



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

For the period January 1, 2013 thru December 31, 2013

City of Bremerton, Washington



Annual Financial Report

*For the Fiscal Year ended
December 31, 2013*

Prepared by the Finance Department

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City of Bremerton
Comprehensive Annual Financial Report
For the Fiscal Year Ended December 31, 2013

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Cathy Johnson, Director of Financial Services

July 30, 2014

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, 2013. 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 first class charter city under a Mayor/Council form of government. In 2013, the City Council was comprised of nine members, elected by district by the citizens of the City, each serving a four-year term. Effective January 1, 2014, the number of Council Districts was reduced to seven with initial terms of two and four years. 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 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 2013 population of 37,850 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 10,900 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 2442 employees and Olympic College with 1206 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 2013, the county's average unemployment rate was 6.9 percent. In comparison, the State of Washington's unemployment rate for the same period was 7.0 percent. Per Capita income for the Bremerton-Silverdale MSA is also improving. 2012 per capita income was \$44,547, a slight increase over 2011's figure of \$43,117. The median household income projections for Kitsap County also continue to improve. The 2013 projection for Kitsap County is \$58,418 as compared to \$57,155 for 2012, and as compared to the 2013 Washington State projected median household income figure of \$58,577.

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 163-166 of the 2014 Annual Budget, which may be found on the City's website at 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 and updated annually. 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 2013, the City levied at the statutory limitation of \$3.26 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 newly expanded Conference Center, two hotels, two condominium complexes, an expanded marina, Harborside Park and Plaza, as well as ferry terminal traffic tunnel. 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 multiplex cinema (opened June 2012) and commitment from private development for a new 71 unit residential apartment complex to commence construction during 2014. Other upcoming significant road and bike/pedestrian improvement projects include Lower Wheaton Way and Washington Avenue Connector.

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 Ashley Tuttle, Accountant – Financial Analyst, 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.

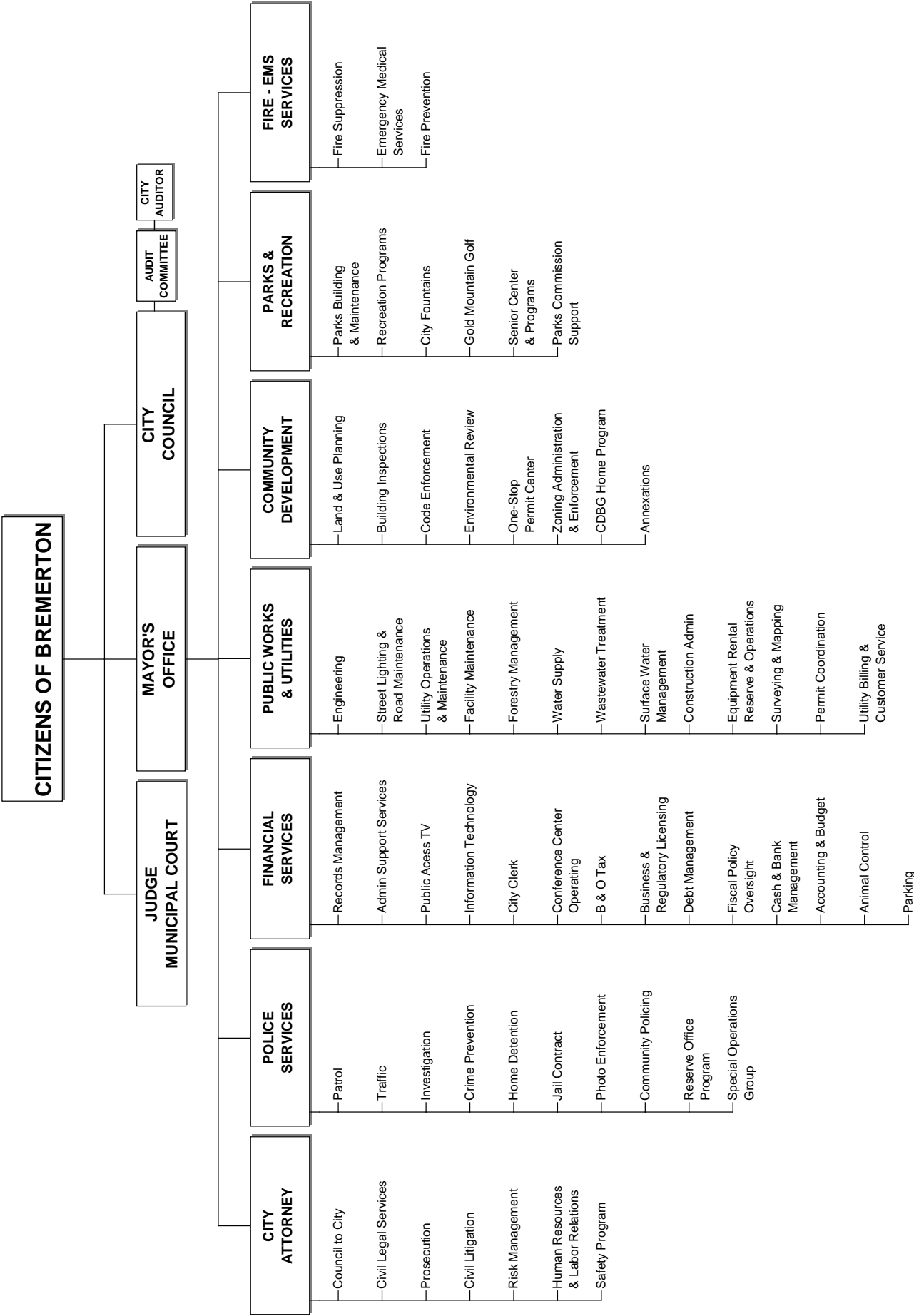
Respectfully submitted,



Patty Lent
Mayor



Cathy Johnson
Director of Financial Services



Directory of Officials

2013

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 | Roy Runyon |
| 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 |
| Interim 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, 2013 through December 31, 2013**

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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed on page 24.

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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General and Parking System funds, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 18 to the financial statements, in 2013, the City adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. 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 25 through 37 and information on postemployment benefits other than pensions on page 82 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.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2014 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 22, 2014

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, 2013. 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 2013, the assets of the City exceeded its liabilities by \$262.4 million. The net investment in capital assets accounts for over 85.9 percent of this amount (\$225.4 million). Net position 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 2.2 percent of this amount (\$5.9 million). The remaining net assets of \$31.1 million may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's net position increased by \$5.6 million (2.1%) during the fiscal year. The governmental net position increased by \$2.6 million (2.8%) from the amount reported in 2012. Business-type net position increased by \$3.0 million (1.7%). The Business-type increase included net income before contributions and transfers for the Water utility of \$1,295,459, Wastewater utility of \$3,381,128, other non-major proprietary funds of \$737,274 and Golf Course \$(156,724).
- As of December 31, 2013, the City's governmental funds reported a combined fund balance of \$10.3 million, an increase of 11.2% from the prior year end. The fund balance of the General Fund increased by \$266,618 while the remaining non-major governmental funds had a fund balance increase of \$771,520. The overall increase of \$1,038,138 is primarily attributable to a transfer of \$1.0 million to the governmental funds from the city's utilities for utility improvements being carried out in conjunction with a road improvement project. \$3.1 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 \$7.2 million of unrestricted fund balance \$2.4 million has been committed or assigned for specific purposes while \$4.8 million is unassigned and available to the City for future appropriation.
- At the end of 2013, the unassigned fund balance of the General Fund was \$4.8 million or approximately 15.3 percent of total General Fund expenditures of \$31.3 million. The General Fund's unassigned fund balance increased by \$775,786 from the prior year's amount of \$4.0 million, a 19.3 percent increase. This increase over 2012 is primarily due to a reduction in assigned fund balances from 2012. The 2012 assigned fund balance included \$545,168 of fund balance obligated by the passage of the 2013 budget. The Government Accounting Standards Board has subsequently clarified that this practice does not meet the criteria for assigned balances, therefore this practice has been discontinued.
- The City's total outstanding debt decreased by \$4.5 million (7.4%) during the current fiscal year to \$60.6 million. General obligation debt decreased by \$1.5 million and revenue debt decreased by \$3.0 million.
- The City's net investment in Capital Assets increased \$3.6 million (1.2%) in 2013. Total Capital assets from governmental activities increased \$.1 million or .7%. Total Capital assets from business type activities increased \$2.8 million or 1.6%. These increases are primarily due to Pacific Avenue road reconstruction project (\$2.3 million) and \$7.2 million in for the construction of water, wastewater and stormwater capital improvements identified within the City's 2013 capital improvement plan. In addition, roads, lighting and utility infrastructure in the Bayside development, valued at \$1.8 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 deferred outflows of resources and liabilities and deferred inflows of resources, highlighting the difference between the two as net position. This statement is similar to the balance sheet of a private sector business. Over time, increases or decreases in net position may be one indicator of improvement or deterioration in the City's overall financial health.

The *statement of activities* presents information designed to show how the City's net position changed during the year. This statement distinguishes revenue generated by specific functions from revenue provided by taxes and other sources not related to a specific function. The revenue generated by the specific functions (charges for services, grants, and contributions) is compared to the expenses for those functions to show how much each function either supports itself or relies on taxes and other general funding sources for support. All activity on this statement is reported on the accrual basis of accounting, requiring that revenues are reported when they are earned and expenses are reported when they are incurred, regardless of when cash is received or disbursed. Items such as uncollected taxes, unpaid vendor invoices for goods or services received during the year, and earned but unused vacation leave are included in the statement of activities as revenue and expenses even though no cash has changed hands.

Fund Financial Statements

The annual financial report includes fund financial statements in addition to the government-wide financial statements. While the government-wide statements present the City's finances based on the type of activity, general government versus business-type, the fund financial statements are presented by fund type such as the general fund, special revenue funds, and proprietary funds. A fund is a fiscal and accounting entity with a self-balancing set of accounts used to account for specific activities or meet certain objectives. Funds are often set up in accordance with special regulations, restrictions or limitations. The City, like other state and local governments, uses fund accounting to ensure and show compliance with finance-related legal requirements. The City's funds are divided into three categories: *governmental funds*, *proprietary funds*, and *fiduciary funds*.

Governmental funds are used to account for essentially the same functions as are reported as governmental activities in the government-wide financial statements. The basis of accounting is different between the governmental fund statements and the government-wide financial statements. The governmental fund statements focus on near-term revenues/financial resources and expenditures while the government-wide financial statements include both near-term and long-term revenues/financial resources and expenses. The information in the governmental fund statements can be used to evaluate the City's near-term financing requirements and immediate fiscal health. Comparing the governmental fund statements with the government-wide statements can help the reader better understand the long-term impact of the City's current year financing decisions. To assist in this comparison, reconciliations between the

governmental fund statements and the government-wide financial statements are included with the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances.

The City maintained twenty-five (25) individual governmental funds in 2013. The City's General fund and Parking System fund are 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 for major governmental funds is presented with the basic financial statements. Budgetary comparison statements for other governmental funds are included with the combining statements.

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

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

The City's 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 utilities. The remaining enterprise funds are combined into a single column labeled "Non-major Enterprise Funds". Information for each of the non-major enterprise funds is provided in the combining statement in this report.

Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for maintenance and acquisition of its fleet of vehicles, insurance premiums and claims, 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 position at December 31, 2013 total \$262.4 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 | | |
|----------------------------------|-------------------------|-----------|------------|--------------------------|------------|------------|------------|------------|------------|
| | 2013 | 2012 | Difference | 2013 | 2012 | Difference | 2013 | 2012 | Difference |
| Current Assets | \$ 16,061 | \$ 17,450 | \$ (1,389) | \$ 22,808 | \$ 25,203 | \$ (2,395) | \$ 38,869 | \$ 42,653 | \$ (3,784) |
| Restricted Assets | 3,191 | 472 | 2,719 | 1,747 | 1,739 | 8 | 4,938 | 2,211 | 2,727 |
| Capital Assets | 111,045 | 110,243 | 802 | 174,478 | 171,700 | 2,778 | 285,523 | 281,943 | 3,580 |
| Other Noncurrent Assets | 1,014 | 1,590 | (576) | 691 | 1,021 | (330) | 1,705 | 2,611 | (906) |
| Total assets | 131,311 | 129,755 | 1,556 | 199,724 | 199,663 | 61 | 331,035 | 329,418 | 1,617 |
| Deferred outflows of resources | 1,120 | - | 1,120 | 179 | - | 179 | 1,299 | - | 1,299 |
| Current Liabilities | 2,749 | 13,508 | (10,759) | 1,566 | 1,462 | 104 | 4,315 | 14,970 | (10,655) |
| Payable from Restricted Assets | - | - | - | 81 | - | 81 | 81 | 0 | 81 |
| Noncurrent Liabilities | 35,764 | 24,955 | 10,809 | 29,772 | 32,670 | (2,898) | 65,536 | 57,625 | 7,911 |
| Total liabilities | 38,513 | 38,463 | 50 | 31,419 | 34,132 | (2,713) | 69,932 | 72,595 | (2,663) |
| Deferred inflows of resources | 15 | - | 15 | - | - | - | 15 | - | 15 |
| Net position | | | | | | | | | |
| Net Investment in Capital Assets | 80,093 | 78,295 | 1,798 | 145,318 | 139,494 | 5,824 | 225,411 | 217,789 | 7,622 |
| Restricted | 4,105 | 4,201 | (96) | 1,779 | 1,617 | 162 | 5,884 | 5,818 | 66 |
| Unrestricted | 9,705 | 8,796 | 909 | 21,387 | 24,420 | (3,033) | 31,092 | 33,216 | (2,124) |
| Total Net Position | \$ 93,903 | \$ 91,292 | \$ 2,611 | \$ 168,484 | \$ 165,531 | \$ 2,953 | \$ 262,387 | \$ 256,823 | \$ 5,564 |

The largest component of the City's net position, \$225.4 million (or 85.9%), 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 position consist of amounts legally or otherwise externally restricted for debt service and other programs. Of the \$4.1 million of governmental restrictions, \$2.1 million or 50.1% is restricted for the construction of capital assets. \$2.0 million are special revenues restricted primarily for use in the Community Development Block Grant program (53.7%), for public safety services (33%), tourism promotion (8.4%) and workers compensation liability (4.9%). 0.6% (\$25,512) is restricted for debt service on outstanding debt. \$1.8 million of business-type restrictions are reserves required for debt service payments and asset replacement. A total of \$21.4 million represents the unrestricted net position of the City's business-type activities and may only be spent on golf course operations, water, wastewater and other utility activities. Maintenance of utility delivery systems (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 \$9.7 million to meet ongoing obligations to citizens and creditors. Examples of other City obligations which this remaining amount 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 position 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 2013 with net position increasing approximately \$6.0 million before prior period adjustments. The net position of governmental activities increased by \$2.9 million and the net position of business-type activities increased by \$3.1 million.

Following is a condensed version of the City's changes in net position. The table shows the revenues, expenses, and related changes in net position 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

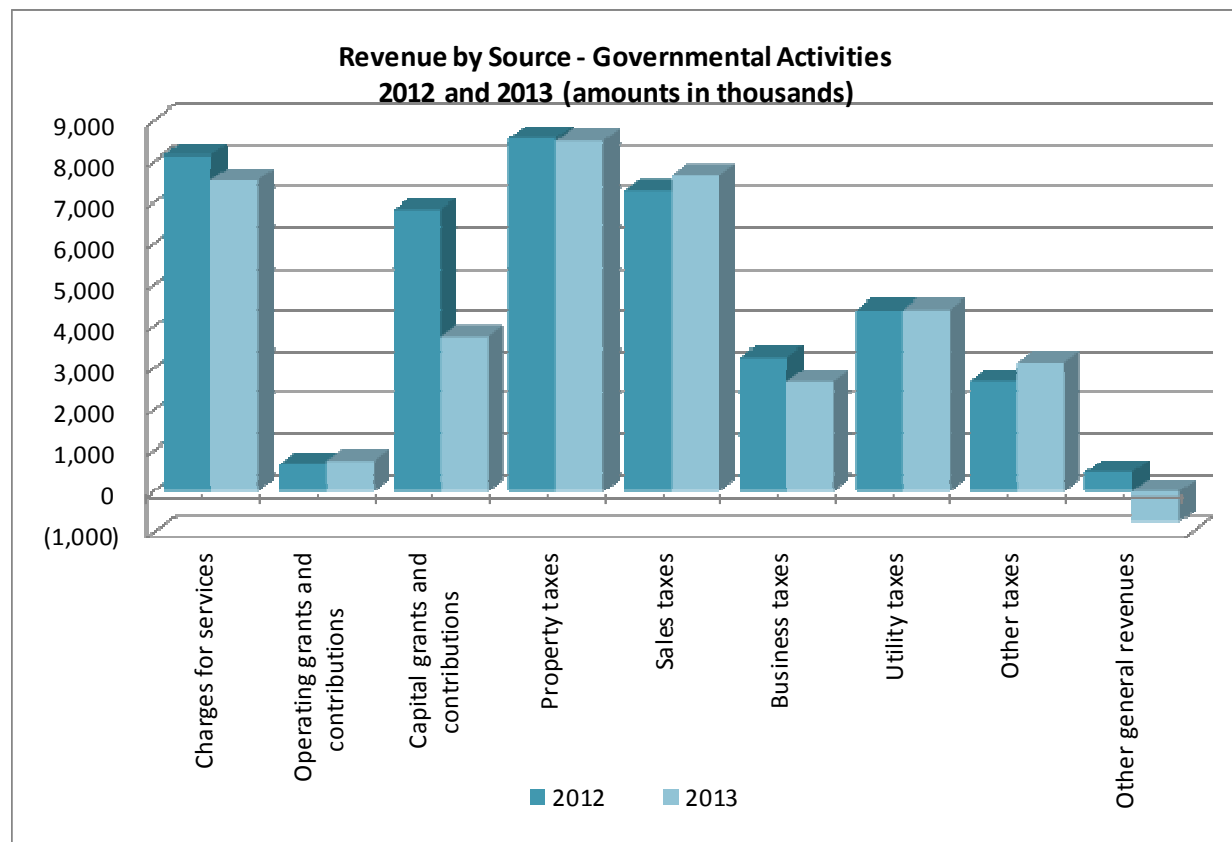
| Amounts in 000's | Governmental Activities | | | Business-Type Activities | | | Total | | |
|------------------------------------|-------------------------|-----------|------------|--------------------------|------------|------------|------------|------------|------------|
| | 2013 | 2012 | Difference | 2013 | 2012 | Difference | 2013 | 2012 | Difference |
| Revenues | | | | | | | | | |
| Program revenues | | | | | | | | | |
| Charges for services | \$ 7,554 | \$ 8,148 | \$ (594) | \$ 29,197 | \$ 26,808 | \$ 2,389 | \$ 36,751 | \$ 34,956 | \$ 1,795 |
| Operating grants and contributions | 756 | 678 | 78 | 392 | 3 | 389 | 1,148 | 681 | 467 |
| Capital grants and contributions | 3,752 | 6,847 | (3,095) | 3,878 | 9,254 | (5,376) | 7,630 | 16,101 | (8,471) |
| General revenues | | | | | | | | | |
| Property taxes | 8,512 | 8,579 | (67) | - | - | - | 8,512 | 8,579 | (67) |
| Sales taxes | 7,679 | 7,296 | 383 | 30 | 16 | 14 | 7,709 | 7,312 | 397 |
| Business taxes | 2,665 | 3,257 | (592) | 4 | 1 | 3 | 2,669 | 3,258 | (589) |
| Utility taxes | 4,416 | 4,407 | 9 | - | - | - | 4,416 | 4,407 | 9 |
| Other taxes | 3,147 | 2,679 | 468 | - | - | - | 3,147 | 2,679 | 468 |
| Other general revenues | (721) | 488 | (1,209) | 475 | 683 | (208) | (246) | 1,171 | (1,417) |
| Total revenues | \$ 37,760 | \$ 42,379 | \$ (4,619) | \$ 33,976 | \$ 36,765 | \$ (2,789) | \$ 71,736 | \$ 79,144 | \$ (7,408) |
| Expenses | | | | | | | | | |
| Governmental activities | | | | | | | | | |
| General government | 3,353 | 2,336 | 1,017 | - | - | - | 3,353 | 2,336 | 1,017 |
| Public safety | 23,337 | 23,177 | 160 | - | - | - | 23,337 | 23,177 | 160 |
| Utilities and environment | 220 | 220 | - | - | - | - | 220 | 220 | - |
| Transportation | 4,459 | 4,207 | 252 | - | - | - | 4,459 | 4,207 | 252 |
| Economic Environment | 1,814 | 1,865 | (51) | - | - | - | 1,814 | 1,865 | (51) |
| Culture and recreation | 5,992 | 6,061 | (69) | - | - | - | 5,992 | 6,061 | (69) |
| Interest on long-term debt | 1,222 | 1,172 | 50 | - | - | - | 1,222 | 1,172 | 50 |
| Business-type activities | | | | | | | | | |
| Water | - | - | - | 9,277 | 8,923 | 354 | 9,277 | 8,923 | 354 |
| Wastewater | - | - | - | 9,946 | 9,944 | 2 | 9,946 | 9,944 | 2 |
| Golf course | - | - | - | 4,008 | 2,271 | 1,737 | 4,008 | 2,271 | 1,737 |
| Other proprietary funds | - | - | - | 2,152 | 2,282 | (130) | 2,152 | 2,282 | (130) |
| Total expenses | \$ 40,397 | \$ 39,038 | \$ 1,359 | \$ 25,383 | \$ 23,420 | \$ 1,963 | \$ 65,780 | \$ 62,458 | \$ 3,322 |
| Excess of revenues over expenses | (2,637) | 3,341 | (5,978) | 8,593 | 13,345 | (4,752) | 5,956 | 16,686 | (10,730) |
| Transfers | 5,492 | 4,462 | 1,030 | (5,492) | (4,462) | (1,030) | - | - | - |
| Change in net position | 2,855 | 7,803 | (4,948) | 3,101 | 8,883 | (5,782) | 5,956 | 16,686 | (10,730) |
| Net position - beginning | 91,292 | 83,489 | 7,803 | 165,531 | 156,857 | 8,674 | 256,823 | 240,346 | 16,477 |
| Prior period adjustment | (244) | - | (244) | (148) | (209) | 61 | (392) | (209) | (183) |
| Net position - ending | \$ 93,903 | \$ 91,292 | \$ 2,611 | \$ 168,484 | \$ 165,531 | \$ 2,953 | \$ 262,387 | \$ 256,823 | \$ 5,564 |

Governmental activities accounted for an increase of \$2.6 million of the total change in net position of \$5.6 million. Significant elements of the increase are as follows:

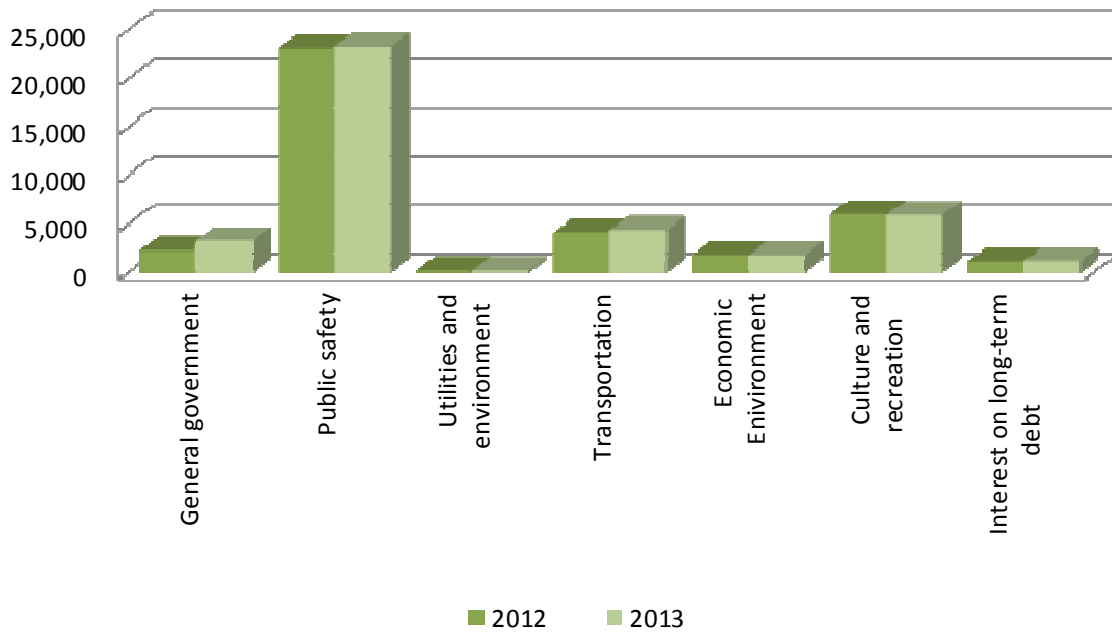
- Transfers continued to play a significant role in the increase to net position in 2013. Transfers from Business-type activities increased \$1,030,000 in 2013. A transfer of \$1,050,000 from the Water and Wastewater funds to the Pacific Avenue Construction fund in support of utility work performed during the road reconstruction project was the major item contributing to the increase.
- Expenditures increased by 3.5% in 2013 compared to 2012. Small changes occurred in many functional areas, as a significant effort was made to match available resources. The most notable exception was an increase of \$1.0M in expenditures for General Government activities. This is directly related to a decrease in net income from operations of the Risk Management internal service fund as compared to 2012. The net income from 2013 activities was \$667,235 or 64.6% less than the net income from 2012 due to decreased charges to participating funds in 2013 as a result of higher than required reserves at the end of 2012. Expenditure increases in Public Safety, Transportation and interest expense activities (\$462,000) were offset by small decreases in Economic Environment and Culture and Recreation activities (\$120,000).
- Total revenue from governmental activities in 2013 decreased by \$4.6 million from 2012. Program revenues accounted for the largest portion of this decrease, \$4.3 million or 83%. Within program revenue, Capital Grants and Contributions decreased \$3.1 million or 45%. Charges for Services also decreased 7.2% from 2012 levels. A major component of the decrease of \$594,000 was a 29.7% (\$257,317) decrease in photo enforcement penalties. The remaining decrease in revenue for governmental activities is attributable to general revenues. Tax revenues that support ongoing operations increased by \$.2 million in 2013 from the 2012 level. Sales taxes

increased \$0.4 million or 5.2%. Business taxes decreased by \$0.6 million or 0.18%. Property, utility, and other taxes increased \$0.4 million or 2.6% with the largest increase being other general taxes (\$.5 million). Other general revenues which include interest earnings, gains and losses on disposal of assets, and miscellaneous income, decreased by \$14.2 million in 2013 from the 2012 level, or 247%. The largest component of this decrease (\$.9 million) was related to a loss on the sale of property previously acquired as part of a the SR303 road construction project.

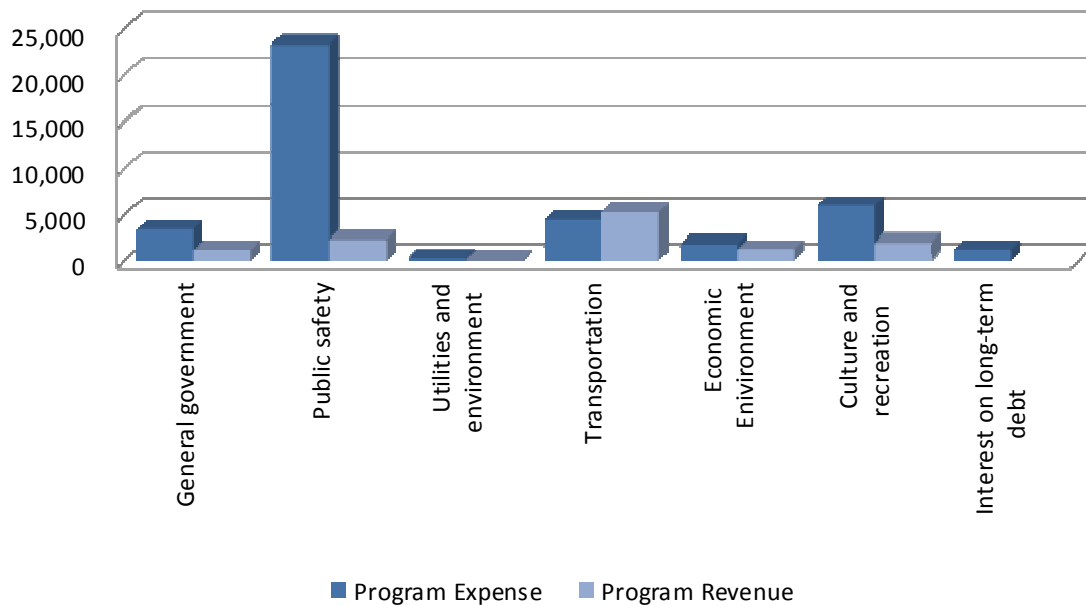
- Governmental activities were reduced by \$244,420 in 2013 by a prior period adjustment, a result of the implementation of GASB Statement No. 65. Implemented in 2013, the statement changed the recognition of debt issuance costs as an expense of the period in which the costs are incurred. Implementation guidance requires that the cumulative effect of applying this Statement should be reported as a restatement of beginning net position or fund balance for the earliest period reported.



Expenditures by Type - Governmental Activities
2012 and 2013
 (amounts in thousands)



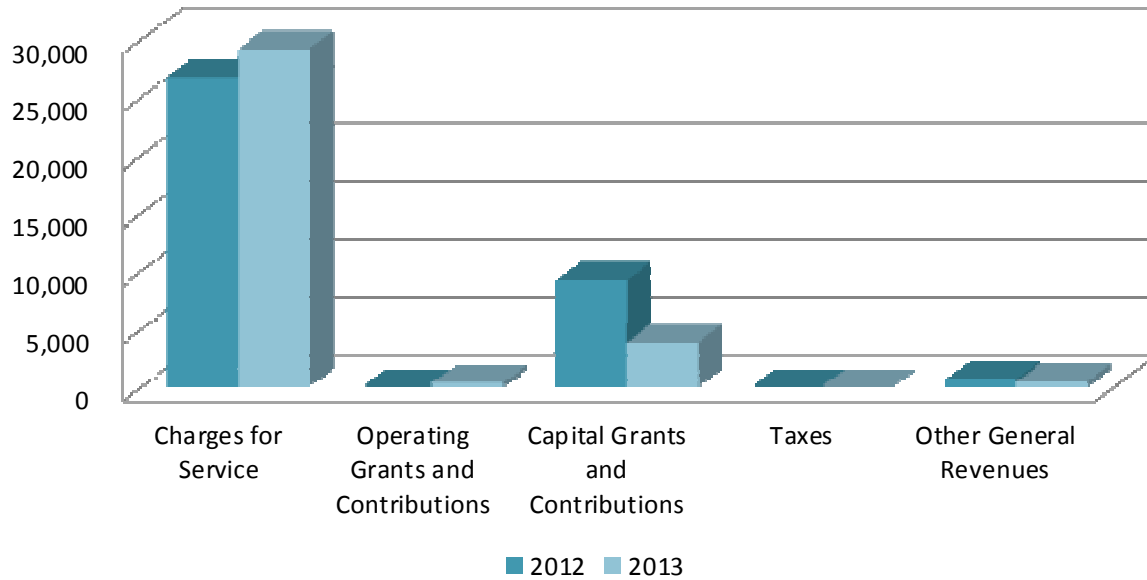
Program Expenses and Revenues - Governmental Activities
Year Ended 2013
 (amounts in thousands)



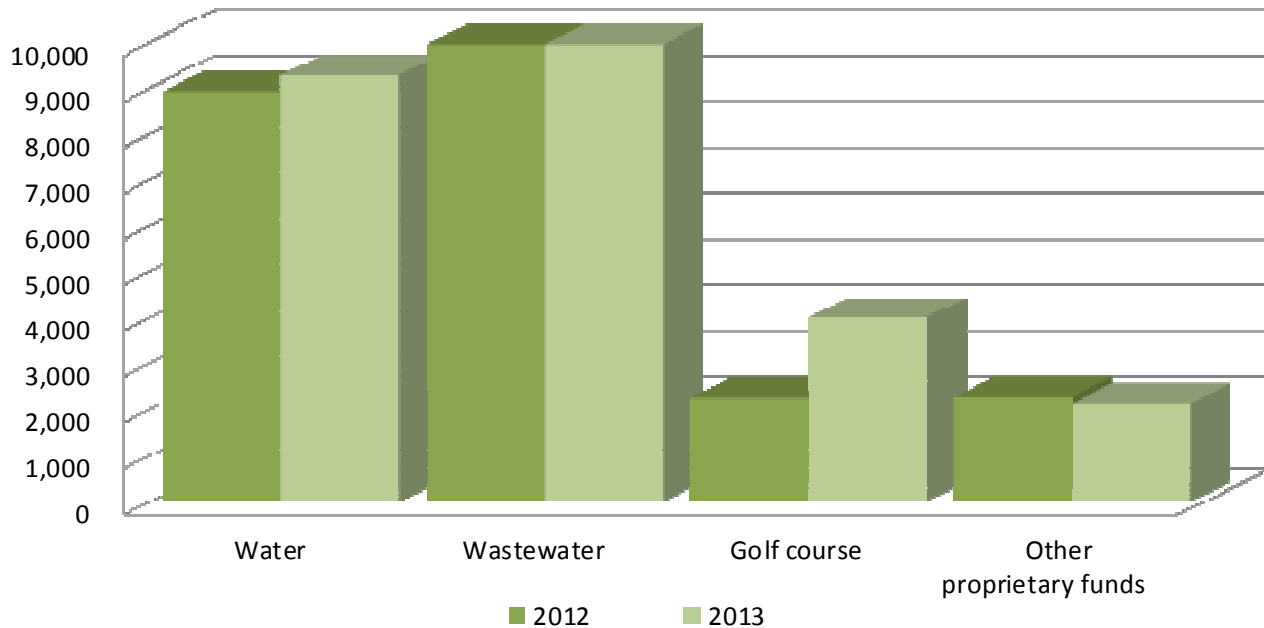
Business-type activities increased City's net position by \$3.1 million, before prior period adjustments, accounting for approximately fifty three percent of the total growth in the government's net position.

- A key element of this increase is in capital grants and contributions which continued to be a significant revenue source in 2013. Revenue of \$3.9 million from this source decreased \$5.4 million or 58% in 2013 from 2012 but was still a significant component of the increase. Of the \$3.9 million received from this contribution in 2013, 40% was from developer contributions. The largest contribution, \$1,181,378, was from the Freestone Corporation for utility and street infrastructure at the Bayside development. 34% or \$1.3 million were capital grants including the upgrade of equipment at the wastewater treatment plant, which resulted in substantial energy savings as well as a project to retrofit existing streets with "green" concepts to mitigate and treat stormwater using low impact development techniques. The remaining 26% were general facilities fees collected for new development within the utility service area. This was a 15% increase over fees collected in 2012.
- Charges for services increased \$2.39 million in 2013. This increase was largely a result of the City entering into a contract with Columbia Hospitality for management of the City's Gold Mountain Golf Course. The contract includes the provision of food services at the golf course that were formerly not part of the city's management contract. Increased revenues at the golf course were \$1.9 million or 97% higher than 2012.
- Expenditures for Business Type activities increased \$2.0 million in 2013 over 2012. \$1.7 million of this increase was attributable to additional costs associated with the provision of food services in the management contract for the golf course. The remainder was mainly general cost increases for fuel, utilities and supplies.
- Transfers to Governmental Activities increased by \$1,030,000 in 2013. This increase was attributable to transfers of \$1,050,000 from the Water and Wastewater utilities to the Pacific Avenue Construction to fund utility improvements associated with the street restoration project.
- Business-Type activities were reduced by \$148,347 in 2013 by a prior period adjustment, a result of the implementation of GASB Statement No. 65. Implemented in 2013, the statement changed the recognition of debt issuance costs as an expense of the period in which the costs are incurred. Implementation guidance requires that the cumulative effect of applying this Statement should be reported as a restatement of beginning net position or fund balance for the earliest period reported.

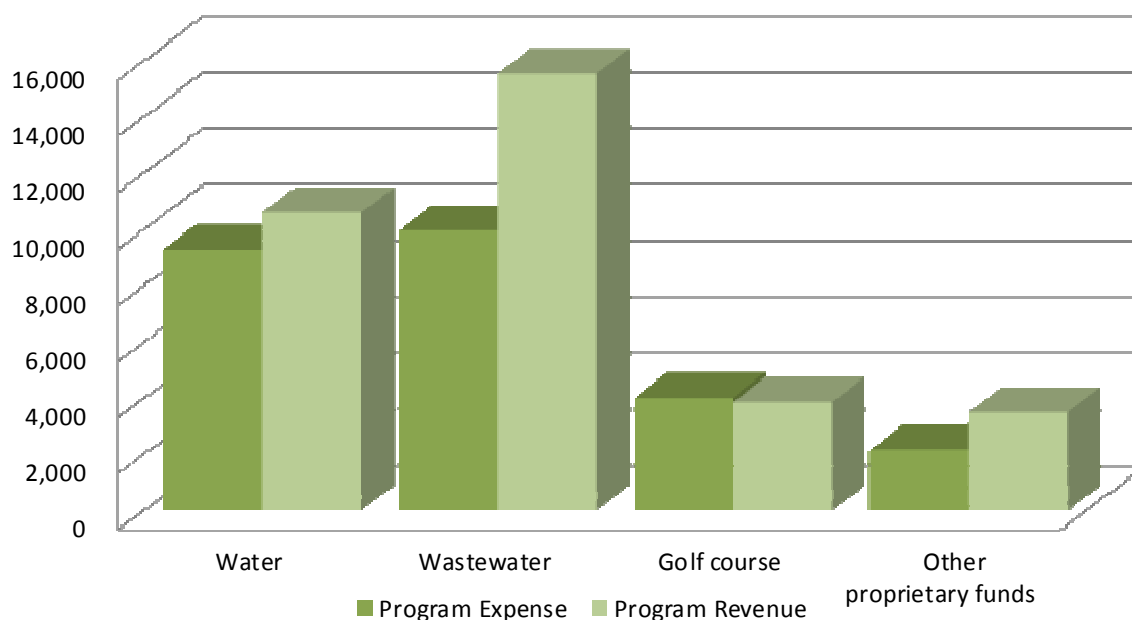
Revenue by Source - Business-type Activities
2012 and 2013
(amount in thousands)



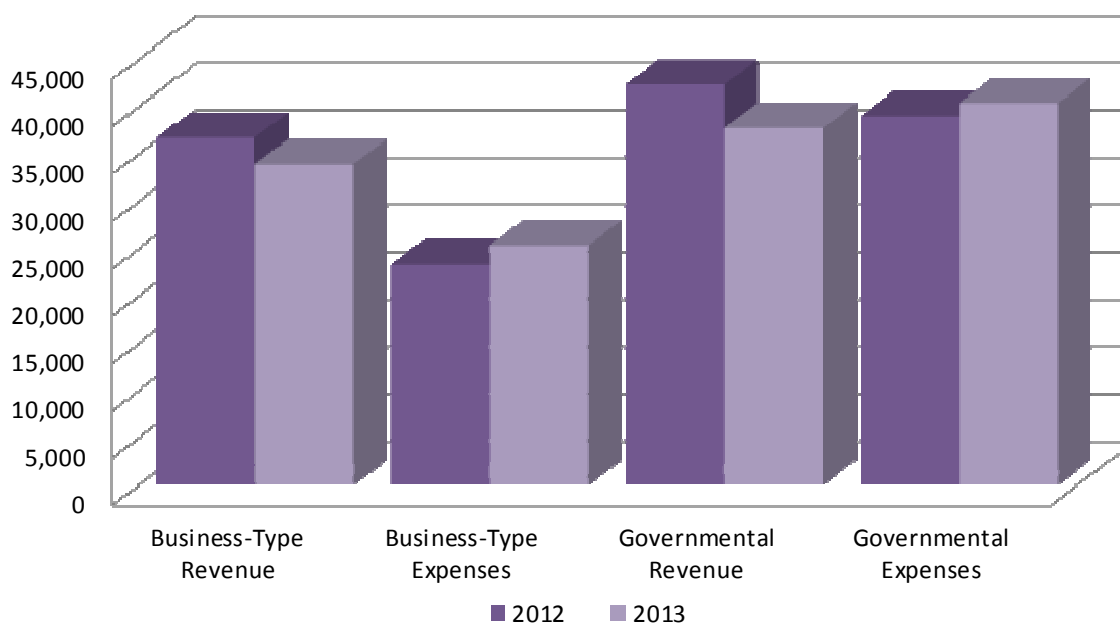
Expenses by Fund - Business-type
2013 and 2012
(amounts in thousands)



**Expenses and Program Revenues - Business-type Activities
for Year Ended December 31, 2013
(amounts in thousands)**



**Comparison of Total Revenues and Total Expenses
2012 and 2013
(amounts in thousands)**



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 2013, the fund balance of the General Fund was \$4.9 million. As a measure of the fund's liquidity, the 2013 ending fund balance is 15.6% of the fund's 2013 expenditures, an increase of 2.3% over 2012's 13.3%.

The General Fund balance increased in 2013 by \$.27 million. Revenues decreased from \$32 million in 2012 to \$27.9 million in 2013. Expenditures decreased from \$34.5 million to \$31.3 million during the same period. The decrease in both revenues and expenditures is largely attributable to the issuance of \$5.2 million in debt in 2012. Expenditures exceeded revenues in the General Fund by \$3.3 million in 2013 but were offset by net transfers and other financing sources of \$3.6 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 2013 capital improvement program there were no significant transactions pertaining to the proprietary funds.

General Fund Budget Variations

The General Fund collected revenues at 99.4% of the amended amount budgeted or \$.19 million less than budgeted. Expenditures for 2013 were 94% of the amended budget resulting in actual expenditures being \$2 million less than the budgeted amount. The negative revenue budget variance is substantially attributable to a decrease in anticipated charges for services. The positive expenditure budget variance is largely attributable to personnel cost savings from attrition and lower pension expenditures than anticipated in the Police, Engineering and Police & Fire Pension departments.

The General Fund budget was balanced in 2013. The original budget provided for a decrease to the fund balance of \$531,589. The budget was amended two times during 2013. The final amended budget provided for a decrease to fund balance of \$1,386,646. At the conclusion of 2013, the General Fund increased fund balance by \$1.8 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, 2013, amounts to \$285.5 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 2013 was the reconstruction of Pacific Avenue and the addition of roads, sidewalks and lighting in the Bayside 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 2013 capital improvement plan.

Capital Assets (net of depreciation)

| Amounts in 000's | Governmental Activities | | | Business-Type Activities | | | Total | | |
|-----------------------------|-------------------------|-------------------|---------------|--------------------------|-------------------|-----------------|-------------------|-------------------|-----------------|
| | 2013 | 2012 | Difference | 2013 | 2012 | Difference | 2013 | 2012 | Difference |
| Land | \$ 20,402 | \$ 17,434 | \$ 2,968 | \$ 9,117 | \$ 9,107 | \$ 10 | \$ 29,519 | \$ 26,541 | \$ 2,978 |
| Buildings | 51,728 | 46,036 | 5,692 | 34,015 | 34,557 | (542) | 85,743 | 80,593 | 5,150 |
| Improvements/Infrastructure | 31,555 | 26,619 | 4,936 | 95,798 | 92,794 | 3,004 | 127,353 | 119,413 | 7,940 |
| Machinery and Equipment | 3,062 | 2,987 | 75 | 32,535 | 30,948 | 1,587 | 35,597 | 33,935 | 1,662 |
| Construction in Progress | 4,298 | 17,167 | (12,869) | 3,013 | 4,294 | (1,281) | 7,311 | 21,461 | (14,150) |
| TOTAL | \$ 111,045 | \$ 110,243 | \$ 802 | \$ 174,478 | \$ 171,700 | \$ 2,778 | \$ 285,523 | \$ 281,943 | \$ 3,580 |

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

Long-term debt

For governmental activities in 2013, the City replaced the outstanding limited tax general obligation note, 2011 associated with the City's parking system, in the amount of \$8,910,000 which matured on July 29, 2013 with \$8,590,000 in limited tax general obligation bonds (non-taxable). New debt for business-type activities in 2013 consisted of \$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. These bonds are associated with the City's Gold Mountain Golf Complex. The refunding resulted in an economic gain of \$420,473. In addition, \$53,883 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 2013 totaled \$18,325,077.

Outstanding Debt - General Obligation and Revenue Bonds

| Amounts in 000's | Governmental Activities | | | Business-Type Activities | | | Total | | |
|--------------------------|-------------------------|------------------|-------------------|--------------------------|------------------|-------------------|------------------|------------------|-------------------|
| | 2013 | 2012 | Difference | 2013 | 2012 | Difference | 2013 | 2012 | Difference |
| General Obligation Bonds | \$ 31,240 | \$ 32,675 | \$ (1,435) | \$ 4,985 | \$ 5,058 | \$ (73) | \$ 36,225 | \$ 37,733 | \$ (1,508) |
| General Obligation Notes | 35 | 35 | - | - | - | - | 35 | 35 | - |
| Revenue Bonds | - | - | - | 3,210 | 3,575 | (365) | 3,210 | 3,575 | (365) |
| Revenue Loans | - | - | - | 21,143 | 23,777 | (2,634) | 21,143 | 23,777 | (2,634) |
| TOTAL | \$ 31,275 | \$ 32,710 | \$ (1,435) | \$ 29,338 | \$ 32,410 | \$ (3,072) | \$ 60,613 | \$ 65,120 | \$ (4,507) |

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

Economic Factors and Next Year's Budgets and Rates

Several factors that affect the economic climate in Bremerton were considered when preparing the City's 2014 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 2013.

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. At 12/31/13 \$651,034 in fees had been collected. The TBD Board has adopted a work plan that includes various repairs on substandard city streets as well as contribution of matching funds toward a major road restoration project in the Manette neighborhood.

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 2013; 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, the revitalization of Lions Park, construction of a parking garage and retail commercial pads at Burwell and Park Ave, a new multi-screen movie theater in association with the newly developed retail commercial pads and the renovation of Kiwanis Park. 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, a multi-unit apartment complex to be placed on top of the Park Plaza parking facility in the Harborside district, the redevelopment of Evergreen Rotary Park to add an inclusive playground that will provide recreational opportunities for all children regardless of ability and the reconstruction of a portion of Lower Wheaton Way that will provide a vital link to the vision of a bridge to bridge urban trail. In addition there has been an increase in activity related to residential development and several projects are in various stages of the financing and permitting process.

These projects occurring throughout Bremerton are a product of both public and private investment. Economic development is a critical component to 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. The rate increases recommended in the analysis included 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, 2013

| | Primary Government | | |
|--|----------------------------|-----------------------------|----------------|
| | Governmental Activities | Business-Type Activities | Total |
| Assets | | | |
| Current assets: | | | |
| Cash & Cash Equivalents | \$ 4,854,333 | \$ 7,242,482 | \$ 12,096,815 |
| Investments | 5,393,139 | 8,510,254 | 13,903,393 |
| Receivables | 4,644,971 | 5,244,309 | 9,889,280 |
| Internal balances | (239,586) | 239,586 | - |
| Due from other governments | 915,388 | 361,029 | 1,276,417 |
| Inventories | 114,729 | 1,182,284 | 1,297,013 |
| Prepayments | 378,276 | 27,938 | 406,214 |
| Restricted assets: | | | |
| Cash & Cash Equivalents | 1,125,819 | - | 1,125,819 |
| Investments | 1,834,352 | 1,428,425 | 3,262,777 |
| Receivables | 74,362 | 318,231 | 392,593 |
| Due from other governments | 156,189 | - | 156,189 |
| Notes and contracts receivable: | | | |
| Due within one year | 46,000 | 51,707 | 97,707 |
| Due in more than one year | 862,919 | 416,284 | 1,279,203 |
| Capital assets net of depreciation | 111,045,108 | 174,478,105 | 285,523,213 |
| Other assets | 105,296 | 223,052 | 328,348 |
| Total assets | \$ 131,311,295 | \$ 199,723,686 | \$ 331,034,981 |
| Deferred outflows of resources | | | |
| | \$ 1,119,825 | \$ 179,187 | \$ 1,299,012 |
| Liabilities | | | |
| Accounts payable and other current liabilities | \$ 2,095,443 | \$ 980,726 | \$ 3,076,169 |
| Employee wages payable | 1,032,667 | 359,229 | 1,391,896 |
| Other accrued liabilities | 47,038 | 120,367 | 167,405 |
| Custodial accounts | - | 105,984 | 105,984 |
| Noncurrent liabilities | | | |
| Payable from restricted assets | - | 81,289 | 81,289 |
| Due within one year | 3,567,739 | 3,693,438 | 7,261,177 |
| Due in more than one year | 31,770,071 | 26,077,545 | 57,847,616 |
| Total liabilities | \$ 38,512,958 | \$ 31,418,578 | \$ 69,931,536 |
| Deferred inflows of resources | | | |
| | \$ 15,000 | \$ - | \$ 15,000 |
| Net Position | | | |
| Net investment in capital assets | \$ 80,093,194 | \$ 145,318,353 | \$ 225,411,547 |
| Restricted for: | | | |
| Tourism promotion & facilities | 169,526 | - | 169,526 |
| Community development block grant | 1,085,861 | - | 1,085,861 |
| Public safety | 666,272 | - | 666,272 |
| Debt service | 25,512 | 1,541,910 | 1,567,422 |
| Workers compensation | 100,000 | - | 100,000 |
| Capital projects | 2,057,809 | 237,044 | 2,294,853 |
| Unrestricted | 9,704,988 | 21,386,988 | 31,091,976 |
| Total Net Position | \$ 93,903,162 | \$ 168,484,295 | \$ 262,387,457 |

Statement of Activities
For the Year Ended December 31, 2013

| Function/Program | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Position | | |
|---|------------------|-------------------------|--|--|--|-----------------------------|-----------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-Type Activities | Total |
| Governmental activities: | | | | | | | |
| General government | \$ 3,353,284 | \$ 1,157,719 | \$ - | \$ - | \$ (2,195,565) | \$ - | \$ (2,195,565) |
| Public safety | 23,337,415 | 2,221,956 | 87,045 | - | (21,028,414) | - | (21,028,414) |
| Utilities and environment | 220,176 | 46,421 | 45,260 | - | (128,495) | - | (128,495) |
| Transportation | 4,459,164 | 1,574,590 | 32,201 | 3,659,009 | 806,636 | - | 806,636 |
| Economic environment | 1,813,732 | 693,783 | 591,972 | - | (527,977) | - | (527,977) |
| Culture and recreation | 5,991,865 | 1,859,950 | - | 93,049 | (4,038,866) | - | (4,038,866) |
| Interest on long-term debt | 1,221,700 | - | - | - | (1,221,700) | - | (1,221,700) |
| Total governmental activities | 40,397,336 | 7,554,419 | 756,478 | 3,752,058 | (28,334,381) | - | (28,334,381) |
| Business-type activities | | | | | | | |
| Water | 9,276,527 | 9,830,918 | - | 764,585 | - | 1,318,976 | 1,318,976 |
| Wastewater | 9,945,606 | 13,105,172 | - | 2,427,968 | - | 5,587,534 | 5,587,534 |
| Golf course | 4,008,939 | 3,846,550 | - | - | - | (162,389) | (162,389) |
| Other proprietary funds | 2,151,899 | 2,414,686 | 392,179 | 684,993 | - | 1,339,959 | 1,339,959 |
| Total business-type activities | 25,382,971 | 29,197,326 | 392,179 | 3,877,546 | - | 8,084,080 | 8,084,080 |
| Total government | \$ 65,780,307 | \$ 36,751,745 | \$ 1,148,657 | \$ 7,629,604 | \$ (28,334,381) | \$ 8,084,080 | \$ (20,250,301) |
| General Revenues | | | | | | | |
| Taxes: | | | | | | | |
| Property | | | | | 8,511,679 | - | 8,511,679 |
| Sales | | | | | 7,678,855 | 30,041 | 7,708,896 |
| Business | | | | | 2,665,107 | 4,598 | 2,669,705 |
| Utility | | | | | 4,415,712 | - | 4,415,712 |
| Other | | | | | 3,147,164 | - | 3,147,164 |
| Unrestricted investment interest | | | | | 120,563 | 133,271 | 253,834 |
| Miscellaneous | | | | | 54,312 | 351,539 | 405,851 |
| Gain/(Loss) on disposal of capital assets | | | | | (895,538) | (10,148) | (905,686) |
| Transfers, internal activities | | | | | 5,492,002 | (5,492,002) | - |
| Total general revenues and transfers | | | | | 31,189,856 | (4,982,701) | 26,207,155 |
| Change in net position | | | | | 2,855,475 | 3,101,379 | 5,956,854 |
| Net position-beginning | | | | | 91,292,107 | 165,531,263 | 256,823,370 |
| Prior period adjustment | | | | | (244,420) | (148,347) | (392,767) |
| Net position-ending | | | | | \$ 93,903,162 | \$ 168,484,295 | \$ 262,387,457 |

Balance Sheet
Governmental Funds
December 31, 2013

| | General | Parking System | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|-----------------------|---|---|
| ASSETS | | | | |
| Cash and equivalents | \$ 2,011,158 | \$ 113,144 | \$ 2,433,037 | \$ 4,557,339 |
| Investments | 2,734,918 | 155,265 | 2,384,817 | 5,275,000 |
| Receivables, net | 3,809,218 | 375,433 | 517,334 | 4,701,985 |
| Due from other funds | 479,858 | - | 76,711 | 556,569 |
| Due from other governments | 4,854 | - | 1,021,826 | 1,026,680 |
| Inventories | 24,801 | - | - | 24,801 |
| Other assets | - | - | 908,919 | 908,919 |
| Total assets | 9,064,807 | 643,842 | 7,342,644 | 17,051,293 |
| Deferred outflows of resources | - | - | - | - |
| Total assets and deferred outflows of resources | <u>\$ 9,064,807</u> | <u>\$ 643,842</u> | <u>\$ 7,342,644</u> | <u>\$ 17,051,293</u> |
| LIABILITIES, DEFERRED INFLOW of RESOURCES and FUND BALANCES | | | | |
| Liabilities: | | | | |
| Accounts/contracts payable | \$ 582,303 | \$ 40,687 | \$ 1,098,282 | \$ 1,721,272 |
| Due to other funds | 744,012 | 35,707 | 62,040 | 841,759 |
| Employee wages payable | 905,727 | - | 54,757 | 960,484 |
| Other current liabilities | 24,765 | 20 | 22,229 | 47,014 |
| Unearned revenue | 1,923,712 | 284,369 | 938,579 | 3,146,660 |
| Total liabilities | 4,180,519 | 360,783 | 2,175,887 | 6,717,189 |
| Deferred inflows of resources | 15,000 | - | - | 15,000 |
| Fund balances: | | | | |
| Nonspendable | \$ 24,801 | \$ - | \$ - | \$ 24,801 |
| Restricted | 50,179 | - | 3,040,543 | \$ 3,090,722 |
| Committed | - | - | 357,663 | \$ 357,663 |
| Assigned | - | 283,059 | 1,768,551 | \$ 2,051,610 |
| Unassigned | 4,794,308 | - | - | \$ 4,794,308 |
| Total fund balances | 4,869,288 | 283,059 | 5,166,757 | 10,319,104 |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 9,064,807</u> | <u>\$ 643,842</u> | <u>\$ 7,342,644</u> | <u>\$ 17,051,293</u> |

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

| | |
|---|----------------------|
| Capital assets used in governmental activities are not financial resources and therefore not reported in the funds. | 111,045,108 |
| Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds. | 3,304,108 |
| Internal service funds are used by management to charge the costs of certain activities to individual funds. These assets and liabilities are included in governmental activities in the statement of assets. | 2,710,713 |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. | (33,475,871) |
| Net position of governmental activities | <u>\$ 93,903,162</u> |

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
for the Year Ended December 31, 2013

| | General Fund | Parking Systems | Other Governmental Funds | Governmental Funds Total |
|---|-------------------------|----------------------------|---|---|
| REVENUES | | | | |
| Taxes | | | | |
| Property | \$ 7,778,225 | \$ - | \$ 833,018 | \$ 8,611,243 |
| Sales | 6,952,785 | - | 726,070 | 7,678,855 |
| Business | 7,080,819 | - | - | 7,080,819 |
| Other | 111,758 | - | 1,410,852 | 1,522,610 |
| Licenses and permits | 992,460 | - | 271,863 | 1,264,323 |
| Intergovernmental | 897,937 | - | 4,699,524 | 5,597,461 |
| Charges for services | 2,819,369 | - | 525,692 | 3,345,061 |
| Fines and forfeitures | 1,041,637 | 178,340 | 32,183 | 1,252,160 |
| Miscellaneous | 270,062 | 1,101,787 | 366,008 | 1,737,857 |
| Total revenues | <u>27,945,052</u> | <u>1,280,127</u> | <u>8,865,210</u> | <u>38,090,389</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 4,531,162 | - | 302,500 | 4,833,662 |
| Public safety | 21,105,050 | - | 368,499 | 21,473,549 |
| Utilities and environment | 28,166 | - | - | 28,166 |
| Transportation | 496,195 | 784,176 | 1,962,321 | 3,242,692 |
| Economic environment | 1,214,182 | - | 402,351 | 1,616,533 |
| Mental/physical health | 73,543 | - | 197,495 | 271,038 |
| Culture and recreation | 3,670,021 | - | 556,751 | 4,226,772 |
| Debt service: | | - | | - |
| Principal | - | 9,065,000 | 960,000 | 10,025,000 |
| Interest and other debt issue costs | 688 | 277,799 | 896,075 | 1,174,562 |
| Capital outlay | 156,257 | - | 4,624,878 | 4,781,135 |
| Total expenditures | <u>31,275,264</u> | <u>10,126,975</u> | <u>10,270,870</u> | <u>51,673,109</u> |
| Excess (deficiency) of revenues over expenditures | <u>(3,330,212)</u> | <u>(8,846,848)</u> | <u>(1,405,660)</u> | <u>(13,582,720)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Proceeds of long-term debt | - | 8,590,000 | - | 8,590,000 |
| Premiums on bonds sold | - | 401,073 | - | 401,073 |
| Capital asset donations & disposal | 1,250 | - | 136,248 | 137,498 |
| Insurance recoveries | - | - | 285 | 285 |
| Transfers in | 4,354,335 | - | 2,578,409 | 6,932,744 |
| Transfers out | (758,755) | (80,000) | (601,987) | (1,440,742) |
| Total other financing sources and uses | <u>3,596,830</u> | <u>8,911,073</u> | <u>2,112,955</u> | <u>14,620,858</u> |
| Net change in fund balances | 266,618 | 64,225 | 707,295 | 1,038,138 |
| Fund balances-beginning | <u>4,602,670</u> | <u>218,834</u> | <u>4,459,462</u> | <u>9,280,966</u> |
| Fund balances-ending | <u>\$ 4,869,288</u> | <u>\$ 283,059</u> | <u>\$ 5,166,757</u> | <u>\$ 10,319,104</u> |

See accompanying notes to the financial statements.

**Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities**
For the Year Ended December 31, 2013

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

| | |
|--|---------------------|
| Net change in fund balances – total government funds | \$ 1,038,138 |
| 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. | 806,688 |
| Revenues and expenses in the statement of activities that do not provide current financial resources are not reported in the funds. | (431,889) |
| 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, government funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. | 751,108 |
| Internal service funds are used by management to charge the costs of fleet maintenance and risk management to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities. | 447,010 |
| Change in net position of governmental activities | <u>\$ 2,611,055</u> |

Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual General Fund
for the Year Ended December 31, 2013

| | Original Budget 2013 | Final Budget 2013 | Actual 2013 | Variance with Final Budget Positive (Negative) |
|---|-------------------------------------|----------------------------------|------------------------|---|
| REVENUES | | | | |
| Taxes | \$ 21,896,978 | \$ 21,896,978 | \$ 21,923,588 | \$ 26,610 |
| Licenses and permits | 780,825 | 780,825 | 992,460 | 211,635 |
| Intergovernmental | 644,702 | 644,702 | 897,937 | 253,235 |
| Charges for services | 5,221,902 | 5,221,902 | 4,673,758 | (548,144) |
| Fines and forfeitures | 1,124,800 | 1,124,800 | 1,041,637 | (83,163) |
| Other revenues | 4,390,300 | 4,512,191 | 4,461,645 | (50,546) |
| Total revenues | 34,059,507 | 34,181,398 | 33,991,025 | (190,373) |
| EXPENDITURES | | | | |
| City Council | 340,929 | 346,929 | 337,774 | 9,155 |
| Executive | 364,662 | 369,662 | 350,449 | 19,213 |
| Finance | 1,147,119 | 1,162,419 | 1,132,147 | 30,272 |
| Legal | 979,431 | 979,431 | 924,609 | 54,822 |
| Human Resources | 383,512 | 383,512 | 341,176 | 42,336 |
| Community development | 1,438,922 | 1,438,922 | 1,129,179 | 309,743 |
| Municipal Court | 1,427,534 | 1,427,534 | 1,350,004 | 77,530 |
| City Auditor | 173,168 | 173,168 | 170,349 | 2,819 |
| Law enforcement | 9,713,071 | 9,713,071 | 9,304,144 | 408,927 |
| Fire/Emergency medical services | 8,363,145 | 8,386,145 | 8,396,093 | (9,948) |
| Police & fire pension | 2,493,000 | 2,493,000 | 1,966,524 | 526,476 |
| Facilities | 743,223 | 861,000 | 806,162 | 54,838 |
| Parks and recreation | 2,560,935 | 2,642,806 | 2,557,845 | 84,961 |
| Engineering | 2,089,047 | 2,089,047 | 1,862,976 | 226,071 |
| Non-departmental | 2,373,398 | 3,101,398 | 2,915,585 | 185,813 |
| Total expenditures | 34,591,096 | 35,568,044 | 33,545,016 | 2,023,028 |
| Excess (deficiency) of revenues over expenditures | (531,589) | (1,386,646) | 446,009 | 1,832,655 |
| Fund balances-beginning | 2,240,856 | 2,524,467 | 4,126,602 | 1,602,135 |
| Fund balances-ending | \$ 1,709,267 | \$ 1,137,821 | \$ 4,572,611 | \$ 3,434,790 |

Adjustment to reflect consolidation of Contingency Reserve and Conference Center activity included in the General Fund of the Statement of Revenues, Expenditures and Changes in Fund Balances for Governmental funds.

\$ 296,677

Fund Balances Ending

\$ 4,869,288

EXPENDITURES

| | | | | |
|----------------------------|------------|------------|------------|-----------|
| Personnel | 26,539,714 | 26,649,931 | 25,428,044 | 1,221,887 |
| Supplies, services & taxes | 7,894,034 | 7,977,765 | 7,356,272 | 621,493 |
| Capital expenditure | 65,000 | 131,000 | 156,257 | (25,257) |
| Debt Service | 700 | 700 | 688 | 12 |
| Transfers | 91,648 | 808,648 | 603,755 | 204,893 |
| Total expenditures | 34,591,096 | 35,568,044 | 33,545,016 | 2,023,028 |

See accompanying notes to the financial statements.

Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual Parking System
for the Year Ended December 31, 2013

| | Original Budget 2013 | Final Budget 2013 | Actual 2013 | Variance with Final Budget Positive (Negative) |
|---|-------------------------------------|----------------------------------|------------------------|---|
| REVENUES | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - |
| Licenses and permits | - | - | - | - |
| Intergovernmental | - | - | - | - |
| Charges for services | - | - | - | - |
| Fines and forfeitures | 250,000 | 250,000 | 178,340 | (71,660) |
| Other revenue | 888,350 | 9,912,960 | 10,092,860 | 179,900 |
| Total revenues | 1,138,350 | 10,162,960 | 10,271,200 | 108,240 |
| EXPENDITURES | | | | |
| Personnel | - | - | - | - |
| Supplies, services & taxes | 655,491 | 733,265 | 784,176 | (50,911) |
| Capital expenditure | - | - | - | - |
| Debt service | 510,304 | 9,342,900 | 9,342,799 | 101 |
| Transfers | 80,000 | 80,000 | 80,000 | - |
| Total expenditures | 1,245,795 | 10,156,165 | 10,206,975 | (50,810) |
| Excess (deficiency) of revenues over expenditures | (107,445) | 6,795 | 64,225 | 57,430 |
| Fund balances-beginning | 213,645 | 218,834 | 218,834 | - |
| Fund balances-ending | \$ 106,200 | \$ 225,629 | \$ 283,059 | \$ 57,430 |

Statement of Net Position
Proprietary Funds
December 31, 2013

| | Business-type Activities Enterprise Funds | | | | | Governmental Activities |
|---|--|----------------|----------------|---------------------------------|----------------|----------------------------|
| | Water | Golf Course | Wastewater | Nonmajor Enterprise Funds | Total | Internal Service Funds |
| ASSETS | | | | | | |
| Current assets: | | | | | | |
| Cash and cash equivalents | \$ 2,147,850 | \$ 163,274 | \$ 1,852,448 | \$ 864,231 | \$ 5,027,803 | \$ 3,637,492 |
| Restricted investments | 46,222 | - | 1,382,203 | - | 1,428,425 | 100,000 |
| Investments | 2,901,220 | 224,057 | 1,159,865 | 1,185,963 | 5,471,105 | 4,891,640 |
| External receivables | 1,736,817 | - | 2,499,370 | 1,035,972 | 5,272,159 | - |
| Restricted special assessments receivables | 284,578 | - | - | - | 284,578 | - |
| Interest receivables | 7,075 | 538 | 6,102 | 2,847 | 16,562 | 11,981 |
| Due from other funds | 240,658 | - | 161,012 | 30,307 | 431,977 | 695,358 |
| Due from other governments | - | - | - | 361,029 | 361,029 | 5,407 |
| Inventories | 660,680 | 73,783 | 447,821 | - | 1,182,284 | 89,928 |
| Prepayments | - | 27,938 | - | - | 27,938 | 378,276 |
| Total current assets | 8,025,100 | 489,590 | 7,508,821 | 3,480,349 | 19,503,860 | 9,810,082 |
| Noncurrent assets: | | | | | | |
| Restricted special assessments | 33,653 | - | - | - | 33,653 | - |
| Notes and contracts receivable | 416,284 | - | - | - | 416,284 | - |
| Capital assets net of depreciation | 59,905,852 | 7,305,433 | 97,854,908 | 6,118,371 | 171,184,564 | 3,295,193 |
| Other noncurrent assets | 103,612 | - | 119,440 | - | 223,052 | - |
| Total noncurrent assets | 60,459,401 | 7,305,433 | 97,974,348 | 6,118,371 | 171,857,553 | 3,295,193 |
| Total assets | 68,484,501 | 7,795,023 | 105,483,169 | 9,598,720 | 191,361,413 | 13,105,275 |
| Deferred outflows of resources | - | 179,187 | - | - | 179,187 | - |
| Total assets and deferred outflows | \$ 68,484,501 | \$ 7,974,210 | \$ 105,483,169 | \$ 9,598,720 | \$ 191,540,600 | \$ 13,105,275 |
| LIABILITIES | | | | | | |
| Current liabilities: | | | | | | |
| Accounts/contract payable | 287,110 | 139,724 | 468,145 | 84,771 | 979,750 | 437,340 |
| Due to other funds | 220,147 | 262,943 | 299,777 | 57,367 | 840,234 | 1,911 |
| Employee wages payable | 359,961 | 98,708 | 236,563 | 87,410 | 782,642 | 130,859 |
| Other accrued liabilities | 23,861 | 11,032 | 83,206 | 2,184 | 120,283 | 108 |
| Current portion of long-term debt | 578,705 | 230,000 | 2,448,521 | 9,864 | 3,267,090 | - |
| Bonds payable from restricted assets | 41,289 | - | - | - | 41,289 | - |
| Custodial accounts | 96,750 | 8,734 | - | 500 | 105,984 | - |
| Total current liabilities | 1,607,823 | 751,141 | 3,536,212 | 242,096 | 6,137,272 | 570,218 |
| Noncurrent liabilities: | | | | | | |
| Claims and judgments payable | - | - | - | - | - | 613,387 |
| Bonds, notes and loans payable | 3,631,957 | 4,755,000 | 17,504,621 | 98,642 | 25,990,220 | - |
| Bonds payable from restricted assets | 40,000 | - | - | - | 40,000 | - |
| Compensated absences | 48,032 | - | 29,677 | 9,764 | 87,473 | 10,645 |
| Total noncurrent liabilities | 3,719,989 | 4,755,000 | 17,534,298 | 108,406 | 26,117,693 | 624,032 |
| Total liabilities | 5,327,812 | 5,506,141 | 21,070,510 | 350,502 | 32,254,965 | 1,194,250 |
| Deferred inflows of resources | - | - | - | - | - | - |
| Total liabilities and deferred inflows | \$ 5,327,812 | \$ 5,506,141 | \$ 21,070,510 | \$ 350,502 | \$ 32,254,965 | \$ 1,194,250 |
| NET POSITION | | | | | | |
| Net investment in capital assets | 55,614,190 | 2,499,620 | 77,901,137 | 6,009,865 | 142,024,812 | 3,295,193 |
| Restricted for capital assets | - | 113,587 | 123,457 | - | 237,044 | - |
| Restricted for debt service | 283,164 | - | 1,258,746 | - | 1,541,910 | - |
| Restricted for Worker's Compensation | - | - | - | - | - | 100,000 |
| Unrestricted | 7,259,335 | (145,138) | 5,129,319 | 3,238,353 | 15,481,869 | 8,515,832 |
| Total net position | \$ 63,156,689 | \$ 2,468,069 | \$ 84,412,659 | \$ 9,248,218 | \$ 159,285,635 | \$ 11,911,025 |
| Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds | | | | | 9,198,660 | |
| Net position of business-type activities | | | | | \$ 168,484,295 | |

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, 2013

| | Business-type Activities Enterprise Funds | | | | | Governmental Activities |
|--|--|----------------|---------------|----------------------|----------------|----------------------------|
| | Water | Golf Course | Wastewater | Other Proprietary | Total | Internal Service Funds |
| OPERATING REVENUES | | | | | | |
| Charges for services | \$ 8,823,025 | \$ 3,846,550 | \$ 13,118,681 | \$ 2,410,168 | \$ 28,198,424 | \$ 4,550,066 |
| Other operating revenue | 1,007,894 | - | 21,129 | 396,697 | 1,425,720 | 15,922 |
| Total operating revenues | 9,830,919 | 3,846,550 | 13,139,810 | 2,806,865 | 29,624,144 | 4,565,988 |
| OPERATING EXPENSES | | | | | | |
| General operations | 2,424,844 | 240,847 | 2,622,695 | 795,113 | 6,083,499 | 2,924,391 |
| Contracted Operations | - | 3,352,575 | - | - | 3,352,575 | - |
| Maintenance | 2,567,365 | - | 1,919,787 | 764,673 | 5,251,825 | - |
| Customer service and marketing | 358,470 | - | 229,518 | 103,819 | 691,807 | - |
| General administration | 987,712 | - | 1,007,950 | 264,037 | 2,259,699 | 380,582 |
| Depreciation and amortization | 2,064,840 | 172,252 | 3,282,051 | 106,668 | 5,625,811 | 584,043 |
| Property, excise and B&O taxes | 403,353 | - | 386,111 | 38,193 | 827,657 | - |
| Risk transfer payments | - | 18,471 | - | - | 18,471 | 493,179 |
| Payments to claimants & beneficiaries | - | - | - | - | - | 334,059 |
| Total operating expenses | 8,806,584 | 3,784,145 | 9,448,112 | 2,072,503 | 24,111,344 | 4,716,254 |
| Operating income (loss) | 1,024,335 | 62,405 | 3,691,698 | 734,362 | 5,512,800 | (150,266) |
| NONOPERATING REVENUES (EXPENSES) | | | | | | |
| Interest and investment revenue | 71,676 | 1,574 | 26,794 | 7,426 | 107,470 | 36,696 |
| Interest expense | (99,058) | (224,794) | (376,134) | (4,538) | (704,524) | - |
| Gain (loss) on capital asset disposal | (9,740) | 1,500 | (1,908) | - | (10,148) | (15,669) |
| Other nonoperating revenue/expense | 308,246 | 2,591 | 40,678 | 24 | 351,539 | 6,878 |
| Total nonoperating revenues (expenses) | 271,124 | (219,129) | (310,570) | 2,912 | (255,663) | 27,905 |
| Income (loss) before contributions and transfers | 1,295,459 | (156,724) | 3,381,128 | 737,274 | 5,257,137 | (122,361) |
| Capital contributions | 764,584 | - | 2,427,969 | 684,993 | 3,877,546 | 28,069 |
| Transfers to other funds | (1,866,011) | - | (3,171,252) | (481,739) | (5,519,002) | - |
| Transfers from other funds | | | | 27,000 | 27,000 | - |
| Change in net assets | 194,032 | (156,724) | 2,637,845 | 967,528 | 3,642,681 | (94,292) |
| Total net position - beginning | 63,057,045 | 2,645,796 | 81,807,770 | 8,280,690 | 155,791,301 | 12,005,317 |
| Prior period adjustments (Note 19) | | | | | | |
| Prior period adjustment | (94,388) | (21,003) | (32,956) | - | (148,347) | - |
| Total net position - ending | \$ 63,156,689 | \$ 2,468,069 | \$ 84,412,659 | \$ 9,248,218 | \$ 159,285,635 | \$ 11,911,025 |
| Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds. | | | | | (541,302) | |
| Change in net position of business-type activities. | | | | | \$ 3,101,379 | |

Statement of Cash Flows
Proprietary Funds
for the Year Ended December 31, 2013

Page 1 of 2

| | Business-type Activities Enterprise Funds | | | | | Governmental Activities |
|---|--|----------------|---------------|---------------------------------|---------------|----------------------------|
| | Water | Golf Course | Wastewater | Nonmajor Enterprise Funds | Total | Internal Service Funds |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | |
| Cash received from customers | \$ 8,653,555 | \$ 3,853,846 | \$ 13,114,996 | \$ 2,169,632 | \$ 27,792,029 | \$ 4,542,479 |
| Cash payments to suppliers | (2,782,779) | (3,527,696) | (3,107,549) | (1,031,009) | (10,449,033) | (1,988,836) |
| Cash payments to employees | (3,950,042) | - | (3,181,232) | (1,136,964) | (8,268,238) | (1,253,664) |
| Purchase of insurance | - | - | - | - | - | (515,685) |
| Payment for insurance claims | - | - | - | - | - | (319,664) |
| Other operating receipts and payments | 888,753 | - | 21,129 | 488,736 | 1,398,618 | 14,047 |
| Net cash provided by operating activities | 2,809,487 | 326,150 | 6,847,344 | 490,395 | 10,473,376 | 478,677 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | | | |
| Transfer ins | - | - | - | 27,000 | 27,000 | - |
| Transfer outs | (1,844,860) | - | (2,605,399) | (473,718) | (4,923,977) | - |
| Other nonoperating revenues/expenses | 308,973 | (592) | 39,578 | 24 | 347,983 | 6,059 |
| Net cash provided (used) by noncapital financing activities | (1,535,887) | (592) | (2,565,821) | (446,694) | (4,548,994) | 6,059 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | | |
| Acquisition and construction of capital assets | (1,367,261) | - | (4,797,957) | (815,654) | (6,980,872) | (222,072) |
| Proceeds/costs on sale of assets | - | 2,320 | - | - | 2,320 | - |
| Capital contributions | 422,837 | - | 811,723 | 115,147 | 1,349,707 | - |
| Insurance recoveries | 6,291 | - | - | - | 6,291 | 7,000 |
| Collections on notes receivable | 85,719 | - | - | - | 85,719 | - |
| Loan/grant proceeds | - | - | 583,960 | 638,809 | 1,222,769 | - |
| Bond proceeds | - | 5,175,000 | - | - | 5,175,000 | - |
| Bond issuance costs | - | (47,014) | - | - | (47,014) | - |
| Principal paid bonds | (41,000) | (5,248,000) | (324,000) | - | (5,613,000) | - |
| Principal paid on other debt | (578,706) | - | (2,098,508) | (9,865) | (2,687,079) | - |
| Interest paid on bonds and other debt | (102,534) | (139,950) | (388,755) | (4,735) | (635,974) | - |
| Net cash provided (used) for capital and related financing activities | (1,574,654) | (257,644) | (6,213,537) | (76,298) | (8,122,133) | (215,072) |
| CASH FLOW FROM INVESTING ACTIVITIES | | | | | | |
| Proceeds from repayment of loans | 12,284 | - | - | - | 12,284 | - |
| Net change in investments | 128,223 | (41,737) | 1,068,932 | 4,112 | 1,159,530 | 2,788 |
| Issuance of interfund loans | - | - | - | - | - | (385,000) |
| Interest on loans and investments | 15,321 | 1,168 | 23,332 | 5,449 | 45,270 | 26,421 |
| Net cash provided (used) in investing activities | 155,828 | (40,569) | 1,092,264 | 9,561 | 1,217,084 | (355,791) |
| Net increase (decrease) in cash and cash equivalents | (145,226) | 27,345 | (839,750) | (23,036) | (980,667) | (86,127) |
| Cash and equivalents - beginning | 2,293,076 | 135,929 | 2,692,198 | 887,267 | 6,008,470 | 3,723,619 |
| Cash and equivalents - ending | \$ 2,147,850 | \$ 163,274 | \$ 1,852,448 | \$ 864,231 | \$ 5,027,803 | \$ 3,637,492 |
| Cash at the end of the year consists of: | | | | | | |
| Operating fund cash | 2,147,850 | 163,274 | 1,852,448 | 864,231 | 5,027,803 | 3,637,492 |
| Restricted cash | - | - | - | - | - | - |
| Total cash at end of year | \$ 2,147,850 | \$ 163,274 | \$ 1,852,448 | \$ 864,231 | \$ 5,027,803 | \$ 3,637,492 |

See accompanying notes to the financial statements.

Statement of Cash Flows
Proprietary Funds
for the Year Ended December 31, 2013

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) | \$ 1,024,335 | \$ 62,405 | \$ 3,691,698 | \$ 734,362 | \$ 5,512,800 | \$ (150,266) |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | | | | |
| Depreciation | 2,064,840 | 172,252 | 3,282,051 | 106,668 | 5,625,811 | 584,043 |
| Decrease (increase) in receivables | (248,284) | 2,528 | 4,216 | (234,955) | (476,495) | - |
| Decrease (increase) in due from other funds/govt | (36,098) | (101,720) | (25,051) | 126,213 | (36,656) | (17,526) |
| Decrease (increase) in prepaid expenses | 11,256 | - | - | - | 11,256 | 16,141 |
| Decrease (increase) in inventory | 15,505 | - | - | - | 15,505 | 398 |
| Increase (decrease) in accounts payable | (60,871) | 64,889 | (48,336) | (217,986) | (262,304) | 31,586 |
| Increase (decrease) in due to other funds/govt | 606 | 19,629 | (64,132) | (43,878) | (87,775) | (18,314) |
| Increase (decrease) in employee wages payable | 8,652 | 98,709 | (4,433) | 11,509 | 114,437 | (4,033) |
| Increase (decrease) in employee leaves payable | 29,466 | - | 11,396 | 8,462 | 49,324 | 6,026 |
| Increase (decrease) in other payables | (4,543) | 7,458 | (65) | - | 2,850 | 30,622 |
| Increase (decrease) in deferred revenues | 4,623 | - | - | - | 4,623 | - |
| Net cash provided by operating activities | <u>\$ 2,809,487</u> | <u>\$ 326,150</u> | <u>\$ 6,847,344</u> | <u>\$ 490,395</u> | <u>\$ 10,473,376</u> | <u>\$ 478,677</u> |
| Noncash investing, capital and financial activities | | | | | | |
| Developers contributed infrastructure | \$ 774,363 | \$ - | \$ 1,511,143 | \$ 166,680 | \$ 2,452,186 | \$ 28,069 |

See accompanying notes to the financial statements.

Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2013

| | Agency Funds |
|---|-------------------------|
| Assets | |
| Cash and cash equivalents | \$ 194,534 |
| Total assets | <u>\$ 194,534</u> |
| Deferred outflows of resources | <u>\$ -</u> |
| Liabilities | |
| Accounts/contracts payable | 42,252 |
| Other current liabilities | <u>152,281</u> |
| Total liabilities | <u>\$ 194,533</u> |
| Deferred outflows of resources | <u>\$ -</u> |

See accompanying notes to the financial statements.

Notes to Financial Statements January 1, 2013 – December 31, 2013

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 (TBD) that meets the criteria of a component unit. See Note 7 for discussion of the TBD.

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 Parking fund is used to account for the revenues and expenditures for the entire City's parking facilities and lots along with all fees collected from parking violations.

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 2013.

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

E. Assets, Liabilities and Net Position

1. Cash and Cash Equivalents

It is the City's policy to invest all temporary cash surpluses. At December 31, 2013, the City was holding \$8,890,655 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 2013 was \$4,590,285.

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, 2013, \$105,460 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:

Governmental type:

| | |
|---|---------------------|
| Cash and investments - Construction | \$ 1,870,924 |
| Cash and investments - HUD programs | 126,106 |
| Cash and investments - Public safety | 665,382 |
| Cash and investments - Public Television | 86,238 |
| Investments - Workers compensation | 100,000 |
| Cash and investments - Tourism promotion | 94,521 |
| Cash and investments - Debt Service | 17,000 |
| External receivables - Tourism promotion | 24,827 |
| External receivables - Construction | 44,392 |
| External Receivables - Debt Service | 5,143 |
| Due from other governments - HUD | 142,836 |
| Due from other governments - Construction | 13,353 |
| Total governmental | <u>\$ 3,190,722</u> |

Business type:

| | |
|----------------------------|---------------------|
| Investments - Debt service | \$ 1,304,968 |
| Investments - Construction | 123,457 |
| Receivables - Debt service | 318,231 |
| Total business | <u>\$ 1,746,656</u> |

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 and the city's negative net pension obligation.

9. Deferred outflow of resources

A deferred outflow of resources is a consumption of net assets by the government that is applicable to a future reporting period. This account includes the portion of a loss on the refunding of debt attributable to future periods.

10. Compensated Absences

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

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

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

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

| <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.

11. 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.

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

13. Unearned revenue

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

14. Deferred inflow of resources

A deferred inflow of resources is an acquisition of net assets by the government that is applicable to a future reporting period. This account includes grants received in advance of the start date and deferred gains on refunding attributable to future periods.

15. 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.

| | General Fund | Other Funds | Total |
|-----------------------------------|-----------------|----------------|---------------|
| Fund balances: | | | |
| Nonspendable: | | | |
| Inventory | \$ 24,801 | \$ - | \$ 24,801 |
| Restricted for: | | | |
| Tourism promotion & facilities | 50,179 | 119,348 | \$ 169,527 |
| Community development block grant | | 268,942 | \$ 268,942 |
| Public safety | | 665,382 | \$ 665,382 |
| Debt service | | 22,143 | \$ 22,143 |
| Capital projects | | 1,964,728 | \$ 1,964,728 |
| Committed to: | | | |
| Employee Wellness | | 7,259 | 7,259 |
| Parks | | 33,859 | 33,859 |
| Public Access Television | | 223,834 | 223,834 |
| Public safety | | 40,805 | 40,805 |
| Public art | | 51,906 | 51,906 |
| Assigned to: | | | |
| Street Operations | | 175,765 | 175,765 |
| Tourism promotion & facilities | | 23,774 | 23,774 |
| Parking System | | 283,059 | 283,059 |
| Building Abatement | | 261,563 | 261,563 |
| Court Improvement | | 4,406 | 4,406 |
| Debt Service | | 151,922 | 151,922 |
| Park Capital | | 256,347 | 256,347 |
| Capital Improvements | | 894,774 | 894,774 |
| Unassigned: | 4,794,308 | | 4,794,308 |
| Total Fund Balances | \$ 4,869,288 | \$ 5,449,816 | \$ 10,319,104 |

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, 2013.

| Fund | Target Rate | Target Balance | Balance 12/31/2013 |
|-------------|--------------------|-----------------------|---------------------------|
| General | 8.5% | \$ 3,023,284 | \$ 3,958,334 |
| Water | 12% | 1,569,768 | 5,049,070 |
| Wastewater | 12% | 2,201,363 | 3,012,312 |
| Stormwater | 12% | 373,750 | 2,024,350 |
| Golf Course | 12% | 514,606 | 387,331 |

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 12/31/13 the balance was \$464,496. The fund balance of this management fund is reported as part of the General Fund. The 2013 amended budget includes \$50,000 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 | \$ 111,043,456 |
| Capital Assets of Internal Service funds included in governmental activities net of depreciation | 1,652 |
| Net adjustment to increase fund balance - total governmental funds to arrive at net position of governmental activities | <u>\$ 111,045,108</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 | \$ 3,146,660 |
| Investment interest accrued beyond the city's 30 day measurable and available period | 12,662 |
| Build America Bond subsidy beyond the city's 30 day measurable and available period | 39,490 |
| Other post-employment benefits | 105,296 |
| Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities | <u>\$ 3,304,108</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 | \$ 2,712,365 |
| Net capital assets of Internal Service funds included in governmental activities | (1,652) |
| Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities | <u>\$ 2,710,713</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 | \$ (31,275,000) |
| Less: Issuance premiums | (796,739) |
| Add: Deferred amount on refunding | 1,119,825 |
| Accrued interest payable | (247,316) |
| Compensated absences | (2,276,641) |
| Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities | <u>\$ (33,475,871)</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 | \$ 4,752,140 |
| Depreciation | (3,653,079) |
| Contributions of capital assets | 736,603 |
| Loss on retirement of capital assets | (1,028,976) |
| Net adjustment to increase net change in fund balances - governmental funds to arrive at change in net position - governmental activities | <u>\$ 806,688</u> |

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

| | |
|---|---------------|
| GO bond principal paid | \$ 10,025,000 |
| Principal of GO Bonds Issued | (8,590,000) |
| Long Term Notes Issued | |
| Unamortized debt issuance costs | (683,892) |
| Net adjustment to decrease net change in fund balances - governmental funds | |
| to arrive at change in net position of governmental activities | \$ 751,108 |

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 | \$ 9,680 |
| Change in deferred property taxes receivable | (99,564) |
| Change in court fines receivable | (15,414) |
| Change in block grant loans receivable | (33,376) |
| Change in parking/red light fines receivable | (5,531) |
| Change in BKAT contracts receivable | (38,000) |
| Change in Build America Bond subsidy receivable | (3,677) |
| Change in other post-employment benefits payable | (277,251) |
| Change in accrued interest payable | (8,739) |
| Change in compensated absences payable | 39,983 |
| Net adjustment to decrease net change in fund balances - governmental funds | |
| to arrive at change in net position of governmental funds | \$ (431,889) |

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 | \$ 338,625 |
| Net Revenue of employment security activities | 203,212 |
| Net Revenue of Accrued Leave activities | 52,225 |
| Net revenue of information technology activities | (7,577) |
| Net revenue of equipment maintenance activities | (139,475) |
| Net adjustment to decrease net change in fund balances - governmental funds | |
| to arrive at change in net position of governmental funds | \$ 447,010 |

3. Deposits and Investments

A. Deposits

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

B. Investments

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

| Investment Type | Rating | Weighted Average Maturities | Fair Value | % of Portfolio |
|---|--------|-----------------------------------|---------------|-------------------|
| Cash & Cash Equivalents | | | | |
| Washington State Local Government Inv. Pool | NR | | \$ 9,419,949 | |
| Cash on hand | | | 3,997,219 | |
| Total Cash & Cash Equivalents | | | 13,417,168 | |
| Investments | | | | |
| US Agency securities | | | | |
| Federal National Mortgage Assn | AA | | 6,014,900 | 35% |
| Federal Farm Credit Banks | AA | | 2,008,160 | 12% |
| Federal Home Loan Bank | AA | | 3,994,140 | 23% |
| Federal Home Loan Mortgage Corp | AA | | 5,148,970 | 30% |
| Total Investments | | | 17,166,170 | |
| Total Cash & Investments | | | 30,583,338 | |

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. The City's investment policy states that (with the exception of U.S. Treasury securities and the State Investment Pool) no more than 30% of the City's total investment portfolio will be invested in a single security type or with a single financial institution. At 12/31/13 the City's investment in Federal National Mortgage Assn securities exceeded the 30% limit. In May of 2014 \$2M of FNMA securities were called and replaced by \$2M of US Treasury securities which brought the portfolio back into compliance with the policy.

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

RCW 84.52.043 allows a city to levy taxes of up to \$3.375 per \$1,000 of taxable property in the city and RCW 41.14.060 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 2013, the Kitsap Regional Library District levied \$0.39 per \$1,000 of assessed valuation, and therefore the City's maximum levy rate is \$3.21 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 2013 was \$2.761835 per \$1,000 on an assessed valuation of \$2.395 billion, for a total regular levy of \$6,629,413.

Special levies, approved by the voters are not subject to the above limitations. In 2013, the City levied an additional \$0.85 per \$1,000 for General Obligation Bonds and Emergency Medical Services, for a total additional levy of \$2,035,183.

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, 2013, was as follows:

| | Beginning Balance 1/1/2013 | Increases | Decreases | Ending Balance 12/31/2013 |
|--|----------------------------------|---------------|---------------|---------------------------------|
| Governmental Activities | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 17,433,782 | \$ 3,997,604 | \$ 1,028,976 | \$ 20,402,410 |
| Construction in progress | 17,167,537 | 4,753,066 | 17,622,367 | 4,298,236 |
| Total capital assets, not being depreciated | 34,601,319 | 8,750,670 | 18,651,343 | 24,700,646 |
| Capital assets, being depreciated: | | | | |
| Buildings/building improvements | 56,690,930 | 6,851,537 | - | 63,542,467 |
| Improvements other than buildings | 17,675,569 | 2,367,253 | - | 20,042,822 |
| Machinery and equipment | 8,879,774 | 554,721 | 200,278 | 9,234,217 |
| Infrastructure | 37,282,840 | 4,586,930 | - | 41,869,770 |
| Total capital assets, being depreciated | 120,529,113 | 14,360,441 | 200,278 | 134,689,276 |
| Less accumulated depreciation for: | | | | |
| Buildings/buildings improvements | 10,654,446 | 1,160,631 | - | 11,815,077 |
| Improvements other than buildings | 9,051,956 | 821,574 | - | 9,873,530 |
| Machinery and equipment | 5,893,263 | 478,814 | 200,278 | 6,171,799 |
| Infrastructure | 19,287,841 | 1,196,566 | - | 20,484,407 |
| Total accumulated depreciation | 44,887,506 | 3,657,585 | 200,278 | 48,344,813 |
| Total capital assets, being depreciated, net | 75,641,607 | 10,702,856 | - | 86,344,463 |
| Governmental activities capital assets, net | \$ 110,242,926 | \$ 19,453,526 | \$ 18,651,343 | \$ 111,045,109 |

| Business-type Activities | Beginning Balance 1/1/2013 | Increases | Decreases | Ending Balance 12/31/2013 |
|--|---|------------------|------------------|--|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 9,106,702 | \$ 9,991 | \$ - | \$ 9,116,693 |
| Construction in progress | 4,294,244 | 7,265,857 | 8,546,744 | 3,013,357 |
| Total capital assets, not being depreciated | 13,400,946 | 7,275,848 | 8,546,744 | 12,130,050 |
| Capital assets, being depreciated: | | | | |
| Buildings/building improvements | 53,984,553 | 486,822 | - | 54,471,375 |
| Improvements other than buildings | 134,256,794 | 5,611,053 | 218,732 | 139,649,115 |
| Machinery and equipment | 55,607,151 | 4,063,208 | 961,679 | 58,708,680 |
| Total capital assets, being depreciated | 243,848,498 | 10,161,083 | 1,180,411 | 252,829,170 |
| Less accumulated depreciation for: | | | | |
| Buildings/buildings improvements | 19,427,622 | 1,028,600 | - | 20,456,222 |
| Improvements other than buildings | 41,462,415 | 2,607,069 | 218,732 | 43,850,752 |
| Machinery and equipment | 24,659,731 | 2,429,083 | 914,670 | 26,174,144 |
| Total accumulated depreciation | 85,549,768 | 6,064,752 | 1,133,402 | 90,481,118 |
| Total capital assets, being depreciated, net | 158,298,730 | 4,096,331 | 47,009 | 162,348,052 |
| Business-type activities Capital assets, net | \$ 171,699,676 | \$ 11,372,179 | \$ 8,593,753 | \$ 174,478,102 |

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

Governmental Activities:

| | |
|---|---------------------|
| General government | \$ 215,099 |
| Public safety | 577,272 |
| Transportation, including depreciation of general infrastructure assets | 1,178,763 |
| Economic environment | 348 |
| Culture and recreation | 1,681,597 |
| Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets | 4,506 |
| Total depreciation expense - Governmental activities | <u>\$ 3,657,585</u> |

Business-type activities:

| | |
|---|---------------------|
| Water | \$ 1,931,268 |
| Wastewater | 3,275,026 |
| Stormwater | 106,668 |
| Golf | 172,252 |
| Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets | 579,538 |
| Total depreciation expense - Business-type activities | <u>\$ 6,064,752</u> |

6. Construction Commitments

At December 31, 2013, the City had several construction projects underway. The following table contains the projects and status at year end.

| Project | Spent to Date | Remaining Commitment |
|---|----------------------|-----------------------------|
| #5371- Primary Effluent Pump Construction | \$ 2,852,905 | \$ 147,062 |
| #102160- Pacific Avenue Construction | 2,214,819 | 127,456 |
| #827- Anderson Cove LID | 294,017 | 5,921 |
| #859- CIPP | 82,202 | 3,103 |
| #4392- Chemical Resistant Building | - | 13,340 |
| #4489- Warren Ave Bridge Main | 24,435 | 1,430,805 |
| Kitsap Conference Center | 437,367 | 457,075 |
| #59148- Evergreen Playground | - | 267,548 |
| #1066- 11th & Warren Improvements | 86,871 | 7,229 |
| | <u>\$ 5,992,616</u> | <u>\$ 2,459,539</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 2013, the TBD has enacted a \$20 per vehicle license fee to fund appropriate projects. In 2013, the TBD received total collections from vehicle license fees of \$431,866. \$53,629 was expended in 2013 for crack sealing of several city streets. A separately issued Bremerton Transportation Benefit District comprehensive annual financial report (CAFR) is available on the TBD's page on the City of Bremerton's web site at www.ci.bremerton.wa.us.

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. 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; employees of legislative committees; employees of district and municipal courts; and employees of local governments. Membership also includes higher education employees not participating in higher education retirement programs. Approximately 49 percent of PERS salaries are accounted for by state employment. 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 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.

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 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 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 2013, 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, in lieu of any retirement benefit, 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 from active status at any age with at least 30 years of service, at the age of 55 with 25 years of service, or at age 60 with five years of service. Plan 1 members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits.

The monthly benefit is 2 percent of the average final compensation (AFC) per year of service, but the benefit may not exceed 60 percent of the AFC. The AFC is the monthly average of the 24 consecutive highest-paid service credit months.

PERS Plan 1 retirement benefits are actuarially reduced to reflect the choice, if made, of a survivor option.

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 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 of 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, if hired prior to May 1, 2013:

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

PERS Plan 2 members hired on or after May 1, 2013, have the option to retire early by accepting a reduction of 5 percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service.

PERS Plan 2 retirement benefits are also actuarially reduced to reflect the choice, if made, of a survivor option.

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 contributions are invested in the Retirement Strategy Fund that assumes the member will retire at age 65.

For DRS' fiscal year 2013, PERS Plan 3 employee contributions were \$99.0 million, and plan refunds paid out were \$69.4 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 by 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.
- If they have 30 service credit years, are at least 55 years old, and were hired after May 1, 2013, they have the option to retire early by accepting a reduction of 5 percent for each year before age 65.

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

PERS Plan 2 and Plan 3 provide 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 members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors.

A one-time duty-related death benefit is provided to the beneficiary or the estate of a PERS member who 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 the 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 elect participation in the Judicial Benefit Multiplier (JBM) Program 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.

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.

There are 1,176 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2012:

| | |
|--|----------------|
| Retirees and Beneficiaries Receiving Benefits | 82,242 |
| Terminated Plan Members Entitled to But Not Yet Receiving Benefits | 30,515 |
| Active Plan Members Vested | 106,317 |
| Active Plan Members Nonvested | 44,273 |
| Total | 263,347 |

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.

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, 2013, are as follows:

Members Not Participating in JBM:

| | PERS Plan 1 | PERS Plan 2 | PERS Plan 3 |
|------------|--------------------|--------------------|--------------------|
| Employer * | 9.21%** | 9.21%** | 9.21%** |
| Employee | 6.00%**** | 4.92%**** | ***** |

* The employer rates

include the employer administrative expense fee currently set at 0.18%.

** The employer rate for state elected officials is 13.73% for Plan 1 and 9.21% for Plan 2 and Plan 3.

*** Plan 3 defined benefit portion only.

**** The employee rate for state elected officials is 7.50% for Plan 1 and 4.92% for Plan 2.

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

Members Participating in JBM:

| | PERS Plan 1 | PERS Plan 2 | PERS Plan 3 |
|------------------------|--------------------|--------------------|--------------------|
| Employer-State Agency* | 11.71% | 11.71% | 11.71%** |
| Employer-Local Agency* | 9.21% | 9.21% | 9.21%** |
| Employee-State Agency | 9.76% | 9.80% | 7.50%*** |
| Employee-Local Agency | 12.26% | 12.30% | 7.50%*** |

*The employer rates include the employer administrative expense fee currently set at 0.18%.

**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 1 | PERS Plan 2 | PERS Plan 3 |
|------|-------------|-------------|-------------|
| 2013 | \$ 60,423 | \$ 886,733 | \$ 110,633 |
| 2012 | \$ 57,198 | \$ 771,999 | \$ 102,682 |
| 2011 | \$ 59,297 | \$ 690,533 | \$ 88,187 |

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

Plan Description

LEOFF was established in 1970 by the Legislature. Membership 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 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 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:

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.

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 2013, 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, in lieu of any retirement benefit, 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 there is an 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 there is 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 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 benefit or service retirement 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 benefit 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.

A one-time duty-related death benefit is provided to the beneficiary or the estate 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.

Benefits to eligible surviving spouses and dependent children of LEOFF Plan 2 members killed in the course of employment include the payment of eligible health care insurance premiums.

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 not in conflict with federal laws.

LEOFF members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors.

There are 374 participating employers in LEOFF. Membership in LEOFF consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2012:

| | |
|--|---------------|
| Retirees and Beneficiaries Receiving Benefits | 10,189 |
| Terminated Plan Members Entitled to But Not Yet Receiving Benefits | 689 |
| Active Plan Members Vested | 14,273 |
| Active Plan Members Nonvested | 2,633 |
| Total | 27,784 |

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 2013, the state contributed \$54.2 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, 2013, are as follows:

| | LEOFF Plan 1 | LEOFF Plan 2 |
|-----------|--------------|--------------|
| Employer* | 0.18% | 5.23%** |
| Employee | 0.00% | 8.41% |
| State | N/A | 3.36% |

* The employer rates include the employer administrative expense fee currently set at 0.18%.

** The employer rate for ports and universities is 8.59%

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

| | LEOFF Plan 1 | LEOFF Plan 2 |
|------|--------------|--------------|
| 2013 | \$ 357 | \$ 555,943 |
| 2012 | \$ 545 | \$ 549,928 |
| 2011 | \$ 758 | \$ 555,170 |

Public Safety Employees' Retirement System (PSERS) Plan 2Plan 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:

- PERS 2 or 3 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
- Employees hired on or after July 1, 2006, by a covered employer, that meet at least one of the PSERS eligibility criteria.

Covered employers include the following:

- State of Washington agencies: Department of Corrections, Department of Natural Resources, Gambling Commission, Liquor Control Board, Parks and Recreation Commission, and Washington State Patrol;
- Washington State counties;
- Washington State cities except for Seattle, Spokane and Tacoma; 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 limited authority Washington peace officer, as defined in RCW 10.93.020; or
- Have primary responsibility to supervise eligible members who meet the above criteria.

PSERS 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 2013, 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 75 participating employers in PSERS. Membership in PSERS consisted of the following as of the latest actuarial valuation date for the plan of June 30, 2012:

| | |
|--|--------------|
| Retirees and Beneficiaries Receiving Benefits | 27 |
| Terminated Plan Members Entitled to But Not Yet Receiving Benefits | 60 |
| Active Plan Members Vested | 2,083 |
| Active Plan Members Nonvested | 2,167 |
| Total | 4,337 |

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:

| | PSERS Plan 2 |
|-----------|---------------------|
| Employer* | 10.54% |
| 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:

| | PSERS Plan 2 |
|------|---------------------|
| 2013 | \$ 11,719 |
| 2012 | \$ 10,667 |
| 2011 | \$ 9,864 |

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 2013 insurance coverage and risk retention:

| <u>Risk</u> | <u>Coverage Limit Per Occurrence</u> | <u>Self-Insured Retention</u> | <u>Insurer</u> |
|------------------------------|--|-----------------------------------|---------------------------------------|
| Excess liability | \$10,000,000 | \$500,000 | Ironshore Specialty Insurance Company |
| Excess workers' compensation | Statutory | 500,000 | Safety National Casualty Corporation |
| Blanket property | 100,000,000 | 100,000 | Lexington 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, 2013, the Risk Management Fund had cash and investment reserves of \$2,433,969. 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 \$613,387. 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 \$446,524.

The following table shows the actual claims activity for 2012 and 2013:

| | 2012 | 2013 |
|--------------------------------------|-------------------|-------------------|
| Claims liability - beginning of year | \$ 1,759,683 | \$ 892,184 |
| Claims incurred | 409,438 | 296,185 |
| Estimate change prior years | (903,812) | 26,536 |
| Payment on claims | (373,125) | (292,009) |
| Claims liability - end of year | <u>\$ 892,184</u> | <u>\$ 922,896</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 repaid with proprietary fund revenues.

General obligation bonds currently outstanding are as follows:

| | Maturity Date | Interest Rate | Outstanding 12/31/2013 |
|--|---------------|---------------|------------------------|
| 2010 LTGO BABS | 09/01/35 | 3.61 | \$ 6,350,000 |
| 2010 UTGO Refunding | 12/01/27 | 3.07 | 9,245,000 |
| 2010 LTGO (B) BABS | 12/01/30 | 3.42 | 2,120,000 |
| 2011 Promissory Note - Kitsap County | 05/16/14 | 0 | 35,000 |
| 2012 LTGO Refunding - Govt Center | 12/31/21 | 4.00 | 5,090,000 |
| 2013 LTGOA Refunding - Conf Ctr Pkg | 12/01/36 | 3.01 | 8,435,000 |
| 2013 LTGOB Refunding - Golf Course | 12/01/28 | 3.01 | 4,985,000 |
| Total General Obligation Bonds and Notes | | | <u>\$ 36,260,000</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 | \$ 1,260,000 | \$ 1,189,400 | \$ 230,000 | \$ 132,383 |
| 2014 | 1,255,000 | 1,162,594 | 245,000 | 131,003 |
| 2015 | 1,310,000 | 1,130,287 | 285,000 | 128,920 |
| 2016 | 1,340,000 | 1,095,537 | 300,000 | 125,785 |
| 2017 | 1,390,000 | 1,056,478 | 315,000 | 121,585 |
| 2018-2022 | 7,670,000 | 4,587,311 | 1,665,000 | 505,135 |
| 2023-2027 | 8,435,000 | 2,978,760 | 1,945,000 | 228,975 |
| 2028-2032 | 5,860,000 | 1,397,362 | | |
| 2033-2036 | 2,755,000 | 208,229 | | |
| Total | <u>\$ 31,275,000</u> | <u>\$ 14,805,958</u> | <u>\$ 4,985,000</u> | <u>\$ 1,373,785</u> |

Revenue bonds and loans currently outstanding are as follows:

| | Date | Rate | 12/31/2013 |
|--|----------|------|------------|
| 1994 P WTF Loan - Warren Ave CSO | 07/01/14 | 1.0 | 159,606 |
| 1995 P WTF Loan WWTP improvements | 07/01/15 | 1.0 | 370,468 |
| 1996 P WTF Loan Callow Ave CSO I | 07/01/16 | 1.0 | 454,336 |
| 1997 P WTF Loan Callow Ave CSO II | 07/01/17 | 1.0 | 141,008 |
| 1998 P WTF Loan SR 303 water main | 07/01/18 | 1.0 | 828,948 |
| 1999 P WTF Loan Tracyton water sys ph2 | 07/01/19 | 2.0 | 59,445 |
| 1999 P WTF Loan CSO design | 07/01/20 | 1.0 | 292,755 |
| 2000 P WTF Loan Multi-Basin CSO | 07/01/20 | 1.0 | 1,045,281 |
| 2000 P WTF Loan Callow CSO 3-5 | 07/01/20 | 1.0 | 1,564,007 |
| 2001 P WTF Loan East Bremerton CSO | 07/01/21 | 0.5 | 1,266,667 |
| 2003 P WTF Loan Anderson Cove Basin 12 | 07/01/23 | 0.5 | 288,490 |
| 2003 P WTF Loan Naval Avenue | 07/01/23 | 4.0 | 131,580 |
| 2004 P WTF Loan Brentwood storm drain red | 07/01/24 | 4.0 | 108,507 |
| 2004 P WTF Loan Pacific Ave Basin CSO | 07/01/24 | 0.5 | 769,751 |
| 2006 P WTF Loan WWTP upgrade | 07/01/25 | 0.5 | 128,070 |
| 2007 P WTF Anderson Cove sewer PS CW1 | 07/01/27 | 0.5 | 497,369 |
| 2007 P WTF WWTP upgrades | 07/01/27 | 0.5 | 2,281,446 |
| 1994 CCWF Loan Callow Ave CSO design | 05/01/17 | 0.0 | 130,447 |
| 1997 CCWF Loan Callow Ave CSO I | 07/31/18 | 4.8 | 922,166 |
| 1998 DWSRF Loan corrosion control facility | 10/01/18 | 4.0 | 275,083 |
| 2009 DWSRF UV Treatment Upgrade (ARRA) | 10/01/17 | 0.0 | 37,262 |
| 2001 DWSRF Loan Tracyton WD upgrade | 10/01/21 | 2.5 | 1,116,659 |
| 2002 DWSRF Loan Eastside flow & pressure | 10/01/22 | 2.5 | 549,182 |
| 2002 DWSRF Loan Casad Dam seismic upgrade | 10/01/22 | 2.5 | 353,482 |
| 2003 DWSRF Loan Casad Dam intake tower | 10/01/23 | 1.5 | 44,009 |
| 2003 DWSRF Loan Pump Station 4 upgrade | 10/01/23 | 1.5 | 576,112 |
| 2004 DWSRF Loan Anderson Creek | 10/01/24 | 1.5 | 59,200 |
| 2004 DWSRF Loan seismic upgrades | 10/01/24 | 1.5 | 311,281 |
| 1999 WPCRF Loan CSO plan update | 12/31/22 | 1.5 | 125,293 |
| 1999 WPCRF Loan Anderson Cove CSO | 02/27/21 | 1.5 | 402,539 |
| 1999 WPCRF Loan Callow Ave CSO final | 12/31/22 | 1.5 | 289,762 |
| 2002 WPCRF Loan Anderson CV CSO red | 01/23/22 | 1.5 | 302,047 |
| 2002 WPCRF Loan Cherry/Trenton CSO red | 10/15/24 | 1.5 | 615,099 |
| 2002 WPCRF Loan Trenton pump station | 10/15/24 | 1.5 | 614,701 |
| 2002 WPCRF Loan Tracyton Beach CSO | 12/31/25 | 1.5 | 372,939 |
| 2002 WPCRF Loan Anderson Cove Basin 12 | 12/31/26 | 1.5 | 179,096 |
| 2003 WPCRF Pacific Ave CSO red-sep | 06/30/24 | 1.5 | 197,245 |
| 2003 WPCRF Loan Pacific Ave CSO reduction | 12/31/27 | 1.5 | 786,766 |
| 2004 WPCRF Loan Cherry/Trenton CSO red-1 | 12/31/26 | 1.5 | 769,288 |
| 2007 WPCRF WWTP upgrade | 01/01/29 | 2.6 | 523,085 |
| 2009 WPCRF Gorst Sewerage Constuction | 12/31/30 | 1.4 | 533,492 |
| 2009 WPCRF Gorst Septic System Design | 12/31/30 | 2.9 | 103,040 |
| 2009 WPCRF Gorst Sewerage Design | 12/31/30 | 1.4 | 513,941 |
| 2013 WPCRF Gorst Sewerage Constuction | 12/31/32 | 1.4 | 52,367 |
| 2007 W/S Refunding Revenue bond | 12/01/21 | 4.3 | 3,210,000 |
| Total revenue bonds and loans | | | 24,353,317 |

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 | \$ - | \$ - | \$ 3,078,090 | \$ 441,693 |
| 2014 | - | - | 2,949,119 | 385,735 |
| 2015 | - | - | 2,755,038 | 330,215 |
| 2016 | - | - | 2,604,228 | 277,077 |
| 2017 | - | - | 2,587,592 | 224,252 |
| 2018-2022 | - | - | 7,944,262 | 487,491 |
| 2023-2027 | - | - | 2,231,874 | 80,057 |
| 2028-2032 | - | - | 203,109 | 4,117 |
| 2033-2036 | - | - | - | - |
| Total | \$ - | \$ - | \$ 24,353,312 | \$ 2,230,637 |

On May 23, 2013, the City issued \$8,590,000 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).

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

At December 31, 2013, the city has \$174,065 available in debt service funds to service the general bonded debt. Restricted assets in proprietary funds contain \$1,541,910 in sinking funds and reserves as required by bond indentures.

B. Refunded Debt

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 could be prepaid at any time. As a result, the liability for the 2009 bonds has been removed from the business activities column of the statement of net position. This current refunding was undertaken to reduce total debt service payments over the next fifteen years by \$566,266 and resulted in an economic gain of \$420,473. Moody's Investor Services affirmed the City's bond rating of A1 for the 2013 limited tax general obligation refunding bonds (taxable).

11. Changes in Long Term Liabilities

During the year ended December 31, 2013, the following changes occurred in long-term liabilities:

| | Beginning Balance 1/1/2013 | Additions | Reductions | Ending Balance 12/31/2013 | Due Within One Year |
|--|----------------------------------|---------------|---------------|---------------------------------|------------------------|
| Governmental Activities: | | | | | |
| Bonds payable: | | | | | |
| General obligation bonds | \$ 32,675,000 | \$ 8,590,000 | \$ 10,025,000 | \$ 31,240,000 | \$ 1,225,000 |
| Notes Payable | 35,000 | - | - | 35,000 | 35,000 |
| Add unamortized premiums | 432,125 | 401,073 | 36,459 | 796,739 | 43,569 |
| Less unamortized refunding exp | (1,194,683) | - | (74,858) | (1,119,825) | (74,858) |
| Total bonds payable: | 31,947,442 | 8,991,073 | 9,986,601 | 30,951,914 | 1,228,711 |
| Claims and judgments | 892,184 | 322,721 | 292,009 | 922,896 | 309,509 |
| Compensated absences | 2,377,132 | 1,947,302 | 1,997,457 | 2,343,175 | 1,954,661 |
| Governmental activity long-term liabilities: | \$ 35,216,758 | \$ 11,261,096 | \$ 12,276,067 | \$ 34,217,985 | \$ 3,492,881 |
| Business-type Activities: | | | | | |
| Bonds payable: | | | | | |
| General obligation bonds | \$ 5,058,000 | \$ 5,175,000 | \$ 5,248,000 | \$ 4,985,000 | \$ 230,000 |
| Revenue bonds | 3,575,000 | - | 365,000 | 3,210,000 | 375,000 |
| Less unamortized refunding exp | (204,043) | - | (24,856) | (179,187) | (25,598) |
| Total bonds payable: | 8,428,957 | 5,175,000 | 5,588,144 | 8,015,813 | 579,402 |
| Intergovernmental loans | 23,776,504 | 53,883 | 2,687,077 | 21,143,310 | 2,703,090 |
| Compensated Absences | 464,349 | 431,701 | 382,377 | 513,673 | 426,200 |
| Business-type activity long-term liabilities: | \$ 32,669,810 | \$ 5,660,584 | \$ 8,657,598 | \$ 29,672,796 | \$ 3,708,692 |

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 \$922,895 of Risk Management claims and judgments and \$66,534 of compensated absences are included in the above governmental activities amounts. Also, for the governmental activities, compensated absences are generally liquidated by the Accrued leave liability internal service fund and claims and judgments by the Risk Management internal service fund.

12. Contingencies and Litigation

As of December 31, 2013, 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 \$5,883,934 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, 2013, were as follows:

| | | Due From | | | | | | | |
|--------|--------------------------|--------------|------------|------------|-------------|----------|-------------------|------------------|------------|
| | | General Fund | Other Govt | Water | Waste-Water | Golf | Other Proprietary | Internal Service | Total |
| Due To | General Fund | \$ - | \$ 49,273 | \$ 119,508 | \$ 279,442 | \$ - | \$ 16,634 | \$ - | \$ 464,857 |
| | Other governmental funds | 14,006 | 18,101 | 5,122 | | | 38,813 | 669 | 76,711 |
| | Water | 89,161 | | | | | | | 89,161 |
| | Wastewater | 55,935 | 13,316 | 91,423 | | | 339 | | 161,013 |
| | Other proprietary funds | 12,874 | | | 17,433 | | | | 30,307 |
| | Internal Service | 35,539 | 2,057 | 4,094 | 2,902 | 1,943 | 1,581 | 1,242 | 49,358 |
| Total | | \$ 207,515 | \$ 82,747 | \$ 220,147 | \$ 299,777 | \$ 1,943 | \$ 57,367 | \$ 1,911 | \$ 871,407 |

Significant transfers during 2013 were as follows:

A total of \$1,281,326 was transferred into the Pacific Avenue Construction capital projects fund from the General (\$231,326), Water (\$500,000) and Wastewater (\$550,000) funds. The transfers were to fund the City's portion of the reconstruction of the roadway and utilities on Pacific Avenue between 6th and 11th Streets.

\$385,000 was transferred from the General fund to the Conference Center Expansion capital projects fund for the construction of expanded conference facilities on the third floor of the Kitsap Transit building adjacent to the Harborside Conference Center.

\$4,430,698 was transferred from the City's three utilities to the General (\$4,188,976) and Street (\$241,722) funds for the payment in lieu of taxes levied on those funds. The transfers were from the Water (\$1,366,011), Wastewater (\$2,621,252) and Stormwater (\$443,435) proprietary funds.

15. Receivable and Payable Balances

A. Receivables

Receivables at December 31, 2013 were as follows:

| | Accounts | Taxes | Special Assessments | Notes Contracts | Other | Total |
|---|--------------|--------------|------------------------|--------------------|-----------|--------------|
| Governmental Activities: | | | | | | |
| General Fund | \$ 1,532,394 | \$ 2,263,332 | \$ - | \$ 13,492 | \$ - | \$ 3,809,218 |
| Non-major and other funds | 296,879 | 314,331 | - | 281,557 | - | 892,767 |
| Reconciliation of balances in fund financial statements to government-wide financial statements | - | - | - | - | 17,348 | 17,348 |
| Total governmental activities | \$ 1,829,273 | \$ 2,577,663 | \$ - | \$ 295,049 | \$ 17,348 | \$ 4,719,333 |
| Business-Type Activities: | | | | | | |
| Water | \$ 1,565,461 | \$ - | \$ 318,231 | \$ 171,356 | \$ 7,075 | \$ 2,062,123 |
| Golf | - | - | - | - | 538 | 538 |
| Wastewater | 2,478,355 | 6,442 | - | 14,573 | 6,102 | 2,505,472 |
| Other Proprietary Funds | 1,035,972 | - | - | - | 2,847 | 1,038,819 |
| Reconciliation of balances in fund financial statements to government-wide financial statements | - | - | - | (51,207) | 7,295 | (43,912) |
| Total business-type activities | \$ 5,079,788 | \$ 6,442 | \$ 318,231 | \$ 134,722 | \$ 23,857 | \$ 5,563,040 |

B. Payables

Accounts Payable and other accrued liabilities at December 31, 2013 were as follows:

| | Vendors | Salaries and Benefits | Retainage | Other | Total |
|---|--------------|--------------------------|------------|------------|--------------|
| Governmental Activities: | | | | | |
| General Fund | \$ 580,568 | \$ - | \$ 1,735 | \$ - | \$ 582,303 |
| Non-major and other funds | 1,069,967 | - | 69,002 | - | \$ 1,138,969 |
| Reconciliation of balances in fund financial statements to government-wide financial statements | 126,855 | - | - | 247,316 | 374,171 |
| Total governmental activities | \$ 1,777,390 | \$ - | \$ 70,737 | \$ 247,316 | \$ 2,095,443 |
| Business-Type Activities: | | | | | |
| Water | \$ 287,110 | \$ - | \$ - | \$ - | \$ 287,110 |
| Golf | 139,724 | - | - | - | 139,724 |
| Wastewater | 352,911 | - | 115,234 | - | 468,145 |
| Other Proprietary funds | 55,481 | - | 29,290 | - | 84,771 |
| Reconciliation of balances in fund financial statements to government-wide financial statements | 976 | - | - | - | 976 |
| Total business-type activities | \$ 836,202 | \$ - | \$ 144,524 | \$ - | \$ 980,726 |

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 (\$105,296) is included as a noncurrent asset on the Statement of Net Position.

| | Fiscal Year Ending 12/31/13 |
|---|--------------------------------|
| Determination of Annual Required Contribution: | |
| Annual Normal Cost | \$ 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 | \$ 1,515,169 |
| Contributions | (1,237,918) |
| Change in Net OPEB Obligations | \$ 277,251 |
| Net OPEB Obligations - beginning of year | \$ (382,547) |
| Net OPEB Obligations - end of year | \$ (105,296) |

* Unfunded Actuarial Accrued Liability (UAAL)

The City's OPEB cost, the percentage OPEB cost contributed to the plan and the net OPEB Assets for 2013 and the preceding three years, was as follows:

| Fiscal year Ended | Annual OPEB Cost | Contribution as a Percentage of OPEB Cost | Net OPEB Obligation |
|----------------------|---------------------|--|------------------------|
| 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 | 102.17% | \$ (382,547) |
| 12/31/2013 | \$ 1,515,169 | 122.40% | \$ (105,296) |

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, 2013 was 13 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, 2013, for the combined utility operations are as follows:

Condensed Statement of Net Position

Assets

| | |
|-------------------|--------------------|
| Current assets | \$ 13,787,265 |
| Restricted assets | 1,746,656 |
| Capital assets | 157,760,760 |
| Other assets | 672,989 |
| Total assets | <u>173,967,670</u> |

Liabilities

| | |
|--------------------------------|-------------------|
| Current liabilities | 4,582,822 |
| Due to other funds | 519,924 |
| Payable from restricted assets | 81,289 |
| Long-term liabilities | <u>21,214,287</u> |
| Total liabilities | <u>26,398,322</u> |

Net Position

| | |
|------------------------------------|------------------------------|
| Restricted for debt service | 1,541,910 |
| Restricted for capital replacement | 123,457 |
| Unrestricted | 12,388,654 |
| Net investment in capital assets | <u>133,515,327</u> |
| Total net position | <u><u>\$ 147,569,348</u></u> |

Condensed Statement of Revenues, Expenses and Changes in Net Position

| | |
|--|------------------------------|
| Total operating revenues | \$ 22,970,729 |
| Operating Expenditures: | |
| Operations & maintenance | 12,907,805 |
| Depreciation/amortization/depletion | 5,346,891 |
| Total operating expenses | <u>18,254,696</u> |
| Operating income(loss) | 4,716,033 |
| Non-Operating Revenues/Expenses | |
| Interest revenue/expense (net) | (376,722) |
| Other (net) | 337,276 |
| Total non-operating revenues/expenses | <u>(39,446)</u> |
| Capital contributions | 3,192,553 |
| Transfers | (5,037,263) |
| Change in net position | 2,831,877 |
| Beginning net position | 144,864,815 |
| Prior period adjustment | (127,344) |
| Ending net position | <u><u>\$ 147,569,348</u></u> |

Condensed Statement of Cash Flows

| | |
|--|----------------------------|
| Net cash provided By: | |
| (a) Operating activities | \$ 9,656,831 |
| (b) Noncapital financing activities | (4,101,708) |
| (c) Capital and related financing activities | (7,788,191) |
| (d) Investing activities | 1,248,092 |
| Beginning cash and investment balance | <u>4,985,274</u> |
| Ending cash and investment balance | <u><u>\$ 4,000,298</u></u> |

18. Accounting and Reporting Changes

The financial statements reflect the implementation of Statement No. 65 of the Governmental Accounting Standards Board (GASB) – Items Previously Reported as Assets and Liabilities. The objective of this Statement is to either (a) properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or (b) recognize certain items that were previously reported as assets and liabilities as outflow of resources (expenses or expenditures) or inflows of resources (revenues).

19. Prior Period Adjustments

GASB Statement No. 65, implemented in 2013, changed the recognition of debt issuance costs as an expense of the period in which the costs are incurred. Implementation guidance requires that the cumulative effect of applying this Statement should be reported as a restatement of beginning net position or fund balance for the earliest period reported. The Government wide and proprietary fund statements reflect prior period adjustments of (\$244,420) and (\$148,347) respectively as a result of implementation of this statement.

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 | \$ | 16,191,238 | 0.0% | \$ 673,125 | 2405.38% |
| 12/31/2009 | \$ | - | \$ 21,632,822 | \$ | 21,632,822 | 0.0% | \$ 461,567 | 4686.82% |
| 12/31/2011 | \$ | - | \$ 17,942,584 | \$ | 17,942,584 | 0.0% | \$ 214,934 | 8300.00% |

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Combining Balance Sheet
NonMajor Governmental Funds
December 31, 2013

| | | Special Revenue | | | | | | |
|--|-----------------|-----------------|-------------|-----------------------|---------------------|-------------------------|------------|-----------------|
| | Arterial Street | Street | Lodging Tax | Community Block Grant | Abatement Revolving | Police Special Projects | BKAT | Gift & Donation |
| ASSETS and OUTFLOWS of RESOURCES | | | | | | | | |
| Cash and cash equivalents | \$ 157,247 | \$ 66,318 | \$ 53,273 | \$ 161,228 | \$ 110,258 | \$ 270,171 | \$ 134,584 | \$ 34,523 |
| Investments | 215,788 | 91,005 | 73,105 | - | 151,305 | 370,751 | 184,686 | 47,375 |
| Receivables | - | 149,202 | 24,827 | - | - | - | - | 25 |
| Due from other funds | 72 | 60,722 | - | - | - | - | - | - |
| Due from other governments | - | - | - | 142,836 | - | - | - | - |
| Other assets | - | - | - | 816,919 | - | - | 92,000 | - |
| Total assets | 373,107 | 367,247 | 151,205 | 1,120,983 | 261,563 | 640,922 | 411,270 | 81,923 |
| Deferred outflows of resources | - | - | - | - | - | - | - | - |
| Total assets and deferred outflows of resources | 373,107 | 367,247 | 151,205 | 1,120,983 | 261,563 | 640,922 | 411,270 | 81,923 |
| LIABILITIES, INFLOWS of RESOURCES and FUND BALANCES | | | | | | | | |
| Liabilities: | | | | | | | | |
| Accounts/contracts payable | \$ 90,639 | \$ 86,102 | \$ 8,083 | \$ 30,983 | \$ - | \$ 23,623 | \$ 1,245 | \$ - |
| Due to other funds | - | 1,884 | - | 75 | - | 3,890 | 169 | - |
| Employee wages payable | - | 42,909 | - | 4,064 | - | - | 7,784 | - |
| Other current liabilities | 22,229 | - | - | - | - | - | - | - |
| Unearned revenue | - | - | - | 816,919 | - | - | 92,000 | - |
| Total liabilities | 112,868 | 130,895 | 8,083 | 852,041 | - | 27,513 | 101,198 | - |
| Deferred Inflows of Resources | - | - | - | - | - | - | - | - |
| Fund balances: | | | | | | | | |
| Nonspendable | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Restricted | 260,239 | 60,587 | 119,348 | 268,942 | - | 613,409 | 86,238 | - |
| Committed | - | - | - | - | - | - | 223,834 | 81,923 |
| Assigned | - | 175,765 | 23,774 | - | 261,563 | - | - | - |
| Total fund balances | 260,239 | 236,352 | 143,122 | 268,942 | 261,563 | 613,409 | 310,072 | 81,923 |
| Total liabilities and fund balances | \$ 373,107 | \$ 367,247 | \$ 151,205 | \$ 1,120,983 | \$ 261,563 | \$ 640,922 | \$ 411,270 | \$ 81,923 |

See accompanying notes to the financial statements.

Combining Balance Sheet
NonMajor Governmental Funds
December 31, 2013

Page 2 of 3

| | Special Revenue | | | | Debt Service | | | | | Total Debt Service | Park Plaza |
|---|-------------------|---------------------|----------------------------------|-----------------------|------------------|-------------------|--------------------|-----------------------------|-------------------|--------------------|------------|
| | Trial Improvement | One Percent for Art | Transportation Benefits District | Total Special Revenue | Bond Fund | 2010 LTGO | 2010 UTGO/LTGO (B) | 2012 Government Center LTGO | | | |
| ASSETS and OUTFLOWS of RESOURCES | | | | | | | | | | | |
| Cash and cash equivalents | \$ 23,766 | \$ 21,881 | \$ 533,954 | \$ 1,567,203 | \$ 18,929 | \$ 33,957 | \$ 1,632 | \$ 875 | \$ 55,393 | \$ - | |
| Investments | 32,613 | 30,025 | - | 1,196,653 | 25,977 | 46,599 | 2,241 | 1,202 | 76,019 | - | |
| Receivables | - | - | 34,056 | 208,110 | - | 37,510 | 34,803 | - | 72,313 | - | |
| Due from other funds | - | - | - | 60,794 | - | - | 15,917 | - | 15,917 | - | |
| Due from other governments | - | - | - | 142,836 | - | - | - | - | - | - | |
| Other assets | - | - | - | 908,919 | - | - | - | - | - | - | |
| Total assets | <u>56,379</u> | <u>51,906</u> | <u>568,010</u> | <u>4,084,515</u> | <u>44,907</u> | <u>118,065</u> | <u>54,593</u> | <u>2,077</u> | <u>219,642</u> | <u>-</u> | |
| Deferred outflows of resources | - | - | - | - | - | - | - | - | - | - | |
| Total assets and deferred outflows of resources | <u>\$ 56,379</u> | <u>\$ 51,906</u> | <u>\$ 568,010</u> | <u>\$ 4,084,515</u> | <u>\$ 44,907</u> | <u>\$ 118,065</u> | <u>\$ 54,593</u> | <u>\$ 2,077</u> | <u>\$ 219,642</u> | <u>\$ -</u> | |
| LIABILITIES, INFLOWS of RESOURCES and FUND BALANCES | | | | | | | | | | | |
| Liabilities: | | | | | | | | | | | |
| Accounts/contracts payable | \$ - | \$ - | \$ 60 | \$ 240,735 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| Due to other funds | - | - | - | 6,018 | 15,917 | - | - | - | 15,917 | - | |
| Employee wages payable | - | - | - | 54,757 | - | - | - | - | - | - | |
| Other current liabilities | - | - | - | 22,229 | - | - | - | - | - | - | |
| Unearned revenue | - | - | - | 908,919 | - | - | 29,660 | - | 29,660 | - | |
| Total liabilities | <u>-</u> | <u>-</u> | <u>60</u> | <u>1,232,658</u> | <u>15,917</u> | <u>-</u> | <u>29,660</u> | <u>-</u> | <u>45,577</u> | <u>-</u> | |
| Deferred Inflows of Resources | - | - | - | - | - | - | - | - | - | - | |
| Fund balances: | | | | | | | | | | | |
| Nonspendable | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| Restricted | 51,973 | - | 567,950 | 2,028,686 | - | - | 22,143 | - | 22,143 | - | |
| Committed | - | 51,906 | - | 357,663 | - | - | - | - | - | - | |
| Assigned | 4,406 | - | - | 465,508 | 28,990 | 118,065 | 2,790 | 2,077 | 151,922 | - | |
| Total fund balances | <u>56,379</u> | <u>51,906</u> | <u>567,950</u> | <u>2,851,857</u> | <u>28,990</u> | <u>118,065</u> | <u>24,933</u> | <u>2,077</u> | <u>174,065</u> | <u>-</u> | |
| Total liabilities and fund balances | <u>\$ 56,379</u> | <u>\$ 51,906</u> | <u>\$ 568,010</u> | <u>\$ 4,084,515</u> | <u>\$ 44,907</u> | <u>\$ 118,065</u> | <u>\$ 54,593</u> | <u>\$ 2,077</u> | <u>\$ 219,642</u> | <u>\$ -</u> | |

See accompanying notes to the financial statements.

Combining Balance Sheet
NonMajor Governmental Funds
December 31, 2013

Page 3 of 3

| | Capital Projects | | | | | | | | Total Nonmajor Governmental Funds |
|--|------------------------|--------------------------|-----------------------|--------------------------|-------------------------|----------------------------|-----------------------------------|------------------------------|--|
| | Park Plaza Phase II | General Govt Cap Impr | Parks Construction | Evergreen Remediation | Lower Wheaton Way | Pacific Ave. Construct. | Conference Center Expansion | Total Capital Projects | |
| ASSETS and OUTFLOWS of RESOURCES | | | | | | | | | |
| Cash and cash equivalents | \$ 10,019 | \$ 137,745 | \$ 196,794 | \$ 303 | \$ 126,662 | \$ 304,632 | \$ 34,286 | \$ 810,441 | 2,433,037 |
| Investments | 13,747 | 189,023 | 270,056 | 415 | 173,814 | 418,039 | 47,051 | 1,112,145 | 2,384,817 |
| Receivables | - | 38,934 | - | - | - | - | 197,977 | 236,911 | 517,334 |
| Due from other funds | - | - | - | - | - | - | - | - | 76,711 |
| Due from other governments | 83,840 | - | 43,107 | 11,931 | 13,353 | 726,759 | - | 878,990 | 1,021,826 |
| Other assets | - | - | - | - | - | - | - | - | 908,919 |
| Total assets | 107,606 | 365,702 | 509,957 | 12,649 | 313,829 | 1,449,430 | 279,314 | 3,038,487 | 7,342,644 |
| Deferred outflows of resources | - | - | - | - | - | - | - | - | - |
| Total assets and deferred outflows of resources | 107,606 | 365,702 | 509,957 | 12,649 | 313,829 | 1,449,430 | 279,314 | 3,038,487 | 7,342,644 |
| LIABILITIES, INFLOWS of RESOURCES and FUND BALANCES | | | | | | | | | |
| Liabilities: | | | | | | | | | |
| Accounts/contracts payable | \$ 68,052 | \$ - | \$ 42,524 | \$ 1,430 | \$ 19,784 | \$ 496,538 | \$ 229,219 | \$ 857,547 | 1,098,282 |
| Due to other funds | 28,317 | - | - | 11,219 | - | 569 | - | 40,105 | 62,040 |
| Employee wages payable | - | - | - | - | - | - | - | - | 54,757 |
| Other current liabilities | - | - | - | - | - | - | - | - | 22,229 |
| Unearned revenue | - | - | - | - | - | - | - | - | 938,579 |
| Total liabilities | 96,369 | - | 42,524 | 12,649 | 19,784 | 497,107 | 229,219 | 897,652 | 2,175,887 |
| Deferred Inflows of Resources | - | - | - | - | - | - | - | - | - |
| Fund balances: | | | | | | | | | |
| Nonspendable | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | - |
| Restricted | 11,237 | 337,104 | 211,086 | - | 294,045 | 86,147 | 50,095 | 989,714 | 3,040,543 |
| Committed | - | - | - | - | - | - | - | - | 357,663 |
| Assigned | - | 28,598 | 256,347 | - | - | 866,176 | - | 1,151,121 | 1,768,551 |
| Total fund balances | 11,237 | 365,702 | 467,433 | - | 294,045 | 952,323 | 50,095 | 2,140,835 | 5,166,757 |
| Total liabilities and fund balances | 107,606 | 365,702 | 509,957 | 12,649 | 313,829 | 1,449,430 | 279,314 | 3,038,487 | 7,342,644 |

See accompanying notes to the financial statements.

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
for the Year Ended December 31, 2013

| | Special Revenue | | | | | | |
|---|-----------------|--------------|-------------|-----------------------|---------------------|-------------------------|-----------------|
| | Arterial Street | Street | Lodging Tax | Community Block Grant | Abatement Revolving | Police Special Projects | Gift & Donation |
| REVENUES | | | | | | | |
| Taxes | | | | | | | |
| Property | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Sales | - | - | 388,620 | - | - | - | - |
| Other | - | 497,088 | - | - | - | - | - |
| Licenses and permits | - | - | - | - | - | - | 271,863 |
| Intergovernmental | 617,048 | 788,807 | - | 591,972 | - | - | - |
| Charges for services | 202,720 | 170,879 | - | 35,230 | 6,760 | - | 110,103 |
| Fines and forfeitures | - | - | - | - | 11,090 | 21,093 | - |
| Miscellaneous | (469) | 66,648 | 288 | 5,550 | 771 | 157,845 | 53,553 |
| Total revenues | \$ 819,299 | \$ 1,523,422 | \$ 388,908 | \$ 632,752 | \$ 18,621 | \$ 178,938 | \$ 435,519 |
| | | | | | | | \$ 5,203 |
| EXPENDITURES | | | | | | | |
| Current: | | | | | | | |
| General government | \$ - | \$ 183,252 | \$ - | \$ 105,251 | \$ - | \$ - | \$ - |
| Public safety | - | - | - | - | 5,287 | 356,054 | 7,158 |
| Transportation | - | 1,908,692 | - | - | - | - | - |
| Economic environment | - | - | 76,000 | 326,351 | - | - | - |
| Mental/physical health | - | - | - | 197,495 | - | - | - |
| Culture and recreation | - | 38,240 | 150,000 | - | - | - | 307,929 |
| Debt service: | | | | | | | |
| Principal | - | - | - | - | - | - | - |
| Interest and other debt issue costs | - | - | - | - | - | - | - |
| Capital outlay | - | - | - | - | - | - | - |
| Total expenditures | 985,748 | 63,623 | - | - | - | - | - |
| Excess (deficiency) of revenues over expenditures | 985,748 | 2,193,807 | 226,000 | 629,097 | 5,287 | 356,054 | 307,929 |
| | (166,449) | (670,385) | 162,908 | 3,655 | 13,334 | (177,116) | 127,590 |
| | | | | | | | (1,955) |
| OTHER FINANCING SOURCES (USES) | | | | | | | |
| Proceeds of refunding debt | \$ - | \$ - | \$ - | - | - | - | - |
| Premiums on bonds sold | - | - | - | - | - | - | - |
| Capital asset donations & disposal | - | 131,904 | - | - | - | - | 4,344 |
| Insurance recoveries | - | 285 | - | - | - | - | - |
| Transfers in | - | 387,217 | - | 25,000 | - | - | - |
| Transfers out | - | - | (155,000) | (11,598) | - | - | (25,000) |
| Total other financing sources and uses | - | 519,406 | (155,000) | 13,402 | - | - | (25,000) |
| | | | | | | | 4,344 |
| OTHER CHANGES IN FUND BALANCE | | | | | | | |
| Net change in fund balances | (166,449) | (150,979) | 7,908 | 17,057 | 13,334 | (177,116) | 102,590 |
| Fund balances-beginning | 426,688 | 387,331 | 135,214 | 251,885 | 248,229 | 790,525 | 207,482 |
| Fund balances-ending | \$ 260,239 | \$ 236,352 | \$ 143,122 | \$ 268,942 | \$ 261,563 | \$ 613,409 | \$ 310,072 |
| | | | | | | | \$ 81,923 |

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
for the Year Ended December 31, 2013**

| | Special Revenue | | | | Debt Service | | | | |
|---|-------------------|---------------------|----------------------------------|-----------------------|--------------|------------|---------------------|-----------------------------|--------------------|
| | Trial Improvement | One Percent for Art | Transportation Benefits District | Total Special Revenue | Bond Fund | 2010 LTGO | 2010 UTGO/ LTGO (B) | 2012 Government Center LTGO | Total Debt Service |
| REVENUES | | | | | | | | | |
| Taxes | | | | | | | | | |
| Property | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 2,005 | \$ 831,013 | \$ - | \$ 833,018 |
| Sales | - | - | - | 388,620 | - | 337,450 | - | - | 337,450 |
| Other | - | - | 431,866 | 928,954 | - | - | - | - | - |
| Licenses and permits | - | - | - | 271,863 | - | - | - | - | - |
| Intergovernmental | 22,796 | - | - | 2,020,623 | - | 117,966 | 34,678 | - | 152,644 |
| Charges for services | - | - | - | 525,692 | - | - | - | - | - |
| Fines and forfeitures | - | - | - | 32,183 | - | - | - | - | - |
| Miscellaneous | 183 | 162 | 486 | 290,220 | 106 | 754 | 2,032 | 415 | 3,307 |
| Total revenues | \$ 22,979 | \$ 162 | \$ 432,352 | \$ 4,458,155 | \$ 106 | \$ 458,175 | \$ 867,723 | \$ 415 | \$ 1,326,419 |
| EXPENDITURES | | | | | | | | | |
| Current: | | | | | | | | | |
| General government | \$ 13,997 | \$ - | \$ - | \$ 302,500 | \$ - | \$ - | \$ - | \$ - | \$ - |
| Public safety | - | - | - | 368,499 | - | - | - | - | - |
| Transportation | - | - | 53,629 | 1,962,321 | - | - | - | - | - |
| Economic environment | - | - | - | 402,351 | - | - | - | - | - |
| Mental/physical health | - | - | - | 197,495 | - | - | - | - | - |
| Culture and recreation | - | - | - | 496,169 | - | - | - | - | - |
| Debt service: | | | | | | | | | |
| Principal | - | - | - | - | - | 205,000 | 630,000 | 125,000 | 960,000 |
| Interest and other debt issue costs | - | - | - | - | - | 343,399 | 434,377 | 118,299 | 896,075 |
| Capital outlay | - | - | - | 1,049,371 | - | - | - | - | - |
| Total expenditures | 13,997 | - | 53,629 | 4,778,706 | - | 548,399 | 1,064,377 | 243,299 | 1,856,075 |
| Excess (deficiency) of revenues over expenditures | 8,982 | 162 | 378,723 | (320,551) | 106 | (90,224) | (196,654) | (242,884) | (529,656) |
| OTHER FINANCING SOURCES (USES) | | | | | | | | | |
| Proceeds of refunding debt | - | - | - | \$ - | - | - | - | - | - |
| Premiums on bonds sold | - | - | - | - | - | - | - | - | - |
| Capital asset donations & disposal | - | - | - | 136,248 | - | - | - | - | - |
| Insurance recoveries | - | - | - | 285 | - | - | - | - | - |
| Transfers in | - | - | - | 412,217 | - | 45,250 | 176,650 | 241,648 | 463,548 |
| Transfers out | - | - | - | (191,598) | - | - | - | - | - |
| Total other financing sources and uses | - | - | - | 357,152 | - | 45,250 | 176,650 | 241,648 | 463,548 |
| OTHER CHANGES IN FUND BALANCE | | | | | | | | | |
| Net change in fund balances | 8,982 | 162 | 378,723 | 36,601.00 | 106 | (44,974) | (20,004) | (1,236) | (66,108) |
| Fund balances-beginning | 47,397 | 51,744 | 189,227 | 2,815,256 | 28,884 | 163,039 | 44,937 | 3,313 | 240,173 |
| Fund balances-ending | \$ 56,379 | \$ 51,906 | \$ 567,950 | \$ 2,851,857 | \$ 28,990 | \$ 118,065 | \$ 24,933 | \$ 2,077 | \$ 174,065 |

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
for the Year Ended December 31, 2013

| | Capital Projects | | | | | | | | | | Total Nonmajor Governmental Funds |
|---|------------------|---------------------|-----------------------|--------------------|-----------------------|-------------------|-------------------------|-----------------------------|------------------------|--------------|-----------------------------------|
| | Park Plaza | Park Plaza Phase II | General Govt Cap Impr | Parks Construction | Evergreen Remediation | Lower Wheaton Way | Pacific Ave. Construct. | Conference Center Expansion | Total Capital Projects | | |
| REVENUES | | | | | | | | | | | |
| Taxes | | | | | | | | | | | |
| Property | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 833,018 | |
| Sales | - | - | - | - | - | - | - | - | - | 726,070 | |
| Other | - | - | 481,898 | - | - | - | - | - | 481,898 | 1,410,852 | |
| Licenses and permits | - | - | - | - | - | - | - | - | - | 271,863 | |
| Intergovernmental | - | 214,504 | - | 38,049 | 45,260 | 66,366 | 2,013,442 | 148,636 | 2,526,257 | 4,699,524 | |
| Charges for services | - | - | - | - | - | - | - | - | - | 525,692 | |
| Fines and forfeitures | - | - | - | - | - | - | - | - | - | 32,183 | |
| Miscellaneous | 102 | 604 | 14,602 | 52,070 | 4,501 | 1,166 | (423) | (141) | 72,481 | 366,008 | |
| Total revenues | \$ 102 | \$215,108 | \$ 496,500 | \$ 90,119 | \$ 49,761 | \$ 67,532 | \$ 2,013,019 | \$ 148,495 | \$ 3,080,636 | \$ 8,865,210 | |
| EXPENDITURES | | | | | | | | | | | |
| Current: | | | | | | | | | | | |
| General government | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 302,500 | |
| Public safety | - | - | - | - | - | - | - | - | - | 368,499 | |
| Transportation | - | - | - | - | - | - | - | - | - | 1,962,321 | |
| Economic environment | - | - | - | - | - | - | - | - | - | 402,351 | |
| Mental/physical health | - | - | - | - | - | - | - | - | - | 197,495 | |
| Culture and recreation | - | - | - | - | 60,582 | - | - | - | 60,582 | 556,751 | |
| Debt service: | | | | | | | | | | | |
| Principal | - | - | - | - | - | - | - | - | - | 960,000 | |
| Interest and other debt issue costs | - | - | - | - | - | - | - | - | - | 896,075 | |
| Capital outlay | 50,795 | 332,671 | - | 245,730 | - | 120,889 | 2,342,022 | 483,400 | 3,575,507 | 4,624,878 | |
| Total expenditures | 50,795 | 332,671 | - | 245,730 | 60,582 | 120,889 | 2,342,022 | 483,400 | 3,636,089 | 10,270,870 | |
| Excess (deficiency) of revenues over expenditures | (50,693) | (117,563) | 496,500 | (155,611) | (10,821) | (53,357) | (329,003) | (334,905) | (555,453) | (1,405,660) | |
| OTHER FINANCING SOURCES (USES) | | | | | | | | | | | |
| Proceeds of refunding debt | - | - | - | - | - | - | - | - | - | - | |
| Premiums on bonds sold | - | - | - | - | - | - | - | - | - | - | |
| Capital asset donations & disposal | - | - | - | - | - | - | - | - | - | 136,248 | |
| Insurance recoveries | - | - | - | - | - | - | - | - | - | 285 | |
| Transfers in | - | 20,810 | - | 6,727 | 8,781 | - | 1,281,326 | 385,000 | 1,702,644 | 2,578,409 | |
| Transfers out | (20,810) | (389,579) | - | - | - | - | - | - | (410,389) | (601,987) | |
| Total other financing sources and uses | (20,810) | 20,810 | (389,579) | 6,727 | 8,781 | - | 1,281,326 | 385,000 | 1,292,255 | 2,112,955 | |
| OTHER CHANGES IN FUND BALANCE | | | | | | | | | | | |
| Net change in fund balances | (71,503) | (96,753) | 106,921 | (148,884) | (2,040) | (53,357) | 952,323 | 50,095 | 736,802 | 707,295 | |
| Fund balances-beginning | 71,503 | 107,990 | 258,781 | 616,317 | 2,040 | 347,402 | - | - | 1,404,033 | 4,459,462 | |
| Fund balances-ending | \$ - | \$ 11,237 | \$ 365,702 | \$ 467,433 | \$ - | \$ 294,045 | \$ 952,323 | \$ 50,095 | \$ 2,140,835 | \$ 5,166,757 | |

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, 2013

| | Original Budget 2013 | Final Budget 2013 | Actual 2013 | Variance with Final Budget Positive (Negative) |
|---|-------------------------------------|----------------------------------|------------------------|---|
| REVENUES | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - |
| Licenses and permits | - | - | - | - |
| Intergovernmental | 2,508,500 | 836,000 | 617,048 | (218,952) |
| Charges for services | - | - | 202,720 | 202,720 |
| Fines and forfeitures | - | - | - | - |
| Other revenue | 400,000 | - | (469) | (469) |
| Total revenues | 2,908,500 | 836,000 | 819,299 | (16,701) |
| EXPENDITURES | | | | |
| Personnel | - | - | - | - |
| Supplies, services & taxes | - | - | - | - |
| Capital expenditure | 3,070,000 | 1,091,000 | 985,748 | 105,252 |
| Debt service | - | - | - | - |
| Transfers | - | - | - | - |
| Total expenditures | 3,070,000 | 1,091,000 | 985,748 | 105,252 |
| Excess (deficiency) of revenues over expenditures | (161,500) | (255,000) | (166,449) | 88,551 |
| Fund balances-beginning | 289,831 | 426,688 | 426,688 | - |
| Fund balances-ending | \$ 128,331 | \$ 171,688 | \$ 260,239 | \$ 88,551 |

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, 2013

| | Original Budget 2013 | Final Budget 2013 | Actual 2013 | Variance with Final Budget Positive (Negative) |
|---|-------------------------------------|----------------------------------|------------------------|---|
| REVENUES | | | | |
| Taxes | \$ 455,000 | \$ 455,000 | \$ 497,088 | \$ 42,088 |
| Licenses and permits | - | - | - | - |
| Intergovernmental | 1,207,550 | 1,207,550 | 788,807 | (418,743) |
| Charges for services | 445,000 | 445,000 | 170,879 | (274,121) |
| Fines and forfeitures | - | - | - | - |
| Other revenue | 422,300 | 449,243 | 586,054 | 136,811 |
| Total revenues | 2,529,850 | 2,556,793 | 2,042,828 | (513,965) |
| EXPENDITURES | | | | |
| Personnel | 1,089,700 | 1,068,700 | 1,023,633 | 45,067 |
| Supplies, services & taxes | 1,236,157 | 1,218,757 | 1,106,551 | 112,206 |
| Capital expenditure | 475,000 | 513,400 | 63,623 | 449,777 |
| Debt service | - | - | - | - |
| Transfers | - | - | - | - |
| Total expenditures | 2,800,857 | 2,800,857 | 2,193,807 | 607,050 |
| Excess (deficiency) of revenues over expenditures | (271,007) | (244,064) | (150,979) | 93,085 |
| Fund balances-beginning | 446,341 | 387,331 | 387,331 | - |
| Fund balances-ending | \$ 175,334 | \$ 143,267 | \$ 236,352 | \$ 93,085 |

Contingency Reserve Special Revenue Fund
Other Government Funds
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
for the Year Ended December 31, 2013

| | Original Budget 2013 | Final Budget 2013 | Actual 2013 | Variance with Final Budget Positive (Negative) |
|--|-------------------------------------|----------------------------------|------------------------|---|
| REVENUES | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - |
| Licenses and permits | - | - | - | - |
| Intergovernmental | - | - | - | - |
| Charges for services | - | - | - | - |
| Fines and forfeitures | - | - | - | - |
| Other revenue | 300 | 230,300 | 230,303 | 3 |
| Total revenues | 300 | 230,300 | 230,303 | 3 |
| EXPENDITURES | | | | |
| Personnel | - | - | - | - |
| Supplies, services & taxes | - | - | - | - |
| Capital expenditure | - | - | - | - |
| Debt service | - | - | - | - |
| Transfers | - | - | - | - |
| Total expenditures | - | - | - | - |
| Excess (deficiency) of revenues over expenditures | 300 | 230,300 | 230,303 | 3 |
| Fund balances-beginning | 232,305 | 234,192 | 234,192 | - |
| Fund balances-ending | \$ 232,605 | \$ 464,492 | \$ 464,495 | \$ 3 |

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, 2013

| | Original Budget 2013 | Final Budget 2013 | Actual 2013 | Variance with Final Budget Positive (Negative) |
|---|-------------------------------------|----------------------------------|------------------------|---|
| REVENUES | | | | |
| Taxes | \$ 390,000 | \$ 390,000 | \$ 388,620 | \$ (1,380) |
| Licenses and permits | - | - | - | - |
| Intergovernmental | - | - | - | - |
| Charges for services | - | - | - | - |
| Fines and forfeitures | - | - | - | - |
| Other revenue | 100 | 100 | 288 | 188 |
| Total revenues | 390,100 | 390,100 | 388,908 | (1,192) |
| EXPENDITURES | | | | |
| Personnel | - | - | - | - |
| Supplies, services & taxes | 226,000 | 226,000 | 226,000 | - |
| Capital expenditure | - | - | - | - |
| Debt service | - | - | - | - |
| Transfers | 170,000 | 170,000 | 155,000 | 15,000 |
| Total expenditures | 396,000 | 396,000 | 381,000 | 15,000 |
| Excess (deficiency) of revenues over expenditures | (5,900) | (5,900) | 7,908 | 13,808 |
| Fund balances-beginning | 96,862 | 135,214 | 135,214 | - |
| Fund balances-ending | \$ 90,962 | \$ 129,314 | \$ 143,122 | \$ 13,808 |

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, 2013

| | Original Budget 2013 | Final Budget 2013 | Actual 2013 | Variance with Final Budget Positive (Negative) |
|---|-------------------------------------|----------------------------------|------------------------|---|
| REVENUES | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - |
| Licenses and permits | - | - | - | - |
| Intergovernmental | 2,289,793 | 2,289,793 | 591,972 | (1,697,821) |
| Charges for services | 30,000 | 30,000 | 35,230 | 5,230 |
| Fines and forfeitures | | | | - |
| Other revenue | 88,100 | 103,100 | 30,550 | (72,550) |
| Total revenues | 2,407,893 | 2,422,893 | 657,752 | (1,765,141) |
| EXPENDITURES | | | | |
| Personnel | 115,200 | 115,200 | 113,637 | 1,563 |
| Supplies, services & taxes | 2,125,323 | 2,125,323 | 515,460 | 1,609,863 |
| Capital expenditure | - | - | - | - |
| Debt service | - | - | - | - |
| Transfers | 160,850 | 165,721 | 11,598 | 154,123 |
| Total expenditures | 2,401,373 | 2,406,244 | 640,695 | 1,765,549 |
| Excess (deficiency) of revenues over expenditures | 6,520 | 16,649 | 17,057 | 408 |
| Fund balances-beginning | 1,440,816 | 251,951 | 251,885 | (66) |
| Fund balances-ending | \$ 1,447,336 | \$ 268,600 | \$ 268,942 | \$ 342 |

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, 2013

| | Original Budget 2013 | Final Budget 2013 | Actual 2013 | Variance with Final Budget Positive (Negative) |
|---|-------------------------------------|----------------------------------|------------------------|---|
| REVENUES | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - |
| Licenses and permits | - | - | - | - |
| Intergovernmental | - | - | - | - |
| Charges for services | 500 | 500 | 6,760 | 6,260 |
| Fines and forfeitures | 5,000 | 5,000 | 11,090 | 6,090 |
| Other revenue | 500 | 500 | 771 | 271 |
| Total revenues | 6,000 | 6,000 | 18,621 | 12,621 |
| EXPENDITURES | | | | |
| Personnel | - | - | - | - |
| Supplies, services & taxes | 42,000 | 42,000 | 5,287 | 36,713 |
| Capital expenditure | - | - | - | - |
| Debt service | - | - | - | - |
| Transfers | - | - | - | - |
| Total expenditures | 42,000 | 42,000 | 5,287 | 36,713 |
| Excess (deficiency) of revenues over expenditures | (36,000) | (36,000) | 13,334 | 49,334 |
| Fund balances-beginning | 230,613 | 248,229 | 248,229 | - |
| Fund balances-ending | \$ 194,613 | \$ 212,229 | \$ 261,563 | \$ 49,334 |

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, 2013

| | Original Budget 2013 | Final Budget 2013 | Actual 2013 | Variance with Final Budget Positive (Negative) |
|---|-------------------------------------|----------------------------------|------------------------|---|
| REVENUES | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - |
| Licenses and permits | - | - | - | - |
| Intergovernmental | - | - | - | - |
| Charges for services | - | - | - | - |
| Fines and forfeitures | 18,000 | 18,000 | 21,093 | 3,093 |
| Other revenue | 71,200 | 71,200 | 157,845 | 86,645 |
| Total revenues | 89,200 | 89,200 | 178,938 | 89,738 |
| EXPENDITURES | | | | |
| Personnel | - | - | - | - |
| Supplies, services & taxes | 438,902 | 438,902 | 356,054 | 82,848 |
| Capital expenditure | 50,000 | 50,000 | - | 50,000 |
| Debt service | - | - | - | - |
| Transfers | - | - | - | - |
| Total expenditures | 488,902 | 488,902 | 356,054 | 132,848 |
| Excess (deficiency) of revenues over expenditures | (399,702) | (399,702) | (177,116) | 222,586 |
| Fund balances-beginning | 740,038 | 790,525 | 790,525 | - |
| Fund balances-ending | \$ 340,336 | \$ 390,823 | \$ 613,409 | \$ 222,586 |

Public Access TV Operations Special Revenue Fund
Other Government Funds
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2013

| | Original Budget 2013 | Final Budget 2013 | Actual 2013 | Variance with Final Budget Positive (Negative) |
|----------------------------|-------------------------------------|----------------------------------|------------------------|---|
| REVENUES | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - |
| Licenses and permits | 240,000 | 240,000 | 271,863 | 31,863 |
| Intergovernmental | 38,000 | 38,000 | - | (38,000) |
| Charges for services | 96,700 | 96,700 | 110,104 | 13,404 |
| Fines and forfeitures | - | - | - | - |
| Other revenue | 200 | 200 | 53,552 | 53,352 |
| Total revenues | 374,900 | 374,900 | 435,519 | 60,619 |
| EXPENDITURES | | | | |
| Personnel | 238,600 | 248,300 | 241,100 | 7,200 |
| Supplies, services & taxes | 58,210 | 70,210 | 66,829 | 3,381 |
| Capital expenditure | 38,000 | 16,300 | - | 16,300 |
| Debt service | - | - | - | - |
| Transfers | 25,000 | 25,000 | 25,000 | - |
| Total expenditures | 359,810 | 359,810 | 332,929 | 26,881 |
| expenditures | 15,090 | 15,090 | 102,590 | 87,500 |
| Fund balances-beginning | 141,319 | 207,482 | 207,482 | - |
| Fund balances-ending | \$ 156,409 | \$ 222,572 | \$ 310,072 | \$ 87,500 |

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, 2013

| | Original Budget 2013 | Final Budget 2013 | Actual 2013 | Variance with Final Budget Positive (Negative) |
|----------------------------|-------------------------------------|----------------------------------|------------------------|---|
| REVENUES | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - |
| Licenses and permits | - | - | - | - |
| Intergovernmental | - | - | - | - |
| Charges for services | 1,500 | 1,500 | - | (1,500) |
| Fines and forfeitures | - | - | - | - |
| Other revenue | 5,125 | 5,125 | 9,547 | 4,422 |
| Total revenues | 6,625 | 6,625 | 9,547 | 2,922 |
| EXPENDITURES | | | | |
| Personnel | - | - | - | - |
| Supplies, services & taxes | 10,100 | 16,700 | 7,158 | 9,542 |
| Capital expenditure | - | - | - | - |
| Debt service | - | - | - | - |
| Transfers | - | - | - | - |
| Total expenditures | 10,100 | 16,700 | 7,158 | 9,542 |
| expenditures | (3,475) | (10,075) | 2,389 | 12,464 |
| Fund balances-beginning | 68,136 | 79,534 | 79,534 | - |
| Fund balances-ending | \$ 64,661 | \$ 69,459 | \$ 81,923 | \$ 12,464 |

Trial Improvement 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, 2013

| | Original Budget 2013 | Final Budget 2013 | Actual 2013 | Variance with Final Budget Positive (Negative) |
|----------------------------|-------------------------------------|----------------------------------|------------------------|---|
| REVENUES | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - |
| Licenses and permits | - | - | - | - |
| Intergovernmental | 22,000 | 22,000 | 22,796 | 796 |
| Charges for services | - | - | - | - |
| Fines and forfeitures | - | - | - | - |
| Other revenue | - | - | 183 | 183 |
| Total revenues | 22,000 | 22,000 | 22,979 | 979 |
| EXPENDITURES | | | | |
| Personnel | 23,000 | 23,000 | 13,997 | 9,003 |
| Supplies, services & taxes | - | - | - | - |
| Capital expenditure | - | - | - | - |
| Debt service | - | - | - | - |
| Transfers | - | - | - | - |
| Total expenditures | 23,000 | 23,000 | 13,997 | 9,003 |
| expenditures | (1,000) | (1,000) | 8,982 | 9,982 |
| Fund balances-beginning | 46,331 | 47,397 | 47,397 | - |
| Fund balances-ending | \$ 45,331 | \$ 46,397 | \$ 56,379 | \$ 9,982 |

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, 2013

| | Original Budget 2013 | Final Budget 2013 | Actual 2013 | Variance with Final Budget Positive (Negative) |
|--|-------------------------------------|----------------------------------|------------------------|---|
| REVENUES | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - |
| Licenses and permits | - | - | - | - |
| Intergovernmental | - | - | - | - |
| Charges for services | - | - | - | - |
| Fines and forfeitures | - | - | - | - |
| Other revenue | 100 | 100 | 162 | 62 |
| Total revenues | 100 | 100 | 162 | 62 |
| EXPENDITURES | | | | |
| 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 | (10,400) | (10,400) | 162 | 10,562 |
| Fund balances-beginning | 51,330 | 51,744 | 51,744 | - |
| Fund balances-ending | \$ 40,930 | \$ 41,344 | \$ 51,906 | \$ 10,562 |

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, 2013

| | Original Budget 2013 | Final Budget 2013 | Actual 2013 | Variance with Final Budget Positive (Negative) |
|---|-------------------------------------|----------------------------------|------------------------|---|
| REVENUES | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - |
| Licenses and permits | - | - | - | - |
| Intergovernmental | - | - | - | - |
| Charges for services | 1,381,674 | 1,381,674 | 1,239,957 | (141,717) |
| Fines and forfeitures | - | - | - | - |
| Other revenue | 163,500 | 163,500 | 163,698 | 198 |
| Total revenues | 1,545,174 | 1,545,174 | 1,403,655 | (141,519) |
| EXPENDITURES | | | | |
| Personnel | - | - | - | - |
| Supplies, services & taxes | 1,559,053 | 1,559,053 | 1,428,349 | 130,704 |
| Capital expenditure | - | - | - | - |
| Debt service | - | - | - | - |
| Transfers | - | - | 385,000 | (385,000) |
| Total expenditures | 1,559,053 | 1,559,053 | 1,813,349 | (254,296) |
| Excess (deficiency) of revenues over expenditures | (13,879) | (13,879) | (409,694) | (395,815) |
| Fund balances-beginning | 385,982 | 241,875 | 241,876 | 1 |
| Fund balances-ending | \$ 372,103 | \$ 227,996 | \$ (167,818) | \$ (395,814) |

Transportation Benefit District Blended Component Unit
Other Government Funds
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2013

| | Original Budget 2013 | Final Budget 2013 | Actual 2013 | Variance with Final Budget Positive (Negative) |
|----------------------------|-------------------------------------|----------------------------------|------------------------|---|
| REVENUES | | | | |
| Taxes | \$ 350,000 | \$ 350,000 | \$ 431,866 | \$ 81,866 |
| Licenses and permits | - | - | - | - |
| Intergovernmental | - | - | - | - |
| Charges for services | - | - | - | - |
| Fines and forfeitures | - | - | - | - |
| Other revenue | - | - | 486 | 486 |
| Total revenues | 350,000 | 350,000 | 432,352 | 82,352 |
| EXPENDITURES | | | | |
| Personnel | - | - | - | - |
| Supplies, services & taxes | 500,000 | 750,000 | 53,629 | 696,371 |
| Capital expenditure | - | - | - | - |
| Debt service | - | - | - | - |
| Transfers | - | - | - | - |
| Total expenditures | 500,000 | 750,000 | 53,629 | 696,371 |
| expenditures | (150,000) | (400,000) | 378,723 | 778,723 |
| Fund balances-beginning | 205,983 | 567,950 | 189,227 | (378,723) |
| Fund balances-ending | \$ 55,983 | \$ 167,950 | \$ 567,950 | \$ 400,000 |

**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, 2013**

| | Original Budget 2013 | Final Budget 2013 | Actual 2013 | Variance with Final Budget Positive (Negative) |
|----------------------------|-------------------------------------|----------------------------------|------------------------|---|
| REVENUES | | | | |
| Taxes | \$ 25,943 | \$ 25,943 | \$ - | \$ (25,943) |
| Licenses and permits | - | - | - | - |
| Intergovernmental | - | - | - | - |
| Charges for services | - | - | - | - |
| Fines and forfeitures | - | - | - | - |
| Other revenue | 200 | 200 | 106 | (94) |
| Total revenues | 26,143 | 26,143 | 106 | (26,037) |
| EXPENDITURES | | | | |
| Personnel | - | - | - | - |
| Supplies, services & taxes | - | - | - | - |
| Capital expenditure | - | - | - | - |
| Debt service | - | - | - | - |
| Transfers | - | - | - | - |
| Total expenditures | - | - | - | - |
| expenditures | 26,143 | 26,143 | 106 | (26,037) |
| Fund balances-beginning | 10,011 | 28,884 | 28,884 | - |
| Fund balances-ending | \$ 36,154 | \$ 55,027 | \$ 28,990 | \$ (26,037) |

2010 LTGO Debt Service Fund
Other Governmental Funds
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2013

| | Original Budget 2013 | Final Budget 2013 | Actual 2013 | Variance with Final Budget Positive (Negative) |
|----------------------------|-------------------------------------|----------------------------------|------------------------|---|
| REVENUES | | | | |
| Taxes | \$ 330,000 | \$ 330,000 | \$ 339,455 | \$ 9,455 |
| Licenses and permits | - | - | - | - |
| Intergovernmental | 120,085 | 114,835 | 117,966 | 3,131 |
| Charges for services | - | - | - | - |
| Fines and forfeitures | - | - | - | - |
| Other revenue | 41,000 | 46,250 | 46,004 | (246) |
| Total revenues | 491,085 | 491,085 | 503,425 | 12,340 |
| EXPENDITURES | | | | |
| Personnel | - | - | - | - |
| Supplies, services & taxes | - | - | - | - |
| Capital expenditure | - | - | - | - |
| Debt service | 548,480 | 548,830 | 548,399 | 431 |
| Transfers | - | - | - | - |
| Total expenditures | 548,480 | 548,830 | 548,399 | 431 |
| expenditures | (57,395) | (57,745) | (44,974) | 12,771 |
| Fund balances-beginning | 153,408 | 163,039 | 163,039 | - |
| Fund balances-ending | \$ 96,013 | \$ 105,294 | \$ 118,065 | \$ 12,771 |

2010 UTGO Ref/LTGO (B) Debt Service Fund
Other Governmental Funds
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2013

| | Original Budget 2013 | Final Budget 2013 | Actual 2013 | Variance with Final Budget Positive (Negative) |
|----------------------------|-------------------------------------|----------------------------------|------------------------|---|
| REVENUES | | | | |
| Taxes | \$ 809,000 | \$ 809,000 | \$ 831,013 | \$ 22,013 |
| Licenses and permits | - | - | - | - |
| Intergovernmental | 37,675 | 36,025 | 34,678 | (1,347) |
| Charges for services | - | - | - | - |
| Fines and forfeitures | - | - | - | - |
| Other revenue | 177,700 | 179,350 | 178,682 | (668) |
| Total revenues | 1,024,375 | 1,024,375 | 1,044,373 | 19,998 |
| EXPENDITURES | | | | |
| Personnel | - | - | - | - |
| Supplies, services & taxes | - | - | - | - |
| Capital expenditure | - | - | - | - |
| Debt service | 1,063,750 | 1,065,150 | 1,064,377 | 773 |
| Transfers | - | - | - | - |
| Total expenditures | 1,063,750 | 1,065,150 | 1,064,377 | 773 |
| expenditures | (39,375) | (40,775) | (20,004) | 20,771 |
| Fund balances-beginning | 47,409 | 44,937 | 44,937 | - |
| Fund balances-ending | \$ 8,034 | \$ 4,162 | \$ 24,933 | \$ 20,771 |

Government Center LTGO Debt Services Fund
Other Governmental Funds
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2013

| | Original Budget 2013 | Final Budget 2013 | Actual 2013 | Variance with Final Budget Positive (Negative) |
|---|-------------------------------------|----------------------------------|------------------------|---|
| REVENUES | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - |
| Licenses and permits | - | - | - | - |
| Intergovernmental | - | - | - | - |
| Charges for services | - | - | - | - |
| Fines and forfeitures | - | - | - | - |
| Other revenue | 241,648 | 241,648 | 242,063 | 415 |
| Total revenues | 241,648 | 241,648 | 242,063 | 415 |
| EXPENDITURES | | | | |
| Personnel | - | - | - | - |
| Supplies, services & taxes | - | - | - | - |
| Capital expenditure | - | - | - | - |
| Debt service | 243,300 | 243,800 | 243,299 | 501 |
| Transfers | - | - | - | - |
| Total expenditures | 243,300 | 243,800 | 243,299 | 501 |
| Excess (deficiency) of revenues over expenditures | (1,652) | (2,152) | (1,236) | 916 |
| Fund balances-beginning | 3,652 | 3,313 | 3,313 | - |
| Fund balances-ending | \$ 2,000 | \$ 1,161 | \$ 2,077 | \$ 916 |

Public Access TV Operations Special Revenue Fund
Other Government Funds
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2013

| | Original Budget 2013 | Final Budget 2013 | Actual 2013 | Variance with Final Budget Positive (Negative) |
|----------------------------|-------------------------------------|----------------------------------|------------------------|---|
| REVENUES | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - |
| Licenses and permits | - | - | - | - |
| Intergovernmental | - | - | - | - |
| Charges for services | - | - | - | - |
| Fines and forfeitures | - | - | - | - |
| Other revenue | - | 496 | 102 | (394) |
| Total revenues | - | 496 | 102 | (394) |
| EXPENDITURES | | | | |
| Personnel | - | - | - | - |
| Supplies, services & taxes | - | - | - | - |
| Capital expenditure | - | - | - | - |
| Debt service | - | 51,000 | 50,795 | 205 |
| Transfers | - | 21,000 | 20,810 | 190 |
| Total expenditures | - | 72,000 | 71,605 | 395 |
| expenditures | - | (71,504) | (71,503) | 1 |
| Fund balances-beginning | - | 71,504 | 71,503 | (1) |
| Fund balances-ending | \$ - | \$ - | \$ - | \$ - |

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, 2013

| | Original Budget 2013 | Final Budget 2013 | Actual 2013 | Variance with Final Budget Positive (Negative) |
|----------------------------|-------------------------------------|----------------------------------|------------------------|---|
| REVENUES | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - |
| Licenses and permits | - | - | - | - |
| Intergovernmental | - | 404,500 | 214,504 | (189,996) |
| Charges for services | - | - | - | - |
| Fines and forfeitures | - | - | - | - |
| Other revenue | - | 21,701 | 21,414 | (287) |
| Total revenues | - | 426,201 | 235,918 | (190,283) |
| EXPENDITURES | | | | |
| Personnel | - | - | - | - |
| Supplies, services & taxes | - | - | - | - |
| Capital expenditure | - | 534,191 | 332,671 | 201,520 |
| Debt service | - | - | - | - |
| Transfers | - | - | - | - |
| Total expenditures | - | 534,191 | 332,671 | 201,520 |
| expenditures | - | (107,990) | (96,753) | 11,237 |
| Fund balances-beginning | - | 107,990 | 107,990 | - |
| Fund balances-ending | \$ - | \$ - | \$ 11,237 | \$ 11,237 |

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, 2013

| | Original Budget 2013 | Final Budget 2013 | Actual 2013 | Variance with Final Budget Positive (Negative) |
|----------------------------|-------------------------------------|----------------------------------|------------------------|---|
| REVENUES | | | | |
| Taxes | \$ 300,000 | \$ 420,000 | \$ 481,898 | \$ 61,898 |
| Licenses and permits | - | - | - | - |
| Intergovernmental | - | - | - | - |
| Charges for services | - | - | - | - |
| Fines and forfeitures | - | - | - | - |
| Other revenue | 150 | 850 | 14,602 | 13,752 |
| Total revenues | 300,150 | 420,850 | 496,500 | 75,650 |
| EXPENDITURES | | | | |
| Personnel | - | - | - | - |
| Supplies, services & taxes | - | - | - | - |
| Capital expenditure | - | - | - | - |
| Debt service | - | - | - | - |
| Transfers | 345,000 | 391,900 | 389,579 | 2,321 |
| Total expenditures | 345,000 | 391,900 | 389,579 | 2,321 |
| expenditures | (44,850) | 28,950 | 106,921 | 77,971 |
| Fund balances-beginning | 138,712 | 258,780 | 258,781 | 1 |
| Fund balances-ending | \$ 93,862 | \$ 287,730 | \$ 365,702 | \$ 77,972 |

Park Facilities Construction Capital Projects Fund
Other Government Funds
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2013

| | Original Budget 2013 | Final Budget 2013 | Actual 2013 | Variance with Final Budget Positive (Negative) |
|----------------------------|-------------------------------------|----------------------------------|------------------------|---|
| REVENUES | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - |
| Licenses and permits | - | - | - | - |
| Intergovernmental | - | 29,942 | 38,049 | 8,107 |
| Charges for services | - | - | - | - |
| Fines and forfeitures | - | - | - | - |
| Other revenue | 160,850 | 160,850 | 58,797 | (102,053) |
| Total revenues | 160,850 | 190,792 | 96,846 | (93,946) |
| EXPENDITURES | | | | |
| Personnel | - | - | - | - |
| Supplies, services & taxes | - | - | - | - |
| Capital expenditure | 160,850 | 429,192 | 245,730 | 183,462 |
| Debt service | - | - | - | - |
| Transfers | - | - | - | - |
| Total expenditures | 160,850 | 429,192 | 245,730 | 183,462 |
| expenditures | - | (238,400) | (148,884) | 89,516 |
| Fund balances-beginning | 447,766 | 616,317 | 616,317 | - |
| Fund balances-ending | \$ 447,766 | \$ 377,917 | \$ 467,433 | \$ 89,516 |

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, 2013

| | Original Budget 2013 | Final Budget 2013 | Actual 2013 | Variance with Final Budget Positive (Negative) |
|----------------------------|-------------------------------------|----------------------------------|------------------------|---|
| REVENUES | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - |
| Licenses and permits | - | - | - | - |
| Intergovernmental | 24,000 | 52,116 | 45,260 | (6,856) |
| Charges for services | - | - | - | - |
| Fines and forfeitures | - | - | - | - |
| Other revenue | 4,500 | 19,500 | 13,282 | (6,218) |
| Total revenues | 28,500 | 71,616 | 58,542 | (13,074) |
| EXPENDITURES | | | | |
| Personnel | - | - | 1,726 | (1,726) |
| Supplies, services & taxes | - | - | 58,856 | (58,856) |
| Capital expenditure | 30,000 | 73,656 | - | 73,656 |
| Debt service | - | - | - | - |
| Transfers | - | - | - | - |
| Total expenditures | 30,000 | 73,656 | 60,582 | 13,074 |
| expenditures | (1,500) | (2,040) | (2,040) | - |
| Fund balances-beginning | 2,531 | 2,040 | 2,040 | - |
| Fund balances-ending | \$ 1,031 | \$ - | \$ - | \$ - |

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, 2013

| | Original Budget 2013 | Final Budget 2013 | Actual 2013 | Variance with Final Budget Positive (Negative) |
|----------------------------|-------------------------------------|----------------------------------|------------------------|---|
| REVENUES | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - |
| Licenses and permits | 25,950 | 1,339,178 | 66,366 | (1,272,812) |
| Intergovernmental | - | - | - | - |
| Charges for services | - | - | - | - |
| Fines and forfeitures | - | - | 1,166 | 1,166 |
| Other revenue | - | - | - | - |
| Total revenues | 25,950 | 1,339,178 | 67,532 | (1,271,646) |
| EXPENDITURES | | | | |
| Personnel | - | - | - | - |
| Supplies, services & taxes | - | - | - | - |
| Capital expenditure | 30,912 | 1,681,766 | 120,889 | 1,560,877 |
| Debt service | - | - | - | - |
| Transfers | - | - | - | - |
| Total expenditures | 30,912 | 1,681,766 | 120,889 | 1,560,877 |
| expenditures | (4,962) | (342,588) | (53,357) | 289,231 |
| Fund balances-beginning | 357,045 | 347,402 | 347,402 | - |
| Fund balances-ending | \$ 352,083 | \$ 4,814 | \$ 294,045 | \$ 289,231 |

Pacific Avenue 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, 2013

| | Original Budget 2013 | Final Budget 2013 | Actual 2013 | Variance with Final Budget Positive (Negative) |
|----------------------------|-------------------------------------|----------------------------------|------------------------|---|
| REVENUES | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - |
| Licenses and permits | - | - | - | - |
| Intergovernmental | - | 2,608,674 | 2,013,442 | (595,232) |
| Charges for services | - | - | - | - |
| Fines and forfeitures | - | - | - | - |
| Other revenue | - | 1,350,000 | 1,280,903 | (69,097) |
| Total revenues | - | 3,958,674 | 3,294,345 | (664,329) |
| EXPENDITURES | | | | |
| Personnel | - | - | - | - |
| Supplies, services & taxes | - | - | - | - |
| Capital expenditure | - | 3,958,674 | 2,342,022 | 1,616,652 |
| Debt service | - | - | - | - |
| Transfers | - | - | - | - |
| Total expenditures | - | 3,958,674 | 2,342,022 | 1,616,652 |
| expenditures | - | - | 952,323 | 952,323 |
| Fund balances-beginning | - | - | - | - |
| Fund balances-ending | \$ - | \$ - | \$ 952,323 | \$ 952,323 |

Combining Statement of Net Position
Other Proprietary Funds
December 31, 2013

| | Business-type Activities | | |
|--|---------------------------------|------------------------------|---------------------|
| | Enterprise Funds | | |
| | Stormwater | Gorst Creek Watershed | Total |
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 853,336 | \$ 10,895 | \$ 864,231 |
| Investments | 1,171,013 | 14,950 | 1,185,963 |
| External receivables | 1,035,972 | - | 1,035,972 |
| Interest receivables | 2,811 | 36 | 2,847 |
| Due from other funds | 30,307 | - | 30,307 |
| Due from other governments | 308,535 | 52,494 | 361,029 |
| Total current assets | <u>3,401,974</u> | <u>78,375</u> | <u>3,480,349</u> |
| Noncurrent assets: | | | |
| Capital assets net of depreciation | <u>6,118,371</u> | <u>-</u> | <u>6,118,371</u> |
| Total noncurrent assets | <u>6,118,371</u> | <u>-</u> | <u>6,118,371</u> |
| Total assets | <u>9,520,345</u> | <u>78,375</u> | <u>9,598,720</u> |
| Deferred outflows of resources | - | - | - |
| Total assets and deferred outflows | <u>\$ 9,520,345</u> | <u>\$ 78,375</u> | <u>\$ 9,598,720</u> |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts/contract payable | 84,771 | - | 84,771 |
| Due to other funds | 57,367 | - | 57,367 |
| Employee wages payable | 87,410 | - | 87,410 |
| Other accrued liabilities | 2,184 | - | 2,184 |
| Current portion of long-term debt | 9,864 | - | 9,864 |
| Custodial accounts | 500 | - | 500 |
| Total current liabilities | <u>242,096</u> | <u>-</u> | <u>242,096</u> |
| Noncurrent liabilities: | | | |
| Bonds, notes and loans payable | 98,642 | - | 98,642 |
| Compensated absences | 9,764 | - | 9,764 |
| Total noncurrent liabilities | <u>108,406</u> | <u>-</u> | <u>108,406</u> |
| Total liabilities | <u>350,502</u> | <u>-</u> | <u>350,502</u> |
| Deferred inflows of resources | - | - | - |
| Total liabilities and deferred inflows | <u>\$ 350,502</u> | <u>\$ -</u> | <u>\$ 350,502</u> |
| NET POSITION | | | |
| Net investment in capital assets | 6,009,865 | - | 6,009,865 |
| Unrestricted | <u>3,159,978</u> | <u>78,375</u> | <u>3,238,353</u> |
| Total net position | <u>\$ 9,169,843</u> | <u>\$ 78,375</u> | <u>\$ 9,248,218</u> |

See accompanying notes to the financial statements.

Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Other Proprietary Funds
for the Year Ended December 31, 2013

| | Business-type Activities | | |
|--|---------------------------------|------------------------------|---------------------|
| | Enterprise Funds | | |
| | Stormwater | Gorst Creek Watershed | Total |
| OPERATING REVENUES | | | |
| Charges for services | \$ 2,410,168 | \$ - | \$ 2,410,168 |
| Other operating revenue | <u>72,925</u> | <u>323,772</u> | <u>396,697</u> |
| Total operating revenues | 2,483,093 | 323,772 | 2,806,865 |
| OPERATING EXPENSES | | | |
| General operation | 384,448 | 410,665 | 795,113 |
| Maintenance | 764,673 | - | 764,673 |
| Customer service and marketing | 103,819 | - | 103,819 |
| General administration | 264,037 | - | 264,037 |
| Depreciation and amortization | 106,668 | - | 106,668 |
| Property, excise and B&O taxes | <u>38,193</u> | <u>-</u> | <u>38,193</u> |
| Total operating expenses | <u>1,661,838</u> | <u>410,665</u> | <u>2,072,503</u> |
| Operating income (loss) | <u>821,255</u> | <u>(86,893)</u> | <u>734,362</u> |
| NONOPERATING REVENUES (EXPENSES) | | | |
| Interest and investment revenue | 7,216 | 210 | 7,426 |
| Interest expense | (4,538) | - | (4,538) |
| Gain (loss) on capital asset disposal | - | - | - |
| Other nonoperating revenue/expense | <u>24</u> | <u>-</u> | <u>24</u> |
| Total nonoperating revenues (expenses) | <u>2,702</u> | <u>210</u> | <u>2,912</u> |
| Income (loss) before contributions and transfers | 823,957 | (86,683) | 737,274 |
| Capital contributions | 684,993 | - | 684,993 |
| Transfers to other funds | (481,739) | - | (481,739) |
| Transfers from other funds | <u>-</u> | <u>27,000</u> | <u>27,000</u> |
| Change in net assets | 1,027,211 | (59,683) | 967,528 |
| Total net position - beginning | <u>8,142,632</u> | <u>138,058</u> | <u>8,280,690</u> |
| Total net position - ending | <u>\$ 9,169,843</u> | <u>\$ 78,375</u> | <u>\$ 9,248,218</u> |

See accompanying notes to the financial statements.

**Combining Statement of Cash Flows
Other Proprietary Funds
for the Year Ended December 31, 2013**

Page 1 of 2

| | Business-type Activities Nonmajor Enterprise Funds | | |
|---|---|------------------|--------------|
| | Gorst Creek | | |
| | Stormwater | Watershed | Total |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash received from customers | \$ 2,169,632 | \$ - | \$ 2,169,632 |
| Cash payments to suppliers | (588,105) | (442,904) | (1,031,009) |
| Cash payments to employees | (1,136,853) | (111) | (1,136,964) |
| Other operating receipts and payments | 72,925 | 415,811 | 488,736 |
| Net cash provided by operating activities | 517,599 | (27,204) | 490,395 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | |
| Transfer ins | - | 27,000 | 27,000 |
| Transfer outs | (473,718) | - | (473,718) |
| Other nonoperating revenues/expenses | 24 | - | 24 |
| Net cash provided (used) by noncapital financing activities | (473,694) | 27,000 | (446,694) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Acquisition and construction of capital assets | (815,654) | - | (815,654) |
| Capital contributions | 115,147 | - | 115,147 |
| Loan/grant proceeds | 638,809 | - | 638,809 |
| Principal paid on other debt | (9,865) | - | (9,865) |
| Interest paid on bonds and other debt | (4,735) | - | (4,735) |
| Net cash provided (used) for capital and related financing activities | (76,298) | - | (76,298) |
| CASH FLOW FROM INVESTING ACTIVITIES | | | |
| Net change in investments | 4,245 | (133) | 4,112 |
| Interest on loans and investments | 5,264 | 185 | 5,449 |
| Net cash provided (used) in investing activities | 9,509 | 52 | 9,561 |
| Net increase (decrease) in cash and cash equivalents | (22,884) | (152) | (23,036) |
| Cash and equivalents - beginning | 876,220 | 11,047 | 887,267 |
| Cash and equivalents - ending | \$ 853,336 | \$ 10,895 | \$ 864,231 |
| Cash at the end of the year consists of: | | | |
| Operating fund cash | 853,336 | 10,895 | 864,231 |
| Restricted cash | - | - | - |
| Total cash at end of year | \$ 853,336 | \$ 10,895 | \$ 864,231 |

See accompanying notes to the financial statements.

**Combining Statement of Cash Flows
Other Proprietary Funds
for the Year Ended December 31, 2013**

Page 2 of 2

| | Business-type Activities | | |
|---|----------------------------------|--------------------|-------------------|
| | Nonmajor Enterprise Funds | | |
| | Gorst Creek | | Total |
| | Stormwater | Watershed | |
| Reconciliation of operating income to net cash provided by operating activities: | | | |
| Operating income (loss) | \$ 821,255 | \$ (86,893) | \$ 734,362 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | |
| Depreciation | 106,668 | - | 106,668 |
| Decrease (increase) in receivables | (234,955) | - | (234,955) |
| Decrease (increase) in due from other funds/govt | 34,174 | 92,039 | 126,213 |
| Increase (decrease) in accounts payable | (185,636) | (32,350) | (217,986) |
| Increase (decrease) in due to other funds/govt | (43,878) | - | (43,878) |
| Increase (decrease) in employee wages payable | 11,509 | - | 11,509 |
| Increase (decrease) in employee leaves payable | 8,462 | - | 8,462 |
| Net cash provided by operating activities | <u>\$ 517,599</u> | <u>\$ (27,204)</u> | <u>\$ 490,395</u> |
| Noncash investing, capital and financial activities | | | |
| Developers contributed infrastructure | \$ 166,680 | \$ - | \$ 166,680 |

See accompanying notes to the financial statements.

**Combining Statement of Net Position
Internal Service Funds
December 31, 2013**

| | Governmental Activities Internal Service Funds | | | | | | |
|--|---|------------------------|-------------------------------|-----------------------------------|----------------------|---------------------------|---------------|
| | Risk Management | Employment Security | Accrued Leave Liability | Equipment Rental Operations | Equipment Reserve | Information Technology | Total |
| ASSETS | | | | | | | |
| Current assets: | | | | | | | |
| Cash and cash equivalents | \$ 1,026,006 | \$ 161,162 | \$ 36,593 | \$ 84,917 | \$ 2,214,679 | \$ 114,135 | \$ 3,637,492 |
| Restricted investments | 100,000 | - | - | - | - | - | 100,000 |
| Investments | 1,307,963 | 221,159 | 50,215 | 116,529 | 3,039,149 | 156,625 | 4,891,640 |
| External receivables | - | - | - | - | - | - | - |
| Restricted special assessments receivables | - | - | - | - | - | - | - |
| Interest receivables | 3,379 | 531 | 120 | 280 | 7,295 | 376 | 11,981 |
| Due from other funds | 13,911 | 10,516 | 10,535 | 7,920 | 647,943 | 4,533 | 695,358 |
| Due from other governments | - | - | - | - | - | 5,407 | 5,407 |
| Inventories | - | - | - | 89,928 | - | - | 89,928 |
| Prepayments | 378,276 | - | - | - | - | - | 378,276 |
| Total current assets | 2,829,535 | 393,368 | 97,463 | 299,574 | 5,909,066 | 281,076 | 9,810,082 |
| Noncurrent assets: | | | | | | | |
| Capital assets net of depreciation | - | - | - | - | 3,293,541 | 1,652 | 3,295,193 |
| Total noncurrent assets | - | - | - | - | 3,293,541 | 1,652 | 3,295,193 |
| Total assets | \$ 2,829,535 | \$ 393,368 | \$ 97,463 | \$ 299,574 | \$ 9,202,607 | \$ 282,728 | \$ 13,105,275 |
| Deferred outflows of resources | - | - | - | - | - | - | - |
| LIABILITIES | | | | | | | |
| Current liabilities: | | | | | | | |
| Accounts/contract payable | 315,615 | 4,782 | - | 76,915 | 976 | 39,052 | 437,340 |
| Due to other funds | - | - | 49 | 1,274 | 100 | 488 | 1,911 |
| Employee wages payable | - | - | 33,252 | 42,303 | 2,787 | 52,517 | 130,859 |
| Other accrued liabilities | - | - | - | 11 | 84 | 13 | 108 |
| Total current liabilities | \$ 315,615 | \$ 4,782 | \$ 33,301 | \$ 120,503 | \$ 3,947 | \$ 92,070 | \$ 570,218 |
| Noncurrent liabilities: | | | | | | | |
| Claims and judgments payable | 613,387 | - | - | - | - | - | 613,387 |
| Compensated absences | - | - | - | 4,131 | - | 6,514 | 10,645 |
| Total noncurrent liabilities | 613,387 | - | - | 4,131 | - | 6,514 | 624,032 |
| Total liabilities | \$ 929,002 | \$ 4,782 | \$ 33,301 | \$ 124,634 | \$ 3,947 | \$ 98,584 | \$ 1,194,250 |
| Deferred inflows of resources | - | - | - | - | - | - | - |
| NET POSITION | | | | | | | |
| Net investment in capital assets | - | - | - | - | 3,293,541 | 1,652 | 3,295,193 |
| Restricted for Worker's Compensation | 100,000 | - | - | - | - | - | 100,000 |
| Unrestricted | 1,800,533 | 388,586 | 64,162 | 174,940 | 5,905,119 | 182,492 | 8,515,832 |
| Total net position | \$ 1,900,533 | \$ 388,586 | \$ 64,162 | \$ 174,940 | \$ 9,198,660 | \$ 184,144 | \$ 11,911,025 |

Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Internal Service Funds
for the Year Ended December 31, 2013

| | Governmental Activities | | | | | | |
|--|--------------------------------|--------------------------------|--|--|---|-----------------------------------|---------------|
| | Internal Service Funds | | | | | | |
| | Risk Management | Employment Security | Accrued Leave Liability | Equipment Rental Operations | Equipment Rental Reserve | Information Technology | Total |
| OPERATING REVENUES | | | | | | | |
| Charges for services | \$ 1,536,853 | \$ 238,782 | \$ 237,794 | \$ 1,470,265 | \$ - | \$ 1,066,372 | \$ 4,550,066 |
| Other operating revenue | 1,875 | - | - | 14,047 | - | - | 15,922 |
| Total operating revenues | 1,538,728 | 238,782 | 237,794 | 1,484,312 | - | 1,066,372 | 4,565,988 |
| OPERATING EXPENSES | | | | | | | |
| General operation | - | 36,645 | 185,740 | 1,626,559 | - | 1,075,447 | 2,924,391 |
| General administration | 380,582 | - | - | - | - | - | 380,582 |
| Depreciation and amortization | - | - | - | - | 579,538 | 4,505 | 584,043 |
| Risk transfer payments | 493,179 | - | - | - | - | - | 493,179 |
| Payments to claimants & beneficiaries | 334,059 | - | - | - | - | - | 334,059 |
| Total operating expenses | 1,207,820 | 36,645 | 185,740 | 1,626,559 | 579,538 | 1,079,952 | 4,716,254 |
| Operating income (loss) | 330,908 | 202,137 | 52,054 | (142,247) | (579,538) | (13,580) | (150,266) |
| NONOPERATING REVENUES (EXPENSES) | | | | | | | |
| Interest and investment revenue | 7,708 | 1,075 | 170 | 967 | 25,801 | 975 | 36,696 |
| Gain (loss) on capital asset disposal | - | - | - | - | (15,669) | - | (15,669) |
| Other nonoperating revenue/expense | 9 | - | - | 1,806 | 35 | 5,028 | 6,878 |
| Total nonoperating revenues (expenses) | 7,717 | 1,075 | 170 | 2,773 | 10,167 | 6,003 | 27,905 |
| Income (loss) before contributions and transfers | 338,625 | 203,212 | 52,224 | (139,474) | (569,371) | (7,577) | (122,361) |
| Capital contributions | - | - | - | - | 28,069 | - | 28,069 |
| Change in net assets | 338,625 | 203,212 | 52,224 | (139,474) | (541,302) | (7,577) | (94,292) |
| Total net position - beginning | 1,561,908 | 185,374 | 11,938 | 314,414 | 9,739,962 | 191,721 | 12,005,317 |
| Total net position - ending | \$ 1,900,533 | \$ 388,586 | \$ 64,162 | \$ 174,940 | \$ 9,198,660 | \$ 184,144 | \$ 11,911,025 |

Combining Statement of Cash Flows
Internal Service Funds
for the Year Ended December 31, 2013

Page 1 of 2

| | Risk Management | Employment Security | Accrued Leave Liability | Equipment Rental Operations | Equipment Rental Reserve | Information Technology | Total |
|---|----------------------------|--------------------------------|--|--|---|-----------------------------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | | |
| Cash received from customers | \$ 1,534,847 | \$ 238,479 | \$ 237,458 | \$ 1,465,323 | \$ - | \$ 1,066,372 | \$ 4,542,479 |
| Cash payments to suppliers | (341,965) | (35,630) | - | (1,057,436) | - | (553,805) | (1,988,836) |
| Cash payments to employees | - | - | (192,886) | (562,715) | - | (498,063) | (1,253,664) |
| Purchase of insurance | (515,685) | - | - | - | - | - | (515,685) |
| Payment for insurance claims | (319,664) | - | - | - | - | - | (319,664) |
| Other operating receipts and payments | - | - | - | 14,047 | - | - | 14,047 |
| Net cash provided by operating activities | 357,533 | 202,849 | 44,572 | (140,781) | - | 14,504 | 478,677 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | | | | |
| Other nonoperating revenues/expenses | 9 | - | - | 8,833 | (7,812) | 5,029 | 6,059 |
| Net cash provided (used) by noncapital financing activities | 9 | - | - | 8,833 | (7,812) | 5,029 | 6,059 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | | | |
| Acquisition and construction of capital assets | - | - | - | - | (222,072) | - | (222,072) |
| Insurance recoveries | - | - | - | - | 7,000 | - | 7,000 |
| Net cash provided (used) for capital and related financing activities | - | - | - | - | (215,072) | - | (215,072) |
| CASH FLOW FROM INVESTING ACTIVITIES | | | | | | | |
| Net change in investments | (221,389) | (118,697) | (26,057) | 73,994 | 308,041 | (13,104) | 2,788 |
| Issuance of interfund loans | - | - | - | - | (385,000) | - | (385,000) |
| Interest on loans and investments | 5,196 | 619 | 67 | 826 | 19,009 | 704 | 26,421 |
| Net cash provided (used) in investing activities | (216,193) | (118,078) | (25,990) | 74,820 | (57,950) | (12,400) | (355,791) |
| Net increase (decrease) in cash and cash equivalents | 141,349 | 84,771 | 18,582 | (57,128) | (280,834) | 7,133 | (86,127) |
| Cash and equivalents - beginning | 884,657 | 76,391 | 18,011 | 142,045 | 2,495,513 | 107,002 | 3,723,619 |
| Cash and equivalents - ending | \$ 1,026,006 | \$ 161,162 | \$ 36,593 | \$ 84,917 | \$ 2,214,679 | \$ 114,135 | \$ 3,637,492 |
| Cash at the end of the year consists of: | | | | | | | |
| Operating fund cash | 1,026,006 | 161,162 | 36,593 | 84,917 | 2,214,679 | 114,135 | 3,637,492 |
| Restricted cash | - | - | - | - | - | - | - |
| Total cash at end of year | \$ 1,026,006 | \$ 161,162 | \$ 36,593 | \$ 84,917 | \$ 2,214,679 | \$ 114,135 | \$ 3,637,492 |

See accompanying notes to the financial statements.

**Combining Statement of Cash Flows
Internal Service Funds
for the Year Ended December 31, 2013**

Page 2 of 2

| | 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) | 330,908 | 202,137 | 52,055 | (142,248) | (579,538) | (13,580) | (150,266) |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | | | | | |
| Depreciation | - | - | - | - | 579,538 | 4,505 | 584,043 |
| Decrease (increase) in due from other funds/govt | (2,006) | (303) | (336) | (4,941) | - | (9,940) | (17,526) |
| Decrease (increase) in prepaid expenses | 16,141 | - | - | - | - | - | 16,141 |
| Decrease (increase) in inventory | - | - | - | 398 | - | - | 398 |
| Increase (decrease) in accounts payable | (18,221) | 1,015 | - | 16,461 | - | 32,331 | 31,586 |
| Increase (decrease) in due to other funds/govt | - | - | 49 | (17,276) | - | (1,087) | (18,314) |
| Increase (decrease) in employee wages payable | - | - | (7,196) | 3,541 | - | (378) | (4,033) |
| Increase (decrease) in employee leaves payable | - | - | - | 3,386 | - | 2,640 | 6,026 |
| Increase (decrease) in other payables | 30,711 | - | - | (102) | - | 13 | 30,622 |
| Net cash provided by operating activities | <u>\$ 357,533</u> | <u>\$ 202,849</u> | <u>\$ 44,572</u> | <u>\$ (140,781)</u> | <u>\$ -</u> | <u>\$ 14,504</u> | <u>\$ 478,677</u> |
| Noncash investing, capital and financial activities | | | | | | | |
| Developers contributed infrastructure | \$ - | \$ - | \$ - | \$ - | \$ 28,069 | \$ - | \$ 28,069 |

Combining Statement of Fiduciary Net Position
Agency Funds
December 31, 2013

| | <u>Salary Clearing</u> | <u>Administrative Trust</u> | <u>Total</u> |
|---|----------------------------|---------------------------------|-------------------|
| Assets | | | |
| Cash and cash equivalents | \$ 70,019 | \$ 124,515 | \$ 194,534 |
| Total assets | <u>\$ 70,019</u> | <u>\$ 124,515</u> | <u>\$ 194,534</u> |
| Deferred outflows of resources | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Liabilities | | | |
| Accounts/contracts payable | - | 42,252 | 42,252 |
| Other current liabilities | 70,019 | 82,262 | 152,281 |
| Total liabilities | <u>\$ 70,019</u> | <u>\$ 124,514</u> | <u>\$ 194,533</u> |
| Deferred inflows of resources | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

See accompanying notes to the financial statements.

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Table 1

Net Position by Component
Last Ten Fiscal Years
 (accrual basis of accounting)

| | December 31, | | | | | | | | | |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
| Governmental activities | | | | | | | | | | |
| Net investment in capital assets | | | | | | | | | | |
| Restricted | \$ 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 | \$ 80,093,194 |
| Unrestricted | 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 | 4,104,980 |
| | 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 | 9,704,988 |
| Total governmental activities net position | \$ 67,824,275 | \$ 73,195,307 | \$ 80,171,606 | \$ 88,028,601 | \$ 85,911,876 | \$ 84,358,110 | \$ 84,615,528 | \$ 83,488,937 | \$ 91,292,107 | \$ 93,903,162 |
| Business-type activities | | | | | | | | | | |
| Net investment in capital assets | | | | | | | | | | |
| Restricted | \$ 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 | \$ 145,318,353 |
| Unrestricted | 514,774 | 494,194 | 557,859 | 1,483,026 | 3,988,736 | 1,174,604 | 1,305,903 | 1,527,135 | 1,616,969 | 1,778,954 |
| | 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 | 21,386,988 |
| Total business-type activities net position | \$ 96,569,183 | \$ 101,035,902 | \$ 107,202,624 | \$ 117,455,560 | \$ 128,900,769 | \$ 144,890,858 | \$ 153,438,033 | \$ 156,856,948 | \$ 165,531,263 | \$ 168,484,295 |
| Primary government | | | | | | | | | | |
| Net investment in capital assets | | | | | | | | | | |
| Restricted | \$ 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 | \$ 225,411,547 |
| Unrestricted | 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 | 5,883,934 |
| | 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 | 31,091,976 |
| Total primary government net position | \$ 164,393,458 | \$ 174,231,209 | \$ 187,374,230 | \$ 205,484,161 | \$ 214,812,645 | \$ 229,248,968 | \$ 238,053,561 | \$ 240,345,885 | \$ 256,823,370 | \$ 262,387,457 |

Total Net Position

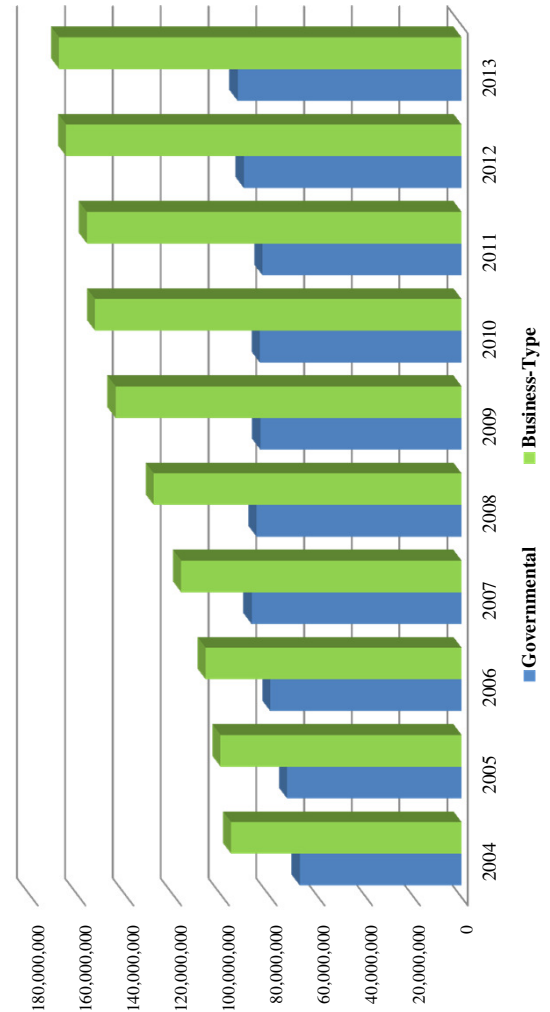


Table 2

1 of 2

Changes in Net Position
Last Ten Fiscal Years
 (accrual basis of accounting)

| | December 31, | | | | | | | | | |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
| Program Revenues | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Program revenues | | | | | | | | | | |
| Charges for services | \$ 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 | \$ 7,554,419 |
| Operating grants and contributions | 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 | 756,478 |
| Capital grants and contributions | 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 | 3,752,058 |
| General revenues | | | | | | | | | | |
| Property taxes | 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 | 8,511,679 |
| Sales taxes | 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 | 7,678,855 |
| Business taxes | 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 | 2,665,107 |
| Utility taxes | 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 | 4,415,712 |
| Other taxes | 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 | 3,147,164 |
| Other general revenues | (131,583) | 2,172,184 | 3,088,501 | 1,831,840 | 1,004,194 | 217,758 | 1,428,517 | 657,845 | 488,144 | (720,663) |
| Total governmental program revenues | 39,319,577 | 37,375,082 | 46,544,150 | 49,587,755 | 43,579,733 | 41,386,385 | 41,258,416 | 38,078,975 | 42,379,354 | 37,760,809 |
| Business-type activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| Operating grants and contributions | 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 | 29,197,326 |
| Capital grants and contributions | - | - | - | - | 235,414 | 34,341 | 65,812 | 258,531 | 3,000 | 392,179 |
| Sales taxes | 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 | 3,877,546 |
| Business taxes | 58,973 | 71,500 | 49,180 | 41,562 | 21,857 | 14,678 | - | 16,735 | 16,201 | 30,041 |
| Business taxes | 9,588 | 11,572 | 6,672 | 8,004 | 229 | - | 6,486 | 395 | 1,120 | 4,598 |
| Other general revenues | (2,712) | 187,537 | 487,531 | 913,859 | 1,005,523 | 556,994 | 584,246 | 613,062 | 683,660 | 474,662 |
| Total business-type activities program revenues | 24,645,504 | 26,118,862 | 29,037,286 | 33,512,074 | 36,476,362 | 32,108,294 | 34,055,607 | 29,940,344 | 36,765,814 | 33,976,352 |
| Total primary government program revenues | \$ 63,965,081 | \$ 63,493,944 | \$ 75,581,436 | \$ 83,099,829 | \$ 80,056,095 | \$ 73,494,679 | \$ 75,314,023 | \$ 68,019,319 | \$ 79,145,168 | \$ 71,737,161 |
| Expenses | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| General government | | | | | | | | | | |
| Public safety | \$ 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 | \$ 3,353,284 |
| Utilities and environment | 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 | 23,337,415 |
| Transportation | 183,645 | - | 205,404 | 374,985 | 223,469 | 226,975 | 219,431 | 219,631 | 219,560 | 220,176 |
| Economic environment | 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 | 4,459,164 |
| Mental/physical health | 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 | 1,813,732 |
| Cultural and recreation | 185,612 | - | - | - | - | - | - | - | - | - |
| Interest on long-term debt | 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 | 5,991,865 |
| Total governmental activities expenses | 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 | 1,221,700 |
| Business-type activities: | | | | | | | | | | |
| Water | 35,180,638 | 35,152,649 | 40,859,288 | 45,384,224 | 47,818,817 | 41,304,769 | 42,467,271 | 42,477,986 | 39,038,557 | 40,397,336 |
| Wastewater | 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 | 9,276,527 |
| Golf course | 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 | 9,945,606 |
| Other proprietary funds | 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 | 4,008,939 |
| Total business-type activities expenses | 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 | 2,151,899 |
| Total primary government expenses | 19,980,944 | 19,978,426 | 21,218,149 | 21,664,497 | 22,679,409 | 22,846,422 | 21,168,699 | 22,657,643 | 23,420,043 | 25,382,971 |
| Total primary government expenses | \$ 55,161,582 | \$ 55,131,075 | \$ 62,077,437 | \$ 67,048,721 | \$ 70,498,226 | \$ 64,151,191 | \$ 63,635,970 | \$ 65,135,629 | \$ 62,458,600 | \$ 65,780,307 |

Table 2

2 of 2

Changes in Net Position
Last Ten Fiscal Years
 (accrual basis of accounting)

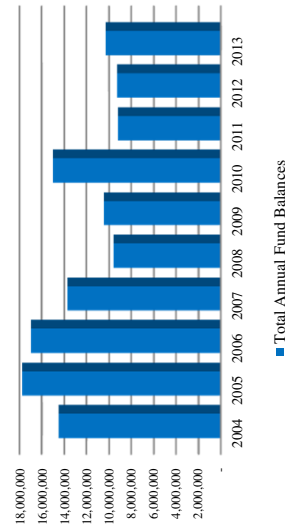
| | December 31, | | | | | | | | | |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
| Change in Net Assets | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Excess of revenues over expenses | \$ 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 | \$ (2,636,527) |
| Transfers | 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 | 5,492,002 |
| Governmental activities change in net position | 5,292,392 | 3,896,150 | 6,976,299 | 6,148,172 | (2,265,839) | 4,257,540 | 2,401,909 | (661,046) | 7,803,170 | 2,855,475 |
| Business-type activities: | | | | | | | | | | |
| Excess of revenues over expenses | 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 | 8,593,381 |
| Transfers | (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) | (5,492,002) |
| Business-type activities change in net position | 3,511,107 | 4,466,719 | 6,527,700 | 9,902,936 | 11,823,708 | 5,085,948 | 9,276,144 | 3,544,736 | 8,883,398 | 3,101,379 |
| Governmental Activities Net Position | | | | | | | | | | |
| Net position - beginning | 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 | 91,292,107 |
| Prior period adjustment/special items | 1,475,059 | | | 1,708,823 | (140,726) | (5,811,306) | (2,144,491) | (465,545) | - | (244,420) |
| Net position - ending | 69,299,157 | 73,195,307 | 80,171,606 | 88,028,601 | 80,100,570 | 84,358,110 | 84,615,528 | 83,488,937 | 91,292,107 | 93,903,162 |
| Business-type activities net assets | | | | | | | | | | |
| Net position - beginning | 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 | 165,531,263 |
| Prior period adjustment/special items | | | (360,978) | 350,000 | (705,529) | 10,904,141 | (728,969) | (125,821) | (209,083) | (148,347) |
| Net position - ending | 96,569,183 | 101,035,902 | 107,202,624 | 117,455,560 | 134,712,075 | 144,890,858 | 153,438,033 | 156,856,948 | 165,531,263 | 168,484,295 |
| Total Primary Government Net Assets | \$ 165,868,340 | \$ 174,231,209 | \$ 187,374,230 | \$ 205,484,161 | \$ 214,812,645 | \$ 229,248,968 | \$ 238,053,561 | \$ 240,345,885 | \$ 256,823,370 | \$ 262,387,457 |

Table 3

**Fund Balance of Governmental Funds
Last Ten Fiscal Years**

| | December 31, | | | | | | | | | |
|---------------------------------------|---------------|---------------|---------------|--------------|--------------|--------------|---------------|--------------|--------------|--------------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
| General fund | | | | | | | | | | |
| Nonspendable | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 18,683 | \$ 18,418 | \$ 24,801 |
| Restricted | - | - | - | - | - | - | - | 48,556 | 20,562 | 50,179 |
| Committed | - | - | - | - | - | - | - | - | - | - |
| Assigned | - | - | - | - | - | - | - | 65,926 | 545,168 | - |
| Unassigned | - | - | - | - | - | - | - | 3,274,281 | 4,018,522 | 4,794,308 |
| General fund * | | | | | | | | | | |
| Reserved | 16,070 | 15,570 | 14,970 | 20,470 | 19,070 | - | - | - | - | - |
| Reserved | 2,410,089 | 3,531,157 | 4,386,943 | 4,084,868 | 1,313,146 | 1,957,308 | 3,049,878 | - | - | - |
| Total General Fund | \$ 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 | \$ 4,869,288 |
| All other governmental funds | | | | | | | | | | |
| Nonspendable | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 23,264 | \$ - | \$ - |
| Restricted | - | - | - | - | - | - | - | 4,592,196 | 2,786,592 | 3,040,543 |
| Committed | - | - | - | - | - | - | - | 232,026 | 313,984 | 357,663 |
| Assigned | - | - | - | - | - | - | - | 1,045,415 | 1,577,720 | 2,051,610 |
| Unassigned | - | - | - | - | - | - | - | (96,866) | - | - |
| All other governmental funds * | | | | | | | | | | |
| Reserved | 72,949 | 1,564,096 | 1,054,224 | 176,435 | 198,472 | 350,758 | 391,078 | - | - | - |
| Unreserved, reported in: | | | | | | | | | | |
| Special revenue funds | 3,745,126 | 4,593,224 | 5,025,387 | 6,251,037 | 5,867,682 | 5,758,691 | 4,488,327 | - | - | - |
| Capital projects funds | 8,046,173 | 7,653,595 | 6,074,023 | 2,626,138 | 1,578,618 | 2,096,861 | 6,662,498 | - | - | - |
| Debt service funds | 203,981 | 375,324 | 418,036 | 548,107 | 590,314 | 262,834 | 433,778 | - | - | - |
| Total All Other Governmental Funds | \$ 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 | \$ 5,449,816 |

Governmental Fund Balances by Fiscal Year



2013 Governmental Fund Balances

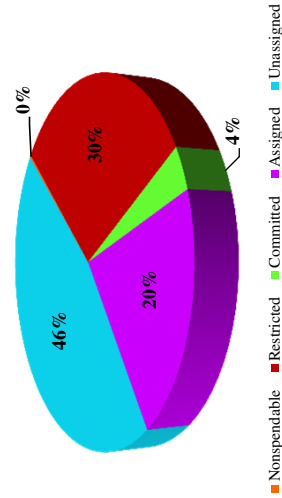


Table 4

1 of 2

Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years

| | December 31, | | | | | | | | | |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
| Revenues | | | | | | | | | | |
| Taxes | \$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 | \$24,893,527 |
| License and permits | 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 | 1,264,323 |
| Intergovernmental | 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 | 5,597,461 |
| Charges for services | 3,795,272 | 4,647,098 | 5,214,339 | 4,645,238 | 5,005,728 | 5,188,790 | 5,648,907 | 4,930,225 | 6,601,588 | 3,345,061 |
| Fines and forfeits | 751,536 | 721,703 | 868,427 | 1,022,563 | 1,689,080 | 1,929,836 | 1,581,937 | 1,536,690 | 1,492,213 | 1,252,160 |
| Miscellaneous | 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 | 1,737,857 |
| Total revenues | 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 | 38,090,389 |
| Expenditures | | | | | | | | | | |
| General government | 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 | 4,833,662 |
| Public safety | 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 | 21,473,549 |
| Utilities and environment | 195,122 | 195,461 | 217,600 | 374,985 | 223,469 | 226,975 | 219,431 | 219,631 | 219,560 | 28,166 |
| Transportation | 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 | 3,242,692 |
| Economic environment | 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 | 1,616,533 |
| Mental/physical health | 185,612 | 68,131 | 71,285 | 71,379 | 73,525 | 74,922 | 75,126 | 75,573 | 69,963 | 271,038 |
| Cultural and recreation | 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 | 4,226,772 |
| Debt service | | | | | | | | | | |
| Principle | 737,500 | 1,060,863 | 1,367,000 | 1,562,499 | 986,000 | 1,035,500 | 771,500 | 1,382,500 | 1,458,239 | 10,025,000 |
| Interest and other debt issue costs | 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 | 1,174,562 |
| Capital | 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 | 4,781,135 |
| Intergovernmental Payments | - | - | - | - | - | - | - | 42,203 | - | - |
| Total expenditures | 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 | 51,673,109 |
| Excess of revenues over (under) expenditures | (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) | (13,582,720) |
| Other Financing Sources (Uses) | | | | | | | | | | |
| Proceeds of long-term debt | 800,000 | 1,671,000 | - | - | - | - | - | 9,675,000 | 5,215,000 | 8,590,000 |
| Premiums on bonds sold | - | (1,661,309) | - | - | - | - | (10,387,010) | (9,675,000) | 122,033 | 401,073 |
| Payments to refunded escrow agent | 5,958 | 2,659,534 | 2,700,538 | 1,467,967 | 428,319 | 398,759 | 40,930 | 511,823 | (5,653,814) | - |
| Capital asset donation and disposal | - | - | - | - | - | 14,664 | 18,629 | 1,251 | - | 137,498 |
| Insurance recoveries | - | - | - | - | - | - | - | - | 349 | 285 |
| Transfers in | 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 | 6,932,744 |
| Transfers out | (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) | (1,440,742) |
| Total other financing sources and uses | 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 | 14,620,858 |

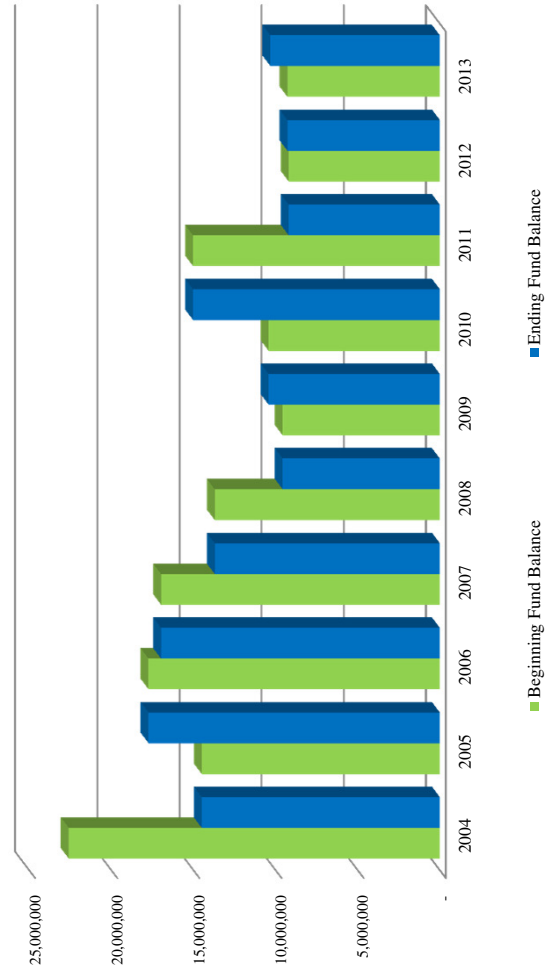
Table 4

2 of 2

Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years

| | December 31, | | | | | | | | | |
|---|---------------|---------------|---------------|---------------|--------------|---------------|---------------|--------------|--------------|---------------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
| Other Change in Fund Balance | | | | | | | | | | |
| Change in reserves for inventory | (72,486) | (14,148) | 39,932 | (755) | (1,507) | - | (10,666) | 6,820 | (23,264) | - |
| Net change in fund balances | (8,094,232) | 3,238,578 | (759,383) | (3,266,528) | (3,999,027) | 859,149 | 4,475,680 | (5,822,078) | 77,485 | 1,038,138 |
| Fund balances-beginning | 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 |
| Prior Period Adjustments | - | - | - | - | (140,726) | - | 123,428 | - | - | - |
| Fund balances-ending | \$ 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 | \$ 10,319,104 |
| Debt service as a percentage of noncapital expenditures | 6.13% | 7.48% | 7.27% | 6.86% | 4.64% | 4.81% | 4.09% | 6.64% | 6.34% | 23.88% |

Changes in Fund Balance by Fiscal Year



Other Change in Fund Balance
Change in reserves for inventory
Net change in fund balances

Fund balances-beginning
Prior Period Adjustments
Fund balances-ending
Debt service as a percentage of noncapital expenditures

Table 5

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

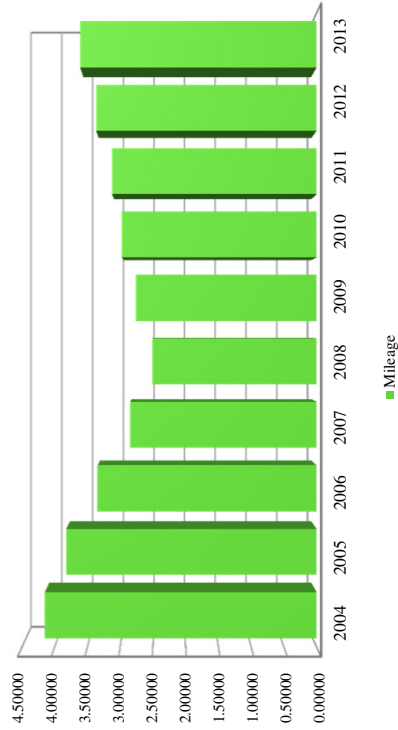
| Fiscal Year | Real Property | | Personal Property | | Total | | Ratio of Assessed Value to Estimated Actual Value | Total Levy Rate per \$1,000 |
|----------------|----------------|---------------------------|-------------------|---------------------------|----------------|---------------------------|--|-----------------------------------|
| | Assessed Value | Estimated Actual Value | Assessed Value | Estimated Actual Value | Assessed Value | Estimated Actual Value | | |
| 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 |
| 2013 | 2,250,204,824 | 2,445,874,809 | 144,576,776 | 148,436,115 | 2,394,781,600 | 2,594,310,924 | 92.1% | 3.61 |

Table 6

**Property Tax Rates
Direct and Overlapping Governments
Last Ten Fiscal Years**

| Fiscal Year | City of Bremerton Direct Rates | | | | | Overlapping Rates ¹ | | | | | | | | | | Total Direct & Overlapping Rates |
|-------------|--------------------------------|-------------|----------------------|--------------------|--|--------------------------------|------------------------------|------------------------|-------------------|----------------|------------------------|---------------------------------|-------------------------|----------|-------------------------|----------------------------------|
| | | | | | | Bremerton | | | Port of Bremerton | | Public Utility | | Kitsap Regional Library | | Total Overlapping Rates | |
| | Operating Mileage | EMS Mileage | Debt Service Mileage | Total City Mileage | | State School Mileage | School District Mileage/Debt | Bremerton Mileage/Debt | Bremerton Mileage | Bremerton Debt | Public Utility Mileage | Kitsap Regional Library Mileage | | | | |
| 2004 | 3.02778 | 0.50000 | 0.62376 | 4.15154 | | 1.41320 | 3.07972 | 4.58108 | 0.47520 | 0.09978 | 0.45270 | | | 10.10168 | 14.25322 | |
| 2005 | 2.85463 | 0.47265 | 0.49682 | 3.82410 | | 1.30856 | 6.67873 | 4.33854 | 0.43361 | 0.09221 | 0.41963 | | | 13.27128 | 17.09538 | |
| 2006 | 2.46012 | 0.40695 | 0.47883 | 3.34590 | | 1.13108 | 2.59111 | 3.72997 | 0.37672 | 0.07970 | 0.36159 | | | 8.27817 | 11.62406 | |
| 2007 | 2.10316 | 0.34805 | 0.39588 | 2.84710 | | 0.96251 | 4.95025 | 3.37815 | 0.76873 | 0.06782 | 0.30765 | | | 10.43511 | 13.28221 | |
| 2008 | 1.90323 | 0.31487 | 0.29256 | 2.51065 | | 0.87703 | 2.02829 | 3.18750 | 0.69372 | 0.06180 | 0.28021 | | | 7.12855 | 9.63920 | |
| 2009 | 1.96901 | 0.50000 | 0.29004 | 2.75905 | | 0.90091 | 4.72807 | 3.41376 | 0.29577 | 0.06348 | 0.28792 | | | 9.68990 | 12.44896 | |
| 2010 | 2.16239 | 0.50000 | 0.30911 | 2.97151 | | 0.98964 | 2.13360 | 3.75818 | 0.32433 | 0.06847 | 0.32040 | | | 7.59462 | 10.56613 | |
| 2011 | 2.32957 | 0.50000 | 0.29627 | 3.12583 | | 1.02506 | 5.45540 | 4.13613 | 0.34156 | 0.07376 | 0.34726 | | | 11.37917 | 14.50500 | |
| 2012 | 2.55906 | 0.50000 | 0.30861 | 3.36767 | | 1.09357 | 2.49738 | 4.54333 | 0.36469 | 0.07804 | 0.37076 | | | 8.94777 | 12.31544 | |
| 2013 | 2.76184 | 0.50000 | 0.35143 | 3.61327 | | 1.15343 | 2.50708 | 5.52472 | 0.38352 | 0.08173 | 0.37076 | | | 10.02124 | 13.63451 | |

City of Bremerton Direct Property Tax Rate



Total Direct & Overlapping Property Tax Rates

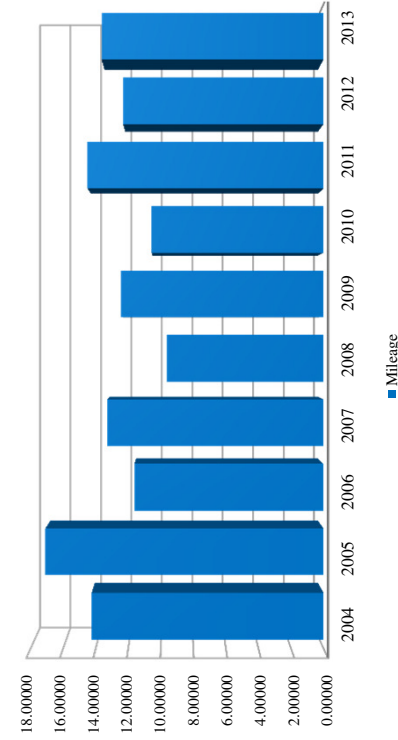


Table 7

Principal Property Taxpayers
Current Year and Nine Years Ago

| | 2013 | | | 2004 | | |
|--|---|----------------------------|------|----------------------------------|---|----------------------------|
| | Taxpayer | Taxable Assessed Valuation | Rank | Percentage of Assessed Valuation | Taxpayer | Taxable Assessed Valuation |
| | Puget Sound Energy | \$ 32,257,922 | 1 | 1.3% | Puget Sound Energy | \$ 31,051,051 |
| | Qwest Corporation | 16,581,351 | 2 | 0.7% | R&L Property Management | 6,705,120 |
| | Kitsap Community Credit Union | 13,669,620 | 3 | 0.6% | U. S. West | 18,166,959 |
| | R&L Property Management | 12,134,650 | 4 | 0.5% | Connolly Michael | 11,689,700 |
| | Heartland Automobile Prop LLC | 10,215,910 | 5 | 0.4% | Viewcrest Villages | 9,337,400 |
| | HCK2 LLC | 10,173,270 | 6 | 0.4% | Fir Lane Terrace Conv Ctr | 7,704,770 |
| | Ryan Tim Properties LP | 9,264,327 | 7 | 0.4% | Shp II Bremerton LLC | 7,305,830 |
| | Bremer Trust | 8,938,670 | 8 | 0.4% | FW Erlands Point Apts LLC | 7,289,920 |
| | EP Holdings LLC | 8,629,770 | 9 | 0.4% | Beta Ballard LLC | 6,932,120 |
| | Hotel Concepts of Kitsap LLC | 8,489,141 | 10 | 0.4% | Merit Company | 6,167,700 |
| | Top Ten Taxpayer Taxable Assessed Valuation | 130,354,631 | | 5.4% | Top Ten Taxpayer Taxable Assessed Valuation | 112,350,570 |
| | All Other Taxpayer Taxable Assessed Valuation | 2,264,426,969 | | 94.6% | All Other Taxpayer Taxable Assessed Valuation | 1,601,448,200 |
| | Total Taxpayer Taxable Assessed Valuation | \$ 2,394,781,600 | | 100.0% | Total Taxpayer Taxable Assessed Valuation | \$ 1,713,798,770 |

Assessed Valuation of 2013 Top Ten Taxpayers Compared to Total Taxable Assessed Valuation

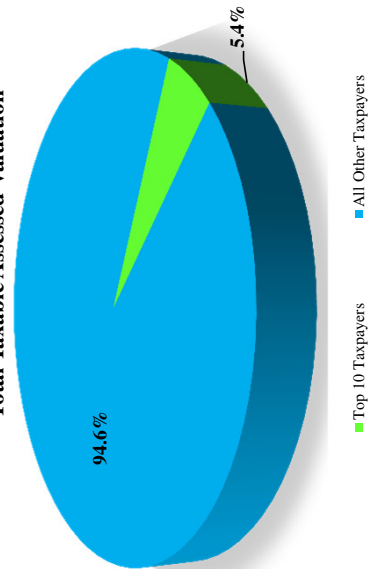


Table 8

**Property Tax levies and Collections
Last Ten Fiscal Years
(In Thousands)**

| Fiscal Year | Tax Levy | Current Tax Collections | % of Tax Levy Collected | Delinquent Tax Collections | Total Tax Collections | % of Total Tax Collections to Tax Levy | Outstanding Delinquent Taxes | % of Outstanding Delinquent to Tax Levy |
|-------------|----------|-------------------------|-------------------------|----------------------------|-----------------------|--|------------------------------|---|
| 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% |
| 2013 | 8,647 | 8,221 | 95.07% | 290 | 8,511 | 98.43% | 575 | 6.65% |

Annual Property Tax Levies and Taxes Collected

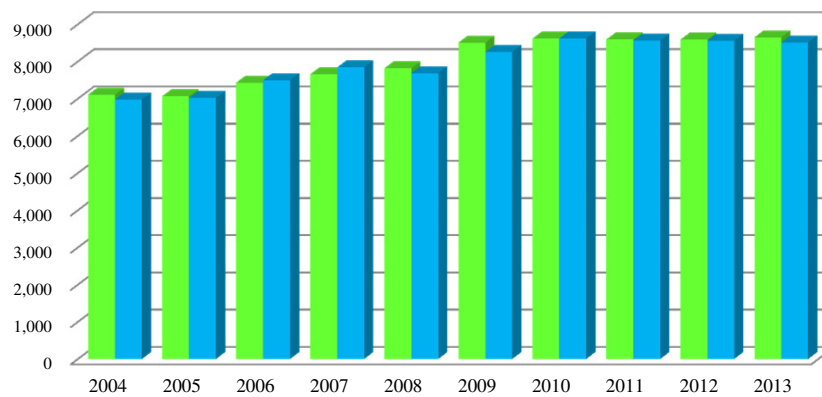


Table 9

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

| Fiscal Year | Population* | Assessed Value** | General Obligation Bonded Debt | Less Debt Service Fund | Net Bonded Debt | Percentage Net Bonded Debt to Assessed Value | Debt per Capita |
|------------------------|--------------------|-----------------------------|---|-----------------------------------|----------------------------|---|----------------------------|
| 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 |
| 2013 | 37,850 | 2,394,781,600 | 36,260,000 | 203,725 | 36,056,275 | 1.51% | 953 |

Table 10

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

| <u>Jurisdiction</u> | <u>Gross General Obligation Debt Outstanding</u> | <u>Percentage Applicable to Bremerton</u> | <u>Amount Applicable to Bremerton</u> |
|---------------------------|--|---|---|
| City of Bremerton | 36,260,000 | 100.00 % | 36,260,000 |
| Kitsap County | 101,827,438 | 9.17 % | 9,337,576 |
| Port of Bremerton | 3,750,000 | 22.39 % | 839,625 |
| School District #100 | 14,398,389 | 75.69 % | 10,898,141 |
| So. Kitsap Schools #402 * | 2,903,771 | 0.20 % | 5,808 |
| TOTAL | 159,139,598 | | 57,341,149 |

* Non-Voted

**Percentage of Direct & Overlapping Debt
Applicable to the City of Bremerton**

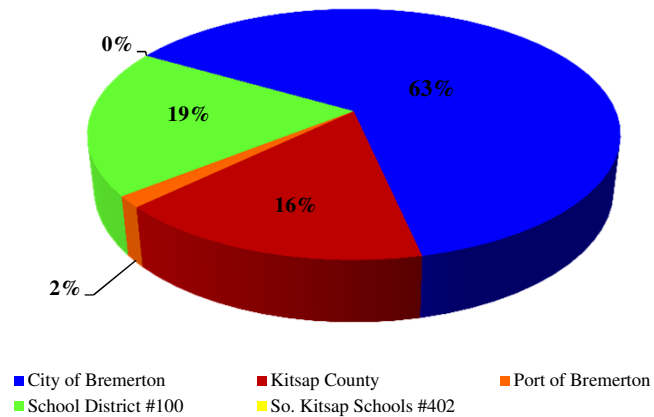


Table 11

**Computation of Legal Debt Margin
as of December 31, 2013**

| | | |
|--|------------|------------|
| Total taxable property value \$2,394,781,600 for collection in 2013 | | |
| 2.5% (\$59,869,540) general purposes limit is allocated between: | | |
| <i>Up to 1.5% debt without a vote (councilmanic)</i> | 35,921,724 | |
| Less: outstanding debt | 27,015,000 | |
| Less: excess of debt with a vote | | |
| Add: available assets | 154,840 | |
| Equals: remaining debt capacity without a vote | | 9,061,564 |
| <i>1% general purposes debt with a vote</i> | 23,947,816 | |
| Less: outstanding debt | 9,245,000 | |
| Add: assets available | 48,885 | |
| Equals: remaining debt capacity with a vote | | 14,751,701 |
| <i>2.5% utility purpose limit, voted</i> | - | |
| Less: outstanding debt | - | |
| Less: contracts payable | | |
| Add: assets available | - | |
| Equals: remaining debt capacity - utility purpose, voted | | - |
| <i>2.5% open space, park and capital facilities , voted</i> | - | |
| Less: outstanding debt | | |
| Less: contracts payable | | |
| Add: assets available | - | |
| Equals remaining debt capacity - open space park and capital facilities, voted | | - |

Table 12

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

| Fiscal Year | Gross Revenue | Maintenance & Operating Expenses* | Net Revenue Available for Debt Service | Current Principal | Interest | Total | Current Coverage Ratio |
|--------------------|----------------------|--|---|--------------------------|-----------------|--------------|-------------------------------|
| 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 | 23,000,401 | 12,822,748 | 10,177,653 | 350,000 | 167,990 | 517,990 | 19.65 |
| 2013 | 23,418,123 | 12,907,625 | 10,510,498 | 365,000 | 153,010 | 518,010 | 20.29 |

* Net of depreceiation, amortization and City taxes

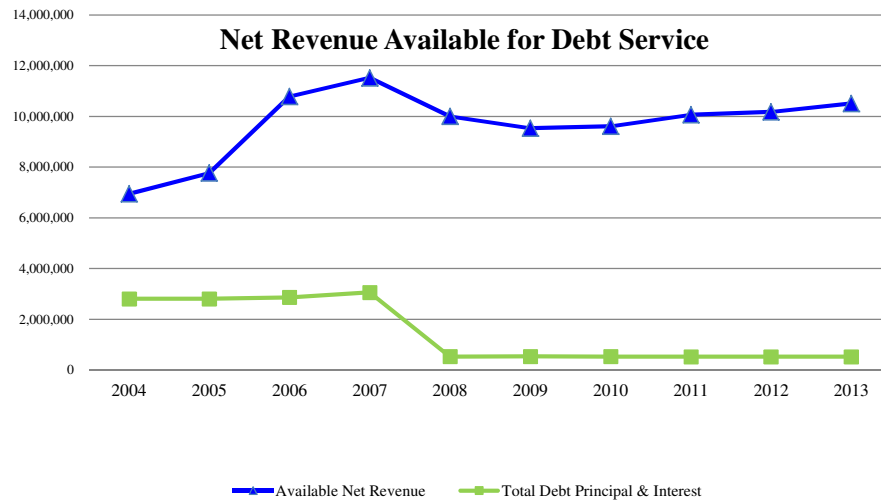


Table 13

**Demographic Statistics
Last Ten Fiscal Years**

| Fiscal Year | Population ¹ | Personal Income (\$000) ² | Per Capita Personal Income | School Enrollment ³ | Number of Housing Units ⁴ | Rate of Unemployment ⁵ |
|-------------|-------------------------|--------------------------------------|----------------------------|--------------------------------|--------------------------------------|-----------------------------------|
| 2004 | 37,520 | 1,353,785 | 36,082 | 5,703 | 16,615 | 5.9 |
| 2005 | 34,580 | 1,334,169 | 38,582 | 5,412 | 16,607 | 5.1 |
| 2006 | 35,910 | 1,441,502 | 40,142 | 5,209 | 16,615 | 4.7 |
| 2007 | 35,810 | 1,520,217 | 42,452 | 4,998 | 16,797 | 4.4 |
| 2008 | 36,860 | 1,623,535 | 44,046 | 5,061 | 17,171 | 4.4 |
| 2009 | 36,620 | 1,552,892 | 42,406 | 4,835 | 17,170 | 7.4 |
| 2010 | 36,190 | 1,531,345 | 42,314 | 4,855 | 17,273 | 7.3 |
| 2011 | 38,790 | 1,672,506 | 43,117 | 5,175 | 16,915 | 7.6 |
| 2012 | 39,650 | 1,766,297 | 44,547 | 4,904 | 17,090 | 7.4 |
| 2013 | 37,850 | - | - | 4,904 | 17,240 | 6.9 |

¹ State of Washington, Office of Financial Management.

² U.S. Department of Commerce - Bureau of Economic Analysis (County data prorated based on local population).
2013 data not available at report date.

³ State of Washington, Office of Financial Management - Office of Superintendent of Public Instruction.

⁴ State of Washington, Office of Financial Management (post centual estimate).

⁵ State of Washington, Employment Security Department.

Table 14

Miscellaneous Statistics

DATE OF INCORPORATION

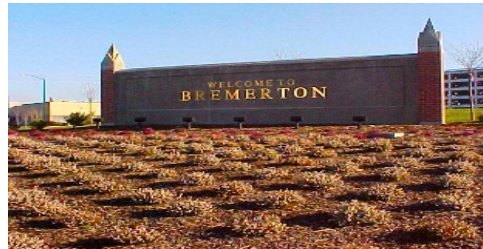
October 14, 1901

FORM OF GOVERNMENT

Council - Mayor

Type of Government

Home-Rule Charter

**Demographics in 2013**

Total Area for City of Bremerton

26.9 Square Miles

Number of City Employees 2013

Full-Time Equivalents

322.59

Fire Protection

Number of Personnel

56

Number of Stations

3

Fire and Aid Calls - 2013

6,907

Priority 1 Response Time (minutes)

4:48

**Police Protection**

Number of Police Officers

58

Calls for Service - 2013

68,088

Average Priority 1 Response Time (minutes)

2:13

Average Priority 2 Response Time (minutes)

3:46

**Parks & Recreation**

Number of Developed Parks

35

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 - 2013

5,806

Number of Business Licenses Issued in City Limits

2,560

Table 14

Miscellaneous Statistics

Water Utility Services 2013

| | |
|---|-------------|
| Residential Accounts | 16,564 |
| Commercial Accounts | 1,828 |
| Storage Capacity (gallons) | 33,240,000 |
| Cascade Dam Capacity (gallons) | 1.4 billion |
| 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 2013

| | |
|--------------------------------------|-------|
| Residential Sewer Accounts | 9,709 |
| Commercial Sewer Accounts | 927 |
| 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 2013

| | |
|----------------------|-------|
| Residential Accounts | 9,973 |
| Commercial Accounts | 1,036 |
| 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

Miscellaneous Statistics

City Streets

| | |
|-----------------------------------|-------|
| Street Miles | 135 |
| State Highway Miles | 19 |
| Miles of Sidewalks | 115 |
| Signalized Traffic Intersections | 38 |
| Street Lights: | |
| City Owned | 694 |
| 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) | 1.1 million |
| Biosolids applied (cubic yards) | 3,570 |
| Reforestation (seedlings planted) | 67,710 |

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 |

Table 14

Miscellaneous Statistics

Local Transportation

| | |
|---|-------------------------------|
| Washington State Ferries | |
| Seattle Bremerton Route - Total Annual Rides 2013 | 2,293,388 |
| Kitsap Transit 2013 | |
| Foot Ferry | |
| Annual Rides - Port Orchard & Annapolis | 450,732 |
| Buses (County Wide) | |
| Annual Bus Rides (<i>Routed Service</i>) | 2,454,221 |
| Kitsap Access Bus | 211,096 |
| Worker/Driver Service | 513,370 New addition |
| 2013 Total Bus Ridership | 3,178,687 New addition |
| Vanpool and Other | |
| VanLink Service | 72,797 New addition |
| Vanpool Service | 226,303 New addition |
| Guaranteed Ride Home | 139 New addition |
| 2013 Total Vanpool Ridership | 299,239 New addition |
| Total Kitsap Transit Ridership | 3,928,658 New addition |

Sources: Washington State Ferries
Kitsap Transit

**Local Revitalization Financing
Revenues Received**

| <u>Year</u> | | <u>Funding</u> |
|--------------------|----|-----------------------|
| 2011 | \$ | 146,258 |
| 2011 | | 370,613 |
| 2012 | | 339,594 |
| 2013 | | 337,450 |