

# *City of Bremerton, Washington*



## *Annual Financial Report*

*For the Fiscal Year ended  
December 31, 2016*

*Prepared by the Finance Department*

*City of Bremerton  
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City of Bremerton  
Comprehensive Annual Financial Report  
For the Fiscal Year Ended December 31, 2016

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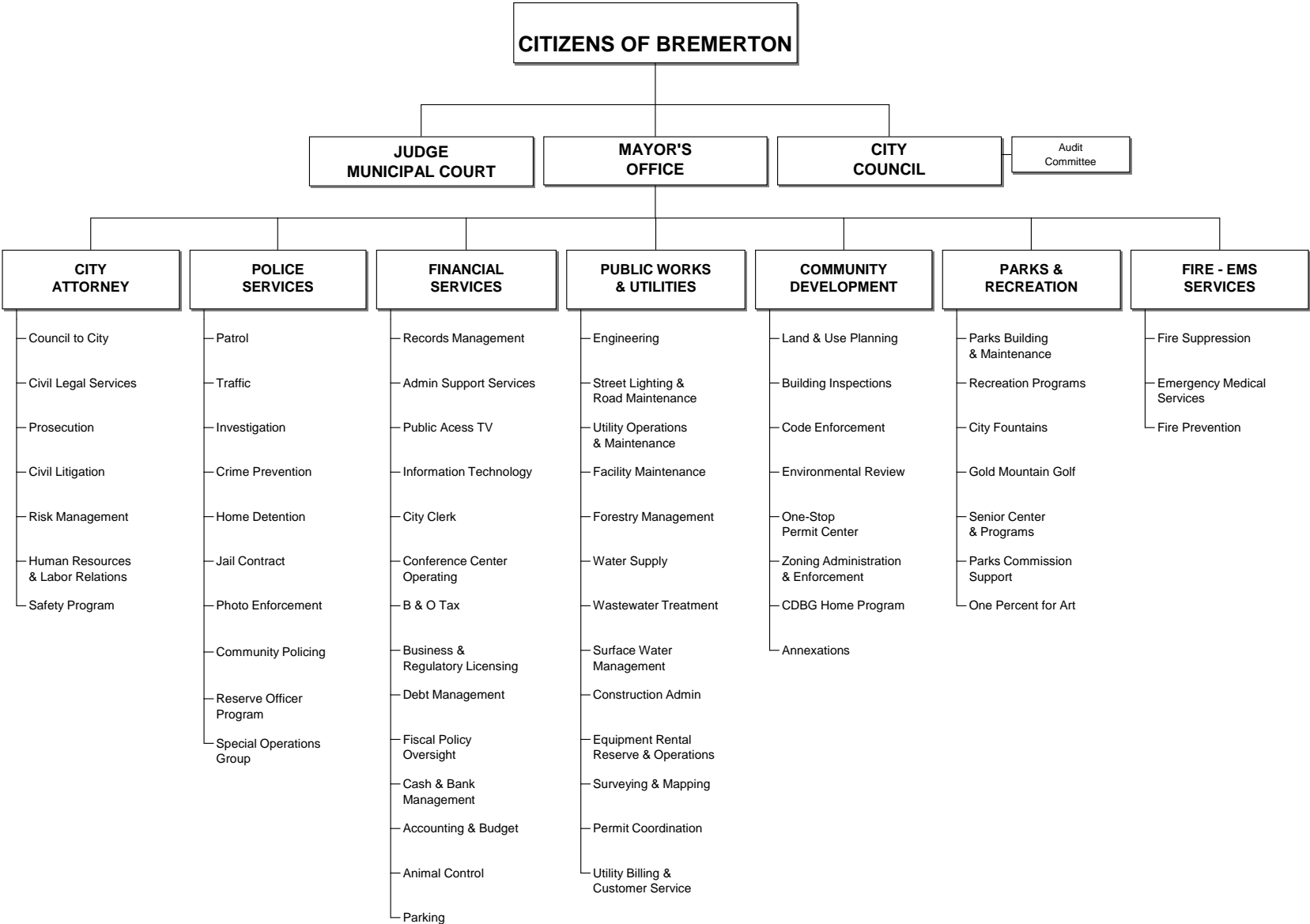
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# Directory of Officials

## 2016

### Elected Officials:

|                                  |                |
|----------------------------------|----------------|
| Mayor .....                      | Patty Lent     |
| District #1 Council Member ..... | Pat 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 ..... | Richard Huddy  |
| 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 .....     | Jeff Elevado    |
| City Auditor .....                         | Jenny Sims      |

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# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## **City of Bremerton Kitsap County January 1, 2016 through December 31, 2016**

Mayor and City Council  
City of Bremerton  
Bremerton, Washington

### **REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Bremerton, Kitsap County, Washington, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed on page 15.

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

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

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether



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

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Bremerton, as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed on page 15 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary and Other Information*

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

### **OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2017 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Pat McCarthy

State Auditor

Olympia, WA

September 25, 2017

**City of Bremerton  
Management's Discussion and Analysis  
December 31, 2016**

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, 2016. 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 2016, the assets and deferred outflows of the City exceeded its liabilities and deferred inflows by \$271 million. The net investment in capital assets accounts for 86 percent of this amount (\$233 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 7.0 percent of this amount (\$17.6 million). The remaining net assets of \$20.1 million may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's net position increased by \$7.2 million 3% during the fiscal year. The governmental net position increased by \$3.2 million (3%) from the amount reported in 2015. Business-type net position increased by \$4.0 million (2%).
- As of December 31, 2016, the City's governmental funds reported a combined fund balance of \$18.4 million, an increase of 17% from the prior year end. The fund balance of the General Fund increased by \$2.5 million while the remaining non-major governmental funds had a fund balance increase of \$.227 million. \$7.2 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 \$11.2 million fund balance, \$4.2 million has been committed or assigned for specific purposes while \$6.9 million is unassigned and available to the City for future appropriation. The remaining fund balance of \$23,407 is non-spendable inventories.
- At the end of 2016, the unassigned fund balance of the General Fund was \$6.9 million or approximately 20 percent of total General Fund expenditures of \$34.4 million. The General Fund's unassigned fund balance increased by \$1.5 million from the prior year's amount of \$4.7 million.
- The City's total outstanding debt increased by \$3.8 million 6% during the current fiscal year to \$66.2 million. General obligation debt decreased by \$1.97 million and revenue debt increased by \$5.7 million. The increase in Revenue Debt was attributable to the issuance \$7.8 million in Water, Sewer and Stormwater revenue bonds for utility improvements.
- The City's net investment in Capital Assets decreased \$1.2 million (.4%) in 2016. Total Capital assets from governmental activities decreased \$1.5 million or (1%). Total Capital assets from business type activities increased \$.298 or .16%. The Governmental decreases are primarily due to the sale of the Cencom Building and annual depreciation. In regards to Business Activities, \$4 million was spent for water, wastewater and stormwater capital improvements identified within the City's 2016 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, legislative and human resources), community development, public safety (police and fire), utilities and environment, transportation, economic environment, and culture and recreation. The City's business-type activities are limited to the City's municipal golf course and water, wastewater and stormwater utility activities. Governmental activities are primarily supported by taxes, charges for services, and grants while business-type activities are self-supporting through user fees and charges.

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

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

## Fund Financial Statements

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

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

The City maintained twenty-four (21) individual governmental funds in 2016. 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 four (4) enterprise funds are used to report the same functions presented as business-type activities in the government-wide statements with the fund statements providing more detail than is reported in the government-wide statements. The enterprise fund statements provide separate information for the City's municipal golf course, water, wastewater and stormwater utilities. The only other remaining enterprise fund is stormwater utility and it is reported in a single column labeled "Stormwater".

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

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

The City has one type of fiduciary fund – agency funds. *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, 2016 totaled \$271 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      |            |            |
|----------------------------------|-------------------------|-----------|------------|--------------------------|------------|------------|------------|------------|------------|
|                                  | 2016                    | 2015      | Difference | 2016                     | 2015       | Difference | 2016       | 2015       | Difference |
| Current Assets                   | \$ 20,967               | \$ 17,114 | \$ 3,853   | \$ 37,706                | \$ 27,248  | \$ 10,458  | \$ 58,673  | \$ 44,362  | \$ 14,311  |
| Restricted Assets                | 7,876                   | 8,631     | (755)      | 2,051                    | 1,723      | 328        | 9,927      | 10,354     | (427)      |
| Capital Assets                   | 113,758                 | 115,269   | (1511)     | 177,237                  | 176,673    | 564        | 290,995    | 291,942    | (947)      |
| Other Noncurrent Assets          | 4,001                   | 6,203     | (2202)     | -                        | 371        | (371)      | 4,001      | 6,574      | (2,573)    |
| Total assets                     | 146,602                 | 147,217   | (615)      | 216,994                  | 206,015    | 10,979     | 363,596    | 353,232    | 10,364     |
| Deferred outflows of resources   | 3,863                   | 2,485     | 1,378      | 913                      | 626        | 287        | 4,776      | 3,111      | 1,665      |
| Current Liabilities              | 2,679                   | 3,328     | (649)      | 1,905                    | 1,666      | 239        | 4,584      | 4,994      | (410)      |
| Payable from Restricted Assets   | -                       | -         | -          | -                        | -          | -          | -          | -          | -          |
| Noncurrent Liabilities           | 49,476                  | 48,793    | 683        | 42,662                   | 35,188     | 7,474      | 92,138     | 83,981     | 8,157      |
| Total liabilities                | 52,155                  | 52,121    | 34         | 44,567                   | 36,854     | 7,713      | 96,722     | 88,975     | 7,747      |
| Deferred inflows of resources    | 315                     | 2,744     | (2,429)    | 173                      | 656        | (483)      | 488        | 3,400      | (2,912)    |
| Net position                     |                         |           |            |                          |            |            |            |            |            |
| Net Investment in Capital Assets | 82,393                  | 82,210    | 183        | 147,931                  | 147,071    | 860        | 230,324    | 229,281    | 1,043      |
| Restricted                       | 7,876                   | 8,629     | (753)      | 9,751                    | 2,201      | 7,550      | 17,627     | 10,830     | 6,797      |
| Unrestricted                     | 7,726                   | 3,998     | 3,728      | 15,485                   | 19,859     | (4,374)    | 23,211     | 23,857     | (646)      |
| Total Net Position               | \$ 97,995               | \$ 94,837 | \$ 3,158   | \$ 173,167               | \$ 169,131 | \$ 4,036   | \$ 271,162 | \$ 263,968 | \$ 7,194   |

The largest component of the City's net position, \$233 million (or 86%), 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 \$7.9 million of governmental restrictions, \$5.7 million or 73% is restricted for the construction of capital assets. \$.989 million (4%) are special revenues restricted primarily for use in the Community Development Block Grant program, for public safety services (6%), tourism promotion (5%), public access television (1.3%) and workers compensation liability (1.3%). 1.5% or \$.115 million is restricted for debt service on outstanding debt. \$9.8 million of business-type restrictions are reserves required for debt service payments and asset replacement. A total of \$12.4 million represents the unrestricted net position of the City's business-type activities and may only be spent on golf course operations, water, wastewater and other utility activities. Maintenance of utility delivery systems (water lines, pump station, wells), storm drain flushing, water meter reading, and capital construction projects, such as well rehabilitation, are examples of utility activities. Other functions of the City may access the remaining \$7.7 million to meet ongoing obligations to citizens and creditors. Examples of other City obligations which this remaining amount may be used for are: public safety employee salaries, parks maintenance (mowing, fence repair, etc.), and ongoing street maintenance (street sweeping, restriping, resurfacing, etc.).

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

## Changes in net position

The Changes in Net Position table illustrates the increase or decrease in net position of the City resulting from its operating activities. The City's overall financial position improved in 2016 with net position increasing approximately \$7.2 million. The net position of governmental activities increased by \$3.2 million and the net position of business-type activities increased by \$4.0 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.

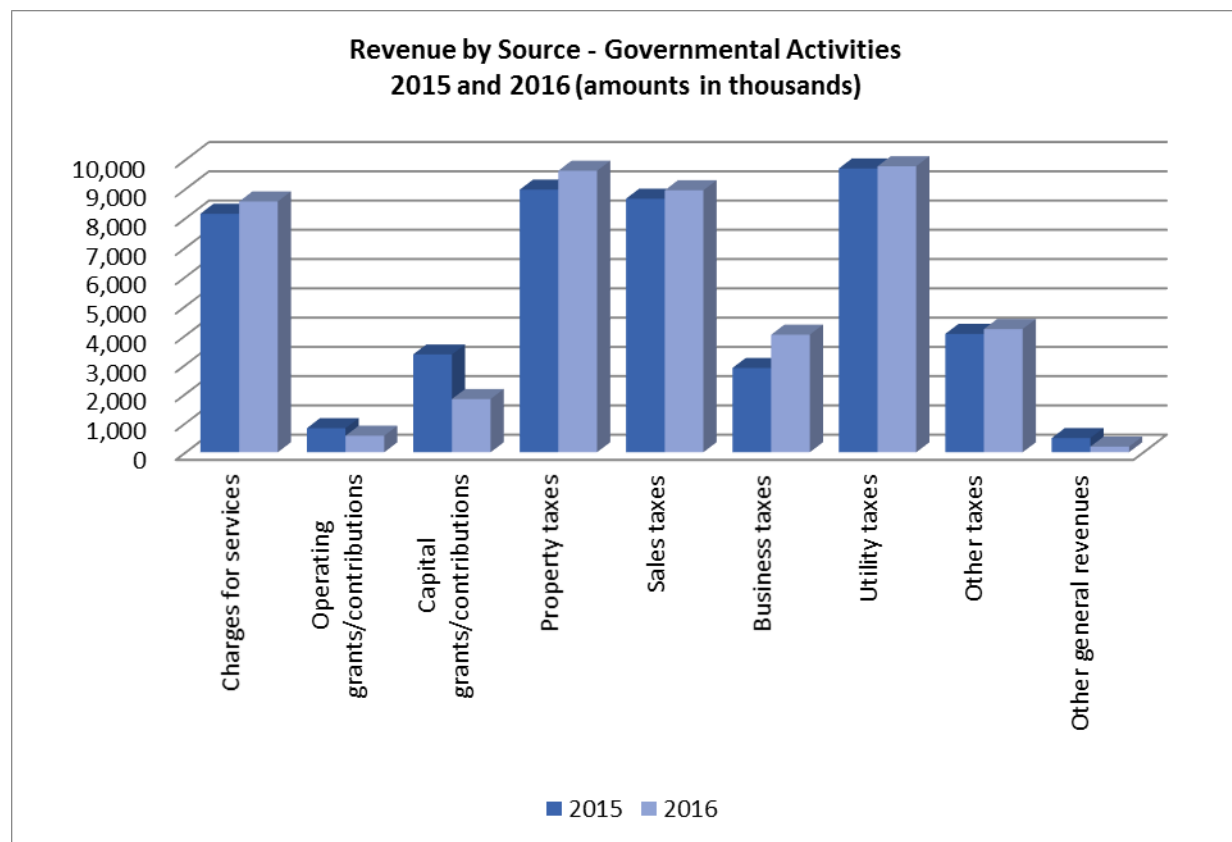
| Amounts in 000's                 | Changes in Net Position |           |            |                          |            |            |            |            |            |
|----------------------------------|-------------------------|-----------|------------|--------------------------|------------|------------|------------|------------|------------|
|                                  | Governmental Activities |           |            | Business-Type Activities |            |            | Total      |            |            |
|                                  | 2016                    | 2015      | Difference | 2016                     | 2015       | Difference | 2016       | 2015       | Difference |
| <b>Revenues</b>                  |                         |           |            |                          |            |            |            |            |            |
| Program revenues                 |                         |           |            |                          |            |            |            |            |            |
| Charges for services             | \$ 8,568                | \$ 8,150  | \$ 418     | \$ 34,192                | \$ 34,562  | \$ (370)   | \$ 42,760  | \$ 42,712  | \$ 48      |
| Operating grants/contributions   | 564                     | 821       | (257)      | 25                       | 11         | 14         | 589        | 832        | (243)      |
| Capital grants/contributions     | 1,820                   | 3,342     | (1,522)    | 1,976                    | 2,132      | (156)      | 3,796      | 5,474      | (1,678)    |
| General revenues                 | -                       | -         | -          | -                        | -          | -          | -          | -          | -          |
| Property taxes                   | 9,618                   | 8,972     | 646        | 76                       | -          | 76         | 9,694      | 8,972      | 722        |
| Sales taxes                      | 8,951                   | 8,663     | 288        | -                        | 48         | (48)       | 8,951      | 8,711      | 240        |
| Business taxes                   | 4,018                   | 2,878     | 1,140      | 18                       | 14         | 4          | 4,036      | 2,892      | 1,144      |
| Utility taxes                    | 9,774                   | 9,696     | 78         | -                        | -          | -          | 9,774      | 9,696      | 78         |
| Other taxes                      | 4,210                   | 4,046     | 164        | -                        | -          | -          | 4,210      | 4,046      | 164        |
| Other general revenues           | 192                     | 484       | (292)      | 153                      | 644        | (491)      | 345        | 1,128      | (783)      |
| Total revenues                   | \$ 47,715               | \$ 47,052 | \$ 663     | \$ 36,440                | \$ 37,411  | \$ (971)   | \$ 84,155  | \$ 84,463  | \$ (308)   |
| <b>Expenses</b>                  |                         |           |            |                          |            |            |            |            |            |
| Governmental activities          |                         |           |            |                          |            |            |            |            |            |
| General government               | 4,206                   | 4,379     | (173)      | -                        | -          | -          | 4,206      | 4,379      | (173)      |
| Public safety                    | 25,840                  | 27,925    | (2,085)    | -                        | -          | -          | 25,840     | 27,925     | (2,085)    |
| Utilities and environment        | -                       | -         | -          | -                        | -          | -          | -          | -          | -          |
| Transportation                   | 5,515                   | 5,736     | (221)      | -                        | -          | -          | 5,515      | 5,736      | (221)      |
| Economic Environment             | 1,906                   | 1,935     | (29)       | -                        | -          | -          | 1,906      | 1,935      | (29)       |
| Culture and recreation           | 5,968                   | 6,175     | (207)      | -                        | -          | -          | 5,968      | 6,175      | (207)      |
| Interest on long-term debt       | 1,098                   | 1,405     | (307)      | -                        | -          | -          | 1,098      | 1,405      | (307)      |
| Business-type activities         |                         |           |            |                          |            |            |            |            |            |
| Water                            | -                       | -         | -          | 13,164                   | 11,760     | 1,404      | 13,164     | 11,760     | 1,404      |
| Wastewater                       | -                       | -         | -          | 12,726                   | 13,325     | (599)      | 12,726     | 13,325     | (599)      |
| Golf course                      | -                       | -         | -          | 3,973                    | 3,994      | (21)       | 3,973      | 3,994      | (21)       |
| Stormwater                       | -                       | -         | -          | 2,565                    | 2,465      | 100        | 2,565      | 2,465      | 100        |
| Total expenses                   | \$ 44,533               | \$ 47,555 | \$ (3,022) | \$ 32,428                | \$ 31,544  | \$ 884     | \$ 76,961  | \$ 79,099  | \$ (2,138) |
| Excess of revenues over expenses | 3,182                   | (503)     | 3,685      | 4,012                    | 5,867      | (1,855)    | 7,194      | 5,364      | 1,830      |
| Transfers                        | (24)                    | 1,778     | (1,802)    | 24                       | (1,778)    | 1,802      | -          | -          | -          |
| Change in net position           | 3,158                   | 1,275     | 1,883      | 4,036                    | 4,089      | (53)       | 7,194      | 5,364      | 1,830      |
| Net position - beginning         | 94,837                  | 96,695    | (1,858)    | 169,131                  | 169,751    | (620)      | 263,968    | 266,446    | (2,478)    |
| Prior period adjustment          | -                       | 16        | (16)       | -                        | 33         | (33)       | -          | 49         | (49)       |
| Accounting Change GASB 68        | -                       | (3,149)   | 3,149      | -                        | (4,742)    | 4,742      | -          | (7,891)    | 7,891      |
| Net position - ending            | \$ 97,995               | \$ 94,837 | \$ 3,158   | \$ 173,167               | \$ 169,131 | \$ 4,036   | \$ 271,162 | \$ 263,968 | \$ 7,194   |

**Governmental activities** accounted for a increase of \$1.8 million of the total change in net position of \$1.8 million. Significant elements of the increase are as follows:

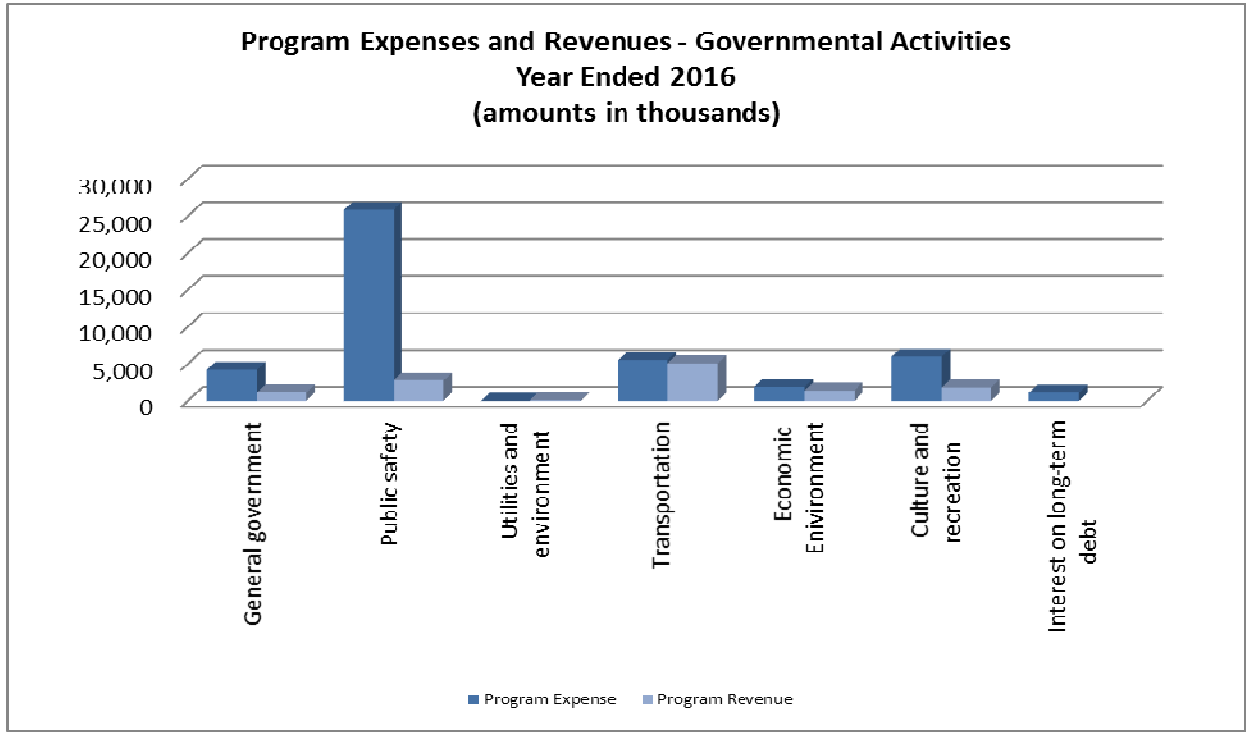
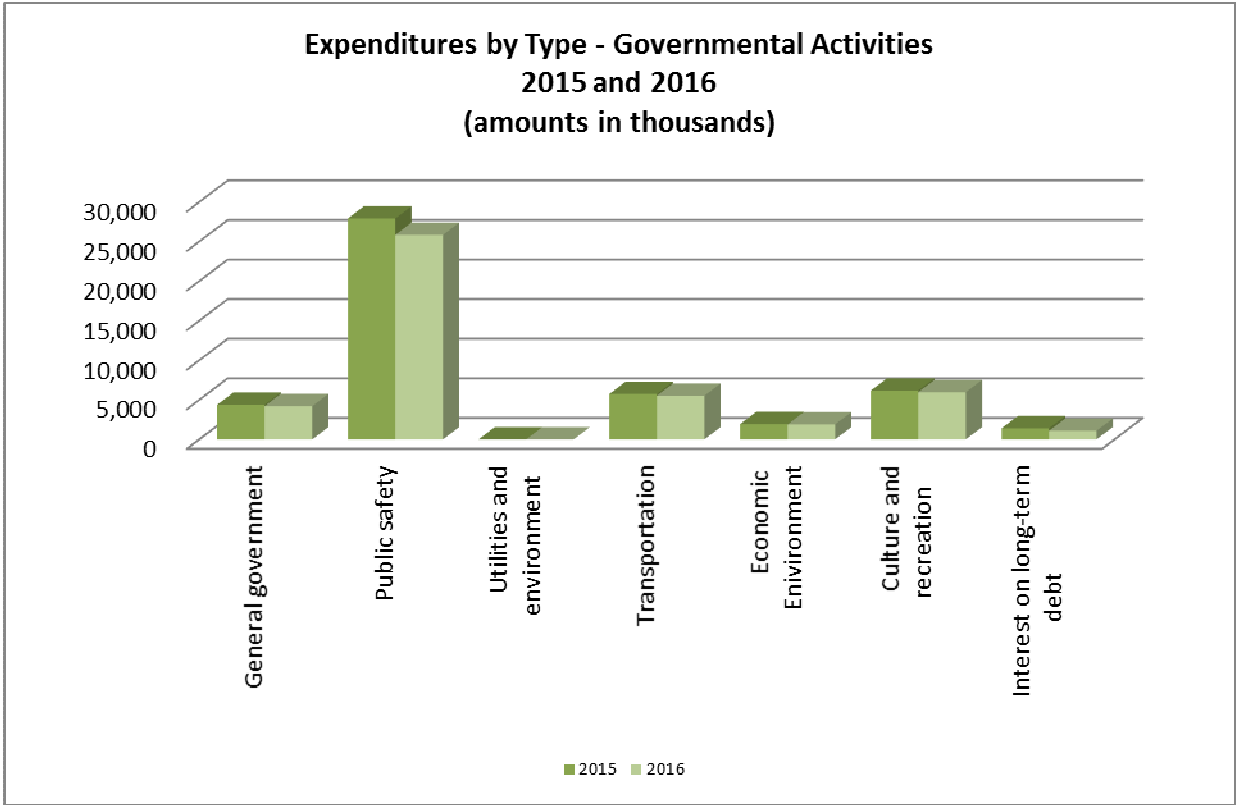
- The City saw a significant increase in sales and business taxes \$.288 million and \$1.1 million respectively.
- Expenditures decreased by 2.7% in 2016 compared to 2015. Small changes occurred in many functional areas, as a significant effort was made to match available resources.
- Total revenue from governmental activities in 2016 increased by \$.663 million from 2015. Program revenues decreased by \$1.36 million. Capital Grants had the largest decrease (\$1.5 million). Operating grants decreased by

\$.257 million. Increases in license and permitting fees, other charges for services and fee collected from fines accounted for the remaining \$.418 million. Tax revenues that support ongoing operations increased by \$2.3 million or 6.8% in 2016 from the 2015 level. The most significant increase (\$1.5 million) was from Sales tax revenue. Business taxes increased by \$1.1 million or 13%. Utility taxes increased \$.164 million or 4.0%. Other general revenues which include interest earnings, gains and losses on disposal of assets, and miscellaneous income, decreased by \$.292 million.

- Governmental net position increased overall by \$3.2 million in 2016. The major contribution to this was the increase in Tax Revenue \$2.3 million and expenditure decreases of \$3.0 million. This savings was most notable in Public Safety \$2 million or (7.5%)

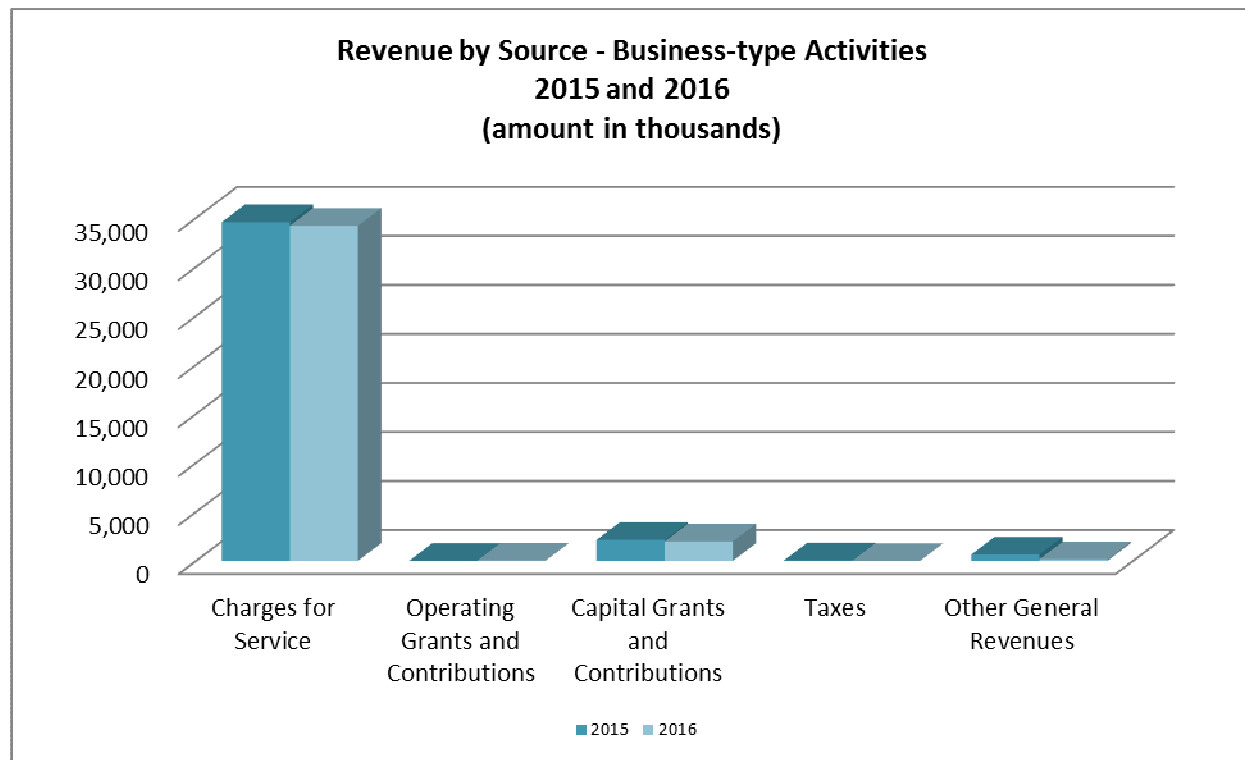


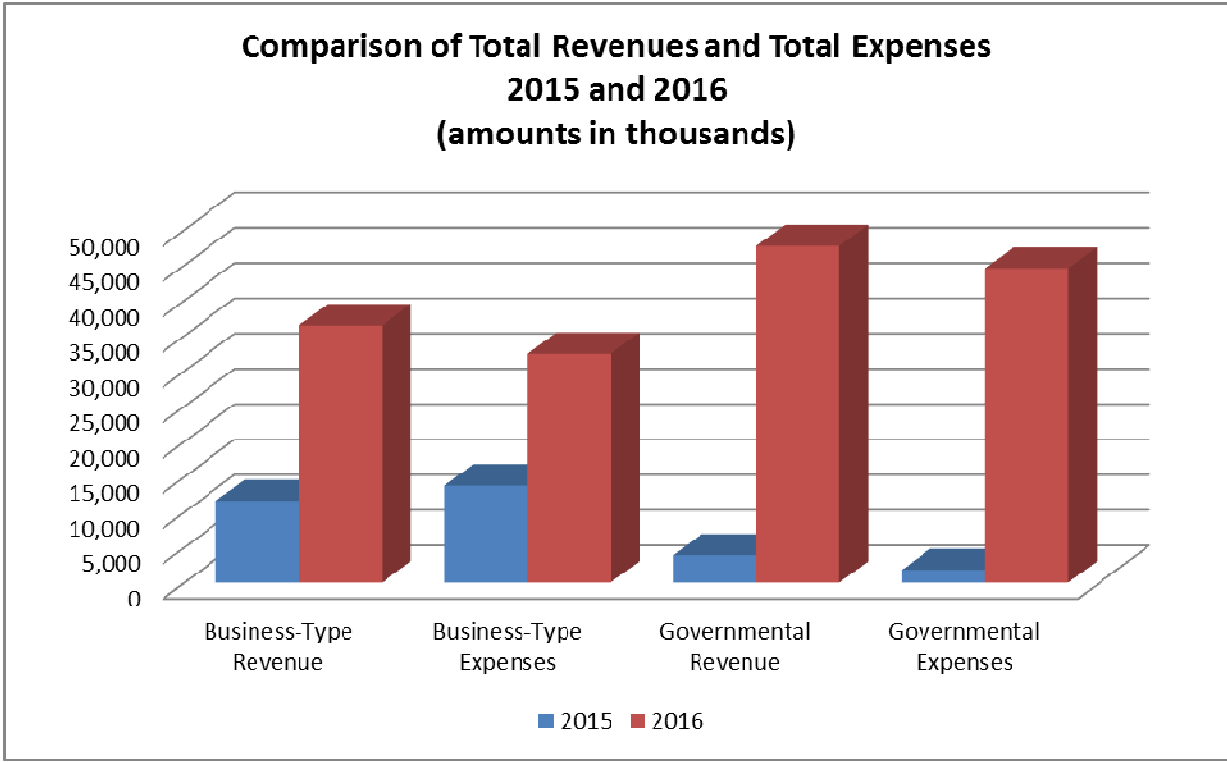
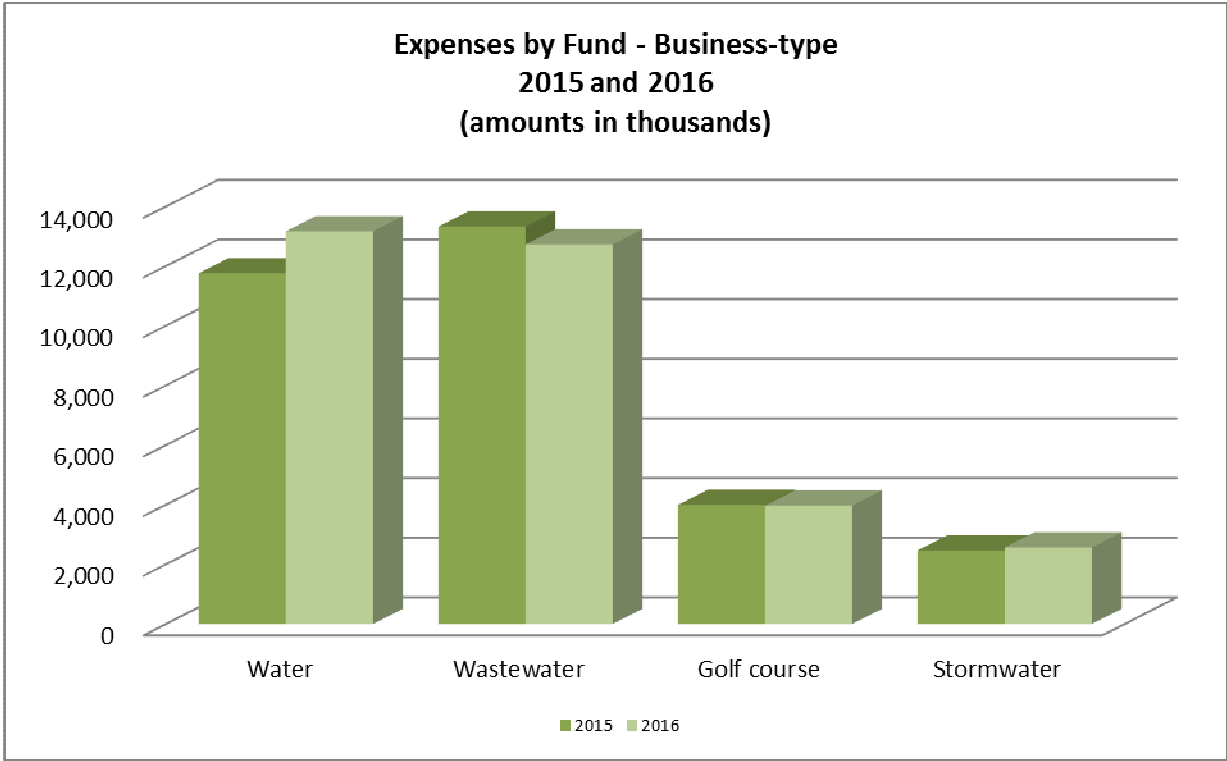


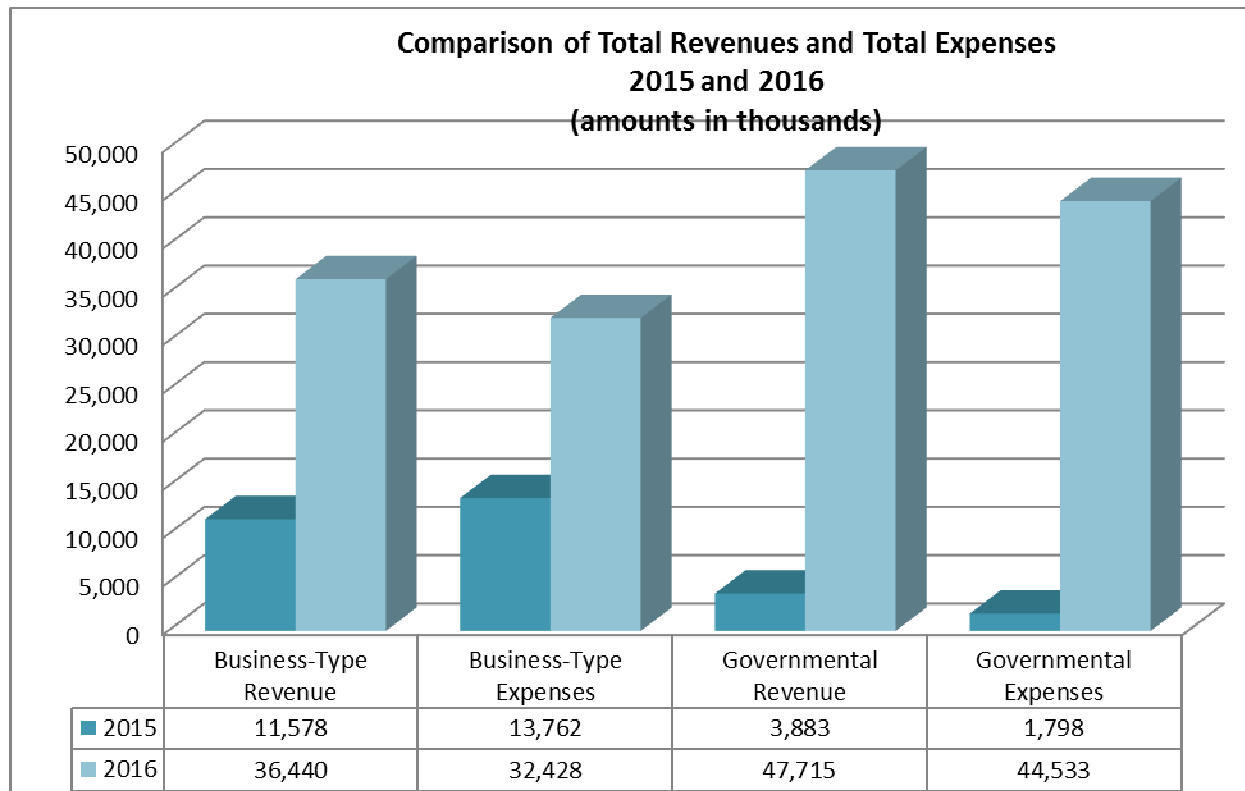


***Business-type activities*** increased the City's net position by \$4.0 million

- The significant change in fund balance can be mainly attributed to GASB 68 implementation in 2015. Other than the recognition of the restatement, the utilities remained consistent from the prior year.
- Transfers to Governmental Activities decreased by \$1.8 million in 2016. This is mainly attributable to the change in procedures at the City to transfer utility funds to governmental funds for their portion of capital projects.







## 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 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 2016, the fund balance of the General Fund was \$7.96 million. As a measure of the fund's liquidity, the 2016 ending fund balance is 23% of the fund's 2016 expenditures, an increase of 8% over 2015's 15%.

The General Fund ending fund balance increased in 2016 by \$2.5 million in 2016. Revenues increased from \$35.2 million in 2015 to \$36.8 million in 2016. The largest component of this increase (\$1.3 million) is attributable to Sales tax and Business Taxes. Expenditures decreased from \$34.4 million to \$33.7 million during the same period. \$.280 million personnel savings. Expenditures for supplies and services decreased by \$0.491 million led by decreases for the care and custody of prisoners.

## Proprietary funds

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

## General Fund Budget Variations

The General Fund collected revenues at 102% of the amended amount budgeted or \$.891 million more than budgeted. Expenditures for 2016 were 93.7% of the amended budget resulting in actual expenditures being \$2.5 million less than the budgeted amount. The positive expenditure budget variance is largely attributable savings in budgeted supplies and services.

The General Fund budget was balanced in 2016. The original budget provided for a decrease to the fund balance of \$707,880. The budget was amended two times during 2016. The final amended budget provided for a decrease to fund balance of \$1,119,972. At the conclusion of 2016, the General Fund increased fund balance by \$2,240,980.

## 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, 2016, amounts to \$291 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 2016 street related projects in the amount of \$2.3 million. Specifically the City worked on the following:

- The Bremerton Crosswalks project \$547,000
- Austin Drive Overlay project \$727,000
- Lebo Street Restoration project \$292,000

Other projects totaled \$743,000.

The major capital assets changes for business-type activities included the construction of wastewater and water capital improvement projects identified within the City's 2016 capital improvement plan.

| Amounts in 000's            | <b>Capital Assets (net of depreciation)</b> |                   |                   |                          |                   |               |                   |                   |                   |
|-----------------------------|---|-------------------|-------------------|--------------------------|-------------------|---------------|-------------------|-------------------|-------------------|
|                             | Governmental Activities                     |                   |                   | Business-Type Activities |                   |               | Total             |                   |                   |
|                             | 2016  | 2015              | Difference        | 2016                     | 2015              | Difference    | 2016              | 2015              | Difference        |
| Land                        | \$ 20,316                                   | \$ 20,402         | \$ (86)           | \$ 9,514                 | \$ 9,407          | \$ 107        | \$ 29,830         | \$ 29,809         | \$ 21             |
| Buildings                   | 48,419                                      | 49,730            | (1,311)           | 33,003                   | 32,144            | 859           | 81,422            | 81,874            | (452)             |
| Improvements/Infrastructure | 35,333                                      | 37,436            | (2,103)           | 96,148                   | 95,605            | 543           | 131,481           | 133,041           | (1,560)           |
| Machinery and Equipment     | 1,943                                       | 2,128             | (185)             | 32,103                   | 31,933            | 170           | 34,046            | 34,061            | (15)              |
| Construction in Progress    | 7,742                                       | 5,568             | 2,174             | 5,981                    | 7,414             | (1,433)       | 13,723            | 12,982            | 741               |
| Intangibles                 | 5   | 5                 | -                 | 222                      | 170               | 52            | 227               | 175               | 52                |
| <b>TOTAL</b>                | <b>\$ 113,758</b>                           | <b>\$ 115,269</b> | <b>\$ (1,511)</b> | <b>\$ 176,971</b>        | <b>\$ 176,673</b> | <b>\$ 298</b> | <b>\$ 290,729</b> | <b>\$ 291,942</b> | <b>\$ (1,213)</b> |

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

## Long-term debt

For business type activities in 2016, the City issued Revenue Bonds in the amount of \$7,855,000. The Bonds have a maturity date of December 1, 2036.

| Amounts in 000's         | <b>Outstanding Debt - General Obligation and Revenue Bonds</b> |                  |                   |                          |                  |                 |                  |                  |                 |
|--------------------------|--|------------------|-------------------|--------------------------|------------------|-----------------|------------------|------------------|-----------------|
|                          | Governmental Activities  |                  |                   | Business-Type Activities |                  |                 | Total            |                  |                 |
|                          | 2016   | 2015             | Difference        | 2016                     | 2015             | Difference      | 2016             | 2015             | Difference      |
| General Obligation Bonds | \$ 31,235  | \$ 32,920        | \$ (1,685)        | \$ 4,225                 | \$ 4,510         | \$ (285)        | \$ 35,460        | \$ 37,430        | \$ (1,970)      |
| General Obligation Notes | -  | -                | -                 | -                        | -                | -               | -                | -                | -               |
| Revenue Bonds            | -  | -                | -                 | 16,335                   | 9,120            | 7,215           | 16,335           | 9,120            | 7,215           |
| Revenue Loans            | -  | -                | -                 | 14,415                   | 15,881           | (1,466)         | 14,415           | 15,881           | (1,466)         |
| <b>TOTAL</b>             | <b>\$ 31,235</b>   | <b>\$ 32,920</b> | <b>\$ (1,685)</b> | <b>\$ 34,975</b>         | <b>\$ 29,511</b> | <b>\$ 5,464</b> | <b>\$ 66,210</b> | <b>\$ 62,431</b> | <b>\$ 3,779</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 2016 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 continued to show improvement during 2016.

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 and the Lower Wheaton Way and Washington Ave Pedestrian Access funds. In 2016 the City was awarded a \$4.5 million dollar grant to improve Lebo Blvd. Future outside funding opportunities will be highly competitive and Bremerton, due to its current economic demographics, should compete very well for certain projects. In 2016, the TBD received total collections from vehicle license fees of \$510,641. The 2015 Legislature included within its large transportation funding bill (2ESSB 5987) provisions that allow a city or county that has a TBD with the same boundaries as the city or county to absorb the TBD and assume all the TBD's "rights, powers, functions and obligations" with the result that the TBD would cease to exist as a separate entity. On March 16, 2016 the Bremerton City Council held a public hearing and passed Ordinance No. 5297 assuming the rights, powers, functions and obligations of the Transportation Benefit District. Effective April 4, 2016, the City of Bremerton assumed the duties of the TBD. 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).

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. Private investment has included the construction of the 606 and Spyglass apartments. Additionally, there are other projects still in early development including 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 in 2014 and 2016 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.

**City of Bremerton**  
**Statement of Net Position**  
**December 31, 2016**

|   | Primary Government         |                             |                       |
|---|----------------------------|-----------------------------|-----------------------|
|   | Governmental<br>Activities | Business-Type<br>Activities | Total                 |
| <b>Assets</b>   |                            |                             |                       |
| Current assets:   |                            |                             |                       |
| Cash & Cash Equivalents                                 | \$ 7,793,937               | \$ 18,754,803               | \$ 26,548,740         |
| Investments   | 7,331,656                  | 12,078,649                  | 19,410,305            |
| Receivables   | 4,977,939                  | 5,278,211                   | 10,256,150            |
| Internal balances                                       | 902                        | 21,625                      | 22,527                |
| Due from other governments                              | 265,932                    | 67,635                      | 333,567               |
| Inventories   | 118,789                    | 1,476,725                   | 1,595,514             |
| Prepayments   | 478,364                    | 28,568                      | 506,932               |
| Restricted assets:                                      |                            |                             |                       |
| Cash & Cash Equivalents                                 | 5,474,173                  | 813,896                     | 6,288,069             |
| Investments   | 1,615,258                  | 911,307                     | 2,526,565             |
| Receivables   | 606,959                    | 325,400                     | 932,359               |
| Due from other governments                              | 179,278                    | -                           | 179,278               |
| Notes and contracts receivable:                         |                            |                             |                       |
| Due within one year                                     | -                          | -                           | -                     |
| Due in more than one year                               | -                          | 265,500                     | 265,500               |
| Capital assets net of depreciation                      | 113,758,483                | 176,971,304                 | 290,729,787           |
| Other assets  | 4,000,422                  | -                           | 4,000,422             |
| <b>Total assets</b>                                     | <b>\$ 146,602,092</b>      | <b>\$ 216,993,623</b>       | <b>\$ 363,595,715</b> |
| <b>Deferred outflows of resources</b>                   |                            |                             |                       |
| Deferred amount on refunding                            | \$ 895,249                 | \$ -                        | \$ 895,249            |
| Deferred amount related to pension                      | \$ 2,967,709               | \$ 913,445                  | \$ 3,881,154          |
| <b>Total Deferred outflow of resources</b>              | <b>\$ 3,862,958</b>        | <b>\$ 913,445</b>           | <b>\$ 4,776,403</b>   |
| <b>Liabilities</b>                                      |                            |                             |                       |
| Accounts payable and other current liabilities          | \$ 1,365,723               | \$ 1,206,577                | \$ 2,572,300          |
| Employee wages payable                                  | 1,020,029                  | 383,178                     | 1,403,207             |
| Other accrued liabilities                               | 244,154                    | 172,245                     | 416,399               |
| Custodial accounts                                      | 49,739                     | 143,037                     | 192,776               |
| Noncurrent liabilities                                  |                            |                             |                       |
| Unearned Revenue  | -                          | 80,234                      | 80,234                |
| Due within one year                                     | 7,619,651                  | 3,745,172                   | 11,364,823            |
| Due in more than one year                               | 41,855,954                 | 38,836,246                  | 80,692,200            |
| <b>Total liabilities</b>                                | <b>\$ 52,155,250</b>       | <b>\$ 44,566,689</b>        | <b>\$ 96,721,939</b>  |
| <b>Deferred inflows of resources related to pension</b> | <b>\$ 314,886</b>          | <b>\$ 173,405</b>           | <b>\$ 488,291</b>     |
| <b>Net Position</b>                                     |                            |                             |                       |
| Net investment in capital assets                        | \$ 82,392,861              | \$ 147,931,239              | \$ 230,324,100        |
| Restricted for:   |                            |                             |                       |
| Tourism promotion & facilities                          | 429,864                    | -                           | 429,864               |
| Community development block grant                       | 944,579                    | -                           | 944,579               |
| Public safety   | 467,310                    | -                           | 467,310               |
| Public Access Television                                | 103,446                    | -                           | 103,446               |
| Debt service  | 115,985                    | 2,052,964                   | 2,168,949             |
| Workers compensation                                    | 100,000                    | -                           | 100,000               |
| Capital projects  | 5,715,233                  | 7,697,587                   | 13,412,820            |
| Unrestricted  | 7,725,636                  | 15,485,184                  | 23,210,820            |
| <b>Total Net Position</b>                               | <b>\$ 97,994,914</b>       | <b>\$ 173,166,974</b>       | <b>\$ 271,161,888</b> |



**City of Bremerton  
Statement of Activities  
For the Year Ended December 31, 2016**

|   | Program Revenues |                         |  |  | Net (Expense) Revenue and<br>Changes in Net Position |                             |                 |
|---|------------------|-------------------------|--|--|--|-----------------------------|-----------------|
|   | Expenses         | Charges for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions | Governmental<br>Activities                           | Business-Type<br>Activities | Total           |
| Function/Program                          |                  |                         |  |  |  |                             |                 |
| Governmental activities:                  |                  |                         |  |  |  |                             |                 |
| General government                        | \$ 4,205,961     | \$ 996,988              | \$ -                                     | \$ -                                   | \$ (3,208,973)                                       | \$ -                        | \$ (3,208,973)  |
| Public safety                             | 25,840,494       | 3,183,923               | 77,306                                   | -                                      | \$ (22,579,265)                                      | -                           | (22,579,265)    |
| Transportation                            | 5,515,358        | 1,721,826               | -  | 1,819,614                              | \$ (1,973,918)                                       | -                           | (1,973,918)     |
| Economic environment                      | 1,905,763        | 851,700                 | 478,247                                  | -                                      | \$ (575,816)   | -                           | (575,816)       |
| Culture and recreation                    | 5,967,564        | 1,813,166               | 8,447                                    | -                                      | \$ (4,145,951)                                       | -                           | (4,145,951)     |
| Interest on long-term debt                | 1,097,787        | -                       | -  | -                                      | \$ (1,097,787)                                       | -                           | (1,097,787)     |
| Total governmental activities             | 44,532,927       | 8,567,603               | 564,000                                  | 1,819,614                              | (33,581,710)   | -                           | (33,581,710)    |
| Business-type activities                  |                  |                         |  |  |  |                             |                 |
| Water                                     | 13,163,870       | 12,352,935              | -  | 1,268,437                              | -  | 457,502                     | 457,502         |
| Wastewater                                | 12,725,757       | 14,812,064              | -  | 418,876                                | -  | 2,505,183                   | 2,505,183       |
| Golf course                               | 3,972,630        | 4,152,890               | -  | -                                      | -  | 180,260                     | 180,260         |
| Stormwater                                | 2,564,868        | 2,873,628               | 24,951                                   | 288,517                                | -  | 622,228                     | 622,228         |
| Total business-type activities            | 32,427,125       | 34,191,517              | 24,951                                   | 1,975,830                              | -  | 3,765,173                   | 3,765,173       |
| Total government                          | \$ 76,960,052    | \$ 42,759,120           | \$ 588,951                               | \$ 3,795,444                           | \$ (33,581,710)                                      | \$ 3,765,173                | \$ (29,816,537) |
| General Revenues                          |                  |                         |  |  |  |                             |                 |
| Taxes:                                    |                  |                         |  |  |  |                             |                 |
| Property                                  |                  |                         |  |  | 9,618,496  | -                           | 9,618,496       |
| Sales                                     |                  |                         |  |  | 8,950,661  | 75,552                      | 9,026,213       |
| Business                                  |                  |                         |  |  | 4,018,179  | 17,948                      | 4,036,127       |
| Utility                                   |                  |                         |  |  | 9,773,769  | -                           | 9,773,769       |
| Other                                     |                  |                         |  |  | 4,209,946  | -                           | 4,209,946       |
| Unrestricted investment interest          |                  |                         |  |  | 133,593  | 157,092                     | 290,685         |
| Miscellaneous                             |                  |                         |  |  | 11,191   | 385,737                     | 396,928         |
| Gain/(Loss) on disposal of capital assets |                  |                         |  |  | 47,785   | (389,742)                   | (341,957)       |
| Transfers, internal activities            |                  |                         |  |  | (24,055)   | 24,055                      | -               |
| Total general revenues and transfers      |                  |                         |  |  | 36,739,565   | 270,642                     | 37,010,207      |
| Change in net position                    |                  |                         |  |  | 3,157,855  | 4,035,815                   | 7,193,670       |
| Net position-beginning                    |                  |                         |  |  | 94,837,059   | 169,131,159                 | 263,968,218     |
| Prior period adjustment                   |                  |                         |  |  | -  | -                           | -               |
| Net position-ending                       |                  |                         |  |  | \$ 97,994,914  | \$ 173,166,974              | \$ 271,161,888  |

**City of Bremerton**  
**Balance Sheet**  
**Governmental Funds**  
**December 31, 2016**

|  | <u>General</u>       | <u>Other<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|--|----------------------|---|---|
| <b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b> |                      |   |   |
| Cash and equivalents                             | \$ 3,424,331         | \$ 7,113,974                            | \$ 10,538,305                           |
| Investments                                      | 3,834,170            | 3,088,219                               | 6,922,389                               |
| Receivables, net                                 | 4,236,507            | 731,049                                 | 4,967,556                               |
| Due from other funds                             | 548,175              | 220,115                                 | 768,290                                 |
| Due from other governments                       | 37,838               | 407,372                                 | 445,210                                 |
| Inventories                                      | 23,407               | -                                       | 23,407                                  |
| Other assets                                     | -                    | 579,703                                 | 579,703                                 |
| Total assets                                     | <u>12,104,428</u>    | <u>12,140,432</u>                       | <u>24,244,860</u>                       |
| Total assets and deferred outflows of resources  | <u>\$ 12,104,428</u> | <u>\$ 12,140,432</u>                    | <u>\$ 24,244,860</u>                    |
| <b>LIABILITIES AND FUND BALANCES</b>             |                      |   |   |
| Liabilities:                                     |                      |   |   |
| Accounts/contracts payable                       | \$ 560,445           | \$ 719,719                              | \$ 1,280,164                            |
| Due to other funds                               | 598,613              | 194,849                                 | 793,462                                 |
| Due to other governments                         | 17,885               | 495                                     | 18,380                                  |
| Employee wages payable                           | 863,387              | 53,603                                  | 916,990                                 |
| Custodial Accounts                               | 34,739               | 15,000                                  | 49,739                                  |
| Unearned revenue                                 | 2,052,757            | 758,259                                 | 2,811,016                               |
| Total liabilities                                | <u>4,127,826</u>     | <u>1,741,925</u>                        | <u>5,869,751</u>                        |
| Deferred inflows of resources                    | <u>11,500</u>        | <u>10,000</u>                           | <u>21,500</u>                           |
| Fund balances:                                   |                      |   |   |
| Nonspendable                                     | \$ 23,407            | \$ -                                    | \$ 23,407                               |
| Restricted                                       | 59,868               | 7,121,641                               | \$ 7,181,509                            |
| Committed  | 939,373              | 566,466                                 | \$ 1,505,839                            |
| Assigned   | -                    | 2,700,400                               | \$ 2,700,400                            |
| Unassigned                                       | 6,942,454            | -                                       | \$ 6,942,454                            |
| Total fund balances                              | <u>7,965,102</u>     | <u>10,388,507</u>                       | <u>18,353,609</u>                       |
| Total liabilities and fund balances              | <u>\$ 12,104,428</u> | <u>\$ 12,140,432</u>                    | <u>\$ 24,244,860</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.   | 113,697,756                 |
| Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.  | 10,632,468                  |
| 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. | 2,794,941                   |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.  | (47,483,860)                |
| Net position of governmental activities   | <u><u>\$ 97,994,914</u></u> |

**City of Bremerton**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**for the Year Ended December 31, 2016**

|   | <b>General<br/>Fund</b> | <b>Other<br/>Governmental<br/>Funds</b> | <b>Governmental<br/>Funds<br/>Total</b> |
|---|-------------------------|---|---|
| <b>REVENUES</b>                                   |                         |   |   |
| Taxes   |                         |   |   |
| Property  | \$ 8,260,814            | \$ 1,416,100                            | \$ 9,676,914                            |
| Sales   | 8,598,488               | 908,006                                 | 9,506,494                               |
| Business  | 13,096,285              | -                                       | 13,096,285                              |
| Other   | 127,049                 | 2,498,068                               | 2,625,117                               |
| Licenses and permits                              | 1,204,323               | 295,523                                 | 1,499,846                               |
| Intergovernmental                                 | 1,160,750               | 3,315,681                               | 4,476,431                               |
| Charges for services                              | 2,840,162               | 272,987                                 | 3,113,149                               |
| Fines and forfeitures                             | 1,195,740               | 279,589                                 | 1,475,329                               |
| Miscellaneous                                     | 267,471                 | 1,434,642                               | 1,702,113                               |
| Total revenues                                    | <u>36,751,082</u>       | <u>10,420,596</u>                       | <u>47,171,678</u>                       |
| <b>EXPENDITURES</b>                               |                         |   |   |
| Current:  |                         |   |   |
| General government                                | 5,228,851               | 156,126                                 | 5,384,977                               |
| Public safety                                     | 22,682,151              | 681,583                                 | 23,363,734                              |
| Utilities and environment                         | 28,401                  | -                                       | 28,401                                  |
| Transportation                                    | 471,378                 | 3,335,796                               | 3,807,174                               |
| Economic environment                              | 1,386,703               | 446,226                                 | 1,832,929                               |
| Mental/physical health                            | 77,082                  | 77,002                                  | 154,084                                 |
| Culture and recreation                            | 3,836,267               | 622,276                                 | 4,458,543                               |
| Debt service:                                     |                         |   |   |
| Principal   | -                       | 1,685,000                               | 1,685,000                               |
| Interest and other debt issue costs               | 2,993                   | 1,256,372                               | 1,259,365                               |
| Capital outlay                                    | -                       | 2,598,779                               | 2,598,779                               |
| Total expenditures                                | <u>33,713,826</u>       | <u>10,859,160</u>                       | <u>44,572,986</u>                       |
| Excess (deficiency) of revenues over expenditures | <u>3,037,256</u>        | <u>(438,564)</u>                        | <u>2,598,692</u>                        |
| <b>OTHER FINANCING SOURCES (USES)</b>             |                         |   |   |
| Proceeds of long-term debt                        | -                       | -                                       | -                                       |
| Capital asset donations & disposal                | 115,000                 | 8,770                                   | 123,770                                 |
| Insurance recoveries                              | -                       | 8,741                                   | 8,741                                   |
| Transfers in                                      | 191,129                 | 1,694,455                               | 1,885,584                               |
| Transfers out                                     | (862,259)               | (1,047,380)                             | (1,909,639)                             |
| Total other financing sources and uses            | <u>(556,130)</u>        | <u>664,586</u>                          | <u>108,456</u>                          |
| Net change in fund balances                       | 2,481,126               | 226,022                                 | 2,707,148                               |
| Fund balances-beginning                           | 5,483,976               | 10,162,485                              | 15,646,461                              |
| Prior period adjustments                          | -                       | -                                       | -                                       |
| Fund balances-ending                              | <u>\$ 7,965,102</u>     | <u>\$ 10,388,507</u>                    | <u>\$ 18,353,609</u>                    |

See accompanying notes to the financial statements.

**City of Bremerton**  
**Reconcillation 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, 2016**

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

|  |                            |
|--|----------------------------|
| Net change in fund balances – total government funds   | \$ 2,707,146               |
| Governmental funds report capital outlays as expenditures, however, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.  | (1,571,387)                |
| Revenues and expenses in the statement of activities that do not provide current financial resources are not reported in the funds.  | (496,177)                  |
| 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. | 1,693,694                  |
| 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.  | <u>824,579</u>             |
| Change in net position of governmental activities  | <u><u>\$ 3,157,855</u></u> |

**City of Bremerton**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual General Fund**  
**For the Year Ended December 31, 2016**

|   | <b>Original<br/>Budget<br/>2016</b> | <b>Final<br/>Budget<br/>2016</b> | <b>Actual<br/>2016</b> | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|---|-------------------------------------|----------------------------------|------------------------|---|
| <b>REVENUES</b>                                   |                                     |                                  |                        |   |
| Taxes   | \$ 28,986,308                       | \$ 28,986,308                    | \$ 30,082,636          | \$ 1,096,328  |
| Licenses and permits                              | 1,202,600                           | 1,202,600                        | 1,204,323              | 1,723   |
| Intergovernmental                                 | 1,882,331                           | 1,492,571                        | 1,160,750              | (331,821)   |
| Charges for services                              | 4,951,176                           | 5,051,176                        | 5,034,048              | (17,128)  |
| Fines and forfeitures                             | 971,500                             | 971,500                          | 1,195,740              | 224,240   |
| Other revenues                                    | 395,280                             | 344,694                          | 262,619                | (82,075)  |
| Total revenues                                    | <u>38,389,195</u>                   | <u>38,048,849</u>                | <u>38,940,116</u>      | <u>891,267</u>  |
| <b>EXPENDITURES</b>                               |                                     |                                  |                        |   |
| City Council                                      | 338,056                             | 341,856                          | 339,765                | 2,091   |
| Executive   | 363,928                             | 365,928                          | 343,891                | 22,037  |
| Finance   | 1,470,646                           | 1,501,846                        | 1,419,061              | 82,785  |
| Legal   | 1,054,664                           | 1,071,364                        | 1,050,466              | 20,898  |
| Human Resources                                   | 689,128                             | 697,828                          | 606,396                | 91,432  |
| Community development                             | 1,594,379                           | 1,664,379                        | 1,404,603              | 259,776   |
| Municipal Court                                   | 1,388,410                           | 1,399,910                        | 1,333,296              | 66,614  |
| City Auditor                                      | 81,540                              | 81,540                           | 63,797                 | 17,743  |
| Law enforcement                                   | 10,339,493                          | 10,561,193                       | 9,874,790              | 686,403   |
| Fire/Emergency medical services                   | 8,697,629                           | 8,867,029                        | 8,940,636              | (73,607)  |
| Police & fire pension                             | 1,976,400                           | 1,976,400                        | 1,879,900              | 96,500  |
| Facilities  | 1,029,994                           | 1,117,481                        | 1,035,875              | 81,606  |
| Parks and recreation                              | 2,716,241                           | 2,879,487                        | 2,662,860              | 216,627   |
| Engineering                                       | 2,735,888                           | 2,374,028                        | 1,950,930              | 423,098   |
| Non-departmental                                  | 4,620,679                           | 4,268,552                        | 3,792,870              | 475,682   |
| Total expenditures                                | <u>39,097,075</u>                   | <u>39,168,821</u>                | <u>36,699,136</u>      | <u>2,469,685</u>  |
| Excess (deficiency) of revenues over expenditures | <u>(707,880)</u>                    | <u>(1,119,972)</u>               | <u>2,240,980</u>       | <u>3,360,952</u>  |
| Fund balances-beginning                           | <u>4,493,302</u>                    | <u>5,262,595</u>                 | <u>5,262,595</u>       |   |
| Fund balances-ending                              | <u>\$ 3,785,422</u>                 | <u>\$ 4,142,623</u>              | <u>\$ 7,503,575</u>    | <u>\$ 3,360,952</u>   |

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.

\$ 1,412,639

Adjustment to reflect differences in budgetary method

\$ (951,112)

Fund Balances Ending

\$ 7,965,102

**EXPENDITURES**

|                            |                   |                   |                   |                  |
|----------------------------|-------------------|-------------------|-------------------|------------------|
| Personnel                  | 27,884,760        | 27,992,460        | 26,888,283        | 1,104,177        |
| Supplies, services & taxes | 10,259,343        | 10,067,816        | 8,737,544         | 1,330,272        |
| Capital expenditure        | -                 | -                 | -                 | -                |
| Debt Service               | 12,972            | 127,972           | 127,415           | 557              |
| Transfers                  | 940,000           | 980,573           | 945,894           | 34,679           |
| Total expenditures         | <u>39,097,075</u> | <u>39,168,821</u> | <u>36,699,136</u> | <u>2,469,685</u> |

**City of Bremerton**  
**Statement of Net Position**  
**Proprietary Funds**  
**December 31, 2016**

|   | <b>Business-type Activities<br/>Enterprise Funds</b> |                        |                   |                   |                | <b>Governmental<br/>Activities</b> |
|---|--|------------------------|-------------------|-------------------|----------------|------------------------------------|
|   | <b>Water</b>   | <b>Golf<br/>Course</b> | <b>Wastewater</b> | <b>Stormwater</b> | <b>Total</b>   | <b>Internal<br/>Service Funds</b>  |
| <b>ASSETS AND DEFERRED OUTFLOWS</b>   |  |                        |                   |                   |                |                                    |
| Current assets:   |  |                        |                   |                   |                |                                    |
| Cash and cash equivalents   | \$ 5,985,570   | \$ 147,602             | \$ 7,422,381      | \$ 3,264,181      | \$ 16,819,734  | \$ 4,564,874                       |
| Restricted cash   | 72,013   | -                      | 741,883           | -                 | 813,896        | 100,000                            |
| Investments   | 3,442,914  | 165,267                | 4,956,612         | 1,347,188         | 9,911,981      | 4,191,194                          |
| Restricted Investments  | 98,473   | -                      | 812,834           | -                 | 911,307        | -                                  |
| External receivables  | 1,928,277  | 43,685                 | 2,645,258         | 627,332           | 5,244,552      | -                                  |
| Special assessments receivable  | 325,400  | -                      | -                 | -                 | 325,400        | -                                  |
| Interest receivables  | 9,355  | 428                    | 14,771            | 3,491             | 28,045         | 10,860                             |
| Due from other funds  | -  | -                      | 28,961            | 33,129            | 62,090         | 607,191                            |
| Due from other governments  | -  | -                      | 8,542             | 59,093            | 67,635         | -                                  |
| Inventories   | 686,372  | 223,113                | 567,240           | -                 | 1,476,725      | 95,382                             |
| Prepayments   | -  | 28,568                 | -                 | -                 | 28,568         | 461,014                            |
| Total current assets  | 12,548,374   | 608,663                | 17,198,482        | 5,334,414         | 35,689,933     | 10,030,515                         |
| Noncurrent assets:  |  |                        |                   |                   |                |                                    |
| Notes and contracts receivable  | 265,500  | -                      | -                 | -                 | 265,500        | -                                  |
| Capital assets net of depreciation  | 64,872,252   | 6,973,692              | 94,709,713        | 6,116,273         | 172,671,930    | 4,360,101                          |
| Total noncurrent assets   | 65,137,752   | 6,973,692              | 94,709,713        | 6,116,273         | 172,937,430    | 4,360,101                          |
| Total assets  | 77,686,126   | 7,582,355              | 111,908,195       | 11,450,687        | 208,627,363    | 14,390,616                         |
| Deferred outflows of resources  | 339,284  | 102,393                | 426,978           | 44,790            | 913,445        | 84,480                             |
| Total assets and deferred outflows  | \$ 78,025,410  | \$ 7,684,748           | \$ 112,335,173    | \$ 11,495,477     | \$ 209,540,808 | \$ 14,475,096                      |
| <b>LIABILITIES AND DEFERRED INFLOWS</b>   |  |                        |                   |                   |                |                                    |
| Current liabilities:  |  |                        |                   |                   |                |                                    |
| Accounts/contract payable   | 531,091  | 94,638                 | 488,787           | 92,014            | 1,206,530      | 67,226                             |
| Claims and Judgements Payable   | -  | -                      | -                 | -                 | -              | 750,094                            |
| Due to other funds  | 163,344  | 78,768                 | 297,196           | 82,275            | 621,583        | -                                  |
| Due to other governments  | -  | 26,015                 | -                 | -                 | 26,015         | -                                  |
| Employee wages payable  | 255,260  | 114,037                | 197,189           | 71,229            | 637,715        | 103,039                            |
| Other accrued liabilities   | 23,298   | 10,743                 | 75,066            | 1,855             | 110,962        | 139                                |
| Current portion of long-term debt   | 796,075  | 300,000                | 2,319,896         | 74,664            | 3,490,635      | -                                  |
| Custodial accounts  | 4,016  | 138,521                | -                 | 500               | 143,037        | -                                  |
| Other current liabilities   | 35,268   | -                      | -                 | -                 | 35,268         | -                                  |
| Total current liabilities   | 1,808,352  | 762,722                | 3,378,134         | 322,537           | 6,271,745      | 920,498                            |
| Noncurrent liabilities:   |  |                        |                   |                   |                |                                    |
| Claims and judgments payable  | -  | -                      | -                 | -                 | -              | 1,344,286                          |
| Bonds, notes and loans payable  | 7,965,263  | 3,925,000              | 18,981,196        | 2,128,360         | 32,999,819     | -                                  |
| Net pension liability   | 2,879,791  | -                      | 2,133,208         | 419,717           | 5,432,716      | 360,649                            |
| Unearned revenue  | 80,234   | -                      | -                 | -                 | 80,234         | -                                  |
| Compensated absences  | 203,406  | -                      | 148,555           | 51,750            | 403,711        | 42,087                             |
| Total noncurrent liabilities  | 11,128,694   | 3,925,000              | 21,262,959        | 2,599,827         | 38,916,480     | 1,747,022                          |
| Total liabilities   | 12,937,046   | 4,687,722              | 24,641,093        | 2,922,364         | 45,188,225     | 2,667,520                          |
| Deferred inflows of resources   | 52,490   | -                      | 115,291           | 5,624             | 173,405        | 24,839                             |
| Total liabilities and deferred inflows  | \$ 12,989,536  | \$ 4,687,722           | \$ 24,756,384     | \$ 2,927,988      | \$ 45,361,630  | \$ 2,692,359                       |
| <b>NET POSITION</b>   |  |                        |                   |                   |                |                                    |
| Net investment in capital assets  | 58,756,141   | 2,748,692              | 76,250,030        | 5,877,002         | 143,631,865    | 4,360,101                          |
| Restricted for capital assets   | 2,645,226  | 247,198                | 2,841,409         | 1,963,754         | 7,697,587      | -                                  |
| Restricted for debt service   | 496,320  | -                      | 1,556,644         | -                 | 2,052,964      | -                                  |
| Restricted for Worker's Compensation  | -  | -                      | -                 | -                 | -              | 100,000                            |
| Unrestricted  | 3,138,187  | 1,136                  | 6,930,706         | 726,733           | 10,796,762     | 7,322,636                          |
| Total net position  | \$ 65,035,874  | \$ 2,997,026           | \$ 87,578,789     | \$ 8,567,489      | \$ 164,179,178 | \$ 11,782,737                      |
| Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds |  |                        |                   |                   | \$ 8,987,796   |                                    |
| Net position of business-type activities  |  |                        |                   |                   | \$ 173,166,974 |                                    |

See accompanying notes to the financial statements.

**City of Bremerton**  
**Statement of Revenues, Expenses and Changes in Fund Net Position**  
**Proprietary Funds**  
**for the Year Ended December 31, 2016**

|  | <b>Business-type Activities</b> |                    |                   |                   |                | <b>Governmental</b>           |
|--|---------------------------------|--------------------|-------------------|-------------------|----------------|-------------------------------|
|  | <b>Enterprise Funds</b>         |                    |                   |                   |                | <b>Activities</b>             |
|  | <b>Water</b>                    | <b>Golf Course</b> | <b>Wastewater</b> | <b>Stormwater</b> | <b>Total</b>   | <b>Internal Service Funds</b> |
| <b>OPERATING REVENUES</b>  |                                 |                    |                   |                   |                |                               |
| Charges for services   | \$ 11,458,189                   | \$ 4,152,890       | \$ 14,887,443     | \$ 2,932,060      | \$ 33,430,582  | \$ 8,664,698                  |
| Other operating revenue  | 894,746                         | -                  | 18,121            | 7,589             | 920,456        | 1,000                         |
| Total operating revenues   | 12,352,935                      | 4,152,890          | 14,905,564        | 2,939,649         | 34,351,038     | 8,665,698                     |
| <b>OPERATING EXPENSES</b>  |                                 |                    |                   |                   |                |                               |
| General operations   | 6,446,525                       | 89,598             | 6,699,719         | 1,421,892         | 14,657,734     | 2,773,063                     |
| Contracted Operations  | -                               | 3,562,692          | -                 | -                 | 3,562,692      | -                             |
| Maintenance  | 3,707,982                       |                    | 1,640,306         | 798,410           | 6,146,698      | -                             |
| Customer service and marketing   | 497,331                         |                    | 206,443           | 112,963           | 816,737        | -                             |
| General administration   | 406,982                         |                    | 159,958           | 130,797           | 697,737        | 726,226                       |
| Depreciation and amortization  | 2,045,864                       | 164,966            | 3,624,299         | 127,247           | 5,962,376      | 765,508                       |
| Risk transfer payments   | -                               |                    | -                 | -                 | -              | 590,189                       |
| Payments to claimants & beneficiaries  | -                               |                    | -                 | -                 | -              | 3,798,813                     |
| Other operating expenses   | -                               |                    | -                 | -                 | -              | 3,729                         |
| Total operating expenses   | 13,104,684                      | 3,817,256          | 12,330,725        | 2,591,309         | 31,843,974     | 8,657,528                     |
| Operating income (loss)  | (751,749)                       | 335,634            | 2,574,839         | 348,340           | 2,507,064      | 8,170                         |
| <b>NONOPERATING REVENUES (EXPENSES)</b>  |                                 |                    |                   |                   |                |                               |
| Interest and investment revenue  | 52,038                          | 2,761              | 61,394            | 14,866            | 131,059        | 45,248                        |
| Interest expense   | (134,166)                       | (155,374)          | (440,020)         | (3,551)           | (733,111)      | -                             |
| Gain (loss) on capital asset disposal  | (155,379)                       | (174)              | (226,235)         | (7,954)           | (389,742)      | (23,835)                      |
| Other nonoperating revenue/expense   | 248,878                         | 13,380             | 80,534            | 42,945            | 385,737        | 26,741                        |
| Total nonoperating revenues (expenses)   | 11,371                          | (139,407)          | (524,327)         | 46,306            | (606,057)      | 48,154                        |
| Income (loss) before contributions and transfers   | (740,378)                       | 196,227            | 2,050,512         | 394,646           | 1,901,007      | 56,324                        |
| Capital contributions  | 1,268,437                       | -                  | 418,876           | 247,447           | 1,934,760      | 916,000                       |
| Transfers to other funds   | (4,816)                         | -                  | (4,816)           | -                 | (9,632)        | -                             |
| Transfers from other funds   | -                               | -                  | -                 | 33,688            | 33,688         | -                             |
| Change in net position   | 523,243                         | 196,227            | 2,464,572         | 675,781           | 3,859,823      | 972,324                       |
| Total net position - beginning   | 64,512,631                      | 2,800,799          | 85,114,217        | 7,891,708         | 160,319,355    | 10,782,166                    |
| Prior period adjustment  | -                               | -                  | -                 | -                 | -              | 28,247                        |
| Total net position - ending  | \$ 65,035,874                   | \$ 2,997,026       | \$ 87,578,789     | \$ 8,567,489      | \$ 164,179,178 | \$ 11,782,737                 |
| Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds. |                                 |                    |                   |                   | 175,992        |                               |
| Change in net position of business-type activities.  |                                 |                    |                   |                   | \$ 4,035,815   |                               |

**City of Bremerton**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**for the Year Ended December 31, 2016**

Page 1 of 2

|  | <b>Business-type Activities</b> |                    |                   |                   |               | <b>Governmental</b>           |
|--|---------------------------------|--------------------|-------------------|-------------------|---------------|-------------------------------|
|  | <b>Enterprise Funds</b>         |                    |                   |                   |               | <b>Activities</b>             |
|  | <b>Water</b>                    | <b>Golf Course</b> | <b>Wastewater</b> | <b>Stormwater</b> | <b>Total</b>  | <b>Internal Service Funds</b> |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                          |                                 |                    |                   |                   |               |                               |
| Cash received from customers   | \$11,387,065                    | \$ 4,176,301       | \$ 15,006,182     | \$ 2,879,630      | \$ 33,449,178 | \$ -                          |
| Cash receipts from interfund services                                | 58,008                          | -                  | -                 | -                 | 58,008        | 8,696,034                     |
| Other receipts and payments  | 1,092,446                       | 13,380             | 98,006            | 591               | 1,204,423     | 2,971                         |
| Cash payments to suppliers   | (2,729,178)                     | (3,559,612)        | (2,267,932)       | (415,396)         | (8,972,118)   | (4,938,712)                   |
| Cash payments to employees   | (3,395,060)                     | -                  | (2,616,935)       | (1,011,243)       | (7,023,238)   | (1,384,572)                   |
| Cash payments for interfund services                                 | (3,613,800)                     | (89,598)           | (4,659,379)       | (1,028,589)       | (9,391,366)   | (494,432)                     |
| Purchase of insurance  | -                               | -                  | -                 | -                 | -             | (778,018)                     |
| Payment for insurance claims   | -                               | -                  | -                 | -                 | -             | (123,627)                     |
| Net cash provided (used) by operating activities                     | 2,799,481                       | 540,471            | 5,559,942         | 424,993           | 9,324,887     | 979,644                       |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>               |                                 |                    |                   |                   |               |                               |
| Grant proceeds   | -                               | -                  | -                 | 6,928             | 6,928         | -                             |
| Transfer ins   | -                               | -                  | -                 | -                 | -             | -                             |
| Transfer outs  | (4,816)                         | -                  | (4,816)           | -                 | (9,632)       | -                             |
| Other receipts and payments  | -                               | -                  | -                 | -                 | -             | 863                           |
| Net cash provided (used) by noncapital financing activities          | (4,816)                         | -                  | (4,816)           | 6,928             | (2,704)       | 863                           |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>      |                                 |                    |                   |                   |               |                               |
| Bond proceeds  | 3,392,199                       | -                  | 3,340,815         | 2,126,215         | 8,859,229     | -                             |
| Loan proceeds  | 915,863                         | -                  | -                 | -                 | 915,863       | -                             |
| Capital contributions  | 1,104,941                       | -                  | 418,876           | 247,446           | 1,771,263     | 916,000                       |
| Collections on notes receivable                                      | 56,463                          | -                  | -                 | -                 | 56,463        | -                             |
| Sale or involuntary conversion of capital assets                     | 4,529                           | -                  | -                 | -                 | 4,529         | 23,909                        |
| Transfer in for asset construction                                   | -                               | -                  | -                 | 33,688            | 33,688        | -                             |
| Acquisition and construction of capital assets                       | (4,563,544)                     | (1,636)            | (1,527,073)       | (221,405)         | (6,313,658)   | (1,160,598)                   |
| Principal paid bonds   | (73,950)                        | (285,000)          | (546,050)         | -                 | (905,000)     | -                             |
| Principal paid on other debt   | (580,442)                       | (41,003)           | (1,801,469)       | (9,864)           | (2,432,778)   | -                             |
| Bond issuance costs  | (35,077)                        | -                  | (34,673)          | (23,667)          | (93,417)      | -                             |
| Interest paid on bonds and other debt                                | (134,372)                       | (129,776)          | (438,072)         | (3,551)           | (705,771)     | -                             |
| Net cash provided (used) by capital and related financing activities | 86,610                          | (457,415)          | (587,646)         | 2,148,862         | 1,190,411     | (220,689)                     |
| <b>CASH FLOW FROM INVESTING ACTIVITIES</b>                           |                                 |                    |                   |                   |               |                               |
| Proceeds from repayment of loans                                     | 141,306                         | -                  | -                 | -                 | 141,306       | 37,034                        |
| Interest on loans and investments                                    | 35,074                          | 2,578              | 56,355            | 13,545            | 107,552       | 43,011                        |
| Net change in investments  | (45,333)                        | (44,825)           | (1,070,358)       | (277,371)         | (1,437,887)   | 60,142                        |
| Net cash provided (used) by investing activities                     | 131,047                         | (42,247)           | (1,014,003)       | (263,826)         | (1,189,029)   | 140,187                       |
| Net increase (decrease) in cash and cash equivalents                 | 3,012,322                       | 40,809             | 3,953,477         | 2,316,957         | 9,323,565     | 900,005                       |
| Cash and equivalents - beginning                                     | 3,045,261                       | 106,793            | 4,210,787         | 947,225           | 8,310,066     | 3,764,869                     |
| Cash and equivalents - ending  | \$ 6,057,583                    | \$ 147,602         | \$ 8,164,264      | \$ 3,264,182      | \$ 17,633,631 | \$ 4,664,874                  |
| Cash at the end of the year consists of:                             |                                 |                    |                   |                   |               |                               |
| Operating fund cash  | 5,985,570                       | 147,602            | 7,422,381         | 3,264,181         | 16,819,734    | 4,564,874                     |
| Restricted cash  | 72,013                          | -                  | 741,883           | -                 | 813,896       | 100,000                       |
| Total cash at end of year  | \$ 6,057,583                    | \$ 147,602         | \$ 8,164,264      | \$ 3,264,181      | \$ 17,633,630 | \$ 4,664,874                  |

See accompanying notes to the financial statements.



**City of Bremerton**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**for the Year Ended December 31, 2016**

Page 2 of 2

|   | Business-type Activities<br>Enterprise Funds |                   |                     |                   |                     | Governmental<br>Activities |
|---|--|-------------------|---------------------|-------------------|---------------------|----------------------------|
|   | Water  | Golf<br>Course    | Wastewater          | Stormwater        | Total               | Internal<br>Service Funds  |
| <b>Reconciliation of operating income to net cash provided by operating activities:</b> |  |                   |                     |                   |                     |                            |
| Operating income (loss)   | \$ (751,749)                                 | \$ 335,634        | \$ 2,574,839        | \$ 348,340        | \$ 2,507,064        | \$ 8,170                   |
| Adjustments to reconcile operating income to net cash provided by operating activities: |  |                   |                     |                   |                     |                            |
| Depreciation  | 2,045,864                                    | 164,966           | 3,624,299           | 127,247           | 5,962,376           | 765,508                    |
| Nonoperating revenue in cash flow from operating activities                             | 288,754                                      | 13,380            | 98,006              | 591               | 400,731             | 1,971                      |
| Contra pension expense  | 1,248,196                                    | -                 | (859,383)           | (109,836)         | 278,977             | (307,940)                  |
| Prior year correction   | -  | -                 | -                   | -                 | -                   | 28,247                     |
| Decrease (increase) in receivables  | (53,217)                                     | 4,164             | 100,619             | (60,019)          | (8,453)             | 320,478                    |
| Decrease (increase) in due from other funds/govt  | (33,046)                                     | -                 | 15,700              | 68,524            | 51,178              | 31,336                     |
| Decrease (increase) in prepaid expenses   | -  | (8,386)           | -                   | -                 | (8,386)             | (187,829)                  |
| Decrease (increase) in inventory  | (4,706)                                      | (32,271)          | (19,943)            | -                 | (56,920)            | (2,589)                    |
| Increase (decrease) in accounts payable   | 83,942                                       | 62,308            | 122,842             | 23,449            | 292,541             | (207,151)                  |
| Increase (decrease) in due to other funds/govt  | (17,166)                                     | (7,374)           | (99,013)            | 11,082            | (112,471)           | (7,857)                    |
| Increase (decrease) in employee wages payable   | (9,141)                                      | (11,197)          | (584)               | 7,185             | (13,737)            | (2,978)                    |
| Increase (decrease) in employee leaves payable  | 19,657                                       | -                 | 2,560               | 8,430             | 30,647              | (3,878)                    |
| Increase (decrease) in other payables   | (17,907)                                     | 19,247            | -                   | -                 | 1,340               | 544,156                    |
| Net cash provided by operating activities   | <u>\$ 2,799,481</u>                          | <u>\$ 540,471</u> | <u>\$ 5,559,942</u> | <u>\$ 424,993</u> | <u>\$ 9,324,887</u> | <u>\$ 979,644</u>          |
| <b>Noncash investing, capital and financial activities</b>                              |  |                   |                     |                   |                     |                            |
| Developers contributed infrastructure   | \$ 163,495                                   | \$ -              | \$ -                | \$ -              | \$ 163,495          | \$ -                       |

See accompanying notes to the financial statements.

**City of Bremerton**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**December 31, 2016**

|   | <b>Agency<br/>Funds</b> |
|---|-------------------------|
| <b>Assets</b>                             |                         |
| Cash and cash equivalents                 | \$ 371,625              |
| Total assets                              | <u>\$ 371,625</u>       |
| <br><b>Deferred outflows of resources</b> | <br><u>\$ -</u>         |
| <br><b>Liabilities</b>                    |                         |
| Accounts/contracts payable                | 28,464                  |
| Other current liabilities                 | <u>343,161</u>          |
| Total liabilities                         | <u>\$ 371,625</u>       |
| <br><b>Deferred inflows of resources</b>  | <br><u>\$ -</u>         |

See accompanying notes to the financial statements.

**City of Bremerton**  
**Notes to Financial Statements**  
**January 1, 2016 – December 31, 2016**

## **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. Effective April 4, 2016, the City of Bremerton assumed the duties of the TBD. 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 City's stormwater fund does not meet the criteria for presentation as a major fund but because it is the only other proprietary fund it is listed on the face of the proprietary fund statements with the major funds.

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

Additionally, the City reports the following fund types:

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

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

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

Internal service funds account for the accumulation of funds used to repair City vehicles and equipment and to replace them at the end of their useful lives. Funds are also accumulated for the purpose of carrying out the city's Risk Management, Information Technology Services, Self-insured medical program, 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 utility taxes levied on the city's own utilities. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating revenues includes charges for services rendered for water, sewer, stormwater as well as golf fees and timber revenues. Operating expenses include administration, operations and maintenance expenses and depreciation on capital assets. All revenues and expenses not falling into the above broad categories are reported as non-operating revenues and expenses.

## **D. Budgetary Information**

### **1. Scope of Budget**

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

### **2. Amending the Budget**

The City's budget is adopted at the department and category group level. The five distinct category groups are 1) Personnel, 2) Supplies, Services and Taxes, 3) Debt Service, 4) Capital Expenditures and 5) Transfers. Expenditures may not legally exceed appropriations at that level of detail. The Mayor may authorize a one-time transfer of less than \$10,000 between category groups within a department. All other revisions within a fund or any revisions that alter the total expenditures of a fund, or affect the number of authorized employee positions or salary ranges must be approved by the City Council. The City's budget was amended two times in 2016.

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, 2016, the City was holding \$27,881,205 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 2016 was \$5,275,537.

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

### **2. Investments - See Note 3 Deposits and Investments.**

### **3. Receivables**

Receivables consist of property, B&O, utility, sales and parking taxes, and housing rehabilitation loans resulting from the federal Department of Housing and Urban Development., as well as other revenues earned by the City from the County, State and other taxpayers but not yet received. Also included are customers' accounts receivable which consist of amounts owed from private individuals or organizations for goods and services including amounts owed for which billings have not been prepared.

Special assessments are recorded when levied. Special assessments receivable consist of current and delinquent assessments and related interest and penalties. As of December 31, 2016, \$325,400 of special assessments receivable were delinquent.

#### 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. Related liabilities are shown as *Payable from Restricted Assets*. Specific debt service reserve requirements are described in Note 10, *Long-Term Debt*.

Restricted assets are composed of the following:

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

|   |                     |
|---|---------------------|
| Cash and investments - Construction         | \$ 5,688,566        |
| Cash and investments - HUD programs         | 202,802             |
| Cash and investments - Public safety        | 394,634             |
| Cash and investments - Public Television    | 103,446             |
| Cash and investments - Workers compensation | 100,000             |
| Cash and investments - Tourism promotion    | 429,864             |
| Cash and investments - Debt Service         | 170,119             |
| Receivables - HUD Programs                  | -                   |
| Receivables - Tourism promotion             | -                   |
| Receivables - Construction                  | 9,339               |
| Receivables - Public Safety                 | -                   |
| Receivables - Debt Service                  | 3,461               |
| Due from other governments - HUD            | 147,618             |
| Due from other governments - Construction   | 31,660              |
| Total governmental                          | <u>\$ 7,281,509</u> |

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

|                                     |                     |
|-------------------------------------|---------------------|
| Cash and Investments - Debt service | \$ 1,725,203        |
| Cash and Investments - Construction | -                   |
| Total business                      | <u>\$ 1,725,203</u> |

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

Capital assets, which include property, plant, equipment, intangible and infrastructure assets, (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value per GASB 72, at the date of donation.

Costs for additions or improvements to capital assets are capitalized when they increase the effectiveness or efficiency of the asset. The cost of normal maintenance and repairs are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of the capital assets of business-type activities is not included as a part of the capitalized value of the assets constructed.

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

| Assets  | Years       |
|---|-------------|
| Buildings   | 50 Years    |
| Improvements Other than Buildings – Governmental Assets | 20 Years    |
| Improvements Other than Buildings – Proprietary Assets  | 50 Years    |
| Infrastructure  | 10-15 Years |
| Plant Machinery and Equipment                           | 20 Years    |
| Furniture and Fixtures                                  | 20 Years    |
| Vehicles and Similar Equipment                          | 7-10 Years  |
| Data Processing/Electronic Equipment                    | 5 Years     |

#### 8. Other Assets

This account reflects various non-current assets of the City including utility water rights and the city's net pension asset, resulting from the funded plans of LEOFF I and II.

#### 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. This account also includes pension costs attributable to future periods. See Note 8, *Pension Plans* for a discussion on pension reporting.

#### 10. Compensated Absences

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

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

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

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

| <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. Pensions

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

#### 12. Other Current/Accrued Liabilities

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

#### 13. Long-term Debt See Note 10, *Long-Term Debt*.

#### 14. Unearned revenue

This account includes amounts recognized as receivables but not revenues in governmental funds because the revenue recognition criteria have not been met. In proprietary funds this amount represents credit balances on customer utility accounts.

#### 15. Deferred inflow of resources



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

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

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

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

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

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

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

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

|                                   | <b>General<br/>Fund</b> | <b>Other<br/>Funds</b> | <b>Total</b> |
|-----------------------------------|-------------------------|------------------------|--------------|
| Fund balances:                    |                         |                        |              |
| <b>Nonspendable:</b>              |                         |                        |              |
| Inventory                         | \$ 23,407               | \$ -                   | \$ 23,407    |
| <b>Restricted for:</b>            |                         |                        |              |
| Tourism promotion & facilities    | -                       | 429,864                | 429,864      |
| Community development block grant | -                       | 350,420                | 350,420      |
| Public safety                     | -                       | 467,310                | 467,310      |
| Public Access Television          | -                       | 103,446                | 103,446      |
| Debt service                      | -                       | 115,234                | 115,234      |
| Capital projects                  | 59,868                  | 5,655,365              | 5,715,233    |

|                | <b>General<br/>Fund</b> | <b>Other<br/>Funds</b> | <b>Total</b> |
|----------------|-------------------------|------------------------|--------------|
| Fund balances: |                         |                        |              |

**Committed to:**

|                            |         |         |         |
|----------------------------|---------|---------|---------|
| Fund balance stabilization | 939,373 | -       | 939,373 |
| Employee Wellness          | -       | -       | -       |
| Parks                      | -       | -       | -       |
| Building Abatement         | -       | 37,104  | 37,104  |
| Public Access Television   | -       | 417,417 | 417,417 |
| Public safety              | -       | 61,000  | 61,000  |
| Public art                 | -       | 50,945  | 50,945  |

**Assigned to:**

|                                |   |           |           |
|--------------------------------|---|-----------|-----------|
| Street Operations              | - | 1,217,748 | 1,217,748 |
| Tourism promotion & facilities | - | 26,281    | 26,281    |
| Parking System                 | - | 392,336   | 392,336   |
| Building Abatement             | - | 300,860   | 300,860   |
| Court Improvement              | - | 5,674     | 5,674     |
| Debt Service                   | - | 290,479   | 290,479   |
| Park Capital                   | - | 109,548   | 109,548   |
| Capital Improvements           | - | 357,476   | 357,476   |

**Unassigned:**

|                            |                     |                      |                      |
|----------------------------|---------------------|----------------------|----------------------|
|                            | 6,942,454           | -                    | 6,942,454            |
| <b>Total Fund Balances</b> | <b>\$ 7,965,102</b> | <b>\$ 10,388,507</b> | <b>\$ 18,353,609</b> |

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

A minimum fund balance policy has been established by the City Council that establishes target year end operating cash and investment balances as a percentage of budgeted operating expenditures for the City's General, Water, Wastewater, Stormwater and Golf Course funds. The following table shows the status at December 31, 2016.

| <b>Fund</b> | <b>Target Rate</b> | <b>Target Balance</b> | <b>Balance 12/31/2016</b> |
|-------------|--------------------|-----------------------|---------------------------|
| General     | 8.5%               | \$ 3,329,350          | \$ 7,503,575              |
| Water       | 12%                | 1,681,055             | 2,564,170                 |
| Wastewater  | 12%                | 2,022,805             | 3,292,168                 |
| Stormwater  | 12%                | 362,915               | 1,048,702                 |
| Golf Course | 12%                | 502,988               | 12,339                    |

A contingency reserve fund, for the purposes of economic stabilization, was created by the City Council to protect the City's General Fund in the event of unforeseen and unfunded emergency requirements. The target fund balance is set at 0.375/\$1,000 of assessed valuation. The proceeds of sale of all General Fund real property are committed to this purpose. Funds are to be expended, with the unanimous vote of the City Council, only in the event of a bona fide emergency defined as a significant crisis threatening the financial viability of the City. If the balance of the fund is less than the target amount a repayment plan shall be established to replenish the fund to its minimum level. Balances in excess of the stated amount can be used for capital purposes upon City Council approval by simple majority vote. For 2016 the target fund balance of the contingency reserve fund is \$939,373. At 12/31/16 the balance was \$939,373

## 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  | \$ 113,697,756        |
| Net adjustment to increase fund balance - total governmental funds to arrive at net position of governmental activities | <u>\$ 113,697,756</u> |

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

|  |                     |
|--|---------------------|
| Deferred revenue for taxes and receivables due beyond the city's 30 day measurable and available period                | \$ 2,803,825        |
| Investment interest accrued beyond the city's 30 day measurable and available period                                   | 17,937              |
| Build America Bond subsidy beyond the city's 30 day measurable and available period                                    | 31,806              |
| Deferred charge for bond issue costs   | 0                   |
| Net Pension Asset  | 4,000,422           |
| Deferred Pension Outflows  | 2,883,229           |
| Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities | <u>\$ 9,737,219</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   | \$ 2,794,941        |
| Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities | <u>\$ 2,794,941</u> |

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

|  |                        |
|--|------------------------|
| GO bonds payable   | \$ (31,235,000)        |
| Less: Issuance premiums  | (1,025,871)            |
| Add: Deferred amount on refunding  | 895,249                |
| Accrued interest payable   | (236,824)              |
| Compensated absences   | (2,488,731)            |
| Net Pension Liability  | (7,407,134)            |
| Deferred Pension Inflow  | (268,547)              |
| Other Post Employment Benefits   | (4,821,753)            |
| Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities | <u>\$ (46,588,611)</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  | \$ 2,598,779          |
| Depreciation  | (4,083,989)           |
| Gain/loss on retirement   | (86,177)              |
| Contributions of capital assets   | 0                     |
| Transfer of Assets to Utilities   | 0                     |
| Net adjustment to increase net change in fund balances - governmental funds |                       |
| to arrive at change in net position - governmental activities               | <u>\$ (1,571,387)</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  | \$ 1,685,000        |
| Principal of GO Bonds Issued  | -                   |
| Premiums on Bonds Sold  | -                   |
| Deferred Amount on Refunding  | (74,858)            |
| Ammortized Premium  | 83,552              |
| Net adjustment to decrease net change in fund balances - governmental funds |                     |
| to arrive at change in net position of governmental activities              | <u>\$ 1,693,694</u> |

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

|   |                     |
|---|---------------------|
| Change in accrued interest receivable                                       | \$ 7,117            |
| Change in deferred property taxes receivable                                | (58,416)            |
| Change in court fines receivable  | 41,368              |
| Change in block grant loans receivable                                      | (58,759)            |
| Change in parking/red light fines receivable                                | 174,423             |
| Change in BKAT contracts receivable   | 0                   |
| Change in Build America Bond subsidy receivable                             | (6,268)             |
| Change in LEOFF 2 Special Rev GASB 68                                       | 0                   |
| Change in Pension Expense GASB 68   | 849,233             |
| Change in other post-employment benefits payable                            | (1,685,417)         |
| Change in accrued interest payable  | 152,882             |
| Change in compensated absences payable                                      | 87,658              |
| Net adjustment to decrease net change in fund balances - governmental funds |                     |
| to arrive at change in net position of governmental funds                   | <u>\$ (496,179)</u> |

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  | \$ (52,979)       |
| Net revenue of self insurance activities   | \$ 801,620        |
| Net Revenue of employment security activities  | 28,338            |
| Net Revenue of Accrued Leave activities  | (242,285)         |
| Net revenue of information technology activities   | 173,877           |
| Net revenue of equipment maintenance activities  | 116,008           |
| Net adjustment to decrease net change in fund balances - governmental funds<br>to arrive at change in net position of governmental funds | <u>\$ 824,579</u> |

### 3. Deposits and Investments

#### A. Deposits

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

#### B. Investments

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

| Investment Type                          | Value                      |
|--|----------------------------|
| <b>Cash &amp; Cash Equivalents</b>       |                            |
| Cash on hand                             | 5,307,757                  |
| <b>Total Cash &amp; Cash Equivalents</b> | <u><u>\$ 5,307,757</u></u> |

|                                       | Investment Maturity (in Years) |                             |                            |                             |
|---------------------------------------|--------------------------------|-----------------------------|----------------------------|-----------------------------|
|                                       | Fair                           | <12 Months                  | 13-24 Months               | >25Months                   |
| Federal National Mortgage Association | \$ 6,999,030                   |                             |                            | 6,999,030                   |
| Federal Home Loan Bank                | 2,997,804                      |                             |                            | 2,997,804                   |
| State Treasurer's Investment Pool     | 27,881,205                     | 27,881,205                  |                            |                             |
| US Treasury                           | 11,959,508                     |                             | 3,986,100                  | 7,973,408                   |
| <b>Total</b>                          | <u><u>\$ 49,837,547</u></u>    | <u><u>\$ 27,881,205</u></u> | <u><u>\$ 3,986,100</u></u> | <u><u>\$ 17,970,242</u></u> |
| <b>Total Cash and Investments</b>     | <u><u>\$ 55,145,304</u></u>    |                             |                            |                             |

*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 AA+ by Standard & Poor's Rating Service. The Washington State Local Government Investment Pool which operates in a manner consistent with the section 2a-7 of the SEC's Investment Act of 1940, is unrated.

*Concentration of Credit Risk.* The City's investment policy states that (with the exception of U.S. Treasury securities and the State Investment Pool) no more than 30% of the City's total investment portfolio will be invested in a single security type or with a single financial institution. At 12/31/16 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 2016, the Kitsap Regional Library District levied \$0.39 per \$1,000 of assessed valuation, and therefore the City's maximum levy rate is \$3.21 per \$1,000 of assessed valuation. These taxes may be levied without a vote of the people. This limitation is exclusive of a potential levy for the maintenance of a local improvement guaranty fund, which the City does not levy.

The City's regular levy for 2016 was \$2.83 per \$1,000 on an assessed valuation of \$2.503 billion, for a total regular levy of \$7,099,825.

Special levies, approved by the voters are not subject to the above limitations. In 2016, the City levied an additional \$1.06 per \$1,000 for General Obligation Bonds and Emergency Medical Services, for a total additional levy of \$2,648,417.

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, 2016, was as follows:

|   | Beginning<br>Balance<br>1/1/2016 | Increases | Decreases | Ending<br>Balance<br>12/31/2016 |
|---|----------------------------------|-----------|-----------|---------------------------------|
| <b>Governmental Activities</b>              |                                  |           |           |                                 |
| Capital assets, not being depreciated:      |                                  |           |           |                                 |
| Land  | \$ 20,402,410                    | \$ -      | \$ 86,177 | \$ 20,316,233                   |
| Construction in progress                    | 5,568,482                        | 2,598,779 | 425,451   | 7,741,810                       |
| Intangibles                                 | 4,500                            | -         | -         | 4,500                           |
| Total capital assets, not being depreciated | 25,975,392                       | 2,598,779 | 511,628   | 28,062,543                      |

|  | Beginning<br>Balance<br>1/1/2016 | Increases    | Decreases  | Ending<br>Balance<br>12/31/2016 |
|--|----------------------------------|--------------|------------|---------------------------------|
| <b>Governmental Activities</b>               |                                  |              |            |                                 |
| Capital assets, being depreciated:           |                                  |              |            |                                 |
| Buildings/building improvements              | 64,164,070                       | -            | -          | 64,164,070                      |
| Improvements other than buildings            | 21,085,690                       | 185,708      | -          | 21,271,398                      |
| Machinery and equipment                      | 8,904,575                        | 75,255       | 53,098     | 8,926,732                       |
| Infrastructure                               | 51,309,899                       | 225,214      | -          | 51,535,113                      |
| Total capital assets, being depreciated      | 145,464,234                      | 486,177      | 53,098     | 145,897,313                     |
| Less accumulated depreciation for:           |                                  |              |            |                                 |
| Buildings/buildings improvements             | 14,434,852                       | 1,309,725    | -          | 15,744,577                      |
| Improvements other than buildings            | 11,452,761                       | 719,614      | -          | 12,172,375                      |
| Machinery and equipment                      | 6,776,058                        | 260,375      | 53,098     | 6,983,335                       |
| Infrastructure                               | 23,506,812                       | 1,794,274    | -          | 25,301,086                      |
| Total accumulated depreciation               | 56,170,483                       | 4,083,988    | 53,098     | 60,201,373                      |
| Total capital assets, being depreciated, net | 89,293,751                       | (3,597,811)  | -          | 85,695,940                      |
| Governmental activities capital assets, net  | \$ 115,269,143                   | \$ (999,032) | \$ 511,628 | \$ 113,758,483                  |

|  | Beginning<br>Balance<br>1/1/2016 | Increases    | Decreases    | Ending<br>Balance<br>12/31/2016 |
|--|----------------------------------|--------------|--------------|---------------------------------|
| <b>Business-type Activities</b>              |                                  |              |              |                                 |
| Capital assets, not being depreciated:       |                                  |              |              |                                 |
| Land   | \$ 9,406,561                     | \$ 170,847   | \$ 63,125    | \$ 9,514,283                    |
| Construction in progress                     | 7,414,275                        | 6,296,145    | 7,729,606    | 5,980,814                       |
| Intangibles                                  | 15,656                           | 63,125       | -            | 78,781                          |
| Total capital assets, not being depreciated  | 16,836,492                       | 6,530,117    | 7,792,731    | 15,573,878                      |
| Capital assets, being depreciated:           |                                  |              |              |                                 |
| Buildings/building improvements              | 54,679,383                       | 2,053,529    | 616,778      | 56,116,133                      |
| Intangibles                                  | 453,620                          | 1,952,694    | -            | 2,406,314                       |
| Improvements other than buildings            | 144,628,337                      | 3,498,755    | 69,828       | 148,057,264                     |
| Machinery and equipment                      | 62,194,351                       | 3,143,060    | 707,478      | 64,629,932                      |
| Total capital assets, being depreciated      | 261,955,691                      | 10,648,037   | 1,394,084    | 271,209,644                     |
| Less accumulated depreciation for:           |                                  |              |              |                                 |
| Buildings/buildings improvements             | 22,535,672                       | 972,372      | 394,738      | 23,113,306                      |
| Intangibles                                  | 299,260                          | 1,963,923    | -            | 2,263,183                       |
| Improvements other than buildings            | 49,023,185                       | 2,913,201    | 27,120       | 51,909,266                      |
| Machinery and equipment                      | 30,261,266                       | 2,831,732    | 566,536      | 32,526,462                      |
| Total accumulated depreciation               | 102,119,383                      | 8,681,229    | 988,394      | 109,812,217                     |
| Total capital assets, being depreciated, net | 159,836,308                      | 1,966,808    | 405,690      | 161,397,426                     |
| Business-type activities Capital assets, net | \$ 176,672,800                   | \$ 8,496,925 | \$ 8,198,421 | \$ 176,971,304                  |

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

#### Governmental Activities:

|   |                     |
|---|---------------------|
| General government  | \$ 209,519          |
| Public safety   | 371,193             |
| Transportation, including depreciation of general infrastructure assets | 1,937,157           |
| Economic environment  | 348                 |
| Culture and recreation  | 1,565,773           |
| Capital assets held by the government's internal service funds          | -                   |
| are charged to the various functions based on their usage of the assets |                     |
| Total depreciation expense - Governmental activities                    | <u>\$ 4,083,990</u> |

#### Business-type activities:

|   |                     |
|---|---------------------|
| Water   | \$ 3,998,557        |
| Wastewater  | 3,624,299           |
| Stormwater  | 127,247             |
| Golf  | 164,966             |
| Capital assets held by the government's internal service funds          | 766,159             |
| are charged to the various functions based on their usage of the assets |                     |
| Total depreciation expense - Business-type activities                   | <u>\$ 8,681,229</u> |

## 6. Construction Commitments

At December 31, 2016, the City had several construction projects underway. The following table contains the projects and status at year end.

| Project                                | Spent to Date       | Remaining Commitment |
|--|---------------------|----------------------|
| Water System Scada Lifecycle Upgrade   | 358,722             | 249,278              |
| Washington Ave Community Blvd          | 3,179,061           | -                    |
| Installation of Hot Applied Markings   | 65,173              | -                    |
| SW Comp Plan & LID Retrofit            | 158,594             | 59,406               |
| Flow Control and Seismic Valve Project | 851,496             | -                    |
| Anderson Creek Sewer Main              | 161,905             | 84,269               |
| Warren Ave. ADA Ramps                  | 84,733              | 27,953               |
| Bremerton Crosswalks                   | 467,469             | 220,986              |
| Ostrich Bay Creek Retrofit             | 35,612              | 54,388               |
| Austin Drive Overlay                   | 687,296             | 25,742               |
| Evergreen Nearshore Restoration        | 44,519              | 155,481              |
| WWTP Sewer Intcpr Upgrade              | 7,600               | 305,886              |
|  | <u>\$ 6,102,181</u> | <u>\$ 1,183,388</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 2016, the TBD received total collections from vehicle license fees of \$510,641. The 2015 Legislature included within its large transportation funding bill (2ESSB 5987) provisions that allow a city or county that has a TBD with the same boundaries as the city or county to absorb the TBD and assume all the TBD's "rights, powers, functions and obligations" with the result that the TBD would cease to exist as a separate entity. On March 16, 2016 the Bremerton City



Council held a public hearing and passed Ordinance No. 5297 assuming the rights, powers, functions and obligations of the Transportation Benefit District.

Effective April 4, 2016, the City of Bremerton assumed the duties of the TBD. 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

The following table represents the aggregate pension amounts for all plans subject to the requirements of the GASB Statement 68, Accounting and Financial Reporting for Pensions for the year 2016:

| Aggregate Pension Amounts – All Plans |               |
|---------------------------------------|---------------|
| Pension liabilities                   | \$ 13,200,498 |
| Pension assets                        | \$ 4,000,422  |
| Deferred outflows of resources        | \$ 3,881,154  |
| Deferred inflows of resources         | \$ 488,291    |
| Pension expense/expenditures          | \$ 1,553,621  |

### State Sponsored Pension Plans

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

The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available 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  
P.O. Box 48380  
Olympia, WA 98540-8380

Or the DRS CAFR may be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov).

### Public Employees' Retirement System (PERS)

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

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

### Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18

percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2016 were as follows:

| <b>PERS Plan 1</b>                |                 |                  |
|-----------------------------------|-----------------|------------------|
| <b>Actual Contribution Rates:</b> | <b>Employer</b> | <b>Employee*</b> |
| PERS Plan 1                       | 6.23%           | 6.00%            |
| PERS Plan 1 UAAL                  | 4.77%           | 6.00%            |
| Administrative Fee                | 0.18%           |                  |
| <b>Total</b>                      | <b>11.18%</b>   | <b>6.00%</b>     |

\* For employees participating in JBM, the contribution rate was 12.26%

The city's actual contributions to the plan were \$663,672 for the year ended December 31, 2016.

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

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

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

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

#### Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2016 were as follows:

| <b>PERS Plan 2/3</b>              |                     |                    |
|-----------------------------------|---------------------|--------------------|
| <b>Actual Contribution Rates:</b> | <b>Employer 2/3</b> | <b>Employee 2*</b> |
| PERS Plan 2/3                     | 6.23%               | 6.12%              |
| PERS Plan 1 UAAL                  | 4.77%               |                    |
| Administrative Fee                | 0.18%               |                    |
| Employee PERS Plan 3              |                     | varies             |
| <b>Total</b>                      | <b>11.18%</b>       | <b>6.12%</b>       |

\* For employees participating in JBM, the contribution rate was 15.30%

The city's actual contributions to the plan were \$773,957 for the year ended December 31, 2016.

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

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

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

PSERS membership includes:

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

PSERS covered employers include:

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

PSERS Plan 2 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the average final compensation (AFC) for each year of service. The AFC is based on the member's 60 consecutive highest creditable months of service. Benefits are actuarially reduced for each year that the member's age is less than 60 (with ten or more service credit years in PSERS), or less than 65 (with fewer than ten service credit years). There is no cap on years of service credit. Members are eligible for retirement at the age of 65 with five years of service; or at the age of 60 with at least ten years of PSERS service credit; or at age 53 with 20 years of service. Retirement before age 60 is considered an early retirement. PSERS members who retire prior to the age of 60 receive reduced benefits. If retirement is at age 53 or older with at least 20 years of service, a three percent per year reduction for each year between the age at retirement and age 60 applies. PSERS Plan 2 retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PSERS Plan 2 members are vested after completing five years of eligible service.

### Contributions

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

The PSERS Plan 2 required contribution rates (expressed as a percentage of current-year covered payroll) for 2016 were as follows:

| <b>PSERS Plan 2</b>               |                 |                 |
|-----------------------------------|-----------------|-----------------|
| <b>Actual Contribution Rates:</b> | <b>Employer</b> | <b>Employee</b> |
| PSERS Plan 2                      | 6.59%           | 6.59%           |
| PERS Plan 1 UAAL                  | 4.77%           |                 |
| Administrative Fee                | 0.18%           |                 |
| <b>Total</b>                      | <b>11.54%</b>   | <b>6.59%</b>    |

The city's actual contributions to the plan were \$10,081 for the year ended December 31, 2016.

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

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

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

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

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

#### Contributions

Starting on July 1, 2000, **LEOFF Plan 1** employers and employees contribute zero percent, as long as the plan remains fully funded. The LEOFF Plan I had no required employer or employee contributions for fiscal year 2016. Employers paid only the administrative expense of 0.18 percent of covered payroll.

**LEOFF Plan 2** provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the final average salary (FAS) per year of service (the FAS is based on the highest consecutive 60 months). Members are eligible for retirement with a full benefit at 53 with at least five years of service credit. Members who retire prior to the age of 53 receive reduced benefits. If the member has at least 20 years of service and is age 50, the reduction is three percent for each year prior to age 53. Otherwise, the benefits are actuarially reduced for each year prior to age 53. LEOFF 2 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. LEOFF 2 members are vested after the completion of five years of eligible service.

#### Contributions

The **LEOFF Plan 2** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2. The employer rate included an administrative expense component set at 0.18 percent. Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board. The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2016 were as follows:

| <b>LEOFF Plan 2</b>               |                 |                 |
|-----------------------------------|-----------------|-----------------|
| <b>Actual Contribution Rates:</b> | <b>Employer</b> | <b>Employee</b> |
| State and local governments       | 5.05%           | 8.41%           |
| Administrative Fee                | 0.18%           |                 |
| <b>Total</b>                      | <b>5.23%</b>    | <b>8.41%</b>    |
| Ports and Universities            | 8.41%           | 8.41%           |
| Administrative Fee                | 0.18%           |                 |
| <b>Total</b>                      | <b>8.59%</b>    | <b>8.41%</b>    |

The city's actual contributions to the plan were \$560,851 for the year ended December 31, 2016.

The Legislature, by means of a special funding arrangement, appropriates money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute. For the state fiscal year ending June 30, 2016, the state contributed \$58,339,032 to LEOFF Plan 2.

### Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2016 with a valuation date of June 30, 2016. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2007-2012 Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2015 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2016. Plan liabilities were rolled forward from June 30, 2015, to June 30, 2016, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 3% total economic inflation; 3.75% salary inflation
- **Salary increases:** In addition to the base 3.75% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.5%

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

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

- The OSA updated demographic assumptions, consistent with the changes from the *2007-2012 Experience Study Report*, used when valuing the PERS 1 and TERS 1 Basic Minimum COLA.
- The OSA corrected how valuation software calculates a member's entry age under the entry age normal actuarial cost method. Previously, the funding age was rounded, resulting in an entry age one year higher in some cases.
- For purposes of calculating the Plan 2/3 Entry Age Normal Cost contribution rates, the OSA now uses the current blend of Plan 2 and Plan 3 salaries rather than using a long-term membership assumption of two-thirds Plan 2 members and one-third Plan 3 members.
- The OSA changed the way it applies salary limits, as described in the *2007-2012 Experience Study Report*.

### Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.5 percent.

To determine that rate, an asset sufficiency test included an assumed 7.7 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. (All plans use 7.7 percent except LEOFF 2, which has assumed 7.5 percent). Consistent with the long-term expected rate of return, a 7.5 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue being made at contractually required rates (including PERS 2/3, PSERS 2, SERS 2/3, and TRS 2/3 employers, whose rates include a component for the PERS 1, and TRS 1 plan liabilities). Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.5 percent was used to determine the total liability.

### Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.5 percent was determined using a building-block-method. The Washington State Investment Board (WSIB) used a best estimate of expected future rates of return

(expected returns, net of pension plan investment expense, including inflation) to develop each major asset class. Those expected returns make up one component of WSIB's capital market assumptions. The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns at various future times. The long-term expected rate of return of 7.5 percent approximately equals the median of the simulated investment returns over a 50-year time horizon.

### Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

| Asset Class     | Target Allocation | % Long-Term Expected Real Rate of Return Arithmetic |
|-----------------|-------------------|---|
| Fixed Income    | 20%               | 1.70%   |
| Tangible Assets | 5%                | 4.40%   |
| Real Estate     | 15%               | 5.80%   |
| Global Equity   | 37%               | 6.60%   |
| Private Equity  | 23%               | 9.60%   |
|                 | <b>100%</b>       |   |

### Sensitivity of Net Pension Liability

The table below presents the city's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the city's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5 percent) or 1-percentage point higher (8.5 percent) than the current rate.

|          | 1% Decrease<br>6.50% | Current Discount<br>Rate<br>7.50% | 1% Increase<br>8.50% |
|----------|----------------------|-----------------------------------|----------------------|
| PERS 1   | \$ 7,691,840         | \$ 6,378,508                      | \$ 5,248,306         |
| PERS 2/3 | \$ 12,528,669        | \$ 6,804,696                      | \$ (3,542,237)       |
| PSERS 2  | \$ 75,094            | \$ 17,294                         | \$ (23,877)          |
| LEOFF 1  | \$ (1,066,398)       | \$ (1,795,160)                    | \$ (2,418,089)       |
| LEOFF 2  | \$ 6,184,162         | \$ (2,205,262)                    | \$ (8,528,452)       |

### Pension Plan Fiduciary Net Position

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

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

At June 30, 2016, the City reported a total pension liability of \$9,200,076 for its proportionate share of the net pension liabilities as follows:

|          | Liability (or Asset) |
|----------|----------------------|
| PERS 1   | \$ 6,378,508         |
| PERS 2/3 | \$ 6,804,696         |
| PSERS 2  | \$ 17,294            |
| LEOFF 1  | \$ (1,795,160)       |
| LEOFF 2  | \$ (2,205,262)       |

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

|   | LEOFF 1 Asset   | LEOFF 2 Asset  |
|---|-----------------|----------------|
| Employer's proportionate share  | \$ (1,795,160)  | \$ (2,205,262) |
| State's proportionate share of the net pension asset associated with the employer | \$ (12,142,418) | \$ (1,437,670) |
| TOTAL   | \$ (13,937,578) | \$ (3,642,932) |

At June 30, 2016 the city's proportionate share of the collective net pension liabilities was as follows:

|          | Proportionate Share<br>6/30/15 | Proportionate Share<br>6/30/16 | Change in<br>Proportion |
|----------|--------------------------------|--------------------------------|-------------------------|
| PERS 1   | 0.1237%                        | 0.1188%                        | -0.0049%                |
| PERS 2/3 | 0.1429%                        | 0.1352%                        | -0.0077%                |
| PSERS 2  | 0.0427%                        | 0.0469%                        | 0.0042%                 |
| LEOFF 1  | 0.1757%                        | 0.1742%                        | -0.0015%                |
| LEOFF 2  | 0.3975%                        | 0.3792%                        | -0.0183%                |

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

LEOFF Plan 1 allocation percentages are based on the total historical employer contributions to LEOFF 1 from 1971 through 2000 and the retirement benefit payments in fiscal year 2016. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2016, the state of Washington contributed 87.12 percent of LEOFF 1 employer contributions and all other employers contributed the remaining 12.88 percent of employer contributions. LEOFF 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. The allocation method the plan chose reflects the projected long-term contribution effort based on historical data.

In fiscal year 2016, the state of Washington contributed 39.80 percent of LEOFF 2 employer contributions pursuant to RCW 41.27.726 and all other employers contributed the remaining 60.20 percent of employer contributions.

The collective net pension liability (asset) was measured as of June 30, 2016, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2015, with update procedures used to roll forward the total pension liability to the measurement date.

### Pension Expense

For the year ended December 31, 2016, the city recognized pension expense as follows:

|          | Pension Expense |
|----------|-----------------|
| PERS 1   | \$ (95,600)     |
| PERS 2/3 | \$ (922,544)    |
| PSERS    | \$ (12,543)     |
| LEOFF 1  | \$ 217,430      |
| LEOFF 2  | \$ (740,365)    |
| TOTAL    | \$ (1,553,622)  |

**Deferred Outflows of Resources and Deferred Inflows of Resources**

At December 31, 2016, the city reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| <b>PERS 1</b>  | <b>Deferred Outflows of Resources</b> | <b>Deferred Inflows of Resources</b> |
|--|---------------------------------------|--------------------------------------|
| Differences between expected and actual experience   | \$ -                                  | \$ -                                 |
| Net difference between projected and actual investment earnings on pension plan investments          | \$ 160,601                            | \$ -                                 |
| Changes of assumptions   | \$ -                                  | \$ -                                 |
| Changes in proportion and differences between contributions and proportionate share of contributions | \$ -                                  | \$ -                                 |
| Contributions subsequent to the measurement date   | \$ 323,617                            | \$ -                                 |
| <b>TOTAL</b>   | <b>484,218</b>                        | <b>-</b>                             |

| <b>PERS 2-3</b>  | <b>Deferred Outflows of Resources</b> | <b>Deferred Inflows of Resources</b> |
|--|---------------------------------------|--------------------------------------|
| Differences between expected and actual experience   | \$ 362,345                            | \$ (224,634)                         |
| Net difference between projected and actual investment earnings on pension plan investments          | \$ 832,698                            | \$ -                                 |
| Changes of assumptions   | \$ 70,332                             | \$ -                                 |
| Changes in proportion and differences between contributions and proportionate share of contributions | \$ 123,922                            | \$ (244,030)                         |
| Contributions subsequent to the measurement date   | \$ 380,218                            | \$ -                                 |
| <b>TOTAL</b>   | <b>1,769,515</b>                      | <b>(468,664)</b>                     |



| <b>PSERS</b>   | <b>Deferred Outflows of Resources</b> | <b>Deferred Inflows of Resources</b> |
|--|---------------------------------------|--------------------------------------|
| Differences between expected and actual experience   | \$ 5,891                              | \$ -                                 |
| Net difference between projected and actual investment earnings on pension plan investments          | \$ 3,567                              | \$ -                                 |
| Changes of assumptions   | \$ 67                                 | \$ -                                 |
| Changes in proportion and differences between contributions and proportionate share of contributions | \$ 1,145                              | \$ (173)                             |
| Contributions subsequent to the measurement date   | \$ 5,574                              | \$ -                                 |
| <b>TOTAL</b>   | <b>16,244</b>                         | <b>(173)</b>                         |

| <b>LEOFF 1</b>   | <b>Deferred Outflows of Resources</b> | <b>Deferred Inflows of Resources</b> |
|--|---------------------------------------|--------------------------------------|
| Differences between expected and actual experience   | \$ -                                  | \$ -                                 |
| Net difference between projected and actual investment earnings on pension plan investments          | \$ 182,475                            | \$ -                                 |
| Changes of assumptions   | \$ -                                  | \$ -                                 |
| Changes in proportion and differences between contributions and proportionate share of contributions | \$ -                                  | \$ -                                 |
| Contributions subsequent to the measurement date   | \$ -                                  | \$ -                                 |
| <b>TOTAL</b>   | <b>182,475</b>                        | <b>-</b>                             |

| <b>LEOFF 2</b>   | <b>Deferred Outflows of Resources</b> | <b>Deferred Inflows of Resources</b> |
|--|---------------------------------------|--------------------------------------|
| Differences between expected and actual experience   | \$ 302,180                            | \$ -                                 |
| Net difference between projected and actual investment earnings on pension plan investments          | \$ 792,439                            | \$ -                                 |
| Changes of assumptions   | \$ 8,315                              | \$ -                                 |
| Changes in proportion and differences between contributions and proportionate share of contributions | \$ 123,569                            | \$ (8,589)                           |
| Contributions subsequent to the measurement date   | \$ 276,736                            | \$ -                                 |
| <b>TOTAL</b>   | <b>1,503,239</b>                      | <b>(8,589)</b>                       |

Deferred outflows of resources related to pensions resulting from the city's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <b>Year ended December 31:</b> | <b><i>PERS 1</i></b> |
|--------------------------------|----------------------|
| 2017                           | \$ (39,543)          |
| 2018                           | \$ (39,543)          |
| 2019                           | \$ 147,495           |
| 2020                           | \$ 92,193            |
|                                |                      |
| Total                          | \$ 160,602           |

| <b>Year ended December 31:</b> | <b><i>PERS 2/3</i></b> |
|--------------------------------|------------------------|
| 2017                           | \$ (19,925)            |
| 2018                           | \$ (19,925)            |
| 2019                           | \$ 581,086             |
| 2020                           | \$ 379,397             |
|                                |                        |
| Total                          | \$ 920,633             |

| <b>Year ended December 31:</b> | <b><i>PSERS</i></b> |
|--------------------------------|---------------------|
| 2017                           | \$ 1,362            |
| 2018                           | \$ 1,362            |
| 2019                           | \$ 3,560            |
| 2020                           | \$ 2,832            |
| 2021                           | \$ 1,387            |
| Thereafter                     | \$ (7)              |
|                                |                     |
| Total                          | \$ 10,496           |

| <b>Year ended December 31:</b> | <b><i>LEOFF 1</i></b> |
|--------------------------------|-----------------------|
| 2017                           | \$ (37,709)           |
| 2018                           | \$ (37,709)           |
| 2019                           | \$ 158,037            |
| 2020                           | \$ 99,856             |
|                                |                       |
| Total                          | \$ 182,475            |

| <b>Year ended December 31:</b> | <b><i>LEOFF 2</i></b> |
|--------------------------------|-----------------------|
| 2017                           | \$ 11,912             |
| 2018                           | \$ 11,912             |
| 2019                           | \$ 677,460            |
| 2020                           | \$ 473,488            |
| 2021                           | \$ 43,141             |
|                                |                       |
| Total                          | \$ 1,217,913          |

## 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 2016 insurance coverage and risk retention:

| Risk                         | Coverage Limit<br>Per Occurrence | Self-Insured<br>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 Cormpany       |
| 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, 2016, the Risk Management Fund had cash and investment reserves of \$1,112,798. 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 \$1,344,286. 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 \$354,462.

The following table shows the actual claims activity for 2015 and 2016:

|                                      | 2015         | 2016         |
|--------------------------------------|--------------|--------------|
| Claims liability - beginning of year | \$ 998,999   | \$ 1,154,731 |
| Claims incurred                      | 340,650      | 726,748      |
| Estimate change prior years          | 116,248      | 206,073      |
| Payment on claims                    | (301,166)    | (388,804)    |
| Claims liability - end of year       | \$ 1,154,731 | \$ 1,698,748 |

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

General obligation bonds currently outstanding are as follows:

|  | Maturity<br>Date | Interest<br>Rate | Outstanding<br>12/31/2016 |
|--|------------------|------------------|---------------------------|
| 2010 LTGO BABS                           | 09/01/35         | 3.61             | \$ 5,820,000              |
| 2010 UTGO Refunding                      | 12/01/27         | 3.07             | 7,585,000                 |
| 2010 LTGO (B) BABS                       | 12/01/30         | 3.42             | 1,700,000                 |
| 2012 LTGO Refunding - Govt Center        | 12/31/21         | 4.00             | 4,515,000                 |
| 2013 LTGOA Refunding - Conf Ctr Pkg      | 12/01/36         | 3.01             | 7,830,000                 |
| 2013 LTGOB Refunding - Golf Course       | 12/01/28         | 3.01             | 4,225,000                 |
| 2015 UTGO Fire Bonds                     | 12/01/25         | 2.02             | 3,785,000                 |
| Total General Obligation Bonds and Notes |                  |                  | \$ 35,460,000             |

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

| Year Ending<br>December 31 | Governmental Activities |               | Business Activities |            |
|----------------------------|-------------------------|---------------|---------------------|------------|
|                            | Principal               | Interest      | Principal           | Interest   |
| 2017                       | 1,715,000               | 1,223,537     | 300,000             | 125,785    |
| 2018                       | 1,770,000               | 1,176,978     | 315,000             | 121,585    |
| 2019                       | 1,820,000               | 1,123,837     | 320,000             | 116,230    |
| 2020                       | 1,880,000               | 1,068,797     | 325,000             | 109,670    |
| 2021-2025                  | 10,520,000              | 4,286,085     | 1,755,000           | 412,465    |
| 2026-2030                  | 7,325,000               | 2,285,153     | 1,210,000           | 95,745     |
| 2031-2035                  | 5,640,000               | 864,107       | 0                   |            |
| 2036-2040                  | 565,000                 | 20,905        |                     |            |
| Total                      | \$ 31,235,000           | \$ 12,049,399 | \$ 4,225,000        | \$ 981,480 |

Revenue bonds and loans currently outstanding are as follows:

|                                    | Maturity<br>Date | Interest<br>Rate | Outstanding<br>12/31/2016 |
|------------------------------------|------------------|------------------|---------------------------|
| W/S REF & REVENUE BOND 2007        | 12/1/2021        | 4.28             | 2,080,000                 |
| W/S REF & REVENUE BOND 2014        | 12/1/2034        | 3.85             | 1,831,050                 |
| W/S REF & REVENUE BOND 2014        | 12/1/2034        | 3.85             | 4,588,950                 |
| W/S REF & REVENUE BOND 2016        | 12/1/2035        | 3.85             | 7,855,001                 |
| PWTF CALLOW CSO PRIORITY II        | 7/1/2017         | 1.0              | 35,252                    |
| PWTF SR 303 WATER MAIN             | 7/1/2018         | 1.00             | 331,579                   |
| PWTF CSO REDUCTION DESIGN          | 7/1/2020         | 1.00             | 146,378                   |
| PWTF EAST BREMERTON CSO            | 7/1/2021         | 0.50             | 791,667                   |
| PWTF MULTI BASIN CSO               | 7/1/2020         | 1.00             | 597,303                   |
| PWTF CALLOW CSO PRI. 3 / 5         | 7/1/2020         | 1.00             | 893,718                   |
| PWTF ANDERSON COVE BASIN 12        | 7/1/2023         | 0.50             | 201,943                   |
| PWTF NAVAL AVE                     | 7/1/2023         | 4.00             | 92,105                    |
| PWTF BRENTWOOD STORM DRAIN REPAIR  | 7/1/2024         | 4.00             | 78,914                    |
| PWTF PACIFIC AVE BASIN CSO         | 7/1/2024         | 0.50             | 559,819                   |
| PWTF TRACYTON WATER SYS PH 2       | 7/1/2019         | 2.00             | 29,722                    |
| PWTF WWTP UPGRADE                  | 7/1/2025         | 0.50             | 96,053                    |
| PWTF ANDERSON COVE SEW PS CW1      | 7/1/2027         | 0.50             | 390,789                   |
| PWTF WWTP UPGRADES                 | 7/1/2027         | 0.50             | 1,792,564                 |
| CCWF CALLOW CSO DESIGN             | 5/1/2017         | 0.0              | 18,635                    |
| CCWF CALLOW CSO PRIORITY I PH 1    | 7/31/2018        | 4.80             | 395,289                   |
| DWSRF CORROSION CONTROL            | 10/1/2018        | 4.00             | 110,033                   |
| DWSRF CASAD DAM VALVE REPL         | 10/1/2023        | 1.50             | 30,806                    |
| DWSRF EASTSIDE FLOW & PRESSURE IMP | 10/1/2022        | 2.50             | 366,121                   |
| DWSRF SEISMIC UPGRADE              | 10/1/2022        | 2.50             | 235,655                   |
| DWSRF ANDERSON CREEK               | 10/1/2024        | 1.50             | 43,054                    |
| DWSRF PUMP STATION 4 UPGRADE       | 10/1/2023        | 1.50             | 403,279                   |
| DWSRF SEISMIC UPGRADES             | 10/1/2024        | 1.50             | 226,386                   |
| DWSRF TRACYTON WD UPGRADE          | 10/1/2021        | 2.50             | 697,911                   |
| DWSRF SEISMIC VALVE FLOW CONTROL   | 12/1/2036        | 1.50             | 924,123                   |
| WPCRF CSO PLAN UPDATE              | 12/31/2022       | 1.50             | 85,387                    |
| WPCRF ANDERSON COVE CSO            | 2/27/2021        | 1.50             | 246,916                   |
| WPCRF CALLOW DESIGN FINAL          | 12/31/2022       | 1.50             | 197,472                   |
| WPCRF ANDERSON COVE CSO            | 1/23/2022        | 1.50             | 199,795                   |
| WPCRF TRENTON/CHERRY               | 10/15/2024       | 1.50             | 457,243                   |
| WPCRF ANDERSON COVE BASIN 12       | 9/17/2026        | 1.50             | 143,807                   |
| WPCRF TRENTON PUMP STATION         | 10/15/2024       | 1.50             | 456,948                   |
| WPCRF TRACYTON BEACH CSO           | 2/9/2025         | 1.50             | 281,743                   |
| WPCRF PACIFIC AVE CSO RED - SEP    | 6/30/2024        | 1.50             | 159,876                   |
| WPCRF PACIFIC AVE CSO REDUCTION    | 12/31/2027       | 1.50             | 637,711                   |
| WPCRF CHERRY/TRENTON CSO RED -F    | 12/31/2026       | 1.50             | 604,826                   |
| WPCRF WWTP UPGRADE                 | 1/1/2029         | 2.60             | 440,814                   |
| WPCRF GORST SEWERAGE CONSTR        | 12/31/2030       | 1.40             | 448,325                   |
| WPCRF GORST SEWERAGE CONSTR        | 10/17/2032       | 1.40             | 44,995                    |
| WPCRF GORST SEPTIC SYSTEM DES      | 12/31/2030       | 2.90             | 88,338                    |
| WPCRF GORST SEWERAGE DESIGN        | 12/31/2030       | 1.40             | 431,895                   |
| Total revenue bonds and loans      |                  |                  | 30,770,190                |

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

| Year Ending<br>December 31 | Governmental Activities |          | Business Activities |              |
|----------------------------|-------------------------|----------|---------------------|--------------|
|                            | Principal               | Interest | Principal           | Interest     |
| 2017                       | \$ -                    | \$ -     | \$ 3,190,636        | \$ 851,425   |
| 2018                       | -                       | -        | 3,229,000           | 738,661      |
| 2019                       | -                       | -        | 2,848,871           | 671,993      |
| 2020                       | -                       | -        | 2,828,309           | 611,924      |
| 2021                       | -                       | -        | 2,475,350           | 554,601      |
| 2022-2026                  | -                       | -        | 7,256,741           | 2,166,437    |
| 2027-2031                  | -                       | -        | 5,250,162           | 1,271,822    |
| 2032-2035                  | -                       | -        | 3,691,121           | 336,259      |
| Total                      | \$ -                    | \$ -     | \$ 30,770,190       | \$ 7,203,122 |

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, 2016, the city has \$416,762 available in debt service funds to service the general bonded debt. Restricted assets in proprietary funds contain \$2,010,203 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, 2016 there were no defeased bonds outstanding

## 11. Changes in Long Term Liabilities

During the year ended December 31, 2016, the following changes occurred in long-term liabilities:

|   | Beginning<br>Balance<br>1/1/2016 | Additions    | Reductions   | Ending<br>Balance<br>12/31/2016 | Due Within<br>One Year |
|---|----------------------------------|--------------|--------------|---------------------------------|------------------------|
| <b>Governmental Activities:</b>                 |                                  |              |              |                                 |                        |
| Bonds payable:                                  |                                  |              |              |                                 |                        |
| General obligation bonds                        | \$ 32,920,000                    | \$ -         | \$ 1,685,000 | 31,235,000                      | \$ 1,715,000           |
| Notes Payable                                   | -                                | -            | -            | -                               | -                      |
| Add unamortized premiums                        | 1,109,423                        | -            | 83,552       | 1,025,871                       | 83,552                 |
| Total bonds payable:                            | 34,029,423                       | -            | 1,768,552    | 32,260,871                      | 1,798,552              |
| Claims and judgments                            | 1,154,731                        | 544,017      | -            | 1,698,748                       | 354,462                |
| Compensated absences                            | 2,576,389                        | 42,087       | 87,658       | 2,530,818                       | 1,082,598              |
| Self Insurance                                  | 596,478                          | -            | 200,846      | 395,632                         | 395,632                |
| Other Post Employment Benefits                  | 3,136,336                        | 1,685,417    | -            | 4,821,753                       | 4,821,753              |
| Pension Liability                               | 6,636,229                        | 1,131,554    | -            | 7,767,783                       | -                      |
| Governmental activity<br>long-term liabilities: | \$ 48,129,586                    | \$ 3,403,075 | \$ 2,057,056 | \$ 49,475,605                   | \$ 8,452,997           |

|  | Beginning<br>Balance<br>1/1/2016 | Additions    | Reductions   | Ending<br>Balance<br>12/31/2016 | Due Within<br>One Year |
|--|----------------------------------|--------------|--------------|---------------------------------|------------------------|
| <b>Business-type Activities:</b>                 |                                  |              |              |                                 |                        |
| Bonds payable:                                   |                                  |              |              |                                 |                        |
| General obligation bonds                         | \$ 4,510,000                     | \$ -         | \$ 285,000   | \$ 4,225,000                    | \$ 300,000             |
| Revenue bonds                                    | 9,120,000                        | 7,855,000    | 620,000      | 16,355,000                      | 620,000                |
| Add unamortized premiums                         | 527,703                          | 1,004,229    | 36,667       | 1,495,265                       | 36,667                 |
| Total bonds payable:                             | 14,157,703                       |              |              | 22,075,265                      | 956,667                |
| Intergovernmental loans                          | 15,881,104                       | 925,863      | 2,391,778    | 14,415,189                      | 2,224,228              |
| Compensated Absences                             | 691,380                          |              | 33,132       | 658,248                         | 254,537                |
| Pension Liability                                | 4,358,126                        | 1,074,590    | -            | 5,432,716                       | -                      |
| Business-type activity<br>long-term liabilities: | \$ 35,088,313                    | \$ 2,000,453 | \$ 2,424,910 | \$ 42,581,418                   | \$ 3,435,432           |

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 \$2,094,380 of Risk Management claims and judgments and \$42,087 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, 2016, there were a small number of claims for damages and lawsuits pending against the City. In the opinion of the City's legal counsel, neither the potential liability for any single claim or lawsuit, nor the aggregate potential liability arising from all actions currently pending would materially affect the financial condition of the City.

As discussed in Note 10, Long-Term Debt, the City is contingently liable for repayment of refunded debt.

The City participates in a number of federal and state 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 \$7,876,416 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, 2016, were as follows:

|        |                          | Due From     |            |            |             |          |                   |                  |
|--------|--------------------------|--------------|------------|------------|-------------|----------|-------------------|------------------|
|        |                          | General Fund | Other Govt | Water      | Waste-Water | Golf     | Other Proprietary | Internal Service |
| Due To | General Fund             | \$ -         | \$ 24,256  | \$ 173,235 | \$ 392,918  | \$ -     | \$ 61,787         | \$ 6,953         |
|        | Other governmental funds | 179,905      | 396,722    | 2,448      | -           | 1,619    | 4,642             | -                |
|        | Water                    | 5,097        | 8,324      | -          | -           | -        | 3,573             | -                |
|        | Wastewater               | 2,289        | 42,372     | -          | -           | -        | -                 | -                |
|        | Other proprietary funds  | 46,938       | 54,716     | -          | -           | -        | -                 | -                |
|        | Internal Service         | 45,475       | 1,720      | 4,827      | 3,292       | -        | 1,192             | 904              |
|        | Total                    | \$ 279,704   | \$ 528,110 | \$ 180,510 | \$ 396,210  | \$ 1,619 | \$ 71,194         | \$ 7,857         |
|        |                          |              |            |            |             |          |                   | \$ 1,465,204     |

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 2016. Interfund loans are approved by City Council Resolution and include a repayment date. The following schedule is a summary of loans outstanding at year end including the year of final payment.

| Loaned From      | Purpose            | Yr of final Payment | Loaned To    |             |            |
|------------------|--------------------|---------------------|--------------|-------------|------------|
|                  |                    |                     | General Fund | Golf Course | Total      |
| Water            | Park Land          | 2025                | \$ 126,774   | \$ -        | 126,774    |
| Internal service | Equipment purchase | 2016                | -            | 118,152     | 118,152    |
| Internal service | Conference Ctr Exp | 2020                | 500,000      | -           | 500,000    |
| Total            |                    |                     | \$ 626,774   | \$ 118,152  | \$ 744,926 |

## B. Interfund Transfers

Interfund transfers at December 31, 2016 were as follows:

|             |   | Transfer From |              |            |              |                   |              |
|-------------|---|---------------|--------------|------------|--------------|-------------------|--------------|
|             |   | General Fund  | Other Govt   | Water      | Waste-Water  | Other Proprietary | Total        |
| Transfer To | General Fund  | \$ -          | \$ 640,756   | \$ -       | \$ -         | \$ -              | \$ 640,756   |
|             | Other governmental funds  | 785,735       | 1,162,582    | 542,924    | 1,216,825    | 397,542           | 4,105,609    |
|             | Water   | -             | 8,324        | -          | -            | -                 | 8,324        |
|             | Wastewater  | -             | 42,372       | -          | -            | -                 | 42,372       |
|             | Other proprietary funds   | -             | 201,021      | -          | -            | -                 | 201,021      |
|             | Fiduciary funds   | -             | -            | -          | -            | -                 | -            |
|             | Internal Service  | -             | -            | -          | -            | -                 | -            |
|             | Reconciliation of balances in fund financial statements to government-wide financial statements | -             | -            | 64,329     | 792,177      | 291,140           | 1,147,646    |
|             | Total   | \$ 785,735    | \$ 2,055,055 | \$ 607,253 | \$ 2,009,002 | \$ 688,682        | \$ 6,145,727 |

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 2016 were as follows:

There were no significant transfers in 2016.



## 15. Receivable and Payable Balances

### A. Receivables

Receivables at December 31, 2016, were as follows:

|   | Accounts     | Taxes        | Special Assessments | Notes Contracts | Other     | Total        |
|---|--------------|--------------|---------------------|-----------------|-----------|--------------|
| <b>Governmental Activities:</b>   |              |              |                     |                 |           |              |
| General Fund  | \$ 1,924,490 | \$ 2,304,423 | \$ -                | \$ 7,592        | \$ -      | \$ 4,236,505 |
| Non-major and other funds   | 233,557      | 397,821      | -                   | 99,670          | -         | 731,048      |
| Reconciliation of balances in fund financial statements to government-wide financial statements | -            | -            | -                   | -               | 23,183    | 23,183       |
| Total governmental activities   | \$ 2,158,047 | \$ 2,702,244 | \$ -                | \$ 107,262      | \$ 23,183 | \$ 4,990,736 |
| <b>Business-Type Activities:</b>  |              |              |                     |                 |           |              |
| Water   | \$ 1,879,184 | \$ -         | \$ 325,400          | \$ 314,594      | \$ -      | \$ 2,519,178 |
| Golf  | -            | -            | -                   | -               | 43,685    | 43,685       |
| Wastewater  | 2,631,390    | 13,869       | -                   | -               | -         | 2,645,259    |
| Stormwater  | 627,331      | -            | -                   | -               | -         | 627,331      |
| Reconciliation of balances in fund financial statements to government-wide financial statements | -            | -            | -                   | -               | -         | -            |
| Total business-type activities  | \$ 5,137,905 | \$ 13,869    | \$ 325,400          | \$ 314,594      | \$ 43,685 | \$ 5,835,453 |

### B. Payables

Accounts Payable and other current liabilities at December 31, 2016 were as follows:

|   | Vendors      | Retainage | Other     | Total        |
|---|--------------|-----------|-----------|--------------|
| <b>Governmental Activities:</b>   |              |           |           |              |
| General Fund  | \$ 560,445   | \$ -      | \$ 17,885 | \$ 578,330   |
| Non-major and other funds   | 668,077      | 51,642    | 495       | 720,214      |
| Reconciliation of balances in fund financial statements to government-wide financial statements | -            | -         | 67,179    | 67,179       |
| Total governmental activities   | \$ 1,228,522 | \$ 51,642 | \$ 85,559 | \$ 1,365,723 |

|   | Vendors      | Retainage | Other | Total        |
|---|--------------|-----------|-------|--------------|
| <b>Business-Type Activities:</b>  |              |           |       |              |
| Water   | \$ 459,764   | \$ 71,327 | \$ -  | \$ 531,091   |
| Golf  | 94,638       | -         | -     | 94,638       |
| Wastewater  | 466,089      | 22,698    | -     | 488,787      |
| Stormwater  | 90,887       | 1,127     | -     | 92,014       |
| Reconciliation of balances in fund financial statements to government-wide financial statements | -            | -         | -     | -            |
| Total business-type activities  | \$ 1,111,378 | \$ 95,152 | \$ -  | \$ 1,206,530 |

## 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 June 30, 2014. 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 \$3,136,336 is included as a noncurrent liability on the Statement of Net Position.

|   | Fiscal Year Ending<br>12/31/16 |
|---|--------------------------------|
| <b>Determination of Annual Required Contribution:</b> |                                |
| Annual Normal Cost                                    | \$ 3,440,974                   |
| Interest on Amortization Payment                      | 125,453                        |
| Annual Required Contribution (ARC)                    | \$ 3,566,427                   |

|  | Fiscal Year Ending<br>12/31/16 |
|--|--------------------------------|
| <b>Determination of NET OPEB Obligation:</b> |                                |
| Annual Required Contribution                 | \$ 3,566,427                   |
| Adjustment to ARC                            | (156,632)                      |
| Annual OPEB Cost                             | \$ 3,409,795                   |
| Contributions                                | (1,724,377)                    |
| Change in Net OPEB Obligations               | \$ 1,685,418                   |
| Net OPEB Obligations - beginning of year     | \$ 3,136,336                   |
| Net OPEB Obligations - end of year           | \$ 4,821,754                   |

\* Unfunded Actuarial Accrued Liability (UAAL)

The City's OPEB cost, the percentage OPEB cost contributed to the plan and the net OPEB Assets for 2016 and the preceding three years, was as follows:

| Fiscal year<br>Ended | Annual OPEB<br>Cost | Contribution as a<br>Percentage of OPEB Cost | Net OPEB<br>Obligation |
|----------------------|---------------------|--|------------------------|
| 12/31/2011           | \$ 1,366,185        | 104.22%                                      | \$ (414,716)           |
| 12/31/2012           | \$ 1,515,169        | 97.88%                                       | \$ (382,547)           |
| 12/31/2013           | \$ 1,515,169        | 81.70%                                       | \$ (105,296)           |
| 12/31/2014           | \$ 1,515,169        | 83.20%                                       | \$ 149,310             |
| 12/31/2015           | \$ 4,255,852        | 29.81%                                       | \$ 3,136,336           |
| 12/31/2016           | \$ 3,409,795        | 50.57%                                       | \$ 4,821,753           |

#### Funded Status and Funding Progress

As of December 31, 2016, the City's LEOFF I member count is below 100 members. The City utilized the alternative actuary method prescribe by the Office of the State Actuary and permitted und GASB Statement No. 45. A single retirement age of 55.3 was assumed for all active members for the purpose of determining the AAL and normal cost. The retirement, disability, termination and mortality rates were assumed to follow LEOFF 1 rates used in the June 2014 actuarial valuation report issued by the Office of The State Actuary (OSA). Healthcare costs and trends were determined by Milliman and used by OSA in the state-wide LEOFF 1 medical study performed in 2013. The results were based on grouped data with four active groupings and four inactive groupings. The actuarial cost method to determine the AAL was the Projected Unit Credit. The AAL and NOO are amortized on an open basis as a level dollar over 15 years. These assumptions are individual and collectively reasonable for the purposes of this valuation. The actuarial accrued liability (AAL) for benefits was \$39,652,915.

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, 2016 was 12.5 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, 2016, for the combined utility operations are as follows:

### Condensed Statement of Net Position

#### Assets and Deferred Outflows

|                                    |               |
|------------------------------------|---------------|
| Current assets                     | \$ 33,356,067 |
| Restricted assets                  | 1,725,203     |
| Capital assets                     | 165,698,238   |
| Other assets                       | 265,500       |
| Total assets                       | 201,045,008   |
| Deferred outflows of resources     | 811,052       |
| Total assets and deferred outflows | 201,856,060   |

#### Liabilities and Deferred Inflows

|  |            |
|--|------------|
| Current liabilities                    | 4,966,208  |
| Due to other funds                     | 542,815    |
| Payable from restricted assets         | 0          |
| Long-term liabilities                  | 34,991,480 |
| Total liabilities                      | 40,500,503 |
| Deferred inflows of resources          | 173,405    |
| Total liabilities and deferred inflows | 40,673,908 |

#### Net Position

|                                    |                |
|------------------------------------|----------------|
| Restricted for debt service        | 2,052,964      |
| Restricted for capital replacement | 7,450,389      |
| Unrestricted                       | 7,604,992      |
| Net investment in capital assets   | 144,073,807    |
| Total net position                 | \$ 161,182,152 |

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

|  |                   |
|--|-------------------|
| Total operating revenues               | \$ 30,198,148     |
| <b>Operating Expenditures:</b>         |                   |
| Operations & maintenance               | 22,229,308        |
| Depreciation/amortization/depletion    | 5,797,410         |
| Total operating expenses               | <u>28,026,718</u> |
| Operating income(loss)                 | 2,171,430         |
| <b>Non-Operating Revenues/Expenses</b> |                   |
| Interest revenue/expense (net)         | (449,439)         |
| Other (net)                            | <u>(17,211)</u>   |
| Total non-operating revenues/expenses  | <u>(466,650)</u>  |

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

|  |                       |
|--|-----------------------|
| Total operating revenues               | \$ 30,198,148         |
| <b>Operating Expenditures:</b>         |                       |
| Operations & maintenance               | 22,229,308            |
| Depreciation/amortization/depletion    | 5,797,410             |
| Total operating expenses               | <u>28,026,718</u>     |
| Operating income(loss)                 | 2,171,430             |
| <b>Non-Operating Revenues/Expenses</b> |                       |
| Interest revenue/expense (net)         | (449,439)             |
| Other (net)                            | <u>(17,211)</u>       |
| Total non-operating revenues/expenses  | <u>(466,650)</u>      |
| Capital contributions                  | 1,934,760             |
| Transfers                              | 24,056                |
| Change in net position                 | 3,663,596             |
| Beginning net position                 | 157,518,556           |
| Prior period adjustment                | 0                     |
| Ending net position                    | <u>\$ 161,182,152</u> |

**Condensed Statement of Cash Flows**

|  |                      |
|--|----------------------|
| Net cash provided By:                        |                      |
| (a) Operating activities                     | \$ 8,784,416         |
| (b) Noncapital financing activities          | (2,704)              |
| (c) Capital and related financing activities | 1,647,826            |
| (d) Investing activities                     | (1,146,782)          |
| Beginning cash and equivalents balance       | <u>8,203,273</u>     |
| Ending cash and equivalents balance          | <u>\$ 17,486,029</u> |

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

| <u>Fiscal Year</u><br><u>Ended</u> | <u>Actuarial</u><br><u>Value of</u><br><u>Assets</u> | <u>Actuarial</u><br><u>Accrued</u><br><u>Liability Unit</u><br><u>Cost</u> | <u>Unfunded Actuarial</u><br><u>Accrued Liabilities</u><br><u>(UAAL)</u> | <u>Funded</u><br><u>Ratio</u> | <u>Covered</u><br><u>Payroll</u> | <u>UAAL as a</u><br><u>Percentage</u><br><u>of Covered</u><br><u>Payroll</u> |
|------------------------------------|--|--|--|-------------------------------|----------------------------------|--|
| 12/31/2012                         | \$ -   | \$ 16,191,238  | \$ 16,191,238  | 0.0%                          | \$ 461,567                       | 3500.00%   |
| 12/31/2013                         | \$ -   | \$ 21,632,822  | \$ 21,632,822  | 0.0%                          | \$ 214,934                       | 10100.00%  |
| 12/31/2014                         | \$ -   | \$ 17,942,584  | \$ 17,942,584  | 0.0%                          | \$ 179,183                       | 10000.00%  |
| 12/31/2015                         | \$ -   | \$ 47,180,003  | \$ 47,180,003  | 0.0%                          | \$ 185,375                       | 25500.00%  |
| 12/31/2016                         | \$ -   | \$ 39,652,915  | \$ 39,652,915  | 0                             | 0                                | 0.00%  |

**REQUIRED SUPPLEMENTARY INFORMATION**

City of Bremerton  
Schedule of Proportionate Share of the Net Pension Liability  
PERS 1  
As of June 30, 2016  
Last 10 Fiscal Years\*

|   | 2016         | 2015         |
|---|--------------|--------------|
| Employer's proportion of the net pension liability (asset)  | 0.11877%     | 0.12367%     |
| Employer's proportionate share of the net pension liability   | \$ 6,378,508 | \$ 6,468,882 |
| Employer's covered employee payroll   | 13,389,026   | 619,512      |
| Employer's proportionate share of the net pension liability as a percentage of covered employee payroll | 47.64%       | 1044.19%     |
| Plan fiduciary net position as a percentage of the total pension liability                              | 48.32%       | 59.10%       |

Notes to Schedule:

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

**REQUIRED SUPPLEMENTARY INFORMATION**

City of Bremerton  
Schedule of Proportionate Share of the Net Pension Liability  
PERS 2/3  
As of June 30, 2016  
Last 10 Fiscal Years\*

|   | 2016         | 2015         |
|---|--------------|--------------|
| Employer's proportion of the net pension liability (asset)  | 0.13515%     | 0.14288%     |
| Employer's proportionate share of the net pension liability   | \$ 6,804,696 | \$ 5,105,327 |
| Employer's covered employee payroll   | 12,623,875   | 11,587,654   |
| Employer's proportionate share of the net pension liability as a percentage of covered employee payroll | 53.90%       | 44.06%       |
| Plan fiduciary net position as a percentage of the total pension liability                              | 51.55%       | 89.20%       |

Notes to Schedule:

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



**REQUIRED SUPPLEMENTARY INFORMATION**

City of Bremerton  
 Schedule of Proportionate Share of the Net Pension Liability  
 PSERS  
 As of June 30, 2016  
 Last 10 Fiscal Years\*

|   | 2016      | 2015     |
|---|-----------|----------|
| Employer's proportion of the net pension liability (asset)  | 0.04069%  | 0.04270% |
| Employer's proportionate share of the net pension liability (asset)                                     | \$ 17,294 | \$ 7,794 |
| Employer's covered employee payroll   | 131,920   | 126,609  |
| Employer's proportionate share of the net pension liability as a percentage of covered employee payroll | 13.11%    | 6.16%    |
| Plan fiduciary net position as a percentage of the total pension liability                              | 0.13%     | 95.08%   |

Notes to Schedule:

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

**REQUIRED SUPPLEMENTARY INFORMATION**

City of Bremerton  
Schedule of Proportionate Share of the Net Pension Liability  
LEOFF 1  
As of June 30, 2016  
Last 10 Fiscal Years\*

|   | 2016           | 2015           |
|---|----------------|----------------|
| Employer's proportion of the net pension liability (asset)  | 17.42390%      | 0.17571%       |
| Employer's proportionate share of the net pension liability (asset)                                     | \$ (1,795,160) | \$ (2,117,718) |
| Employer's covered employee payroll   | 126,465        | 122,729        |
| Employer's proportionate share of the net pension liability as a percentage of covered employee payroll | (1419.49%)     | (1725.52%)     |
| Plan fiduciary net position as a percentage of the total pension liability                              | (44.87%)       | (127.36%)      |

Notes to Schedule:

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

**REQUIRED SUPPLEMENTARY INFORMATION**

City of Bremerton  
Schedule of Proportionate Share of the Net Pension Liability  
LEOFF 2  
As of June 30, 2016  
Last 10 Fiscal Years\*

|   | 2016           | 2015           |
|---|----------------|----------------|
| Employer's proportion of the net pension liability (asset)  | 0.37915%       | 0.39748%       |
| Employer's proportionate share of the net pension liability   | \$ (2,205,262) | \$ (4,085,289) |
| State's proportionate share of the net pension liability (asset) associated with the employer           | \$ (1,344,803) | \$ (2,701,196) |
| TOTAL   | \$ (3,550,065) | \$ (6,786,485) |
| Employer's covered employee payroll   | 11,486,092     | 11,496,279     |
| Employer's proportionate share of the net pension liability as a percentage of covered employee payroll | (19.20%)       | (35.54%)       |
| Plan fiduciary net position as a percentage of the total pension liability                              | (88.74%)       | (111.67%)      |

Notes to Schedule:

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

**REQUIRED SUPPLEMENTARY INFORMATION**

City of Bremerton  
Schedule of Employer Contributions  
PERS 1  
As of Decmeber 31, 2016  
Last 10 Fiscal Years\*

|   | 2016       | 2015      |
|---|------------|-----------|
| Contractually required contributions                                  | \$ 663,672 | \$ 63,237 |
| Contributions in relation to the contractually required contributions | \$ 663,672 | \$ 63,238 |
| Contribution deficiency (excess)                                      | 0          | -1        |
| Employer's covered employee payroll                                   | 13,155,996 | 619,512   |
| Contributions as a percentage of covered employee payroll             | 5%         | 10.21%    |

Notes to Schedule:

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

**REQUIRED SUPPLEMENTARY INFORMATION**

City of Bremerton  
Schedule of Employer Contributions  
PERS 2/3  
As of Decmeber 31, 2016  
Last 10 Fiscal Years\*

|   | 2016       | 2015         |
|---|------------|--------------|
| Contractually required contributions                                  | \$ 773,957 | \$ 1,171,644 |
| Contributions in relation to the contractually required contributions | \$ 773,957 | \$ 1,171,644 |
| Contribution deficiency (excess)                                      | 0          | 0            |
| Employer's covered employee payroll                                   | 12,423,072 | 11,587,654   |
| Contributions as a percentage of covered employee payroll             | 6.23%      | 11.47%       |

Notes to Schedule:

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

**REQUIRED SUPPLEMENTARY INFORMATION**

City of Bremerton  
Schedule of Employer Contributions  
PSERS  
As of Decmeber 31, 2016  
Last 10 Fiscal Years\*

|   | 2016      | 2015      |
|---|-----------|-----------|
| Contractually required contributions                                  | \$ 10,081 | \$ 13,984 |
| Contributions in relation to the contractually required contributions | \$ 10,081 | \$ 13,984 |
| Contribution deficiency (excess)                                      | 0         | 0         |
| Employer's covered employee payroll                                   | 152,968   | 126,609   |
| Contributions as a percentage of covered employee payroll             | 6.59%     | 11.05%    |

Notes to Schedule:

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

***REQUIRED SUPPLEMENTARY INFORMATION***

City of Bremerton  
Schedule of Employer Contributions  
LEOFF 2  
As of Decmeber 31, 2016  
Last 10 Fiscal Years\*

|   | 2016       | 2015       |
|---|------------|------------|
| Contractually required contributions                                  | \$ 560,851 | \$ 601,255 |
| Contributions in relation to the contractually required contributions | \$ 560,851 | \$ 601,255 |
| Contribution deficiency (excess)                                      | 0          | 0          |
| Employer's covered employee payroll                                   | 11,105,960 | 11,496,279 |
| Contributions as a percentage of covered employee payroll             | 5.05%      | 5.23%      |

Notes to Schedule:

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

**City of Bremerton**  
**Combining Balance Sheet**  
**NonMajor Governmental Funds**  
**December 31, 2016**

Page 1 of 3

|   | Street              | Lodging<br>Tax    | Parking<br>System | Community<br>Block Grant | Abatement<br>Revolving | Police Special<br>Projects | BKAT              | Gift &<br>Donation |
|---|---------------------|-------------------|-------------------|--------------------------|------------------------|----------------------------|-------------------|--------------------|
| <b>ASSETS and DEFERRED OUTFLOWS</b>             |                     |                   |                   |                          |                        |                            |                   |                    |
| <b>of RESOURCES</b>                             |                     |                   |                   |                          |                        |                            |                   |                    |
| Cash and cash equivalents                       | \$ 512,622          | \$ 207,659        | \$ 166,965        | \$ 252,021               | \$ 159,440             | \$ 190,227                 | \$ 251,062        | \$ 28,851          |
| Investments                                     | 573,975             | 232,513           | 186,948           | -                        | 178,524                | 212,994                    | 281,111           | 32,304             |
| Receivables                                     | 232,241             | 31,056            | 264,932           | 52,167                   | -                      | -                          | -                 | -                  |
| Due from other funds                            | 117,362             | -                 | -                 | 26,580                   | -                      | -                          | -                 | -                  |
| Due from other governments                      | 74,512              | -                 | -                 | 147,618                  | -                      | -                          | -                 | -                  |
| Other assets                                    | -                   | -                 | -                 | 579,703                  | -                      | -                          | -                 | -                  |
| Total assets                                    | <u>1,510,712</u>    | <u>471,228</u>    | <u>618,845</u>    | <u>1,058,089</u>         | <u>337,964</u>         | <u>403,221</u>             | <u>532,173</u>    | <u>61,155</u>      |
| Deferred outflows of resources                  | -                   | -                 | -                 | -                        | -                      | -                          | -                 | -                  |
| Total assets and deferred outflows of resources | <u>\$ 1,510,712</u> | <u>\$ 471,228</u> | <u>\$ 618,845</u> | <u>\$ 1,058,089</u>      | <u>\$ 337,964</u>      | <u>\$ 403,221</u>          | <u>\$ 532,173</u> | <u>\$ 61,155</u>   |
| <b>LIABILITIES and FUND BALANCES</b>            |                     |                   |                   |                          |                        |                            |                   |                    |
| Liabilities:                                    |                     |                   |                   |                          |                        |                            |                   |                    |
| Accounts/contracts payable                      | \$ 254,079          | \$ 15,083         | \$ 66,058         | \$ 106,262               | \$ -                   | \$ 8,587                   | \$ 817            | \$ 156             |
| Due to other funds                              | -                   | -                 | 3,525             | 17,000                   | -                      | -                          | -                 | -                  |
| Due to other governments                        | -                   | -                 | -                 | 495                      | -                      | -                          | -                 | -                  |
| Employee wages payable                          | 38,885              | -                 | 17                | 4,209                    | -                      | -                          | 10,492            | -                  |
| Custodial Accounts                              | -                   | -                 | -                 | -                        | -                      | -                          | -                 | -                  |
| Unearned revenue                                | -                   | -                 | 156,909           | 579,703                  | -                      | -                          | -                 | -                  |
| Total liabilities                               | <u>292,964</u>      | <u>15,083</u>     | <u>226,509</u>    | <u>707,669</u>           | <u>-</u>               | <u>8,587</u>               | <u>11,309</u>     | <u>156</u>         |
| Deferred Inflows of Resources                   | -                   | -                 | -                 | -                        | -                      | -                          | -                 | -                  |
| Fund balances:                                  |                     |                   |                   |                          |                        |                            |                   |                    |
| Restricted                                      | -                   | 429,864           | -                 | 350,420                  | -                      | 394,634                    | 103,446           | -                  |
| Committed                                       | -                   | -                 | -                 | -                        | 37,104                 | -                          | 417,418           | 60,999             |
| Assigned  | 1,217,748           | 26,281            | 392,336           | -                        | 300,860                | -                          | -                 | -                  |
| Unassigned                                      | -                   | -                 | -                 | -                        | -                      | -                          | -                 | -                  |
| Total fund balances                             | <u>1,217,748</u>    | <u>456,145</u>    | <u>392,336</u>    | <u>350,420</u>           | <u>337,964</u>         | <u>394,634</u>             | <u>520,864</u>    | <u>60,999</u>      |
| Total liabilities and fund balances             | <u>\$ 1,510,712</u> | <u>\$ 471,228</u> | <u>\$ 618,845</u> | <u>\$ 1,058,089</u>      | <u>\$ 337,964</u>      | <u>\$ 403,221</u>          | <u>\$ 532,173</u> | <u>\$ 61,155</u>   |

See accompanying notes to the financial statements.



**City of Bremerton**  
**Combining Balance Sheet**  
**NonMajor Governmental Funds**  
**December 31, 2016**

Page 2 of 3

|  | Special Revenue      |                        |                          | Debt Service      |                           |                                      |                            |                       |
|--|----------------------|------------------------|--------------------------|-------------------|---------------------------|--------------------------------------|----------------------------|-----------------------|
|  | Trial<br>Improvement | One Percent<br>for Art | Total Special<br>Revenue | 2010<br>LTGO      | 2010<br>UTGO/<br>LTGO (B) | 2012<br>Government<br>Center<br>LTGO | 2015 Public<br>Safety Bond | Total Debt<br>Service |
| <b>ASSETS and DEFERRED OUTFLOWS<br/>of RESOURCES</b> |                      |                        |                          |                   |                           |                                      |                            |                       |
| Cash and cash equivalents                            | \$ 38,297            | \$ 24,034              | \$ 1,831,178             | \$ 67,923         | \$ 60,451                 | \$ 42,348                            | \$ 25,893                  | \$ 196,615            |
| Investments  | 42,881               | 26,911                 | 1,768,161                | 76,052            | 67,687                    | 47,417                               | 28,991                     | 220,147               |
| Receivables  | -                    | -                      | 580,396                  | 37,952            | 20,340                    | -                                    | 10,652                     | 68,944                |
| Due from other funds                                 | -                    | -                      | 143,942                  | -                 | -                         | -                                    | -                          | -                     |
| Due from other governments                           | -                    | -                      | 222,130                  | -                 | -                         | -                                    | -                          | -                     |
| Other assets   | -                    | -                      | 579,703                  | -                 | -                         | -                                    | -                          | -                     |
| Total assets   | <u>81,178</u>        | <u>50,945</u>          | <u>5,125,510</u>         | <u>181,927</u>    | <u>148,478</u>            | <u>89,765</u>                        | <u>65,536</u>              | <u>485,706</u>        |
| Deferred outflows of resources                       | -                    | -                      | -                        | -                 | -                         | -                                    | -                          | -                     |
| Total assets and deferred outflows of<br>resources   | <u>\$ 81,178</u>     | <u>\$ 50,945</u>       | <u>\$ 5,125,510</u>      | <u>\$ 181,927</u> | <u>\$ 148,478</u>         | <u>\$ 89,765</u>                     | <u>\$ 65,536</u>           | <u>\$ 485,706</u>     |
| <b>LIABILITIES and FUND BALANCES</b>                 |                      |                        |                          |                   |                           |                                      |                            |                       |
| Liabilities:   |                      |                        |                          |                   |                           |                                      |                            |                       |
| Accounts/contracts payable                           | \$ 2,828             | \$ -                   | \$ 453,870               | \$ -              | \$ -                      | \$ -                                 | \$ -                       | \$ -                  |
| Due to other funds                                   | -                    | -                      | 20,525                   | -                 | -                         | -                                    | -                          | -                     |
| Due to other governments                             | -                    | -                      | 495                      | -                 | -                         | -                                    | -                          | -                     |
| Employee wages payable                               | -                    | -                      | 53,603                   | -                 | -                         | -                                    | -                          | -                     |
| Custodial Accounts                                   | -                    | -                      | -                        | -                 | -                         | -                                    | -                          | -                     |
| Unearned revenue                                     | -                    | -                      | 736,612                  | -                 | 14,456                    | -                                    | 7,191                      | 21,647                |
| Total liabilities                                    | <u>2,828</u>         | <u>-</u>               | <u>1,265,105</u>         | <u>-</u>          | <u>14,456</u>             | <u>-</u>                             | <u>7,191</u>               | <u>21,647</u>         |
| Deferred Inflows of Resources                        | -                    | -                      | -                        | -                 | -                         | -                                    | -                          | -                     |
| Fund balances:                                       |                      |                        |                          |                   |                           |                                      |                            |                       |
| Restricted   | 72,676               | -                      | 1,351,040                | -                 | 115,235                   | -                                    | 58,345                     | 173,580               |
| Committed  | -                    | 50,945                 | 566,466                  | -                 | -                         | -                                    | -                          | -                     |
| Assigned   | 5,674                | -                      | 1,942,899                | 181,927           | 18,787                    | 89,765                               | -                          | 290,479               |
| Unassigned   | -                    | -                      | -                        | -                 | -                         | -                                    | -                          | -                     |
| Total fund balances                                  | <u>78,350</u>        | <u>50,945</u>          | <u>3,860,405</u>         | <u>181,927</u>    | <u>134,022</u>            | <u>89,765</u>                        | <u>58,345</u>              | <u>464,059</u>        |
| Total liabilities and fund balances                  | <u>\$ 81,178</u>     | <u>\$ 50,945</u>       | <u>\$ 5,125,510</u>      | <u>\$ 181,927</u> | <u>\$ 148,478</u>         | <u>\$ 89,765</u>                     | <u>\$ 65,536</u>           | <u>\$ 485,706</u>     |

See accompanying notes to the financial statements.

**City of Bremerton**  
**Combining Balance Sheet**  
**NonMajor Governmental Funds**  
**December 31, 2016**  
**Capital Projects**

Page 3 of 3

|  | General Govt<br>Cap Impr | Parks<br>Construction | Trans<br>Capital<br>Projects | Fire Public<br>Safety | Lebo Blvd.       | Washington<br>Avenue<br>Connector | Total<br>Capital<br>Projects | Total<br>Nonmajor<br>Governmental<br>Funds |
|--|--------------------------|-----------------------|------------------------------|-----------------------|------------------|-----------------------------------|------------------------------|--|
| <b>ASSETS and DEFERRED OUTFLOWS of RESOURCES</b> |                          |                       |                              |                       |                  |                                   |                              |  |
| Cash and cash equivalents                        | \$ 762,044               | \$ 51,040             | \$ 137,506                   | \$ 4,103,842          | \$ 3,085         | \$ 28,664                         | \$ 5,086,181                 | 7,113,974                                  |
| Investments                                      | 853,249                  | 57,149                | 153,964                      | -                     | 3,454            | 32,095                            | 1,099,911                    | 3,088,219                                  |
| Receivables                                      | 81,709                   | -                     | -                            | -                     | -                | -                                 | 81,709                       | 731,049                                    |
| Due from other funds                             | -                        | 66,834                | -                            | -                     | 9,339            | -                                 | 76,173                       | 220,115                                    |
| Due from other governments                       | -                        | -                     | 101,958                      | -                     | 83,283           | 1                                 | 185,242                      | 407,372                                    |
| Other assets                                     | -                        | -                     | -                            | -                     | -                | -                                 | -                            | 579,703                                    |
| Total assets                                     | <u>1,697,002</u>         | <u>175,023</u>        | <u>393,428</u>               | <u>4,103,842</u>      | <u>99,161</u>    | <u>60,760</u>                     | <u>6,529,216</u>             | <u>12,140,432</u>                          |
| Deferred outflows of resources                   | -                        | -                     | -                            | -                     | -                | -                                 | -                            | -  |
| Total assets and deferred outflows of resources  | <u>\$ 1,697,002</u>      | <u>\$ 175,023</u>     | <u>\$ 393,428</u>            | <u>\$ 4,103,842</u>   | <u>\$ 99,161</u> | <u>\$ 60,760</u>                  | <u>\$ 6,529,216</u>          | <u>12,140,432</u>                          |
| <b>LIABILITIES and FUND BALANCES</b>             |                          |                       |                              |                       |                  |                                   |                              |  |
| Liabilities:                                     |                          |                       |                              |                       |                  |                                   |                              |  |
| Accounts/contracts payable                       | \$ 58,000                | \$ 48,347             | \$ 107,879                   | \$ -                  | \$ 51,623        | \$ -                              | \$ 265,849                   | 719,719                                    |
| Due to other funds                               | 167,196                  | 7,128                 | -                            | -                     | -                | -                                 | 174,324                      | 194,849                                    |
| Due to other governments                         | -                        | -                     | -                            | -                     | -                | -                                 | -                            | 495  |
| Employee wages payable                           | -                        | -                     | -                            | -                     | -                | -                                 | -                            | 53,603                                     |
| Custodial Accounts                               | -                        | -                     | 15,000                       | -                     | -                | -                                 | 15,000                       | 15,000                                     |
| Unearned revenue                                 | -                        | -                     | -                            | -                     | -                | -                                 | -                            | 758,259                                    |
| Total liabilities                                | <u>225,196</u>           | <u>55,475</u>         | <u>122,879</u>               | <u>-</u>              | <u>51,623</u>    | <u>-</u>                          | <u>455,173</u>               | <u>1,741,925</u>                           |
| Deferred Inflows of Resources                    | <u>-</u>                 | <u>10,000</u>         | <u>-</u>                     | <u>-</u>              | <u>-</u>         | <u>-</u>                          | <u>10,000</u>                | <u>10,000</u>                              |
| Fund balances:                                   |                          |                       |                              |                       |                  |                                   |                              |  |
| Restricted                                       | 1,435,466                | -                     | 10,175                       | 4,103,842             | 47,538           | -                                 | 5,597,021                    | 7,121,641                                  |
| Committed  | -                        | -                     | -                            | -                     | -                | -                                 | -                            | 566,466                                    |
| Assigned   | 36,340                   | 109,548               | 260,374                      | -                     | -                | 60,760                            | 467,022                      | 2,700,400                                  |
| Unassigned                                       | -                        | -                     | -                            | -                     | -                | -                                 | -                            | -  |
| Total fund balances                              | <u>1,471,806</u>         | <u>109,548</u>        | <u>270,549</u>               | <u>4,103,842</u>      | <u>47,538</u>    | <u>60,760</u>                     | <u>6,064,043</u>             | <u>10,388,507</u>                          |
| Total liabilities and fund balances              | <u>\$ 1,697,002</u>      | <u>\$ 175,023</u>     | <u>\$ 393,428</u>            | <u>\$ 4,103,842</u>   | <u>\$ 99,161</u> | <u>\$ 60,760</u>                  | <u>\$ 6,529,216</u>          | <u>12,140,432</u>                          |

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, 2016**

1 of 3

|   | Street       | Lodging<br>Tax | Parking      | Community<br>Block Grant | Abatement<br>Revolving | Police<br>Special<br>Projects | BKAT       | Gift &<br>Donation |
|---|--------------|----------------|--------------|--------------------------|------------------------|-------------------------------|------------|--------------------|
| <b>REVENUES</b>                                   |              |                |              |                          |                        |                               |            |                    |
| Taxes   |              |                |              |                          |                        |                               |            |                    |
| Property  | \$ -         | \$ -           | \$ -         | \$ -                     | \$ -                   | \$ -                          | \$ -       | \$ -               |
| Sales   | -            | 555,833        | -            | -                        | -                      | -                             | -          | -                  |
| Other   | 1,133,531    | -              | -            | -                        | -                      | -                             | -          | -                  |
| Licenses and permits                              | -            | -              | -            | -                        | -                      | -                             | 295,523    | -                  |
| Intergovernmental                                 | 930,335      | -              | -            | 478,247                  | -                      | 1,782                         | -          | -                  |
| Charges for services                              | 124,550      | -              | -            | 35,612                   | -                      | -                             | 111,373    | 1,452              |
| Fines and forfeitures                             | -            | -              | 202,580      | -                        | 47,391                 | 29,618                        | -          | -                  |
| Miscellaneous                                     | 19,248       | 1,701          | 1,241,140    | 5,815                    | 2,271                  | 27,253                        | 64,002     | 12,751             |
| Total revenues                                    | \$ 2,207,664 | \$ 557,534     | \$ 1,443,720 | \$ 519,674               | \$ 49,662              | \$ 58,653                     | \$ 470,898 | \$ 14,203          |
| <b>EXPENDITURES</b>                               |              |                |              |                          |                        |                               |            |                    |
| Current:  |              |                |              |                          |                        |                               |            |                    |
| General government                                | \$ 28,548    | \$ -           | \$ -         | \$ 117,775               | \$ -                   | \$ -                          | \$ -       | \$ -               |
| Public safety                                     | -            | -              | -            | -                        | 101,148                | 161,763                       | -          | 1,951              |
| Transportation                                    | 2,476,933    | -              | 855,081      | -                        | -                      | -                             | -          | -                  |
| Economic environment                              | -            | 130,000        | -            | 316,226                  | -                      | -                             | -          | -                  |
| Mental/physical health                            | -            | -              | -            | 77,002                   | -                      | -                             | -          | -                  |
| Culture and recreation                            | 13,923       | 150,000        | -            | -                        | -                      | -                             | 398,143    | 5,377              |
| Debt service:                                     |              |                |              |                          |                        |                               |            |                    |
| Principal   | -            | -              | 215,000      | -                        | -                      | -                             | -          | -                  |
| Interest and other debt issue costs               | -            | -              | 277,508      | -                        | -                      | -                             | -          | -                  |
| Capital outlay                                    | 225,215      | -              | -            | -                        | -                      | -                             | 153,708    | -                  |
| Intergovernmental payments                        | -            | -              | -            | -                        | -                      | -                             | -          | -                  |
| Total expenditures                                | \$ 2,744,619 | \$ 280,000     | \$ 1,347,589 | \$ 511,003               | \$ 101,148             | \$ 161,763                    | \$ 551,851 | \$ 7,328           |
| Excess (deficiency) of revenues over expenditures | (536,955)    | 277,534        | 96,131       | 8,671                    | (51,486)               | (103,110)                     | (80,953)   | 6,875              |
| <b>OTHER FINANCING SOURCES (USES)</b>             |              |                |              |                          |                        |                               |            |                    |
| Proceeds of long term debt                        | \$ -         | \$ -           | \$ -         | \$ -                     | \$ -                   | \$ -                          | \$ -       | \$ -               |
| Premiums on bonds sold                            | -            | -              | -            | -                        | -                      | -                             | -          | -                  |
| Capital asset donations & disposal                | 8,770        | -              | -            | -                        | -                      | -                             | -          | -                  |
| Insurance recoveries                              | 4,224        | -              | 262          | -                        | -                      | -                             | 4,255      | -                  |
| Transfers in                                      | 877,362      | -              | -            | 27,259                   | -                      | -                             | -          | -                  |
| Transfers out                                     | (112,816)    | (155,000)      | (172,500)    | (36,239)                 | -                      | -                             | -          | -                  |
| Total other financing sources and uses            | \$ 777,540   | \$ (155,000)   | \$ (172,238) | \$ (8,980)               | \$ -                   | \$ -                          | \$ 4,255   | \$ -               |
| Net change in fund balances                       | 240,585      | 122,534        | (76,107)     | (309)                    | (51,486)               | (103,110)                     | (76,698)   | 6,875              |
| Fund balances-beginning                           | 502,019      | 333,610        | 468,442      | 350,729                  | 389,449                | 497,744                       | 597,562    | 54,125             |
| Special Item - Transportation Benefit District    | 475,146      | -              | -            | -                        | -                      | -                             | -          | -                  |
| Prior period adjustments                          | -            | -              | -            | -                        | -                      | -                             | -          | -                  |
| Fund balances-ending                              | \$ 1,217,750 | \$ 456,144     | \$ 392,335   | \$ 350,420               | \$ 337,963             | \$ 394,634                    | \$ 520,864 | \$ 61,000          |

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**for the Year Ended December 31, 2016**

|   | Special Revenue      |                        |                                     |                          | Debt Service       |                           |                |                            |                       |
|---|----------------------|------------------------|-------------------------------------|--------------------------|--------------------|---------------------------|----------------|----------------------------|-----------------------|
|   | Trial<br>Improvement | One Percent<br>for Art | Transportation<br>Benefits District | Total Special<br>Revenue | 2012<br>Government |                           |                |                            |                       |
|   |                      |                        |                                     |                          | 2010<br>LTGO       | 2010<br>UTGO/<br>LTGO (B) | Center<br>LTGO | 2015 Public<br>Safety Bond | Total Debt<br>Service |
| <b>REVENUES</b>                                   |                      |                        |                                     |                          |                    |                           |                |                            |                       |
| Taxes   |                      |                        |                                     |                          |                    |                           |                |                            |                       |
| Property  | \$ -                 | \$ -                   | \$ -                                | \$ -                     | \$ 2,117           | \$ 861,137                | \$ -           | \$ 552,846                 | \$ 1,416,100          |
| Sales   | -                    | -                      | -                                   | 555,833                  | 352,173            | -                         | -              | -                          | 352,173               |
| Other   | -                    | -                      | 72,775                              | 1,206,306                | -                  | -                         | -              | -                          | -                     |
| Licenses and permits                              | -                    | -                      | -                                   | 295,523                  | -                  | -                         | -              | -                          | -                     |
| Intergovernmental                                 | 21,536               | -                      | -                                   | 1,431,900                | 109,435            | 32,437                    | -              | -                          | 141,872               |
| Charges for services                              | -                    | -                      | -                                   | 272,987                  | -                  | -                         | -              | -                          | -                     |
| Fines and forfeitures                             | -                    | -                      | -                                   | 279,589                  | -                  | -                         | -              | -                          | -                     |
| Miscellaneous                                     | 612                  | 269                    | 303                                 | 1,375,365                | 885                | 2,367                     | 769            | 918                        | 4,939                 |
| Total revenues                                    | \$ 22,148            | \$ 269                 | \$ 73,078                           | \$ 5,417,503             | \$ 464,610         | \$ 895,941                | \$ 769         | \$ 553,764                 | \$ 1,915,084          |
| <b>EXPENDITURES</b>                               |                      |                        |                                     |                          |                    |                           |                |                            |                       |
| Current:  |                      |                        |                                     |                          |                    |                           |                |                            |                       |
| General government                                | \$ 9,803             | \$ -                   | \$ -                                | \$ 156,126               | \$ -               | \$ -                      | \$ -           | \$ -                       | \$ -                  |
| Public safety                                     | -                    | -                      | -                                   | 264,862                  | -                  | -                         | -              | -                          | -                     |
| Transportation                                    | -                    | -                      | -                                   | 3,332,014                | -                  | -                         | -              | -                          | -                     |
| Economic environment                              | -                    | -                      | -                                   | 446,226                  | -                  | -                         | -              | -                          | -                     |
| Mental/physical health                            | -                    | -                      | -                                   | 77,002                   | -                  | -                         | -              | -                          | -                     |
| Culture and recreation                            | -                    | -                      | -                                   | 567,443                  | -                  | -                         | -              | -                          | -                     |
| Debt service:                                     |                      |                        |                                     |                          |                    |                           |                |                            |                       |
| Principal   | -                    | -                      | -                                   | 215,000                  | 220,000            | 675,000                   | 200,000        | 375,000                    | 1,470,000             |
| Interest and other debt issue costs               | -                    | -                      | -                                   | 277,508                  | 325,586            | 391,031                   | 137,662        | 124,585                    | 978,864               |
| Capital outlay                                    | 32,000               | -                      | -                                   | 410,923                  | -                  | -                         | -              | -                          | -                     |
| Intergovernmental payments                        | -                    | -                      | -                                   | -                        | -                  | -                         | -              | -                          | -                     |
| Total expenditures                                | \$ 41,803            | \$ -                   | \$ -                                | \$ 5,747,104             | \$ 545,586         | \$ 1,066,031              | \$ 337,662     | \$ 499,585                 | \$ 1,949,279          |
| Excess (deficiency) of revenues over expenditures | (19,655)             | 269                    | 73,078                              | (329,601)                | (80,976)           | (170,090)                 | (336,893)      | 54,179                     | (533,780)             |
| <b>OTHER FINANCING SOURCES (USES)</b>             |                      |                        |                                     |                          |                    |                           |                |                            |                       |
| Proceeds of long term debt                        | \$ -                 | \$ -                   | \$ -                                | \$ -                     | \$ -               | \$ -                      | \$ -           | \$ -                       | \$ -                  |
| Premiums on bonds sold                            | -                    | -                      | -                                   | -                        | -                  | -                         | -              | -                          | -                     |
| Capital asset donations & disposal                | -                    | -                      | -                                   | 8,770                    | -                  | -                         | -              | -                          | -                     |
| Insurance recoveries                              | -                    | -                      | -                                   | 8,741                    | -                  | -                         | -              | -                          | -                     |
| Transfers in                                      | -                    | -                      | -                                   | 904,621                  | 100,000            | 172,500                   | 342,500        | -                          | 615,000               |
| Transfers out                                     | -                    | -                      | -                                   | (476,555)                | -                  | -                         | -              | -                          | -                     |
| Total other financing sources and uses            | \$ -                 | \$ -                   | \$ -                                | \$ 445,577               | \$ 100,000         | \$ 172,500                | \$ 342,500     | \$ -                       | \$ 615,000            |
| Net change in fund balances                       | (19,655)             | 269                    | 73,078                              | 115,976.00               | 19,024             | 2,410                     | 5,607          | 54,179                     | 81,220                |
| Fund balances-beginning                           | 98,004               | 50,676                 | 402,068                             | 3,744,428.00             | 162,903            | 131,612                   | 84,158         | 4,166                      | 382,839               |
| Special Item - Transportation Benefit District    |                      |                        | (475,146)                           |                          |                    |                           |                |                            |                       |
| Prior period adjustments                          | -                    | -                      | -                                   | -                        | -                  | -                         | -              | -                          | -                     |
| Fund balances-ending                              | \$ 78,349            | \$ 50,945              | \$ -                                | \$ 3,860,404             | \$ 181,927         | \$ 134,022                | \$ 89,765      | \$ 58,345                  | \$ 464,059            |

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds  
for the Year Ended December 31, 2016**

|   | General<br>Govt<br>Cap Impr | Parks<br>Construction | Transportation<br>Capital | Fire Public<br>Safety Capital | Lebo Blvd  | Washington<br>Ave.<br>Connector | Total<br>Capital<br>Projects | Total<br>Nonmajor<br>Governmental<br>Funds |
|---|-----------------------------|-----------------------|---------------------------|-------------------------------|------------|---------------------------------|------------------------------|--|
| <b>REVENUES</b>                                   |                             |                       |                           |                               |            |                                 |                              |  |
| Taxes   |                             |                       |                           |                               |            |                                 |                              |  |
| Property  | \$ -                        | \$ -                  | \$ -                      | \$ -                          | \$ -       | \$ -                            | \$ -                         | \$ 1,416,100                               |
| Sales   | -                           | -                     | -                         | -                             | -          | -                               | -                            | 908,006                                    |
| Other   | 1,291,762                   | -                     | -                         | -                             | -          | -                               | 1,291,762                    | 2,498,068                                  |
| Licenses and permits                              | -                           | -                     | -                         | -                             | -          | -                               | -                            | 295,523                                    |
| Intergovernmental                                 | -                           | 8,447                 | 1,371,319                 | -                             | 339,401    | 22,742                          | 1,741,909                    | 3,315,681                                  |
| Charges for services                              | -                           | -                     | -                         | -                             | -          | -                               | -                            | 272,987                                    |
| Fines and forfeitures                             | -                           | -                     | -                         | -                             | -          | -                               | -                            | 279,589                                    |
| Miscellaneous                                     | 5,290                       | 25,798                | 1,644                     | 20,521                        | (3)        | 1,088                           | 54,338                       | 1,434,642                                  |
| Total revenues                                    | \$ 1,297,052                | \$ 34,245             | \$ 1,372,963              | \$ 20,521                     | \$ 339,398 | \$ 23,830                       | \$ 3,088,009                 | \$ 10,420,596                              |
| <b>EXPENDITURES</b>                               |                             |                       |                           |                               |            |                                 |                              |  |
| Current:  |                             |                       |                           |                               |            |                                 |                              |  |
| General government                                | \$ -                        | \$ -                  | \$ -                      | \$ -                          | \$ -       | \$ -                            | \$ -                         | \$ 156,126                                 |
| Public safety                                     | -                           | -                     | -                         | 416,721                       | -          | -                               | 416,721                      | 681,583                                    |
| Transportation                                    | -                           | -                     | -                         | -                             | -          | 3,782                           | 3,782                        | 3,335,796                                  |
| Economic environment                              | -                           | -                     | -                         | -                             | -          | -                               | -                            | 446,226                                    |
| Mental/physical health                            | -                           | -                     | -                         | -                             | -          | -                               | -                            | 77,002                                     |
| Culture and recreation                            | -                           | 54,833                | -                         | -                             | -          | -                               | 54,833                       | 622,276                                    |
| Debt service:                                     |                             |                       |                           |                               |            |                                 |                              |  |
| Principal   | -                           | -                     | -                         | -                             | -          | -                               | -                            | 1,685,000                                  |
| Interest and other debt issue costs               | -                           | -                     | -                         | -                             | -          | -                               | -                            | 1,256,372                                  |
| Capital outlay                                    | 58,000                      | 46,431                | 1,562,616                 | -                             | 291,860    | 228,949                         | 2,187,856                    | 2,598,779                                  |
| Intergovernmental payments                        | -                           | -                     | -                         | -                             | -          | -                               | -                            | -  |
| Total expenditures                                | \$ 58,000                   | \$ 101,264            | \$ 1,562,616              | \$ 416,721                    | \$ 291,860 | \$ 232,731                      | \$ 2,663,192                 | \$ 10,859,160                              |
| Excess (deficiency) of revenues over expenditures | 1,239,052                   | (67,019)              | (189,653)                 | (396,200)                     | 47,538     | (208,901)                       | 424,817                      | (438,564)                                  |
| <b>OTHER FINANCING SOURCES (USES)</b>             |                             |                       |                           |                               |            |                                 |                              |  |
| Proceeds of long term debt                        | \$ -                        | \$ -                  | \$ -                      | \$ -                          | \$ -       | \$ -                            | \$ -                         | \$ -                                       |
| Premiums on bonds sold                            | -                           | -                     | -                         | -                             | -          | -                               | -                            | -  |
| Capital asset donations & disposal                | -                           | -                     | -                         | -                             | -          | -                               | -                            | 8,770                                      |
| Insurance recoveries                              | -                           | -                     | -                         | -                             | -          | -                               | -                            | 8,741                                      |
| Transfers in                                      | -                           | 66,834                | 108,000                   | -                             | -          | -                               | 174,834                      | 1,694,455                                  |
| Transfers out                                     | (570,825)                   | -                     | -                         | -                             | -          | -                               | (570,825)                    | (1,047,380)                                |
| Total other financing sources and uses            | \$ (570,825)                | \$ 66,834             | \$ 108,000                | \$ -                          | \$ -       | \$ -                            | \$ (395,991)                 | \$ 664,586                                 |
| Net change in fund balances                       | 668,227                     | (185)                 | (81,653)                  | (396,200)                     | 47,538     | (208,901)                       | 28,826                       | 226,022                                    |
| Fund balances-beginning                           | 803,580                     | 109,733               | 352,202                   | 4,500,042                     | -          | 269,661                         | 6,035,218                    | 10,162,485                                 |
| Special Item - Transportation Benefit District    |                             |                       |                           |                               |            |                                 |                              |  |
| Prior period adjustments                          | -                           | -                     | -                         | -                             | -          | -                               | -                            | -  |
| Fund balances-ending                              | \$ 1,471,807                | \$ 109,548            | \$ 270,549                | \$ 4,103,842                  | \$ 47,538  | \$ 60,760                       | \$ 6,064,044                 | \$ 10,388,507                              |

**City of Bremerton**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual General Fund**  
**For the Year Ended December 31, 2016**

|   | <b>Original<br/>Budget<br/>2016</b> | <b>Final<br/>Budget<br/>2016</b> | <b>Actual<br/>2016</b> | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|---|-------------------------------------|----------------------------------|------------------------|---|
| <b>REVENUES</b>                                   |                                     |                                  |                        |   |
| Taxes   | \$ 28,986,308                       | \$ 28,986,308                    | \$ 30,082,636          | \$ 1,096,328  |
| Licenses and permits                              | 1,202,600                           | 1,202,600                        | 1,204,323              | 1,723   |
| Intergovernmental                                 | 1,882,331                           | 1,492,571                        | 1,160,750              | (331,821)   |
| Charges for services                              | 4,951,176                           | 5,051,176                        | 5,034,048              | (17,128)  |
| Fines and forfeitures                             | 971,500                             | 971,500                          | 1,195,740              | 224,240   |
| Other revenues                                    | 395,280                             | 344,694                          | 262,619                | (82,075)  |
| Total revenues                                    | 38,389,195                          | 38,048,849                       | 38,940,116             | 891,267   |
| <b>EXPENDITURES</b>                               |                                     |                                  |                        |   |
| City Council                                      | 338,056                             | 341,856                          | 339,765                | 2,091   |
| Executive   | 363,928                             | 365,928                          | 343,891                | 22,037  |
| Finance   | 1,470,646                           | 1,501,846                        | 1,419,061              | 82,785  |
| Legal   | 1,054,664                           | 1,071,364                        | 1,050,466              | 20,898  |
| Human Resources                                   | 689,128                             | 697,828                          | 606,396                | 91,432  |
| Community development                             | 1,594,379                           | 1,664,379                        | 1,404,603              | 259,776   |
| Municipal Court                                   | 1,388,410                           | 1,399,910                        | 1,333,296              | 66,614  |
| City Auditor                                      | 81,540                              | 81,540                           | 63,797                 | 17,743  |
| Law enforcement                                   | 10,339,493                          | 10,561,193                       | 9,874,790              | 686,403   |
| Fire/Emergency medical services                   | 8,697,629                           | 8,867,029                        | 8,940,636              | (73,607)  |
| Police & fire pension                             | 1,976,400                           | 1,976,400                        | 1,879,900              | 96,500  |
| Facilities  | 1,029,994                           | 1,117,481                        | 1,035,875              | 81,606  |
| Parks and recreation                              | 2,716,241                           | 2,879,487                        | 2,662,860              | 216,627   |
| Engineering                                       | 2,735,888                           | 2,374,028                        | 1,950,930              | 423,098   |
| Non-departmental                                  | 4,620,679                           | 4,268,552                        | 3,792,870              | 475,682   |
| Total expenditures                                | 39,097,075                          | 39,168,821                       | 36,699,136             | 2,469,685   |
| Excess (deficiency) of revenues over expenditures | (707,880)                           | (1,119,972)                      | 2,240,980              | 3,360,952   |
| Fund balances-beginning                           | 4,493,302                           | 5,262,595                        | 5,262,595              |   |
| Fund balances-ending                              | \$ 3,785,422                        | \$ 4,142,623                     | \$ 7,503,575           | \$ 3,360,952  |

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.

\$ 1,412,639

Adjustment to reflect differences in budgetary method

\$ (951,112)

Fund Balances Ending

\$ 7,965,102

**EXPENDITURES**

|                            |            |            |            |           |
|----------------------------|------------|------------|------------|-----------|
| Personnel                  | 27,884,760 | 27,992,460 | 26,888,283 | 1,104,177 |
| Supplies, services & taxes | 10,259,343 | 10,067,816 | 8,737,544  | 1,330,272 |
| Capital expenditure        | -          | -          | -          | -         |
| Debt Service               | 12,972     | 127,972    | 127,415    | 557       |
| Transfers                  | 940,000    | 980,573    | 945,894    | 34,679    |
| Total expenditures         | 39,097,075 | 39,168,821 | 36,699,136 | 2,469,685 |

**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, 2016**

|   | <b>Original<br/>Budget<br/>2016</b> | <b>Final<br/>Budget<br/>2016</b> | <b>Actual<br/>2016</b> | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|---|-------------------------------------|----------------------------------|------------------------|---|
| <b>REVENUES</b>                                   |                                     |                                  |                        |   |
| Taxes   | \$ 590,000                          | \$ 996,922                       | \$ 1,133,531           | \$ 136,609  |
| Intergovernmental                                 | 860,000                             | 860,000                          | 930,333                | 70,333  |
| Charges for services                              | 357,376                             | 57,376                           | 124,550                | 67,174  |
| Other revenue                                     | 974,100                             | 1,485,250                        | 909,604                | (575,646)   |
| Total revenues                                    | 2,781,476                           | 3,399,548                        | 3,098,018              | (301,530)   |
| <b>EXPENDITURES</b>                               |                                     |                                  |                        |   |
| Personnel   | 1,255,900                           | 1,255,900                        | 1,065,649              | 190,251   |
| Supplies, services & taxes                        | 1,390,647                           | 1,547,973                        | 1,453,756              | 94,217  |
| Capital expenditure                               | 135,500                             | 250,500                          | 225,214                | 25,286  |
| Transfers   | -                                   | 112,816                          | 112,816                | -   |
| Total expenditures                                | 2,782,047                           | 3,167,189                        | 2,857,435              | 309,754   |
| Excess (deficiency) of revenues over expenditures | (571)                               | 232,359                          | 240,583                | 8,224   |
| Fund balances-beginning                           | 466,030                             | 502,019                          | 502,019                | -   |
| Fund balances-ending                              | \$ 465,459                          | \$ 734,378                       | \$ 742,602             | \$ 8,224  |

**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, 2016**

|  | <b>Original<br/>Budget<br/>2016</b> | <b>Final<br/>Budget<br/>2016</b> | <b>Actual<br/>2016</b> | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|--|-------------------------------------|----------------------------------|------------------------|---|
| <b>REVENUES</b>                                      |                                     |                                  |                        |   |
| Other revenue  | \$ 53,500                           | \$ 209,073                       | \$ 209,746             | \$ 673  |
| Total revenues                                       | 53,500                              | 209,073                          | 209,746                | 673   |
| <b>EXPENDITURES</b>                                  |                                     |                                  |                        |   |
| Supplies, services & taxes                           | -                                   | -                                | 78                     | (78)  |
| Total expenditures                                   | -                                   | -                                | 78                     | (78)  |
| Excess (deficiency) of revenues over<br>expenditures | 53,500                              | 209,073                          | 209,668                | 595   |
| Fund balances-beginning                              | 730,840                             | 729,705                          | 729,705                | -   |
| Fund balances-ending                                 | \$ 784,340                          | \$ 938,778                       | \$ 939,373             | \$ 595  |



**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, 2016**

|   | <b>Original<br/>Budget<br/>2016</b> | <b>Final<br/>Budget<br/>2016</b> | <b>Actual<br/>2016</b> | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|---|-------------------------------------|----------------------------------|------------------------|---|
| <b>REVENUES</b>                                   |                                     |                                  |                        |   |
| Taxes   | \$ 515,000                          | \$ 515,000                       | \$ 555,833             | \$ 40,833   |
| Other revenue                                     | 800                                 | 800                              | 1,701                  | 901   |
| Total revenues                                    | 515,800                             | 515,800                          | 557,534                | 41,734  |
| <b>EXPENDITURES</b>                               |                                     |                                  |                        |   |
| Supplies, services & taxes                        | 280,000                             | 280,000                          | 280,000                | -   |
| Transfers   | 155,000                             | 155,000                          | 155,000                | -   |
| Total expenditures                                | 435,000                             | 435,000                          | 435,000                | -   |
| Excess (deficiency) of revenues over expenditures | 80,800                              | 80,800                           | 122,534                | 41,734  |
| Fund balances-beginning                           | 304,160                             | 333,611                          | 333,611                | -   |
| Fund balances-ending                              | \$ 384,960                          | \$ 414,411                       | \$ 456,145             | \$ 41,734   |

**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, 2016**

|   | <b>Original<br/>Budget<br/>2016</b> | <b>Final<br/>Budget<br/>2016</b> | <b>Actual<br/>2016</b> | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|---|-------------------------------------|----------------------------------|------------------------|---|
| <b>REVENUES</b>                                   |                                     |                                  |                        |   |
| Fines and forfeitures                             | \$ 195,000                          | \$ 195,000                       | \$ 202,580             | \$ 7,580  |
| Other revenue                                     | 1,416,100                           | 1,416,100                        | 1,241,140              | (174,960)   |
| Total revenues                                    | 1,611,100                           | 1,611,100                        | 1,443,720              | (167,380)   |
| <b>EXPENDITURES</b>                               |                                     |                                  |                        |   |
| Supplies, services & taxes                        | 963,718                             | 1,048,718                        | 855,081                | 193,637   |
| Debt service                                      | 492,308                             | 492,508                          | 492,508                | -   |
| Transfers   | 172,500                             | 172,500                          | 172,500                | -   |
| Total expenditures                                | 1,628,526                           | 1,713,726                        | 1,520,089              | 193,637   |
| Excess (deficiency) of revenues over expenditures | (17,426)                            | (102,626)                        | (76,369)               | 26,257  |
| Fund balances-beginning                           | 476,575                             | 468,442                          | 468,442                | -   |
| Fund balances-ending                              | \$ 459,149                          | \$ 365,816                       | \$ 392,073             | \$ 26,257   |

**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, 2016**

|   | <b>Original<br/>Budget<br/>2016</b> | <b>Final<br/>Budget<br/>2016</b> | <b>Actual<br/>2016</b> | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|---|-------------------------------------|----------------------------------|------------------------|---|
| <b>REVENUES</b>                                   |                                     |                                  |                        |   |
| Intergovernmental                                 | \$ 589,000                          | \$ 633,103                       | \$ 478,247             | \$ (154,856)  |
| Charges for services                              | 50,000                              | 50,000                           | 35,612                 | (14,388)  |
| Other revenue                                     | 60,000                              | 60,000                           | 33,074                 | (26,926)  |
| Total revenues                                    | 699,000                             | 743,103                          | 546,933                | (196,170)   |
| <b>EXPENDITURES</b>                               |                                     |                                  |                        |   |
| Personnel   | 123,600                             | 123,600                          | 115,976                | 7,624   |
| Supplies, services & taxes                        | 574,944                             | 574,944                          | 395,027                | 179,917   |
| Transfers   | -                                   | 36,240                           | 36,239                 | 1   |
| Total expenditures                                | 698,544                             | 734,784                          | 547,242                | 187,542   |
| Excess (deficiency) of revenues over expenditures | 456                                 | 8,319                            | (309)                  | (8,628)   |
| Fund balances-beginning                           | 19,086                              | 350,729                          | 350,729                | -   |
| Fund balances-ending                              | \$ 19,542                           | \$ 359,048                       | \$ 350,420             | \$ (8,628)  |

**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, 2016**

|   | <b>Original<br/>Budget<br/>2016</b> | <b>Final<br/>Budget<br/>2016</b> | <b>Actual<br/>2016</b> | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|---|-------------------------------------|----------------------------------|------------------------|---|
| <b>REVENUES</b>                                   |                                     |                                  |                        |   |
| Fines and forfeitures                             | \$ 25,000                           | \$ 25,000                        | \$ 47,391              | \$ 22,391   |
| Other revenue                                     | 1,000                               | 1,000                            | 2,271                  | 1,271   |
| Total revenues                                    | 26,000                              | 26,000                           | 49,662                 | 23,662  |
| <b>EXPENDITURES</b>                               |                                     |                                  |                        |   |
| Supplies, services & taxes                        | 53,500                              | 153,500                          | 101,148                | 52,352  |
| Transfers   | 100,000                             | -                                | -                      | -   |
| Total expenditures                                | 153,500                             | 153,500                          | 101,148                | 52,352  |
| Excess (deficiency) of revenues over expenditures | (127,500)                           | (127,500)                        | (51,486)               | 76,014  |
| Fund balances-beginning                           | 337,180                             | 389,449                          | 389,449                | -   |
| Fund balances-ending                              | \$ 209,680                          | \$ 261,949                       | \$ 337,963             | \$ 76,014   |

**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, 2016**

|  | <b>Original<br/>Budget<br/>2016</b> | <b>Final<br/>Budget<br/>2016</b> | <b>Actual<br/>2016</b> | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|--|-------------------------------------|----------------------------------|------------------------|---|
| <b>REVENUES</b>                                      |                                     |                                  |                        |   |
| Intergovernmental                                    | \$ -                                | \$ -                             | \$ 1,782               | \$ 1,782  |
| Fines and forfeitures                                | 15,000                              | 15,000                           | 29,618                 | 14,618  |
| Other revenue  | 53,500                              | 53,500                           | 27,253                 | (26,247)  |
| Total revenues                                       | 68,500                              | 68,500                           | 58,653                 | (9,847)   |
| <b>EXPENDITURES</b>                                  |                                     |                                  |                        |   |
| Supplies, services & taxes                           | 281,317                             | 281,317                          | 161,763                | 119,554   |
| Capital expenditure                                  | 90,000                              | 90,000                           | -                      | 90,000  |
| Total expenditures                                   | 371,317                             | 371,317                          | 161,763                | 209,554   |
| Excess (deficiency) of revenues over<br>expenditures | (302,817)                           | (302,817)                        | (103,110)              | 199,707   |
| Fund balances-beginning                              | 484,263                             | 497,744                          | 497,744                | -   |
| Fund balances-ending                                 | \$ 181,446                          | \$ 194,927                       | \$ 394,634             | \$ 199,707  |

**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, 2016**

|  | <b>Original<br/>Budget<br/>2016</b> | <b>Final<br/>Budget<br/>2016</b> | <b>Actual<br/>2016</b> | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|--|-------------------------------------|----------------------------------|------------------------|---|
| <b>REVENUES</b>                                      |                                     |                                  |                        |   |
| Licenses and permits                                 | \$ 285,000                          | \$ 285,000                       | \$ 295,523             | \$ 10,523   |
| Charges for services                                 | 111,933                             | 111,933                          | 111,373                | (560)   |
| Other revenue  | 68,200                              | 72,455                           | 64,002                 | (8,453)   |
| Total revenues                                       | 465,133                             | 469,388                          | 470,898                | 1,510   |
| <b>EXPENDITURES</b>                                  |                                     |                                  |                        |   |
| Personnel  | 330,300                             | 330,300                          | 314,245                | 16,055  |
| Supplies, services & taxes                           | 105,449                             | 109,704                          | 83,898                 | 25,806  |
| Capital expenditure                                  | 35,000                              | 165,000                          | 153,708                | 11,292  |
| Total expenditures                                   | 470,749                             | 605,004                          | 551,851                | 53,153  |
| Excess (deficiency) of revenues over<br>expenditures | (5,616)                             | (135,616)                        | (80,953)               | 54,663  |
| Fund balances-beginning                              | 507,254                             | 597,562                          | 597,562                | -   |
| Fund balances-ending                                 | \$ 501,638                          | \$ 461,946                       | \$ 516,609             | \$ 54,663   |

**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, 2016**

|  | <b>Original<br/>Budget<br/>2016</b> | <b>Final<br/>Budget<br/>2016</b> | <b>Actual<br/>2016</b> | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|--|-------------------------------------|----------------------------------|------------------------|---|
| <b>REVENUES</b>                                      |                                     |                                  |                        |   |
| Charges for services                                 | \$ -                                | \$ -                             | \$ 1,451               | \$ 1,451  |
| Other revenue  | 4,250                               | 4,250                            | 12,751                 | 8,501   |
| Total revenues                                       | 4,250                               | 4,250                            | 14,202                 | 9,952   |
| <b>EXPENDITURES</b>                                  |                                     |                                  |                        |   |
| Supplies, services & taxes                           | 5,500                               | 11,000                           | 7,328                  | 3,672   |
| Total expenditures                                   | 5,500                               | 11,000                           | 7,328                  | 3,672   |
| Excess (deficiency) of revenues over<br>expenditures | (1,250)                             | (6,750)                          | 6,874                  | 13,624  |
| Fund balances-beginning                              | 51,934                              | 54,124                           | 54,124                 | -   |
| Fund balances-ending                                 | \$ 50,684                           | \$ 47,374                        | \$ 60,998              | \$ 13,624   |

**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, 2016**

|  | <b>Original<br/>Budget<br/>2016</b> | <b>Final<br/>Budget<br/>2016</b> | <b>Actual<br/>2016</b> | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|--|-------------------------------------|----------------------------------|------------------------|---|
| <b>REVENUES</b>                                      |                                     |                                  |                        |   |
| Intergovernmental                                    | \$ 18,000                           | \$ 18,000                        | \$ 21,536              | \$ 3,536  |
| Other revenue  | 300                                 | 300                              | 612                    | 312   |
| Total revenues                                       | 18,300                              | 18,300                           | 22,148                 | 3,848   |
| <b>EXPENDITURES</b>                                  |                                     |                                  |                        |   |
| Supplies, services & taxes                           | 10,000                              | 10,000                           | 9,803                  | 197   |
| Capital expenditure                                  | 45,000                              | 45,000                           | 32,000                 | 13,000  |
| Total expenditures                                   | 55,000                              | 55,000                           | 41,803                 | 13,197  |
| Excess (deficiency) of revenues over<br>expenditures | (36,700)                            | (36,700)                         | (19,655)               | 17,045  |
| Fund balances-beginning                              | 93,995                              | 98,005                           | 98,005                 | -   |
| Fund balances-ending                                 | \$ 57,295                           | \$ 61,305                        | \$ 78,350              | \$ 17,045   |



**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, 2016**

|  | <b>Original<br/>Budget<br/>2016</b> | <b>Final<br/>Budget<br/>2016</b> | <b>Actual<br/>2016</b> | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|--|-------------------------------------|----------------------------------|------------------------|---|
| <b>REVENUES</b>                                      |                                     |                                  |                        |   |
| Charges for services                                 | \$ 8,900                            | \$ 8,900                         | \$ -                   | \$ (8,900)  |
| Other revenue  | 300                                 | 300                              | 269                    | (31)  |
| Total revenues                                       | 9,200                               | 9,200                            | 269                    | (8,931)   |
| <b>EXPENDITURES</b>                                  |                                     |                                  |                        |   |
| Supplies, services & taxes                           | 15,000                              | 15,000                           | -                      | 15,000  |
| Total expenditures                                   | 15,000                              | 15,000                           | -                      | 15,000  |
| Excess (deficiency) of revenues over<br>expenditures | (5,800)                             | (5,800)                          | 269                    | 6,069   |
| Fund balances-beginning                              | 51,226                              | 50,676                           | 50,676                 | -   |
| Fund balances-ending                                 | \$ 45,426                           | \$ 44,876                        | \$ 50,945              | \$ 6,069  |

**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, 2016**

|   | <b>Original<br/>Budget<br/>2016</b> | <b>Final<br/>Budget<br/>2016</b> | <b>Actual<br/>2016</b> | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|---|-------------------------------------|----------------------------------|------------------------|---|
| <b>REVENUES</b>                                   |                                     |                                  |                        |   |
| Charges for services                              | \$ 1,351,430                        | \$ 1,351,430                     | \$ 1,190,423           | \$ (161,007)  |
| Other revenue                                     | 228,500                             | 228,500                          | 191,808                | (36,692)  |
| Total revenues                                    | 1,579,930                           | 1,579,930                        | 1,382,231              | (197,699)   |
| <b>EXPENDITURES</b>                               |                                     |                                  |                        |   |
| Supplies, services & taxes                        | 1,569,055                           | 1,569,055                        | 1,478,214              | 90,841  |
| Debt service                                      | 2,600                               | 2,600                            | 2,350                  | 250   |
| Total expenditures                                | 1,571,655                           | 1,571,655                        | 1,480,564              | 91,091  |
| Excess (deficiency) of revenues over expenditures | 8,275                               | 8,275                            | (98,333)               | (106,608)   |
| Fund balances-beginning                           | 25,431                              | 118,449                          | 118,449                | -   |
| Fund balances-ending                              | \$ 33,706                           | \$ 126,724                       | \$ 20,116              | \$ (106,608)  |

**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, 2016**

|  | <b>Original<br/>Budget<br/>2016</b> | <b>Final<br/>Budget<br/>2016</b> | <b>Actual<br/>2016</b> | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|--|-------------------------------------|----------------------------------|------------------------|---|
| <b>REVENUES</b>                                      |                                     |                                  |                        |   |
| Taxes  | \$ 450,000                          | \$ 450,000                       | \$ 72,775              | \$ (377,225)  |
| Other revenue  | 600                                 | 600                              | 303                    | (297)   |
| Total revenues                                       | 450,600                             | 450,600                          | 73,078                 | (377,522)   |
| <b>EXPENDITURES</b>                                  |                                     |                                  |                        |   |
| Supplies, services & taxes                           | 300,000                             | 300,000                          | -                      | 300,000   |
| Transfers  | 108,000                             | 108,000                          | -                      | 108,000   |
| Total expenditures                                   | 408,000                             | 408,000                          | -                      | 408,000   |
| Excess (deficiency) of revenues over<br>expenditures | 42,600                              | 42,600                           | 73,078                 | 30,478  |
| Fund balances-beginning                              | -                                   | -                                | -                      | -   |
| Fund balances-ending                                 | \$ 42,600                           | \$ 42,600                        | \$ 73,078              | \$ 30,478   |

**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, 2016**

|   | <b>Original<br/>Budget<br/>2016</b> | <b>Final<br/>Budget<br/>2016</b> | <b>Actual<br/>2016</b> | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|---|-------------------------------------|----------------------------------|------------------------|---|
| <b>REVENUES</b>                                   |                                     |                                  |                        |   |
| Taxes   | \$ 336,625                          | \$ 336,625                       | \$ 354,290             | \$ 17,665   |
| Intergovernmental                                 | 109,500                             | 109,500                          | 109,435                | (65)  |
| Other revenue                                     | 100,950                             | 100,950                          | 100,885                | (65)  |
| Total revenues                                    | <u>547,075</u>                      | <u>547,075</u>                   | <u>564,610</u>         | <u>17,535</u>   |
| <b>EXPENDITURES</b>                               |                                     |                                  |                        |   |
| Debt service                                      | <u>545,636</u>                      | <u>545,636</u>                   | <u>545,586</u>         | <u>50</u>   |
| Total expenditures                                | <u>545,636</u>                      | <u>545,636</u>                   | <u>545,586</u>         | <u>50</u>   |
| Excess (deficiency) of revenues over expenditures | <u>1,439</u>                        | <u>1,439</u>                     | <u>19,024</u>          | <u>17,585</u>   |
| Fund balances-beginning                           | <u>147,735</u>                      | <u>162,903</u>                   | <u>162,903</u>         | <u>-</u>  |
| Fund balances-ending                              | <u>\$ 149,174</u>                   | <u>\$ 164,342</u>                | <u>\$ 181,927</u>      | <u>\$ 17,585</u>  |

**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, 2016**

|  | <b>Original<br/>Budget<br/>2016</b> | <b>Final<br/>Budget<br/>2016</b> | <b>Actual<br/>2016</b> | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|--|-------------------------------------|----------------------------------|------------------------|---|
| <b>REVENUES</b>                                      |                                     |                                  |                        |   |
| Taxes  | \$ 850,000                          | \$ 850,000                       | \$ 861,137             | \$ 11,137   |
| Intergovernmental                                    | 32,455                              | 32,455                           | 32,437                 | (18)  |
| Other revenue  | 173,600                             | 173,600                          | 174,867                | 1,267   |
| Total revenues                                       | 1,056,055                           | 1,056,055                        | 1,068,441              | 12,386  |
| <b>EXPENDITURES</b>                                  |                                     |                                  |                        |   |
| Debt service   | 1,066,457                           | 1,066,457                        | 1,066,031              | 426   |
| Total expenditures                                   | 1,066,457                           | 1,066,457                        | 1,066,031              | 426   |
| Excess (deficiency) of revenues over<br>expenditures | (10,402)                            | (10,402)                         | 2,410                  | 12,812  |
| Fund balances-beginning                              | 124,111                             | 131,612                          | 131,612                | -   |
| Fund balances-ending                                 | \$ 113,709                          | \$ 121,210                       | \$ 134,022             | \$ 12,812   |

**Combining Statement of Net Position  
Internal Service Funds  
December 31, 2016**

|  | Governmental Activities<br>Internal Service Funds |                                       |                        |                               |                                   |                      |                           |               |
|--|---|---------------------------------------|------------------------|-------------------------------|-----------------------------------|----------------------|---------------------------|---------------|
|  | Risk<br>Management                                | Self Insurance<br>Health &<br>Welfare | Employment<br>Security | Accrued<br>Leave<br>Liability | Equipment<br>Rental<br>Operations | Equipment<br>Reserve | Information<br>Technology | Total         |
| ASSETS AND DEFERRED OUTFLOWS           |   |                                       |                        |                               |                                   |                      |                           |               |
| Current assets:                        |   |                                       |                        |                               |                                   |                      |                           |               |
| Cash and cash equivalents              | \$ 1,003,996                                      | \$ 921,684                            | \$ 273,743             | \$ 139,533                    | \$ 174,234                        | \$ 1,935,069         | \$ 116,615                | \$ 4,564,874  |
| Restricted cash                        | 100,000   | -                                     | -                      | -                             | -                                 | -                    | -                         | 100,000       |
| Investments                            | 1,236,127   | -                                     | 306,506                | 156,233                       | 195,088                           | 2,166,668            | 130,572                   | 4,191,194     |
| External receivables                   | -   | -                                     | -                      | -                             | -                                 | -                    | -                         | -             |
| Interest receivables                   | 3,203   | -                                     | 794                    | 405                           | 506                               | 5,614                | 338                       | 10,860        |
| Due from other funds                   | 13,277  | -                                     | 1,629                  | 7,621                         | 3,198                             | 581,118              | 348                       | 607,191       |
| Inventories                            | -   | -                                     | -                      | -                             | 95,382                            | -                    | -                         | 95,382        |
| Prepayments                            | 461,014   | -                                     | -                      | -                             | -                                 | -                    | -                         | 461,014       |
| Total current assets                   | 2,817,617   | 921,684                               | 582,672                | 303,792                       | 468,408                           | 4,688,469            | 247,873                   | 10,030,515    |
| Noncurrent assets:                     |   |                                       |                        |                               |                                   |                      |                           |               |
| Capital assets net of depreciation     | -   | -                                     | -                      | -                             | -                                 | 4,299,374            | 60,727                    | 4,360,101     |
| Total noncurrent assets                | -   | -                                     | -                      | -                             | -                                 | 4,299,374            | 60,727                    | 4,360,101     |
| Total assets                           | 2,817,617   | 921,684                               | 582,672                | 303,792                       | 468,408                           | 8,987,843            | 308,600                   | 14,390,616    |
| Deferred outflows of resources         |   |                                       |                        |                               | 35,067                            | -                    | 49,413                    | 84,480        |
| Total assets and deferred outflows     | \$ 2,817,617                                      | \$ 921,684                            | \$ 582,672             | \$ 303,792                    | \$ 503,475                        | \$ 8,987,843         | \$ 358,013                | \$ 14,475,096 |
| LIABILITIES AND DEFERRED INFLOWS       |   |                                       |                        |                               |                                   |                      |                           |               |
| Current liabilities:                   |   |                                       |                        |                               |                                   |                      |                           |               |
| Accounts/contract payable              | 6,071   | -                                     | -                      | -                             | 53,667                            | 47                   | 7,441                     | 67,226        |
| Claims and Judgements Payable          | 354,462   | 395,632                               | -                      | -                             | -                                 | -                    | -                         | 750,094       |
| Due to other funds                     | -   | -                                     | -                      | -                             | -                                 | -                    | -                         | -             |
| Employee wages payable                 | -   | -                                     | -                      | 40,575                        | 25,332                            | -                    | 37,132                    | 103,039       |
| Other accrued liabilities              | -   | -                                     | -                      | -                             | 139                               | -                    | -                         | 139           |
| Current portion of long-term debt      | -   | -                                     | -                      | -                             | -                                 | -                    | -                         | -             |
| Custodial accounts                     | -   | -                                     | -                      | -                             | -                                 | -                    | -                         | -             |
| Total current liabilities              | 360,533   | 395,632                               | -                      | 40,575                        | 79,138                            | 47                   | 44,573                    | 920,498       |
| Noncurrent liabilities:                |   |                                       |                        |                               |                                   |                      |                           |               |
| Claims and judgments payable           | 1,344,286   | -                                     | -                      | -                             | -                                 | -                    | -                         | 1,344,286     |
| Net pension liability                  | -   | -                                     | -                      | -                             | 149,703                           | -                    | 210,946                   | 360,649       |
| Compensated absences                   | -   | -                                     | -                      | -                             | 16,137                            | -                    | 25,950                    | 42,087        |
| Total noncurrent liabilities           | 1,344,286   | -                                     | -                      | -                             | 165,840                           | -                    | 236,896                   | 1,747,022     |
| Total liabilities                      | 1,704,819   | 395,632                               | -                      | 40,575                        | 244,978                           | 47                   | 281,469                   | 2,667,520     |
| Deferred inflows of resources          |   |                                       |                        |                               | 10,310                            |                      | 14,529                    | 24,839        |
| Total liabilities and deferred inflows | \$ 1,704,819                                      | \$ 395,632                            | \$ -                   | \$ 40,575                     | \$ 255,288                        | \$ 47                | \$ 295,998                | \$ 2,692,359  |
| NET POSITION                           |   |                                       |                        |                               |                                   |                      |                           |               |
| Net investment in capital assets       | -   | -                                     | -                      | -                             | -                                 | 4,299,374            | 60,727                    | 4,360,101     |
| Restricted for Worker's Compensation   | 100,000   | -                                     | -                      | -                             | -                                 | -                    | -                         | 100,000       |
| Unrestricted                           | 1,012,798   | 526,052                               | 582,672                | 263,217                       | 248,187                           | 4,688,422            | 1,288                     | 7,322,636     |
| Total net position                     | \$ 1,112,798                                      | \$ 526,052                            | \$ 582,672             | \$ 263,217                    | \$ 248,187                        | \$ 8,987,796         | \$ 62,015                 | \$ 11,782,737 |

**Combining Statement of Revenues, Expenses and Changes in Fund Net Position**  
**Internal Service Funds**  
**for the Year Ended December 31, 2016**

|  | Governmental Activities<br>Internal Service Funds |                   |                        |                               |                                   |                                |                           |               |
|--|---|-------------------|------------------------|-------------------------------|-----------------------------------|--------------------------------|---------------------------|---------------|
|  | Risk<br>Management                                | Self<br>Insurance | Employment<br>Security | Accrued<br>Leave<br>Liability | Equipment<br>Rental<br>Operations | Equipment<br>Rental<br>Reserve | Information<br>Technology | Total         |
| <b>OPERATING REVENUES</b>                        |   |                   |                        |                               |                                   |                                |                           |               |
| Charges for services                             | \$ 1,526,293                                      | \$ 4,387,115      | \$ 38,169              | \$ 178,419                    | \$ 1,363,080                      |                                | \$ 1,171,622              | \$ 8,664,698  |
| Interest & dividend income                       | -   | -                 | -                      | -                             | -                                 |                                | -                         | -             |
| Other operating revenue                          | 1,000   | -                 | -                      | -                             | -                                 |                                | -                         | 1,000         |
| Total operating revenues                         | 1,527,293   | 4,387,115         | 38,169                 | 178,419                       | 1,363,080                         |                                | 1,171,622                 | 8,665,698     |
| <b>OPERATING EXPENSES</b>                        |   |                   |                        |                               |                                   |                                |                           |               |
| General operation                                | 57,697  | -                 | 13,009                 | 422,795                       | 1,220,629                         | 649                            | 1,058,284                 | 2,773,063     |
| General administration                           | 271,900   | 454,326           | -                      | -                             | -                                 |                                |                           | 726,226       |
| Depreciation and amortization                    | -   | -                 | -                      | -                             | -                                 | 765,508                        |                           | 765,508       |
| Risk transfer payments                           | 590,189   | -                 | -                      | -                             | -                                 |                                |                           | 590,189       |
| Payments to claimants & beneficiaries            | 667,644   | 3,131,169         | -                      | -                             | -                                 |                                |                           | 3,798,813     |
| Other operating expenses                         | 3,729   | -                 | -                      | -                             | -                                 |                                |                           | 3,729         |
| Total operating expenses                         | 1,591,159   | 3,585,495         | 13,009                 | 422,795                       | 1,220,629                         | 766,157                        | 1,058,284                 | 8,657,528     |
| Operating income (loss)                          | (63,866)  | 801,620           | 25,160                 | (244,376)                     | 142,451                           | (766,157)                      | 113,338                   | 8,170         |
| <b>NONOPERATING REVENUES (EXPENSES)</b>          |   |                   |                        |                               |                                   |                                |                           |               |
| Interest and investment revenue                  | 10,871  | -                 | 3,178                  | 2,091                         | 1,252                             | 26,033                         | 1,823                     | 45,248        |
| Gain (loss) on capital asset disposal            | -   | -                 | -                      | -                             | -                                 | (23,835)                       | -                         | (23,835)      |
| Other nonoperating revenue/expense               | 16  | -                 | -                      | -                             | 1,927                             | 23,951                         | 847                       | 26,741        |
| Total nonoperating revenues (expenses)           | 10,887  | -                 | 3,178                  | 2,091                         | 3,179                             | 26,149                         | 2,670                     | 48,154        |
| Income (loss) before contributions and transfers | (52,979)  | 801,620           | 28,338                 | (242,285)                     | 145,630                           | (740,008)                      | 116,008                   | 56,324        |
| Capital contributions                            | -   | -                 | -                      | -                             | -                                 | 916,000                        | -                         | 916,000       |
| Transfers to other funds                         | -   | -                 | -                      | -                             | -                                 | -                              | -                         | -             |
| Transfers from other funds                       | -   | -                 | -                      | -                             | -                                 | -                              | -                         | -             |
| Change in net position                           | (52,979)  | 801,620           | 28,338                 | (242,285)                     | 145,630                           | 175,992                        | 116,008                   | 972,324       |
| Total net position - beginning                   | 1,165,777   | (275,568)         | 554,334                | 505,502                       | 74,310                            | 8,811,804                      | (53,993)                  | 10,782,166    |
| Prior period adjustments                         | -   | -                 | -                      | -                             | 28,247                            | -                              | -                         | 28,247        |
| Total net position - ending                      | \$ 1,112,798                                      | \$ 526,052        | \$ 582,672             | \$ 263,217                    | \$ 248,187                        | \$ 8,987,796                   | \$ 62,015                 | \$ 11,782,737 |

**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**for the Year Ended December 31, 2016**

Page 1 of 2

|  | <b>Risk<br/>Management</b> | <b>Self<br/>Insurance</b> | <b>Employment<br/>Security</b> | <b>Accrued<br/>Leave<br/>Liability</b> | <b>Equipment<br/>Rental<br/>Operations</b> | <b>Equipment<br/>Rental<br/>Reserve</b> | <b>Information<br/>Technology</b> | <b>Total</b> |
|--|----------------------------|---------------------------|--------------------------------|--|--|---|-----------------------------------|--------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                          |                            |                           |                                |  |  |   |                                   |              |
| Cash received from customers   | \$ -                       | \$ -                      | \$ -                           | \$ -                                   | \$ -                                       | \$ -                                    | \$ -                              | \$ -         |
| Cash receipts from interfund services                                | 1,548,580                  | 4,387,115                 | 39,257                         | 189,926                                | 1,359,882                                  | -                                       | 1,171,274                         | 8,696,034    |
| Other receipts and payments  | 1,000                      | -                         | -                              | -                                      | 1,927                                      | 44                                      | -                                 | 2,971        |
| Cash payments to suppliers   | (63,735)                   | (3,466,133)               | (16,358)                       | -                                      | (794,962)                                  | -                                       | (597,524)                         | (4,938,712)  |
| Cash payments to employees   | -                          | -                         | -                              | (423,351)                              | (403,169)                                  | -                                       | (558,052)                         | (1,384,572)  |
| Cash payments for interfund services                                 | (271,900)                  | -                         | -                              | -                                      | (141,865)                                  | (1,214)                                 | (79,453)                          | (494,432)    |
| Purchase of insurance  | (778,018)                  | -                         | -                              | -                                      | -  | -                                       | -                                 | (778,018)    |
| Payment for insurance claims   | (123,627)                  | -                         | -                              | -                                      | -  | -                                       | -                                 | (123,627)    |
| Net cash provided (used) by operating activities                     | 312,300                    | 920,982                   | 22,899                         | (233,425)                              | 21,813                                     | (1,170)                                 | (63,755)                          | 979,644      |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>               |                            |                           |                                |  |  |   |                                   |              |
| Grant proceeds   | -                          | -                         | -                              | -                                      | -  | -                                       | -                                 | -            |
| Transfer ins   | -                          | -                         | -                              | -                                      | -  | -                                       | -                                 | -            |
| Transfer outs  | -                          | -                         | -                              | -                                      | -  | -                                       | -                                 | -            |
| Other receipts and payments  | 16                         | -                         | -                              | -                                      | -  | -                                       | 847                               | 863          |
| Net cash provided (used) by noncapital financing activities          | 16                         | -                         | -                              | -                                      | -  | -                                       | 847                               | 863          |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>      |                            |                           |                                |  |  |   |                                   |              |
| Bond proceeds  | -                          | -                         | -                              | -                                      | -  | -                                       | -                                 | -            |
| Loan proceeds  | -                          | -                         | -                              | -                                      | -  | -                                       | -                                 | -            |
| Capital contributions  | -                          | -                         | -                              | -                                      | -  | 916,000                                 | -                                 | 916,000      |
| Collections on notes receivable                                      | -                          | -                         | -                              | -                                      | -  | -                                       | -                                 | -            |
| Sale or involuntary conversion of capital assets                     | -                          | -                         | -                              | -                                      | -  | 23,909                                  | -                                 | 23,909       |
| Transfer in for asset construction                                   | -                          | -                         | -                              | -                                      | -  | -                                       | -                                 | -            |
| Acquisition and construction of capital assets                       | -                          | -                         | -                              | -                                      | -  | (1,099,872)                             | (60,726)                          | (1,160,598)  |
| Principal paid bonds   | -                          | -                         | -                              | -                                      | -  | -                                       | -                                 | -            |
| Principal paid on other debt   | -                          | -                         | -                              | -                                      | -  | -                                       | -                                 | -            |
| Bond issuance costs  | -                          | -                         | -                              | -                                      | -  | -                                       | -                                 | -            |
| Interest paid on bonds and other debt                                | -                          | -                         | -                              | -                                      | -  | -                                       | -                                 | -            |
| Net cash provided (used) by capital and related financing activities | -                          | -                         | -                              | -                                      | -  | (159,963)                               | (60,726)                          | (220,689)    |
| <b>CASH FLOW FROM INVESTING ACTIVITIES</b>                           |                            |                           |                                |  |  |   |                                   |              |
| Proceeds from repayment of loans                                     | -                          | -                         | -                              | -                                      | -  | 37,034                                  | -                                 | 37,034       |
| Interest on loans and investments                                    | 9,839                      | -                         | 2,980                          | 2,253                                  | 1,120                                      | 24,938                                  | 1,881                             | 43,011       |
| Net change in investments  | (165,819)                  | -                         | (12,474)                       | 123,249                                | (11,367)                                   | 61,443                                  | 65,110                            | 60,142       |
| Net cash provided (used) by investing activities                     | (155,980)                  | -                         | (9,494)                        | 125,502                                | (10,247)                                   | 123,415                                 | 66,991                            | 140,187      |
| Net increase (decrease) in cash and cash equivalents                 | 156,336                    | 920,982                   | 13,405                         | (107,923)                              | 11,566                                     | (37,718)                                | (56,643)                          | 900,005      |
| Cash and equivalents - beginning                                     | 947,660                    | 702                       | 260,338                        | 247,456                                | 162,668                                    | 1,972,787                               | 173,258                           | 3,764,869    |
| Cash and equivalents - ending  | \$ 1,103,996               | \$ 921,684                | \$ 273,743                     | \$ 139,533                             | \$ 174,234                                 | \$ 1,935,069                            | \$ 116,615                        | \$ 4,664,874 |
| Cash at the end of the year consists of:                             |                            |                           |                                |  |  |   |                                   |              |
| Operating fund cash  | 1,003,996                  | 921,684                   | 273,743                        | 139,533                                | 174,234                                    | 1,935,069                               | 116,615                           | 4,564,874    |
| Restricted cash  | 100,000                    | -                         | -                              | -                                      | -  | -                                       | -                                 | 100,000      |
| Total cash at end of year  | \$ 1,103,996               | \$ 921,684                | \$ 273,743                     | \$ 139,533                             | \$ 174,234                                 | \$ 1,935,069                            | \$ 116,615                        | \$ 4,664,874 |





**Combining Statement of Fiduciary Net Position**  
**Agency Funds**  
**December 31, 2016**

|   | <u>Salary<br/>Clearing</u> | <u>Administrative<br/>Trust</u> | <u>Total</u>      |
|---|----------------------------|---------------------------------|-------------------|
| <b>Assets</b>                             |                            |                                 |                   |
| Cash and cash equivalents                 | \$ 275,848                 | \$ 95,777                       | \$ 371,625        |
| Total assets                              | <u>\$ 275,848</u>          | <u>\$ 95,777</u>                | <u>\$ 371,625</u> |
| <br><b>Deferred outflows of resources</b> | <br><u>\$ -</u>            | <br><u>\$ -</u>                 | <br><u>\$ -</u>   |
| <b>Liabilities</b>                        |                            |                                 |                   |
| Accounts/contracts payable                | -                          | 28,464                          | 28,464            |
| Other current liabilities                 | 275,848                    | 67,313                          | 343,161           |
| Total liabilities                         | <u>\$ 275,848</u>          | <u>\$ 95,777</u>                | <u>\$ 371,625</u> |
| <br><b>Deferred inflows of resources</b>  | <br><u>\$ -</u>            | <br><u>\$ -</u>                 | <br><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,   |                |                |                |                |                |                |                |                |                |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
|   | 2007           | 2008           | 2009           | 2010           | 2011           | 2012           | 2013           | 2014           | 2015           | 2016           |
| <b>Governmental activities</b>              |                |                |                |                |                |                |                |                |                |                |
| Net investment in capital assets            | \$ 70,114,679  | \$ 72,451,892  | \$ 72,087,573  | \$ 66,905,386  | \$ 71,532,476  | \$ 78,295,484  | \$ 80,093,194  | \$ 83,690,399  | \$ 82,209,827  | \$ 82,392,861  |
| Restricted                                  | 3,168,374      | 2,682,534      | 3,111,288      | 8,275,949      | 6,008,032      | 4,200,925      | 4,104,980      | 3,767,053      | 8,629,268      | 7,876,417      |
| Unrestricted                                | 15,362,418     | 10,777,450     | 9,159,249      | 9,434,193      | 5,948,429      | 8,795,698      | 9,704,988      | 9,237,898      | 3,997,964      | 7,725,636      |
| Total government activities net position    | \$ 88,645,471  | \$ 85,911,876  | \$ 84,358,110  | \$ 84,615,528  | \$ 83,488,937  | \$ 91,292,107  | \$ 93,903,162  | \$ 96,695,350  | \$ 94,837,059  | \$ 97,994,914  |
| <b>Business-type activities</b>             |                |                |                |                |                |                |                |                |                |                |
| Net investment in capital assets            | \$ 92,747,306  | \$ 103,397,203 | \$ 122,329,665 | \$ 128,158,641 | \$ 128,930,881 | \$ 139,290,172 | \$ 145,318,353 | \$ 147,992,658 | \$ 147,071,444 | \$ 151,010,043 |
| Restricted                                  | 1,483,026      | 3,988,736      | 1,174,604      | 1,305,903      | 1,527,135      | 1,616,969      | 1,778,954      | 7,648,222      | 2,201,230      | 9,750,551      |
| Unrestricted                                | 23,225,228     | 21,514,830     | 21,386,589     | 23,973,489     | 26,398,932     | 24,624,122     | 21,386,988     | 14,110,023     | 19,858,485     | 12,406,380     |
| Total business-type activities net position | \$ 117,455,560 | \$ 128,900,769 | \$ 144,890,858 | \$ 153,438,033 | \$ 156,856,948 | \$ 165,531,263 | \$ 168,484,295 | \$ 169,750,903 | \$ 169,131,159 | \$ 173,166,974 |
| <b>Primary government</b>                   |                |                |                |                |                |                |                |                |                |                |
| Net investment in capital assets            | \$ 162,861,985 | \$ 175,849,095 | \$ 194,417,238 | \$ 195,064,027 | \$ 200,463,357 | \$ 217,789,699 | \$ 225,411,547 | \$ 231,683,057 | \$ 229,281,271 | \$ 233,402,904 |
| Restricted                                  | 4,651,400      | 6,671,270      | 4,285,892      | 9,581,852      | 7,535,167      | 5,817,894      | 5,883,934      | 11,415,275     | 10,830,498     | 17,626,968     |
| Unrestricted                                | 38,587,646     | 32,292,280     | 30,545,838     | 33,407,682     | 32,347,361     | 33,215,777     | 31,091,976     | 23,347,921     | 23,856,449     | 20,132,016     |
| Total primary government net position       | \$ 206,101,031 | \$ 214,812,645 | \$ 229,248,968 | \$ 238,053,561 | \$ 240,345,885 | \$ 256,823,370 | \$ 262,387,457 | \$ 266,446,253 | \$ 263,968,218 | \$ 271,161,888 |

**Total Net Position**

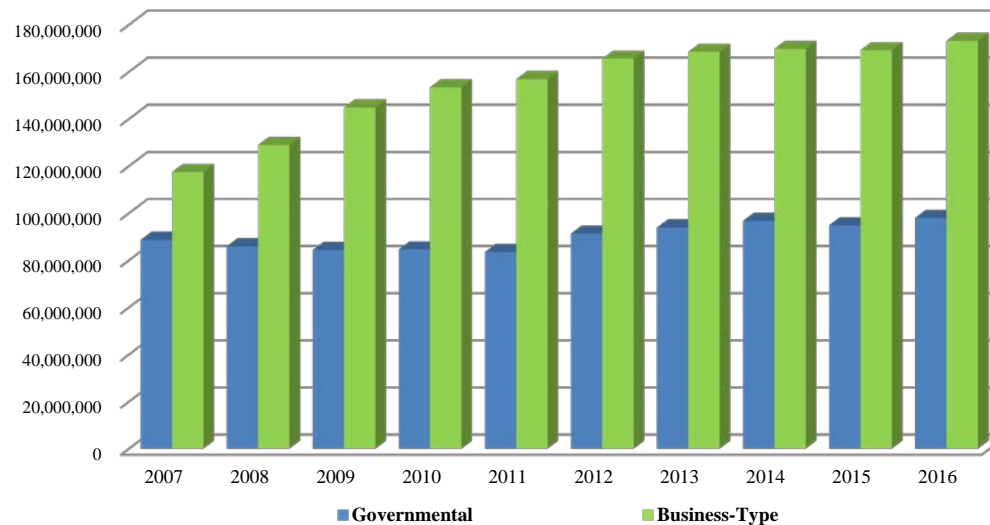


Table 2

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

|   | December 31,  |               |               |               |               |               |               |               |               |               |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
|   | 2007          | 2008          | 2009          | 2010          | 2011          | 2012          | 2013          | 2014          | 2015          | 2016          |
| <b>Program Revenues</b>                         |               |               |               |               |               |               |               |               |               |               |
| Governmental activities:                        |               |               |               |               |               |               |               |               |               |               |
| Program revenues                                |               |               |               |               |               |               |               |               |               |               |
| Charges for services                            | \$ 8,239,980  | \$ 8,911,480  | \$ 9,065,757  | \$ 7,974,533  | \$ 8,134,426  | \$ 8,147,866  | \$ 7,554,419  | \$ 7,375,242  | \$ 8,149,740  | \$ 8,567,603  |
| Operating grants and contributions              | 1,350,646     | 2,321,404     | 2,226,968     | 2,685,281     | 1,862,766     | 677,864       | 756,478       | 686,422       | 821,207       | 564,000       |
| Capital grants and contributions                | 10,545,421    | 4,638,620     | 3,922,004     | 3,748,282     | 1,753,775     | 6,847,248     | 3,752,058     | 3,072,619     | 3,342,402     | 1,819,614     |
| General revenues                                |               |               |               |               |               |               |               |               |               |               |
| Property taxes                                  | 7,920,916     | 7,799,723     | 8,490,418     | 8,553,934     | 8,546,532     | 8,578,750     | 8,511,679     | 8,688,122     | 8,971,576     | 9,618,496     |
| Sales taxes                                     | 7,574,011     | 7,790,117     | 6,541,673     | 6,538,977     | 7,050,928     | 7,295,954     | 7,678,855     | 8,129,965     | 8,662,583     | 8,950,661     |
| Business taxes                                  | 4,783,087     | 3,454,258     | 3,706,834     | 3,406,535     | 3,175,405     | 3,256,913     | 2,665,107     | 2,733,787     | 2,878,276     | 4,018,179     |
| Utility taxes                                   | 4,974,578     | 5,087,768     | 4,753,803     | 4,531,307     | 4,512,670     | 4,407,473     | 4,415,712     | 4,332,386     | 9,695,992     | 9,773,769     |
| Other taxes                                     | 2,984,146     | 2,572,169     | 2,461,170     | 2,391,050     | 2,384,628     | 2,679,142     | 3,147,164     | 4,045,311     | 4,045,245     | 4,209,946     |
| Other general revenues                          | 1,831,840     | 1,142,115     | 217,758       | 1,428,517     | 657,845       | 488,144       | (720,663)     | 692,314       | 484,086       | 192,569       |
| Total governmental program revenues             | 50,204,625    | 43,717,654    | 41,386,385    | 41,258,416    | 38,078,975    | 42,379,354    | 37,760,809    | 39,756,168    | 47,051,107    | 47,714,837    |
| Business-type activities:                       |               |               |               |               |               |               |               |               |               |               |
| Charges for services:                           | 27,611,963    | 26,764,076    | 27,619,991    | 25,981,745    | 26,471,213    | 26,807,859    | 29,197,326    | 31,020,945    | 34,561,549    | 34,191,517    |
| Operating grants and contributions              | -             | 235,414       | 34,341        | 65,812        | 258,531       | 3,000         | 392,179       | -             | 11,005        | 24,951        |
| Capital grants and contributions                | 4,936,686     | 8,449,263     | 3,882,290     | 7,417,318     | 2,580,408     | 9,253,974     | 3,877,546     | 1,386,750     | 2,132,266     | 1,975,830     |
| General revenues                                |               |               |               |               |               |               |               |               |               |               |
| Sales taxes                                     | 41,562        | 21,857        | 14,678        | -             | 16,735        | 16,201        | 30,041        | 28,022        | 47,570        | 75,552        |
| Business taxes                                  | 8,004         | 229           | -             | 6,486         | 395           | 1,120         | 4,598         | 3,915         | 14,020        | 17,948        |
| Other general revenues                          | 913,859       | 867,602       | 556,994       | 584,246       | 613,062       | 683,660       | 474,662       | 531,817       | 644,409       | 153,087       |
| Total business-type activities program revenues | 33,512,074    | 36,338,441    | 32,108,294    | 34,055,607    | 29,940,344    | 36,765,814    | 33,976,352    | 32,971,449    | 37,410,819    | 36,438,885    |
| Total primary government program revenues       | \$ 83,716,699 | \$ 80,056,095 | \$ 73,494,679 | \$ 75,314,023 | \$ 68,019,319 | \$ 79,145,168 | \$ 71,737,161 | \$ 72,727,617 | \$ 84,461,926 | \$ 84,153,722 |
| <b>Expenses</b>                                 |               |               |               |               |               |               |               |               |               |               |
| Governmental activities:                        |               |               |               |               |               |               |               |               |               |               |
| General government                              | \$ 3,838,442  | \$ 4,801,924  | \$ 4,001,383  | \$ 3,250,587  | \$ 4,585,130  | \$ 2,335,832  | \$ 3,353,284  | \$ 3,898,120  | \$ 4,378,952  | \$ 4,205,961  |
| Public safety                                   | 21,823,943    | 22,951,485    | 23,922,957    | 24,187,445    | 23,718,909    | 23,177,212    | 23,337,415    | 24,347,998    | 27,924,882    | 25,840,494    |
| Utilities and environment                       | 374,985       | 223,469       | 226,975       | 219,431       | 219,631       | 219,560       | 220,176       | -             | -             | -             |
| Transportation                                  | 8,936,077     | 9,045,766     | 4,214,922     | 4,012,477     | 4,235,164     | 4,206,821     | 4,459,164     | 5,801,997     | 5,736,335     | 5,515,358     |
| Economic environment                            | 2,601,899     | 3,148,575     | 2,031,753     | 3,310,097     | 2,231,951     | 1,865,434     | 1,813,732     | 1,889,697     | 1,934,666     | 1,905,763     |
| Cultural and recreation                         | 6,429,966     | 6,931,036     | 5,944,853     | 6,510,247     | 5,975,233     | 6,061,443     | 5,991,865     | 6,127,784     | 6,175,244     | 5,967,564     |
| Interest on long-term debt                      | 1,378,912     | 1,181,513     | 961,926       | 976,987       | 1,511,968     | 1,172,255     | 1,221,700     | 1,214,965     | 1,404,627     | 1,097,787     |
| Total governmental activities expenses          | 45,384,224    | 48,283,768    | 41,304,769    | 42,467,271    | 42,477,986    | 39,038,557    | 40,397,336    | 43,280,561    | 47,554,706    | 44,532,927    |
| Business-type activities:                       |               |               |               |               |               |               |               |               |               |               |
| Water   | 8,247,875     | 8,829,441     | 9,242,707     | 8,298,916     | 8,868,640     | 8,923,134     | 9,276,527     | 10,222,657    | 11,760,629    | 13,163,870    |
| Wastewater                                      | 8,589,358     | 8,917,620     | 8,927,299     | 9,009,876     | 9,822,019     | 9,943,879     | 9,945,606     | 10,128,629    | 13,324,703    | 12,725,757    |
| Golf course                                     | 3,498,529     | 3,254,936     | 3,198,390     | 2,256,772     | 2,135,886     | 2,271,036     | 4,008,939     | 3,827,264     | 3,993,845     | 3,972,630     |
| Other proprietary funds                         | 1,328,735     | 1,212,461     | 1,478,026     | 1,603,135     | 1,831,098     | 2,281,994     | 2,151,899     | 1,823,388     | 2,464,910     | 2,564,868     |
| Total business-type activities expenses         | 21,664,497    | 22,214,458    | 22,846,422    | 21,168,699    | 22,657,643    | 23,420,043    | 25,382,971    | 26,001,938    | 31,544,087    | 32,427,125    |
| Total primary government expenses               | \$ 67,048,721 | \$ 70,498,226 | \$ 64,151,191 | \$ 63,635,970 | \$ 65,135,629 | \$ 62,458,600 | \$ 65,780,307 | \$ 69,282,499 | \$ 79,098,793 | \$ 76,960,052 |

Table 2

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

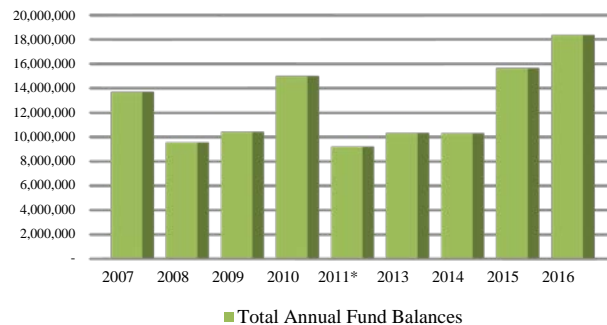
|   | December 31,   |                |                |                |                |                |                |                |                |                |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
|   | 2007           | 2008           | 2009           | 2010           | 2011           | 2012           | 2013           | 2014           | 2015           | 2016           |
| <b>Change in Net Position</b>                   |                |                |                |                |                |                |                |                |                |                |
| Governmental activities:                        |                |                |                |                |                |                |                |                |                |                |
| Excess of revenues over expenses                | \$ 4,820,401   | \$ (4,566,114) | \$ 81,616      | \$ (1,208,855) | \$ (4,399,011) | \$ 3,340,797   | \$ (2,636,527) | \$ (3,524,393) | \$ (503,599)   | \$ 3,181,910   |
| Transfers                                       | 1,944,641      | 1,973,245      | 4,175,924      | 3,610,764      | 3,737,965      | 4,462,373      | 5,492,002      | 6,416,953      | 1,778,043      | (24,055)       |
| Governmental activities change in net position  | 6,765,042      | (2,592,869)    | 4,257,540      | 2,401,909      | (661,046)      | 7,803,170      | 2,855,475      | 2,892,560      | 1,274,444      | 3,157,855      |
| Business-type activities:                       |                |                |                |                |                |                |                |                |                |                |
| Excess of revenues over expenses                | 11,847,577     | 14,123,983     | 9,261,872      | 12,886,908     | 7,282,701      | 13,345,771     | 8,593,381      | 6,969,511      | 5,866,732      | 4,011,760      |
| Transfers                                       | (1,944,641)    | (1,973,245)    | (4,175,924)    | (3,610,764)    | (3,737,965)    | (4,462,373)    | (5,492,002)    | (6,416,953)    | (1,778,043)    | 24,055         |
| Business-type activities change in net position | 9,902,936      | 12,150,738     | 5,085,948      | 9,276,144      | 3,544,736      | 8,883,398      | 3,101,379      | 552,558        | 4,088,689      | 4,035,815      |
| Governmental Activities Net Position:           |                |                |                |                |                |                |                |                |                |                |
| Net position - beginning                        | 80,171,606     | 88,645,471     | 85,911,876     | 84,358,110     | 84,615,528     | 83,488,937     | 91,292,107     | 93,903,162     | 96,695,350     | 94,837,059     |
| Prior period adjustment/special items           | 1,708,823      | (140,726)      | (5,811,306)    | (2,144,491)    | (465,545)      | -              | (244,420)      | (100,372)      | (3,132,735)    | -              |
| Net position - ending                           | 88,645,471     | 85,911,876     | 84,358,110     | 84,615,528     | 83,488,937     | 91,292,107     | 93,903,162     | 96,695,350     | 94,837,059     | 97,994,914     |
| Business-type activities net position           |                |                |                |                |                |                |                |                |                |                |
| Net position - beginning                        | 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    | 169,131,159    |
| Prior period adjustment/special items           | 350,000        | (705,529)      | 10,904,141     | (728,969)      | (125,821)      | (209,083)      | (148,347)      | 714,050        | (4,708,433)    | -              |
| Net position - ending                           | 117,455,560    | 128,900,769    | 144,890,858    | 153,438,033    | 156,856,948    | 165,531,263    | 168,484,295    | 169,750,903    | 169,131,159    | 173,166,974    |
| Total Primary Government Net Position           | \$ 206,101,031 | \$ 214,812,645 | \$ 229,248,968 | \$ 238,053,561 | \$ 240,345,885 | \$ 256,823,370 | \$ 262,387,457 | \$ 266,446,253 | \$ 263,968,218 | \$ 271,161,888 |

Table 3

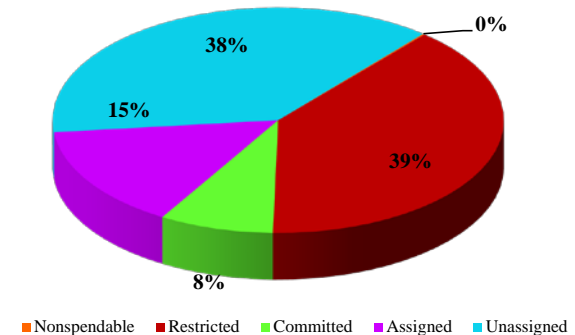
**Fund Balance of Governmental Funds  
Last Ten Fiscal Years**

|   | December 31,        |                     |                     |                      |                     |                     |                     |                     |                      |                      |
|---|---------------------|---------------------|---------------------|----------------------|---------------------|---------------------|---------------------|---------------------|----------------------|----------------------|
|   | 2007                | 2008                | 2009                | 2010                 | 2011*               | 2012                | 2013                | 2014                | 2015                 | 2016                 |
| <b>General fund</b>                       |                     |                     |                     |                      |                     |                     |                     |                     |                      |                      |
| Nonspendable                              | \$ -                | \$ -                | \$ -                | \$ -                 | \$ 18,683           | \$ 18,418           | \$ 24,801           | \$ 20,060           | \$ 18,827            | \$ 23,407            |
| Restricted                                | -                   | -                   | -                   | -                    | 48,556              | 20,562              | 50,179              | 50,179              | 76,836               | 59,868               |
| Committed                                 | -                   | -                   | -                   | -                    | -                   | -                   | -                   | -                   | 729,705              | 939,373              |
| Assigned                                  | -                   | -                   | -                   | -                    | 65,926              | 545,168             | -                   | -                   | -                    | -                    |
| Unassigned                                | -                   | -                   | -                   | -                    | 3,274,281           | 4,018,522           | 4,794,308           | 4,725,880           | 4,658,608            | 6,942,454            |
| <b>General fund *</b>                     |                     |                     |                     |                      |                     |                     |                     |                     |                      |                      |
| Reserved                                  | 20,470              | 19,070              | -                   | -                    | -                   | -                   | -                   | -                   | -                    | -                    |
| Unreserved                                | 4,084,868           | 1,313,146           | 1,957,308           | 3,049,878            | -                   | -                   | -                   | -                   | -                    | -                    |
| <b>Total General Fund</b>                 | <b>\$ 4,105,338</b> | <b>\$ 1,332,216</b> | <b>\$ 1,957,308</b> | <b>\$ 3,049,878</b>  | <b>\$ 3,407,446</b> | <b>\$ 4,602,670</b> | <b>\$ 4,869,288</b> | <b>\$ 4,796,119</b> | <b>\$ 5,483,976</b>  | <b>\$ 7,965,102</b>  |
| <b>All other governmental funds</b>       |                     |                     |                     |                      |                     |                     |                     |                     |                      |                      |
| Nonspendable                              | \$ -                | \$ -                | \$ -                | \$ -                 | \$ 23,264           | \$ -                | \$ -                | \$ -                | \$ -                 | \$ -                 |
| Restricted                                | -                   | -                   | -                   | -                    | 4,592,196           | 2,786,592           | 3,040,543           | 2,923,689           | 7,813,051            | 7,121,639            |
| Committed                                 | -                   | -                   | -                   | -                    | 232,026             | 313,984             | 357,663             | 652,253             | 674,653              | 566,466              |
| Assigned                                  | -                   | -                   | -                   | -                    | 1,045,415           | 1,577,720           | 2,051,610           | 1,927,149           | 1,674,781            | 2,700,402            |
| Unassigned                                | -                   | -                   | -                   | -                    | (96,866)            | -                   | -                   | -                   | -                    | -                    |
| <b>All other governmental funds *</b>     |                     |                     |                     |                      |                     |                     |                     |                     |                      |                      |
| Reserved                                  | 176,435             | 198,472             | 350,758             | 391,078              | -                   | -                   | -                   | -                   | -                    | -                    |
| Unreserved, reported in:                  |                     |                     |                     |                      |                     |                     |                     |                     |                      |                      |
| Special revenue funds                     | 6,251,037           | 5,867,682           | 5,758,691           | 4,488,327            | -                   | -                   | -                   | -                   | -                    | -                    |
| Capital projects funds                    | 2,626,138           | 1,578,618           | 2,096,861           | 6,662,498            | -                   | -                   | -                   | -                   | -                    | -                    |
| Debt service funds                        | 548,107             | 590,314             | 262,834             | 433,778              | -                   | -                   | -                   | -                   | -                    | -                    |
| <b>Total All Other Governmental Funds</b> | <b>\$ 9,601,717</b> | <b>\$ 8,235,086</b> | <b>\$ 8,469,144</b> | <b>\$ 11,975,681</b> | <b>\$ 5,796,035</b> | <b>\$ 4,678,296</b> | <b>\$ 5,449,816</b> | <b>\$ 5,503,091</b> | <b>\$ 10,162,485</b> | <b>\$ 10,388,507</b> |

**Governmental Fund Balances by Fiscal Year**



**2016 Governmental Fund Balances**



\*Fund Balance reporting change resulting from implementation of GASB54 in 2011

Table 4

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

|  | December 31, |              |              |              |              |              |              |              |              |              |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
|  | 2007         | 2008         | 2009         | 2010         | 2011         | 2012         | 2013         | 2014         | 2015         | 2016         |
| <b>Revenues</b>                              |              |              |              |              |              |              |              |              |              |              |
| Taxes  | \$26,572,963 | \$25,132,935 | \$24,259,262 | \$23,958,593 | \$24,139,778 | \$24,476,535 | \$24,893,527 | \$25,964,771 | \$32,486,301 | \$34,904,810 |
| License and permits                          | 1,160,778    | 1,037,771    | 1,174,918    | 1,165,394    | 1,233,719    | 1,133,301    | 1,264,323    | 1,306,759    | 1,439,387    | 1,499,846    |
| Intergovernmental                            | 10,004,467   | 8,846,813    | 8,126,087    | 8,266,451    | 5,650,308    | 6,961,371    | 5,597,461    | 6,010,619    | 4,982,307    | 4,476,429    |
| Charges for services                         | 4,645,238    | 5,005,728    | 5,188,790    | 5,648,907    | 4,950,225    | 6,601,588    | 3,345,061    | 3,079,275    | 3,507,757    | 3,113,149    |
| Fines and forfeits                           | 1,022,563    | 1,689,080    | 1,929,836    | 1,581,937    | 1,536,690    | 1,492,213    | 1,252,160    | 1,260,469    | 1,377,204    | 1,475,329    |
| Miscellaneous                                | 3,107,379    | 2,497,255    | 1,636,519    | 2,962,238    | 1,706,691    | 1,985,835    | 1,737,857    | 2,030,651    | 2,129,699    | 1,702,113    |
| Total revenues                               | 46,513,388   | 44,209,582   | 42,315,412   | 43,583,520   | 39,217,411   | 42,650,843   | 38,090,389   | 39,652,544   | 45,922,655   | 47,171,676   |
| <b>Expenditures</b>                          |              |              |              |              |              |              |              |              |              |              |
| General government                           | 6,389,555    | 6,830,197    | 6,793,202    | 6,878,458    | 7,237,760    | 6,096,052    | 4,833,662    | 4,713,790    | 5,204,949    | 5,384,977    |
| Public safety                                | 17,418,932   | 21,205,949   | 22,222,451   | 22,369,568   | 21,787,632   | 21,161,867   | 21,473,549   | 22,513,669   | 23,534,874   | 23,363,734   |
| Utilities and environment                    | 374,985      | 223,469      | 226,975      | 219,431      | 219,631      | 219,560      | 28,166       | 23,165       | 28,694       | 28,401       |
| Transportation                               | 7,652,880    | 7,401,334    | 3,372,750    | 3,010,848    | 3,135,657    | 4,419,430    | 3,242,692    | 4,236,661    | 4,382,943    | 3,807,174    |
| Economic environment                         | 2,521,648    | 3,142,196    | 1,950,417    | 3,269,259    | 2,292,909    | 1,891,527    | 1,616,533    | 1,647,643    | 1,799,656    | 1,832,929    |
| Mental/physical health                       | 71,379       | 73,525       | 74,922       | 75,126       | 75,573       | 69,963       | 271,038      | 274,877      | 275,421      | 154,084      |
| Cultural and recreation                      | 5,313,236    | 5,357,250    | 4,548,291    | 4,867,545    | 4,364,162    | 4,530,933    | 4,226,772    | 4,480,333    | 4,552,498    | 4,458,543    |
| Debt service                                 |              |              |              |              |              |              |              |              |              |              |
| Principle                                    | 1,562,499    | 986,000      | 1,035,500    | 771,500      | 1,382,500    | 1,458,239    | 10,025,000   | 1,260,000    | 1,255,000    | 1,685,000    |
| Interest and other debt issue costs          | 1,363,534    | 1,165,883    | 946,444      | 964,772      | 1,402,902    | 1,140,116    | 1,174,562    | 1,192,256    | 1,222,366    | 1,259,364    |
| Capital                                      | 8,090,180    | 4,515,778    | 4,874,658    | 9,361,248    | 7,256,768    | 5,708,349    | 4,781,135    | 6,028,569    | 4,879,056    | 2,598,779    |
| Intergovernmental Payments                   | -            | -            | -            | -            | 42,203       | -            | -            | -            | -            | -            |
| Total expenditures                           | 50,758,828   | 50,901,581   | 46,045,610   | 51,787,755   | 49,197,697   | 46,696,036   | 51,673,109   | 46,370,963   | 47,135,457   | 44,572,985   |
| Excess of revenues over (under) expenditures | (4,245,440)  | (6,691,999)  | (3,730,198)  | (8,204,235)  | (9,980,286)  | (4,045,193)  | (13,582,720) | (6,718,419)  | (1,212,802)  | 2,598,691    |
| <b>Other Financing Sources (Uses)</b>        |              |              |              |              |              |              |              |              |              |              |
| Proceeds of long-term debt                   | -            | -            | -            | 19,407,267   | 9,675,000    | 5,215,000    | 8,590,000    | -            | 4,160,000    | -            |
| Premiums on bonds sold                       | -            | -            | -            | -            | -            | 122,033      | 401,073      | -            | 399,823      | -            |
| Payments to refunded escrow agent            | -            | -            | -            | (10,387,010) | (9,675,000)  | (5,653,814)  | -            | -            | -            | -            |
| Capital asset donation and disposal          | 1,467,967    | 428,319      | 398,759      | 40,930       | 511,823      | -            | 137,498      | 199,550      | 67,728       | 123,770      |
| Insurance recoveries                         | -            | -            | 14,664       | 18,629       | 1,251        | 349          | 285          | 8,817        | 10,620       | 8,741        |
| Transfers in                                 | 8,957,389    | 6,461,827    | 7,415,810    | 5,630,979    | 6,921,147    | 6,074,690    | 6,932,744    | 8,098,633    | 4,746,365    | 1,885,584    |
| Transfers out                                | (9,445,689)  | (4,195,667)  | (3,239,886)  | (2,020,214)  | (3,282,833)  | (1,612,316)  | (1,440,742)  | (1,681,679)  | (2,840,790)  | (1,909,639)  |
| Total other financing sources and uses       | 979,667      | 2,694,479    | 4,589,347    | 12,690,581   | 4,151,388    | 4,145,942    | 14,620,858   | 6,625,321    | 6,543,746    | 108,456      |

Table 4

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

|   | December 31,        |                     |                     |                     |                     |                     |                     |                     |                     |                     |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
|   | 2007                | 2008                | 2009                | 2010                | 2011                | 2012                | 2013                | 2014                | 2015                | 2016                |
| <b>Other Change in Fund Balance</b>                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Change in reserves for inventory                        | (755)               | (1,507)             | -                   | (10,666)            | 6,820               | (23,264)            | -                   | -                   | -                   | -                   |
| Net change in fund balances                             | (3,266,528)         | (3,999,027)         | 859,149             | 4,475,680           | (5,822,078)         | 77,485              | 1,038,138           | (93,098)            | 5,330,944           | 2,707,147           |
| Fund balances-beginning                                 | 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          | 15,646,461          |
| Prior Period Adjustments                                | -                   | (140,726)           | -                   | 123,428             | -                   | -                   | -                   | 73,204              | 16,307              | -                   |
| Fund balances-ending                                    | <u>\$13,707,055</u> | <u>\$ 9,567,302</u> | <u>\$10,426,451</u> | <u>\$15,025,559</u> | <u>\$ 9,203,481</u> | <u>\$ 9,280,966</u> | <u>\$10,319,104</u> | <u>\$10,299,210</u> | <u>\$15,646,461</u> | <u>\$18,353,608</u> |
| Debt service as a percentage of noncapital expenditures | 6.86%               | 4.64%               | 4.81%               | 4.09%               | 6.64%               | 6.34%               | 23.88%              | 6.08%               | 5.86%               | 7.01%               |

**Changes in Fund Balance by Fiscal Year**

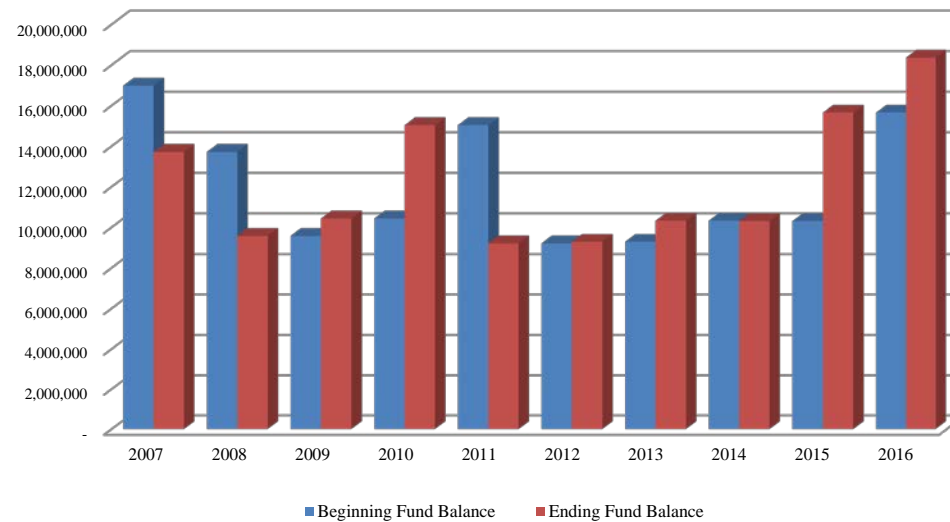




Table 5

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

| <b>Fiscal<br/>Year</b> | <b>Real Property</b>  |                                   | <b>Personal Property</b> |                                   | <b>Total</b>          |                                   | <b>Ratio of<br/>Assessed Value<br/>to Estimated<br/>Actual Value</b> | <b>Total Levy<br/>Rate per<br/>\$1,000</b> |
|------------------------|-----------------------|-----------------------------------|--------------------------|-----------------------------------|-----------------------|-----------------------------------|--|--|
|                        | <b>Assessed Value</b> | <b>Estimated<br/>Actual Value</b> | <b>Assessed Value</b>    | <b>Estimated<br/>Actual Value</b> | <b>Assessed Value</b> | <b>Estimated<br/>Actual Value</b> |  |  |
| 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                                       |
| 2015                   | 2,206,109,042         | 2,346,924,513                     | 148,433,705              | 149,480,065                       | 2,354,542,747         | 2,496,404,578                     | 94.1%  | 3.83                                       |
| 2016                   | 2,358,328,229         | 2,508,859,818                     | 145,081,330              | 146,104,058                       | 2,503,409,559         | 2,654,963,876                     | 88.9%  | 3.57                                       |

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

**Table 6**

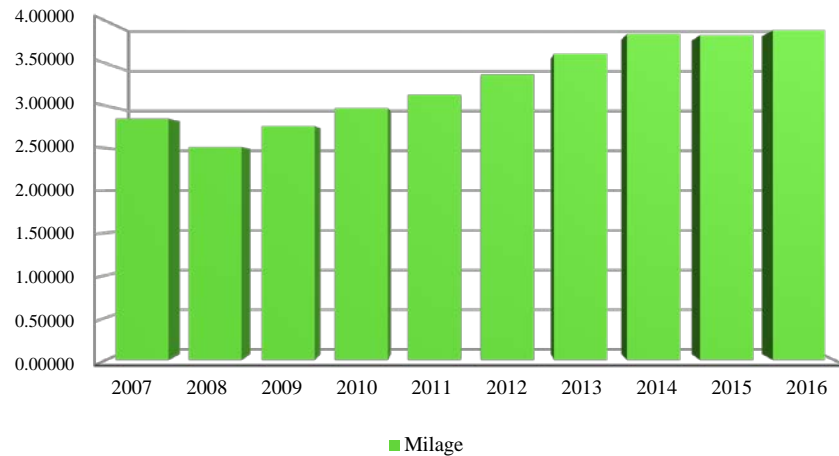
|   | December 31,      |                   |                   |                   |                   |                   |                   |                   |                   |                   |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|   | 2007              | 2008              | 2009              | 2010              | 2011              | 2012              | 2013              | 2014              | 2015              | 2016              |
| <b>General Revenues</b>                           |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| <b>Taxes</b>                                      |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Property Tax                                      | 7,920,916         | 7,799,723         | 8,490,418         | 8,553,934         | 8,546,532         | 8,578,750         | 8,511,679         | 8,688,122         | 8,971,576         | 9,618,497         |
| Local Sales & Use Tax                             |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Local Retail Sales & Use Tax                      | 7,072,198         | 7,313,178         | 6,114,008         | 6,120,060         | 6,604,669         | 6,844,193         | 6,489,850         | 6,864,848         | 7,288,823         | 8,007,178         |
| Local Revitalization Financing                    | -                 | -                 | -                 | 146,258           | 370,613           | 339,594           | 337,450           | 340,860           | 349,901           | 352,173           |
| Hotel/Motel Sales & Use Tax                       | 331,093           | 317,385           | 362,410           | 347,792           | 393,288           | 417,131           | 388,620           | 434,001           | 529,682           | 555,833           |
| Criminal Justice Sales & Use Tax                  | 501,813           | 476,939           | 427,665           | 418,917           | 446,258           | 451,761           | 462,935           | 490,256           | 541,747           | 591,310           |
| <b>Total Local Sales &amp; Use Tax</b>            | <b>7,905,104</b>  | <b>8,107,502</b>  | <b>6,904,083</b>  | <b>7,033,027</b>  | <b>7,814,828</b>  | <b>8,052,679</b>  | <b>7,678,855</b>  | <b>8,129,965</b>  | <b>8,710,153</b>  | <b>9,506,494</b>  |
| <b>Business Taxes</b>                             |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Business & Occupation Taxes                       | 4,213,717         | 2,889,482         | 3,155,501         | 2,811,903         | 2,765,879         | 2,698,574         | 2,609,466         | 2,664,794         | 2,838,188         | 3,254,215         |
| Gambling Excise Taxes                             | 275,496           | 268,174           | 239,959           | 276,734           | 93,146            | 81,841            | 55,641            | 68,993            | 54,108            | 68,301            |
| <b>Total Business Taxes</b>                       | <b>4,489,213</b>  | <b>3,157,656</b>  | <b>3,395,460</b>  | <b>3,088,637</b>  | <b>2,859,025</b>  | <b>2,780,415</b>  | <b>2,665,107</b>  | <b>2,733,787</b>  | <b>2,892,296</b>  | <b>3,322,516</b>  |
| <b>Utility Taxes</b>                              |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Electric Utility                                  | 1,552,363         | 1,685,415         | 1,714,605         | 1,716,776         | 1,776,770         | 1,756,362         | 1,822,957         | 1,839,046         | 1,786,917         | 1,921,464         |
| Gas Utility                                       | 955,006           | 907,311           | 527,349           | 419,100           | 449,995           | 375,524           | 365,522           | 394,593           | 371,878           | 346,428           |
| Garbage/Solid Waste Utility                       | 465,010           | 428,975           | 460,037           | 454,929           | 455,621           | 459,818           | 476,599           | 483,359           | 573,835           | 653,451           |
| Cable TV Utility                                  | 519,622           | 563,620           | 575,472           | 601,782           | 619,550           | 617,149           | 618,076           | 636,564           | 609,528           | 727,765           |
| Telephone Utility                                 | 1,342,711         | 1,502,447         | 1,475,421         | 1,338,542         | 1,210,552         | 1,198,455         | 1,132,558         | 978,824           | 987,549           | 860,916           |
| Water Utility                                     | 690,376           | 684,855           | 1,004,461         | 1,267,675         | 1,307,466         | 1,310,542         | 1,366,011         | 1,722,961         | 1,767,957         | 1,717,541         |
| Wastewater Utility                                | 1,100,363         | 1,124,299         | 1,579,797         | 2,015,319         | 2,044,970         | 2,699,404         | 2,621,252         | 2,750,903         | 3,051,164         | 2,964,677         |
| Stormwater Utility                                | 153,902           | 164,091           | 244,916           | 327,771           | 343,308           | 452,427           | 481,739           | 376,536           | 547,164           | 581,527           |
| <b>Total Utility Taxes</b>                        | <b>6,779,353</b>  | <b>7,061,013</b>  | <b>7,582,058</b>  | <b>8,141,894</b>  | <b>8,208,232</b>  | <b>8,869,681</b>  | <b>8,884,714</b>  | <b>9,182,786</b>  | <b>9,695,992</b>  | <b>9,773,769</b>  |
| <b>Other Taxes and State Shared Revenue</b>       |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Leasehold Tax                                     | 46,019            | 53,055            | 62,232            | 101,570           | 110,491           | 112,087           | 111,758           | 123,721           | 128,893           | 127,049           |
| TBD Vehicle Fees                                  | -                 | -                 | -                 | -                 | -                 | 189,169           | 431,866           | 444,012           | 480,625           | 510,642           |
| Parking Tax                                       | 293,874           | 296,602           | 311,374           | 317,898           | 316,380           | 476,499           | 497,088           | 547,288           | 626,078           | 695,664           |
| Real Estate Excise Tax                            | 1,176,732         | 709,894           | 570,619           | 412,518           | 336,378           | 427,807           | 481,898           | 788,594           | 982,512           | 1,291,762         |
| State & Local Shared Revenue                      | 1,430,302         | 1,491,835         | 1,465,909         | 1,529,170         | 1,544,471         | 1,722,117         | 1,624,554         | 2,141,696         | 1,827,137         | 2,280,493         |
| <b>Total Other Taxes and State Shared Revenue</b> | <b>2,946,927</b>  | <b>2,551,386</b>  | <b>2,410,134</b>  | <b>2,361,156</b>  | <b>2,307,720</b>  | <b>2,927,679</b>  | <b>3,147,164</b>  | <b>4,045,311</b>  | <b>4,045,245</b>  | <b>4,905,610</b>  |
|   | <b>30,041,513</b> | <b>28,677,280</b> | <b>28,782,153</b> | <b>29,178,648</b> | <b>29,736,337</b> | <b>31,209,204</b> | <b>30,887,519</b> | <b>32,779,971</b> | <b>34,315,262</b> | <b>37,126,886</b> |

Table 7

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

| City of Bremerton Direct Rates |                  |            |                     |                   | Overlapping Rates    |                     |                             |                       |                       |                                |                         |          | Total Direct & Overlapping Rates |
|--------------------------------|------------------|------------|---------------------|-------------------|----------------------|---------------------|-----------------------------|-----------------------|-----------------------|--------------------------------|-------------------------|----------|----------------------------------|
| Fiscal Year                    | Operating Milage | EMS Milage | Debt Service Milage | Total City Milage | Kitsap County Milage | State School Milage | Bremerton                   | Port of               | Public Utility Milage | Kitsap Regional Library Milage | Total Overlapping Rates |          |                                  |
|                                |                  |            |                     |                   |                      |                     | School District Milage/Debt | Bremerton Milage/Debt |                       |                                |                         |          |                                  |
| 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 |                                  |
| 2015                           | 2.94554          | 0.50000    | 0.38686             | 3.83240           | 1.20167              | 2.17682             | 5.81830                     | 0.38814               | 0.08312               | 0.39013                        | 10.05818                | 13.89058 |                                  |
| 2016                           | 2.83000          | 0.49000    | 0.57000             | 3.89000           | 1.16649              | 2.35544             | 5.56692                     | 0.38170               | 0.08059               | 0.38179                        | 9.93293                 | 13.82293 |                                  |

**City of Bremerton Direct Property Tax Rate**



**Total Direct & Overlapping Property Tax Rates**

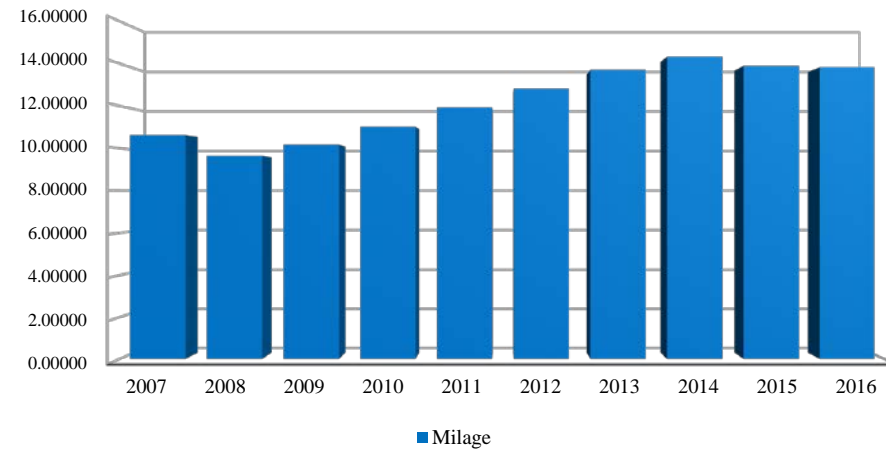


Table 8

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

| Taxpayer                                      | 2016                       |      |                                  | Taxpayer                                      | 2007                       |      |                                  |
|---|----------------------------|------|----------------------------------|---|----------------------------|------|----------------------------------|
|   | Taxable Assessed Valuation | Rank | Percentage of Assessed Valuation |   | Taxable Assessed Valuation | Rank | Percentage of Assessed Valuation |
| Puget Sound Energy                            | \$ 43,802,644              | 1    | 1.9%                             | Puget Sound Energy                            | \$ 32,641,507              | 1    | 1.5%                             |
| Qwest Corporation                             | 14,546,476                 | 2    | 0.6%                             | Kitsap Community Credit Union                 | 18,925,960                 | 2    | 0.9%                             |
| Health Care Reit Inc                          | 12,441,120                 | 3    | 0.5%                             | Bremerton Residential Investments             | 15,590,400                 | 3    | 0.7%                             |
| Bremerton Stephanus LLC                       | 12,421,420                 | 4    | 0.5%                             | SHP II Bremerton LLC                          | 11,968,680                 | 4    | 0.5%                             |
| R & L Property MGMT LLC                       | 12,151,140                 | 5    | 0.5%                             | Bremerton Trust                               | 11,208,290                 | 5    | 0.5%                             |
| EP Holdings LLC                               | 11,772,280                 | 6    | 0.5%                             | R & L Property Management                     | 9,831,040                  | 6    | 0.4%                             |
| Heartland Automobile Prop LLC                 | 10,215,910                 | 7    | 0.4%                             | Red Mortgage Capital Inc                      | 9,743,040                  | 7    | 0.4%                             |
| MG Pine Ridge Apts LP                         | 10,205,810                 | 8    | 0.4%                             | Aewsh Bay Pointe Senior Housing               | 9,368,740                  | 8    | 0.4%                             |
| Winco Foods LLC                               | 10,012,221                 | 9    | 0.4%                             | Merit Company                                 | 9,043,080                  | 9    | 0.4%                             |
| Arch BPBRMWA01 LLC                            | 8,684,270                  | 10   | 0.4%                             | MG Pine Ridge Apts LP                         | 9,013,570                  | 10   | 0.4%                             |
| Top Ten Taxpayer Taxable Assessed Valuation   | 146,253,291                |      | 6.2%                             | Top Ten Taxpayer Taxable Assessed Valuation   | 137,334,307                |      | 6.2%                             |
| All Other Taxpayer Taxable Assessed Valuation | 2,208,289,456              |      | 93.8%                            | All Other Taxpayer Taxable Assessed Valuation | 2,085,558,217              |      | 93.8%                            |
| Total Taxpayer Taxable Assessed Valuation     | <u>\$2,354,542,747</u>     |      | 100.0%                           | Total Taxpayer Taxable Assessed Valuation     | <u>\$2,222,892,524</u>     |      | 100.0%                           |

**Assessed Valuation of 2016 Top Ten Taxpayers Compared to Total Taxable Assessed Valuation**

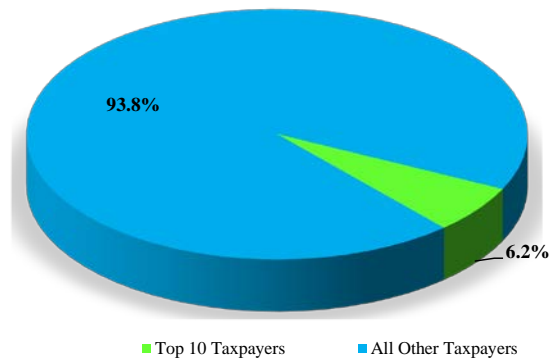
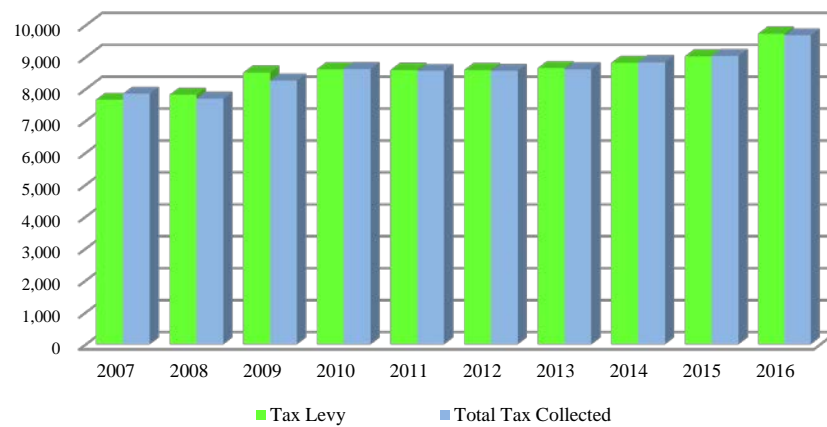


Table 9

**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 |
|-------------|----------|-------------------------|-------------------------|----------------------------|-----------------------|--|------------------------------|---|
| 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    | 8,321                   | 96.23%                  | 290                        | 8,611                 | 99.58%                                 | 575                          | 6.65%                                   |
| 2014        | 8,812    | 8,575                   | 97.31%                  | 256                        | 8,831                 | 100.22%                                | 432                          | 4.90%                                   |
| 2015        | 9,019    | 8,824                   | 97.84%                  | 207                        | 9,031                 | 100.13%                                | 373                          | 4.14%                                   |
| 2016        | 9,730    | 9,531                   | 97.95%                  | 146                        | 9,677                 | 99.46%                                 | 321                          | 3.30%                                   |

**Annual Property Tax Levies and Taxes Collected**



**Table 10**

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

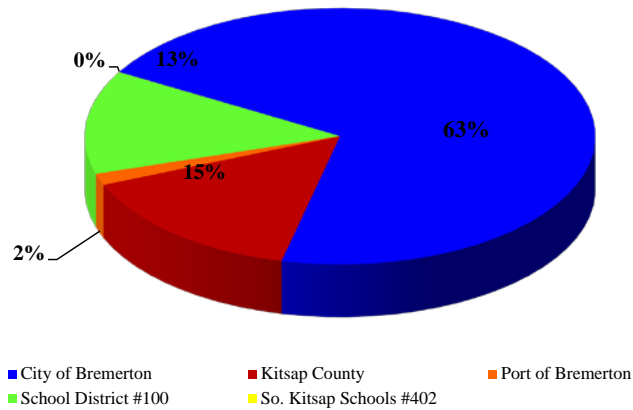
| <b>Fiscal<br/>Year</b> | <b>Population*</b> | <b>Assessed<br/>Value**</b> | <b>General<br/>Obligation<br/>Bonded<br/>Debt</b> | <b>Less Debt<br/>Service Fund</b> | <b>Net Bonded<br/>Debt</b> | <b>Percentage<br/>Net Bonded<br/>Debt to<br/>Assessed Value</b> | <b>Debt per<br/>Capita</b> |
|------------------------|--------------------|-----------------------------|---|-----------------------------------|----------------------------|---|----------------------------|
| 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               | 34,770,000  | 293,160                           | 34,476,840                 | 1.50%   | 911                        |
| 2015                   | 38,180             | 2,354,542,747               | 37,430,000  | 546,561                           | 36,883,439                 | 1.57%   | 966                        |
| 2016                   | 39,410             | 2,503,409,559               | 35,460,000  | 464,060                           | 34,995,940                 | 1.40%   | 888                        |

Table 11

**Computation of Direct and Overlapping Debt  
December 31, 2016**

| <b>Jurisdiction</b>     | <b>Gross General<br/>Obligation</b> | <b>Percentage Applicable<br/>to Bremerton</b> | <b>Amount Applicable<br/>to Bremerton</b> |
|-------------------------|-------------------------------------|---|---|
| City of Bremerton       | 35,460,000                          | 100.00 %                                      | 35,460,000                                |
| Kitsap County           | 88,609,676                          | 8.60 %  | 7,620,432                                 |
| Port of Bremerton       | 3,385,000                           | 21.68 %                                       | 733,868                                   |
| School District #100    | 8,980,115                           | 73.27 %                                       | 6,579,730                                 |
| So. Kitsap Schools #402 | 3,205,086                           | 0.36 %  | 11,538                                    |
| <b>TOTAL</b>            | <b>139,639,877</b>                  |   | <b>50,405,569</b>                         |

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



**Computation of Legal Debt Margin  
as of December 31, 2016**

**Table 12**

|   |               |            |
|---|---------------|------------|
| Total Taxable Property Value  | 2,503,409,559 |            |
| 2.5% General purpose limit is allocated between:  | 62,585,239    |            |
| Up to 1.5% debt without a vote (RCW 39.36.020)  | 37,551,143    |            |
| Less: Outstanding Debt (non-voted)  | 24,090,000    |            |
| Less: Excess of Debt with a Vote  | -             |            |
| Add: Available Assets   | 271,672       |            |
| <i>Equals remaining debt capacity without a vote</i>                                    |               | 13,732,815 |
| Up to 2.5% debt with a vote (RCW 39.36.020)   | 38,766,911    |            |
| Less: Outstanding Debt (voted)  | 11,370,000    |            |
| Add: Available Assets   | 521,091       |            |
| <i>Equals remaining debt capacity with a vote</i>                                       |               | 27,918,002 |
| 2.5% Utility purpose limit, voted (RCW 39.36.020)                                       | 62,585,239    |            |
| Less: Outstanding Debt  | -             |            |
| Less: Contracts Payable   | -             |            |
| Add: Available Assets   | -             |            |
| <i>Equals remaining debt capacity- Utility purpose, voted</i>                           |               | 62,585,239 |
| 2.5% Open Space, park & capital facilities, voted (RCW 39.36.020)                       | 62,585,239    |            |
| Less: Outstanding Debt  | -             |            |
| Less: Contracts Payable   | -             |            |
| Add: Available Assets   | -             |            |
| <i>Equals remaining debt capacity - Open space, park &amp; capital facilities voted</i> |               | 62,585,239 |

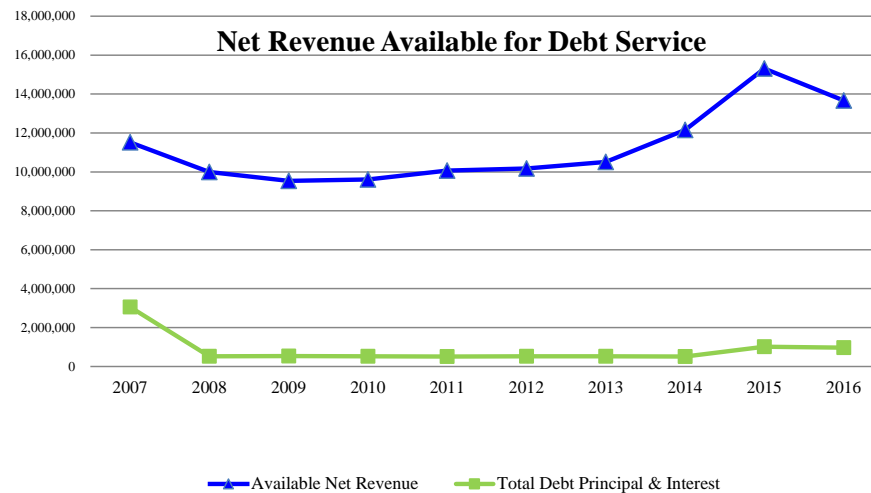


Table 13

**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> |
|--------------------|----------------------|--|---|--------------------------|-----------------|--------------|-------------------------------|
| 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               | 27,651,623           | 15,502,853                                   | 12,148,770                                    | 375,000                  | 137,388         | 512,388      | 23.71                         |
| 2015               | 31,231,386           | 15,924,253                                   | 15,307,133                                    | 595,000                  | 420,344         | 1,015,344    | 15.08                         |
| 2016               | 30,712,602           | 17,041,373                                   | 13,671,229                                    | 620,000                  | 352,046         | 972,046      | 14.06                         |

\* Net of depreciation, amortization and City taxes



**Table 14**

**Demographic Statistics  
Last Ten Fiscal Years**

| <u>Fiscal<br/>Year</u> | <u>Population <sup>1</sup></u> | <u>Personal<br/>Income (\$000) <sup>2</sup></u> | <u>Income Per<br/>Capita <sup>3</sup></u> | <u>School<br/>Enrollment <sup>4</sup></u> | <u>Number of<br/>Housing Units <sup>5</sup></u> | <u>Rate of<br/>Unemployment <sup>6</sup></u> |
|------------------------|--------------------------------|---|---|---|---|--|
| 2007                   | 35,810                         | 1,520,217                                       | 41,518                                    | 4,998                                     | 16,797  | 4.4  |
| 2008                   | 36,860                         | 1,623,535                                       | 43,187                                    | 5,061                                     | 17,171  | 4.4  |
| 2009                   | 36,620                         | 1,552,892                                       | 41,217                                    | 4,835                                     | 17,170  | 7.4  |
| 2010                   | 36,190                         | 1,501,591                                       | 41,492                                    | 4,855                                     | 17,273  | 7.3  |
| 2011                   | 38,790                         | 1,648,516                                       | 42,498                                    | 5,175                                     | 16,915  | 7.6  |
| 2012                   | 39,650                         | 1,742,857                                       | 43,956                                    | 4,904                                     | 17,090  | 7.4  |
| 2013                   | 37,850                         | 1,673,542                                       | 44,215                                    | 4,904                                     | 17,240  | 6.9  |
| 2014                   | 38,864                         | 1,810,022                                       | 46,573                                    | 5,111                                     | 17,281  | 7.4  |
| 2015                   | 38,180                         | 1,830,829                                       | 47,953                                    | 5,013                                     | 17,194  | 5.4  |
| 2016                   | 39,410                         | N/A   | N/A                                       | 5,182                                     | 17,535  | 7.1  |
| 2017                   | 40,500                         | N/A   | N/A                                       | 5,207                                     | 17,612  | 5.9  |

<sup>1</sup> State of Washington, Office of Financial Management.

<sup>2</sup> U.S. Department of Commerce - Bureau of Economic Analysis (County data prorated based on local population).  
2016 data not available at report date.

<sup>3</sup> Bremerton-Silverdale, WA - Bureau of Economic Analysis.

<sup>4</sup> State of Washington, Office of Financial Management - Office of Superintendent of Public Instruction.

<sup>5</sup> State of Washington, Office of Financial Management (post centual estimate).

<sup>6</sup> State of Washington, Employment Security Department.

<sup>2 & 3</sup> 2015 data not published.

Table 15

## Miscellaneous Statistics

**DATE OF INCORPORATION**

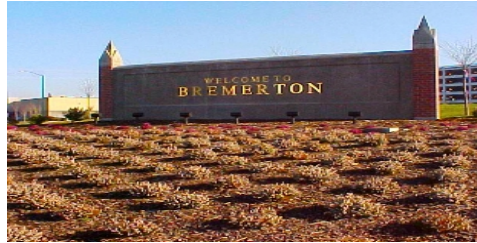
October 14, 1901

**FORM OF GOVERNMENT**

Council - Mayor

**Type of Government**

Home-Rule Charter

**Demographics in 2016**

Total Area for City of Bremerton

32.1 Square Miles

**Number of City Employees 2016**

Full-Time Equivalents

327.54

**Fire Protection**

Number of Personnel

53

Number of Stations

3

Fire and Aid Calls - 2016

8,575

Priority 1 Response Time (minutes)

5:19

**Police Protection**

Number of Police Officers

54

Calls for Service - 2016

53,456

Average Priority 1 Response Time (minutes)

2:58

Average Priority 2 Response Time (minutes)

4:58

**Parks & Recreation**

Number of Developed Parks

36

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 - 2016

4,597

Number of Business Licenses Issued in City Limits

1,388

Number of Landlord Licenses Issued - 2016

1,756

Table 15

## Miscellaneous Statistics

**Water Utility Services 2016**

|   |             |
|---|-------------|
| Residential Accounts                          | 17,084      |
| Commercial Accounts                           | 1,842       |
| Storage Capacity (gallons)                    | 33,240,000  |
| Cascade Dam Capacity (gallons)                | 1.4 billion |
| Average Daily Demand (millions per gallon-MG) | 6.2         |
| Reservoirs                                    | 17          |
| 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 2016**

|                                      |        |
|--------------------------------------|--------|
| Residential Sewer Accounts           | 10,063 |
| Commercial Sewer Accounts            | 929    |
| Miles of Main                        | 151    |
| Miles of Force Main                  | 31     |
| Sewage Pump Stations                 | 39     |
| Grinder Pump Stations                | 169    |
| 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 2016**

|                      |        |
|----------------------|--------|
| Residential Accounts | 10,185 |
| Commercial Accounts  | 1,036  |
| Miles of Mains       | 148    |



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 15

## Miscellaneous Statistics

**City Streets**

|                                   |       |
|-----------------------------------|-------|
| Street Miles                      | 144   |
| State Highway Miles               | 19    |
| Miles of Sidewalks                | 127   |
| Signalized Traffic Intersections  | 39    |
| Street Lights:                    |       |
| City Owned                        | 875   |
| Leased from Puget Sound Energy    | 1,738 |
| Signs, Crosswalks & Lane Markings | 7,700 |

**Forestry**

|  |          |
|--|----------|
| Water and Utility Forest Lands (acres) | 8,300    |
| Miles of Forest Roads                  | 60       |
| Timber Harvested (board feet)          | 1.19 MBF |
| Biosolids applied (cubic yards)        | 2,936    |
| Reforestation (seedlings planted)      | 32,050   |

**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 15

## Miscellaneous Statistics

**Local Transportation**

|   |               |
|---|---------------|
| Washington State Ferries                          |               |
| Seattle Bremerton Route - Total Annual Rides 2016 | 2,739,926     |
| Kitsap Transit 2016                               |               |
| Foot Ferry  |               |
| Annual Rides - Port Orchard & Annapolis           | 487,279       |
| Buses (County Wide)                               |               |
| Annual Bus Rides ( <i>Routed Service</i> )        | 2,189,634     |
| Kitsap Access Bus                                 | 290,394       |
| Worker/Driver Service                             | 400,800       |
| <b>2016 Total Bus Ridership</b>                   | 2,880,828     |
| Vanpool and Other                                 |               |
| Vanpool Service                                   | 175,920       |
| <b>2016 Total Vanpool Ridership</b>               | 175,920       |
| Guaranteed Ride Home                              |               |
| Guaranteed Ride Home                              | 188           |
| <b>2016 Total Guaranteed Ride Home</b>            | 188           |
| <br>Total Kitsap Transit Ridership                | <br>3,544,215 |

Sources: Washington State Ferries  
Kitsap Transit