



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

*For the period January 1, 2014 thru December 31, 2014*



# *City of Bremerton, Washington*



## *Annual Financial Report*

*For the Fiscal Year ended  
December 31, 2014*

*Prepared by the Finance Department*

*City of Bremerton  
345 6<sup>th</sup> Street, Suite 600  
Bremerton, WA 98337  
(360) 473-5210  
Website: [www.ci.bremerton.wa.us](http://www.ci.bremerton.wa.us)*





City of Bremerton  
Comprehensive Annual Financial Report  
For the Fiscal Year Ended December 31, 2014

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**Department of Financial Services**  
 345 6th Street Suite 600,  
 Bremerton, WA 98337  
 Telephone: 360-473-5296  
 Fax: 360-473-5200  
 Cathy.Johnson@ci.bremerton.wa.us

Cathy Johnson, Director of Financial Services

August 11, 2015

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, 2014. 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. Effective January 1, 2014, the number of Council Districts was reduced to seven from nine 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 with 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,

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

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 2014 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.

As stated above, the City of Bremerton has been home to Puget Sound Naval Shipyard and Intermediate Maintenance Facility (PSNS-IMF) for over a century. PSNS-IMF 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, Olympic College and Bremerton School District.

Kitsap County's business climate remains as healthy as our environment thanks to the presence of major Naval installations, including the PSNS-IMF, Naval Base Kitsap, Naval Undersea Warfare Center Division Keyport, and Naval Hospital Bremerton.

For 2014, the county's average unemployment rate was 6.3 percent. In comparison, the State of Washington's unemployment rate for the same period was 6.2 percent. Per capita income for 2013 was \$43,183, a slight decrease over 2012's figure of \$44,547. The median household income projections for Kitsap County continues to improve. The 2015 projection for Kitsap County is \$62,413 as compared to \$58,418 for 2014. The average home value in the City of Bremerton increased by 7.3% in 2014 to \$253,600.

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 past 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 Puget Sound Industrial Center (PSIC), (formerly known as the South Kitsap Industrial Area SKIA), which was identified as a manufacturing and industrial center, one of eight in the Puget Sound Region.

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



## ▪ 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.bremertonwa.gov](http://www.bremertonwa.gov). 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 is 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 2014, the City levied at \$3.33 per thousand of assessed value, and \$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, and the completion of a new parking garage downtown. This new garage led to the development of a multi-plex cinema (opened June 2012), Jimmy Johns sandwich shop (opened in 2013) and development from private development for a new 71 unit residential apartment complex. Other significant road and bike/pedestrian improvement projects include Lower Wheaton Way and Washington Avenue Connector.

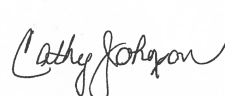
## Acknowledgments

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 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,

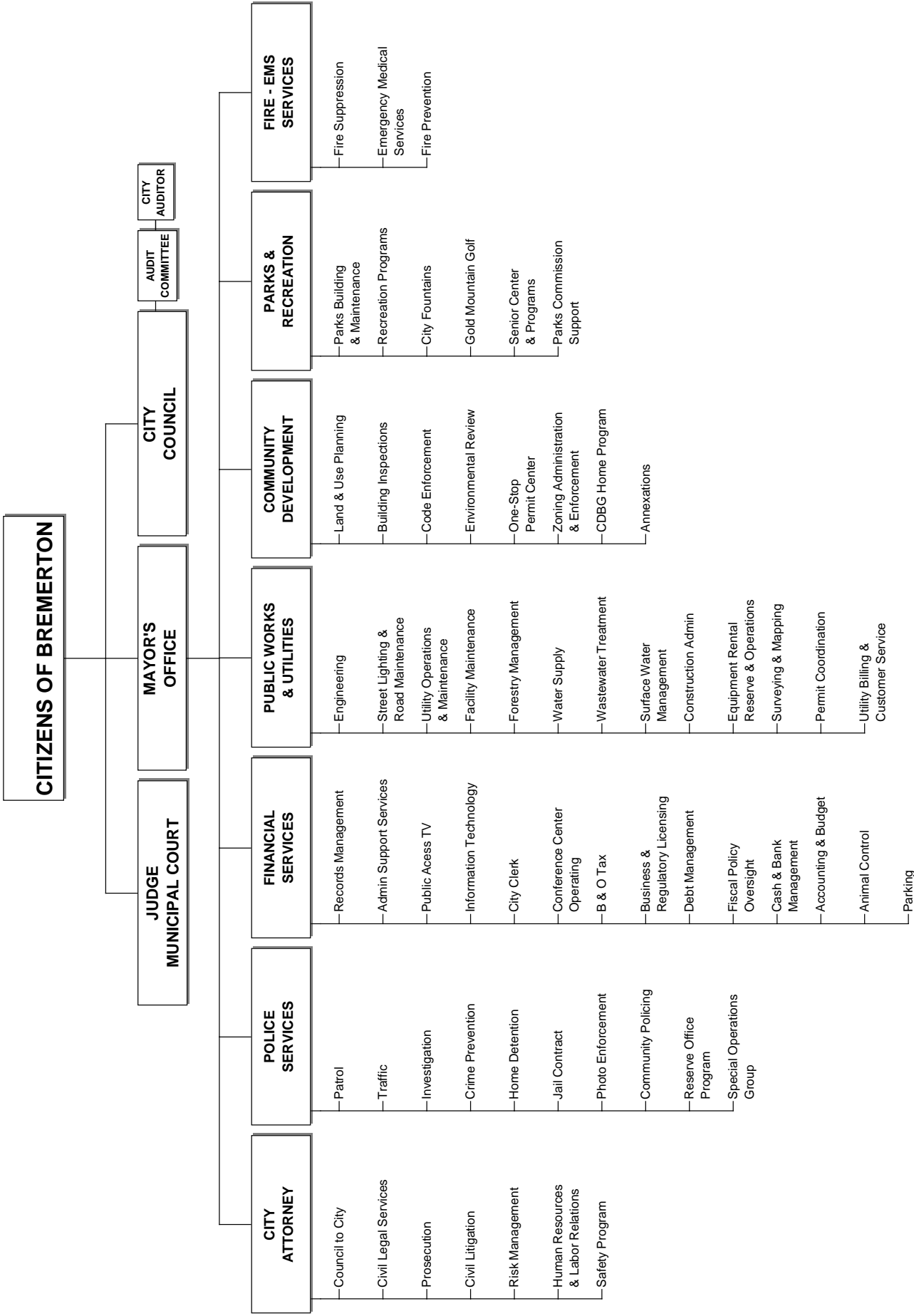


Patty Lent  
Mayor



Cathy Johnson  
Director of Financial Services

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



## Directory of Officials

### 2014

#### Elected Officials:

Mayor .....	Patty Lent
District #1 Council Member .....	Mike Sullivan
District #2 Council Member .....	Leslie Daus
District #3 Council Member .....	Jerry McDonald
District #4 Council Member .....	Greg Wheeler
District #5 Council Member .....	Dino Davis
District #6 Council Member .....	Roy Runyon
District #7 Council Member .....	Eric Younger
Judge, Municipal Court .....	James Docter

#### Appointed Officials:

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

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## Management's Discussion and Analysis

The City of Bremerton (City) presents this Management Discussion and Analysis (MD&A) in order to provide a narrative overview of the City's financial activities, focus on significant financial issues, and highlight significant changes in the City's financial position for the fiscal year ended December 31, 2014. 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 2014, the assets of the City exceeded its liabilities by \$266.4 million. The net investment in capital assets accounts for 87 percent of this amount (\$231.7 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 4.3 percent of this amount (\$11.4 million). The remaining net assets of \$23.3 million may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's net position increased by \$4.1 million 1.5% during the fiscal year. The governmental net position increased by \$2.8 million (2.9%) from the amount reported in 2013. Business-type net position increased by \$1.3 million .75%. The Business-type increase included net income before contributions and transfers for the Water utility of \$2.25 million, Wastewater utility of \$3.80 million other non-major proprietary funds of \$.10 and Golf Course \$.057
- As of December 31, 2014, the City's governmental funds reported a combined fund balance of \$10.3 million, a decrease of .2% from the prior year end. The fund balance of the General Fund decreased by \$73,169 while the remaining non-major governmental funds had a fund balance increase of \$53,275. \$3.0 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 \$7.3 million of unrestricted fund balance \$2.6 million has been committed or assigned for specific purposes while \$4.7 million is unassigned and available to the City for future appropriation.
- At the end of 2014, the unassigned fund balance of the General Fund was \$4.7 million or approximately 14.5 percent of total General Fund expenditures of \$32.6 million. The General Fund's unassigned fund balance decreased by \$68,428 from the prior year's amount of \$4.79 million, a 1.4 percent decrease.
- The City's total outstanding debt increased by \$2.3 million 3.8% during the current fiscal year to \$62.9 million. General obligation debt decreased by \$1.5 million and revenue debt increased by \$3.8 million. This increase in Revenue debt was attributable to the issuance \$6.88 million in revenue bonds for the Water and Wastewater utility.
- The City's net investment in Capital Assets increased \$3.2 million 1.1% in 2014. Total Capital assets from governmental activities increased \$2.4 million or 2.1%. Total Capital assets from business type activities increased \$.865 or .49%. The Governmental increases are primarily due to the Lower Wheaton Way and Pacific Avenue road reconstruction projects totaling \$4.35 million. \$5.72 million was spent on Business Activities for water, wastewater and stormwater capital improvements identified within the City's 2014 capital improvement plan.

## 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, and human resources), community development, public safety (police and fire), utilities and environment, transportation, economic environment, and culture and recreation. The City's business-type activities are limited to the City's municipal golf course and water, wastewater and stormwater utility activities. Governmental activities are primarily supported by taxes, charges for services, and grants while business-type activities are self-supporting through user fees and charges.

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

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

### Fund Financial Statements

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

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

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

The City maintained twenty-five (25) individual governmental funds in 2014. The City's General fund is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances. The remaining governmental funds are combined into a single column labeled "Other Governmental Funds". Information for each of the non-major governmental funds is provided in the combining statements in this report.

The City maintains budgetary control over its operating funds through the adoption of an annual budget. Budgets are adopted at the department and category group level by fund in accordance with City code and state law. A budgetary comparison statement 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, 2014 totaled \$266 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		
	2014	2013	Difference	2014	2013	Difference	2014	2013	Difference
Current Assets	\$ 16,698	\$ 16,061	\$ 637	\$ 20,830	\$ 22,808	\$ (1,978)	\$ 37,528	\$ 38,869	\$ (1,341)
Restricted Assets	3,074	3,191	(117)	8,512	1,747	6,765	11,586	4,938	6,648
Capital Assets	113,413	111,045	2368	175,346	174,478	868	288,759	285,523	3,236
Other Noncurrent Assets	1,741	1,014	727	419	691	(272)	2,160	1,705	455
Total assets	134,926	131,311	3,615	205,107	199,724	5,383	340,033	331,035	8,998
Deferred outflows of resources	-	1,120	(1,120)	153	179	(26)	153	1,299	(1,146)
Current Liabilities	3,639	2,749	890	1,438	1,566	(128)	5,077	4,315	762
Payable from Restricted Assets	-	-	-	40	81	(41)	40	81	(41)
Noncurrent Liabilities	34,578	35,764	(1,186)	34,031	29,772	4,259	68,609	65,536	3,073
Total liabilities	38,217	38,513	(296)	35,509	31,419	4,090	73,726	69,932	3,794
Deferred inflows of resources	14	15	(1)	-	-	-	14	15	(1)
Net position									
Net Investment in Capital Assets	83,690	80,093	3,597	147,993	145,318	2,675	231,683	225,411	6,272
Restricted	3,767	4,105	(338)	7,648	1,779	5,869	11,415	5,884	5,531
Unrestricted	9,238	9,705	(467)	14,110	21,387	(7,277)	23,348	31,092	(7,744)
Total Net Position	\$ 96,695	\$ 93,903	\$ 2,792	\$ 169,751	\$ 168,484	\$ 1,267	\$ 266,446	\$ 262,387	\$ 4,059

The largest component of the City's net position, \$231.7 million (or 87%), 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 consists of amounts legally or otherwise externally restricted for debt service and other programs. Of the \$3.8 million of governmental restrictions, \$1.7 million or 46.2% is restricted for the construction of capital assets. \$.960 million are special revenues restricted primarily for use in the Community Development Block Grant program 25.4%, for public safety services 19.4%, tourism promotion 4.7% and workers compensation liability 2.6%. 1.4%, \$.055 million is restricted for debt service on outstanding debt. \$7.6 million of business-type restrictions are reserves required for debt service payments and asset replacement. A total of \$14.1 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 \$9.2 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 2014 with net position increasing approximately \$3.4 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 \$.553 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

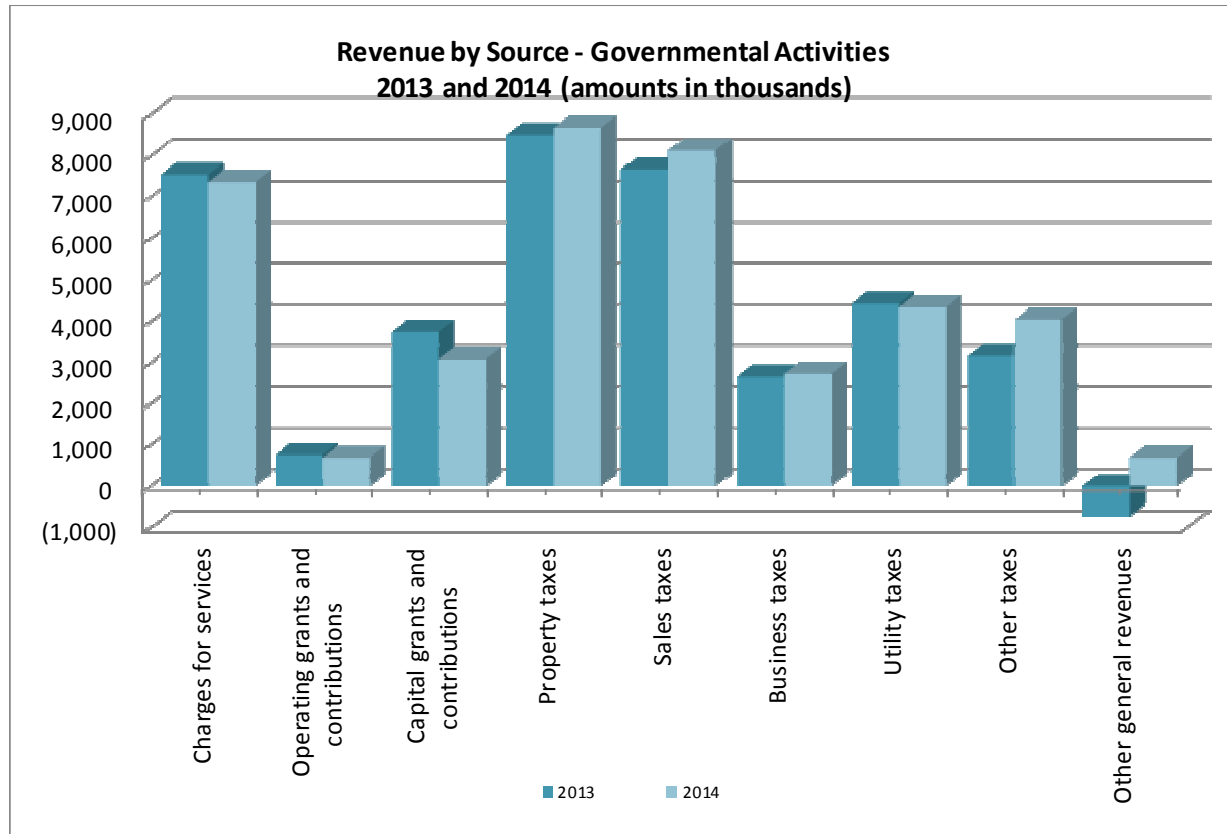
Amounts in 000's	Governmental Activities			Business-Type Activities			Total		
	2014	2013	Difference	2014	2013	Difference	2014	2013	Difference
<b>Revenues</b>									
Program revenues									
Charges for services	\$ 7,375	\$ 7,554	\$ (179)	\$ 31,021	\$ 29,197	\$ 1,824	\$ 38,396	\$ 36,751	\$ 1,645
Operating grants and contributions	687	756	(69)	-	392	(392)	687	1,148	(461)
Capital grants and contributions	3,073	3,752	(679)	1,387	3,878	(2,491)	4,460	7,630	(3,170)
General revenues									
Property taxes	8,688	8,512	176	-	-	-	8,688	8,512	176
Sales taxes	8,130	7,679	451	28	30	(2)	8,158	7,709	449
Business taxes	2,734	2,665	69	4	4	-	2,738	2,669	69
Utility taxes	4,332	4,416	(84)	-	-	-	4,332	4,416	(84)
Other taxes	4,045	3,147	898	-	-	-	4,045	3,147	898
Other general revenues	692	(721)	1,413	532	475	57	1,224	(246)	1,470
Total revenues	\$ 39,756	\$ 37,760	\$ 1,996	\$ 32,972	\$ 33,976	\$ (1,004)	\$ 72,728	\$ 71,736	\$ 992
<b>Expenses</b>									
Governmental activities									
General government	3,898	3,353	545	-	-	-	3,898	3,353	545
Public safety	24,348	23,337	1,011	-	-	-	24,348	23,337	1,011
Utilities and environment	-	220	(220)	-	-	-	-	220	(220)
Transportation	5,802	4,459	1,343	-	-	-	5,802	4,459	1,343
Economic Environment	1,890	1,814	76	-	-	-	1,890	1,814	76
Culture and recreation	6,128	5,992	136	-	-	-	6,128	5,992	136
Interest on long-term debt	1,215	1,222	(7)	-	-	-	1,215	1,222	(7)
Business-type activities									
Water	-	-	-	10,223	9,277	946	10,223	9,277	946
Wastewater	-	-	-	10,129	9,946	183	10,129	9,946	183
Golf course	-	-	-	3,827	4,008	(181)	3,827	4,008	(181)
Other proprietary funds	-	-	-	1,823	2,152	(329)	1,823	2,152	(329)
Total expenses	\$ 43,281	\$ 40,397	\$ 2,884	\$ 26,002	\$ 25,383	\$ 619	\$ 69,283	\$ 65,780	\$ 3,503
Excess of revenues over expenses	(3,525)	(2,637)	(888)	6,970	8,593	(1,623)	3,445	5,956	(2,511)
Transfers	6,417	5,492	925	(6,417)	(5,492)	(925)	-	-	-
Change in net position	2,892	2,855	37	553	3,101	(2,548)	3,445	5,956	(2,511)
Net position - beginning	93,903	91,292	2,611	168,484	165,531	2,953	262,387	256,823	5,564
Prior period adjustment	(100)	(244)	144	714	(148)	862	614	(392)	1,006
Net position - ending	\$ 96,695	\$ 93,903	\$ 2,792	\$ 169,751	\$ 168,484	\$ 1,267	\$ 266,446	\$ 262,387	\$ 4,059

**Governmental activities** accounted for an increase of \$2.79 million of the total change in net position of \$4.1 million. Significant elements of the increase are as follows:

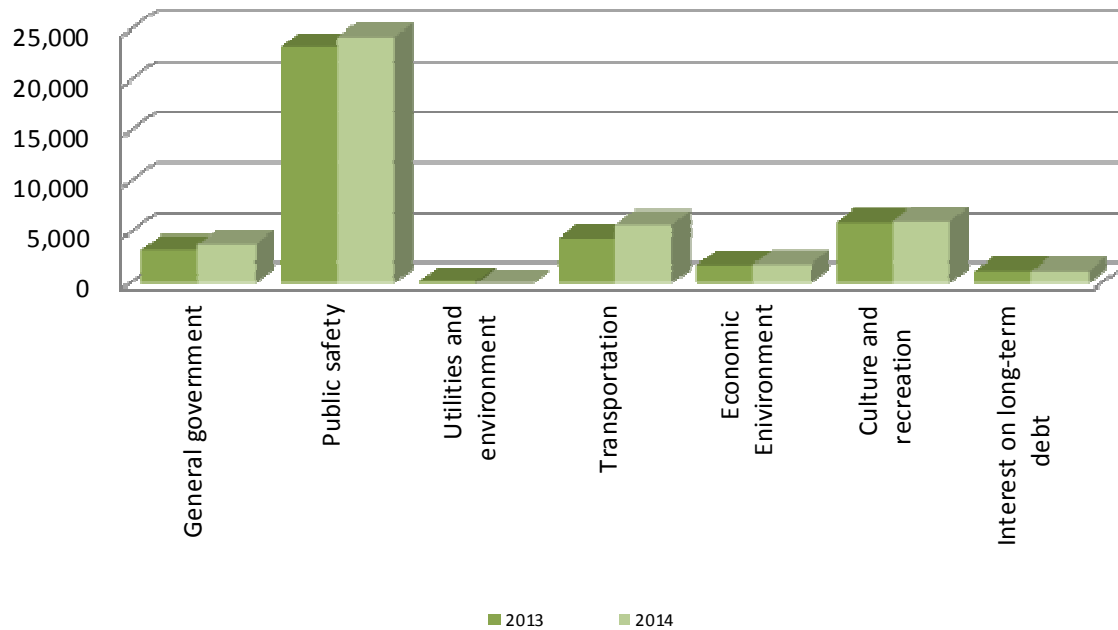
- Transfers continued to play a significant role in the increase to net position in 2014 increasing by \$.925 million. Transfers from Business-type activities increased in 2014. Transfers of \$1,164,677 from the Water, Wastewater and Stormwater funds to the Lower Wheaton Way fund in support of utility work performed during the road reconstruction project was the major item contributing to the increase.
- Expenditures increased by 7.1% in 2014 compared to 2013. Small changes occurred in many functional areas, as a significant effort was made to match available resources. Expenditure increases in Public Safety due to an increase in salaries and supplies in police. \$165,545 was attributable to filling vacant positions and \$131,226 in supplies. The jail contract increased by \$351,543 with Kitsap County. Lastly there was an increase in fire overtime in the amount of \$128,472. Transportation increase was a result of a significant increase in the Transportation Benefit District activity in 2014. The increase in expenditures was \$500,000.
- Total revenue from governmental activities in 2014 increased by \$2 million from 2013. Program revenues had decreases in charges for services in the amount of .180 million or 2.4%. Program revenue for operating and capital grants decreased \$.750 million or (16.6%). Tax revenues that support ongoing operations increased by \$1.5 million or 5.7% in 2014 from the 2013 level. Sales taxes increased \$.451 million or 5.9%. Business taxes increased by \$68,680 or 2.6%. Property, utility, and other taxes increased \$.990 million or 6.1% with the largest increase being other general taxes \$.898 million which included real estate excise tax increase of .307 million. Other general revenues which include interest earnings, gains and losses on disposal of assets, and miscellaneous income, increased by \$1.4 million due to a loss of \$1.0 million in 2013 on disposal of capital assets.



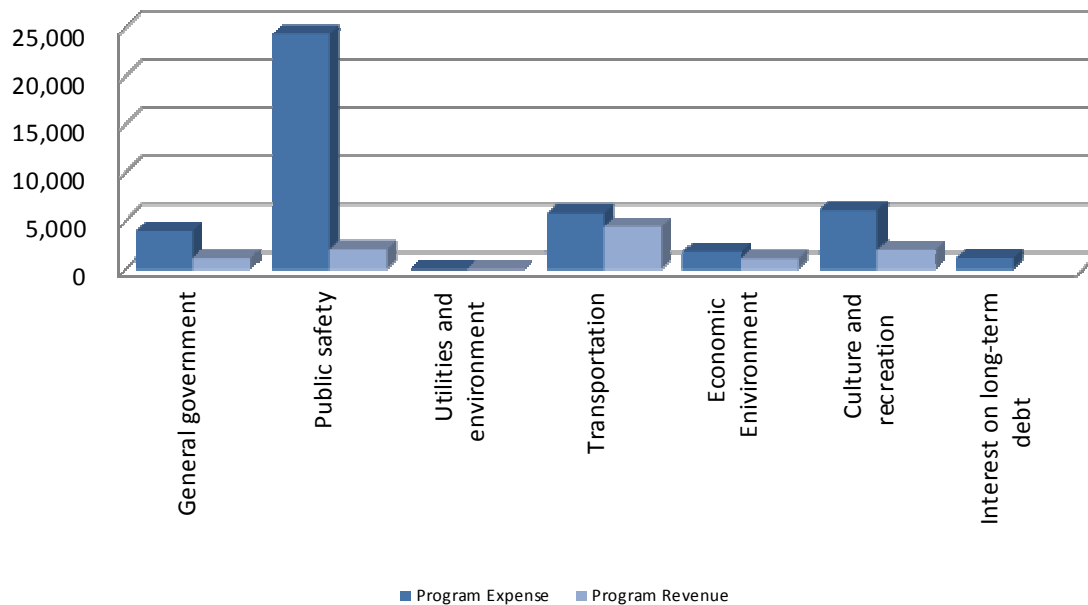
- Governmental activities were reduced by \$100,372 in 2014 by a prior period adjustment, a result of an adjustment to payment in lieu of taxes from the utilities to the general fund \$23,863, a change from an expense reimbursement to a re-class to revenue for the conference center expansion \$49,341, and an adjustment to 2013 workers compensation liability (\$173,576).



**Expenditures by Type - Governmental Activities**  
**2013 and 2014**  
**(amounts in thousands)**

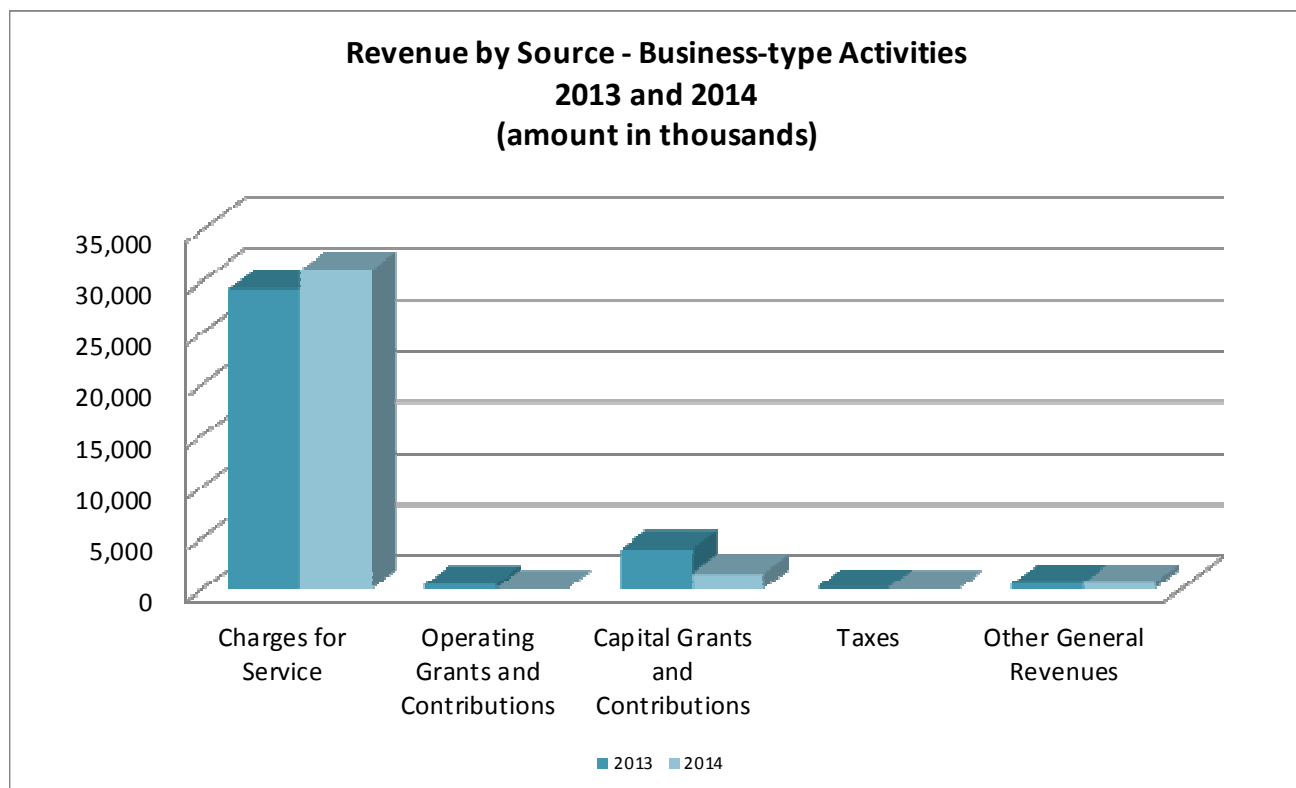


**Program Expenses and Revenues - Governmental Activities**  
**Year Ended 2014**  
**(amounts in thousands)**

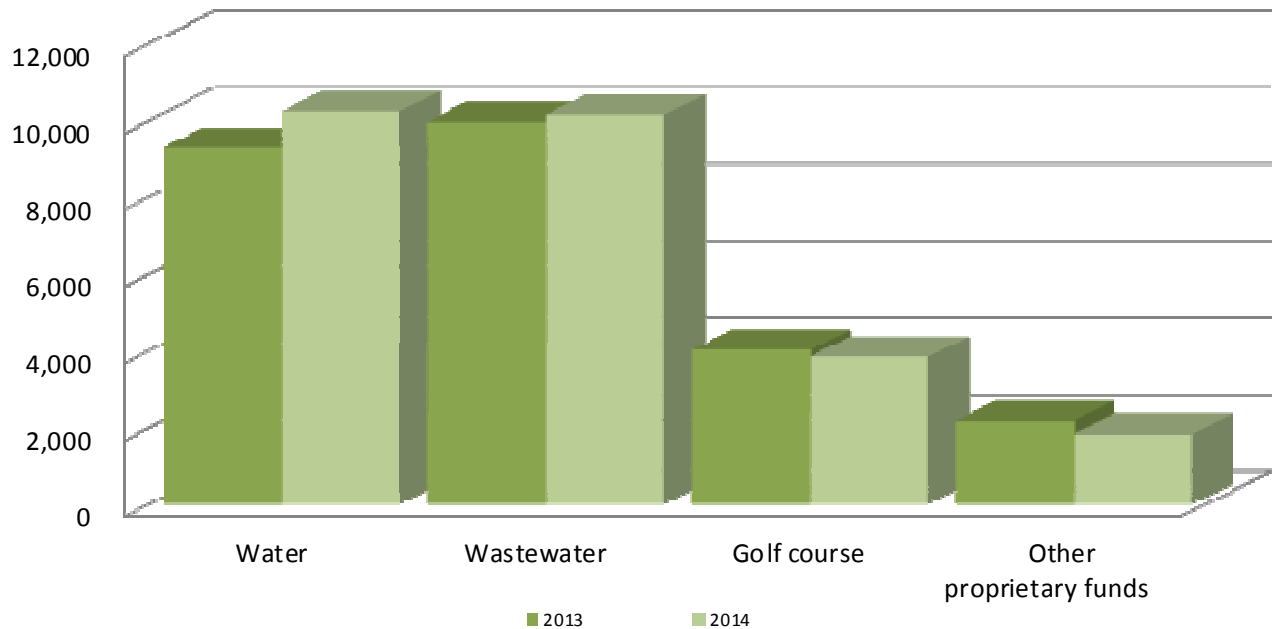


**Business-type activities** increased City's net position by \$552,558, before prior period adjustments, accounting for approximately 16% of the total growth in the government's net position.

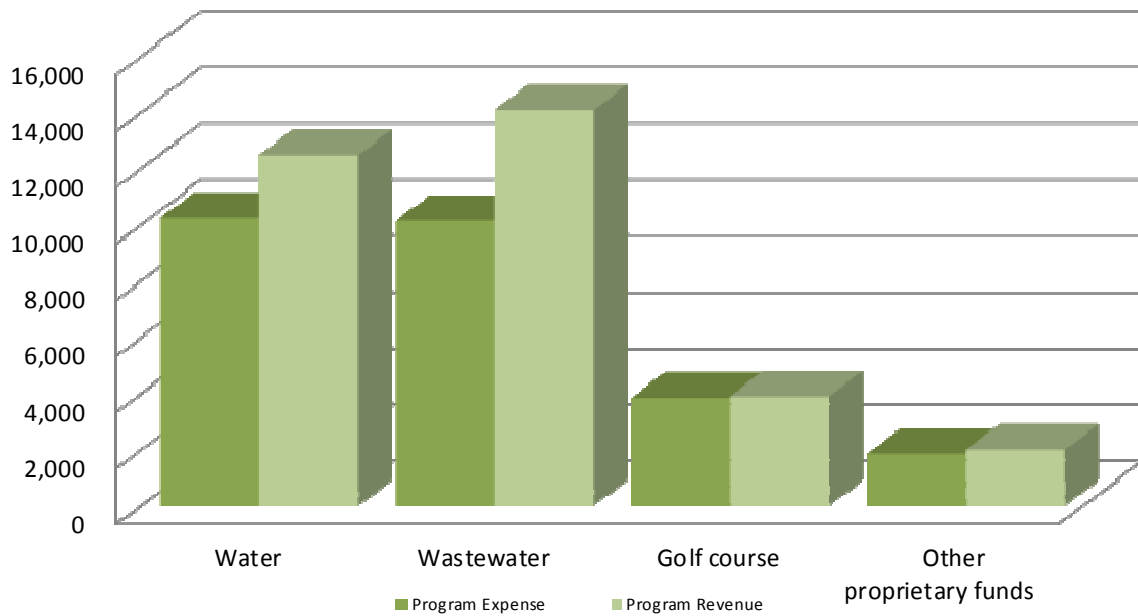
- Charges for services increased \$1.8 million in 2014. This was largely the result of rate increases in the Water, Wastewater and Stormwater funds of 9%, 3% and 3%, respectively, effective January 1, 2014. Stormwater increases were offset by the write-off of \$788,710 owed from the Port of Bremerton as approved in an Interlocal Agreement.
- Expenses for Business-Type activities increased \$.619 million in 2014. \$511,775 of this increase is attributable to a Water Reservoir Rehab maintenance project.
- Transfers to Governmental Activities increased by \$925,000 in 2014. This increase was largely attributable to transfers from the utility funds of \$1.2 million to Lower Wheaton Way and \$295,000 to Washington Ave. Connector to fund utility improvements associated with the street restoration projects.
- Business-Type activities net position was increased by \$1.27 million in 2014 due to prior period adjustments. \$677,680 of this increase was attributable to the refunding of overpayments of excise taxes paid to the State Department of Revenue by the Wastewater fund.

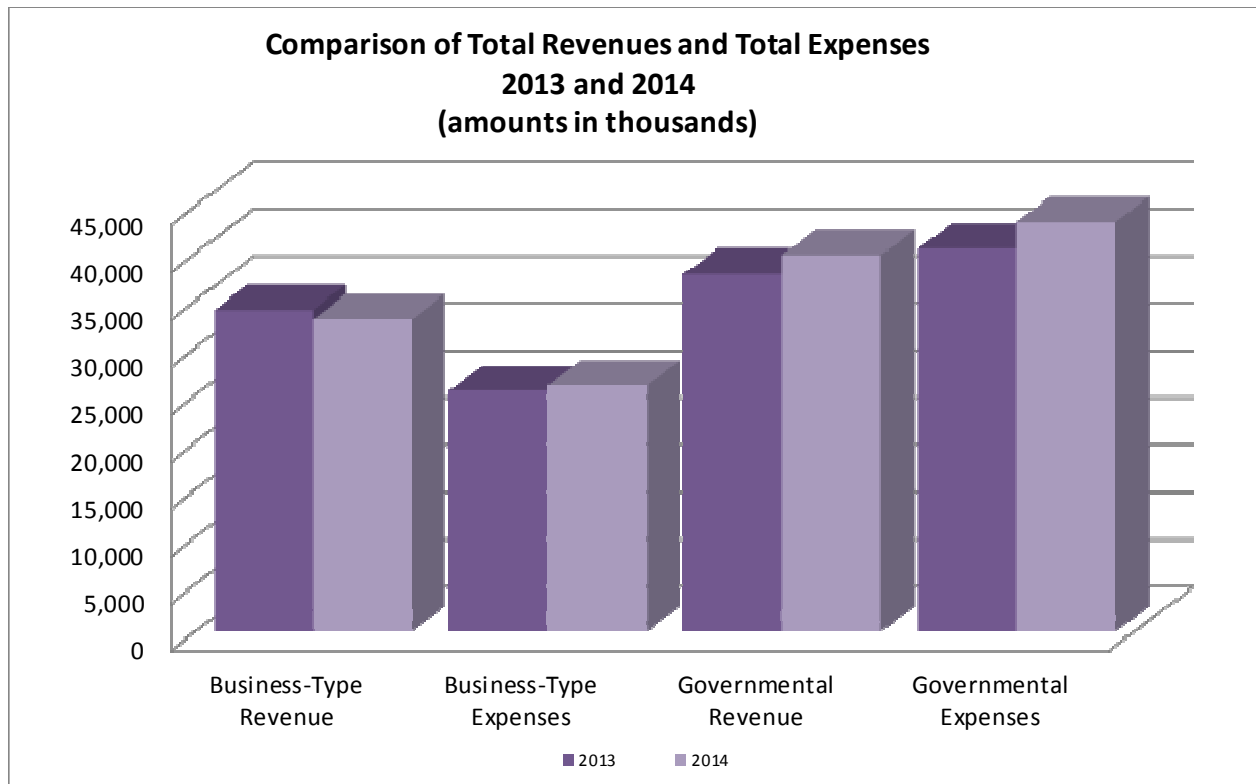


**Expenses by Fund - Business-type  
2014 and 2013  
(amounts in thousands)**



**Expenses and Program Revenues - Business-type Activities  
for Year Ended December 31, 2014  
(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 2014, the fund balance of the General Fund was \$4.8 million. As a measure of the fund's liquidity, the 2014 ending fund balance is 14.7% of the fund's 2014 expenditures, a decrease of .9% over 2013's 15.6%.

The General Fund balance decreased in 2014 by \$.073 million. Revenues increased from \$27.9 million in 2013 to \$28.4 million in 2014. Expenditures increased from \$31.3 million to \$32.6 million during the same period. The increase in revenues was primarily attributable to an increase in sales tax revenue. A major component to the increase in expenditures is additional jail costs. Expenditures exceeded revenues in the General Fund by \$4.1 million in 2014 but were offset by net transfers and other financing sources of \$4 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 2014 capital improvement program there were no significant transactions pertaining to the proprietary funds.

## General Fund Budget Variations

The General Fund collected revenues at 99.1% of the amended amount budgeted or \$.325 million less than budgeted. Expenditures for 2014 were 95.4% of the amended budget resulting in actual expenditures being \$1.68 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 in the Police and Fire Pension departments. In addition, Police, General Facilities, Engineering and Community Development departments all had significant savings in expenditures for supplies.

The General Fund budget was balanced in 2014. The original budget provided for a decrease to the fund balance of \$1,153,705. The budget was amended two times during 2014. The final amended budget provided for a decrease to fund balance of \$1,438,885. At the conclusion of 2014, the General Fund decreased fund balance by \$63,213.

## 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, 2014, amounts to \$288.8 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, construction in progress, utility transmission/distribution systems, roads and intangibles.

The major capital asset additions for governmental activities during 2014 was the reconstruction of Lower Wheaton Way street restoration and the Washington Avenue project.

The major capital assets changes for business-type activities included the construction of wastewater and water capital improvement projects identified within the City's 2014 capital improvement plan.

### Capital Assets (net of depreciation)

Amounts in 000's	Governmental Activities			Business-Type Activities			Total		
	2014	2013	Difference	2014	2013	Difference	2014	2013	Difference
Land	\$ 20,402	\$ 20,402	\$ -	\$ 9,277	\$ 9,117	\$ 160	\$ 29,679	\$ 29,519	\$ 160
Buildings	51,039	51,728	(689)	33,146	34,015	(869)	84,185	85,743	(1,558)
Improvements/Infrastructure	34,568	31,555	3,013	96,576	95,798	778	131,144	127,353	3,791
Machinery and Equipment	2,362	3,062	(700)	32,137	32,535	(398)	34,499	35,597	(1,098)
Construction in Progress	5,037	4,298	739	4,033	3,013	1,020	9,070	7,311	1,759
Intangibles	5	-	5	176	-	176	181	-	181
<b>TOTAL</b>	<b>\$ 113,413</b>	<b>\$ 111,045</b>	<b>\$ 2,368</b>	<b>\$ 175,345</b>	<b>\$ 174,478</b>	<b>\$ 867</b>	<b>\$ 288,758</b>	<b>\$ 285,523</b>	<b>\$ 3,235</b>

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

### Long-term debt

For business type activities in 2014, the City issued Revenue bonds for the Water and Wastewater Utility funds in the amount of \$6,880,000 for capital related expenses on September 23, 2014. The interest rate on the bonds are 3.85% with a maturity date of December 1, 2034.



### Outstanding Debt - General Obligation and Revenue Bonds

Amounts in 000's	Governmental Activities			Business-Type Activities			Total		
	2014	2013	Difference	2014	2013	Difference	2014	2013	Difference
General Obligation Bonds	\$ 30,015	\$ 31,240	\$ (1,225)	\$ 4,755	\$ 4,985	\$ (230)	\$ 34,770	\$ 36,225	\$ (1,455)
General Obligation Notes	-	35	(35)	-	-	-	-	35	(35)
Revenue Bonds	-	-	-	9,715	3,210	6,505	9,715	3,210	6,505
Revenue Loans	-	-	-	18,440	21,143	(2,703)	18,440	21,143	(2,703)
<b>TOTAL</b>	<b>\$ 30,015</b>	<b>\$ 31,275</b>	<b>\$ (1,260)</b>	<b>\$ 32,910</b>	<b>\$ 29,338</b>	<b>\$ 3,572</b>	<b>\$ 62,925</b>	<b>\$ 60,613</b>	<b>\$ 2,312</b>

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 2015 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 2014.

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 and the Lower Wheaton Way and Washington Ave Pedestrian Access funds. Future outside funding opportunities will be highly competitive and Bremerton, due to its current economic demographics, should compete very well for certain projects. 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 12/31/14 \$1,065,047 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 of Lower Wheaton Way.

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

Revitalization efforts are a product of both public and private investment. Public investment in this multi-year effort includes the construction or renovation of facilities to provide city services including new police, fire, court and administrative buildings, the construction of 2 new parks and the renovation of several major parks, the construction of a conference center and the addition of two public parking facilities as well as transportation and utility projects all designed to improve the lives of city residents. Other public investment includes a mixed use redevelopment project (Bay Vista) by the Bremerton Housing Authority and construction of a marina on the downtown waterfront by the Port of Bremerton. Private investment has included the construction of new commercial buildings for business and recreational purposes as well as new single family and multifamily residential projects.

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. As a result of a yearlong comprehensive rate analysis on its Water, Wastewater and Stormwater utilities the City Council adopted the analysis and the first of planned annual rates increases on April 3, 2013 to adequately fund the operations and maintenance, capital, and the anticipated debt service needs for the three utilities. Rates were increased again on January 1, 2014 to keep up with the funding requirements of the utilities. The analysis anticipated the issuance of up to a maximum of \$35 million in revenue bonds over six years. In 2014 the City issued \$6.88 million in Revenue bonds to finance identified capital improvements.

### **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, 2014**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Current assets:			
Cash & Cash Equivalents	\$ 4,749,092	\$ 6,102,250	\$ 10,851,342
Investments	6,873,260	8,256,423	15,129,683
Receivables	4,316,052	4,672,320	8,988,372
Internal balances	(342,100)	342,100	-
Due from other governments	661,030	82,582	743,612
Inventories	111,870	1,351,832	1,463,702
Prepayments	329,092	22,375	351,467
Restricted assets:			
Cash & Cash Equivalents	1,611,900	7,283,027	8,894,927
Investments	935,011	993,865	1,928,876
Receivables	130,099	234,877	364,976
Due from other governments	396,820	-	396,820
Notes and contracts receivable:			
Due within one year	46,000	51,453	97,453
Due in more than one year	649,820	368,028	1,017,848
Capital assets net of depreciation	113,413,602	175,345,716	288,759,318
Other assets	1,044,966	-	1,044,966
Total assets	\$ 134,926,514	\$ 205,106,848	\$ 340,033,362
<b>Deferred outflows of resources</b>			
	\$ -	\$ 153,589	\$ 153,589
<b>Liabilities</b>			
Accounts payable and other current liabilities	\$ 2,502,201	\$ 761,580	\$ 3,263,781
Employee wages payable	1,028,069	399,912	1,427,981
Other accrued liabilities	108,836	154,500	263,336
Custodial accounts	-	122,209	122,209
Noncurrent liabilities			
Payable from restricted assets	-	40,143	40,143
Due within one year	4,058,559	3,849,805	7,908,364
Due in more than one year	30,519,999	30,181,385	60,701,384
Total liabilities	\$ 38,217,664	\$ 35,509,534	\$ 73,727,198
<b>Deferred inflows of resources</b>			
	\$ 13,500	\$ -	\$ 13,500
<b>Net Position</b>			
Net investment in capital assets	\$ 83,690,399	\$ 147,992,658	\$ 231,683,057
Restricted for:			
Tourism promotion & facilities	177,349	-	177,349
Community development block grant	959,923	-	959,923
Public safety	731,622	-	731,622
Debt service	54,857	1,930,465	1,985,322
Workers compensation	100,000	-	100,000
Capital projects	1,743,302	5,717,757	7,461,059
Unrestricted	9,237,898	14,110,023	23,347,921
Total Net Position	\$ 96,695,350	\$ 169,750,903	\$ 266,446,253

**Statement of Activities**  
**For the Year Ended December 31, 2014**

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	\$ 3,898,120	\$ 1,180,590	\$ -	\$ -	\$ (2,717,530)	\$ -	\$ (2,717,530)
Public safety	24,347,998	2,094,513	69,851	3,982	(22,179,652)	-	(22,179,652)
Utilities and environment	-	182,893	-	-	182,893	-	182,893
Transportation	5,801,997	1,804,669	-	2,574,854	(1,422,474)	-	(1,422,474)
Economic environment	1,889,697	521,773	616,571	-	(751,353)	-	(751,353)
Culture and recreation	6,127,784	1,590,804	-	493,783	(4,043,197)	-	(4,043,197)
Interest on long-term debt	1,214,965	-	-	-	(1,214,965)	-	(1,214,965)
Total governmental activities	43,280,561	7,375,242	686,422	3,072,619	(32,146,278)	-	(32,146,278)
Business-type activities							
Water	10,222,657	11,577,833	-	896,323	-	2,251,499	2,251,499
Wastewater	10,128,629	13,761,541	-	318,398	-	3,951,310	3,951,310
Golf course	3,827,264	3,883,331	-	-	-	56,067	56,067
Other proprietary funds	1,823,388	1,798,240	-	172,029	-	146,881	146,881
Total business-type activities	26,001,938	31,020,945	-	1,386,750	-	6,405,757	6,405,757
Total government	\$69,282,499	\$38,396,187	\$ 686,422	\$ 4,459,369	\$(32,146,278)	\$ 6,405,757	\$(25,740,521)
General Revenues							
Taxes:							
Property					8,688,122	-	8,688,122
Sales					8,129,965	28,022	8,157,987
Business					2,733,787	3,915	2,737,702
Utility					4,332,386	-	4,332,386
Other					4,045,311	-	4,045,311
Unrestricted investment interest					124,227	88,521	212,748
Miscellaneous					359,720	338,798	698,518
Gain/(Loss) on disposal of capital assets					208,367	104,498	312,865
Transfers, internal activities					6,416,953	(6,416,953)	-
Total general revenues and transfers					35,038,838	(5,853,199)	29,185,639
Change in net position					2,892,560	552,558	3,445,118
Net position-beginning					93,903,162	168,484,295	262,387,457
Prior period adjustment					(100,372)	714,050	613,678
Net position-ending					\$ 96,695,350	\$ 169,750,903	\$266,446,253

**Balance Sheet**  
**Governmental Funds**  
**December 31, 2014**

	<b>General</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>			
Cash and equivalents	\$ 2,089,617	\$ 2,757,734	\$ 4,847,351
Investments	2,798,632	2,975,008	5,773,640
Receivables, net	3,798,094	626,008	4,424,102
Due from other funds	512,840	184,203	697,043
Due from other governments	36,606	982,527	1,019,133
Inventories	20,060	-	20,060
Other assets	-	695,820	695,820
Total assets	<u>9,255,849</u>	<u>8,221,300</u>	<u>17,477,149</u>
Deferred outflows of resources	-	-	-
Total assets and deferred outflows of resources	<u>\$ 9,255,849</u>	<u>\$ 8,221,300</u>	<u>\$ 17,477,149</u>
<b>LIABILITIES, DEFERRED INFLOW of RESOURCES and FUND BALANCES</b>			
Liabilities:			
Accounts/contracts payable	\$ 723,160	\$ 1,468,546	\$ 2,191,706
Due to other funds	832,522	246,803	1,079,325
Employee wages payable	934,418	59,505	993,923
Other current liabilities	93,748	15,088	108,836
Unearned revenue	1,862,382	928,267	2,790,649
Total liabilities	<u>4,446,230</u>	<u>2,718,209</u>	<u>7,164,439</u>
Deferred inflows of resources	<u>13,500</u>	<u>-</u>	<u>13,500</u>
Fund balances:			
Nonspendable	\$ 20,060	\$ -	\$ 20,060
Restricted	50,179	2,923,689	\$ 2,973,868
Committed	-	652,253	\$ 652,253
Assigned	-	1,927,149	\$ 1,927,149
Unassigned	4,725,880	-	\$ 4,725,880
Total fund balances	<u>4,796,119</u>	<u>5,503,091</u>	<u>10,299,210</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 9,255,849</u>	<u>\$ 8,221,300</u>	<u>\$ 17,477,149</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.	113,413,602
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	2,694,516
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.	2,839,253
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	<u>(32,551,231)</u>
Net position of governmental activities	<u>\$ 96,695,350</u>

**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**for the Year Ended December 31, 2014**

	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Governmental Funds Total</b>
<b>REVENUES</b>			
Taxes			
Property	\$ 7,929,239	\$ 901,456	\$ 8,830,695
Sales	7,355,104	809,184	8,164,288
Business	7,066,174	-	7,066,174
Other	123,721	1,779,893	1,903,614
Licenses and permits	1,025,164	281,595	1,306,759
Intergovernmental	974,294	5,036,325	6,010,619
Charges for services	2,775,977	303,298	3,079,275
Fines and forfeitures	923,186	337,283	1,260,469
Miscellaneous	265,832	1,764,819	2,030,651
Total revenues	<u>28,438,691</u>	<u>11,213,853</u>	<u>39,652,544</u>
<b>EXPENDITURES</b>			
Current:			
General government	4,468,793	244,997	4,713,790
Public safety	22,175,166	338,503	22,513,669
Utilities and environment	23,165	-	23,165
Transportation	531,924	3,704,737	4,236,661
Economic environment	1,406,815	240,828	1,647,643
Mental/physical health	73,642	201,235	274,877
Culture and recreation	3,802,306	678,027	4,480,333
Debt service:			
Principal	35,000	1,225,000	1,260,000
Interest and other debt issue costs	636	1,191,620	1,192,256
Capital outlay	52,611	5,975,958	6,028,569
Total expenditures	<u>32,570,058</u>	<u>13,800,905</u>	<u>46,370,963</u>
Excess (deficiency) of revenues over expenditures	<u>(4,131,367)</u>	<u>(2,587,052)</u>	<u>(6,718,419)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Capital asset donations & disposal	161,294	38,256	199,550
Insurance recoveries	684	8,133	8,817
Transfers in	4,338,392	3,760,241	8,098,633
Transfers out	(466,035)	(1,215,644)	(1,681,679)
Total other financing sources and uses	<u>4,034,335</u>	<u>2,590,986</u>	<u>6,625,321</u>
Net change in fund balances	(97,032)	3,934	(93,098)
Fund balances-beginning	4,869,288	5,449,816	10,319,104
Prior period adjustments	23,863	49,341	73,204
Fund balances-ending	<u>\$ 4,796,119</u>	<u>\$ 5,503,091</u>	<u>\$ 10,299,210</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, 2014

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

Net change in fund balances – total government funds	\$ (93,098)
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.	2,370,146
Revenues and expenses in the statement of activities that do not provide current financial resources are not reported in the funds.	(913,663)
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.	1,228,711
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.	300,464
Change in net position of governmental activities	\$ 2,892,560

**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual General Fund**  
**for the Year Ended December 31, 2014**

	<b>Original Budget 2014</b>	<b>Final Budget 2014</b>	<b>Actual 2014</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>REVENUES</b>				
Taxes	\$ 22,063,669	\$ 22,413,669	\$ 22,474,238	\$ 60,569
Licenses and permits	961,170	961,170	1,025,164	63,994
Intergovernmental	693,866	833,866	974,294	140,428
Charges for services	5,247,027	5,261,027	4,764,439	(496,588)
Fines and forfeitures	953,700	953,700	923,186	(30,514)
Other revenues	4,392,308	4,580,539	4,517,248	(63,291)
Total revenues	34,311,740	35,003,971	34,678,569	(325,402)
<b>EXPENDITURES</b>				
City Council	333,798	333,798	327,218	6,580
Executive	352,718	350,518	339,669	10,849
Finance	1,355,912	1,390,462	1,309,507	80,955
Legal	1,047,962	1,047,962	993,449	54,513
Human Resources	396,814	491,430	449,694	41,736
Community development	1,488,959	1,488,959	1,327,821	161,138
Municipal Court	1,433,194	1,433,194	1,349,402	83,792
City Auditor	173,168	183,668	180,116	3,552
Law enforcement	9,971,864	10,006,864	9,600,915	405,949
Fire/Emergency medical services	8,570,885	8,707,340	8,703,899	3,441
Police & fire pension	2,213,100	2,206,100	1,975,927	230,173
Facilities	1,044,652	1,049,652	846,689	202,963
Parks and recreation	2,733,070	2,746,046	2,661,331	84,715
Engineering	2,025,255	2,125,255	1,872,395	252,860
Non-departmental	2,324,094	2,881,608	2,827,613	53,995
Total expenditures	35,465,445	36,442,856	34,765,645	1,677,211
Excess (deficiency) of revenues over expenditures	(1,153,705)	(1,438,885)	(87,076)	1,351,809
Fund balances-beginning	4,123,627	4,665,826	4,709,108	3,434,790
Prior period adjustments	-	-	23,863	23,863
Fund balances-ending	\$ 2,969,922	\$ 3,226,941	\$ 4,645,895	\$ 4,786,599

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.

\$ 150,224

Fund Balances Ending

\$ 4,796,119

**EXPENDITURES**

Personnel	26,910,068	27,128,894	26,278,246	850,648
Supplies, services & taxes	8,032,432	8,713,986	7,921,816	792,170
Capital expenditure	117,945	87,000	52,611	34,389
Debt Service	-	107,976	107,972	4
Transfers	405,000	405,000	405,000	-
Total expenditures	35,465,445	36,442,856	34,765,645	1,677,211

See accompanying notes to the financial statements.

**Statement of Net Position  
Proprietary Funds  
December 31, 2014**

	Business-type Activities Enterprise Funds					Governmental Activities
	Water	Golf Course	Wastewater	Nonmajor Enterprise Funds	Total	Internal Service Funds
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents	\$ 1,863,744	\$ 112,287	\$ 1,450,421	\$ 798,468	\$ 4,224,920	\$ 3,290,971
Restricted cash	1,545,507	-	5,737,520	-	7,283,027	100,000
Investments	2,505,236	150,935	2,003,459	1,073,296	5,732,926	4,558,128
Restricted Investments	76,828	-	917,037	-	993,865	-
External receivables	1,765,685	-	2,451,124	483,796	4,700,605	2,492
Restricted special assessments receivables	151,694	-	-	-	151,694	-
Interest receivables	6,467	378	7,315	2,688	16,848	11,417
Due from other funds	243,679	-	459	139,440	383,578	751,935
Due from other governments	-	-	-	82,582	82,582	-
Inventories	655,522	183,493	512,817	-	1,351,832	91,810
Prepayments	-	22,375	-	-	22,375	329,092
Total current assets	8,814,362	469,468	13,080,152	2,580,270	24,944,252	9,135,845
Noncurrent assets:						
Restricted special assessments	83,183	-	-	-	83,183	-
Notes and contracts receivable	368,028	-	-	-	368,028	-
Capital assets net of depreciation	62,028,740	7,211,052	96,399,618	6,104,853	171,744,263	3,601,453
Other noncurrent assets	-	-	-	-	-	-
Total noncurrent assets	62,479,951	7,211,052	96,399,618	6,104,853	172,195,474	3,601,453
Total assets	71,294,313	7,680,520	109,479,770	8,685,123	197,139,726	12,737,298
Deferred outflows of resources	-	153,589	-	-	153,589	-
Total assets and deferred outflows	\$ 71,294,313	\$ 7,834,109	\$ 109,479,770	\$ 8,685,123	\$ 197,293,315	\$ 12,737,298
<b>LIABILITIES</b>						
Current liabilities:						
Accounts/contract payable	369,105	101,088	236,712	54,486	761,391	71,948
Due to other funds	161,387	210,756	303,823	65,079	741,045	12,186
Due to other governments	-	-	-	3,573	3,573	-
Employee wages payable	345,051	132,463	279,914	88,521	845,949	97,405
Other accrued liabilities	27,713	32,798	88,442	1,974	150,927	290,304
Current portion of long-term debt	678,705	245,000	2,465,550	9,864	3,399,119	-
Bonds payable from restricted assets	40,143	-	-	-	40,143	-
Custodial accounts	106,854	14,855	-	500	122,209	-
Total current liabilities	1,728,958	736,960	3,374,441	223,997	6,064,356	471,843
Noncurrent liabilities:						
Claims and judgments payable	-	-	-	-	-	708,923
Bonds, notes and loans payable	5,076,964	4,510,000	20,350,958	88,778	30,026,700	-
Compensated absences	76,311	-	64,453	18,570	159,334	9,301
Total noncurrent liabilities	5,153,275	4,510,000	20,415,411	107,348	30,186,034	718,224
Total liabilities	6,882,233	5,246,960	23,789,852	331,345	36,250,390	1,190,067
Deferred inflows of resources	-	-	-	-	-	-
Total liabilities and deferred inflows	\$ 6,882,233	\$ 5,246,960	\$ 23,789,852	\$ 331,345	\$ 36,250,390	\$ 1,190,067
<b>NET POSITION</b>						
Net investment in capital assets	57,372,624	2,456,052	78,556,319	6,006,210	144,391,205	3,601,453
Restricted for capital assets	979,515	165,234	4,573,008	-	5,717,757	-
Restricted for debt service	329,008	-	1,601,457	-	1,930,465	-
Restricted for Worker's Compensation	-	-	-	-	-	100,000
Unrestricted	5,730,933	(34,137)	959,133	2,347,569	9,003,498	7,845,778
Total net position	\$ 64,412,080	\$ 2,587,149	\$ 85,689,917	\$ 8,353,779	\$ 161,042,925	\$ 11,547,231
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					\$ 8,707,978	
Net position of business-type activities					\$ 169,750,903	

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, 2014**

	Business-type Activities Enterprise Funds					Governmental Activities
	Water	Golf Course	Wastewater	Other Proprietary	Total	Internal Service Funds
<b>OPERATING REVENUES</b>						
Charges for services	\$ 9,953,655	\$ 3,883,331	\$ 13,772,715	\$ 1,791,343	\$ 29,401,044	\$ 4,137,848
Other operating revenue	1,624,178	-	20,763	6,897	1,651,838	-
Total operating revenues	11,577,833	3,883,331	13,793,478	1,798,240	31,052,882	4,137,848
<b>OPERATING EXPENSES</b>						
General operations	2,754,285	66,060	2,647,607	438,281	5,906,233	2,842,882
Contracted Operations	-	3,437,885	-	-	3,437,885	-
Maintenance	2,990,206	-	1,990,193	783,928	5,764,327	-
Customer service and marketing	391,145	-	252,137	118,470	761,752	-
General administration	1,108,748	-	965,333	260,979	2,335,060	316,410
Depreciation and amortization	2,012,698	164,120	3,508,651	116,483	5,801,952	597,396
Property, excise and B&O taxes	461,423	-	260,121	21,842	743,386	-
Risk transfer payments	-	-	-	-	-	504,565
Payments to claimants & beneficiaries	-	-	-	-	-	196,154
Total operating expenses	9,718,505	3,668,065	9,624,042	1,739,983	24,750,595	4,457,407
Operating income (loss)	1,859,328	215,266	4,169,436	58,257	6,302,287	(319,559)
<b>NONOPERATING REVENUES (EXPENSES)</b>						
Interest and investment revenue	41,128	1,325	18,331	8,811	69,595	28,618
Interest expense	(92,937)	(159,199)	(353,482)	(4,143)	(609,761)	-
Gain (loss) on capital asset disposal	155,697	-	(49,897)	(1,302)	104,498	(34,708)
Other nonoperating revenue/expense	286,075	-	13,529	39,194	338,798	3,458
Total nonoperating revenues (expenses)	389,963	(157,874)	(371,519)	42,560	(96,870)	(2,632)
Income (loss) before contributions and transfers	2,249,291	57,392	3,797,917	100,817	6,205,417	(322,191)
Capital contributions	896,323	-	318,398	172,029	1,386,750	-
Transfers to other funds	(1,866,360)	-	(3,516,737)	(1,165,830)	(6,548,927)	-
Transfers from other funds	-	-	-	-	-	131,973
Special items (Note)	-	-	-	-	-	-
Change in net position	1,279,254	57,392	599,578	(892,984)	1,043,240	(190,218)
Total net position - beginning	63,156,689	2,468,069	84,412,659	9,248,218	159,285,635	11,911,025
Prior period adjustment	(23,863)	61,688	677,680	(1,455)	714,050	(173,576)
Total net position - ending	\$ 64,412,080	\$ 2,587,149	\$ 85,689,917	\$ 8,353,779	\$ 161,042,925	\$ 11,547,231
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.					(490,682)	
Change in net position of business-type activities.					\$ 552,558	

**Statement of Cash Flows**  
**Proprietary Funds**  
**for the Year Ended December 31, 2014**

Page 1 of 2

	Business-type Activities Enterprise Funds					Governmental Activities
	Water	Golf Course	Wastewater	Nonmajor Enterprise Funds	Total	Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Cash received from customers	\$ 9,934,891	\$ 3,889,452	\$ 13,820,961	\$ 2,343,518	\$ 29,988,822	\$ 4,137,912
Cash payments to suppliers	(4,300,841)	(3,531,151)	(3,758,815)	(767,293)	(12,358,100)	(2,013,473)
Cash payments to employees	(3,241,900)	-	(2,492,683)	(876,333)	(6,610,916)	(1,159,952)
Purchase of insurance	-	-	-	-	-	(504,565)
Payment for insurance claims	-	-	-	-	-	(299,733)
Other operating receipts and payments	1,624,178	-	20,763	59,392	1,704,333	-
Net cash provided by operating activities	4,016,328	358,301	7,590,226	759,284	12,724,139	160,189
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Transfer ins	-	-	160,634	-	160,634	-
Transfer outs	(1,964,340)	-	(3,512,690)	(1,265,143)	(6,742,173)	-
Other nonoperating revenues/expenses	307,568	-	744,971	199	1,052,738	3,457
Net cash provided (used) by noncapital financing activities	(1,656,772)	-	(2,607,085)	(1,264,944)	(5,528,801)	3,457
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Acquisition and construction of capital assets	(3,392,147)	(67,991)	(2,085,784)	(104,267)	(5,650,189)	(840,037)
Proceeds/costs on sale of assets	-	-	19,650	-	19,650	28,175
Capital contributions	449,645	-	318,398	75,161	843,204	-
Insurance recoveries	-	-	-	-	-	1,813
Collections on notes receivable	58,825	-	-	-	58,825	-
Loan/grant proceeds	-	-	-	361,816	361,816	-
Bond proceeds	2,125,040	-	5,315,209	-	7,440,249	-
Bond issuance costs	(22,804)	-	(57,043)	-	(79,847)	-
Principal paid bonds	(41,000)	(230,000)	(334,000)	-	(605,000)	-
Principal paid on other debt	(578,705)	(51,577)	(2,114,521)	(9,864)	(2,754,667)	-
Interest paid on bonds and other debt	(89,085)	(134,327)	(348,247)	(4,340)	(575,999)	-
Net cash provided (used) for capital and related financing activities	(1,490,231)	(483,895)	713,662	318,506	(941,958)	(810,049)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>						
Proceeds from repayment of loans	12,336	-	-	-	12,336	52,187
Net change in investments	365,378	73,122	(378,428)	112,667	172,739	433,511
Proceeds from special assessments	-	-	-	-	-	-
Issuance of interfund loans	-	-	-	-	-	(115,000)
Interest on loans and investments	14,362	1,485	17,118	8,724	41,689	29,184
Net cash provided (used) in investing activities	392,076	74,607	(361,310)	121,391	226,764	399,882
Net increase (decrease) in cash and cash equivalents	1,261,401	(50,987)	5,335,493	(65,763)	6,480,144	(246,521)
Cash and equivalents - beginning	2,147,850	163,274	1,852,448	864,231	5,027,803	3,637,492
Cash and equivalents - ending	\$ 3,409,251	\$ 112,287	\$ 7,187,941	\$ 798,468	\$ 11,507,947	\$ 3,390,971
Cash at the end of the year consists of:						
Operating fund cash	1,863,744	112,287	1,450,421	798,468	4,224,920	3,290,971
Restricted cash	1,545,507	-	5,737,520	-	7,283,027	100,000
Total cash at end of year	\$ 3,409,251	\$ 112,287	\$ 7,187,941	\$ 798,468	\$ 11,507,947	\$ 3,390,971

See accompanying notes to the financial statements.

**Statement of Cash Flows**  
**Proprietary Funds**  
**for the Year Ended December 31, 2014**

Page 2 of 2

	Business-type Activities Enterprise Funds					Governmental Activities
	Water	Golf Course	Wastewater	Nonmajor Enterprise Funds	Total	Internal Service Funds
<b>Reconciliation of operating income to net cash provided by operating activities:</b>						
Operating income (loss)	\$ 1,859,328	\$ 215,266	\$ 4,169,436	\$ 58,257	\$ 6,302,287	\$ (319,559)
Adjustments to reconcile operating income to net cash provided by operating activities:						
Depreciation	2,012,698	164,120	3,508,651	116,483	5,801,952	597,396
Abandonment of capital project	62,545	-	82,195	-	144,740	-
Decrease (increase) in receivables	(28,868)	-	48,246	552,175	571,553	(2,492)
Decrease (increase) in due from other funds/govt	-	(49,771)	-	52,495	2,724	11,643
Decrease (increase) in prepaid expenses	-	5,563	-	-	5,563	49,184
Decrease (increase) in inventory	5,158	-	(64,996)	-	(59,838)	(1,883)
Increase (decrease) in accounts payable	81,995	(11,160)	(231,433)	(30,300)	(190,898)	(55,095)
Increase (decrease) in due to other funds/govt	-	(5,593)	-	-	(5,593)	10,275
Increase (decrease) in employee wages payable	(14,910)	33,755	43,351	49,040	111,236	(928)
Increase (decrease) in employee leaves payable	28,278	-	34,776	(38,866)	24,188	2,169
Increase (decrease) in other payables	-	6,121	-	-	6,121	(130,521)
Increase (decrease) in revenues collected in advance	10,104	-	-	-	10,104	-
Net cash provided by operating activities	<u>\$ 4,016,328</u>	<u>\$ 358,301</u>	<u>\$ 7,590,226</u>	<u>\$ 759,284</u>	<u>\$ 12,724,139</u>	<u>\$ 160,189</u>
<b>Noncash investing, capital and financial activities</b>						
Developers contributed infrastructure	\$ 571,154	\$ -	\$ -	\$ -	\$ 571,154	\$ -

See accompanying notes to the financial statements.

**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**December 31, 2014**

	<b>Agency Funds</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 326,833
Total assets	<u>\$ 326,833</u>
 <b>Deferred outflows of resources</b>	 <u>\$ -</u>
 <b>Liabilities</b>	
Accounts/contracts payable	30,982
Other current liabilities	<u>295,851</u>
Total liabilities	<u>\$ 326,833</u>
 <b>Deferred outflows of resources</b>	 <u>\$ -</u>

See accompanying notes to the financial statements.

## **Notes to Financial Statements**

### **January 1, 2014 – December 31, 2014**

#### **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 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, and grants from other agencies and contributions from other funds.

Non-major 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 2014.

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, 2014, the City was holding \$8,007,454 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 2014 was \$5,200,066.

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 customers' accounts receivable which consist of amounts owed from private individuals or organizations for goods and services including amounts owed for which billings have not been prepared.

Special assessments are recorded when levied. Special assessments receivable consist of current and delinquent assessments and related interest and penalties. As of December 31, 2014, \$83,183 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 non-spendable category of fund balance. A comparison to market value is not considered necessary.

In proprietary funds, a perpetual inventory is maintained, in which the cost is capitalized when inventory items are purchased, and expensed when the item is consumed. Inventory is recorded by the FIFO (first in first out) method which approximates market value.

#### 6. Restricted Assets and Liabilities

These accounts contain resources for programs, construction, replacement, and debt service, 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 9, *Long-Term Debt*.

Restricted assets are composed of the following:

##### **Governmental type:**

Cash and investments - Construction	\$ 1,151,007
Cash and investments - HUD programs	217,867
Cash and investments - Public safety	730,628
Cash and investments - Public Television	114,157
Investments - Workers compensation	100,000
Cash and investments - Tourism promotion	152,287
Cash and investments - Debt Service	80,965
External receivables - Tourism promotion	25,062
External receivables - Construction	76,092
External receivables - Debt Service	28,945
Due from other governments - HUD	92,236
Due from other governments - Construction	304,584
Total governmental	<u>\$ 3,073,830</u>

##### **Business type:**

Investments - Debt service	\$ 2,415,921
Investments - Construction	5,860,971
Receivables - Debt service	234,877
Total business	<u>\$ 8,511,769</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 ineligible for retirement do not receive any compensation for unused sick leave. Employees that meet the eligibility criteria for service retirement may receive cash payouts of 35% of unused sick leave up to the maximum allowed based on the following:

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

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

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

#### 11. 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 9, *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:

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

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

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

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

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

	<b>General Fund</b>	<b>Other Funds</b>	<b>Total</b>
Fund balances:			
<b>Nonspendable:</b>			
Inventory	\$ 20,060	\$ -	\$ 20,060
<b>Restricted for:</b>			
Tourism promotion & facilities		177,349	\$ 177,349
Community development block grant		310,103	\$ 310,103
Public safety		730,628	\$ 730,628
Debt service		59,731	\$ 59,731
Capital projects	50,179	1,645,878	\$ 1,696,057
<b>Committed to:</b>			
Employee Wellness		5,110	5,110
Parks		85,999	85,999
Building Abatement		101,180	101,180
Public Access Television		368,165	368,165
Public safety		40,373	40,373
Public art		51,426	51,426
<b>Assigned to:</b>			
Street Operations		446,629	446,629
Tourism promotion & facilities		24,011	24,011
Parking System		326,424	326,424
Building Abatement		272,500	272,500
Court Improvement		4,717	4,717
Debt Service		159,386	159,386
Park Capital		133,075	133,075
Capital Improvements		560,407	560,407
<b>Unassigned:</b>	4,725,880		4,725,880
Total Fund Balances	\$ 4,796,119	\$ 5,503,091	\$ 10,299,210

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, 2014.

<b>Fund</b>	<b>Target Rate</b>	<b>Target Balance</b>	<b>Balance 12/31/2014</b>
General	8.5%	\$ 3,092,543	\$ 4,034,026
Water	12%	1,247,912	3,282,043
Wastewater	12%	1,818,999	3,493,912
Stormwater	12%	283,146	328,531
Golf Course	12%	489,207	263,222

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 12/31/14 the balance was \$677,340. The fund balance of this management fund is reported as part of the General Fund. The 2015 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 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	\$ 113,413,602
Net adjustment to increase fund balance - total governmental funds to arrive at net position of governmental activities	\$ 113,413,602

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	\$ 2,790,649
Investment interest accrued beyond the city's 30 day measurable and available period	14,460
Build America Bond subsidy beyond the city's 30 day measurable and available period	38,717
Deferred charge for bond issue costs	
Other post-employment benefits	(149,310)
Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$ 2,694,516</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	\$ 2,839,253
Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$ 2,839,253</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	\$ (30,015,000)
Less: Issuance premiums	(753,169)
Add: Deferred amount on refunding	1,044,966
Accrued interest payable	(238,736)
Compensated absences	(2,589,292)
Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$ (32,551,231)</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	\$ 6,028,569
Depreciation	(3,898,972)
Contributions of capital assets	240,549
Net adjustment to increase net change in fund balances - governmental funds to arrive at change in net position - governmental activities	<u>\$ 2,370,146</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	\$ 1,260,000
Unamortized debt issuance costs	(31,289)
Net adjustment to decrease net change in fund balances - governmental funds	
to arrive at change in net position of governmental activities	\$ 1,228,711

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	\$ 1,798
Change in deferred property taxes receivable	(142,573)
Change in court fines receivable	(13,103)
Change in block grant loans receivable	(167,099)
Change in parking/red light fines receivable	12,764
Change in BKAT contracts receivable	(46,000)
Change in Build America Bond subsidy receivable	(773)
Change in other post-employment benefits payable	(254,606)
Change in accrued interest payable	8,580
Change in compensated absences payable	(312,651)
Net adjustment to decrease net change in fund balances - governmental funds	
to arrive at change in net position of governmental funds	\$ (913,663)

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	\$ (86,205)
Net Revenue of employment security activities	97,235
Net Revenue of Accrued Leave activities	234,116
Net revenue of information technology activities	21,294
Net revenue of equipment maintenance activities	34,024
Net adjustment to decrease net change in fund balances - governmental funds	
to arrive at change in net position of governmental funds	\$ 300,464

### 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
<b>Cash &amp; Cash Equivalents</b>				
Washington State Local Government Inv. Pool	NR		\$ 14,551,105	
Cash on hand			5,521,997	
<b>Total Cash &amp; Cash Equivalents</b>			20,073,102	
<b>Investments</b>				
US Agency securities				
Federal National Mortgage Assn	AA		1,983,100	12%
Federal Farm Credit Banks	AA		2,001,920	12%
Federal Home Loan Bank	AA		3,997,800	23%
Federal Home Loan Mortgage Corp	AA		5,092,140	30%
US Treasury	AA		3,983,600	23%
<b>Total Investments</b>			17,058,560	
<b>Total Cash &amp; Investments</b>			37,131,662	

*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 12/31/14 the portfolio was in compliance with this 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 2014, the Kitsap Regional Library District levied \$0.40 per \$1,000 of assessed valuation, and therefore the City's maximum levy rate is \$3.20 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 2014 was \$2.95 per \$1,000 on an assessed valuation of \$2.293 billion, for a total regular levy of \$6,764,817.

Special levies, approved by the voters are not subject to the above limitations. In 2014, the City levied an additional \$0.90 per \$1,000 for General Obligation Bonds and Emergency Medical Services, for a total additional levy of \$2,044,139.

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, 2014, was as follows:

	Beginning Balance 1/1/2014	Increases	Decreases	Ending Balance 12/31/2014
<b>Governmental Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 20,402,410	\$ -	\$ -	\$ 20,402,410
Construction in progress	4,298,236	6,028,570	5,289,376	5,037,430
Intangibles	-	4,500	-	4,500
Total capital assets, not being depreciated	24,700,646	6,033,070	5,289,376	25,444,340
Capital assets, being depreciated:				
Buildings/building improvements	63,542,467	621,603	-	64,164,070
Improvements other than buildings	20,042,822	2,005,795	1,144,030	20,904,587
Machinery and equipment	9,234,217	89,963	426,873	8,897,307
Infrastructure	41,869,770	4,343,074	-	46,212,844
Total capital assets, being depreciated	134,689,276	7,060,435	1,570,903	140,178,808
Less accumulated depreciation for:				
Buildings/buildings improvements	11,815,077	1,309,968	-	13,125,045
Improvements other than buildings	9,873,530	743,917	-	10,617,447
Machinery and equipment	6,171,799	399,549	35,892	6,535,456
Infrastructure	20,484,407	1,447,191	-	21,931,598
Total accumulated depreciation	48,344,813	3,900,625	35,892	52,209,546
Total capital assets, being depreciated, net	86,344,463	3,159,810	1,535,011	87,969,262
Governmental activities capital assets, net	\$ 111,045,109	\$ 9,192,880	\$ 6,824,387	\$ 113,413,602

<b>Business-type Activities</b>	<b>Beginning Balance 1/1/2014</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance 12/31/2014</b>
Capital assets, not being depreciated:				
Land	\$ 9,116,693	\$ 160,636	\$ -	\$ 9,277,329
Construction in progress	3,013,357	6,014,146	4,994,882	4,032,620
Intangibles	7,500	3,256	-	10,756
Total capital assets, not being depreciated	12,137,550	6,178,038	- 4,994,882	13,320,705
Capital assets, being depreciated:				
Buildings/building improvements	54,471,375	168,976	-	54,640,351
Intangibles	439,409	14,209	-	453,618
Improvements other than buildings	139,649,115	3,518,795	294,984	142,872,926
Machinery and equipment	58,708,680	2,295,862	750,267	60,254,275
Total capital assets, being depreciated	253,268,580	5,997,842	1,045,251	258,221,171
Less accumulated depreciation for:				
Buildings/buildings improvements	20,456,222	1,038,036	-	21,494,258
Intangibles	277,571	10,874	414	288,031
Improvements other than buildings	43,850,752	2,709,665	263,243	46,297,174
Machinery and equipment	26,174,144	2,585,821	643,268	28,116,697
Total accumulated depreciation	90,758,689	6,344,396	906,925	96,196,160
Total capital assets, being depreciated, net	162,509,891	(346,554)	138,326	162,025,011
Business-type activities Capital assets, net	\$ 174,647,441	\$ 5,831,484	\$ 5,133,208	\$ 175,345,716

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

#### **Governmental Activities:**

General government	\$ 218,033
Public safety	495,781
Transportation, including depreciation of general infrastructure assets	1,588,863
Economic environment	348
Culture and recreation	1,595,947
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	1,653
Total depreciation expense - Governmental activities	<u>\$ 3,900,625</u>

#### **Business-type activities:**

Water	\$ 2,012,698
Wastewater	3,508,651
Stormwater	116,483
Golf	164,120
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	597,396
Total depreciation expense - Business-type activities	<u>\$ 6,399,348</u>

## 6. Construction Commitments

At December 31, 2014, the City had several construction projects underway. The following table contains the projects and status at year end.

<b>Project</b>	<b>Spent to Date</b>	<b>Remaining Commitment</b>
Chemical Resistant Building	-	13,340
Water System Scada Lifecycle Upgrade	119,816	488,183
LWW Bridge to Bridge	2,530,073	815,569
Washington Ave Sidewalk Connector	23,788	3,173,667
Burwell Tunnel	9,814	212,428
	<u>\$ 2,683,491</u>	<u>\$ 4,703,187</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 2014, the TBD received total collections from vehicle license fees of \$444,012.10. \$742,003 was expended in 2014 on projects authorized by the board. 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 website at [BremertonWA.gov](http://BremertonWA.gov).

## 8. Pension Plans

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

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

#### Plan Description

The Legislature established PERS in 1947. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts; 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	85,328
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	31,047
Active Plan Members Vested	150,706
Active Plan Members Nonvested	101,191
<b>Total</b>	<b>368,272</b>

#### Funding Policy

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

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 payrolls, as of December 31, 2014, are as follows:

#### Members Not Participating in JBM:

	<b>PERS Plan 1</b>	<b>PERS Plan 2</b>	<b>PERS Plan 3</b>
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:

	<b>PERS Plan 1</b>	<b>PERS Plan 2</b>	<b>PERS Plan 3</b>
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:

	<b>PERS Plan 1</b>	<b>PERS Plan 2</b>	<b>PERS Plan 3</b>
2014	\$ 61,808	\$ 1,026,887	\$ 118,095
2013	\$ 60,423	\$ 886,733	\$ 110,633
2012	\$ 57,198	\$ 771,999	\$ 102,682



## 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	10,511
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	699
Active Plan Members Vested	16,830
Active Plan Members Nonvested	1,600
<b>Total</b>	<b>29,640</b>

### Funding Policy

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

The Legislature, by means of a special funding arrangement, appropriated money from the state General Fund to supplement the current service liability and fund the prior service costs of LEOFF Plan 2 in accordance with the recommendations of the

Pension Funding Council and the LEOFF Plan 2 Retirement Board. However, this special funding situation is not mandated by the state constitution and this funding requirement could be returned to the employers by a change of statute. For DRS' fiscal year 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 payrolls, as of December 31, 2014, 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
2014	\$ 217	\$ 573,936
2013	\$ 357	\$ 555,943
2012	\$ 545	\$ 549,928

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

### Plan Description

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

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

PSERS membership includes:

- 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	43
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	119
Active Plan Members Vested	4,513
Active Plan Members Nonvested	1,383
<b>Total</b>	<b>6,058</b>

#### Funding Policy

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

The required contribution rates expressed as a percentage of current-year covered payrolls, 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
2014	\$ 12,964
2013	\$ 11,719
2012	\$ 10,667

## 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 2014 insurance coverage and risk retention:

Risk	Coverage Limit Per Occurrence	Self-Insured Retention	Insurer
Excess liability	\$10,000,000	\$500,000	Lexington Insurance Company
Excess workers' compensation	Statutory	500,000	Midwest Employers Casualty Company
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, 2014, the Risk Management Fund had cash and investment reserves of \$2,292,668. 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 \$708,923. 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 \$290,076.

The following table shows the actual claims activity for 2013 and 2014:

	2013	2014
Claims liability - beginning of year	\$ 948,597	\$ 1,096,472
Claims incurred	296,185	413,780
Estimate change prior years	143,699	(271,143)
Payment on claims	(292,009)	(240,110)
Claims liability - end of year	<u>\$ 1,096,472</u>	<u>\$ 998,999</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 12/31/2014
2010 LTGO BABS	09/01/35	3.61	\$ 6,140,000
2010 UTGO Refunding	12/01/27	3.07	8,705,000
2010 LTGO (B) BABS	12/01/30	3.42	2,020,000
2012 LTGO Refunding - Govt Center	12/31/21	4.00	4,905,000
2013 LTGOA Refunding - Conf Ctr Pkg	12/01/36	3.01	8,245,000
2013 LTGOB Refunding - Golf Course	12/01/28	3.01	4,755,000
Total General Obligation Bonds and Notes			\$ 34,770,000

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

Year Ending December 31	Governmental Activities		Business Activities	
	Principal	Interest	Principal	Interest
2015	1,255,000	1,293,596	245,000	131,003
2016	1,310,000	1,259,207	285,000	128,920
2017	1,340,000	1,221,322	300,000	125,785
2018	1,390,000	1,178,063	315,000	121,585
2019-2023	7,670,000	5,092,446	1,665,000	505,135
2024-2028	8,435,000	3,207,736	1,945,000	228,975
2029-2033	5,860,000	1,397,362		
2034-2038	2,755,000	208,299		
Total	\$ 30,015,000	\$ 14,858,031	\$ 4,755,000	\$ 1,241,403

Revenue bonds and loans currently outstanding are as follows:

	Maturity Date	Interest Rate	Outstanding 12/31/2014
1995 PWTF Loan WWTP improvements	07/01/15	1.0	185,234
1996 PWTF Loan Callow Ave CSO I	07/01/16	1.0	302,890
1997 PWTF Loan Callow Ave CSO II	07/01/17	1.0	105,756
1998 PWTF Loan SR 303 water main	07/01/18	1.0	663,158
1999 PWTF Loan Tracyton water sys ph2	07/01/19	2.0	49,537
1999 PWTF Loan CSO design	07/01/20	1.0	243,962
2000 PWTF Loan Multi-Basin CSO	07/01/20	1.0	895,955
2000 PWTF Loan Callow CSO 3-5	07/01/20	1.0	1,340,577
2001 PWTF Loan East Bremerton CSO	07/01/21	0.5	1,108,333
2003 PWTF Loan Anderson Cove Basin 12	07/01/23	0.5	259,641
2003 PWTF Loan Naval Avenue	07/01/23	4.0	118,421
2004 PWTF Loan Brentwood storm drain red	07/01/24	4.0	98,642
2004 PWTF Loan Pacific Ave Basin CSO	07/01/24	0.5	699,773

2006 P WTF Loan WWTP upgrade	07/01/25	0.5	2,118,485
2007 P WTF Anderson Cove sewer PS CW1	07/01/27	0.5	461,842
2007 P WTF WWTP upgrades	07/01/27	0.5	117,397
1994 CCWF Loan Callow Ave CSO design	05/01/17	0.0	93,177
1997 CCWF Loan Callow Ave CSO I	07/31/18	4.8	754,802
1998 DWSRF Loan corrosion control facility	10/01/18	4.0	220,067
2009 DWSRF UV Treatment Upgrade (ARRA)	10/01/17	0.0	24,841
2001 DWSRF Loan Tracyton WD upgrade	10/01/21	2.5	977,076
2002 DWSRF Loan Eastside flow & pressure	10/01/22	2.5	488,162
2002 DWSRF Loan Casad Dam seismic upgrade	10/01/22	2.5	314,206
2003 DWSRF Loan Casad Dam intake tower	10/01/23	1.5	39,608
2003 DWSRF Loan Pump Station 4 upgrade	10/01/23	1.5	518,501
2004 DWSRF Loan Anderson Creek	10/01/24	1.5	53,818
2004 DWSRF Loan seismic upgrades	10/01/24	1.5	282,983
1999 WPCRF Loan CSO plan update	12/31/22	1.5	112,189
1999 WPCRF Loan Anderson Cove CSO	02/27/21	1.5	351,438
1999 WPCRF Loan Callow Ave CSO final	12/31/22	1.5	259,457
2002 WPCRF Loan Anderson CV CSO red	01/23/22	1.5	268,471
2002 WPCRF Loan Cherry/Trenton CSO red	10/15/24	1.5	563,265
2002 WPCRF Loan Trenton pump station	10/15/24	1.5	562,900
2002 WPCRF Loan Tracyton Beach CSO	12/31/25	1.5	342,993
2002 WPCRF Loan Anderson Cove Basin 12	12/31/26	1.5	167,509
2003 WPCRF Pacific Ave CSO red-sep	06/30/24	1.5	184,975
2003 WPCRF Loan Pacific Ave CSO reduction	12/31/27	1.5	737,824
2004 WPCRF Loan Cherry/Trenton CSO red-1	12/31/26	1.5	715,287
2007 WPCRF WWTP upgrade	01/01/29	2.6	496,370
2009 WPCRF Gorst Sewerage Constuction	12/31/30	1.4	505,500
2009 WPCRF Gorst Septic System Design	12/31/30	2.9	98,280
2009 WPCRF Gorst Sewerage Design	12/31/30	1.4	486,974
2013 WPCRF Gorst Sewerage Constuction	12/31/32	1.4	49,944
2007 W/S Refunding Revenue bond	12/01/21	4.3	2,835,000
2014 W/S Revenue Bond	12/01/34	3.9	6,880,000
Total revenue bonds and loans			28,155,220

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

Year Ending December 31	Governmental Activities		Business Activities	
	Principal	Interest	Principal	Interest
2015	\$ -	\$ -	\$ 3,154,119	\$ 684,741
2016	-	-	3,010,038	577,614
2017	-	-	2,869,228	516,827
2018	-	-	2,857,592	456,052
2019	-	-	2,467,462	396,555
2020-2024	-	-	8,023,887	1,328,041
2025-2029	-	-	3,452,358	727,851
2030-2034	-	-	2,320,536	276,119
Total	\$ -	\$ -	\$ 28,155,220	\$ 4,963,800



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, 2014, the city has \$219,117 available in debt service funds to service the general bonded debt. Restricted assets in proprietary funds contain \$1,733,240 in sinking funds and reserves as required by bond indentures.

## B. Refunded Debt

In prior years, the City defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for defeased bonds are not included in the City's financial statements. At December 31, 2014, \$8,410,000 of bonds outstanding are considered defeased.

## 11. Changes in Long Term Liabilities

During the year ended December 31, 2014, the following changes occurred in long-term liabilities:

	Beginning Balance 1/1/2014	Additions	Reductions	Ending Balance 12/31/2014	Due Within One Year
<b>Governmental Activities:</b>					
Bonds payable:					
General obligation bonds	\$ 31,240,000	\$ -	\$ 1,260,000	\$ 30,015,000	\$ 1,255,000
Notes Payable	35,000	-	35,000	-	-
Add unamortized premiums	796,739	-	43,569	753,170	43,569
Total bonds payable:	32,071,739	-	1,338,569	30,768,170	1,298,569
Claims and judgments	1,096,472	413,780	511,253	998,999	290,076
Compensated absences	2,343,175	2,361,394	2,042,718	2,661,851	2,320,604
Other Post Employment Benefits	(105,296)	1,515,169	1,260,563	149,310	149,310
Governmental activity long-term liabilities:	\$ 35,406,090	\$ 4,290,343	\$ 5,153,103	\$ 34,578,330	\$ 4,058,559
<b>Business-type Activities:</b>					
Bonds payable:					
General obligation bonds	\$ 4,985,000	\$ -	\$ 230,000	\$ 4,755,000	\$ 245,000
Revenue bonds	3,210,000	6,880,000	375,000	9,715,000	595,000
Add unamortized premiums	520,249	-	4,649	515,600	4,649
Total bonds payable:	8,715,249	6,880,000	609,649	14,985,600	844,649
Intergovernmental loans	21,143,310	-	2,703,090	18,440,220	2,559,119
Compensated Absences	513,673	470,190	378,492	605,371	446,037
Business-type activity long-term liabilities:	\$ 30,372,231	\$ 7,350,190	\$ 3,691,231	\$ 34,031,190	\$ 3,849,805



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 \$998,999 of Risk Management claims and judgments and \$72,559 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, 2014, there were a small number of claims for damages and lawsuits pending against the City. In the opinion of the City's legal counsel, neither the potential liability for any single claim or lawsuit, nor the aggregate potential liability arising from all actions currently pending would materially affect the financial condition of the City.

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

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

## 13. Restricted Net Position

The government-wide statement of net position reports \$11,369,275 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, 2014, were as follows:

		Due From							Total
		General Fund	Other Govt	Water	Waste-Water	Golf	Other Proprietary	Internal Service	
Due To	General Fund	\$ -	\$ 120,085	\$ 151,120	\$ 216,662	\$ -	\$ 19,122	\$ 5,851	\$ 512,840
	Other governmental funds	2,232	47,493	5,919	83,819	-	44,619	121	184,203
	Water	104,518	-	-	-	-	-	-	104,518
	Wastewater	-	167	-	-	-	-	292	459
	Other proprietary funds	62,269	77,171	-	-	-	-	-	139,440
	Internal Service	24,342	1,887	4,348	3,342	53,220	1,338	5,922	94,399
Total		\$ 193,361	\$ 246,803	\$ 161,387	\$ 303,823	\$ 53,220	\$ 65,079	\$ 12,186	\$ 1,035,859

Interfund balances at year end were a result of outstanding interfund loans as well as amounts due for services provided between funds. Amounts due for services will be liquidated early in 2014. Interfund loans are approved by City Council Resolution and include a repayment date. The following schedule is a summary of loans outstanding at year end including the year of final payment.

			Loaned To		
Loaned From	Purpose	Yr of final Payment	General Fund	Golf Course	Total
Water	Park Land	2025	\$ 139,161	\$ -	139,161
Internal service	Equipment purchase	2016	-	157,536	157,536
Internal service	Conference Ctr Exp	2020	500,000	-	500,000
Total			\$ 639,161	\$ 157,536	\$ 796,697

**B. Interfund Transfers**

Interfund transfers at December 31, 2014 were as follows:

Transfer To	Transfer From					
	General Fund	Other Govt	Water	Waste-Water	Other Proprietary	Total
General Fund	\$ -	\$ -	\$ 1,366,011	\$ 2,748,534	\$ 130,274	\$ 4,244,819
Other governmental funds	355,000	1,076,679	500,348	636,230	1,035,556	3,603,814
Internal Service	-	-	-	131,973	-	131,973
Total	\$ 355,000	\$ 1,076,679	\$ 1,866,360	\$ 3,516,737	\$ 1,165,830	\$ 7,980,606

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

Significant transfers during 2014 were as follows:

A total of \$1,414,677 was transferred into the Lower Wheaton Way Construction capital project fund from the Water (\$93,398), Wastewater (\$383,861) Stormwater (\$687,418) and TBD (\$250,000) funds. The transfers were to fund the City's portion of the reconstruction of the roadway and utilities on Lower Wheaton Way.

A total of \$295,000 was transferred into the Washington Ave. Connector capital project fund from the Water (\$50,000), Wastewater (\$200,000) and Stormwater (\$45,000) funds. The transfers were to fund the City's portion of the reconstruction of the roadway and utilities on Washington Avenue between 5<sup>th</sup> Street and the Manette Bridge.

\$4,952,662 was transferred from the City's three utilities to the General (\$4,250,212) and Street (\$343,131) funds for the payment in lieu of taxes levied on those funds. The transfers were from the Water (\$1,722,962), Wastewater (\$2,750,903) and Stormwater (\$376,536) proprietary funds.

## 15. Receivable and Payable Balances

### A. Receivables

Receivables at December 31, 2014 were as follows:

	Accounts	Taxes	Special Assessments	Notes Contracts	Other	Total
<b>Governmental Activities:</b>						
General Fund	\$ 1,720,210	\$ 2,035,207	\$ -	\$ 42,677	\$ -	\$ 3,798,094
Non-major and other funds	223,083	306,381	-	96,544	-	626,008
Reconciliation of balances in fund financial statements to government-wide financial statements	2,492	-	-	695,820	19,557	717,869
Total governmental activities	\$ 1,945,785	\$ 2,341,588	\$ -	\$ 835,041	\$ 19,557	\$ 5,141,971
<b>Business-Type Activities:</b>						
Water	\$ 1,651,820	\$ -	\$ 234,877	\$ 481,893	\$ 6,467	\$ 2,375,057
Golf	-	-	-	-	378	378
Wastewater	2,450,062	-	-	1,063	7,314	2,458,439
Other Proprietary Funds	483,796	-	-	-	2,688	486,484
Reconciliation of balances in fund financial statements to government-wide financial statements	-	-	-	-	6,320	6,320
Total business-type activities	\$ 4,585,678	\$ -	\$ 234,877	\$ 482,956	\$ 23,167	\$ 5,326,678

### B. Payables

Accounts Payable and other current liabilities at December 31, 2014 were as follows:

	Vendors	Retainage	Accrued Interest	Total
<b>Governmental Activities:</b>				
General Fund	\$ 723,160	\$ -	\$ -	\$ 723,160
Non-major and other funds	1,400,243	68,303	-	\$ 1,468,546
Reconciliation of balances in fund financial statements to government- wide financial statements	71,759	-	238,736	310,495
Total governmental activities	\$ 2,195,162	\$ 68,303	\$ 238,736	\$ 2,502,201
<b>Business-Type Activities:</b>				
Water	\$ 320,888	\$ 48,217	\$ -	\$ 369,105
Golf	101,088	-	\$ -	101,088
Wastewater	169,416	67,296	-	236,712
Other Proprietary funds	35,551	18,935	-	54,486
Reconciliation of balances in fund financial statements to government- wide financial statements	189	-	-	189
Total business-type activities	\$ 627,132	\$ 134,448	\$ -	\$ 761,580

## 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 \$149,310 is included as a noncurrent liability on the Statement of Net Position.

	Fiscal Year Ending 12/31/14
<b>Determination of Annual Required Contribution:</b>	
Annual Normal Cost	\$ 1,492,940
Interest on Amortization Payment	(11,498)
Annual Required Contribution (ARC)	<u>\$ 1,481,442</u>
<b>Determination of NET OPEB Obligation:</b>	
Annual Required Contribution	\$ 1,481,442
Adjustment to ARC	33,727
Annual OPEB Cost	<u>\$ 1,515,169</u>
Contributions	(1,260,563)
Change in Net OPEB Obligations	<u>\$ 254,606</u>
Net OPEB Obligations - beginning of year	\$ (105,296)
Net OPEB Obligations - end of year	<u>\$ 149,310</u>

\* Unfunded Actuarial Accrued Liability (UAAL)

The City's OPEB cost, the percentage OPEB cost contributed to the plan and the net OPEB Assets for 2014 and the preceding three years, was as follows:

<b>Fiscal year Ended</b>	<b>Annual OPEB Cost</b>	<b>Contribution as a Percentage of OPEB Cost</b>	<b>Net OPEB Obligation</b>
12/31/2010	\$ 1,366,185	105.61%	\$ (357,107)
12/31/2011	\$ 1,366,185	104.22%	\$ (414,716)
12/31/2012	\$ 1,515,169	102.17%	\$ (382,547)
12/31/2013	\$ 1,515,169	122.40%	\$ (105,296)
12/31/2014	\$ 1,515,169	120.20%	\$ 149,310

#### 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, 2014 was 12 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, 2014, for the combined utility operations are as follows:

### Condensed Statement of Net Position

#### Assets

Current assets	\$ 16,046,198
Restricted assets	8,511,769
Capital assets	164,533,211
Other assets	368,028
Total assets	<u>189,459,206</u>

#### Liabilities

Current liabilities	4,756,964
Due to other funds	530,289
Payable from restricted assets	40,143
Long-term liabilities	<u>25,676,034</u>
Total liabilities	<u>31,003,430</u>

#### Net Position

Restricted for debt service	1,930,465
Restricted for capital replacement	5,552,523
Unrestricted	9,037,635
Net investment in capital assets	<u>141,935,153</u>
Total net position	<u><u>\$ 158,455,776</u></u>

### Condensed Statement of Revenues, Expenses and Changes in Net Position

Total operating revenues	\$ 27,169,551
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#### Operating Expenditures:

Operations & maintenance	15,444,698
Depreciation/amortization/depletion	<u>5,637,832</u>
Total operating expenses	<u>21,082,530</u>

Operating income(loss)	6,087,021
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#### Non-Operating Revenues/Expenses

Interest revenue/expense (net)	(382,292)
Other (net)	<u>443,296</u>
Total non-operating revenues/expenses	<u>61,004</u>

Capital contributions	1,386,750
Transfers	(6,548,927)

Change in net position	985,848
Beginning net position	156,817,566
Prior period adjustment	<u>652,362</u>
Ending net position	<u><u>\$ 158,455,776</u></u>

### Condensed Statement of Cash Flows

#### Net cash provided By:

(a) Operating activities	\$ 12,365,838
(b) Noncapital financing activities	(5,528,801)
(c) Capital and related financing activities	(458,063)
(d) Investing activities	152,157
Beginning cash and equivalents balance	<u>4,864,529</u>
Ending cash and equivalents balance	<u><u>\$ 11,395,660</u></u>

## 18. Prior Period Adjustments

The Government wide and proprietary fund statements reflect prior period adjustments of (\$173,576) and \$613,678 respectively.

	<u>Reason for prior period adjustment</u>	<u>Fund Statements</u>	<u>Government Wide</u>
General Fund	Adjustment to 2013 payment in lieu of tax	23,863	
Other Governmental Funds			
Conference Center Expansion	Contribution to Conference Center upgrade project reported as an expense reimbursement in 2013	49,341	
<b>Total Governmental Funds</b>		<b>73,204</b>	<b>73,204</b>
Risk Management	Adjustment to 2013 workers compensation claims liability	(173,576)	
<b>Total Internal Service Funds</b>		<b>\$ (173,576)</b>	<b>\$ (173,576)</b>
<b>Total Governmental Activities</b>			<b>(100,372)</b>
Water	Adjustment to 2013 payment in lieu of tax	(23,863)	
Golf	Inventory and capital purchases reported as expenses in 2013	61,688	
Wastewater	Excise Tax refund resulting from contracted review	677,680	
Nonmajor Enterprise Funds			
Stormwater Fund	Additional excise tax due resulting from a review of 2013 activity	(1,455)	
<b>Total Proprietary Funds</b>		<b>\$ 714,050</b>	
<b>Total Business-Type Activities</b>			<b>\$ 714,050</b>
<b>Government-wide adjustments</b>			<b>\$ 613,678</b>

## 19. Significant Events

The City of Bremerton and the Port of Bremerton entered into an interlocal agreement on December 17, 2014 that reduced the Port's stormwater charges to 12.5% of the Cities approved stormwater rate and stated the amounts previously billed above the new rate would be forgiven. The amount outstanding in the Stormwater fund was \$785,123. The City wrote off the balance effective December 2014.

**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
12/31/2012	\$	- \$	16,191,238 \$	0.0%	\$ 461,567	3500.00%
12/31/2013	\$	- \$	21,632,822 \$	0.0%	\$ 214,934	10100.00%
12/31/2014	\$	- \$	17,942,584 \$	0.0%	\$ 179,183	10000.00%



**Combining Balance Sheet  
NonMajor Governmental Funds  
December 31, 2014**

Special Revenue										
	Arterial Street	Street	Lodging Tax	Parking System	Community Block Grant	Abatement Revolving	Police Special Projects	BKAT	Gift & Donation	
<b>ASSETS and OUTFLOWS of RESOURCES</b>										
Cash and cash equivalents	\$ 117,863	\$ 214,082	\$ 82,245	\$ 105,292	\$ 265,051	\$ 159,406	\$ 295,239	\$ 210,060	\$ 56,107	
Investments	158,431	287,767	110,553	141,532	-	214,274	396,858	282,361	75,418	
Receivables	-	152,315	25,062	312,019	-	-	-	-	-	
Due from other funds	38	181,933	-	-	-	-	-	-	-	
Due from other governments	-	-	-	-	92,236	-	-	-	-	
Other assets	-	-	-	-	649,820	-	-	46,000	-	
Total assets	276,332	836,097	217,860	558,843	1,007,107	373,680	692,097	538,421	131,525	
Deferred outflows of resources	-	-	-	-	-	-	-	-	-	
Total assets and deferred outflows of resources	276,332	836,097	217,860	558,843	1,007,107	373,680	692,097	538,421	131,525	
<b>LIABILITIES, INFLOWS of RESOURCES and FUND BALANCES</b>										
Liabilities:										
Accounts/contracts payable	\$ 76	\$ 71,146	\$ 16,500	\$ 20,180	\$ 43,067	\$ -	\$ 38,562	\$ 1,471	\$ 43	
Due to other funds	-	198,687	-	309	75	-	-	197	-	
Employee wages payable	-	43,629	-	-	4,042	-	-	8,386	-	
Other current liabilities	15,000	43	-	-	-	-	-	45	-	
Unearned revenue	-	-	-	211,930	649,820	-	-	46,000	-	
Total liabilities	15,076	313,505	16,500	232,419	697,004	-	38,562	56,099	43	
Deferred Inflows of Resources	-	-	-	-	-	-	-	-	-	
Fund balances:										
Nonspendable	\$ -	\$ -	177,349	-	310,103	-	\$ 653,535	\$ 114,157	\$ -	
Restricted	261,256	75,964	-	-	-	101,180	-	368,165	131,482	
Committed	-	-	-	-	-	272,500	-	-	-	
Assigned	-	446,638	24,011	326,424	-	-	-	-	-	
Total fund balances	261,256	522,592	201,360	326,424	310,103	373,680	653,535	482,322	131,482	
Total liabilities and fund balances	276,332	836,097	217,860	558,843	1,007,107	373,680	692,097	538,421	131,525	

See accompanying notes to the financial statements.

Combining Balance Sheet  
NonMajor Governmental Funds  
December 31, 2014

	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
ASSETS and OUTFLOWS of RESOURCES									
Cash and cash equivalents	\$ 34,899	\$ 21,937	\$ 279,456	\$ 1,841,637	\$ -	\$ 39,666	\$ 33,296	\$ 2,516	\$ 75,478
Investments	46,911	29,489	-	1,743,594	-	53,319	44,757	3,382	101,458
Receivables	-	-	34,294	523,690	-	31,575	28,945	-	60,520
Due from other funds	-	-	-	181,971	-	2,178	-	-	2,178
Due from other governments	-	-	-	92,236	-	-	-	-	-
Other assets	-	-	-	695,820	-	-	-	-	-
Total assets	81,810	51,426	313,750	5,078,948	-	126,738	106,998	5,898	239,634
Deferred outflows of resources	-	-	-	-	-	-	-	-	-
Total assets and deferred outflows of resources	\$ 81,810	\$ 51,426	\$ 313,750	\$ 5,078,948	\$ -	\$ 126,738	\$ 106,998	\$ 5,898	\$ 239,634
LIABILITIES, INFLOWS of RESOURCES and FUND BALANCES									
Liabilities:									
Accounts/contracts payable	\$ -	\$ -	\$ -	\$ 191,045	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	47,455	246,723	-	-	-	-	-
Employee wages payable	-	-	-	56,057	-	-	-	-	-
Other current liabilities	-	-	-	15,088	-	-	-	-	-
Unearned revenue	-	-	-	907,750	-	-	20,517	-	20,517
Total liabilities	-	-	47,455	1,416,663	-	-	20,517	-	20,517
Deferred Inflows of Resources	-	-	-	-	-	-	-	-	-
Fund balances:									
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	77,093	-	266,295	1,935,752	-	-	59,731	-	59,731
Committed	-	51,426	-	652,253	-	-	-	-	-
Assigned	4,717	-	-	1,074,280	-	126,738	26,750	5,898	159,386
Total fund balances	81,810	51,426	266,295	3,662,285	-	126,738	86,481	5,898	219,117
Total liabilities and fund balances	\$ 81,810	\$ 51,426	\$ 313,750	\$ 5,078,948	\$ -	\$ 126,738	\$ 106,998	\$ 5,898	\$ 239,634

See accompanying notes to the financial statements.

**Combining Balance Sheet  
NonMajor Governmental Funds  
December 31, 2014**

	Capital Projects								Total Nonmajor Governmental Funds
	Park Phase II	General Govt Cap Impr	Parks Construction	Lower Wheaton Way	Pacific Ave. Construct.	Conference Center Expansion	Washington Avenue Connector	Total Capital Projects	
<b>ASSETS and OUTFLOWS of RESOURCES</b>									
Cash and cash equivalents	\$ -	\$ 260,700	\$ 178,167	\$ 243,361	\$ 80,502	\$ 8,630	\$ 69,259	\$ 840,619	2,757,734
Investments	-	350,432	239,492	327,124	108,210	11,600	93,098	1,129,956	2,975,008
Receivables	-	41,798	-	-	-	-	-	41,798	626,008
Due from other funds	-	-	-	-	-	54	-	54	184,203
Due from other governments	-	-	-	618,574	50,049	-	213,531	890,291	982,527
Other assets	-	-	-	-	-	-	-	-	695,820
Total assets	-	652,930	425,796	1,189,059	238,761	20,284	375,888	2,902,718	8,221,300
Deferred outflows of resources	-	-	-	-	-	-	-	-	-
Total assets and deferred outflows of resources	-	652,930	425,796	1,189,059	238,761	20,284	375,888	2,902,718	8,221,300
<b>LIABILITIES, INFLOWS of RESOURCES and FUND BALANCES</b>									
Liabilities:									
Accounts/contracts payable	\$ -	\$ -	\$ 292,721	\$ 661,747	\$ 124,013	\$ 20,284	\$ 178,736	\$ 1,277,501	1,468,546
Due to other funds	-	-	-	80	-	-	-	80	246,803
Employee wages payable	-	-	-	3,448	-	-	-	3,448	59,505
Other current liabilities	-	-	-	-	-	-	-	-	15,088
Unearned revenue	-	-	-	-	-	-	-	-	928,267
Total liabilities	-	-	292,721	665,275	124,013	20,284	178,736	1,281,029	2,718,209
Deferred Inflows of Resources	-	-	-	-	-	-	-	-	-
Fund balances:									
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
Restricted	-	623,622	-	304,584	-	-	-	928,206	2,923,689
Committed	-	-	-	-	-	-	-	-	652,253
Assigned	-	29,308	133,075	219,200	114,748	-	197,152	693,483	1,927,149
Total fund balances	-	652,930	133,075	523,784	114,748	-	197,152	1,621,689	5,503,091
Total liabilities and fund balances	\$ -	\$ 652,930	\$ 425,796	\$ 1,189,059	\$ 238,761	\$ 20,284	\$ 375,888	\$ 2,902,718	8,221,300

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, 2014**

1 of 3

Special Revenue									
	Arterial Street	Street	Lodging Tax	Parking	Community Block Grant	Abatement Revolving	Police Special Projects	BKAT	Gift & Donation
<b>REVENUES</b>									
Taxes									
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales	-	-	434,002	-	-	-	-	-	-
Other	-	547,288	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	281,595	-
Intergovernmental	-	1,141,686	-	-	610,571	-	-	-	-
Charges for services	7,229	93,454	-	-	61,116	20,138	-	121,361	-
Fines and forfeitures	-	-	-	175,149	-	136,987	25,147	-	-
Miscellaneous	1,055	31,791	236	1,207,945	6,058	1,541	323,959	67,005	56,269
Total revenues	\$ 8,284	\$ 1,814,219	\$ 434,238	\$ 1,383,094	\$ 677,745	\$ 158,666	\$ 349,106	\$ 469,961	\$ 56,269
<b>EXPENDITURES</b>									
Current:									
General government	\$ -	\$ 122,350	\$ -	\$ -	\$ 113,115	\$ -	\$ -	\$ -	\$ 2,200
Public safety	-	-	-	-	-	46,549	287,709	-	4,245
Transportation	-	2,432,747	-	779,722	-	-	-	-	265
Economic environment	-	-	71,000	-	169,828	-	-	-	-
Mental/physical health	-	-	-	-	201,235	-	-	-	-
Culture and recreation	-	36,364	150,000	-	-	-	-	297,711	-
Debt service:									
Principal	-	-	-	-	-	-	-	-	-
Interest and other debt issue costs	-	-	-	190,000	-	-	-	-	-
Capital outlay	-	-	-	285,007	-	-	-	-	-
	7,267	60,254	-	-	-	-	21,271	-	-
Total expenditures	\$ 7,267	\$ 2,651,715	\$ 221,000	\$ 1,254,729	\$ 484,178	\$ 46,549	\$ 308,980	\$ 297,711	\$ 6,710
Excess (deficiency) of revenues over expenditures	1,017	(837,496)	213,238	128,365	193,567	112,117	40,126	172,250	49,559
<b>OTHER FINANCING SOURCES (USES)</b>									
Capital asset donations & disposal	\$ -	\$ 38,256.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Insurance recoveries	-	8,133	-	-	-	-	-	-	-
Transfers in	-	1,077,347	-	-	30,000	-	-	-	-
Transfers out	-	-	(155,000)	(85,000)	(182,406)	-	-	-	-
Total other financing sources and uses	-	1,123,736	(155,000)	(85,000)	(152,406)	-	-	-	-
Net change in fund balances	1,017	286,240	58,238	43,365	41,161	112,117	40,126	172,250	49,559
Fund balances-beginning	260,239	236,352	143,122	283,059	268,942	261,563	613,409	310,072	81,923
Prior period adjustments	-	-	-	-	-	-	-	-	-
Fund balances-ending	\$ 261,256	\$ 522,592	\$ 201,360	\$ 326,424	\$ 310,103	\$ 373,680	\$ 653,535	\$ 482,322	\$ 131,482

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**for the Year Ended December 31, 2014**

2 of 3

	Special Revenue				Debt Service				2012	
	Trial Improvement	One Percent for Art	Transportation Benefits District	Total Special Revenue	Bond Fund	2010		2010 LTGO (B)	Government Center	
						LTGO	LTGO (B)		LTGO	Total Debt Service
<b>REVENUES</b>										
Taxes										
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,178	\$ 899,278	\$ -	\$ -	\$ 901,456
Sales	-	-	-	434,002	-	340,860	34,322	-	-	\$ 375,182
Other	-	-	444,012	991,300	-	-	-	-	-	-
Licenses and permits	-	-	-	281,595	-	-	-	-	-	-
Intergovernmental	28,129	-	-	1,780,386	-	113,353	-	-	-	\$ 113,353
Charges for services	-	-	-	303,298	-	-	-	-	-	-
Fines and forfeitures	-	-	-	337,283	-	-	-	-	-	-
Miscellaneous	311	173	659	1,697,002	-	596	1,553	375	375	\$ 2,524
Total revenues	\$ 28,440	\$ 173	\$ 444,671	\$ 5,824,866	\$ -	\$ 456,987	\$ 935,153	\$ 375	\$ 375	\$ 1,392,515
<b>EXPENDITURES</b>										
Current:										
General government	\$ 3,009	\$ -	\$ 4,323	\$ 244,997	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	338,503	-	-	-	-	-	-
Transportation	-	-	492,003	3,704,737	-	-	-	-	-	-
Economic environment	-	-	-	240,828	-	-	-	-	-	-
Mental/physical health	-	-	-	201,235	-	-	-	-	-	-
Culture and recreation	-	653	-	484,728	-	-	-	-	-	-
Debt service:	-	-	-	-	-	-	-	-	-	-
Principal	-	-	-	190,000	-	210,000	640,000	185,000	185,000	1,035,000
Interest and other debt issue costs	-	-	-	285,007	-	338,314	423,078	145,164	145,164	906,556
Capital outlay	-	-	-	88,792	-	-	-	-	-	-
Total expenditures	\$ 3,009	\$ 653	\$ 496,326	\$ 5,778,827	\$ -	\$ 548,314	\$ 1,063,078	\$ 330,164	\$ 330,164	\$ 1,941,556
Excess (deficiency) of revenues over expenditures	25,431	(480)	(51,655)	46,039	-	(91,327)	(127,925)	(329,789)	(329,789)	(549,041)
<b>OTHER FINANCING SOURCES (USES)</b>										
Capital asset donations & disposal	\$ -	\$ -	\$ -	\$ 38,256.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Insurance recoveries	-	-	-	8,133	-	-	-	-	-	-
Transfers in	-	-	-	1,107,347	-	100,000	189,473	333,610	333,610	623,083
Transfers out	-	-	(250,000)	(672,406)	(28,990)	-	-	-	-	(28,990)
Total other financing sources and uses	-	-	(250,000)	481,330	(28,990)	100,000	189,473	333,610	333,610	594,093
Net change in fund balances	25,431	(480)	(301,655)	527,369.00	(28,990)	8,673	61,548	3,821	3,821	45,052
Fund balances-beginning	56,379	51,906	567,950	3,134,916	28,990	118,065	24,933	2,077	2,077	174,065
Prior period adjustments	-	-	-	-	-	-	-	-	-	-
Fund balances-ending	\$ 81,810	\$ 51,426	\$ 266,295	\$ 3,662,285	\$ -	\$ 126,738	\$ 86,481	\$ 5,898	\$ 5,898	\$ 219,117

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**for the Year Ended December 31, 2014**

	<b>Park Plaza Phase II</b>	<b>General Govt Cap Impr</b>	<b>Parks Construction</b>	<b>Lower Wheaton Way</b>	<b>Pacific Ave. Construct.</b>	<b>Conference Center Expansion</b>	<b>Washington Ave. Connector</b>	<b>Total Capital Projects</b>	<b>Total Nonmajor Governmental Funds</b>
<b>REVENUES</b>									
Taxes									
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 901,456
Sales	-	-	-	-	-	-	-	-	809,184
Other	-	788,593	-	-	-	-	-	788,593	1,779,893
Licenses and permits	-	-	-	-	-	-	-	-	281,595
Intergovernmental	5,468	-	280,157	1,639,142	602,031	449,011	166,777	3,142,586	5,036,325
Charges for services	-	-	-	-	-	-	-	-	303,298
Fines and forfeitures	-	-	-	-	-	-	-	-	337,283
Miscellaneous	-	710	29,714	34,540	709	(45)	(360)	65,293	1,764,819
Total revenues	\$ 5,493	\$ 789,303	\$ 309,871	\$ 1,673,682	\$ 602,740	\$ 448,966	\$ 166,417	\$ 3,996,472	\$ 11,213,853
<b>EXPENDITURES</b>									
Current:									
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 244,997
Public safety	-	-	-	-	-	-	-	-	338,503
Transportation	-	-	-	-	-	-	-	-	3,704,737
Economic environment	-	-	-	-	-	-	-	-	240,828
Mental/physical health	-	-	-	-	-	-	-	-	201,235
Culture and recreation	-	-	69,375	-	-	123,924	-	193,299	678,027
Debt service:	-	-	-	-	-	-	-	-	-
Principal	-	-	-	-	-	-	-	-	1,225,000
Interest and other debt issue costs	57	-	-	-	-	-	-	57	1,191,620
Capital outlay	4,500	-	733,953	2,858,620	1,490,315	535,513	264,265	5,887,166	5,975,958
Total expenditures	\$ 4,557	\$ -	\$ 803,328	\$ 2,858,620	\$ 1,490,315	\$ 659,437	\$ 264,265	\$ 6,080,522	\$ 13,800,905
Excess (deficiency) of revenues over expenditures	936	789,303	(493,457)	(1,184,938)	(887,575)	(210,471)	(97,848)	(2,084,050)	(2,587,052)
<b>OTHER FINANCING SOURCES (USES)</b>									
Capital asset donations & disposal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 38,256.00
Insurance recoveries	-	-	-	-	-	-	-	-	8,133
Transfers in	-	-	159,099	1,414,677	50,000	111,035	295,000	2,029,811	3,760,241
Transfers out	(12,173)	(502,075)	-	-	-	-	-	(514,248)	(1,215,644)
Total other financing sources and uses	(12,173)	(502,075)	159,099	1,414,677	50,000	111,035	295,000	1,515,563	2,590,986
Net change in fund balances	(11,237)	287,228	(334,358)	229,739	(837,575)	(99,436)	197,152	(568,487)	3,934
Fund balances-beginning	11,237	365,702	467,433	294,045	952,323	50,095	-	2,140,835	5,449,816
Prior period adjustments	-	-	-	-	-	49,341	-	49,341	49,341
Fund balances-ending	\$ -	\$ 652,930	\$ 133,075	\$ 523,784	\$ 114,748	\$ -	\$ 197,152	\$ 1,621,689	\$ 5,503,091

**Arterial Street Special Revenue Fund**  
**Other Government Funds**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended December 31, 2014**

	<b>Original Budget 2014</b>	<b>Final Budget 2014</b>	<b>Actual 2014</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>REVENUES</b>				
Charges for services	\$ -	-	7,229	7,229
Other revenue	-	-	1,055	1,055
Total revenues	-	-	8,284	8,284
<b>EXPENDITURES</b>				
Capital expenditure	-	10,000	7,267	2,733
Total expenditures	-	10,000	7,267	2,733
Excess (deficiency) of revenues over expenditures	-	(10,000)	1,017	11,017
Fund balances-beginning	-	260,168	260,239	71
Fund balances-ending	\$ -	\$ 250,168	\$ 261,256	\$ 11,088

**Street Special Revenue Fund**  
**Other Government Funds**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended December 31, 2014**

	<b>Original Budget 2014</b>	<b>Final Budget 2014</b>	<b>Actual 2014</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>REVENUES</b>				
Taxes	\$ 500,000	\$ 500,000	\$ 547,288	\$ 47,288
Intergovernmental	772,000	1,160,205	1,141,686	(18,519)
Charges for services	590,000	745,000	564,033	(180,967)
Other revenue	822,333	1,111,183	1,155,527	44,344
Total revenues	2,684,333	3,516,388	3,408,534	(107,854)
<b>EXPENDITURES</b>				
Personnel	\$ 1,187,500	1,187,500	1,110,483	77,017
Supplies, services & taxes	1,464,956	2,029,146	1,951,557	77,589
Capital expenditure	25,000	60,800	60,254	546
Total expenditures	2,677,456	3,277,446	3,122,294	155,152
Excess (deficiency) of revenues over expenditures	6,877	238,942	286,240	47,298
Fund balances-beginning	277,159	230,809	236,352	5,543
Fund balances-ending	\$ 284,036	\$ 469,751	\$ 522,592	\$ 52,841



**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, 2014**

	<b>Original Budget 2014</b>	<b>Final Budget 2014</b>	<b>Actual 2014</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>REVENUES</b>				
Other revenue	\$ 50,464	50,464	212,845	162,381
Total revenues	50,464	50,464	212,845	162,381
<b>EXPENDITURES</b>				
Excess (deficiency) of revenues over expenditures	50,464	50,464	212,845	162,381
Fund balances-beginning	465,192	464,496	464,495	(1)
Fund balances-ending	\$ 515,656	\$ 514,960	\$ 677,340	\$ 162,380

**Lodging Tax Special Revenue Fund**  
**Other Government Funds**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended December 31, 2014**

	<b>Original Budget 2014</b>	<b>Final Budget 2014</b>	<b>Actual 2014</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>REVENUES</b>				
Taxes	\$ 390,000	\$ 390,000	\$ 434,002	\$ 44,002
Other revenue	400	400	236	(164)
Total revenues	390,400	390,400	434,238	43,838
<b>EXPENDITURES</b>				
Supplies, services & taxes	221,000	221,000	221,000	-
Transfers	155,000	155,000	155,000	-
Total expenditures	376,000	376,000	376,000	-
Excess (deficiency) of revenues over expenditures	14,400	14,400	58,238	43,838
Fund balances-beginning	144,614	143,789	143,122	(667)
Fund balances-ending	\$ 159,014	\$ 158,189	\$ 201,360	\$ 43,171

**Parking System Revenue Special Revenue Fund**  
**Other Governmental Funds**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**for the Year Ended December 31, 2014**

	<b>Original Budget 2014</b>	<b>Final Budget 2014</b>	<b>Actual 2014</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>REVENUES</b>				
Fines and forfeitures	\$ 235,000	235,000	175,149	(59,851)
Other revenue	947,000	1,012,500	1,207,945	195,445
Total revenues	1,182,000	1,247,500	1,383,094	135,594
<b>EXPENDITURES</b>				
Supplies, services & taxes	652,274	717,774	779,722	(61,948)
Capital expenditure	35,000	35,000	-	35,000
Debt service	475,000	475,000	475,007	(7)
Transfers	85,000	85,000	85,000	-
Total expenditures	1,247,274	1,312,774	1,339,729	(26,955)
Excess (deficiency) of revenues over expenditures	(65,274)	(65,274)	43,365	108,639
Fund balances-beginning	674,340	283,059	283,059	-
Fund balances-ending	\$ 609,066	\$ 217,785	\$ 326,424	\$ 108,639

**Community Development Block Grant Special Revenue Fund**  
**Other Government Funds**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended December 31, 2014**

	<b>Original Budget 2014</b>	<b>Final Budget 2014</b>	<b>Actual 2014</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>REVENUES</b>				
Intergovernmental	\$ 1,418,924	1,418,924	610,571	(808,353)
Charges for services	34,000	34,000	61,116	27,116
Other revenue	85,050	85,050	36,058	(48,992)
Total revenues	1,537,974	1,537,974	707,745	(830,229)
<b>EXPENDITURES</b>				
Personnel	119,799	119,799	117,869	1,930
Supplies, services & taxes	1,134,175	1,134,175	366,310	767,865
Transfers	170,850	354,063	182,405	171,658
Total expenditures	1,424,824	1,608,037	666,584	941,453
Excess (deficiency) of revenues over expenditures	113,150	(70,063)	41,161	111,224
Fund balances-beginning	231,185	270,897	268,942	(1,955)
Fund balances-ending	\$ 344,335	\$ 200,834	\$ 310,103	\$ 109,269

**Abatement Revolving Special Revenue Fund**  
**Other Government Funds**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended December 31, 2014**

	<b>Original Budget 2014</b>	<b>Final Budget 2014</b>	<b>Actual 2014</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>REVENUES</b>				
Charges for services	\$ 500	500	20,138	19,638
Fines and forfeitures	5,000	5,000	136,987	131,987
Other revenue	500	500	1,541	1,041
Total revenues	6,000	6,000	158,666	152,666
<b>EXPENDITURES</b>				
Supplies, services & taxes	42,000	50,000	46,549	3,451
Total expenditures	42,000	50,000	46,549	3,451
Excess (deficiency) of revenues over expenditures	(36,000)	(44,000)	112,117	156,117
Fund balances-beginning	214,712	261,563	261,563	-
Fund balances-ending	\$ 178,712	\$ 217,563	\$ 373,680	\$ 156,117

**Police Special Projects Special Revenue Fund**  
**Other Government Funds**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended December 31, 2014**

	<b>Original Budget 2014</b>	<b>Final Budget 2014</b>	<b>Actual 2014</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>REVENUES</b>				
Fines and forfeitures	\$ 15,000	15,000	25,147	10,147
Other revenue	71,500	71,500	323,959	252,459
Total revenues	86,500	86,500	349,106	262,606
<b>EXPENDITURES</b>				
Supplies, services & taxes	364,700	364,700	287,709	76,991
Capital expenditure	50,000	50,000	21,271	28,729
Total expenditures	414,700	414,700	308,980	105,720
Excess (deficiency) of revenues over expenditures	(328,200)	(328,200)	40,126	368,326
Fund balances-beginning	621,525	613,409	613,409	-
Fund balances-ending	\$ 293,325	\$ 285,209	\$ 653,535	\$ 368,326

**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, 2014**

	<b>Original Budget 2014</b>	<b>Final Budget 2014</b>	<b>Actual 2014</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>REVENUES</b>				
Licenses and permits	\$ 270,000	270,000	281,595	11,595
Intergovernmental	64,000	18,000	-	(18,000)
Charges for services	114,440	114,440	121,361	6,921
Other revenue	1,100	47,100	67,005	19,905
Total revenues	449,540	449,540	469,961	20,421
<b>EXPENDITURES</b>				
Personnel	268,100	268,100	249,551	18,549
Supplies, services & taxes	61,372	61,372	48,160	13,212
Capital expenditure	46,000	46,000	-	46,000
Transfers	25,000	25,000	-	25,000
Total expenditures	400,472	400,472	297,711	102,761
Excess (deficiency) of revenues over expenditures	49,068	49,068	172,250	123,182
Fund balances-beginning	290,742	310,072	310,072	-
Fund balances-ending	\$ 339,810	\$ 359,140	\$ 482,322	\$ 123,182

**Gift and Donation Special Revenue Fund**  
**Other Government Funds**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended December 31, 2014**

	<b>Original Budget 2014</b>	<b>Final Budget 2014</b>	<b>Actual 2014</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>REVENUES</b>				
Other revenue	\$ 5,600	57,921	56,268	(1,653)
Total revenues	5,600	57,921	56,268	(1,653)
<b>EXPENDITURES</b>				
Supplies, services & taxes	15,100	15,100	6,709	8,391
Capital expenditure	-	52,321	-	52,321
Total expenditures	15,100	67,421	6,709	60,712
Excess (deficiency) of revenues over expenditures	(9,500)	(9,500)	49,559	59,059
Fund balances-beginning	79,678	81,923	81,923	-
Fund balances-ending	\$ 70,178	\$ 72,423	\$ 131,482	\$ 59,059



**Trial Improvement Revenue Special Revenue Fund**  
**Other Government Funds**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended December 31, 2014**

	<b>Original Budget 2014</b>	<b>Final Budget 2014</b>	<b>Actual 2014</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>REVENUES</b>				
Intergovernmental	\$ 20,000	20,000	28,129	8,129
Other revenue	250	250	311	61
Total revenues	20,250	20,250	28,440	8,190
<b>EXPENDITURES</b>				
Supplies, services & taxes	18,000	18,000	3,009	14,991
Total expenditures	18,000	18,000	3,009	14,991
Excess (deficiency) of revenues over expenditures	2,250	2,250	25,431	23,181
Fund balances-beginning	46,647	56,379	56,379	-
Fund balances-ending	\$ 48,897	\$ 58,629	\$ 81,810	\$ 23,181

**One Percent for Arts Special Revenue Fund**  
**Other Government Funds**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended December 31, 2014**

	<b>Original Budget 2014</b>	<b>Final Budget 2014</b>	<b>Actual 2014</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>REVENUES</b>				
Other revenue	\$ 150	150	173	23
Total revenues	150	150	173	23
<b>EXPENDITURES</b>				
Personnel	-	-	653	(653)
Supplies, services & taxes	4,500	4,500	-	4,500
Total expenditures	4,500	4,500	653	3,847
Excess (deficiency) of revenues over expenditures	(4,350)	(4,350)	(480)	3,870
Fund balances-beginning	41,894	51,906	51,906	-
Fund balances-ending	\$ 37,544	\$ 47,556	\$ 51,426	\$ 3,870

**Conference Center 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, 2014**

	<b>Original Budget 2014</b>	<b>Final Budget 2014</b>	<b>Actual 2014</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>REVENUES</b>				
Charges for services	\$ 1,309,456	1,309,456	1,141,244	(168,212)
Other revenue	166,100	281,100	276,108	(4,992)
Total revenues	1,475,556	1,590,556	1,417,352	(173,204)
<b>EXPENDITURES</b>				
Supplies, services & taxes	1,495,603	1,495,603	1,406,712	88,891
Transfers	-	115,000	111,035	3,965
Total expenditures	1,495,603	1,610,603	1,517,747	92,856
Excess (deficiency) of revenues over expenditures	(20,047)	(20,047)	(100,395)	(80,348)
Fund balances-beginning	174,436	217,182	192,381	(24,801)
Fund balances-ending	\$ 154,389	\$ 197,135	\$ 91,986	\$ (105,149)

**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, 2014**

	<b>Original Budget 2014</b>	<b>Final Budget 2014</b>	<b>Actual 2014</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>REVENUES</b>				
Taxes	\$ 350,000	\$ 425,000	\$ 444,012	\$ 19,012
Other revenue	-	-	659	659
Total revenues	350,000	425,000	444,671	19,671
<b>EXPENDITURES</b>				
Supplies, services & taxes	500,000	655,000	496,326	158,674
Transfers	-	250,000	250,000	-
Total expenditures	500,000	905,000	746,326	158,674
Excess (deficiency) of revenues over expenditures	(150,000)	(480,000)	(301,655)	178,345
Fund balances-beginning	205,893	567,950	567,950	-
Fund balances-ending	\$ 55,893	\$ 87,950	\$ 266,295	\$ 178,345

**Bond Debt Service Fund**  
**Other Government Funds**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended December 31, 2014**

	<b>Original Budget 2014</b>	<b>Final Budget 2014</b>	<b>Actual 2014</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>REVENUES</b>				
<b>EXPENDITURES</b>				
Transfers	\$ -	28,990	28,990	-
Total expenditures	-	28,990	28,990	-
Excess (deficiency) of revenues over expenditures	-	(28,990)	(28,990)	-
Fund balances-beginning	-	28,990	28,990	-
Fund balances-ending	\$ -	\$ -	\$ -	\$ -

**2010 LTGO Debt Service Fund**  
**Other Government Funds**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended December 31, 2014**

	<b>Original Budget 2014</b>	<b>Final Budget 2014</b>	<b>Actual 2014</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>REVENUES</b>				
Taxes	\$ 330,000	\$ 330,000	\$ 343,037	\$ 13,037
Intergovernmental	109,826	109,826	113,353	3,527
Other revenue	63,845	101,000	100,597	(403)
Total revenues	503,671	540,826	556,987	16,161
<b>EXPENDITURES</b>				
Debt service	548,695	548,695	548,314	381
Total expenditures	548,695	548,695	548,314	381
Excess (deficiency) of revenues over expenditures	(45,024)	(7,869)	8,673	16,542
Fund balances-beginning	105,647	118,065	118,065	-
Fund balances-ending	\$ 60,623	\$ 110,196	\$ 126,738	\$ 16,542

**2010 UTGO Ref/LTGO (B) Debt Service Fund**  
**Other Government Funds**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended December 31, 2014**

	<b>Original Budget 2014</b>	<b>Final Budget 2014</b>	<b>Actual 2014</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>REVENUES</b>				
Taxes	\$ 860,000	\$ 860,000	\$ 899,278	\$ 39,278
Intergovernmental	34,322	34,322	34,322	-
Other revenue	177,310	190,373	191,026	653
Total revenues	1,071,632	1,084,695	1,124,626	39,931
<b>EXPENDITURES</b>				
Debt service	1,061,867	1,063,117	1,063,078	39
Total expenditures	1,061,867	1,063,117	1,063,078	39
Excess (deficiency) of revenues over expenditures	9,765	21,578	61,548	39,970
Fund balances-beginning	3,084	24,933	24,933	-
Fund balances-ending	\$ 12,849	\$ 46,511	\$ 86,481	\$ 39,970

**Government Center LTGO Debt Service Fund**  
**Other Government Funds**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended December 31, 2014**

	<b>Original Budget 2014</b>	<b>Final Budget 2014</b>	<b>Actual 2014</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>REVENUES</b>				
Other revenue	\$ 334,110	334,110	333,985	(125)
Total revenues	334,110	334,110	333,985	(125)
<b>EXPENDITURES</b>				
Debt service	330,243	330,243	330,164	79
Total expenditures	330,243	330,243	330,164	79
Excess (deficiency) of revenues over expenditures	3,867	3,867	3,821	(46)
Fund balances-beginning	2,261	2,077	2,077	-
Fund balances-ending	\$ 6,128	\$ 5,944	\$ 5,898	\$ (46)



**Park Plaza Phase II Capital Projects Fund**  
**Other Government Funds**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended December 31, 2014**

	<b>Original Budget 2014</b>	<b>Final Budget 2014</b>	<b>Actual 2014</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>REVENUES</b>				
Intergovernmental	\$ -	4,500	5,468	968
Other revenue	-	50,000	60,025	10,025
Total revenues	-	54,500	65,493	10,993
<b>EXPENDITURES</b>				
Capital expenditure	-	6,453	4,500	1,953
Debt service	-	75,100	75,057	43
Transfers	-	12,500	12,173	327
Total expenditures	-	94,053	91,730	2,323
Excess (deficiency) of revenues over expenditures	-	(39,553)	(26,237)	13,316
Fund balances-beginning	-	39,553	26,237	(13,316)
Fund balances-ending	\$ -	\$ -	\$ -	\$ -

**General Government Capital Projects Fund**  
**Other Government Funds**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended December 31, 2014**

	<b>Original Budget 2014</b>	<b>Final Budget 2014</b>	<b>Actual 2014</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>REVENUES</b>				
Taxes	\$ 420,000	\$ 420,000	\$ 788,593	\$ 368,593
Other revenue	850	850	710	(140)
Total revenues	420,850	420,850	789,303	368,453
<b>EXPENDITURES</b>				
Transfers	472,865	510,020	502,075	7,945
Total expenditures	472,865	510,020	502,075	7,945
Excess (deficiency) of revenues over expenditures	(52,015)	(89,170)	287,228	376,398
Fund balances-beginning	327,730	365,702	365,702	-
Fund balances-ending	\$ 275,715	\$ 276,532	\$ 652,930	\$ 376,398

**Park Facilities Capital Projects Fund**  
**Other Government Funds**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended December 31, 2014**

	<b>Original Budget 2014</b>	<b>Final Budget 2014</b>	<b>Actual 2014</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>REVENUES</b>				
Intergovernmental	\$ 176,700	221,350	280,157	58,807
Other revenue	190,850	350,213	188,812	(161,401)
Total revenues	367,550	571,563	468,969	(102,594)
<b>EXPENDITURES</b>				
Supplies, services & taxes	-	-	69,375	(69,375)
Capital expenditure	632,750	865,849	733,952	131,897
Total expenditures	632,750	865,849	803,327	62,522
Excess (deficiency) of revenues over expenditures	(265,200)	(294,286)	(334,358)	(40,072)
Fund balances-beginning	377,917	467,433	467,433	-
Fund balances-ending	\$ 112,717	\$ 173,147	\$ 133,075	\$ (40,072)

**Lower Wheaton Way Capital Projects Fund**  
**Other Government Funds**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended December 31, 2014**

	<b>Original Budget 2014</b>	<b>Final Budget 2014</b>	<b>Actual 2014</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>REVENUES</b>				
Intergovernmental	\$ 1,244,764	2,019,520	1,639,142	(380,378)
Other revenue	-	1,500,520	1,449,217	(51,303)
Total revenues	1,244,764	3,520,040	3,088,359	(431,681)
<b>EXPENDITURES</b>				
Capital expenditure	1,569,766	3,771,987	2,858,620	913,367
Total expenditures	1,569,766	3,771,987	2,858,620	913,367
Excess (deficiency) of revenues over expenditures	(325,002)	(251,947)	229,739	481,686
Fund balances-beginning	325,002	294,045	294,045	-
Fund balances-ending	\$ -	\$ 42,098	\$ 523,784	\$ 481,686

**Pacific Avenue 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, 2014**

	<b>Original Budget 2014</b>	<b>Final Budget 2014</b>	<b>Actual 2014</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>REVENUES</b>				
Intergovernmental	\$ 619,674	595,232	602,030	6,798
Other revenue	-	210,000	50,709	(159,291)
Total revenues	619,674	805,232	652,739	(152,493)
<b>EXPENDITURES</b>				
Capital expenditure	1,310,818	1,757,555	1,490,314	267,241
Total expenditures	1,310,818	1,757,555	1,490,314	267,241
Excess (deficiency) of revenues over expenditures	(691,144)	(952,323)	(837,575)	114,748
Fund balances-beginning	691,144	952,323	952,323	-
Fund balances-ending	\$ -	\$ -	\$ 114,748	\$ 114,748

**Conference Center Expansion Capital Projects Fund**  
**Other Governmental Funds**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended December 31, 2014**

	<b>Original Budget 2014</b>	<b>Final Budget 2014</b>	<b>Actual 2014</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>REVENUES</b>				
Intergovernmental	\$ -	427,573	449,011	21,438
Other revenue	-	115,000	110,991	(4,009)
Total revenues	-	542,573	560,002	17,429
<b>EXPENDITURES</b>				
Supplies, services & taxes	-	-	123,924	(123,924)
Capital expenditure	-	592,668	535,513	57,155
Total expenditures	-	592,668	659,437	(66,769)
Excess (deficiency) of revenues over expenditures	-	(50,095)	(99,435)	(49,340)
Fund balances-beginning	-	50,095	50,095	-
Prior period adjustments	-	-	49,340	49,340
Fund balances-ending	\$ -	\$ -	\$ -	\$ -

**Washington Avenue Connector Capital Projects Fund**  
**Other Governmental Funds**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended December 31, 2014**

	<b>Original Budget 2014</b>	<b>Final Budget 2014</b>	<b>Actual 2014</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>REVENUES</b>				
Intergovernmental	\$ -	1,700,000	166,777	(1,533,223)
Other revenue	-	295,000	294,640	(360)
Total revenues	-	1,995,000	461,417	(1,533,583)
<b>EXPENDITURES</b>				
Capital expenditure	-	1,995,000	264,265	1,730,735
Total expenditures	-	1,995,000	264,265	1,730,735
Excess (deficiency) of revenues over expenditures	-	-	197,152	197,152
Fund balances-ending	\$ -	\$ -	\$ 197,152	\$ 197,152

**Combining Statement of Net Position**  
**Other Proprietary Funds**  
**December 31, 2014**

	<b>Business-type Activities</b>		
	<b>Enterprise Funds</b>		
	<b>Stormwater</b>	<b>Gorst Creek Watershed</b>	<b>Total</b>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 798,468	\$ -	\$ 798,468
Investments	1,073,296	-	1,073,296
External receivables	483,796	-	483,796
Interest receivables	2,688	-	2,688
Due from other funds	139,440	-	139,440
Due from other governments	82,582	-	82,582
Total current assets	<u>2,580,270</u>	<u>-</u>	<u>2,580,270</u>
Noncurrent assets:			
Capital assets net of depreciation	6,104,853	-	6,104,853
Total noncurrent assets	<u>6,104,853</u>	<u>-</u>	<u>6,104,853</u>
Total assets	<u>8,685,123</u>	<u>-</u>	<u>8,685,123</u>
Deferred outflows of resources	-	-	-
Total assets and deferred outflows	<u><u>\$ 8,685,123</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 8,685,123</u></u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts/contract payable	54,486	-	54,486
Due to other funds	65,079	-	65,079
Due to other governments	3,573	-	3,573
Employee wages payable	88,521	-	88,521
Other accrued liabilities	1,974	-	1,974
Current portion of long-term debt	9,864	-	9,864
Custodial accounts	500	-	500
Total current liabilities	<u>223,997</u>	<u>-</u>	<u>223,997</u>
Noncurrent liabilities:			
Bonds, notes and loans payable	88,778	-	88,778
Compensated absences	18,570	-	18,570
Total noncurrent liabilities	<u>107,348</u>	<u>-</u>	<u>107,348</u>
Total liabilities	<u>331,345</u>	<u>-</u>	<u>331,345</u>
Deferred inflows of resources	-	-	-
Total liabilities and deferred inflows	<u><u>\$ 331,345</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 331,345</u></u>
<b>NET POSITION</b>			
Net investment in capital assets	6,006,210	-	6,006,210
Unrestricted	2,347,569	-	2,347,569
Total net position	<u><u>\$ 8,353,779</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 8,353,779</u></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, 2014**

	<b>Business-type Activities</b>		
	<b>Enterprise Funds</b>		
	<b>Stormwater</b>	<b>Gorst Creek Watershed</b>	<b>Total</b>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 1,791,343	\$ -	\$ 1,791,343
Other operating revenue	6,897	-	6,897
Total operating revenues	1,798,240	-	1,798,240
<b>OPERATING EXPENSES</b>			
General operation	416,531	21,750	438,281
Maintenance	783,928	-	783,928
Customer service and marketing	118,470	-	118,470
General administration	260,979	-	260,979
Depreciation and amortization	116,483	-	116,483
Property, excise and B&O taxes	21,842	-	21,842
Total operating expenses	1,718,233	21,750	1,739,983
Operating income (loss)	80,007	(21,750)	58,257
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest and investment revenue	8,560	251	8,811
Interest expense	(4,143)	-	(4,143)
Gain (loss) on capital asset disposal	(1,302)	-	(1,302)
Other nonoperating revenue/expense	39,194	-	39,194
Total nonoperating revenues (expenses)	42,309	251	42,560
Income (loss) before contributions and transfers	122,316	(21,499)	100,817
Capital contributions	172,029		172,029
Transfers to other funds	(1,108,954)	(56,876)	(1,165,830)
Transfers from other funds	-		-
Special items (Note)			-
Change in net position	(814,609)	(78,375)	(892,984)
Total net position - beginning	9,169,843	78,375	9,248,218
Prior period adjustments	(1,455)	-	(1,455)
Total net position - ending	\$ 8,353,779	\$ -	\$ 8,353,779

See accompanying notes to the financial statements.

**Combining Statement of Cash Flows  
Other Proprietary Funds  
for the Year Ended December 31, 2014**

Page 1 of 2

	<b>Business-type Activities Nonmajor Enterprise Funds</b>		
	<b>Gorst Creek</b>		
	<b>Stormwater</b>	<b>Watershed</b>	<b>Total</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers	\$ 2,343,518	\$ -	\$ 2,343,518
Cash payments to suppliers	(745,543)	(21,750)	(767,293)
Cash payments to employees	(876,333)	-	(876,333)
Other operating receipts and payments	6,897	52,495	59,392
Net cash provided by operating activities	728,539	30,745	759,284
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfer ins	-	-	-
Transfer outs	(1,208,266)	(56,877)	(1,265,143)
Other nonoperating revenues/expenses	199	-	199
Net cash provided (used) by noncapital financing activities	(1,208,067)	(56,877)	(1,264,944)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition and construction of capital assets	(104,267)	-	(104,267)
Capital contributions	75,161	-	75,161
Loan/grant proceeds	361,816	-	361,816
Principal paid on other debt	(9,864)	-	(9,864)
Interest paid on bonds and other debt	(4,340)	-	(4,340)
Net cash provided (used) for capital and related financing activities	318,506	-	318,506
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Net change in investments	97,717	14,950	112,667
Interest on loans and investments	8,437	287	8,724
Net cash provided (used) in investing activities	106,154	15,237	121,391
Net increase (decrease) in cash and cash equivalents	(54,868)	(10,895)	(65,763)
Cash and equivalents - beginning	853,336	10,895	864,231
Cash and equivalents - ending	\$ 798,468	\$ -	\$ 798,468
 Cash at the end of the year consists of:			
Operating fund cash	798,468	-	798,468
Restricted cash	-	-	-
Total cash at end of year	\$ 798,468	\$ -	\$ 798,468

See accompanying notes to the financial statements.

**Combining Statement of Cash Flows  
Other Proprietary Funds  
for the Year Ended December 31, 2014**

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	<b>Business-type Activities</b>		
	<b>Nonmajor Enterprise Funds</b>		
	<b>Gorst Creek</b>		<b>Total</b>
	<b>Stormwater</b>	<b>Watershed</b>	
<b>Reconciliation of operating income to net cash provided by operating activities:</b>			
Operating income (loss)	\$ 80,007	\$ (21,750)	\$ 58,257
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	116,483	-	116,483
Decrease (increase) in receivables	552,175	-	552,175
Decrease (increase) in due from other funds/govt	-	52,495	52,495
Increase (decrease) in accounts payable	(30,300)	-	(30,300)
Increase (decrease) in due to other funds/govt	-	-	-
Increase (decrease) in employee wages payable	49,040	-	49,040
Increase (decrease) in employee leaves payable	(38,866)	-	(38,866)
Net cash provided by operating activities	<u>\$ 728,539</u>	<u>\$ 30,745</u>	<u>\$ 759,284</u>
<b>Noncash investing, capital and financial activities</b>			
Developers contributed infrastructure	\$ -	\$ -	\$ -

See accompanying notes to the financial statements.

**Combining Statement of Net Position  
Internal Service Funds  
December 31, 2014**

	Governmental Activities Internal Service Funds						
	Risk Management	Employment Security	Accrued Leave Liability	Equipment Rental Operations	Equipment Reserve	Information Technology	Total
<b>ASSETS</b>							
Current assets:							
Cash and cash equivalents	\$ 878,019	\$ 204,650	\$ 120,207	\$ 91,780	\$ 1,877,330	\$ 118,985	\$ 3,290,971
Restricted cash	100,000	-	-	-	-	-	100,000
Investments	1,314,649	275,091	161,581	123,371	2,523,497	159,939	4,558,128
External receivables	-	-	-	1,639	-	853	2,492
Interest receivables	3,293	689	405	309	6,320	401	11,417
Due from other funds	14,778	5,391	16,085	4,925	710,756	-	751,935
Inventories	-	-	-	91,810	-	-	91,810
Prepayments	329,092	-	-	-	-	-	329,092
Total current assets	2,639,831	485,821	298,278	313,834	5,117,903	280,178	9,135,845
Noncurrent assets:							
Capital assets net of depreciation	-	-	-	-	3,601,453	-	3,601,453
Total noncurrent assets	-	-	-	-	3,601,453	-	3,601,453
Total assets	\$ 2,639,831	\$ 485,821	\$ 298,278	\$ 313,834	\$ 8,719,356	\$ 280,178	\$ 12,737,298
Deferred outflows of resources	-	-	-	-	-	-	-
<b>LIABILITIES</b>							
Current liabilities:							
Accounts/contract payable	80	-	-	61,148	189	10,531	71,948
Due to other funds	-	-	-	514	11,189	483	12,186
Employee wages payable	-	-	-	39,392	-	58,013	97,405
Other accrued liabilities	290,076	-	-	228	-	-	290,304
Total current liabilities	\$ 290,156	\$ -	\$ -	\$ 101,282	\$ 11,378	\$ 69,027	\$ 471,843
Noncurrent liabilities:							
Claims and judgments payable	708,923	-	-	-	-	-	708,923
Compensated absences	-	-	-	3,588	-	5,713	9,301
Total noncurrent liabilities	708,923	-	-	3,588	-	5,713	718,224
Total liabilities	\$ 999,079	\$ -	\$ -	\$ 104,870	\$ 11,378	\$ 74,740	\$ 1,190,067
<b>NET POSITION</b>							
Net investment in capital assets	-	-	-	-	3,601,453	-	3,601,453
Restricted for Worker's Compensation	100,000	-	-	-	-	-	100,000
Unrestricted	1,540,752	485,821	298,278	208,964	5,106,525	205,438	7,845,778
Total net position	\$ 1,640,752	\$ 485,821	\$ 298,278	\$ 208,964	\$ 8,707,978	\$ 205,438	\$ 11,547,231

**Combining Statement of Revenues, Expenses and Changes in Fund Net Position**  
**Internal Service Funds**  
**for the Year Ended December 31, 2014**

	Governmental Activities Internal Service Funds						
	Risk Management	Employment Security	Accrued Leave Liability	Equipment Rental Operations	Equipment Rental Reserve	Information Technology	Total
<b>OPERATING REVENUES</b>							
Charges for services	\$ 956,631	\$ 122,403	\$ 366,882	\$ 1,599,769	\$ -	\$ 1,092,163	\$ 4,137,848
Other operating revenue	-	-	-	-	-	-	-
Total operating revenues	956,631	122,403	366,882	1,599,769	-	1,092,163	4,137,848
<b>OPERATING EXPENSES</b>							
General operation	32,492	26,651	133,413	1,568,202	11,189	1,070,935	2,842,882
General administration	316,410	-	-	-	-	-	316,410
Depreciation and amortization	-	-	-	-	595,743	1,653	597,396
Risk transfer payments	504,565	-	-	-	-	-	504,565
Payments to claimants & beneficiaries	196,154	-	-	-	-	-	196,154
Total operating expenses	1,049,621	26,651	133,413	1,568,202	606,932	1,072,588	4,457,407
Operating income (loss)	(92,990)	95,752	233,469	31,567	(606,932)	19,575	(319,559)
<b>NONOPERATING REVENUES (EXPENSES)</b>							
Interest and investment revenue	6,771	1,483	647	101	18,926	690	28,618
Gain (loss) on capital asset disposal	-	-	-	-	(34,708)	-	(34,708)
Other nonoperating revenue/expense	14	-	-	2,356	59	1,029	3,458
Total nonoperating revenues (expenses)	6,785	1,483	647	2,457	(15,723)	1,719	(2,632)
Income (loss) before contributions and transfers	(86,205)	97,235	234,116	34,024	(622,655)	21,294	(322,191)
Capital contributions	-	-	-	-	-	-	-
Transfers to other funds	-	-	-	-	-	-	-
Transfers from other funds	-	-	-	-	131,973	-	131,973
Special items (Note)	-	-	-	-	-	-	-
Change in net position	(86,205)	97,235	234,116	34,024	(490,682)	21,294	(190,218)
Total net position - beginning	1,900,533	388,586	64,162	174,940	9,198,660	184,144	11,911,025
Prior period adjustments	(173,576)	-	-	-	-	-	(173,576)
Total net position - ending	\$ 1,640,752	\$ 485,821	\$ 298,278	\$ 208,964	\$ 8,707,978	\$ 205,438	\$ 11,547,231

**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**for the Year Ended December 31, 2014**

Page 1 of 2

	<b>Risk Management</b>	<b>Employment Security</b>	<b>Accrued Leave Liability</b>	<b>Equipment Rental Operations</b>	<b>Equipment Rental Reserve</b>	<b>Information Technology</b>	<b>Total</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
Cash received from customers	\$ 955,764	\$ 127,528	\$ 361,332	\$ 1,601,125	\$ -	\$ 1,092,163	\$ 4,137,912
Cash payments to suppliers	(299,638)	(31,433)	-	(1,116,517)	(100)	(565,785)	(2,013,473)
Cash payments to employees	-	-	(166,714)	(473,331)	-	(519,907)	(1,159,952)
Purchase of insurance	(504,565)	-	-	-	-	-	(504,565)
Payment for insurance claims	(299,733)	-	-	-	-	-	(299,733)
Other operating receipts and payments	-	-	-	-	-	-	-
Net cash provided by operating activities	(148,172)	96,095	194,618	11,277	(100)	6,471	160,189
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>							
Other nonoperating revenues/expenses	14	-	-	2,356	59	1,028	3,457
Net cash provided (used) by noncapital financing activities	14	-	-	2,356	59	1,028	3,457
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>							
Acquisition and construction of capital assets	-	-	-	-	(840,037)	-	(840,037)
Proceeds/costs on sale of assets	-	-	-	-	28,175	-	28,175
Insurance recoveries	-	-	-	-	1,813	-	1,813
Net cash provided (used) for capital and related financing activities	-	-	-	-	(810,049)	-	(810,049)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>							
Proceeds from repayment of loans	-	-	-	-	52,187	-	52,187
Net change in investments	93,314	(53,932)	(111,367)	(6,842)	515,652	(3,314)	433,511
Proceeds from special assessments	-	-	-	-	-	-	-
Issuance of interfund loans	-	-	-	-	(115,000)	-	(115,000)
Interest on loans and investments	6,857	1,325	363	72	19,902	665	29,184
Net cash provided (used) in investing activities	100,171	(52,607)	(111,004)	(6,770)	472,741	(2,649)	399,882
Net increase (decrease) in cash and cash equivalents	(47,987)	43,488	83,614	6,863	(337,349)	4,850	(246,521)
Cash and equivalents - beginning	1,026,006	161,162	36,593	84,917	2,214,679	114,135	3,637,492
Cash and equivalents - ending	\$ 978,019	\$ 204,650	\$ 120,207	\$ 91,780	\$ 1,877,330	\$ 118,985	\$ 3,390,971
Cash at the end of the year consists of:							
Operating fund cash	878,019	204,650	120,207	91,780	1,877,330	118,985	3,290,971
Restricted cash	100,000	-	-	-	-	-	100,000
Total cash at end of year	\$ 978,019	\$ 204,650	\$ 120,207	\$ 91,780	\$ 1,877,330	\$ 118,985	\$ 3,390,971

**Combining Statement of Cash Flows  
Internal Service Funds  
for the Year Ended December 31, 2014**

Page 2 of 2

	<b>Risk Management</b>	<b>Employment Security</b>	<b>Accrued Leave Liability</b>	<b>Equipment Rental Operations</b>	<b>Equipment Rental Reserve</b>	<b>Information Technology</b>	<b>Total</b>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>							
Operating income (loss)	(92,990)	95,752	233,469	31,567	(606,932)	19,575	(319,559)
Adjustments to reconcile operating income to net cash provided by operating activities:							
Depreciation	-	-	-	-	595,743	1,653	597,396
Decrease (increase) in receivables	-	-	-	(1,639)	-	(853)	(2,492)
Decrease (increase) in due from other funds/govt	(867)	5,125	(5,550)	2,995	-	9,940	11,643
Decrease (increase) in prepaid expenses	49,184	-	-	-	-	-	49,184
Decrease (increase) in inventory	-	-	-	(1,883)	-	-	(1,883)
Increase (decrease) in accounts payable	(6,026)	(4,782)	-	(15,766)	-	(28,521)	(55,095)
Increase (decrease) in due to other funds/govt	-	-	(49)	(760)	11,089	(5)	10,275
Increase (decrease) in employee wages payable	-	-	-	(5,623)	-	4,695	(928)
Increase (decrease) in employee leaves payable	-	-	-	2,169	-	-	2,169
Increase (decrease) in other payables	(97,473)	-	(33,252)	217	-	(13)	(130,521)
Net cash provided by operating activities	<u>\$ (148,172)</u>	<u>\$ 96,095</u>	<u>\$ 194,618</u>	<u>\$ 11,277</u>	<u>\$ (100)</u>	<u>\$ 6,471</u>	<u>\$ 160,189</u>
<b>Noncash investing, capital and financial activities</b>							
Developers contributed infrastructure	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

**Combining Statement of Fiduciary Net Position**  
**Agency Funds**  
**December 31, 2014**

	<u>Salary Clearing</u>	<u>Administrative Trust</u>	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 68,050	\$ 258,783	\$ 326,833
Total assets	<u>\$ 68,050</u>	<u>\$ 258,783</u>	<u>\$ 326,833</u>
 <b>Deferred outflows of resources</b>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ -</u>
<b>Liabilities</b>			
Accounts/contracts payable	-	30,982	30,982
Other current liabilities	68,050	227,801	295,851
Total liabilities	<u>\$ 68,050</u>	<u>\$ 258,783</u>	<u>\$ 326,833</u>
 <b>Deferred inflows of resources</b>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ -</u>

See accompanying notes to the financial statements.



Table 1

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

	December 31,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Governmental activities</b>										
Net investment in capital assets										
Restricted	\$ 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	\$ 83,690,399
Unrestricted	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	3,767,053
	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	9,237,898
Total governmental activities net position	\$ 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	\$ 96,695,350
<b>Business-type activities</b>										
Net investment in capital assets										
Restricted	\$ 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	\$ 147,992,658
Unrestricted	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	7,648,222
	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	14,110,023
Total business-type activities net position	\$ 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	\$ 169,750,903
<b>Primary government</b>										
Net investment in capital assets										
Restricted	\$ 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	\$ 231,683,057
Unrestricted	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	11,415,275
	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	23,347,921
Total primary government net position	\$ 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	\$ 266,446,253

**Total Net Position**



Table 2

1 of 2

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

	December 31,										
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	
<b>Program Revenues</b>											
Governmental activities:											
Program revenues											
Charges for services	\$ 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	\$ 7,375,242	
Operating grants and contributions	1,505,305	964,454	1,350,646	2,321,404	2,226,968	2,685,281	1,862,766	677,864	756,478	686,422	
Capital grants and contributions	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	3,072,619	
General revenues											
Property taxes	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	8,688,122	
Sales taxes	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	8,129,965	
Business taxes	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	2,733,787	
Utility taxes	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	4,332,386	
Other taxes	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	4,045,311	
Other general revenues	2,172,184	3,088,501	1,831,840	1,004,194	217,758	1,428,517	657,845	488,144	(720,663)	692,314	
Total governmental program revenues	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	39,756,168	
Business-type activities:											
Charges for services:											
Operating grants and contributions	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	31,020,945	
Capital grants and contributions	-	-	-	235,414	34,341	65,812	258,531	3,000	392,179	-	
Sales taxes	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	1,386,750	
Business taxes	71,500	49,180	41,562	21,857	14,678	-	16,735	16,201	30,041	28,022	
Other general revenues	11,572	6,672	8,004	229	-	6,486	395	1,120	4,598	3,915	
Total business-type activities program revenues	187,537	487,531	913,859	1,005,523	556,994	584,246	613,062	683,660	474,662	531,817	
Total primary government program revenues	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	32,971,449	
	\$ 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	\$ 72,727,617	
<b>Expenses</b>											
Governmental activities:											
General government											
Public safety	\$ 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	\$ 3,898,120	
Utilities and environment	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	24,347,998	
Transportation	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	5,801,997	
Economic environment	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	1,889,697	
Mental/physical health	-	-	-	-	-	-	-	-	-	-	
Cultural and recreation	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	6,127,784	
Interest on long-term debt	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	1,214,965	
Total governmental activities expenses	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	43,280,561	
Business-type activities:											
Water	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	10,222,657	
Wastewater	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	10,128,629	
Golf course	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	3,827,264	
Other proprietary funds	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	1,823,388	
Total business-type activities expenses	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	26,001,938	
Total primary government expenses	\$ 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	\$ 69,282,499	

Table 2

2 of 2

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

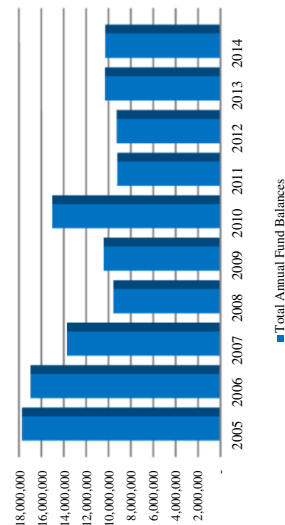
	December 31,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Change in Net Assets</b>										
Governmental activities:										
Excess of revenues over expenses	\$ 2,222,433	\$ 5,684,862	\$ 4,203,531	\$ (4,239,084)	\$ 81,616	\$ (1,208,855)	\$ (4,399,011)	\$ 3,340,797	\$ (2,636,527)	\$ (3,524,393)
Transfers	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	6,416,953
Governmental activities change in net position	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	2,892,560
Business-type activities:										
Excess of revenues over expenses	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	6,969,511
Transfers	(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)	(6,416,953)
Business-type activities change in net position	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	552,558
Governmental Activities Net Position										
Net position - beginning	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	93,903,162
Prior period adjustment/special items			1,708,823	(140,726)	(5,811,306)	(2,144,491)	(465,545)	-	(244,420)	(100,372)
Net position - ending	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	96,695,350
Business-type activities net assets										
Net position - beginning	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	168,484,295
Prior period adjustment/special items		(360,978)	350,000	(705,529)	10,904,141	(728,969)	(125,821)	(209,083)	(148,347)	714,050
Net position - ending	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	169,750,903
Total Primary Government Net Assets	\$ 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	\$ 266,446,253

Table 3

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

	December 31,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>General fund</b>										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,683	\$ 18,418	\$ 24,801	\$ 20,060
Restricted	-	-	-	-	-	-	48,556	20,562	50,179	50,179
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	65,926	545,168	-	-
Unassigned	-	-	-	-	-	-	3,274,281	4,018,522	4,794,308	4,725,880
<b>General fund *</b>	15,570	14,970	20,470	19,070	-	-	-	-	-	-
Reserved	3,531,157	4,386,943	4,084,868	1,313,146	1,957,308	3,049,878	-	-	-	-
Total General Fund	\$ 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	\$ 4,796,119
<b>All other governmental funds</b>										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23,264	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-	-	4,592,196	2,786,592	3,040,543	2,923,689
Committed	-	-	-	-	-	-	232,026	313,984	357,663	652,253
Assigned	-	-	-	-	-	-	1,045,415	1,577,720	2,051,610	1,927,149
Unassigned	-	-	-	-	-	-	(96,866)	-	-	-
<b>All other governmental funds *</b>	1,564,096	1,054,224	176,435	198,472	350,758	391,078	-	-	-	-
Reserved	4,593,224	5,025,387	6,251,037	5,867,682	5,758,691	4,488,327	-	-	-	-
Special revenue funds	7,653,595	6,074,023	2,626,138	1,578,618	2,096,861	6,662,498	-	-	-	-
Capital projects funds	375,324	418,036	548,107	590,314	262,834	433,778	-	-	-	-
Debt service funds	\$ 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	\$ 5,503,091
Total All Other Governmental Funds										

**Governmental Fund Balances by Fiscal Year**



**2014 Governmental Fund Balances**

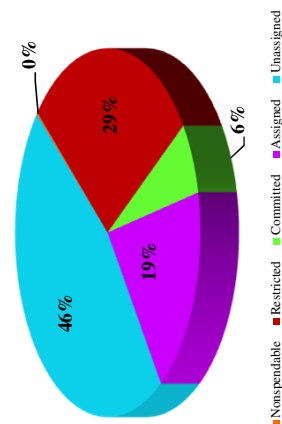


Table 4

1 of 2

**Changes in Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**

	December 31,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Revenues</b>										
Taxes	\$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	\$25,964,771
License and permits	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	1,306,759
Intergovernmental	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	6,010,619
Charges for services	4,647,098	5,214,339	4,645,238	5,005,728	5,188,790	5,648,907	4,950,225	6,601,588	3,345,061	3,079,275
Fines and forfeits	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	1,260,469
Miscellaneous	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	2,030,651
Total revenues	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	39,652,544
<b>Expenditures</b>										
General government	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	4,713,790
Public safety	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	22,513,669
Utilities and environment	195,461	217,600	374,985	223,469	226,975	219,431	219,631	219,560	28,166	23,165
Transportation	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	4,236,661
Economic environment	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	1,647,643
Mental/physical health	68,131	71,285	71,379	73,525	74,922	75,126	75,573	69,963	271,038	274,877
Cultural and recreation	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	4,480,333
Debt service										
Principle	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	1,260,000
Interest and other debt issue costs	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	1,192,256
Capital	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	6,028,569
Intergovernmental Payments	-	-	-	-	-	-	42,203	-	-	-
Total expenditures	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	46,370,963
Excess of revenues over (under) expenditures	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)	(6,718,419)
<b>Other Financing Sources (Uses)</b>										
Proceeds of long-term debt	1,671,000	-	-	-	-	19,407,267	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	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	-	-	-	-	-	18,629	1,251	-	137,498	199,550
Insurance recoveries	6,377,743	9,768,469	8,957,389	6,461,827	7,415,810	5,630,979	6,921,147	349	285	8,817
Transfers in	(6,885,610)	(10,596,716)	(9,445,689)	(4,195,667)	(3,239,886)	(2,020,214)	(3,282,833)	(1,612,316)	6,932,744	8,098,633
Transfers out	2,161,358	1,872,291	979,667	2,694,479	4,589,347	12,690,581	4,151,388	4,145,942	(1,440,742)	(1,681,679)
Total other financing sources and uses									14,620,858	6,625,321

Table 4

2 of 2

**Changes in Fund Balances of Governmental Funds**  
Last Ten Fiscal Years

	December 31,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Other Change in Fund Balance</b>										
Change in reserves for inventory	(14,148)	39,932	(755)	(1,507)	-	(10,666)	6,820	(23,264)	-	-
Net change in fund balances	3,238,578	(759,383)	(3,266,528)	(3,999,027)	859,149	4,475,680	(5,822,078)	77,485	1,038,138	(93,098)
Fund balances-beginning	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
Prior Period Adjustments	-	-	-	(140,726)	-	123,428	-	-	-	73,204
Fund balances-ending	\$ 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	\$ 10,299,210
Debt service as a percentage of noncapital expenditures	7.48%	7.27%	6.86%	4.64%	4.81%	4.09%	6.64%	6.34%	23.88%	6.08%

**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

**Changes in Fund Balance by Fiscal Year**

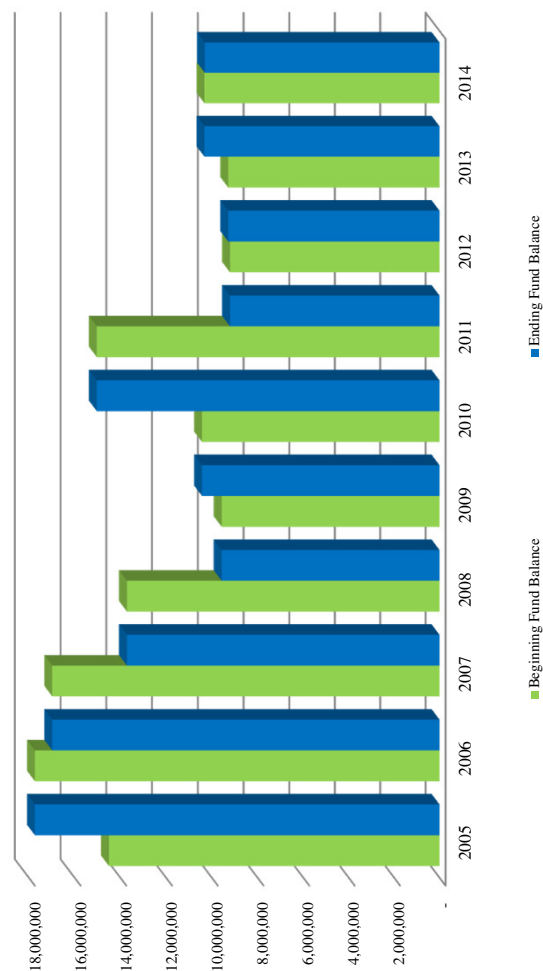


Table 5

**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		
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
2014	2,143,730,007	2,358,338,842	149,270,722	156,304,421	2,293,000,729	2,514,643,263	91.0%	3.85

**Governmental Activities Tax Revenues by Source**  
**Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Property Tax</b>	<b>Sales/Use Tax</b>	<b>Business Tax</b>	<b>Utility Tax</b>	<b>Local Revitalization Tax</b>	<b>Total Taxes</b>
2005	6,991,232	6,708,647	4,236,168	4,296,416	-	22,232,463
2006	7,329,167	7,206,948	3,905,450	4,744,302	-	23,185,867
2007	7,920,916	7,615,573	4,791,091	4,974,578	-	25,302,158
2008	7,799,723	7,811,974	3,454,487	5,087,768	-	24,153,952
2009	8,490,418	6,556,351	3,706,834	4,753,803	-	23,507,406
2010	8,553,934	6,538,977	3,413,021	4,531,307	146,258	23,183,497
2011	8,546,532	7,067,663	3,175,800	4,512,670	370,613	23,673,278
2012	8,578,750	7,312,155	3,258,033	4,407,473	339,594	23,896,005
2013	8,511,679	7,708,896	2,669,705	4,415,712	337,450	23,643,442
2014	8,688,122	8,157,987	2,737,702	4,332,386	340,860	24,257,057

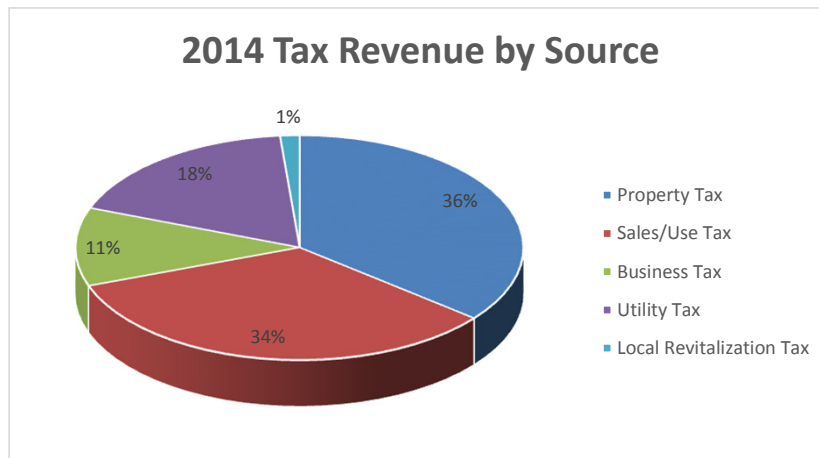


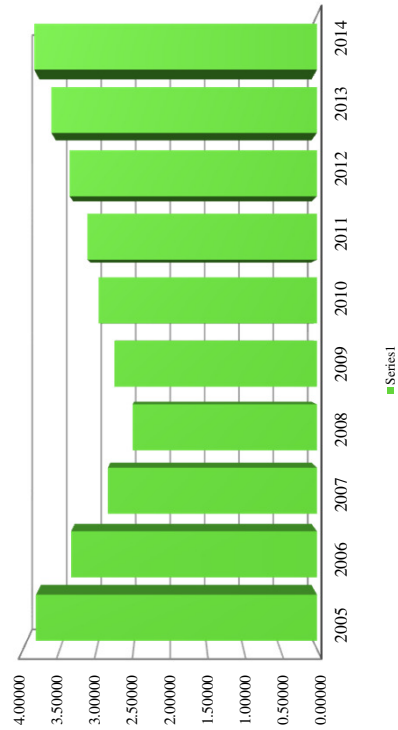


Table 7

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

City of Bremerton Direct Rates					Overlapping Rates <sup>1</sup>						Total Direct & Overlapping Rates	
Fiscal Year	Operating Milage	EMS Milage	Debt Service Milage	Total City Milage	Bremerton			Port of		Kitsap Regional Library Milage		Total Overlapping Rates
					State School Milage	School District Milage/Debt	Bremerton Milage/Debt	Bremerton Milage	Public Utility Milage			
2005	2.85463	0.47265	0.49682	3.82410	1.30856	6.67873	4.33854	4.33610	0.09221	0.41963	13.27128	17.09538
2006	2.46012	0.40695	0.47883	3.34590	1.13108	2.59911	3.72997	0.37672	0.07970	0.36159	8.27817	11.62406
2007	2.10316	0.34805	0.39588	2.84710	0.96251	2.29576	3.37815	0.76873	0.06782	0.30765	7.78062	10.62771
2008	1.90323	0.31487	0.29256	2.51065	0.87703	2.02829	3.18750	0.69372	0.06180	0.28021	7.12855	9.63919
2009	1.96901	0.50000	0.29004	2.75905	0.90091	2.02559	3.41376	0.71533	0.06348	0.28792	7.40699	10.16604
2010	2.16239	0.50000	0.30911	2.97151	0.98964	2.13360	3.75818	0.77433	0.06847	0.32040	8.04462	11.01613
2011	2.32957	0.50000	0.29627	3.12583	1.06784	2.37752	4.13613	0.79156	0.07376	0.34726	8.79406	11.91989
2012	2.55906	0.50000	0.30861	3.36767	1.13920	2.49738	4.54333	0.81469	0.07804	0.37076	9.44340	12.81107
2013	2.76184	0.50000	0.35143	3.61327	1.20157	2.50708	5.52472	0.38352	0.08173	0.39111	10.08973	13.70299
2014	2.95020	0.50000	0.39533	3.84554	1.23562	2.47237	5.88763	0.39439	0.08544	0.40208	10.47753	14.32307

City of Bremerton Direct Property Tax Rate



Total Direct &amp; Overlapping Property Tax Rates

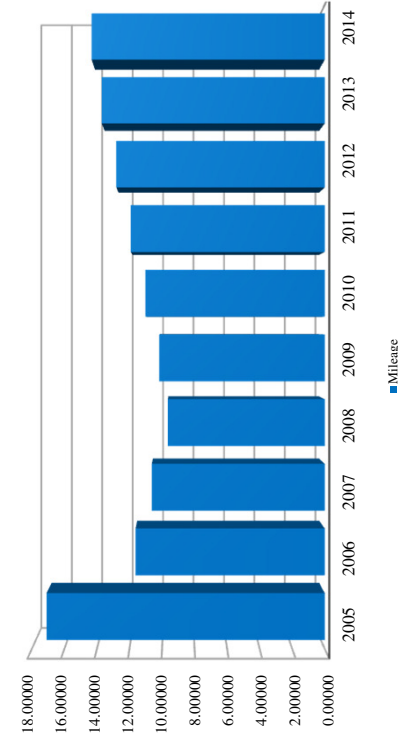


Table 8

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

	2014			2005		
	Taxpayer	Taxable Assessed Valuation	Rank	Percentage of Assessed Valuation	Taxpayer	Taxable Assessed Valuation
	Puget Sound Energy	\$ 33,400,117	1	1.5%	Puget Sound Energy	\$ 31,131,935
	Qwest Corporation	14,571,712	2	0.6%	Bremer Trust	12,975,550
	Kitsap Community Credit Union	13,615,450	3	0.6%	Ship II Bremerton LLC	9,028,670
	R&L Property Management	12,134,650	4	0.5%	Fir Lane Terrace Conv Ctr	8,314,500
	Winco Foods LLC	10,892,351	5	0.5%	Bay Point Retirement Comm	7,671,480
	Heartland Automobile Prop LLC	10,215,910	6	0.4%	Beta East Town Ctr	7,446,220
	HCK2 LLC	10,173,270	7	0.4%	R&L Property Management	7,442,680
	Bremer Trust	10,055,075	8	0.4%	L160 1 Kitsap	7,291,710
	Health Care Reit Inc	9,697,915	9	0.4%	Merit Company	6,846,150
	EP Holdings LLC	8,629,770	10	0.4%	Wait, Robin & Karen	6,616,160
	Top Ten Taxpayer Taxable Assessed Valuation	133,386,220		5.8%	Top Ten Taxpayer Taxable Assessed Valuation	104,765,055
	All Other Taxpayer Taxable Assessed Valuation	2,159,614,509		94.2%	All Other Taxpayer Taxable Assessed Valuation	1,743,272,160
	Total Taxpayer Taxable Assessed Valuation	\$ 2,293,000,729		100.0%	Total Taxpayer Taxable Assessed Valuation	\$ 1,848,037,215

**Assessed Valuation of 2014 Top Ten Taxpayers Compared to Total Taxable Assessed Valuation**

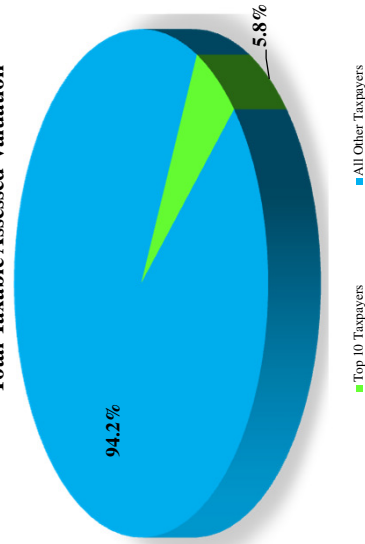


Table 9

**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
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%
2014	8,812	8,575	97.31%	256	8,831	100.22%	246	2.79%

**Annual Property Tax Levies and Taxes Collected**

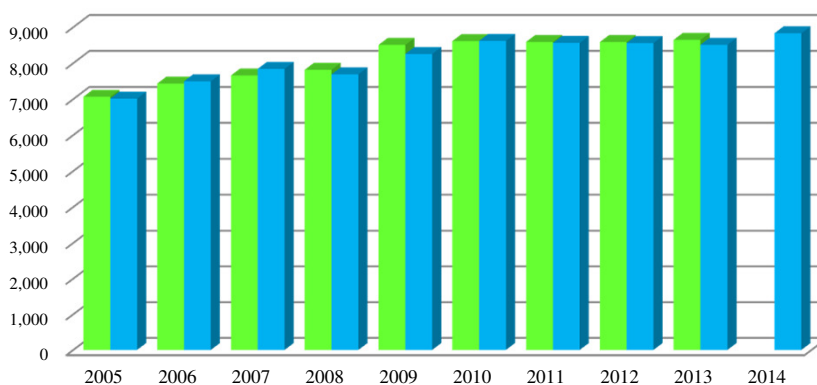


Table 10

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

<b>Fiscal Year</b>	<b>Population*</b>	<b>Assessed Value**</b>	<b>General Obligation Bonded Debt</b>	<b>Less Debt Service Fund</b>	<b>Net Bonded Debt</b>	<b>Percentage Net Bonded Debt to Assessed Value</b>	<b>Debt per Capita</b>
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
2014	37,850	2,293,000,729	30,015,000	293,160	29,721,840	1.30%	785

Table 11

**Computation of Direct and Overlapping Debt  
December 31, 2014**

<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	30,015,000	100.00 %	30,015,000
Kitsap County	96,198,914	9.17 %	8,821,440
Port of Bremerton	3,570,000	22.39 %	799,323
School District #100	11,660,865	75.69 %	8,826,109
So. Kitsap Schools #402 *	2,582,189	0.20 %	5,164
<b>TOTAL</b>	<b>144,026,968</b>		<b>48,467,036</b>

\* Non-Voted

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

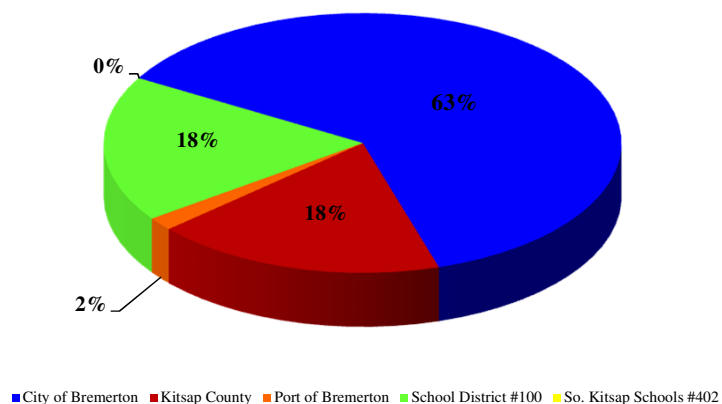


Table 12

**Computation of Legal Debt Margin  
as of December 31, 2014**

Total taxable property value **\$2,293,000,729** for collection in 2014

2.5% (\$57,325,018) general purposes limit is allocated between:

<i>Up to 1.5% debt <b>without</b> a vote (councilmanic)</i>	34,395,011	
Less: outstanding debt	26,065,000	
Less: excess of debt with a vote		
Add: available assets	<u>159,386</u>	
Equals: remaining debt capacity without a vote		8,489,397
<i>1% general purposes debt <b>with</b> a vote</i>	22,930,007	
Less: outstanding debt	8,705,000	
Add: assets available	<u>80,248</u>	
Equals: remaining debt capacity with a vote		14,305,255
<i>2.5% <b>utility</b> purpose limit, voted</i>	-	
Less: outstanding debt	-	
Less: contracts payable		
Add: assets available	<u>-</u>	
Equals: remaining debt capacity - utility purpose, voted		-
<i>2.5% <b>open space, park and capital facilities</b> , voted</i>	-	
Less: outstanding debt		
Less: contracts payable		
Add: assets available	<u>-</u>	
Equals remaining debt capacity - open space park and capital facilities, voted		-

Table 13

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

<b>Fiscal Year</b>	<b>Gross Revenue</b>	<b>Maintenance &amp; Operating Expenses*</b>	<b>Net Revenue Available for Debt Service</b>	<b>Current Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Current Coverage Ratio</b>
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
2014	27,576,368	15,422,948	12,153,420	375,000	137,388	512,388	23.72

\* Net of depreceiation, amortization and City taxes

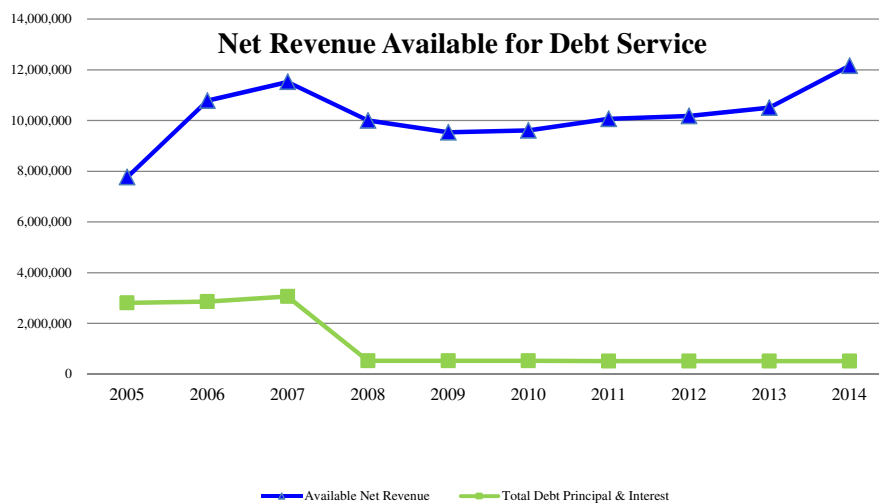


Table 14

## Miscellaneous Statistics

**DATE OF INCORPORATION**

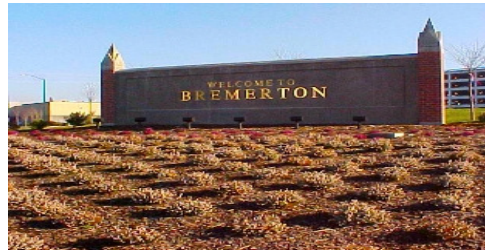
October 14, 1901

**FORM OF GOVERNMENT**

Council - Mayor

**Type of Government**

Home-Rule Charter

**Demographics in 2014**

Total Area for City of Bremerton

26.9 Square Miles

**Number of City Employees 2014**

Full-Time Equivalents

327.18

**Fire Protection**

Number of Personnel

58

Number of Stations

3

Fire and Aid Calls - 2014

7,526

Priority 1 Response Time (minutes)

5:42

**Police Protection**

Number of Police Officers

58

Calls for Service - 2014

55,223

Average Priority 1 Response Time (minutes)

3:03

Average Priority 2 Response Time (minutes)

4:48

**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 - 2014

4,577

Number of Business Licenses Issued in City Limits

1,318

Number of Landlord Licenses Issued - 2014

1,817



Table 14

## Miscellaneous Statistics

**Water Utility Services 2014**

Residential Accounts	16,686
Commercial Accounts	11,828
Storage Capacity (gallons)	33,240,000
Cascade Dam Capacity (gallons)	1.4 billion
Average Daily Demand (millions per gallon-MG)	6.1
Reservoirs	16
Watershed Land (square miles)	12.96
Sources:	
Surface Supply (MG)	1,082
Ground Supply (MG)	1,150
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 2014**

Residential Sewer Accounts	9,790
Commercial Sewer Accounts	922
Miles of Main	141
Miles of Force Main	31
Sewage Pump Stations	149
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 2014**

Residential Accounts	10,036
Commercial Accounts	1,033
Miles of Mains	114



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

Table 14

## Miscellaneous Statistics

**City Streets**

Street Miles	144
State Highway Miles	19
Miles of Sidewalks	127
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)	2.05 million
Biosolids applied (cubic yards)	3,094
Reforestation (seedlings planted)	13,906

**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	2,522,616
Kitsap Transit 2013	
Foot Ferry	
Annual Rides - Port Orchard & Annapolis	458,097
Buses (County Wide)	
Annual Bus Rides ( <i>Routed Service</i> )	2,381,079
Kitsap Access Bus	299,567
<b>Worker/Driver Service</b>	436,319 <b>New addition</b>
<b>2014 Total Bus Ridership</b>	3,116,965 <b>New addition</b>
Vanpool and Other	
<b>Vanpool Service</b>	232,391 <b>New addition</b>
<b>Guaranteed Ride Home</b>	142 <b>New addition</b>
<b>2014 Total Vanpool Ridership</b>	232,533 <b>New addition</b>
<b>Total Kitsap Transit Ridership</b>	3,807,595 <b>New addition</b>

Sources: Washington State Ferries

Kitsap Transit

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