



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

City of Bremerton

For the period January 1, 2020 through December 31, 2020

Published December 9, 2021

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**Office of the Washington State Auditor
Pat McCarthy**

December 9, 2021

Mayor and City Council
City of Bremerton
Bremerton, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on the City of Bremerton's financial statements and compliance with federal laws and regulations.

We are issuing this report in order to provide information on the City's financial condition.

Sincerely,

A handwritten signature in black ink that reads "Pat McCarthy".

Olympia, WA

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

City of Bremerton January 1, 2020 through December 31, 2020

SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of the City of Bremerton are summarized below in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Financial Statements

We issued an unmodified opinion on the fair presentation of the basic financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information in accordance with accounting principles generally accepted in the United States of America (GAAP).

Internal Control over Financial Reporting:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over financial reporting that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified deficiencies that we consider to be material weaknesses.

We noted no instances of noncompliance that were material to the financial statements of the City.

Federal Awards

Internal Control over Major Programs:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

We issued an unmodified opinion on the City’s compliance with requirements applicable to each of its major federal programs.

We reported no findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

Identification of Major Federal Programs

The following programs were selected as major programs in our audit of compliance in accordance with the Uniform Guidance.

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
14.218	CDBG – Entitlement Grants Cluster – Community Development Block Grants/Entitlement Grants
14.218	COVID-19 CDBG – Entitlement Grants Cluster – Community Development Block Grants/Entitlement Grants
21.019	COVID-19 – Coronavirus Relief Fund

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was \$750,000.

The City qualified as a low-risk auditee under the Uniform Guidance.

SECTION II – FINANCIAL STATEMENT FINDINGS

See Finding 2020-001.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

City of Bremerton January 1, 2020 through December 31, 2020

2020-001 The City's internal controls over classifying capital contributions were insufficient for ensuring they were reported in the proper fund.

Background

General facility charges are permit fees the City assesses when a customer or contractor expands or installs a new utility service. The City uses a permit system for recording and receipting other engineering-related fees. Account codes for each fee are established in the receipting system and manually transferred to the City's general ledger. The fees are included in the capital contributions balances reported on the Statement of Revenues, Expenses, and Changes in Fund Net Position.

The City's governing body and management are responsible for designing, implementing, and maintaining internal controls that provide reasonable assurance financial reporting is accurate.

Description of Condition

The City lacked adequate internal controls for ensuring it classified general facility charges to the correct fund in the general ledger and on the financial statements. When the City updated rates for Wastewater general facility charges in its receipting system in 2016, it inadvertently changed the general ledger coding to record the revenues to the Water fund. Due to the account coding error in the receipting system, wastewater general facility charges were misclassified to the Water fund, and the City did not detect the error in a timely manner. We consider this control deficiency to be a material weakness.

The City identified the coding error during the course of the audit and corrected all current and prior-year revenues that it had misclassified.

Cause of Condition

The City lacked a process in the Public Works Engineering Department for ensuring it coded and recorded general facility charges to the correct fund in its receipting system. Additionally, it lacked a process for confirming account coding when the Finance Department manually transferred amounts to the general ledger.

Effect of Condition

As a result of the current and prior-year classification errors, the City's 2020 annual financial report submitted for audit contained the following misstatements:

- Capital contributions were overstated by \$801,729 in the Water fund and understated by \$801,729 in the Wastewater fund.
- The City did not report prior period adjustments of negative \$1,824,000 in the Water fund and \$1,824,000 in the Wastewater fund to reflect the revenue misclassifications between 2016 and 2019.
- Net position was overstated by \$2,625,729 in the Water fund and understated by \$2,625,729 in the Wastewater fund.

The City corrected these errors in its final financial statements.

Recommendation

We recommend the City strengthen internal controls to ensure it properly classifies capital contributions to the correct fund.

City's Response

We want to thank the Auditors office for the good working relationship during our annual audit. City staff identified the classification error in the revenue coding during non-audit tasks. An in-depth analysis to determine the origin of the issue, as well as the amount of the classification error for each year was completed by City staff. City staff reported the classification error to the auditors with the detailed supporting analysis of the misclassification.

The City had the fee code for Wastewater general facility charges properly identified in the permit system as the Wastewater fund, however the transaction code that was paired to that fee code in permit system erroneously coded to Water fund. That transaction code is used to crosswalk and record the fees set up in permit system to the revenue accounts coded in the general ledger system. The transaction code was immediately corrected to prevent future errors.

The City will perform a reconciliation for revenues by fund between the permitting system and general ledger system as part of year end processes to ensure capital contribution and other permit revenues are properly classified in future financial statements.

Auditor's Remarks

We appreciate the City's commitment to resolve this finding and thank the City for its cooperation and assistance during the audit. We will review the corrective action taken during our next regular audit.

Applicable Laws and Regulations

Government Auditing Standards, July 2018 Revision, paragraphs 6.40 and 6.41 establish reporting requirements related to significant deficiencies or material weaknesses in internal control, instances of fraud, and noncompliance with provisions of laws, regulations, contracts, or grant agreements.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its Codification of Statements on Auditing Standards, section 265, Communicating Internal Control Related Matters Identified in an Audit, paragraph 7.

The *Budgeting, Accounting and Reporting System* (BARS) manual, 3.1.3, Internal Control

RCW 43.09.200, Local government accounting – Uniform system of accounting

INDEPENDENT AUDITOR'S REPORT

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

City of Bremerton January 1, 2020 through December 31, 2020

Mayor and City Council
City of Bremerton
Bremerton, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Bremerton, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 3, 2021.

As discussed in Note 1 to the financial statements, during the year ended December 31, 2020, the City implemented Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*.

As discussed in Note 1 to the financial statements, the 2019 financial statements have been restated to correct a misstatement.

As discussed in Note 18 to the financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the City is unknown.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Audit Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Audit Findings and Responses as Finding 2020-001 to be a material weakness.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of the City's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

CITY'S RESPONSE TO FINDINGS

The City's response to the findings identified in our audit is described in the accompanying Schedule of Audit Findings and Responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy, State Auditor

Olympia, WA

December 3, 2021

INDEPENDENT AUDITOR'S REPORT

Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance

City of Bremerton January 1, 2020 through December 31, 2020

Mayor and City Council
City of Bremerton
Bremerton, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the compliance of the City of Bremerton, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2020. The City's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy, State Auditor

Olympia, WA

December 3, 2021

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

City of Bremerton January 1, 2020 through December 31, 2020

Mayor and City Council
City of Bremerton
Bremerton, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Bremerton, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed on page 18.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such

opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Bremerton, as of December 31, 2020, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 1 to the financial statements, in 2020, the City adopted new accounting guidance, Governmental Accounting Standards Board *Statement No. 84, Fiduciary Activities*. Our opinion is not modified with respect to this matter.

As discussed in Note 1 to the financial statements, the 2019 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

As discussed in Note 18 to the 2020 financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the City is unknown. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed on page 18 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and


other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). This schedule is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2021 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Pat McCarthy, State Auditor

Olympia, WA

December 3, 2021

FINANCIAL SECTION

City of Bremerton January 1, 2020 through December 31, 2020

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2020

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2020

Statement of Activities – 2020

Balance Sheet – Governmental Funds – 2020

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds – 2020

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities – 2020

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund – 2020

Statement of Net Position – Proprietary Funds – 2020

Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds – 2020

Statement of Cash Flows – Proprietary Funds – 2020

Statement of Fiduciary Net Position – Fiduciary Funds – 2020

Statement of Changes in Fiduciary Net Position – Fiduciary Funds – 2020

Notes to Financial Statements – 2020

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Changes in Total OPEB Liability and Related Ratios – LEOFF 1 – 2020

Schedule of Proportionate Share of Net Pension Liability – PERS 1, PERS 2/3, PSERS, LEOFF 1, LEOFF 2 – 2020

Schedule of Employer Contributions – PERS 1, PERS 2/3, PSERS, LEOFF 2 – 2020

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2020

Notes to the Schedule of Expenditures of Federal Awards – 2020

**City of Bremerton
Management's Discussion and Analysis
December 31, 2020**

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, 2020. 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 2020, the assets and deferred outflows of the City exceeded its liabilities and deferred inflows by \$300 million. The net investment in capital assets accounts for 88%, or \$262.3 million, of this amount. Restricted net position accounts for another 6%, or \$19.4 million, and is primarily for pension, construction projects, debt service, public safety and Community Development Block Grant (CDBG) programs, tourism promotion, worker's compensation liability and public safety. The remaining net position of \$18.1 million may be used to meet the City's ongoing obligations to citizens and creditors. As a result of GASB 75 (Other Post Employment Benefit reporting), the unrestricted fund balance on the governmental activities is negative.
- The City's net position increased by \$12.5 million (4%) during the fiscal year. The governmental net position increased by \$3.7 million (4%) and business-type net position increased by \$8.8 million (5%) from the amounts reported in 2019.
- As of December 31, 2020, the City's governmental funds reported a combined fund balance of \$28.9 million, an increase of 16% from the prior year end. The fund balance of the General Fund increased by \$807 thousand while the remaining non-major governmental funds had a fund balance increase of \$1.044 million. The combined governmental fund balances restricted for specific purposes by external parties, enabling legislation or otherwise not available for expenditure is \$6.7 million. Of the remaining \$22.2 million fund balance, \$7.3 million has been committed or assigned for specific purposes, \$23 thousand is for non-spendable inventories and \$14.8 million is unassigned and available to the City for future appropriation.
- At the end of 2020, the unassigned fund balance of the General Fund was \$14.8 million or approximately 37% of total General Fund expenditures of \$40.4 million. The General Fund's unassigned fund balance increased by \$696 thousand from the prior year's amount of \$14.1 million.
- The City's total outstanding debt decreased by \$4.6 million or (9%) during the current fiscal year to \$48.3 million. General obligation debt decreased by \$2.28 million, revenue bond debt decreased by \$1.05 million and revenue loan debt decreased \$1.25 million.
- The City's net investment in capital assets increased \$6.9 million overall in 2020. Governmental activities increased \$3.6 million and business activities increased \$3.3 million. Total capital assets from governmental activities increased \$1.6 million. Total capital assets from business type activities increased \$661 thousand.

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, legislative and human resources), community development, public safety (police and fire), utilities and environment, transportation, economic environment, and culture and recreation. The City's business-type activities are limited to the City's municipal golf course and water, wastewater and stormwater utility activities. 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 position* presents information on all of the City's assets and deferred outflows of resources and liabilities and deferred inflows of resources, highlighting the difference between the two as net position. This statement is similar to the balance sheet of a private sector business. Over time, increases or decreases in net position 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 position 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-one (21) individual governmental funds in 2020. 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".

The City maintains budgetary control over its operating funds through the adoption of an annual budget. Budgets are adopted at the fund level. The general fund budget is further adopted at the department and category group level by fund in accordance with City code and state law. A budgetary comparison statement for major governmental funds is presented with 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 four (4) 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, wastewater and stormwater utilities.

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, self-insured insurance programs and claims, unemployment insurance obligations, termination benefits 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 – custodial funds. Custodial funds are custodial in nature and do not include revenues and expenses as they do not measure the results of operations.

Notes to the Financial Statements provide additional information that is essential to acquire a full understanding of the data provided in the government-wide and fund financial statements and can be found immediately following the basic financial statements of this report.

Other Information In addition to the basic financial statements and accompany notes, this report also presents the required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found immediately following the notes to the financial statements of the report.

Government-wide Financial Analysis

Statement of Net Position

The statement of net position can serve as a useful indicator of the City's financial position. The City's net position on December 31, 2020 totaled \$299 million. The following is a condensed version of the government-wide statement of net position for the current and the prior fiscal year.

Condensed Statement of Net Position
As of December 31, 2020 and 2019

Amounts in 000's	Governmental Activities			Business-Type Activities			Total		
	2020	2019	Difference	2020	2019	Difference	2020	2019	Difference
Current Assets	\$ 35,309	\$ 33,120	\$ 2,189	\$ 40,061	\$ 35,912	\$ 4,149	\$ 75,370	\$ 69,032	\$ 6,338
Restricted Assets	6,889	6,442	447	1,245	1,281	(36)	8,134	7,723	411
Capital Assets	117,491	115,888	1603	194,200	193,539	661	311,691	309,427	2,264
Other Noncurrent Assets	10,935	11,921	(986)	62	109	(47)	10,997	12,030	(1,033)
Total assets	170,624	167,371	3,253	235,568	230,841	4,727	406,192	398,212	7,980
Deferred outflows of resources	4,065	3,744	321	858	782	76	4,923	4,526	397
Current Liabilities	9,592	7,265	2,327	5,745	6,996	(1,251)	15,337	14,261	1,076
Noncurrent Liabilities	66,693	66,491	202	25,628	27,748	(2,120)	92,321	94,239	(1,918)
Total liabilities	76,285	73,756	2,529	31,373	34,744	(3,371)	107,658	108,500	(842)
Deferred inflows of resources	3,065	5,747	(2,682)	633	1,292	(659)	3,698	7,039	(3,341)
Net position									
Net Investment in Capital Assets	93,347	89,793	3,554	168,988	165,616	3,372	262,335	255,409	6,926
Restricted	17,757	6,443	11,314	1,609	2,131	(522)	19,366	8,574	10,792
Unrestricted	(15,764)	(4,624)	(11,140)	33,823	27,840	5,983	18,059	23,216	(5,157)
Total Net Position	\$ 95,340	\$ 91,612	\$ 3,728	\$ 204,420	\$ 195,587	\$ 8,833	\$ 299,760	\$ 287,199	\$ 12,561

The largest component of the City's net position is the \$262 million investment in capital assets reduced for 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 position consists of amounts legally or otherwise externally restricted for debt service and other programs. Of the \$19.4 million of governmental restrictions, \$10.9 million or 56% is restricted for pension, \$6.0 million or 31% is restricted for the construction of capital assets and \$1.3 million or 7% is restricted for debt service. The remaining 6% is comprised of public safety, community development block grant, Public Access Television, tourism promotion and workers compensation.

A total of \$33.8 million represents the unrestricted net position of the City's business-type activities and may only be spent on golf course operations, water, wastewater and other utility activities. Maintenance of utility delivery systems such as water lines, pump station, wells, storm drain flushing, water meter reading, and capital construction projects, such as well rehabilitation, are examples of utility activities.

At the end of the fiscal year, the City reported positive balances in all three categories of net position for the government as a whole. Governmental activities reported a negative unrestricted fund balance of \$(15.8) million due to GASB 68, *Accounting and Financial Reporting for Pensions* and GASB 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*.

Changes in Net Position

The Changes in Net Position table illustrates the increase or decrease in net position of the City resulting from its operating activities. The City's overall financial position increased by \$12.5 million. Governmental activities increased \$3.7 million, and the net position of business-type activities increased by \$8.8 million. The following is a condensed version of the government-wide statement of changes in net position for the current and the prior fiscal year.

Condensed Changes in Net Position
For the Years Ended December 31, 2020 and 2019

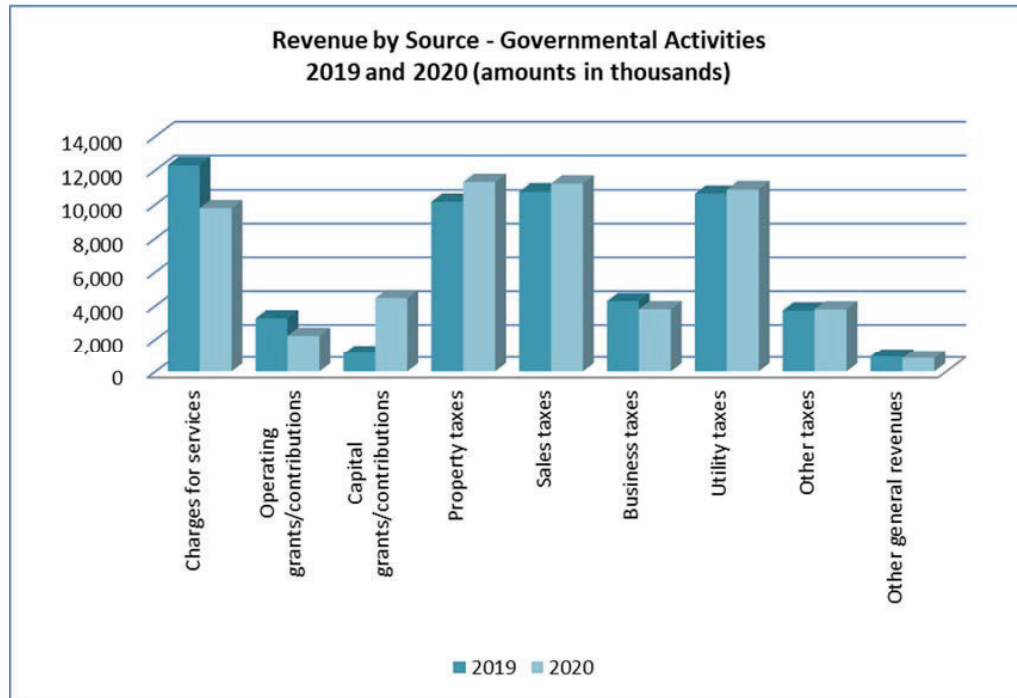
Amounts in 000's	Governmental Activities			Business-Type Activities			Total		
	2020	2019	Difference	2020	2019	Difference	2020	2019	Difference
Revenues									
Program revenues									
Charges for services	\$ 9,739	\$ 12,283	\$ (2,544)	\$ 39,726	\$ 38,857	\$ 869	\$ 49,465	\$ 51,140	\$ (1,675)
Operating grants/contributions	3,078	3,249	(171)	-	19	(19)	3,078	3,268	(190)
Capital grants/contributions	4,452	1,120	3,332	5,385	3,287	2,098	9,837	4,407	5,430
General revenues	-	-	-	-	-	-	-	-	-
Property taxes	11,292	10,154	1,138	-	-	-	11,292	10,154	1,138
Sales taxes	11,209	10,743	466	65	109	(44)	11,274	10,852	422
Business taxes	3,791	4,267	(476)	8	15	(7)	3,799	4,282	(483)
Utility taxes	10,867	10,631	236	-	-	-	10,867	10,631	236
Other taxes	3,779	3,719	60	-	-	-	3,779	3,719	60
Other general revenues	812	903	(91)	546	1,524	(978)	1,358	2,427	(1,069)
Total revenues	\$ 59,019	\$ 57,069	\$ 1,950	\$ 45,730	\$ 43,811	\$ 1,919	\$ 104,749	\$ 100,880	\$ 3,869
Expenses									
General government	5,670	4,854	816	-	-	-	5,670	4,854	816
Public safety	32,259	27,174	5,085	-	-	-	32,259	27,174	5,085
Transportation	8,034	8,336	(302)	-	-	-	8,034	8,336	(302)
Economic environment	3,068	2,702	366	-	-	-	3,068	2,702	366
Culture and recreation	5,149	7,240	(2,091)	-	-	-	5,149	7,240	(2,091)
Interest on long-term debt	808	980	(172)	-	-	-	808	980	(172)
Water	-	-	-	13,582	12,801	781	13,582	12,801	781
Wastewater	-	-	-	15,312	15,493	(181)	15,312	15,493	(181)
Golf course	-	-	-	4,195	4,297	(102)	4,195	4,297	(102)
Stormwater	-	-	-	4,112	3,639	473	4,112	3,639	473
Total expenses	\$ 54,988	\$ 51,286	\$ 3,702	\$ 37,201	\$ 36,230	\$ 971	\$ 92,189	\$ 87,516	\$ 4,673
Change in net position before transfers	4,031	5,783	(1,752)	8,529	7,581	948	12,560	13,364	(804)
Transfers	(303)	(238)	(65)	303	238	65	-	-	-
Change in net position	3,728	5,545	(1,817)	8,832	7,819	1,013	12,560	13,364	(804)
Net position - beginning	91,612	86,067	5,545	195,588	187,791	7,797	287,200	273,858	13,342
Prior Period	-	-	-	-	(23)	23	-	(23)	23
Net position - ending	\$ 95,340	\$ 91,612	\$ 3,728	\$ 204,420	\$ 195,587	\$ 8,833	\$ 299,760	\$ 287,199	\$ 12,561

Governmental activities

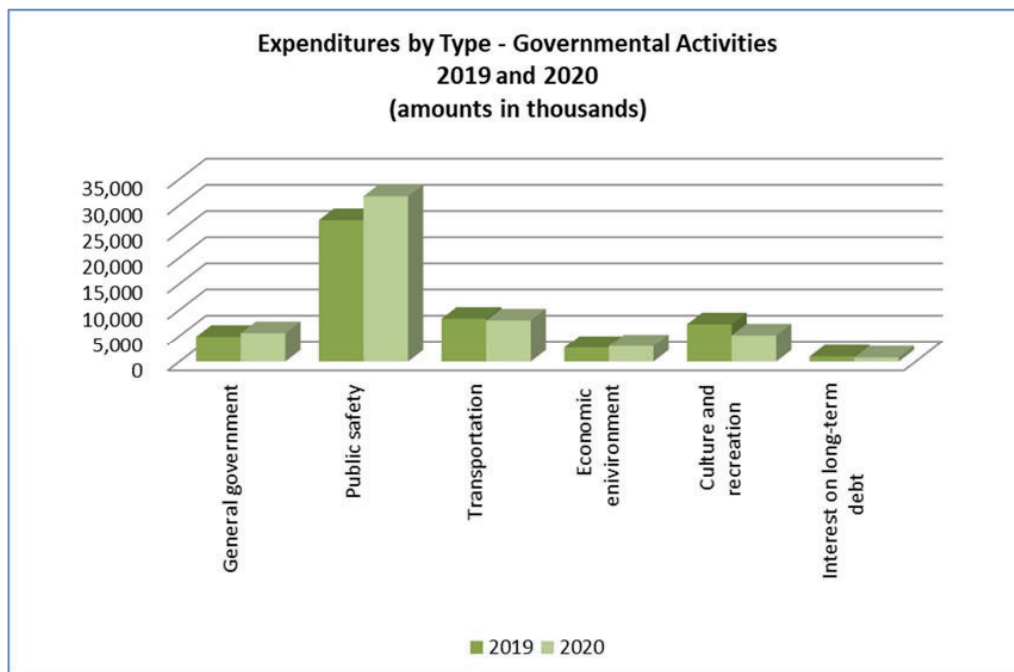
Significant elements of the increase are as follows:

- The City had increases in property taxes of \$1.138 million in part due to new construction throughout the City. The capital grants and contributions for governmental activities increased \$3.332 million, of which \$2.478 million or 74% is attributable to transportation specific grants.
- The City had a \$2.544 million decrease in charges for services in governmental activities, of which \$1.345 million was from the Conference Center fee's, \$249 thousand from Parks and combined decrease of \$819 thousand for ALS transport fee's, parking infractions and photo enforcement penalties.
- The City's overall expenditures increased 5% in 2020 compared to 2019, as a significant effort was made to match expenses to available resources. Public Safety had the largest increase, recognizing a \$5.084 million increase from the prior year. The increase in Public Safety was primarily due to the \$4.12 million adjustment for changes in OPEB liability required by the GASB 75 pronouncement. Culture and Recreation had the largest decrease, recognizing a \$2.091 million decrease from the prior year. The decrease in Culture and Recreation was due in part to a \$937 thousand decrease in Conference Center expenses and \$880 thousand adjustment for changes in Pension liability required by GASB 68 pronouncement.

The following graph is the governmental activities revenues by source for the current and the prior fiscal year.



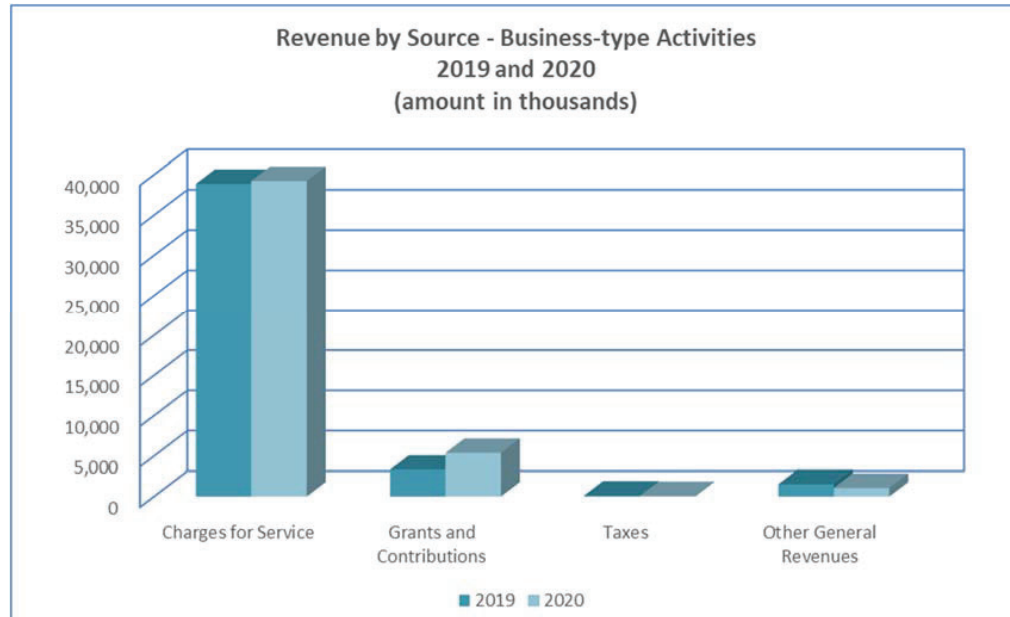
The following graph is the governmental activities expenditures by type for the current and the prior fiscal year.



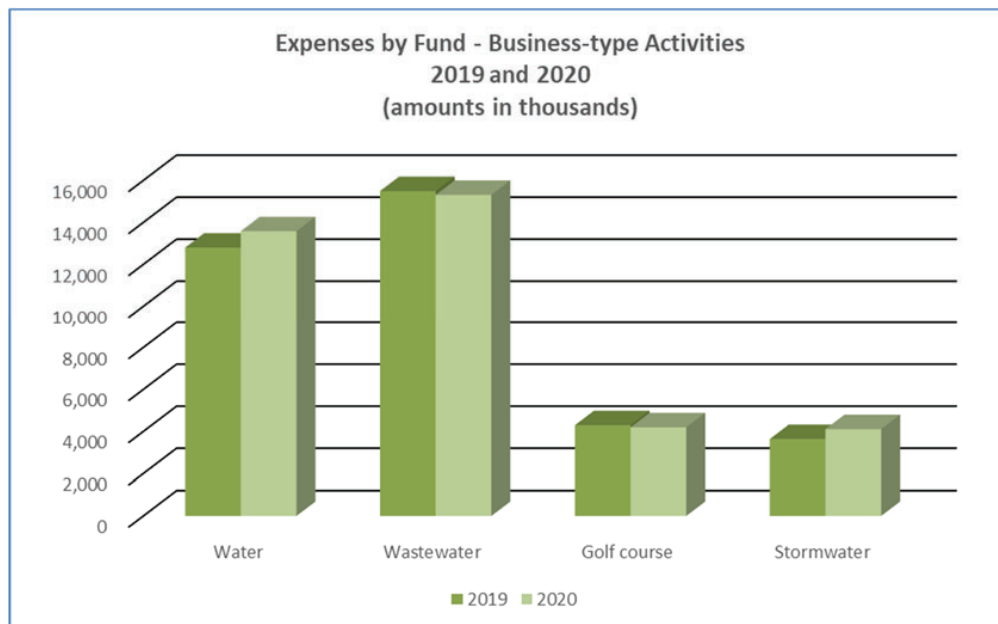
Business-type activities

- The significant change in fund balance can be mainly attributed to capital asset additions and reduction in expenses (attributable to recognized reduction in pension expense per GASB 68). The utilities remained consistent from the prior year.
- The capital grants and contributions for business activities increased \$2.089 million, of which \$718 thousand is from the water fund, \$558 thousand from wastewater and \$822 thousand from stormwater.

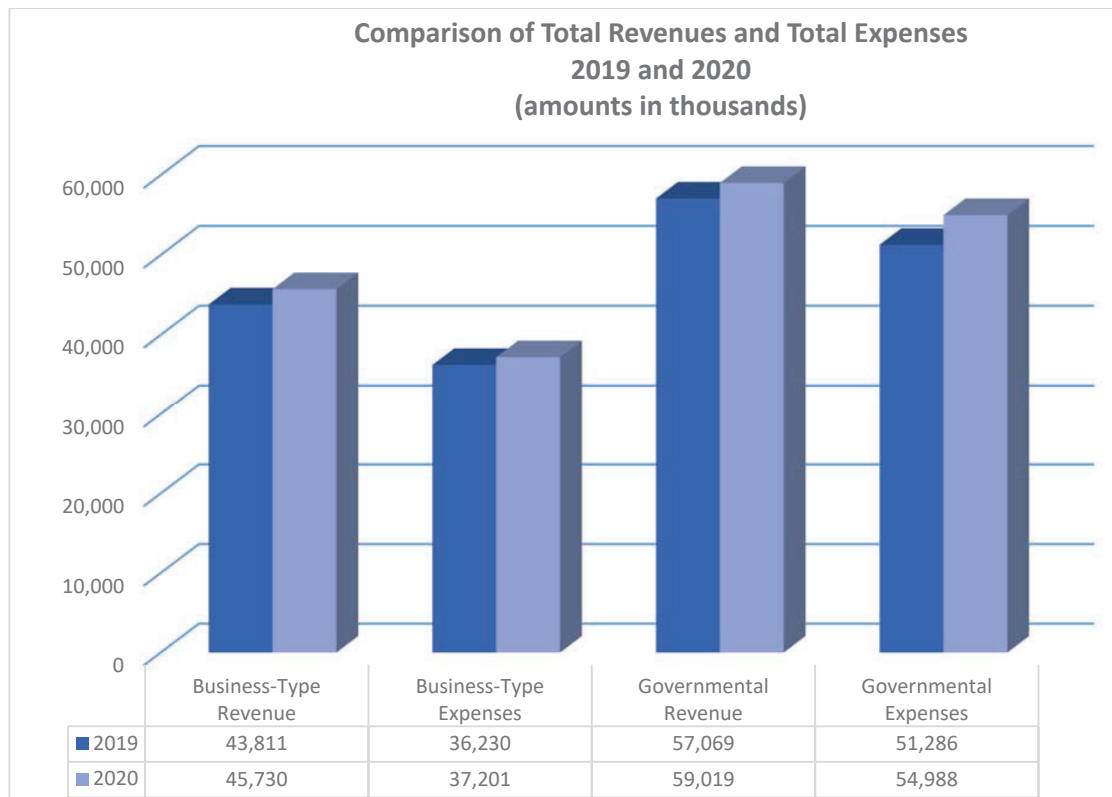
The following graph is the business-type activities revenues by source for the current and the prior fiscal year.



The following graph is the business-type activities expenses by fund for the current and the prior fiscal year.



The following graph is the total revenue and total expense for the current and the prior fiscal year for both governmental activities and business-type activities.



Financial Analysis of the City's Funds

As discussed earlier, the City of Bremerton 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 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 2020, the fund balance of the General Fund was \$16.5 million. As a measure of the fund's liquidity, the 2020 ending fund balance is 41% of the fund's 2020 expenditures, an increase of 2% over 2019's 39%.

The General Fund ending fund balance increased in 2020 by \$807 thousand. Revenues decreased from \$43.6 million in 2019 to \$42 million in 2020. Expenditures slightly increased from \$39.8 million in 2019 to \$40.4 million in 2020. General government had the largest increase in expense of about \$1.08 million, however it was offset by culture and recreation which had the largest decrease in expense of \$1.185 million.

Proprietary funds

The City of Bremerton's proprietary funds provide the same type of information found in the government-wide business-type activities, but in more detail. There were no significant transactions pertaining to the proprietary funds.

General Fund Budget Variations

The General Fund collected revenues at 92% of the amended amount budgeted or \$3.6 million less than budgeted. Expenditures for 2020 were 82% of the amended budget resulting in actual expenditures being \$9.0 million less than the budgeted amount. The positive expenditure budget variance is largely attributable to savings in budgeted personnel.

The General Fund budget was balanced in 2020. The original budget provided for a decrease to the fund balance of \$2.09 million. The budget was amended two times during 2020. The final amended budget provided for a decrease to fund balance of \$4.6 million. At the conclusion of 2020, the General Fund increased fund balance by \$807 thousand.

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, 2020, amounts to \$311.7 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, construction in progress, utility transmission/distribution systems, roads, and intangibles.

The major capital asset additions for governmental activities during 2020 include parks projects, facilities project and various street improvements totaling \$5.8 million. Specifically, the City worked on the following during the year:

- Warren Avenue Playfield Renovation - \$1,157,500
- Kitsap Lake Park Renovation - \$60,200
- Equipment Services Work Bay Enclosure - \$33,700
- Residential Street Curb Ramp and Sidewalk - \$197,800
- Kitsap Lake Safe Routes to School - \$1,788,900
- 6th Street Preservation - \$1,070,200

The major capital assets changes for business-type activities included the construction of wastewater and water capital improvement projects identified within the City's 2020 capital improvement plan.

Capital Assets (net of depreciation)
As of December 31, 2020 and 2019

Amounts in 000's	Governmental Activities			Business-Type Activities			Total		
	2020	2019	Difference	2020	2019	Difference	2020	2019	Difference
Land	\$ 20,174	\$ 20,174	\$ -	\$ 9,882	\$ 9,882	\$ -	\$ 30,056	\$ 30,056	\$ -
Buildings	43,398	44,454	(1,056)	32,063	33,204	(1,141)	75,461	77,658	(2,197)
Improvements other than Buildings *	7,119	7,840	(721)	112,517	104,821	7,696	119,636	112,661	6,975
Machinery and Equipment	4,475	4,807	(332)	33,667	36,124	(2,457)	38,142	40,931	(2,789)
Infrastructure	34,993	36,216	(1,223)	-	-	-	34,993	36,216	(1,223)
Construction in Progress *	7,326	2,392	4,934	5,847	9,274	(3,427)	13,173	11,666	1,507
Intangibles	5	5	-	225	234	(9)	230	239	(9)
Total	\$ 117,490	\$ 115,888	\$ 1,602	\$ 194,201	\$ 193,539	\$ 662	\$ 311,691	\$ 309,427	\$ 2,264

The improvements other than buildings and construction in progress 2019 balances have been restated for business-type activities; see Note 1B for restatement amounts. Additional information on the City's capital assets can be found in Note 5.

Long-term Debt

At the end of 2020, the City had general obligation bonds, revenue bonds and revenue loans.

Long-term Debt
As of December 31, 2020 and 2019

Amounts in 000's	Governmental Activities			Business-Type Activities			Total		
	2020	2019	Difference	2020	2019	Difference	2020	2019	Difference
General Obligation Bonds	\$ 24,225	\$ 26,180	\$ (1,955)	\$ 2,965	\$ 3,290	\$ (325)	\$ 27,190	\$ 29,470	\$ (2,280)
Revenue Bonds	-	-	-	12,370	13,425	(1,055)	12,370	13,425	(1,055)
Revenue Loans	-	-	-	8,730	9,980	(1,250)	8,730	9,980	(1,250)
TOTAL	\$ 24,225	\$ 26,180	\$ (1,955)	\$ 24,065	\$ 26,695	\$ (2,630)	\$ 48,290	\$ 52,875	\$ (4,585)

The \$2.280 million decrease in government-wide general obligation bonds debt and the \$1.055 million decrease in revenue bonds was due annual debt payments. The \$1.25 million decrease in revenue loans were due to annual debt payments of \$1.952 million offset by an increase in revenue loans of \$702 thousand for two wastewater and two stormwater capital projects. Additional information on the City's long-term debt can be found in Note 9 of this report.

Economic Factors and Next Year's Budgets and Rates

Several factors that affect the economic climate in Bremerton were considered when preparing the City's 2020 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 national, regional and local economic conditions continued to show growth during 2019 and 2020 despite the impacts from the COVID-19 pandemic.

Over the past several years, Bremerton has been successful in attracting state and federal grant funds for major transportation improvement projects in 2020 the City was awarded multiple state and federal grants. Future outside funding opportunities will be highly competitive and Bremerton, due to its current economic demographics, should compete very well for certain projects.

The City has seen significant growth in public and private investment in the City over the past several years. Continued investment in this multi-year effort includes the construction or renovation of facilities to provide city services, the reconstruction of 2 parks (Manette Park and Warren Ave Playfield) and the renovation of several transportation and utility projects are all designed to improve the lives of city residents. Private investment has included the construction of the 606 and Spyglass apartments Marina Square, Burwell Apartments and other locally owned businesses. Additionally, there are other projects underway, including new commercial buildings for business and recreational purposes as well as new single family and multifamily residential projects.

The City adopted a rate analysis in 2013 that forecasts increases over a six-year outlook for its Water, Wastewater and Stormwater systems. Rates have been increased gradually from 2014 to 2020 to keep up with the funding requirements of the utilities. The analysis anticipated the issuance of up to a maximum of \$35 million in revenue bonds over six years. In 2016 the City issued \$7.855 million in Revenue bonds to finance identified capital improvements. Currently additional bonding is not being considered in 2021 for the Utilities.

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 100, Bremerton, WA 98337-1873.

**City of Bremerton
Statement of Net Position
December 31, 2020**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Current assets:			
Cash & cash equivalents	\$ 12,747,730	\$ 17,609,846	\$ 30,357,576
Investments	13,738,782	14,771,640	28,510,422
Receivables	7,052,589	5,396,580	12,449,169
Internal balances	(553,120)	553,120	-
Due from other governments	1,632,781	99,193	1,731,974
Inventories	111,745	1,595,120	1,706,865
Other assets	578,506	35,394	613,900
Restricted assets:			
Cash & cash equivalents	5,515,745	447,867	5,963,612
Investments	1,302,609	796,755	2,099,364
Receivables	15,749	-	15,749
Due from other governments	54,640	-	54,640
Notes and contracts receivable:			
Due in more than one year	-	61,700	61,700
Capital assets not being depreciated	27,505,680	15,887,935	43,393,615
Capital assets net of depreciation	89,985,624	178,312,570	268,298,194
Net pension asset	10,935,420	-	10,935,420
Total assets	<u>\$ 170,624,480</u>	<u>\$ 235,567,720</u>	<u>\$ 406,192,200</u>
Deferred outflows of resources			
Deferred amount on refunding	\$ 772,609	\$ 25,598	\$ 798,207
Deferred amount related to OPEB	462,815	-	462,815
Deferred amount related to pension	2,829,722	832,132	3,661,854
Total deferred outflow of resources	<u>\$ 4,065,146</u>	<u>\$ 857,730</u>	<u>\$ 4,922,876</u>
Liabilities			
Accounts payable and other current liabilities	\$ 1,707,833	\$ 1,316,002	\$ 3,023,835
Matured long term obligations	445,822	-	445,822
Employee wages payable	1,175,864	532,278	1,708,142
Other accrued liabilities	1,999,273	482,832	2,482,105
Performance bonds & deposits payable	167,657	274,625	442,282
Unearned revenue	-	143,076	143,076
Current portion of long term debt	4,095,320	2,995,729	7,091,049
Noncurrent liabilities			
Net pension liability	2,982,024	2,981,305	5,963,329
Total OPEB liability	37,157,931	-	37,157,931
Due in more than one year	26,552,790	22,646,527	49,199,317
Total liabilities	<u>\$ 76,284,514</u>	<u>\$ 31,372,374</u>	<u>\$ 107,656,888</u>
Deferred inflows of resources			
Deferred amount grants received in advance	\$ 354,505	\$ -	\$ 354,505
Deferred amount related to pension	2,710,510	633,380	3,343,890
Total deferred inflows of resources	<u>\$ 3,065,015</u>	<u>\$ 633,380</u>	<u>\$ 3,698,395</u>
Net Position			
Net investment in capital assets	\$ 93,347,249	\$ 168,988,209	\$ 262,335,458
Restricted for:			
Tourism promotion & facilities	258,858	-	258,858
Community development block grant	54,640	-	54,640
Public safety	415,735	-	415,735
Public Access Television	213,680	-	213,680
Court improvement	87,722	-	87,722
Debt service	45,654	1,244,622	1,290,276
Capital projects	5,659,005	364,088	6,023,093
Workers compensation	100,000	-	100,000
Pension	10,921,986	-	10,921,986
Unrestricted	(15,764,432)	33,822,778	18,058,346
Total Net Position	<u>\$ 95,340,097</u>	<u>\$ 204,419,697</u>	<u>\$ 299,759,794</u>

See accompanying notes to the financial statements.

**City of Bremerton
Statement of Activities
For the Year Ended December 31, 2020**

Function/Program	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 5,669,626	\$ 500,182	\$ 869,422	\$ -	\$ (4,300,022)	\$ -	\$ (4,300,022)
Public safety	32,258,836	3,228,241	1,209,674	-	(27,820,921)	-	(27,820,921)
Transportation	8,034,195	3,550,526	-	3,506,729	(976,940)	-	(976,940)
Economic environment	3,068,643	1,618,551	998,962	-	(451,130)	-	(451,130)
Culture and recreation	5,149,007	841,785	-	945,007	(3,362,215)	-	(3,362,215)
Interest on long-term debt	808,540	-	-	-	(808,540)	-	(808,540)
Total governmental activities	54,988,847	9,739,285	3,078,058	4,451,736	(37,719,768)	-	(37,719,768)
Business-type activities							
Water	13,582,194	14,480,304	-	2,482,763	-	3,380,873	3,380,873
Wastewater	15,312,247	15,970,671	-	653,012	-	1,311,436	1,311,436
Stormwater	4,195,005	4,470,161	-	2,249,495	-	2,524,651	2,524,651
Golf course	4,111,763	4,804,799	-	-	-	693,036	693,036
Total business-type activities	37,201,209	39,725,935	-	5,385,270	-	7,909,996	7,909,996
Total government	\$ 92,190,056	\$ 49,465,220	\$ 3,078,058	\$ 9,837,006	\$ (37,719,768)	\$ 7,909,996	\$ (29,809,772)
General Revenues							
Taxes:							
Property					11,291,970	-	11,291,970
Sales					11,208,583	64,604	11,273,187
Business					3,791,284	8,539	3,799,823
Utility					10,867,450	-	10,867,450
Other					3,779,283	-	3,779,283
Unrestricted investment interest					506,865	483,079	989,944
Miscellaneous (surplus, rebates, unclaimed assets, etc.)					18,249	62,951	81,200
Gain on disposal of capital assets					286,960	-	286,960
Transfers, internal activities					(303,000)	303,000	-
Total general revenues and transfers					41,447,644	922,173	42,369,817
Change in net position					3,727,876	8,832,169	12,560,045
Net position, beginning of year					91,612,221	195,587,528	287,199,749
Net position, end of year					\$ 95,340,097	\$ 204,419,697	\$ 299,759,794

See accompanying notes to the financial statements.

**City of Bremerton
Balance Sheet
Governmental Funds
December 31, 2020**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Cash and equivalents	\$ 8,585,076	\$ 1,785,548	\$ 10,370,624
Investments	7,479,191	4,144,846	11,624,037
Restricted cash	109,922	5,305,823	5,415,745
Restricted investments	-	1,302,609	1,302,609
Receivables, net	5,901,376	1,044,820	6,946,196
Restricted receivables	-	15,749	15,749
Due from other governments	76,876	1,555,440	1,632,316
Restricted due from other governments	-	54,640	54,640
Due from other funds	787,022	952,433	1,739,455
Inventories	23,258	-	23,258
Other assets	-	325,623	325,623
Total assets	<u>22,962,721</u>	<u>16,487,531</u>	<u>39,450,252</u>
Deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 22,962,721</u>	<u>\$ 16,487,531</u>	<u>\$ 39,450,252</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts/contracts payable	\$ 617,934	\$ 949,031	\$ 1,566,965
Due to other funds	982,796	1,330,485	2,313,281
Due to other governments	1,017	90	1,107
Employee wages payable	1,020,992	75,655	1,096,647
Performance bonds & deposits payable	150,189	17,468	167,657
Unearned revenue	2,323,620	1,208,962	3,532,582
Total liabilities	<u>5,096,548</u>	<u>3,581,692</u>	<u>8,678,240</u>
Deferred inflows of resources:			
Deferred amount grants received-in-advance	9,520	344,985	354,505
Deferred amount for property taxes	355,214	22,317	377,531
Deferred amount for derived taxes	1,040,226	83,660	1,123,886
Total deferred inflows of resources	<u>1,404,960</u>	<u>450,962</u>	<u>1,855,922</u>
Total liabilities and deferred inflows of resources	<u>\$ 6,501,508</u>	<u>\$ 4,032,654</u>	<u>\$ 10,534,162</u>
Fund balances:			
Nonspendable	\$ 23,258	\$ -	\$ 23,258
Restricted	109,922	6,625,372	6,735,294
Committed	1,518,452	1,980,850	3,499,302
Assigned	-	3,848,655	3,848,655
Unassigned	14,809,581	-	14,809,581
Total fund balances	<u>16,461,213</u>	<u>12,454,877</u>	<u>28,916,090</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 22,962,721</u>	<u>\$ 16,487,531</u>	<u>\$ 39,450,252</u>

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

Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.	117,449,632
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	18,551,565
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 assets	2,388,792
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(71,965,982)

Net position of governmental activities

\$ 95,340,097

See accompanying notes to the financial statements.

City of Bremerton
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2020

	General Fund	Other Governmental Funds	Governmental Funds Total
REVENUES			
Taxes			
Property	\$ 9,801,304	\$ 1,439,175	\$ 11,240,479
Sales	10,728,975	832,967	11,561,942
Business	13,139,495	874,100	14,013,595
Other	70,596	3,416,029	3,486,625
Licenses and permits	1,349,149	398,095	1,747,244
Intergovernmental	3,433,811	6,083,019	9,516,830
Charges for services	2,045,582	301,777	2,347,359
Fines and forfeitures	1,042,502	327,407	1,369,909
Miscellaneous (leases, rentals, judgements & settlements)	392,967	1,563,531	1,956,498
Total revenues	<u>\$ 42,004,381</u>	<u>\$ 15,236,100</u>	<u>\$ 57,240,481</u>
EXPENDITURES			
Current:			
General government	\$ 7,147,343	\$ 453,260	\$ 7,600,603
Public safety	26,586,457	184,650	26,771,107
Utilities and environment	63,606	-	63,606
Transportation	932,699	4,706,206	5,638,905
Economic environment	2,100,377	650,061	2,750,438
Mental/physical health	92,068	-	92,068
Culture and recreation	3,387,047	577,040	3,964,087
Debt service:			
Principal	-	1,955,000	1,955,000
Interest and other costs	440	809,905	810,345
Capital outlay	128,327	5,666,628	5,794,955
Total expenditures	<u>\$ 40,438,364</u>	<u>\$ 15,002,750</u>	<u>\$ 55,441,114</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 1,566,018</u>	<u>\$ 233,350</u>	<u>\$ 1,799,368</u>
OTHER FINANCING SOURCES (USES)			
Insurance recoveries & surplus	228,714	55,782	284,496
Transfers in	594,807	3,159,316	3,754,123
Transfers out	(1,582,401)	(2,404,404)	(3,986,805)
Total other financing sources and uses	<u>\$ (758,880)</u>	<u>\$ 810,694</u>	<u>\$ 51,814</u>
Net change in fund balances	\$ 807,138	\$ 1,044,044	\$ 1,851,181
Fund balances-beginning	<u>15,654,075</u>	<u>11,410,834</u>	<u>27,064,909</u>
Fund balances-ending	<u><u>\$ 16,461,213</u></u>	<u><u>\$ 12,454,878</u></u>	<u><u>\$ 28,916,090</u></u>

See accompanying notes to the financial statements.

City of Bremerton
Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balance of Governmental Funds
to the Statement of Activities
For the Year Ended December 31, 2020

Net change in fund balances – total government funds \$ 1,851,181

Amounts reported for governmental activities in the statement of activities differ from the amounts reported in the governmental fund statement because:

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.

Capital outlay	5,794,957	
Depreciation expense	(5,035,114)	
Contributed capital assets	835,357	
Other capital adjustments	5,570	
Capital asset disposals	<u>(3,340)</u>	
		1,597,430

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. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Repayment of bond principal	1,955,000	
Amortized premium on refunding	83,552	
Amortized deferred amount on refunding	<u>(87,795)</u>	
		1,950,757

Revenues and expenses in the statement of activities that do not provide current financial resources are not reported in the governmental funds.

Compensated absences	(203,855)	
Deferred revenues	183,375	
Interest receivable	(43,844)	
Interest payable	<u>6,046</u>	
		(58,278)

Pension and other postemployment benefits (OPEB) reporting are not reported in the governmental funds.

Pension expense adjustment	2,071,200	
Pension LEOFF 2 Special Revenue	463,006	
OPEB expense adjustment	<u>(4,145,470)</u>	
		(1,611,264)

Internal service funds are used by management to charge the costs of fleet maintenance and risk management to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.

Net revenue (loss) of internal service funds	<u>(1,950)</u>	
		(1,950)

Change in net position of governmental activities	<u><u>\$ 3,727,876</u></u>
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See accompanying notes to the financial statements

City of Bremerton
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual General Fund
For the Year Ended December 31, 2020

	Original Budget 2020	Final Budget 2020	Actual 2020	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 33,933,057	\$ 32,421,057	\$ 33,740,371	\$ 1,319,314
Licenses and permits	1,283,950	1,448,950	1,349,149	(99,801)
Intergovernmental	2,729,338	4,009,008	3,433,811	(575,197)
Charges for services	6,197,307	5,986,307	1,735,488	(4,250,819)
Fines and forfeitures	1,196,400	1,046,400	1,042,502	(3,898)
Other revenues	643,610	940,352	937,103	(3,249)
Total revenues	45,983,662	45,852,074	42,238,424	(3,613,650)
EXPENDITURES				
City Council	400,916	400,916	243,918	156,998
Executive	342,522	342,522	197,895	144,627
Finance	1,575,765	1,588,765	668,176	920,589
Legal	1,597,119	1,617,884	877,460	740,424
Human Resources	721,183	739,283	394,971	344,312
Community Development	2,801,039	3,001,589	2,313,005	688,584
Municipal Court	1,498,808	1,498,808	1,443,906	54,902
City Auditor	93,178	93,178	58,167	35,011
Law Enforcement	12,399,689	12,473,131	11,379,314	1,093,817
Fire/Emergency Medical Services	12,355,769	12,884,569	11,288,116	1,596,453
Police & Fire pension	1,744,300	1,762,300	1,759,638	2,662
Facilities	1,688,458	1,719,258	1,064,059	655,199
Parks and Recreation	3,110,864	3,110,864	2,720,235	390,629
Engineering	2,903,912	2,950,995	950,331	2,000,664
Non-departmental	4,840,530	6,297,530	6,078,566	218,964
Total expenditures	48,074,052	50,481,592	41,437,758	9,043,834
Excess (deficiency) of revenues over expenditures	(2,090,390)	(4,629,518)	800,666	5,430,184
Fund balances-beginning	11,102,967	14,264,043	14,266,542	2,499
Fund balances-ending	\$ 9,012,577	\$ 9,634,525	\$ 15,067,208	\$ 5,432,683

Amounts reported for actual expenses is different because of the consolidation of Contingency Reserve and Conference Center activity included in the General Fund of the Statement of Revenues, Expenditures and Changes in Fund Balances for Governmental funds:

Conference Center Fund Balance-Beginning	\$ 27,092
Conference Center Charges for Services Revenue	310,093
Conference Center Other Revenues	532,072
Conference Center Operating Expenses	(993,706)
Contingency Reserve Fund Balance-Beginning	1,360,441
Contingency Reserve Other Revenues	158,012
Fund Balances Ending for General Fund of the Statement of Revenues, Expenditures and Changes in Fund Balances for Governmental funds.	\$ 16,461,213

EXPENDITURES				
Personnel	34,545,923	34,635,665	29,241,670	5,393,995
Supplies, services & taxes	11,787,029	13,482,203	10,109,433	3,372,770
Capital expenditure	260,000	354,624	121,975	232,649
Transfers	1,481,100	2,009,100	1,964,680	44,420
Total expenditures	48,074,052	50,481,592	41,437,758	9,043,834

See accompanying notes to the financial statements.

**City of Bremerton
Statement of Net Position
Proprietary Funds
December 31, 2020**

	Business-type Activities Enterprise Funds					Governmental Activities
	Water	Golf Course	Wastewater	Stormwater	Total	Internal Service Funds
ASSETS AND DEFERRED OUTFLOWS						
Current assets:						
Cash and cash equivalents	\$ 7,830,468	\$ 790,786	3,360,451	\$ 3,329,883	\$ 15,311,588	\$ 4,675,364
Restricted cash	63,538	-	384,329	-	447,867	100,000
Investments	6,707,644	685,245	2,528,042	2,859,183	12,780,114	4,106,271
Restricted investments	113,035	-	683,720	-	796,755	-
External receivables	1,898,549	37,295	2,694,635	705,080	5,335,559	47,436
Interest receivables	26,734	2,686	12,589	11,207	53,215	16,094
Due from other funds	217,030	-	2,982,127	203,181	3,402,337	636,094
Due from other governments	-	-	-	99,193	99,193	-
Inventories	822,293	185,068	587,758	-	1,595,120	88,487
Prepayments	-	35,394	-	-	35,394	252,885
Total current assets	17,679,291	1,736,474	13,233,650	7,207,727	39,857,143	9,922,630
Noncurrent assets:						
Notes and contracts receivable	61,700	-	-	-	61,700	-
Capital assets not being depreciated	6,956,927	2,809,919	3,150,523	2,028,055	14,945,423	942,512
Capital assets net of depreciation	60,802,789	3,641,654	96,065,525	11,412,344	171,922,311	6,431,931
Total noncurrent assets	67,821,415	6,451,573	99,216,047	13,440,399	186,929,434	7,374,443
Total assets	85,500,706	8,188,047	112,449,697	20,648,126	226,786,577	17,297,073
Deferred outflows of resources						
Deferred amount on refunding	-	25,598	-	-	25,598	-
Deferred amount related to pension	446,167	-	261,796	124,169	832,132	100,850
Total deferred outflows of resources	446,167	25,598	261,796	124,169	857,730	100,850
Total assets and deferred outflows	\$ 85,946,873	\$ 8,213,645	\$ 112,711,493	\$ 20,772,295	\$ 227,644,307	\$ 17,397,923
LIABILITIES AND DEFERRED INFLOWS						
Current liabilities:						
Accounts/contract payable	345,039	209,997	616,828	144,138	1,316,002	139,761
Claims and judgements payable	-	-	-	-	-	445,822
Due to other funds	2,815,120	-	574,100	69,010	3,458,230	6,373
Due to other governments	-	37,495	-	-	37,495	-
Employee wages payable	161,683	195,553	121,678	53,364	532,278	79,217
Other accrued liabilities	180,291	8,516	111,026	55,174	355,006	40,600
Current portion of long-term debt	756,843	330,000	1,778,608	130,278	2,995,729	-
Performance bonds & deposits payable	39,719	167,837	36,235	30,834	274,625	-
Unearned revenue	143,076	-	-	-	143,076	-
Other current liabilities	84,720	-	5,611	-	90,331	-
Total current liabilities	4,526,491	949,398	3,244,084	482,799	9,202,771	711,772
Noncurrent liabilities:						
Claims and judgments payable	-	-	-	-	-	1,783,287
Bonds, notes and loans payable	6,457,026	2,635,000	10,791,514	2,358,626	22,242,166	-
Net pension liability	1,910,328	-	715,402	355,575	2,981,305	111,281
Compensated absences	235,817	-	101,889	66,655	404,361	60,040
Total noncurrent liabilities	8,603,170	2,635,000	11,608,805	2,780,856	25,627,832	1,954,609
Total liabilities	13,129,661	3,584,398	14,852,889	3,263,655	34,830,603	2,666,381
Deferred inflows of resources related to pension	309,545	-	217,759	106,076	633,380	103,377
Total liabilities and deferred inflows	\$ 13,439,206	\$ 3,584,398	\$ 15,070,648	\$ 3,369,731	\$ 35,463,983	\$ 2,769,758
NET POSITION						
Net investment in capital assets	60,545,847	3,512,171	86,645,925	10,951,495	161,655,438	7,374,443
Restricted for capital assets	-	364,088	-	-	364,088	-
Restricted for debt service	176,573	-	1,068,049	-	1,244,622	-
Restricted for worker's compensation	-	-	-	-	-	100,000
Unrestricted	11,785,247	752,989	9,926,872	6,451,069	28,916,177	7,153,722
Total net position	\$ 72,507,667	\$ 4,629,248	\$ 97,640,846	\$ 17,402,564	\$ 192,180,324	\$ 14,628,165
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					\$ 12,239,373	
Net position of business-type activities					\$ 204,419,697	

See accompanying notes to the financial statements.

City of Bremerton
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2020

	Business-type Activities Enterprise Funds					Governmental Activities
	Water	Golf Course	Wastewater	Stormwater	Total	Internal Service Funds
OPERATING REVENUES						
Charges for services	\$ 13,500,353	\$ 4,790,850	\$ 15,963,782	\$ 4,369,043	\$ 38,624,028	\$ 5,919,932
Other operating revenue	484,894	-	6,889	101,118	592,900	279,214
Total operating revenues	13,985,246	4,790,850	15,970,671	4,470,161	39,216,929	6,199,147
OPERATING EXPENSES						
Operations and maintenance	10,396,968	\$ 97,619	10,078,565	3,634,709	24,207,861	3,607,559
Contracted operations	-	3,742,693	-	-	3,742,693	-
Customer service and marketing	320,556	-	198,885	152,165	671,606	-
General administration	353,579	-	726,266	180,222	1,260,067	652,666
Depreciation and amortization	2,638,566	162,105	4,202,688	221,636	7,224,995	924,029
Risk transfer payments	-	-	-	-	-	736,574
Payments to claimants & beneficiaries	-	-	-	-	-	1,393,248
Total operating expenses	13,709,670	4,002,416	15,206,405	4,188,731	37,107,222	7,314,075
Operating income (loss)	275,577	788,434	764,266	281,430	2,109,707	(1,114,929)
NONOPERATING REVENUES (EXPENSES)						
Interest and investment revenue	254,419	18,761	54,704	88,953	416,837	123,093
Interest expense	(179,034)	(109,347)	(310,470)	(56,738)	(655,589)	-
Gain (loss) on capital asset disposal	(64,081)	-	(15,273)	-	(79,353)	4,239
Other nonoperating revenue/expense	552,966	13,663	78,133	13,294	658,055	12,673
Total nonoperating revenues (expenses)	564,271	(76,924)	(192,907)	45,509	339,950	140,006
Income (loss) before contributions and transfers	839,848	711,510	571,360	326,939	2,449,656	(974,923)
Capital contributions	1,681,034	-	1,454,741	2,236,539	5,372,314	1,750,489
Transfers to other funds	-	-	-	-	-	(70,317)
Transfers from other funds	-	-	-	103,000	103,000	200,000
Change in net position	2,520,882	711,510	2,026,100	2,666,478	7,924,970	905,250
Total net position - beginning	71,810,785	3,917,738	93,790,745	14,736,086	184,255,354	13,722,915
Prior period adjustment (Note 1B)	(1,824,000)	-	1,824,000	-	-	-
Total net position - ending	\$ 72,507,667	\$ 4,629,248	97,640,845	\$ 17,402,564	\$ 192,180,324	\$ 14,628,165
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.					907,199	
Change in net position of business-type activities.					<u>\$ 8,832,169</u>	

See accompanying notes to the financial statements.

City of Bremerton
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2020

	Business-type Activities Enterprise Funds					Governmental Activities
	Water	Golf Course	Wastewater	Stormwater	Total	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash received from customers	\$ 13,638,909	\$ 4,826,199	\$ 16,050,730	\$ 4,441,156	\$ 38,956,994	\$ -
Cash receipts from interfund services	46,080				46,080	6,060,759
Other receipts and payments	438,814		6,889	200,854	646,557	279,215
Cash payments to suppliers	(2,752,461)	(3,670,089)	(3,715,280)	(905,921)	(11,043,751)	(1,983,077)
Cash payments to employees	(4,367,454)		(3,115,137)	(1,512,609)	(8,995,200)	(1,936,941)
Cash payments for interfund services	(4,320,144)	(97,619)	(5,321,627)	(1,944,948)	(11,684,338)	(551,933)
Purchase of insurance	-	-	-	-	-	(736,574)
Payment for insurance claims	-	-	-	-	-	(660,789)
Net cash provided (used) by operating activities	2,683,744	1,058,491	3,905,575	278,532	7,926,342	470,660
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Grant proceeds	-	-	-	322,334	322,334	-
Transfer ins	-	-	-	103,000	103,000	200,000
Transfer outs	-	-	-	-	-	(69,357)
Other receipts and payments	580,938	13,663	78,132	338	673,071	1,906
Net cash provided (used) by noncapital financing activities	580,938	13,663	78,132	425,672	1,098,405	132,549
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Loan proceeds	-	-	373,137	328,528	701,665	-
Capital contributions	2,342,276	-	163,443	1,070,287	3,576,006	1,434,141
Collections on notes receivable	47,611	-	-	-	47,611	-
Sale or involuntary conversion of capital assets	-	-	-	-	-	40,658
Acquisition and construction of capital assets	(2,491,307)	(81,242)	(2,403,253)	(908,830)	(5,884,632)	(1,342,047)
Principal paid bonds	(208,272)	(325,000)	(766,329)	(80,400)	(1,380,001)	-
Principal paid on other debt	(539,742)		(1,376,408)	(35,644)	(1,951,794)	-
Interest paid on bonds and other debt	(53,229)	(109,970)	(292,045)	(23,351)	(478,595)	-
Net cash provided (used) by capital and related financing activities	(902,663)	(516,212)	(4,301,455)	350,590	(5,369,740)	132,753
CASH FLOW FROM INVESTING ACTIVITIES						
Interest on loans and investments	256,584	18,222	59,187	89,755	423,748	126,004
Net change in investments	(174,602)	(191,511)	714,214	(97,524)	250,577	264,159
Net cash provided (used) by investing activities	81,982	(173,289)	773,401	(7,769)	674,325	390,163
Net increase (decrease) in cash and cash equivalents	2,444,001	382,653	455,653	1,047,024	4,329,331	1,126,125
Cash and equivalents - beginning	5,450,005	408,133	3,289,127	2,282,859	11,430,124	3,649,239
Cash and equivalents - ending	\$ 7,894,006	\$ 790,786	\$ 3,744,780	\$ 3,329,883	\$ 15,759,455	\$ 4,775,364
Cash at the end of the year consists of:						
Operating fund cash	7,830,468	790,786	3,360,451	3,329,883	15,311,588	4,675,364
Restricted cash	63,538	-	384,329	-	447,867	100,000
Total cash at end of year	\$ 7,894,006	\$ 790,786	\$ 3,744,780	\$ 3,329,883	\$ 15,759,455	\$ 4,775,364

See accompanying notes to the financial statements.

**City of Bremerton
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2020**

	Business-type Activities Enterprise Funds					Governmental Activities
	Water	Golf Course	Wastewater	Stormwater	Total	Internal Service Funds
Reconciliation of operating income to net cash provided by						
operating activities:						
Operating income (loss)	\$ 275,577	\$ 788,434	\$ 764,266	\$ 281,430	\$ 2,109,707	\$ (1,114,929)
Adjustments to reconcile operating income to net cash provided by operating activities:						
Depreciation	2,638,566	162,105	4,202,688	221,636	7,224,995	924,029
GASB 68 pension expense adjustment	(214,080)	-	(196,968)	(57,304)	(468,352)	(59,361)
Decrease (increase) in receivables	102,251	21,636	50,712	41,779	216,378	-
Decrease (increase) in due from other funds/govt	(3,709)	-	(37,959)	117,916	76,248	41,043
Decrease (increase) in prepaid expenses	-	(13,758)	-	-	(13,758)	99,785
Decrease (increase) in inventory	(38,857)	28,359	(10,048)	-	(20,546)	6,535
Increase (decrease) in accounts payable	30,944	65,194	(866,253)	(156,002)	(926,116)	(114,844)
Increase (decrease) in due to other funds/govt	(1,933)	(1,423)	59,499	(145,309)	(89,166)	(128)
Increase (decrease) in employee wages payable	(153,391)	(5,767)	(84,065)	(52,193)	(295,416)	(97,606)
Increase (decrease) in employee leave payable	12,070	-	(12,532)	(3,754)	(4,216)	13,887
Increase (decrease) in other payables	36,306	13,711	36,235	30,334	116,586	772,249
Net cash provided by operating activities	<u>\$ 2,683,744</u>	<u>\$ 1,058,491</u>	<u>\$ 3,905,575</u>	<u>\$ 278,533</u>	<u>\$ 7,926,343</u>	<u>\$ 470,660</u>
Noncash investing, capital and financial activities						
Developers contributed infrastructure	\$ 140,487	\$ -	\$ 489,569	\$ 1,166,252	\$ 1,796,308	\$ -

See accompanying notes to the financial statements.

City of Bremerton
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2020

	Custodial Activities
ASSETS	
Cash and cash equivalents	\$ 257,065
Total assets	<u>\$ 257,065</u>
 LIABILITIES	
Due to other governments	
Court fines, penalties, litigation & seizure	22,840
Leasehold tax	2,743
License, surcharges & fees	3,889
Total liabilities	<u>\$ 29,472</u>
 NET POSITION	
Restricted for:	
Individuals, organizations & other governments	227,593
Total net position	<u>\$ 227,593</u>

See accompanying notes to the financial statements.

City of Bremerton
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended December 31, 2020

	Custodial Activities
ADDITIONS	
Collected for other governments:	
Court fines, penalties & litigation	\$ 290,220
Fingerprint, dealer license & background fee	2,827
Concealed weapons surcharge	5,136
Building code surcharge	8,228
Leasehold tax	7,572
Seizures & evidence	220,489
Total additions	<u>\$ 534,472</u>
DEDUCTIONS	
Payments to other governments:	
Court fines, penalties, litigation & seizure	\$ 318,202
Fingerprint, dealer license & background fee	2,827
Concealed weapons surcharge	5,136
Building code surcharge	8,228
Leasehold tax	7,572
Seizure settlements	63,260
Total deductions	<u>\$ 405,225</u>
Net increase (decrease) in fiduciary net position	\$ 129,247
Net Position-beginning	-
Cumulative effect of change in accounting principle	98,346
Net Position-ending	<u>\$ 227,593</u>

See accompanying notes to the financial statements.

City of Bremerton
Notes to Financial Statements
January 1, 2020 – December 31, 2020

1. Summary of significant accounting policies

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

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.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the City. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree 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 include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements or a particular function or segment. Internally dedicated resources are reported as general revenues rather than program revenues. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate fund 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.

Accounting and Reporting Changes

The City implemented GASB Statement No. 84, *Fiduciary Activities*, which was effective for reporting periods beginning after December 15, 2019. This Statement establishes criteria for identifying fiduciary activities of the government. Certain activities previously reported as fiduciary activities are no longer reported on the fiduciary statement as a result of this implementation.

The capital asset reconciliation process identified a classification error between capital asset, not being depreciated and capital assets, being depreciated. While this amount did not result in a prior period adjustment, the beginning balances for the construction-in-progress and improvements other than buildings were restated in the note disclosure for Capital Asset (Note 5) for the business-type activities.

Prior Period Adjustment

The City discovered general facility charges collected for the Wastewater fund were erroneously reported as Water fund revenue since fiscal year 2016. A prior period adjustment in the amount of \$1,824,000 is recorded on the Statement of Revenues, Expenses and Changes in Fund Net Position to remove these revenues from the Water fund and add the revenues to the Wastewater fund.

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, similar to 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 and reported 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 City's Stormwater fund does not meet the criteria for presentation as a major fund but because it is the only other proprietary fund it is listed on the face of the proprietary fund statements with the major funds.

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:

Debt service funds account for the resources accumulated and payments made for principal and interest on general obligation debt except those required to be accounted for in another fund.

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

Capital project funds account for the acquisition or development of capital facilities for governmental activities. Their major sources of revenues are from proceeds from general obligation bonds, loans, real estate excise tax, impact fees, and grants from other agencies and contributions from other funds.

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, Information Technology Services, Unemployment and Employee leave payout activities. In all cases, City departments contribute according to the benefit provided by each fund.

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 utility taxes levied on the City's own utilities. 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 connection 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 administration, operations and 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.

D. Budgetary Information

1. Scope of Budget

Annual appropriated budgets are adopted for all funds except fiduciary fund types. All appropriations lapse at the end of each year. The budget is prepared using a basis of accounting substantially the same as the GAAP basis used in accounting for governmental funds. The budgetary basis of accounting differs from generally accepted accounting principles. The City budgets the Contingency Reserve and Conference Center activities as if they were special revenue funds. However, GAAP requires these activities to be reported within the General fund. The Conference Center fund does not have a significant stream of restricted resources and under GAAP the Contingency Reserve fund was established for a specific purpose, stabilization, which should be included in the General fund. From a budgetary perspective, the city budgets for each of these funds separately from the General fund. The budgetary comparison for the General Fund does not include the managerial funds.

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 revisions within a fund or any revisions that alter the total expenditures of a fund or affect the number of authorized employee positions or salary ranges must be approved by the City Council. The City's budget was amended two times in 2020.

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 Net Position

1. Cash and Cash Equivalents

It is the City's policy to invest all temporary cash surpluses. At December 31, 2020, the City was holding \$36,578,253 in short-term residual investments of surplus cash. This amount is classified on the balance sheet as cash and cash equivalents in various funds, including fiduciary fund. The interest on these investments is prorated to the various funds.

For purposes of the statement of cash flows, the City considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

2. Investments - See Note 3 Deposits and Investments.

3. Receivables

Receivables consist of property, B&O, utility, sales and parking taxes, and housing rehabilitation loans resulting from the Federal Department of Housing and Urban Development., as well as other revenues earned by the City from the County, State and other taxpayers but not yet received. Also included are customers' 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.

4. Amounts Due to and From Other Funds and Governments

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 14.

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

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 portion of fund balance not available for future expenditure is included in the non-spendable category of fund balance. 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 by the FIFO (first in first out) method which approximates market value.

6. Restricted Assets and Liabilities

These accounts contain resources for programs, construction, replacement, and debt service. Specific debt service reserve requirements are described in Note 9, *Long-Term Debt*.

Restricted assets are composed of the following:

Governmental type:	
Cash and investments - Construction	\$ 5,549,083
Cash and investments - Conference Center	109,922
Cash and investments - Public safety	503,457
Cash and investments - Public Television	213,680
Cash and investments - Workers compensation	100,000
Cash and investments - Tourism promotion	258,858
Cash and investments - Debt Service	83,354
Receivables - Debt Service	15,749
Due from Other Governments - HUD Programs	54,640
Total governmental	<u>\$ 6,888,743</u>
Business type:	
Cash and Investments - Debt service Water fund	\$ 176,573
Cash and Investments - Debt service Wastewater fund	1,068,049
Total business	<u>\$ 1,244,622</u>

7. Capital Assets. See Note 5, *Capital Assets*.

Capital assets, which include property, plant, equipment, intangible 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 \$10,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value per GASB 72, at the date of donation.

Costs for additions or improvements to capital assets are capitalized when they increase the effectiveness or efficiency of the asset. The cost of normal maintenance and repairs 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. 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	7-10 Years
Data Processing/Electronic Equipment	5 Years

8. Other Assets

This account reflects various non-current assets of the City including utility water rights, risk management prepayments and receivables for community development block grant loans.

9. Deferred outflow of resources

A deferred outflow of resources is a consumption of net assets by the government that is applicable to a future reporting period. The account includes the portion of a loss on the refunding of debt attributable to future periods. This account also includes pension costs attributable to future periods. See Note 8, *Pension Plans* for a discussion on pension reporting. Lastly, this account also includes the City's OPEB contributions subsequent to the measurement date. See Note 15, *Defined Benefit Other Postemployment Benefits (OPEB) Plans* for a discussion of OPEB reporting.

10. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation, compensatory time, and sick leave benefits.

The City records a liability for all outstanding vacation pay. The payment is based on current wages at termination. Employees with the required length of service may receive cash payouts for all accumulated vacation leave. Maximum vacation payout is dependent on which labor group covers a specific employee based on the following chart:

<u>Employee Group</u>	<u>Maximum Vacation Cash Out</u>
Teamsters	240 hours
IAFF Local 437 (firefighters)	315 hours
Police Guild	360 hours
Police Management	300 hours
Non-represented personnel	240 hours

Non-exempt employees may request compensatory time off in lieu of overtime payment. Unused compensatory time is cashed out upon termination based on wages at that time. The City records a liability for all outstanding compensatory time. Compensatory time is accrued at a rate of one and one-half hours for each hour of overtime worked up to the following maximums allowed and may be carried over from year to year:

<u>Employee Group</u>	<u>Maximum Compensatory Time Cash Out</u>
Teamsters	40 hours
IAFF Local 437 (shift personnel)	275 hours
IAFF Local 437 (non-shift personnel)	209 hours
Police Guild	60 hours

Upon resignation, employee's ineligible for retirement do not receive any compensation for unused sick leave. Employees that meet the eligibility criteria for service retirement may receive cash payouts of 35% of unused sick leave up to the maximum allowed based on the following:

<u>Employee Group</u>	<u>Maximum Sick Leave Cash out</u>
Teamsters	35% of 960 hours (336 hours max)
IAFF Local 437 (shift firefighters)	35% of 1440 hours (504 hours max)
IAFF Local 437 (non-shift personnel)	35% of 1166 hours (408 hours max)
Police Guild	35% of 1200 hours (420 hours max)
Police Management	35% of 1200 hours (420 hours max)
Non-represented personnel	35% of 960 hours (336 hours max)

The City records a liability for sick leave for all personnel that meet the eligibility criteria for retirement. The payment is based on current wages at time of retirement.

The entire eligible compensated absence liability is reported on the government-wide financial statements. In the proprietary funds, the entire amount of compensated absences is reported as a fund liability.

11. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

12. Other Current/Accrued Liabilities

These accounts on the fund statements include deposits payable held on open contracts as well as the current portion of claims and judgments payable.

13. Long-term Debt See Note 9, *Long-Term Debt*.

14. Unearned Revenue

This account includes amounts recognized as receivables but not revenues in governmental funds because the revenue recognition criteria have not been met. The City's reported unearned revenue consists of the receivable portion determined to be long-term for red-light traffic infractions and court fines. In proprietary funds this amount represents credit balances on customer utility accounts.

15. Deferred Inflow of Resources

A deferred inflow of resources is an acquisition of net assets by the government that is applicable to a future reporting period.

16. Fund Balance Classification, Details, and Minimum Fund Balance

In the fund financial statements, governmental funds report fund balances based on the extent to which the City is bound to observe constraints on the use of the governmental funds' resources. Fund balances are classified in the following manner:

Non-spendable includes amounts that are either 1) not in spendable form, or 2) legally or contractually required to be maintained intact. Inventories, prepaid items and permanent trust are classified as non-spendable fund balances.

Restricted – includes amounts which are constrained for specific purposes that are 1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or 2) imposed by law through enabling legislation.

Committed – includes amounts that can be used for specific purposes with constraints imposed by formal action of the highest level of decision-making authority. The authorization specifying the purposes for which committed funds can be used should have the consent of both the legislative and executive branches of government. The City operates under a Mayor-Council form of government. As Executive Officer, the Mayor supervises the administrative process of the City and works with the City Council. The City Council enacts ordinances and resolutions that may impose, modify or rescind fund balance commitments.

Assigned – includes amounts that are intended to be used for specific purposes but are neither restricted nor committed. The authority for assignment of funds is not required to be the government's highest level of decision-making authority. Furthermore, the constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on committed fund balances. The City Council may authorize executive officers to assign fund balances for specific purposes through Council ordinances and resolutions.

Unassigned – includes amounts that are not assigned to other funds and do not meet the criteria for being classified as restricted, committed, or assigned. Fund balances that can be utilized for economic stabilization, emergencies and contingencies that do not qualify as restricted or committed are reported as unassigned.

	General Fund	Other Funds	Total
Fund balances:			
Nonspendable:			
Inventory	\$ 23,258	\$ -	\$ 23,258
Restricted for:			
Tourism promotion	-	258,858	258,858
Conference Center	109,922	-	109,922
Community development block grant	-	54,640	54,640
Public safety	-	415,735	415,735
Public Access Television	-	213,680	213,680
Court Improvement	-	87,722	87,722
Debt service	-	45,654	45,654
Capital projects	-	5,549,083	5,549,083
Committed to:			
Fund balance stabilization	1,518,452	-	1,518,452
Employee Wellness	-	5,398	5,398
Parks	-	24,625	24,625
Public safety	-	35,583	35,583
Public art	-	12,820	12,820
Residential Street	-	1,151,056	1,151,056
Transportation Capital	-	724,340	724,340
Affordable Housing	-	3,098	3,098
Other	-	23,930	23,930
Assigned to:			
Street Operations	-	892,182	892,182
Tourism promotion & facilities	-	50,516	50,516
Parking System	-	883,974	883,974
Building Abatement	-	339,710	339,710
Public Access Television	-	509,469	509,469
Court Improvement	-	11,018	11,018
Debt Service	-	311,742	311,742
Residential Street	-	90,368	90,368
Transportation Capital	-	356,631	356,631
Capital Improvements	-	403,045	403,045
Unassigned:	14,809,581	-	14,809,581
Total Fund Balances	\$ 16,461,213	\$ 12,454,877	\$ 28,916,090

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. The City's Financial Goals and Policies call for unrestricted resources to be reduced in the following order when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used: committed amounts are reduced first, followed by assigned amounts, and then unassigned.

A minimum fund balance policy has been established by the City Council that establishes target year end operating cash and investment balances as a percentage of budgeted operating expenditures for the City's General, Water, Wastewater, Stormwater and Golf Course funds. The following table shows the status at December 31, 2020.

Fund	Target Rate	Target Balance	Balance 12/31/2020
General	8.5%	\$ 3,960,401	\$ 16,000,392
Water	12%	\$ 2,436,039	14,507,779
Wastewater	12%	\$ 2,256,759	5,857,660
Stormwater	12%	\$ 1,179,987	6,158,732
Golf Course	12%	\$ 557,370	1,476,031

A contingency reserve fund, for the purposes of economic stabilization, was created by the City Council to protect the City's General fund in the event of unforeseen and unfunded emergency requirements. The target fund balance is set at 0.375/\$1,000 of assessed valuation. The proceeds of sale of all General fund real property are committed to this purpose. Funds are to be expended, with the unanimous vote of the City Council, only in the event of a bona fide emergency defined as a significant crisis threatening the financial viability of the City. If the balance of the fund is less than the target amount a repayment plan shall be established to replenish the fund to its minimum level. Balances in excess of the stated amount can be used for capital purposes upon City Council approval by simple majority vote. For 2020 the target fund balance of the contingency reserve fund is \$1,501,898. At 12/31/2020 the balance was \$1,518,452.

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 position for governmental activities

The governmental fund balance sheet includes reconciliation between total fund balance and total net position for governmental activities as reported in the government-wide statement of net position. 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 not being depreciated	\$ 27,500,530
Capital assets of governmental funds being depreciated	166,006,921
Accumulated depreciation	(76,893,177)
Net adjustment to fund balance for capital assets	\$ 116,614,274

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 receivables due beyond the city's 30 day measurable and available period	\$ 4,373,327
Investment interest accrued beyond the city's 30 day measurable and available period	50,666
Due from other governments beyond the city's 30 day measurable and available period	465
Net Pension Asset	10,935,420
Deferred Pension Outflows	2,728,872
Deferred OPEB Outflows	462,815
Net adjustment to fund balance for other long-term assets	\$ 18,551,565

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

Net position of risk management fund	\$ 503,817
Net position of self insurance fund	36,652
Net position of employment security fund	187,368
Net position of accrued leave fund	449,606
Net position of equipment maintenance fund	121,276
Net position of information technology fund	1,090,073
Net adjustment to fund balance for internal service funds	\$ 2,388,792

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	\$ (24,225,000)
Less: Issuance premiums	(691,664)
Add: Deferred amount on refunding	772,609
Accrued interest payable	(102,801)
Compensated absences	(2,987,999)
Net Pension Liability	(2,870,743)
Deferred Pension Inflow	(2,607,133)
Other Post Employment Benefits	(39,253,251)
Net adjustment to fund balance for long-term liabilities	<u>\$ (71,965,982)</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 for governmental 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 position 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	\$ 5,794,957
Depreciation	(5,035,114)
Other adjustments to capital assets	(3,341)
Gain <Loss> on retirement	5,570
Contributed capital assets	835,357
Net adjustment to net change in fund balances - governmental funds	<u>\$ 1,597,429</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 Principle Paid	\$ 1,955,000
Amortized Bond Premium	83,552
Amortized Deferred Amount on Refunding	(87,795)
Net adjustment to net change in fund balances - governmental funds	<u>\$ 1,950,757</u>

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

Change in accrued interest receivable	\$ (10,723)
Change in court fines receivable	(43,135)
Change in block grant loans receivable	(52,598)
Change in parking/red light fines receivable	105,113
Change in property taxes	46,188
Change in other deferred revenues	5,302
Change in derived taxes	122,504
Change in Build America Bond subsidy receivable	(33,121)
Change in Pension Expense GASB 68	2,071,200
LEOFF 2 Special Rev GASB 68	463,006
Change in other post-employment benefits payable	(4,145,470)
Change in accrued interest payable	6,046
Change in compensated absences payable	(203,855)
Net adjustment to net change in fund balances - governmental funds	<u>\$ (1,669,543)</u>

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

Net revenue of risk management activities	\$ (676,515)
Net revenue of self insurance activities	123
Net loss of employment security activities	(41,609)
Net revenue of accrued leave activities	225,585
Net revenue of equipment maintenance activities	140,282
Net revenue of information technology activities	350,184
Net adjustment to net change in fund balances - governmental funds	<u>\$ (1,950)</u>

C. Explanation of aggregated differences between the proprietary fund statements and the government-wide statement of activities for business activities

The proprietary funds statement of net position and proprietary fund statement of revenues, expenses and changes in net position include a reconciliation item. The net position and net revenue of the Equipment Rental Reserve internal service fund is proprietary in nature and is included in the government-wide statements for business activities.

Net position of Equipment Rental Reserve fund	<u>\$ 12,239,373</u>
Net adjustment to net change in fund balances - proprietary funds	<u>\$ 12,239,373</u>
Net revenue of equipment rental reserve activities	907,199
Net adjustment to fund balance for internal service funds	<u>\$ 907,199</u>

3. Deposits and Investments

A. Deposits

The City's deposits 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 position at cost.

Cash & Cash Equivalents

Cash on hand	<u>9,746,202</u>
Total Cash & Cash Equivalents	\$ 9,746,202

Investment Type	Investment Maturity (in Years)				Percent of Total
	Fair Value	<12 Months	13-24 Months	>25 Months	
Federal Farm Credit Bank	\$ 10,225,640	\$ 7,143,770	\$ 3,081,870	\$ -	17.8%
Federal Home Loan Bank	8,219,040	2,018,260	4,114,320	2,086,460	14.3%
Federal Home Loan Mortgage	5,005,380	-	-	5,005,380	8.7%
Federal National Mortgage Association	3,015,650	2,013,260	-	1,002,390	5.2%
King County School District	1,469,714	1,469,714	-	-	2.6%
Pierce County School District	602,723	-	-	602,723	1.0%
US Treasury	2,071,640	-	2,071,640	-	3.6%
Local Government Investment Pool	26,832,051	26,832,051	-	-	46.7%
Total	\$ 57,441,838	\$ 39,477,055	\$ 9,267,830	\$ 8,696,953	100.0%
Total Cash and Investments	\$ 67,188,040				

The amounts above include the \$257,065 for fiduciary funds. Additionally, the City held \$387,725 in cash in clearing accounts.

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 (1)	Credit Ratings			
		AAA/Aaa (2)	AA/Aa (2)	A (2)	Unrated
Federal Agency Obligations	\$ 26,465,710	\$ 26,465,710	\$ -	\$ -	\$ -
State Treasurer's Investment Pool (3)	26,832,051	-	-	-	26,832,051
US Treasury	2,071,640	2,071,640	-	-	-
School Districts	2,072,437	2,072,437	-	-	-
Bank Deposits	9,746,202	-	-	-	9,746,202
Total	\$ 67,188,040	\$ 30,609,787	\$ -	\$ -	\$ 36,578,253

(1) Fair Value includes accrued interest

(2) Rating agencies: Moody's AAA, AA, A; S&P Aaa, A

(3) Measured at amortized cost

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City's investment policy limits investments to those authorized by State of Washington statutes governing the investment of public funds. The City's investments in agency securities were rated AA+ by Standard & Poor's Rating Service. The Washington State Local Government Investment Pool which operates in a manner consistent with the section 2a-7 of the SEC's Investment Act of 1940, is unrated.

Concentration of Credit Risk. The City's investment policy states 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. At 12/31/20 the portfolio was in compliance with this policy.

Local Government Investment Pool	40%
Federal Farm Credit Bank	15%
Federal Home Loan Bank	12%
Federal Home Loan Mortgage	7%
Federal National Mortgage Association	4%
School Districts	3%
US Treasury	3%

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 if 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.

Investments Measured at Fair Value

The City measures and reports investments at fair value using the valuation input hierarchy established by generally accepted accounting principles, as follows:

- Level 1 – Quoted prices in active markets for identical assets or liabilities;
- Level 2 – These are quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable
- Level 3 – Unobservable inputs for an asset or liability

Investments measured at Fair Value Level	Fair Value Measurements Using			
	Fair Value	Level 1	Level 2	Level 3
Federal Agency Obligations	\$ 26,465,710	\$ -	\$ 26,465,710	\$ -
US Treasury	2,071,640	2,071,640	-	-
School Districts	2,072,437	2,072,437	-	-
Total	\$ 30,609,787	\$ 4,144,077	\$ 26,465,710	\$ -

Investments in Local Government Investment Pool (LGIP)

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

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

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

4. 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 inflow of resources 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 41.16.060 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 2020, the Kitsap Regional Library District levied \$0.369 per \$1,000 of assessed valuation, and therefore the City's maximum levy rate is \$3.231 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 2020 was \$1.967 per \$1,000 on an assessed valuation of \$3.603 billion, for a total regular levy of \$7,872,012.

Special levies approved by the voters are not subject to the above limitations. In 2020, the City levied an additional \$0.864 per \$1,000 for General Obligation Bonds and Emergency Medical Services, for a total additional levy of \$3,446,853.

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.

5. Capital Assets

Capital asset activity for the year ended December 31, 2020, was as follows:

Governmental Activities	Beginning Balance 1/1/2020	Increases	Decreases	Ending Balance 12/31/2020
Capital assets, not being depreciated:				
Land	\$ 20,174,450	\$ -	\$ -	\$ 20,174,450
Construction in progress	2,392,134	5,800,526	866,580	7,326,080
Intangibles	5,150	-	-	5,150
Total capital assets, not being depreciated	22,571,734	5,800,526	866,580	27,505,680
Capital assets, being depreciated:				
Buildings/building improvements	63,320,536	238,927	-	63,559,463
Improvements other than buildings	21,840,312	16,631	-	21,856,943
Machinery and equipment	12,328,137	241,276	23,569	12,545,844
Infrastructure	67,755,150	1,222,484	-	68,977,634
Total capital assets, being depreciated	165,244,135	1,719,318	23,569	166,939,884
Less accumulated depreciation for:				
Buildings/buildings improvements	18,867,264	1,294,287	-	20,161,551
Improvements other than buildings	14,000,347	737,702	-	14,738,049
Machinery and equipment	7,520,953	569,715	20,229	8,070,439
Infrastructure	31,538,666	2,445,555	-	33,984,221
Total accumulated depreciation	71,927,230	5,047,259	20,229	76,954,260
Total capital assets, being depreciated, net	93,316,905	(3,327,941)	3,340	89,985,624
Governmental activities capital assets, net	<u>\$ 115,888,639</u>	<u>\$ 2,472,585</u>	<u>\$ 869,920</u>	<u>\$ 117,491,304</u>

Business-type Activities	Beginning Balance 1/1/2020	Increases	Decreases	Ending Balance 12/31/2020
Capital assets, not being depreciated:				
Land	\$ 9,881,734	\$ -	\$ -	\$ 9,881,734
Construction in progress (*)	9,274,820	7,051,163	10,437,686	5,888,297
Intangibles	117,904	-	-	117,904
Total capital assets, not being depreciated	19,274,458	7,051,163	10,437,686	15,887,935
Capital assets, being depreciated:				
Buildings/building improvements	59,554,740	-	18,929	59,535,811
Intangibles	2,407,213	-	-	2,407,213
Improvements other than buildings (*)	165,457,043	10,701,385	-	176,158,428
Machinery and equipment	74,734,285	1,595,016	728,153	75,601,148
Total capital assets, being depreciated	302,153,281	12,296,401	747,082	313,702,600
Less accumulated depreciation for:				
Buildings/buildings improvements	26,351,335	1,126,696	4,921	27,473,110
Intangibles	2,290,889	9,242	-	2,300,131
Improvements other than buildings	60,636,547	3,208,088	-	63,844,635
Machinery and equipment	38,610,101	3,792,853	630,801	41,772,153
Total accumulated depreciation	127,888,872	8,136,879	635,722	135,390,030
Total capital assets, being depreciated, net	174,264,409	4,159,522	111,360	178,312,570
Business-type activities Capital assets, net	<u>\$ 193,538,867</u>	<u>\$ 11,210,685</u>	<u>\$ 10,549,047</u>	<u>194,200,505</u>

* Beginning Balance Restated

As disclosed in Note 1B, Accounting and Reporting Changes, the City restated the beginning balance from the prior year's reported ending balances for the business-type activities categories, construction in progress and improvements other than buildings.

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

Governmental Activities:	
General government	\$ 212,645
Public safety	634,683
Transportation, including depreciation of general infrastructure assets	2,585,693
Culture and recreation	1,602,093
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	12,145
Total depreciation expense - Governmental activities	<u>\$ 5,047,259</u>
Business-type activities:	
Water	\$ 2,638,566
Wastewater	4,202,688
Stormwater	221,636
Golf	162,105
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	911,884
Total depreciation expense - Business-type activities	<u>\$ 8,136,879</u>

6. Construction Commitments

The City has active construction projects and future construction projects which are in design phase as of December 31, 2020. The projects include:

<u>Project</u>	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Kitsap Lake Safe Routes to School Project	2,465,713	283,731
Oyster Bay Beach Sewer Upgrades	473,129	128,368
E 11th St - Pitt to Perry	467,910	24,356
Pine Road Basin Improvements	382,664	87,736
Ostrich Creek Culvert Replacements	349,468	140,520
Quincy Square on 4th Street	332,152	162,848
HSIP Phase III	315,112	50,346
Pump Station 14 Relocation	303,140	75,424
Washington & 11th Roundabout	255,947	274,053
Sensus Flexnet System	244,634	38,831
6th St - Warren to Pacific	150,937	26,824
6th St - Callow to Naval	113,022	17,478
WWTP Salinity Study	104,266	127,634
E 11th St Stormwater Treatment Design	88,638	11,362
Kitsap Lake Park Renovations	60,177	53,712
Remodel Fire Station 3	41,889	17,186
Remodel Fire Station 2	41,889	17,180
Marine Drive Watermain Replacement	37,157	166,343
6th St Phase 2 Watermain	36,412	27,123
Downtown Bike Improvement	30,599	7,520
2nd St Stormwater Quality Retrofit	21,431	12,069
Warren Ave Playfield Renovation	17,263	7,637
Ostrich Bay Creek Stormwater	16,268	58,732
Well 6R Rehabilitation	6,545	117,517
OB-1 to OB-2 Beach Sewer	3,041	1,614
	<u>\$ 6,359,405</u>	<u>\$ 1,936,145</u>

7. Pension Plans

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

Aggregate Pension Amounts – All Plans	
Pension liabilities	\$ (5,963,329)
Pension assets	\$ 10,935,420
Deferred outflows of resources	\$ 3,661,856
Deferred inflows of resources	\$ (3,343,890)
Pension expense/expenditures	\$ 292,930

State Sponsored Pension Plans

Substantially all City's full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans. The state Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

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

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

Or the DRS CAFR may be downloaded from the DRS website at www.drs.wa.gov.

Public Employees' Retirement System (PERS)

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

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

Contributions

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

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

The City's actual PERS 1 plan contributions totaled \$841,708 for the year ended December 31, 2020. The plan contributions includes \$801,144 from PERS 2/3 UAAL and \$9,997 from PSERS UAAL .

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

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

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

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

Contributions

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

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

The City's actual PERS plan contributions were \$841,619 to PERS Plan 1 and \$1,329,442 to PERS Plan 2/3 for the year ended December 31, 2020.

Public Safety Employees' Retirement System (PSERS)

PSERS Plan 2 was created by the 2004 Legislature and became effective July 1, 2006. To be eligible for membership, an employee must work on a full-time basis and:

- Have completed a certified criminal justice training course with authority to arrest, conduct criminal investigations, 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 membership includes:

- PERS 2 or 3 employees hired by a covered employer before July 1, 2006, who met at least one of the PSERS eligibility criteria and elected membership during the period of July 1, 2006 to September 30 2006; and
- Employees hired on or after July 1, 2006 by a covered employer, that meet at least one of the PSERS eligibility criteria.

PSERS covered employers include:

- Certain State of Washington agencies (Department of Corrections, Department of Natural Resources, Gambling commission, Liquor Control Board, Parks and Recreation Commission, and Washington State Patrol),
- Washington State Counties,
- Washington State Cities (except for Seattle, Spokane, and Tacoma),
- Correctional entities formed by PSERS employers under the Interlocal Cooperation Act.

PSERS Plan 2 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the average final compensation (AFC) for each year of service. The AFC is based on the member's 60 consecutive highest creditable months of service. Benefits are actuarially reduced for each year that the member's age is less than 60 (with ten or more service credit years in PSERS), or less than 65 (with fewer than ten service credit years). There is no cap on years of service credit. Members are eligible for retirement at the age of 65 with five years of service; or at the age of 60 with at least ten years of PSERS service credit; or at age 53 with 20 years of service. Retirement before age 60 is considered an early retirement. PSERS 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 three percent per year reduction for each year between the age at retirement and age 60 applies. PSERS Plan 2 retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty

and non-duty disability payments, an optional cost-of living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PSERS Plan 2 members are vested after completing five years of eligible service.

Contributions

The **PSERS Plan 2** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2. The Plan 2 employer rates include components to address the PERS Plan 1 unfunded actuarial accrued liability and administrative expense currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates.

The PSERS Plan 2 required contribution rates (expressed as a percentage of current-year covered payroll) for 2020 were as follows:

PSERS Plan 2		
Actual Contribution Rates:	Employer	Employee
January - August 2020:		
PSERS Plan 2	7.20%	7.20%
PERS Plan 1 UAAL	4.76%	
Administrative Fee	0.18%	
Total	12.14%	7.20%
September - December 2020:		
PSERS Plan 2	7.20%	7.20%
PERS Plan 1 UAAL	4.87%	
Administrative Fee	0.18%	
Total	12.25%	7.20%

The City's actual PSERS plan contributions were \$15,092 to PSERS Plan for the year ended December 31, 2020.

Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF)

LEOFF membership includes all full-time, fully compensated, local law enforcement commissioned officers, firefighters, and as of July 24, 2005, emergency medical technicians. LEOFF is comprised of two separate defined benefit plans.

LEOFF Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined per year of service calculated as a percent of final average salary (FAS) as follows:

- 20+ years of service – 2.0% of FAS
- 10-19 years of service – 1.5% of FAS
- 5-9 years of service – 1% of FAS

The FAS is the basic monthly salary received at the time of retirement, provided a member has held the same position or rank for 12 months preceding the date of retirement. Otherwise, it is the average of the highest consecutive 24 months' salary within the last ten years of service. Members are eligible for retirement with five years of service at the age of 50. Other benefits include duty and non-duty disability payments, a cost-of living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. LEOFF 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions

Starting on July 1, 2000, **LEOFF Plan 1** employers and employees contribute zero percent, if the plan remains fully funded. The LEOFF Plan I had no required employer or employee contributions for fiscal year 2018. Employers paid only the administrative expense of 0.18 percent of covered payroll.

LEOFF Plan 2 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the final average salary (FAS) per year of service (the FAS is based on the highest consecutive 60 months). Members are eligible for retirement with a full benefit at 53 with at least five years of service credit. Members who retire prior to the age of 53 receive reduced benefits. If the member has at least 20 years of service and is age 50, the reduction is three percent for each year prior to age 53. Otherwise, the benefits are actuarially reduced for each year prior to age 53. LEOFF 2 retirement benefits

are also actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. LEOFF 2 members are vested after the completion of five years of eligible service.

Contributions

The **LEOFF Plan 2** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2. The employer rate included an administrative expense component set at 0.18 percent. Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board.

Effective July 1, 2017, when a LEOFF employer charges a fee or recovers costs for services rendered by a LEOFF 2 member to a non-LEOFF employer, the LEOFF employer must cover both the employer and state contributions on the LEOFF 2 basic salary earned for those services. The state contribution rate (expressed as a percentage of covered payroll) was 3.44% as of July 1, 2020.

The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2020 were as follows:

LEOFF Plan 2		
Actual Contribution Rates :	Employer	Employee
January - December 2020:		
State and local governments	5.15%	8.59%
Administrative Fee	0.18%	
Total	5.33%	8.59%
State and local governments	8.59%	8.59%
Administrative Fee	0.18%	
Total	8.77%	8.59%

The City's actual LEOFF 2 plan contributions were \$705,691 for the year ended December 31, 2020.

The Legislature, by means of a special funding arrangement, appropriates money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute. For the state fiscal year ending June 30, 2020, the state contributed \$76,297,643 to LEOFF Plan 2. The amount recognized by the City as its proportionate share of this amount is \$4,828,090.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2017 with a valuation date of June 30, 2017. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2007-2012 Experience Study* and the *2017 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2017 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2020. Plan liabilities were rolled forward from June 30, 2018, to June 30, 2020, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

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

Mortality rates were based on the RP-2000 report's Combined Healthy Table and Combined Disabled Table, published by the Society of Actuaries. The OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

There were changes in methods and assumptions since the last valuation.

- OSA updated modeling to reflect providing benefit payments to the date of the initial retirement eligibility for terminated vested members who delay application for retirement benefits.

- OSA updated COLA programming to reflect legislation signed during the 2018 legislative session that provides PERS and TRS Plan 1 annuitants who are not receiving a basic minimum, alternate minimum, or temporary disability benefit with a one-time permanent 1.5% increase to their monthly retirement benefit, not to exceed a maximum of \$62.50 per month.

Discount Rate

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

To determine that rate, an asset sufficiency test included an assumed 7.5 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. (All plans use 7.5 percent except LEOFF 2, which has assumed 7.4 percent). Consistent with the long-term expected rate of return, a 7.4 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue being made at contractually required rates (including PERS 2/3, PSERS 2, SERS 2/3, and TRS 2/3 employers, whose rates include a component for the PERS 1, and TRS 1 plan liabilities). Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.4 percent was used to determine the total liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.4 percent was determined using a building-block-method. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered capital market assumptions and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns over various time horizons.

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2020, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20.00%	2.20%
Tangible Assets	7.00%	5.10%
Real Estate	18.00%	5.80%
Global Equity	32.00%	6.30%
Private Equity	23.00%	9.30%

Sensitivity of Net Pension Liability/(Asset)

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

	1% Decrease 6.40%	Current Discount Rate 7.40%	1% Increase 8.40%
PERS 1	\$ 5,154,032	\$ 4,114,809	\$ 3,208,500
PERS 2/3	\$ 11,501,988	\$ 1,848,520	\$ (6,101,116)
PSERS 2	\$ 52,227	\$ (4,797)	\$ (49,929)
LEOFF 1	\$ (2,751,099)	\$ (3,379,940)	\$ (3,923,994)
LEOFF 2	\$ (149,481)	\$ (7,550,683)	\$ (13,610,791)

Pension Plan Fiduciary Net Position

Detailed information about the State's pension plans' fiduciary net position is available in the separately issued DRS financial report.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2020, the City reported a net pension liability of \$6,163,816 and a net pension asset of \$11,920,625 for its proportionate share of the net pension liabilities (or assets) as follows:

Plan	Liability (or Asset)
PERS 1	\$ (4,114,809)
PERS 2/3	\$ (1,848,520)
PSERS 2	\$ 4,797
LEOFF 1	\$ 3,379,940
LEOFF 2	\$ 7,550,683

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

	LEOFF 1 Asset	LEOFF 2 Asset
Employer's proportionate share	\$ (3,379,940)	\$ (7,550,683)
State's proportionate share of the net pension asset associated with the employer	\$ (22,861,831)	\$ (4,828,090)
TOTAL	\$ (26,241,771)	\$ (12,378,773)

At June 30, 2020 the city's proportionate share of the collective net pension liabilities was as follows:

	Proportionate Share 6/30/19	Proportionate Share 6/30/20	Change in Proportion
PERS 1	0.123118%	0.116549%	-0.006569%
PERS 2/3	0.147167%	0.144535%	-0.002632%
PSERS 2	0.042645%	0.034865%	-0.007780%
LEOFF 1	0.177456%	0.178974%	0.001518%
LEOFF 2	0.362908%	0.370158%	0.007250%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the *Schedules of Employer and Nonemployer Allocations* for all plans except LEOFF 1.

LEOFF Plan 1 allocation percentages are based on the total historical employer contributions to LEOFF 1 from 1971 through 2000 and the retirement benefit payments in fiscal year 2020. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2020, the state of Washington contributed 87.12 percent of LEOFF 1 employer contributions, and all other employers contributed the remaining 12.88 percent of employer contributions. LEOFF 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. The allocation method the plan chose reflects the projected long-term contribution effort based on historical data.

In fiscal year 2020, the state of Washington contributed 39.57 percent of LEOFF 2 employer contributions pursuant to RCW 41.26.725 and all other employers contributed the remaining 60.43 percent of employer contributions.

The collective net pension liability (asset) was measured as of June 30, 2020, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2018, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2020, the city recognized pension expense as follows:

	Pension Expense
PERS 1	\$ (60,464)
PERS 2/3	\$ 224,986
PSERS	\$ 10,881
LEOFF 1	\$ (200,605)
LEOFF 2	\$ 318,132
TOTAL	\$ 292,930

Deferred Outflows of Resources and Deferred Inflows of Resources

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

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ (22,910)
Changes of assumptions	\$ -	\$ -
Changes in proportion and differences between contributions and proportionate share of contributions	\$ -	\$ -
Contributions subsequent to the measurement date	\$ 392,250	\$ -
TOTAL	392,250	(22,910)

PERS 2-3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 661,743	\$ (231,664)
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ (93,878)
Changes of assumptions	\$ 26,328	\$ (1,262,699)
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 384,083	\$ (138,894)
Contributions subsequent to the measurement date	\$ 617,039	\$ -
TOTAL	1,689,193	(1,727,135)

PSERS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 6,591	\$ (359)
Net difference between projected and actual investment earnings on pension plan investments	\$ 256	\$ -
Changes of assumptions	\$ 24	\$ (9,069)
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 1,244	\$ (1,705)
Contributions subsequent to the measurement date	\$ 6,888	\$ -
TOTAL	15,003	(11,133)

LEOFF 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ (35,354)
Changes of assumptions	\$ -	\$ -
Changes in proportion and differences between contributions and proportionate share of contributions	\$ -	\$ -
Contributions subsequent to the measurement date	\$ -	\$ -
TOTAL	-	(35,354)

LEOFF 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,044,762	\$ (133,918)
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ (84,159)
Changes of assumptions	\$ 10,939	\$ (1,169,180)
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 186,108	\$ (160,101)
Contributions subsequent to the measurement date	\$ 323,599	\$ -
TOTAL	1,565,408	(1,547,358)

Deferred outflows of resources related to pensions resulting from the city's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	<i>PERS 1</i>
2021	\$ (103,965)
2022	\$ (3,270)
2023	\$ 31,723
2024	\$ 52,602
Thereafter	\$ -
Total	\$ (22,910)

Year ended December 31:	<i>PERS 2/3</i>
2021	\$ (716,468)
2022	\$ (132,788)
2023	\$ 83,412
2024	\$ 233,310
2025	\$ (31,341)
Thereafter	\$ (91,106)
Total	\$ (654,981)

Year ended December 31:	<i>PSERS</i>
2021	\$ (1,409)
2022	\$ (415)
2023	\$ 349
2024	\$ 1,077
2025	\$ (402)
Thereafter	\$ (2,216)
Total	\$ (3,016)

Year ended December 31:	<i>LEOFF 1</i>
2021	\$ (126,203)
2022	\$ (6,579)
2023	\$ 35,877
2024	\$ 61,551
Thereafter	\$ -
Total	\$ (35,354)

Year ended December 31:	<i>LEOFF 2</i>
2021	\$ (529,963)
2022	\$ (68,701)
2023	\$ 117,761
2024	\$ 258,641
2025	\$ (44,743)
Thereafter	\$ (38,545)
Total	\$ (305,550)

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 2020 insurance coverage and risk retention:

Risk	Coverage Limit Per Occurrence	Self-Insured Retention	Insurer
Property Liability	\$400,000,000	\$100,000	Hartford Fire Insurance Company
Excess liability	\$10,000,000	\$500,000	Vantapro Speciality Insurance Company
Excess workers' compensation	Statutory	\$500,000	Midwest Employers Casualty Company
Employee blanket bond	\$1,000,000	\$25,000	Great American Insurance Company
Pollution legal liability	\$5,000,000	\$100,000	Illinois Union Insurance Company
Cyber Liability	\$5,000,000	\$25,000	Indian Harbor Insurance Company
Aviation Liability	\$1,000,000	5%	Global Aerospace Inc.
Marine Liability	\$1,000,000	\$5,000	Travelers Property Casualty 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, 2020, the Risk Management fund had cash and investment reserves of \$1.2 million. The Statement of Net Position for the Risk Management fund includes the unspent portion of this amount in prepayments. Long-term fund liabilities have been estimated at \$1,783,287. 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 following table shows the actual claims activity for 2019 and 2020:

	2019	2020
Claims liability - beginning of year	\$ 1,938,785	\$ 1,359,255
Claims incurred	1,821,528	2,175,357
Estimate change prior years	(997,124)	(288,156)
Payment on claims	(1,403,934)	(1,463,169)
Claims liability - end of year	<u>\$ 1,359,255</u>	<u>\$ 1,783,287</u>

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 in prior years to advance refund G.O. bonds. General obligation bonds have been issued for both general government and business-type activities and are being repaid from the applicable resources. The revenue bonds are repaid with proprietary fund revenues.

General obligation bonds currently outstanding are as follows:

	Maturity Date	Interest Rate	Outstanding 12/31/2020
2010 UTGO Refunding	12/1/2030	3.4191%	5,160,000
2015 UTGO Fire Bonds	12/31/2025	2.89%	2,235,000
2012 LTGO Refunding - Govt Center	7/1/2034	2.7954%	3,690,000
2013 LTGOA Refunding - Conf Ctr Pkg	12/1/2036	3.0082%	6,820,000
2013 LTGOB Refunding - Golf Course	12/1/2028	3.0082%	2,965,000
2019 LTGO Refunding	9/1/2035	1.65%	6,320,000
Total General Obligation Bonds and Notes			\$ 27,190,000

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
2021	2,000,000	760,102	330,000	102,195
2022	2,065,000	703,742	340,000	93,450
2023	2,160,000	636,411	350,000	83,590
2024	2,235,000	565,154	360,000	72,915
2025	2,315,000	491,214	375,000	60,315
2026-2030	7,380,000	1,545,376	1,210,000	95,745
2031-2035	5,505,000	597,302	-	-
2036-2040	565,000	20,905	-	-
Total	\$ 24,225,000	\$ 5,320,206	\$ 2,965,000	\$ 508,210

The revenue bonds and loans outstanding as of December 31, 2020 were as follows:

	Maturity Date	Interest Rate	Outstanding 12/31/2020
W/S REF & REVENUE BOND 2007	12/1/2021	4.28	450,000
W/S REF & REVENUE BOND 2014	12/1/2034	3.85	1,520,000
W/S REF & REVENUE BOND 2014	12/1/2034	3.85	3,800,000
W/S REF & REVENUE BOND 2016	12/1/2035	2.51	2,488,860
W/S REF & REVENUE BOND 2016	12/1/2035	2.51	2,527,140
W/S REF & REVENUE BOND 2016	12/1/2035	2.51	1,584,000
PWTF EAST BREMERTON CSO	7/1/2021	0.50	158,333
PWTF ANDERSON COVE BASIN 12	7/1/2023	0.50	86,547
PWTF NA VAL AVE	7/1/2023	4.00	39,474
PWTF BRENTWOOD STORM DRAIN REPAIR	7/1/2024	4.00	39,457
PWTF PACIFIC AVE BASIN CSO	7/1/2024	0.50	279,909
PWTF OSTRICH CREEK CULVERT IMP	6/1/2038	1.66	316,850
PWTF PINE BASE WATERSHED STORM IMP	6/1/2038	1.66	360,206
PWTF WWTP UPGRADE	7/1/2025	0.50	53,363
PWTF ANDERSON COVE SEW PS CW1	7/1/2027	0.50	248,684
PWTF WWTP UPGRADES	7/1/2027	0.50	1,140,723
CWSRF DECOMMISSION BEACH SEWER	12/31/2042	2.00	5,751
CWSRF OYSTER BAY BEACH SEWER UPGRADES	12/31/2042	1.50	367,386
DWSRF CASAD DAM VALVE REPL	10/1/2023	1.50	13,203
DWSRF EASTSIDE FLOW & PRESSURE IMP	10/1/2022	2.50	122,040
DWSRF CASAD DAM SEISMIC UPGRADE	10/1/2022	2.50	78,552
DWSRF ANDERSON CREEK	10/1/2024	1.50	21,527
DWSRF PUMP STATION 4 UPGRADE	10/1/2023	1.50	172,834
DWSRF SEISMIC UPGRADES	10/1/2024	1.50	113,193
DWSRF TRACYTON WD UPGRADE	10/1/2021	2.50	139,582
DWSRF SEISMIC VALVE FLOW CONTROL	12/1/2036	1.00	719,706
DWSRF RESERVOIR 4 COVER	10/1/2024	1.00	1,374,873
WPCRF CSO PLAN UPDATE	12/31/2022	1.50	29,370
WPCRF ANDERSON COVE CSO	2/27/2021	1.50	28,262
WPCRF CALLOW DESIGN FINAL	12/31/2022	1.50	67,801
WPCRF ANDERSON COVE CSO	1/23/2022	1.50	56,128
WPCRF TRENTON/CHERRY	10/15/2024	1.50	235,452
WPCRF ANDERSON COVE BASIN 12	9/17/2026	1.50	94,227
WPCRF TRENTON PUMP STATION	10/15/2024	1.50	235,300
WPCRF TRACYTON BEACH CSO	2/9/2025	1.50	153,609
WPCRF PACIFIC AVE CSO RED - SEP	6/30/2024	1.50	107,364
WPCRF PACIFIC AVE CSO REDUCTION	12/31/2027	1.50	428,252
WPCRF CHERRY/TRENTON CSO RED -F	12/31/2026	1.50	373,717
WPCRF WWTP UPGRADE	1/1/2029	2.60	320,657
WPCRF GORST SEWERAGE CONSTR	12/31/2030	1.40	329,062
WPCRF GORST SEWERAGE CONSTR	10/17/2032	1.40	34,672
WPCRF GORST SEPTIC SYSTEM DES	12/31/2030	2.90	66,638
WPCRF GORST SEWERAGE DESIGN	12/31/2030	1.40	317,003
Total Revenue Bonds and Loans			\$ 21,099,708

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

Year Ending December 31	Governmental Activities		Business Activities	
	Principal	Interest	Principal	Interest
2021	-	-	2,665,728	581,660
2022	-	-	1,888,165	525,772
2023	-	-	1,765,073	498,519
2024	-	-	1,692,532	461,315
2025	-	-	1,465,733	421,458
2026-2030	-	-	6,435,861	1,530,636
2031-2035	-	-	4,943,176	562,286
2036-2040	-	-	206,127	31,991
2041-2042	-	-	37,314	11,252
Total	\$ -	\$ -	\$ 21,099,708	\$ 4,624,888

In proprietary funds bonds are displayed net of premium or discount. Annual interest expense is decreased by amortization of debt premium and increased by the discount.

At December 31, 2020, the City has \$351,098 available in debt service funds to service the general bonded debt. Restricted assets in proprietary funds contain \$1,244,622 in sinking funds and reserves as required by bond indentures.

B. Refunded Debt

In prior years, the City defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for defeased bonds are not included in the City's financial statements. At December 31, 2020 there were no defeased bonds outstanding

10. Changes in Long Term Liabilities

During the year ended December 31, 2020, the following changes occurred in long-term liabilities:

	Beginning Balance 1/1/2020	Additions	Reductions	Ending Balance 12/31/2020	Due Within One Year
Governmental Activities:					
Bonds payable:					
General obligation bonds	\$ 26,180,000	\$ -	\$ 1,955,000	\$ 24,225,000	\$ 2,000,000
Add unamortized premiums	775,216	-	83,551	691,665	-
Total bonds payable:	\$ 26,955,216	\$ -	\$ 2,038,551	\$ 24,916,665	\$ 2,000,000
Claims and judgments	\$ 1,197,320	\$ 585,967	\$ -	\$ 1,783,287	\$ -
Compensated absences	2,861,057	289,038	62,029	3,088,066	1,235,227
Other Post Employment Benefits	35,129,396	6,153,665	2,029,810	39,253,251	2,095,320
Pension Liability	3,447,843	283,363	749,182	2,982,024	-
Governmental activity long-term liabilities:	\$ 69,590,832	\$ 7,312,033	\$ 4,879,572	\$ 72,023,293	\$ 5,330,547
Business-type Activities:					
Bonds payable:					
General obligation bonds	\$ 3,290,000	\$ -	\$ 325,000	\$ 2,965,000	\$ 330,000
Revenue bonds	13,425,000	-	1,055,000	12,370,000	1,095,000
Add unamortized premiums	1,253,705	-	80,520	1,173,185	-
Total bonds payable:	\$ 17,968,705	\$ -	\$ 1,460,520	\$ 16,508,185	\$ 1,425,000
Intergovernmental loans	\$ 9,979,839	\$ 701,664	\$ 1,951,795	\$ 8,729,708	\$ 1,570,728
Compensated Absences	680,962	25,655	32,682	673,935	269,574
Pension Liability	2,715,973	265,332	-	2,981,305	-
Business-type activity long-term liabilities:	\$ 31,345,479	\$ 992,651	\$ 3,444,997	\$ 28,893,133	\$ 3,265,302

The Risk Management, Equipment Maintenance 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 \$1,783,287 of Risk Management claims and judgments and \$100,067 of Information Technology compensated absences are included in the above governmental activities amounts. Also, for the governmental activities, compensated absences are generally liquidated by the Accrued leave liability internal service fund and claims and judgments by the Risk Management internal service fund.

11. Contingencies and Litigation

As of December 31, 2020, there were a small number of claims for damages and lawsuits pending against the City. In the opinion of the City's legal counsel, neither the potential liability for any single claim or lawsuit, nor the aggregate potential liability arising from all actions currently pending would materially affect the financial condition of the City.

As discussed in Note 9, Long-Term Debt, the City is contingently liable for repayment of refunded debt.

The City participates in several federal and state assistance 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.

12. Restricted Net Position

The government-wide statement of net position reports \$8,399,783 of restricted net position, all of which is restricted by enabling legislation and external contractual commitments.

13. Interfund Balances and Transfers

A. Interfund Balances

Interfund balances at December 31, 2020, were as follows:

	Due From						
	General Fund	Other Govt	Water	Waste-Water	Storm-Water	Internal Service	Total
Due To							
General Fund	\$ (15,516)	\$ -	\$ 213,205	\$ 344,858	\$ 104,156	\$ 71,207	\$ 717,911
Other Governmental	350,993	880,467	-	-	99,025	-	1,330,485
Water	138,697	509	186	2,625,729	-	50,000	2,815,120
Wastewater	306,476	-	3,434	14,190	-	250,000	574,100
Stormwater	-	71,456	205	(2,650)	-	-	69,011
Internal Service	6,372	-	-	-	-	-	6,372
Total	\$ 787,022	\$ 952,432	\$ 217,030	\$ 2,982,127	\$ 203,181	\$ 371,207	\$ 5,512,998

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 2021. Interfund loans are approved by City Council Resolution and include a repayment date. The City had only one interfund loan outstanding at year end which is included in the interfund balances in the above schedule.

Loaned From	Purpose	Yr of final Payment	Loaned To	
			General Fund	Total
Internal service	Conference Ctr Exp	2034	264,887	264,887
		Total	\$ 264,887	\$ 264,887

B. Interfund Transfers

Interfund transfers at December 31, 2020 were as follows:

	Transfer From			
	General Fund	Other Govt	Internal Service	Total
Transfer To				
General Fund	\$ -	\$ 524,489	\$ 70,317	\$ 594,807
Other governmental funds	1,279,401	1,879,915	-	3,159,316
Stormwater	103,000	-	-	103,000
Internal Service	200,000	-	-	200,000
Total	\$1,582,401	\$2,404,404	\$ 70,317	\$4,057,122

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 no significant transfers in 2020.

14. Receivable and Payable Balances

A. Receivables

Accounts Receivable at December 31, 2020 were as follows:

	Accounts	Taxes	Notes Contracts	Interest	Other	Total
Governmental Activities:						
General Fund	2,494,647	3,400,250	4,563	-	1,918	\$ 5,901,378
Non-major governmental funds	292,466	668,446	99,657	-	-	1,060,569
Reconciliation of balances in fund financial statements to government-wide financial statements	68	-	-	58,955	47,368	106,391
Total governmental activities	\$ 2,787,181	\$ 4,068,696	\$ 104,220	\$ 58,955	\$ 49,286	\$ 7,068,338
Business-Type Activities:						
Water	\$ 1,861,537	\$ -	\$ 37,011	\$ 26,734	\$ -	\$ 1,925,283
Golf	37,295	-	-	2,686	-	39,981
Wastewater	2,672,019	22,616	-	12,589	-	2,707,224
Stormwater	705,080	-	-	11,207	-	716,287
Reconciliation of balances in fund financial statements to government-wide financial statements	-	-	-	7,806	-	7,806
Total business-type activities	\$ 5,275,932	\$ 22,616	\$ 37,011	\$ 61,021	\$ -	\$ 5,396,580

B. Payables

Accounts payable and other accrued liabilities at December 31, 2020 were as follows:

	Vendors	Other Governments	Retainage	Bonds & Deposits	Claims/ Judgements	Other	Total
Governmental Activities:							
General Fund	\$ 617,934	\$ 1,017	\$ -	\$ 150,189	\$ -	\$ -	\$ 769,141
Non-major and other funds	939,862	-	9,168	17,468	-	90	\$ 966,588
Reconciliation of balances in fund financial statements to government-wide financial statements	139,761	-	-	-	445,822	1,999,273	2,584,856
Total governmental activities	\$ 1,697,557	\$ 1,017	\$ 9,168	\$ 167,657	\$ 445,822	\$ 1,999,363	\$ 4,320,584
Business-Type Activities:							
Water	\$ 345,039	\$ -	\$ 18,907	\$ 105,533	\$ 23,074	\$ 157,217	\$ 649,769
Golf	209,997	37,495	-	167,837	8,516	-	423,845
Wastewater	616,828	-	5,611	36,235	43,075	67,951	769,699
Stormwater	144,138	-	-	30,834	10,737	44,437	230,146
Total business-type activities	\$ 1,316,002	\$ 37,495	\$ 24,518	\$ 340,438	\$ 85,402	\$ 269,604	\$ 2,073,459

15. Defined Benefit Other Postemployment Benefits (OPEB) Plans

The following table represents the aggregate OPEB amounts for all plans subject to the requirements of GASB Statement 75 for the year 2020:

Aggregate OPEB Amounts – All Plans	
OPEB liabilities	\$ 39,253,251
Deferred outflows of resources	\$ 462,815
OPEB expenses/expenditures	\$ 6,153,665

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 single employer defined benefit healthcare plan administered by the City. The eligible members are covered under LEOFF Plan 1. 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. Financial reporting for the LEOFF retiree healthcare plan is included in the City's Annual Financial Report.

Employees Covered by Benefit Terms

At December 31, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	84
Total	84

Contributions

The City paid \$1,091,652 in medical benefits for plan members during the year ended December 31, 2020.

Funding Policy

Funding for LEOFF retiree healthcare costs is provided entirely by the City as required by RCW. The plan is funded on a pay-as-you-go basis and there are no assets accumulated in a qualifying trust or otherwise set aside for the exclusive benefit of the participants.

Actuarial Assumptions

The Total OPEB Liability (TOL) was determined by an actuarial valuation as of June 30, 2020, using the following actuarial assumptions, applied to all periods included in the measurement:

Methodology	
Actuarial Cost Method	Entry Age*
Assumptions	
Discount Rate ¹	
Beginning of measurement year	3.50%
End of measurement year	2.21%
Health Care Trend Rates ²	
Medical costs	Initial rate is approximately 6%, trends down to about 5% in 2020's.
Long-term care	4.50%
Medicare Part B premiums	Approximately 5%, varies by year
Mortality rates (100% male population)	
Base Mortality Table	RP-2000 Mortality Table

Age Setback	+1 year Healthy / -2 years Disabled Blended 50%/50% Healthy/Disabled
Mortality Improvements	100% Scale BB
Projection Period	Generational
Medicare Participation Rate	100%

- (1) Source: Bond Buyer General Obligation 20-Bond Municipal Index.
(2) For additional detail on the healthcare trend rates, please see OSA's 2018 LEOFF Medical Benefits Actuarial Valuation Report.

The following presents the total OPEB Liability of the City calculated using the current healthcare cost trend rate of 6 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percent point lower (5 percent) or a 1-percent point higher (7 percent) than the current rate.

Sensitivity Analysis – Healthcare Trend			
	1% Decrease (5.00%)	Current (6.00%)	1% Increase (7.00%)
Total OPEB Liability	\$35,691,629	\$39,253,251	\$43,347,762

The following presents the total OPEB Liability of the City calculated using the discount rate of 3.50 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percent point lower (2.50 percent) or a 1-percent point higher (4.50 percent) than the current rate. A discount rate of 3.87% was used in the calculation of the Total OPEB liability, beginning. The end of year Discount Rate is being used in this analysis.

Sensitivity Analysis – Discount Rate			
	1% Decrease (2.50%)	Current (3.50%)	1% Increase (4.50%)
Total OPEB Liability	\$38,869,016	\$35,129,396	\$31,942,273

The following table presents the changes in Total OPEB Liability:

Changes in Total OPEB Liability	
Total OPEB Liability as of January 1, 2020 ¹	\$35,129,396
Interest	\$1,194,313
Difference between Expected and Actual Experience and Changes in Assumptions	\$4,959,352
Estimated Benefit Payments	(\$2,029,810)
Net Change in Total OPEB Liability	\$4,123,855
Total OPEB Liability at December 31, 2020	\$39,253,251

- (1) The valuation date is prior to the City's reporting date, December 31, 2020. The balances have not been rolled forward to the reporting date.

As of the beginning of the fiscal year, the City's LEOFF I member count was below 100 members. The City utilized the alternative measurement method to calculate Total OPEB Liability. A measurement date of June 30, 2020 was used in the calculation of Total OPEB Liability, and the Actuarial Measurement Date used was June 30, 2020.

For the year ended December 31, 2020, the City recognized OPEB expense of \$6,153,665. The City reported deferred outflows of resources related to OPEB from the following sources:

LEOFF Plan 1	Deferred Outflows of Resources
City contributions subsequent to the measurement date	\$ 462,815
Total	\$ 462,815

Deferred outflows of resources of \$462,815 related to OPEB benefits resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the Total OPEB Liability in the year ended December 31, 2020.

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. Except for 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, 2020, for the combined utility operations are as follows:

Condensed Statement of Net Position

Assets and Deferred Outflows

Current assets	\$ 34,250,318
Restricted assets	1,244,622
Capital assets	180,416,161
Other assets	61,700
Total assets	215,972,801
Deferred outflows of resources	832,132
Total assets and deferred outflows	216,804,933

Liabilities and Deferred Inflows

Current liabilities	4,795,143
Due to other funds	832,502
Long-term liabilities	22,992,832
Total liabilities	28,620,477
Deferred inflows of resources	633,380
Total liabilities and deferred inflows	29,253,857

Net Position

Net investment in capital assets	158,143,267
Restricted for debt service	1,244,622
Unrestricted	28,163,188
Total net position	\$ 187,551,077

Condensed Statement of Revenues, Expenses and Changes in Net Position	
Total operating revenues	\$ 34,426,078
Operating Expenditures:	
Operating expenses	26,041,915
Depreciation/amortization/depletion	7,062,890
Total operating expenses	<u>33,104,806</u>
Operating income(loss)	1,321,273
Non-Operating Revenues/Expenses	
Interest revenue/expense (net)	(148,166)
Other (net)	565,039
Total non-operating revenues/expenses	<u>416,873</u>
Capital contributions	5,372,314
Transfers	103,000
Change in net position	7,213,461
Beginning net position	180,337,616
Ending net position	<u><u>\$ 187,551,077</u></u>

Condensed Statement of Cash Flows	
Net cash provided by:	
(a) Operating activities	\$ 6,867,851
(b) Noncapital financing activities	1,084,742
(c) Capital and related financing activities	(4,853,528)
(d) Investing activities	847,614
Beginning cash and equivalents balance	11,021,991
Ending cash and equivalents balance	<u><u>\$ 14,968,670</u></u>

17. Tax Abatements

The City established a Multi-Family tax exemption in 2008. The program allows developers to defer property taxes on improvements to the property for either an eight or 12-year period. To get the 12-year exemption the development would require 20% of the unit's rents be at low to moderate income levels. As of December 31, 2020, the City of Bremerton had one development receiving the twelve-year exemption, 606 Apartments. Two properties, Sound West Quincy Square (B Flats) located at 252 4th Street and the Spyglass Hill Apartments located 646 Highland Avenue are receiving the eight-year exemption. The County Assessor has an assessed value of zero for these properties with deferred taxes listed as zero.

18. Subsequent Events

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of a deadly new virus. In the weeks following the declaration, precautionary measures to slow the spread of the virus were ordered. These measures included closing schools, colleges and universities, cancelling public events, prohibiting public and private gatherings, and requiring people to stay home unless they are leaving for an essential function. The state of Washington reopened in June 2021, however the full extent of the financial impact on the City is unknown at this time.

City of Bremerton
Schedule of Changes in Total OPEB Liability and Related Ratios
LEOFF Plan 1
For the year ended June 30, 2020
Last 10 Fiscal Years*

	2020	2019	2018
Total OPEB liability - beginning	\$ 35,129,396	\$ 35,765,404	\$ 37,267,252
Service cost	-	-	-
Interest	1,194,313	1,345,611	1,303,334
Changes in benefit terms	-	-	-
Differences between expected and actual experience and			
Changes of Assumptions	4,959,352	27,628	(1,067,375)
Benefit payments	(2,029,810)	(2,009,247)	(1,737,807)
Other changes	-	-	-
Total OPEB liability - ending	\$ 39,253,251	\$ 35,129,396	\$ 35,765,404
Covered-employee payroll	-	-	-
Total OPEB liability as a % of covered payroll	N/A	N/A	N/A

Notes to Schedule:

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

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

REQUIRED SUPPLEMENTARY INFORMATION

City of Bremerton
Schedule of Proportionate Share of the Net Pension Liability
PERS 1
As of June 30, 2020
Last 10 Fiscal Years*

	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	0.116549%	0.123118%	0.119525%	0.113091%	0.118770%	0.123666%
Employer's proportionate share of the net pension liability (asset)	\$ 4,114,809	\$ 4,734,324	\$ 5,338,027	\$ 5,366,256	\$ 6,378,508	\$ 6,468,882
Covered payroll	8,926,017	16,639,813	15,180,306	13,566,127	13,389,026	13,311,432
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	46.10%	28.45%	35.16%	39.56%	47.64%	48.60%
Plan fiduciary net position as a percentage of the total pension liability	68.64%	67.12%	63.22%	61.24%	57.03%	59.10%

Notes to Schedule:

* This schedule is to be built prospectively until it contains ten years of data.

REQUIRED SUPPLEMENTARY INFORMATION

City of Bremerton
Schedule of Proportionate Share of the Net Pension Liability
PERS 2/3
As of June 30, 2020
Last 10 Fiscal Years*

	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	0.144535%	0.147167%	0.139523%	0.131118%	0.135150%	0.142884%
Employer's proportionate share of the net pension liability (asset)	\$ 1,848,520	\$ 1,429,492	\$ 2,382,231	\$ 4,555,724	\$ 6,804,696	\$ 5,105,327
Covered payroll	8,710,022	15,999,830	14,715,110	12,854,513	12,623,875	12,565,311
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	21.22%	8.93%	16.19%	35.44%	53.90%	40.63%
Plan fiduciary net position as a percentage of the total pension liability	97.22%	97.77%	95.77%	90.97%	85.82%	89.20%

Notes to Schedule:

* This schedule is to be built prospectively until it contains ten years of data.

REQUIRED SUPPLEMENTARY INFORMATION

City of Bremerton
Schedule of Proportionate Share of the Net Pension Liability
PSERS
As of June 30, 2020
Last 10 Fiscal Years*

	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	0.034865%	0.042645%	0.048871%	0.050267%	0.040694%	0.042703%
Employer's proportionate share of the net pension liability (asset)	\$ (4,797)	\$ 5,546	\$ 606	\$ 9,849	\$ 17,294	\$ 7,794
Covered payroll	109,775	196,720	191,844	177,976	131,920	126,609
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	-4.37%	2.82%	0.32%	5.53%	13.11%	6.16%
Plan fiduciary net position as a percentage of the total pension liability	101.68%	101.85%	99.79%	96.26%	90.41%	95.08%

Notes to Schedule:

* This schedule is to be built prospectively until it contains ten years of data.

REQUIRED SUPPLEMENTARY INFORMATION

City of Bremerton
Schedule of Proportionate Share of the Net Pension Liability
LEOFF 1
As of June 30, 2020
Last 10 Fiscal Years*

	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	0.178974%	0.177456%	0.179985%	0.175920%	0.174239%	0.175712%
Employer's proportionate share of the net pension liability (asset)	\$ (3,379,940)	\$ (3,507,615)	\$ (3,267,631)	\$ (2,669,093)	\$ (1,795,160)	\$ (2,117,718)
State's proportionate share of the net pension liability (asset) associated with the employer	\$ (22,861,831)	\$ (23,725,419)	\$ (22,102,177)	\$ (3,273,223)	\$ (1,437,670)	\$ (2,701,196)
TOTAL	\$ (26,241,771)	\$ (27,233,034)	\$ (25,369,808)	\$ (5,942,316)	\$ (3,642,932)	\$ (6,786,485)
Covered payroll	-	-	-	99,976	126,465	122,729
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	0.00%	0.00%	0.00%	(2669.74%)	(1419.49%)	(1725.52%)
Plan fiduciary net position as a percentage of the total pension liability	146.88%	148.78%	144.42%	135.96%	123.74%	127.36%

Notes to Schedule:

* This schedule is to be built prospectively until it contains ten years of data.

REQUIRED SUPPLEMENTARY INFORMATION

City of Bremerton
Schedule of Proportionate Share of the Net Pension Liability
LEOFF 2
As of June 30, 2020
Last 10 Fiscal Years*

	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	0.370158%	0.362908%	0.369504%	0.363627%	0.379152%	0.397479%
Employer's proportionate share of the net pension liability (asset)	\$ (7,550,683)	\$ (8,407,464)	\$ (7,501,737)	\$ (5,045,965)	\$ (2,205,262)	\$ (4,085,289)
State's proportionate share of the net pension liability (asset) associated with the employer	\$ (4,828,090)	\$ (5,505,763)	\$ (4,857,233)	\$ (3,273,223)	\$ (1,437,670)	\$ (2,701,196)
TOTAL	\$ (12,378,773)	\$ (13,913,227)	\$ (12,358,970)	\$ (8,319,188)	\$ (3,642,932)	\$ (6,786,485)
Covered payroll	7,270,211	12,620,374	12,297,035	11,374,905	11,486,092	11,496,279
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	-103.86%	-66.62%	-61.00%	(44.36%)	(19.20%)	(35.54%)
Plan fiduciary net position as a percentage of the total pension liability	115.83%	119.43%	118.50%	113.36%	106.04%	111.67%

Notes to Schedule:

* This schedule is to be built prospectively until it contains ten years of data.

REQUIRED SUPPLEMENTARY INFORMATION

City of Bremerton
Schedule of Employer Contributions
PERS 1
As of December 31, 2020
Last 10 Fiscal Years*

	2020	2019	2018	2017	2016	2015
Contractually required contributions	841,619 \$	841,708 \$	834,881 \$	751,960 \$	663,672 \$	620,110
Contributions in relation to the contractually required contributions	\$ 841,619	\$ 841,708	\$ 834,881	\$ 751,889	\$ 663,672	\$ 620,110
Contribution deficiency (excess)	0	0	0	71	0	0
Covered payroll	17,201,900	16,650,360	15,660,667	14,680,139	13,155,996	12,333,775
Contributions as a percentage of covered employee payroll	4.89%	5.06%	5.33%	5.12%	5.04%	5.03%

Notes to Schedule:

* This schedule is to be built prospectively until it contains ten years of data.

REQUIRED SUPPLEMENTARY INFORMATION

City of Bremerton
Schedule of Employer Contributions
PERS 2/3
As of December 31, 2020
Last 10 Fiscal Years*

	2020	2019	2018	2017	2016	2015
Contractually required contributions	\$ 1,329,442	\$ 1,250,838	\$ 1,140,802	\$ 945,685	\$ 773,957	\$ 708,885
Contributions in relation to the contractually required contributions	\$ 1,329,442	\$ 1,250,838	\$ 1,140,802	\$ 945,761	\$ 773,957	\$ 708,885
Contribution deficiency (excess)	0	0	0	(75)	0	0
Covered payroll	16,785,870	16,206,642	15,214,007	13,965,767	12,423,072	12,713,675
Contributions as a percentage of covered employee payroll	7.92%	7.72%	7.50%	6.77%	6.23%	5.58%

Notes to Schedule:

** This schedule is to be built prospectively until it contains ten years of data.*

REQUIRED SUPPLEMENTARY INFORMATION

City of Bremerton
Schedule of Employer Contributions
PSERS
As of December 31, 2020
Last 10 Fiscal Years*

	2020	2019	2018	2017	2016	2015
Contractually required contributions	\$ 15,092	\$ 14,437	\$ 13,202	\$ 12,572	\$ 10,081	\$ 8,196
Contributions in relation to the contractually required contributions	\$ 15,092	\$ 14,437	\$ 13,202	\$ 12,572	\$ 10,081	\$ 8,196
Contribution deficiency (excess)	0	0	0	0	0	0
Covered payroll	209,611	202,306	193,520	189,011	152,968	126,758
Contributions as a percentage of covered employee payroll	7.20%	7.14%	6.82%	6.65%	6.59%	6.47%

Notes to Schedule:

* This schedule is to be built prospectively until it contains ten years of data.

REQUIRED SUPPLEMENTARY INFORMATION

City of Bremerton
Schedule of Employer Contributions
LEOFF 2
As of December 31, 2020
Last 10 Fiscal Years*

	2020	2019	2018	2017	2016	2015
Contractually required contributions	\$ 705,691	\$ 687,283	\$ 647,179	\$ 618,727	\$ 560,851	\$ 596,403
Contributions in relation to the contractually required contributions	\$ 705,691	\$ 687,283	\$ 647,179	\$ 618,726	\$ 560,851	\$ 596,403
Contribution deficiency (excess)	0	0	0	(1)	0	0
Covered payroll	13,608,686	13,048,277	12,327,220	12,049,567	11,105,960	11,809,957
Contributions as a percentage of covered employee payroll	5.19%	5.27%	5.25%	5.13%	5.05%	5.05%

Notes to Schedule:

** This schedule is to be built prospectively until it contains ten years of data.*

City of Bremerton
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2020

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION, COMMERCE, DEPARTMENT OF (via WA RCO)	Pacific Coast Salmon Recovery Pacific Salmon Treaty Program	11.438	18-1838P	93,871	-	93,871	-	1, 2
OFFICE OF LOCAL DEFENSE COMMUNITY COOPERATION, DEPT OF DEFENSE	Community Economic Adjustment Assistance for Compatible Use and Joint Land Use Studies	12.610	HQ0005201002 1	-	27,558	27,558	-	1, 2
CDBG - Entitlement Grants Cluster								
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	B-18-MC-53- 0011	-	252,434	252,434	120,000	1, 2
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	B-19-MC-53- 0011	-	111,719	111,719	65,990	1, 2
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	B-20-MC-53- 0011	-	304,219	304,219	198,030	1, 2
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	Program Income	-	30,081	30,081	504	1, 2

The accompanying notes are an integral part of this schedule.

City of Bremerton
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2020

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	B-16-MC-53- 0011	-	19,171	19,171	-	1, 2
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	B-17-MC-53- 0011	-	28,395	28,395	-	1, 2
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	COVID 19 - Community Development Block Grants/Entitlement Grants	14.218	B-20-MW-53- 0011	-	229,484	229,484	229,484	1,2
Total CDBG - Entitlement Grants Cluster:				-	975,503	975,503	614,008	
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF	Bulletproof Vest Partnership Program	16.607	BVP010309728	-	7,078	7,078	-	1, 2
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF	Edward Byrne Memorial Justice Assistance Grant Program	16.738	2019-DJ-BX- 0723	-	20,200	20,200	-	1, 2
Highway Planning and Construction Cluster								
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA State DOT)	Highway Planning and Construction	20.205	HSIP-000S (433)/LA-8783	42,017	-	42,017	-	1, 2

The accompanying notes are an integral part of this schedule.

City of Bremerton
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2020

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA State DOT)	Highway Planning and Construction	20.205	SRTS-6590 (002)/LA-9223	1,507,148	-	1,507,148	-	1, 2
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA State DOT)	Highway Planning and Construction	20.205	HSIP-000S (525)	200,015	-	200,015	-	1, 2
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Puget Sound Regional Council)	Highway Planning and Construction	20.205	STPUL-6566 (012)	547,882	-	547,882	-	1, 2
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Puget Sound Regional Council)	Highway Planning and Construction	20.205	STPUL-6566 (013)	30,769	-	30,769	-	1, 2
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Puget Sound Regional Council)	Highway Planning and Construction	20.205	STPUL-9918 (017)	214,836	-	214,836	-	1, 2
Total Highway Planning and Construction Cluster:				2,542,667	-	2,542,667	-	
Highway Safety Cluster								
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA Traffic Safety Commission)	State and Community Highway Safety	20.600	2020-HVE-3769	626	-	626	-	1, 2

The accompanying notes are an integral part of this schedule.

City of Bremerton
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2020

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA Traffic Safety Commission)	State and Community Highway Safety	20.600	2021-HVE-4065	1,841	-	1,841	-	1, 2
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA Traffic Safety Commission)	State and Community Highway Safety	20.600	Distracted Driving	1,288	-	1,288	-	1, 2
Total Highway Safety Cluster:				3,755	-	3,755	-	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE (via WA Dept of Commerce)	COVID 19 - Coronavirus Relief Fund	21.019	20-6541C-121	1,893,600	-	1,893,600	-	1, 2
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE (via KITSAP COUNTY)	COVID 19 - Coronavirus Relief Fund	21.019	NA	64,984	-	64,984	-	1, 2
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE (via Admin. Office of Courts)	COVID 19 - Coronavirus Relief Fund	21.019	NA	17,274	-	17,274	-	1, 2
Total CFDA 21.019:				1,975,858	-	1,975,858	-	
ENVIRONMENTAL PROTECTION AGENCY, ENVIRONMENTAL PROTECTION AGENCY	Brownfields Training, Research, and Technical Assistance Grants and Cooperative Agreements	66.814	01J39801	-	48,683	48,683	-	1, 2
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF	Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	EME-2017-FH- 00281	-	216,961	216,961	-	1, 2
Total Federal Awards Expended:				4,616,151	1,295,983	5,912,134	614,008	

The accompanying notes are an integral part of this schedule.

City of Bremerton
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2020

Note 1 – Basis of Accounting

This schedule is prepared on the same basis of accounting as the City's financial statements. The City uses the accrual basis of accounting.

Note 2 – Program Costs

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including the City's portion, are more than shown. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 – Federal De Minimis Indirect Cost Rate

The City has not elected to use the 10-percent de minimis indirect cost rate allowed under Uniform Guidance.



CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER UNIFORM GUIDANCE

City of Bremerton
January 1, 2020 through December 31, 2020

This schedule presents the corrective action planned by the City for findings reported in this report in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Finding ref number: 2020-001	Finding caption: The City's internal controls over classifying capital contributions were insufficient for ensuring they were reported in the proper fund.
Name, address, and telephone of City contact person: Mike Riley, Director of Financial Services 345 6th Street, Suite 100 Bremerton, WA 98337 (360) 473-5303	
Corrective action the auditee plans to take in response to the finding: <i>The City has already corrected the issue in the permitting system that caused this misclassification. Additionally, the City will perform a reconciliation for revenues by fund between the permitting system and general ledger system as part of year end processes to ensure capital contribution and other permit revenues are properly classified in future financial statements.</i>	
Anticipated date to complete the corrective action: Immediately	

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We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

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