



City of Bremerton, Washington  
**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

*For the period January 1, 2012 thru December 31, 2012*

# *City of Bremerton, Washington*



## *Annual Financial Report*

*For the Fiscal Year ended  
December 31, 2012*

*Prepared by the Finance Department*

*City of Bremerton  
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City of Bremerton  
Comprehensive Annual Financial Report  
For the Fiscal Year Ended December 31, 2012

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Becky Hasart, Director of Financial Services

July 16, 2013

To the Members of the City Council and the Citizens of the City of Bremerton:

The Department of Financial Services is pleased to provide you with the Annual Financial Report of the City of Bremerton for the fiscal year ended December 31, 2012. State statute and financial best practices require the City issue annually a report on its financial position and activity. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with city management based upon a comprehensive framework of internal controls that have been established to provide assurances that the financial statements are free of any material misstatements. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner that presents fairly the financial position and results of operations of the various funds and component units of the City.

Generally Accepted Accounting Principles (GAAP) in the United States of America requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found in the Financial Section of this report.

The City of Bremerton is required to undergo an independent, annual single audit in conformity with the provisions of the Single Audit Act of 1996 and the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Information related to this independent, single audit, including a schedule of expenditures of federal awards, the State Auditor's Office reports on the internal control structure and compliance with applicable laws and regulations, and the schedule of findings and questioned costs, if any, are included in separately issued reports.

## **Profile of the Government**

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

The City provides a full range of municipal services including fire protection/emergency medical services, law enforcement, municipal court, parks and recreation facilities/activities, transportation,

infrastructure construction and maintenance, economic development, building and planning, zoning, finance and administration, and operates water, sewer, and stormwater utility systems.

The City of Bremerton is located in Kitsap County and lies east of the Olympic Mountains directly across Puget Sound from Seattle. As the largest city in the County, Bremerton had a 2012 population of 39,650 and serves as the urban center for the Bremerton-Silverdale Metropolitan Statistical Area (MSA). For over a century, Bremerton has been home to Puget Sound Naval Shipyard which continues to service U.S. Naval vessels and its personnel.

The City adopts an annual (calendar year) budget and the Council is required to adopt the final budget by no later than the close of the fiscal year. This annual budget serves as the foundation for the City's financial planning and control. The budget is prepared by fund, department, and/or program. Periodic amendments to the adopted budget are approved by the City Council.

### **Economic Overview/Factor's Affecting the City's Financial Condition**

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

- **Local Economy** (*Source: Employment Security Dept., Bureau of Economic Analysis; US Census Bureau*)

As stated above, the City of Bremerton has been home to Puget Sound Naval Shipyard (PSNS) for over a century. PSNS employs over 9,000 civilians that service U.S. Navy ships. In addition, nearly 6,000 active duty military personnel are based at this site. Additional major employers in our region include Harrison Medical Center with 2650 employees and Olympic College with 1269 employees.

Kitsap County's business climate remains as healthy as our environment thanks to the presence of major Naval installations, including the PSNS, Naval Base Kitsap, Naval Undersea Warfare Center Division Keyport, and Naval Hospital Bremerton. Our county has a skilled workforce of approximately 125,000. Local jobs are found in approximately 119,000 non-agricultural positions and in thousands of other sole proprietorships. About ½ of these non-agricultural jobs are military, federal civil service, and private sector defense contractor jobs that directly or indirectly support our major Naval installations.

For 2012, the county's unemployment rate was 7.4 percent. In comparison, the State of Washington's unemployment rate for the same period was 8.2 percent. Per Capita income for the Bremerton-Silverdale MSA is also improving. 2011 per capita income was \$42,580, a slight increase over 2010's figure of \$42,300. The median household income projections for Kitsap County also continue to improve. The 2012 projection for Kitsap County is \$57,155, as compared to \$55,400 for 2011, and as compared to the 2012 Washington State median household income figure of \$56,444.

The naval and Department of Defense installations in the county have a significant impact on the City's economy. The naval presence has served the City well in the past and is expected to continue to help it recover from the effects of the current recession. In addition, it has been the City's policy to encourage and facilitate diversification in the region's employment base. The City has completed its master plan for the South Kitsap Industrial Area, which encourages manufacturing and industrial development.

## ▪ Relevant Financial Policies

Financial and Budget Policy Statements are presented on pages 165-168 of the 2013 Annual Budget, which may be found on the City's website at [www.ci.bremerton.wa.us](http://www.ci.bremerton.wa.us). Long-term financial planning is discussed in several of the policy statements, including strategic planning, financial sustainability, and budget and contingency policies. In addition, long-term financial planning for the City is framed by the City's Comprehensive Plan which was adopted in December 2004. The Comprehensive Plan represents the expressed vision of the City and related expectations on the nature of growth and services to be provided. The Financial and Budget Policy statements define what constitutes a "good outcome" for the City in regards to financial planning and decisions and the boundaries or demonstrated performance deemed necessary to achieve those objectives.

## ▪ Revenue Limitations

State law allows the City to levy a property tax rate of up to \$3.825 per thousand of assessed property value annually (Bremerton is eligible for the additional \$0.225 for fireman's pension fund). No matter what the assessed value is, however, the growth rate of property tax collections is limited to 1% per year prior to the addition of new construction. In no event may the annual limit exceed the \$3.825 per thousand of assessed value. During 2012, the City levied at the statutory limitation of \$3.06 per thousand of assessed value, inclusive of the \$0.50 per thousand emergency management services levy.

## Major Initiatives

The City of Bremerton, in partnership with other public entities, provided significant public sector stimulus investment to the City's revitalization program by infusing public dollars into key infrastructure improvements. Over the past five years, these projects have included a new Conference Center, parking garages, two hotels, two condominium complexes, an expanded marina, Harborside Park and Plaza, a ferry terminal traffic tunnel, as well as a new Government Center. The City continued this investment in its revitalization program with the completion of a new parking garage downtown. This new garage led to the development of a multi-plex cinema (opened June 2012) and commitment from private development for a new 72 unit residential apartment complex to commence construction during 2013.

## Acknowledgments

The preparation of this report could not have been accomplished without the efforts of the staff in the Department of Financial Services. We would like to express our appreciation to all those who assisted and contributed to the preparation. We would like to specifically thank Cathy Johnson, Assistant Director of Financial Services, for her work in bringing this document together. We would also like to thank the Directors and City Council members for their dedication and commitment to providing the City and the residents with a plan to improve the financial health and welfare of the City's governmental operations.

Respectfully submitted,

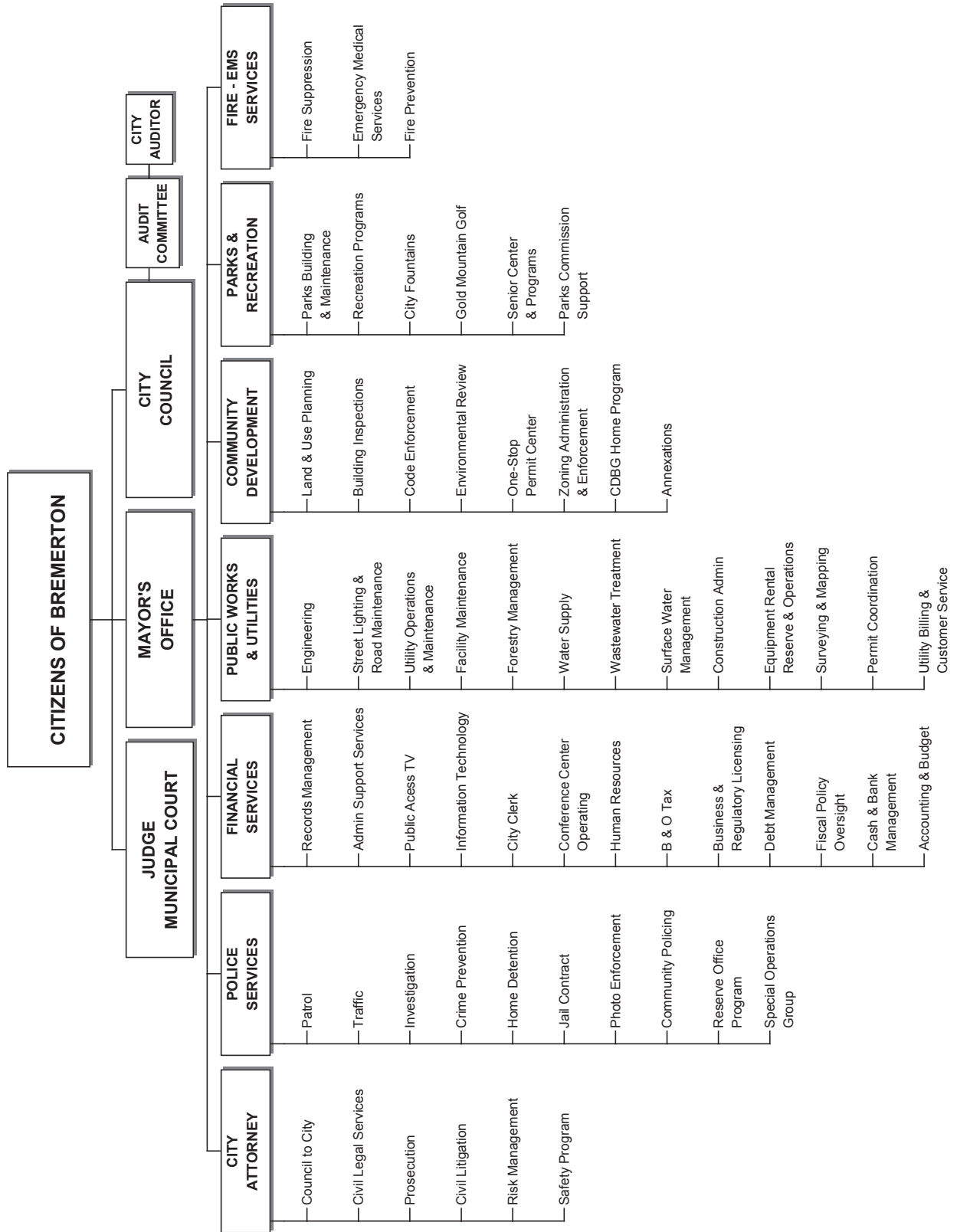


Patty Lent  
Mayor



Becky Hasart  
Director of Financial Services





## Directory of Officials

### 2012

#### Elected Officials:

Mayor .....	Patty Lent
District #1 Council Member .....	Jim McDonald
District #2 Council Member .....	Leslie Daus
District #3 Council Member .....	Adam Brockus
District #4 Council Member .....	Wendy Priest
District #5 Council Member .....	Greg Wheeler
District #6 Council Member .....	Faye Flemister
District #7 Council Member .....	Carol Arends
District #8 Council Member .....	Eric Younger
District #9 Council Member .....	Nick Wofford
Judge, Municipal Court .....	James Docter

#### Appointed Officials:

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

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# **Independent Auditor's Report on Financial Statements**

**City of Bremerton  
Kitsap County  
January 1, 2012 through December 31, 2012**

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, Kitsap County, Washington, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed on page 20.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Bremerton, as of December 31, 2012, 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 19 to the financial statements, in 2012, the City adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*. 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 on pages 21 through 33 and information on postemployment benefits other than pensions on page 77 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Supplementary and Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. 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.



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**OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 9, 2013 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.



**TROY KELLEY**  
STATE AUDITOR

September 9, 2013

## Management's Discussion and Analysis

The City of Bremerton (City) presents this Management Discussion and Analysis (MD&A) in order to provide a narrative overview of the City's financial activities, focus on significant financial issues, and highlight significant changes in the City's financial position for the fiscal year ended December 31, 2012. 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 2012, the assets of the City exceeded its liabilities by \$256.8 million. The net investment in capital assets accounts for over 84.8 percent of this amount (\$217.8 million). Net assets restricted primarily for construction projects, debt service, Community Development Block Grant (CDBG) programs, tourism promotion, worker's compensation liability and public safety account for another 2.3 percent of this amount (\$5.8 million). The remaining net assets of \$33.2 million may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's net assets increased by \$16.5 million (6.87%) during the fiscal year. The governmental net assets increased by \$7.8 million (9.3%) from the amount reported in 2011. Business-type net assets increased by \$8.7 million (5.6%). The Business-type increase included net income before contributions and transfers for the Water utility of \$1,046,064, Wastewater utility of \$3,569,783, other non-major proprietary funds of \$133,537 and Golf Course \$(161,302).
- As of December 31, 2012, the City's governmental funds reported a combined fund balance of \$9.3 million, an increase of 0.8% from the prior year end. The fund balance of the General Fund increased by \$1,195,224 while the remaining non-major governmental funds had a fund balance decrease of \$1,117,740. The overall increase of \$77,485 is primarily attributable to decreased expenditures for personnel and supplies and services in the General fund offset by an increase in grant funded capital projects in other governmental funds. \$2.8 million of the combined ending governmental fund balances is restricted for specific purposes by external parties or enabling legislation or otherwise not available for expenditure. Of the remaining \$6.5 million of unrestricted fund balance \$2.4 million has been committed or assigned for specific purposes while \$4.0 million is unassigned and available to the City for future appropriation.
- At the end of 2012, the unassigned fund balance of the General Fund was \$4.0 million or approximately eleven percent of total General Fund expenditures of \$34.5 million. The General Fund's unassigned fund balance increased by \$744,241 from the prior year's amount of \$3.3 million, a 22.7 percent increase. This increase over 2011 is primarily due to reduced expenditures from 2011. The 2011 expenditures included a one-time settlement of \$1,150,000 under a contingent loan agreement with Kitsap County.
- The City's total outstanding debt decreased by \$10.5 million (13.9%) during the current fiscal year to \$65.1 million. General obligation debt decreased by \$1.7 million and revenue debt decreased by \$8.8 million. Debt per capita decreased from \$1,949 to \$1,642, a 15.75% decrease.
- The City's net investment in Capital Assets increased \$6.8 million (2.5%) in 2012. Total Capital assets from governmental activities increased \$5.1 million or 4.8%. Total Capital assets from business type activities increased \$1.7 million or 1.0%. These increases are primarily due to Park Avenue Plaza parking facility (\$2.6 million) and crosstown pipeline (\$2.5 million) projects. In addition, roads, traffic signals and lighting in the Bay Vista development, valued at \$2.6 million, were conveyed to the City by the developers of the plat.

## Overview of the Financial Statements

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

### Government-wide Financial Statements

The government-wide financial statements are designed to give the reader a picture of the financial condition and activities of the City as a whole. This broad overview is similar to the financial reporting of private-sector businesses. The government-wide financial statements have separate columns for governmental activities and business-type activities. Governmental activities of the City include general government (finance, executive, human resources), community development, public safety (police and fire), 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 non-major 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 liabilities, 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-four (24) individual governmental funds in 2012. The City's General fund is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances. The remaining governmental funds are combined into a single column labeled "Other Governmental Funds". Information for each of the non-major governmental funds is provided in the combining statements in this report.

The City maintains budgetary control over its operating funds through the adoption of an annual budget. Budgets are adopted at the department and category group level by fund in accordance with City code and state law. A budgetary comparison statement is presented as required supplementary information for all funds for which there was an adopted budget.

**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 five (5) enterprise funds are used to report the same functions presented as business-type activities in the government-wide statements with the fund statements providing more detail than is reported in the government-wide statements. The enterprise fund statements provide separate information for the City's municipal golf course, water and wastewater 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, insurance premiums 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 – an agency fund. *Agency funds* are custodial in nature and do not include revenues and expenses as they do not measure the results of operations.

## **Government-wide Financial Analysis**

### **Statement of net position**

The statement of net position can serve as a useful indicator of the City's financial position. The City's net assets at December 31, 2012 total \$256.8 million. Following is a condensed version of the government-wide statement of net position. The City presents its financial statements in compliance with Governmental Accounting Standards Board Statement No. 34 (GASB 34), *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Two years of financial information in the GASB 34 format are presented.

## Net Position

Amounts in 000's	Governmental Activities			Business-Type Activities			Total		
	2012	2011	Difference	2012	2011	Difference	2012	2011	Difference
Current Assets	\$ 17,450	\$ 17,065	\$ 385	\$ 25,203	\$ 27,347	\$ (2,144)	\$ 42,653	\$ 44,412	\$ (1,759)
Restricted Assets	472	100	372	1,739	1,690	49	2,211	1,790	421
Capital Assets	110,243	105,193	5050	171,700	169,962	1,738	281,943	275,155	6,788
Other Noncurrent Assets	1,590	1,550	40	1,021	1,103	(82)	2,611	2,653	(42)
Total assets	129,755	123,908	5,847	199,663	200,102	(439)	329,418	324,010	5,408
Current Liabilities	13,508	4,911	8,597	1,462	4,901	(3,439)	14,970	9,812	5,158
Payable from Restricted Assets	-	-	-	-	163	(163)	-	163	(163)
Noncurrent Liabilities	24,955	35,508	(10,553)	32,670	38,181	(5,511)	57,625	73,689	(16,064)
Total liabilities	38,463	40,419	(1,956)	34,132	43,245	(9,113)	72,595	83,664	(11,069)
Net position									
Net investment in capital assets	78,295	71,533	6,762	139,494	128,931	10,563	217,789	200,464	17,325
Restricted	4,201	6,008	(1,807)	1,617	1,527	90	5,818	7,535	(1,717)
Unrestricted	8,796	5,948	2,848	24,420	26,399	(1,979)	33,216	32,347	869
Total net position	\$ 91,292	\$ 83,489	\$ 7,803	\$ 165,531	\$ 156,857	\$ 8,674	\$ 256,823	\$ 240,346	\$ 16,477

The largest component of the City's net assets, \$217.8 million (or 84.8%), is its investment in capital assets less any related outstanding debt issued to acquire those assets. These capital assets, such as utility plant, streets, trails, parks, fire and police vehicles, are used to provide services to the citizens. Consequently, these assets are not available to sell and convert to cash for future spending. Although the City's investment in its capital assets is reported net of related debt, the resources needed to repay the debt must be provided from other sources, as capital assets cannot be used to liquidate these liabilities.

Restricted net assets consist of amounts legally or otherwise externally restricted for debt service and other programs. Of the \$4.2 million of governmental restricted assets, \$1.5 million or 35.7% is restricted for the construction of capital assets. \$2.7 million of restricted net assets are special revenues restricted primarily for use in the Community Development Block Grant program (26.2%), for public safety services (19.9%), tourism promotion (3.1%), workers compensation liability (2.4%) and Parking system operation and debt service (12.7%). \$1.6 million of business-type restricted assets are reserves required for debt service payments and asset replacement. A total of \$24.4 million represents the unrestricted net assets of the City's business-type activities and may only be spent on golf course operations, water, wastewater and other utility activities. Maintenance of utility delivery systems (water lines, pump station, wells), storm drain flushing, water meter reading, and capital construction projects, such as well rehabilitation, are examples of utility activities. Other functions of the City may access the remaining net assets of \$8.8 million to meet ongoing obligations to citizens and creditors. Examples of other City obligations which these net assets may be used for are: public safety employee salaries, parks maintenance (mowing, fence repair, etc), and ongoing street maintenance (street sweeping, restriping, resurfacing, etc).

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

## Changes in net 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 improved in 2012 with net position increasing approximately \$16.7 million before prior period adjustments. Net assets of governmental activities increased by \$7.8 million and the net assets of business-type activities increased by \$8.9 million.

Following is a condensed version of the City's changes in net assets. The table shows the revenues, expenses, and related changes in net assets in tabular form for the governmental activities separate from the business-type



activities. The graphs that follow compare program revenues to program expenses and illustrate the revenues by source separately for the governmental and business-type activities.

### Changes in Net Position

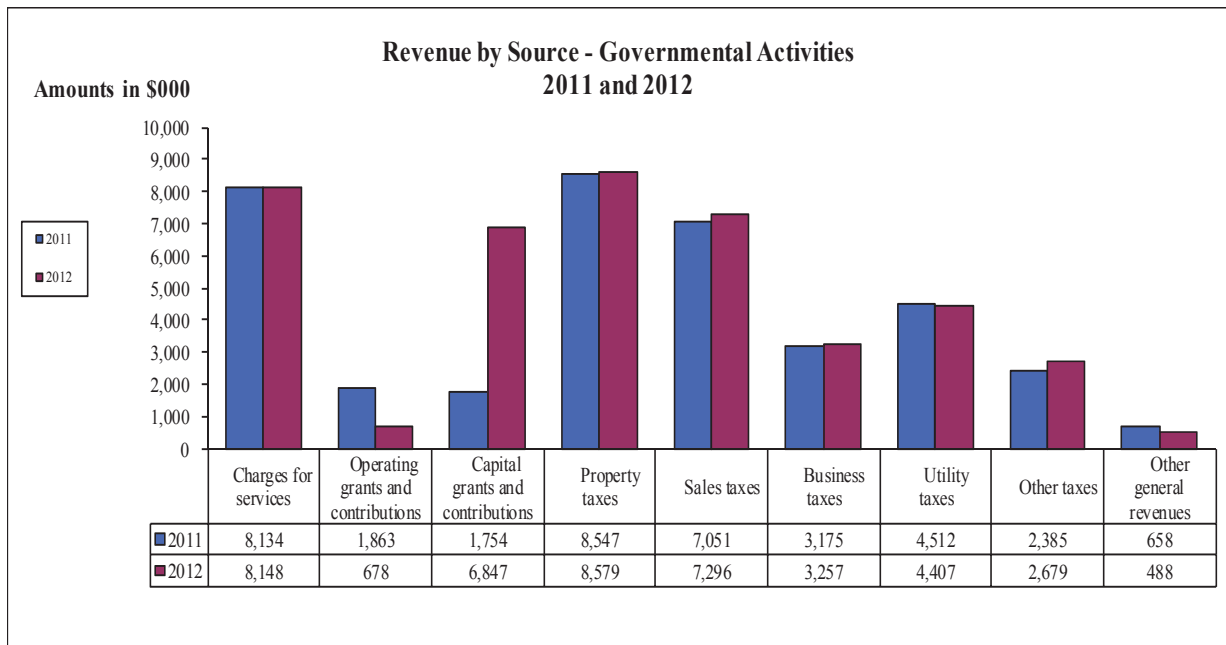
Amounts in 000's	Governmental Activities			Business-Type Activities			Total		
	2012	2011	Difference	2012	2011	Difference	2012	2011	Difference
<b>Revenues</b>									
Program revenues									
Charges for services	\$ 8,148	\$ 8,134	\$ 14	\$ 26,808	\$ 26,471	\$ 337	\$ 34,956	\$ 34,605	\$ 351
Operating grants and contributions	678	1,863	(1,185)	3	259	(256)	681	2,122	(1,441)
Capital grants and contributions	6,847	1,754	5,093	9,254	2,580	6,674	16,101	4,334	11,767
General revenues				-					
Property taxes	8,579	8,547	32	-	-	-	8,579	8,547	32
Sales taxes	7,296	7,051	245	16	17	(1)	7,312	7,068	244
Business taxes	3,257	3,175	82	1	-	1	3,258	3,175	83
Utility taxes	4,407	4,512	(105)	-	-	-	4,407	4,512	(105)
Other taxes	2,679	2,385	294	-	-	-	2,679	2,385	294
Other general revenues	488	658	(170)	683	613	70	1,171	1,271	(100)
Total revenues	\$ 42,379	\$ 38,079	\$ 4,300	\$ 36,765	\$ 29,940	\$ 6,825	\$ 79,144	\$ 68,019	\$ 11,125
<b>Expenses</b>									
Governmental activities									
General government	2,336	4,585	(2,249)	-	-	-	2,336	4,585	(2,249)
Public safety	23,177	23,719	(542)	-	-	-	23,177	23,719	(542)
Utilities and environment	220	219	1	-	-	-	220	219	1
Transportation	4,207	4,235	(28)	-	-	-	4,207	4,235	(28)
Economic Environment	1,865	2,232	(367)	-	-	-	1,865	2,232	(367)
Culture and recreation	6,061	5,976	85	-	-	-	6,061	5,976	85
Interest on long-term debt	1,172	1,512	(340)	-	-	-	1,172	1,512	(340)
Business-type activities									
Water	-	-	-	8,923	8,868	55	8,923	8,868	55
Wastewater	-	-	-	9,944	9,822	122	9,944	9,822	122
Golf course	-	-	-	2,271	2,136	135	2,271	2,136	135
Other proprietary funds	-	-	-	2,282	1,831	451	2,282	1,831	451
Total expenses	\$ 39,038	\$ 42,478	\$ (3,440)	\$ 23,420	\$ 22,657	\$ 763	\$ 62,458	\$ 65,135	\$ (2,677)
Excess of revenues over expenses	3,341	(4,399)	7,740	13,345	7,283	6,062	16,686	2,884	13,802
Transfers	4,462	3,738	724	(4,462)	(3,738)	(724)	-	-	-
Change in net position	7,803	(661)	8,464	8,883	3,545	5,338	16,686	2,884	13,802
Net position - beginning	83,489	84,616	(1,127)	156,857	153,438	3,419	240,346	238,054	2,292
Prior period adjustment	-	(466)	466	(209)	(126)	(83)	(209)	(592)	383
Net position - ending	\$ 91,292	\$ 83,489	\$ 7,803	\$ 165,531	\$ 156,857	\$ 8,674	\$ 256,823	\$ 240,346	\$ 16,477

**Governmental activities** accounted for an increase of \$7.8 million of the total change in net assets of \$16.7 million. Significant elements of the increase are as follows:

- Expenditures decreased by 8.1% in 2012 compared to 2011. Reductions occurred in many functional areas, as a significant effort was made to match declining resources. The most notable exception was expenditures for Culture and Recreation. Expenditures for Culture and Recreation increased 14% in 2012 as a result of increased operating costs at the Kitsap Conference Center. Expenditure decreases are primarily due to the fact that 2011 expenditures included a \$1,150,000 settlement under a contingent loan agreement with Kitsap County as well as positive expenditure budget variances in expenditures associated with Community Development, Facilities, Law Enforcement, Engineering, and Police and Fire Pension departments.
- Total revenue from governmental activities in 2012 increased by \$4.3 million from 2011. Program revenues accounted for the largest portion of this increase, \$3.9 million or 91%. Within program revenue, Operating Grants and Contributions decreased \$1.2 million or 63%. This was offset by an increase in Capital Grants and Contributions of \$5.1 million, or 283%. The increase in Capital Grants and Contributions were from grants for construction of the Park Plaza parking facility as well as several low impact street development projects. The remaining increase in revenue for governmental activities is attributable to tax revenues. Tax revenues that support ongoing operations increased by \$.5 million in 2012 from the 2011 level. Sales taxes increased \$0.2

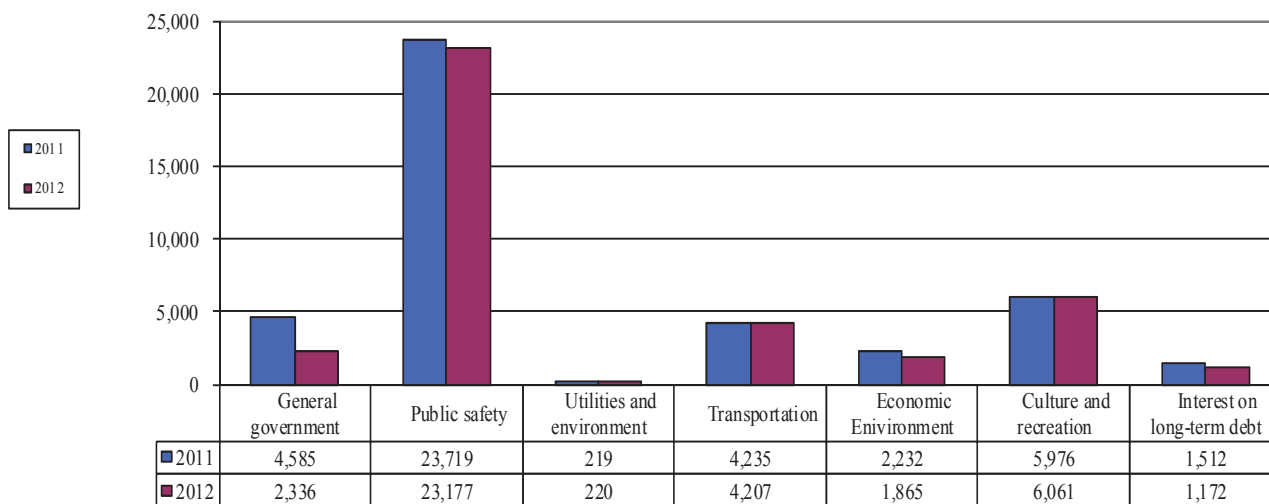
million or 3.5%. Utility taxes decreased by \$0.1 million or 0.02%. Property, business, and other taxes increased \$0.4 million or 2.9% with the largest increase being other general taxes (\$.3 million). Other general revenues which include interest earnings, gains on disposal of assets, and miscellaneous income, decreased by \$0.17 million in 2012 from the 2011 level, or 25.8%. The largest component of this decrease (\$.5 million) was related to the sale of property and other assets. In 2011 a retail pad at Park Avenue Plaza was sold for \$500,000 for the construction of a multiscreen cinema. This decrease was offset by an increase of \$.3 million for the return, in 2012, of the city's portion of bond reserves held by Housing Kitsap for the debt issued to construct the Norm Dicks Government Center. These reserves were used to partially fund the refunding escrow account.

- Transfers continued to play a significant role in the increase to net assets in 2012. Transfers from Business-type activities increased \$724,000 in 2012. Payments in lieu of tax levied on the city's own utilities increased by \$766,628 to \$4,462,373 (20.7%).



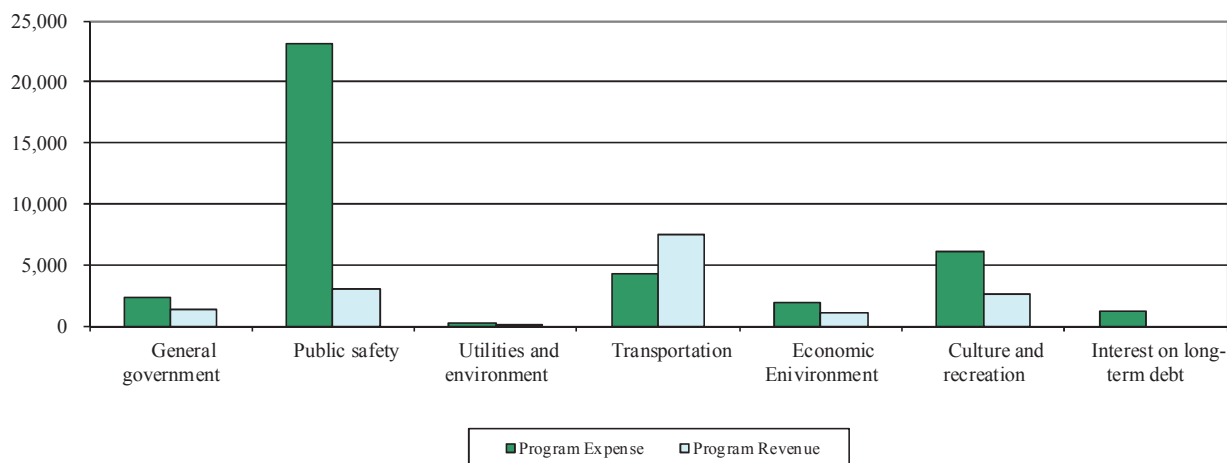
### Expenditures by Type - Governmental Activities 2011 and 2012

Amounts in \$000



### Expenses and Program Revenues - Governmental Activities 2012

Amounts in \$000

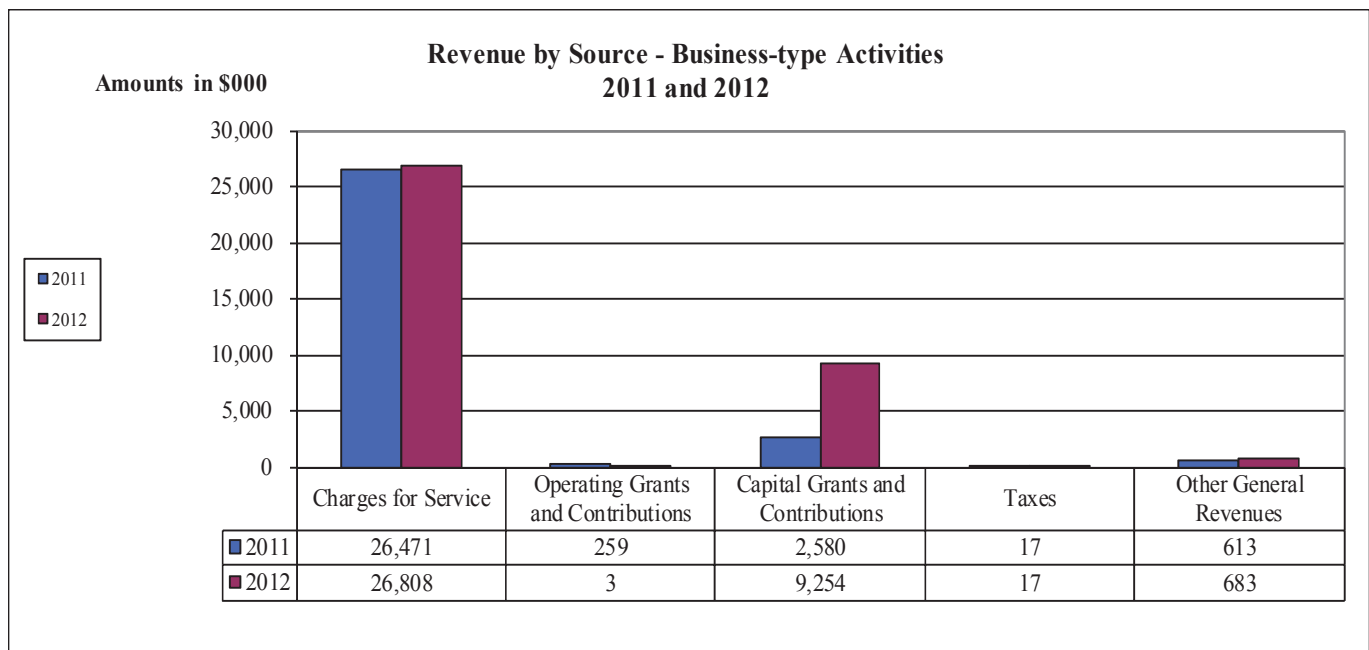


**Business-type activities** increased City's net assets by \$8.9 million, before prior period adjustments, accounting for approximately fifty three percent of the total growth in the government's net assets.

- A key element of this increase is in capital grants and contributions which continued to be a significant revenue source in 2012. Revenue of \$9.3 million from this source increased \$6.7 million or 258.6% in 2012 from 2011 levels as a result of forgiveness of a \$6.2 million of Public Trust Fund Loan at completion of the construction of the UV Treatment Plant. Of the \$9.3 million received from this contribution in 2012, 16%

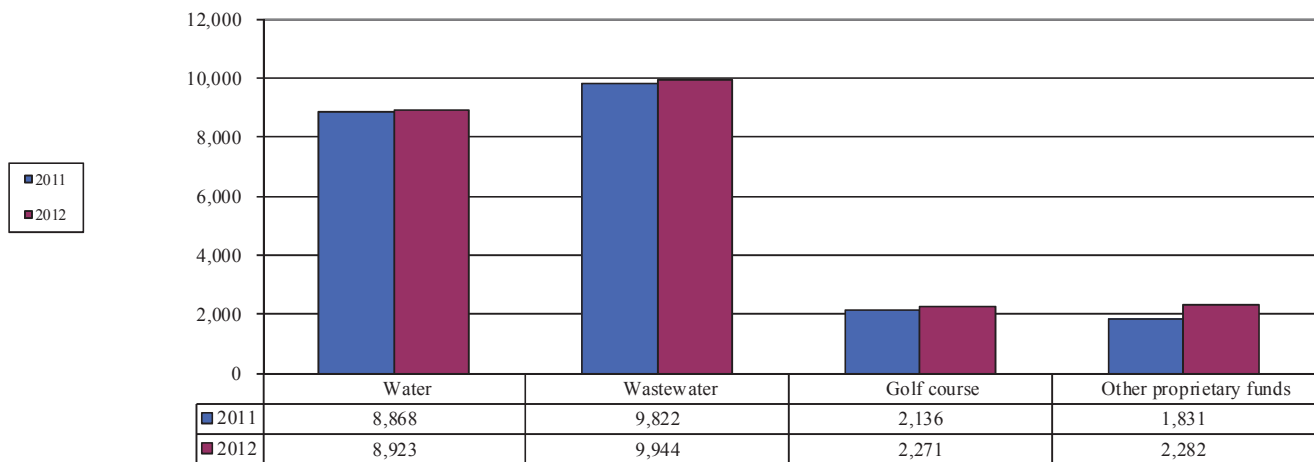
was from developer contributions. The largest contribution, \$1,026,707, was from Bremerton Housing Authority for infrastructure at the Bay Vista development.

- Charges for services increased \$.3 million in 2012. This increase was largely as a result of a 6% utility Water rate increase on billings effective January 1, 2012. There was no utility rate increases to Sewer and Stormwater. Golf course revenues decreased \$19,135 (0.9%) in 2012.
- Expenditures for Business Type activities increased \$.76 million in 2012 over 2011. This increase was mainly attributable to general cost increases for fuel, utilities and supplies.
- Transfers to Governmental Activities increased by \$724,000 in 2012. Payments in lieu of tax levied on the city's own utilities increased by \$766,628 to \$4,462,373 (20.7%).
- Business-Type activities were reduced \$209,000 in 2012 by a prior period adjustment for capitalized costs incurred in prior years on projects that are no longer included in the capital improvement plan.



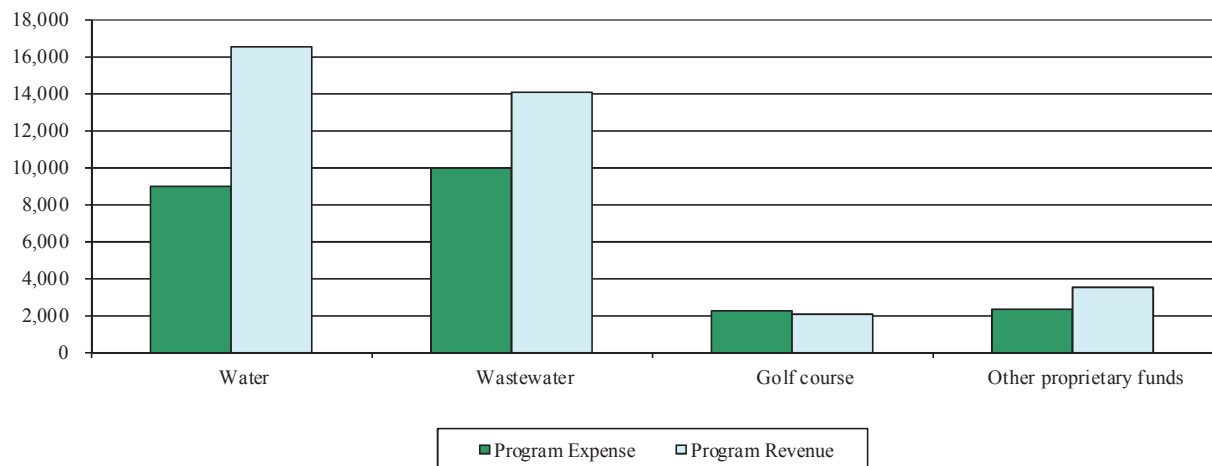
Amounts in \$000

### Expenses by Fund - Business-type 2011 and 2012

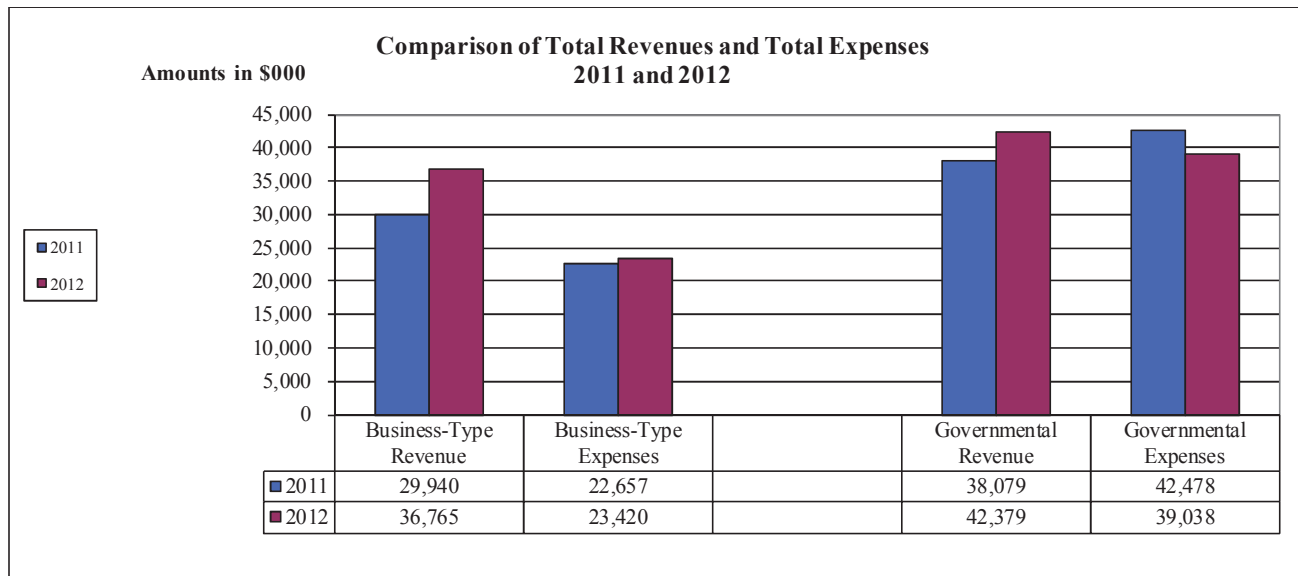


### Expenses and Program Revenues - Business-type Activities 2012

Amounts in \$000







## Financial Analysis of the City's Funds

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

### Governmental funds

The General Fund is the primary operating fund of the City through which all receipts and payments of ordinary City operations are processed, unless they are required to be accounted for in another fund. Taxes are the major revenue source. At the end of 2012, the fund balance of the General Fund was \$4.6 million. As a measure of the fund's liquidity, the 2012 ending fund balance is 13.3% of the fund's 2012 expenditures, an increase of 3.6% over 2011's 9.7%.

The General Fund balance increased in 2012 by \$1.2 million. Revenues increased from \$30.8 million in 2011 to \$32.0 million in 2012. Expenditures decreased from \$35.0 million to \$34.5 million during the same period. Expenditures exceeded revenues in the General Fund by \$2.5 million in 2012 but were offset by net transfers and other financing sources of \$3.7 million.

### Proprietary funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Other than accomplishing the programs identified in the 2012 capital improvement program there were no significant transactions pertaining to the proprietary funds.

## General Fund Budget Variations

The General Fund collected revenues at 98.9% of the amended amount budgeted or \$.41 million less than budgeted. Expenditures for 2012 were 93.9% of the amended budget resulting in actual expenditures being \$2.2 million less than the budgeted amount. The negative revenue budget variance is substantially attributable to a decrease in anticipated charges for services and payments in lieu of taxes. The positive expenditure budget variance is largely attributable to personnel cost savings from attrition and lower supplies and services expenditures than anticipated in the Community Development, Law Enforcement, Engineering and Police & Fire Pension departments.

The General Fund budget was balanced in 2012. The original budget provided for a decrease to the fund balance of \$8,259. The budget was amended two times during 2012. The final amended budget provided for a decrease to fund balance of \$585,299. At the conclusion of 2012, the General Fund increased fund balance by \$1.2 million.

## Capital Asset and Debt Administration

### Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2012, amounts to \$281.9 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, construction in progress, utility transmission/distribution systems, and roads.

The major capital asset additions for governmental activities during 2012 was the construction of Park Plaza Garage and the addition of roads, traffic signals and lighting in the Bay Vista development, conveyed to the City by the developers of the plat.

The major capital assets changes for business-type activities included the construction of wastewater and water capital improvement projects identified within the City's 2012 capital improvement plan.

#### Capital Assets (net of depreciation)

Amounts in 000's	Governmental Activities			Business-Type Activities			Total		
	2012	2011	Difference	2012	2011	Difference	2012	2011	Difference
Land	\$ 17,434	\$ 17,406	\$ 28	\$ 9,107	\$ 8,602	\$ 505	\$ 26,541	\$ 26,008	\$ 533
Buildings	46,036	47,175	(1,139)	34,557	32,530	2,027	80,593	79,705	888
Improvements/Infrastructure	26,619	25,616	1,003	92,794	91,265	1,529	119,413	116,881	2,532
Machinery and Equipment	2,987	3,344	(357)	30,948	28,857	2,091	33,935	32,201	1,734
Construction in Progress	17,167	11,651	5,516	4,294	8,708	(4,414)	21,461	20,359	1,102
<b>TOTAL</b>	<b>\$ 110,243</b>	<b>\$ 105,192</b>	<b>\$ 5,051</b>	<b>\$ 171,700</b>	<b>\$ 169,962</b>	<b>\$ 1,738</b>	<b>\$ 281,943</b>	<b>\$ 275,154</b>	<b>\$ 6,789</b>

Additional information on the City's capital assets can be found in Note 5.

### Long-term debt

For governmental activities in 2012, the City refunded its 2003 LTGO bond obligation associated with the Norm Dicks Government Center (City hall), resulting in an estimated total debt savings of \$1.689 million over the life of the refunded bonds. There was no additional debt issues associated with governmental activities during 2012. New debt for business-type activities in 2012 consisted of \$503,004 of intergovernmental loans to fund Water/Wastewater capital improvement projects identified within the utilities' capital improvement plan. The long-term debt principal paid off in 2012 totaled \$16,207,285.

#### Outstanding Debt - General Obligation and Revenue Bonds

Amounts in 000's	Governmental Activities			Business-Type Activities			Total		
	2012	2011	Difference	2012	2011	Difference	2012	2011	Difference
General Obligation Bonds	\$ 32,675	\$ 34,300	\$ (1,625)	\$ 5,058	\$ 5,163	\$ (105)	\$ 37,733	\$ 39,463	\$ (1,730)
General Obligation Notes	\$ 35	\$ 48	(13)	\$ -	\$ -	-	35	48	\$ (13)
Revenue Bonds	-	-	-	3,575	3,925	(350)	3,575	3,925	\$ (350)
Revenue Loans	-	-	-	23,777	32,173	(8,396)	23,777	32,173	\$ (8,396)
<b>TOTAL</b>	<b>\$ 32,710</b>	<b>\$ 34,348</b>	<b>\$ (1,638)</b>	<b>\$ 32,410</b>	<b>\$ 41,261</b>	<b>\$ (8,851)</b>	<b>\$ 65,120</b>	<b>\$ 75,609</b>	<b>\$ (10,489)</b>

Additional Information on the City's long-term debt can be found in Note 10 of this report.

## **Economic Factors and Next Years Budgets and Rates**

Several factors that affect the economic climate in Bremerton were considered when preparing the City's 2013 annual budget. The outlook for the nation, state and region was weighed in relation to its expected impact on Bremerton. The character of the City, including its current and future business activity and its attraction as a place to live, was evaluated. The current financial position and the ability of the City to recover from its history of economic depression have improved slightly due to the major effort to rehabilitate Bremerton's downtown core and attract new investors to the community. In addition, the national, regional and local economic conditions began to show improvement during 2012; however, the impacts of federal sequestration had to be considered as it relates to the City of Bremerton.

Federal sequestration, which became effective on March 1, 2013, is expected to have a minimal impact on the City's local economy. However, the City's federal subsidy to pay a portion of its Build America Bonds obligations will see a decrease of 4.35% due to federal sequestration. The City has anticipated this reduction and has compensated for this reduction in its 2013 budget.

The State of Washington is continuing to face considerable budget challenges; however, the state's budget challenges have had limited effect on Bremerton's transportation capital funding received from the state. Over the past several years, Bremerton has been successful in attracting state and federal grant funds for major transportation improvement projects, including the multi-phase SR304 Bremerton Gateway transportation improvement project. Future outside funding opportunities will be highly competitive and Bremerton, due to its current economic demographics, should compete very well for certain projects. Mid- to long-term, Bremerton must increase its local revenue to address transportation needs. In an effort to do so, the Bremerton City Council, acting as the Bremerton Transportation Benefit District Board, enacted a \$20 per vehicle car tab fee to be used solely for transportation projects. This fee was adopted in December 2011. The first receipts resulting from these revenues were received in 2012.

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

Of the multi-year plans to revitalize Bremerton, the following are completed as of December 2012; the Harborside Conference Center, Hotel and Plaza, Bremerton Ice Arena, Kitsap Credit Union Headquarters/Office building, downtown Naval Parking Garage, waterfront condominiums, Harborside Fountain Park and Naval Museum, downtown police station, Norm Dicks Government Center building, downtown fire station, downtown marina facility, the Downtown Pedestrian Bremerton Transit Center Access, PSNS Memorial Plaza, Fairfield Inn & Suites, downtown Municipal Courthouse, First Street Plaza and the revitalization of Lions Park. Construction of a parking garage and retail commercial pads at Burwell and Park Ave was substantially completed as of December 2012. In addition, a new multi-screen movie theater was completed during 2012 in association with the newly developed retail commercial pads. Highmark Homes LLC of Tukwila has purchased East Park, a 50-acre hillside site in East Bremerton for development of as many as 437 housing units. If built in its entirety, the new East Park will be among the largest neighborhoods constructed in Bremerton. The entire project would be constructed in six phases, to be built out over several years. The first phase of this project is underway.

Projects that are in the various stages of completion include; Bay Vista mixed use redevelopment project, the revitalization of Kiwanis park and a multi-unit apartment complex to be placed on top of the Park Plaza parking facility in the Harborside district.

These projects occurring throughout Bremerton are a product of both public and private investment. Economic development is a critical component of achieving a recovery from years of economic depression and to mitigate for the revenue losses incurred over the past several years from statewide initiatives. Initiative 695 and 747 resulted in

losses of ongoing revenues and limited property tax growth for Washington cities, including Bremerton. These statewide initiatives have impacted current and future revenues that fund the City of Bremerton's governmental services. The ability of Bremerton to provide sufficient funding for future core government services will be impacted by the success of its economic development efforts. However, these efforts alone will be insufficient to fund these core services without the identification and implementation of additional revenue sources.

In May 2012, the City began a yearlong comprehensive rate analysis on its Water, Wastewater, and Stormwater utilities, to include an analysis of its revenue and capital requirements for a minimum six year horizon. On April 3, 2013, the City completed and adopted this analysis on its three utilities, raising rates to adequately fund the operations and maintenance, capital, and the anticipated debt service needs for the three utilities over the next six years. This adopted analysis anticipates the issuance of up to a maximum of \$35 million in revenue bonds. Again, the analysis adopted rate increases adequate to cover the related debt service on these bonds.

### **Requests for information**

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

**Statement of Net Position**  
**December 31, 2012**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Current assets:			
Cash & Cash Equivalents	\$ 4,151,469	\$ 8,503,983	\$ 12,655,452
Investments	5,628,710	9,977,824	15,606,534
Receivables	4,540,579	4,727,087	9,267,666
Internal balances	255,567	(255,567)	-
Due from other governments	2,725,448	1,212,643	3,938,091
Inventories	108,743	1,026,323	1,135,066
Prepayments	22,368	11,256	33,624
Restricted assets:			
Investments	100,000	1,428,425	1,528,425
Special Assessments Receivable	-	310,544	310,544
Prepayments	372,049	-	372,049
Notes and contracts receivable:			
Due within one year	17,000	51,041	68,041
Due in more than one year	963,295	458,161	1,421,456
Capital assets net of depreciation	110,242,926	171,699,676	281,942,602
Intangible Assets	-	180,440	180,440
Other assets	626,967	331,555	958,522
<b>Total assets</b>	<b>\$ 129,755,121</b>	<b>\$ 199,663,391</b>	<b>\$ 329,418,512</b>
<b>Deferred outflows of resources</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Liabilities</b>			
Accounts payable and other current liabilities	\$ 2,031,351	\$ 997,261	\$ 3,028,612
Employee wages payable	984,601	242,004	1,226,605
Other accrued liabilities	230,304	195,395	425,699
Custodial accounts	-	27,658	27,658
Noncurrent liabilities			
Due within one year	10,262,010	3,159,604	13,421,614
Due in more than one year	24,954,748	29,510,206	54,464,954
<b>Total liabilities</b>	<b>\$ 38,463,014</b>	<b>\$ 34,132,128</b>	<b>\$ 72,595,142</b>
<b>Deferred inflows of resources</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Net Position</b>			
Net investment in capital assets	\$ 78,295,484	\$ 139,494,215	\$ 217,789,699
Restricted for:			
Tourism promotion & facilities	132,290	-	132,290
Parking system	534,760	-	534,760
Community development block grant	1,102,180	-	1,102,180
Public safety	834,032	-	834,032
Debt service	-	1,493,512	1,493,512
Workers compensation	100,000	-	100,000
Capital projects	1,497,663	123,457	1,621,120
Unrestricted	8,795,698	24,420,079	33,215,777
<b>Total Net Position</b>	<b>\$ 91,292,107</b>	<b>\$ 165,531,263</b>	<b>\$ 256,823,370</b>

See accompanying notes to the financial statements.

**Statement of Activities**  
**For the Year Ended December 31, 2012**

Function/Program	Program Revenues				Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
Governmental activities:							
General government	\$ 2,335,832	\$ 1,341,366	\$ -	\$ -	\$ (994,466)	\$ -	\$ (994,466)
Public safety	23,177,212	2,831,808	90,617	92,206	(20,162,581)	-	(20,162,581)
Utilities and environment	219,560	90,492	-	-	(129,068)	-	(129,068)
Transportation	4,206,821	1,516,736	-	5,981,226	3,291,141	-	3,291,141
Economic environment	1,865,434	518,050	587,247	-	(760,137)	-	(760,137)
Culture and recreation	6,061,443	1,849,414	-	773,816	(3,438,213)	-	(3,438,213)
Interest on long-term debt	1,172,255	-	-	-	(1,172,255)	-	(1,172,255)
Total governmental activities	39,038,557	8,147,866	677,864	6,847,248	(23,365,579)	-	(23,365,579)
Business-type activities							
Water	8,923,134	9,169,328	3,000	7,334,469	-	7,583,663	7,583,663
Wastewater	9,943,879	13,221,055	-	834,279	-	4,111,455	4,111,455
Golf course	2,271,036	2,023,310	-	-	-	(247,726)	(247,726)
Other proprietary funds	2,281,994	2,394,166	-	1,085,226	-	1,197,398	1,197,398
Total business-type activities	23,420,043	26,807,859	3,000	9,253,974	-	12,644,790	12,644,790
Total government	\$ 62,458,600	\$ 34,955,725	\$ 680,864	\$ 16,101,222	\$ (23,365,579)	\$ 12,644,790	\$ (10,720,789)
General Revenues							
Taxes							
Property					8,578,750	-	8,578,750
Sales					7,295,954	16,201	7,312,155
Business					3,256,913	1,120	3,258,033
Utility					4,407,473	-	4,407,473
Other					2,679,142	-	2,679,142
Unrestricted investment interest					169,186	252,650	421,836
Miscellaneous					348,083	380,319	728,402
Gain/(Loss) on disposal of capital assets					(29,125)	50,691	21,566
Transfers, internal activities					4,462,373	(4,462,373)	-
Total general revenues and transfers					31,168,749	(3,761,392)	27,407,357
Change in net position					7,803,170	8,883,398	16,686,568
Net position-beginning					83,488,937	156,856,948	240,345,885
Prior period adjustment					-	(209,083)	(209,083)
Net position-ending					\$ 91,292,107	\$ 165,531,263	\$ 256,823,370

See accompanying notes to the financial statements.

**Balance Sheet**  
**Governmental Funds**  
**December 31, 2012**

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Cash & Cash Equivalents	\$ 1,242,602	\$ 1,680,761	\$ 2,923,363
Investments	2,293,821	1,787,651	4,081,472
Receivables	3,776,224	760,169	4,536,393
Due from other funds	1,093,551	69,254	1,162,805
Due from other governments	3,836	2,678,445	2,682,281
Inventories	18,418	-	18,418
Notes/contracts - deferred	-	980,295	980,295
Total assets	<u>\$ 8,428,452</u>	<u>\$ 7,956,575</u>	<u>\$ 16,385,027</u>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts/contracts payable	\$ 629,091	\$ 1,037,367	\$ 1,666,458
Due to other funds	292,254	637,208	929,462
Due to other governments	30,980	67	31,047
Employee wages payable	857,036	51,210	908,246
Other current liabilities	25,303	205,000	230,303
Deferred revenues	1,991,118	1,347,427	3,338,545
Total liabilities	<u>3,825,782</u>	<u>3,278,279</u>	<u>7,104,061</u>
Fund balances:			
Nonspendable	18,418	-	18,418
Restricted	20,562	2,786,592	2,807,154
Committed	-	313,984	313,984
Assigned	545,168	1,577,720	2,122,888
Unassigned	4,018,522	-	4,018,522
Total fund balances	<u>4,602,670</u>	<u>4,678,296</u>	<u>9,280,966</u>
Total liabilities and fund balances	<u>\$ 8,428,452</u>	<u>\$ 7,956,575</u>	<u>\$ 16,385,027</u>

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

Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.	110,242,926
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	4,011,661
Internal service funds are used by management to charge the costs of certain activities to individual funds.	2,259,197
These assets and liabilities are included in governmental activities in the statement of net assets.	
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(34,502,643)

Net position of governmental activities	<u>\$ 91,292,107</u>
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**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended December 31, 2012**

	General Fund	Other Governmental Funds	Governmental Funds Total
<b>Revenues</b>			
Taxes			
Property	\$ 7,778,202	\$ 780,968	\$ 8,559,170
Sales	6,956,360	756,725	7,713,085
Business	7,056,312	476,664	7,532,976
Other	243,497	427,807	671,304
Licenses and permits	867,468	265,833	1,133,301
Intergovernmental	1,259,048	5,702,323	6,961,371
Charges for services	6,166,734	434,854	6,601,588
Fines and forfeits	1,214,619	277,594	1,492,213
Miscellaneous	451,212	1,534,623	1,985,835
Total revenues	31,993,452	10,657,391	42,650,843
<b>Expenditures</b>			
Current			
General government	5,890,386	205,666	6,096,052
Public safety	20,890,868	270,999	21,161,867
Utilities and environment	219,560	-	219,560
Transportation	1,943,232	2,476,198	4,419,430
Economic environment	1,161,787	729,740	1,891,527
Mental/physical health	69,963	-	69,963
Culture and recreation	3,989,361	541,572	4,530,933
Debt service:			
Principal	70,000	1,388,239	1,458,239
Interest and other debt issue costs	136,591	1,003,525	1,140,116
Capital Outlay	131,725	5,576,624	5,708,349
Total expenditures	34,503,473	12,192,563	46,696,036
Excess (deficiency) of revenues over expenditures	(2,510,021)	(1,535,172)	(4,045,193)
<b>Other financing sources (uses)</b>			
Proceeds of long term debt	-	5,215,000	5,215,000
Premiums on Bonds Sold	-	122,033	122,033
Payments to refunded debt escrow agent	(102,619)	(5,551,195)	(5,653,814)
Insurance recoveries	349	-	349
Transfers in	4,647,514	1,427,176	6,074,690
Transfers out	(839,999)	(772,317)	(1,612,316)
Total other financing sources and uses	3,705,245	440,697	4,145,942
<b>Other changes in fund balance</b>			
Change in reserves for inventory	-	(23,264)	(23,264)
Net change in fund balances	1,195,224	(1,117,739)	77,485
Fund balances-beginning	3,407,446	5,796,035	9,203,481
Fund balances-ending	\$ 4,602,670	\$ 4,678,296	\$ 9,280,966

See accompanying notes to the financial statements.

**Reconciliation of the Statement of Revenues,  
Expenditures and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities**  
For the Year Ended December 31, 2012

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

Net change in fund balances – total government funds	\$ 77,485
Governmental funds report capital outlays as expenditures, however, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	5,055,785
Revenues and expenses in the statement of activities that do not provide current financial resources are not reported in the funds.	(156,085)
The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	1,780,824
Internal service funds are used by management to charge the costs of fleet replacement and risk management to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.	1,045,161
Change in net position of governmental activities	\$ 7,803,170

See accompanying notes to the financial statements.

**Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual  
General Fund  
For the Year Ended December 31, 2012**

	Original Budget 2012	Final Budget 2012	Actual 2012	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Taxes	\$ 21,968,900	\$ 21,968,900	\$ 22,034,371	\$ 65,471
Licenses and permits	917,625	917,625	867,468	(50,157)
Intergovernmental	1,217,648	1,222,786	1,259,048	36,262
Charges for services	5,284,900	5,284,900	4,980,811	(304,089)
Fines and forfeits	1,133,730	1,133,730	1,214,619	80,889
Other Revenues	4,851,359	5,053,359	4,815,285	(238,074)
Total revenues	35,374,162	35,581,300	35,171,602	(409,698)
<b>Expenditures</b>				
City Council	332,770	332,770	323,799	8,971
Executive	370,360	370,360	359,142	11,218
Finance	1,149,840	1,153,840	1,077,938	75,902
Legal	971,550	981,650	902,601	79,049
Human Resources	333,210	398,010	305,250	92,760
Community Development	1,408,536	1,408,536	1,161,787	246,749
Municipal Court	1,294,187	1,294,187	1,251,646	42,541
City Auditor	170,960	170,960	166,714	4,246
Law Enforcement	9,498,837	9,598,837	9,090,504	508,333
Fire/Emergency Medical Services	8,311,214	8,413,452	8,346,964	66,488
Police & Fire Pension	2,544,000	2,544,000	2,178,153	365,847
Facilities	807,117	970,117	790,417	179,700
Parks & Recreation	2,593,741	2,608,741	2,515,992	92,749
Engineering	2,134,928	2,137,328	1,943,232	194,096
Non-Departmental	3,461,171	3,783,811	3,557,844	225,967
Total expenditures	35,382,421	36,166,599	33,971,983	2,194,616
Excess (deficiency) of revenues over expenditures	(8,259)	(585,299)	1,199,619	1,784,918
Fund balances-beginning	2,249,115	3,109,766	2,926,983	(182,783)
Fund balances-ending	\$ 2,240,856	\$ 2,524,467	\$ 4,126,602	\$ 1,602,135
Adjustment to reflect consolidation of Contingency Reserve and Conference Center funds included in the Statement of Revenues, Expenditures and Changes in Fund Balances for Governmental Funds			\$ 476,068	
Fund Balances Ending			\$ 4,602,670	
<b>Expenditures</b>				
Personnel	26,436,100	26,636,500	25,458,332	1,178,168
Supplies, services & taxes	7,755,016	7,977,942	7,232,717	745,225
Capital expenditure	55,000	300,852	131,725	169,127
Debt Service	411,305	411,305	309,209	102,096
Transfers	725,000	840,000	840,000	-
Total expenditures	35,382,421	36,166,599	33,971,983	2,194,616

See accompanying notes to the financial statements.

**Statement of Net Position  
Proprietary Funds  
December 31, 2012**

	Business-type Activities Enterprise Funds					Governmental Activities
	Water	Golf Course	Wastewater	Nonmajor Enterprise Funds	Total	Internal Service Funds
<b>Assets</b>						
Current assets:						
Cash & Cash Equivalents	\$ 2,293,076	\$ 135,929	\$ 2,692,198	\$ 887,267	\$ 6,008,470	\$ 3,723,619
Restricted investments	46,222	-	1,382,203	-	1,428,425	100,000
Investments	3,029,443	182,320	2,228,797	1,190,074	6,630,634	4,894,428
External receivables	1,493,833	1,252	2,473,695	801,016	4,769,796	-
Restricted special assessments rec	243,238	-	-	-	243,238	-
Interest receivable	2,247	132	2,639	870	5,888	3,650
Due from other funds	216,825	820	30,907	47,049	295,601	303,323
Due from other governments	-	-	530,077	682,566	1,212,643	-
Inventories	676,185	-	350,138	-	1,026,323	90,325
Prepayments	11,256	-	-	-	11,256	61,016
Total current assets	8,012,325	320,453	9,690,654	3,608,842	21,632,274	9,176,361
Noncurrent assets:						
Notes and contracts receivable	458,161	-	-	-	458,161	-
Restricted special assessments rec	67,306	-	-	-	67,306	-
Prepaid pension	-	-	-	-	-	333,401
Capital assets net of depreciation	59,993,614	7,477,685	95,191,616	5,271,284	167,934,199	3,771,635
Other noncurrent assets	331,571	21,003	159,421	-	511,995	-
Total noncurrent assets	60,850,652	7,498,688	95,351,037	5,271,284	168,971,661	4,105,036
Total assets	\$ 68,862,977	\$ 7,819,141	\$ 105,041,691	\$ 8,880,126	\$ 190,603,935	\$ 13,281,397
<b>Deferred outflows of resources</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Liabilities</b>						
Current liabilities:						
Accounts/contract payable	\$ 293,450	\$ 50,543	\$ 226,680	\$ 302,771	\$ 873,444	\$ 219,086
Due to other funds	106,946	268,846	330,307	98,224	804,323	27,946
Employee wages payable	117,675	-	96,100	28,229	242,004	76,355
Other accrued liabilities	97,138	-	95,890	2,367	195,395	440,367
Current portion of long term debt	593,961	79,495	2,431,971	13,177	3,118,604	2,803
Bonds payable from restricted assets	41,000	-	-	-	41,000	-
Custodial accounts	27,158	-	-	500	27,658	-
Total current liabilities	1,277,328	398,884	3,180,948	445,268	5,302,428	766,557
Noncurrent liabilities:						
Claims and judgements payable	-	-	-	-	-	451,818
Bonds, notes and loans payable	4,210,663	4,774,461	19,900,775	108,507	28,994,406	-
Bonds payable from restricted assets	81,000	-	-	-	81,000	-
Compensated absences	236,941	-	152,198	45,661	434,800	57,705
Total noncurrent liabilities	4,528,604	4,774,461	20,052,973	154,168	29,510,206	509,523
Total liabilities	\$ 5,805,932	\$ 5,173,345	\$ 23,233,921	\$ 599,436	\$ 34,812,634	\$ 1,276,080
<b>Deferred inflows of resources</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Net Position</b>						
Net investment in capital assets	55,082,247	2,623,729	72,869,849	5,152,913	135,728,738	-
Restricted for capital assets	-	-	123,457	-	123,457	100,000
Restricted for debt service	234,766	-	1,258,746	-	1,493,512	-
Unrestricted	7,740,032	22,067	7,555,718	3,127,777	18,445,594	11,905,317
Total net position	\$ 63,057,045	\$ 2,645,796	\$ 81,807,770	\$ 8,280,690	\$ 155,791,301	\$ 12,005,317

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds

9,739,962

Net position of business-type activities

\$ 165,531,263

See accompanying notes to the financial statements.

**Statement of Revenues, Expenses and Changes in Fund Net Position**  
**Proprietary Funds**  
**For the Year Ended December 31, 2012**

	Business-type Activities					Governmental
	Enterprise Funds					Activities
	Water	Golf Course	Wastewater	Nonmajor Enterprise Funds	Total	Internal Service Funds
<b>Operating revenues:</b>						
Charges for services	\$ 8,686,057	\$ 1,944,690	\$ 13,238,376	\$ 2,214,871	\$ 26,083,994	\$ 4,186,548
Interest & dividend income	-	-	-	-	-	18,681
Other operating revenue	486,271	78,620	-	179,295	744,186	36,133
Total operating revenues	9,172,328	2,023,310	13,238,376	2,394,166	26,828,180	4,241,362
<b>Operating expenses:</b>						
General operations	1,690,868	618,813	2,754,754	631,112	5,695,547	2,818,661
Maintenance	2,802,721	1,083,948	1,880,542	1,148,106	6,915,317	-
Customer service and marketing	368,325	-	225,366	116,745	710,436	-
General administration	951,271	114,011	907,542	245,279	2,218,103	307,585
Depreciation and amortization	1,770,790	161,469	3,244,600	96,564	5,273,423	551,038
Property, excise and B&O taxes	397,175	9,159	391,258	39,257	836,849	-
Risk transfer payments	-	-	-	-	-	452,151
Payments to claimants & beneficiaries	-	-	-	-	-	(425,481)
Other operating expenses	452,926	-	-	-	452,926	51,174
Total operating expenses	8,434,076	1,987,400	9,404,062	2,277,063	22,102,601	3,755,128
Operating income (loss)	738,252	35,910	3,834,314	117,103	4,725,579	486,234
<b>Nonoperating revenues (expenses)</b>						
Interest and investment revenue	99,329	4,196	68,681	21,157	193,363	66,520
Interest expense	(127,380)	(207,523)	(422,036)	(4,931)	(761,870)	-
Gain (loss) on capital asset disposal	(8,360)	6,115	52,936	-	50,691	(10,671)
Other nonoperating revenue/expense	344,223	-	35,888	208	380,319	6,793
Total nonoperating revenues (expenses)	307,812	(197,212)	(264,531)	16,434	(137,497)	62,642
Income (loss) before contributions and transfers	1,046,064	(161,302)	3,569,783	133,537	4,588,082	548,876
Capital contributions	7,334,469	-	834,279	1,085,226	9,253,974	-
Transfers out	(1,310,542)	-	(2,699,404)	(452,427)	(4,462,373)	-
Change in net assets	7,069,991	(161,302)	1,704,658	766,336	9,379,683	548,876
Total net position - beginning	56,169,570	2,807,098	80,118,331	7,525,702		11,456,441
Prior period adjustment	(182,516)	-	(15,219)	(11,348)		-
Total net position - ending	\$ 63,057,045	\$ 2,645,796	\$ 81,807,770	\$ 8,280,690		\$ 12,005,317
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					(496,285)	
Change in net position of business-type activities					\$ 8,883,398	

See accompanying notes to the financial statements.

**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended December 31, 2012**

Page 1 of 2

	Business-type Activities Enterprise Funds					Governmental Activities
	Water	Golf Course	Wastewater	Nonmajor Enterprise Funds	Total	Internal Service Funds
<b>Cash Flows From Operating Activities</b>						
Cash received from customers	\$ 8,668,272	\$ 1,944,038	\$ 13,195,287	\$ 2,053,269	\$ 25,860,866	\$ 4,169,915
Interest on investments	-	-	-	-	-	19,366
Cash payments to suppliers	(3,526,449)	(1,813,536)	(3,677,116)	(1,080,686)	(10,097,787)	(1,982,631)
Cash payments to employees	(3,422,843)	-	(2,396,244)	(808,447)	(6,627,534)	(1,213,353)
Purchase of insurance	-	-	-	-	-	(411,256)
Payment for insurance claims	-	-	-	-	-	(403,726)
Other operating receipts and payments	484,076	78,743	-	111,996	674,815	53,238
Net cash provided by operating activities	2,203,056	209,245	7,121,927	276,132	9,810,360	231,553
<b>Cash Flows From Noncapital Financing Activities</b>						
Transfers out	(1,310,764)	-	(2,632,486)	(445,229)	(4,388,479)	-
Other nonoperating revenues/expenses	320,431	-	34,620	208	355,259	7,613
Net cash provided (used) by noncapital financing activities	(990,333)	-	(2,597,866)	(445,021)	(4,033,220)	7,613
<b>Cash Flows From Capital and Related Financing Activities</b>						
Acquisition and construction of capital assets	(1,091,792)	(295,459)	(5,048,994)	(198,769)	(6,635,014)	(142,603)
Proceeds/costs on sale of assets	-	5,295	-	-	5,295	24,050
Capital contributions	476,351	-	434,103	42,798	953,252	-
Insurance recoveries	1,359	-	225,000	-	226,359	-
Collections on notes receivable	82,397	-	-	-	82,397	-
Loan/grant proceeds	519,504	261,000	222,445	202,690	1,205,639	-
Principal paid on bonds	(41,000)	(105,000)	(334,000)	-	(480,000)	-
Principal paid on other debt	(578,705)	-	(2,100,057)	(9,864)	(2,688,626)	-
Interest paid on bonds and other debt	(115,778)	(180,707)	(428,939)	(5,129)	(730,553)	-
Net cash provided (used) for capital and related financing activities	(747,664)	(314,871)	(7,030,442)	31,726	(8,061,251)	(118,553)
<b>Cash Flows From Investing Activities</b>						
Proceeds from repayment of loans	12,233	-	-	-	12,233	87,592
Net change in investments	698,022	144,787	3,201,746	519,605	4,564,160	1,791,142
Issuance of interfund loans	-	-	-	-	-	(261,000)
Interest on loans and investments	52,387	4,421	73,481	22,154	152,443	69,593
Net cash provided (used) in investing activities	762,642	149,208	3,275,227	541,759	4,728,836	1,687,327
Net increase (decrease) in cash and cash equivalents	1,227,701	43,582	768,846	404,596	2,444,725	1,807,940
Cash - beginning of year	1,065,375	92,347	1,923,352	482,671	3,563,745	1,915,679
Cash - end of year	\$ 2,293,076	\$ 135,929	\$ 2,692,198	\$ 887,267	\$ 6,008,470	\$ 3,723,619
Cash at the end of the year consists of:						
Operating fund cash	2,293,076	135,929	2,692,198	887,267	6,008,470	3,723,619
Restricted cash	-	-	-	-	-	-
Total cash at end of year	\$ 2,293,076	\$ 135,929	\$ 2,692,198	\$ 887,267	\$ 6,008,470	\$ 3,723,619

See accompanying notes to the financial statements.

**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended December 31, 2012**

Page 2 of 2

	Business-type Activities Enterprise Funds					Governmental Activities
	Water	Golf Course	Wastewater	Nonmajor Enterprise Funds	Total	Internal Service Funds
Reconciliation of operating income to net cash provided by operating activities:						
Operating income (loss)	\$ 738,252	\$ 35,910	\$ 3,834,314	\$ 117,103	\$ 4,725,579	\$ 486,234
Adjustments to reconcile operating income to net cash provided by operating activities:						
Depreciation	1,770,790	161,469	3,244,600	96,564	5,273,423	551,038
Decrease (increase) in receivables	(75,622)	244	(46,158)	(167,183)	(288,719)	685
Decrease (increase) in due from other funds/govt	(32,032)	1,107	25,725	(60,783)	(65,983)	6,406
Decrease (increase) in prepaid expenses	5,032	-	-	-	5,032	55,245
Decrease (increase) in inventory	(11,256)	-	-	-	(11,256)	(15,395)
Increase (decrease) in accounts payable	(78,229)	29,729	35,460	258,070	245,030	3,857
Increase (decrease) in due to other funds/govt	(22,698)	(15,941)	65,365	45,798	72,524	19,633
Increase (decrease) in employee wages payable	(34,564)	-	(176,464)	(5,582)	(216,610)	(25,638)
Increase (decrease) in employee leaves payable	(51,025)	-	141,546	(7,855)	82,666	(7,120)
Increase (decrease) in other payables	(5,592)	(3,273)	(2,461)	-	(11,326)	(843,392)
Net cash provided by operating activities	<u>\$ 2,203,056</u>	<u>\$ 209,245</u>	<u>\$ 7,121,927</u>	<u>\$ 276,132</u>	<u>\$ 9,810,360</u>	<u>\$ 231,553</u>
Noncash investing, capital and financial activities;						
Developers contributed infrastructure	\$ 647,699	\$ -	\$ 400,176	\$ 455,542	\$ 1,503,417	\$ -
Forgiven DWSRF ARRA Principle Loan	\$ 6,210,419	\$ -	\$ -	\$ -	\$ 6,210,419	\$ -

See accompanying notes to the financial statements.



**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**As of December 31, 2012**

	Agency Funds
	<u>          </u>
<b>Assets</b>	
Cash and cash equivalents	\$ 288,865
Interfund receivables	<u>2</u>
Total assets	<u>\$ 288,867</u>
 <b>Deferred outflows of resources</b>	 <u>\$ -</u>
 <b>Liabilities</b>	
Accounts/contracts payable	47,611
Other current liabilities	<u>241,256</u>
Total liabilities	<u>\$ 288,867</u>
 <b>Deferred inflows of resources</b>	 <u>\$ -</u>
 <b>Net Position</b>	 <u>\$ -</u>

See accompanying notes to the financial statements.

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## Notes to Financial Statements January 1, 2012 – December 31, 2012

### 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.

#### **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. As required by GAAP, the financial statements present the City, the primary government, and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

In 2009, the City established the Bremerton Transportation Benefit District that meets the criteria of a component unit. See Note 7 for discussion of the Bremerton Transportation Benefit District. Financial Statements for this unit were not included for fiscal years prior to 2012 as no fees had been enacted nor transportation improvements funded.

#### **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 (and its component units). For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities 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 are those items that are applicable to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function. Grants and contributions that are restricted to meeting the operational or capital requirement of a particular function are also included. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate 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.

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the city considers revenues to be available if they are collected within 30 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as

under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, fines and certain receivables for services provided are associated within the current period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The general fund is the City's operating fund. It accounts for all financial resources and transactions except those required to be accounted 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 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, grants from other agencies and contributions from other funds.

Nonmajor Enterprise funds account for the operations, maintenance and capital additions of the City's stormwater utility.

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.

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

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

Amounts reported as program revenues include charges to customers, special assessments, operating grants and contributions and capital grants and contributions. General revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in 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 with 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 separate 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 2012.

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 Assets**

### **1. Cash and Cash Equivalents**

It is the City's policy to invest all temporary cash surpluses. At December 31, 2012, the City was holding \$8,756,667 in short-term residual investments of surplus cash. This amount is classified on the balance sheet as cash and cash equivalents in various funds. The interest on these investments is prorated to the various funds.

The amounts reported as cash and cash equivalents also include compensating balances maintained with the City's bank in lieu of payments for services rendered. The average compensating balance maintained during 2012 was \$5,327,111.

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**

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

Special assessments are recorded when levied. Special assessments receivable consist of current and delinquent assessments and related interest and penalties. Deferred assessments on the fund financial statements consist of unbilled special assessments that are liens against the property benefited. As of December 31, 2012, \$193,396 of special assessments receivable were delinquent.

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

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

#### 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 nonspendable 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, including current and delinquent special assessments receivable in enterprise funds. Related liabilities are shown as *Payable from Restricted Assets*. Specific debt service reserve requirements are described in Note 10, *Long-Term Debt*.

Restricted assets are composed of the following:

<b>Governmental type:</b>	
Investments - Workers compensation	\$ 100,000
Prepaid Pension- Workers Compensation	372,049
Total governmental	\$ 472,049
<b>Business type:</b>	
Investments - Debt service	\$ 1,304,968
Investments - Construction	123,457
Receivables - Debt service	310,544
Total business	\$ 1,738,969

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

Capital assets, which include property, plant, equipment and infrastructure assets, (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$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 fair market value at the date of donation.

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

The cost 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	10 Years
Data Processing/Electronic Equipment	5 Years

#### 8. Other Noncurrent Assets

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

#### 9. 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:

<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

Compensatory time may be carried over from year to year.

Upon resignation, employees not eligible 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.

10. 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.

11. Long-term Debt See Note 10, *Long-Term Debt*.

12. Deferred Revenue

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

13. 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:

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

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

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

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.

	<b>General Fund</b>	<b>Other Funds</b>	<b>Total</b>
Fund balances:			
<b>Nonspendable:</b>			
Inventory	\$ 18,418		\$ 18,418
<b>Restricted for:</b>			
Tourism promotion & facilities	20,562	111,728	132,290
Parking system		218,834	218,834
Community development block grant		251,885	251,885
Public safety		833,699	833,699
Debt service		2,810	2,810
Capital projects		1,367,636	1,367,636
<b>Committed to:</b>			
Employee Wellness		6,637	6,637
Parks		33,594	33,594
Public Access Television		182,706	182,706
Public safety		39,303	39,303
Public art		51,744	51,744
<b>Assigned to:</b>			
2013 Budget	545,168		545,168
Street Operations		387,331	387,331
Tourism promotion & facilities		23,486	23,486
Building Abatement		248,229	248,229
Court Improvement		4,223	4,223
Debt Service		237,363	237,363
Park Capital		564,670	564,670
Capital Improvements		112,418	112,418
<b>Unassigned:</b>	4,018,522		4,018,522
Total Fund Balances	\$ 4,602,670	\$ 4,678,296	\$ 9,280,966

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. Under the default policy provided in GASB 54, unrestricted resources are 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, 2012.

<b>Fund</b>	<b>Target Rate</b>	<b>Target Balance</b>	<b>Balance 12/31/2012</b>
General	8.5%	\$ 3,048,589	\$ 2,944,778
Water	12%	1,136,491	4,292,120
Wastewater	12%	1,474,417	4,468,903
Stormwater	12%	282,592	1,518,811
Golf Course	12%	251,815	318,249

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 minimum fund balance is set at \$1,000,000. 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 one million dollars a repayment plan shall be established to replenish the fund to its minimum level. Balances in excess of \$1,000,000 can be used for capital purposes upon City Council approval by simple majority vote.

In May of 2011 the City Council authorized the expenditure of \$1,150,000 to settle a dispute over a contingent loan agreement between the City, Kitsap County and Kitsap Consolidated Housing Authority. At 12/31/12 the balance was

\$234,192. The fund balance of this management fund is reported as part of the General Fund. The 2013 amended budget includes \$230,000 towards the rebuilding of the reserve amount.

## 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

The governmental fund balance sheet includes a reconciliation between total fund balance and total net position 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 net of depreciation	\$ 110,236,768
Capital Assets of Internal Service funds included in governmental activities net of depreciation	6,158
Net adjustment to increase fund balance - total governmental funds to arrive at net position of governmental activities	<u>\$ 110,242,926</u>

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

Deferred revenue for taxes and receivables due beyond the city's 30 day measurable and available period	\$ 3,338,545
Investment interest accrued beyond the city's 30 day measurable and available period	2,982
Build America Bond subsidy beyond the city's 30 day measurable and available period	43,167
Deferred charge for bond issue costs	244,420
Other post-employment benefits	382,547
Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$ 4,011,661</u>

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

Net position of Internal service funds included in governmental activities	\$ 2,265,355
Net capital assets of Internal Service funds included in governmental activities	(6,158)
Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$ 2,259,197</u>

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

GO bonds payable	\$ (32,710,000)
Less: Issuance premiums	(432,125)
Add: Deferred amount on refunding	1,194,683
Other Long term payables	0
Accrued interest payable	(238,577)
Compensated absences	(2,316,624)
Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$ (34,502,643)</u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances – total governmental funds and changes in net 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	\$ 5,708,350
Depreciation	(3,570,583)
Contributions of capital assets	2,947,143
Loss on retirement of capital assets	(29,125)
Net adjustment to increase net change in fund balances - governmental funds	
to arrive at change in net position - governmental activities	\$ 5,055,785

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

GO bond principal paid	\$ 6,853,239
Principal of GO Bonds Issued	(5,215,000)
Long Term Notes Issued	-
Unamortized debt issuance costs	142,585
Net adjustment to decrease net change in fund balances - governmental funds	
to arrive at change in net position of governmental activities	\$ 1,780,824

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

Change in accrued interest receivable	\$ (3,629)
Change in deferred property taxes receivable	19,579
Change in court fines receivable	(14,192)
Change in block grant loans receivable	34,157
Change in parking/red light fines receivable	136,046
Change in BKAT contracts receivable	(17,000)
Change in Build America Bond subsidy receivable	(395)
Change in other post-employment benefits payable	(32,169)
Change in accrued interest payable	(37,944)
Change in compensated absences payable	(240,538)
Net adjustment to decrease net change in fund balances - governmental funds	
to arrive at change in net position of governmental funds	\$ (156,085)

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

Net revenue of risk management activities	\$ 1,033,230
Net Revenue of employment security activities	\$ 160,820
Net Revenue of Accrued Leave activities	\$ 3,732
Net revenue of information technology activities	(164,804)
Net revenue of equipment maintenance activities	12,183
Net adjustment to decrease net change in fund balances - governmental funds to arrive at change in net position of governmental funds	<u>\$ 1,045,161</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 assets at cost.

Investment Type	Rating	Weighted Average Maturities	Fair Value	% of Portfolio
<b>Cash &amp; Cash Equivalents</b>				
Washington State Local Government Inv. Pool	NR	0.13	\$8,756,667	
Cash on hand			<u>4,187,650</u>	
<b>Total Cash &amp; Cash Equivalents</b>			12,944,317	
<b>Investments</b>				
US Agency securities				
Federal National Mortgage Assn	AA	2.62	4,037,879	24%
Federal Farm Credit Banks	AA	1.17	2,016,920	12%
Federal Home Loan Bank	AA	1.71	6,022,160	35%
Federal Home Loan Mortgage Corp	AA	2.93	-	0%
			-	0%
City of Bremerton LTGO Bonds	NR	13.5	<u>5,058,000</u>	30%
<b>Total Investments</b>			17,134,959	
<b>Total Cash &amp; Investments</b>			30,079,276	

**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.

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

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

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

## **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 revenue and recognized as revenue of the period to which they apply. No allowance for uncollectible taxes is established because delinquent taxes are considered fully collectible. Prior year tax levies were recorded using the same principal, and delinquent taxes are evaluated annually.

RCW 84.52.043 allows a city to levy taxes of up to \$3.375 per \$1,000 of taxable property in the city and RCW 41.14.060 allows an additional \$0.225 per \$1,000 for any municipal purpose, if not required to fund pension programs. For cities annexed to a library district, such as the City, the maximum levy rate is reduced by the amount of the library district levy. For tax year 2012, the Kitsap Regional Library District levied \$0.37 per \$1,000 of assessed valuation, and therefore the City's maximum levy rate is \$3.23 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 2012 was \$2.559062 per \$1,000 on an assessed valuation of \$2.549 billion, for a total regular levy of \$6,522,962.

Special levies, approved by the voters are not subject to the above limitations. In 2012, the City levied an additional \$0.81 per \$1,000 for General Obligation Bonds and Emergency Medical Services, for a total additional levy of \$2,053,308.

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, 2012 was as follows:

<b>Governmental Activities</b>	<b>Beginning Balance 1/1/2012</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance 12/31/2012</b>
Capital assets, not being depreciated:				
Land	\$ 17,406,238	\$ 27,544	-	\$ 17,433,782
Construction in progress	11,651,214	5,951,495	435,172	17,167,537
Total capital assets, not being depreciated	29,057,452	5,979,039	435,172	34,601,319
Capital assets, being depreciated:				
Buildings/building improvements	56,672,424	27,288	8,782	56,690,930
Improvements other than buildings	17,658,185	93,980	76,596	17,675,569
Machinery and equipment	8,816,098	162,201	98,525	8,879,774
Infrastructure	34,454,683	2,828,157	-	37,282,840
Total capital assets, being depreciated	117,601,390	3,111,626	183,903	120,529,113
Less accumulated depreciation for:				
Buildings/buildings improvements	9,496,965	1,159,267	1,786	10,654,446
Improvements other than buildings	8,295,123	817,891	61,058	9,051,956
Machinery and equipment	5,472,391	512,806	91,934	5,893,263
Infrastructure	18,201,566	1,086,275	-	19,287,841
Total accumulated depreciation	41,466,045	3,576,239	154,778	44,887,506
Total capital assets, being depreciated, net	76,135,345	(464,613)	29,125	75,641,607
Governmental activities capital assets, net	\$ 105,192,797	\$ 5,514,426	\$ 464,297	\$ 110,242,926

<b>Business-type Activities</b>	<b>Beginning Balance 1/1/2012</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance 12/31/2012</b>
Capital assets, not being depreciated:				
Land	\$ 8,601,813	\$ 504,889	-	\$ 9,106,702
Construction in progress	8,708,059	5,844,825	10,258,640	4,294,244
Total capital assets, not being depreciated	17,309,872	6,349,714	10,258,640	13,400,946
Capital assets, being depreciated:				
Buildings/building improvements	50,988,939	2,995,614	-	53,984,553
Improvements other than buildings	130,215,313	4,056,458	14,977	134,256,794
Machinery and equipment	52,653,049	4,557,894	1,603,792	55,607,151
Total capital assets, being depreciated	233,857,301	11,609,966	1,618,769	243,848,498
Less accumulated depreciation for:				
Buildings/buildings improvements	18,458,936	968,686	-	19,427,622
Improvements other than buildings	38,950,300	2,527,092	14,977	41,462,415
Machinery and equipment	23,796,061	2,250,957	1,387,287	24,659,731
Total accumulated depreciation	81,205,297	5,746,735	1,402,264	85,549,768
Total capital assets, being depreciated, net	152,652,004	5,863,231	216,505	158,298,730
Business-type activities Capital assets, net	\$ 169,961,876	\$ 12,212,945	\$ 10,475,145	\$ 171,699,676



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

<b>Governmental Activities:</b>	
General government	\$ 215,553
Public safety	594,940
Transportation, including depreciation of general infrastructure assets	1,074,634
Economic environment	348
Culture and recreation	1,685,108
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>5,656</u>
Total depreciation expense - Governmental activities	<u>\$ 3,576,239</u>
<b>Business-type activities:</b>	
Water	\$ 1,705,747
Wastewater	3,237,575
Stormwater	96,564
Golf	161,467
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>545,382</u>
Total depreciation expense - Business-type activities	<u>\$ 5,746,735</u>

## 6. Construction Commitments

At December 31, 2012 the City had several construction projects underway. The following table contains the projects and status at year end.

<b>Project</b>	<b><u>Spent to Date</u></b>	<b><u>Remaining Commitment</u></b>
Park Plaza Construction	7,208,264	130,595
Cross Town Pipeline	2,327,167	29,451
11th & Warren Construction	767,072	506,752
Pacific 11th to Sheldon	174,756	17,533
E 11th Shore Dr to Pitt	74,874	11,858
LID Pacific Avenue	215,805	82,492
LID Manetter Business Area	119,837	130,089
Bremerton Highway Safety Improvements	710,666	58,934
Price Rd PRV	0	26,256
Cook Rd Booster Station	0	18,704
	<u>\$ 11,598,441</u>	<u>\$ 1,012,664</u>

## 7. Component Unit

On February 4, 2009 the City authorized and approved the creation of a Transportation Benefit District (TBD) coextensive with the boundaries of the City in order to exercise the powers available under RCW 36.73. This blended component unit is governed by a board composed of the nine members of the Bremerton City Council, who serve in an ex-officio and independent capacity. The primary purpose of the District is the acquisition, construction, improvement, provision and/or funding of the maintenance of City streets and related infrastructure. The TBD is an independent taxing district and was established primarily to benefit the City of Bremerton satisfying GASB Statement No. 14's criteria for the recognition of the TBD as a blended component unit of the City. Beginning fiscal year 2012, the TBD

has enacted a \$20 per vehicle license fee to fund appropriate projects. In 2012, the TBD received total collections from vehicle license fees of \$160,676. There were no expenses or capital assets to report in 2012.

## 8. Pension Plans

Substantially all City full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit retirement plans. The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to: Department of Retirement Systems, Communications Unit, PO Box 48380, Olympia, WA 98504-8380; or it may be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov). The following disclosures are made pursuant to GASB Statements 27, *Accounting for Pensions by State and Local Government Employers* and No. 50 *Pension Disclosures, an Amendment of GASB Statements No. 25 and No. 27*.

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

#### Plan Description

The Legislature established PERS in 1947. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts (other than judges currently in the Judicial Retirement System); employees of legislative committees; community and technical colleges, college and university employees not participating in higher education retirement programs; judges of district and municipal courts; and employees of local governments. PERS retirement benefit provisions are established in Chapters 41.34 and 41.40 RCW and may be amended only by the State Legislature.

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

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

PERS is comprised of and reported as three separate plans for accounting purposes; Plan 1, Plan 2/3, and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3 accounts for the defined benefits of Plan 2 members and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 defined benefit plan may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered to be a single plan for accounting purposes.

PERS Plan 1 and Plan 2 defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to the PERS Plan 1 and Plan 2 defined benefit plans accrue interest at a rate specified by the Director of DRS. During DRS' Fiscal Year 2012, the rate was five and one-half percent compounded quarterly. Members in PERS Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest thereon upon separation from PERS-covered employment.

PERS Plan 1 members are vested after the completion of five years of eligible service.

PERS Plan 1 members are eligible for retirement after 30 years of service, or at age 60 with five years of service, or at the age of 55 with 25 years of service. The monthly benefit is 2 percent of the average final compensation (AFC) per year of service. The retirement benefit may not exceed 60 percent of the AFC. The AFC is the monthly average of the 24 consecutive highest-paid service credit months.

The monthly benefit is subject to a minimum of retirees who have 25 years of service and have been retired 20 years, or who have 20 years of service and have been retired 25 years. If a survivor option is chosen, the benefit is further reduced. Plan 1 members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits. Plan 1 members may elect

to receive an optional COLA that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 1 provides duty and non-duty disability benefits. Duty disability retirement benefits for disablement prior to the age of 60 consist of a temporary life annuity. The benefit amount is \$350 a month, or two-thirds of the monthly AFC, whichever is less. The benefit is reduced by any workers' compensation benefit and is payable as long as the member remains disabled or until the member attains the age of 60, at which time the benefit is converted to the member's service retirement amount. A member with five years of covered employment is eligible for non-duty disability retirement. Prior to the age of 55, the benefit amount is 2 percent of the AFC for each year of service reduced by 2 percent for each year the member's age is less than 55. The total benefit is limited to 60 percent of the AFC and is actuarially reduced to reflect the choice of a survivor option. Plan 1 members may elect to receive an optional COLA amount (based on the Consumer Price Index), capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 1 members can receive credit for military service while actively serving in the military if such credit makes them eligible to retire. Members can also purchase up to 24 months of service credit lost because of an on-the-job injury.

The survivor of a PERS Plan 1 member who dies after having earned ten years of service credit has the option, upon the member's death, of either a monthly survivor benefit or the lump sum of contributions plus interest.

PERS Plan 2 members are vested after completion of five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years service. The monthly benefit is 2 percent of the AFC per year of service. The AFC is the monthly average of the 60 consecutive highest-paid service months. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

PERS Plan 2 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 reduced benefit. The benefit is reduced by an early retirement factor (ERF) that varies according to age, for each year before age 65.

PERS Plan 2 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 3 percent for each year before age 65.
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2 retirement benefits are also actuarially reduced to reflect the choice, if made, of a survivor option. The surviving spouse or eligible child(ren) of a PERS Plan 2 member who dies after having earned ten years of service credit has the option of either a monthly benefit or a lump sum payment of the member's contributions plus interest.

PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. As established by Chapter 41.34 RCW, employee contribution rates to the defined contribution component range from 5 percent to 15 percent of salaries, based on member choice. There are currently no requirements for employer contributions to the defined contribution component of PERS Plan 3.

PERS Plan 3 defined contribution retirement benefits are dependent upon the results of investment activities. Members may elect to self-direct the investment of their contributions. Any expenses incurred in conjunction with self-directed investments are paid by members. Absent a member's self-direction, PERS Plan 3 investments are made in the same portfolio as that of the PERS 2/3 defined benefit plan.

For DRS' fiscal year 2012, PERS Plan 3 employee contributions were \$95.2 million, and plan refunds paid out were \$66.2 million.

The defined benefit portion of PERS Plan 3 provides members a monthly benefit that is 1 percent of the AFC per year of service. The AFC is the monthly average of the 60 consecutive highest-paid service months. There is no cap on years of service credit, and Plan 3 provides the same cost-of-living allowance as Plan 2.

Effective June 7, 2006, PERS Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service, if twelve months of that service are earned after age 44; or after five service credit years earned in PERS Plan 2 prior to June 1, 2003. Plan 3 members are immediately vested in the defined contribution portion of their plan.

Vested Plan 3 members are eligible for normal retirement at age 65, or they may retire early with the following conditions and benefits:

- If they have at least ten service years and are 55 years old, the benefit is reduced by an ERF that varies with age, for each year before 65.
- If they have 30 service credit years and are at least 55 years old, they have the choice of a benefit that is reduced by 3 percent for each year before age 65; or a benefit with a smaller (or no) reduction factor (depending on age) that imposes stricter return-to-work rules.

PERS Plan 3 benefit retirement benefits are also actuarially reduced to reflect the choice, if made, of a survivor option.

PERS Plan 2 and Plan 3 provided disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 monthly benefit amount is 2 percent of the AFC per year of service. For Plan 3, the monthly benefit amount is 1 percent of the AFC per year of service. These disability benefit amounts are actuarially reduced for each year that the member's age is less than 65, and to reflect the choice of a survivor option. There is no cap on years of service credit, and a cost-of-living allowance is granted (based on the Consumer Price Index) capped at 3 percent annually.

PERS Plan 2 and Plan 3 members may have up to ten years of interruptive military service credit; five years at no cost and five years that may be purchased by paying the required contributions.

PERS Plan 2 and Plan 3 members who become totally incapacitated for continued employment while serving the uniformed services, or a surviving spouse or eligible child(ren), may request interruptive military service credit.

PERS Plan 2 and Plan 3 members can purchase up to 24 months of service credit lost because of an on-the-job injury.

PERS members may also purchase up to five years of additional service credit once eligible for retirement. This credit can only be purchased at the time of retirement and can be used only to provide the member with a monthly annuity that is paid in addition to the member's retirement benefit.

Beneficiaries of a PERS Plan 2 or Plan 3 member with ten years of service who is killed in the course of employment receive retirement benefits without actuarial reduction, if the member was not at normal retirement age at death. This provision applies to any member killed in the course of employment, on or after June 10, 2004, if found eligible by the Department of Labor and Industries.

A one-time duty-related death benefit is provided to the estate (or duly designated nominee) of a PERS member who dies in the line of service as a result of injuries sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of said member's covered employment, if found eligible by the Department of Labor and Industries.

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

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

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

There are 1,184 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2011:

Retirees and beneficiaries receiving benefits	79,363
Terminated plan members entitled to but not yet receiving benefits	29,925
Active plan members vested	105,578
Active plan members non-vested	46,839
<b>Total</b>	<b>261,705</b>

### Funding Policy

Each biennium, the state Pension Funding Council adopts PERS Plan 1 employer contribution rates, PERS Plan 2 employer and employee contribution rates, and PERS Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at 6 percent for state agencies and local government unit employees, and at a 7.5 percent for state government elected officials. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. Under PERS Plan 3, employer contributions finance the defined benefit portion of the plan and member contributions finance the defined contribution portion. The Plan 3 employee contribution rates range from 5 percent to 15 percent, based on member choice. Two of the options are graduated rates dependent on the employee's age.

As a result of the implementation of the Judicial Benefit Multiplier Program in January 2007, a second tier of employer and employee rates was developed to fund, along with investment earnings, the increased retirement benefits of those justices and judges that participate in the program.

The methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.40 and 41.45 RCW.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2012, are as follows:

#### Members Not Participating in JBM:

	<b>PERS Plan 1</b>	<b>PERS Plan 2</b>	<b>PERS Plan 3</b>
Employer *	7.21%**	7.21%**	7.21%***
Employee	6.00%****	4.64%****	*****

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

\*\* The employer rate for state elected officials is 10.74% for Plan 1 and 7.21% for Plan 2 and 3.

\*\*\* Plan 3 defined benefit portion only.

\*\*\*\* The employee rate for state elected officials is 7.50% for Plan 1 and 4.64% for Plan 2.

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

#### Members Participating in JBM:

	<b>PERS Plan 1</b>	<b>PERS Plan 2</b>	<b>PERS Plan 3</b>
Employer-State Agency*	9.71%	9.71%	9.71%**
Employer-Local Agency*	7.21%	7.21%	7.21%**
Employee-State Agency	9.76%	9.10%	7.50%**
Employee-Local Agency	12.26%	11.60%	7.50%**

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

\*\*Plan 3 defined benefit portion only.

\*\*\*Minimum rate.

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

	PERS Plan I	PERS Plan 2	PERS Plan 3
2012	\$ 57,198	\$ 771,999	\$ 102,682
2011	\$ 59,297	\$ 690,533	\$ 88,187
2010	\$ 63,887	\$ 596,771	\$ 80,024

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

### Plan Description

The Legislature established LEOFF in 1970. Membership in the system includes all full-time, fully compensated, local law enforcement commissioned officers, firefighters and, as of July 24, 2005, emergency medical technicians. LEOFF membership is comprised primarily of non-state employees, with Department of Fish and Wildlife enforcement officers, who were first included prospectively effective July 27, 2003, being an exception. LEOFF retirement benefit provisions are established in Chapter 41.26 RCW and may be amended only by the State Legislature.

LEOFF is a cost-sharing multiple-employer retirement system comprised of two separate defined benefit plans. LEOFF members who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 are Plan 2 members.

LEOFF defined benefit retirement benefits are financed from a combination of investment earnings, employer and employee contributions, and a special funding situation in which the state pays through state legislative appropriations.

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

LEOFF retirement benefits are financed from a combination of investment earnings, employer and employee contributions, and a special funding situation in which the state pays through state legislative appropriations. Employee contributions to the LEOFF Plan 1 and Plan 2 defined benefit plans accrue interest at a rate specified by the Director of DRS. During DRS' fiscal year 2012, the rate was five and one-half percent compounded quarterly. Members in LEOFF Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest earnings upon separation from LEOFF-covered employment.

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

Term of Service	Percent of Final Average Salary
20 or more years	2.0%
10 but less than 20 years	1.5%
5 but less than 10 years	1.0%

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 10 years of service. A cost-of-living allowance is granted (based on the Consumer Price Index).

LEOFF Plan 1 provides death and disability benefits. Death benefits for survivors of Plan 1 members on active duty consist of the following: (1) If eligible spouse, 50 percent of the FAS, plus 5 percent of FAS for each eligible surviving child, with a limitation on the combined allowances of 60 percent of the FAS; or (2) If no eligible spouse, eligible children receive 30 percent of FAS for the first child plus 10 percent for each additional child, subject to a 60 percent limitation of FAS, divided equally.

A one-time duty-related death benefit is provided to the estate (or duly designated nominee) of a LEOFF Plan 1 member who dies as a result of injuries or illness sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of the member's covered employment, if found eligible by the Department of Labor and Industries.

The LEOFF Plan 1 disability allowance is 50 percent of the FAS plus 5 percent for each child up to a maximum of 60 percent. Upon recovery from disability before the age of 50, a member is restored to service with full credit for service while disabled.



Upon recovery after the age of 50, the benefit continues as the greater of the member's disability allowance or service retirement allowance.

LEOFF Plan 1 members may purchase up to five years of additional service credit once eligible for retirement. This credit can only be purchased at the time of retirement and can be used only to provide the member with a monthly annuity that is paid in addition to member's benefit.

LEOFF Plan 2 members are vested after the completion of five years of eligible service.

Plan 2 members are eligible for retirement at the age of 53 with five years of service, or at age 50 with 20 years of service. Plan 2 members receive a benefit of 2 percent of the FAS per year of service. (the FAS is based on the highest consecutive 60 months), actuarially reduced to reflect the choice of a survivor option. Members who retire prior to the age 53 receive reduced benefits. If the member has at least 20 years of service and is age 50, the reduction is 3 percent for each year prior to age 53. Otherwise, the benefits are actuarially reduced for each year prior to age 53. A cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

LEOFF Plan 2 provides disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 allowance amount is 2 percent of the FAS for each year of service. Benefits are reduced to reflect the choice of survivor option and for each year that the member's age is less than 53, unless the disability is duty-related. If the member has at least 20 years of service and is age 50, the reduction is 3 percent for each year prior to age 53. A disability benefit equal to 70 percent of FAS, subject to offsets for workers' compensation and Social Security disability benefits received, is also available to those LEOFF Plan 2 members who are catastrophically disabled in the line of duty and incapable of future substantial gainful employment in any capacity. Effective June 2010, benefits to LEOFF Plan 2 members who are catastrophically disabled include payment of eligible health care insurance premiums.

Members of LEOFF Plan 2 who leave service because of line of duty disability are allowed to withdraw 150 percent of accumulated member contributions. This withdrawal benefit is not subject to federal income tax. Alternatively, members of LEOFF Plan 2 who leave service because of a line of duty disability may be eligible to receive a retirement benefit of at least 10 percent of FAS and 2 percent per year of service beyond five years. The first 10 percent of the FAS is not subject to federal income tax.

LEOFF Plan 2 retirees may return to work in an eligible position covered by another retirement system, choose membership in that system and suspend their pension benefits, or not choose membership and continue receiving pension benefits without interruption.

LEOFF Plan 2 members who apply for retirement may purchase up to five years of additional service credit. The cost of this credit is the actuarial equivalent of the resulting increase in the member's benefit.

LEOFF Plan 2 members can receive service credit for military service that interrupts employment. Additionally, LEOFF Plan 2 members who become totally incapacitated for continued employment while serving in the uniformed services, or a surviving spouse or eligible child(ren), may request interruptive military service credit.

LEOFF Plan 2 members may also purchase up to 24 consecutive months of service credit for each period of temporary duty disability.

Beneficiaries of a LEOFF Plan 2 member who is killed in the course of employment receive retirement benefits without actuarial reduction, if found eligible by the Director of the Department of Labor and Industries. Benefits to eligible surviving spouses and dependent children of LEOFF Plan 2 members killed in the course of employment include the payment of on-going health care insurance premiums paid to the Washington state Health Care Authority.

A one-time duty-related death benefit is provided to the estate (or duly designated nominee) of a LEOFF Plan 2 member who dies as result of injuries or illness sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of the member's covered employment, if found eligible by the Department of Labor and Industries.

Legislation passed in 2009 provides to the Washington-state-registered domestic partners of LEOFF Plan 2 members the same treatment as married spouses, to the extent that the treatment is no in conflict with federal laws.

There are 373 participating employers in LEOFF. Membership in LEOFF consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2011:

Retirees and beneficiaries receiving benefits	9,947
Terminated plan members entitled to but not yet receiving benefits	656
Active plan members vested	13,942
Active plan members non-vested	3,113
<b>Total</b>	<b>27,658</b>

### Funding Policy

Employer and employee contribution rates are developed by the Office of the State Actuary to fully fund the plan. Starting on July 1, 2000, LEOFF Plan 1 employers and employees contribute zero percent as long as the plan remains fully funded. Plan 2 employers and employees are required to pay at the level adopted by LEOFF Plan 2 Retirement Board.

The Legislature, by means of a special funding arrangement, appropriated money from the state General Fund to supplement the current service liability and fund the prior service costs of LEOFF Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. However, this special funding situation is not mandated by the state constitution and this funding requirement could be returned to the employers by a change of statute. For DRS' fiscal year 2012, the state contributed \$52.8 million to LEOFF Plan 2.

The methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.26 and 41.45 RCW.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2012, are as follows:

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

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

\*\*The employer rate for ports and universities is 8.62%

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

	<b>LEOFF Plan 1</b>	<b>LEOFF Plan 2</b>
2012	\$ 545	\$ 549,928
2011	\$ 758	\$ 555,170
2010	\$ 736	\$ 547,704

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

#### Plan Description

PSERS was created by the 2004 Legislature and became effective July 1, 2006. PSERS retirement benefit provisions have been established by Chapter 41.37 RCW and may be amended only by the State Legislature.

PSERS is a cost-sharing multiple-employer retirement system comprised of a single defined benefit plan, PSERS Plan 2.

PSERS membership includes:



- Full-time employees hired by a covered employer on or 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
- Full-time employees, hired on or after July 1, 2006 by a covered employer, that meet at least one of the PSERS eligibility criteria.

A *covered employer* is one that participates in PSERS. Covered employers include the following:

- State of Washington agencies: Department of Corrections, Department of Natural Resources, Parks and Recreation Commission, Gambling Commission, Washington State Patrol, and Liquor Control Board;
- Washington State counties;
- Washington State cities except for Seattle, Tacoma and Spokane; and
- Correctional entities formed by PSERS employers under the Interlocal Cooperation Act.

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

- Have completed a certified criminal justice training course with authority to arrest, conduct criminal 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 Washington peace officer, as defined in RCW 10.93.020; or
- Have primary responsibility to supervise eligible members who meet the above criteria.

PSERS retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to the plan accrue interest at a rate specified by the Director of DRS. During DRS' fiscal year 2012, the rate was five and one-half percent compounded quarterly. Members in PSERS Plan 2 can elect to withdraw total employee contributions and interest thereon upon separation from PSERS-covered employment.

PSERS Plan 2 members are vested after completion of five years of eligible service.

PSERS members may retire with a monthly benefit of 2 percent of the average final compensation (AFC) at the age of 65 with five years of service, or at the age of 60 with at least 10 years of PSERS service credit, or at age 53 with 20 years of service. The AFC is the monthly average of the member's 60 consecutive highest-paid service credit months. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

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 3 percent per year reduction for each year between the age at retirement and age 60 applies.

PSERS Plan 2 provides disability benefits. There is no minimum amount of service credit required for eligibility. The benefit is 2 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, and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

PSERS Plan 2 members can receive service credit for military service that interrupts employment. Additionally, PSERS members who become totally incapacitated for continued employment while serving in the uniformed services, or a surviving spouse or eligible child(ren), may request interruptive military service credit.

PSERS members may also purchase up to 24 consecutive months of service credit for each period of temporary duty disability.

Beneficiaries of a PSERS Plan 2 member with ten years of service who is killed in the course of employment, receive retirement benefits without actuarial reduction. This provision applies to any member killed in the course of employment, if found eligible by the Director of the Department of Labor and Industries.

A one-time duty-related death benefit is provided to the estate (or duly designated nominee) of a PSERS member who dies as a result of injuries or illness sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of the member's covered employment, if found eligible by the Department of Labor and Industries.

There are 76 participating employers in PSERS. Membership in PSERS consisted of the following as of the latest actuarial valuation date for the plan of June 30, 2011:

Retirees and beneficiaries receiving benefits	15
Terminated plan members entitled to but not yet receiving benefits	1
Active plan members vested	167
Active plan members non-vested	4,020
<b>Total</b>	<b>4,203</b>

#### Funding Policy

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

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2012, are as follows:

	<b>PSERS Plan 2</b>
Employer*	8.87%
Employee	6.36%

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

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

	<b>PSERS Plan 2</b>
2012	\$ 10,667
2011	\$ 9,864
2010	\$ 9,111

## **9. 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 2012 insurance coverage and risk retention:

<u>Risk</u>	<u>Coverage Limit Per Occurrence</u>	<u>Self-Insured Retention</u>	<u>Insurer</u>
Excess liability	\$5,000,000	\$250,000	Ironshore Specialty Insurance Company
Excess workers' compensation	Statutory	450,000	Safety National Casualty Corporation
Blanket property	100,000,000	100,000	Affiliated FM Insurance Company
Employee blanket bond	1,000,000	25,000	Great American Insurance Company
Pollution legal liability	1,000,000	100,000	Indian Harbor Insurance Company

The risk manager and claims administrators establish reserves for open claims on a case by case basis, after an assessment of each claim's settlement value. Actuarial techniques are used to estimate the long-term liability of the fund for both reported and unreported losses. As of December 31, 2012, the Risk Management Fund had cash and investment reserves of \$2,071,231. In September 2010 the City cash-funded a long term workers' compensation pension with the Department of Labor & Industries in the amount of \$468,669. 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 \$451,818. Cash balances adequate to pay currently

due claims have been available in the fund since its inception in 1986. In the last three years, no settlement has exceeded the limit of liability on applicable insurance policies. The expected annual level of incurred claims is approximately \$440,367.

The following table shows the actual claims activity for 2011 and 2012:

	2011	2012
Claims liability - beginning of year	\$ 1,669,403	\$ 1,759,683
Claims incurred	1,304,200	409,438
Estimate change prior years	(877,318)	(903,812)
Payment on claims	<u>(336,602)</u>	<u>(373,125)</u>
Claims liability - end of year	<u>\$ 1,759,683</u>	<u>\$ 892,184</u>

## 10. Long-term Debt

### A. Long Term Debt

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

General obligation bonds currently outstanding are as follows:

	Maturity Date	Interest Rate	Outstanding 12/31/2012
2009 LTGO Refunding	12/31/28	3.0 / 4.5	5,058,000
2010 LTGO BABS	09/01/35	3.61	6,555,000
2010 UTGO Refunding	12/01/27	3.07	9,775,000
2010 LTGO (B) BABS	12/01/30	3.42	2,220,000
2011 LTGO BAN	07/29/13	Variable	8,910,000
2011 Promissory Note - Kitsap County	05/16/14	0	35,000
2012 LTGO Refunding - Govt Center	12/31/21	4.00	5,215,000
Total General Obligation Bonds and Notes			<u>\$ 37,768,000</u>

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
2013	\$ 9,870,000	\$ 992,375	\$ 105,000	\$ 177,030
2014	1,070,000	904,392	200,000	198,120
2015	1,055,000	881,386	220,000	190,120
2016	1,095,000	853,080	245,000	203,985
2017	1,110,000	822,630	270,000	192,960
2018-2022	6,025,000	3,545,842	1,587,000	767,520
2023-2027	7,120,000	2,274,908	1,980,000	376,650
2028-2032	3,560,000	974,887	451,000	20,295
2033-2035	<u>1,805,000</u>	<u>176,745</u>		
Total	\$ 32,710,000	\$ 11,426,245	\$ 5,058,000	\$ 2,126,680

Revenue bonds and loans currently outstanding are as follows:

	Maturity Date	Interest Rate	Outstanding 12/31/2012
1994 PWTF Loan - Warren Ave CSO	07/01/14	1.0 \$	319,212
1995 PWTF Loan WWTP improvements	07/01/15	1.0	555,702
1996 PWTF Loan Callow Ave CSO I	07/01/16	1.0	605,781
1997 PWTF Loan Callow Ave CSO II	07/01/17	1.0	176,260
1998 PWTF Loan SR 303 water main	07/01/18	1.0	994,737
1999 PWTF Loan Tracyton water sys ph2	07/01/19	2.0	69,352
1999 PWTF Loan CSO design	07/01/20	1.0	341,548
2000 PWTF Loan Multi-Basin CSO	07/01/20	1.0	1,194,607
2000 PWTF Loan Callow CSO 3-5	07/01/20	1.0	1,787,437
2001 PWTF Loan East Bremerton CSO	07/01/21	0.5	1,425,000
2003 PWTF Loan Anderson Cove Basin 12	07/01/23	0.5	317,339
2003 PWTF Loan Naval Avenue	07/01/23	4.0	144,738
2004 PWTF Loan Brentwood storm drain red	07/01/24	4.0	118,371
2004 PWTF Loan Pacific Ave Basin CSO	07/01/24	0.5	839,728
2006 PWTF Loan WWTP upgrade	07/01/25	0.5	138,743
2007 PWTF Anderson Cove sewer PS CW1	07/01/27	0.5	532,895
2007 PWTF WWTP upgrades	07/01/27	0.5	2,444,406
1994 CCWF Loan Callow Ave CSO design	05/01/17	0.0	167,717
1997 CCWF Loan Callow Ave CSO I	07/31/18	4.8	1,081,777
1998 DWSRF Loan corrosion control facility	10/01/18	4.0	330,100
2009 DWSRF UV Treatment Upgrade (ARRA)	10/1/17	0.0	49,683
2001 DWSRF Loan Tracyton WD upgrade	10/01/21	2.5	1,256,241
2002 DWSRF Loan Eastside flow & pressure	10/1/22	2.5	610,202
2002 DWSRF Loan Casad Dam seismic upgrade	10/1/22	2.5	392,758
2003 DWSRF Loan Casad Dam intake tower	10/01/23	1.5	48,410
2003 DWSRF Loan Pump Station 4 upgrade	10/01/23	1.5	633,723
2004 DWSRF Loan Anderson Creek	10/01/24	1.5	64,582
2004 DWSRF Loan seismic upgrades	10/01/24	1.5	339,579
1999 WPCRf Loan CSO plan update	12/31/22	1.5	138,203
1999 WPCRf Loan Anderson Cove CSO	02/27/21	1.5	452,883
1999 WPCRf Loan Callow Ave CSO final	12/31/22	1.5	319,618
2002 WPCRf Loan Anderson CV CSO red	1/23/22	1.5	335,125
2002 WPCRf Loan Cherry/Trenton CSO red	10/15/24	1.5	666,164
2002 WPCRf Loan Trenton pump station	10/15/24	1.5	665,734
2002 WPCRf Loan Tracyton Beach CSO	12/31/25	1.5	402,441
2002 WPCRf Loan Anderson Cove Basin 12	12/31/26	1.5	190,511
2003 WPCRf Pacific Ave CSO red-sep	6/30/24	1.5	209,331
2003 WPCRf Loan Pacific Ave CSO reduction	12/31/27	1.5	834,979
2004 WPCRf Loan Cherry/Trenton CSO red-1	12/31/26	1.5	822,484
2007 WPCRf WWTP upgrade	1/1/29	2.6	549,113
2009 WPCRf Gorst Sewerage Constuction	12/31/30	1.4	561,095
2009 WPCRf Gorst Septic System Design	12/31/30	2.9	107,662
2009 WPCRf Gorst Sewerage Design	12/31/30	1.4	540,533
2007 W/S Refunding Revenue bond	12/01/21	4.3	3,575,000
Total revenue bonds and loans		\$	27,351,504

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

Year Ending December 31	Governmental Activities		Business Activities	
	Principal	Interest	Principal	Interest
2013	\$ -	\$ -	\$ 3,050,562	\$ 495,966
2014	-	-	3,075,667	426,867
2015	-	-	2,946,662	385,043
2016	-	-	2,752,546	329,556
2017	-	-	2,601,701	276,454
2018-2022	-	-	9,689,046	669,794
2023-2027	-	-	2,894,392	112,335
2028-2030	-	-	340,928	9,011
Total	\$ -	\$ -	\$ 27,351,504	\$ 2,705,026

On February 20, 2003, the City issued \$10,865,000 principal amount of Weekly Rate Demand Revenue Bonds, 2003, (Kitsap Regional Conference Center Parking Garage). Those bonds were secured by a letter of credit from Bank of America (the "Bank") that initially expired on February 10, 2006, and was extended. The current letter of credit expired on August 10, 2011. On August 1, 2011 the letter of credit facility was replaced by issuance of a \$9,675,000 limited tax general obligation bond anticipation note due on August 1, 2013. On May 23, 2013, the City refunded this bond anticipation note (see Note 19 Subsequent Events).

The interest rate on the 2011 BAN is based on the BBA LIBOR Daily Floating Rate and is computed on the principal amount outstanding on the basis of a 360 day year and the actual days elapsed. The effective rate at December 31, 2012 was 1.1378%.

In 2009 the City was awarded a \$ 6,272,523 Drinking Water Assistance loan, funded through the American Recovery and Reinvestment Act of 2009 for the design and construction of a UV Treatment and Chlorine disinfection Facility. Terms of the loan provide that at project completion, the lesser of the loan amount less the loan fee or the actual eligible costs less the loan fee will be forgiven. The project was completed in 2012 and the loan amount of \$6,210,419 was forgiven.

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

At December 31, 2012, the city has \$240,173 available in debt service funds to service the general bonded debt. Restricted assets in proprietary funds contain \$1,428,425 in sinking funds and reserves as required by bond indentures.

## B. Refunded Debt

The City issued \$5,215,000 of general obligation refunding bonds to provide resources to purchase U.S. Government and state and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments on \$5,395,000 of refunded debt. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net position. This advance refunding was undertaken to reduce total debt service payments over the next twenty two years by \$1,689,887 and resulted in an economic gain of \$963,804.

## 11. Changes in Long Term Liabilities

During the year ended December 31, 2012, the following changes occurred in long-term liabilities:

	Beginning Balance 1/1/2012	Additions	Reductions	Ending Balance 12/31/2012	Due Within One Year
<b>Governmental Activities:</b>					
Bonds payable:					
General obligation bonds	\$ 34,300,000	\$ 5,215,000	\$ 6,840,000	\$ 32,675,000	\$ 9,870,000
Notes Payable	48,239	-	13,239	35,000	-
Add unamortized premiums	338,513	122,033	28,421	432,125	26,502
Less deferred refunding expense	(1,013,192)	(258,813)	(77,322)	(1,194,683)	(74,859)
Total bonds payable:	33,673,560	5,078,220	6,804,338	31,947,442	9,821,643
Claims and judgments	1,759,683	409,438	1,276,937	892,184	440,367
Compensated absences	2,168,174	2,172,368	1,963,410	2,377,132	-
Governmental activity long-term liabilities:	\$ 37,601,417	\$ 7,660,026	\$ 10,044,685	\$ 35,216,758	\$ 10,262,010
<b>Business-type Activities:</b>					
Bonds payable:					
General obligation bonds	\$ 5,163,000	\$ -	\$ 105,000	\$ 5,058,000	\$ 105,000
Revenue bonds	3,925,000	-	350,000	3,575,000	365,000
Less deferred refunding expense	(229,548)	-	(25,505)	(204,043)	(25,505)
Total bonds payable:	8,858,452	-	429,495	8,428,957	444,495
Intergovernmental loans	32,172,546	503,004	8,899,046	23,776,504	2,685,561
Compensated Absences	555,539	311,840	403,030	464,349	29,548
Business-type activity long-term liabilities:	\$ 41,586,537	\$ 814,844	\$ 9,731,571	\$ 32,669,810	\$ 3,159,604

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 \$892,184 of Risk Management claims and judgments and \$60,508 of compensated absences are included in the above governmental activities amounts. Also, for the governmental activities, compensated absences are generally liquidated by the general fund and claims and judgments by the Risk Management internal service fund.

## 12. Contingencies and Litigation

As of December 31, 2012, 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 10, Long-Term Debt, the City is contingently liable for repayment of refunded debt.

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

### 13. Restricted Net Position

The government-wide statement of net position reports \$5,817,894 of restricted net position, all of which is restricted by enabling legislation and external contractual commitments.

### 14. Interfund Balances and Transfers

#### A. Interfund Balances

Interfund balances at December 31, 2012 were as follows:

	Due From								
	General Fund	Other Govt	Water	Waste-Water	Golf	Other Proprietary	Internal Service	Fiduciary	Total
General Fund	\$ -	\$ 80,141	\$ 102,202	\$ 317,195	\$ 7,846	\$ 48,062	\$ 1,076	\$ -	\$ 556,522
Other governmental funds	-	9,771	-	-	-	41,483	18,000	-	69,254
Water	37,473	315	-	10,001	-	5,255	-	-	53,044
Wastewater	27,950	-	538	-	-	2,419	-	-	30,907
Golf	-	-	-	-	-	-	820	-	820
Other proprietary funds	38,025	8,535	489	-	-	-	-	-	47,049
Fiduciary funds	-	2	-	-	-	-	-	-	2
Internal Service	25,025	1,415	3,717	3,111	-	1,005	8,050	-	42,323
Total	\$ 128,473	\$ 100,179	\$ 106,946	\$ 330,307	\$ 7,846	\$ 98,224	\$ 27,946	\$ -	\$ 799,921

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 2013. Interfund loans are approved by City Council Resolution and include a repayment date. The following schedule is a summary of loans outstanding at year end including the year of final payment.

			Loaned To			
Loaned From	Purpose	Yr of final Payment	General Fund	Other Govt	Golf Course	Total
Water	Park Land	2025	\$ 163,781	\$ -	\$ -	163,781
Internal service	Equipment purchase	2016	-	-	261,000	261,000
General	Arterial Street	2013	-	499,193	-	499,193
General	Evergreen Remediation	2013	-	37,836	-	37,836
Total			\$ 163,781	\$ 537,029	\$ 261,000	\$ 961,810

#### B. Interfund Transfers

Interfund transfers at December 31, 2012 were as follows:

	Transfer From					
	General Fund	Other Govt	Water	Waste-Water	Other Proprietary	Total
General Fund	\$ -	\$ 415,000	\$ 1,310,542	\$ 2,699,404	\$ 107,568	\$ 4,532,514
Other governmental funds	840,000	357,317	-	-	344,859	1,542,176
Total	\$ 840,000	\$ 772,317	\$ 1,310,542	\$ 2,699,404	\$ 452,427	\$ 6,074,690

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 during 2012.

## 15. Receivable and Payable Balances

### A. Receivables

Receivables at December 31, 2012 were as follows:

	Accounts	Taxes	Special Assessments	Notes Contracts	Other	Total
<b>Governmental Activities:</b>						
General Fund	\$ 1,529,684	\$ 2,231,103	\$ -	\$ 15,437	\$ -	\$ 3,776,224
Non-major and other funds	437,605	322,564	-	980,295	-	1,740,464
Reconciliation of balances in fund financial statements to government-wide financial statements	-	-	-	-	4,186	4,186
Total governmental activities	\$ 1,967,289	\$ 2,553,667	\$ -	\$ 995,732	\$ 4,186	\$ 5,520,874
<b>Business-Type Activities:</b>						
Water	\$ 1,391,172	-	310,544	560,822	\$ 2,247	\$ 2,264,785
Golf	-	-	-	1,252	132	1,384
Wastewater	2,473,570	125	-	-	2,639	2,476,334
Other Proprietary Funds	801,016	-	-	-	870	801,886
Reconciliation of balances in fund financial statements to government-wide financial statements			-		2,444	2,444
Total business-type activities	\$ 4,665,758	\$ 125	\$ 310,544	\$ 562,074	\$ 8,332	\$ 5,546,833

### B. Payables

Accounts Payable and other accrued liabilities at December 31, 2012 were as follows:

	Vendors	Retainage	Due to Other Governments	Other	Total
<b>Governmental Activities:</b>					
General Fund	\$ 627,675	\$ 1,416	\$ 30,980	\$ 25,303	\$ 685,374
Non-major and other funds	905,827	131,540	67	205,000	1,242,434
Reconciliation of balances in fund financial statements to government-wide financial statements	95,269	-	-	\$ 238,578	333,847
Total governmental activities	\$ 1,628,771	\$ 132,956	\$ 31,047	\$ 468,881	\$ 2,261,655



	Vendors	Retainage	Due to Other Governments	Other	Total
<b>Business-Type Activities:</b>					
Water	\$ 293,450	\$ -	\$ -	\$ 97,138	\$ 390,588
Golf	50,543	-	-	-	50,543
Wastewater	226,680	-	-	95,890	322,570
Other Proprietary funds	292,909	9,862	-	2,367	305,138
Reconciliation of balances in fund financial statements to government-wide financial statements	123,817	-	-	-	123,817
Total business-type activities	\$ 987,399	\$ 9,862	\$ -	\$ 195,395	\$ 1,192,656

## 16. Post Employment Benefits other than Pension

Statement No. 45 of the Governmental Accounting Standards Board, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, establishes standards for reporting of post employment benefits other than pensions for financial statement for periods beginning after December 15, 2007.

### Plan Description

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

### Funding Policy

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

### Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefit (OPEB) cost is calculated based upon the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period of fifteen years as of January 1, 2012. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB. The net OPEB obligation of (\$382,547) is included as a noncurrent asset on the Statement of Net Position.

	Fiscal Year Ending 12/31/12
<b>Determination of Annual Required Contribution:</b>	
Amortization of UAAL*	1,492,940
Interest on Amortization Payment	(11,498)
Annual Required Contribution (ARC)	\$ 1,481,442

**Determination of NET OPEB Obligation:**

Annual Required Contribution	\$ 1,481,442
Adjustment to ARC	33,727
Annual OPEB Cost	<u>\$ 1,515,169</u>
Contributions	<u>(1,483,000)</u>
Change in Net OPEB Obligations	\$ 32,169
Net OPEB Obligations - beginning of year	\$ (414,716)
Net OPEB Obligations - end of year	<u>\$ (382,547)</u>

\* Unfunded Actuarial Accrued Liability (UAAL)

The City's OPEB cost, the percentage OPEB cost contributed to the plan and the net OPEB Assets for 2012 and the preceding three years, was as follows:

<b>Fiscal year Ended</b>	<b>Annual OPEB Cost</b>	<b>Contribution as a Percentage of OPEB Cost</b>	<b>Net OPEB Obligation</b>
12/31/2010	\$ 1,366,185	105.61%	\$ (357,107)
12/31/2011	\$ 1,366,185	104.22%	\$ (414,716)
12/31/2012	\$ 1,515,169	78.15%	\$ (382,547)

**Funded Status and Funding Progress**

As of December 31, 2011, the most recent actuarial valuation date, the plan was 0% funded. The accrued liability for benefits was \$17,942,584 and the actuarial value of the assets was \$0 resulting in a UAAL of \$17,942,584.

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

**Actuarial Methods and Assumptions**

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

In the December 31, 2011 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions used included a 3.0% discount rate, which is based upon the long-term investment yield on the investments that are expected to be used to finance payment of benefits. A medical inflation rate of 10% graded to 5% over six years was used along with a long term care inflation rate of 3.0%.

The UAAL is being amortized on an open amortization level dollar amount over 15 years. The remaining amortization period at December 31, 2012 was 14 years.

**17. Segment Information**

The City operates a utility system providing water, wastewater and stormwater management services to the citizens of Bremerton and a portion of Kitsap County outside city boundaries. Operations are financed by user fees imposed on customers of each utility. The City has issued revenue bonds to finance improvements to its sewer system. While the operations of each utility are accounted for in separate funds, the repayment of the revenue bonds relies on the combined

revenues of all three utilities. In addition, the City operates a public golf course whose operations are funded entirely through user fees. With the exception of the combined utility, there are no revenue bonds issued or other revenue-backed debt outstanding for which full, detailed segment data is not provided in the proprietary fund financial statements.

The key financial data for the year ended December 31, 2012 for the combined utility operations are as follows:

#### **Condensed Statement of Net Assets**

##### **Assets**

Current assets	\$ 21,303,837
Restricted assets	525,467
Capital assets	160,456,514
Other assets	490,992
Total assets	<u>182,776,810</u>

##### **Liabilities**

Current liabilities	4,895,560
Long-term liabilities	24,735,745
Total liabilities	<u>29,631,305</u>

##### **Net Assets**

Restricted for debt service	1,493,512
Restricted for capital replacement	123,457
Unrestricted	18,423,527
Invested in capital assets net of related debt	133,105,009
Total net assets	<u><u>\$ 153,145,505</u></u>

#### **Condensed Statement of Revenues, Expenses and Changes in Net Assets**

Total operating revenues	\$ 24,804,870
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##### **Operating Expenditures:**

Operations & maintenance	15,003,247
Depreciation/amortization/depletion	5,111,954
Total operating expenses	<u>20,115,201</u>

Operating income(loss)	4,689,669
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##### **Non-Operating Revenues/Expenses**

Interest revenue/expense (net)	(365,180)
Other (net)	424,895
Total non-operating revenues/expenses	<u>59,715</u>

Capital contributions	9,253,974
Transfers	(4,462,373)

Change in net assets	9,540,985
Beginning net assets	143,813,603
Prior period adjustment	(209,083)
Ending net assets	<u><u>\$ 153,145,505</u></u>

Net cash provided By:

(a) Operating activities	\$ 9,601,115
(b) Noncapital financing activities	(4,033,220)
(c) Capital and related financing activities	(7,746,380)
(d) Investing activities	628,181
Beginning cash and investment balance	3,471,398
Ending cash and investment balance	<u>\$ 1,921,094</u>

## 18. Prior Period Adjustment

In 2008 the City entered into a professional services agreement for the design of 27 separate water main improvements, totaling over 23,000 feet of water mains. Construction for these projects was not funded in subsequent capital improvement budgets. With no foreseeable future plans to fund these projects, a prior period adjustment in the amount of \$209,082 was posted in 2012 to remove the design costs from Work in Progress.

## 19. Accounting and Reporting Changes

The 2012 financial statements are presented in accordance with the following new GASB Statements:

- 60 – Service Concession Arrangements – not applicable at this time
- 62 – Codification of AICPA and FASB Pronouncements
- 63 – Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position
- 64 – Derivative Instruments – not applicable at this time

## 20. Subsequent Events

On May 23, 2013, the City issued \$8,965,000 in limited tax general obligation bonds (non-taxable) to refund the City's outstanding limited tax general obligation note, 2011, in the amount of \$8,910,000 maturing on July 29, 2013 associated with the City's parking system. Moody's Investor Services affirmed the City's bond rating of A1 for the 2013 limited tax general obligation refunding bonds (non-taxable).

Also on May 23, 2013, the City issued \$5,200,000 in limited tax general obligation bonds (taxable) to refund the City's outstanding limited tax general obligation bonds, 2009, in the amount of \$5,058,000 maturing on December 1 of the years 2013 through 2028, inclusive. These bonds are associated with the City's Gold Mountain Golf Complex. The 2009 Bond was held in the City's investment portfolio and may be prepaid at any time. The 2013 Bonds were issued so the City can obtain the benefit of savings in total debt service requirements. Moody's Investor Services affirmed the City's bond rating of A1 for the 2013 limited tax general obligation refunding bonds (taxable).

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

Fiscal Year Ended	Actuarial Value of Assets	Actuarial Accrued Liability Unit Cost	Unfunded Actuarial Accrued Liabilities (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2008	\$	- \$	16,191,238 \$	0.0%	\$ 673,125	2405.38%
12/31/2009	\$	- \$	21,632,822 \$	0.0%	\$ 461,567	4686.82%
12/31/2011	\$	- \$	17,942,584 \$	0.0%	\$ 341,195	5300.00%

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**Combining Balance Sheet  
NonMajor Governmental Funds  
December 31, 2012**

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	Special Revenue									
	Arterial Street	Street	Lodging Tax	Parking System	Community Block Grant	Abatement Revolving	Police Special Projects	BKAT	Gift & Donation	
<b>Assets</b>										
Cash & Cash Equivalents	\$ -	\$ 112,744	\$ 56,311	\$ 87,737	\$ 187,229	\$ 106,023	\$ 339,008	\$ 92,279	\$ 36,211	
Investments	-	151,220	75,528	117,680	-	142,206	454,705	123,772	48,570	
Receivables	-	170,362	29,178	411,310	-	-	-	-	-	
Due from other funds	-	60,116	-	-	-	-	-	-	-	
Due from other governments	1,780,201	-	-	-	115,498	-	-	-	-	
Notes/contracts - deferred	-	-	-	-	850,295	-	-	130,000	-	
Total assets	\$ 1,780,201	\$ 494,442	\$ 161,017	\$ 616,727	\$ 1,153,022	\$ 248,229	\$ 793,713	\$ 346,051	\$ 84,781	
<b>Liabilities and Fund Balances</b>										
<b>Liabilities:</b>										
Accounts/contracts payable	\$ 658,344	\$ 56,289	\$ 10,803	\$ 49,524	\$ 47,096	\$ -	\$ 3,188	\$ 1,121	\$ -	
Due to other funds	499,229	1,481	15,000	16,237	71	-	-	144	5,247	
Due to other governments	4	46	-	17	-	-	-	-	-	
Employee wages payable	936	39,295	-	-	3,675	-	-	7,304	-	
Other current liabilities	195,000	10,000	-	-	-	-	-	-	-	
Deferred revenues	-	-	-	332,115	850,295	-	-	130,000	-	
Total liabilities	1,353,513	107,111	25,803	397,893	901,137	-	3,188	138,569	5,247	
<b>Fund balances:</b>										
Restricted	426,688	-	111,728	218,834	251,885	-	790,525	24,776	-	
Committed	-	-	-	-	-	-	-	182,706	79,534	
Assigned	-	387,331	23,486	-	-	248,229	-	-	-	
Total fund balances	426,688	387,331	135,214	218,834	251,885	248,229	790,525	207,482	79,534	
Total liabilities and fund balance	\$ 1,780,201	\$ 494,442	\$ 161,017	\$ 616,727	\$ 1,153,022	\$ 248,229	\$ 793,713	\$ 346,051	\$ 84,781	

**Combining Balance Sheet  
NonMajor Governmental Funds  
December 31, 2012**

	Special Revenue				Debt Service				
	Trial Improvement	One Percent for Art	Transportation Benefits District	Special Revenue Total	Bond Fund	2010 LTGO	2010 UTGO/ LTGO (B)	2012 Government Center LTGO	Debt Service Total
<b>Assets</b>									
Cash & Cash Equivalents	\$ 20,244	\$ 22,101	\$ 160,736	\$ 1,220,623	\$ 11,012	\$ 56,356	\$ 18,110	\$ 1,415	\$ 86,893
Investments	27,153	29,643	-	1,170,477	14,769	75,589	24,290	1,898	116,546
Receivables	-	-	28,551	639,401	13,912	31,094	26,745	-	71,751
Due from other funds	-	-	-	60,116	-	-	-	-	-
Due from other governments	-	-	-	1,895,699	-	-	-	-	-
Notes/contracts - deferred	-	-	-	980,295	-	-	-	-	-
Total assets	\$ 47,397	\$ 51,744	\$ 189,287	\$ 5,966,611	\$ 39,693	\$ 163,039	\$ 69,145	\$ 3,313	\$ 275,190
<b>Liabilities and Fund Balances</b>									
<b>Liabilities:</b>									
Accounts/contracts payable	\$ -	\$ -	\$ -	\$ 826,365	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	60	537,469	-	-	-	-	-
Due to other governments	-	-	-	67	-	-	-	-	-
Employee wages payable	-	-	-	51,210	-	-	-	-	-
Other current liabilities	-	-	-	205,000	-	-	-	-	-
Deferred revenues	-	-	-	1,312,410	10,809	-	24,208	-	35,017
Total liabilities	-	-	60	2,932,521	10,809	-	24,208	-	35,017
<b>Fund balances:</b>									
Restricted	43,174	-	189,227	2,056,837	800	-	2,010	-	2,810
Committed	-	51,744	-	313,984	-	-	-	-	-
Assigned	4,223	-	-	663,269	28,084	163,039	42,927	3,313	237,363
Total fund balances	47,397	51,744	189,227	3,034,090	28,884	163,039	44,937	3,313	240,173
Total liabilities and fund balance	\$ 47,397	\$ 51,744	\$ 189,287	\$ 5,966,611	\$ 39,693	\$ 163,039	\$ 69,145	\$ 3,313	\$ 275,190



**Combining Balance Sheet  
NonMajor Governmental Funds  
December 31, 2012**

Page 3 of 3

	Capital Projects										Total Nonmajor Governmental Funds
	Harborside Plaza	Park Plaza	Park Plaza	Park Phase II	General Govt	Parks Construction	Evergreen Remediation	Lower Wheaton Way	Capital Projects Total		
<b>Assets</b>											
Cash & Cash Equivalents	\$ -	\$ 28,772	\$ -	\$ 27,858	\$ 89,593	\$ 78,641	\$ -	\$ 148,381	\$ 373,245	\$	1,680,761
Investments	-	38,593	-	37,364	120,171	105,479	-	199,021	500,628		1,787,651
Receivables	-	-	-	-	49,017	-	-	-	49,017		760,169
Due from other funds	-	4,138	-	-	-	5,000	-	-	9,138		69,254
Due from other governments	-	-	-	134,978	-	606,535	41,233	-	782,746		2,678,445
Notes/contracts - deferred	-	-	-	-	-	-	-	-	-		980,295
Total assets	\$ -	\$ 71,503	\$ 200,200	\$ 258,781	\$ 795,655	\$ 41,233	\$ 41,233	\$ 347,402	\$ 1,714,774	\$	7,956,575
<b>Liabilities and Fund Balances</b>											
<b>Liabilities:</b>											
Accounts/contracts payable	\$ -	\$ -	\$ 88,072	\$ -	\$ 121,573	\$ 1,357	\$ 1,357	\$ -	211,002	\$	1,037,367
Due to other funds	-	-	4,138	-	57,765	37,836	-	-	99,739		637,208
Due to other governments	-	-	-	-	-	-	-	-	-		67
Employee wages payable	-	-	-	-	-	-	-	-	-		51,210
Other current liabilities	-	-	-	-	-	-	-	-	-		205,000
Deferred revenues	-	-	-	-	-	-	-	-	-		1,347,427
Total liabilities	-	-	92,210	-	179,338	39,193	39,193	-	310,741		3,278,279
<b>Fund balances:</b>											
Restricted	-	-	107,990	230,444	51,647	2,040	2,040	334,824	726,945		2,786,592
Committed	-	-	-	-	-	-	-	-	-		313,984
Assigned	-	71,503	-	28,337	564,670	-	-	12,578	677,088		1,577,720
Total fund balances	-	71,503	107,990	258,781	616,317	2,040	2,040	347,402	1,404,033		4,678,296
Total liabilities and fund balance	\$ -	\$ 71,503	\$ 200,200	\$ 258,781	\$ 795,655	\$ 41,233	\$ 41,233	\$ 347,402	\$ 1,714,774	\$	7,956,575

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**NonMajor Governmental Funds**  
**For the Year Ended December 31, 2012**

Page 1 of 3

	Special Revenue									
	Arterial Street	Street	Lodging Tax	Parking System	Community Block Grant	Abatement Revolving	Police Special Projects	BKAT	Gift & Donation	Trial Improvement
<b>Revenues</b>										
Taxes										
Property	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales	-	-	417,131	-	-	-	-	-	-	-
Business	-	476,499	-	-	-	-	-	165	-	-
Other	-	-	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	265,833	-	-
Intergovernmental	1,807,868	799,655	-	-	527,826	-	-	17,000	-	22,632
Charges for services	(4,917)	103,135	-	-	29,723	16,932	-	99,723	1,090	-
Fines and forfeits	-	-	-	-	-	-	-	-	-	-
Miscellaneous	3,455	11,005	1,321	256,118	-	2,413	21,476	-	-	-
Total revenues	1,806,406	1,390,294	418,452	1,136,138	563,359	19,345	83,831	385,023	21,359	23,096
<b>Expenditures</b>										
Current										
General government	-	183,691	-	-	-	-	-	-	6,975	15,000
Public safety	-	6,260	-	-	-	-	264,144	-	595	-
Transportation	544	1,787,630	-	688,024	-	-	-	-	-	-
Economic environment	-	-	43,000	-	682,711	4,029	-	-	-	-
Culture and recreation	-	54,297	172,000	-	-	-	-	273,609	-	-
Debt service:										
Principal	-	-	-	395,000	-	-	-	-	-	-
Interest and other debt issue costs	-	-	-	109,594	-	-	-	-	-	-
Capital Outlay	-	3,929	-	-	-	-	-	-	-	-
Total expenditures	1,900,405	2,035,807	215,000	1,192,618	682,711	4,029	264,144	273,609	7,570	15,000
Excess (deficiency) of revenues over expenditures	(94,543)	(645,513)	203,452	(56,480)	(119,352)	15,316	(180,313)	111,414	13,789	8,096
<b>Other Financing Sources (Uses)</b>										
Proceeds of long term debt	-	-	-	-	-	-	-	-	-	-
Premiums on Bonds Sold	-	-	-	-	-	-	-	-	-	-
Payments to refunded debt escrow agent	-	-	-	-	-	-	-	-	-	-
Transfers in	-	844,859	-	-	-	-	-	-	-	-
Transfers out	-	-	(170,000)	-	(421)	-	-	(25,000)	(10,000)	-
Total other financing sources and uses	-	844,859	(170,000)	-	(421)	-	-	(25,000)	(10,000)	-
<b>Other Changes in Fund Balance</b>										
Change in reserves for inventory	-	(23,264)	-	-	-	-	-	-	-	-
Net change in fund balances	(94,543)	176,082	33,452	(56,480)	(119,773)	15,316	(180,313)	86,414	3,789	8,096
Fund balances-beginning	521,231	211,249	101,762	275,314	371,658	232,913	970,838	121,068	75,745	39,301
Fund balances-ending	\$ 426,688	\$ 387,331	\$ 135,214	\$ 218,834	\$ 251,885	\$ 248,229	\$ 790,525	\$ 207,482	\$ 79,534	\$ 47,397

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**NonMajor Governmental Funds**  
**For the Year Ended December 31, 2012**

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	Special Revenue		Debt Service					Harborside Plaza	Park Plaza
	One Percent for Art	Transportation Benefit District	Total	Bond Fund	2010 LTGO	2010 UTGO/ LTGO(B)	2012 Government Center LTGO		
<b>Revenues</b>									
Taxes									
Property	-	\$ -	-	\$ 369,761	\$ -	\$ 411,207	\$ -	\$ 780,968	-
Sales	-	-	417,131	-	339,594	-	-	339,594	-
Business	-	-	476,664	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Licenses and permits	-	-	265,833	-	-	-	-	-	-
Intergovernmental	-	-	3,174,981	-	121,270	37,674	-	158,944	-
Charges for services	-	189,168	434,854	-	-	-	-	-	-
Fines and forfeits	-	-	277,594	-	-	-	-	-	-
Miscellaneous	514	59	989,987	5,374	1,244	2,526	297,044	60	1,220
Total revenues	514	189,227	6,037,044	375,135	462,108	451,407	297,044	60	1,220
<b>Expenditures</b>									
Current									
General government	-	-	205,666	-	-	-	-	-	-
Public safety	-	-	270,999	-	-	-	-	-	-
Transportation	-	-	2,476,198	-	-	-	-	-	-
Economic environment	-	-	729,740	-	-	-	-	-	-
Culture and recreation	-	-	499,906	-	-	-	-	-	-
Debt service:									
Principal	-	-	395,000	690,000	205,000	85,000	-	-	-
Interest and other debt issue costs	-	-	109,594	28,143	346,787	436,079	79,569	-	-
Capital Outlay	-	-	1,904,334	-	-	-	-	-	281,366
Total expenditures	-	-	6,591,437	718,143	551,787	521,079	79,569	-	281,366
Excess (deficiency) of revenues over expenditures	514	189,227	(554,393)	(343,008)	(89,679)	(69,672)	217,475	60	(280,146)
<b>Other Financing Sources (Uses)</b>									
Proceeds of long term debt	-	-	-	-	-	-	5,215,000	-	-
Premiums on Bonds Sold	-	-	-	-	-	-	122,033	-	-
Payments to refunded debt escrow agent	-	-	-	-	-	-	(5,551,195)	-	-
Transfers in	-	-	844,859	225,000	50,000	72,500	-	-	200,000
Transfers out	-	-	(205,421)	-	-	-	-	(34,396)	-
Total other financing sources and uses	-	-	639,438	225,000	50,000	72,500	(214,162)	(34,396)	200,000
<b>Other Changes in Fund Balance</b>									
Change in reserves for inventory	-	-	(23,264)	-	-	-	-	-	-
Net change in fund balances	514	189,227	61,781	(118,008)	(39,679)	2,828	3,313	(34,336)	(80,146)
Fund balances-beginning	51,230	-	2,972,309	146,892	202,718	42,109	-	34,336	151,649
Fund balances-ending	\$ 51,744	\$ 189,227	\$ 3,034,090	\$ 28,884	\$ 163,039	\$ 44,937	\$ 3,313	\$ -	\$ 71,503

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**NonMajor Governmental Funds**  
**For the Year Ended December 31, 2012**

	Capital Projects					Total
	Park Plaza Phase II	General Gov't Cap Impr	Parks Construction	Evergreen Remediation Project	Lower Wheaton Way	Nonmajor Governmental Funds
<b>Revenues</b>						
Taxes						
Property	-	\$ -	-	\$ -	-	\$ 780,968
Sales	-	-	-	-	-	756,725
Business	-	-	-	-	-	476,664
Other	-	427,807	-	-	-	427,807
Licenses and permits	-	-	-	-	-	265,833
Intergovernmental	1,544,528	-	773,816	41,233	8,821	5,702,323
Charges for services	-	-	-	-	-	434,854
Fines and forfeits	-	-	-	-	-	277,594
Miscellaneous	27,595	1,752	204,379	57	3,385	1,534,623
Total revenues	1,572,123	429,559	978,195	41,290	12,206	10,657,391
<b>Expenditures</b>						
Current						
General government	-	-	-	-	-	205,666
Public safety	-	-	-	-	-	270,999
Transportation	-	-	-	-	-	2,476,198
Economic environment	-	-	-	-	-	729,740
Culture and recreation	-	-	41,666	-	-	541,572
Debt service:						
Principal	-	-	13,239	-	-	1,388,239
Interest and other debt issue costs	-	-	3,353	-	-	1,003,525
Capital Outlay	2,316,206	-	1,007,863	58,081	8,774	5,576,624
Total expenditures	2,316,206	-	1,066,121	58,081	8,774	12,192,563
Excess (deficiency) of revenues over expenditures	(744,083)	429,559	(87,926)	(16,791)	3,432	(1,535,172)
<b>Other Financing Sources (Uses)</b>						
Proceeds of long term debt	-	-	-	-	-	5,215,000
Premiums on Bonds Sold	-	-	-	-	-	122,033
Payments to refunded debt escrow agent	-	-	-	-	-	(5,551,195)
Transfers in	34,396	-	421	-	-	1,427,176
Transfers out	(200,000)	(332,500)	-	-	-	(772,317)
Total other financing sources and uses	(165,604)	(332,500)	421	-	-	440,697
<b>Other Changes in Fund Balance</b>						
Change in reserves for inventory						(23,264)
Net change in fund balances	(909,687)	97,059	(87,505)	(16,791)	3,432	(1,117,739)
Fund balances-beginning	1,017,677	161,722	703,822	18,831	343,970	5,796,035
Fund balances-ending	\$ 107,990	\$ 258,781	\$ 616,317	\$ 2,040	\$ 347,402	\$ 4,678,296

**Arterial Street Special Revenue Fund**  
**Other Governmental Funds**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended December 31, 2012**

	Original Budget 2012	Final Budget 2012	Actual 2012	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	4,357,444	4,357,444	1,807,868	(2,549,576)
Charges for services	-	-	(4,917)	(4,917)
Fines and forfeitures	-	-	-	-
Other revenue	-	-	3,455	3,455
Total revenues	4,357,444	4,357,444	1,806,406	(2,551,038)
<b>Expenditures</b>				
Personnel	-	-	288	(288)
Supplies, services & taxes	-	-	256	(256)
Capital expenditure	4,904,100	4,833,000	1,900,405	2,932,595
Debt service	-	-	-	-
Transfers	-	-	-	-
Total expenditures	4,904,100	4,833,000	1,900,949	2,932,051
Excess (deficiency) of revenues over expenditures	(546,656)	(475,556)	(94,543)	381,013
Fund balances-beginning	546,656	475,584	521,231	45,647
Prior period adjustments	-	-	-	-
Fund balances-ending	\$ -	\$ 28	\$ 426,688	\$ 426,660

**Street Special Revenue Fund**  
**Other Governmental Funds**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended December 31, 2012**

	Original Budget 2012	Final Budget 2012	Actual 2012	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Taxes	\$ 454,800	\$ 454,800	\$ 476,499	\$ 21,699
Licenses and permits	-	-	-	-
Intergovernmental	820,400	820,400	799,655	(20,745)
Charges for services	205,000	210,000	103,135	(106,865)
Fines and forfeitures	-	-	-	-
Other revenue	827,044	875,844	855,864	(19,980)
Total revenues	2,307,244	2,361,044	2,235,153	(125,891)
<b>Expenditures</b>				
Personnel	1,196,900	1,196,900	1,031,441	165,459
Supplies, services & taxes	1,084,587	1,084,587	1,000,437	84,150
Capital expenditure	-	102,987	3,929	99,058
Debt service	-	-	-	-
Transfers	-	-	-	-
Total expenditures	2,281,487	2,384,474	2,035,807	348,667
Excess (deficiency) of revenues over expenditures	25,757	(23,430)	199,346	222,776
Fund balances-beginning	99,804	187,985	211,249	23,264
Prior period adjustments	-	-	-	-
Fund balances-ending	\$ 125,561	\$ 164,555	\$ 410,595	\$ 246,040

**Contingency Reserve Special Revenue Fund**  
**Other Governmental Funds**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended December 31, 2012**

	Original Budget 2012	Final Budget 2012	Actual 2012	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Other revenue	-	115,000	117,100	2,100
Total revenues	-	115,000	117,100	2,100
<b>Expenditures</b>				
Personnel	-	-	-	-
Supplies, services & taxes	-	-	-	-
Capital expenditure	-	-	-	-
Debt service	-	-	-	-
Transfers	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	115,000	117,100	2,100
Fund balances-beginning	117,745	117,092	117,092	-
Prior period adjustments	-	-	-	-
Fund balances-ending	\$ 117,745	\$ 232,092	\$ 234,192	\$ 2,100

**Lodging Tax Special Revenue Fund**  
**Other Governmental Funds**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended December 31, 2012**

	Original Budget 2012	Final Budget 2012	Actual 2012	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Taxes	\$ 380,000	\$ 380,000	\$ 417,131	\$ 37,131
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Other revenue	100	100	1,321	1,221
Total revenues	380,100	380,100	418,452	38,352
<b>Expenditures</b>				
Personnel	-	-	-	-
Supplies, services & taxes	230,000	215,000	215,000	-
Capital expenditure	-	-	-	-
Debt service	-	-	-	-
Transfers	155,000	170,000	170,000	-
Total expenditures	385,000	385,000	385,000	-
Excess (deficiency) of revenues over expenditures	(4,900)	(4,900)	33,452	38,352
Fund balances-beginning	85,212	101,762	101,762	-
Prior period adjustments	-	-	-	-
Fund balances-ending	\$ 80,312	\$ 96,862	\$ 135,214	\$ 38,352



**Parking System Revenue Special Revenue Fund**  
**Other Governmental Funds**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended December 31, 2012**

	Original Budget 2012	Final Budget 2012	Actual 2012	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	500	500	-	(500)
Fines and forfeitures	300,000	300,000	256,118	(43,882)
Other revenue	855,000	855,000	880,020	25,020
Total revenues	1,155,500	1,155,500	1,136,138	(19,362)
<b>Expenditures</b>				
Personnel	-	-	-	-
Supplies, services & taxes	616,233	616,233	688,024	(71,791)
Capital expenditure	-	-	-	-
Debt service	675,705	675,705	504,594	171,111
Transfers	-	-	-	-
Total expenditures	1,291,938	1,291,938	1,192,618	99,320
Excess (deficiency) of revenues over expenditures	(136,438)	(136,438)	(56,480)	79,958
Fund balances-beginning	540,041	275,314	275,314	-
Prior period adjustments	-	-	-	-
Fund balances-ending	\$ 403,603	\$ 138,876	\$ 218,834	\$ 79,958

**Community Development Block Grant Special Revenue Fund**  
**Other Governmental Funds**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended December 31, 2012**

	Original Budget 2012	Final Budget 2012	Actual 2012	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	2,488,311	2,488,311	527,826	(1,960,485)
Charges for services	30,000	30,000	29,723	(277)
Fines and forfeitures	-	-	-	-
Other revenue	9,326	9,326	5,810	(3,516)
Total revenues	<u>2,527,637</u>	<u>2,527,637</u>	<u>563,359</u>	<u>(1,964,278)</u>
<b>Expenditures</b>				
Personnel	199,200	199,200	103,897	95,303
Supplies, services & taxes	2,400,775	2,400,775	578,814	1,821,961
Capital expenditure	-	-	-	-
Debt service	-	-	-	-
Transfers	-	421	421	-
Total expenditures	<u>2,599,975</u>	<u>2,600,396</u>	<u>683,132</u>	<u>1,917,264</u>
Excess (deficiency) of revenues over expenditures	<u>(72,338)</u>	<u>(72,759)</u>	<u>(119,773)</u>	<u>(47,014)</u>
Fund balances-beginning	390,453	372,894	371,658	(1,236)
Prior period adjustments	-	-	-	-
Fund balances-ending	<u>\$ 318,115</u>	<u>\$ 300,135</u>	<u>\$ 251,885</u>	<u>\$ (48,250)</u>

**Abatement Revolving Special Revenue Fund**  
**Other Governmental Funds**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended December 31, 2012**

	Original Budget 2012	Final Budget 2012	Actual 2012	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	5,500	5,500	16,932	11,432
Fines and forfeitures	-	-	-	-
Other revenue	1,000	1,000	2,413	1,413
Total revenues	6,500	6,500	19,345	12,845
<b>Expenditures</b>				
Personnel	-	-	-	-
Supplies, services & taxes	42,000	42,000	4,029	37,971
Capital expenditure	-	-	-	-
Debt service	-	-	-	-
Transfers	-	-	-	-
Total expenditures	42,000	42,000	4,029	37,971
Excess (deficiency) of revenues over expenditures	(35,500)	(35,500)	15,316	50,816
Fund balances-beginning	212,871	232,913	232,913	-
Prior period adjustments	-	-	-	-
Fund balances-ending	\$ 177,371	\$ 197,413	\$ 248,229	\$ 50,816

**Police Special Projects Special Revenue Fund**  
**Other Governmental Funds**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended December 31, 2012**

	Original Budget 2012	Final Budget 2012	Actual 2012	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	31,000	31,000	21,476	(9,524)
Other revenue	75,000	75,000	62,355	(12,645)
Total revenues	106,000	106,000	83,831	(22,169)
<b>Expenditures</b>				
Personnel	-	-	-	-
Supplies, services & taxes	359,700	359,700	264,144	95,556
Capital expenditure	50,000	50,000	-	50,000
Debt service	-	-	-	-
Transfers	-	-	-	-
Total expenditures	409,700	409,700	264,144	145,556
Excess (deficiency) of revenues over expenditures	(303,700)	(303,700)	(180,313)	123,387
Fund balances-beginning	863,205	970,838	970,838	-
Prior period adjustments	-	-	-	-
Fund balances-ending	\$ 559,505	\$ 667,138	\$ 790,525	\$ 123,387

**Public Access TV Operations Special Revenue Fund**  
**Other Governmental Funds**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended December 31, 2012**

	Original Budget 2012	Final Budget 2012	Actual 2012	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Taxes	\$ -	\$ -	\$ 165	\$ 165
Licenses and permits	240,000	240,000	265,833	25,833
Intergovernmental	17,000	17,000	17,000	-
Charges for services	78,040	78,040	99,723	21,683
Fines and forfeitures	-	-	-	-
Other revenue	1,600	1,600	2,302	702
Total revenues	336,640	336,640	385,023	48,383
<b>Expenditures</b>				
Personnel	239,700	239,700	231,715	7,985
Supplies, services & taxes	37,154	47,154	41,894	5,260
Capital expenditure	35,000	25,000	-	25,000
Debt service	-	-	-	-
Transfers	25,000	25,000	25,000	-
Total expenditures	336,854	336,854	298,609	38,245
Excess (deficiency) of revenues over expenditures	(214)	(214)	86,414	86,628
Fund balances-beginning	190,695	121,068	121,068	-
Prior period adjustments	-	-	-	-
Fund balances-ending	\$ 190,481	\$ 120,854	\$ 207,482	\$ 86,628

**Gift and Donation Special Revenue Fund**  
**Other Governmental Funds**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended December 31, 2012**

	Original Budget 2012	Final Budget 2012	Actual 2012	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	1,000	1,000	1,090	90
Fines and forfeitures	-	-	-	-
Other revenue	16,360	16,360	20,269	3,909
Total revenues	17,360	17,360	21,359	3,999
<b>Expenditures</b>				
Personnel	-	-	-	-
Supplies, services & taxes	29,600	29,600	7,570	22,030
Capital expenditure	-	-	-	-
Debt service	-	-	-	-
Transfers	5,000	10,000	10,000	-
Total expenditures	34,600	39,600	17,570	22,030
Excess (deficiency) of revenues over expenditures	(17,240)	(22,240)	3,789	26,029
Fund balances-beginning	65,610	75,746	75,745	(1)
Prior period adjustments	-	-	-	-
Fund balances-ending	\$ 48,370	\$ 53,506	\$ 79,534	\$ 26,028

**Trial Improvement Special Revenue Fund**  
**Other Governmental Funds**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended December 31, 2012**

	Original Budget 2012	Final Budget 2012	Actual 2012	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	22,000	22,000	22,632	632
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Other revenue	-	-	464	464
Total revenues	22,000	22,000	23,096	1,096
<b>Expenditures</b>				
Personnel	-	-	-	-
Supplies, services & taxes	15,000	15,000	15,000	-
Capital expenditure	-	-	-	-
Debt service	-	-	-	-
Transfers	-	-	-	-
Total expenditures	15,000	15,000	15,000	-
Excess (deficiency) of revenues over expenditures	7,000	7,000	8,096	1,096
Fund balances-beginning	38,643	39,301	39,301	-
Prior period adjustments	-	-	-	-
Fund balances-ending	\$ 45,643	\$ 46,301	\$ 47,397	\$ 1,096

**One Percent For Arts Special Revenue Fund**  
**Other Governmental Funds**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended December 31, 2012**

	Original Budget 2012	Final Budget 2012	Actual 2012	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Other revenue	440	440	514	74
Total revenues	440	440	514	74
<b>Expenditures</b>				
Personnel	-	-	-	-
Supplies, services & taxes	500	500	-	500
Capital expenditure	10,000	10,000	-	10,000
Debt service	-	-	-	-
Transfers	-	-	-	-
Total expenditures	10,500	10,500	-	10,500
Excess (deficiency) of revenues over expenditures	(10,060)	(10,060)	514	10,574
Fund balances-beginning	53,433	51,230	51,230	(0)
Prior period adjustments	-	-	-	-
Fund balances-ending	\$ 43,373	\$ 41,170	\$ 51,744	\$ 10,574



**Conference Center Operations Special Revenue Fund**  
**Other Governmental Funds**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended December 31, 2012**

	Original Budget 2012	Final Budget 2012	Actual 2012	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	1,321,490	1,321,490	1,185,923	(135,567)
Fines and forfeitures	-	-	-	-
Other revenue	164,000	164,000	166,689	2,689
Total revenues	1,485,490	1,485,490	1,352,612	(132,878)
<b>Expenditures</b>				
Personnel	-	-	38	(38)
Supplies, services & taxes	1,543,157	1,543,157	1,474,070	69,087
Capital expenditure	-	-	-	-
Debt service	-	-	-	-
Transfers	-	-	-	-
Total expenditures	1,543,157	1,543,157	1,474,108	69,049
Excess (deficiency) of revenues over expenditures	(57,667)	(57,667)	(121,496)	(63,829)
Fund balances-beginning	310,003	363,371	363,372	1
Prior period adjustments	-	-	-	-
Fund balances-ending	\$ 252,336	\$ 305,704	\$ 241,876	\$ (63,828)

**Transportation Benefit District  
Other Governmental Funds  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual  
For the Year Ended December 31, 2012**

	Original Budget 2012	Final Budget 2012	Actual 2012	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	150,093	189,168	39,075
Fines and forfeitures	-	-	-	-
Other revenue	-	-	59	59
Total revenues	-	150,093	189,227	39,134
<b>Expenditures</b>				
Personnel	-	-	-	-
Supplies, services & taxes	-	-	-	-
Capital expenditure	-	-	-	-
Debt service	-	-	-	-
Transfers	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	150,093	189,227	39,134
Fund balances-beginning	-	-	-	-
Prior period adjustments	-	-	-	-
Fund balances-ending	\$ -	\$ 150,093	\$ 189,227	\$ 39,134

**Bond Debt Service Fund**  
**Other Governmental Funds**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended December 31, 2012**

	Original Budget 2012	Final Budget 2012	Actual 2012	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Taxes	\$ 355,400	\$ 355,400	\$ 369,761	\$ 14,361
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Other revenue	227,500	227,500	230,374	2,874
Total revenues	582,900	582,900	600,135	17,235
<b>Expenditures</b>				
Personnel	-	-	-	-
Supplies, services & taxes	-	-	-	-
Capital expenditure	-	-	-	-
Debt service	718,250	718,250	718,143	107
Transfers	-	-	-	-
Total expenditures	718,250	718,250	718,143	107
Excess (deficiency) of revenues over expenditures	(135,350)	(135,350)	(118,008)	17,342
Fund balances-beginning	152,235	146,892	146,892	-
Prior period adjustments	-	-	-	-
Fund balances-ending	\$ 16,885	\$ 11,542	\$ 28,884	\$ 17,342

**2010 LTGO Bond Fund**  
**Other Governmental Funds**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended December 31, 2012**

	Original Budget 2012	Final Budget 2012	Actual 2012	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Taxes	\$ 330,000	\$ 330,000	\$ 339,594	\$ 9,594
Licenses and permits	-	-	-	-
Intergovernmental	121,270	121,270	121,270	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Other revenue	50,775	50,775	51,244	469
Total revenues	502,045	502,045	512,108	10,063
<b>Expenditures</b>				
Personnel	-	-	-	-
Supplies, services & taxes	-	-	-	-
Capital expenditure	-	-	-	-
Debt service	551,880	551,880	551,787	93
Transfers	-	-	-	-
Total expenditures	551,880	551,880	551,787	93
Excess (deficiency) of revenues over expenditures	(49,835)	(49,835)	(39,679)	10,156
Fund balances-beginning	204,244	202,718	202,718	-
Prior period adjustments	-	-	-	-
Fund balances-ending	\$ 154,409	\$ 152,883	\$ 163,039	\$ 10,156

**2010 UTGO Ref/ UTGO B Bond Fund**  
**Other Governmental Funds**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended December 31, 2012**

	Original Budget 2012	Final Budget 2012	Actual 2012	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Taxes	\$ 412,800	\$ 412,800	\$ 411,207	\$ (1,593)
Licenses and permits	-	-	-	-
Intergovernmental	37,675	37,675	37,674	(1)
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Other Revenue	73,150	73,150	75,026	1,876
Total revenues	523,625	523,625	523,907	282
<b>Expenditures</b>				
Personnel	-	-	-	-
Supplies, services & taxes	-	-	-	-
Capital expenditure	-	-	-	-
Debt service	520,775	521,105	521,079	26
Transfers	-	-	-	-
Total expenditures	520,775	521,105	521,079	26
Excess (deficiency) of revenues over expenditures	2,850	2,520	2,828	308
Fund balances-beginning	29,221	42,109	42,109	-
Prior period adjustments	-	-	-	-
Fund balances-ending	\$ 32,071	\$ 44,629	\$ 44,937	\$ 308

**Government Center LTGO Fund**  
**Other Governmental Funds**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended December 31, 2012**

	Original Budget 2012	Final Budget 2012	Actual 2012	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Other revenue	-	5,634,051	5,634,077	26
Total revenues	-	5,634,051	5,634,077	26
<b>Expenditures</b>				
Personnel	-	-	-	-
Supplies, services & taxes	-	-	-	-
Capital expenditure	-	-	-	-
Debt service	-	5,630,398	5,630,764	(366)
Transfers	-	-	-	-
Total expenditures	-	5,630,398	5,630,764	(366)
Excess (deficiency) of revenues over expenditures	-	3,653	3,313	(340)
Fund balances-beginning	-	-	-	-
Prior period adjustments	-	-	-	-
Fund balances-ending	\$ -	\$ 3,653	\$ 3,313	\$ (340)

**Harborside Plaza Commons Capital Projects Fund**  
**Other Governmental Funds**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended December 31, 2012**

	Original Budget 2012	Final Budget 2012	Actual 2012	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Other revenue	-	-	60	60
Total revenues	-	-	60	60
<b>Expenditures</b>				
Personnel	-	-	-	-
Supplies, services & taxes	-	-	-	-
Capital expenditure	-	-	-	-
Debt service	-	-	-	-
Transfers	-	34,396	34,396	-
Total expenditures	-	34,396	34,396	-
Excess (deficiency) of revenues over expenditures	-	(34,396)	(34,336)	60
Fund balances-beginning	-	34,396	34,336	(60)
Prior period adjustments	-	-	-	-
Fund balances-ending	\$ -	\$ -	\$ -	\$ -

**Park Plaza Capital Projects Fund**  
**Other Governmental Funds**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended December 31, 2012**

	Original Budget 2012	Final Budget 2012	Actual 2012	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Other revenue	-	200,000	201,220	1,220
Total revenues	-	200,000	201,220	1,220
<b>Expenditures</b>				
Personnel	-	-	-	-
Supplies, services & taxes	-	-	-	-
Capital expenditure	109,600	350,000	281,365	68,635
Debt service	-	-	-	-
Transfers	-	-	-	-
Total expenditures	109,600	350,000	281,365	68,635
Excess (deficiency) of revenues over expenditures	(109,600)	(150,000)	(80,145)	69,855
Fund balances-beginning	110,319	151,648	151,648	-
Prior period adjustments	-	-	-	-
Fund balances-ending	\$ 719	\$ 1,648	\$ 71,503	\$ 69,855



**Park Plaza Phase II Capital Projects Fund**  
**Other Governmental Funds**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended December 31, 2012**

	Original Budget 2012	Final Budget 2012	Actual 2012	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	2,366,420	1,960,331	1,544,528	(415,803)
Charges for services	170,000	-	-	-
Fines and forfeitures	-	-	-	-
Other revenue	211,330	1,133,340	61,990	(1,071,350)
Total revenues	2,747,750	3,093,671	1,606,518	(1,487,153)
<b>Expenditures</b>				
Personnel	-	-	-	-
Supplies, services & taxes	-	-	-	-
Capital expenditure	4,089,802	3,909,586	2,316,206	1,593,380
Debt service	-	-	-	-
Transfers	-	200,000	200,000	-
Total expenditures	4,089,802	4,109,586	2,516,206	1,593,380
Excess (deficiency) of revenues over expenditures	(1,342,052)	(1,015,915)	(909,688)	106,227
Fund balances-beginning	1,342,052	1,015,975	1,017,678	1,703
Prior period adjustments	-	-	-	-
Fund balances-ending	\$ -	\$ 60	\$ 107,990	\$ 107,930

**General Government Improvements Capital Projects Fund**  
**Other Governmental Funds**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended December 31, 2012**

	Original Budget 2012	Final Budget 2012	Actual 2012	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Taxes	\$ 380,000	\$ 380,000	\$ 427,807	\$ 47,807
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Other revenue	800	800	1,752	952
Total revenues	380,800	380,800	429,559	48,759
<b>Expenditures</b>				
Personnel	-	-	-	-
Supplies, services & taxes	-	-	-	-
Capital expenditure	-	-	-	-
Debt service	-	-	-	-
Transfers	332,500	332,500	332,500	-
Total expenditures	332,500	332,500	332,500	-
Excess (deficiency) of revenues over expenditures	48,300	48,300	97,059	48,759
Fund balances-beginning	185,141	161,722	161,722	-
Prior period adjustments	-	-	-	-
Fund balances-ending	\$ 233,441	\$ 210,022	\$ 258,781	\$ 48,759

**Park Facilities Construction Capital Projects Fund**  
**Other Governmental Funds**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended December 31, 2012**

	Original Budget 2012	Final Budget 2012	Actual 2012	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	745,000	745,000	773,816	28,816
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Other revenue	225,000	225,421	204,800	(20,621)
Total revenues	970,000	970,421	978,616	8,195
<b>Expenditures</b>				
Personnel	-	-	-	-
Supplies, services & taxes	5,700	-	41,666	(41,666)
Capital expenditure	1,334,000	1,376,500	1,007,863	368,637
Debt service	-	19,800	16,592	3,208
Transfers	-	-	-	-
Total expenditures	1,339,700	1,396,300	1,066,121	330,179
Excess (deficiency) of revenues over expenditures	(369,700)	(425,879)	(87,505)	338,374
Fund balances-beginning	719,308	783,948	703,822	(80,126)
Prior period adjustments	-	-	-	-
Fund balances-ending	\$ 349,608	\$ 358,069	\$ 616,317	\$ 258,248

**Evergreen Park Remediation Capital Projects Fund**  
**Other Governmental Funds**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended December 31, 2012**

	Original Budget 2012	Final Budget 2012	Actual 2012	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	60,750	60,750	41,233	(19,517)
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Other revenue	500	500	57	(443)
Total revenues	61,250	61,250	41,290	(19,960)
<b>Expenditures</b>				
Personnel	-	-	-	-
Supplies, services & taxes	-	-	-	-
Capital expenditure	82,500	80,000	58,081	21,919
Debt service	-	-	-	-
Transfers	-	-	-	-
Total expenditures	82,500	80,000	58,081	21,919
Excess (deficiency) of revenues over expenditures	(21,250)	(18,750)	(16,791)	1,959
Fund balances-beginning	149,301	18,831	18,831	-
Prior period adjustments	-	-	-	-
Fund balances-ending	\$ 128,051	\$ 81	\$ 2,040	\$ 1,959

**Lower Wheaton Way Capital Projects Fund**  
**Other Governmental Funds**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended December 31, 2012**

	Original Budget 2012	Final Budget 2012	Actual 2012	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	1,368,084	1,368,084	8,821	(1,359,263)
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Other revenue	-	-	3,384	3,384
Total revenues	1,368,084	1,368,084	12,205	(1,355,879)
<b>Expenditures</b>				
Personnel	1,610,135	1,610,135	-	1,610,135
Supplies, services & taxes	-	-	-	-
Capital expenditure	-	-	8,774	(8,774)
Debt service	-	-	-	-
Transfers	-	-	-	-
Total expenditures	1,610,135	1,610,135	8,774	1,601,361
Excess (deficiency) of revenues over expenditures	(242,051)	(242,051)	3,431	245,482
Fund balances-beginning	242,076	343,971	343,971	-
Prior period adjustments	-	-	-	-
Fund balances-ending	\$ 25	\$ 101,920	\$ 347,402	\$ 245,482

**Combining Statement of Net Position  
Other Proprietary Funds  
December 31, 2012**

	Business-type Activities Enterprise Funds		
	Stormwater	Gorst Creek Watershed	Total
<b>Assets</b>			
Current assets:			
Cash & Cash Equivalents	\$ 876,220	11,047	\$ 887,267
Investments	1,175,258	14,816	1,190,074
External receivables	801,016	-	801,016
Interest receivable	859	11	870
Due from other funds	47,049	-	47,049
Due from other governments	538,032	144,534	682,566
Total current assets	<u>3,438,434</u>	<u>170,408</u>	<u>3,608,842</u>
Noncurrent assets:			
Capital assets net of depreciation	<u>5,271,284</u>	-	<u>5,271,284</u>
Total noncurrent assets	<u>5,271,284</u>	-	<u>5,271,284</u>
Total assets	\$ <u>8,709,718</u>	\$ <u>170,408</u>	\$ <u>8,880,126</u>
<b>Deferred outflows of resources</b>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
<b>Liabilities</b>			
Current liabilities:			
Accounts/contract payable	\$ 270,421	32,350	\$ 302,771
Due to other funds	98,224	-	98,224
Employee wages payable	28,229	-	28,229
Other accrued liabilities	2,367	-	2,367
Current portion of long term debt	13,177	-	13,177
Custodial accounts	<u>500</u>	-	<u>500</u>
Total current liabilities	<u>412,918</u>	<u>32,350</u>	<u>445,268</u>
Noncurrent liabilities:			
Bonds, notes and loans payable	108,507	-	108,507
Compensated absences	<u>45,661</u>	-	<u>45,661</u>
Total noncurrent liabilities	<u>154,168</u>	-	<u>154,168</u>
Total liabilities	\$ <u>567,086</u>	\$ <u>32,350</u>	\$ <u>599,436</u>
<b>Deferred inflows of resources</b>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
<b>Net Position</b>			
Net investment in capital assets	5,152,913	-	5,152,913
Unrestricted	<u>2,989,719</u>	<u>138,058</u>	<u>3,127,777</u>
Total net position	\$ <u><u>8,142,632</u></u>	\$ <u><u>138,058</u></u>	\$ <u><u>8,280,690</u></u>

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

For the Year Ended December 31, 2012

	Business-type Activities Enterprise Funds		
	Stormwater	Gorst Creek Watershed	Total
<b>Operating revenues:</b>			
Charges for services	\$ 2,214,871	\$ -	\$ 2,214,871
Other operating revenue		179,295	179,295
Total operating revenues	<u>2,214,871</u>	<u>179,295</u>	<u>2,394,166</u>
<b>Operating expenses:</b>			
General operations	409,072	222,040	631,112
Maintenance	1,148,106	-	1,148,106
Customer service and marketing	116,745	-	116,745
General administration	245,279	-	245,279
Depreciation and amortization	96,564	-	96,564
Property, excise and B&O taxes	39,257	-	39,257
Total operating expenses	<u>2,055,023</u>	<u>222,040</u>	<u>2,277,063</u>
Operating income (loss)	<u>159,848</u>	<u>(42,745)</u>	<u>117,103</u>
<b>Nonoperating revenues (expenses)</b>			
Interest and investment revenue	20,346	811	21,157
Interest expense	(4,931)	-	(4,931)
Other nonoperating revenue/expense	208	-	208
Total nonoperating revenues (expenses)	<u>15,623</u>	<u>811</u>	<u>16,434</u>
Income (loss) before contributions and transfers	<u>175,471</u>	<u>(41,934)</u>	<u>133,537</u>
Capital contributions	1,085,226	-	1,085,226
Transfers out	<u>(452,427)</u>	<u>-</u>	<u>(452,427)</u>
Change in net assets	<u>808,270</u>	<u>(41,934)</u>	<u>766,336</u>
Total net assets - beginning	7,345,710	179,992	7,525,702
Prior period adjustments	<u>(11,348)</u>	<u>-</u>	<u>(11,348)</u>
Total net assets - ending	<u>\$ 8,142,632</u>	<u>\$ 138,058</u>	<u>\$ 8,280,690</u>

**Combining Statement of Cash Flows  
Other Proprietary Funds  
For the Year Ended December 31, 2012**

Page 1 of 2

	Business-type Activities Nonmajor Enterprise Funds		
	Stormwater	Gorst Creek Watershed	Total
<b>Cash Flows From Operating Activities</b>			
Cash received from customers	\$ 2,053,269	\$ -	\$ 2,053,269
Cash payments to suppliers	(876,119)	(204,567)	(1,080,686)
Cash payments to employees	(808,440)	(7)	(808,447)
Other operating receipts and payments	-	111,996	111,996
Net cash provided by operating activities	368,710	(92,578)	276,132
<b>Cash Flows From Noncapital Financing Activities</b>			
Transfers out	(445,229)	-	(445,229)
Other nonoperating revenues/expenses	208	-	208
Net cash provided (used) by noncapital financing activities	(445,021)	-	(445,021)
<b>Cash Flows From Capital and Related Financing Activities</b>			
Acquisition and construction of capital assets	(198,769)	-	(198,769)
Capital contributions	42,798	-	42,798
Loan/grant proceeds	202,690	-	202,690
Principal paid on other debt	(9,864)	-	(9,864)
Interest paid on revenue bonds and other debt	(5,129)	-	(5,129)
Net cash provided (used) for capital and related financing activities	31,726	-	31,726
<b>Cash Flows From Investing Activities</b>			
Net change in investments	442,758	76,847	519,605
Interest on loans and investments	21,254	900	22,154
Net cash provided in investing activities	464,012	77,747	541,759
Net increase (decrease) in cash and cash equivalents	419,427	(14,831)	404,596
Cash - beginning of year	456,793	25,878	482,671
Cash - end of year	\$ 876,220	\$ 11,047	\$ 887,267
Cash at the end of the year consists of:			
Operating fund cash	876,220	11,047	887,267
Total cash at end of year	\$ 876,220	\$ 11,047	\$ 887,267



**Combining Statement of Cash Flows  
Other Proprietary Funds  
For the Year Ended December 31, 2012**

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	Business-type Activities		
	Nonmajor Enterprise Funds		
	Stormwater	Gorst Creek Watershed	Total
Reconciliation of operating income to net cash provided by operating activities:			
Operating income (loss)	\$ 159,848	\$ (42,745)	\$ 117,103
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	96,564	-	96,564
Decrease (increase) in receivables	(167,183)	-	(167,183)
Decrease (increase) in due from other funds/govt	6,516	(67,299)	(60,783)
Increase (decrease) in accounts payable	240,597	17,473	258,070
Increase (decrease) in due to other funds/govt	45,798	-	45,798
Increase (decrease) in employee wages payable	(5,575)	(7)	(5,582)
Increase (decrease) in employee leaves payable	(7,855)	-	(7,855)
Net cash provided by operating activities	<u>\$ 368,710</u>	<u>\$ (92,578)</u>	<u>\$ 276,132</u>
Noncash investing, capital and financial activities;			
Developers contributed infrastructure	\$ 455,542	\$ -	\$ 455,542

**Combining Statement of Net Position**  
**Internal Service Funds**  
**December 31, 2012**

	Business-type Activities Enterprise Funds						
	Risk Management	Employment Security	Accrued Leave Liability	Equipment Maintenance	Equipment Reserve	Information Technology	Total
<b>Assets</b>							
Current assets:							
Cash & Cash Equivalents	\$ 884,657	\$ 76,391	\$ 18,011	\$ 142,045	\$ 2,495,513	\$ 107,002	\$ 3,723,619
Restricted Investments	100,000	-	-	-	-	-	100,000
Investments	1,086,574	102,462	24,158	190,523	3,347,190	143,521	4,894,428
Interest receivable	867	75	18	139	2,446	105	3,650
Due from other funds	11,905	10,213	10,199	10,006	261,000	-	303,323
Inventories	-	-	-	90,325	-	-	90,325
Prepayments	61,016	-	-	-	-	-	61,016
Total current assets	2,145,019	189,141	52,386	433,038	6,106,149	250,628	9,176,361
Noncurrent assets:							
Prepaid Pension	333,401	-	-	-	-	-	333,401
Capital assets net of depreciation	-	-	-	-	3,765,477	6,158	3,771,635
Other noncurrent assets	-	-	-	-	-	-	-
Total noncurrent assets	333,401	-	-	-	3,765,477	6,158	4,105,036
Total assets	\$ 2,478,420	\$ 189,141	\$ 52,386	\$ 433,038	\$ 9,871,626	\$ 256,786	\$ 13,281,397
<b>Deferred outflows of resources</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Liabilities</b>							
Current liabilities:							
Accounts/contract payable	\$ 24,327	\$ 3,767	\$ -	\$ 60,454	\$ 123,817	\$ 6,721	\$ 219,086
Due to other funds	-	-	-	18,550	7,847	1,549	27,946
Employee wages payable	-	-	40,448	17,187	-	18,720	76,355
Other accrued liabilities	440,367	-	-	-	-	-	440,367
Current portion of long term debt	-	-	-	1,234	-	1,569	2,803
Total current liabilities	464,694	3,767	40,448	97,425	131,664	28,559	766,557
Noncurrent liabilities:							
Claims and judgements payable	451,818	-	-	-	-	-	451,818
Compensated absences	-	-	-	21,199	-	36,506	57,705
Total noncurrent liabilities	451,818	-	-	21,199	-	36,506	509,523
Total liabilities	\$ 916,512	\$ 3,767	\$ 40,448	\$ 118,624	\$ 131,664	\$ 65,065	\$ 1,276,080
<b>Deferred inflows of resources</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Net Position</b>							
Restricted	100,000	-	-	-	-	-	100,000
Unrestricted	1,461,908	185,374	11,938	314,414	9,739,962	191,721	11,905,317
Total net position	\$ 1,561,908	\$ 185,374	\$ 11,938	\$ 314,414	\$ 9,739,962	\$ 191,721	\$ 12,005,317

**Combining Statement of Revenues, Expenses and Changes in Fund Net Position**  
**Internal Service Funds**  
**For the Year Ended December 31, 2012**

	Governmental Activities Internal Service Funds						
	Risk Management	Employment Security	Accrued Leave Liability	Equipment Rental Operations	Equipment Rental Reserve	Information Technology	Total
<b>Operating revenues:</b>							
Charges for services	\$ 1,393,903	\$ 240,260	\$ 240,440	\$ 1,522,533	\$ -	\$ 789,412	\$ 4,186,548
Interest & dividend income	18,681	-	-	-	-	-	18,681
Other operating revenue	6,051	-	-	29,187	-	895	36,133
Total operating revenues	1,418,635	240,260	240,440	1,551,720	-	790,307	4,241,362
<b>Operating expenses:</b>							
General operations	-	80,924	237,349	1,548,471	-	951,917	2,818,661
General administration	307,585	-	-	-	-	-	307,585
Depreciation and amortization	-	-	-	-	545,382	5,656	551,038
Risk transfer payments	452,151	-	-	-	-	-	452,151
Payments to claimants & beneficiaries	(425,481)	-	-	-	-	-	(425,481)
Total operating expenses	385,429	80,924	237,349	1,548,471	545,382	957,573	3,755,128
Operating income (loss)	1,033,206	159,336	3,091	3,249	(545,382)	(167,266)	486,234
<b>Nonoperating revenues (expenses)</b>							
Interest and investment revenue	-	1,484	641	2,646	59,287	2,462	66,520
Gain (loss) on capital asset disposal	-	-	-	-	(10,671)	-	(10,671)
Other nonoperating revenue/(expense)	24	-	-	6,288	481	-	6,793
Total nonoperating revenues (expenses)	24	1,484	641	8,934	49,097	2,462	62,642
Income (loss) before contributions and transfers	1,033,230	160,820	3,732	12,183	(496,285)	(164,804)	548,876
<b>Capital contributions</b>							
Change in net assets	1,033,230	160,820	3,732	12,183	(496,285)	(164,804)	548,876
Total net assets - beginning	528,678	24,554	8,206	302,231	10,236,247	356,525	11,456,441
Total net assets - ending	\$ 1,561,908	\$ 185,374	\$ 11,938	\$ 314,414	\$ 9,739,962	\$ 191,721	\$ 12,005,317

**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the Year Ended December 31, 2012**

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	Risk Management	Employment Security	Accrued Leave Liability	Equipment Rental Operations	Equipment Rental Reserve	Information Technology	Total
<b>Cash Flows From Operating Activities</b>							
Cash received from customers	\$ 1,397,681	\$ 230,047	\$ 230,241	\$ 1,522,534	\$ -	\$ 789,412	\$ 4,169,915
Interest on investments	19,366	-	-	-	-	-	19,366
Cash payments to suppliers	(359,114)	(108,229)	-	(1,079,103)	-	(436,185)	(1,982,631)
Cash payments to employees	-	-	(213,269)	(479,516)	-	(520,568)	(1,213,353)
Purchase of insurance	(411,256)	-	-	-	-	-	(411,256)
Payment for insurance claims	(403,726)	-	-	-	-	-	(403,726)
Other operating receipts and payments	6,051	-	-	47,187	-	-	53,238
Net cash provided (used) by operating activities	249,002	121,818	16,972	11,102	-	(167,341)	231,553
<b>Cash Flows From Noncapital Financing Activities</b>							
Other nonoperating revenues/expenses	24	-	-	(739)	8,328	-	7,613
Net cash provided by noncapital financing activities	24	-	-	(739)	8,328	-	7,613
<b>Cash Flows From Capital and Related Financing Activities</b>							
Acquisition and construction of capital assets	-	-	-	-	(142,603)	-	(142,603)
Proceeds from sale of other assets	-	-	-	-	24,050	-	24,050
Net cash used for capital and related financing activities	-	-	-	-	(118,553)	-	(118,553)
<b>Cash Flows From Investing Activities</b>							
Proceeds from repayment of loans	-	-	-	-	87,592	-	87,592
Net change in investments	234,451	(59,119)	(5,010)	58,580	1,382,009	180,231	1,791,142
Issuance of interfund loans	-	-	-	-	(261,000)	-	(261,000)
Interest on loans and investments	-	1,456	644	2,777	62,005	2,711	69,593
Net cash provided in investing activities	234,451	(57,663)	(4,366)	61,357	1,270,606	182,942	1,687,327
Net increase (decrease) in cash and cash equivalents	483,477	64,155	12,606	71,720	1,160,381	15,601	1,807,940
Cash - beginning of year	401,180	12,236	5,405	70,325	1,335,132	91,401	1,915,679
Cash - end of year	\$ 884,657	\$ 76,391	\$ 18,011	\$ 142,045	\$ 2,495,513	\$ 107,002	\$ 3,723,619
Cash at the end of the year consists of:							
Operating fund cash	884,657	76,391	18,011	142,045	2,495,513	107,002	3,723,619
Restricted cash	-	-	-	-	-	-	-
Total cash at end of year	\$ 884,657	\$ 76,391	\$ 18,011	\$ 142,045	\$ 2,495,513	\$ 107,002	\$ 3,723,619

**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the Year Ended December 31, 2012**

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	Risk Management	Employment Security	Accrued Leave Liability	Equipment Rental Operations	Equipment Rental Reserve	Information Technology	Total
Reconciliation of operating income to net cash provided by operating activities:							
Operating income (loss)	1,033,206	159,336	3,091	3,249	(545,382)	(167,266)	486,234
Adjustments to reconcile operating income to net cash provided by operating activities:							
Depreciation	-	-	-	-	545,382	5,656	551,038
Decrease (increase) in receivables	685	-	-	-	-	-	685
Decrease (increase) in due from other funds/govt	3,777	(10,213)	(10,199)	2,029	-	21,012	6,406
Decrease (increase) in prepaid expenses	55,245	-	-	-	-	-	55,245
Decrease (increase) in inventory	-	-	-	(15,395)	-	-	(15,395)
Increase (decrease) in accounts payable	23,587	(27,305)	-	9,746	-	(2,171)	3,857
Increase (decrease) in due to other funds/govt	-	-	-	18,214	-	1,419	19,633
Increase (decrease) in employee wages payable	-	-	-	(26,632)	-	994	(25,638)
Increase (decrease) in employee leaves payable	-	-	-	19,865	-	(26,985)	(7,120)
Increase (decrease) in other payables	(867,498)	-	24,080	26	-	-	(843,392)
Net cash provided by operating activities	249,002	121,818	16,972	11,102	-	(167,341)	231,553

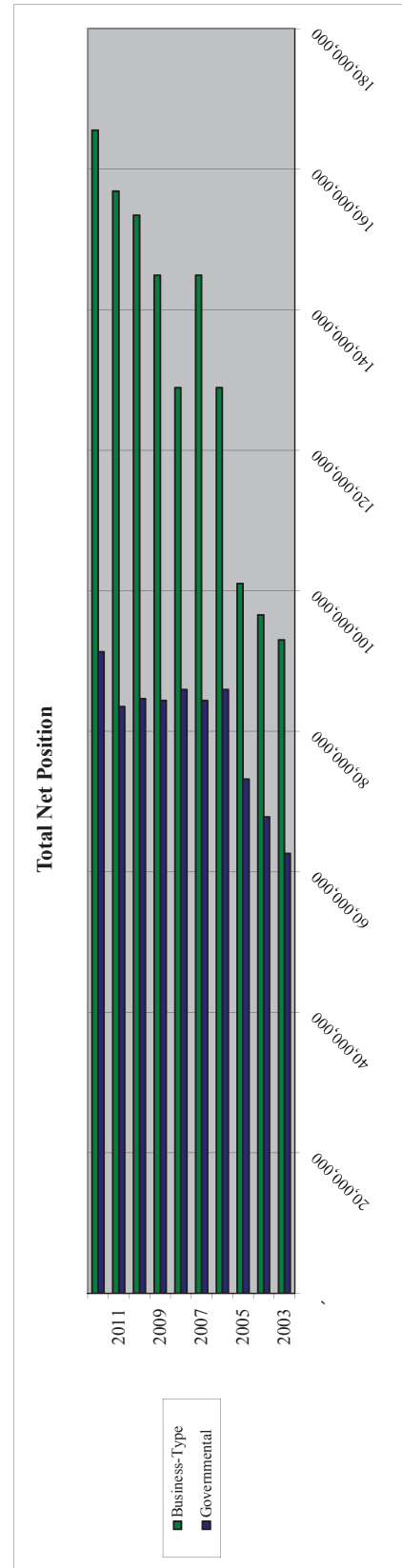
Noncash investing, capital and financial activities;

**Combining Statement of Fiduciary Net Position****Agency Funds****As of December 31, 2012**

	Salary Clearing	Administrative Trust	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 72,915	\$ 215,950	\$ 288,865
Interfund receivables	2	-	2
Total assets	<u>\$ 72,917</u>	<u>\$ 215,950</u>	<u>\$ 288,867</u>
<b>Deferred outflows of resources</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Liabilities</b>			
Accounts/contracts payable	-	47,611	47,611
Other current liabilities	72,917	168,339	241,256
Total liabilities	<u>\$ 72,917</u>	<u>\$ 215,950</u>	<u>\$ 288,867</u>
<b>Deferred inflows of resources</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Net Position</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**Table 1**  
**Net Position by Component**  
Last Ten Fiscal Years

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Governmental Activities</b>										
Net Investment in Capital Assets	\$ 50,204,781	\$ 49,164,535	\$ 50,329,300	\$ 58,958,873	\$ 69,497,809	\$ 72,451,892	\$ 72,087,573	\$ 66,905,386	\$ 71,532,476	\$ 78,295,484
Restricted	4,492,936	11,592,172	13,542,273	7,390,108	3,168,374	2,682,534	3,111,288	8,275,949	6,008,032	4,200,925
Unrestricted	7,905,197	7,067,568	9,323,734	13,822,625	15,362,418	10,777,450	9,159,249	9,434,193	5,948,429	8,795,698
<b>Total governmental activities net position</b>	<b>\$ 62,602,914</b>	<b>\$ 67,824,275</b>	<b>\$ 73,195,307</b>	<b>\$ 80,171,606</b>	<b>\$ 88,028,601</b>	<b>\$ 85,911,876</b>	<b>\$ 84,358,110</b>	<b>\$ 84,615,528</b>	<b>\$ 83,488,937</b>	<b>\$ 91,292,107</b>
<b>Business-type activities</b>										
Net Investment in Capital Assets	86,487,527	87,788,590	89,467,683	92,069,352	92,747,306	103,397,203	122,329,665	128,158,641	128,930,881	139,290,172
Restricted	360,852	514,774	494,194	557,859	1,483,026	3,988,736	1,174,604	1,305,903	1,527,135	1,616,969
Unrestricted	6,138,489	8,265,819	11,074,025	14,575,413	23,225,228	21,514,830	21,386,589	23,973,489	26,398,932	24,624,122
<b>Total business-type activities net position</b>	<b>\$ 92,986,868</b>	<b>\$ 96,569,183</b>	<b>\$ 101,035,902</b>	<b>\$ 107,202,624</b>	<b>\$ 117,455,560</b>	<b>\$ 128,900,769</b>	<b>\$ 144,890,858</b>	<b>\$ 153,438,033</b>	<b>\$ 156,856,948</b>	<b>\$ 165,531,263</b>
<b>Primary Government</b>										
Net Investment in Capital Assets	136,692,308	136,953,125	139,796,983	151,028,225	162,245,115	175,849,095	194,417,238	195,064,027	200,463,357	217,789,699
Restricted	4,853,788	12,106,946	14,036,467	7,947,967	4,651,400	6,671,270	4,285,892	9,581,852	7,535,167	5,817,894
Unrestricted	14,043,686	15,333,387	20,397,759	28,398,038	38,587,646	32,292,280	30,545,838	33,407,682	32,347,361	33,215,777
<b>Total primary government net position</b>	<b>\$ 155,589,782</b>	<b>\$ 164,393,458</b>	<b>\$ 174,231,209</b>	<b>\$ 187,374,230</b>	<b>\$ 205,484,161</b>	<b>\$ 214,812,645</b>	<b>\$ 229,248,968</b>	<b>\$ 238,053,561</b>	<b>\$ 240,345,885</b>	<b>\$ 256,823,370</b>



**Table 2**  
**Changes in Net Position**  
 Last Ten Fiscal Years

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Revenues</b>										
<i>Governmental Activities</i>										
Program Revenues										
Charges for Services	\$ 5,213,469	\$ 6,408,743	\$ 7,069,069	\$ 7,898,109	\$ 8,239,980	\$ 8,911,480	\$ 9,065,757	\$ 7,974,533	\$ 8,134,426	\$ 8,147,866
Operating Grants and Contributions	1,360,384	1,904,575	1,505,305	964,454	1,350,646	2,321,404	2,226,968	2,685,281	1,862,766	677,864
Capital Grants and Contributions	7,347,931	7,528,350	1,541,002	7,895,086	9,928,551	4,638,620	3,922,004	3,748,282	1,753,775	6,847,248
General Revenues										
Property Taxes	6,966,861	7,005,388	6,991,232	7,329,167	7,920,916	7,799,723	8,490,418	8,553,934	8,546,532	8,578,750
Sales Taxes	6,313,342	6,393,740	6,637,147	7,157,768	7,574,011	7,790,117	6,541,673	6,538,977	7,050,928	7,295,954
Business Taxes	2,632,276	3,555,740	4,224,596	3,898,778	4,783,087	3,454,258	3,706,834	3,406,535	3,175,405	3,256,913
Utility Taxes	3,986,704	4,055,931	4,296,416	4,744,302	4,974,578	5,087,768	4,753,803	4,531,307	4,512,670	4,407,473
Other Taxes	2,611,599	2,598,693	2,938,131	3,567,985	2,984,146	2,572,169	2,461,170	2,391,050	2,384,628	2,679,142
Other General Revenues	342,419	(131,583)	2,172,184	3,088,501	1,831,840	1,004,194	217,758	1,428,517	657,845	488,144
<b>Total Governmental Revenues</b>	<b>36,774,985</b>	<b>39,319,577</b>	<b>37,375,082</b>	<b>46,544,150</b>	<b>49,587,755</b>	<b>43,579,733</b>	<b>41,386,385</b>	<b>41,258,416</b>	<b>38,078,975</b>	<b>42,379,354</b>
<i>Business-Type Activities</i>										
Charges for Services	21,266,386	22,026,027	24,568,993	27,738,767	27,611,963	26,764,076	27,619,991	25,981,745	26,471,213	26,807,859
Operating Grants and Contributions	-	-	-	-	-	235,414	34,341	65,812	258,531	3,000
Capital Grants and Contributions	1,200,151	2,553,628	1,279,260	755,136	4,936,686	8,449,263	3,882,290	7,417,318	2,580,408	9,253,974
Sales Taxes	45,131	58,973	71,500	49,180	41,562	21,857	14,678	-	16,735	16,201
Business Taxes	13,704	9,588	11,572	6,672	8,004	229	-	6,486	395	1,120
Other General Revenues	54,414	(2,712)	187,537	487,531	913,859	1,005,523	556,994	584,246	613,062	683,660
<b>Total Business-Type Activities</b>	<b>22,579,786</b>	<b>24,645,504</b>	<b>26,118,862</b>	<b>29,037,286</b>	<b>33,512,074</b>	<b>36,476,362</b>	<b>32,108,294</b>	<b>34,055,607</b>	<b>29,940,344</b>	<b>36,765,814</b>
<b>Total Primary Government Program Revenues</b>	<b>\$ 59,354,771</b>	<b>\$ 63,965,081</b>	<b>\$ 63,493,944</b>	<b>\$ 75,581,436</b>	<b>\$ 83,099,829</b>	<b>\$ 80,056,095</b>	<b>\$ 73,494,679</b>	<b>\$ 75,314,023</b>	<b>\$ 68,019,319</b>	<b>\$ 79,145,168</b>
<b>Expenses</b>										
<i>Governmental Activities</i>										
General government	\$ 4,497,784	\$ 3,178,781	\$ 3,311,938	\$ 4,036,679	\$ 3,838,442	\$ 4,799,392	\$ 4,001,383	\$ 3,250,587	\$ 4,585,130	\$ 2,335,832
Public safety	15,642,194	16,435,104	18,447,613	19,018,326	21,823,943	22,694,179	23,922,957	24,187,445	23,718,909	23,177,212
Utilities and environment	193,048	183,645	-	205,404	374,985	223,469	226,975	219,431	219,631	219,560
Transportation	3,823,484	6,442,549	4,453,072	7,731,187	8,936,077	8,914,778	4,214,922	4,012,477	4,235,164	4,206,821
Economic Environment	2,247,355	2,916,242	2,463,469	2,863,004	2,601,899	3,146,023	2,031,753	3,310,097	2,231,951	1,865,434
Mental/physical health	180,743	185,612	-	-	-	-	-	-	-	-
Culture and recreation	3,552,084	4,633,144	5,115,632	5,581,830	6,429,966	6,859,463	5,944,853	6,510,247	5,975,233	6,061,443
Interest on long-term debt	929,920	1,205,561	1,360,925	1,422,858	1,378,912	1,181,513	961,926	976,987	1,511,968	1,172,255
<b>Total Governmental Expenses</b>	<b>31,066,612</b>	<b>35,180,638</b>	<b>35,152,649</b>	<b>40,859,288</b>	<b>45,384,224</b>	<b>47,818,817</b>	<b>41,304,769</b>	<b>42,467,271</b>	<b>42,477,986</b>	<b>39,038,557</b>
<i>Business-Type Activities</i>										
Water	6,244,202	7,234,139	7,189,614	8,052,273	8,247,875	9,073,514	9,242,707	8,298,916	8,868,640	8,923,134
Wastewater	7,879,292	8,425,512	8,409,503	8,387,319	8,589,358	9,012,578	8,927,299	9,009,876	9,822,019	9,943,879
Golf Course	3,522,053	3,412,554	3,318,926	3,578,441	3,498,529	3,264,660	3,198,390	2,256,772	2,135,886	2,271,036
Other Proprietary Funds	854,947	908,739	1,060,383	1,200,116	1,328,735	1,328,657	1,478,026	1,603,135	1,831,098	2,281,994
<b>Total Business-Type Activities</b>	<b>18,500,494</b>	<b>19,980,944</b>	<b>19,978,426</b>	<b>21,218,149</b>	<b>21,664,497</b>	<b>22,679,409</b>	<b>22,846,422</b>	<b>21,168,699</b>	<b>22,657,643</b>	<b>23,420,043</b>
<b>Total Primary Government Program Expenses</b>	<b>\$ 49,567,106</b>	<b>\$ 55,161,582</b>	<b>\$ 55,131,075</b>	<b>\$ 62,077,437</b>	<b>\$ 67,048,721</b>	<b>\$ 70,498,226</b>	<b>\$ 64,151,191</b>	<b>\$ 63,635,970</b>	<b>\$ 65,135,629</b>	<b>\$ 62,458,600</b>
<b>Change in Net Assets</b>										
<i>Governmental Activities</i>										
Excess of revenues over expenses	\$ 5,708,373	\$ 4,138,939	\$ 2,222,433	\$ 5,684,862	\$ 4,203,531	\$ (4,239,084)	\$ 81,616	\$ (1,208,855)	\$ (4,399,011)	\$ 3,340,797
Transfers	1,162,029	1,153,453	1,673,717	1,291,437	1,944,641	1,973,245	4,175,924	3,610,764	3,737,965	4,462,373
<b>Governmental Activities Change in Net Position</b>	<b>6,870,402</b>	<b>5,292,392</b>	<b>3,896,150</b>	<b>6,976,299</b>	<b>6,148,172</b>	<b>(2,265,839)</b>	<b>4,257,540</b>	<b>2,401,909</b>	<b>(661,046)</b>	<b>7,803,170</b>
<i>Business-Type Activities</i>										
Excess of revenues over expenses	4,079,292	4,664,560	6,140,436	7,819,137	11,847,577	13,796,953	9,261,872	12,886,908	7,282,701	13,345,771
Transfers	(1,162,029)	(1,153,453)	(1,673,717)	(1,291,437)	(1,944,641)	(1,973,245)	(4,175,924)	(3,610,764)	(3,737,965)	(4,462,373)
<b>Business-Type Activities Change in Net Position</b>	<b>2,917,263</b>	<b>3,511,107</b>	<b>4,466,719</b>	<b>6,527,700</b>	<b>9,902,936</b>	<b>11,823,708</b>	<b>5,085,948</b>	<b>9,276,144</b>	<b>3,544,736</b>	<b>8,883,398</b>
<i>Governmental Activities Net Position</i>										
Net position - beginning	55,732,512	62,531,706	69,299,157	73,195,307	80,171,606	82,507,135	85,911,876	84,358,110	84,615,528	83,488,937
Prior period adjustment/special items	-	1,475,059	-	-	1,708,823	(140,726)	(5,811,306)	(2,144,491)	(465,545)	-
<b>Net position - ending</b>	<b>62,602,914</b>	<b>69,299,157</b>	<b>73,195,307</b>	<b>80,171,606</b>	<b>88,028,601</b>	<b>80,100,570</b>	<b>84,358,110</b>	<b>84,615,528</b>	<b>83,488,937</b>	<b>91,292,107</b>
<i>Business-Type Activities Net Assets</i>										
Net position - beginning	90,139,144	93,058,076	96,569,183	101,035,902	107,202,624	123,593,896	128,900,769	144,890,858	153,438,033	156,856,948
Prior period adjustment/special items	(69,539)	-	-	(360,978)	350,000	(705,529)	10,904,141	(728,969)	(125,821)	(209,083)
<b>Net position - ending</b>	<b>92,986,868</b>	<b>96,569,183</b>	<b>101,035,902</b>	<b>107,202,624</b>	<b>117,455,560</b>	<b>134,712,075</b>	<b>144,890,858</b>	<b>153,438,033</b>	<b>156,856,948</b>	<b>165,531,263</b>
<b>Total Primary Government Net Assets</b>	<b>\$ 155,589,782</b>	<b>\$ 165,868,340</b>	<b>\$ 174,231,209</b>	<b>\$ 187,374,230</b>	<b>\$ 205,484,161</b>	<b>\$ 214,812,645</b>	<b>\$ 229,248,968</b>	<b>\$ 238,053,561</b>	<b>\$ 240,345,885</b>	<b>\$ 256,823,370</b>



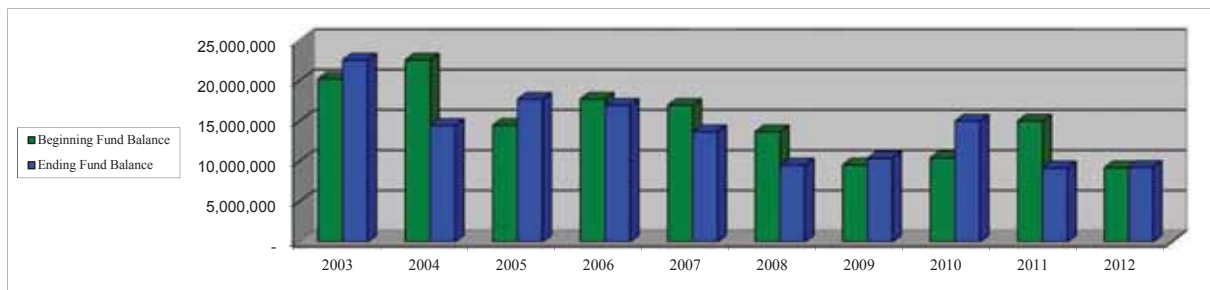
**Table 3**  
**Fund Balance of Government Funds**  
 Last Ten Fiscal Years

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>GENERAL FUND (Per GASB 54)</b>										
Nondisposable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,683	\$ 18,418
Restricted	-	-	-	-	-	-	-	-	48,556	20,562
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	65,926	545,168
Unassigned	-	-	-	-	-	-	-	-	3,274,281	4,018,522
<b>GENERAL FUND (Prior to GASB 54)*</b>										
Reserved	93,442	16,070	15,570	14,970	20,470	19,070	-	-	-	-
Unreserved	881,433	2,410,089	3,531,157	4,386,943	4,084,868	1,313,146	1,957,308	3,049,878	-	-
Total General Fund	974,875	2,426,159	3,546,727	4,401,913	4,105,338	1,332,216	1,957,308	3,049,878	3,407,446	4,602,670
<b>ALL OTHER GOVERNMENTAL FUNDS (Per to GASB 54)</b>										
Nondisposable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23,264.00	\$ -
Restricted	-	-	-	-	-	-	-	-	4,592,196	2,786,592
Committed	-	-	-	-	-	-	-	-	232,026	313,984
Assigned	-	-	-	-	-	-	-	-	1,045,415	1,577,720
Unassigned	-	-	-	-	-	-	-	-	(96,866)	-
<b>ALL OTHER GOVERNMENTAL FUNDS (Prior to GASB 54)*</b>										
Reserved	71,938	72,949	1,564,096	1,054,224	176,435	198,472	350,758	391,078	-	-
Unreserved, Reported In:										
Special Revenue Funds	5,247,909	3,745,126	4,593,224	5,025,387	6,251,037	5,867,682	5,758,691	4,488,327	-	-
Capital Projects Funds	16,070,360	8,046,173	7,653,595	6,074,023	2,626,138	1,578,618	2,096,861	6,662,498	-	-
Debt Service Funds	294,747	203,981	375,324	418,036	548,107	590,314	262,834	433,778	-	-
Total All Other Governmental Funds	21,684,954	12,068,229	14,186,239	12,571,670	9,601,717	8,235,086	8,469,144	11,975,681	5,796,035	4,678,296

\* Prior to the implementation of GASB Statement 54 in 2011, fund balances were classified as Reserved or Unreserved.

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>REVENUES</b>										
Taxes	\$21,066,589	\$22,219,675	\$23,762,468	\$25,423,632	\$26,572,963	\$25,132,935	\$24,259,262	\$23,958,593	\$24,139,778	\$24,476,535
Licenses and Permits	720,506	862,913	1,138,578	1,043,642	1,160,778	1,037,771	1,174,918	1,165,394	1,233,719	1,133,301
Intergovernmental	10,292,514	11,907,911	4,665,774	10,574,163	10,004,467	8,846,813	8,126,087	8,266,451	5,650,308	6,961,371
Charges for services	3,467,422	3,795,272	4,647,098	5,214,339	4,645,238	5,005,728	5,188,790	5,648,907	4,950,225	6,601,588
Fines and forfeits	833,772	751,536	721,703	868,427	1,022,563	1,689,080	1,929,836	1,581,937	1,536,690	1,492,213
Miscellaneous	1,762,139	1,681,959	2,634,054	3,101,742	3,107,379	2,497,255	1,636,519	2,962,238	1,706,691	1,985,835
Total Revenues	38,142,942	41,219,266	37,569,675	46,225,945	46,513,388	44,209,582	42,315,412	43,583,520	39,217,411	42,650,843
<b>EXPENDITURES</b>										
<b>Current</b>										
General Government	5,446,515	5,176,259	5,097,706	5,628,413	6,389,555	6,830,197	6,793,202	6,878,458	7,237,760	6,096,052
Public Safety	14,622,354	13,493,936	14,817,115	15,516,122	17,418,932	21,205,949	22,222,451	22,369,568	21,787,632	21,161,867
Utilities and Environment	193,048	195,122	195,461	217,600	374,985	223,469	226,975	219,431	219,631	219,560
Transportation	3,715,299	3,350,876	2,945,199	6,295,350	7,652,880	7,401,334	3,372,750	3,010,848	3,135,657	4,419,430
Economic environment	2,239,290	3,003,305	2,576,379	2,795,953	2,521,648	3,142,196	1,950,417	3,269,259	2,292,909	1,891,527
Mental/physical health	180,743	185,612	68,131	71,285	71,379	73,525	74,922	75,126	75,573	69,963
Culture and recreation	3,131,506	4,121,492	4,327,569	4,873,362	5,313,236	5,357,250	4,548,291	4,867,545	4,364,162	4,530,933
<b>Debt Service:</b>										
Principal	714,000	737,500	1,060,863	1,367,000	1,562,499	986,000	1,035,500	771,500	1,382,500	1,458,239
Interest and other debt issue costs	1,099,157	1,190,262	1,367,191	1,409,746	1,363,534	1,165,883	946,444	964,772	1,402,902	1,140,116
Capital	16,622,050	17,842,919	4,022,693	10,722,720	8,090,180	4,515,778	4,874,658	9,361,248	7,256,768	5,708,349
Intergovernmental Payments	-	-	-	-	-	-	-	-	42,203	-
Total Expenditures	47,963,962	49,297,283	36,478,307	48,897,551	50,758,828	50,901,581	46,045,610	51,787,755	49,197,697	46,696,036
Excess (deficiency) of revenues over (under) expenditures	(9,821,020)	(8,078,017)	1,091,368	(2,671,606)	(4,245,440)	(6,691,999)	(3,730,198)	(8,204,235)	(9,980,286)	(4,045,193)
<b>OTHER FINANCING SOURCES (USES)</b>										
Proceeds of Long Term Debt	10,865,000	800,000	1,671,000	-	-	-	-	19,407,267	9,675,000	5,215,000
Premiums on Bonds Sold	-	-	-	-	-	-	-	-	122,033	-
Payments to Refunded Escrow Agent	-	-	(1,661,309)	-	-	-	-	(10,387,010)	(9,675,000)	(5,653,814)
Capital Asset Donation & Disposal	-	5,958	2,659,534	2,700,538	1,467,967	428,319	398,759	40,930	511,823	-
Insurance Recoveries	-	-	-	-	-	-	-	18,629	1,251	349
Transfers in	5,075,298	4,955,598	6,377,743	9,768,469	8,957,389	6,461,827	7,415,810	5,630,979	6,921,147	6,074,690
Transfers out	(3,753,180)	(5,705,285)	(6,885,610)	(10,596,716)	(9,445,689)	(4,195,667)	(3,239,886)	(2,020,214)	(3,282,833)	(1,612,316)
Total other financing sources and uses	12,187,118	56,271	2,161,358	1,872,291	979,667	2,694,479	4,589,347	12,690,581	4,151,388	4,145,942
<b>OTHER CHANGES IN FUND BALANCE</b>										
Change in Reserves for Inventory	(10,023)	(72,486)	(14,148)	39,932	(755)	(1,507)	-	(10,666)	6,820	(23,264)
Net change in fund balances	2,356,075	(8,094,232)	3,238,578	(759,383)	(3,266,528)	(3,999,027)	859,149	4,475,680	(5,822,078)	77,485
Fund balances-beginning	20,232,545	22,588,620	14,494,388	17,732,966	16,973,583	13,707,055	9,567,302	10,426,451	15,025,559	9,203,481
Prior Period Adjustments	-	-	-	-	-	(140,726)	-	123,428	-	-
Fund balances-ending	\$22,588,620	\$14,494,388	\$17,732,966	\$16,973,583	\$13,707,055	\$ 9,567,302	\$10,426,451	\$15,025,559	\$ 9,203,481	\$ 9,280,966
<b>Debt service as a percentage of non-capital expenditures</b>										
	5.79%	6.13%	7.48%	7.27%	6.86%	4.64%	4.81%	4.09%	6.64%	6.34%



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

Fiscal Year	REAL PROPERTY		PERSONAL PROPERTY		TOTALS		Ratio of total Assessed Value To Total Estimated Actual Value	Total Bremerton Levy Rate Per \$1,000
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value		
2003	1,447,949,250	1,652,910,103	137,191,146	137,191,146	1,585,140,396	1,790,101,249	88.0%	4.43
2004	1,588,499,381	1,853,558,204	125,299,389	125,299,389	1,713,798,770	1,978,857,593	86.1%	4.15
2005	1,722,154,076	1,986,336,881	125,883,139	125,883,139	1,848,037,215	2,112,220,020	87.0%	3.82
2006	2,089,518,973	2,324,270,270	133,373,551	133,373,551	2,222,892,524	2,457,643,821	90.1%	3.35
2007	2,557,714,553	2,919,765,471	134,674,238	134,674,238	2,692,388,791	3,054,439,709	87.9%	2.85
2008	2,974,663,326	3,395,734,390	140,113,102	143,118,592	3,114,776,428	3,538,852,982	87.8%	2.51
2009	2,950,336,030	3,430,623,291	134,404,987	138,704,837	3,084,741,017	3,569,328,128	86.2%	2.76
2010	2,738,164,824	3,187,619,120	161,319,684	163,279,032	2,899,484,508	3,350,898,152	86.2%	2.97
2011	2,592,959,827	2,939,863,749	155,787,967	157,999,967	2,748,747,794	3,097,863,716	88.4%	3.13
2012	2,396,294,922	2,704,621,808	152,670,570	155,153,018	2,548,965,492	2,859,774,826	88.8%	3.37

Source: Kitsap County Assessor's Office

Year	Mileage
2003	10.00000
2004	10.00000
2005	9.50000
2006	8.50000
2007	8.00000
2008	7.00000
2009	7.00000
2010	8.00000
2011	8.50000
2012	9.00000

Source: Kitsap County Assessor's Office

**Table 7**  
**Principal Property Taxpayers**  
 Current Year and Nine Years Ago

<u>Name</u>	<u>Type of Business</u>	<u>2012</u>			<u>2003</u>		
		<u>Rank</u>	<u>Assessed Valuation</u>	<u>Percent of Total Assessed Value</u>	<u>Rank</u>	<u>Assessed Valuation</u>	<u>Percent of Total Assessed Value</u>
Puget Sound Energy	Utility	1	\$ 30,716,230	1.2%	1	\$ 33,514,499	2.1%
Qwest Corporation	Telephone Utility	2	18,101,980	0.7%			
Kitsap Community Credit Union	Finance	3	15,166,250	0.6%			
R&L Property Management	HOA Condo Management	4	12,134,650	0.5%			
HCK2 LLC	Fairfield Inn & Suites Mgmt	5	10,775,765	0.4%			
Heartland Automobile Prop LLC	Retail-Automotive	6	10,215,910	0.4%			
Bremer Trust	Commercial Property	7	9,895,990	0.4%	3	12,403,630	0.8%
Ryan Tim Properties LP	Commercial Property	8	9,874,370	0.4%			
Group Health Options INC	Insurance	9	8,844,980	0.3%			
EP Holdings LLC	Real Estate Management	10	8,629,770	0.3%			
U. S. West	Telephone Utility				2	23,015,935	1.5%
Merit Company	Community Center				4	9,150,330	0.6%
Viewcrest Villages	Residential Properties				5	8,566,420	0.5%
Fir Lane Terrace Conv Ctr	Convalescent Center				6	7,068,600	0.4%
Shp II Bremerton LLC	Apartments				7	6,702,600	0.4%
Washington Mutual Bank	Bank				8	6,392,310	0.4%
Beta Ballard LLC	Community Center				9	6,359,730	0.4%
Cascade Natural Gas	Gas Utility				10	6,300,706	0.4%
Total Taxable Assessed Value of 10 Largest Taxpayers			134,355,895	5.3%		119,474,760	7.5%
Total Taxable Assessed Value of all Other Taxpayers			2,414,609,597	94.7%		1,465,665,636	92.5%
Total Taxable Assessed Value of all Taxpayers			<u>\$ 2,548,965,492</u>	100%		<u>\$ 1,585,140,396</u>	100%

Source: Kitsap County Assessor's Office

**Table 8**  
**Property Tax Levies and Collections**  
 Last Ten Fiscal Years  
 (In Thousands)

<u>Fiscal Year</u>	<u>Tax Levy</u>	<u>Current Tax Collections</u>	<u>% of Tax Levy Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>% of Total Tax Collections to Tax Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>% of Outstanding Delinquent to Tax Levy</u>
2003	7,011	6,642	94.74	196	6,838	97.54	546	7.78
2004	7,105	6,784	95.48	195	6,979	98.23	523	7.36
2005	7,065	6,801	96.26	214	7,015	99.29	498	7.05
2006	7,431	7,188	96.73	308	7,496	100.87	631	8.49
2007	7,658	7,406	96.71	436	7,842	102.40	425	5.55
2008	7,816	7,498	95.93	190	7,688	98.36	506	6.47
2009	8,507	8,064	94.79	192	8,256	97.05	735	8.64
2010	8,613	8,209	95.31	411	8,620	100.08	669	7.77
2011	8,590	8,278	96.37	283	8,561	99.66	655	7.63
2012	8,587	8,242	95.98	317	8,559	99.67	614	7.15

**Table 9**  
**Ratio of Net General Bonded Debt**  
**To Assessed Value and Net Bonded Debt Per Capita**  
 Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Population*</u>	<u>Assessed Value**</u>	<u>G.O. Bonded Debt</u>	<u>Less Debt Service Fund</u>	<u>Net Bonded Debt</u>	<u>% Net Bonded Debt to Assessed Value</u>	<u>Debt Per Capita</u>
2003	38,730	1,585,140,396	26,962,502	375,436	26,587,066	1.68	686
2004	37,520	1,713,798,770	33,170,000	273,708	32,896,292	1.92	877
2005	34,580	1,848,037,215	31,875,139	401,164	31,473,975	1.70	910
2006	35,910	2,222,892,524	30,318,664	457,626	29,861,038	1.34	832
2007	35,810	2,692,388,791	28,619,400	573,654	28,045,746	1.04	783
2008	36,860	3,114,776,428	27,424,767	623,385	26,801,382	0.86	727
2009	36,620	3,084,741,017	26,847,185	313,948	26,533,237	0.86	725
2010	36,190	2,899,484,508	35,705,685	474,303	35,231,382	1.22	974
2011	38,790	2,748,747,794	39,511,239	426,513	39,084,726	1.42	1,008
2012	39,650	2,548,965,492	37,768,000	275,190	37,492,810	1.47	946

\* State of Washington Office of Financial Management

\*\* Kitsap County Assessor

**Table 10**  
**Computation of Direct and Overlapping Debt**  
December 31, 2012

<u>Jurisdiction</u>	Gross General Obligation Debt <u>Outstanding</u>	Percentage Applicable <u>To Bremerton</u>	Amount Applicable <u>To Bremerton</u>
City of Bremerton	37,768,000	100.00	37,768,000
Kitsap County	107,133,369	9.39	10,059,823
Port of Bremerton	3,930,000	22.77	894,861
School District #100	17,196,467	75.71	13,019,445
So. Kitsap Schools - Non-Voted	3,214,703	0.23	7,394
TOTAL	169,242,539		61,749,523



**Table 11**  
**Computation of Legal Debt Margin**  
as of December 31, 2012

Total Taxable property Value 2,394,781,600 for collection in 2012

2.5% (\$63,724,149) general purposes limit is allocated between:

<i>Up to 1.5% debt <b>without</b> a vote (councilmanic)</i>	35,921,724	
Less: outstanding debt	27,993,000	
Less: contracts payable	-	
Less: excess of debt with a vote	-	
Add: available assets	-	
Equals: remaining debt capacity without a vote		7,928,724
<i>1% general purposes debt <b>with</b> a vote</i>	23,947,816	
Less: outstanding debt	9,775,000	
Less: contracts payable	-	
Add: assets available	112,147	
Equals: remaining debt capacity with a vote		14,284,963
<i>2.5% <b>utility</b> purpose limit, voted</i>	59,869,540	
Less: outstanding debt	-	
Less: contracts payable	-	
Add: assets available	-	
Equals: remaining debt capacity - utility purpose, voted		59,869,540
<i>2.5% <b>open space, park and capital facilities</b>, voted</i>	59,869,540	
Less: outstanding debt	-	
Less: contracts payable	-	
Add: assets available	-	
Equals remaining debt capacity - open space park and capital facilities, voted		59,869,540

**Table 12**  
**Water and Sewer Revenue Bond Coverage**  
 Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Gross Revenue</u>	<u>Maintenance &amp; Operating Expenses*</u>	<u>Net Revenue Available For Debt Service</u>	<u>Current Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Current Coverage Ratio</u>
2003	16,600,789	9,000,574	7,600,215	2,145,000	657,620	2,802,620	2.71
2004	17,379,274	10,432,584	6,946,690	2,270,000	533,720	2,803,720	2.48
2005	19,516,612	11,751,679	7,764,933	2,390,000	413,410	2,803,410	2.77
2006	21,732,894	10,951,004	10,781,890	2,555,659	305,144	2,860,803	3.77
2007	23,009,152	11,486,862	11,522,290	2,815,000	242,816	3,057,816	3.77
2008	23,021,132	13,023,575	9,997,557	305,000	223,202	528,202	18.93
2009	22,697,794	13,160,506	9,537,288	320,000	210,148	530,148	17.99
2010	22,172,232	12,563,519	9,608,713	330,000	196,452	526,452	18.25
2011	22,869,304	12,807,726	10,061,578	335,000	182,328	517,328	19.45
2012	29,222,180	12,822,748	16,399,432	350,000	167,990	517,990	31.66

\* Net of depreciation, amortization and City taxes.

**Table 13**  
**Demographic Statistics**  
 Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Population *</u> <u>Number</u>	<u>Personal**</u> <u>Income (\$000)</u>	<u>Income</u> <u>Per Capita</u>	<u>School ***</u> <u>Enrollment</u>	<u># of ****</u> <u>Housing Units</u>	<u>Rate of *****</u> <u>Unemployment</u>
2003	38,730	1,265,712	32,680	5,787	16,617	5.4
2004	37,520	1,299,639	34,639	5,703	16,615	5.9
2005	34,580	1,287,196	37,224	5,412	16,607	5.1
2006	35,910	1,382,427	38,497	5,209	16,615	4.7
2007	35,810	1,486,858	41,521	4,998	16,797	4.4
2008	36,860	1,574,351	42,712	5,061	17,171	4.4
2009	36,620	1,568,169	43,404	4,835	17,170	7.4
2010	36,190	1,530,837	42,300	4,855	17,273	7.3
2011	38,790	1,688,297	42,580	5,175	16,915	7.6
2012	39,650	-	-	4,904	17,090	7.4

\* State of Washington, Office of Financial Management

\*\* U.S. Department of Commerce - Bureau of Economic Analysis (County data prorated based on local population) Information for 2012 not available at report date.

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

\*\*\*\* State of Washington, Office of Financial Management; Postcensal estimate 4/1/13

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

**Table 14**  
**Miscellaneous Statistics**

**DATE OF INCORPORATION**

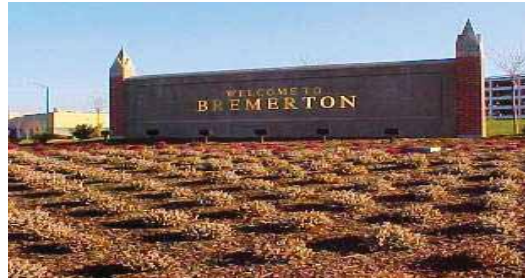
October 14, 1901

**FORM OF GOVERNMENT**

Council - Mayor

**Type of Government**

Home-Rule Charter

**Demographics in 2012**

Total Area for City of Bremerton 26.9 Square Miles

**Number of City Employees 2012**

Full-Time Equivalents 313.98

**Fire Protection**

Number of Personnel 56  
 Number of Stations 3  
 Fire and Aid Calls - 2012 6,797  
 Priority 1 Response Time (minutes) 4:50

**Police Protection**

Number of Police Officers 58  
 Calls for Service - 2012 65,027  
 Average Priority 1 Response Time (minutes) 3:02  
 Average Priority 2 Response Time (minutes) 3:37

**Parks & Recreation**

Number of Developed Parks 31  
 Number of Park Acres 709.50  
 Senior Centers 1  
 Bremerton Family YMCA 1  
 Community Pool - Jarstad Aquatic Center 1  
 Golf - Gold Mountain Golf Complex 1  
 Ice Arena - Bremerton Ice Arena 1

**Business Licenses**

Number of Business Licenses Issued - 2012 5778  
 Number of Business Licenses Issued in City Limits 2585

Table 14 Continued

**Water Utility Services 2012**

Residential Accounts	16,471
Commercial Accounts	1,811
Storage Capacity (gallons)	33,240,000
Casad Dam Capacity (gallons)	1.4 bil
Average Daily Demand (millions per gallon-MG)	6.3
Reservoirs	16
Watershed Land (square miles)	12.96
Sources:	
Surface Supply (MG)	1,281
Ground Supply (MG)	1,017
Miles of Main	322

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

**Sewer Utility Services 2012**

Residential Sewer Accounts	9,646
Commercial Sewer Accounts	929
Miles of Main	141
Miles of Force Main	31
Sewage Pump Stations	39
Grinder Pump Stations	82
Westside Wastewater Treatment Plant:	
Average Annual Flow - MGD	5.0
Hydraulic Peak Capacity - MGD	45
Permitted Average	12.5
Eastside CSO Plant	
Peak Treatment Capacity - MGD	20



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

**Stormwater Utility Services 2012**

Residential Accounts	9,888
Commercial Accounts	1,033
Miles of Mains	114

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



Table 14 Continued

**City Streets**

Street Miles	135
State Highway Miles	19
Miles of Sidewalks	115
Signalized Traffic Intersections	40
Street Lights:	
City Owned	371
Leased from Puget Sound Energy	1,699
Signs, Crosswalks & Lane Markings	7,700

**Forestry**

Water and Utility Forest Lands (acres)	8,300
Miles of Forest Roads	51
Timber Harvested (board feet)	1.3 mil
Biosolids applied (cubic yards)	3,700
Reforestation (seedlings planted)	23,100

**Public Schools**

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

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

**Colleges**

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

**Hospitals**

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

**Local Transportation**

Washington State Ferries	
Seattle Bremerton Route - Total Annual Rides 2012	2,329,322
Kitsap Transit 2012	
Foot Ferry	
Annual Rides - Port Orchard & Annapolis	437,846
Buses (County Wide)	
Annual Bus Rides	2,876,111
Kitsap Access Bus	287,122
Sources: Washington State Ferries	
Kitsap Transit	