



City of Bremerton Washington

Comprehensive Annual Financial Report

For the Fiscal Year Ended December 31, 2009



City of Bremerton, Washington



Annual Financial Report

*For the Fiscal Year ended
December 31, 2009*

Prepared by the Finance Department

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City of Bremerton
 Comprehensive Annual Financial Report
 For the Fiscal Year Ended December 31, 2009

Table of Contents

	Page
Introductory Section	
Letter of Transmittal.....	1
Organization Chart	10
List of Elected and Appointed Officials	11
Financial Section	
Reserved for Independent Auditor’s Report.....	13
Management’ Discussion and Analysis	15
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	27
Statement of Activities.....	28
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	29
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	30
Reconciliation of the Statement of Revenues, Expenditures, and Changes In Fund Balances of Governmental Funds to the Statement of Activities.....	31
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual General Fund.....	32
Statement of Net Assets – Proprietary Funds.....	33
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds	34
Statement of Cash Flows – Proprietary Funds	35
Statement of Fiduciary Net Assets – Fiduciary Funds	37
Notes to the Financial Statements	39
Required Supplementary Information:	
LEOFF I Pension Benefits	68
Combining and Individual Fund Statements and Schedules:	
Combining Balance Sheet – Nonmajor Governmental Funds.....	69
Combining Statement of Revenues, Expenditures and Changes in Fund Balances –Nonmajor Governmental Funds	72
Schedules of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual:	
Special Revenue Funds	75
Debt Service Funds	88
Capital Projects Funds	89
Combining Statement of Net Assets – Other Proprietary Funds	94
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets – Other Proprietary Funds.....	95
Combining Statement of Cash Flows – Other Proprietary Funds.....	96
Combining Statement of Net Assets – Internal Service Funds	98
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets – Internal Service Funds	99
Combining Statement of Cash Flows – Internal Service Funds	100

Statistical Section

Financial Trends:

Table 1 – Net Assets by Component	103
Table 2 – Changes in Net Assets	104
Table 3 – Fund Balance of Government Funds	105
Table 4 – Changes in Fund Balances of Government Funds	106

Revenue Capacity:

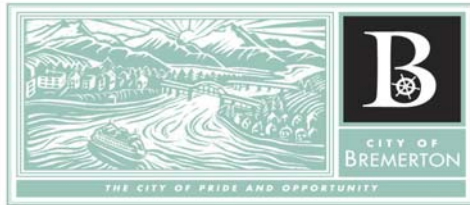
Table 5 – Assessed and Estimated Actual Value of Taxable Property	107
Table 6 – Property Tax Rates for Direct and Overlapping Governments	108
Table 7 – Property Tax Rates Direct and Overlapping Governments Last 10 Fiscal Years	109
Table 8 – Principal Property Taxpayers	110
Table 9 - Property Tax Levies and Collections	111

Debt Capacity

Table 10 – Ratio of Net General Bonded Debt.....	112
Table 11 – Computation of Direct and Overlapping Debt.....	113
Table 12 – Computation of Legal Debt Margin	114
Table 13 – Ratio of Annual Debt Service Expenditures for General Bonded Debt To Total General Expenditures	115
Table 14 – Water and Sewer Revenue Bond Coverage	116

Demographic and Economic Information:

Table 15 – Demographic Statistics	117
Table 16 – Miscellaneous Statistics.....	118

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Barbara Stephenson, Director of Financial Services

June 30, 2010

Honorable Mayor and City Council
City of Bremerton
Bremerton, Washington

The Department of Financial Services is pleased to provide you with the Annual Financial Report of the City of Bremerton for the fiscal year ended December 31, 2009. We believe the information, as presented, is accurate in all material aspects; that it is presented in a manner designed to set forth fairly the financial position and results of operations of the City as measured and reported by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain an adequate understanding of the City's financial affairs have been included. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with city management.

The report was prepared by the Department of Financial Services in accordance with generally accepted accounting principles (GAAP) and is intended to provide sufficient information to permit the assessment of stewardship and accountability, to demonstrate legal compliance, and to provide management control. The report includes all funds, account groups, agencies, and boards and commissions that are controlled by, or dependent on, the City's executive and legislative departments.

Cities and counties of the State of Washington must comply with the Budgeting, Accounting and Reporting System (BARS) prescribed by the Office of the State Auditor. State law also provides for an annual independent audit by the Office of the State Auditor and requires timely submission of annual financial reports to the State for review.

As a recipient of federal, state and county financial assistance the City is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and U.S. Office of Management and Budget Circular A-133, *Audits of State and Local Governments*. This audit is conducted by the State Auditor's Office in conjunction with the City's annual independent audit. The results of the City's single annual audit for the fiscal year ended December 31, 2009 is not yet available but we expect that no instances of material weaknesses in the internal control structure or significant violations of applicable laws and regulations will be noted. Once completed the auditor's report will be provided to all regulatory agencies and made available to the public upon request.

In developing and evaluating the City's accounting control system, consideration is given to the adequacy of internal accounting controls. Accounting control comprises the plan of organization and procedures and records that are concerned with the safeguarding of assets and the reliability of financial records and consequently are designed to provide reasonable assurance that:

- Transactions are executed in accordance with management's general or specific authorization
- Transactions are recorded as necessary to: 1) permit preparation of financial statements in conformity with (GAAP), or any other criteria, such as finance-related legal and contractual compliance requirements applicable to such statements, and 2) maintain accountability for assets
- Access to assets is permitted only in accordance with management's authorization
- The recorded accountability for assets is compared with existing assets at reasonable intervals and appropriate action is taken with respect to any differences

The definition of accounting control assumes reasonable assurance that the objectives expressed in it will be accomplished by the system. The concept of reasonable assurance recognizes that the cost of internal control should not exceed the benefits expected to be derived. We believe that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

GAAP requires that 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 Bremerton's MD&A can be found in the Financial Section of this report.

Profile of the Government

The City of Bremerton was incorporated in 1901, and operates under the laws of the State of Washington applicable to a home-rule charter city under a Mayor/Council form of government. The City Council is comprised of nine members, elected by district by the citizens of the City, each serving a four-year term. The City Council members are part-time elected officials who exercise the legislative powers of the City and determine matters of policy. The Mayor, a full-time elected official, is the chief executive officer of the City. The officers and department directors are appointed by the Mayor with City Council approval.

The City provides a full range of municipal services including fire protection/emergency medical services; law enforcement; municipal court; parks and recreation facilities/activities; transportation, infrastructure construction and maintenance; economic development; building and planning, zoning; finance and administration; and operates water, sewer, and stormwater utility systems. At year end there were 356.13 FTE's employed by the City.

The City is located on the Kitsap Peninsula, facing Puget Sound, approximately 15 miles west of the City of Seattle by ferry and 35 miles north of the City of Tacoma. As the largest city in the County, Bremerton had a 2009 estimated population of 36,620 and serves as the urban center for the Bremerton-Silverdale Metropolitan Statistical Area (MSA). Bremerton is the 27th largest city in the State of Washington and has an incorporated area of approximately 30 square miles.

Over the past five years, the City's downtown core has undergone some significant revitalization projects, including a new Conference Center, parking garages, two hotels, three condominium complexes, a new expanded marina, Harborside Park and Plaza, a ferry terminal traffic tunnel as well as a new Government Center.

Financial Information

▪ Accounting

The accrual basis of accounting is used for all funds except the governmental fund types and agency funds, which use the modified accrual basis of accounting. Accounting and budgetary systems will, at all times, conform to Generally Accepted Accounting Principles, the State of Washington Budgeting Accounting Reporting System (B.A.R.S.) and local regulations. The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The City uses governmental, proprietary and fiduciary funds. Each governmental fund or agency fund is accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues and expenditures. Proprietary funds use the revenue, expense and equity accounts of similar businesses in the private sector. Specifically, the City maintained thirty (30) budgeted funds in 2009 comprised of the following: *General Fund*, thirteen *Special Revenue* funds, one *Debt Service* fund, five *Capital Project* funds, six *Enterprise* funds and four *Internal Service* funds.

▪ Budgeting

The City of Bremerton prepares its budget on an annual basis under the authority granted by chapter 35.33 RCW. The budget process is designed to meet the operations and service needs of the City by integrating the planning and implementation of City programs and objectives with the allocation of resources sufficient to support such services and programs. The budget, as adopted, constitutes the legal authority for expenditures.

The City budget is adopted by fund and departments within each fund, and by category group level which consist of five distinct categories: 1) personnel, 2) supplies, services and taxes, 3) debt service, 4) capital expenditures, and 5) transfers. Expenditures may not legally exceed appropriations as established by fund, department, and category group. Transfers or revisions within funds are allowed, but supplemental appropriations must be approved by the City Council following public hearings. All appropriations, including capital projects, lapse at year-end.

Although funds are legally appropriated at the fund level, the level of budgetary control is at the departmental level within each fund. After adoption, budget increases or decreases for funds must be authorized by the City Council. City code further controls spending at the “category” level within each budget with the Mayor authorized to transfer appropriations between category groups within a department’s budget provided such amount does not exceed \$10,000.

A “Capital Facilities Plan” is prepared annually in accordance with the requirements of the Washington State Growth Management Act and defines the long-term capital plan of the City. However, the individual capital project expenditures are appropriated through annual budget ordinances.

▪ Internal Control

The City of Bremerton maintains an internal control structure designed to provide reasonable assurance that the assets of the City are protected from loss, theft, or fraud and that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The requirement for reasonable assurance recognizes that: 1) the cost of a control should not exceed the benefits likely to be derived, and 2) the valuation of costs and benefits requires estimates and judgments by management.

- **Auditing of City Finances**

State laws require audits for cities such as Bremerton to be conducted by the Office of the State Auditor. In addition to meeting state requirements, the audit must meet the requirements of the federal Single Audit Act of 1984, and the Single Audit Act amendments of 1996 which substantially revised various provisions of the 1984 Act, and the related U.S. Office of Management and Budget Circular A-133. An audit is conducted annually in accordance with generally accepted auditing standards and the standards set forth in the General Accounting Office's Government Auditing Standards. It must examine, among other things, the financial condition and resources of the city, whether the laws and constitution of the State are being complied with, and the methods and accuracy of the city's accounts and reports. As of the date of this report the audit of the 2009 general purpose financial statements has not been concluded. At conclusion of the audit a complete auditor's report will be made available at the Bremerton City Clerk's office and on the City's website www.ci.bremerton.wa.us/forms/finance/2009AnnualReport.pdf.

Factors Affecting Financial Condition

Information presented in the financial statements is best considered in the broader context of the economic environment in Bremerton and the surrounding area.

- **Local Economy**

For over a century, the City has been home to Puget Sound Naval Shipyard, which continues to serve U.S. Navy ships and its yard employs over 9,000 civilians and nearly 6,000 active duty military personnel are based at this site. Major employers, all holding support contracts with the Navy, include Johnson Controls, BAE Systems, AMSEC, Lockheed Martin, and Raytheon Systems. In total, naval contractors employ about 2,400 personnel.

The naval and Department of Defense installations in the county have a significant impact on the City's economy. The Puget Sound region remains home to the third-largest concentration of U.S. naval bases in the nation. Naval Base Kitsap ("NBK") was established on June 4, 2004 through the merger of Naval Station Bremerton and Submarine Base Bangor.

Puget Sound Naval Shipyard ("PSNS") is the oldest permanent naval installation on Puget Sound, and a major industrial employer in Washington. PSNS is now a \$2 billion ship maintenance, modernization and repair facility. The Bremerton facility is the first and only shipyard in the world that has inactivated and safely recycled nuclear powered ships, and is widely recognized as the international authority in this field.

Naval Base Kitsap-Bremerton was created out of a portion of the shipyard in late 1998. It is home to the carrier USS John C. Stennis and two fast attack submarines: the USS Seawolf and the USS Connecticut. Additionally, the station serves sailors from ships berthed at PSNS for maintenance and decommissioning.

Naval Base Kitsap-Bangor encompasses 7,201 acres. It serves the Navy as a homeport for the TRIDENT Submarines. Industrial activities include incremental submarine over-hauls, modernization and maintenance; assembly and processing of missiles and components; and training military and civilian personnel on the latest military technologies. Naval Base Kitsap-Bangor includes the following:

- Submarine Squadron Seventeen's mission is to support the four submarines and crews that make up the strategic deterrent force in the Pacific. Submarine Squadron Nineteen's mission is to support the six submarines and 12 crews that make up the strategic deterrent force in the Pacific. The Squadron 19 staff consists of 17 officers and 60 enlisted people.
- Naval Submarine Support Command's mission is to centralize administrative and support functions, economize resources and provide a common pool of experts to support the submarines and staffs of Submarine Squadrons Seventeen and Nineteen, visiting and other assigned units, including submarines in availability at PSNS. Specific areas of responsibility include Administration, Personnel, Medical, Legal, Chaplain, Supply, Combat Systems, Material, Communications, and Operations.
- Commander, Submarine Group 9 (COMSUBGRU 9) is the senior Submarine Force Command in the Pacific Northwest, and the U.S. West Coast. Its mission is to deter threats to the United States and its allies within the Pacific Fleet area of responsibility.

The Naval Undersea Warfare Center ("NUWC") at Keyport provides a wide array of services supporting the Navy's undersea warfare systems, countermeasures, and aircraft carrier tactical support systems, and is the Navy's maintenance depot for torpedoes, mines and mobile targets. NUWC exploits leading-edge industrial technology and custom engineering to support the research and development community in prototype development and testing.

The Fleet Industrial Supply Center, Puget Sound ("FISC") was established in 1967 when the Naval Supply Depot, Seattle, the Naval Fuel Depot, Manchester and certain functions of the Supply Department at PSNS were consolidated. FISC provides a variety of logistics support services and products to fleet, shore, and industrial commands of the Navy and other joint and allied forces. It delivers combat capability through logistics by teaming with regional partners and customers to provide supply chain management, procurement, contracting and transportation services, technical and customer support, defense fuel products, and worldwide movement of personal property.

The Naval Hospital Bremerton is a fully accredited community-based acute care and obstetrical hospital, is licensed for 67 beds and houses a variety of ambulatory, acute and specialty clinics. It administers professional care to the approximately 56,000 eligible military families residing within its area of responsibility. The Hospital is the parent command for three major branch medical clinics, located at PSNS, Submarine Base Bangor, and Naval Station Everett. The main hospital also provides an Occupational Health and Industrial Hygiene operation, Preventive Medicine, and Alcohol Treatment Departments.

Other Major Employers

The Port of Bremerton (the "Port") operates the Bremerton National Airport and the 560-acre Olympic View Industrial Park, both located approximately 10 miles southwest of the City. The park includes 35 firms which employ a total of approximately 700 people. Over 500 acres of land at the industrial park are designated as a foreign trade zone which offers duty savings to its tenants.

Bremerton National Airport is the largest airport in the county, with a 6,200-foot runway and full instrumentation and lighting systems. The airport can handle all general aviation aircraft and most transport and military planes. Charter passenger and air freight services are available to SeaTac Airport, the major international airport in the Puget Sound area.

Health care needs are met by several facilities in the Bremerton area including the Naval Hospital – Bremerton, described earlier. Harrison Medical Center in Bremerton has 2,716 (full time and part time) employees, 253 beds and approximately 481,000 square feet of medical facilities in 11 distinct locations. These facilities provide excellent care in open heart surgery, cardiology, orthopedics, oncology, emergency care (a level III trauma center), home health and sleep medicine. Harrison was recently recognized as having the #1 cardiac surgery program in the state and in the top 10% nationally, as rated by Healthgrades.com.

Olympic College is a two-year community college located in Bremerton with 12,895 all campus students and an annualized enrollment of approximately 5,115 (full-time equivalents). The college has 1,110 employees of whom 377 are full-time and adjunct faculty. Associate of Arts degrees are offered in four fields under 34 transfer programs. Olympic College also offers a Bachelor of Arts degree in nursing as well as Bachelor's and Master's degree partnership programs with Old Dominion, Saint Martin's and Western Washington University. In 2007, the 55,000 square foot Science Technology Building opened providing science lab facilities, high-tech computer classrooms and general purpose classrooms.

The Bremerton School District consists of one high school, one alternative high school, one middle school, six elementary schools, an Alliance Academy for home school programs and is the host district for the West Sound Technical Skills Center. Total student enrollment is 5,060. The district employs 331 teachers with an average student per teacher of 15.3. In May of 2005, Bremerton voters approved a \$30.5 million bond issue for capital improvements. District improvements include; additional wings being added to Mountain View Middle School and Bremerton High School, as well as other technological and capital improvements.

Development Activity

The City of Bremerton in partnership with other public entities provided significant public sector stimulus investment to the City's revitalization program by infusing public dollars into key infrastructure improvements. Some of the major projects completed at this time are:

- Construction of the new Kitsap Conference Center complex in the Bremerton Harborside District – 10,000 square foot venue accommodating up to 750 guests
- New three-floor public parking facility constructed as part of the Conference Center complex - 518 parking spaces provided
- 104,000 square foot Norm Dicks Government Center building providing offices for the City, the Bremerton Health District, the Bremerton Housing Authority, and several other governmental entities. The City owns 25% of the Government Center for its office space.
- New City fire station located at 9th Street and Park Avenue - completed in June 2005
- Purchase and renovation of a new law enforcement building on Burwell Street – completed in April 2007
- First phase of the Bremerton Gateway Project – this is a multi-year traffic modification and beautification project for the City's main entry corridor
- New skateboard park at East Park
- The Harborside Park and Naval Museum – celebrates the City's maritime history and provides public friendly interface between the City and the Puget Sound Naval Shipyard

Some of the major projects the City currently has in progress are:

- Recently acquired and currently remodeling a new municipal court building which will be open in late 2010.
- Evergreen Park expansion project – reclamation of a brown fields area and expansion of one of the City’s most popular parks

In addition to the City’s projects, there are many other projects either completed or underway that is being undertaken separately by public entities or private developers. Some examples include:

- Expansion of the Harborside Marina – a Port of Bremerton project which added 300 boat slips and includes a 1,400-foot-long floating breakwater that can be used for festivals and other events – completed in May of 2008
 - Pedestrian/Bremerton Transit Center Access Project – The Washington State Department of Transportation plans to construct a 950-foot long tunnel under portions of 1st Street, Pacific Avenue, the future Maritime Plaza and Burwell Street to remove offloading ferry traffic from the downtown core. Construction began mid year 2007.
 - Condominiums – Harborside Condominiums Phase 1 (78 units) and The 400 Condominiums (66 units)
 - New Kitsap Credit Union headquarters building constructed in downtown Bremerton
 - New Restaurants – Anthony’s Homeport Restaurant, a variety of smaller eateries in the Conference Center Complex including Starbucks, Coldstone Creamery, Taco del Mar, the Fritz, Fraiche Cup, and several others throughout the City
 - Hotels – Hampton Inn & Suites located in the Harborside Conference Center complex and the Fairfiled Inn & Suites which is scheduled to open in the Spring of 2010
 - Several new and remodeled office/retail buildings - downtown and elsewhere in the City
 - New residential housing developments and redevelopment of existing areas - including the East Park development and West Park redevelopment projects
- **Long-Term Financial Planning**

Long-term financial planning for the City is framed by the City’s Comprehensive Plan which was adopted in December 2004 and by the guidance of the City’s Financial Goals & Policies which were adopted in June 2005 and subsequently updated. The Comprehensive Plan represents the expressed vision of the City and related expectations on the nature of growth and services to be provided. The Financial Goals & Policies define what constitutes a “good outcome” for the City in regards to financial planning and decisions (Goals) and the boundaries or demonstrated performance deemed necessary to achieve those objectives (Policies).

Several long-term capital projects have recently been completed, are currently underway, or are anticipated to begin shortly in Bremerton with particular focus on the redevelopment of the downtown core. Financing of these projects has been achieved through a combination of City revenue sources, issuance of revenue bonds and voted and non-voted general obligation bonds, and grant funding from a variety of federal and state programs.

The City concluded a major utility rate study in 2004 which was focused on establishing a new utility rate structure and general facility charges at levels sufficient to cover the cost of operation of the water, wastewater and stormwater utilities, coverage for debt obligations and payment of capital improvement projects. The study resulted in the development of a multi-year plan for increasing rates and implementing significant increases in general facility charges to cover the cost of new capital improvements. Upon the conclusion of this study, the City Council approved the utility rate increase plan with the adoption of an ordinance that included a provision in the City's municipal code to automatically escalate fees for the three city utilities using the Seattle CPI on an annual basis unless a larger increase is authorized by the City Council. This provision ensures the three utilities are adequately funded in compliance with the City's adopted financial goals and policies. Utility system rates were increased based upon the Seattle-Tacoma-Bremerton CPI effective January 1, 2009 in accordance with this provision. Rates were not increased January 1, 2010 pending the results of a planned update to this study.

Transportation improvements are ongoing for the Bremerton Gateway transportation improvement project from the Bremerton Ferry Terminal to Gorst. This project is substantially funded with state and federal grant resources.

As Bremerton moves forward, economic indicators will be continually monitored and adjustments to City spending and services made to maintain the City's financial health.

- **Cash Management**

The City invests only in securities authorized by State law, and primarily purchases certificates of deposit and obligations of both the U.S. Government and government sponsored agencies. As stated in the City's investment policy, the primary objectives of investment activities are safety, liquidity, and then yield.

The safety of the City's investment portfolio is provided through the diversification and quality of investments purchased, as well as the use of a delivery-versus-payment method for settlement of any transactions. To further ensure the safety of the City's investments, all securities are held and transactions processed by its custodial agents, Bank of New York and US Bank

Liquidity is maintained by attempting to match investment maturities with cash flow requirements, limiting maturities to five years for general operating funds, and keeping a balance in the Local Government Investment Pool sufficient to meet short-term obligations. The Local Government Investment Pool is a state-managed account, which provides local governments with an efficient way to invest short-term and offers almost immediate cash availability. It operates similarly to a commercial money market account.

The City may invest in any of the securities identified as eligible investments as defined by RCW35A.40.050 and RCW43.84.080. In general, these consist of certificates of deposits, United States Treasury Notes and Bonds, government sponsored securities, banker acceptances, and repurchase agreements.

- **Risk Management**

The City's Risk Manager develops and implements risk management policies and programs to establish a clearly defined risk management structure. The primary goal is to control the City's risk exposures and losses in order to protect the City's financial resources. As part of this goal, self-insurance is currently utilized as an alternative to conventional insurance in the areas of Workmen's Compensation and liability. The Risk Manager considers available financial resources and purchases insurance for appropriate excess protection. The Risk Manager also serves as a general advisor to all departments on risk management

issues such as identifying and evaluating potential risks, providing employee accident control training, loss reporting and addressing the City's Safety Committee concerns.

The City of Bremerton utilizes a self-insurance fund for its risk management program. The City's Risk Manager analyzes the insurance markets and its risk management options. The City uses a deductible program with the deductible set at \$100,000 for property losses. The self-insured retention for liability and worker's compensation losses is \$250,000 and \$450,000, respectively.

▪ **Pensions and Other Post-Employment Benefits**

The majority of the City's employees participate in a mandatory state pension system (LEOFF for uniformed police officers and firefighters, and PERS for all other employees). The City pays the prescribed rate for all employees (and employees contribute as well), which satisfies the pension obligations for these accounts. Each state system is broken into segments related to when that segment "closed" and the benefit structure changed. The LEOFF 1 system closed in 1978 and LEOFF 2 started at that time. This is significant because employees eligible under LEOFF 1 are entitled to "necessary medical expenses" to be paid for by the City after retirement. This benefit was not included in LEOFF 2. Also, prior to the state pension systems, the City operated its system known as the Firemen's Pension Fund (FPF). Again, employees entitled to the benefits as defined in the FPF receive medical benefits and a City paid pension as defined more thoroughly in the notes to the financial statements.

The City maintains a fund dedicated to providing resources for the pension benefits to those entitled under the FPF. The post-employment medical benefits for eligible retirees are provided through the same medical insurance provider used for active city employees and paid for from annual budgeted funds. There is no reserve account for the post-employment medical benefits.

Acknowledgments

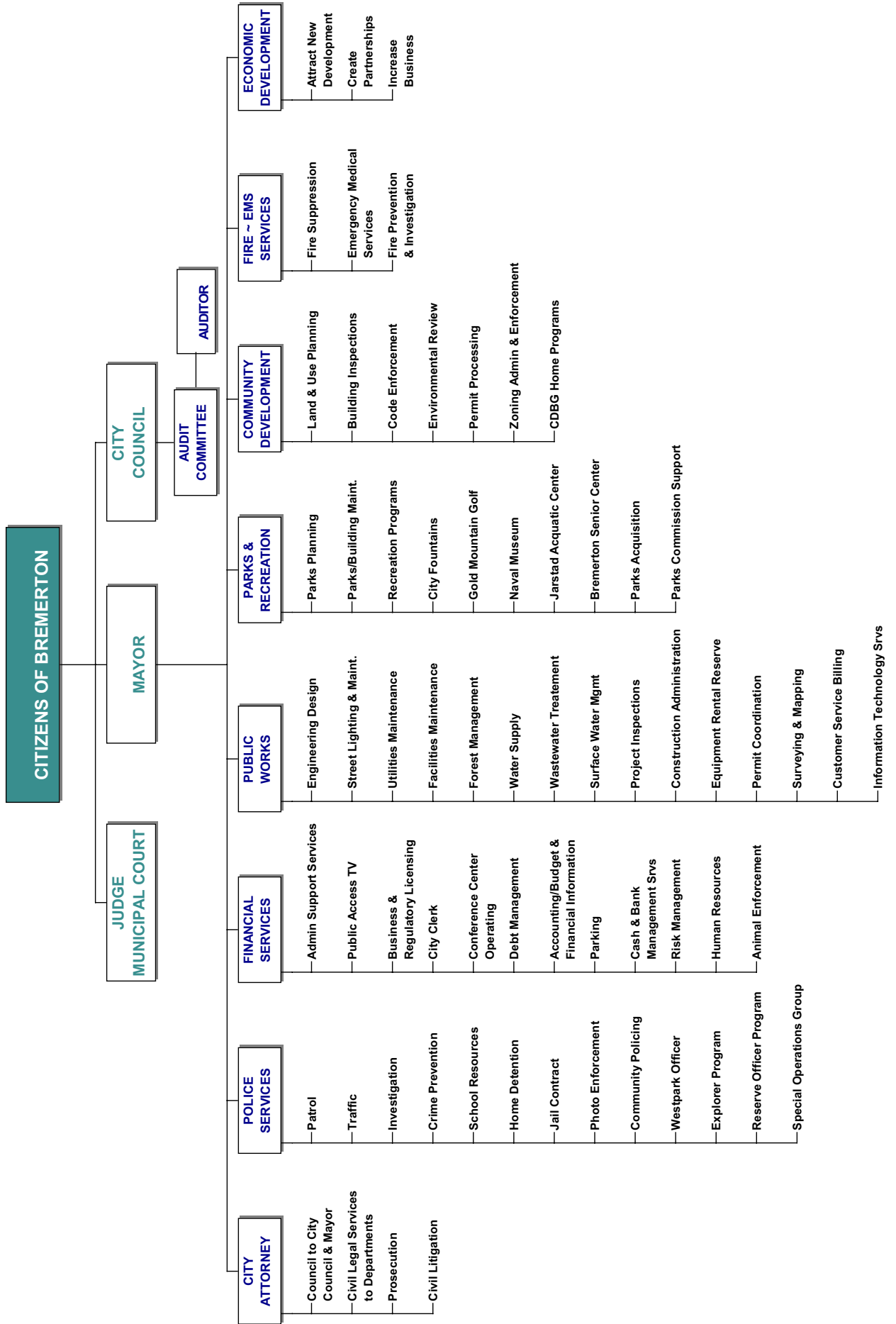
The preparation of this report could not have been accomplished without the efforts of the Department of Financial Services and Public Works & Utilities finance staff. We would like to express our appreciation to all those who assisted and contributed to the preparation. We would also like to thank the Mayor and City Council members for their dedication and commitment to providing the City and the residents with a plan to improve the financial health and welfare of the City's governmental operations.

Respectfully submitted,

Barbara A. Stephenson
Director of Financial Services

Cathy Johnson
Finance Officer

CITY OF BREMERTON



Directory of Officials

2009

Elected Officials:

Mayor	Patty Lent
District #1 Council Member	Brad Gehring
District #2 Council Member	Cecil McConnell
District #3 Council Member	Adam Brockus
District #4 Council Member	Roy Runyon
District #5 Council Member	Mike Shepherd
District #6 Council Member	Dianne Robinson
District #7 Council Member	Carol Arends
District #8 Council Member	Will Maupin
District #9 Council Member	Nick Wofford
Judge, Municipal Court	James Docter

Appointed Officials:

City Attorney	Roger Lubovich
Director, Public Works and Utilities	Phil Williams
Fire Chief	Al Duke
Police Chief	Craig Rogers
Director of Financial Services	A. Andrew Parks
Director of Community Development	Andrea Spencer
Director of Parks and Recreation	Wyn Birkenthal
City Auditor	Gary Nystul

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*Auditor's Report(s) can be accessed from the City of Bremerton's website at
www.ci.bremerton.wa.us*

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Management's Discussion and Analysis

The City of Bremerton (City) presents this Management Discussion and Analysis (MD&A) in order to provide a narrative overview of the City's financial activities, focus on significant financial issues, and highlight significant changes in the City's financial position for the fiscal year ended December 31, 2009. This information should be read in conjunction with the financial statements and notes to the financial statements that follow.

Financial Highlights

- At the end of fiscal year 2009, the assets of the City exceeded its liabilities by \$229.2 million. Net assets invested in capital assets (net of depreciation and related debt) account for over 84.8 percent of this amount (\$194.4 million). Net assets restricted primarily for construction projects, debt service, Community Development Block Grant (CDBG) programs and public safety account for another 1.9 percent of this amount (\$4.3 million). The remaining net assets of \$30.5 million may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's net assets increased by \$9.3 million (4.3%) during the fiscal year. The governmental net assets increased by \$4.3 million (5.3%) from the amount reported in 2008. Business-type net assets increased by \$5.1 million (3.9%). The Business-type increase included net income before contributions and transfers for the Water utility of \$240,527, Wastewater utility of \$4.6 million, Golf Course \$75,398, and non-major proprietary funds of \$748,384.
- As of December 31, 2009, the City's governmental funds reported a combined fund balance of \$10.4 million, an increase of 9% from the prior year end. The fund balance of the General Fund increased by \$625,091. The remaining non-major governmental funds had a fund balance increase of \$234,058. The overall increase is largely attributable to increased transfers from the city's proprietary funds. Approximately \$10.1 million (96.5%) of the combined ending governmental fund balances is unreserved fund balance available to the City for future appropriation.
- At the end of 2009, the unreserved fund balance of the General Fund was \$1.9 million or approximately six percent of total General Fund expenditures of \$33.7 million. The General Fund's unreserved fund balance increased by approximately \$640,000 from the prior year's amount of \$1.3 million, a 49.1 percent increase. This increase is primarily due to increased transfers from the city's utilities in the form of payment in lieu of taxes and a \$1 million return of equipment reserve funds to the General fund in response to the decline of tax revenues locally.
- The City's total outstanding debt decreased by \$1.7 million (2.6%) during the current fiscal year to \$65.2 million. General obligation debt decreased by \$.6 million and revenue debt decreased by \$1.1 million. Debt per capita decreased from \$1,816 to \$1,781, a 2% reduction.
- Governmental revenues from local tax sources including sales, business & occupation, utility, and other miscellaneous taxes, decreased by approximately \$870,000 to \$24.3 million in 2009, a three and half percent decrease from 2008. The tax revenue decrease is primarily attributed to a decrease in the overall economic activity in the City.

Overview of the Financial Statements

The City's basic financial statements are presented in three parts: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. Other supplementary information in addition to the basic financial statements is also contained in this report. This section of the management's discussion and analysis is intended to introduce and explain the basic financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to give the reader a picture of the financial condition and activities of the City as a whole. This broad overview is similar to the financial reporting of private-sector businesses. The government-wide financial statements have separate columns for governmental activities and business-type activities. Governmental activities of the City include general government (finance, executive, human resources), community development, public safety (police and fire), physical environment, transportation, mental/physical health, and culture and recreation. The City's business-type activities are limited to the City's municipal golf course and water, wastewater and stormwater utilities. Governmental activities are primarily supported by taxes, charges for services, and grants while business-type activities are self-supporting through user fees and charges.

The *statement of net assets* presents information on all of the City's assets and liabilities, highlighting the difference between the two as net assets. This statement is similar to the balance sheet of a private sector business. Over time, increases or decreases in net assets may be one indicator of improvement or deterioration in the City's overall financial health.

The *statement of activities* presents information designed to show how the City's net assets changed during the year. This 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 the specific functions (charges for services, grants, and contributions) is compared to the expenses for those functions to show how much each function either supports itself or relies on taxes and other general funding sources for support. All activity on this statement is reported on the accrual basis of accounting, requiring that revenues are reported when they are earned and expenses are reported when they are incurred, regardless of when cash is received or disbursed. Items such as uncollected taxes, unpaid vendor invoices for goods or services received during the year, and earned but unused vacation leave are included in the statement of activities as revenue and expenses even though no cash has changed hands.

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's finances based on the type of activity, general government versus business-type, the fund financial statements are presented by fund type such as the general fund, special revenue funds, and proprietary funds. 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 City, like other state and local governments, uses fund accounting to ensure and show compliance with finance-related legal requirements. The City's funds are divided into three categories: *governmental funds*, *proprietary funds*, and *fiduciary funds*.

Governmental funds are used to account for essentially the same functions as are reported as governmental activities in the government-wide financial statements. The basis of accounting is different between the governmental fund statements and the government-wide financial statements. The governmental fund statements focus on near-term revenues/financial resources and expenditures while the government-wide financial statements include both near-term and long-term revenues/financial resources and expenses. The information in the governmental fund statements can be used to evaluate the City's near-term financing requirements and immediate fiscal health. Comparing the governmental fund statements with the government-wide statements can help the reader better understand the long-term impact of the City's current year financing decisions. To assist in this 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 maintained twenty (20) individual governmental funds in 2009. The City's General fund is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances. The remaining governmental funds are combined into a single column labeled

“Other Governmental Funds”. Information for each of the non-major governmental funds is provided in the combining statements in this report.

The City maintains budgetary control over its operating funds through the adoption of an annual budget. Budgets are adopted at the fund level in accordance with City code and state law. A budgetary comparison statement is presented for the general fund in the basic financial statements.

Proprietary funds are used by governments to account for their business-type activities. Business-type activities provide specific goods or services to a group of customers that are paid for by fees charged to those customers. There is a direct relationship between the fees paid and the services received.

The City has two types of proprietary funds: *enterprise funds* and *internal service funds*. Enterprise funds are used to account for goods and services provided to citizens. Internal service funds are used to account for goods and services provided internally to various City departments.

The City’s six (5) enterprise funds are used to report the same functions presented as business-type activities in the government-wide statements with the fund statements providing more detail than is reported in the government-wide statements. The enterprise fund statements provide separate information for the City’s municipal golf course, water and wastewater utilities. The remaining enterprise funds are combined into a single column labeled “Other Proprietary Funds”. Information for each of the non-major enterprise funds is provided in the combining statements in this report.

Internal service funds are an accounting device used to accumulate and allocate costs internally among the City’s various functions. The City uses internal service funds to account for maintenance and acquisition of its fleet of vehicles, insurance premiums and claims as well as information technology services. Internal service funds benefit both governmental and business-type activities and are allocated accordingly in the government-wide statement of activities.

Fiduciary funds account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, or other funds. Fiduciary funds are not included in the government-wide financial statements because their assets are not available to support the City’s activities.

The City has one type of fiduciary fund. *Agency funds* are custodial in nature and do not include revenues and expenses as they do not measure the results of operations.

Government-wide Financial Analysis

Statement of net assets

The statement of net assets can serve as a useful indicator of the City’s financial position. The City’s net assets at December 31, 2009 total \$229.2 million. Following is a condensed version of the government-wide statement of net assets. The City presents its financial statements under the new reporting model required by Governmental Accounting Standards Board Statement No. 34 (GASB 34), *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. Two years of financial information in the GASB 34 format are presented.

Net Assets

Amounts in 000's	Governmental Activities			Business-Type Activities			Total		
	2009	2008	Difference	2009	2008	Difference	2009	2008	Difference
Current Assets	\$ 14,231	\$ 13,342	\$ 889	\$ 19,124	\$ 24,364	\$ (5,240)	\$ 33,355	\$ 37,706	\$ (4,351)
Restricted Assets	3,111	2,683	428	1,620	4,329	(2,709)	4,731	7,012	(2,281)
Capital Assets	98,648	97,180	1468	163,959	147,222	16,737	262,607	244,402	18,205
Other Noncurrent Assets	521	461	60	1,364	1,488	(124)	1,885	1,949	(64)
Total assets	116,511	113,666	2,845	186,067	177,403	8,664	302,578	291,069	11,509
Current Liabilities	4,860	5,169	(309)	5,800	6,388	(588)	10,660	11,557	(897)
Deposits Payable from Restricted Assets				25	35	(10)	25	35	(10)
Noncurrent Liabilities	27,293	28,396	(1,103)	35,351	36,268	(917)	62,644	64,664	(2,020)
Total liabilities	32,153	33,565	(1,412)	41,176	42,691	(1,515)	73,329	76,256	(2,927)
Net assets									
Invested in capital assets, net of related debt	72,088	69,602	2,486	122,330	106,248	16,082	194,418	175,850	18,568
Restricted	3,111	2,683	428	1,175	3,989	(2,814)	4,286	6,672	(2,386)
Unrestricted	9,159	7,816	1,343	21,386	24,475	(3,089)	30,545	32,291	(1,746)
Total net assets	\$ 84,358	\$ 80,101	\$ 4,257	\$ 144,891	\$ 134,712	\$ 10,179	\$ 229,249	\$ 214,813	\$ 14,436

The largest component of the City's net assets, \$194.4 million (or 84.8%), is its investment in capital assets less any related outstanding debt issued to acquire those assets. These capital assets, such as utility plant, streets, trails, parks, fire and police vehicles, are used to provide services to the citizens. Consequently, these assets are not available to sell and convert to cash for future spending. Although the City's investment in its capital assets is reported net of related debt, the resources needed to repay the debt must be provided from other sources, as capital assets cannot be used to liquidate these liabilities.

Restricted net assets consist of amounts legally or otherwise externally restricted for debt service and other programs. Of the \$3.1 million of governmental restricted assets, \$1.4 million, or 83.3% is restricted for use in the Community Development Block Grant program (44%) and for law enforcement services (39.2%). Of the \$1.2 million of business-type restricted assets, 90.1% are required reserves for debt service payments. A total of \$21.4 million represents the unrestricted net assets of the City's business-type activities and may only be spent on golf course operations, water, wastewater and stormwater utility activities. Maintenance of utility delivery systems (water lines, pump station, wells), storm drain flushing, water meter reading, and capital construction projects, such as well rehabilitation, are examples of utility activities. Other functions of the City may access the remaining net assets of \$9.1 million to meet ongoing obligations to citizens and creditors. Examples of other City obligations which these net assets may be used for are: public safety employee salaries, parks maintenance (mowing, fence repair, etc), and ongoing street maintenance (street sweeping, restriping, resurfacing, etc).

At the end of the fiscal year, the City reported positive balances in all three categories of net assets for the government as a whole, as well as for the separate governmental and business-type activities.

Changes in net assets

The changes in net assets table illustrates the increases or decreases in net assets of the City resulting from its operating activities. The City's overall financial position improved in 2009 with net assets increasing approximately \$9.3 million. Net assets of governmental activities increased by \$4.3 million and the net assets of business-type activities increased by \$5.1 million.

Following is a condensed version of the City's changes in net assets. The table shows the revenues, expenses, and related changes in net assets in tabular form for the governmental activities separate from the business-type activities. The graphs that follow compare program revenues to program expenses and illustrate the revenues by source separately for the governmental and business-type activities.

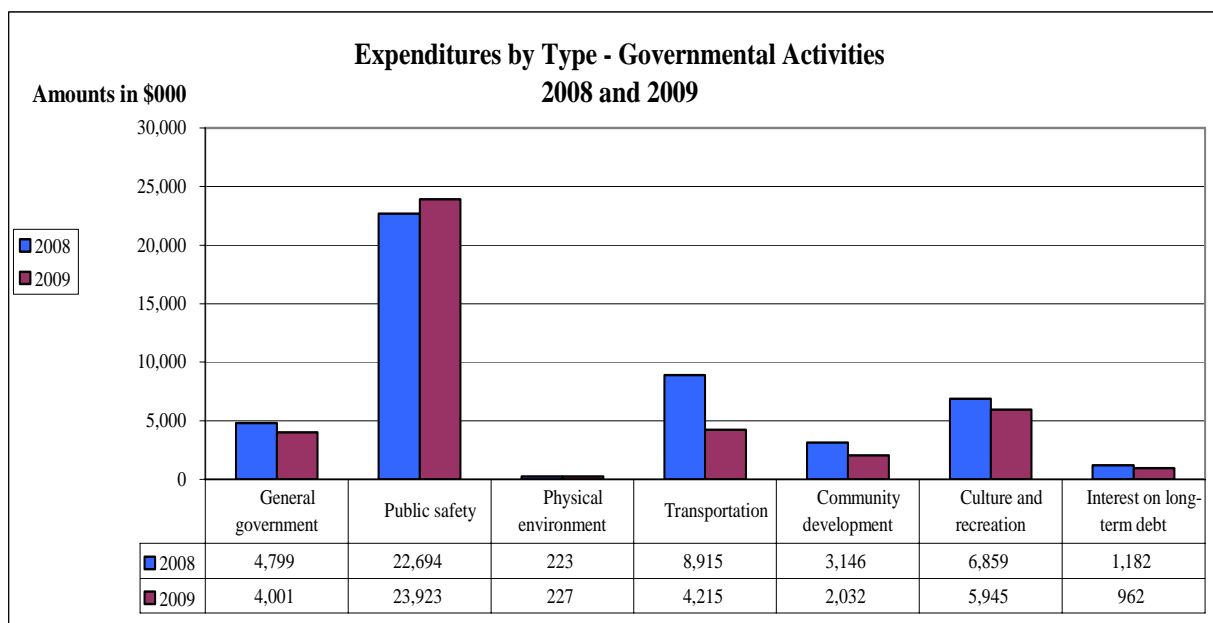
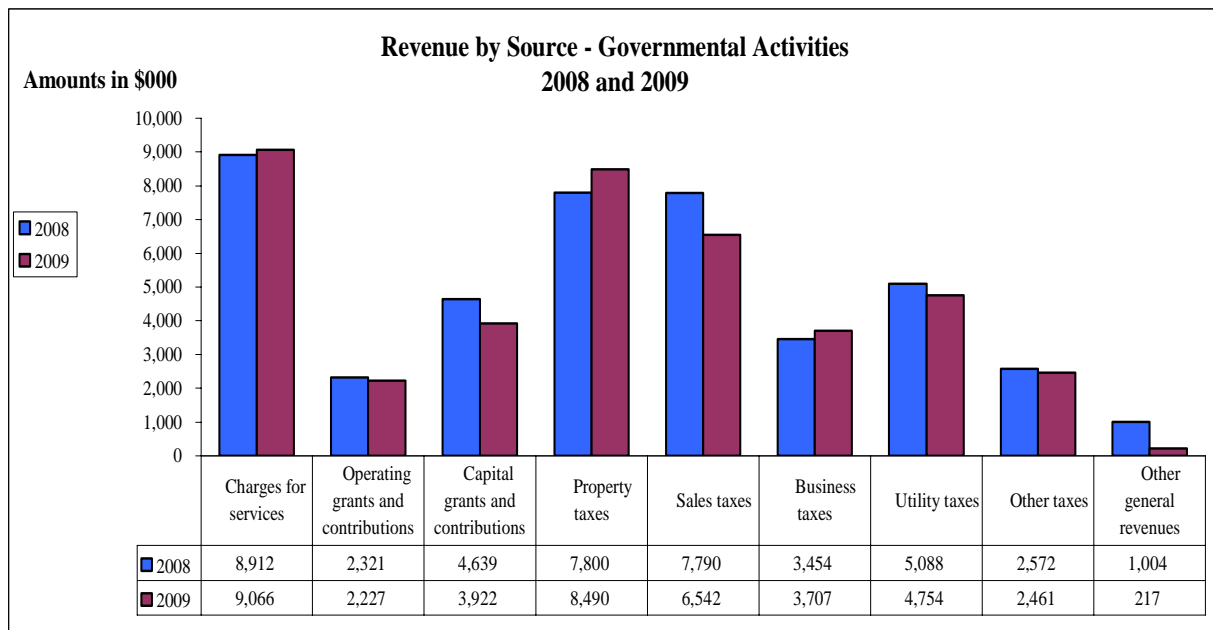
Changes in Net Assets

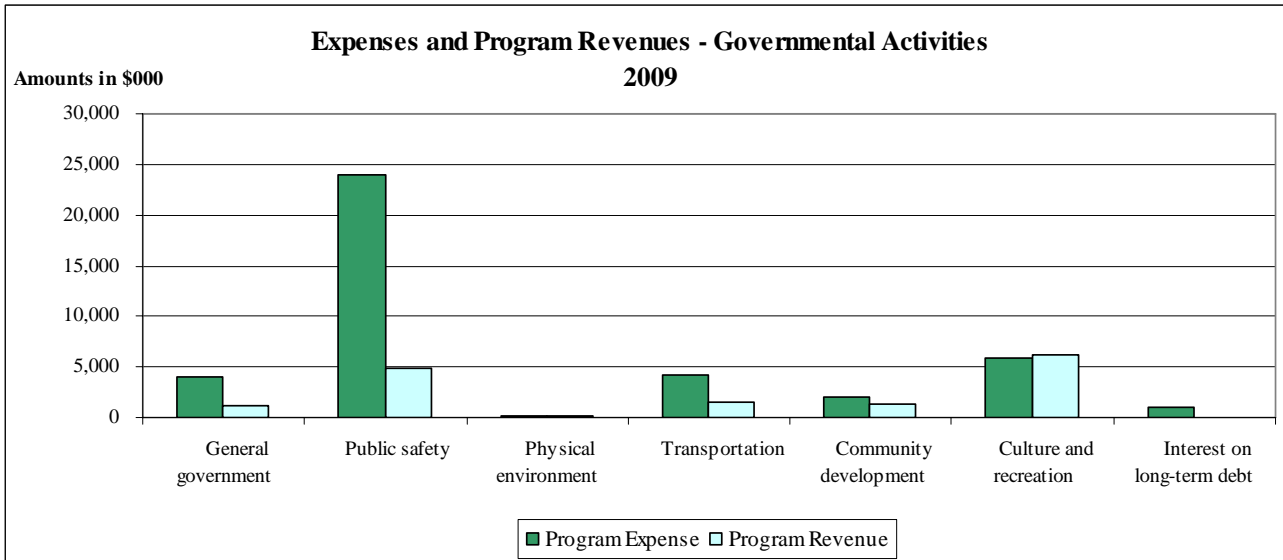
Amounts in 000's	Governmental Activities			Business-Type Activities			Total		
	2009	2008	Difference	2009	2008	Difference	2009	2008	Difference
Revenues									
Program revenues									
Charges for services	\$ 9,066	\$ 8,912	\$ 154	\$ 27,620	\$ 26,764	\$ 856	\$ 36,686	\$ 35,676	\$ 1,010
Operating grants and contributions	2,227	2,321	(94)	34	235	(201)	2,261	2,556	(295)
Capital grants and contributions	3,922	4,639	(717)	3,882	8,449	(4,567)	7,804	13,088	(5,284)
General revenues									
Property taxes	8,490	7,800	690	-	-	-	8,490	7,800	690
Sales taxes	6,542	7,790	(1,248)	15	22	(7)	6,557	7,812	(1,255)
Business taxes	3,707	3,454	253	-	-	-	3,707	3,454	253
Utility taxes	4,754	5,088	(334)	-	-	-	4,754	5,088	(334)
Other taxes	2,461	2,572	(111)	-	-	-	2,461	2,572	(111)
Other general revenues	217	1,004	(787)	557	1,006	(449)	774	2,010	(1,236)
Total revenues	\$ 41,386	\$ 43,580	\$ (2,194)	\$ 32,108	\$ 36,476	\$ (4,368)	\$ 73,494	\$ 80,056	\$ (6,562)
Expenses									
Governmental activities									
General government	4,001	4,799	(798)	-	-	-	4,001	4,799	(798)
Public safety	23,923	22,694	1,229	-	-	-	23,923	22,694	1,229
Physical environment	227	223	4	-	-	-	227	223	4
Transportation	4,215	8,915	(4,700)	-	-	-	4,215	8,915	(4,700)
Community development	2,032	3,146	(1,114)	-	-	-	2,032	3,146	(1,114)
Culture and recreation	5,945	6,859	(914)	-	-	-	5,945	6,859	(914)
Interest on long-term debt	962	1,182	(220)	-	-	-	962	1,182	(220)
Business-type activities									
Water				9,243	9,073	170	9,243	9,073	170
Wastewater				8,927	9,012	(85)	8,927	9,012	(85)
Golf course				3,198	3,265	(67)	3,198	3,265	(67)
Other proprietary funds				1,478	1,329	149	1,478	1,329	149
Total expenses	\$ 41,305	\$ 47,818	\$ (6,513)	\$ 22,846	\$ 22,679	\$ 167	\$ 64,151	\$ 70,497	\$ (6,346)
Excess of revenues over expenses	81	(4,238)	4,319	9,262	13,797	(4,535)	9,343	9,559	(216)
Transfers	4,176	1,973	2,203	(4,176)	(1,973)	(2,203)	-	-	-
Change in net assets	4,257	(2,265)	6,522	5,086	11,824	(6,738)	9,343	9,559	(216)
Net assets - beginning	85,912	82,507	3,405	128,901	123,594	5,307	214,813	206,101	8,712
Prior period adjustment	(5,811)	(141)	(5,670)	10,904	(706)	11,610	5,093	(847)	5,940
Net assets - ending	\$ 84,358	\$ 80,101	\$ 4,257	\$ 144,891	\$ 134,712	\$ 10,179	\$ 229,249	\$ 214,813	\$ 14,436

Governmental activities accounted for an increase of \$4.3 million of the total change in net assets of \$8.6 million. Significant elements of the increase are as follows:

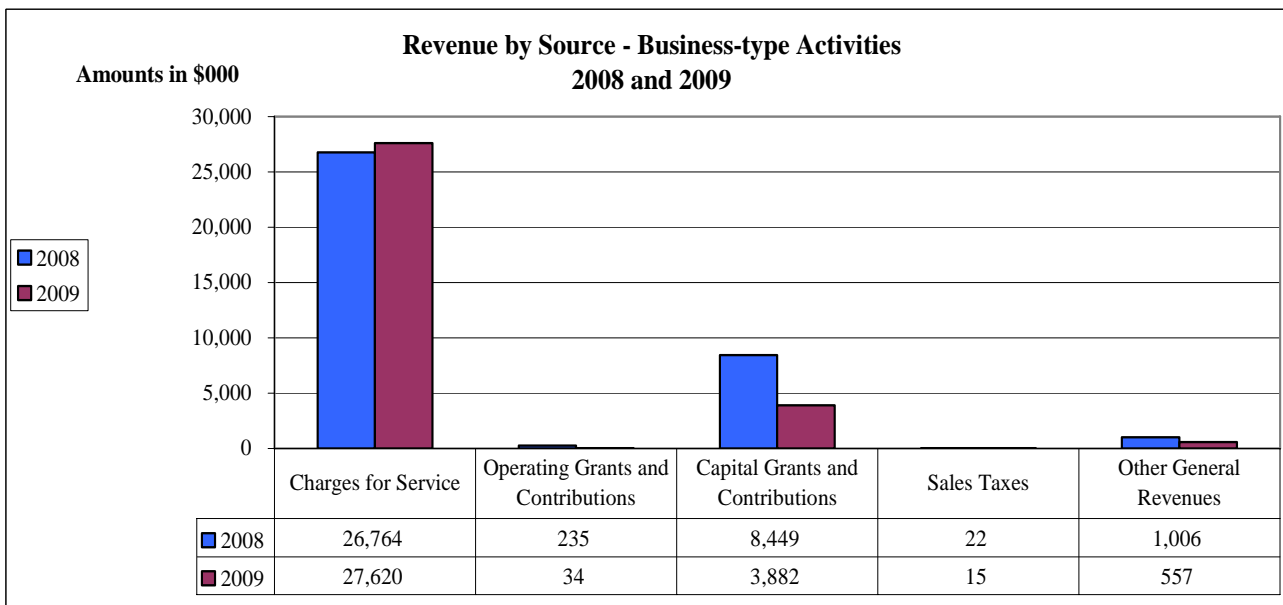
- Expenditures decreased by \$6.3 million in 2009 compared to 2008. While reductions occurred in several functional areas, as a significant effort was made to offset lower tax revenues, the most significant reductions occurred in the areas of Transportation and Community Development. Transportation expenses decreased \$4.7 million most notably from the completion of the SR304 construction project. Program expenditures related to the Community Development Block Grant program decreased by \$1.1 million.

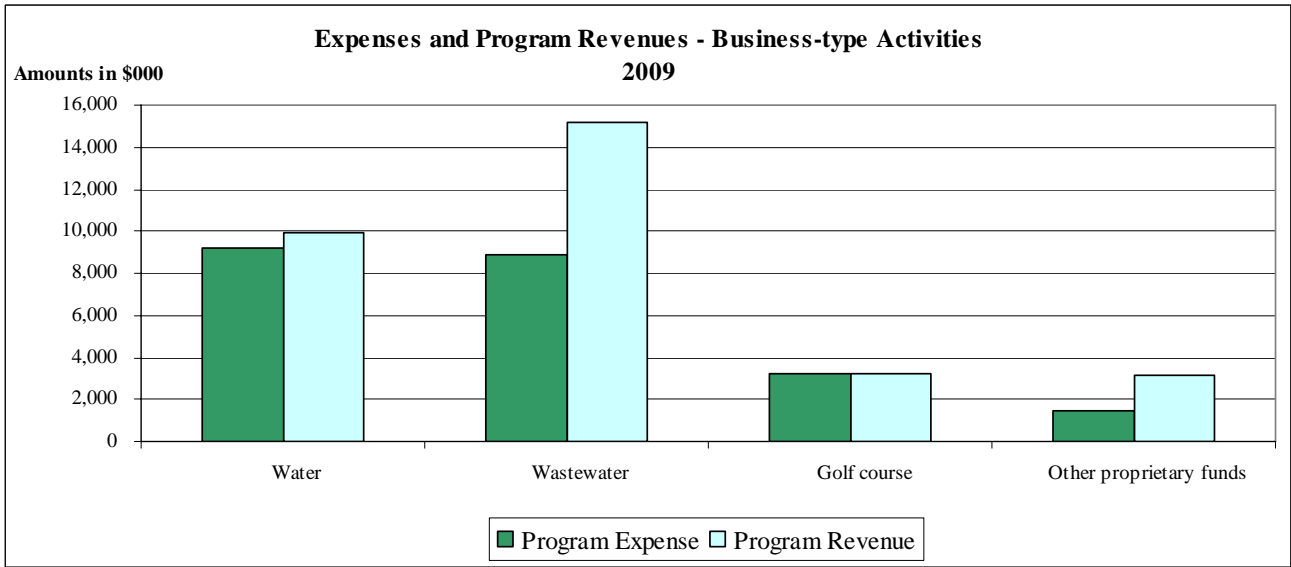
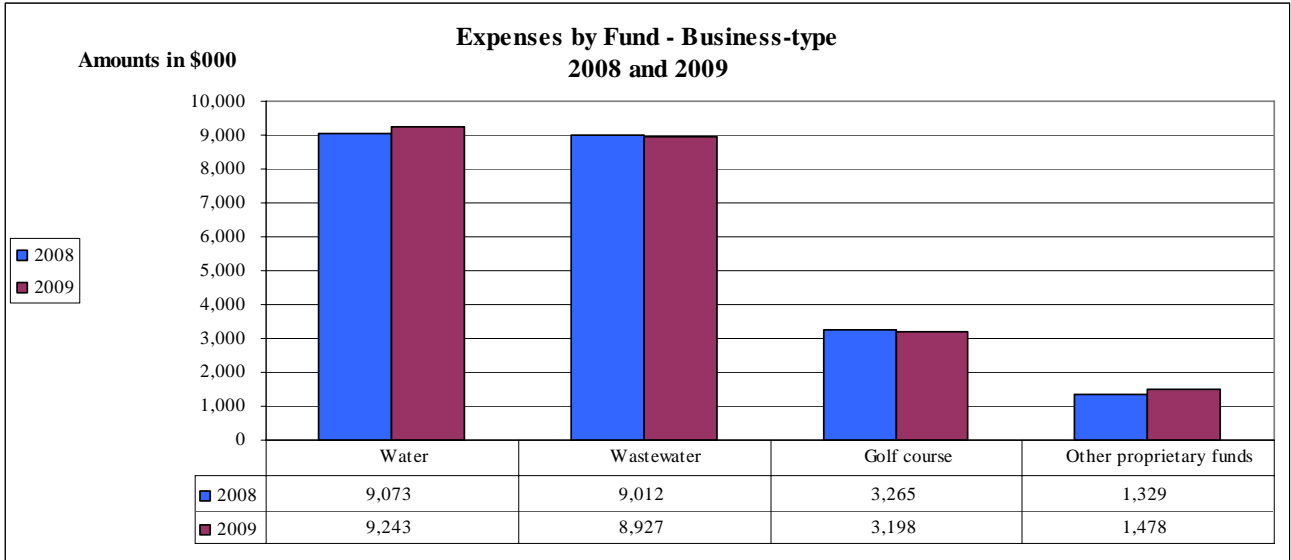
- Total revenue from governmental activities decreased by \$2.2 million. Tax revenues that support ongoing operations decreased by \$.75 million in 2009 from the 2008 level with decreased collections in sales, utility and other taxes. Capital Grants and Contributions decreased \$.72 million from 2008 due primarily to the completion of the SR304 road construction project. Other general revenues which include interest earnings, gains on disposal of assets, and miscellaneous income, decreased by \$.8 million in 2009 from the 2008 level. The largest components of this decrease were lower investment earnings (\$.5M) and a reduction in asset disposals (\$.3M).
- Transfers from Business-type activities increased \$2.2 million primarily from a return of equipment replacement reserves from the Equipment Rental Reserve fund (\$1M) and an additional one time levy of payments in lieu of tax from the city’s own utilities (\$.6M)

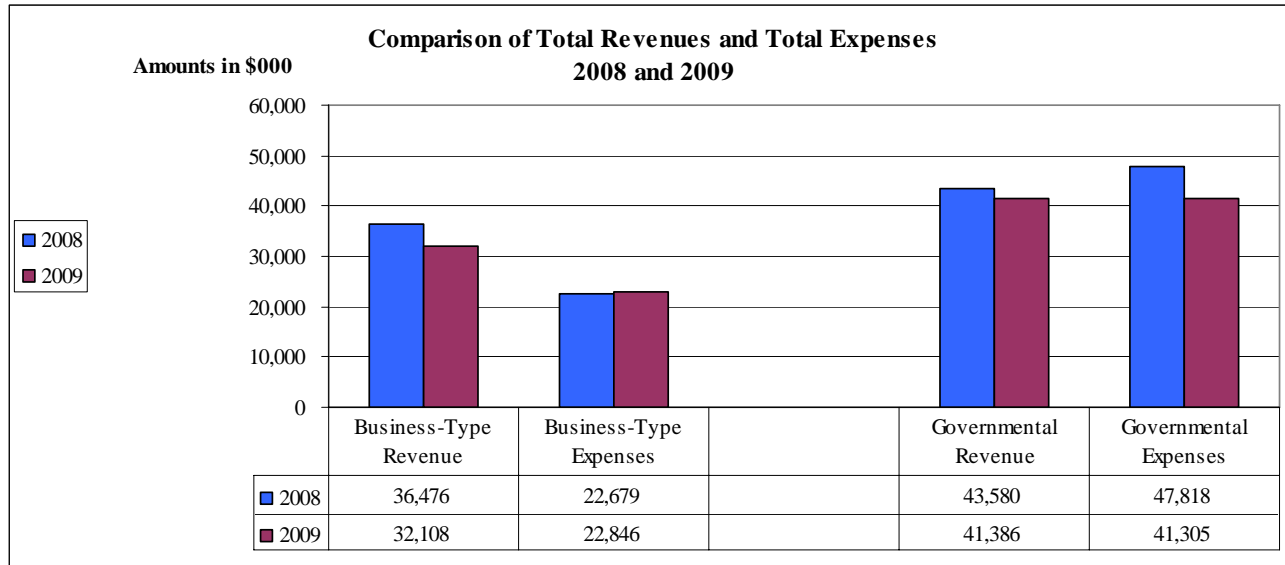




- Business-type activities** increased City’s net assets by \$5.1 million accounting for 54% of the total growth in the government’s net assets. A key element of this increase is in capital grants and contributions which decreased \$4.6 million in 2009 but continued to be a significant revenue source. Capital grants and contributions, recognized in 2009, of \$3.9M for system additions included \$2.3M of developer contributions necessary to extend water to the McCormick Woods area and provide utilities to the Eastpark development.







Financial Analysis of the City's Funds

As discussed earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds

The General Fund is the primary operating fund of the City through which all receipts and payments of ordinary City operations are processed, unless they are required to be accounted for in another fund. Taxes are the major revenue source. At the end of 2009, the fund balance of the General Fund was \$1.96 million. As a measure of the fund's liquidity, the ending fund balance is 5.8% of the fund's 2009 expenditures.

The General Fund balance increased in 2009 by \$.6 million. Revenues increased from \$29.9 million in 2008 to \$30.6 million in 2009. Expenditures decreased from \$33.9 million to \$33.7 million during the same period. Expenditures exceeded revenues in the General Fund by \$3.1 million in 2009 but were offset by net transfers in of \$3.7 million.

Proprietary funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Other than accomplishing the programs identified in the 2009 capital improvement program there were no significant transactions pertaining to the water, wastewater and stormwater utilities. Of significance in the Golf Course fund was the refunding of two outstanding general obligation bonds. The issue of \$5.4 million in taxable general obligation bonds reduces annual debt service requirements and provides flexibility over operations of the golf course that did not exist with the existing tax exempt bonds. Significant balances of capital assets and debt are addressed below.

General Fund Budget Variations

The General Fund collected revenues at 97.7% of the amount budgeted or \$.72 million less than budgeted. Expenditures for 2009 were 95.4% of the budget resulting in actual expenditures being \$1.6 million less than the budgeted amount. The negative revenue budget variance is substantially attributable to a delay in receipt of intergovernmental revenues related to a multi-jurisdictional police equipment grant and decreased miscellaneous revenues. The positive expenditure budget variance is largely attributable to the decreased pass through

expenditures to sub recipients on the police equipment grant and decreased expenditures for supplies and services across the General Fund in recognition of the decline in economic activity resulting in decreased revenues.

The General Fund budget was balanced in 2009 and provided for a slight increase to the fund balance in the amount of \$.35 million. At the conclusion of 2009, the General Fund increased fund balance by \$.6 million.

Capital Asset and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2009, amounts to \$262.6 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, construction in progress, utility transmission/distribution systems, and roads.

The major capital assets changes for governmental activities during 2009 were the completion of the Memorial Plaza and Commons in downtown Bremerton, the completion of Blueberry Park and continuation of Evergreen Park expansion and remediation.

The major capital assets changes for business-type activities included the construction of wastewater and water capital improvement projects identified within the City's 2009 capital improvement plan.

Capital Assets for all activities increased \$5.1 million in 2009 as a result of prior year corrections. A change in reporting of the City's Equipment Rental Reserve internal service fund in 2009 contributed increased Business-type activities by \$2.8 million with a corresponding decrease of Governmental Activities. Business-type Activities increased \$5.1 million as a result of a correction for an overstatement of depreciation in the city's three utilities.

Capital Assets (net of depreciation)

Amounts in 000's	Governmental Activities			Business-Type Activities			Total		
	2009	2008	Difference	2009	2008	Difference	2009	2008	Difference
Land	\$ 15,472	\$ 15,052	\$ 420	\$ 8,138	\$ 7,999	\$ 139	\$ 23,610	\$ 23,051	\$ 559
Buildings	47,290	46,131	1,159	31,469	31,705	(236)	78,759	77,836	923
Improvements/Infrastructure	26,688	25,595	1,093	82,453	75,997	6,456	109,141	101,592	7,549
Machinery and Equipment	4,301	4,527	(226)	24,644	23,247	1,397	28,945	27,774	1,171
Construction in Progress	4,897	5,875	(978)	17,255	13,367	3,888	22,152	19,242	2,910
TOTAL	\$ 98,648	\$ 97,180	\$ 1,468	\$ 163,959	\$ 152,315	\$ 11,644	\$ 262,607	\$ 249,495	\$ 13,112

Additional information on the City's capital assets can be found in Note 6 and Note 17.

Long-term debt

New debt for business-type activities in 2009 consisted of \$5,373,000 of general obligation refunding bonds to retire two prior issues for construction of a second course and clubhouse at the Gold Mountain Golf Course and \$1,097,019 of intergovernmental loans to fund Water/Wastewater capital improvement projects identified within the utilities' capital improvement plan. There was no new debt for governmental activities added in 2009. The long-term debt principal paid off in 2009 totaled \$9,018,596.

Outstanding Debt - General Obligation and Revenue Bonds

Amounts in 000's	Governmental Activities			Business-Type Activities			Total		
	2009	2008	Difference	2009	2008	Difference	2009	2008	Difference
General obligation bonds	\$ 21,474	\$ 22,350	\$ (876)	\$ 5,373	\$ 5,075	\$ 298	\$ 26,847	\$ 27,425	\$ (578)
Revenue bonds	5,245	5,405	(160)	4,590	4,910	(320)	9,835	10,315	\$ (480)
Revenue loans	-	-	-	28,543	29,204	(661)	28,543	29,204	\$ (661)
Total	\$ 26,719	\$ 27,755	\$ (1,036)	\$ 38,506	\$ 39,189	\$ (683)	\$ 65,225	\$ 66,944	\$ (1,719)

Additional Information on the City's long-term debt can be found in Note 9 of this report.

Economic Factors and Next Years Budgets and Rates

Several factors that affect the economic climate in Bremerton were considered when preparing the City's 2010 annual budget. The outlook for the nation, state and region was weighed in relation to its expected impact on Bremerton. The character of the City, including its current and future business activity and its attraction as a place to live, was evaluated. The current financial position and the ability of the City to recover from its history of economic depression have improved due to the major effort to rehabilitate Bremerton's downtown core and attract new investors to the community however, the national, regional and local economic conditions continued to show considerable weakness during 2009 and are expected to continue through 2010 and possibly beyond.

The State of Washington is continuing to face considerable budget challenges; however, the state's budget challenges will have limited effect on Bremerton's transportation capital funding received from the state. Over the past several years, Bremerton has been successful in attracting state and federal grant funds for major transportation improvement projects, including the multi-phase SR304 Bremerton Gateway transportation improvement project. Future outside funding opportunities will be highly competitive and Bremerton, due to its current economic demographics, should compete very well for certain projects. Mid- to long-term, Bremerton must increase its local revenue to address transportation needs.

Bremerton is in the midst of a revitalization and development program that will extend to all areas of the community. The center piece project is the Bremerton Harborside Development which is designed to establish the City of Bremerton as a premier waterfront community in the Puget Sound.

Of the multi-year plans to revitalize Bremerton, the following are completed as of December 2009; the Harborside Conference Center, Hotel and Plaza, Bremerton Ice Arena, Kitsap Credit Union Headquarters/Office building, downtown Naval Parking Garage, waterfront condominiums, Harborside Fountain Park and Naval Museum, downtown police station, Norm Dicks Government Center building, downtown fire station, downtown marina facility, the Downtown Pedestrian Bremerton Transit Center Access and the PSNS Memorial Plaza. Construction of a 130 room Fairfield Inn was close to completion at 2009 year end with opening scheduled for January of 2010. The development of a significant housing development in East Park is currently underway.

Projects that are in the preliminary stages include; the Boardwalk Project, West Park mixed use redevelopment project, revitalization of Lions Park, a new Municipal Court facility and the construction of two subsurface and two above-grade parking areas to serve PSNS workers, retail, businesses and visitors to memorial Plaza and Harborside Fountain Park.

These projects that are occurring throughout Bremerton are a product of both public and private investment. Economic development is a critical component of achieving a recovery from years of economic depression and to mitigate for the revenue losses incurred over the past several years from statewide initiatives. Initiative 695 and 747 resulted in losses of ongoing revenues and limited property tax growth for Washington cities, including Bremerton. These statewide initiatives have impacted current and future revenues that fund the City of Bremerton's

governmental services. The ability of Bremerton to provide sufficient funding for future core government services will be impacted by the success of its economic development efforts, however, these efforts alone will be insufficient to fund these core services without the identification and implementation of additional revenue sources.

The City concluded a major utility rate study in 2004 which was focused on establishing a new utility rate structure and general facility charges at levels sufficient to cover the cost of operation of the water, wastewater and stormwater utilities, coverage for debt obligations and payment of capital improvement projects. The study resulted in the development of a multi-year plan for increasing rates and implementing significant increases in general facility charges to cover the cost of new capital improvements. Upon the conclusion of this study, the City Council approved the utility rate increase plan with the adoption of an ordinance that included a provision in the City's municipal code to automatically escalate fees for the three city utilities using the Seattle CPI on an annual basis unless a larger increase is authorized by the City Council. This provision ensures the three utilities are adequately funded in compliance with the City's adopted financial goals and policies. Utility system rates were increased based upon the Seattle-Tacoma-Bremerton CPI effective January 1, 2009 in accordance with this provision. Rates were not increased January 1, 2010 pending the results of a planned update to this study.

Requests for information

This financial report is designed to provide a general overview of the City's finances for readers with an interest in municipal finances. Questions concerning any of the information provided in this report, or requests for additional information, may be addressed to the Director of Financial Services, City of Bremerton, 345 Sixth Street, Suite 600, Bremerton, WA 98337-1873.

Statement of Net Assets

December 31, 2009

	Governmental Activities	Business-Type Activities	Total
	\$	\$	\$
Assets			
Current assets:			
Cash & investments	11,244,492	12,440,913	23,685,405
External receivables	3,638,442	4,556,051	8,194,493
Interest receivable	22,447	24,701	47,148
Internal balances	(1,109,724)	1,109,724	-
Due from other governments	274,798	157,109	431,907
Inventories	134,390	835,780	970,170
Prepayments	25,820	-	25,820
Total current assets	<u>14,230,665</u>	<u>19,124,278</u>	<u>33,354,943</u>
Restricted assets:			
Cash & investments	2,117,869	1,323,482	3,441,351
External receivables	903,145	296,077	1,199,222
Due from other governments	90,274	-	90,274
Total restricted assets	<u>3,111,288</u>	<u>1,619,559</u>	<u>4,730,847</u>
Noncurrent assets:			
Notes and contracts receivable	-	574,572	574,572
Capital assets net of depreciation	98,647,860	163,959,552	262,607,412
Other noncurrent assets	520,981	789,526	1,310,507
Total noncurrent assets	<u>99,168,841</u>	<u>165,323,650</u>	<u>264,492,491</u>
Total assets	<u>\$ 116,510,794</u>	<u>\$ 186,067,487</u>	<u>\$ 302,578,281</u>
Liabilities			
Current liabilities:			
Claims/contracts payable	\$ 1,515,272	\$ 1,674,417	\$ 3,189,689
Matured long term obligations	-	25,000	25,000
Due to other governments	20,981	2,616	23,597
Employee wages payable	2,409,543	822,503	3,232,046
Other accrued liabilities	142,237	238,242	380,479
Current portion of long term debt	771,500	3,029,679	3,801,179
Custodial accounts	-	7,660	7,660
Total current liabilities	<u>4,859,533</u>	<u>5,800,117</u>	<u>10,659,650</u>
Payable from restricted assets:	-	25,421	25,421
Noncurrent liabilities:			
Claims and judgements payable	1,069,164	-	1,069,164
Bonds, notes and loans payable	26,029,324	35,307,331	61,336,655
Other non current liabilities	194,663	43,760	238,423
Total noncurrent liabilities	<u>27,293,151</u>	<u>35,351,091</u>	<u>62,644,242</u>
Total liabilities	<u>\$ 32,152,684</u>	<u>\$ 41,176,629</u>	<u>\$ 73,329,313</u>
Net Assets			
Invested in capital assets net of related debt	\$ 72,087,573	\$ 122,329,665	\$ 194,417,238
Restricted for:			
Tourism promotion & facilities	38,568	-	38,568
Parking system	297,722	-	297,722
Community development block grant	1,369,967	-	1,369,967
Public safety	1,221,480	-	1,221,480
Debt service	-	1,174,604	1,174,604
Workers compensation	100,000	-	100,000
Capital projects	83,551	-	83,551
Unrestricted	<u>9,159,249</u>	<u>21,386,589</u>	<u>30,545,838</u>
Total Net Assets	<u>\$ 84,358,110</u>	<u>\$ 144,890,858</u>	<u>\$ 229,248,968</u>

See accompanying notes to the financial statements

Statement of Activities
For the Year Ended December 31, 2009

Function/Program	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
Governmental activities:							
General government	\$ 4,001,383	\$ 1,122,147	\$ 12,088	\$ -	\$ (2,867,148)	\$ -	\$ (2,867,148)
Public safety	23,922,957	3,337,372	1,505,271	67,701	(19,012,613)	-	(19,012,613)
Physical environment	226,975	100,322	-	7,032	(119,621)	-	(119,621)
Transportation	4,214,922	1,507,102	131	64,501	(2,643,188)	-	(2,643,188)
Community development	2,031,753	599,452	709,478	-	(722,823)	-	(722,823)
Culture and recreation	5,944,853	2,399,362	-	3,782,770	237,279	-	237,279
Interest on long-term debt	961,926	-	-	-	(961,926)	-	(961,926)
Total governmental activities	41,304,769	9,065,757	2,226,968	3,922,004	(26,090,040)	-	(26,090,040)
Business-type activities							
Water	9,242,707	8,879,694	210	1,096,640	-	733,837	733,837
Wastewater	8,927,299	13,352,793	-	1,817,969	-	6,243,463	6,243,463
Golf course	3,198,390	3,271,998	-	-	-	73,608	73,608
Other proprietary funds	1,478,026	2,115,506	34,131	967,681	-	1,639,292	1,639,292
Total business-type activities	22,846,422	27,619,991	34,341	3,882,290	-	8,690,200	8,690,200
Total government	\$ 64,151,191	\$ 36,685,748	\$ 2,261,309	\$ 7,804,294	\$ (26,090,040)	\$ 8,690,200	\$ (17,399,840)
General Revenues							
Taxes							
Property					8,490,418	-	8,490,418
Sales					6,541,673	14,678	6,556,351
Business					3,706,834	-	3,706,834
Utility					4,753,803	-	4,753,803
Other					2,461,170	-	2,461,170
Unrestricted investment interest					188,550	211,598	400,148
Miscellaneous					68,750	346,868	415,618
Gain on disposal of capital assets					(39,542)	(1,472)	(41,014)
Transfers, internal activities					4,175,924	(4,175,924)	-
Total general revenues and transfers					30,347,580	(3,604,252)	26,743,328
Change in net assets					4,257,540	5,085,948	9,343,488
Net assets-beginning					85,911,876	128,900,769	214,812,645
Prior period adjustment (Note 17)					(5,811,306)	10,904,141	5,092,835
Net assets-ending					\$ 84,358,110	\$ 144,890,858	\$ 229,248,968

See accompanying notes to the financial statements

Balance Sheet
Governmental Funds
December 31, 2009

	General	Other Governmental Funds	Total Governmental Funds
Assets	\$	\$	\$
Cash & investments	1,980,237	8,879,905	10,860,142
External receivables	3,161,845	507,930	3,669,775
Due from other funds	418,229	339,045	757,274
Due from other governments	136,875	228,197	365,072
Inventories	-	49,955	49,955
Notes/contracts - deferred	-	866,812	866,812
Total assets	5,697,186	10,871,844	16,569,030
Liabilities and Fund Balances			
Liabilities:			
Claims/contracts payable	520,228	356,252	876,480
Due to other funds	862,858	827,078	1,689,936
Due to other governments	-	19,337	19,337
Employee wages payable	813,139	184,725	997,864
Other current liabilities	-	97,382	97,382
Deferred revenues	1,543,653	917,926	2,461,579
Total liabilities	3,739,878	2,402,700	6,142,578
Fund balances:			
Reserved for:			
Inventories	-	49,955	49,955
Paths and trails	-	59,306	59,306
Equipment replacement	-	241,497	241,497
Unreserved, reported in:			
General fund	1,957,308	-	1,957,308
Debt service funds	-	262,834	262,834
Special revenue funds	-	5,758,691	5,758,691
Capital projects funds	-	2,096,861	2,096,861
Total fund balances	1,957,308	8,469,144	10,426,452
Total liabilities and fund balances	5,697,186	10,871,844	16,569,030

Amounts reported for governmental activities in the statement of nets assets are different because:

Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.	98,647,860
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds. (Note 2)	3,000,518
Internal service funds are used by management to charge the costs of certain activities to individual funds. These assets and liabilities are included in governmental activities in the statement of net assets.	634,376
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. (Note 2)	(28,351,096)
Net assets of governmental activities	\$ 84,358,110

See accompanying notes to the financial statements.

**Statement of Revenues, Expenditures
and Changes in Fund Balances
Governmental Funds**

For the Year Ended December 31, 2009

	General Fund	Other Governmental Funds	Governmental Funds Total
	<u> </u>	<u> </u>	<u> </u>
Revenues			
Taxes	\$ 22,148,493	\$ 2,110,769	\$ 24,259,262
Licenses and permits	932,476	242,442	1,174,918
Intergovernmental	2,662,154	5,463,933	8,126,087
Charges for services	2,998,859	2,189,931	5,188,790
Fines and forfeits	1,486,078	443,758	1,929,836
Miscellaneous	357,081	1,279,438	1,636,519
Total revenues	<u>30,585,141</u>	<u>11,730,271</u>	<u>42,315,412</u>
Expenditures			
Current			
General government	6,461,037	332,165	6,793,202
Public safety	21,897,389	325,062	22,222,451
Utilities and environment	220,142	6,833	226,975
Transportation	381,852	2,990,898	3,372,750
Economic environment	1,242,384	708,033	1,950,417
Mental/physical health	74,922	-	74,922
Culture and recreation	2,759,296	1,788,995	4,548,291
Debt service:			
Principal	127,500	908,000	1,035,500
Interest and other debt issue costs	289,509	656,935	946,444
Capital	246,206	4,628,452	4,874,658
Total expenditures	<u>33,700,237</u>	<u>12,345,373</u>	<u>46,045,610</u>
Excess (deficiency) of revenues over expenditures	<u>(3,115,096)</u>	<u>(615,102)</u>	<u>(3,730,198)</u>
Other financing sources (uses)			
Fixed assets donations & disposal	2,275	396,484	398,759
Insurance Recoveries	14,213	451	14,664
Transfers in	4,718,438	2,697,372	7,415,810
Transfers out	(994,739)	(2,245,147)	(3,239,886)
Total other financing sources and uses	<u>3,740,187</u>	<u>849,160</u>	<u>4,589,347</u>
Other changes in fund balance			
Net change in fund balances	625,091	234,058	859,149
Fund balances-beginning	1,332,216	8,235,086	9,567,302
Fund balances-ending	<u>\$ 1,957,307</u>	<u>\$ 8,469,144</u>	<u>\$ 10,426,451</u>

See accompanying notes to the financial statements.

**Reconciliation of the Statement Revenues,
Expenditures and Changes in Fund Balances of Governmental Funds
to the Statement of Activities**

For the Year Ended December 31, 2009

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

Net change in fund balances – total government funds	\$ 859,149
Governmental 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 expense. This is the amount by which capital outlays exceeded depreciation in the current period.	1,497,852
Revenues and expenses in the statement of activities that do not provide current financial resources are not reported in the funds.	276,309
The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	1,018,034
Internal service funds are used by management to charge the costs of fleet replacement and risk management to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.	<u>606,196</u>
Change in net assets of governmental activities	<u>\$ 4,257,540</u>

The notes to the financial statement 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, 2009

	Original Budget 2009	Final Budget 2009	Actual 2009	Variance with Final Budget Positive (Negative)
Revenues				
Taxes				
Property	\$ 7,679,504	\$ 7,079,504	\$ 7,396,243	\$ 316,739
Sales	7,916,055	6,716,055	6,541,673	(174,382)
Other	9,676,667	7,976,667	8,210,577	233,910
Licenses and permits	888,100	767,100	932,476	165,376
Intergovernmental	3,896,349	3,651,349	2,662,154	(989,195)
Charges for services	3,034,787	2,859,787	2,998,859	139,072
Fines and forfeits	1,632,170	1,457,170	1,486,078	28,908
Miscellaneous	392,105	1,294,105	857,081	(437,024)
Total revenues	<u>35,115,737</u>	<u>31,801,737</u>	<u>31,085,141</u>	<u>(716,596)</u>
Expenditures				
Current				
General government	7,005,633	6,702,933	6,461,037	241,896
Public Safety	24,143,539	23,214,139	21,897,389	1,316,750
Utilities and Environment	228,324	228,324	220,142	8,182
Transportation	396,074	375,774	381,852	(6,078)
Economic environment	1,334,101	1,311,001	1,242,384	68,617
Mental/physical health	78,921	78,921	74,922	3,999
Culture and recreation	3,019,207	2,864,607	2,759,296	105,311
Debt service principal	134,550	134,550	136,862	(2,312)
Interest and other debt issue costs	295,470	295,470	289,509	5,961
Capital	115,320	127,320	246,206	(118,886)
Total expenditures	<u>36,751,139</u>	<u>35,333,039</u>	<u>33,709,599</u>	<u>1,623,440</u>
Excess (deficiency) of revenues over expenditures	<u>(1,635,402)</u>	<u>(3,531,302)</u>	<u>(2,624,458)</u>	<u>906,844</u>
Other Financing Sources (Uses)				
Fixed asset donations & disposal	-	-	2,275	2,275
Insurance Recoveries	-	-	14,213	14,213
Transfers in	2,679,798	5,040,798	4,718,438	(322,360)
Transfers out	(965,116)	(1,160,216)	(994,739)	165,477
Total other financing sources and uses	<u>1,714,682</u>	<u>3,880,582</u>	<u>3,740,187</u>	<u>(140,395)</u>
Other Changes in Fund Balance				
Net change in fund balances	79,280	349,280	1,115,729	766,449
Fund balances-beginning	3,121,630	2,354,095	1,539,436	(814,659)
Fund balances-ending	<u>\$ 3,200,910</u>	<u>\$ 2,703,375</u>	<u>\$ 2,655,165</u>	<u>\$ (48,210)</u>

See accompanying notes to the financial statements

Statement of Net Assets
Proprietary Funds
December 31, 2009

	Business-type Activities Enterprise Funds					Governmental Activities
	Water	Golf Course	Wastewater	Other Proprietary Funds	Total	Internal Service Funds
Assets						
Current assets:						
Cash & investments	\$ 3,514,416	\$ 385,754	\$ 2,042,659	\$ 1,964,942	\$ 7,907,771	\$ 6,935,361
External receivables	1,501,523	4,450	2,595,242	454,836	4,556,051	5,000
Interest receivable	6,419	692	5,928	3,526	16,565	12,625
Due from other funds	550,438	-	1,175	-	551,613	778,247
Due from other governments	29,324	-	126,712	1,073	157,109	-
Inventories	579,795	-	255,985	-	835,780	84,435
Prepayments	-	-	-	-	-	25,820
Total current assets	<u>6,181,915</u>	<u>390,896</u>	<u>5,027,701</u>	<u>2,424,377</u>	<u>14,024,889</u>	<u>7,841,488</u>
Restricted assets:	<u>355,778</u>	<u>-</u>	<u>1,260,861</u>	<u>-</u>	<u>1,616,639</u>	<u>102,920</u>
Noncurrent assets:						
Notes and contracts receivable	574,572	-	-	-	574,572	-
Capital assets net of depreciation	56,367,169	7,501,085	90,900,201	4,134,668	158,903,123	5,119,153
Other noncurrent assets	573,104	24,941	191,481	-	789,526	-
Total noncurrent assets	<u>57,514,845</u>	<u>7,526,026</u>	<u>91,091,682</u>	<u>4,134,668</u>	<u>160,267,221</u>	<u>5,119,153</u>
Total assets	<u>\$ 64,052,538</u>	<u>\$ 7,916,922</u>	<u>\$ 97,380,244</u>	<u>\$ 6,559,045</u>	<u>\$ 175,908,749</u>	<u>\$ 13,063,561</u>
Liabilities						
Current liabilities:						
Claims/contract payable	\$ 714,304	\$ 49,673	\$ 663,941	\$ 14,378	\$ 1,442,296	\$ 305,913
Matured long term obligations	-	-	25,000	-	25,000	-
Due to other funds	67,664	198	128,435	22,434	218,731	178,467
Other accrued liabilities	260,751	1,268	299,325	59,405	620,749	43,539
Current portion of long term debt	608,283	105,000	2,306,532	9,864	3,029,679	565,000
Custodial accounts	3,843	3,817	-	-	7,660	-
Total current liabilities	<u>1,654,845</u>	<u>159,956</u>	<u>3,423,233</u>	<u>106,081</u>	<u>5,344,115</u>	<u>1,092,919</u>
Payable from restricted assets:	25,421	-	-	-	25,421	-
Noncurrent liabilities:						
Claims and judgements payable	-	-	-	-	-	1,069,164
Bonds, notes and loans payable	6,542,557	4,987,441	23,639,234	138,099	35,307,331	-
Compensated absences	226,967	-	187,007	72,253	486,227	59,175
Total noncurrent liabilities	<u>6,769,524</u>	<u>4,987,441</u>	<u>23,826,241</u>	<u>210,352</u>	<u>35,793,558</u>	<u>1,128,339</u>
Total liabilities	<u>8,449,790</u>	<u>5,147,397</u>	<u>27,249,474</u>	<u>316,433</u>	<u>41,163,094</u>	<u>2,221,258</u>
Net Assets						
Invested in capital assets, net of related debt	49,216,329	2,408,644	61,665,742	3,982,521	117,273,236	5,119,153
Restricted for capital assets	-	-	-	-	-	-
Restricted for debt service	37,200	-	1,137,404	-	1,174,604	-
Unrestricted	<u>6,349,219</u>	<u>360,881</u>	<u>7,327,624</u>	<u>2,260,091</u>	<u>16,297,815</u>	<u>5,723,150</u>
Total net assets	<u>\$ 55,602,748</u>	<u>\$ 2,769,525</u>	<u>\$ 70,130,770</u>	<u>\$ 6,242,612</u>	<u>\$ 134,745,655</u>	<u>\$ 10,842,303</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					<u>10,145,203</u>	
Net assets of business-type activities					<u>\$ 144,890,858</u>	

See accompanying notes to the financial statements.

Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds

For the Year Ended December 31, 2009

	Business-type Activities				Total	Governmental Activities Internal Service Funds
	Enterprise Funds					
	Water	Golf Course	Wastewater	Other Proprietary Funds		
Operating revenues:						
Charges for services	\$ 8,386,515	\$ 3,194,181	\$ 13,367,471	\$ 2,115,505	\$ 27,063,672	\$ 4,675,630
Interest & dividend income	-	-	-	-	-	8,347
Other operating revenue	493,389	77,817	-	34,131	605,337	11,547
Total operating revenues	8,879,904	3,271,998	13,367,471	2,149,636	27,669,009	4,695,524
Operating expenses:						
General operations	1,778,750	1,602,668	2,496,330	428,237	6,305,985	2,513,240
Maintenance	2,832,032	1,179,192	1,919,495	824,841	6,755,560	-
Customer service and marketing	405,002	-	278,154	42,720	725,876	-
General administration	1,061,925	48,218	844,945	195,286	2,150,374	245,503
Depreciation and amortization	1,635,708	125,447	2,391,078	67,831	4,220,064	741,056
Property, excise and B&O taxes	474,936	17,644	385,016	(131,757)	745,839	-
Risk transfer payments	-	-	-	-	-	450,666
Payments to claimants & beneficiaries	-	-	-	-	-	375,317
Other operating expenses	683,921	-	-	-	683,921	49,325
Total operating expenses	8,872,274	2,973,169	8,315,018	1,427,158	21,587,619	4,375,107
Operating income (loss)	7,630	298,829	5,052,453	722,478	6,081,390	320,417
Nonoperating revenues (expenses)						
Interest and investment revenue	89,209	1,782	39,987	31,915	162,893	56,024
Interest expense	(168,932)	(225,221)	(532,038)	(6,115)	(932,306)	-
Gain (loss) on capital asset disposal	(1,565)	-	93	-	(1,472)	(99,821)
Other nonoperating revenue	314,185	8	32,569	106	346,868	51,785
Total nonoperating revenues (expenses)	232,897	(223,431)	(459,389)	25,906	(424,017)	7,988
Income (loss) before contributions and transfers	240,527	75,398	4,593,064	748,384	5,657,373	328,405
Capital contributions	1,096,640	-	1,817,969	967,681	3,882,290	-
Transfers in	39,406	-	1,286,063	-	1,325,469	247,408
Transfers out	(1,004,461)	-	(2,081,955)	(1,662,385)	(4,748,801)	(1,000,000)
Change in net assets	372,112	75,398	5,615,141	53,680	6,116,331	(424,187)
Total net assets - beginning	52,935,422	2,694,127	61,721,669	6,185,271		11,266,490
Prior period adjustments (Note 16)	2,295,214	-	2,793,960	3,661		-
Total net assets - ending	\$ 55,602,748	\$ 2,769,525	\$ 70,130,770	\$ 6,242,612		\$ 10,842,303
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					(1,030,383)	
Change in net assets of business-type activities					\$ 5,085,948	

See accompanying notes to the financial statements.

Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2009

Page 1 of 2

	Business-type Activities					Governmental
	Enterprise Funds				Total	Activities
	Water	Golf Course	Wastewater	Other Proprietary Funds		Internal Service Funds
Cash Flows From Operating Activities						
Cash received from customers	\$ 8,196,406	\$ 3,189,652	\$ 13,071,013	\$ 2,066,237	\$ 26,523,308	\$ 4,741,199
Interest on investments	-	-	-	-	-	11,618
Cash payments to suppliers	(2,801,006)	(2,836,266)	(2,842,300)	(549,243)	(9,028,815)	(1,347,387)
Cash payments to employees	(3,959,964)	(41,449)	(2,779,424)	(911,385)	(7,692,222)	(1,255,621)
Purchase of insurance	(125,600)	-	(177,565)	(12,915)	(316,080)	(423,442)
Payment for insurance claims	-	-	-	-	-	(351,077)
Other operating receipts and payments	18,453	79,931	(385,016)	180,204	(106,428)	1,481
Net cash provided by operating activities	<u>1,328,289</u>	<u>391,868</u>	<u>6,886,708</u>	<u>772,898</u>	<u>9,379,763</u>	<u>1,376,771</u>
Cash Flows From Noncapital Financing Activities						
Transfers in	39,406	-	-	-	39,406	-
Transfers out	(1,476,253)	-	(558,542)	(1,459,403)	(3,494,198)	-
Other nonoperating revenues/expenses	304,777	8	14,577	106	319,468	13,785
Net cash provided (used) by noncapital financing activities	<u>(1,132,070)</u>	<u>8</u>	<u>(543,965)</u>	<u>(1,459,297)</u>	<u>(3,135,324)</u>	<u>13,785</u>
Cash Flows From Capital and Related Financing Activities						
Acquisition and construction of capital assets	(3,370,409)	(7,737)	(9,845,256)	(15,178)	(13,238,580)	(1,288,969)
Proceeds/costs on sale of assets	506	-	94	-	600	40,363
Capital contributions	414,313	-	133,240	21,763	569,316	38,000
Transfer in for asset construction	-	-	100,000	-	100,000	773,408
Transfer out for asset construction	-	-	(346,750)	(192,000)	(538,750)	(1,000,000)
Collections on notes receivable	52,723	-	-	-	52,723	-
Loan/grant proceeds	490,449	-	2,710,328	-	3,200,777	-
Bond proceeds	-	107	-	-	107	-
Principal paid on bonds	(42,000)	-	(278,000)	-	(320,000)	-
Principal paid on other debt	(566,284)	-	(2,011,948)	(9,864)	(2,588,096)	-
Interest paid on bonds and other debt	(153,327)	(175,006)	(487,717)	(6,313)	(822,363)	-
Net cash provided (used) for capital and related financing activities	<u>(3,174,029)</u>	<u>(182,636)</u>	<u>(10,026,009)</u>	<u>(201,592)</u>	<u>(13,584,266)</u>	<u>(1,437,198)</u>
Cash Flows From Investing Activities						
Proceeds from repayment of loans	9,362	-	-	-	9,362	6,181
Disbursement of Loans	(350,000)	-	-	-	(350,000)	(600,500)
Proceeds from special assessments	-	-	-	-	-	767
Interest on loans and investments	85,701	1,952	68,113	42,244	198,010	77,551
Net cash provided (used) in investing activities	<u>(254,937)</u>	<u>1,952</u>	<u>68,113</u>	<u>42,244</u>	<u>(142,628)</u>	<u>(516,001)</u>
Net increase (decrease) in cash and cash equivalents	(3,232,747)	211,192	(3,615,153)	(845,747)	(7,482,455)	(562,643)
Cash and cash equivalents - beginning of year	6,809,784	174,562	6,918,673	2,810,689	16,713,708	7,598,005
Cash and cash equivalents - end of year	<u>3,577,037</u>	<u>385,754</u>	<u>3,303,520</u>	<u>1,964,942</u>	<u>9,231,253</u>	<u>7,035,362</u>
Cash at the end of the year consists of:						
Operating fund cash	3,514,416	385,754	2,042,659	1,964,942	7,907,771	6,935,361
Restricted cash	62,621	-	1,260,861	-	1,323,482	100,000
Total cash at end of year	<u>\$ 3,577,037</u>	<u>\$ 385,754</u>	<u>\$ 3,303,520</u>	<u>\$ 1,964,942</u>	<u>\$ 9,231,253</u>	<u>\$ 7,035,361</u>

See accompanying notes to the financial statements.

Statement of Cash Flows
Proprietary Funds

For the Year Ended December 31, 2009

Page 2 of 2

	Business-type Activities Enterprise Funds					Governmental Activities
	Water	Golf Course	Wastewater	Other Proprietary Funds	Total	Internal Service Funds
Reconciliation of operating income to net cash provided by operating activities:						
Operating income (loss)	\$ (225,904)	\$ 298,829	\$ 4,557,720	\$ 721,956	\$ 5,352,601	\$ 656,310
Adjustments to reconcile operating income to net cash provided by operating activities:						
Depreciation	1,869,241	125,447	2,885,811	68,354	4,948,853	708,947
Decrease (increase) in receivables	(184,247)	184	(295,631)	-	(479,694)	(216)
Decrease (increase) in due from other funds/govt	361	958	1,870	(49,268)	(46,079)	65,943
Decrease (increase) in prepaid expenses	2,000	-	-	14,316	16,316	32,479
Decrease (increase) in inventory	36,922	-	6,840	-	43,762	-
Increase (decrease) in accounts payable	125,191	(11,265)	(447,023)	-	(333,097)	16,708
Increase (decrease) in due to other funds/govt	(332,405)	(42)	(906)	(49,643)	(382,996)	1
Increase (decrease) in employee wages payable	5,799	(1,022)	-	-	4,777	14,151
Increase (decrease) in employee vacations payable	36,602	(359)	177,440	-	213,683	14,547
Increase (decrease) in other payables	(9,919)	(20,862)	1,415	67,183	37,817	-
Increase (decrease) in deferred revenues	4,647	-	(828)	-	3,819	-
Net cash provided by operating activities	<u>\$ 1,328,288</u>	<u>\$ 391,868</u>	<u>\$ 6,886,708</u>	<u>\$ 772,898</u>	<u>\$ 9,379,762</u>	<u>\$ 1,508,870</u>
Noncash investing, capital and financial activities;						
Developers contributed infrastructure	\$ 639,690	\$ -	\$ 748,743	\$ 945,919	\$ 2,334,352	\$ -

See accompanying notes to the financial statements

Statement of Fiduciary Net Assets
Fiduciary Funds
As of December 31, 2009

		<u>Agency Funds</u>
Assets		
Cash and cash equivalents	\$	200,085
Interest receivable		-
Interfund receivables		-
Total assets	\$	<u>200,085</u>
Liabilities		
Claims/contracts payable		67,815
Due to other funds		-
Other current liabilities		<u>132,270</u>
Total liabilities	\$	<u>200,085</u>
Net Assets		
Held in trust for pension benefits and other purposes	\$	<u><u>-</u></u>

See accompanying notes to the financial statements.

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Notes to Financial Statements

January 1, 2009 – December 31, 2009

1. Summary of significant accounting policies

The financial statements of the City of Bremerton have been prepared in conformity with generally accepted accounting principles 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.

A. Reporting Entity

The City of Bremerton was incorporated on October 14, 1901 and operates under the laws of the State of Washington applicable to a home-rule charter city with a Council/Mayor form of government. The City is a general purpose government which provides police, fire, water, wastewater, street maintenance, parks and recreation, planning and zoning, municipal court and general governmental services to its citizens.

On February 4, 2009 the City authorized and approved the creation of a Transportation Benefit District coextensive with the boundaries of the City in order to exercise the powers available under RCW 36.73. This blended component unit is governed by a board composed of the nine members of the Bremerton City Council, who serve in an ex-officio and independent capacity. The primary purpose of the District is the acquisition, construction, improvement, provision and/or funding of the maintenance of City street and related infrastructure. Financial Statements for this unit are not included for the year ending 12/31/09 as no transportation improvements have been funded.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the City. 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 on fees and charges for support.

The statement of activities displays the extent to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Our policy is to not allocate indirect costs to a specific function. Program revenues are those items that are applicable to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function. Grants and contributions that are restricted to meeting the operational or capital requirement of a particular function are also included. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Fiduciary funds, however, are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the city considers revenues to be available if they are collected within 30 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, fines and certain receivables for services provided are associated within the current period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The general fund is the City's operating fund. It accounts for all financial resources and transactions except those required to be accounted for in another fund.

The City reports the following major proprietary funds:

The water and wastewater funds account for activities related to the ongoing operations of the City's water and sewer systems.

The golf course fund accounts for the operations and maintenance of the City owned Gold Mountain golf course.

Additionally, the City reports the following fund types:

Internal service funds account for the accumulation of funds used to repair City vehicles and equipment and to replace them at the end of their useful lives. Funds are also accumulated for the purpose of carrying out the city's Risk Management activities. In both cases City departments contribute according to the benefit provided by each fund.

Agency funds account for assets held by a government as an agent for individuals, private organizations, other governments, and/or other funds. All funds are used for custodial or clearing purposes.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City of Bremerton has elected not to follow subsequent private-sector guidance.

The City eliminates the effect of interfund activity from the government-wide financial statements. There are some exceptions to this rule such as charges between the utility function and other functions within the City, and any payments-in-lieu of taxes. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include charges to customers, special assessments, operating grants and contributions and capital grants and contributions. 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 connections with a proprietary fund's principal ongoing operations. Operating revenues includes charges for services rendered for water, sewer, stormwater as well as golf fees and timber revenues. Operating expenses include administrative, maintenance expenses and depreciation on capital assets. All revenues and expenses not falling into the above broad categories are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the city's policy to use restricted resources first, then unrestricted resources as needed.

D. Budgetary Information

1. Scope of Budget

Annual appropriated budgets are adopted for all funds. The budget is prepared using a basis of accounting substantially the same as the GAAP basis used in accounting for governmental funds. The basis for budgeting differs from GAAP accounting in that fund balance is adjusted to exclude fund debt. Budgeted revenues and expenditures include the flow of funds resulting from the issue and redemption of fund debt which are not recognized under GAAP basis accounting. See Note 15 for a reconciliation of the Budgetary basis to GAAP for the Statement of Revenues, Expenditures and Changes in Fund Balances to Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual for the General Fund. All appropriations lapse at the end of each year.

2. Amending the Budget

The City's budget is adopted at the department and category group level. The five distinct category groups are 1) Personnel, 2) Supplies, Services and Taxes, 3) Debt Service, 4) Capital Expenditures and 5) Transfers. Expenditures may not legally exceed appropriations at that level of detail. The Mayor may authorize a one time transfer of less than \$10,000 between category groups within a department. All other supplemental appropriations as well as transfers and revisions within funds must be approved by the legislative authority following public hearings. The City's budget was amended two times in 2009.

The financial statements contain the original and final budget information. The original budget is the first complete appropriated budget. The final budget is the original budget adjusted by all supplemental appropriations authorized for the fiscal year.

E. Assets, Liabilities and Equities

1. Cash and Investments

It is the City's policy to invest all temporary cash surpluses. These investments are reported on the Statement of Net Assets as cash and investments. Included in cash and investments are currency on hand, demand deposits with banks or other financial institutions, investments with the State Investment Pool, and investments in U.S. Treasury and Agency Securities. At December 31, 2009 the City held \$27,326,840 in investments of surplus cash.

The amounts reported as cash and investments also include compensating balances maintained with the City's bank in lieu of payments for services rendered. The average compensating balance maintained during 2009 was \$2,952,065.

For purposes of the statement of cash flows the City considers all investments, including restricted assets, to be cash equivalents. All investments can be liquidated on demand.

2. Receivables

External receivables consist of property, B&O, utility, sales and parking taxes as well as other revenues earned by the City from the County, State and other taxpayers but not yet received. Also included are customer accounts receivable which consist of amounts owed from private individuals or organizations for goods and services including amounts owed for which billings have not been prepared.

Interest receivable consists of amounts earned on investments, notes, and contracts at the end of the year.

Special assessments are recorded when levied. Special assessments receivable consist of current and delinquent assessments and related interest and penalties. Deferred assessments on the fund financial statements consist of unbilled special assessments that are liens against the property benefited. As of December 31, 2009, \$45,798 of special assessments receivable were delinquent.

The amounts reported as notes and contracts receivable represent housing rehabilitation loans resulting from the federal Department of Housing and Urban Development Community Development Block Grant programs. Deferred notes and contracts on the fund financial statement consist of outstanding loan balances that are liens against the property benefited

and the note receivable from property sold. An indeterminate portion of the Block Grant loans will be forgiven if certain qualifying conditions are met by the loan recipients.

3. Amounts Due To and From Other Funds

Amounts due to and from other funds include interfund loans receivable/payable as well as outstanding balances that have resulted from the provision of services between funds as well as corrections of prior transactions. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.” A summary schedule of interfund loans receivable and payable is furnished in Note 12.

4. Amounts Due To and From Other Governmental Units

Amounts due to and from other governments for grants, entitlements and contracts.

5. Inventories

Inventories in governmental funds consist of expendable supplies held for consumption. The cost is recorded as expenditure at the time individual inventory items are purchased. The reserve for inventory is equal to the ending amount of inventory to indicate that a portion of the fund balance is not available for future expenditures. A comparison to market value is not considered necessary.

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. Inventory is recorded at average cost which approximates market value.

6. Restricted Assets and Liabilities

These accounts contain resources for programs, construction, replacement, and debt service in both governmental and business type funds. The current portion of related liabilities is shown as *Payable from Restricted Assets*. Specific debt service reserve requirements are described in Note 9.

Restricted assets are composed of the following:

Governmental type:	
Cash and investments - Construction	\$ 59,306
Cash and investments - Parking system	297,171
Cash and investments - HUD programs	412,881
Cash and investments - Public safety	1,219,279
Cash and investments - Workers compensation	100,000
Cash and investments - Tourism promotion	29,232
External receivables - HUD programs	866,812
External receivables - Tourism promotion	9,336
External receivables - Parking system	551
External receivables - Public safety	2,201
External receivables - Construction	24,245
Due from other governments - HUD	90,274
Total governmental	<u>\$ 3,111,288</u>
Business type:	
Cash and investments - Debt service	\$ 1,174,604
Cash and investments - Construction	123,457
Cash and investments - Deposits	25,421
External receivables - Debt service	296,077
Total business	<u>\$ 1,619,559</u>

7. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Note 6 contains the change in net assets by category for 2009.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of the capital assets of business-type activities is not included as a part of the capitalized value of the assets constructed. There was \$106,252 of interest expense incurred during 2009 for business-type capital assets under construction.

Property, plant and equipment of the City are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings	50 Years
Improvements Other than Buildings – Governmental Assets	20 Years
Improvements Other than Buildings – Proprietary Assets	50 Years
Infrastructure	10-15 Years
Plant Machinery and Equipment	20 Years
Furniture and Fixtures	20 Years
Vehicles and Similar Equipment	10 Years
Data Processing/Electronic Equipment	5 Years

8. Other Noncurrent Assets

This account reflects various non-current assets of the City including utility water rights, standing timber purchased under the City's utility land management plan and the unamortized portion of debt issuance costs.

9. Other Accrued Liabilities

These accounts consist of accrued wages and accrued employee benefits including compensated absences. Compensated absences are absences for which employees will be paid, such as vacation and sick leave. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. Accrued vacation is payable at resignation, retirement or upon death of the employee. Maximum vacation carryover hours are set by contract for all bargaining unit employees. The maximum hours allowed to be carried over to the next fiscal year range from 240 to 360 depending on the unit. Payment for 35% of sick leave is only paid at retirement. Outstanding sick leave at year end is not accrued because the payment cannot be deemed probable nor can the amount be reasonably estimated.

10. Long-term Debt

The City issues debt to finance the purchase or construction of capital assets. Note 9 contains outstanding debt at 12/31/09 and bond and debt service requirements to maturity.

11. Deferred Revenue

This account includes amounts recognized as receivables but not revenues in governmental funds because the revenue recognition criteria has not been met.

12. Reservations of Fund Balance

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

2. Reconciliation of Government-wide and Fund Financial Statements

A. Explanation of aggregated differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between total fund balance and total net assets as reported in the government-wide statement of net assets. The details of the aggregated differences are presented below.

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

Capital Assets of governmental funds net of depreciation	\$ 98,585,136
Capital Assets of Internal Service funds included in governmental activities net of depreciation	62,724
Net adjustment to increase fund balance - total governmental funds to arrive at net assets of governmental activities	<u>\$ 98,647,860</u>

Other long-term assets are not available to pay for current-period expenditures and therefore are not reported in the funds:

Deferred revenue for taxes and loans receivable due beyond the city's 30 day measurable and available period	\$ 2,461,579
Investment interest accrued beyond the city's 30 day measurable and available period	17,958
Deferred charge for bond issue costs	240,537
Other post-employment benefits	280,444
Net adjustment to increase fund balance - total governmental funds to arrive at net assets - governmental activities	<u>\$ 3,000,518</u>

Internal Service funds are used by management to charge the costs of certain activities to individual funds:

Net assets of Internal service funds included in governmental activities	\$ 697,100
Net capital assets of Internal Service funds included in governmental activities	(62,724)
Net adjustment to increase fund balance - total governmental funds to arrive at net assets - governmental activities	<u>\$ 634,376</u>

Some liabilities, including bonds, loans and compensated absences payable, are not due and payable in the current period and therefore are not reported in the funds:

GO bonds payable	\$ (21,474,185)
Less: Issuance premiums	(112,124)
Add: Deferred amount on refunding	30,300
Revenue bonds payable	(5,244,815)
Accrued interest payable	(44,855)
Compensated absences	(1,505,417)
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	<u>\$ (28,351,096)</u>

B. Explanation of aggregated differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. The details of the aggregated differences are presented below.

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 expense.

Capital outlay	\$ 5,209,598
Depreciation	(3,273,445)
Loss on retirement of capital assets	(438,301)
Net adjustment to increase net change in fund balances - governmental funds	<u> </u>
to arrive at change in net assets - governmental activities	<u>\$ 1,497,852</u>

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

GO bond principal paid	\$ 875,582
Revenue bond principal paid	159,918
Unamortized debt issuance costs	(17,466)
Net adjustment to decrease net change in fund balances - governmental funds	<u> </u>
to arrive at change in net assets of governmental activities	<u>\$ 1,018,034</u>

Some revenues and expenses reported in the statement of activities do not provide/do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

Change in accrued interest receivable	\$ (14,966)
Change in deferred property taxes receivable	228,729
Change in court fines receivable	45,237
Change in block grant loans receivable	(23,458)
Change in special assessments receivable	(6,718)
Change in other post-employment benefits payable	80,289
Change in accrued interest payable	1,983
Change in compensated absences payable	(34,787)
Net adjustment to decrease net change in fund balances - governmental funds	<u> </u>
to arrive at change in net assets of governmental funds	<u>\$ 276,309</u>

The net revenue of certain internal service fund activities are governmental in nature and are included in the net change in assets in the government-wide statements.

Net revenue of risk management activities	\$ 205,789
Net revenue of information technology activities	(25,285)
Net revenue of equipment maintenance activities	425,692
Net adjustment to increase net change in fund balances - government funds to	<u> </u>
arrive at change in net assets of governmental funds	<u>\$ 606,196</u>

3. Stewardship, Compliance and Accountability

Washington State law (RCW 43.09.230) requires annual reports to be certified and filed with the State Auditor's Office 150 days after the close of each fiscal year. In addition, certain long-term debt issues have continuing disclosure

requirements that call for submission of the City's annual report with the Municipal Securities Rulemaking Board Electronic Municipal Market Access (EMMA) program no later than September 30 of the year following the close of the fiscal year. Federal grants also require submission of the annual report to the federal oversight agency no later than September 30 of the year following closing.

4. Deposits and Investments

A. Deposits

The City's deposits and certificates of deposit are entirely covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

B. Investments

As required by state law, all investments of the City funds are obligations of the U.S. Government, U.S. agency issues, obligations of the State of Washington, general obligations of Washington State municipalities, the State Treasurer's Investment Pool, or certificates of deposit with Washington State banks and savings and loan institutions. All temporary investments are stated at market value. Other property and investments are shown on the statement of net assets at cost.

Interest Rate Risk. As a means of limiting its exposure to realized fair value losses arising from rising interest rates, the City's investment policy requires that to the extent possible maturities be matched with anticipated cash flow requirements. Unless matched to a specific cash flow, the City is limited by the investment policy to maturities of five years or less.

Investment Type	Fair Value	Investment Maturity (in Years)		Percent of Total
		Less Than 1	1 - 5	
Federal National Mortgage Association	\$ 2,005,625	\$ -	\$ 2,005,625	8.0%
Federal Home Loan Bank	3,007,812	1,012,187	1,995,625	12.0%
JP Morgan Chase FDIC TLG	2,069,960		2,069,960	8.3%
Federal Farm Credit Bank	2,017,500	2,017,500		8.1%
State Treasurer's Investment Pool	7,552,006	7,552,006		30.2%
US Treasury	3,016,130	1,013,090	2,003,040	12.0%
City of Bremerton 2009 LTGO	5,373,000	105,000	5,268,000	21.5%
Total	<u>\$ 25,042,033</u>	<u>\$ 11,699,783</u>	<u>\$ 13,342,250</u>	<u>100.0%</u>

Credit Risk. The City's investment policy limits investments to those authorized by State of Washington statutes governing the investment of public funds. As of December 31, 2009, the City's investment in the state investment pool was 30.2% of total investments which is unrated. The City's investments in Federal National Mortgage Association, Federal Home Loan Bank and Federal Farm Credit Bank securities were each rated Aaa by Moody's Investors Service and AAA by Standard & Poor's Rating Service

Concentration of Credit Risk. As can be seen in the preceding table, the City is in compliance with its investment policy which requires that (with the exception of U.S. Treasury securities and the State Investment Pool) no more than 30% of the City's total investment portfolio will be invested in a single security type or with a single financial institution.

Custodial Credit Risk. The custodial credit risk for deposits is the risk that in the event of bank failure, the City's deposits may not be recovered. The City of Bremerton's investment policy requires deposits to be in a qualified financial institution. The definition of qualified institution is described in RCW 39.58.080 and the bank must be a participant in the State of Washington's Public Depository Protection Commission (PDPC).

The custodial credit risk for safekeeping of securities is the risk in the event that the City would not have access to investment holdings. The City's investment policy requires that all security transactions be conducted on a delivery versus payment basis. Securities will be held in a third party custodial account designated by the City Treasurer.

5. Property Taxes

The Kitsap County Treasurer acts as an agent to collect property taxes levied in the County for all taxing authorities. Collections are distributed the end of each month.

A. Property Tax Calendar

January 1 - Taxes are levied and become an enforceable lien against properties.

February 14 - Tax bills are mailed.

April 30 - First of two equal installment payments is due.

May 31 - Assessed value of property established for next year's levy at 100 percent of market value.

October 31 - Second installment is due.

Property taxes are recorded as a revenue and receivable when levied. Property taxes collected in advance of the fiscal year to which they apply are recorded as deferred revenue and recognized as revenue of the period to which they apply. No allowance for uncollectible taxes is established because delinquent taxes are considered fully collectible. Prior year tax levies were recorded using the same principal, and delinquent taxes are evaluated annually.

RCW 84.52.043 allows a city to levy taxes of up to \$3.375 per \$1,000 of taxable property in the city and RCW 41.14.060 allows an additional \$0.225 per \$1,000 for any municipal purpose, if not required to fund pension programs. For cities annexed to a library district, such as the City, the maximum levy rate is reduced by the amount of the library district levy. For tax year 2009, the Kitsap Regional Library District levied \$0.29 per \$1,000 of assessed valuation, and therefore the City's maximum levy rate is \$3.31 per \$1,000 of assessed valuation. These taxes may be levied without a vote of the people. This limitation is exclusive of a potential levy for the maintenance of a local improvement guaranty fund, which the City does not levy.

The City's regular levy for 2009 was \$1.97 per \$1,000 on an assessed valuation of \$3.085 billion for a total regular levy of \$6,082,861.

Special levies, approved by the voters are not subject to the above limitations. In 2009, the City levied an additional \$.79 per \$1,000 for General Obligation Bonds and Emergency Medical Services.

Article VII, Section 2 of the Washington Constitution, as amended in 1973, limits aggregate regular property tax levies by the State and all taxing districts, except port districts and public utility districts, to \$10 per \$1,000 or one percent of the true and fair value of property. RCW 84.52.050 provides the same limitation by statute.

6. Capital Assets

1/1/2009 Beginning Balance has been adjusted for prior year corrections (Note 17B).

Capital asset activity for the year ended December 31, 2009 was as follows:

	Beginning Balance 1/1/2009	Increases	Decreases	Ending Balance 12/31/2009
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 15,051,430	\$ 856,759	\$ 436,158	\$ 15,472,031
Construction in progress	5,875,026	4,690,092	5,667,954	4,897,164
Total capital assets, not being depreciated	<u>20,926,456</u>	<u>5,546,851</u>	<u>6,104,112</u>	<u>20,369,195</u>
Capital assets, being depreciated:				
Buildings/building improvements	52,374,237	2,194,071	0	54,568,308
Improvements other than buildings	14,288,484	2,230,637		16,519,121
Machinery and equipment	8,668,007	366,972	12,569	9,022,410
Infrastructure	32,729,766	547,286		33,277,052
Total capital assets, being depreciated	<u>108,060,494</u>	<u>5,338,966</u>	<u>12,569</u>	<u>113,386,891</u>
Less accumulated depreciation for:				
Buildings/buildings improvements	6,242,957	1,036,147	0	7,279,104
Improvements other than buildings	6,379,882	677,644		7,057,526
Machinery and equipment	4,140,996	590,707	10,427	4,721,276
Infrastructure	15,043,209	1,007,111		16,050,320
Total accumulated depreciation	<u>31,807,044</u>	<u>3,311,609</u>	<u>10,427</u>	<u>35,108,226</u>
Total capital assets, being depreciated, net	<u>76,253,450</u>	<u>2,027,357</u>	<u>2,142</u>	<u>78,278,665</u>
Governmental activities capital assets, net	<u>\$ 97,179,906</u>	<u>\$ 7,574,208</u>	<u>\$ 6,106,254</u>	<u>\$ 98,647,860</u>

	Beginning Balance 1/1/2009	Increases	Decreases	Ending Balance 12/31/2009
Business-type Activities				
Capital assets, not being depreciated:				
Land	\$ 7,998,885	\$ 139,578	\$ 0	\$ 8,138,463
Construction in progress	13,367,084	12,912,708	9,024,082	17,255,710
Total capital assets, not being depreciated	<u>21,365,969</u>	<u>13,052,286</u>	<u>9,024,082</u>	<u>25,394,173</u>
Capital assets, being depreciated:				
Buildings/building improvements	47,527,264	666,860	30,995	48,163,129
Improvements other than buildings	108,661,333	8,571,369	62,062	117,170,640
Machinery and equipment	44,499,845	3,377,911	1,195,961	46,681,795
Total capital assets, being depreciated	<u>200,688,442</u>	<u>12,616,140</u>	<u>1,289,018</u>	<u>212,015,564</u>
Less accumulated depreciation for:				
Buildings/buildings improvements	15,822,571	902,445	30,995	16,694,021
Improvements other than buildings	32,663,729	2,116,292	62,062	34,717,959
Machinery and equipment	21,253,236	1,827,096	1,042,127	22,038,205
Total accumulated depreciation	<u>69,739,536</u>	<u>4,845,833</u>	<u>1,135,184</u>	<u>73,450,185</u>
Total capital assets, being depreciated, net	<u>130,948,906</u>	<u>7,770,307</u>	<u>153,834</u>	<u>138,565,379</u>
Business-type activities Capital assets, net	<u>\$ 152,314,875</u>	<u>\$ 20,822,593</u>	<u>\$ 9,177,916</u>	<u>\$ 163,959,552</u>

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

Governmental Activities:	
General government	\$ 231,046
Public safety	571,590
Transportation, including depreciation of general infrastructure assets	1,030,569
Economic environment	348
Culture and recreation	1,439,894
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>38,162</u>
Total depreciation expense - Governmental activities	<u>\$ 3,311,609</u>
Business-type activities:	
Water	\$ 1,565,608
Wastewater	2,384,053
Stormwater	67,831
Golf	125,447
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>702,894</u>
Total depreciation expense - Business-type activities	<u>\$ 4,845,833</u>

Construction Commitments:

The City had one active construction project as of December 31, 2009. \$674,303 had been spent as of the end of 2009 on construction of the Pacific Avenue Basin Stormwater Collection System. The remaining commitment to complete construction is \$108,804.

7. Pension Plans

Substantially all City 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 Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

Department of Retirement Systems
Communication Unit
PO Box 48380
Olympia, WA 98504-8380

The following disclosures are made pursuant to GASB Statement 27, *Accounting for Pensions by State and Local Government Employer and No. 50 Pension Disclosure, and Amendment of GASB Statements No. 25 and No. 27*:

A. Public Employees' Retirement System (PERS) Plans 1, 2 and 3

1. Plan Description

PERS is a cost-sharing multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a defined benefit plan with a defined contribution component.

Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts (other than judges currently in a judicial retirement system); employees of legislative committees; community and technical colleges, college and university employees not in national higher education retirement programs; judges of district and municipal courts; and employees of local governments.

PERS participants who joined the system by September 30, 1977, are Plan 1 members. Those who joined on or after October 1, 1977 and by either, February 28, 2002 for state and higher education employees or August 31, 2002 for local government employees, are Plan 2 members unless they exercise an option to transfer their membership to Plan 3. PERS participants joining the system on or after March 1, 2002 for state and higher education employees, or September 1, 2002 for local government employees have the irrevocable option of choosing membership in either PERS Plan 2 or PERS Plan 3. The option must be exercised within 90 days of employment. An employee is reported in Plan 2 until a choice is made. Employees who fail to choose within 90 days default to PERS Plan 3. Notwithstanding, PERS Plan 2 and Plan 3 members may opt out of plan membership if terminally ill, with less than five years to live.

PERS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions. PERS retirement benefit provisions are established in state statute and may be amended only by the State Legislature.

PERS Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement after 30 years of service, or at age 60 with five years of service, or at the age of 55 with 25 years of service. The annual benefit is two percent of the average final compensation (AFC) per year of service, capped at 60 percent. (The AFC is based on the greatest compensation during any 24 eligible consecutive compensation months.) Plan 1 members who retire from inactive status prior to the age of 65 may receive actuarially reduced benefits. The benefit is actuarially reduced to reflect the choice of a survivor option. A cost-of living allowance (COLA) is granted at age 66 based upon years of service times the COLA amount, increased by three percent annually. Plan 1 members may also elect to receive an optional COLA amount that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at three percent annually. To offset the cost of the annual adjustment, the benefit is reduced.

PERS Plan 2 members are vested after completion of five years of eligible service. Plan 2 members may retire at the age of 65 with five years of service with an allowance of two percent of the AFC per year of service. (The AFC is based on the greatest compensation during any eligible consecutive 60-month period.) Plan 2 members who retire prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a three percent per year reduction applies; otherwise an actuarial reduction will apply. The benefit is also actuarially reduced to reflect the choice of a survivor option. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at three percent annually.

Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. The defined benefit portion provides a benefit calculated at 1 percent of the AFC per year of service. (The AFC is based on the greatest compensation during any eligible consecutive 60-month period.) Effective June 7, 2006, 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 twelve months of that service are earned after age 44; or after five service credit years earned in PERS Plan 2 prior to June 1, 2003. Plan 3 members are immediately vested in the defined contribution portion of their plan. Vested Plan 3 members are eligible to retire with full benefits at age 65, or they may retire at age 55 with 10 year of service. Plan 3 members who retire prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a 3 percent per year reduction applies; otherwise an actuarial reduction will apply. The benefit is also actuarially reduced to reflect the choice of a survivor option. There is no cap on years of service credit; and Plan 3 provides the same cost-of-living allowance as Plan 2.

The defined contribution portion can be distributed in accordance with an option selected by the member, either as a lump sum or pursuant to other options authorized by the Employee Retirement Benefits Board.

Judicial Benefit Multiplier

Beginning January 1, 2007 through December 31, 2007, judicial members of PERS were given the choice to participate in the Judicial Benefit Multiplier Program (JBM) enacted in 2006. Justices and judges in PERS Plan 1 and 2 were able to make a one-time irrevocable election to pay increased contributions that would fund a retirement benefit with a 3.5% multiplier. The benefit would be capped at 75% of AFC. Judges in PERS Plan 3 could elect a 1.6% of pay per year of service benefit, capped at 37.5% average compensation.

Members who chose to participate in JBM would: accrue service credit at the higher multiplier beginning with the date of their election, be subject to the benefit cap of 75% of AFC, pay higher contributions, stop contributing to the Judicial Retirement Account (JRA), and be given the option to increase the multiplier on past judicial service. Members who did not choose to participate would: continue to accrue service credit at the regular multiplier; continue to participate in JRA, if applicable; never be a participant in the JBM Program; and continue to pay contributions at the regular PERS rate.

Newly elected or appointed justices and judges who chose to become PERS members on or after January 1, 2007, or who had not previously opted into PERS membership, were required to participate in the JBM Program. Members required into the JBM Program would: return to prior PERS Plan if membership had previously been established; be mandated into Plan 2 and not have a Plan 3 transfer choice, if a new PERS member; accrue the higher multiplier for all judicial service; not contribute to JRA; and not have the option to increase the multiplier for past judicial service.

Statewide there are 1,192 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2008:

Retirees and beneficiaries receiving benefits	73,122
Terminated plan members entitled to but not yet receiving benefits	27,267
Active plan members vested	105,212
Active plan members non-vested	56,456
Total	262,057

2. Funding Policy

Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates, Plan 2 employer and employee contribution rates, and Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at six percent for state agencies and local government unit employees, and at a 7.5 percent for state government elected officials. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. All employers are required to contribute at the level established by the Legislature. Under PERS 3 employer contributions finance the defined benefit portion of the plan, and member contributions finance the defined contribution portion. The Employee Retirement Benefits Board set Plan 3 employee contribution rates. Six rate options are available ranging from 5 to 15 percent; two of the options are graduated rates dependent on the employee's age. As a result of the implementation of the Judicial Benefit Multiplier Program in January 2007, a second tier of employer and employee rates was developed to fund, along with investment earnings, the increased retirement benefits of those justices and judges that participate in the program. The methods used to determine the contribution requirements are established under state statute in accordance with chapters 41.40 and 41.45 RCW.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2009 were as follows for Members not participating in JBM:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer *	5.31%**	5.31%**	5.31%***
Employee	6.00%****	3.90%****	*****

* The employer rates include the employer administrative expense fee currently set at 0.16%.

** The employer rate for state elected officials is 7.89% for Plan 1 and 5.31% for Plan 2 and 3.

*** Plan 3 defined benefit portion only.

**** The employee rate for state elected officials is 7.50% for Plan 1 and 3.90% for Plan 2.

***** Variable from 5.0% minimum to 15.0% maximum based on rate selected by the PERS 3 member.

Members Participating in JBM:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer-State Agency*	7.81%	7.81%	7.81%**
Employer-Local Agency*	5.31%	5.31%	5.31%**
Employee-State Agency	9.76%	7.25%	7.50%**
Employee-Local Agency	12.26%	9.75%	7.50%**

*The employer rates include the employer administrative expense fee currently set at 0.16%.

**Plan 3 defined benefit portion only.

***Minimum rate.

Both the City and the employees made the required contributions. The City's required contributions for the years ended December 31 were:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
2009	\$ 99,725	\$ 778,836	\$ 106,514
2008	\$ 147,125	\$ 829,085	\$ 104,356
2007	\$ 83,897	\$ 646,675	\$ 71,610

B. Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plans 1 and 2

1. Plan Description

LEOFF is a cost-sharing multiple-employer retirement system comprised of two separate defined benefit plans. LEOFF participants who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 are Plan 2 members. Membership in the system includes all full-time, fully compensated, local law enforcement officers, firefighters and, as of July 24, 2005, those emergency medical technicians who were given the option and chose LEOFF Plan 2 membership. LEOFF membership is comprised primarily of non-state employees, with Department of Fish and Wildlife enforcement officers, who were first included prospectively effective July 27, 2003, being an exception.

Effective July 1, 2003, the LEOFF Plan 2 Retirement Board was established by Initiative 790 to provide governance of LEOFF Plan 2. The Board's duties include adopting contribution rates and recommending policy changes to the Legislature for the LEOFF Plan 2 retirement plan.

LEOFF defined benefit retirement benefits are financed from a combination of investment earnings, employer and employee contributions, and a special funding situation in which the state pays through state legislative appropriations. LEOFF retirement benefit provisions are established in state statute and may be amended by the State Legislature.

LEOFF Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement with five years of service at the age of 50. The benefit per year of service calculated as a percent of final average salary is as follows:

Term of Service	Percent of Final Average Salary
20 or more years	2.0%
10 but less than 20 years	1.5%

The final average salary 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 10 years of service. A cost-of-living allowance is granted (indexed to the Seattle Consumer Price Index).

Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members may retire at the age of 50 with 20 years of service or, at 53 with five years of service, with an allowance of 2 percent of the final average salary per year of service. The final average salary is based on the highest consecutive 60 months. Plan 2 members who retire prior to the age 53 receive reduced benefits. Benefits are actuarially reduced for each year that the benefit commences prior to age 53 and to reflect the choice of a survivor option. 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. There is no cap on years of service credit; and a cost-of-living allowance is granted (indexed to the Seattle Consumer Price Index), capped at three percent annually.

There are 375 participating employers in LEOFF. Membership in LEOFF consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2008:

Retirees and beneficiaries receiving benefits	9,268
Terminated plan members entitled to but not yet receiving benefits	650
Active plan members vested	13,120
Active plan members non-vested	3,927
Total	26,965

2. Funding Policy

Starting on July 1, 2000, LEOFF Plan 1 employers and employees contribute zero percent as long as the plan remains fully funded. Employer and employee contribution rates are developed by the Office of the State Actuary to fully fund the plan. LEOFF Plan 2 employers and employees are required to pay at the level adopted by LEOFF Plan 2 Retirement Board. All employers are required to contribute at the level required by state law. The Legislature, by means of a special funding arrangement, appropriated money from the state General Fund to supplement the current service liability and fund the prior service costs of LEOFF Plan 2 in accordance with the requirements of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. However, this special funding situation is not mandated by the state constitution and this fund requirement could be returned to the employers by a change of statute.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2009 were:

	LEOFF Plan 1	LEOFF Plan 2
Employer*	0.16%	5.24%
Employee	0.00%	8.46%
State	N/A	3.38%

*The employer rates include the employer administrative expense fee currently set at 0.16%.

Both the City and the employees made the required contributions. The City's required contributions for the years ended December 31 were:

	LEOFF Plan 1	LEOFF Plan 2
2009	\$ 738	\$ 556,767
2008	\$ 1,077	\$ 532,691
2007	\$ 1,159	\$ 467,863
2006	\$ 1,201	\$ 384,238

C. **Public Safety Employees' Retirement System (PSERS) Plan 2**

1. Plan Description

PSERS is a cost-sharing multiple-employer retirement system comprised of a single defined benefit plan, PSERS Plan 2. PSERS was created by the 2004 legislature and became effective July 1, 2006.

PSERS Plan 2 membership includes full-time employees of a covered employer on or before July 1, 2006, who met at least one of the PSERS eligibility criteria, and elected membership during the election period of July 1, 2006 to September 30, 2006; and those full-time employees, hired on or after July 1, 2006 by a covered employer, that meet at least one of the PSERS eligibility criteria.

A *covered employer* is one that participates in PSERS. Covered employers include: State of Washington agencies: Department of Corrections; Parks and Recreation Commission, Gambling Commission, Washington State Patrol, and Liquor Control Board; Washington state counties; and Washington state cities except for Seattle, Tacoma and Spokane.

To be eligible for PSERS, an employee must work on a full-time basis and:

- Have completed a certified criminal justice training course with authority to arrest, conduct criminal investigation, enforce the criminal laws of Washington, and carry a firearm as part of the job: OR
- Have primary responsibility to ensure the custody and security of incarcerated or probationary individuals; OR
- Function as a limited authority Washington peace officer, as defined in RCW 10.93.020; OR
- Have primary responsibility to supervise eligible members who meet the above criteria

PSERS defined benefit retirement payments are financed from a combination of investment earnings and employer and employee contribution. PSERS retirement benefit provisions are established in state statute and may be amended only by the State Legislature.

PSERS Plan 2 members are vested after completion of five years of eligible service. PSERS Plan 2 members may retire at the age of 65 with five years of service, or at the age of 60 with at least 10 years of PSERS service credit, with an allowance of 2 percent of the average final compensation per year of service. The average final compensation is the monthly average of the member’s 60 consecutive highest-paid service credit month excluding any severance pay such as lump-sum payments for deferred sick leave, vacation or annual leave. Plan 2 members who retire prior to the age of 60 receive reduced benefits. If retirement is at age 53 or older with at least 20 years of service, a 3 percent per year reduction for each year between the age at retirement and age 60 applies. There is no cap on years of service credit; and a cost-of-living allowance is granted (indexed to the Seattle Consumer Price Index), capped at 3 percent annually.

There are 73 participating employers in PSERS. Membership in PSERS consisted of the following as of the latest actuarial valuation date for the plan of June 30, 2008:

Retirees and beneficiaries receiving benefits	1
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members vested	0
Active plan members non-vested	3,981
Total	3,982

2. Funding Policy

Each biennium, the state Pension Funding Council adopts PSERS Plan 2 employer and employee contribution rates. The employer and employee contribution rates for Plan 2 are developed by the Office of the State Actuary to fully fund Plan 2. All employers are required to contribute at the level established by the Legislature. The methods used to determine the contribution requirements are established under state statute in accordance with chapters 41.37 and 41.45 RCW.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2009 were as follows:

	PSERS Plan 2
Employer*	7.85%
Employee	6.55%

*The employer rate includes an employer administrative expense fee of 0.16%.

Both the City and the employees made the required contribution. The City’s required contributions for the year ended December 31, 2009 were as follows:

	PSERS Plan 2
2009	\$ 9,627
2008	\$ 9,868
2007	\$ 8,934

8. Risk Management

The City’s Risk Management Fund is used to finance its various exposures to loss. These exposures include theft, damage or destruction of assets, errors and omissions, property damage and injury of others. Smaller losses are self-insured while commercially available excess insurance is purchased for many larger losses. The City’s General and Utility funds participate in financing the Risk Management Fund.

Following is a summary of the City's 2009 insurance coverage and risk retention:

<u>Risk</u>	<u>Coverage Limit</u> <u>Per Occurrence</u>	<u>Self-Insured</u> <u>Retention</u>	<u>Insurer</u>
Excess liability	\$5,000,000	\$250,000	Illinois Union Insurance Company
Excess workers' compensation	Statutory	350,000	Safety National Casualty Corporation
Blanket property	55,000,000	100,000	Affiliated FM Insurance Company
Employee blanket bond	1,000,000	25,000	Great American Insurance Company
Pollution legal liability	1,000,000	100,000	Indian Harbor Insurance Company

The risk manager and claims administrators establish reserves for open claims on a case by case basis, after an assessment of each claim's settlement value. Actuarial techniques are used to estimate the long-term liability of the fund for both reported and unreported losses. As of December 31, 2009, the Risk Management Fund had cash reserves of \$1,537,588. Long-term fund liabilities have been estimated at \$1,069,164. Cash balances adequate to pay currently due claims have been available in the fund since its inception in 1986. In the last three years, no settlement has exceeded the limit of liability on applicable insurance policies. The expected annual level of incurred claims is approximately \$554,000.

The following table shows the actual claims activity for 2008 and 2009:

	2008	2009
Claims liability - beginning of year	\$ 923,325	\$ 1,618,821
Claims incurred	867,703	306,531
Estimate change prior years	265,483	(24,206)
Payment on claims	(437,690)	(266,982)
Expected Insurance Recovery		
Claims liability - end of year	\$ 1,618,821	\$ 1,634,164

9. Long-term Debt

A. Long Term Debt

The City issues general obligation and revenue bonds to finance the purchase or construction of capital assets. Bonded indebtedness has also been entered into to advance refund G.O. bonds. General obligation and revenue bonds have been issued for both general government and business-type activities and are being repaid from the applicable resources.

General obligation bonds currently outstanding are as follows:

	<u>Maturity</u> <u>Date</u>	<u>Interest</u> <u>Rate</u>	<u>Outstanding</u> <u>12/31/2009</u>
2002 Public Safety UTGO	12/01/27	2.5 / 5.25	\$ 10,545,000
2003 Weekly Rate Demand Conference Ctr (Councilmanic)	12/01/28	VARIABLE	4,430,185
Government Center Real Estate Contract	06/01/34	1.6/5	5,735,000
2005 Sports & Public Works Complex Ref LTGO	09/06/05	3.69	764,000
2009 LTGO Refunding	12/31/28	3.0 / 4.5	5,373,000
Total General Obligation Bonds and Notes			\$ 26,847,185

The annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending December 31	Governmental Activities		Business Activities	
	Principal	Interest	Principal	Interest
2010	771,500	827,947	105,000	161,190
2011	960,476	798,077	105,000	158,040
2012	1,001,923	765,765	105,000	180,705
2013	773,371	731,909	105,000	177,030
2014	809,397	706,492	200,000	198,120
2015-2019	4,586,487	3,089,522	1,328,000	935,635
2020-2024	5,683,410	2,137,988	1,734,000	621,450
2025-2029	5,277,622	890,268	1,691,000	194,445
2030-2034	1,609,999	230,000		
Total	\$ 21,474,185	\$ 10,177,968	\$ 5,373,000	\$ 2,626,615

Revenue bonds and loans currently outstanding are as follows:

	Maturity Date	Interest Rate	Outstanding 12/31/2009
1994 PWTF Loan - Warren Ave CSO	07/01/14	1.0 \$	798,030
1995 PWTF Loan WWTP improvements	07/01/15	1.0	1,111,403
1996 PWTF Loan Callow Ave CSO I	07/01/16	1.0	1,060,117
1997 PWTF Loan Callow Ave CSO II	07/01/17	1.0	282,016
1998 PWTF Loan SR 303 water main	07/01/18	1.0	1,492,106
1999 PWTF Loan Tracyton water sys ph2	07/01/19	2.0	99,074
1999 PWTF Loan CSO design	07/01/20	2.0	487,925
2000 PWTF Loan Multi-Basin CSO	07/01/20	1.0	1,642,584
2000 PWTF Loan Callow CSO 3-5	07/01/20	1.0	2,457,725
2001 PWTF Loan East Bremerton CSO	07/01/21	0.5	1,900,000
2003 PWTF Loan Anderson Cove Basin 12	07/01/23	0.5	403,885
2003 PWTF Loan Naval Avenue	07/01/23	4.0	184,210
2004 PWTF Loan Brentwood storm drain red	07/01/24	4.0	147,964
2004 PWTF Loan Pacific Ave Basin CSO	07/01/24	0.5	783,157
2006 PWTF Loan WWTP upgrade	07/01/10	0.5	170,760
2006 PWTF Loan SW Bremerton sewer	07/01/11	0.5	297,917
2007 PWTF Anderson Cove sewer PS CW1	07/01/27	0.5	639,474
2007 PWTF Sheldon Blvd sewer repl	07/01/27	2.0	56,842
2007 PWTF WWTP upgrades	07/01/27	0.5	1,278,947
1994 CCWF Loan Callow Ave CSO design	05/01/17	0.0	279,529
1997 CCWF Loan Callow Ave CSO I	07/31/18	4.8	1,517,599
1998 DWSRF Loan corrosion control facility	10/01/18	4.0	495,150
2009 DWSRF UV Treatment Upgrade (ARRA)	10/1/17	0.0	355,072
2001 DWSRF Loan Tracyton WD upgrade	10/01/21	2.5	1,674,988
2002 DWSRF Loan Eastside flow & pressure	10/1/22	2.5	793,263
2002 DWSRF Loan Casad Dam seismic upgrade	10/1/22	2.5	510,585
2003 DWSRF Loan Casad Dam intake tower	10/01/23	1.5	61,612
2003 DWSRF Loan Pump Station 4 upgrade	10/01/23	1.5	806,557
2004 DWSRF Loan Anderson Creek	10/01/24	1.5	80,727

2004 DWSRF Loan seismic upgrades	10/01/24	1.5	424,474
1999 WPCRF Loan CSO plan update	12/31/22	1.5	175,794
1999 WPCRF Loan Anderson Cove CSO	02/27/21	1.5	599,476
1999 WPCRF Loan Callow Ave CSO final	12/31/22	1.5	406,554
2002 WPCRF Loan Anderson CV CSO red	1/23/22	1.5	431,444
2002 WPCRF Loan Cherry/Trenton CSO red	10/15/24	1.5	814,861
2002 WPCRF Loan Trenton pump station	10/15/24	1.5	814,334
2002 WPCRF Loan Tracyton Beach CSO	12/31/25	1.5	488,346
2002 WPCRF Loan Anderson Cove Basin 12	12/31/26	1.5	223,751
2003 WPCRF Pacific Ave CSO red-sep	6/30/24	1.5	244,526
2003 WPCRF Loan Pacific Ave CSO reduction	12/31/27	1.5	975,360
2004 WPCRF Loan Charry/Trenton CSO red-1	12/31/26	1.5	977,375
2007 WPCRF WWTO upgrade	1/1/29	2.6	97,824
2007 W/S Refunding Revenue bond	12/01/21	4.3	4,590,000
2003 Weekly Rate Demand Conference Ctr	12/1/28	Variable	5,244,815
Total revenue bonds and loans			\$ 38,378,152

Revenue bond and loan debt service requirements to maturity are as follows:

Year Ending December 31	Governmental Activities		Business Activities	
	Principal	Interest	Principal	Interest
2010	\$ -	\$ 14,161	\$ 2,924,679	\$ 611,912
2011	187,024	13,656	2,943,968	562,212
2012	200,577	13,114	2,822,762	510,590
2013	214,129	12,537	2,921,959	458,640
2014	233,103	11,907	2,945,589	391,501
2015-2019	1,268,513	49,457	12,292,479	1,240,674
2020-2024	1,469,090	30,753	5,467,112	248,893
2025-2029	1,672,379	8,248	814,789	17,272
Total	\$ 5,244,815	\$ 153,833	\$ 33,133,337	\$ 4,041,694

On February 20, 2003, the City issued \$10,865,000 principal amount of Weekly Rate Demand Revenue Bonds, 2003, (Kitsap Regional Conference Center Parking Garage). Those bonds are secured by a letter of credit from Bank of America (the "Bank") that initially expired on February 10, 2006, and was extended. The current letter of credit expires on August 10, 2010. The City agreed to repay the Bank for draws on the letter of credit that are not paid from remarketing the bonds as a general obligation of the City, with a cap on such reimbursement obligation of \$4,975,139. The City is currently reviewing its options regarding these bonds, which may include extending the Bank's letter of credit, obtaining a new letter of credit, or issuing fixed rate bonds to refund the bonds. If fixed rate bonds are issued, they could be a combination of revenue bonds and limited tax general obligation bonds or solely limited tax general obligation bonds.

The interest rate on the 2003 Weekly Rate Demand bonds is determined weekly by the Remarketing Agent. The rate determined is the minimum rate which in its judgment, on the basis of prevailing financial market conditions, would permit the sale of the 2003 bonds at par on the determination date, such rate to be the weekly rate for the next rate period. If the remarketing agent fails to make such determination on any determination date, the weekly rate for the next succeeding rate period shall be the rate in effect for the immediately preceding rate period. The effective rate at December 31, 2009 was .27%.

In 2009 the City was awarded a \$6,060,000 Drinking Water Assistance loan, funded through the American Recovery and Reinvestment Act of 2009 for the design and construction of a UV Treatment and Chlorine disinfection Facility. Terms

of the loan provide that at project completion, the lesser of the loan amount less the loan fee or the actual eligible costs less the loan fee will be forgiven. The outstanding balance on this loan at 12/31/09 was \$355,072. The project is scheduled for completion in 2011.

In proprietary funds, unamortized debt issue costs are recorded as deferred charges and bonds are displayed net of premium or discount. Annual interest expense is decreased by amortization of debt premium and increased by the amortization of debt issue costs and discount.

At December 31, 2009, the city has \$262,834 available in debt service funds to service the general bonded debt. Restricted assets in proprietary funds contain \$1,298,061 in sinking funds and reserves as required by bond indentures.

B. Refunded Debt

The city issued \$5,373,000 of general obligation refunding bonds during 2009 to provide resources to purchase U.S. Government and State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments on \$5,075,000 of refunded debt. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net assets. This advance refunding was undertaken to provide greater flexibility in managing the City's Gold Mountain Golf Complex. The refunding extended the repayment period by eight years, reduced annual debt service over the life of the refunded bonds by approximately \$193,500 and resulted in an economic gain of \$52,272.

C. Changes in Long Term Liabilities

During the year ended December 31, 2009, the following changes occurred in long-term liabilities:

	Beginning Balance 1/1/2009	Additions	Reductions	Ending Balance 12/31/2009	Due Within One Year
Governmental Activities:					
Bonds payable:					
General obligation bonds	\$ 22,349,767		\$ 875,582	\$ 21,474,185	\$ 771,500
Revenue bonds	5,404,733		159,918	5,244,815	
Add unamortized premiums	118,382		6,258	112,124	
Less deferred refunding expense	(39,869)	9,568	-	(30,301)	-
Total bonds payable:	27,833,013	9,568	1,041,758	26,800,823	771,500
Claims and judgments	1,618,821	15,343		1,634,164	565,000
Compensated absences	1,500,985	63,607		1,564,592	1,369,929
Governmental activity long-term liabilities:	\$ 30,952,819	\$ 88,518	\$ 1,041,758	\$ 29,999,579	\$ 2,706,429

	Beginning Balance 1/1/2009	Additions	Reductions	Ending Balance 12/31/2009	Due Within One Year
Business-type Activities:					
Bonds payable:					
General obligation bonds	\$ 5,075,000	\$ 5,373,000	\$ 5,075,000	\$ 5,373,000	\$ 105,000
Revenue bonds	4,910,000		320,000	4,590,000	330,000
Less OID on GO bonds	(7,363)	7,363		-	
Less deferred refunding expense	-	6,376	286,935	(280,559)	
Total bonds payable:	<u>9,977,637</u>	<u>5,386,739</u>	<u>5,681,935</u>	<u>9,682,441</u>	<u>435,000</u>
Intergovernmental loans	29,204,414	1,927,019	2,588,096	28,543,337	2,594,679
Note payable	111,233			111,233	
Compensated Absences	<u>437,360</u>	<u>108,042</u>		<u>545,402</u>	<u>442,467</u>
Business-type activity long-term liabilities:	\$ 39,730,644	\$ 7,421,800	\$ 8,270,031	\$ 38,882,413	\$ 3,472,146

The Risk Management and Information Technology internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year end \$1,634,164 of Risk Management claims and judgments and \$30,997 of compensated absences are included in the above amounts.

10. Contingencies, Litigation and Claims

In March 1993, the City entered into an Order on Consent with the Department of Ecology for reduction of combined sewer overflows (CSOs) including separation of combined sanitary and storm sewers. All required improvements were completed at the end of 2009 at a total cost of \$50.3 million.

In 1993 the City also entered into a Consent Decree with the Puget Soundkeeper's Alliance (PSA), a citizens' group authorized to commence an action under the Federal Clean Water Act. Since entering the Consent Decree, PSA and the City were involved in mediation, which has resulted in the acceleration of several CSO projects, and a reordering of the schedule for construction of the remaining projects. Satisfactions of the liabilities under the above Order on Consent and this Consent Decree have been accomplished concurrently.

The Kitsap County Housing Authority issued Variable Rate Demand Revenue Bonds, 2005 in the principal amount of \$22,200,000, which were secured by a letter of credit. The proceeds of those bonds were used to develop the Harborside Condominiums in the City. The County agreed to loan the Housing Authority up to \$22,200,000 plus interest in the event the Housing Authority does not have sufficient funds to reimburse the bank which provided the letter of credit ("LOC") securing those bonds for draws on the LOC. The City entered into an agreement with the Housing Authority and the County pursuant to which the City agreed to loan the Housing Authority up to \$2,000,000 in the event the bank letter of credit was drawn on, the County had lent \$22,200,000 to the Housing Authority to reimburse the bank for draw on the letter of credit and there were not funds available to pay a portion of the bank reimbursement. In 2009, the Housing Authority drew the full amount of the bank letter of credit to repay the bonds, and the Housing Authority and the County entered into an agreement under which the County borrowed money to loan to the Housing Authority to reimburse the bank. The County and the Housing Authority have demanded that the City loan \$2,000,000 to the Housing Authority under its agreement. The City had indicated to the Housing Authority and County that it does not believe that it is obligated to loan up to \$2,000,000 because the terms of the agreement were not followed. Although it is possible a lawsuit might be filed in this matter, the parties are actively working to resolve the matter. The City cannot predict how this matter will be resolved.

The City participates in a number of federal and state assisted programs. These grants are subject to audit by the grantor or their representatives. Such audits could result in requests for reimbursement to grantor agencies for expenditures disallowed under the terms of the grants. Management believes that such disallowances, if any, will be immaterial.

11. Restricted Net Assets

The government-wide statement of net assets reports \$4,730,847 of restricted net assets, all of which is restricted by enabling legislation.

12. Interfund Balances and Transfers

A. Interfund Balances

Interfund balances at December 31, 2009 were as follows:

		Due From							Total
		General Fund	Other Govt	Water	Waste-Water	Golf	Other Prop	Internal Service	
Due To	General Fund	\$ -	\$ 201,848	\$ 66,488	\$ 127,261	\$ 198	\$ 22,434	\$ -	\$ 418,229
	Other governmental funds	165,000	174,045	-	-	-	-	-	339,045
	Water	-	-	-	1,175	-	-	1,405	2,580
	Wastewater	-	-	1,175	-	-	-	-	1,175
	Internal Service	-	-	-	-	-	-	177,062	177,062
Total		\$ 165,000	\$ 375,893	\$ 67,663	\$ 128,436	\$ 198	\$ 22,434	\$ 178,467	\$ 938,091

Interfund balances at year end were a result of outstanding interfund loans as well as amounts due for services provided between funds. Amounts due for services will be liquidated early in 2010. Interfund loans are approved by City Council Resolution and include a repayment date. The following schedule is a summary of loans outstanding at year end including the year of final payment.

Loaned From	Purpose	Yr of final Payment	Loaned To		
			General Fund	Other Govt	Total
Water	Park Land	2025	\$ 197,858	\$ 350,000	\$ 547,858
Internal service	Park Impr	2020	500,000	101,185	601,185
Total			\$ 697,858	\$ 451,185	\$ 1,149,043

B. Interfund Transfers

Interfund transfers at December 31, 2009 were as follows:

		Transfer From						Total
		General Fund	Other Govt	Water	Waste-Water	Other Prop	Internal Service	
Transfer To	General Fund	\$ -	\$ 889,264	\$ 1,004,461	\$ 1,579,797	\$ 244,916	\$ 1,000,000	\$ 4,718,438
	Other governmental funds	994,739	1,355,883	-	346,750	-	-	2,697,372
	Water	-	-	-	-	39,406	-	39,406
	Wastewater	-	-	-	-	1,286,063	-	1,286,063
	Internal Service	-	-	-	155,408	92,000	-	247,408
Total		\$ 994,739	\$ 2,245,147	\$ 1,004,461	\$ 2,081,955	\$ 1,662,385	\$ 1,000,000	\$ 8,988,687

Interfund transfers are the flow of assets without equivalent flows of assets in return and without a requirement for repayment. Generally funds flow between funds with tax or other resources to funds for payment of debt service, capital construction or in support of operations. This category also includes payment in lieu of taxes levied by the General fund on city utility funds that are not payments for, and are not reasonably equivalent in value to, services provided.

There were several significant transfers during 2009. The Contingency Reserve fund transferred \$445,280 of proceeds received from the sale of City property to the General fund for ongoing operations and another \$400,000 of net proceeds from the sale of the West Hills precinct to the Parks Capital Improvement fund to support the parks maintenance building project.

General Government Capital Improvement fund transferred \$346,000 to support the Memorial Plaza and Commons capital improvement program.

The Wastewater fund transferred \$346,750 to the Boardwalk fund to support the Former Chevron Property Cleanup.

The Utility Debt Reserve fund was closed and required bond reserves were transferred to the Water (\$39,406) and Wastewater (\$1,186,063) funds where reserves will be held as restricted assets until outstanding loans are retired.

The Equipment Rental Reserve fund transferred \$1,000,000 of excess reserves to the General fund in support of ongoing operations.

13. Receivable and Payable Balances

A. Receivables

Receivables at December 31, 2009 were as follows:

	Accounts	Taxes	Loans Receivable	Notes Contracts	Due from Other Government	Other	Total
Governmental Activities:							
General Fund	\$ 858,438	\$ 2,300,972	\$ -	\$ -	\$ 136,875	\$ 2,435	\$ 3,298,720
Non-major and other funds	119,135	313,791	\$ 866,812	24,500	228,198	68,461	1,620,897
Reconciliation of balances in fund financial statements to government-wide financial statements	-	-	-	-	-	9,489	9,489
Total governmental activities	\$ 977,573	\$ 2,614,763	\$ 866,812	\$ 24,500	\$ 365,073	\$ 80,385	\$ 4,929,106
Business-Type Activities:							
Water	\$ 1,445,384	-	-	918,937	29,324	\$ 11,350	\$ 2,404,995
Golf	-	-	-	3,372	-	1,770	5,142
Wastewater	2,534,243	-	-	-	126,712	66,927	2,727,882
Non-major and other funds	454,836	-	-	-	1,073	3,526	459,435
Reconciliation of balances in fund financial statements to government-wide financial statements	-	-	-	2,920	-	8,136	11,056
Total business-type activities	\$ 4,434,463	\$ -	\$ -	\$ 925,229	\$ 157,109	\$ 91,709	\$ 5,608,510

B. Payables

Payables at December 31, 2009 were as follows:

	Salaries and		Retainage	Due to Other		Claims/		Total
	Vendors	Benefits		Governments	Judgements	Other		
Governmental Activities:								
General Fund	\$ 520,228	\$ 812,628	\$ -	\$ 512	\$ -	\$ -	\$ -	\$ 1,333,368
Non-major and other funds	356,252	183,848	-	20,213	-	97,382	-	657,695
Reconciliation of balances in fund financial statements to government-wide financial statements	73,792	1,607,730	-	256	1,634,164	\$ 44,855	-	3,360,797
Total governmental activities	\$ 950,272	\$ 2,604,206	\$ -	\$ 20,981	\$ 1,634,164	\$ 142,237	\$ -	\$ 5,351,860
Business-Type Activities:								
Water	\$ 655,895	\$ 397,540	\$ 58,409	\$ 809	\$ -	\$ 118,633	\$ -	\$ 1,231,286
Golf	49,673	1,268	-	-	-	3,817	-	54,758
Wastewater	663,941	338,617	-	1,802	-	145,914	-	1,150,274
Non-major and other funds	14,378	128,698	-	-	-	2,959	-	146,035
Reconciliation of balances in fund financial statements to government-wide financial statements	232,121	140	-	5	-	-	-	232,266
Total business-type activities	\$ 1,616,008	\$ 866,263	\$ 58,409	\$ 2,616	\$ -	\$ 271,323	\$ -	\$ 2,814,619

14. Post Employment Benefits other than Pension

Statement No. 45 of the Governmental Accounting Standards Board, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, establishes standards for reporting of post employment benefits other than pensions for financial statement for periods beginning after December 15, 2007. For the purposes of implementing the requirements of this statement, the year ending 12/31/08 was the transition year.

Plan Description

As required by the Revised Code of Washington (RCW) Chapter 41.26, the City provides lifetime medical care for members of the Law Enforcement Officers and Firefighters (LEOFF) retirement system hired before October 1, 1977 under a defined benefit healthcare plan administered by the City. The members necessary hospital, medical, and nursing care expenses not payable by worker's compensation, social security, insurance provided by another employer, other pension plan, or any other similar source are covered. Most medical coverage for eligible retirees is provided by one of the City's employee medical insurance programs. Under the authorization of the LEOFF Disability Board, direct payment is made for other retiree medical expenses not covered by standard medical plan benefit provisions. Finance reporting for the LEOFF retiree healthcare plan is included in the City's Comprehensive Annual Financial Report.

Funding Policy

Funding for LEOFF retiree healthcare costs is provided entirely by the City as required by RCW. The City's funding policy is based upon pay-as-you-go financing requirements.

Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefit (OPEB) cost is calculated based upon the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period of nineteen years as of September 1, 2006. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and

changes in the City's net OPEB. The net OPEB obligation of (\$280,444) is included as a noncurrent asset on the Statement of Net Assets.

	Fiscal Year Ending 12/31/09
Determination of Annual Required Contribution:	
Amortization of UAAL*	1,352,725
Interest Adjustment to year End	13,460
Annual Required Contribution (ARC)	<u>\$ 1,366,185</u>
Determination of NET OPEB Obligation:	
Annual Required Contribution	\$ 1,366,185
Annual OPEB Cost	\$ 1,366,185
Contributions	(1,446,474)
Change in Net OPEB Obligations	<u>\$ (80,289)</u>
Net OPEB Obligations - beginning of year	\$ (200,155)
Net OPEB Obligations - end of year	<u>\$ (280,444)</u>

* Unfunded Actuarial Accrued Liability (UAAL)

The City's OPEB cost, the percentage OPEB cost contributed to the plan and the net OPEB Assets for 2009 and the preceding year, was as follows:

Fiscal year Ended	Annual OPEB Cost	Contribution as a Percentage of OPEB Cost	Net OPEB Obligation
12/31/2008	\$ 1,142,500	117.50%	\$ (200,155)
12/31/2009	\$ 1,366,185	105.88%	\$ (280,444)

Funded Status and Funding Progress

As of October 1, 2008, the most recent actuarial valuation date, the plan was 0% funded. The accrued liability for benefits was \$21,632,822 and the actuarial value of the assets was \$0 resulting in a UAAL of \$21,632,822.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presented as required supplementary information following the notes to the financial statement, presents multiyear trend information that show whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations.

In the October 1, 2008 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions used included a 3.0% discount rate, which is based upon the long-term investment yield on the investments that are expected to be used to finance payment of benefits. A medical inflation rate of 10% graded to 5% over ten years was used along with a long term care inflation rate of 3.0%.

The UAAL is being amortized on a closed basis at the assumed discount rate. The remaining amortization period at January 1, 2009 was 18.75 years.

15. Budget to GAAP Reconciliation

The following schedule reconciles the amounts on the Combined Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (which are presented on a non-GAAP budgetary basis) to the amounts on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.

Revenues	General Fund
Budgetary Basis	\$ 31,085,141
Receipt of Fund Debt	<u>500,000</u>
GAAP Basis	31,585,141
Expenditures	
Budgetary Basis	33,709,599
Redemption of Fund Debt	<u>(9,362)</u>
GAAP Basis	33,700,237
Beginning Fund Balance	
Budgetary Basis	1,539,436
Fund Debt Outstanding	<u>(207,220)</u>
GAAP Basis	1,332,216
Ending Fund Balance	
Budgetary Basis	2,655,165
Fund Debt Outstanding	<u>(697,858)</u>
GAAP Basis	1,957,307

16. Segment Information

The City operates a utility system providing water, wastewater and stormwater management services to the citizens of Bremerton and a portion of Kitsap County outside city boundaries. Operations are financed by user fees imposed on customers of each utility. The City has issued revenue bonds to finance improvements to its sewer system. While the operations of each utility are accounted for in separate funds, the repayment of the revenue bonds relies on the combined revenues of all three utilities. In addition, the City operates a public golf course whose operations are funded entirely through user fees. With the exception of the combined utility, there are no revenue bonds issued or other revenue-backed debt outstanding for which full, detailed segment data is not provided in the proprietary fund financial statements.

The key financial data for the year ended December 31, 2009 for the combined utility operations are as follows:

Condensed Statement of Net Assets

Assets	
Current assets	\$ 13,633,993
Restricted assets	1,616,639
Capital assets	145,580,414
Other assets	1,339,157
Total assets	<u>162,170,203</u>
Liabilities	
Current liabilities	5,184,159
Payable from restricted assets	25,421
Long-term liabilities	30,806,117
Total liabilities	<u>36,015,697</u>
Net Assets	
Restrict for debt service	1,174,604
Unrestricted	12,644,057
Invested in capital assets net of related debt	112,335,845
Total net assets	<u>\$ 126,154,506</u>

Condensed Statement of Revenues, Expenses and Changes in Net Assets

Total operating revenues	\$ 24,397,012
Operating Expenditures:	
Operations & maintenance	14,519,833
Depreciation/amortization/depletion	4,823,406
Total operating expenses	<u>19,343,239</u>
Operating income(loss)	5,053,773
Non-Operating Revenues/Expenses	
Interest expense (net)	(545,974)
Other (net)	345,388
Total non-operating revenues/expenses	<u>(200,586)</u>
Capital contributions	3,882,290
Transfers	(3,423,332)
Change in net assets	5,312,145
Beginning net assets	120,842,362
Ending net assets	<u>\$ 126,154,507</u>

Condensed Statement of Cash Flows

Net cash provided By:	
(a) Operating activities	\$ 8,987,895
(b) Noncapital financing activities	(3,135,332)
(c) Capital and related financing activities	(13,401,630)
(d) Investing activities	(144,580)
Beginning cash and investment balance	16,539,146
Ending cash and investment balance	<u>\$ 8,845,499</u>

17. Other Disclosures

A. Deficit Fund Balance

The Risk Management internal service fund had a deficit fund balance at December 31, 2009 of \$66,480. 2009 operating income of \$205,789 reduced the deficit from 2008 caused by a significant increase in long term worker's compensation and tort claim projected losses in 2008. The increase in losses payable was attributable to claims incurred during 2007 and 2008. Current claims are covered by contributions from insured funds and are expected to reverse the negative balance in future years.

B. Prior Year Corrections

ERR Adjustment. The 2009 Government-Wide Financial Statements reflect a change in the treatment of the Equipment Rental Reserve internal service fund. Prior to 2009 the assets and operations of the fund were allocated between Government and Business type activities. GASB Statement 34 prescribes that internal service funds should be consolidated in the same activities column as its predominant customers. For 2009 the operations of the ERR fund have been consolidated in the business-type activities column.

Overstatement of depreciation on capital assets. Prior to 2009 assets of the City's utilities were depreciated beyond their useful lives, resulting in an understatement of Capital Assets, net of depreciation, on the fund Statement of Net Assets for Proprietary Funds and the government-wide Statement of Net Assets for Business Type Activities. The correction of the understatement for prior years resulted in an increase of \$5,092,835 to proprietary fund balances.

The corrections for the above adjustments are noted on the following table. Beginning Asset balances in Note 6 to the Financial Statements have also been restated to reflect these corrections.

	Ending Balance 12/31/2008	ERR Adjustment	Depreciation Overstatement	Beginning Balance 1/1/2009
Governmental Activities:				
Capital assets, being depreciated:				
Machinery and equipment	14,736,127	(6,068,120)	-	8,668,007
Less accumulated depreciation for:				
Machinery and equipment	7,358,810	(3,217,814)	-	4,140,996
Business-type Activities:				
Capital assets, being depreciated:				
Machinery and equipment	38,431,725	6,068,120	-	44,499,845
Less accumulated depreciation for:				
Buildings/building improvements	16,172,444	-	(349,873)	15,822,571
Improvement other than buildings	33,456,999	-	(793,270)	32,663,729
Machinery and equipment	21,985,114	3,217,814	(3,949,692)	21,253,236

C. Subsequent Events

On May 28, 2010, the city issued \$6,910,000 in LTGO Taxable Build America Bonds to pay a portion of the costs of (a) constructing two subsurface and two above-grade parking areas for approximately 250 parking stalls to provide multi-use parking for Puget Sound Naval Shipyard daytime workers, downtown Harborside retail, businesses and visitors to Memorial Plaza and Harborside Fountain Park (the "Revitalization Area Project"), (b) renovating Lions Park and (c) purchasing and renovating a building to be used as a municipal courthouse. The bonds bear interest rates from 3.203 to 6.129 percent and will be redeemed over the next twenty five years. The City expects to pay a portion of the costs of the Revitalization Area Project from money received under the State's Local Revitalization Financing (LRF) program.

Under RCW 82.14.505 and .510, a sales and use tax may be imposed by qualifying jurisdictions for certain projects. The City has received approval from the State Department of Revenue to collect an LRF tax beginning July 1, 2010 to pay for improvements in the City's designated revitalization area. The City expects to receive an amount of not more than \$330,000 annually from the LRF tax to pay debt service on the portion of the Bonds issued for the Revitalization Area Project. The City has pledged the revenue from this LRF tax to the repayment of the portion of the Bonds funding the Revitalization Area Project. The City anticipates using a portion of its Real Estate Excise Tax to repay a portion of the debt service on the Bonds used for the Park and Courthouse Projects.

**Required Supplementary Information
LEOFF 1 Retiree Medical Benefits
Schedule of Funding Progress**

Fiscal Year <u>Ended</u>	Actuarial Value of <u>Assets</u>	Actuarial Accrued Liability Unit <u>Cost</u>	Unfunded Actuarial Accrued Liabilities <u>(UAAL)</u>	Funded <u>Ratio</u>	Covered <u>Payroll</u>	UAAL as a Percentage of Covered <u>Payroll</u>	
12/31/2008	\$	-	\$ 16,191,238	\$ 16,191,238	0.0%	\$ 673,125	2405.38%
12/31/2009	\$	-	\$ 21,632,822	\$ 21,632,822	0.0%	\$ 461,567	4686.82%

Combining Balance Sheet
Nonmajor Governmental Funds
 December 31, 2009

	Special Revenue						
	Arterial Street	Street	Contingency Reserve	Civic Improvement	Parking System	Community Block Grant	Abatement Revolving
Assets							
Cash & investments	\$ 1,760,374	\$ 382,569	\$ 1,250,208	\$ 29,232	\$ 306,846	\$ 475,015	\$ 237,875
Deposits with fiscal agent	-	-	-	-	-	-	-
External receivables	119,504	111,666	-	21,158	8,508	-	-
Due from other funds	-	-	-	-	-	-	-
Due from other governments	13,085	131	-	-	-	90,274	-
Inventories	-	27,110	-	-	-	-	-
Notes/contracts - deferred	-	-	-	-	-	866,812	-
Total assets	\$ 1,892,963	\$ 521,476	\$ 1,250,208	\$ 50,390	\$ 315,354	\$ 1,432,101	\$ 237,875
Liabilities and Fund Balances							
Liabilities:							
Claims/contracts payable	\$ 5,927	\$ 56,329	\$ -	\$ 11,874	\$ 18,033	\$ 50,731	\$ -
Matured long term obligations	-	-	-	-	-	-	-
Due to other funds	-	316,184	-	-	-	5,164	-
Due to other governments	-	-	-	-	-	-	-
Employee wages payable	10,330	45,924	-	-	150	6,239	-
Other current liabilities	60,647	-	-	-	-	-	-
Deferred revenues	-	-	-	-	-	866,812	-
Total liabilities	76,904	418,437	-	11,874	18,183	928,946	-
Fund balances:							
Reserved for:							
Inventories	-	27,110	-	-	-	-	-
Paths and trails	-	59,306	-	-	-	-	-
Equipment replacement	-	-	-	-	-	-	-
Unreserved, reported in:							
Debt service funds	-	-	-	-	-	-	-
Special revenue funds	1,816,059	16,623	1,250,208	38,516	297,171	503,155	237,875
Capital projects funds	-	-	-	-	-	-	-
Total fund balances	1,816,059	103,039	1,250,208	38,516	297,171	503,155	237,875
Total liabilities and fund balances	\$ 1,892,963	\$ 521,476	\$ 1,250,208	\$ 50,390	\$ 315,354	\$ 1,432,101	\$ 237,875

**Combining Balance Sheet
Nonmajor Governmental Funds**

December 31, 2009

Page 2 of 3

	Special Revenue					Special Revenue Total	Bond Fund
	Police Special Projects	BKAT	Gift & Donation	Trial Improvement	One Percent For Art		
Assets							
Cash & investments	\$ 1,165,713	\$ 4,161	\$ 76,784	\$ 60,754	\$ 62,229	\$ 571,353	\$ 260,178
Deposits with fiscal agent	-	-	-	-	-	-	-
External receivables	-	62,849	-	-	-	54,169	53,770
Due from other funds	-	-	-	-	24,045	-	-
Due from other governments	-	-	-	-	-	-	-
Inventories	-	-	-	-	-	22,845	-
Notes/contracts - deferred	-	-	-	-	-	-	-
Total assets	\$ 1,165,713	\$ 67,010	\$ 76,784	\$ 60,754	\$ 86,274	\$ 648,367	\$ 313,948
Liabilities and Fund Balances							
Liabilities:							
Claims/contracts payable	\$ 2,958	\$ 1,352	\$ -	\$ -	\$ 7,668	\$ 82,464	\$ -
Matured long term obligations	-	-	-	-	-	-	-
Due to other funds	-	20,000	500	-	-	-	-
Due to other governments	-	-	-	-	-	19,337	-
Employee wages payable	4,230	6,829	-	-	660	58,743	-
Other current liabilities	-	-	-	-	-	36,735	-
Deferred revenues	-	-	-	-	-	-	51,114
Total liabilities	7,188	28,181	500	-	8,328	197,279	51,114
Fund balances:							
Reserved for:							
Inventories	-	-	-	-	-	22,845	-
Paths and trails	-	-	-	-	-	-	-
Equipment replacement	115,199	-	-	-	-	126,298	-
Unreserved, reported in:							
Debt service funds	-	-	-	-	-	-	262,834
Special revenue funds	1,043,326	38,829	76,284	60,754	77,946	301,945	-
Capital projects funds	-	-	-	-	-	-	-
Total fund balances	1,158,525	38,829	76,284	60,754	77,946	451,088	262,834
Total liabilities and fund balances	\$ 1,165,713	\$ 67,010	\$ 76,784	\$ 60,754	\$ 86,274	\$ 648,367	\$ 313,948

**Combining Balance Sheet
Nonmajor Governmental Funds**

December 31, 2009

Page 3 of 3

	Capital Projects							Total Governmental Funds
	Public Safety Project	Harborside Plaza	General Govt Cap Impr	Parks Construction	Boardwalk Project	Capital Projects		
						Total	Nonmajor Governmental Funds	
Assets								
Cash & investments	\$ 1,046,155	\$ 280,586	\$ 2,203	\$ 616,963	\$ 290,707	\$ 2,236,614	\$	\$ 8,879,905
Deposits with fiscal agent	-	-	-	-	-	-	-	-
External receivables	-	-	63,979	-	12,327	76,306	-	507,930
Due from other funds	-	-	315,000	-	-	315,000	-	339,045
Due from other governments	-	64,167	6,795	23,454	30,291	124,707	-	228,197
Inventories	-	-	-	-	-	-	-	49,955
Notes/contracts - deferred	-	-	-	-	-	-	-	866,812
Total assets	<u>\$ 1,046,155</u>	<u>\$ 344,753</u>	<u>\$ 387,977</u>	<u>\$ 640,417</u>	<u>\$ 333,325</u>	<u>\$ 2,752,627</u>	<u>\$</u>	<u>\$ 10,871,844</u>
Liabilities and Fund Balances								
Liabilities:								
Claims/contracts payable	\$ 1,901	\$ 19,983	\$ 3,736	\$ -	\$ 93,296	\$ 118,916	\$	\$ 356,252
Matured long term obligations	-	-	-	-	-	-	-	-
Due to other funds	-	24,045	360,000	101,185	-	485,230	-	827,078
Due to other governments	-	-	-	-	-	-	-	19,337
Employee wages payable	55	48,807	-	731	2,027	51,620	-	184,725
Other current liabilities	-	-	-	-	-	-	-	97,382
Deferred revenues	-	-	-	-	-	-	-	917,926
Total liabilities	<u>1,956</u>	<u>92,835</u>	<u>363,736</u>	<u>101,916</u>	<u>95,323</u>	<u>655,766</u>	<u>\$</u>	<u>2,402,700</u>
Fund balances:								
Reserved for:								
Inventories	-	-	-	-	-	-	-	49,955
Paths and trails	-	-	-	-	-	-	-	59,306
Equipment replacement	-	-	-	-	-	-	-	241,497
Unreserved, reported in:								
Debt service funds	-	-	-	-	-	-	-	262,834
Special revenue funds	-	-	-	-	-	-	-	5,758,691
Capital projects funds	1,044,199	251,918	24,241	538,501	238,002	2,096,861	2,096,861	8,469,144
Total fund balances	<u>1,044,199</u>	<u>251,918</u>	<u>24,241</u>	<u>538,501</u>	<u>238,002</u>	<u>2,096,861</u>	<u>\$</u>	<u>8,469,144</u>
Total liabilities and fund balances	<u>\$ 1,046,155</u>	<u>\$ 344,753</u>	<u>\$ 387,977</u>	<u>\$ 640,417</u>	<u>\$ 333,325</u>	<u>\$ 2,752,627</u>	<u>\$</u>	<u>\$ 10,871,844</u>

**Combining Statement of Revenues, Expenditures
and Changes in Fund Balances**
Nonmajor Governmental Funds
For the Year Ended December 31, 2009

	Special Revenue									
	Arterial Street	Street	Contingency Reserve	Civic Improvement	Parking System	Community Block Grant	Abatement Revolving	Police Special Projects		
Revenues										
Taxes	\$ -	\$ 311,374	\$ -	\$ 362,410	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-	-	-	-
Intergovernmental	219,952	643,275	-	-	-	633,253	-	-	-	147,484
Charges for services	52,508	509,106	-	-	500	92,138	17,128	-	-	-
Fines and forfeits	-	-	-	-	399,274	-	-	-	-	44,484
Miscellaneous	29,561	75,056	14,089	404	906,089	20,779	2,620	-	-	150,184
Total revenues	301,821	1,538,811	14,089	362,814	1,305,863	746,170	19,748	-	-	342,152
Expenditures										
Current										
General government	-	275,376	-	-	-	-	-	-	-	-
Public safety	-	56,370	-	-	-	-	-	-	-	261,670
Utilities and environment	-	-	-	-	-	-	-	-	-	-
Transportation	308,851	2,135,677	-	-	546,370	-	-	-	-	-
Economic environment	-	-	-	29,997	-	673,791	-	-	-	-
Mental/physical health	-	-	-	-	-	-	4,245	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-	-	-
Debt service:	-	22,669	-	150,000	-	-	-	-	-	-
Principal	-	-	-	-	-	-	-	-	-	-
Interest and other debt issue costs	-	-	-	-	-	-	-	-	-	-
Capital	208,976	6,485	-	-	-	-	-	-	-	-
Total expenditures	517,827	2,496,577	-	179,997	546,370	673,791	4,245	-	-	261,670
Excess (deficiency) of revenues over expenditures	(216,006)	(957,766)	14,089	182,817	759,493	72,379	15,503	-	-	80,482
Other Financing Sources (Uses)										
Fixed asset donations & disposal	-	-	-	-	-	-	-	-	-	-
Insurance Recoveries	-	451	396,484	-	-	-	-	-	-	-
Transfers in	-	960,000	-	-	-	29,939	-	-	-	-
Transfers out	-	-	(951,000)	(165,000)	(462,485)	(39,562)	-	-	-	(16,100)
Total other financing sources and uses	-	960,451	(554,516)	(165,000)	(462,485)	(9,623)	-	-	-	(16,100)
Other Changes in Fund Balance										
Change in reserves for inventory	-	-	-	-	-	-	-	-	-	-
Net change in fund balances	(216,006)	2,685	(540,427)	17,817	297,008	62,756	15,503	-	-	64,382
Fund balances-beginning	2,032,065	100,354	1,790,635	20,699	163	440,399	222,372	-	-	1,094,143
Prior period adjustments	-	-	-	-	-	-	-	-	-	-
Fund balances-ending	\$ 1,816,059	\$ 103,039	\$ 1,250,208	\$ 38,516	\$ 297,171	\$ 503,155	\$ 237,875	\$ -	\$ -	\$ 1,158,525

**Combining Statement of Revenues, Expenditures
and Changes in Fund Balances**
Nonmajor Governmental Funds
For the Year Ended December 31, 2009

	BKAT	Special Revenue					Total	Conference Ctr Operations	Bond Fund
		Gift & Donation	Trial Improvement	One Percent For Art					
Revenues									
Taxes	\$ 918	\$ -	\$ -	\$ -	\$ -	\$ 674,702	\$ -	\$ 865,448	
Licenses and permits	-	-	-	-	-	242,442	-	-	
Intergovernmental	-	-	17,667	-	-	1,661,631	-	-	
Charges for services	-	-	-	243	-	2,189,931	1,429,636	-	
Fines and forfeits	-	-	-	-	-	443,758	-	-	
Miscellaneous	-	-	497	-	-	1,246,553	7,855	7,743	
Total revenues	332,848	13,924	18,164	25,122	-	6,459,017	1,437,491	873,191	
Expenditures									
Current									
General government	-	7,122	-	-	-	282,498	-	-	
Public safety	-	7,022	-	-	-	325,062	-	-	
Utilities and environment	-	-	-	-	-	-	-	-	
Transportation	-	-	-	-	-	2,990,898	-	-	
Economic environment	-	-	-	-	-	708,033	-	-	
Mental/physical health	-	-	-	-	-	-	-	-	
Culture and recreation	-	-	-	-	-	-	-	-	
Debt service:	247,092	1,022	-	8,491	-	1,741,409	1,312,135	-	
Principal	-	-	-	-	-	-	-	908,000	
Interest and other debt issue costs	-	-	-	-	-	-	-	649,956	
Capital	64,758	-	-	22,964	-	310,549	7,566	-	
Total expenditures	311,850	15,166	-	31,455	-	6,358,449	1,319,501	1,557,956	
Excess (deficiency) of revenues over expenditures	20,998	(1,242)	18,164	(6,333)	-	100,568	117,990	(684,765)	
Other Financing Sources (Uses)									
Fixed asset donations & disposal	-	-	-	-	-	396,484	-	-	
Insurance Recoveries	-	-	-	-	-	451	-	-	
Transfers in	-	-	-	10,000	-	1,204,939	205,000	357,285	
Transfers out	(25,000)	-	-	-	-	(1,659,147)	-	-	
Total other financing sources and uses	(25,000)	-	-	10,000	-	(57,273)	205,000	357,285	
Other Changes in Fund Balance									
Change in reserves for inventory	-	-	-	-	-	-	-	-	
Net change in fund balances	(4,002)	(1,242)	18,164	3,667	-	43,295	322,990	(327,480)	
Fund balances-beginning	-	42,831	77,526	74,279	-	6,066,154	128,098	590,314	
Prior period adjustments	-	-	-	-	-	-	-	-	
Fund balances-ending	\$ 38,829	\$ 76,284	\$ 60,754	\$ 77,946	\$ -	\$ 6,109,449	\$ 451,088	\$ 262,834	

Arterial Street Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual

For the Year Ended December 31, 2009

	Original Budget 2009	Final Budget 2009	Actual 2009	Variance with Final Budget Positive (Negative)
Revenues				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Sales	-	-	-	-
Other	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	452,347	452,347	219,952	(232,395)
Charges for services	20,000	20,000	52,508	32,508
Fines and forfeitures	-	-	-	-
Miscellaneous	81,761	81,761	29,361	(52,400)
Total revenues	<u>554,108</u>	<u>554,108</u>	<u>301,821</u>	<u>(252,287)</u>
Expenditures				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Utilities and environment	-	-	-	-
Transportation	65,493	65,493	308,851	(243,358)
Economic environment	-	-	-	-
Mental/physical health	-	-	-	-
Culture and recreation	-	-	-	-
Debt service principal	-	-	-	-
Interest and other debt svc costs	-	-	-	-
Capital	623,615	623,615	208,976	414,639
Total expenditures	<u>689,108</u>	<u>689,108</u>	<u>517,827</u>	<u>171,281</u>
Excess (deficiency) of revenues over expenditures	<u>(135,000)</u>	<u>(135,000)</u>	<u>(216,006)</u>	<u>(81,006)</u>
Other Financing Sources(Uses)				
Proceeds of long term debt	-	-	-	-
Fixed asset donation and disposal	-	-	-	-
Insurance Recoveries	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing source (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other Changes in Fund Balance				
Changes in reserves for inventory	-	-	-	-
Net change in fund balances	(135,000)	(135,000)	(216,006)	(81,006)
Fund balances-beginning	4,988,501	4,988,501	2,032,065	(2,956,436)
Prior period adjustments	-	-	-	-
Fund balances-ending	<u>\$ 4,853,501</u>	<u>\$ 4,853,501</u>	<u>\$ 1,816,059</u>	<u>\$ (3,037,442)</u>

Street Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual

For the Year Ended December 31, 2009

	Original Budget 2009	Final Budget 2009	Actual 2009	Variance with Final Budget Positive (Negative)
Revenues				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Sales	-	-	-	-
Other	300,000	300,000	311,374	11,374
Licenses and permits	-	-	-	-
Intergovernmental	690,000	690,000	643,275	(46,725)
Charges for services	383,450	383,450	509,106	125,656
Fines and forfeitures	-	-	-	-
Miscellaneous	196,500	196,500	75,056	(121,444)
Total revenues	<u>1,569,950</u>	<u>1,569,950</u>	<u>1,538,811</u>	<u>(31,139)</u>
Expenditures				
Current				
General government	383,618	383,618	275,376	108,242
Public safety	85,424	85,424	56,370	29,054
Utilities and environment	-	-	-	-
Transportation	2,278,792	2,278,792	2,135,677	143,115
Economic environment	-	-	-	-
Mental/physical health	-	-	-	-
Culture and recreation	22,740	22,740	22,669	71
Debt service principal	-	-	-	-
Interest and other debt svc costs	-	-	-	-
Capital	40,000	40,000	6,485	33,515
Total expenditures	<u>2,810,574</u>	<u>2,810,574</u>	<u>2,496,577</u>	<u>313,997</u>
Excess (deficiency) of revenues over expenditures	<u>(1,240,624)</u>	<u>(1,240,624)</u>	<u>(957,766)</u>	<u>282,858</u>
Other Financing Sources(Uses)				
Proceeds of long term debt	-	-	-	-
Fixed asset donation and disposal	-	-	-	-
Insurance Recoveries	-	-	451	451
Transfers in	1,273,000	1,273,000	960,000	(313,000)
Transfers out	-	-	-	-
Total other financing source (uses)	<u>1,273,000</u>	<u>1,273,000</u>	<u>960,451</u>	<u>(312,549)</u>
Other Changes in Fund Balance				
Changes in reserves for inventory	-	-	-	-
Net change in fund balances	32,376	32,376	2,685	(29,691)
Fund balances-beginning	4,809	4,809	100,354	95,545
Prior period adjustments	-	-	-	-
Fund balances-ending	<u>\$ 37,185</u>	<u>\$ 37,185</u>	<u>\$ 103,039</u>	<u>\$ 65,854</u>

Contingency Reserve Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual

For the Year Ended December 31, 2009

	Original Budget 2009	Final Budget 2009	Actual 2009	Variance with Final Budget Positive (Negative)
Revenues				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Sales	-	-	-	-
Other	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Miscellaneous	50,000	15,000	14,089	(911)
Total revenues	<u>50,000</u>	<u>15,000</u>	<u>14,089</u>	<u>(911)</u>
Expenditures				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Utilities and environment	-	-	-	-
Transportation	-	-	-	-
Economic environment	-	-	-	-
Mental/physical health	-	-	-	-
Culture and recreation	-	-	-	-
Debt service principal	-	-	-	-
Interest and other debt svc costs	-	-	-	-
Capital	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>50,000</u>	<u>15,000</u>	<u>14,089</u>	<u>(911)</u>
Other Financing Sources(Uses)				
Proceeds of long term debt	-	-	-	-
Fixed asset donation and disposal	-	400,000	396,484	(3,516)
Insurance Recoveries	-	-	-	-
Transfers in	-	-	-	-
Transfers out	(855,720)	(951,000)	(951,000)	-
Total other financing source (uses)	<u>(855,720)</u>	<u>(551,000)</u>	<u>(554,516)</u>	<u>(3,516)</u>
Other Changes in Fund Balance				
Changes in reserves for Inventory	-	-	-	-
Net change in fund balances	(805,720)	(536,000)	(540,427)	(4,427)
Fund balances-beginning	1,810,000	1,790,635	1,790,635	-
Prior period adjustments	-	-	-	-
Fund balances-ending	<u>\$ 1,004,280</u>	<u>\$ 1,254,635</u>	<u>\$ 1,250,208</u>	<u>\$ (4,427)</u>

Civic Improvement Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual

For the Year Ended December 31, 2009

	Original Budget 2009	Final Budget 2009	Actual 2009	Variance with Final Budget Positive (Negative)
Revenues				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Sales	335,000	335,000	362,410	27,410
Other	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Miscellaneous	2,000	2,000	404	(1,596)
Total revenues	<u>337,000</u>	<u>337,000</u>	<u>362,814</u>	<u>25,814</u>
Expenditures				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Utilities and environment	-	-	-	-
Transportation	-	-	-	-
Economic environment	30,000	30,000	29,997	3
Mental/physical health	-	-	-	-
Culture and recreation	135,000	135,000	150,000	(15,000)
Debt service principal	-	-	-	-
Interest and other debt svc costs	-	-	-	-
Capital	-	-	-	-
Total expenditures	<u>165,000</u>	<u>165,000</u>	<u>179,997</u>	<u>(14,997)</u>
Excess (deficiency) of revenues over expenditures	<u>172,000</u>	<u>172,000</u>	<u>182,817</u>	<u>10,817</u>
Other Financing Sources(Uses)				
Proceeds of long term debt	-	-	-	-
Fixed asset donation and disposal	-	-	-	-
Insurance Recoveries	-	-	-	-
Transfers in	-	-	-	-
Transfers out	(180,000)	(180,000)	(165,000)	15,000
Total other financing source (uses)	<u>(180,000)</u>	<u>(180,000)</u>	<u>(165,000)</u>	<u>15,000</u>
Other Changes in Fund Balance				
Changes in reserves for inventory	-	-	-	-
Net change in fund balances	(8,000)	(8,000)	17,817	25,817
Fund balances-beginning	23,890	23,890	20,699	(3,191)
Prior period adjustments	-	-	-	-
Fund balances-ending	<u>\$ 15,890</u>	<u>\$ 15,890</u>	<u>\$ 38,516</u>	<u>\$ 22,626</u>

Parking System Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual

For the Year Ended December 31, 2009

	Original Budget 2009	Final Budget 2009	Actual 2009	Variance with Final Budget Positive (Negative)
Revenues				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Sales	-	-	-	-
Other	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	1,500	1,500	500	(1,000)
Fines and forfeitures	357,000	357,000	399,274	42,274
Miscellaneous	1,313,500	1,313,500	906,089	(407,411)
Total revenues	<u>1,672,000</u>	<u>1,672,000</u>	<u>1,305,863</u>	<u>(366,137)</u>
Expenditures				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Utilities and environment	-	-	-	-
Transportation	583,304	583,304	546,370	36,934
Economic environment	-	-	-	-
Mental/physical health	-	-	-	-
Culture and recreation	-	-	-	-
Debt service principal	-	-	-	-
Interest and other debt svc costs	-	-	-	-
Capital	60,000	60,000	-	60,000
Total expenditures	<u>643,304</u>	<u>643,304</u>	<u>546,370</u>	<u>96,934</u>
Excess (deficiency) of revenues over expenditures	<u>1,028,696</u>	<u>1,028,696</u>	<u>759,493</u>	<u>(269,203)</u>
Other Financing Sources(Uses)				
Proceeds of long term debt	-	-	-	-
Fixed asset donation and disposal	-	-	-	-
Insurance Recoveries	-	-	-	-
Transfers in	-	-	-	-
Transfers out	(939,450)	(939,450)	(462,484)	476,966
Total other financing source (uses)	<u>(939,450)</u>	<u>(939,450)</u>	<u>(462,484)</u>	<u>476,966</u>
Other Changes in Fund Balance				
Changes in reserves for inventory	-	-	-	-
Net change in fund balances	89,246	89,246	297,009	207,763
Fund balances-beginning	5,007	5,007	163	(4,844)
Prior period adjustments	-	-	-	-
Fund balances-ending	<u>\$ 94,253</u>	<u>\$ 94,253</u>	<u>\$ 297,172</u>	<u>\$ 202,919</u>

Community Development Block Grant Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual

For the Year Ended December 31, 2009

	Original Budget 2009	Final Budget 2009	Actual 2009	Variance with Final Budget Positive (Negative)
Revenues				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Sales	-	-	-	-
Other	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	1,224,709	1,224,709	633,253	(591,456)
Charges for services	21,483	21,483	92,138	70,655
Fines and forfeitures	-	-	-	-
Miscellaneous	13,007	13,007	20,779	7,772
Total revenues	<u>1,259,199</u>	<u>1,259,199</u>	<u>746,170</u>	<u>(513,029)</u>
Expenditures				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Utilities and environment	-	-	-	-
Transportation	-	-	-	-
Economic environment	1,234,879	1,234,879	673,791	561,088
Mental/physical health	-	-	-	-
Culture and recreation	-	-	-	-
Debt service principal	-	-	-	-
Interest and other debt svc costs	-	-	-	-
Capital	-	-	-	-
Total expenditures	<u>1,234,879</u>	<u>1,234,879</u>	<u>673,791</u>	<u>561,088</u>
Excess (deficiency) of revenues over expenditures	<u>24,320</u>	<u>24,320</u>	<u>72,379</u>	<u>48,059</u>
Other Financing Sources(Uses)				
Proceeds of long term debt	-	-	-	-
Fixed asset donation and disposal	-	-	-	-
Insurance Recoveries	-	-	-	-
Transfers in	34,816	34,816	29,939	(4,877)
Transfers out	(58,000)	(58,000)	(39,562)	18,438
Total other financing sources (uses)	<u>(23,184)</u>	<u>(23,184)</u>	<u>(9,623)</u>	<u>13,561</u>
Other Changes in Fund Balance				
Changes in reserves for inventory	-	-	-	-
Net change in fund balances	1,136	1,136	62,756	61,620
Fund balances-beginning	435,468	435,468	440,399	4,931
Prior period adjustments	-	-	-	-
Fund balances-ending	<u>\$ 436,604</u>	<u>\$ 436,604</u>	<u>\$ 503,155</u>	<u>\$ 66,551</u>

Abatement Revolving Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual

For the Year Ended December 31, 2009

	Original Budget 2009	Final Budget 2009	Actual 2009	Variance with Final Budget Positive (Negative)
Revenues				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Sales	-	-	-	-
Other	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	12,000	12,000	17,128	5,128
Fines and forfeitures	-	-	-	-
Miscellaneous	2,500	2,500	2,620	120
Total revenues	<u>14,500</u>	<u>14,500</u>	<u>19,748</u>	<u>5,248</u>
Expenditures				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Utilities and environment	-	-	-	-
Transportation	-	-	-	-
Economic environment	32,000	32,000	4,245	27,755
Mental/physical health	-	-	-	-
Culture and recreation	-	-	-	-
Debt service principal	-	-	-	-
Interest and other debt svc costs	-	-	-	-
Capital	-	-	-	-
Total expenditures	<u>32,000</u>	<u>32,000</u>	<u>4,245</u>	<u>27,755</u>
Excess (deficiency) of revenues over expenditures	<u>(17,500)</u>	<u>(17,500)</u>	<u>15,503</u>	<u>33,003</u>
Other Financing Sources(Uses)				
Proceeds of long term debt	-	-	-	-
Fixed asset donation and disposal	-	-	-	-
Insurance Recoveries	-	-	-	-
Transfers in	17,500	17,500	-	(17,500)
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>17,500</u>	<u>17,500</u>	<u>-</u>	<u>(17,500)</u>
Other Changes in Fund Balance				
Changes in reserves for inventory	-	-	-	-
Net change in fund balances	-	-	15,503	15,503
Fund balances- balances-beginning	183,041	183,041	222,372	39,331
Prior period adjustments	-	-	-	-
Fund balances- balances-ending	<u>\$ 183,041</u>	<u>\$ 183,041</u>	<u>\$ 237,875</u>	<u>\$ 54,834</u>

Police Special Projects Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual

For the Year Ended December 31, 2009

	Original Budget 2009	Final Budget 2009	Actual 2009	Variance with Final Budget Positive (Negative)
Revenues				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Sales	-	-	-	-
Other	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	147,484	147,484
Charges for services	-	-	-	-
Fines and forfeitures	38,000	38,000	44,484	6,484
Miscellaneous	115,000	115,000	150,184	35,184
Total revenues	<u>153,000</u>	<u>153,000</u>	<u>342,152</u>	<u>189,152</u>
Expenditures				
Current				
General government	-	-	-	-
Public safety	326,732	326,732	261,670	65,062
Utilities and environment	-	-	-	-
Transportation	-	-	-	-
Economic environment	-	-	-	-
Mental/physical health	-	-	-	-
Culture and recreation	-	-	-	-
Debt service principal	-	-	-	-
Interest and other debt svc costs	-	-	-	-
Capital	52,000	52,000	-	52,000
Total expenditures	<u>378,732</u>	<u>378,732</u>	<u>261,670</u>	<u>117,062</u>
Excess (deficiency) of revenues over expenditures	<u>(225,732)</u>	<u>(225,732)</u>	<u>80,482</u>	<u>306,214</u>
Other Financing Sources(Uses)				
Proceeds of long term debt	-	-	-	-
Fixed asset donation and disposal	-	-	-	-
Insurance Recoveries	-	-	-	-
Transfers in	-	-	-	-
Transfers out	(16,100)	(16,100)	(16,100)	-
Total other financing sources (uses)	<u>(16,100)</u>	<u>(16,100)</u>	<u>(16,100)</u>	<u>-</u>
Other Changes in Fund Balance				
Changes in reserves for inventory	-	-	-	-
Net change in fund balances	(241,832)	(241,832)	64,382	306,214
Fund balances- balances-beginning	452,549	452,549	1,094,143	641,594
Prior period adjustments	-	-	-	-
Fund balances- balances-ending	<u>\$ 210,717</u>	<u>\$ 210,717</u>	<u>\$ 1,158,525</u>	<u>\$ 947,808</u>

Public Access TV Operations Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual

For the Year Ended December 31, 2009

	Original Budget 2009	Final Budget 2009	Actual 2009	Variance with Final Budget Positive (Negative)
Revenues				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Sales	-	-	-	-
Other	44,240	44,240	918	(43,322)
Licenses and permits	252,000	252,000	242,442	(9,558)
Intergovernmental	-	-	-	-
Charges for services	92,900	92,900	88,672	(4,228)
Fines and forfeitures	-	-	-	-
Miscellaneous	12,500	12,500	816	(11,684)
Total revenues	<u>401,640</u>	<u>401,640</u>	<u>332,848</u>	<u>(68,792)</u>
Expenditures				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Utilities and environment	-	-	-	-
Transportation	-	-	-	-
Economic environment	-	-	-	-
Mental/physical health	-	-	-	-
Culture and recreation	278,357	278,357	247,092	31,265
Debt service principal	-	-	-	-
Interest and other debt svc costs	-	-	-	-
Capital	108,000	108,000	64,758	43,242
Total expenditures	<u>386,357</u>	<u>386,357</u>	<u>311,850</u>	<u>74,507</u>
Excess (deficiency) of revenues over expenditures	<u>15,283</u>	<u>15,283</u>	<u>20,998</u>	<u>5,715</u>
Other Financing Sources(Uses)				
Proceeds of long term debt	-	-	-	-
Fixed asset donation and disposal	-	-	-	-
Insurance Recoveries	-	-	-	-
Transfers in	-	-	-	-
Transfers out	(25,000)	(25,000)	(25,000)	-
Total other financing sources (uses)	<u>(25,000)</u>	<u>(25,000)</u>	<u>(25,000)</u>	<u>-</u>
Other Changes in Fund Balance				
Changes in reserves for inventory	-	-	-	-
Net change in fund balances	(9,717)	(9,717)	(4,002)	5,715
Fund balances- balances-beginning	13,854	13,854	42,831	28,977
Prior period adjustments	-	-	-	-
Fund balances- balances-ending	<u>\$ 4,137</u>	<u>\$ 4,137</u>	<u>\$ 38,829</u>	<u>\$ 34,692</u>

Gift and Donation Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual

For the Year Ended December 31, 2009

	Original Budget 2009	Final Budget 2009	Actual 2009	Variance with Final Budget Positive (Negative)
Revenues				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Sales	-	-	-	-
Other	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	3,500	3,500	-	(3,500)
Fines and forfeitures	-	-	-	-
Miscellaneous	36,100	36,100	13,924	(22,176)
Total revenues	<u>39,600</u>	<u>39,600</u>	<u>13,924</u>	<u>(25,676)</u>
Expenditures				
Current				
General government	6,000	6,000	7,122	(1,122)
Public safety	15,032	15,032	7,022	8,010
Utilities and environment	-	-	-	-
Transportation	-	-	-	-
Economic environment	-	-	-	-
Mental/physical health	-	-	-	-
Culture and recreation	18,000	18,000	1,022	16,978
Debt service principal	-	-	-	-
Interest and other debt svc costs	-	-	-	-
Capital	-	-	-	-
Total expenditures	<u>39,032</u>	<u>39,032</u>	<u>15,166</u>	<u>23,866</u>
Excess (deficiency) of revenues over expenditures	<u>568</u>	<u>568</u>	<u>(1,242)</u>	<u>(1,810)</u>
Other Financing Sources(Uses)				
Proceeds of long term debt	-	-	-	-
Fixed asset donation and disposal	-	-	-	-
Insurance Recoveries	-	-	-	-
Transfers in	-	-	-	-
Transfers out	(10,000)	(10,000)	-	10,000
Total other financing sources (uses)	<u>(10,000)</u>	<u>(10,000)</u>	<u>-</u>	<u>10,000</u>
Other Changes in Fund Balance				
Changes in reserves for inventory	-	-	-	-
Net change in fund balances	(9,432)	(9,432)	(1,242)	8,190
Fund balances- balances-beginning	41,261	41,261	77,526	36,265
Prior period adjustments	-	-	-	-
Fund balances- balances-ending	<u>\$ 31,829</u>	<u>\$ 31,829</u>	<u>\$ 76,284</u>	<u>\$ 44,455</u>

Trial Improvement Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual

For the Year Ended December 31, 2009

	Original Budget 2009	Final Budget 2009	Actual 2009	Variance with Final Budget Positive (Negative)
Revenues				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Sales	-	-	-	-
Other	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	24,000	24,000	17,667	(6,333)
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Miscellaneous	-	-	497	497
Total revenues	<u>24,000</u>	<u>24,000</u>	<u>18,164</u>	<u>(5,836)</u>
Expenditures				
Current				
General government	50,000	50,000	-	50,000
Public safety	-	-	-	-
Utilities and environment	-	-	-	-
Transportation	-	-	-	-
Economic environment	-	-	-	-
Mental/physical health	-	-	-	-
Culture and recreation	-	-	-	-
Debt service principal	-	-	-	-
Interest and other debt svc costs	-	-	-	-
Capital	-	-	-	-
Total expenditures	<u>50,000</u>	<u>50,000</u>	<u>0</u>	<u>50,000</u>
Excess (deficiency) of revenues over expenditures	<u>(26,000)</u>	<u>(26,000)</u>	<u>18,164</u>	<u>44,164</u>
Other Financing Sources(Uses)				
Proceeds of long term debt	-	-	-	-
Fixed asset donation and disposal	-	-	-	-
Insurance Recoveries	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other Changes in Fund Balance				
Changes in reserves for inventory	-	-	-	-
Net change in fund balances	(26,000)	(26,000)	18,164	44,164
Fund balances- balances-beginning	26,671	26,671	42,590	15,919
Prior period adjustments	-	-	-	-
Fund balances- balances-ending	<u>\$ 671</u>	<u>\$ 671</u>	<u>\$ 60,754</u>	<u>\$ 60,083</u>

One Percent For Arts Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual

For the Year Ended December 31, 2009

	Original Budget 2009	Final Budget 2009	Actual 2009	Variance with Final Budget Positive (Negative)
Revenues				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Sales	-	-	-	-
Other	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	243	243
Fines and forfeitures	-	-	-	-
Miscellaneous	38,910	38,910	24,879	(14,031)
Total revenues	<u>38,910</u>	<u>38,910</u>	<u>25,122</u>	<u>(13,788)</u>
Expenditures				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Utilities and environment	-	-	-	-
Transportation	-	-	-	-
Economic environment	-	-	-	-
Mental/physical health	-	-	-	-
Culture and recreation	500	500	8,491	(7,991)
Debt service principal	-	-	-	-
Interest and other debt svc costs	-	-	-	-
Capital	89,660	89,660	22,964	66,696
Total expenditures	<u>90,160</u>	<u>90,160</u>	<u>31,455</u>	<u>58,705</u>
Excess (deficiency) of revenues over expenditures	<u>(51,250)</u>	<u>(51,250)</u>	<u>(6,333)</u>	<u>44,917</u>
Other Financing Sources(Uses)				
Proceeds of long term debt	-	-	-	-
Fixed asset donation and disposal	-	-	-	-
Insurance Recoveries	-	-	-	-
Transfers in	10,000	10,000	10,000	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>-</u>
Other Changes in Fund Balance				
Changes in reserves for inventory	-	-	-	-
Net change in fund balances	(41,250)	(41,250)	3,667	44,917
Fund balances- balances-beginning	60,425	60,425	74,279	13,854
Prior period adjustments	-	-	-	-
Fund balances- balances-ending	<u>\$ 19,175</u>	<u>\$ 19,175</u>	<u>\$ 77,946</u>	<u>\$ 58,771</u>

Conference Center Operations Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual

For the Year Ended December 31, 2009

	Original Budget 2009	Final Budget 2009	Actual 2009	Variance with Final Budget Positive (Negative)
Revenues				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Sales	-	-	-	-
Other	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	1,357,391	1,357,391	1,429,636	72,245
Fines and forfeitures	-	-	-	-
Miscellaneous	116,545	116,545	7,855	(108,690)
Total revenues	<u>1,473,936</u>	<u>1,473,936</u>	<u>1,437,491</u>	<u>(36,445)</u>
Expenditures				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Utilities and environment	-	-	-	-
Transportation	-	-	-	-
Economic environment	-	-	-	-
Mental/physical health	-	-	-	-
Culture and recreation	1,636,699	1,636,699	1,312,135	324,564
Debt service principal	-	-	-	-
Interest and other debt svc costs	-	-	-	-
Capital	90,500	90,500	7,366	83,134
Total expenditures	<u>1,727,199</u>	<u>1,727,199</u>	<u>1,319,501</u>	<u>407,698</u>
Excess (deficiency) of revenues over expenditures	<u>(253,263)</u>	<u>(253,263)</u>	<u>117,990</u>	<u>371,253</u>
Other Financing Sources(Uses)				
Proceeds of long term debt	-	-	-	-
Fixed asset donation and disposal	-	-	-	-
Insurance Recoveries	-	-	-	-
Transfers in	205,000	205,000	205,000	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>205,000</u>	<u>205,000</u>	<u>205,000</u>	<u>-</u>
Other Changes in Fund Balance				
Changes in reserves for inventory	-	-	-	-
Net change in fund balances	(48,263)	(48,263)	322,990	371,253
Fund balances- balances-beginning	91,380	91,380	128,098	36,718
Prior period adjustments	-	-	-	-
Fund balances- balances-ending	<u>\$ 43,117</u>	<u>\$ 43,117</u>	<u>\$ 451,088</u>	<u>\$ 407,971</u>

Bond Debt Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual

For the Year Ended December 31, 2009

	Original Budget 2009	Final Budget 2009	Actual 2009	Variance with Final Budget Positive (Negative)
Revenues				
Taxes				
Property	\$ 887,700	887,700	865,448	\$ (22,252)
Sales	-	-	-	-
Other	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Miscellaneous	19,000	19,000	7,743	(11,257)
Total revenues	<u>906,700</u>	<u>906,700</u>	<u>873,191</u>	<u>(33,509)</u>
Expenditures				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Utilities and environment	-	-	-	-
Transportation	-	-	-	-
Economic environment	-	-	-	-
Mental/physical health	-	-	-	-
Culture and recreation	-	-	-	-
Debt service principal	908,000	908,000	908,000	-
Interest and other debt svc costs	931,845	931,845	649,956	281,889
Capital	-	-	-	-
Total expenditures	<u>1,839,845</u>	<u>1,839,845</u>	<u>1,557,956</u>	<u>281,889</u>
Excess (deficiency) of revenues over expenditures	<u>(933,145)</u>	<u>(933,145)</u>	<u>(684,765)</u>	<u>248,380</u>
Other Financing Sources(Uses)				
Proceeds of long term debt	-	-	-	-
Fixed asset donation and disposal	-	-	-	-
Insurance Recoveries	-	-	-	-
Transfers in	934,250	934,250	357,285	(576,965)
Transfers out	-	-	-	-
Payments to Ref Debt Escrow Agent	-	-	-	-
Total other financing sources (uses)	<u>934,250</u>	<u>934,250</u>	<u>357,285</u>	<u>(576,965)</u>
Other Changes in Fund Balance				
Changes in reserves for inventory	-	-	-	-
Net change in fund balances	1,105	1,105	(327,480)	(328,585)
Fund balances- balances-beginning	657,782	657,782	590,314	(67,468)
Prior period adjustments	-	-	-	-
Fund balances- balances-ending	<u>\$ 658,887</u>	<u>\$ 658,887</u>	<u>\$ 262,834</u>	<u>\$ (396,053)</u>

Public Safety Capital Projects Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual

For the Year Ended December 31, 2009

	Original Budget 2009	Final Budget 2009	Actual 2009	Variance with Final Budget Positive (Negative)
Revenues				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Sales	-	-	-	-
Other	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Miscellaneous	25,000	25,000	16,925	(8,075)
Total revenues	<u>25,000</u>	<u>25,000</u>	<u>16,925</u>	<u>(8,075)</u>
Expenditures				
Current				
General government	-	-	49,667	(49,667)
Public safety	-	-	-	-
Utilities and environment	-	-	-	-
Transportation	-	-	-	-
Economic environment	-	-	-	-
Mental/physical health	-	-	-	-
Culture and recreation	-	-	-	-
Debt service principal	-	-	-	-
Interest and other debt svc costs	-	-	-	-
Capital	1,800,000	1,800,000	90,262	1,709,738
Total expenditures	<u>1,800,000</u>	<u>1,800,000</u>	<u>139,929</u>	<u>1,660,071</u>
Excess (deficiency) of revenues over expenditures	<u>(1,775,000)</u>	<u>(1,775,000)</u>	<u>(123,004)</u>	<u>1,651,996</u>
Other Financing Sources(Uses)				
Proceeds of long term debt	-	-	-	-
Fixed asset donation and disposal	-	-	-	-
Insurance Recoveries	-	-	-	-
Transfers in	350,000	350,000	-	(350,000)
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>350,000</u>	<u>350,000</u>	<u>-</u>	<u>(350,000)</u>
Other Changes in Fund Balance				
Changes in reserves for inventory	-	-	-	-
Net change in fund balances	(1,425,000)	(1,425,000)	(123,004)	1,301,996
Fund balances- balances-beginning	1,436,196	1,436,196	1,167,203	(268,993)
Prior period adjustments	-	-	-	-
Fund balances- balances-ending	<u>\$ 11,196</u>	<u>\$ 11,196</u>	<u>\$ 1,044,199</u>	<u>\$ 1,033,003</u>

Harborside Plaza & Commons Capital Projects Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual

For the Year Ended December 31, 2009

	Original Budget 2009	Final Budget 2009	Actual 2009	Variance with Final Budget Positive (Negative)
Revenues				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Sales	-	-	-	-
Other	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	450,000	2,511,000	2,529,498	18,498
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Miscellaneous	-	2,644	(88)	(2,732)
Total revenues	<u>450,000</u>	<u>2,513,644</u>	<u>2,529,410</u>	<u>15,766</u>
Expenditures				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Utilities and environment	-	-	-	-
Transportation	-	-	-	-
Economic environment	-	-	-	-
Mental/physical health	-	-	-	-
Culture and recreation	-	-	-	-
Debt service principal	-	-	-	-
Interest and other debt svc costs	-	-	-	-
Capital	599,865	2,860,589	2,631,572	229,017
Total expenditures	<u>599,865</u>	<u>2,860,589</u>	<u>2,631,572</u>	<u>229,017</u>
Excess (deficiency) of revenues over expenditures	<u>(149,865)</u>	<u>(346,945)</u>	<u>(102,162)</u>	<u>244,783</u>
Other Financing Sources(Uses)				
Proceeds of long term debt	-	-	-	-
Fixed asset donation and disposal	-	-	-	-
Insurance Recoveries	-	-	-	-
Transfers in	150,000	354,000	354,000	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>150,000</u>	<u>354,000</u>	<u>354,000</u>	<u>-</u>
Other Changes in Fund Balance				
Changes in reserves for inventory	-	-	-	-
Net change in fund balances	135	7,055	251,838	244,783
Fund balances- balances-beginning	705	81	80	(1)
Prior period adjustments	-	-	-	-
Fund balances- balances-ending	<u>\$ 840</u>	<u>\$ 7,136</u>	<u>\$ 251,918</u>	<u>\$ 244,782</u>

General Government Improvements Capital Projects Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual

For the Year Ended December 31, 2009

	Original Budget 2009	Final Budget 2009	Actual 2009	Variance with Final Budget Positive (Negative)
Revenues				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Sales	-	-	-	-
Other	1,000,000	550,000	570,619	20,619
Licenses and permits	-	-	-	-
Intergovernmental	-	15,000	7,032	(7,968)
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Miscellaneous	30,000	350,000	350,352	352
Total revenues	<u>1,030,000</u>	<u>915,000</u>	<u>928,003</u>	<u>13,003</u>
Expenditures				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Utilities and environment	-	15,000	6,833	8,167
Transportation	-	-	-	-
Economic environment	-	-	-	-
Mental/physical health	-	-	-	-
Culture and recreation	-	-	-	-
Debt service principal	-	-	-	-
Interest and other debt svc costs	-	-	-	-
Capital	-	-	-	-
Total expenditures	<u>-</u>	<u>15,000</u>	<u>6,833</u>	<u>8,167</u>
Excess (deficiency) of revenues over expenditures	<u>1,030,000</u>	<u>900,000</u>	<u>921,170</u>	<u>21,170</u>
Other Financing Sources(Uses)				
Proceeds of long term debt	-	-	-	-
Fixed asset donation and disposal	-	-	-	-
Insurance Recoveries	-	-	-	-
Transfers in	-	-	-	-
Transfers out	(1,025,000)	(906,000)	(578,000)	328,000
Total other financing sources (uses)	<u>(1,025,000)</u>	<u>(906,000)</u>	<u>(578,000)</u>	<u>328,000</u>
Other Changes in Fund Balance				
Changes in reserves for inventory	-	-	-	-
Net change in fund balances	5,000	(6,000)	343,170	349,170
Fund balances- balances-beginning	3,610	31,071	31,071	-
Prior period adjustments	-	-	-	-
Fund balances- balances-ending	<u>\$ 8,610</u>	<u>\$ 25,071</u>	<u>\$ 374,241</u>	<u>\$ 349,170</u>

Park Facilities Construction Capital Projects Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual

For the Year Ended December 31, 2009

	Original Budget 2009	Final Budget 2009	Actual 2009	Variance with Final Budget Positive (Negative)
Revenues				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Sales	-	-	-	-
Other	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	500,000	500,000	298,586	(201,414)
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Miscellaneous	-	-	6,676	6,676
Total revenues	<u>500,000</u>	<u>500,000</u>	<u>305,262</u>	<u>(194,738)</u>
Expenditures				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Utilities and environment	-	-	-	-
Transportation	-	-	-	-
Economic environment	-	-	-	-
Mental/physical health	-	-	-	-
Culture and recreation	74,000	74,000	47,586	26,414
Debt service principal	6,181	6,181	6,181	-
Interest and other debt svc costs	6,980	6,980	6,979	1
Capital	<u>1,083,284</u>	<u>1,083,284</u>	<u>329,359</u>	<u>753,925</u>
Total expenditures	<u>1,170,445</u>	<u>1,170,445</u>	<u>390,105</u>	<u>780,340</u>
Excess (deficiency) of revenues over expenditures	<u>(670,445)</u>	<u>(670,445)</u>	<u>(84,843)</u>	<u>585,602</u>
Other Financing Sources(Uses)				
Proceeds of long term debt	-	-	-	-
Fixed asset donation and disposal	-	-	-	-
Insurance Recoveries	-	-	-	-
Transfers in	668,000	668,000	434,398	(233,602)
Transfers out	-	-	(8,000)	(8,000)
Total other financing sources (uses)	<u>668,000</u>	<u>668,000</u>	<u>426,398</u>	<u>(241,602)</u>
Other Changes in Fund Balance				
Changes in reserves for inventory	-	-	-	-
Net change in fund balances	(2,445)	(2,445)	341,554	344,000
Fund balances- balances-beginning	296,588	296,588	298,132	1,544
Prior period adjustments	-	-	-	-
Fund balances- balances-ending	<u>\$ 294,143</u>	<u>\$ 294,143</u>	<u>\$ 639,686</u>	<u>\$ 345,544</u>

Boardwalk Project Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual

For the Year Ended December 31, 2009

	Original Budget 2009	Final Budget 2009	Actual 2009	Variance with Final Budget Positive (Negative)
Revenues				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Sales	-	-	-	-
Other	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	250,000	935,000	967,186	32,186
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Miscellaneous	-	1,000	1,277	277
Total revenues	<u>250,000</u>	<u>936,000</u>	<u>968,463</u>	<u>32,463</u>
Expenditures				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Utilities and environment	-	-	-	-
Transportation	-	-	-	-
Economic environment	-	-	-	-
Mental/physical health	-	-	-	-
Culture and recreation	-	-	-	-
Debt service principal	-	-	-	-
Interest and other debt svc costs	-	-	-	-
Capital	630,000	1,465,000	1,266,710	198,290
Total expenditures	<u>630,000</u>	<u>1,465,000</u>	<u>1,266,710</u>	<u>198,290</u>
Excess (deficiency) of revenues over expenditures	<u>(380,000)</u>	<u>(529,000)</u>	<u>(298,247)</u>	<u>230,753</u>
Other Financing Sources(Uses)				
Proceeds of long term debt	-	-	-	-
Fixed asset donation and disposal	-	-	-	-
Insurance Recoveries	-	-	-	-
Transfers in	105,000	346,750	346,750	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>105,000</u>	<u>346,750</u>	<u>346,750</u>	<u>-</u>
Other Changes in Fund Balance				
Changes in reserves for inventory	-	-	-	-
Net change in fund balances	(275,000)	(182,250)	48,503	230,753
Fund balances- balances-beginning	1,550,499	189,499	189,499	-
Prior period adjustments	-	-	-	-
Fund balances- balances-ending	<u>\$ 1,275,499</u>	<u>\$ 7,249</u>	<u>\$ 238,002</u>	<u>\$ 230,753</u>

Combining Statement of Net Assets
Other Proprietary Funds

December 31, 2009

	Business-type Activities Enterprise Funds			
	Water/Sewer Clearing	Stormwater	Utility Debt Reserve	Total
Assets				
Current assets:				
Cash & investments	\$ -	1,964,942	\$ -	\$ 1,964,942
External receivables	-	454,836	-	454,836
Interest receivable	-	3,526	-	3,526
Due from other funds	-	-	-	-
Due from other governments	-	1,073	-	1,073
Inventories	-	-	-	-
Prepayments	-	-	-	-
Total current assets	<u>-</u>	<u>2,424,377</u>	<u>-</u>	<u>2,424,377</u>
Restricted assets:	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Noncurrent assets:				
Notes and contracts receivable	-	-	-	-
Capital assets net of depreciation	-	4,134,668	-	4,134,668
Other noncurrent assets	-	-	-	-
Total noncurrent assets	<u>-</u>	<u>4,134,668</u>	<u>-</u>	<u>4,134,668</u>
Total assets	<u>\$ -</u>	<u>\$ 6,559,045</u>	<u>\$ -</u>	<u>\$ 6,559,045</u>
Liabilities				
Current liabilities:				
Claims/contract payable	\$ -	\$ 14,378	\$ -	\$ 14,378
Matured long term obligations	-	-	-	-
Due to other funds	-	22,434	-	22,434
Other accrued liabilities	-	59,405	-	59,405
Current portion of long term debt	-	9,864	-	9,864
Custodial accounts	-	-	-	-
Total current liabilities	<u>-</u>	<u>106,081</u>	<u>-</u>	<u>106,081</u>
Payable from restricted Assets:	-	-	-	-
Noncurrent liabilities:				
Claims and judgements payable	-	-	-	-
Bonds, notes and loans payable	-	138,099	-	138,099
Compensated absences	-	72,253	-	72,253
Total noncurrent liabilities	<u>-</u>	<u>210,352</u>	<u>-</u>	<u>210,352</u>
Total liabilities	<u>-</u>	<u>316,433</u>	<u>-</u>	<u>316,433</u>
Net Assets				
Invested in capital assets, net of related debt	-	3,982,521	-	3,982,521
Restricted for capital assets	-	-	-	-
Restricted for debt service	-	-	-	-
Unrestricted	<u>-</u>	<u>2,260,091</u>	<u>-</u>	<u>2,260,091</u>
Total net assets	<u>\$ -</u>	<u>\$ 6,242,612</u>	<u>\$ -</u>	<u>\$ 6,242,612</u>

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Other Proprietary Funds

For the Year Ended December 31, 2009

	Business-type Activities Enterprise Funds		
	Stormwater	Utility Debt Reserve	Total
Operating revenues:			
Charges for services	\$ 2,115,505	\$ -	\$ 2,115,505
Interest & dividend income	-	-	-
Other operating revenue	34,131	-	34,131
Total operating revenues	2,149,636	-	2,149,636
Operating expenses:			
General operations	428,237	-	428,237
Maintenance	824,841	-	824,841
Customer service and marketing	42,720	-	42,720
General administration	195,286	-	195,286
Depreciation and amortization	67,831	-	67,831
Property, excise and B&O taxes	(131,757)	-	(131,757)
Risk transfer payments	-	-	-
Payments to claimants & beneficiaries	-	-	-
Other operating expenses	-	-	-
Total operating expenses	1,427,158	-	1,427,158
Operating income (loss)	722,478	-	722,478
Nonoperating revenues (expenses)			
Interest and investment revenue	19,989	11,926	31,915
Interest expense	(6,115)	-	(6,115)
Gain (loss) on capital asset disposal	-	-	-
Other nonoperating revenue	106	-	106
Total nonoperating revenues (expenses)	13,980	11,926	25,906
Income (loss) before contributions and transfers	736,458	11,926	748,384
Capital contributions	967,681	-	967,681
Transfers in	-	-	-
Transfers out	(436,916)	(1,225,469)	(1,662,385)
Change in net assets	1,267,223	(1,213,543)	53,680
Total net assets - beginning	4,971,728	1,213,543	6,185,271
Prior period adjustments (Note 17)	3,661	-	3,661
Total net assets - ending	\$ 6,242,612	\$ -	\$ 6,242,612

**Combining Statement of Cash Flows
Other Proprietary Funds**

For the Year Ended December 31, 2009

Page 1 of 2

	Business-type Activities Enterprise Funds		
	<u>Stormwater</u>	<u>Utility Debt Reserve</u>	<u>Total</u>
Cash Flows From Operating Activities			
Cash received from customers	\$ 2,066,237	\$ -	\$ 2,066,237
Cash payments to suppliers	(549,243)	-	(549,243)
Cash payments to employees	(911,385)	-	(911,385)
Purchase of insurance	(12,915)	-	(12,915)
Other operating receipts and payments	180,204	-	180,204
Net cash provided by operating activities	<u>772,898</u>	<u>-</u>	<u>772,898</u>
Cash Flows From Noncapital Financing Activities			
Transfers in	-	-	-
Transfers out	(242,934)	(1,216,469)	(1,459,403)
Other nonoperating revenues/expenses	106	-	106
Net cash provided (used) by noncapital financing activities	<u>(242,828)</u>	<u>(1,216,469)</u>	<u>(1,459,297)</u>
Cash Flows From Capital and Related Financing Activities			
Acquisition and construction of capital assets	(15,178)	-	(15,178)
Proceeds from sale of other assets	-	-	-
Capital contributions	21,763	-	21,763
Transfer in for asset construction	-	-	-
Transfer out for asset construction	(192,000)	-	(192,000)
Collections on notes receivable	-	-	-
Loan/grant proceeds	-	-	-
Principal paid on revenue bonds	-	-	-
Principal paid on other debt	(9,864)	-	(9,864)
Interest paid on revenue bonds and other debt	(6,313)	-	(6,313)
Net cash provided (used) for capital and related financing activities	<u>(201,592)</u>	<u>-</u>	<u>(201,592)</u>
Cash Flows From Investing Activities			
Proceeds from repayment of loans	-	-	-
Disbursement of Loans	-	-	-
Proceeds from special assessments	-	-	-
Interest on loans and investments	24,422	17,822	42,244
Net cash provided in investing activities	<u>24,422</u>	<u>17,822</u>	<u>42,244</u>
Net increase (decrease) in cash and cash equivalents	352,900	(1,198,647)	(845,747)
Cash and cash equivalents - beginning of year	<u>1,612,042</u>	<u>1,198,647</u>	<u>2,810,689</u>
Cash and cash equivalents - end of year	<u><u>1,964,942</u></u>	<u><u>-</u></u>	<u><u>1,964,942</u></u>
Cash at the end of the year consists of:			
Operating fund cash	1,964,942	-	1,964,942
Restricted cash	-	-	-
Total cash at end of year	\$ <u><u>1,964,942</u></u>	\$ <u><u>-</u></u>	\$ <u><u>1,964,942</u></u>

Combining Statement of Cash Flows
Other Proprietary Funds

For the Year Ended December 31, 2009

Page 2 of 2

	Business-type Activities			
	Enterprise Funds			
	<u>Water/Sewer Clearing</u>	<u>Stormwater</u>	<u>Utility Debt Reserve</u>	<u>Total</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income (loss)	\$ -	\$ 722,478	\$ -	\$ 722,478
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	-	67,831	-	67,831
Transfers in cash flow from operating activities	-	-	-	-
Operating grant in cash flow from nonfinancing actvty	-	-	-	-
Decrease (increase) in receivables	-	(49,268)	-	(49,268)
Decrease (increase) in due from other funds/govt	-	14,317	-	14,317
Decrease (increase) in prepaid expenses	-	-	-	-
Decrease (increase) in inventory	-	-	-	-
Increase (decrease) in accounts payable	-	(49,643)	-	(49,643)
Increase (decrease) in due to other funds/govt	-	-	-	-
Increase (decrease) in employee wages payable	-	-	-	-
Increase (decrease) in employee vacations payable	-	67,183	-	67,183
Increase (decrease) in customer deposits payable	-	-	-	-
Increase (decrease) in deferred revenues	-	-	-	-
Net cash provided by operating activities	\$ <u>-</u>	\$ <u>772,898</u>	\$ <u>-</u>	\$ <u>772,898</u>
Noncash investing, capital and financial activities:				
Developers contributed infrastructure	\$ -	\$ 945,919	\$ -	\$ 945,919

Combining Statement of Net Assets
Internal Service Funds

December 31, 2009

	Business-type Activities				Total
	Enterprise Funds				
	Risk Management	Equipment Maintenance	Equipment Reserve	Information Technology	
Assets					
Current assets:					
Cash & investments	\$ 1,437,588	\$ 622,969	\$ 4,533,142	\$ 341,662	\$ 6,935,361
External receivables	5,000	-	-	-	5,000
Interest receivable	2,759	1,117	8,136	613	12,625
Due from other funds	-	-	778,247	-	778,247
Due from other governments	-	-	-	-	-
Inventories	-	84,435	-	-	84,435
Prepayments	25,820	-	-	-	25,820
Total current assets	<u>1,471,167</u>	<u>708,521</u>	<u>5,319,525</u>	<u>342,275</u>	<u>7,841,488</u>
Restricted assets:	<u>100,000</u>	<u>-</u>	<u>2,920</u>	<u>-</u>	<u>102,920</u>
Noncurrent assets:					
Notes and contracts receivable	-	-	-	-	-
Capital assets net of depreciation	-	-	5,056,429	62,724	5,119,153
Other noncurrent assets	-	-	-	-	-
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>5,056,429</u>	<u>62,724</u>	<u>5,119,153</u>
Total assets	<u>\$ 1,571,167</u>	<u>\$ 708,521</u>	<u>\$ 10,378,874</u>	<u>\$ 404,999</u>	<u>\$ 13,063,561</u>
Liabilities					
Current liabilities:					
Claims/contract payable	\$ 71	\$ 56,409	\$ 232,121	\$ 17,312	\$ 305,913
Matured long term obligations	-	-	-	-	-
Due to other funds	-	177,062	1,405	-	178,467
Other accrued liabilities	3,412	21,180	145	18,802	43,539
Current portion of long term debt	565,000	-	-	-	565,000
Custodial accounts	-	-	-	-	-
Total current liabilities	<u>568,483</u>	<u>254,651</u>	<u>233,671</u>	<u>36,114</u>	<u>1,092,919</u>
Payable from restricted assets:	-	-	-	-	-
Noncurrent liabilities:					
Claims and judgements payable	1,069,164	-	-	-	1,069,164
Bonds, notes and loans payable	-	-	-	-	-
Compensated absences	-	28,178	-	30,997	59,175
Total noncurrent liabilities	<u>1,069,164</u>	<u>28,178</u>	<u>-</u>	<u>30,997</u>	<u>1,128,339</u>
Total liabilities	<u>1,637,647</u>	<u>282,829</u>	<u>233,671</u>	<u>67,111</u>	<u>2,221,258</u>
Net Assets					
Invested in capital assets, net of related debt	-	-	5,056,429	62,724	5,119,153
Restricted for capital assets	-	-	-	-	-
Restricted for debt service	-	-	-	-	-
Unrestricted	<u>(66,480)</u>	<u>425,692</u>	<u>5,088,774</u>	<u>275,164</u>	<u>5,723,150</u>
Total net assets	<u>\$ (66,480)</u>	<u>\$ 425,692</u>	<u>\$ 10,145,203</u>	<u>\$ 337,888</u>	<u>\$ 10,842,303</u>

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Internal Service Funds

For the Year Ended December 31, 2009

	Governmental Activities Internal Service Funds				Total
	Risk Management	Equipment Rental Operations	Equipment Rental Reserve	Information Technology	
Operating revenues:					
Charges for services	\$ 1,295,918	\$ 2,048,089	\$ 437,376	\$ 894,247	\$ 4,675,630
Interest & dividend income	8,347	-	-	-	8,347
Other operating revenue	10,066	638	843	-	11,547
Total operating revenues	<u>1,314,331</u>	<u>2,048,727</u>	<u>438,219</u>	<u>894,247</u>	<u>4,695,524</u>
Operating expenses:					
General operations	-	1,628,776	-	884,464	2,513,240
Maintenance	-	-	-	-	-
Customer service and marketing	-	-	-	-	-
General administration	245,503	-	-	-	245,503
Depreciation and amortization	-	-	702,894	38,162	741,056
Property, excise and B&O taxes	-	-	-	-	-
Risk transfer payments	438,397	12,269	-	-	450,666
Payments to claimants & beneficiaries	375,317	-	-	-	375,317
Other operating expenses	49,325	-	-	-	49,325
Total operating expenses	<u>1,108,542</u>	<u>1,641,045</u>	<u>702,894</u>	<u>922,626</u>	<u>4,375,107</u>
Operating income (loss)	205,789	407,682	(264,675)	(28,379)	320,417
Nonoperating revenues (expenses)					
Interest and investment revenue	-	4,483	48,705	2,836	56,024
Interest expense	-	-	-	-	-
Gain (loss) on capital asset disposal	-	-	(99,821)	-	(99,821)
Other nonoperating revenue/(Expense)	-	13,527	38,000	258	51,785
Total nonoperating revenues (expenses)	<u>-</u>	<u>18,010</u>	<u>(13,116)</u>	<u>3,094</u>	<u>7,988</u>
Income (loss) before contributions and transfers	205,789	425,692	(277,791)	(25,285)	328,405
Capital contributions					
Transfers in	-	-	247,408	-	247,408
Transfers out	-	-	(1,000,000)	-	(1,000,000)
Change in net assets	<u>205,789</u>	<u>425,692</u>	<u>(1,030,383)</u>	<u>(25,285)</u>	<u>(424,187)</u>
Total net assets - beginning	(272,269)	-	11,175,586	363,173	11,266,490
Prior period adjustments (Note 15)	-	-	-	-	-
Total net assets - ending	<u>\$ (66,480)</u>	<u>\$ 425,692</u>	<u>\$ 10,145,203</u>	<u>\$ 337,888</u>	<u>\$ 10,842,303</u>

Combining Statement of Cash Flows
Internal Service Funds

For the Year Ended December 31, 2009

Page 1 of 2

	Business-type Activities				Total
	Enterprise Funds				
	Risk Management	Equipment Rental Operations	Equipment Rental Reserve	Information Technology	
Cash Flows From Operating Activities					
Cash received from customers	\$ 1,361,487	\$ 2,048,089	\$ 437,376	\$ 894,247	\$ 4,741,199
Interest on Investments	11,618	-	-	-	11,618
Cash payments to suppliers	(115,503)	(865,969)	-	(365,915)	(1,347,387)
Cash payments to employees	(183,524)	(564,413)	-	(507,684)	(1,255,621)
Purchase of insurance	(411,173)	(12,269)	-	-	(423,442)
Payment for insurance claims	(351,077)	-	-	-	(351,077)
Other operating receipts and payments	-	638	843	-	1,481
Net cash provided (used) by operating activities	<u>311,828</u>	<u>606,076</u>	<u>438,219</u>	<u>20,648</u>	<u>1,376,771</u>
Cash Flows From Noncapital Financing Activities					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Other nonoperating revenues/expenses	-	13,527	-	258	13,785
Net cash provided by noncapital financing activities	<u>-</u>	<u>13,527</u>	<u>-</u>	<u>258</u>	<u>13,785</u>
Cash Flows From Capital and Related Financing Activities					
Acquisition and construction of capital assets	-	-	(1,283,693)	(5,276)	(1,288,969)
Proceeds from sale of other assets	-	-	40,363	-	40,363
Capital contributions	-	-	38,000	-	38,000
Transfer in for asset construction	-	-	773,408	-	773,408
Transfer out for asset construction	-	-	(1,000,000)	-	(1,000,000)
Collections on notes receivable	-	-	-	-	-
Loan/grant proceeds	-	-	-	-	-
Principal paid on revenue bonds	-	-	-	-	-
Principal paid on other debt	-	-	-	-	-
Interest paid on revenue bonds and other debt	-	-	-	-	-
Net cash used for capital and related financing activities	<u>-</u>	<u>-</u>	<u>(1,431,922)</u>	<u>(5,276)</u>	<u>(1,437,198)</u>
Cash Flows From Investing Activities					
Proceeds from repayment of loans	-	-	6,181	-	6,181
Disbursement of Loans	-	-	(600,500)	-	(600,500)
Proceeds from special assessments	-	-	767	-	767
Interest on loans and investments	-	3,366	70,377	3,808	77,551
Net cash provided in investing activities	<u>-</u>	<u>3,366</u>	<u>(523,175)</u>	<u>3,808</u>	<u>(516,001)</u>
Net increase (decrease) in cash and cash equivalents	311,828	622,969	(1,516,878)	19,438	(562,643)
Cash and cash equivalents - beginning of year	1,225,760		6,050,021	322,224	7,598,005
Cash and cash equivalents - end of year	<u>1,537,588</u>	<u>622,969</u>	<u>4,533,143</u>	<u>341,662</u>	<u>7,035,362</u>
Cash at the end of the year consists of:					
Operating fund cash	1,437,588	622,969	4,533,142	341,662	6,935,361
Restricted cash	100,000	-	-	-	100,000
Total cash at end of year	<u>\$ 1,537,588</u>	<u>\$ 622,969</u>	<u>\$ 4,533,142</u>	<u>\$ 341,662</u>	<u>\$ 7,035,361</u>

Combining Statement of Cash Flows
Internal Service Funds

For the Year Ended December 31, 2009

Page 2 of 2

	Business-type Activities Enterprise Funds				Total
	Risk Management	Equipment Rental Operations	Equipment Rental Reserve	Information Technology	
Reconciliation of operating income to net cash provided by operating activities:					
Operating income (loss)	\$ 205,789	\$ 407,682	\$ 478,900	\$ (28,379)	\$ 656,310
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	-	-	670,786	38,161	708,947
Transfers in cash flow from operating activities	-	-	-	-	-
Operating grant in cash flow from nonfinancing activity	-	-	-	-	-
Decrease (increase) in receivables	(479)	-	263	-	(216)
Decrease (increase) in due from other funds/govt	65,569	177,062	374	-	65,943
Decrease (increase) in prepaid expenses	30,974	-	1,505	-	32,479
Decrease (increase) in inventory	-	(84,436)	-	-	-
Increase (decrease) in accounts payable	14,074	56,591	1,994	640	16,708
Increase (decrease) in due to other funds/govt	-	-	-	1	1
Increase (decrease) in employee wages payable	(4,099)	20,997	18,803	(553)	14,151
Increase (decrease) in employee vacations payable	-	28,178	3,769	10,778	14,547
Increase (decrease) in customer deposits payable	-	-	-	-	-
Increase (decrease) in deferred revenues	-	-	-	-	-
Net cash provided by operating activities	\$ <u>311,828</u>	\$ <u>606,074</u>	\$ <u>1,176,394</u>	\$ <u>20,648</u>	\$ <u>1,508,870</u>
Noncash investing, capital and financial activities;					
Developers contributed infrastructure	\$ -	\$ -	\$ -	\$ -	\$ -

**Combining Statement of Fiduciary Net Assets
Agency Funds**

	<u>Salary Clearing</u>	<u>Administrative Trust</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 41,653	\$ 158,432	\$ 200,085
Interest receivable	-	-	-
Interfund receivables	-	-	-
Total assets	\$ <u>41,653</u>	\$ <u>158,432</u>	\$ <u>200,085</u>
Liabilities			
Claims/contracts payable	-	67,815	67,815
Due to other funds	-	-	-
Other current liabilities	41,653	90,617	132,270
Total liabilities	\$ <u>41,653</u>	\$ <u>158,432</u>	\$ <u>200,085</u>
Net Assets			
Held in trust for pension benefits and other purposes	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

Table 1
Net Assets by Component
Last Six Fiscal Years

	2004	2005	2006	2007	2008	2008	2009
Governmental Activities							
Invested in capital assets, net of related debt	\$ 49,164,535	\$ 50,329,300	\$ 58,958,873	\$ 69,497,809	\$ 72,451,892	\$ 69,601,586	\$ 72,087,573
Restricted	11,592,172	13,542,273	7,390,108	3,168,374	2,682,534	2,682,534	3,111,288
Unrestricted	7,067,568	9,323,734	13,822,625	15,362,418	10,777,450	7,816,450	9,159,249
Total governmental activities net assets	67,824,275	73,195,307	80,171,606	88,028,601	85,911,876	80,100,570	84,358,110
Business-type activities							
Invested in capital assets, net of related debt	87,788,590	89,467,683	92,069,352	92,747,306	103,397,203	106,247,509	122,329,665
Restricted	514,774	494,194	557,859	1,483,026	3,988,736	3,989,236	1,174,604
Unrestricted	8,265,819	11,074,025	14,575,413	23,225,228	21,514,830	24,475,330	21,386,589
Total business-type activities net assets	96,569,183	101,035,902	107,202,624	117,455,560	128,900,769	134,712,075	144,890,858
Primary Government							
Invested in capital assets, net of related debt	136,953,125	139,796,983	151,028,225	162,245,115	175,849,095	175,849,095	194,417,238
Restricted	12,106,946	14,036,467	7,947,967	4,651,400	6,671,270	6,671,770	4,285,892
Unrestricted	15,333,387	20,397,759	28,398,038	38,587,646	32,292,280	32,291,780	30,545,838
Total primary government net assets	\$ 164,393,458	\$ 174,231,209	\$ 187,374,230	\$ 205,484,161	\$ 214,812,645	\$ 214,812,645	\$ 229,248,968

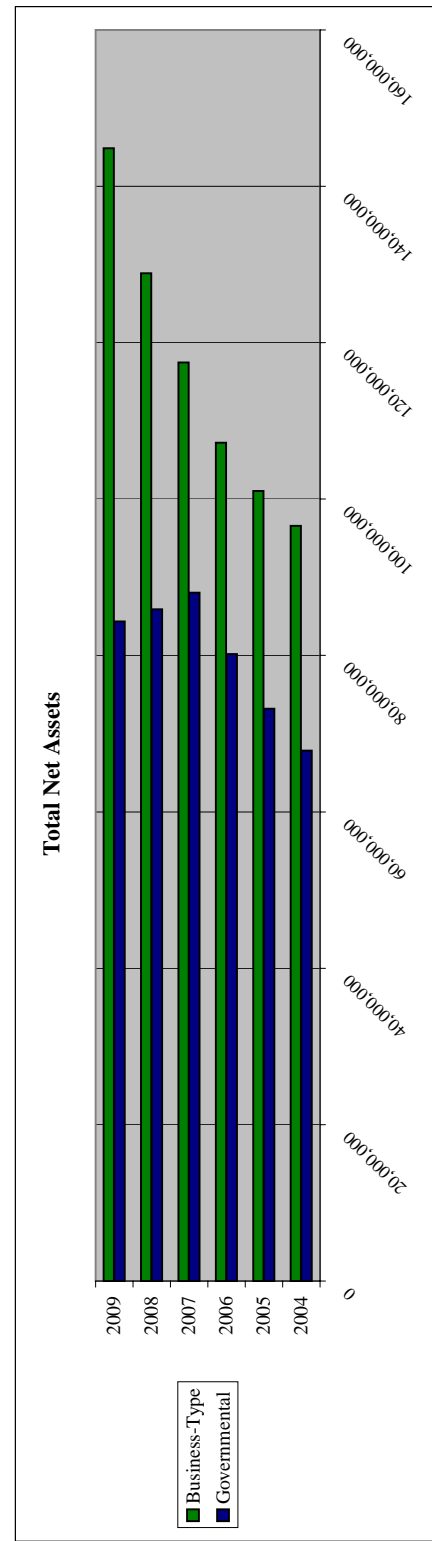


Table 2
Changes in Net Assets
Last Six Fiscal Years

	Governmental Activities					
	2004	2005	2006	2007	2008	2009
Revenues						
<i>Governmental Activities</i>						
<i>Program Revenues</i>						
Charges for Services	\$ 6,408,743	\$ 7,069,069	\$ 7,898,109	\$ 8,239,980	\$ 8,911,480	\$ 9,065,757
Operating Grants and Contributions	1,904,575	1,505,305	964,454	1,350,646	2,321,404	2,226,968
Capital Grants and Contributions	7,528,350	1,541,002	7,895,086	9,928,551	4,638,620	3,922,004
<i>General Revenues</i>						
Property Taxes	7,005,388	6,991,232	7,329,167	7,920,916	7,799,723	8,490,418
Sales Taxes	6,393,740	6,637,147	7,157,768	7,574,011	7,790,117	6,541,673
Business Taxes	3,555,740	4,224,596	3,898,778	4,783,087	3,454,258	3,706,834
Utility Taxes	4,055,931	4,296,416	4,744,302	4,974,578	5,087,768	4,753,803
Other Taxes	2,598,693	2,938,131	3,567,985	2,984,146	2,572,169	2,461,170
Other General Revenues	(131,583)	2,172,184	3,088,501	1,831,840	1,004,194	217,758
Total Governmental Revenues	39,319,577	37,375,082	46,544,150	49,587,755	43,579,733	41,386,385
<i>Business-Type Activities</i>						
Charges for Services	22,026,027	24,568,993	27,738,767	27,611,963	26,764,076	27,619,991
Capital Grants and Contributions	2,553,628	1,279,260	755,136	4,936,686	8,684,677	3,916,631
Sales Taxes	58,973	71,500	49,180	41,562	21,857	14,678
Business Taxes	9,588	11,572	6,672	8,004	229	0
Other General Revenues	(2,712)	187,537	487,531	913,859	1,005,523	556,994
Total Business-Type Activities	24,645,504	26,118,862	29,037,286	33,512,074	36,476,362	32,108,294
Total Primary Government Program Revenues	63,965,081	63,493,944	75,581,436	83,099,829	80,056,095	73,494,679
Expenses						
<i>Governmental Activities</i>						
General government	3,178,781	3,311,938	4,036,679	3,838,442	4,799,392	4,001,383
Public safety	16,435,104	18,447,613	19,018,326	21,823,943	22,694,179	23,922,957
Physical environment	183,645		205,404	374,985	223,469	226,975
Transportation	6,442,549	4,453,072	7,731,187	8,936,077	8,914,778	4,214,922
Community development	2,916,242	2,463,469	2,863,004	2,601,899	3,146,023	2,031,753
Mental/physical health	185,612					
Culture and recreation	4,633,144	5,115,632	5,581,830	6,429,966	6,859,463	5,944,853
Interest on long-term debt	1,205,561	1,360,925	1,422,858	1,378,912	1,181,513	961,926
Total Governmental Expenses	35,180,638	35,152,649	40,859,288	45,384,224	47,818,817	41,304,769
<i>Business-Type Activities</i>						
Water	7,234,139	7,189,614	8,052,273	8,247,875	9,073,514	9,242,707
Wastewater	8,425,512	8,409,503	8,387,319	8,589,358	9,012,578	8,927,299
Golf Course	3,412,554	3,318,926	3,578,441	3,498,529	3,264,660	3,198,390
Other Proprietary Funds	908,739	1,060,383	1,200,116	1,328,735	1,328,657	1,478,026
Total Business-Type Activities	19,980,944	19,978,426	21,218,149	21,664,497	22,679,409	22,846,422
Total Primary Government Program Expenses	55,161,582	55,131,075	62,077,437	67,048,721	70,498,226	64,151,191
Change in Net Assets						
<i>Governmental Activities</i>						
Excess of revenues over expenses	4,138,939	2,222,433	5,684,862	4,203,531	(4,239,084)	81,616
Transfers	1,153,453	1,673,717	1,291,437	1,944,641	1,973,245	4,175,924
Governmental Activities Change in Net Assets	5,292,392	3,896,150	6,976,299	6,148,172	(2,265,839)	4,257,540
<i>Business-Type Activities</i>						
Excess of revenues over expenses	4,664,560	6,140,436	7,819,137	11,847,577	13,796,953	9,261,872
Transfers	(1,153,453)	(1,673,717)	(1,291,437)	(1,944,641)	(1,973,245)	(4,175,924)
Business-Type Activities Change in Net Assets	3,511,107	4,466,719	6,527,700	9,902,936	11,823,708	5,085,948
<i>Governmental Activities Net Assets</i>						
Net assets - beginning	62,531,706	69,299,157	73,195,307	80,171,606	82,507,135	85,911,876
Prior period adjustment	1,475,059			1,708,823	(140,726)	(5,811,306)
Net assets - ending	\$69,299,157	\$73,195,307	\$80,171,606	\$88,028,601	\$80,100,570	\$84,358,110
<i>Business-Type Activities Net Assets</i>						
Net assets - beginning	93,058,076	96,569,183	101,035,902	107,202,624	123,593,896	128,900,769
Prior period adjustment			(360,978)	350,000	(705,529)	10,904,141
Net assets - ending	96,569,183	101,035,902	107,202,624	117,455,560	134,712,075	144,890,858
Total Primary Government Net Assets	\$ 165,868,340	\$ 174,231,209	\$ 187,374,230	\$ 205,484,161	\$ 214,812,645	\$ 229,248,968

Table 3
Fund Balance of Government Funds
 Last Ten Fiscal Years

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
GENERAL FUND										
Reserved	\$ 91,113	\$ 86,589	\$ 95,337	\$ 93,442	\$ 16,070	\$ 15,570	\$ 14,970	\$ 20,470	\$ 19,070	\$ -
Unreserved	1,572,777	1,569,402	1,108,222	881,433	2,410,089	3,531,157	4,386,943	4,084,868	1,313,146	1,957,308
Total General Fund	1,663,890	1,655,991	1,203,559	974,875	2,426,159	3,546,727	4,401,913	4,105,338	1,332,216	1,957,308
ALL OTHER GOVERNMENTAL FUNDS										
Reserved	111,642	89,850	77,421	71,938	72,949	1,564,096	1,054,224	176,435	198,472	350,758
Unreserved, Reported In:										
Special Revenue Funds	4,436,895	4,120,290	6,134,056	5,247,909	3,745,126	4,593,224	5,025,387	6,251,037	5,867,682	5,758,691
Capital Projects Funds			12,516,679	16,070,360	8,046,173	7,653,595	6,074,023	2,626,138	1,578,618	2,096,861
Debt Service Funds	373,957	356,163	300,829	294,747	203,981	375,324	418,036	548,107	590,314	262,834
Total All Other Governmental Funds	4,922,494	4,566,303	19,028,985	21,684,954	12,068,229	14,186,239	12,571,670	9,601,717	8,235,086	8,469,144
TOTAL ALL GOVERNMENTAL FUNDS	\$ 6,586,384	\$ 6,222,294	\$ 20,232,544	\$ 22,659,829	\$ 14,494,388	\$ 17,732,966	\$ 16,973,583	\$ 13,707,055	\$ 9,567,302	\$ 10,426,452

Table 4
Changes in Fund Balances of Government Funds
 Last Ten Fiscal Years

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
REVENUES										
Taxes	\$18,669,935	\$ 19,248,298	\$ 20,280,199	\$ 21,066,589	\$ 22,219,675	\$ 23,762,468	\$ 25,423,632	\$ 26,572,963	\$ 25,132,935	\$ 24,259,262
Licenses and Permits	485,403	459,064	709,498	720,506	862,913	1,138,578	1,043,642	1,160,778	1,037,771	1,174,918
Intergovernmental	7,884,437	8,752,214	5,387,636	10,292,514	11,907,911	4,665,774	10,574,163	10,004,467	8,846,813	8,126,087
Charges for services	2,632,028	2,918,308	3,515,240	3,467,422	3,795,272	4,647,098	5,214,339	4,645,238	5,005,728	5,188,790
Fines and forfeits	843,317	838,995	913,451	833,772	751,536	721,703	868,427	1,022,563	1,689,080	1,929,836
Miscellaneous	1,420,839	1,709,835	1,825,033	1,762,139	1,681,959	2,634,054	3,101,742	3,107,379	2,497,255	1,636,519
Total Revenues	31,935,959	33,926,714	32,631,057	38,142,942	41,219,266	37,569,675	46,225,945	46,513,388	44,209,582	42,315,412
EXPENDITURES										
Current										
General Government	4,435,058	4,782,832	5,349,189	5,446,515	5,176,259	5,097,706	5,628,413	6,389,555	6,830,197	6,793,202
Public Safety	12,324,245	13,265,462	13,938,407	14,622,354	13,493,936	14,817,115	15,516,122	17,418,932	21,205,949	22,222,451
Utilities and Environment	469,008	422,835	144,912	193,048	195,122	195,461	217,600	374,985	223,469	226,975
Transportation	2,982,011	3,202,307	3,573,204	3,715,299	3,350,876	2,945,199	6,295,350	7,652,880	7,401,334	3,372,750
Economic environment	2,003,392	1,462,768	2,394,304	2,239,290	3,003,305	2,576,379	2,795,953	2,521,648	3,142,196	1,950,417
Mental/physical health	57,925	88,332	117,001	180,743	185,612	68,131	71,285	71,379	73,525	74,922
Culture and recreation	2,079,083	2,424,950	2,663,660	3,131,506	4,121,492	4,327,569	4,873,362	5,313,236	5,357,250	4,548,291
Debt Service:										
Principal	457,421	454,517	1,040,000	714,000	737,500	1,060,863	1,367,000	1,562,499	986,000	1,035,500
Interest and other debt issue costs	344,018	346,220	491,778	1,099,157	1,190,262	1,367,191	1,409,746	1,363,534	1,165,883	946,444
Capital	5,544,408	8,319,672	4,004,749	16,622,050	17,842,919	4,022,693	10,722,720	8,090,180	4,515,778	4,874,658
Total Expenditures	30,696,569	34,769,895	33,717,204	47,963,962	49,297,283	36,478,307	48,897,551	50,758,828	50,901,581	46,045,610
Excess (deficiency) of revenues over (under) expenditures	1,239,390	(843,181)	(1,086,147)	(9,821,020)	(8,078,017)	1,091,368	(2,671,606)	(4,245,440)	(6,691,999)	(3,730,198)
OTHER FINANCING SOURCES (USES)										
Proceeds of Long Term Debt			13,352,815	10,865,000	800,000	1,671,000	0	0		
Payments to Refunded Escrow Agent						(1,661,309)	0	0		
Fixed Assets Donations & Disposal	37,580	184,814	541,174		5,958	2,659,534	2,700,538	1,467,967	428,319	398,759
Insurance Recoveries										14,664
Transfers in	2,171,465	1,533,054	3,010,681	5,075,298	4,955,598	6,377,743	9,768,469	8,957,389	6,461,827	7,415,810
Transfers out	(1,764,842)	(1,209,252)	(1,802,882)	(3,753,180)	(5,705,285)	(6,885,610)	(10,596,716)	(9,445,689)	(4,195,667)	(3,239,886)
Total other financing sources and uses	444,203	508,616	15,101,788	12,187,118	56,271	2,161,358	1,872,291	979,667	2,694,479	4,589,347
OTHER CHANGES IN FUND BALANCE										
Change in Reserves for Inventory	(10,193)	(29,525)	(5,390)	(10,023)	(72,486)	(14,148)	39,932	(755)	(1,507)	
Net change in fund balances	1,673,400	(364,090)	14,010,251	2,356,075	(8,094,232)	3,238,578	(759,383)	(3,266,528)	(3,999,027)	859,149
Fund balances-beginning	4,912,984	6,586,384	6,222,294	20,232,545	22,588,620	14,494,388	17,732,966	16,973,583	13,707,055	9,567,302
Prior Period Adjustments									(140,726)	
Fund balances-ending	\$6,586,384	\$ 6,222,294	\$ 20,232,545	\$ 22,588,620	\$ 14,494,388	\$ 17,732,966	\$ 16,973,583	\$ 13,707,055	\$ 9,567,302	\$ 10,426,451
Debt service as a percentage of non-capital expenditures	3.19%	3.03%	5.16%	5.79%	6.13%	7.48%	7.27%	6.86%	4.64%	4.81%

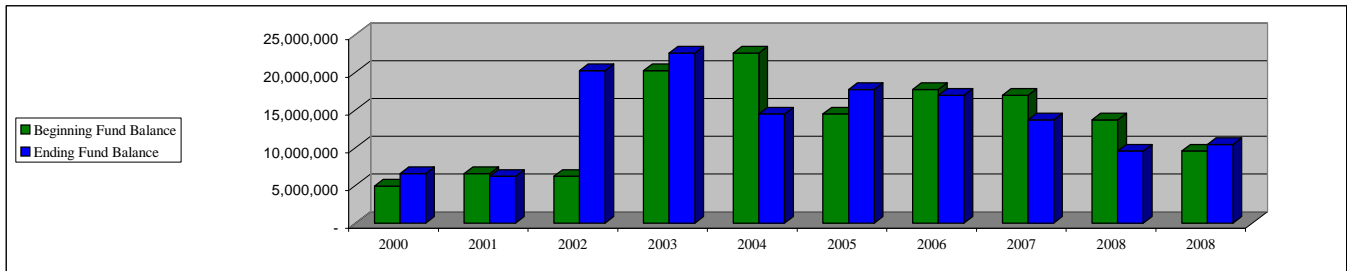


Table 5
Assessed and Estimated Actual Value of Taxable Property
 Last Ten Fiscal Years

Fiscal Year	<u>Assessed and Estimated Actual Value</u>			Percent Increase (Decrease)
	<u>Real Property</u>	<u>Personal Property*</u>	<u>Total</u>	
2000	1,325,930,017	156,301,280	1,482,231,297	5.10
2001	1,358,494,142	150,607,757	1,509,101,899	1.81
2002	1,432,102,670	136,483,147	1,568,585,817	3.94
2003	1,447,949,250	137,191,146	1,585,140,396	1.06
2004	1,588,499,381	125,299,389	1,713,798,770	8.12
2005	1,722,154,076	125,883,139	1,848,037,215	7.83
2006	2,557,714,553	134,674,238	2,692,388,791	45.69
2007	2,974,663,326	140,113,102	3,114,776,428	15.69
2008	2,950,336,030	134,404,987	3,084,741,017	(0.96)
2009	2,718,879,047	180,605,461	2,899,484,508	(6.01)

Source: Kitsap County Assessor's Office

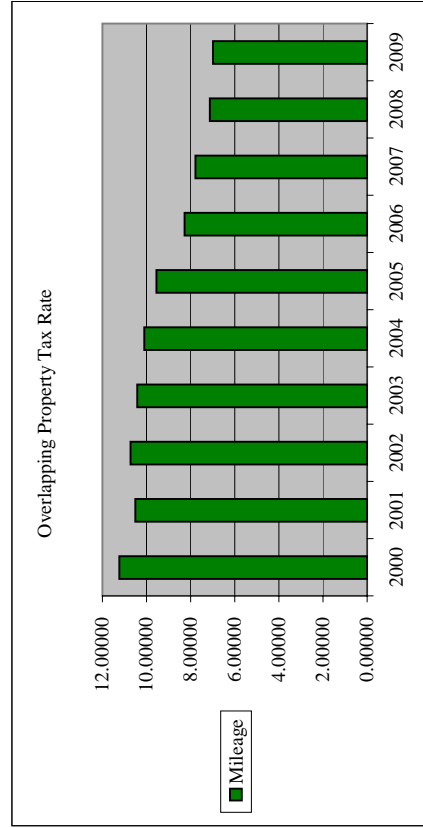
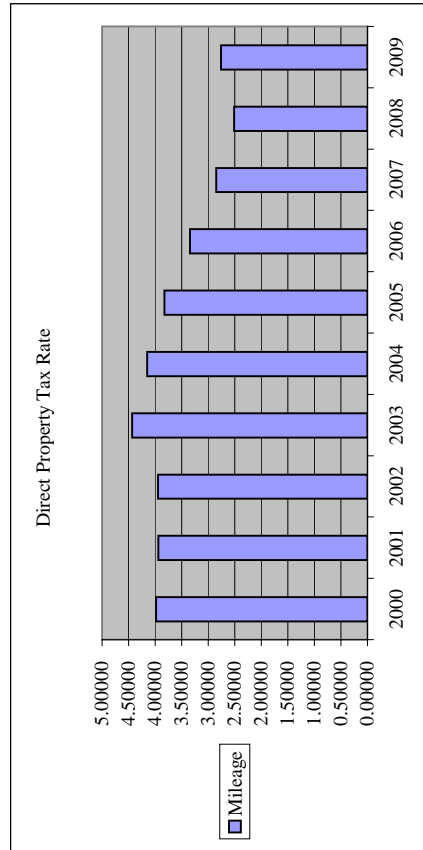
Table 6
Property Tax Rates for Direct and Overlapping Governments
 (Per \$1000 of Assessed Valuation)
 Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>General Fund</u>	<u>Emer. Medical Services</u>	<u>Debt Service</u>	<u>WA State</u>	<u>Kitsap County</u>	<u>Port of Bremerton</u>	<u>School District #100</u>	<u>Library</u>	<u>Public Utility District</u>	<u>Total</u>
2000	3.33	0.50	0.16	3.28	1.86	0.50	5.00	0.50	0.10	15.22
2001	3.29	0.49	0.16	3.10	1.52	0.49	4.81	0.50	0.10	14.45
2002	3.30	0.50	0.15	3.15	1.67	0.50	4.82	0.48	0.11	14.67
2003	3.20	0.48	0.75	2.93	1.60	0.49	4.84	0.46	0.10	14.85
2004	3.03	0.50	0.62	3.08	1.41	0.48	4.58	0.45	0.10	14.25
2005	2.86	0.47	0.50	2.96	1.31	0.43	4.34	0.42	0.09	13.38
2006	2.46	0.40	0.48	2.60	1.13	0.38	3.73	0.36	0.08	11.62
2007	2.10	0.35	0.39	2.30	0.96	0.77	3.38	0.31	0.07	10.63
2008	1.90	0.32	0.29	2.03	0.88	0.69	3.19	0.28	0.06	9.64
2009	1.97	0.50	0.29	2.03	0.90	0.30	3.41	0.29	0.06	9.75

Source: Kitsap County Assessor's Office

Table 7
Property Tax Rates
Direct and Overlapping Governments
 Last Ten Fiscal Years

Fiscal Year	Direct Rates				Overlapping Rates										Total Direct & Overlapping Rates	
	City Mileage				Bremerton School District		Total Bremerton		Port of Bremerton		Public Utility		Kitsap Regional			Total
	Operating Mileage	EMS Mileage	Debt Service Mileage	Total City Mileage	Operating Mileage	Debt Mileage	School Mileage	Total Mileage	Mileage	Debt	Mileage	Mileage	Library Mileage	Overlapping Rates		
2000	3.32500	0.50000	0.15780	3.98280	1.85520	3.28080	3.11870	1.87670	4.99540	0.37760	0.12300	0.10080	0.50000	11.23280	15.21560	
2001	3.29080	0.49490	0.15520	3.94090	1.51810	3.09510	3.05190	1.75650	4.80840	0.36970	0.11680	0.09750	0.50000	10.50560	14.44650	
2002	3.30000	0.49620	0.15020	3.94640	1.66990	3.14750	3.08960	1.72630	4.81590	0.39060	0.11190	0.10640	0.48340	10.72560	14.67200	
2003	3.20220	0.48150	0.75100	4.43470	1.60170	2.92670	3.20280	1.63560	4.83840	0.38470	0.10590	0.10180	0.46230	10.42150	14.85620	
2004	3.02778	0.50000	0.62376	4.15154	1.41320	3.07972	3.07238	1.50870	4.58108	0.37595	0.09925	0.09978	0.45270	10.10168	14.25322	
2005	2.85463	0.47265	0.49682	3.82410	1.30856	2.96103	2.91888	1.41966	4.33854	0.34628	0.08733	0.09221	0.41963	9.55357	13.37767	
2006	2.46012	0.40695	0.47883	3.34590	1.13108	2.59111	2.54897	1.18100	3.72997	0.30368	0.07304	0.07970	0.36159	8.27816	11.62406	
2007	2.10316	0.34805	0.39588	2.84710	0.96251	2.29576	2.40579	0.97236	3.37815	0.25940	0.50933	0.06782	0.30765	7.78062	10.62772	
2008	1.90323	0.31487	0.29256	2.51065	0.87703	2.02829	2.22231	0.96519	3.18750	0.23606	0.45766	0.06180	0.28021	7.12855	9.65919	
2009	1.96901	0.50000	0.29004	2.75905	0.90091	2.02559	2.43646	0.97730	3.41377	0.28150	0.01427	0.06348	0.28792	6.98743	9.74648	



Source: Kitsap County Assessor's Office

Table 8
Principal Property Taxpayers
 Current Year and Nine Years Ago

Name	Type of Business	2009			2000		
		Rank	Assessed Valuation	Percent of Total Assessed Value	Rank	Assessed Valuation	Percent of Total Assessed Value
Puget Sound Energy	Utility	1	\$ 32,103,305	1.1%	1	\$ 36,906,886	2.5%
East Park LLC	Property Management	2	20,796,880	0.7%			
Kitsap Community Credit Union	Finance	3	18,925,960	0.7%			
SHP II Bremerton LLC	Property Management	4	11,968,680	0.4%			
L 198 1 Sinclair Ridge LLC	Undeveloped Land	5	11,513,500	0.4%			
New Albertsons Inc	Business Services	6	11,295,780	0.4%			
Bremer Trust	Misc Services	7	11,208,290	0.4%	3	8,201,000	0.6%
Bremerton Residential Investments	Business Services	8	10,609,630	0.4%			
Toyexpansion LLC	Retail-Automotive	9	10,046,230	0.3%			
R & L Property Mgmt LLC	Retail-Automotive	10	9,831,040	0.3%			
U. S. West	Telephone Utility				2	25,397,583	1.7%
Bay Point Retirement Community	Retirement Apartments				4	7,451,057	0.5%
Haselwood, Charles & Joanne	Retailer, Land				5	7,042,900	0.5%
Kitsap Physicians Service	Medical				6	6,834,875	0.5%
Merit Company	Community Center				7	6,729,000	0.5%
Erlands Associates LLC	Apartments				8	6,688,000	0.5%
Viewcrest Villages	Residential Properties				9	6,683,000	0.5%
Beta Ballard LLC	Community Center				10	6,231,000	0.4%
Fire Lane Terrace Conv. Ctr	Community Center				10	6,231,000	0.4%
Total Taxable Assessed Value of 10 Largest Taxpayers			148,299,295	5.1%		124,396,301	8.4%
Total Taxable Assessed Value of all Other Taxpayers			<u>2,751,185,213</u>	94.9%		<u>1,357,834,996</u>	91.6%
Total Taxable Assessed Value of all Taxpayers			<u>\$ 2,899,484,508</u>	100%		<u>\$ 1,482,231,297</u>	100%

Source: Kitsap County Assessor's Office

Table 9
Property Tax Levies and Collections
 Last Ten Fiscal Years
 (In Thousands)

<u>Fiscal Year</u>	<u>Tax Levy</u>	<u>Current Tax Collections</u>	<u>% of Tax Levy Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>% of Total Tax Collections to Tax Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>% of Outstanding Delinquent to Tax Levy</u>
2000	5,622	5,329	94.78	244	5,573	99.12	466	8.30
2001	5,870	5,543	94.44	215	5,758	98.10	464	7.90
2002	5,952	5,667	95.21	223	5,890	98.97	448	7.52
2003	7,011	6,642	94.74	196	6,838	97.54	546	7.78
2004	7,105	6,784	95.48	195	6,979	98.23	523	7.36
2005	7,065	6,801	96.26	214	7,015	99.29	498	7.05
2006	7,431	7,188	96.73	308	7,496	100.87	631	8.49
2007	7,658	7,406	96.71	436	7,842	102.40	425	5.55
2008	7,816	7,498	95.93	190	7,688	98.36	506	6.47
2009	8,507	8,064	94.79	192	8,256	97.05	735	8.64

Table 10
Ratio of Net General Bonded Debt
To Assessed Value and Net Bonded Debt Per Capita
 Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Population*</u>	<u>Assessed Value**</u>	<u>G.O. Bonded Debt</u>	<u>Less Debt Service Fund</u>	<u>Net Bonded Debt</u>	<u>% Net Bonded Debt to Assessed Value</u>	<u>Debt Per Capita</u>
2000	36,160	1,482,231,297	8,440,000	327,131	8,112,869	0.55	224
2001	37,260	1,509,101,899	10,930,000	311,654	10,618,346	0.70	285
2002	38,604	1,568,585,817	22,986,363	356,523	22,629,840	1.44	586
2003	38,730	1,585,140,396	26,962,502	375,436	26,587,066	1.68	686
2004	37,520	1,713,798,770	33,170,000	273,708	32,896,292	1.92	877
2005	34,580	1,848,037,215	31,875,139	401,164	31,473,975	1.70	910
2006	35,910	2,692,398,791	30,318,664	457,626	29,861,038	1.11	832
2007	35,810	3,114,736,428	28,619,400	573,654	28,045,746	0.90	783
2008	36,860	3,084,741,017	27,424,767	623,385	26,801,382	0.87	727
2009	36,620	2,899,484,508	26,847,185	313,948	26,533,237	0.92	725

* State of Washington Office of Financial Management

** Kitsap County Assessor

Table 11
Computation of Direct and Overlapping Debt
 December 31, 2009

<u>Jurisdiction</u>	Gross General Obligation Debt <u>Outstanding</u>	Percentage Applicable <u>To Bremerton</u>	Amount Applicable <u>To Bremerton</u>
City of Bremerton	26,847,185	100.00	26,847,185
Kitsap County	131,772,868	9.46	12,465,713
Port of Bremerton	15,380,000	22.78	3,503,564
School District #100	25,411,109	75.01	19,060,873
School District #401 - Voted	12,550,000	1.01	126,755
So. Kitsap Schools - Non-Voted	3,057,624	0.26	7,950
TOTAL	215,018,786		62,012,040

Table 12
Computation of Legal Debt Margin
as of December 31, 2009

Total Taxable property Value 2,899,484,508

2.5% (\$72,487,113) general purposes limit is allocated between:

<i>Up to 1.5% debt without a vote (councilmanic)</i>	43,492,268	
Less: outstanding debt	16,302,185	
Less: contracts payable	1,916,804	
Less: excess of debt with a vote		
Add: available assets	2,343,635	
Equals: remaining debt capacity without a vote		27,616,914
<i>1% general purposes debt with a vote</i>	28,994,845	
Less: outstanding debt	10,545,000	
Less: contracts payable		
Add: assets available	53,770	
Equals: remaining debt capacity with a vote		18,503,615
<i>2.5% utility purpose limit, voted</i>	72,487,113	
Less: outstanding debt		
Less: contracts payable		
Add: assets available		
Equals: remaining debt capacity - utility purpose, voted		72,487,113
<i>2.5% open space, park and capital facilities , voted</i>	72,487,113	
Less: outstanding debt		
Less: contracts payable		
Add: assets available		
Equals remaining debt capacity - open space park and capital facilities, voted		72,487,113

Table 13
Ratio of Annual Debt Service Expenditures for
General Bonded Debt to Total General Expenditures
 Last Ten Fiscal Years

<u>Fiscal</u> <u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Debt</u> <u>Service</u>	<u>Total</u> <u>General</u> <u>Expenditures</u>	Ratio of Debt Service To General Expenditures (Percent)
2000	425,716	242,742	668,458	30,078,291	2.22
2001	370,000	222,556	592,556	34,769,895	1.70
2002	865,000	201,052	1,066,052	35,808,218	2.98
2003	714,000	876,982	1,590,982	36,418,718	4.37
2004	697,500	1,017,920	1,715,420	35,762,460	4.80
2005	2,650,863	1,098,277	3,749,140	38,144,147	9.83
2006	1,231,475	1,145,958	2,377,433	46,186,270	5.15
2007	1,359,264	1,098,346	2,457,610	51,035,603	4.82
2008	839,633	997,368	1,837,001	50,836,047	3.61
2009	875,582	884,224	1,759,806	44,270,529	3.98

Includes general, special revenue and debt service funds; does not include Golf Course Bonds.

Table 14
Water and Sewer Revenue Bond Coverage
 Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Gross Revenue</u>	<u>Maintenance & Operating Expenses*</u>	<u>Net Revenue Available For Debt Service</u>	<u>Current Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Current Coverage Ratio</u>
2000	17,465,141	9,324,824	8,140,317	1,735,000	973,725	2,708,725	3.01
2001	15,698,664	8,562,359	7,136,305	1,830,000	878,300	2,708,300	2.63
2002	16,447,132	8,770,277	7,676,855	2,025,000	735,200	2,760,200	2.78
2003	17,724,919	9,759,003	7,965,916	2,145,000	657,620	2,802,620	2.84
2004	19,014,710	11,175,402	7,839,308	2,270,000	533,720	2,803,720	2.80
2005	21,180,985	11,751,679	9,429,306	2,390,000	413,410	2,803,410	3.36
2006	24,909,999	12,125,481	12,784,518	2,555,659	305,144	2,860,803	4.47
2007	25,013,291	13,623,595	11,389,696	2,815,000	242,816	3,057,816	3.72
2008	23,021,132	13,023,575	9,997,557	305,000	223,202	528,202	18.93
2009	24,397,012	14,519,833	9,877,179	320,000	210,148	530,148	18.63

* Net of depreciation, amortization and City taxes.

Table 15
Demographic Statistics
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Population *</u> <u>Number</u>	<u>Personal**</u> <u>Income (\$000)</u>	<u>Income</u> <u>Per Capita</u>	<u>School ***</u> <u>Enrollment</u>	<u># of ****</u> <u>Housing Units</u>	<u>Rate of *****</u> <u>Unemployment</u>
2000	36,160	1,066,552	29,495	6,058	16,796	5.6
2001	37,260	1,145,431	30,742	6,001	16,744	6.0
2002	38,604	1,219,605	31,593	5,894	16,576	6.1
2003	38,730	1,265,712	32,680	5,787	16,617	5.4
2004	37,520	1,299,639	34,639	5,703	16,615	5.9
2005	34,580	1,287,196	37,224	5,412	16,607	5.1
2006	35,910	1,382,427	38,497	5,209	16,615	4.7
2007	35,810	1,486,858	41,521	4,998	16,797	4.4
2008	36,860	1,574,351	42,712	5,061	17,171	4.4
2009	36,620	--	--	4,835	17,170	7.4

* State of Washington, Office of Financial Management

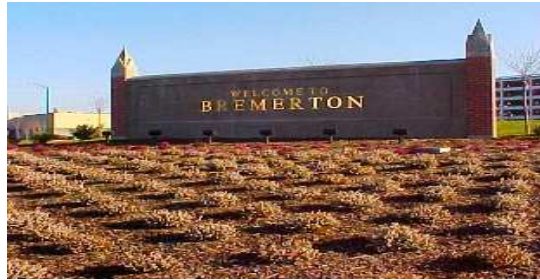
** U.S. Department of Commerce - Bureau of Economic Analysis (County data prorated based on local population)

*** State of Washington Office of Financial Management - Office of Superintendent of Public Instruction

**** State of Washington, Office of Financial Management

***** State of Washington, Employment Security Department

Table 16
Miscellaneous Statistics



Type of Government

Home-Rule Charter

Demographics in 2009

Total Area for City of Bremerton 30.0 Square Miles

Number of City Employees

Full-Time Equivalents 356.13

Fire Protection

Number of Personnel 59
 Number of Stations 3
 Fire and Aid Calls - 2009 7,502
 Priority 1 Response Time (minutes) 5.18



Police Protection

Number of Police Officers 63
 Calls for Service - 2009 54,783
 Average Priority 1 Response Time (minutes) 2.33
 Average Priority 2 Response Time (minutes) 2.33



Parks & Recreation

Number of Developed Parks 34
 Number of Park Acres 709.50
 Senior Centers 1
 Community Pool - Jarstad Aquatic Center 1
 Golf - Gold Mountain Golf Complex 1
 Ice Arena - Bremerton Ice Arena 1



Table 16 Continued

Water Utility Services

Residential Accounts	16,061
Commercial Accounts	1,744
Storage Capacity - Gallons	33,240,000
Average Daily Demand - Million Gallons per Day	7.1
Reservoirs	16
Watershed Land (square miles)	12.96
Sources:	
Surface Supply - 60%	60%
Ground Supply - 8,200,000 Gallons per Day Capacity	0
Miles of Main	322



Bremerton supplies 3 billion gallons of water each year to 55,000 people, representing 36% of all the water supplied in Kitsap County. Bremerton regularly monitors the physical, chemical, and bacteriological characteristics to ensure that the drinking water is safe and water quality is the best possible.

Sewer Utility Services

Residential Sewer Accounts	9,353
Commercial Sewer Accounts	912
Miles of Main	141
Miles of Force Main	31
Pump Lift Stations	37
Sewage Treatment:	
Average Annual Flow - MGD	7.6
Hydraulic Peak Capacity - MGD	32
Permitted Average	4.3
Solids Treated Tons/Year:	
Wet Tons	3,796
Dry Tons	678



Bremerton's sewage system provides sewer service to approximately 37,000 people. The wastewater collection system serves City residents as well as nearby areas in unincorporated Kitsap County.

Stormwater Utility Services

Residential Accounts	9,799
Commercial Accounts	1,004
Miles of Mains	115

It is the mission of the Stormwater Program within the Department to control flooding, enhance water quality, protect sensitive habitat areas, and optimize the recharge of local aquifers.



Table 16 Continued

City Streets

Street Miles	156
State Highway Miles	19
Miles of Sidewalks	115
Street Lights:	
City Owned	371
Leased from Puget Sound Energy	1699



Forestry

Water and Utility Forest Lands (acres)	8,300
Miles of Forest Roads	50

Public Schools

Bremerton is served primarily by Bremerton School District #100. A small percentage of children attend Central Kitsap School District #401.

Elementary	6
Middle School	1
Junior High	1
High School	1
Vocational School	1

Colleges

Olympic College	Navy College
1600 Chester Ave., Bremerton	Naval Kitsap Bremerton
360 792-6050	2255 Cole Ave. Bldg. 853, Bremerton
1 800 259-6718	360 476-4282 Ext. 9176

Hospitals

Harrison Medical Center	Naval Hospital Bremerton
2520 Cherry Ave., Bremerton	1 Boone Road, Bremerton
360 377-3911	1 800 422-1383

Local Transportation

Washington State Ferries	
Seattle Bremerton Route - Total Annual Rides (2009)	2,428,674
Kitsap Transit (2009)	
Foot Ferry	
Annual Rides - Port Orchard & Annapolis	473,857
Buses	
Annual Bus Rides - Bremerton	1,437,452
Kitsap Access Bus (County Wide)	352,874

Sources: Washington State Ferries
Kitsap Transit

Table 16 Continued**Employment in City Limits**

Number of Business Licenses Issued	5113
Number of Business Licenses Issued in City Limits	2394

Top Employers	# of Employees
Naval Base Kitsap (Bremerton, Bangor & Keyport)	14,900
Puget Sound Naval Shipyard	9,650
Harrison Medical Center	2,716
Bremerton School District	690
Olympic College	650
Doctors Clinic-Bremerton	547
Kitsap Mental Health Services	377
City of Bremerton	367
Port of Bremerton	311
Group Health Co-Op	303

Source: Kitsap Economic Development Alliance

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