 136,924</b>	<b>\$ 427,918</b>	<b>\$ 290,994</b>

**CEMETERY RESERVE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET TO ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>			
Gravesites	\$ 3,000	\$ 1,600	\$ (1,400)
Judgements & Settlements	6,000	6,000	0
Interest and Other Earnings	150	110	(40)
<b>Total Revenues</b>	<b>9,150</b>	<b>7,711</b>	<b>(1,439)</b>
<b>Expenditures</b>			
Construction Capital Asset	6,000	6,000	(0)
<b>Total Expenditures</b>	<b>6,000</b>	<b>6,000</b>	<b>(0)</b>
Excess of Revenues Over (Under) Expenditures	3,150	1,710	(1,440)
<b>Net Change in Fund Balance</b>	<b>3,150</b>	<b>1,710</b>	<b>(1,440)</b>
Fund Balance Beginning of Year	31,229	31,229	-
<b>Fund Balance End of Year</b>	<b>\$ 34,379</b>	<b>\$ 32,939</b>	<b>\$ (1,440)</b>

**FACILITIES FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET TO ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>			
Interest and Other Earnings	\$ 5,000	\$ 6,417	\$ 1,417
<b>Total Revenues</b>	<b>5,000</b>	<b>6,417</b>	<b>1,417</b>
<b>Expenditures</b>			
Building & Structures	966,900	81,286	885,614
<b>Total Expenditures</b>	<b>966,900</b>	<b>81,286</b>	<b>885,614</b>
Excess of Revenues Over (Under) Expenditures	(961,900)	(74,869)	887,031
<b>Other Financing Sources (Uses)</b>			
Transfers In	25,000	25,000	-
Sale of Capital Assets	825,000	-	(825,000)
<b>Total Other Financing Sources (Uses)</b>	<b>850,000</b>	<b>25,000</b>	<b>(825,000)</b>
<b>Net Change in Fund Balance</b>	<b>(111,900)</b>	<b>(49,869)</b>	<b>62,031</b>
Fund Balance Beginning of Year	1,010,453	1,010,453	-
<b>Fund Balance End of Year</b>	<b>\$ 898,553</b>	<b>\$ 960,584</b>	<b>\$ 62,031</b>

## STATISTICAL SECTION

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

### Contents

#### Financial Trends

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

#### Revenue Capacity

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

#### Debt Capacity

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

#### Demographic and Economic Information

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

#### Operating Information

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

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

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

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

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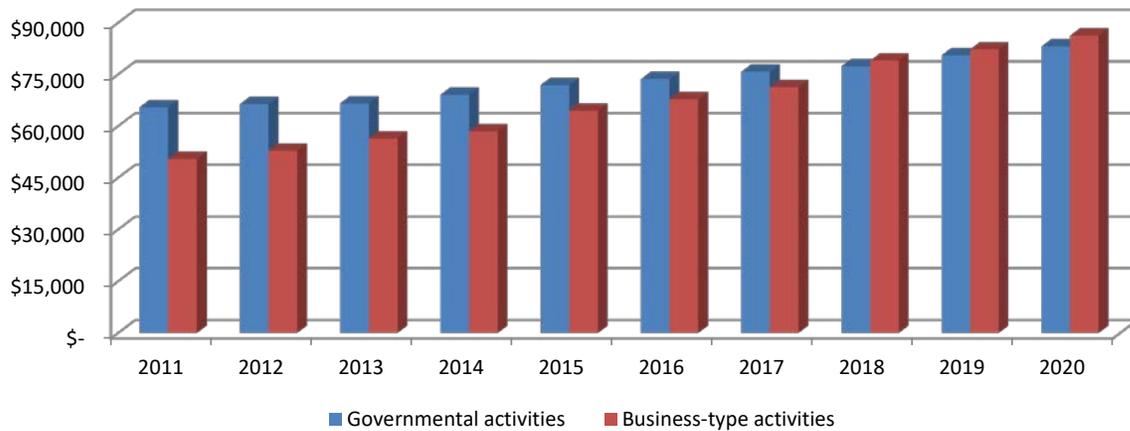
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<b>Governmental Activities</b>				
Net Investment in Capital Assets	\$ 60,292,177	\$ 61,173,480	\$ 61,384,364	\$ 63,759,780
Restricted	733,527	771,117	1,073,118	879,424
Unrestricted	4,449,433	4,427,348	4,134,707	4,455,115
<b>Total Governmental Activities Net Position</b>	<u>65,475,137</u>	<u>66,371,945</u>	<u>66,592,189</u>	<u>69,094,319</u>
<b>Business-type Activities</b>				
Net Investment in Capital Assets	37,042,937	37,440,865	41,152,937	42,142,755
Restricted	492,011	442,900	313,400	313,400
Unrestricted	12,880,492	14,956,989	14,912,634	16,020,323
<b>Total Business-type Activities Net Position</b>	<u>50,415,439</u>	<u>52,840,754</u>	<u>56,378,971</u>	<u>58,476,477</u>
<b>Primary Government</b>				
Net Investment in Capital Assets	97,335,114	98,614,345	102,537,302	105,902,534
Restricted	1,225,538	1,214,017	1,386,518	1,192,824
Unrestricted	17,329,924	19,384,337	19,047,341	20,475,438
<b>Total Primary Government Net Position</b>	<u>\$ 115,890,576</u>	<u>\$ 119,212,698</u>	<u>\$ 122,971,160</u>	<u>\$ 127,570,796</u>

**NET POSITION BY COMPONENT (continued)**  
**Last Ten Fiscal Years**

Page 2 of 2

	2015	2016	2017	2018	2019	2020
\$	67,037,545	\$ 67,834,718	\$ 67,195,884	\$ 69,608,469	\$ 71,251,169	\$ 73,665,321
	1,931,830	2,416,841	3,754,620	4,144,728	5,388,184	5,463,498
	2,935,244	3,367,677	4,796,265	3,604,459	3,884,922	3,966,882
	<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>	<u>83,095,701</u>
	50,368,250	52,652,252	56,724,089	63,613,785	63,420,295	63,259,392
	313,400	313,400	-	-	-	-
	<u>13,818,164</u>	<u>14,827,869</u>	<u>14,542,041</u>	<u>15,377,138</u>	<u>18,838,075</u>	<u>22,987,735</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>	<u>86,247,127</u>
	117,405,795	120,486,970	123,919,973	133,222,255	134,671,464	136,924,714
	2,245,230	2,730,241	3,754,620	4,144,728	5,388,184	5,463,498
	16,753,408	18,195,546	19,338,306	18,981,597	22,722,996	26,954,616
\$	<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>	<u>169,342,828</u>

**Total Net Position**  
(In thousands)



**CHANGES IN NET POSITION**  
**Last Ten Fiscal Years**  
Page 1 of 4

	2011	2012	2013	2014	2015
<b>Expenses</b>					
<b>Governmental Activities:</b>					
General Government	\$ 1,758,688	\$ 2,148,291	\$ 1,640,535	\$ 1,572,173	\$ 1,539,405
Judicial	347,030	374,672	355,656	357,993	370,046
Security of Persons & Property	2,631,619	2,651,809	2,826,033	3,009,996	3,146,848
Utilities & Environment	494,668	463,211	500,646	456,860	481,077
Transportation	1,685,655	1,852,794	2,716,499	2,820,286	2,703,349
Economic Environment	633,782	665,027	779,317	890,459	963,163
Mental & Physical Health	14,573	14,705	13,978	14,356	29,772
Culture & Recreation	1,468,720	1,427,910	1,336,339	1,338,814	1,422,703
Interest on Long-Term Debt	553,206	556,341	536,673	518,677	458,869
<b>Total Governmental Activities Expenses</b>	<b>9,587,940</b>	<b>10,154,759</b>	<b>10,705,677</b>	<b>10,979,613</b>	<b>11,115,232</b>
<b>Business-Type Activities:</b>					
Water	1,199,529	1,282,886	1,356,314	1,484,034	1,670,634
Sewer	2,052,589	2,109,868	2,240,098	2,236,003	2,531,582
Solid Waste	1,161,445	1,247,121	1,298,015	1,320,150	1,493,671
Storm Drain	935,763	1,011,619	972,205	1,088,006	1,433,190
<b>Total Business-Type Activities</b>	<b>5,349,326</b>	<b>5,651,494</b>	<b>5,866,631</b>	<b>6,128,192</b>	<b>7,129,077</b>
<b>Total Primary Government Expenses</b>	<b>14,937,266</b>	<b>15,806,253</b>	<b>16,572,308</b>	<b>17,107,805</b>	<b>18,244,309</b>
<b>Program Revenues</b>					
<b>Governmental Activities:</b>					
<b>Charges for Services</b>					
General Government	540,342	345,044	327,650	345,370	360,990
Judicial	106,027	112,308	108,500	112,624	117,154
Security of Persons & Property	169,029	168,580	148,342	120,687	143,892
Utilities & Environment	51,162	53,193	11,227	5,444	4,715
Transportation	9,225	12,100	67,595	112,095	93,439
Economic Environment	281,722	505,177	558,996	471,539	907,245
Culture & Recreation	493,156	538,424	530,637	525,946	525,247
Operating Grants and Contributions	425,702	468,960	479,485	496,338	605,198
Capital Grants and Contributions	1,547,093	1,758,099	1,493,376	3,673,904	5,027,389
<b>Total Governmental Activities Program Revenues</b>	<b>3,623,457</b>	<b>3,961,884</b>	<b>3,725,807</b>	<b>5,863,947</b>	<b>7,785,269</b>
<b>Business-Type Activities:</b>					
<b>Charges for Services:</b>					
Water	1,407,214	1,461,638	1,528,732	1,590,972	1,831,511
Sewer	2,558,143	2,803,005	3,040,822	3,208,493	3,287,822
Solid Waste	1,287,617	1,382,449	1,456,824	1,501,028	1,614,036
Storm Drain	738,081	801,795	786,897	1,014,112	1,521,196
Operating Grants and Contributions	94,789	66,936	-	-	115,058
Capital Grants and Contributions	312,382	1,503,112	2,492,406	862,361	5,784,476
<b>Total Business-Type Activities Program Revenues</b>	<b>6,398,226</b>	<b>8,018,935</b>	<b>9,305,682</b>	<b>8,176,966</b>	<b>14,154,100</b>
<b>Total Primary Government Program Revenues</b>	<b>\$ 10,021,682</b>	<b>\$ 11,980,819</b>	<b>\$ 13,031,489</b>	<b>\$ 14,040,913</b>	<b>\$ 21,939,368</b>

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

	2016	2017	2018	2019	2020
<b>Expenses</b>					
Governmental Activities:					
General Government	\$ 1,776,629	\$ 1,386,987	\$ 2,810,801	\$ 2,768,497	\$ 3,138,251
Judicial	383,968	401,814	434,608	433,486	440,026
Security of Persons & Property	3,327,528	3,495,629	4,280,502	4,046,487	4,062,697
Utilities & Environment	506,396	524,341	210,947	102,289	(20,889)
Transportation	2,922,462	2,998,467	2,797,834	3,555,833	3,589,312
Economic Environment	999,731	1,031,024	1,189,609	1,115,517	1,168,146
Mental & Physical Health	131,162	245,572	344,875	458,461	482,409
Culture & Recreation	1,469,255	1,400,013	1,811,980	1,595,771	1,409,420
Interest on Long-Term Debt	391,781	378,391	251,599	437,737	295,919
<b>Total Governmental Activities Expenses</b>	<b>11,908,913</b>	<b>11,862,238</b>	<b>14,132,756</b>	<b>14,514,078</b>	<b>14,565,290</b>
Business-Type Activities:					
Water	1,692,690	1,625,472	1,982,786	1,791,832	2,091,673
Sewer	2,686,558	2,716,954	3,024,655	3,374,255	3,608,388
Solid Waste	1,759,556	2,096,082	2,331,314	2,342,826	2,495,220
Storm Drain	1,676,166	1,647,010	1,750,631	1,520,262	1,619,323
<b>Total Business-Type Activities</b>	<b>7,814,970</b>	<b>8,085,518</b>	<b>9,089,387</b>	<b>9,029,175</b>	<b>9,814,604</b>
<b>Total Primary Government Expenses</b>	<b>19,723,883</b>	<b>19,947,756</b>	<b>23,222,143</b>	<b>23,543,253</b>	<b>24,379,894</b>
<b>Program Revenues</b>					
Governmental Activities:					
Charges for Services					
General Government	370,369	415,833	357,834	392,318	318,684
Judicial	279,232	58,842	74,442	86,419	45,288
Security of Persons & Property	133,347	123,696	142,503	208,418	187,897
Utilities & Environment	3,400	4,800	6,400	5,600	8,552
Transportation	82,592	144,829	166,074	117,394	166,260
Economic Environment	1,087,421	949,198	773,100	775,932	596,895
Culture & Recreation	535,811	575,614	600,286	641,844	256,323
Operating Grants and Contributions	710,043	977,832	975,732	1,598,363	2,086,040
Capital Grants and Contributions	1,633,211	2,403,489	3,354,870	1,894,309	3,077,912
<b>Total Governmental Activities Program Revenues</b>	<b>4,835,426</b>	<b>5,654,133</b>	<b>6,451,242</b>	<b>5,720,597</b>	<b>6,743,850</b>
Business-Type Activities:					
Charges for Services:					
Water	1,857,036	1,960,128	2,089,015	2,082,860	2,097,405
Sewer	3,460,657	3,626,637	3,947,885	4,242,423	4,343,457
Solid Waste	1,793,421	1,922,024	2,391,489	2,665,747	2,711,827
Storm Drain	1,621,933	1,706,057	1,744,877	1,811,029	1,859,422
Operating Grants and Contributions	84,948	8,195	-	-	24,966
Capital Grants and Contributions	2,234,980	2,291,492	6,398,378	1,052,865	2,506,252
<b>Total Business-Type Activities Program Revenues</b>	<b>11,052,975</b>	<b>11,514,533</b>	<b>16,571,644</b>	<b>11,854,924</b>	<b>13,543,329</b>
<b>Total Primary Government Program</b>	<b>\$ 15,888,401</b>	<b>\$ 17,168,666</b>	<b>\$ 23,022,886</b>	<b>\$ 17,575,521</b>	<b>\$ 20,287,179</b>

**CHANGES IN NET POSITION (continued)**  
**Last Ten Fiscal Years**  
Page 3 of 4

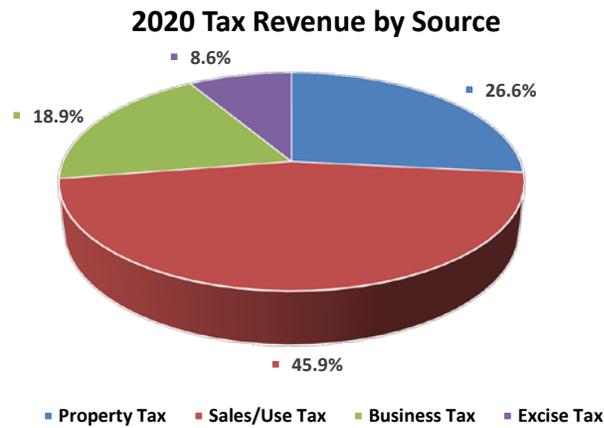
	2011	2012	2013	2014	2015
<b>Net (Expense)/Revenue</b>					
Governmental Activities	\$ (5,964,483)	\$ (6,192,875)	\$ (6,979,869)	\$ (5,115,667)	\$ (3,329,963)
Business-Type Activities	1,048,900	2,367,441	3,439,051	2,048,774	7,025,023
Total Primary Government Net Expense	<u>(4,915,583)</u>	<u>(3,825,434)</u>	<u>(3,540,819)</u>	<u>(3,066,892)</u>	<u>3,695,060</u>
<b>General Revenues and Other Changes in Net Position</b>					
Governmental Activities:					
Taxes:					
Property Taxes	2,061,784	2,119,770	1,967,770	2,085,784	2,191,189
Retail Sales & Use Taxes	2,905,695	2,700,885	2,967,756	3,227,329	3,393,849
Business Taxes	1,691,487	1,718,219	1,647,259	1,658,873	2,038,443
Excise Taxes	300,344	587,590	622,312	592,983	748,026
Investment Earnings	61,220	59,267	33,016	47,924	40,329
Gain (loss) on Disposal of Capital Assets	13,139	4,712	124,658	5,715	12,182
Insurance Recoveries	-	-	20,306	-	-
Total Governmental Activities	<u>7,033,670</u>	<u>7,190,443</u>	<u>7,383,077</u>	<u>7,618,608</u>	<u>8,424,018</u>
Business-Type Activities					
Investment Earnings	56,345	56,111	25,987	39,785	30,716
Gain (loss) on Disposal of Capital Assets	-	-	-	11,885	14,211
Total Business-Type Activities	<u>56,345</u>	<u>56,111</u>	<u>25,987</u>	<u>51,670</u>	<u>44,927</u>
Total Primary Government	<u>7,090,016</u>	<u>7,246,554</u>	<u>7,409,064</u>	<u>7,670,278</u>	<u>8,468,945</u>
<b>Change in Net Position</b>					
Governmental Activities	1,069,187	997,568	403,207	2,502,942	5,094,055
Business-Type Activities	1,105,245	2,423,552	3,465,038	2,100,444	7,069,950
Total Primary Government	<u>\$ 2,174,432</u>	<u>\$ 3,421,120</u>	<u>\$ 3,868,245</u>	<u>\$ 4,603,386</u>	<u>\$ 12,164,004</u>

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

	2016	2017	2018	2019	2020
<b>Net (Expense)/Revenue</b>					
Governmental Activities	\$ (7,073,487)	\$ (6,208,105)	\$ (7,681,515)	\$ (8,793,481)	\$ (7,821,440)
Business-Type Activities	3,238,005	3,429,015	7,482,257	2,825,749	3,728,725
Total Primary Government Net Expense	<u>(3,835,482)</u>	<u>(2,779,090)</u>	<u>(199,257)</u>	<u>(5,967,732)</u>	<u>(4,092,715)</u>
<b>General Revenues and Other Changes in</b>					
Governmental Activities:					
Taxes:					
Property Taxes	2,264,194	2,400,282	2,505,945	2,568,117	2,682,753
Retail Sales & Use Taxes	3,742,485	3,985,840	4,516,544	4,628,686	4,626,093
Business Taxes	1,841,119	1,827,400	1,782,092	1,788,092	1,906,282
Excise Taxes	866,886	916,383	956,626	1,022,463	866,083
Investment Earnings	76,833	107,482	274,289	482,508	330,550
Gain (loss) on Disposal of Capital Assets	15,309	(751,097)	(181,869)	5,624	(18,897)
Insurance Recoveries	-	-	-	-	-
Total Governmental Activities	<u>8,806,826</u>	<u>8,486,289</u>	<u>9,853,627</u>	<u>10,495,490</u>	<u>10,392,865</u>
Business-Type Activities					
Investment Earnings	54,780	61,650	195,444	361,686	305,903
Gain (loss) on Disposal of Capital Assets	922	(18,442)	(5,347)	5	(45,870)
Total Business-Type Activities	<u>55,702</u>	<u>43,208</u>	<u>190,097</u>	<u>361,691</u>	<u>260,033</u>
Total Primary Government	<u>8,862,528</u>	<u>8,529,497</u>	<u>10,043,724</u>	<u>10,857,182</u>	<u>10,652,898</u>
<b>Change in Net Position</b>					
Governmental Activities	1,733,339	2,278,185	2,172,112	1,702,009	2,571,425
Business-Type Activities	3,293,707	3,472,223	7,672,354	3,187,440	3,988,758
Total Primary Government	<u>\$ 5,027,046</u>	<u>\$ 5,750,408</u>	<u>\$ 9,844,467</u>	<u>\$ 4,889,450</u>	<u>\$ 6,560,184</u>

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

Fiscal Year	Property Tax	Sales/Use Tax	Business Tax	Excise Tax	Total Taxes
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
2020	\$ 2,682,753	\$ 4,626,093	\$ 1,906,282	\$ 866,083	\$ 10,081,212



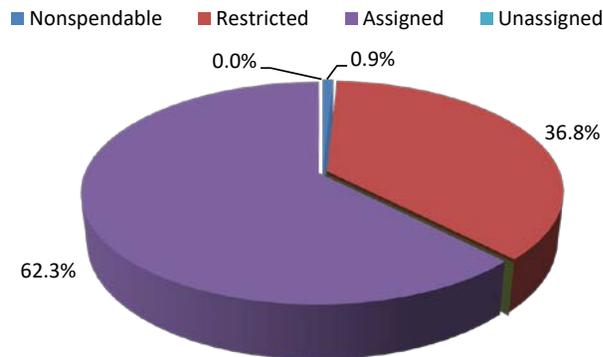
**FUND BALANCES OF GOVERNMENTAL FUNDS  
Last Ten Fiscal Years**

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
2020	\$ 8,500	\$ 101,007	\$ 4,003,424	\$ -	\$ 4,112,931	\$ 91,016	\$ 4,172,667	\$ 3,221,202	\$ 7,484,885

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

**2020 Governmental Fund Balances**



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

Page 1 of 2

	2011	2012	2013	2014
<b>Revenues</b>				
Taxes	\$ 6,975,383	\$ 7,194,171	\$ 7,155,680	\$ 7,509,669
Licenses and Permits	351,107	604,450	622,819	558,113
Intergovernmental Revenues	1,682,571	1,471,002	646,175	3,384,699
Charges for Services	1,710,343	1,656,123	2,190,358	2,228,941
Fines and Forfeitures	85,063	79,049	76,729	83,238
Interest & Other Earnings	61,220	63,285	37,631	52,355
Miscellaneous	138,250	202,158	203,606	156,557
<b>Total Revenues</b>	<b>11,003,936</b>	<b>11,270,239</b>	<b>10,932,998</b>	<b>13,973,573</b>
<b>Expenditures</b>				
General Government	2,609,575	2,765,463	2,701,167	2,704,029
Security of Persons and Property	2,516,324	2,557,190	2,764,164	2,847,128
Utilities and Environment	479,286	455,458	512,596	443,940
Transportation	740,214	744,424	1,533,295	1,559,694
Economic Environment	630,374	660,244	785,598	886,387
Mental and Physical Health	14,573	14,705	13,978	14,356
Culture and Recreation	1,125,459	1,173,379	1,080,951	1,097,577
Capital Outlay	2,662,204	1,522,990	856,046	3,196,591
Debt Service				
Principal	634,368	3,114,368	579,368	589,368
Interest & Other Charges	493,171	513,038	495,456	479,814
<b>Total Expenditures</b>	<b>11,905,548</b>	<b>13,521,260</b>	<b>11,322,619</b>	<b>13,818,885</b>
<b>Excess of Revenues</b>				
<b>Over (Under) Expenditures</b>	(901,612)	(2,251,020)	(389,620)	154,688
<b>Other Financing Sources (Uses)</b>				
Proceeds of Long Term Debt	625,000	2,455,000	-	-
Premium on Bonds Sold	-	69,630	-	-
Disposal of Capital Assets	16,970	4,712	272,103	5,715
Comp for Impairment of Cap Assets	273,639	-	20,306	7,528
Insurance Recoveries	-	-	-	613
Issuance Discount on Long-Term Debt	-	(34,561)	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>915,609</b>	<b>2,494,781</b>	<b>292,408</b>	<b>13,856</b>
<b>Net Change in Fund Balances</b>	<b>\$ 13,997</b>	<b>\$ 243,760</b>	<b>\$ (97,212)</b>	<b>\$ 168,544</b>
Debt Service as a Percentage of				
Noncapital Expenditures	12.20%	30.23%	10.27%	10.07%

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

Page 2 of 2

	2015	2016	2017	2018	2019	2020
\$	8,345,893	\$ 8,677,430	\$ 9,082,043	\$ 9,765,124	\$ 10,012,103	\$ 10,060,147
	830,042	901,185	989,990	754,106	663,860	618,486
	1,066,034	1,050,282	970,537	1,580,658	2,730,122	3,877,521
	3,590,226	2,974,396	3,990,077	1,763,017	1,496,359	1,095,946
	83,442	70,774	58,820	68,691	77,783	48,600
	45,143	82,219	113,488	280,830	489,366	336,463
	227,560	186,840	207,430	166,732	250,265	129,665
	<b>14,188,341</b>	<b>13,943,125</b>	<b>15,412,384</b>	<b>14,379,157</b>	<b>15,719,858</b>	<b>16,166,828</b>
	2,850,202	3,108,256	3,220,759	2,717,964	3,017,865	3,468,268
	2,924,101	3,152,296	3,468,946	3,748,307	3,935,891	4,029,727
	501,104	532,379	547,718	153,233	146,715	36,143
	1,409,078	1,446,570	1,528,998	1,113,363	2,044,061	2,105,772
	969,480	1,010,489	1,055,026	1,095,645	1,166,843	1,235,471
	29,772	131,162	244,847	331,552	472,604	519,778
	1,193,366	1,223,569	1,197,913	1,429,228	1,390,180	1,223,592
	1,395,507	1,479,311	1,825,198	1,789,001	2,583,026	3,036,937
	8,815,383	709,368	729,368	728,777	973,053	797,383
	426,681	373,098	360,614	351,116	325,818	292,650
	<b>20,514,675</b>	<b>13,166,499</b>	<b>14,179,387</b>	<b>13,458,186</b>	<b>16,056,055</b>	<b>16,745,721</b>
	(6,326,334)	776,626	1,232,998	920,971	(336,198)	(578,893)
	7,320,000	-	422,038	-	-	69,477
	774,756	-	39,280	-	-	-
	19,461	7,649	905,113	23,394	5,624	13,284
	-	-	-	-	-	-
	7,461	5,206	770	-	-	-
	-	-	-	-	-	-
	<b>8,121,678</b>	<b>12,855</b>	<b>1,367,201</b>	<b>23,394</b>	<b>5,624</b>	<b>82,761</b>
\$	<b>1,795,343</b>	\$ <b>789,481</b>	\$ <b>2,600,199</b>	\$ <b>944,365</b>	\$ <b>(330,574)</b>	\$ <b>(496,132)</b>
	48.34%	9.26%	8.82%	9.25%	9.64%	7.95%

**GENERAL GOVERNMENTAL REVENUES BY SOURCE  
Last Ten Fiscal Years**

Page 1 of 2

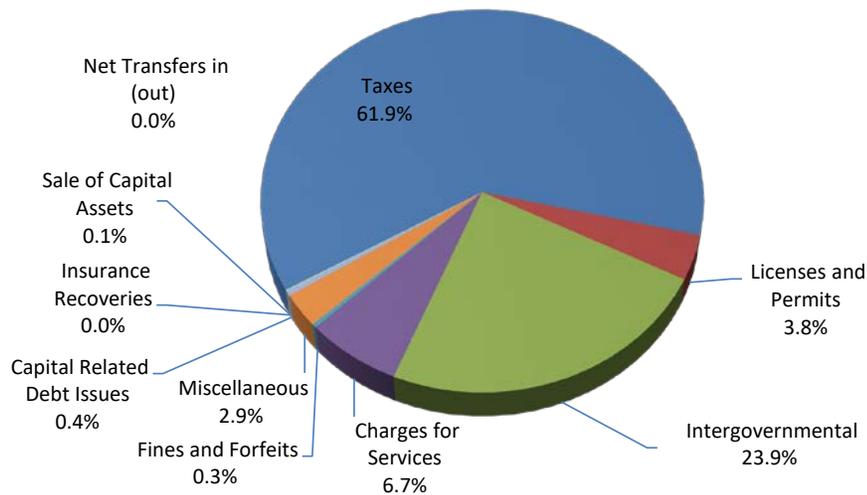
REVENUES								
Fiscal Year	Taxes	Licenses and Permits	Inter-gov Charges	Charges for Services	Fines and Forfeits	Misc.	Total Revenues	
2011	\$ 6,975,383	\$ 351,107	\$ 1,682,571	\$ 1,710,343	\$ 85,063	\$ 199,470	\$ 11,003,936	
2012	7,194,171	604,450	1,471,002	1,656,123	79,049	265,444	11,270,239	
2013	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	
2020	\$ 10,060,147	\$ 618,486	\$ 3,877,521	\$ 1,095,946	\$ 48,600	\$ 466,127	\$ 16,166,828	

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

Page 2 of 2

<b>OTHER FINANCING SOURCES (USES)</b>				
<b>Capital Related Debt Issues</b>	<b>Insurance Recovery</b>	<b>Sale of Capital Assets</b>	<b>Total Other Financing Sources &amp; Uses</b>	<b>Total Revenues and Other Sources</b>
\$ 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
\$ 69,477	\$ -	\$ 13,284	\$ 82,761	\$ 16,249,589

**2020 General Government Revenue by Source**



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

<b>Fiscal Year Ended December 31</b>	<b>Real Property</b>	<b>Personal Property</b>	<b>Less: Tax Exempt Real Property</b>	<b>Total Taxable Assessed Value<sup>1</sup></b>	<b>Total Direct Tax Rate</b>	<b>Estimated Actual Taxable Value</b>	<b>Assessed Value as a Percentage of Actual Value</b>
2011	\$ 1,358,145,256	\$ 51,027,470	\$ 164,915,580	\$ 1,244,257,146	1.615	\$ 1,443,453,766	86.2%
2012	1,314,300,278	51,974,423	155,133,100	1,211,141,601	1.717	1,370,069,684	88.4%
2013	1,329,419,463	53,365,536	152,715,070	1,230,069,929	1.709	1,335,580,813	92.1%
2014	1,395,699,299	50,866,478	164,218,411	1,282,347,366	1.698	1,409,172,930	91.0%
2015	1,335,212,301	54,281,382	45,525,120	1,343,968,563	1.710	1,428,234,392	94.1%
2016	1,342,718,272	52,165,101	48,779,870	1,346,103,503	1.686	1,514,177,169	88.9%
2017	1,485,086,384	52,521,843	49,652,896	1,487,955,331	1.580	1,668,111,358	89.2%
2018	1,645,103,807	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%
2020	\$ 2,066,622,461	\$ 56,796,090	\$ 92,734,271	\$ 2,030,684,280	1.325	\$ 2,236,436,432	90.8%

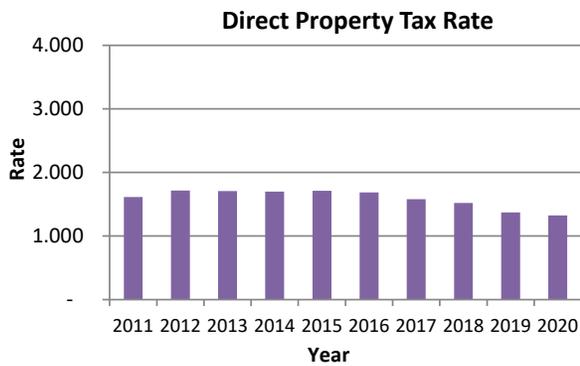
Source: Kitsap County Assessor's Office

<sup>1</sup> 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		
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
2020	1.325	1.325	0.871	2.980	2.433	0.235	1.960	0.060	0.369	-	8.908	10.233

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

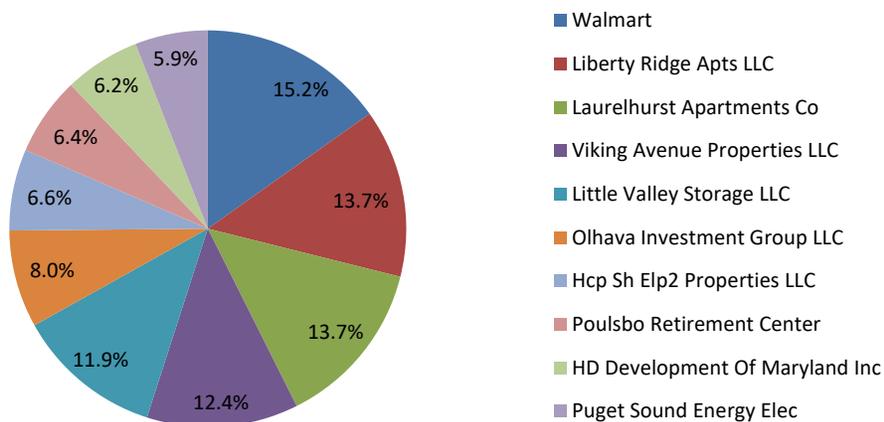


**PRINCIPAL TAXPAYERS**  
**Current Year and Ten Years Ago**

Taxpayer	2020			Taxpayer	2011		
	Assessed Valuation	Rank	% of Total Assessed Valuation		Assessed Valuation	Rank	% of Total Assessed Valuation
Walmart	\$ 27,643,460	1	1.27%	Olhava Associates Lmted Ptensp	19,250,200	1	1.55%
Liberty Ridge Apts LLC	25,029,990	2	1.15%	Walmart	17,420,780	2	1.40%
Laurelhurst Apartments Co	24,982,680	3	1.15%	Laurelhurst Apartments Co	14,187,990	3	1.14%
Viking Avenue Properties LLC	22,509,620	4	1.04%	Liberty Ridge Apts LLC	11,221,370	4	0.90%
Little Valley Storage LLC	21,763,560	5	1.00%	HD Development Of Maryland Inc	10,326,320	5	0.83%
Olhava Investment Group LLC	14,491,370	6	0.67%	College Marketplace LLC	10,198,280	6	0.82%
Hcp Sh Elp2 Properties LLC	12,077,380	7	0.56%	Ryan Tim Properties LP	9,951,170	7	0.80%
Poulsbo Retirement Center	11,698,060	8	0.54%	Poulsbo Retirement Center	9,887,310	8	0.79%
HD Development Of Maryland Inc	11,251,730	9	0.52%	Hern John M & Terri A	9,172,580	9	0.74%
Puget Sound Energy Elec	10,803,730	10	0.50%	BRE/SW Montclair Park LLC	8,369,240	10	0.67%
<b>Totals:</b>	<b>\$ 182,251,580</b>		<b>8.38%</b>	<b>Totals:</b>	<b>\$ 119,985,240</b>		<b>9.64%</b>

Source: Kitsap County Assessor's Office

**Assessed Value of Top Ten 2020 Taxpayers**

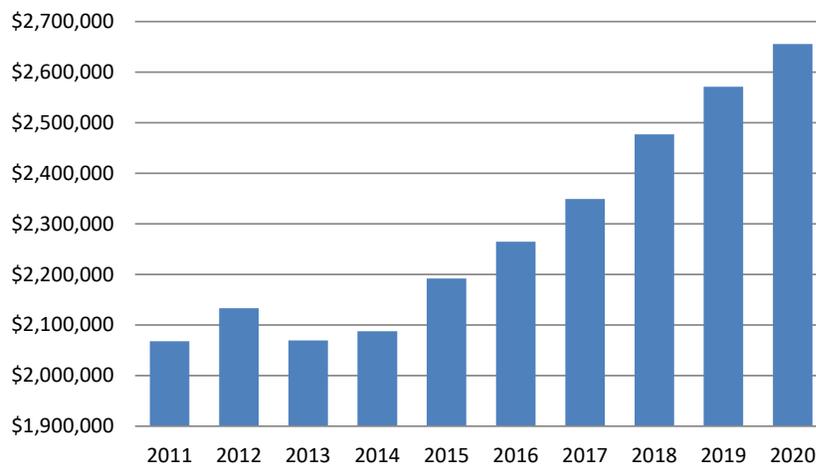


**PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS**

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		
2011	\$ 2,067,936	\$ 1,995,773	96.51%	\$ 72,163	\$ 2,067,936	100.00%	-	0.00%
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%	57,604	2,087,623	99.95%	1,084	0.05%
2015	2,192,765	2,171,629	99.04%	20,255	2,191,883	99.96%	882	0.04%
2016	2,269,562	2,244,248	98.88%	20,311	2,264,559	99.78%	5,003	0.22%
2017	2,351,831	2,323,188	98.78%	26,196	2,349,383	99.90%	2,448	0.10%
2018	2,482,716	2,439,955	98.28%	37,063	2,477,018	99.77%	5,698	0.23%
2019	2,577,202	2,557,390	99.23%	13,640	2,571,029	99.76%	6,173	0.24%
2020	\$ 2,690,158	\$ 2,638,982	98.10%	\$ 16,681	\$ 2,655,663	98.72%	\$ 34,495	1.28%

Source: Kitsap County Treasurer and Assessor's Office

**Total Collected To Date**



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

	2011	2012	2013	2014 <sup>(1)</sup>	2015	2016	2017 <sup>(2)</sup>	2018	2019	2020
<b>Basic Sales Tax Rates</b>										
City of Poulsbo	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Washington State	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%
Kitsap Transit	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	1.1%	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%
Mental and Physical Health	0.0%	0.0%	0.0%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
<b>Total Basic Combined Sales Tax Rate</b>	<b>8.6%</b>	<b>8.6%</b>	<b>8.6%</b>	<b>8.7%</b>	<b>8.7%</b>	<b>8.7%</b>	<b>9.0%</b>	<b>9.0%</b>	<b>9.0%</b>	<b>9.0%</b>
<b>Special Sales Tax Rates</b>										
Hotel/Motel <sup>(3)</sup>	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%

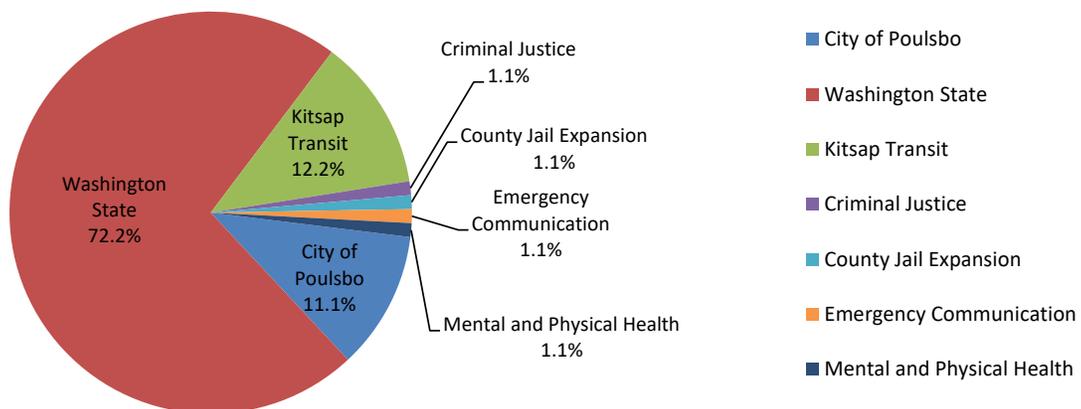
<sup>(1)</sup> Effective 2014, Kitsap County increased the rate one tenth of one percent (.1%) for chemical dependency or mental health treatment services

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

<sup>(3)</sup> In effect since 1998, this 2% Hotel/Motel Tax was approved by Ordinance 98-03 in accordance with RCW 82.08

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

**Sales Tax Distribution - 2020**



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

Page 1 of 2

	2011	2012	2013	2014	2015
<b>Major Industry Sector</b>					
Accommodation and Food Svcs.	\$ 286,244	\$ 292,749	\$ 291,623	\$ 333,336	\$ 362,577
Admin, Supp, Remed Svcs	36,795	36,487	43,261	46,006	51,911
Agriculture, Forestry Fishing	593	800	886	662	539
Arts, Entertain, Recreation	12,699	9,239	9,233	13,043	16,785
Company Management	6	-	-	-	6
Construction	316,718	142,181	294,260	318,024	300,625
Educational Services	6,521	5,096	5,804	4,625	5,942
Finance and Insurance	9,228	8,760	11,653	11,033	12,935
Health Care and Social Assistance	8,885	19,078	17,443	13,022	14,789
Information	88,226	84,823	91,504	102,047	97,189
Manufacturing	40,558	34,385	27,948	49,122	35,145
Mining	384	427	464	636	589
Other Services	76,553	72,163	75,236	84,693	87,482
Prof, Scientific and Technical Svcs	29,699	27,102	33,033	43,310	46,226
Public Administration	18,065	18,032	23,196	28,695	27,064
Real Estate, Rental, Leasing	41,234	52,455	54,208	61,165	56,902
Retail Trade	1,692,686	1,657,265	1,703,931	1,863,729	1,953,167
Transportation and Warehousing	1,921	2,707	1,914	2,262	2,656
Unknown	41,121	36,448	37,266	13,903	12,511
Utilities	2,081	2,744	3,512	3,039	3,209
Wholesale Trade	89,855	90,710	98,657	110,341	131,638
<b>Total Retail Sales Tax Revenues*</b>	<b>\$ 2,800,072</b>	<b>\$ 2,593,651</b>	<b>\$ 2,825,032</b>	<b>\$ 3,102,693</b>	<b>\$ 3,219,887</b>

\*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

	2016	2017	2018	2019	2020
<b>Major Industry Sector</b>					
Accommodation and Food Svcs.	\$ 408,529	\$ 430,016	\$ 453,404	\$ 460,455	\$ 391,995
Admin, Supp, Remed Svcs	59,866	67,589	115,668	129,176	164,274
Agriculture, Forestry Fishing	4,958	4,298	4,185	4,022	2,548
Arts, Entertain, Recreation	9,799	11,271	12,266	12,413	9,996
Company Management	199	164	227	1	303
Construction	343,021	416,871	585,113	471,783	443,927
Educational Services	5,168	3,684	4,200	3,311	3,491
Finance and Insurance	20,383	15,396	16,769	17,341	17,975
Health Care and Social Assistance	18,045	26,120	28,120	50,343	19,097
Information	110,385	116,592	118,706	129,983	139,833
Manufacturing	59,717	46,118	53,081	63,609	45,134
Mining	39	204	71	554	2,037
Other Services	93,947	104,885	96,686	107,901	93,439
Prof, Scientific and Technical Svcs	53,170	54,208	64,847	69,236	64,343
Public Administration	35,571	39,483	3,209	1,519	1,513
Real Estate, Rental, Leasing	65,509	70,718	73,200	83,737	74,869
Retail Trade	1,988,786	2,107,661	2,297,269	2,420,781	2,543,855
Transportation and Warehousing	4,277	4,281	4,185	3,856	7,817
Unknown	16,833	4,755	58,209	37,197	51,471
Utilities	2,312	2,844	4,152	4,565	4,585
Wholesale Trade	165,808	167,400	197,853	208,987	202,401
<b>Total Retail Sales Tax Revenues*</b>	<b>\$ 3,466,322</b>	<b>\$ 3,694,558</b>	<b>\$ 4,191,420</b>	<b>\$ 4,280,770</b>	<b>\$ 4,284,903</b>

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

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

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

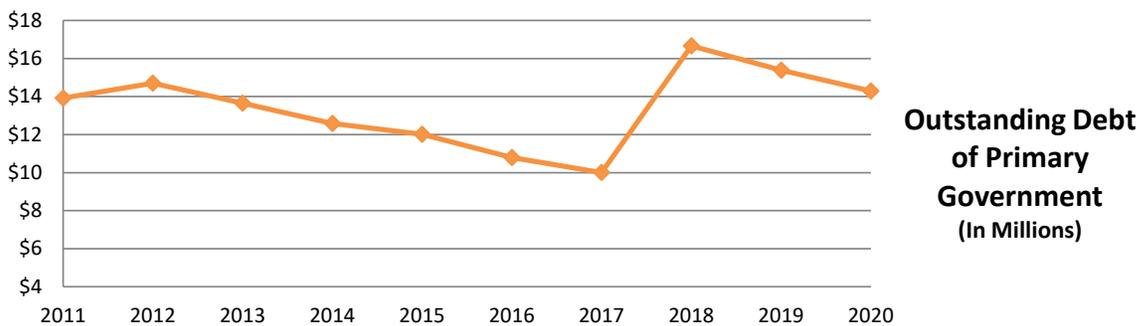
Fiscal Year	Governmental Activities		Business-Type Activities			Total Primary Government	Percentage of Personal Income <sup>1</sup>	Per Capita <sup>2</sup>
	General Obligation Bonds*	PWTF Loans	Water Bonds	Sewer Bonds	PWTF Loans			
2011	\$ 10,458,651	\$ 669,315	\$ 575,080	\$ 2,038,920	\$ 183,391	\$ 13,925,357	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	2.33%	1,376
2020	\$ 7,360,059	\$ -	\$ -	\$ 6,927,996	\$ -	\$ 14,288,055	-	\$ 1,237

\* Includes Unamortized Premium / Discount

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

<sup>1</sup> See the Schedule of Demographic and Economic Statistics for personal income and population data.

<sup>2</sup> Percentage of Personal Income data only available through 2018.



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

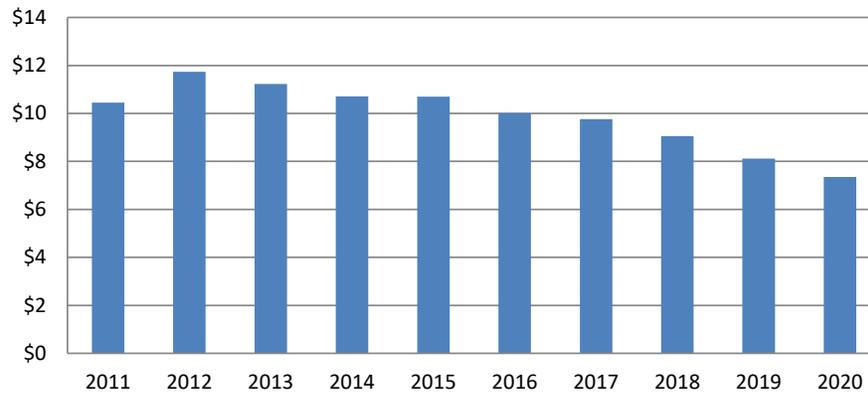
<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Less: Amounts Available in Debt Service Fund</u>	<u>Total</u>	<u>% of Estimated Actual Taxable Value<sup>1</sup> of Property</u>	<u>Per Capita<sup>2</sup></u>
2011	\$ 10,458,651	\$ 3,177	\$ 10,455,474	0.74%	\$ 1,127
2012	11,744,178	3,967	11,740,211	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	0.40%	835
2019	8,121,622	11,960	8,116,866	0.39%	726
2020	\$ 7,360,059	\$ 4,776	\$ 7,355,282	0.33%	\$ 637

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

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

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

**Total General Bonded Debt  
(In Millions)**



### DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT December 31, 2020

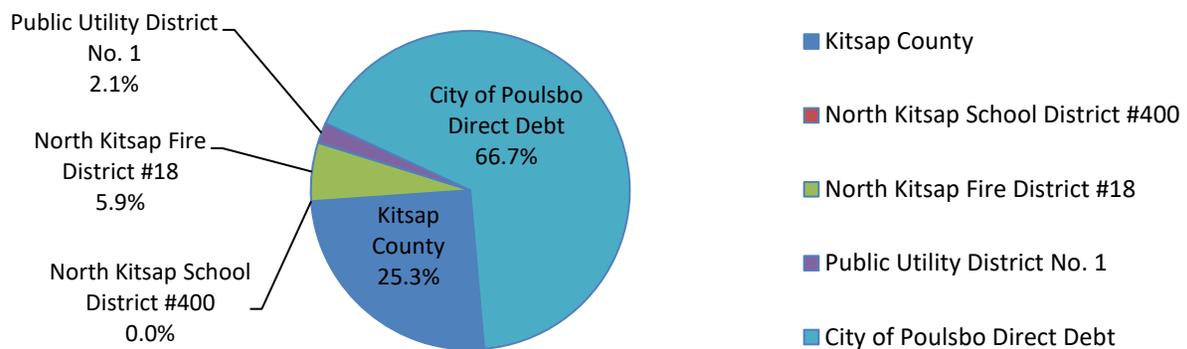
Governmental Unit	Debt Outstanding	Estimated % Applicable <sup>1</sup>	Estimated Share of Overlapping Debt
Kitsap County	\$ 57,547,481	4.85%	\$ 2,788,974
North Kitsap School District #400	-	23.11%	-
North Kitsap Fire District #18	1,201,705	54.44%	654,218
Public Utility District No. 1	4,745,000	4.85%	229,961
<i>Subtotal, Overlapping Debt</i>	<u>63,494,186</u>		<u>3,673,153</u>
City of Poulsbo Direct Debt	\$ 7,360,059	100%	<u>\$ 7,360,059</u>
Total Direct and Overlapping Debt			<u><u>\$ 11,033,212</u></u>

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

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

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

#### Direct and Overlapping Debt



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

Page 1 of 2

	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Debt Limit	\$ 93,319,286	\$ 90,835,620	\$ 92,257,495	\$ 96,176,052	\$ 100,957,763
Total net debt applicable to limit	10,415,231	11,661,033	10,641,783	10,640,262	9,925,663
Legal debt margin	\$ 82,904,055	\$ 79,174,587	\$ 81,615,712	\$ 85,535,790	\$ 91,032,100
Total net debt applicable to the limit as a % of debt limit	11.16%	12.84%	11.53%	11.06%	9.83%

*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

	<b>2016</b>		<b>2017</b>		<b>2018</b>		<b>2019</b>		<b>2020</b>
\$	111,596,650	\$	122,480,124	\$	122,480,124	\$	140,588,496	\$	167,732,732
	9,283,128		9,050,075		8,395,842		7,504,190		6,788,418
\$	102,313,522	\$	113,430,049	\$	114,084,281	\$	114,084,281	\$	160,944,314
	8.32%		7.39%		6.85%		5.34%		4.05%

**Legal Debt Margin Calculation for Fiscal Year 2020**

Assessed value	\$ 2,236,436,432
Debt Limit (7.5% of total assessed value)	167,732,732
Debt Applicable to Limit:	
General Obligation Bonds	6,799,825
Less: Amount set aside for repayment of GO Debt	<u>11,407</u>
Total Net Debt Applicable to Limit	<u>6,788,418</u>
Legal Debt Margin	<u>\$ 160,944,314</u>

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

Fiscal Year	Water and Sewer Revenue Bonds						Coverage
	Charges for Services & Other	Less: Operating Expenses	Net Available Revenue	Debt Service			
				Principal	Interest		
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%	
2020	\$ 6,340,636	\$ 5,452,049	\$ 888,587	\$ 235,000	\$ 276,421	174%	

*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 <sup>2</sup> ***
			Personal Income* <sup>1</sup>	Personal Income <sup>1</sup>		Unemployment Rate**	
2011	9,245	253,900	\$ 10,842,161	\$ 394,784	\$ 42,952	8.4%	2,992
2012	9,360	254,500	11,359,138	417,766	44,692	7.9%	2,901
2013	9,585	254,000	11,563,863	436,376	45,006	7.2%	2,892
2014	9,775	255,900	11,838,125	452,199	47,697	6.1%	3,088
2015	9,950	258,200	12,473,946	480,696	48,711	5.7%	3,141
2016	10,210	262,590	13,163,570	511,825	50,230	5.6%	3,099
2017	10,510	264,300	13,988,937	556,276	52,508	5.0%	3,118
2018	10,850	267,120	15,174,970	616,384	56,244	4.7%	3,103
2019	11,180	270,100	15,982,626	661,554	58,874	4.6%	3,097
2020	11,550	272,200	\$ -	\$ -	\$ -	7.8%	2,408

<sup>1</sup> Thousands of Dollars and information only available through 2019

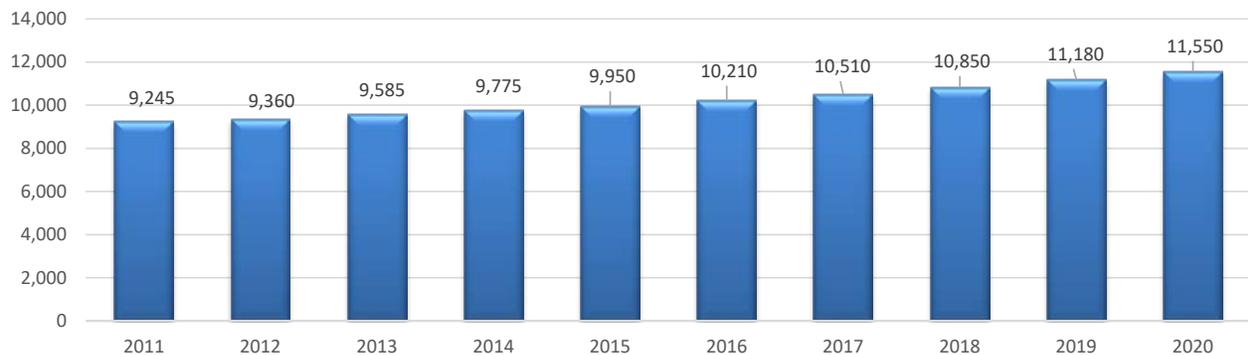
<sup>2</sup> Totals for only schools in city limits

\* Source: US Bureau of Economic Analysis-Kitsap County based on population of City only available through 2019

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

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

### Poulsbo Population



**PRINCIPAL EMPLOYERS**  
Current Year and Ten Years Ago

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2020</u>			<u>2010</u>		
		<u>TOTAL</u> <u>EMPLOYEES</u> <sup>1</sup>	<u>Rank</u>	<u>% of</u> <u>Total City</u> <u>Employment</u>	<u>TOTAL</u> <u>EMPLOYEES</u> <sup>1</sup>	<u>Rank</u>	<u>% of</u> <u>Total City</u> <u>Employment</u>
North Kitsap School District	Public Education	1,000	1	14.55%	795	1	6.55%
Martha & Mary Health Services	Social Services	404	2	5.88%	450	2	3.71%
Walmart	Retail Trade	350	3	5.09%	314	3	2.59%
Central Market	Retail Trade	230	4	3.35%	230	4	1.90%
Raytheon	Engineering Services	149	5	2.17%	-		0.00%
Safeway/Albertsons	Retail Trade	140	6	2.04%	-		0.00%
Home Depot	Retail Trade	120	7	1.75%	-		0.00%
Gateway Fellowship & School/Christ Memorial Childrens Learning Center	Religious & Private Education	121	8	1.76%	70	9	0.58%
Masterworks	Marketing	107	9	1.56%	115	6	0.95%
City of Poulsbo <sup>1</sup>	Municipal Government	105	10	1.53%	91	8	0.75%
Liberty Shores / Harbor House	Healthcare	102	11	1.48%	-		1.72%
Paladin Data Systems Corp/Dude Solutions	Professional Services	45	12	0.65%	68	10	
Watson Furniture Group <sup>2</sup>	Retail	-		0.00%	135	5	1.11%
Sound Publishing Inc <sup>2</sup>	Publishing	-		0.00%	101	7	0.83%
eAcceleration <sup>2</sup>	Tech Firm	-		0.00%	65	11	0.54%
Poulsbo RV <sup>2</sup>	Retail Sales	-		0.00%	-		
<b>Subtotal of Ten Largest Employers</b>		<b>2,873</b>		<b>41.80%</b>	<b>2,434</b>		<b>20.06%</b>
All Other Employers		<b>9,262</b>		<b>79.94%</b>	<b>4,440</b>		<b>58.20%</b>
<b>Total Poulsbo Employment</b>		<b>12,135</b>		<b>100.00%</b>	<b>6,874</b>		<b>100.00%</b>

<sup>1</sup> Full and part-time employees are tracked

<sup>2</sup> Office closed or moved out of City

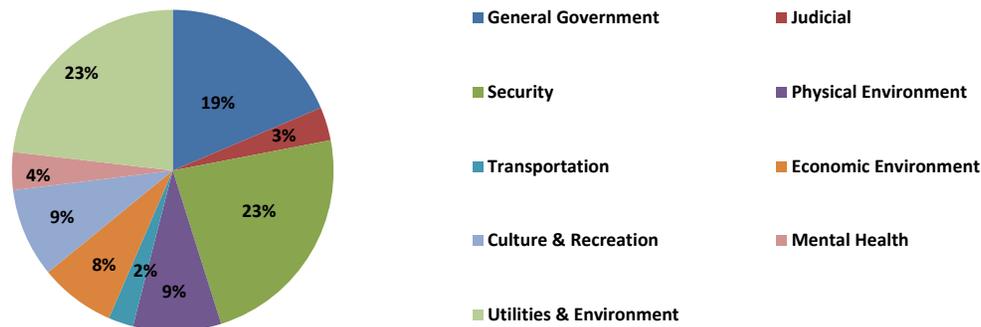
Source: Washington State Employment Security Department  
City of Poulsbo Finance Department  
Poulsbo Walmart  
Central Market  
Masterworks.com  
Kitsap Sun.com  
Liberty Shores/Harbor House  
North Kitsap School District  
Poulsbo Safeway  
US Census Bureau

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

Function		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Government:	Executive (Mayor)	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
	Clerk's Department	3.00	3.00	3.00	2.00	2.00	2.00	2.00	2.83	3.00	3.00
	Finance Department	7.00	7.00	7.00	7.00	7.00	8.00	8.00	7.83	8.00	8.00
	Information Services	1.00	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
	Personnel	1.00	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	1.21
	Risk Management	-	-	-	1.00	0.50	0.50	1.00	1.00	1.00	1.33
	Central Services	2.50	2.50	2.50	2.55	2.55	2.55	2.52	2.52	2.52	2.52
Judicial:	Municipal Court	3.77	3.99	3.39	3.39	3.39	3.39	3.39	3.48	3.52	3.52
Security:	Police Department	19.00	19.50	20.30	20.80	20.82	21.50	23.00	23.25	24.33	24.33
Physical Environ.:	Engineering	5.63	5.63	5.63	5.95	6.45	6.33	10.30	7.30	9.30	9.30
Transportation:	Streets	3.70	3.70	3.25	4.40	3.15	2.70	2.64	2.64	2.64	2.64
Economic Environ.:	Planning & Building	6.55	6.55	6.55	7.00	7.92	8.00	5.00	8.00	8.00	8.00
Culture & Recreation:	Parks & Recreation	5.87	5.87	6.16	5.95	6.17	6.17	6.17	6.17	6.17	6.17
	Parks & Cemetery	2.25	2.25	2.28	2.30	2.30	2.25	2.22	2.22	3.22	3.22
Mental & Physical Health	Mental Health	-	-	-	-	-	-	4.00	3.17	4.00	4.00
Utilities & Environ.:	Water	3.30	3.30	3.33	3.65	5.90	5.90	5.82	5.90	5.87	5.87
	Sewer	3.05	3.05	3.08	3.40	3.65	3.65	3.63	3.71	3.68	3.68
	Solid Waste	3.05	3.05	3.10	3.32	4.32	4.32	4.62	4.62	4.62	4.62
	Storm Drain	3.65	3.65	3.65	3.45	5.87	6.20	5.93	5.86	5.83	5.83
	General Facilities	1.00	1.00	0.83	-	-	-	-	-	-	-
Administration	3.88	3.88	3.85	3.48	3.48	4.10	4.32	4.32	4.32	4.32	
<b>Total Number of Full-Time Equivalent Employees:</b>		<b>80.20</b>	<b>81.42</b>	<b>81.40</b>	<b>83.14</b>	<b>89.97</b>	<b>92.06</b>	<b>99.06</b>	<b>99.32</b>	<b>104.52</b>	<b>105.06</b>

Source: City of Poulsbo,  
 Human Resources

**2020 Full-Time Equivalent by Function**



**PRINCIPAL CUSTOMER BY AMOUNT BILLED  
FOR THE YEAR ENDED DECEMBER 31, 2020**

**Individual Water Customers**

<b>Customer</b>	<b>Type of Business</b>	<b>Amount Billed</b>
Vikings Crests Owners Association	Condominiums	\$ 23,713
Poulsbo Mobile Home Park	Mobile Home Park	19,419
Safeway Inc	Grocery Store	13,165
Hostmark Village Cove	Apartments	12,373
Car Wash Enterprises Inc	Car Wash	11,183
Emeritus Senior Living	Senior Assisted Living	9,952
Town & Country Markets Inc	Grocery Store	9,348
Martha & Mary Health Services	Senior Assisted Living	9,011
Martha & Mary Health Services	Senior Assisted Living	8,039
Ashley Burke	Car Wash	7,526
<b>Total of Ten Largest Water Customers</b>		<b>\$ 123,729</b>

**Individual Sewer Customers**

<b>Customer</b>	<b>Type of Business</b>	<b>Amount Billed</b>
Vikings Crests Owners Association	Condominiums	\$ 75,870
Poulsbo Mobile Home Park	Mobile Home Park	64,992
Safeway Inc	Grocery Store	43,758
Hostmark Village Cove	Apartments	38,893
Car Wash Enterprises Inc	Car Wash	36,961
Town & Country Markets Inc	Grocery Store	30,409
Martha & Mary Health Services	Senior Assisted Living	30,401
Emeritus Senior Living	Senior Assisted Living	30,115
Ashley Burks	Car Wash	24,919
Laurelhurst Apartments Co	Apartments	21,758
<b>Total of Ten Largest Sewer Customers</b>		<b>\$ 398,075</b>

**CAPITAL ASSETS STATISTICS BY FUNCTION**  
**Last Ten Fiscal Years**

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Governmental Functions</b>										
<b>General Government</b>										
Number of City vehicles (not listed below)	13	13	13	12	12	12	9	10	11	11
Generators	2	2	2	2	2	4	4	4	4	4
<b>Public Safety</b>										
Number of police vehicles	22	20	21	25	24	25	26	25	26	26
Number of police boats	1	1	1	1	1	1	1	1	1	1
<b>Transportation</b>										
Number of vehicles (not specified below)	7	7	7	6	6	7	6	8	8	8
Number of street sweepers	1	1	2	2	2	2	2	2	2	2
Number of dump trucks	6	6	6	6	6	6	7	7	7	7
Construction equipment	8	8	8	10	11	13	15	14	16	16
Miles of streets	48	48	48	48	**56	56	56	56	56	55
Number of traffic signals	8	8	8	9	9	9	9	9	9	9
Number of bridges	1	1	1	1	1	1	1	1	1	1
<b>Culture and Recreation</b>										
Number of vehicles	1	1	1	1	-	-	-	-	-	-
Number of boats <sup>1</sup>	37	34	32	32	34	13	13	13	12	30
Number of neighborhood parks <sup>2</sup>	10	10	10	11	11	9	9	9	9	9
Number of community parks <sup>2</sup>	5	5	5	5	5	2	2	2	2	2
Number of regional parks <sup>2</sup>						3	3	3	4	4
Number of natural/open space sites <sup>2</sup>						6	6	7	7	7
Miles of trails <sup>2</sup>						6	6	6	6	6
Total park acreage <sup>3</sup>						137	137	139	150	150
Maintenance equipment	5	5	6	6	6	8	11	10	12	12
Number of indoor recreational facilities	1	1	1	1	1	1	1	1	1	1
<b>Economic Environment</b>										
Number of building dept vehicles	1	1	1	1	1	1	2	1	1	1
<b>Physical Environment</b>										
Number of engineering dept vehicles	1	1	1	1	1	1	1	1	1	2
<b>Business-Type Functions</b>										
<b>Water</b>										
Generators	2	2	2	2	2	3	3	3	3	3
Miles of water mains	63	63	63	64	**67	67	68	69	69	72
Number of vehicles	5	5	4	4	5	6	9	10	10	9
Number of hydrants	406	425	427	433	**538	538	551	615	633	658
<b>Sewer</b>										
Generators	4	4	4	4	4	7	7	8	8	7
Number of vehicles	5	5	5	5	4	4	3	4	4	4
Number of construction vehicles	2	2	2	2	2	3	3	3	3	3
Sewer inspection camera	1	1	2	2	2	2	1	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	**53	53	54	56	57	58.5
<b>Solid Waste</b>										
Number of vehicles							1	1	2	2
Number of garbage trucks	6	6	6	7	5	5	6	5	5	5
<b>Storm Drain</b>										
Number of vehicles	3	3	3	4	2	3	3	3	3	3
Number of vacuum trucks	1	1	1	1	1	1	1	1	1	1

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

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

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

\*\*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**

Page 1 of 2

		2011	2012	2013	2014
<b>Governmental Functions</b>					
<b>General Government</b>	Number of:				
	Bargaining groups represented	2	2	2	2
	City council meetings	42	39	37	39
	Public records requests processed	75	83	119	165
	Pages of ordinances codified	*	*	382	145
	Business licenses issued	1,463	1,639	1,629	1,729
	Passports processed	805	783	723	814
	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	*	*	*	*
<b>Public Safety</b>	Number of:				
	Calls for service	13,591	12,139	11,653	12,473
	Traffic stops	*	*	2,814	3,025
	Incident reports filed	1,552	1,595	1,392	1,356
	Infractions issued by officers	1,155	1,031	978	1,012
	Responses to motor vehicle accidents	*	*	316	370
	Reportable motor vehicle accidents	*	*	145	165
	Driving impaired citations issued	77	50	29	26
	Vacation house checks	677	398	590	150
	Parking complaints dispatched	*	*	229	290
	Parking infractions issued	802	636	301	357
<b>Transportation</b>	Miles of streets maintained	48	48	48	48
	Miles of sidewalks maintained	50	50	50	50
	Number of hours spent street sweeping	225	312	312	312
	Number of street signs maintained	2,215	2,255	2,280	2,290
<b>Culture and Recreation</b>	Number of parks maintained	17	17	17	17
	Total acreage of parks/open space maintained	67	67	67	67
<b>Economic Environment</b>	Number of:				
	New single family building permits issued	35	96	109	75
	New commercial building permits issued	4	3	2	2
	Existing single family building permits issued	52	50	61	69
	Existing commercial building permits issued	47	60	56	71
	All other building permits	64	53	49	73
<b>Physical Environment</b>	Number of:				
	Right of way permits issued	41	41	59	64
	Clearing & grading apps & permits issued <sup>1</sup>	6	10	6	8
	Land use pre-applications reviewed	15	12	16	14
	Land use commercial applications reviewed	10	13	10	17
	Land use residential applications reviewed	9	9	10	10
	Land use un-classified <sup>1</sup> applications reviewed	7	17	8	5
<b>Business-Type Functions</b>					
<b>Water</b>	Number of active water service customers	3,161	3,194	3,256	3,344
	Miles of watermain lines maintained	63	63	63	64
	Average number of water meters read monthly	3,292	3,355	3,445	3,550
<b>Sewer</b>	Number of active sewer services customers	3,001	3,073	3,164	3,422
	Miles of sewermain lines maintained	34	34	34	34
	Number of pump stations maintained	9	9	9	9
<b>Solid Waste</b>	Number of:				
	Residential garbage accounts	2,668	2,785	2,897	3,022
	Multi-family units	1,102	1,012	1,022	1,022
	Commercial accounts	282	311	307	228
	Tons of waste to landfill	4,874	5,144	5,063	5,402
	Free dumpsters for residential clean-up provided	300	306	309	311
<b>Storm Drain</b>	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.

<sup>1</sup> 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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2015	2016	2017	2018	2019	2020
2	2	2	2	2	2
40	40	37	41	33	38
130	275	303	624	710	620
150	254	379	235	278	151
1,825	1,944	1,913	2,261	1,814	2,110
715	742	692	544	580	155
12	9	15	5	11	7
2	1	1	-	2	-
220	337	437	411	415	282
2,645	3,124	3,575	4,750	4,543	6,465
2	2	9	14	5	4
*	1	1	1	-	-
12,429	12,215	12,852	13,238	11,647	8,425
2,612	1,879	2,584	3,477	2,107	653
1,774	1,751	1,967	1,742	1,948	1,495
962	732	730	1,101	564	239
382	403	433	402	436	301
197	208	201	186	200	148
28	38	50	59	44	25
-	376	355	100	-	-
176	274	256	154	207	173
363	436	240	176	165	152
**56	56	56	56	56	55
50	64	64	65	65	66
354	310	350	581	480	448
2,290	3,000	3,100	3,170	3,170	3,180
17	17	17	18	19	19
67	67	67	71	71	71
99	113	104	75	51	12
2	2	10	1	4	7
128	146	22	6	35	139
9	5	27	33	61	73
314	347	226	368	323	81
57	51	66	78	65	97
5	18	18	5	2	9
14	25	22	33	36	20
12	14	19	20	17	21
17	7	8	11	24	26
4	6	10	16	9	7
3,500	3,837	3,951	4,013	4,100	4,139
67	67	68	68	70	72
3,410	3,828	3,950	4,082	4,165	4,209
3,400	3,561	3,682	3,803	3,895	3,916
53	53	54	56	57	59
9	9	9	9	9	9
3,040	3,196	3,399	3,500	3,584	3,599
1,022	1,022	1,040	1,076	1,163	1,181
315	334	341	344	384	336
5,600	5,979	6,207	6,409	6,446	6,420
315	300	271	278	288	291
29	29	29	29	31	32