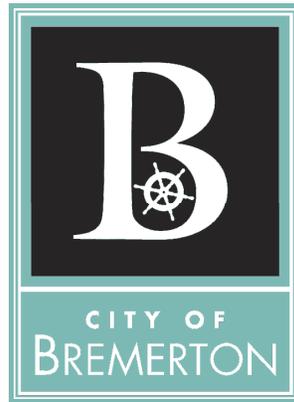




City of Bremerton, Washington
**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

For the period January 1, 2015 thru December 31, 2015

City of Bremerton, Washington



Annual Financial Report

*For the Fiscal Year ended
December 31, 2015*

Prepared by the Finance Department

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Bremerton, WA 98337
(360) 473-5210
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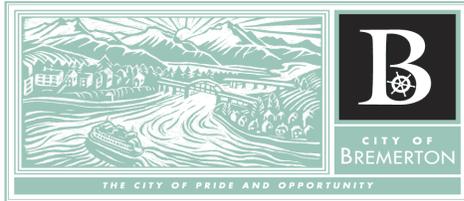
City of Bremerton
 Comprehensive Annual Financial Report
 For the Fiscal Year Ended December 31, 2015

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Cathy Johnson, Director of Financial Services

May 29, 2016

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

The Department of Financial Services is pleased to provide you with the Annual Financial Report of the City of Bremerton for the fiscal year ended December 31, 2015. State statute and financial best practices require the City to issue annually a report on its financial position and activity. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with city management based upon a comprehensive framework of internal controls that have been established to provide assurances that the financial statements are free of any material misstatements. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner that presents fairly the financial position and results of operations of the various funds and component units of the City.

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

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

Profile of the Government

The City of Bremerton was incorporated in 1901, and operates under the laws of the State of Washington applicable to a first class charter city under a Mayor/Council form of government. In 2015, the City Council was comprised of seven members, elected by the citizens of the district each represents, with terms of four years. The City Council members are part-time elected officials who exercise the legislative powers of the City and determine matters of policy. The Mayor, a full-time elected official, is the chief executive officer of the City. Department directors are appointed by the Mayor with Council approval.

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

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

The City of Bremerton is located in Kitsap County and lies east of the Olympic Mountains directly across Puget Sound from Seattle. As the largest city in the County, Bremerton had a 2015 population of 38,180 and serves as the urban center for the Bremerton-Silverdale Metropolitan Statistical Area (MSA). For over a century, Bremerton has been home to Puget Sound Naval Shipyard and the Intermediate Maintenance Facility (IMF) which continues to service U.S. Naval vessels and its personnel.

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

Economic overview/factor's affecting the City's financial condition

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

PSNS and Naval Base Kitsap employ 15,000 civilians that service U.S. Navy ships. In addition, nearly 8,750 active duty military personnel are based at this site. Additional major employers in our region include Harrison Medical Center with 1,485 employees and Olympic College with 1,275 employees.

Kitsap County's business climate remains as healthy as our environment thanks to the presence of major naval installations, including PSNS & IMF, Naval Base Kitsap, Naval Undersea Warfare Center Division Keyport, and Naval Hospital Bremerton. Our county has a skilled workforce of approximately 114,832. Local jobs are found in approximately 87,600 non-agricultural positions and in thousands of other sole proprietorships. About one-half of these non-agricultural jobs are military, federal civil service, and private sector defense contractor jobs that directly or indirectly support our major naval installations.

At December 31, 2015, the county's average unemployment rate was 5.0 percent. In comparison, the State of Washington's unemployment rate for the same period was 5.4 percent. Per Capita income for the Bremerton-Silverdale MSA is also improving. 2014 per capita income was \$45,533, below that of Washington State at \$47,717 and above the nation at \$44,765. The median household income projections for Kitsap County also continue to improve. The 2015 projection for Kitsap County is \$60,898 as compared to \$59,605 for 2014, and as compared to the 2014 Washington State projected median household income figure of \$60,153. (Source: *Employment Security Dept., Bureau of Economic Analysis; US Census Bureau*)

The Naval and Department of Defense installations in the county have a significant impact on the City's economy. The naval presence has served the City well in the past and is expected to continue to help it recover from the effects of the recent recession. In addition, it has been the City's policy to encourage and facilitate diversification in the region's employment base. The City has completed its master plan for the Puget Sound Industrial Area-Bremerton, which encourages manufacturing and industrial development and represents over 1,000 jobs.

▪ Relevant Financial Policies

Financial and Budget Policy Statements are presented on pages 163-166 of the 2015 Annual Budget, which may be found on the City's website at www.ci.bremerton.wa.us. Long-term financial planning is

discussed in several of the policy statements, including strategic planning, financial sustainability, and budget and contingency policies. In addition, long-term financial planning for the City is framed by the City's Comprehensive Plan which was adopted in December 2004 and was most recently updated by Council action on May 18, 2016. The Comprehensive Plan represents the expressed vision of the City and related expectations on the nature of growth and services to be provided. The Financial and Budget Policy statements define what constitutes a "good outcome" for the City in regards to financial planning and decisions and the boundaries or demonstrated performance deemed necessary to achieve those objectives.

▪ Revenue Limitations

State law allows the City to levy a regular property tax rate of up to \$3.825 per thousand of assessed property value annually (Bremerton is eligible for the additional \$0.225 for fireman's pension fund). No matter what the assessed value is, however, the growth rate of property tax collections is limited to 1% per year prior to the addition of new construction. In no event may the annual limit exceed the \$3.825 per thousand of assessed value. During 2015, the City regular property tax levy was \$2.94 per thousand. Excess levies for emergency medical services and voted bond levies added an additional \$.89 per thousand.

Major Initiatives

The City of Bremerton, in partnership with other public entities, provided significant public sector stimulus investment to the City's revitalization program by infusing public dollars into key infrastructure improvements. Over the past ten years, these projects have included a newly expanded Conference Center, two hotels, two condominium complexes, an expanded marina, Harborside Park and Plaza, as well as a ferry terminal traffic tunnel. The City continued this investment in its revitalization program with the completion of a new parking garage downtown. This new garage led to the development of a multi-plex cinema, opened June 2012, a restaurant in 2013 and a new 71 unit residential apartment complex completed in 2015. Significant road and bike/pedestrian improvement projects completed in 2015 include Lower Wheaton Way and the Washington Avenue Connector. Both of these projects are major pieces in the vision of a bridge to bridge bike/pedestrian trail in the City.

Acknowledgments

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

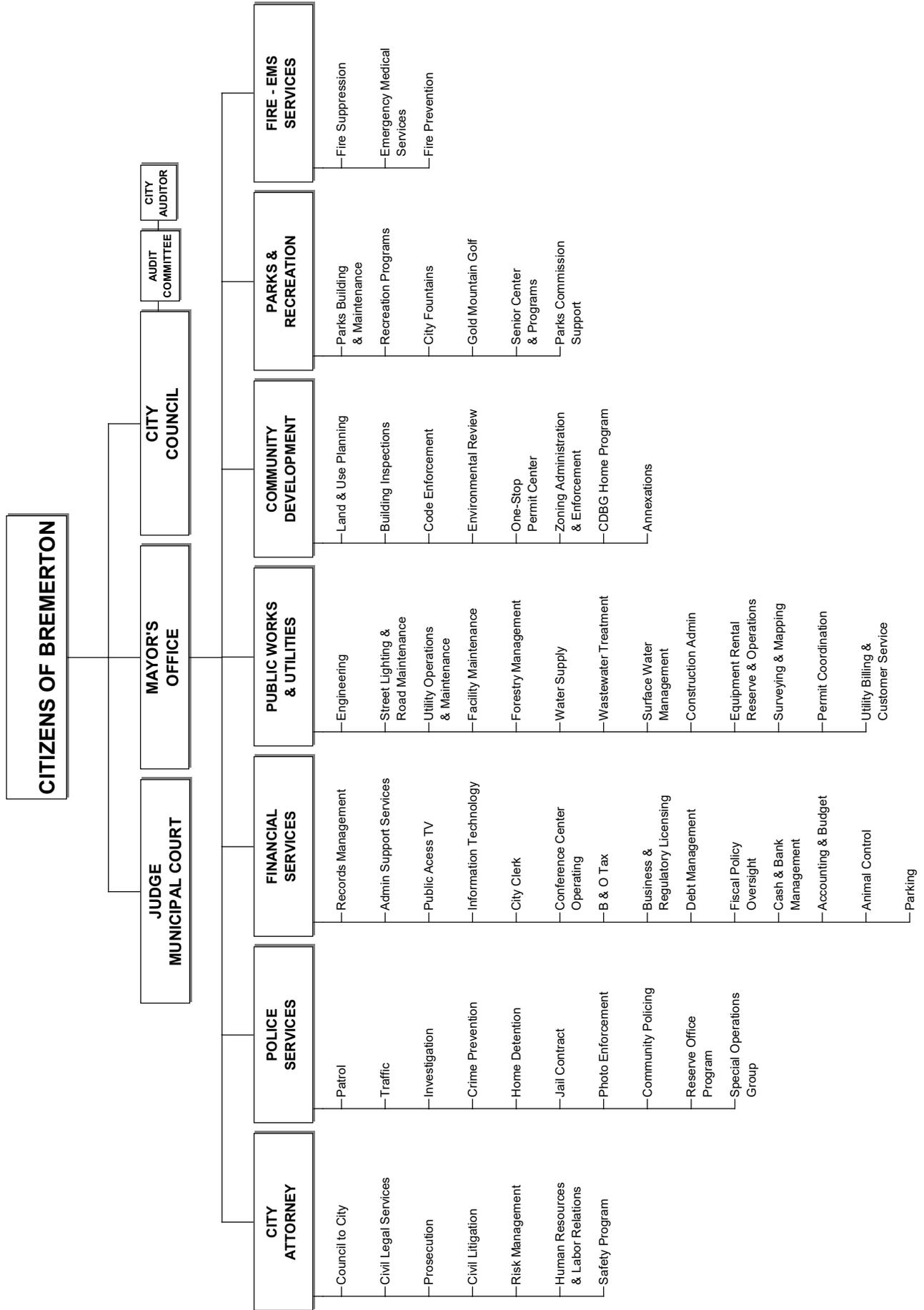
Respectfully submitted,



Patty Lent
Mayor



Cathy Johnson
Director of Financial Services



Directory of Officials

2015

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	Roy Runyon
District #7 Council Member	Eric Younger
Judge, Municipal Court	James Docter

Appointed Officials:

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

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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

City of Bremerton Kitsap County January 1, 2015 through December 31, 2015

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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed on page 16.

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, 2015, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 1 to the financial statements, in 2015, the City adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 18 through 30, information on postemployment benefits other than pensions on page 76 and pension plan information on pages 77 through 86 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management

about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by 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 26, 2016 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.

A handwritten signature in black ink that reads "Troy X. Kelley". The signature is written in a cursive style with a large, stylized 'T' and 'K'.

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

September 26, 2016

Management's Discussion and Analysis

The City of Bremerton (City) presents this Management Discussion and Analysis (MD&A) in order to provide a narrative overview of the City's financial activities, focus on significant financial issues, and highlight significant changes in the City's financial position for the fiscal year ended December 31, 2015. 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 2015, the assets and deferred outflows of the City exceeded its liabilities and deferred inflows by \$264 million. The net investment in capital assets accounts for 87 percent of this amount (\$229.3 million). Net position restricted primarily for construction projects, debt service, Community Development Block Grant (CDBG) programs, tourism promotion, worker's compensation liability and public safety account for another 4.1 percent of this amount (\$10.8 million). The remaining net assets of \$23.9 million may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's net position decreased by \$2.5 million .9% during the fiscal year. The governmental net position decreased by \$1.9 million (1.9%) from the amount reported in 2014. Business-type net position decreased by \$.620 million (.4%).
- As of December 31, 2015, the City's governmental funds reported a combined fund balance of \$15.6 million, an increase of 51.98% from the prior year end. The fund balance of the General Fund increased by \$.688 million while the remaining non-major governmental funds had a fund balance increase of \$4.7 million. \$7.9 million of the combined ending governmental fund balances is restricted for specific purposes by external parties or enabling legislation or otherwise not available for expenditure. Of the remaining \$7.7 million of unrestricted fund balance, \$3.1 million has been committed or assigned for specific purposes while \$4.6 million is unassigned and available to the City for future appropriation. The remaining fund balance of \$18,827 is non-spendable inventories.
- At the end of 2015, the unassigned fund balance of the General Fund was \$4.7 million or approximately 13.5 percent of total General Fund expenditures of \$34.4 million. The General Fund's unassigned fund balance decreased by \$67,272 from the prior year's amount of \$4.7 million..
- The City's total outstanding debt decreased by \$.494 million .8% during the current fiscal year to \$62.4 million. General obligation debt increased by \$2.7 million and revenue debt decreased by \$.315 million. The increase in General obligation bonds was attributable to the issuance \$4.16 million in UTGO bonds for Public Safety capital improvements approved by the voters in November 2015.
- The City's net investment in Capital Assets increased \$3.2 million 1.1% in 2015. Total Capital assets from governmental activities increased \$1.9 million or 1.6%. Total Capital assets from business type activities increased \$1.3 or .8%. The Governmental increases are primarily due to the completion of Lower Wheaton Way and the construction of the Washington Avenue Connector totaling \$4.53 million. \$7.5 million was spent on Business Activities. Of that amount, \$6.1 million was spent for water, wastewater and stormwater capital improvements identified within the City's 2015 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 (24) individual governmental funds in 2015. 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, 2015 totaled \$264 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		
	2015	2014	Difference	2015	2014	Difference	2015	2014	Difference
Current Assets	\$ 17,114	\$ 16,698	\$ 416	\$ 27,248	\$ 20,830	\$ 6,418	\$ 44,362	\$ 37,528	\$ 6,834
Restricted Assets	8,631	3,074	5,557	1,723	8,512	(6,789)	10,354	11,586	(1,232)
Capital Assets	115,269	113,413	1,856	176,673	175,346	1,327	291,942	288,759	3,183
Other Noncurrent Assets	6,203	1,741	4,462	371	419	(48)	6,574	2,160	4,414
Total assets	147,217	134,926	12,291	206,015	205,107	908	353,232	340,033	13,199
Deferred outflows of resources	2,485	-	2,485	626	153	473	3,111	153	2,958
Current Liabilities	3,328	3,639	(311)	1,666	1,438	228	4,994	5,077	(83)
Payable from Restricted Assets	-	-	-	-	40	(40)	-	40	(40)
Noncurrent Liabilities	48,793	34,578	14,215	35,188	34,031	1,157	83,981	68,609	15,372
Total liabilities	52,121	38,217	13,904	36,854	35,509	1,345	88,975	73,726	15,249
Deferred inflows of resources	2,744	14	2,730	656	-	656	3,400	14	3,386
Net position									
Net Investment in Capital Assets	82,210	83,690	(1,480)	147,071	147,993	(922)	229,281	231,683	(2,402)
Restricted	8,629	3,767	4,862	2,201	7,648	(5,447)	10,830	11,415	(585)
Unrestricted	3,998	9,238	(5,240)	19,859	14,110	5,749	23,857	23,348	509
Total Net Position	\$ 94,837	\$ 96,695	\$ (1,858)	\$ 169,131	\$ 169,751	\$ (620)	\$ 263,968	\$ 266,446	\$ (2,478)

The largest component of the City's net position, \$229 million (or 87%), is its investment in capital assets less any related outstanding debt issued to acquire those assets. These capital assets, such as utility plant, streets, trails, parks, fire and police vehicles, are used to provide services to the citizens. Consequently, these assets are not available to sell and convert to cash for future spending. Although the City's investment in its capital assets is reported net of related debt, the resources needed to repay the debt must be provided from other sources, as capital assets cannot be used to liquidate these liabilities.

Restricted net position consists of amounts legally or otherwise externally restricted for debt service and other programs. Of the \$8.6 million of governmental restrictions, \$6.4 million or 73.7% is restricted for the construction of capital assets. \$.989 million (11.5%) are special revenues restricted primarily for use in the Community Development Block Grant program, for public safety services (6.8%), tourism promotion (3.6%), public access television (1.9%) and workers compensation liability (1.1%). 1.4% or \$.123 million is restricted for debt service on outstanding debt. \$2.2 million of business-type restrictions are reserves required for debt service payments and asset replacement. A total of \$19.8 million represents the unrestricted net position of the City's business-type activities and may only be spent on golf course operations, water, wastewater and other utility activities. Maintenance of utility delivery systems (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 \$4.0 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 2015 with net position increasing approximately \$1.9 million before prior period adjustments and accounting changes. The net position of governmental activities decreased by \$1.6 million and the net position of business-type activities increased by \$3.5 million.

Following is a condensed version of the City's changes in net position. The table shows the revenues, expenses, and related changes in net position in tabular form for the governmental activities separate from the business-type activities. The graphs that follow compare program revenues to program expenses and illustrate the revenues by source separately for the governmental and business-type activities.

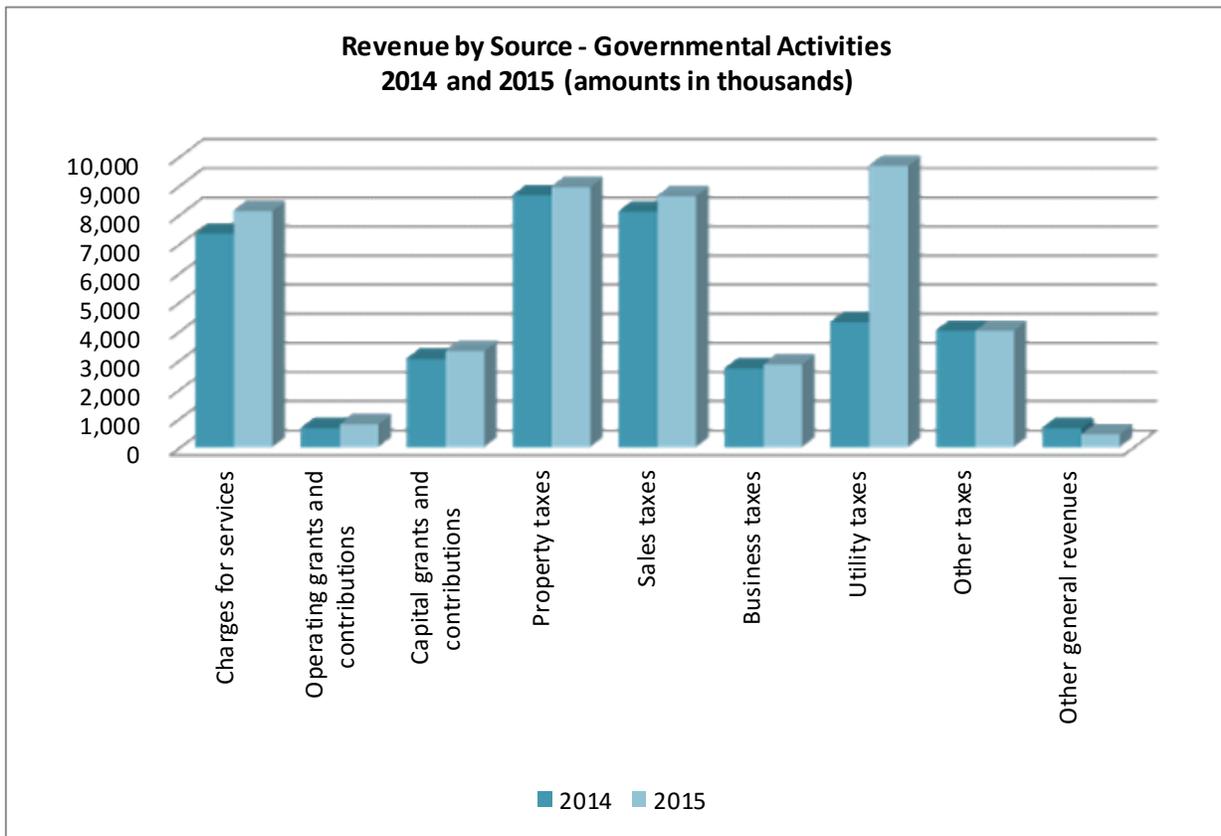
Changes in Net Position

Amounts in 000's	Governmental Activities			Business-Type Activities			Total		
	2015	2014	Difference	2015	2014	Difference	2015	2014	Difference
Revenues									
Program revenues									
Charges for services	\$ 8,150	\$ 7,375	\$ 775	\$ 34,562	\$ 31,021	\$ 3,541	\$ 42,712	\$ 38,396	\$ 4,316
Operating grants/contributions	821	687	134	11	-	11	832	687	145
Capital grants/contributions	3,342	3,073	269	2,132	1,387	745	5,474	4,460	1,014
General revenues									
Property taxes	8,972	8,688	284	-	-	-	8,972	8,688	284
Sales taxes	8,663	8,130	533	48	28	20	8,711	8,158	553
Business taxes	2,878	2,734	144	14	4	10	2,892	2,738	154
Utility taxes	9,696	4,332	5,364	-	-	-	9,696	4,332	5,364
Other taxes	4,046	4,045	1	-	-	-	4,046	4,045	1
Other general revenues	484	692	(208)	644	532	112	1,128	1,224	(96)
Total revenues	\$ 47,052	\$ 39,756	\$ 7,296	\$ 37,411	\$ 32,972	\$ 4,439	\$ 84,463	\$ 72,728	\$ 11,735
Expenses									
Governmental activities									
General government	4,379	3,898	481	-	-	-	4,379	3,898	481
Public safety	27,925	24,348	3,577	-	-	-	27,925	24,348	3,577
Utilities and environment	-	-	-	-	-	-	-	-	-
Transportation	5,736	5,802	(66)	-	-	-	5,736	5,802	(66)
Economic Environment	1,935	1,890	45	-	-	-	1,935	1,890	45
Culture and recreation	6,175	6,128	47	-	-	-	6,175	6,128	47
Interest on long-term debt	1,405	1,215	190	-	-	-	1,405	1,215	190
Business-type activities									
Water	-	-	-	11,760	10,223	1,537	11,760	10,223	1,537
Wastewater	-	-	-	13,325	10,129	3,196	13,325	10,129	3,196
Golf course	-	-	-	3,994	3,827	167	3,994	3,827	167
Stormwater	-	-	-	2,465	1,823	642	2,465	1,823	642
Total expenses	\$ 47,555	\$ 43,281	\$ 4,274	\$ 31,544	\$ 26,002	\$ 5,542	\$ 79,099	\$ 69,283	\$ 9,816
Excess of revenues over expenses	(503)	(3,525)	3,022	5,867	6,970	(1,103)	5,364	3,445	1,919
Transfers	1,778	6,417	(4,639)	(1,778)	(6,417)	4,639	-	-	-
Change in net position	1,275	2,892	(1,617)	4,089	553	3,536	5,364	3,445	1,919
Net position - beginning	96,695	93,903	2,792	169,751	168,484	1,267	266,446	262,387	4,059
Prior period adjustment	16	(100)	116	33	714	(681)	49	614	(565)
Accounting Change GASB 68	(3,149)	-	(3,149)	(4,742)	-	(4,742)	(7,891)	-	(7,891)
Net position - ending	\$ 94,837	\$ 96,695	\$ (1,858)	\$ 169,131	\$ 169,751	\$ (620)	\$ 263,968	\$ 266,446	\$ (2,478)

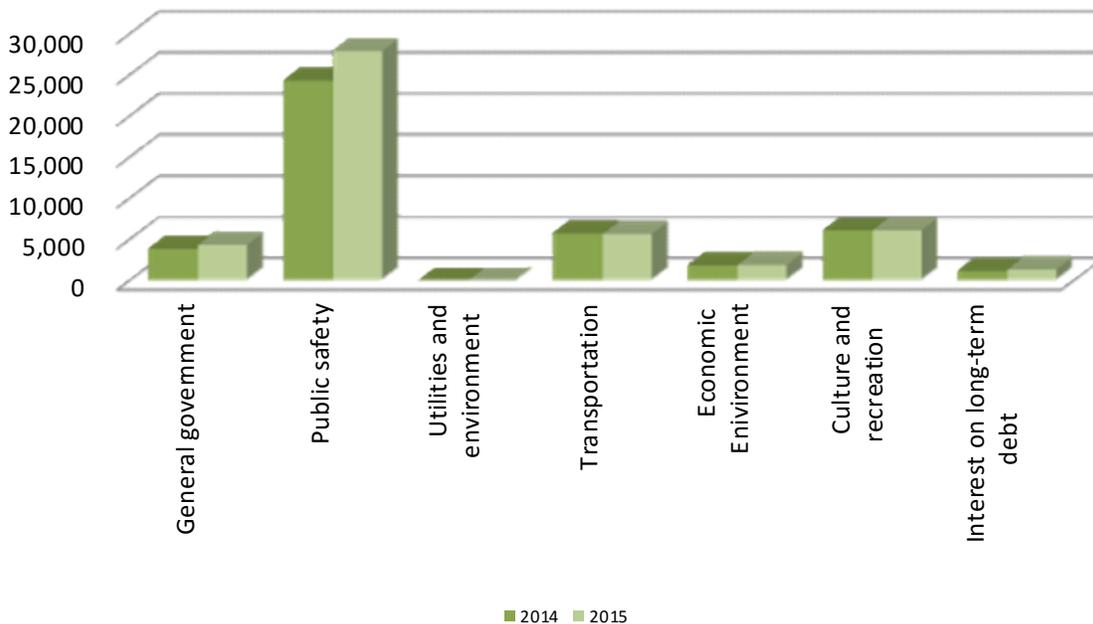
Governmental activities accounted for a decrease of \$1.6 million of the total change in net position of \$1.9 million before prior period adjustments and accounting changes. Significant elements of the increase are as follows:

- A change in the actuarial valuation method for LEOFF 1 retirement benefits had a significant change over the past valuation. The change in valuation resulted in an increase in recognized expenses of \$3.0 million.
- Expenditures increased by 9.9% in 2015 compared to 2014. Small changes occurred in many functional areas, as a significant effort was made to match available resources. The major change was the \$3.0 million increase in Public Safety expenditures related to the LEOFF 1 valuation change.

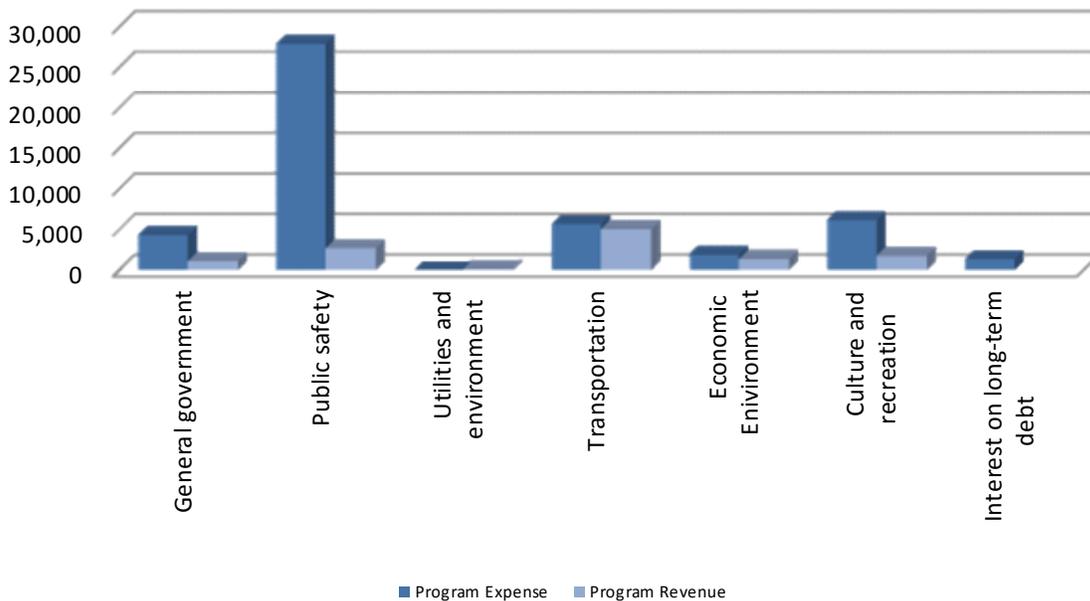
- Total revenue from governmental activities in 2015 increased by \$7.3 million from 2014. Program revenues increased by \$1.178 million. Charges for services had the largest increase (\$.775 million). Half of that increase (\$.385 million) was attributable to pension revenues recognized as part of the GASB 68 implementation. Operating grants increased by \$.134 million and Capital grants \$.269 million. Increases in license and permitting fees, other charges for services and fee collected from fines accounted for the remaining \$.390 million. Tax revenues that support ongoing operations increased by \$6.326 million or 22.6% in 2015 from the 2014 level. The most significant increase (\$5.4 million) was from Utility tax revenue. This was attributable to an accounting change in what was previously identified as payment in lieu of taxes (PILOT). The activity was previously accounted for in Transfers. Sales taxes increased \$.533 million or 7.0%. Business taxes increased by \$.144 million or 5%. Property and other taxes increased \$.285 million or 3.0%. Other general revenues which include interest earnings, gains and losses on disposal of assets, and miscellaneous income, decreased by \$.208 million.
- Governmental net position decreased overall by \$1.85 million in 2015. The major contribution to this decrease was from an accounting standard change (GASB 68) that allocated future pension liabilities to employers resulting in a reduction of \$3.1 million. Previously, only the annual contributions were recorded as an expenditure.



**Expenditures by Type - Governmental Activities
2014 and 2015
(amounts in thousands)**

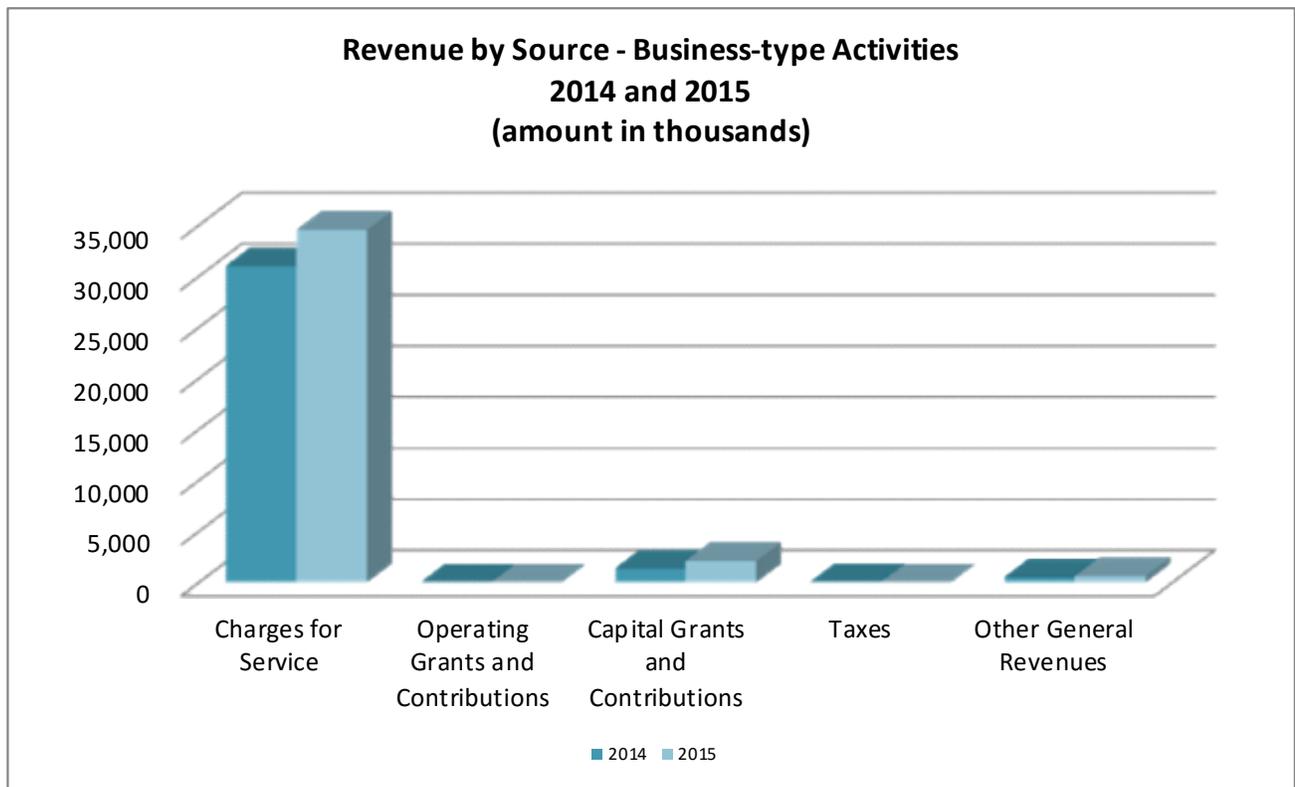


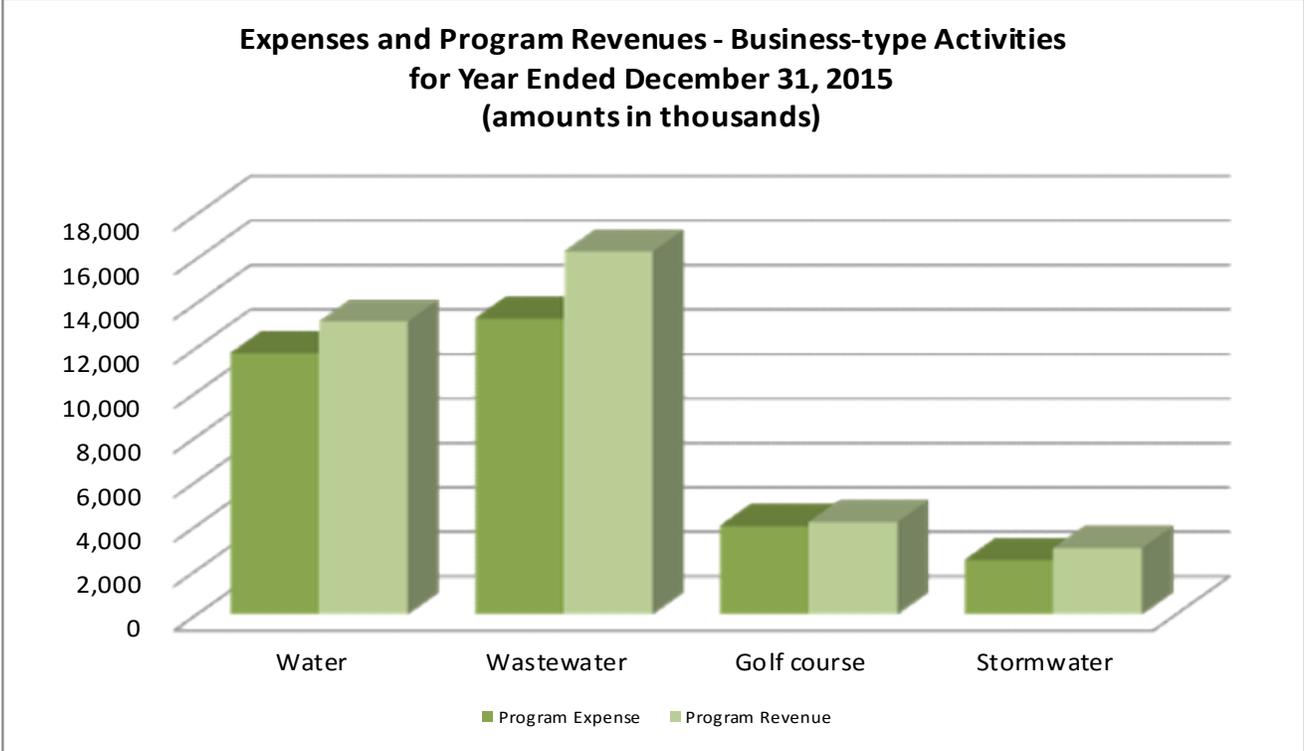
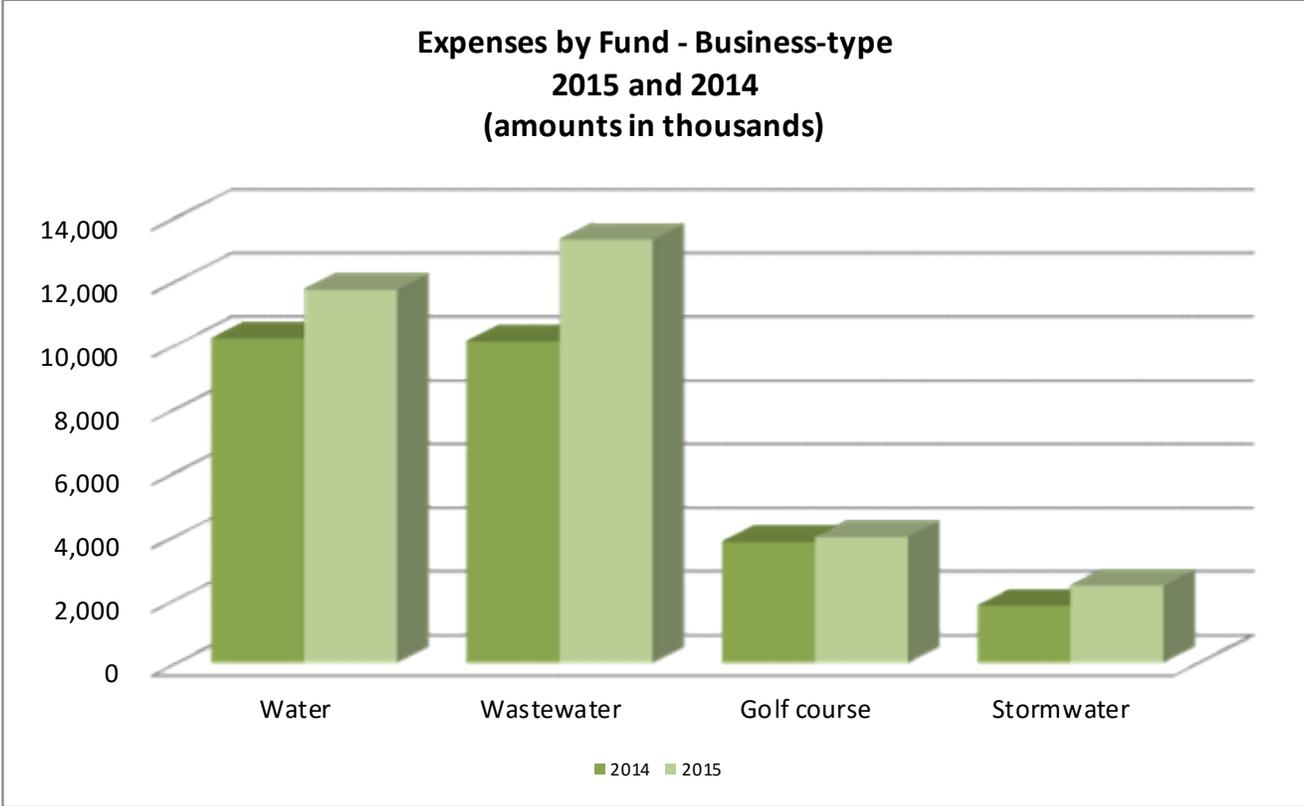
**Program Expenses and Revenues - Governmental Activities
Year Ended 2015
(amounts in thousands)**

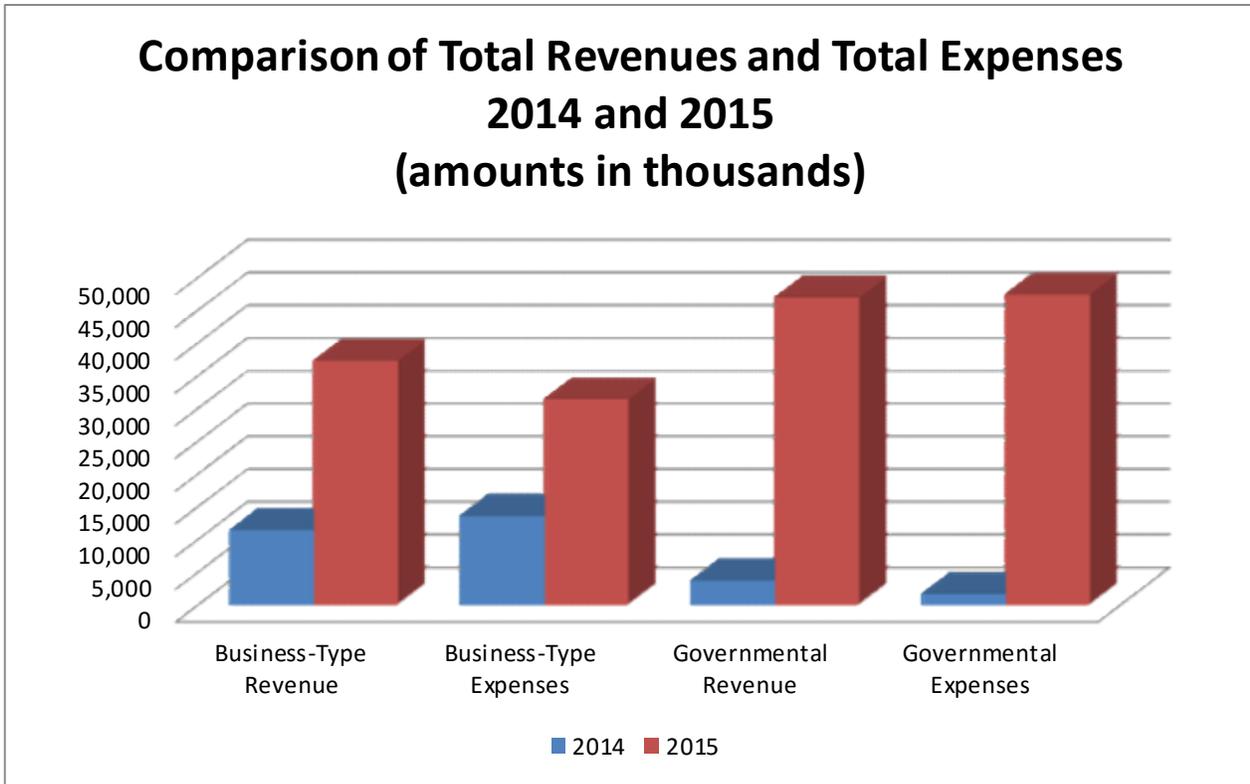


Business-type activities increased City’s net position by \$3.5 million, before prior period adjustments and accounting changes, accounting for approximately 184% of the total growth in the government’s net position.

- Charges for services increased \$3.5 million in 2015. This was largely the result of rate increases in the Water, Wastewater and Stormwater funds of 8%, 4% and 13%, respectively, effective January 1, 2015.
 - Expenses for Business-Type activities increased \$5.5 million in 2015. \$5.3 million of this increase is due to an accounting change in what was previously identified as payment in lieu of taxes (PILOT). The activity was previously accounted for in Transfers.
 - Transfers to Governmental Activities decreased by \$4.6 million in 2015. This decrease was largely attributable to the previous stated accounting change for utility taxes on the City’s own utilities.
- The net position of Business-Type decreased by \$.620 million overall in 2015. The change in net position from activities of \$3.5 million was offset in major part by the GASB 68 accounting standard change of (\$4.7) million that allocated future pension liabilities to employers. Previously, only the annual contributions were recorded as an expenditure.







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 2015, the fund balance of the General Fund was \$5.4 million. As a measure of the fund’s liquidity, the 2015 ending fund balance is 15.9% of the fund’s 2015 expenditures, an increase of 1.2% over 2014’s 14.7%.

The General Fund ending fund balance increased in 2015 by \$.688 million in 2015. Revenues increased from \$28.4 million in 2014 to \$35 million in 2015. The largest component of this increase (\$4.0 million) is due to a change in accounting treatment for utility taxes collected from the City’s own utilities. These revenues were previously reported as transfers from the utility funds. An increase of \$1.3 million resulted from a policy change regarding the allocation of utility taxes from the city’s own utilities between the General and Street funds. Revenues from other tax collections increased by \$770,092 primarily from an increase in sales tax collections of \$428,000. Intergovernmental revenue increased by \$340,575 primarily from operating grants. Expenditures increased from \$32.6 million to \$34.4 million during the same period. 48% or \$890,457 of the \$1.85 million increase in expenditures was attributable to employee wage and benefit increases. Expenditures for supplies and services increased by \$0.5 million led by increases for the care and custody of prisoners (\$178K) and contributions to the equipment reserve fund (300K) for vehicle replacement.

Proprietary funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Other than the accounting changes noted in the Business activity discussion above there were no significant transactions pertaining to the proprietary funds.

General Fund Budget Variations

The General Fund collected revenues at 99.9% of the amended amount budgeted or \$.079 million less than budgeted. Expenditures for 2015 were 97.2% of the amended budget resulting in actual expenditures being \$1.1 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 2015. The original budget provided for a decrease to the fund balance of \$1,165,731. The budget was amended two times during 2015. The final amended budget provided for an increase to fund balance of \$616,701. At the conclusion of 2015, the General Fund increased fund balance by \$1,029,609.

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, 2015, amounts to \$292 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 2015 were the reconstruction of Lower Wheaton Way and the Washington Avenue street restoration projects.

The major capital assets changes for business-type activities included the construction of wastewater and water capital improvement projects identified within the City's 2015 capital improvement plan.

Capital Assets (net of depreciation)

Amounts in 000's	Governmental Activities			Business-Type Activities			Total		
	2015	2014	Difference	2015	2014	Difference	2015	2014	Difference
Land	\$ 20,402	\$ 20,402	\$ -	\$ 9,407	\$ 9,277	\$ 130	\$ 29,809	\$ 29,679	\$ 130
Buildings	49,730	51,039	(1,309)	32,144	33,146	(1,002)	81,874	84,185	(2,311)
Improvements/Infrastructure	37,436	34,568	2,868	95,605	96,576	(971)	133,041	131,144	1,897
Machinery and Equipment	2,128	2,362	(234)	31,933	32,137	(204)	34,061	34,499	(438)
Construction in Progress	5,568	5,037	531	7,414	4,033	3,381	12,982	9,070	3,912
Intangibles	5	5	-	170	176	(6)	175	181	(6)
TOTAL	\$ 115,269	\$ 113,413	\$ 1,856	\$ 176,673	\$ 175,345	\$ 1,328	\$ 291,942	\$ 288,758	\$ 3,184

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

Long-term debt

For governmental type activities in 2015, the City issued UTGO Public Safety Bonds in the amount of \$4,160,000. The average interest rate on the bonds is 1.7839% with a maturity date of December 1, 2025.

Outstanding Debt - General Obligation and Revenue Bonds

Amounts in 000's	Governmental Activities			Business-Type Activities			Total		
	2015	2014	Difference	2015	2014	Difference	2015	2014	Difference
General Obligation Bonds	\$ 32,920	\$ 30,015	\$ 2,905	\$ 4,510	\$ 4,755	\$ (245)	\$ 37,430	\$ 34,770	\$ 2,660
General Obligation Notes	-	-	-	-	-	-	-	-	-
Revenue Bonds	-	-	-	9,120	9,715	(595)	9,120	9,715	(595)
Revenue Loans	-	-	-	15,881	18,440	(2,559)	15,881	18,440	(2,559)
TOTAL	\$ 32,920	\$ 30,015	\$ 2,905	\$ 29,511	\$ 32,910	\$ (3,399)	\$ 62,431	\$ 62,925	\$ (494)

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

Economic Factors and Next Year's Budgets and Rates

Several factors that affect the economic climate in Bremerton were considered when preparing the City's 2015 annual budget. The outlook for the nation, state and region was weighed in relation to its expected impact on Bremerton. The character of the City, including its current and future business activity and its attraction as a place to live, was evaluated. The current financial position and the ability of the City to recover from its history of economic depression have improved slightly due to the major effort to rehabilitate Bremerton's downtown core and attract new investors to the community. In addition, the national, regional and local economic conditions continued to show improvement during 2015.

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 2015 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. The Bremerton City Council, acting as the Bremerton Transportation Benefit District Board, enacted a \$20 per vehicle car tab fee to be used solely for transportation projects. This fee was adopted in December 2011. In 2015 \$481,000 in fees had been collected. The TBD Board has adopted a work plan that includes various repairs on substandard city streets.

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 2015 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.

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Statement of Net Position
December 31, 2015

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Current assets:			
Cash & Cash Equivalents	\$ 5,462,185	\$ 9,481,955	\$ 14,944,140
Investments	6,031,927	10,691,108	16,723,035
Receivables	4,683,203	5,494,992	10,178,195
Internal balances	(139,983)	139,983	-
Due from other governments	655,093	-	655,093
Inventories	111,620	1,419,807	1,531,427
Prepayments	311,259	20,182	331,441
Restricted assets:			
Cash & Cash Equivalents	6,247,640	800,898	7,048,538
Investments	1,324,998	922,576	2,247,574
Receivables	853,182	-	853,182
Due from other governments	203,447	-	203,447
Notes and contracts receivable:			
Due within one year	-	48,597	48,597
Due in more than one year	-	321,963	321,963
Capital assets net of depreciation	115,269,143	176,672,801	291,941,944
Other assets	6,203,007	-	6,203,007
Total assets	<u>\$ 147,216,721</u>	<u>\$ 206,014,862</u>	<u>\$ 353,231,583</u>
Deferred outflows of resources			
Deferred amount on refunding	\$ 970,107	\$ 127,991	\$ 1,098,098
Deferred amount related to pension	\$ 1,514,540	\$ 498,166	\$ 2,012,706
Total Deferred outflow of resources	<u>\$ 2,484,647</u>	<u>\$ 626,157</u>	<u>\$ 3,110,804</u>
Liabilities			
Accounts payable and other current liabilities	\$ 1,849,155	\$ 1,032,464	\$ 2,881,619
Employee wages payable	1,028,672	333,135	1,361,807
Other accrued liabilities	449,820	175,502	625,322
Custodial accounts	-	124,568	124,568
Noncurrent liabilities			
Unearned Revenue	-	99,749	99,749
Due within one year	6,993,907	3,571,643	10,565,550
Due in more than one year	41,798,874	31,516,667	73,315,541
Total liabilities	<u>\$ 52,120,428</u>	<u>\$ 36,853,728</u>	<u>\$ 88,974,156</u>
Deferred inflows of resources related to pension	<u>\$ 2,743,881</u>	<u>\$ 656,132</u>	<u>\$ 3,400,013</u>
Net Position			
Net investment in capital assets	\$ 82,209,827	\$ 146,761,988	\$ 228,971,815
Restricted for:			
Tourism promotion & facilities	309,359	-	309,359
Community development block grant	989,191	-	989,191
Public safety	591,272	-	591,272
Public Access Television	165,961	-	165,961
Debt service	121,616	2,016,694	2,138,310
Workers compensation	100,000	-	100,000
Capital projects	6,351,869	184,536	6,536,405
Unrestricted	3,997,964	20,167,941	24,165,905
Total Net Position	<u>\$ 94,837,059</u>	<u>\$ 169,131,159</u>	<u>\$ 263,968,218</u>

See accompanying notes to the financial statements.

Statement of Activities
For the Year Ended December 31, 2015

Function/Program	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for	Operating	Capital	Governmental	Business-Type	Total
		Services	Grants and	Grants and			
		Contributions	Contributions	Activities	Activities		
Governmental activities:							
General government	\$ 4,378,952	\$ 1,138,473	\$ -	\$ -	\$ (3,240,479)	\$ -	\$ (3,240,479)
Public safety	27,924,882	2,629,038	108,346	-	\$ (25,187,498)	-	(25,187,498)
Utilities and environment	-	135,708	-	-	\$ 135,708	-	135,708
Transportation	5,736,335	1,612,358	6,000	3,475,548	\$ (642,429)	-	(642,429)
Economic environment	1,934,666	752,256	655,557	-	\$ (526,853)	-	(526,853)
Culture and recreation	6,175,244	1,748,761	51,304	-	\$ (4,375,179)	-	(4,375,179)
Interest on long-term debt	1,404,627	-	-	-	\$ (1,404,627)	-	(1,404,627)
Total governmental activities	47,554,706	8,016,594	821,207	3,475,548	(35,241,357)	-	(35,241,357)
Business-type activities:							
Water	11,760,629	12,395,248	-	797,091	-	1,431,710	1,431,710
Wastewater	13,324,703	15,238,903	-	1,093,898	-	3,008,098	3,008,098
Golf course	3,993,845	4,172,759	-	-	-	178,914	178,914
Stormwater	2,464,910	2,754,639	11,005	241,277	-	542,011	542,011
Total business-type activities	31,544,087	34,561,549	11,005	2,132,266	-	5,160,733	5,160,733
Total government	\$79,098,793	\$ 42,578,143	\$ 832,212	\$ 5,607,814	\$(35,241,357)	\$ 5,160,733	\$(30,080,624)
General Revenues							
Taxes:							
Property					8,971,576	-	8,971,576
Sales					8,662,583	47,570	8,710,153
Business					2,878,276	14,020	2,892,296
Utility					9,695,992	-	9,695,992
Other					4,045,245	-	4,045,245
Unrestricted investment interest					131,738	85,046	216,784
Miscellaneous					274,167	752,118	1,026,285
Gain/(Loss) on disposal of capital assets					78,181	(192,755)	(114,574)
Transfers, internal activities					1,778,043	(1,778,043)	-
Total general revenues and transfers					36,515,801	(1,072,044)	35,443,757
Change in net position					1,274,444	4,088,689	5,363,133
Net position-beginning					96,695,350	169,750,903	266,446,253
Prior period adjustment					16,307	33,446	49,753
Accounting Change GASB 68					(3,149,042)	(4,741,879)	(7,890,921)
Net position-ending					\$ 94,837,059	\$ 169,131,159	\$ 263,968,218

Balance Sheet
Governmental Funds
December 31, 2015

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Cash and equivalents	\$ 2,560,845	\$ 7,356,898	\$ 9,917,743
Investments	2,892,275	2,441,425	5,333,700
Receivables, net	3,750,326	812,195	4,562,521
Due from other funds	659,149	585,336	1,244,485
Due from other governments	148,362	710,178	858,540
Inventories	18,827	-	18,827
Other assets	-	638,462	638,462
Total assets	<u>10,029,784</u>	<u>12,544,494</u>	<u>22,574,278</u>
Total assets and deferred outflows of resources	<u>\$ 10,029,784</u>	<u>\$ 12,544,494</u>	<u>\$ 22,574,278</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts/contracts payable	\$ 695,678	\$ 1,013,049	\$ 1,708,727
Due to other funds	906,477	528,108	1,434,585
Due to other governments	26,084	-	26,084
Employee wages payable	936,922	56,177	993,099
Custodial Accounts	45,114	15,000	60,114
Unearned revenue	1,935,533	769,675	2,705,208
Total liabilities	<u>4,545,808</u>	<u>2,382,009</u>	<u>6,927,817</u>
Fund balances:			
Nonspendable	\$ 18,827	\$ -	\$ 18,827
Restricted	76,836	7,813,051	\$ 7,889,887
Committed	729,705	674,654	\$ 1,404,359
Assigned	-	1,674,780	\$ 1,674,780
Unassigned	4,658,608	-	\$ 4,658,608
Total fund balances	<u>5,483,976</u>	<u>10,162,485</u>	<u>15,646,461</u>
Total liabilities and fund balances	<u>\$ 10,029,784</u>	<u>\$ 12,544,494</u>	<u>\$ 22,574,278</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.	115,269,143
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	10,404,477
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.	1,970,362
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	<u>(48,453,384)</u>
Net position of governmental activities	<u>\$ 94,837,059</u>

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
for the Year Ended December 31, 2015**

	General Fund	Other Governmental Funds	Governmental Funds Total
REVENUES			
Taxes			
Property	\$ 8,124,453	\$ 906,888	\$ 9,031,341
Sales	7,783,000	879,583	8,662,583
Business	12,574,268	-	12,574,268
Other	128,893	2,089,216	2,218,109
Licenses and permits	1,149,596	289,791	1,439,387
Intergovernmental	1,314,869	3,667,438	4,982,307
Charges for services	2,830,911	676,846	3,507,757
Fines and forfeitures	1,052,304	324,900	1,377,204
Miscellaneous	228,843	1,900,856	2,129,699
Total revenues	<u>35,187,137</u>	<u>10,735,518</u>	<u>45,922,655</u>
EXPENDITURES			
Current:			
General government	4,946,494	258,455	5,204,949
Public safety	23,108,784	426,090	23,534,874
Utilities and environment	28,694	-	28,694
Transportation	772,508	3,610,435	4,382,943
Economic environment	1,470,690	328,966	1,799,656
Mental/physical health	74,448	200,973	275,421
Culture and recreation	4,003,646	548,852	4,552,498
Debt service:			
Principal		1,255,000	1,255,000
Interest and other debt issue costs	1,784	1,220,582	1,222,366
Capital outlay	18,278	4,860,778	4,879,056
Total expenditures	<u>34,425,326</u>	<u>12,710,131</u>	<u>47,135,457</u>
Excess (deficiency) of revenues over expenditures	<u>761,811</u>	<u>(1,974,613)</u>	<u>(1,212,802)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds of long-term debt	-	4,160,000	4,160,000
Premiums on bonds sold	-	399,823	399,823
Capital asset donations & disposal	1,025	66,703	67,728
Insurance recoveries	-	10,620	10,620
Transfers in	710,756	4,035,609	4,746,365
Transfers out	(785,735)	(2,055,055)	(2,840,790)
Total other financing sources and uses	<u>(73,954)</u>	<u>6,617,700</u>	<u>6,543,746</u>
Net change in fund balances	687,857	4,643,087	5,330,944
Fund balances-beginning	4,796,119	5,503,091	10,299,210
Prior period adjustments	-	16,307	16,307
Fund balances-ending	<u>\$ 5,483,976</u>	<u>\$ 10,162,485</u>	<u>\$ 15,646,461</u>

See accompanying notes to the financial statements.

**Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balance of Governmental Funds
to the Statement of Activities
For the Year Ended December 31, 2015**

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

Net change in fund balances – total government funds	\$	5,330,944
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.		1,855,541
Revenues and expenses in the statement of activities that do not provide current financial resources are not reported in the funds.		(1,707,038)
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.		(3,336,112)
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.		(868,891)
Change in net position of governmental activities	\$	1,274,444

Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual General Fund
For the Year Ended December 31, 2015

	Original Budget 2015	Final Budget 2015	Actual 2015	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 23,147,565	\$ 28,483,937	\$ 28,610,613	\$ 126,676
Licenses and permits	1,037,400	1,037,400	1,149,596	112,196
Intergovernmental	1,004,182	1,540,207	1,314,869	(225,338)
Charges for services	5,560,392	5,126,492	5,010,981	(115,511)
Fines and forfeitures	979,700	979,700	1,052,304	72,604
Other revenues	4,607,265	701,280	692,534	(8,746)
Total revenues	<u>36,336,504</u>	<u>37,869,016</u>	<u>37,830,897</u>	<u>(38,119)</u>
EXPENDITURES				
City Council	339,245	341,945	331,302	10,643
Executive	370,746	370,746	356,572	14,174
Finance	1,448,784	1,383,184	1,351,847	31,337
Legal	1,073,859	1,021,264	998,169	23,095
Human Resources	553,430	603,930	600,807	3,123
Community development	1,617,225	1,603,225	1,400,065	203,160
Municipal Court	1,430,892	1,389,092	1,365,301	23,791
City Auditor	177,811	178,611	177,619	992
Law enforcement	10,218,718	10,169,877	10,087,848	82,029
Fire/Emergency medical services	8,815,354	9,047,754	8,984,656	63,098
Police & fire pension	2,140,825	2,100,325	2,022,090	78,235
Facilities	1,145,135	1,095,435	1,007,043	88,392
Parks and recreation	2,786,602	2,798,002	2,756,015	41,987
Engineering	2,041,444	2,454,869	2,126,636	328,233
Non-departmental	3,342,165	3,723,665	3,648,226	75,439
Total expenditures	<u>37,502,235</u>	<u>38,281,924</u>	<u>37,214,196</u>	<u>1,067,728</u>
Excess (deficiency) of revenues over expenditures	<u>(1,165,731)</u>	<u>(412,908)</u>	<u>616,701</u>	<u>1,029,609</u>
Fund balances-beginning	<u>4,358,483</u>	<u>4,645,894</u>	<u>4,645,895</u>	
Fund balances-ending	<u>\$ 3,192,752</u>	<u>\$ 4,232,986</u>	<u>\$ 5,262,596</u>	<u>\$ 1,029,609</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.

\$ 848,154

Adjustment to reflect differences in budgetary method

\$ (626,774)

Fund Balances Ending

\$ 5,483,976

EXPENDITURES

Personnel	27,890,100	27,466,359	27,168,702	297,657
Supplies, services & taxes	9,044,095	9,991,525	9,228,509	763,016
Capital expenditure	145,000	16,000	18,278	(2,278)
Debt Service	13,040	13,040	12,972	68
Transfers	410,000	795,000	785,735	9,265
Total expenditures	<u>37,502,235</u>	<u>38,281,924</u>	<u>37,214,196</u>	<u>1,067,728</u>

**Statement of Net Position
Proprietary Funds
December 31, 2015**

	Business-type Activities Enterprise Funds					Governmental Activities
	Water	Golf	Wastewater	Stormwater	Total	Internal Service Funds
		Course				
ASSETS AND DEFERRED OUTFLOWS						
Current assets:						
Cash and cash equivalents	\$ 3,008,614	\$ 106,793	\$ 3,446,536	\$ 947,225	\$ 7,509,168	\$ 3,664,869
Restricted cash	36,647	-	764,251	-	800,898	100,000
Investments	3,397,996	120,615	3,874,570	1,069,817	8,462,998	4,251,335
Restricted Investments	98,058	-	824,518	-	922,576	-
External receivables	1,875,060	47,849	2,754,419	567,312	5,244,640	320,478
Special assessments receivable	275,389	-	-	-	275,389	-
Interest receivables	6,893	245	9,732	2,170	19,040	8,624
Due from other funds	143,766	-	44,661	101,653	290,080	675,561
Inventories	681,668	190,842	547,297	-	1,419,807	92,793
Prepayments	-	20,182	-	-	20,182	273,185
Total current assets	<u>9,524,091</u>	<u>486,526</u>	<u>12,265,984</u>	<u>2,688,177</u>	<u>24,964,778</u>	<u>9,386,845</u>
Noncurrent assets:						
Notes and contracts receivable	321,963	-	-	-	321,963	-
Capital assets net of depreciation	62,357,201	7,137,023	97,039,208	6,035,332	172,568,764	4,104,037
Total noncurrent assets	<u>62,679,164</u>	<u>7,137,023</u>	<u>97,039,208</u>	<u>6,035,332</u>	<u>172,890,727</u>	<u>4,104,037</u>
Total assets	<u>72,203,255</u>	<u>7,623,549</u>	<u>109,305,192</u>	<u>8,723,509</u>	<u>197,855,505</u>	<u>13,490,882</u>
Deferred outflows of resources	148,344	127,991	295,728	54,094	626,157	67,173
Total assets and deferred outflows	<u>\$ 72,351,599</u>	<u>\$ 7,751,540</u>	<u>\$ 109,600,920</u>	<u>\$ 8,777,603</u>	<u>\$ 198,481,662</u>	<u>\$ 13,558,055</u>
LIABILITIES AND DEFERRED INFLOWS						
Current liabilities:						
Accounts/contract payable	447,149	32,330	365,945	71,803	917,227	188,450
Claims and Judgements Payable	-	-	-	-	-	905,433
Due to other funds	180,510	119,771	396,210	71,193	767,684	7,857
Due to other governments	-	33,389	-	-	33,389	-
Employee wages payable	264,401	125,234	197,773	64,044	651,452	106,816
Other accrued liabilities	23,504	10,743	73,118	1,776	109,141	-
Current portion of long-term debt	653,705	285,000	2,346,469	9,864	3,295,038	-
Custodial accounts	4,794	119,274	-	500	124,568	-
Other current liabilities	32,972	-	-	-	32,972	-
Total current liabilities	<u>1,607,035</u>	<u>725,741</u>	<u>3,379,515</u>	<u>219,180</u>	<u>5,931,471</u>	<u>1,208,556</u>
Noncurrent liabilities:						
Claims and judgments payable	-	-	-	-	-	846,046
Bonds, notes and loans payable	4,455,290	4,225,000	17,984,562	78,914	26,743,766	-
Net pension liability	1,297,762	-	2,587,130	473,234	4,358,126	587,648
Unearned revenue	99,749	-	-	-	99,749	-
Compensated absences	183,749	-	145,994	43,320	373,063	45,166
Total noncurrent liabilities	<u>6,036,550</u>	<u>4,225,000</u>	<u>20,717,686</u>	<u>595,468</u>	<u>31,574,704</u>	<u>1,478,860</u>
Total liabilities	<u>7,643,585</u>	<u>4,950,741</u>	<u>24,097,201</u>	<u>814,648</u>	<u>37,506,175</u>	<u>2,687,416</u>
Deferred inflows of resources	195,383	-	389,502	71,247	656,132	88,473
Total liabilities and deferred inflows	<u>\$ 7,838,968</u>	<u>\$ 4,950,741</u>	<u>\$ 24,486,703</u>	<u>\$ 885,895</u>	<u>\$ 38,162,307</u>	<u>\$ 2,775,889</u>
NET POSITION						
Net investment in capital assets	57,248,206	2,755,014	76,708,177	5,946,554	142,657,951	4,104,037
Restricted for capital assets	-	184,536	-	-	184,536	-
Restricted for debt service	410,094	-	1,606,600	-	2,016,694	-
Restricted for Worker's Compensation	-	-	-	-	-	100,000
Unrestricted	6,854,331	(138,751)	6,799,440	1,945,154	15,460,174	6,578,129
Total net position	<u>\$ 64,512,631</u>	<u>\$ 2,800,799</u>	<u>\$ 85,114,217</u>	<u>\$ 7,891,708</u>	<u>\$ 160,319,355</u>	<u>\$ 10,782,166</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					<u>\$ 8,811,804</u>	
Net position of business-type activities					<u>\$ 169,131,159</u>	

See accompanying notes to the financial statements.

Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
for the Year Ended December 31, 2015

	Business-type Activities Enterprise Funds					Governmental Activities
	Water	Golf			Total	Internal Service Funds
		Course	Wastewater	Stormwater		
OPERATING REVENUES						
Charges for services	\$ 11,383,617	\$ 4,172,759	\$ 15,278,879	\$ 2,747,894	\$ 33,583,149	\$ 9,198,002
Other operating revenue	1,011,631	-	21,614	6,745	1,039,990	1,000
Total operating revenues	<u>12,395,248</u>	<u>4,172,759</u>	<u>15,300,493</u>	<u>2,754,639</u>	<u>34,623,139</u>	<u>9,199,002</u>
OPERATING EXPENSES						
General operations	4,873,625	77,203	5,865,723	1,037,070	11,853,621	2,711,110
Contracted Operations	-	3,596,026	-	-	3,596,026	-
Maintenance	3,172,058	-	1,869,994	768,369	5,810,421	-
Customer service and marketing	383,719	-	245,668	142,340	771,727	-
General administration	1,220,274	-	1,269,560	399,788	2,889,622	647,835
Depreciation and amortization	2,009,510	162,970	3,595,373	124,389	5,892,242	708,391
Risk transfer payments	-	-	-	-	-	498,043
Payments to claimants & beneficiaries	-	-	-	-	-	4,955,482
Other operating expenses	-	-	-	-	-	1,826
Total operating expenses	<u>11,659,186</u>	<u>3,836,199</u>	<u>12,846,318</u>	<u>2,471,956</u>	<u>30,813,659</u>	<u>9,522,687</u>
Operating income (loss)	<u>736,062</u>	<u>336,560</u>	<u>2,454,175</u>	<u>282,683</u>	<u>3,809,480</u>	<u>(323,685)</u>
NONOPERATING REVENUES (EXPENSES)						
Interest and investment revenue	33,224	1,208	28,414	5,756	68,602	27,002
Interest expense	(157,450)	(157,646)	(498,965)	(3,749)	(817,810)	-
Gain (loss) on capital asset disposal	(116,320)	-	(68,641)	(7,794)	(192,755)	(18,591)
Other nonoperating revenue/expense	304,057	83	436,662	11,316	752,118	(635,398)
Total nonoperating revenues (expenses)	<u>63,511</u>	<u>(156,355)</u>	<u>(102,530)</u>	<u>5,529</u>	<u>(189,845)</u>	<u>(626,987)</u>
Income (loss) before contributions and transfers	<u>799,573</u>	<u>180,205</u>	<u>2,351,645</u>	<u>288,212</u>	<u>3,619,635</u>	<u>(950,672)</u>
Capital contributions	1,311,943	-	1,854,224	252,282	3,418,449	825,000
Transfers to other funds	(607,253)	-	(2,009,002)	(688,682)	(3,304,937)	(8,000)
Transfers from other funds	8,324	-	42,372	201,021	251,717	8,000
Change in net position	<u>1,512,587</u>	<u>180,205</u>	<u>2,239,239</u>	<u>52,833</u>	<u>3,984,864</u>	<u>(125,672)</u>
Total net position - beginning	64,412,080	2,587,149	85,689,917	8,353,779	161,042,925	11,547,231
Prior period adjustment	-	33,445	-	-	33,445	-
Change in accounting principle - GASB 68	(1,412,036)	-	(2,814,939)	(514,904)	(4,741,879)	(639,393)
Total net position - ending	<u>\$ 64,512,631</u>	<u>\$ 2,800,799</u>	<u>\$ 85,114,217</u>	<u>\$ 7,891,708</u>	<u>\$ 160,319,355</u>	<u>\$ 10,782,166</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.					103,825	
Change in net position of business-type activities.					<u>\$ 4,088,689</u>	

Statement of Cash Flows
Proprietary Funds
for the Year Ended December 31, 2015

Page 1 of 2

	Business-type Activities Enterprise Funds					Governmental Activities	
	Water	Golf		Wastewater	Stormwater	Total	Internal Service Funds
		Course					
CASH FLOWS FROM OPERATING ACTIVITIES							
Cash received from customers	\$ 11,304,903	\$ 4,303,548	\$ 14,975,584	\$ 2,664,378	\$ 33,248,413	\$ 9,183,410	
Cash payments to suppliers	(6,096,375)	(3,783,639)	(6,823,676)	(1,431,855)	(18,135,545)	(6,407,943)	
Cash payments to employees	(3,541,848)	-	(2,467,151)	(921,504)	(6,930,503)	(1,123,394)	
Purchase of insurance	-	-	-	-	-	(484,005)	
Payment for insurance claims	-	-	-	-	-	(299,446)	
Other operating receipts and payments	1,011,631	-	21,614	50,645	1,083,890	1,000	
Net cash provided by operating activities	2,678,311	519,909	5,706,371	361,664	9,266,255	869,622	
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Transfer ins	106,646	-	-	-	106,646	8,000	
Transfer outs	-	-	-	-	-	(8,000)	
Other nonoperating revenues/expenses	296,227	83	417,074	11,316	724,700	4,602	
Return of Risk Management Reserves	-	-	-	-	-	(640,000)	
Net cash provided (used) by noncapital financing activities	402,873	83	417,074	11,316	831,346	(635,398)	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Acquisition and construction of capital assets	(2,348,848)	(87,322)	(5,142,163)	(646,335)	(8,224,668)	(1,168,978)	
Proceeds/costs on sale of assets	-	-	-	-	-	54,460	
Capital contributions	611,421	-	773,997	324,878	1,710,296	825,000	
Collections on notes receivable	15,778	-	-	-	15,778	-	
Loan/grant proceeds	-	-	-	101,291	101,291	-	
Principal paid bonds	(100,000)	(245,000)	(495,000)	-	(840,000)	-	
Principal paid on other debt	(578,705)	(91,271)	(1,970,550)	(9,864)	(2,650,390)	-	
Interest paid on bonds and other debt	(161,659)	(133,554)	(514,288)	(3,946)	(813,447)	-	
Net cash provided (used) for capital and related financing activities	(2,562,013)	(557,147)	(7,348,004)	(233,976)	(10,701,140)	(289,518)	
CASH FLOW FROM INVESTING ACTIVITIES							
Proceeds from repayment of loans	11,962	-	-	-	11,962	92,604	
Net change in investments	(913,990)	30,320	(1,778,592)	3,479	(2,658,783)	306,793	
Interest on loans and investments	18,867	1,341	25,997	6,274	52,479	29,795	
Net cash provided (used) in investing activities	(883,161)	31,661	(1,752,595)	9,753	(2,594,342)	429,192	
Net increase (decrease) in cash and cash equivalents	(363,990)	(5,494)	(2,977,154)	148,757	(3,197,881)	373,898	
Cash and equivalents - beginning	3,409,251	112,287	7,187,941	798,468	11,507,947	3,390,971	
Cash and equivalents - ending	\$ 3,045,261	\$ 106,793	\$ 4,210,787	\$ 947,225	\$ 8,310,066	\$ 3,764,869	
Cash at the end of the year consists of:							
Operating fund cash	3,008,614	106,793	3,446,536	947,225	7,509,168	3,664,869	
Restricted cash	36,647	-	764,251	-	800,898	100,000	
Total cash at end of year	\$ 3,045,261	\$ 106,793	\$ 4,210,787	\$ 947,225	\$ 8,310,066	\$ 3,764,869	

See accompanying notes to the financial statements.

Statement of Cash Flows
Proprietary Funds
for the Year Ended December 31, 2015

	Business-type Activities Enterprise Funds					Governmental Activities	
	Water	Golf		Wastewater	Stormwater	Total	Internal Service Funds
		Course					Total
Reconciliation of operating income to net cash provided by operating activities:							
Operating income (loss)	\$ 736,062	\$ 336,560	\$ 2,454,175	\$ 282,683	\$ 3,809,480	\$ (323,685)	
Adjustments to reconcile operating income to net cash provided by operating activities:							
Depreciation	2,009,510	162,970	3,595,373	124,389	5,892,242	708,391	
Decrease (increase) in receivables	(109,375)	(14,404)	(303,295)	(83,516)	(510,590)	(317,986)	
Decrease (increase) in due from other funds/govt	-		-	37,787	37,787	(16,230)	
Decrease (increase) in prepaid expenses	-	2,193	-	-	2,193	55,907	
Decrease (increase) in inventory	(26,144)	(7,349)	(34,480)	-	(67,973)	(983)	
Increase (decrease) in accounts payable	78,044	(68,758)	129,233	22,025	160,544	(6,846)	
Increase (decrease) in due to other funds/govt	-	11,507	-	2,540	14,047	3,971	
Increase (decrease) in employee wages payable	(182,793)	(7,229)	(245,660)	(57,488)	(493,170)	(29,019)	
Increase (decrease) in employee leaves payable	142,346	-	111,025	33,244	286,615	2,719	
Increase (decrease) in other payables	30,661	104,419	-	-	135,080	793,383	
Net cash provided by operating activities	<u>\$ 2,678,311</u>	<u>\$ 519,909</u>	<u>\$ 5,706,371</u>	<u>\$ 361,664</u>	<u>\$ 9,266,255</u>	<u>\$ 869,622</u>	
Noncash investing, capital and financial activities							
Developers contributed infrastructure	\$ 167,800	\$ -	\$ 319,900	\$ 60,302	\$ 548,002	\$ -	

Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2015

	Agency Funds
Assets	
Cash and cash equivalents	\$ 202,780
Total assets	\$ 202,780
Deferred outflows of resources	\$ -
Liabilities	
Accounts/contracts payable	33,790
Other current liabilities	168,990
Total liabilities	\$ 202,780
Deferred outflows of resources	\$ -

See accompanying notes to the financial statements.

Notes to Financial Statements January 1, 2015 – December 31, 2015

1. Summary of significant accounting policies

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

A. Reporting Entity

The City of Bremerton was incorporated on October 14, 1901 and operates under the laws of the State of Washington applicable to a home-rule charter city with a Council/Mayor form of government. The City is a general purpose government which provides police, fire, water, wastewater, street maintenance, parks and recreation, planning and zoning, municipal court and general governmental services to its citizens. As required by GAAP, the financial statements present the City, the primary government, and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

In 2009, the City established the Bremerton Transportation Benefit District (TBD) that meets the criteria of a component unit. See Note 7 for discussion of the TBD.

B. Government-wide and fund financial statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Our policy is to not allocate indirect costs to a specific function. Program revenues are those items that are applicable to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function. Grants and contributions that are restricted to meeting the operational or capital requirement of a particular function are also included. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Fiduciary funds, however, are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Accounting and Reporting Changes

The 2015 financial statements are presented in accordance with the following new GASB statement:

- 68 – Accounting and Financial Reporting for Pension

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 2015.

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, 2015, the City was holding \$16,238,925 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 2015 was \$6,355,968.

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, 2015, \$275,389 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	\$ 6,142,922
Cash and investments - HUD programs	147,282
Cash and investments - Public safety	590,686
Cash and investments - Public Television	165,961
Cash and investments - Workers compensation	100,000
Cash and investments - Tourism promotion	304,175
Cash and investments - Debt Service	121,612
Receivables - HUD Programs	638,462
Receivables - Tourism promotion	5,183
Receivables - Construction	208,947
Receivables - Public Safety	586
Receivables - Debt Service	4
Due from other governments - HUD	203,447
Due from other governments - Construction	-
Total governmental	<u>\$ 8,629,267</u>

Business type:

Cash and Investments - Debt service	\$ 1,600,017
Cash and Investments - Construction	<u>123,457</u>
Total business	\$ 1,723,474

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 fair market value at the date of donation.

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

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

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

Assets	Years
Buildings	50 Years
Improvements Other than Buildings – Governmental Assets	20 Years
Improvements Other than Buildings – Proprietary Assets	50 Years
Infrastructure	10-15 Years
Plant Machinery and Equipment	20 Years
Furniture and Fixtures	20 Years
Vehicles and Similar Equipment	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 1 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.

	General Fund	Other Funds	Total
Fund balances:			
Nonspendable:			
Inventory	\$ 18,827	\$ -	\$ 18,827
Restricted for:			
Tourism promotion & facilities	-	309,031	309,031
Community development block grant	-	350,729	350,729
Public safety	-	590,685	590,685
Public Access Television	-	165,961	165,961
Debt service	-	121,612	121,612
Capital projects	76,836	6,275,033	6,351,869

	General Fund	Other Funds	Total
Fund balances:			
Committed to:			
Fund balance stabilization	729,705	-	729,705
Employee Wellness	-	3,871	3,871
Parks	-	7,130	7,130
Building Abatement	-	138,252	138,252
Public Access Television	-	431,601	431,601
Public safety	-	43,124	43,124
Public art	-	50,676	50,676
Assigned to:			
Street Operations	-	143,684	143,684
Tourism promotion & facilities	-	24,580	24,580
Parking System	-	468,442	468,442
Building Abatement	-	251,197	251,197
Court Improvement	-	5,063	5,063
Debt Service	-	261,227	261,227
Park Capital	-	109,733	109,733
Capital Improvements	-	410,854	410,854
Unassigned:	4,658,608	-	4,658,608
Total Fund Balances	\$ 5,483,976	\$ 10,162,485	\$ 15,646,461

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, 2015.

Fund	Target Rate	Target Balance	Balance 12/31/2015
General	8.5%	\$ 3,253,964	\$ 4,565,219
Water	12%	1,733,722	1,495,857
Wastewater	12%	1,973,032	2,067,516
Stormwater	12%	418,103	294,182
Golf Course	12%	512,306	227,408

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 2015 the target fund balance of the contingency reserve fund is \$882,953.

In May of 2011 the City Council authorized the expenditure of \$1,150,000 to settle a dispute over a contingent loan agreement between the City, Kitsap County and Kitsap Consolidated Housing Authority. At 12/31/15 the balance was \$729,705. The fund balance of this management fund is reported as part of the General Fund. The 2016 budget includes \$50,000 towards the rebuilding of the reserve amount.

2. Reconciliation of Government-wide and Fund Financial Statements

A. Explanation of aggregated differences between the governmental fund balance sheet and the government-wide statement of net position

The governmental fund balance sheet includes reconciliation between total fund balance and total net position as reported in the government-wide statement of net position. The details of the aggregated differences are presented below.

Capital assets used in governmental activities are not financial resources and therefore not reported in the funds:

Capital Assets of governmental funds net of depreciation	\$ 115,269,143
Net adjustment to increase fund balance - total governmental funds to arrive at net position of governmental activities	<u>\$ 115,269,143</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	\$ 2,705,209
Investment interest accrued beyond the city's 30 day measurable and available period	10,820
Build America Bond subsidy beyond the city's 30 day measurable and available period	38,074
Deferred charge for bond issue costs	0
Net Pension Asset	6,203,007
Deferred Pension Outflows	1,447,367
Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$ 10,404,477</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	\$ 1,970,362
Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$ 1,970,362</u>

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

GO bonds payable	\$ (32,920,000)
Less: Issuance premiums	(1,109,423)
Add: Deferred amount on refunding	970,107
Accrued interest payable	(389,706)
Compensated absences	(2,576,389)
Net Pension Liability	(6,636,229)
Deferred Pension Inflow	(2,655,408)
Other Post Employment Benefits	(3,136,336)
Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$ (48,453,384)</u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. The details of the aggregated differences are presented below.

Government funds report capital outlays as expenditures; however, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	\$ 4,879,056
Depreciation	(3,990,291)
Gain/loss on retirement	(166)
Contributions of capital assets	2,242,120
Transfer of Assets to Utilities	(1,275,178)
Net adjustment to increase net change in fund balances - governmental funds to arrive at change in net position - governmental activities	<u>\$ 1,855,541</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	\$ 1,255,000
Principal of GO Bonds Issued	(4,160,000)
Premiums on Bonds Sold	(399,822)
Deferred Amount on Refunding	(74,859)
Unamortized debt issuance costs	43,569
Net adjustment to decrease net change in fund balances - governmental funds to arrive at change in net position of governmental activities	<u>\$ (3,336,112)</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	\$ (3,640)
Change in deferred property taxes receivable	(59,764)
Change in court fines receivable	25,732
Change in block grant loans receivable	(11,358)
Change in parking/red light fines receivable	5,950
Change in BKAT contracts receivable	(46,000)
Change in Build America Bond subsidy receivable	(643)
Change in LEOFF 2 Special Rev GASB 68	385,208
Change in Pension Expense GASB 68	1,122,570
Change in other post-employment benefits payable	(2,987,026)
Change in accrued interest payable	(150,970)
Change in compensated absences payable	12,903
Net adjustment to decrease net change in fund balances - governmental funds to arrive at change in net position of governmental funds	<u>\$ (1,707,038)</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	\$ (474,975)
Net revenue of self insurance activities	\$ (283,568)
Net Revenue of employment security activities	76,513
Net Revenue of Accrued Leave activities	207,224
Net revenue of information technology activities	(259,431)
Net revenue of equipment maintenance activities	(134,654)
Net adjustment to decrease net change in fund balances - governmental funds to arrive at change in net position of governmental funds	<u>\$ (868,891)</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	Rating	Weighted Average Maturities	Fair Value	% of Portfolio
Cash & Cash Equivalents				
Washington State Local Government Inv. Pool	NR		\$ 16,238,925	
Cash on hand			<u>5,956,536</u>	
Total Cash & Cash Equivalents			22,195,461	
Investments				
US Agency securities				
Federal National Mortgage Assn	AA+		1,991,740	10%
Federal Farm Credit Banks	AA+		2,000,920	11%
Federal Home Loan Bank	AA+		1,995,620	11%
Federal Home Loan Mortgage Corp	AA+		3,024,150	16%
US Treasury	AA+		<u>9,958,180</u>	52%
Total Investments			18,970,610	
Total Cash & Investments			41,166,071	

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 12/31/15 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 2015, 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 2015 was \$2.95 per \$1,000 on an assessed valuation of \$2.354 billion, for a total regular levy of \$6,935,409.

Special levies, approved by the voters are not subject to the above limitations. In 2015, the City levied an additional \$0.89 per \$1,000 for General Obligation Bonds and Emergency Medical Services, for a total additional levy of \$2,079,658.

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, 2015, was as follows:

Governmental Activities	Beginning			Ending
	Balance	Increases	Decreases	Balance
	1/1/2015			12/31/2015
Capital assets, not being depreciated:				
Land	\$ 20,402,410	\$ -	\$ -	\$ 20,402,410
Construction in progress	5,037,430	4,879,056	4,348,004	5,568,482
Intangibles	4,500	-	-	4,500
Total capital assets, not being depreciated	25,444,340	4,879,056	4,348,004	25,975,392

	Beginning Balance 1/1/2015	Increases	Decreases	Ending Balance 12/31/2015
Governmental Activities				
Capital assets, being depreciated:				
Buildings/building improvements	64,164,070	-	-	64,164,070
Improvements other than buildings	20,904,587	181,103	-	21,085,690
Machinery and equipment	8,897,307	36,789	29,521	8,904,575
Infrastructure	46,212,844	5,326,128	229,073	51,309,899
Total capital assets, being depreciated	<u>140,178,808</u>	<u>5,544,020</u>	<u>258,594</u>	<u>145,464,234</u>
Less accumulated depreciation for:				
Buildings/buildings improvements	13,125,045	1,309,808	-	14,434,853
Improvements other than buildings	10,617,447	835,314	-	11,452,761
Machinery and equipment	6,535,456	269,955	29,354	6,776,057
Infrastructure	21,931,597	1,575,215	-	23,506,812
Total accumulated depreciation	<u>52,209,545</u>	<u>3,990,292</u>	<u>29,354</u>	<u>56,170,483</u>
Total capital assets, being depreciated, net	<u>87,969,263</u>	<u>1,553,728</u>	<u>229,240</u>	<u>89,293,751</u>
Governmental activities capital assets, net	<u>\$ 113,413,603</u>	<u>\$ 6,432,784</u>	<u>\$ 4,577,244</u>	<u>\$ 115,269,143</u>

	Beginning Balance 1/1/2015	Increases	Decreases	Ending Balance 12/31/2015
Business-type Activities				
Capital assets, not being depreciated:				
Land	\$ 9,277,329	\$ 129,232	\$ -	\$ 9,406,561
Construction in progress	4,032,621	7,556,331	4,174,677	7,414,275
Intangibles	10,756	4,900	-	15,656
Total capital assets, not being depreciated	<u>13,320,706</u>	<u>7,690,463</u>	<u>- 4,174,677</u>	<u>16,836,492</u>
Capital assets, being depreciated:				
Buildings/building improvements	54,640,351	39,032	-	54,679,383
Intangibles	453,620	-	-	453,620
Improvements other than buildings	142,872,926	2,086,743	331,332	144,628,337
Machinery and equipment	60,254,277	2,822,038	881,963	62,194,352
Total capital assets, being depreciated	<u>258,221,174</u>	<u>4,947,813</u>	<u>1,213,295</u>	<u>261,955,692</u>
Less accumulated depreciation for:				
Buildings/buildings improvements	21,494,257	1,041,415	-	22,535,672
Intangibles	288,031	11,229	-	299,260
Improvements other than buildings	46,297,175	2,766,251	40,241	49,023,185
Machinery and equipment	28,116,698	2,781,738	637,170	30,261,266
Total accumulated depreciation	<u>96,196,161</u>	<u>6,600,633</u>	<u>677,411</u>	<u>102,119,383</u>
Total capital assets, being depreciated, net	<u>162,025,013</u>	<u>(1,652,820)</u>	<u>535,884</u>	<u>159,836,309</u>
Business-type activities Capital assets, net	<u>\$ 175,345,719</u>	<u>\$ 6,037,643</u>	<u>\$ 4,710,561</u>	<u>\$ 176,672,801</u>

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

Governmental Activities:

General government	\$ 209,873
Public safety	377,799
Transportation, including depreciation of general infrastructure assets	1,718,853
Economic environment	348
Culture and recreation	1,683,419
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>\$ 3,990,292</u>

Business-type activities:

Water	\$ 2,009,510
Wastewater	3,595,373
Stormwater	124,389
Golf	162,970
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	708,391
Total depreciation expense - Business-type activities	<u>\$ 6,600,633</u>

6. Construction Commitments

At December 31, 2015, the City had several construction projects underway. The following table contains the projects and status at year end.

Project	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Water System Scada Lifecycle Upgrade	238,994	369,005
Washington Ave Community Blvd	3,010,429	26,844
Installation of Hot Applied Markings	65,173	48,274
Flow Control and Seismic Valve Project	-	898,949
	<u>\$ 3,314,596</u>	<u>\$ 1,343,072</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 2015, the TBD received total collections from vehicle license fees of \$480,625. \$345,577 was expended in 2015 on projects authorized by the board. A separately issued Bremerton Transportation Benefit District comprehensive annual financial report (CAFR) is available on the TBD's page on the City of Bremerton's website at BremertonWA.gov.

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.

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 2015:

Aggregate Pension Amounts – All Plans	
Pension liabilities	\$ 11,582,003
Pension assets	\$ 6,203,007
Deferred outflows of resources	\$ 2,012,706
Deferred inflows of resources	\$ 3,400,012
Pension expense/expenditures	\$ 627,276

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.

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 2015 were as follows:

PERS Plan 1		
Actual Contribution Rates:	Employer	Employee*
January through June 2015	9.21%	6.00%
July through December 2015	11.18%	6.00%

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

The city's actual contributions to the plan were \$63,238 for the year ended December 31, 2015.

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 2015 were as follows:

PERS Plan 2/3		
Actual Contribution Rates:	Employer 2/3	Employee 2*
January through June 2015	9.21%	4.92%
July through December 2015	11.18%	6.12%
Employee PERS Plan 3		varies

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

The city's actual contributions to the plan were \$1,295,577 for the year ended December 31, 2015.

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 2015 were as follows:

PSERS Plan 2		
Actual Contribution Rates:	Employer	Employee
January through June 2015	10.54%	6.36%
July through December 2015	11.54%	6.59%

The city's actual contributions to the plan were \$13,984 for the year ended December 31, 2015.

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 2015. 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 2015 were as follows:

LEOFF Plan 2		
Actual Contribution Rates:	Employer	Employee
State and local governments	5.23%	8.41%
Ports and Universities	8.59%	8.41%

The city's actual contributions to the plan were \$618,141 for the year ended December 31, 2015.

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, 2015, 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 2015 with a valuation date of June 30, 2014. 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 2014 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2015. Plan liabilities were rolled forward from June 30, 2014, to June 30, 2015, 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, 2015, 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%
	100%	

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 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
PERS 1	\$ 7,875,881	\$ 6,468,882	\$ 5,258,992
PERS 2/3	\$ 14,928,240	\$ 5,105,327	\$ (2,415,710)
PSERS 2	\$ 59,225	\$ 7,794	\$ (28,791)
LEOFF 1	\$ (1,354,817)	\$ (2,117,718)	\$ (2,767,949)
LEOFF 2	\$ 4,091,152	\$ (4,085,289)	\$ (10,238,371)

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, 2015, the City reported a total pension liability of \$5,378,996 for its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	\$ 6,468,882
PERS 2/3	\$ 5,105,327
PSERS 2	\$ 7,794
LEOFF 1	\$ (2,117,718)
LEOFF 2	\$ (4,085,289)

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:

	Liability (or Asset)
LEOFF 2 – City of Bremerton's proportionate share	\$ (4,085,289)
LEOFF 2 – Washington State's proportionate share of the net pension liability/(asset) associated with City of Bremerton	\$ (2,701,196)
TOTAL	\$ (4,470,497)

At June 30, 2015 the city's proportionate share of the collective net pension liabilities was as follows:

	Proportionate Share 6/30/14	Proportionate Share 6/30/15	Change in Proportion
PERS 1	0.1274%	0.1237%	-0.0037%
PERS 2/3	0.1437%	0.1429%	-0.0008%
PSERS 2	0.0451%	0.0427%	-0.0024%
LEOFF 1	0.1772%	0.1757%	-0.0015%
LEOFF 2	0.3864%	0.3975%	0.0111%

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 2015. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2015, 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 2015, 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, 2015, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2014, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2015, the city recognized pension expense as follows:

	Pension Expense
PERS 1	\$ (341,235)
PERS 2/3	\$ 1,116,071
PSERS	\$ 14,398
LEOFF 1	\$ (407,572)
LEOFF 2	\$ 245,615
TOTAL	\$ 627,277

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2015, the city reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ 353,918
Changes of assumptions	\$ -	\$ -
Changes in proportion and differences between contributions and proportionate share of contributions	\$ -	\$ -
Contributions subsequent to the measurement date	\$ 35,071	\$ -
TOTAL	35,071	353,918

PERS 2-3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 542,698	\$ -
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ 1,362,880
Changes of assumptions	\$ 8,226	\$ -
Changes in proportion and differences between contributions and proportionate share of contributions	\$ -	\$ 25,741
Contributions subsequent to the measurement date	\$ 737,024	\$ -
TOTAL	1,287,947	1,388,622

PSERS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 7,302	\$ -
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ 3,866
Changes of assumptions	\$ 48	\$ -
Changes in proportion and differences between contributions and proportionate share of contributions	\$ -	\$ 149
Contributions subsequent to the measurement date	\$ 7,382	\$ -
TOTAL	14,732	4,015

LEOFF 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ 357,512
Changes of assumptions	\$ -	\$ -
Changes in proportion and differences between contributions and proportionate share of contributions	\$ -	\$ -
Contributions subsequent to the measurement date	\$ -	\$ -
TOTAL	-	357,512

LEOFF 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 357,735	\$ -
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ 1,237,821
Changes of assumptions	\$ 10,776	\$ -
Changes in proportion and differences between contributions and proportionate share of contributions	\$ -	\$ 58,124
Contributions subsequent to the measurement date	\$ 306,444	\$ -
TOTAL	674,955	1,295,945

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:

Year ended December 31:	PERS 2/3
2016	\$ (377,599)
2017	\$ (377,599)
2018	\$ (377,599)
2019	\$ 295,101

Year ended December 31:	PSERS
2016	\$ (343)
2017	\$ (343)
2018	\$ (343)
2019	\$ 1,963
2020	\$ 1,200
Thereafter	\$ 1,200

Year ended December 31:	LEOFF 2
2016	\$ (424,194)
2017	\$ (424,494)
2018	\$ (424,198)
2019	\$ 273,521
2020	\$ 59,693
Thereafter	\$ 11,939

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 2015 insurance coverage and risk retention:

Risk	Coverage Limit Per Occurrence	Self-Insured Retention	Insurer
Excess liability	\$10,000,000	\$500,000	Lexington Insurance Company
Excess workers' compensation	Statutory	500,000	Midwest Employers Casualty Company
Blanket property	100,000,000	100,000	Lexington Insurance Company
Employee blanket bond	1,000,000	25,000	Great American Insurance Company
Pollution legal liability	1,000,000	100,000	Indian Harbor Insurance Company

The risk manager and claims administrators establish reserves for open claims on a case by case basis, after an assessment of each claim's settlement value. Actuarial techniques are used to estimate the long-term liability of the fund for both reported and unreported losses. As of December 31, 2015, the Risk Management Fund had cash and investment reserves of \$1,065,777. 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 \$846,046. 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 \$308,685.

The following table shows the actual claims activity for 2014 and 2015:

	2014	2015
Claims liability - beginning of year	\$ 1,096,472	\$ 998,999
Claims incurred	413,780	340,650
Estimate change prior years	(271,143)	116,248
Payment on claims	(240,110)	(301,166)
Claims liability - end of year	\$ 998,999	\$ 1,154,731

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 Date	Interest Rate	Outstanding 12/31/2015
2010 LTGO BABS	09/01/35	3.61	\$ 5,925,000
2010 UTGO Refunding	12/01/27	3.07	8,155,000
2010 LTGO (B) BABS	12/01/30	3.42	1,920,000
2012 LTGO Refunding - Govt Center	12/31/21	4.00	4,715,000
2013 LTGOA Refunding - Conf Ctr Pkg	12/01/36	3.01	8,045,000
2013 LTGOB Refunding - Golf Course	12/01/28	3.01	4,510,000
2015 UTGO Fire Bonds	12/01/25	202	4,160,000
Total General Obligation Bonds and Notes			\$ 37,430,000

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

Year Ending December 31	Governmental Activities		Business Activities	
	Principal	Interest	Principal	Interest
2016	1,685,000	1,254,872	285,000	128,920
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
2020-2024	10,125,000	4,663,176	1,705,000	461,820
2025-2029	8,375,000	2,644,079	1,585,000	156,060
2030-2034	5,915,000	1,130,991		
2035-2039	1,515,000	86,797		
Total	\$ 32,920,000	\$ 13,304,267	\$ 4,510,000	\$ 1,110,400

In November 2015 voters approved the issuance of bonds to replace fire apparatus and life safety equipment and to remodel fire facilities. On December 30, 2015 the City issued \$4,160,000 par value of bonds with a final maturity date of 12/01/2025. The average yield on the issued bonds is 1.7839%

Revenue bonds and loans currently outstanding are as follows:

	Maturity Date	Interest Rate	Outstanding 12/31/2015
W/S REF & REVENUE BOND 2007	12/1/2021	4.28	2,445,000
W/S REF & REVENUE BOND 2014	12/1/2034	3.85	1,905,000
W/S REF & REVENUE BOND 2014.	12/1/2034	3.85	4,770,000
PWTF CALLOW CSO PRIORITY I	7/1/2016	1.0	151,445
PWTF CALLOW CSO PRIORITY II	7/1/2017	1.0	70,504
PWTF SR 303 WATER MAIN	7/1/2018	1.00	497,368
PWTF CSO REDUCTION DESIGN	7/1/2020	1.00	195,170
PWTF EAST BREMERTON CSO	7/1/2021	0.50	950,000
PWTF MULTI BASIN CSO	7/1/2020	1.00	746,629
PWTF CALLOW CSO PRI. 3 / 5	7/1/2020	1.00	1,117,148
PWTF ANDERSON COVE BASIN 12	7/1/2023	0.50	230,792
PWTF NAVAL AVE	7/1/2023	4.00	105,263
PWTF BRENTWOOD STORM DRAIN REPAIR	7/1/2024	4.00	88,778
PWTF PACIFIC AVE BASIN CSO	7/1/2024	0.50	629,796
PWTF TRACYTON WATER SYS PH 2	7/1/2019	2.00	39,630
PWTF WWTP UPGRADE	7/1/2025	0.50	106,725
PWTF ANDERSON COVE SEW PS CW1	7/1/2027	0.50	426,316
PWTF WWTP UPGRADES	7/1/2027	0.50	1,955,525
CCWF CALLOW CSO DESIGN	5/1/2017	0.0	55,906
CCWF CALLOW CSO PRIORITY I PH 1	7/31/2018	4.80	579,309
DWSRF CORROSION CONTROL	10/1/2018	4.00	165,050
DWSRF CASAD DAM VALVE REPL	10/1/2023	1.50	35,207
DWSRF EASTSIDE FLOW & PRESSURE IMP	10/1/2022	2.50	427,141
DWSRF SEISMIC UPGRADE	10/1/2022	2.50	274,931
DWSRF ANDERSON CREEK	10/1/2024	1.50	48,436
DWSRF PUMP STATION 4 UPGRADE	10/1/2023	1.50	460,890
DWSRF SEISMIC UPGRADES	10/1/2024	1.50	254,684
DWSRF TRACYTON WD UPGRADE	10/1/2021	2.50	837,494
ARRA DWSRF UV TREATMENT UPGRADE	10/1/2017	0.00	12,421

	Maturity Date	Interest Rate	Outstanding 12/31/2015
WPCRF CSO PLAN UPDATE	12/31/2022	1.50	98,888
WPCRF ANDERSON COVE CSO	2/27/2021	1.50	299,567
WPCRF CALLOW DESIGN FINAL	12/31/2022	1.50	228,695
WPCRF ANDERSON COVE CSO	1/23/2022	1.50	234,389
WPCRF TRENTON/CHERRY	10/15/2024	1.50	510,650
WPCRF ANDERSON COVE BASIN 12	9/17/2026	1.50	155,747
WPCRF TRENTON PUMP STATION	10/15/2024	1.50	510,319
WPCRF TRACYTON BEACH CSO	2/9/2025	1.50	312,596
WPCRF PACIFIC AVE CSO RED - SEP	6/30/2024	1.50	172,520
WPCRF PACIFIC AVE CSO REDUCTION	12/31/2027	1.50	688,143
WPCRF CHERRY/TRENTON CSO RED -F	12/31/2026	1.50	660,471
WPCRF WWTP UPGRADE	1/1/2029	2.60	468,953
WPCRF GORST SEWERAGE CONSTR	12/31/2030	1.40	477,112
WPCRF GORST SEWERAGE CONSTR	10/17/2032	1.40	47,487
WPCRF GORST SEPTIC SYSTEM DES	12/31/2030	2.90	93,382
WPCRF GORST SEWERAGE DESIGN	12/31/2030	1.40	459,627
Total revenue bonds and loans			25,001,104

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

Year Ending December 31	Governmental Activities		Business Activities	
	Principal	Interest	Principal	Interest
2016	\$ -	\$ -	\$ 3,010,038	\$ 577,614
2017	-	-	2,869,228	516,827
2018	-	-	2,857,592	456,052
2019	-	-	2,467,463	396,555
2020	-	-	2,441,901	347,157
2021-2025	-	-	6,402,279	1,164,262
2026-2030	-	-	3,126,413	634,883
2031-2035	-	-	1,826,190	185,709
Total	\$ -	\$ -	\$ 25,001,104	\$ 4,279,059

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, 2015, the city has \$382,839 available in debt service funds to service the general bonded debt. Restricted assets in proprietary funds contain \$1,723,474 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, 2015 there were no defeased bonds outstanding

11. Changes in Long Term Liabilities

During the year ended December 31, 2015, the following changes occurred in long-term liabilities:

	Beginning Balance 1/1/2015	Additions	Reductions	Ending Balance 12/31/2015	Due Within One Year
Governmental Activities:					
Bonds payable:					
General obligation bonds	\$ 30,015,000	\$ 4,160,000	\$ 1,255,000	32,920,000	\$ 1,685,000
Notes Payable	-	-	-	-	-
Add unamortized premiums	753,170	399,823	43,570	1,109,423	83,551
Total bonds payable:	30,768,170	4,559,823	1,298,570	34,029,423	1,768,551
Claims and judgments	1,154,731	-	-	1,154,731	308,685
Compensated absences	2,661,911	2,895,919	2,906,164	2,651,666	1,183,587
Self Insurance	-	596,748	-	596,748	596,748
Other Post Employment Benefits	149,310	2,987,026	-	3,136,336	3,136,336
Pension Liability	-	7,223,877	-	7,223,877	-
Governmental activity long-term liabilities:	\$ 34,734,122	\$ 18,263,393	\$ 4,204,734	\$ 48,792,781	\$ 6,993,907

	Beginning Balance 1/1/2015	Additions	Reductions	Ending Balance 12/31/2015	Due Within One Year
Business-type Activities:					
Bonds payable:					
General obligation bonds	\$ 4,755,000	\$ -	\$ 245,000	\$ 4,510,000	\$ 285,000
Revenue bonds	9,715,000	-	595,000	9,120,000	620,000
Add unamortized premiums	555,599	-	27,896	527,703	27,896
Total bonds payable:	15,025,599	-	867,896	14,157,703	932,896
Intergovernmental loans	18,440,220	-	2,559,116	15,881,104	2,390,038
Compensated Absences	312,917	919,970	541,507	691,380	248,709
Pension Liability	-	4,358,126	-	4,358,126	-
Business-type activity long-term liabilities:	\$ 33,778,736	\$ 5,278,096	\$ 3,968,519	\$ 35,088,313	\$ 3,571,643

The Risk Management, Equipment Maintenance and Information Technology internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year end \$1,154,731 of Risk Management claims and judgments and \$45,166 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, 2015, 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 \$10,831,872 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, 2015, were as follows:

		Due From							Total
		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	\$ 659,149
	Other governmental funds	179,905	396,722	2,448	-	1,619	4,642	-	585,336
	Water	5,097	8,324	-	-	-	3,573	-	16,994
	Wastewater	2,289	42,372	-	-	-	-	-	44,661
	Other proprietary funds	46,938	54,716	-	-	-	-	-	101,654
	Internal Service	45,475	1,720	4,827	3,292	-	1,192	904	57,410
	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 2015. 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, 2015 were as follows:

		Transfer From					Total
		General Fund	Other Govt	Water	Waste-Water	Other Proprietary	
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 2015 were as follows:

A total of \$1,926,570 was transferred into the Washington Avenue Connector Construction capital project fund from the Water (\$521,470), Wastewater (\$1,015,360) and Stormwater (\$389,740) funds. The transfers were to fund the City's portion of the reconstruction of the roadway and utilities on Washington Ave.

15. Receivable and Payable Balances

A. Receivables

Receivables at December 31, 2015, were as follows:

	Accounts	Taxes	Special Assessments	Notes Contracts	Other	Total
Governmental Activities:						
General Fund	\$ 1,760,298	\$ 1,980,336	\$ -	\$ 9,692	\$ -	\$ 3,750,326
Non-major and other funds	127,096	432,378	-	100,838	151,884	812,196
Reconciliation of balances in fund financial statements to government-wide financial statements	-	-	-	-	120,682	120,682
Total governmental activities	\$ 1,887,394	\$ 2,412,714	\$ -	\$ 110,530	\$ 272,566	\$ 4,683,204
Business-Type Activities:						
Water	\$ 1,826,463	\$ -	\$ 275,389	\$ 48,597	\$ 6,893	\$ 2,157,342
Golf	47,849	-	-	-	245	48,094
Wastewater	2,754,419	-	-	-	9,732	2,764,151
Stormwater	567,312	-	-	-	2,170	569,482
Reconciliation of balances in fund financial statements to government-wide financial statements	-	-	-	(48,597)	4,520	(44,077)
Total business-type activities	\$ 5,196,043	\$ -	\$ 275,389	\$ -	\$ 23,560	\$ 5,494,992

B. Payables

Accounts Payable and other current liabilities at December 31, 2015 were as follows:

	Vendors	Retainage	Other	Total
Governmental Activities:				
General Fund	\$ 691,630	\$ -	\$ -	\$ 691,630
Non-major and other funds	818,515	198,582	-	\$ 1,017,097
Reconciliation of balances in fund financial statements to government-wide financial statements	114,344	-	26,084	140,428
Total governmental activities	\$ 1,624,489	\$ 198,582	\$ 26,084	\$ 1,849,155

	Vendors	Retainage	Other	Total
Business-Type Activities:				
Water	\$ 442,689	\$ 4,460	\$ -	\$ 447,149
Golf	32,330	-	-	32,330
Wastewater	349,556	16,389	-	365,945
Stormwater	57,576	14,227	-	71,803
Reconciliation of balances in fund financial statements to government-wide financial statements	115,237	-	-	115,237
Total business-type activities	\$ 997,388	\$ 35,076	\$ -	\$ 1,032,464

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 12/31/15
Determination of Annual Required Contribution:	
Annual Normal Cost	\$ 4,263,309
Interest on Amortization Payment	5,972
Annual Required Contribution (ARC)	\$ 4,269,281

	Fiscal Year Ending 12/31/15
Determination of NET OPEB Obligation:	
Annual Required Contribution	\$ 4,269,281
Adjustment to ARC	(13,429)
Annual OPEB Cost	<u>\$ 4,255,852</u>
Contributions	<u>(1,268,826)</u>
Change in Net OPEB Obligations	\$ 2,987,026
Net OPEB Obligations - beginning of year	<u>\$ 149,310</u>
Net OPEB Obligations - end of year	\$ 3,136,336

* Unfunded Actuarial Accrued Liability (UAAL)

The City's OPEB cost, the percentage OPEB cost contributed to the plan and the net OPEB Assets for 2015 and the preceding three years, was as follows:

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

Funded Status and Funding Progress

As of December 31, 2015, the City's LEOFF I member count fell below 100 members in 2014 and 2015. The City utilized the alternative actuary method prescribe by the Office of the State Actuary. The accrued liability for benefits was \$47,180,003

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, 2015 was 13.5 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, 2015, for the combined utility operations are as follows:

Condensed Statement of Net Position

Assets and Deferred Outflows

Current assets	\$ 22,754,778
Restricted assets	1,723,474
Capital assets	165,431,741
Other assets	321,963
Total assets	<u>190,231,956</u>
Deferred outflows of resources	498,166
Total assets and deferred outflows	<u>190,730,122</u>

Liabilities and Deferred Inflows

Current liabilities	4,557,817
Due to other funds	647,913
Payable from restricted assets	0
Long-term liabilities	27,349,704
Total liabilities	<u>32,555,434</u>
Deferred inflows of resources	656,132
Total liabilities and deferred inflows	<u>33,211,566</u>

Net Position

Restricted for debt service	2,016,694
Unrestricted	15,598,925
Net investment in capital assets	139,902,937
Total net position	<u>\$ 157,518,556</u>

Condensed Statement of Revenues, Expenses and Changes in Net Position

Total operating revenues	\$ 30,450,380
Operating Expenditures:	
Operations & maintenance	21,248,188
Depreciation/amortization/depletion	5,729,272
Total operating expenses	<u>26,977,460</u>
Operating income(loss)	3,472,920
Non-Operating Revenues/Expenses	
Interest revenue/expense (net)	(592,770)
Other (net)	559,280
Total non-operating revenues/expenses	<u>(33,490)</u>

Condensed Statement of Revenues, Expenses and Changes in Net Position

Total operating revenues	\$ 30,450,380
Operating Expenditures:	
Operations & maintenance	21,248,188
Depreciation/amortization/depletion	<u>5,729,272</u>
Total operating expenses	<u>26,977,460</u>
Operating income(loss)	3,472,920
Non-Operating Revenues/Expenses	
Interest revenue/expense (net)	(592,770)
Other (net)	<u>559,280</u>
Total non-operating revenues/expenses	<u>(33,490)</u>
Capital contributions	3,418,449
Transfers	(3,053,220)
Change in net position	3,804,659
Beginning net position	158,455,776
Prior period adjustment	0
Change in accounting principle - GASB 68	<u>(4,741,879)</u>
Ending net position	<u>\$ 157,518,556</u>

Condensed Statement of Cash Flows

Net cash provided By:	
(a) Operating activities	\$ 8,746,346
(b) Noncapital financing activities	831,263
(c) Capital and related financing activities	(10,143,993)
(d) Investing activities	(2,626,003)
Beginning cash and equivalents balance	<u>11,395,660</u>
Ending cash and equivalents balance	<u>\$ 8,203,273</u>

18. Other Disclosures**A. Prior Period Adjustments**

The Government wide and proprietary fund statements reflect prior period adjustments of 16,307 and \$33,445 respectively.

	<u>Reason for prior period adjustment</u>	<u>Fund Statements</u>	<u>Government Wide</u>
Other Governmental Funds			
Lower Wheaton Way	Move prior year costs out of the fund	31,194	
Pacific Ave. Construct.	Adjust prior year grant revenue	(1,628)	
Washington Ave. Connector	Move prior year non-capital costs out Construction in Progress	(13,259)	
Total Governmental Funds		<u>16,307</u>	
Total Governmental Activities			16,307
Golf	Prior year insurance recovery	33,446	
Total Proprietary Funds		<u>\$ 33,446</u>	
Total Business-Type Activities			\$ 33,446
Government-wide adjustments			<u>\$ 49,753</u>

B. Accounting Change GASB 68

The Government wide and proprietary fund statements reflect adjustments resulting from the cumulative effects of implementing GASB 68 which required a restatement of beginning net position. The individual adjustments are as follows:

Government Wide – (\$3,788,435)*
 Government Wide (Business Type Activities) - (\$4,741,879)
 Proprietary Fund Statement (Water) – (\$1,412,036)
 Proprietary Fund Statement (Wastewater) – (\$2,814,939)
 Proprietary Fund Statement (Stormwater) – (\$514,904)
 Proprietary Fund Statement (Internal Service) (\$639,393)

* See section C for reconciling item disclosure

C. Internal Service Funds (Governmental)

The Government wide Statement of Activities (Business-Type Activities) and the Statement of Revenues, Expenses and Changes in Net Position has classification differences relating to GASB 68 and the restatement of fund balance. In the fund statements, the adjustment is recognized as a special item “Change in accounting principle – GASB 68. When calculating the return on investment, this amount was included, creating the amount to be distributed by function in the Government wide Statement of Activities. Overall fund balance was not affected.

D. Negative Fund Balance

At December 31, 2015 the City reported two internal service funds with negative fund balances, Information Technology and Self Insured Medical Program, (\$53,993) and (\$275,568) respectively.

Information Technology had a positive fund balance of \$312,855 before the effect of the GASB 68 accounting change for pension recognition.

Self Insured Medical Program – In 2015 the City elected to self-insure employee medical expenses in an effort to stem increasing medical costs. The rates were determined without the benefit of the detailed claims activity from the previous provider. Actual experience exceeded expectations during the first year of this program. The City has taken steps in the 2016 budget to address the shortfall.

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

Fiscal Year <u>Ended</u>	Actuarial Value of <u>Assets</u>	Actuarial Accrued Liability Unit <u>Cost</u>	Unfunded Actuarial Accrued Liabilities <u>(UAAL)</u>	Funded <u>Ratio</u>	Covered <u>Payroll</u>	UAAL as a Percentage of Covered <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%

City of Bremerton
 Schedule of Employer Contributions
 PERS 1
 As of December 31, 2015
 Last 10 Fiscal Years*

	<u>2015</u>
Contractually required contributions	\$ 63,237
Contributions in relation to the contractually required contributions	<u>\$ 63,238</u>
Contribution deficiency (excess)	<u><u>-1</u></u>
Employer's covered employee payroll	619,512
Contributions as a percentage of covered employee payroll	10.21%

Notes to Schedule:

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

City of Bremerton
 Schedule of Employer Contributions
 PERS 2/3
 As of December 31, 2015
 Last 10 Fiscal Years*

	<u>2015</u>
Contractually required contributions	\$ 1,171,644
Contributions in relation to the contractually required contributions	<u>\$ 1,329,216</u>
Contribution deficiency (excess)	<u><u>-157,572</u></u>
Employer's covered employee payroll	11,587,654
Contributions as a percentage of covered employee payroll	11.47%

Notes to Schedule:

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

City of Bremerton
 Schedule of Employer Contributions
 PSERS
 As of December 31, 2015
 Last 10 Fiscal Years*

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

Notes to Schedule:

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

City of Bremerton
 Schedule of Employer Contributions
 LEOFF 1
 As of December 31, 2015
 Last 10 Fiscal Years*

	2015
Contractually required contributions	\$ 221
Contributions in relation to the contractually required contributions	\$ 220
Contribution deficiency (excess)	1
Employer's covered employee payroll	122,729
Contributions as a percentage of covered employee payroll	0.18%

Notes to Schedule:

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

City of Bremerton
 Schedule of Employer Contributions
 LEOFF 2
 As of December 31, 2015
 Last 10 Fiscal Years*

	2015
Contractually required contributions	\$ 601,255
Contributions in relation to the contractually required contributions	\$ 601,160
Contribution deficiency (excess)	95
Employer's covered employee payroll	11,496,279
Contributions as a percentage of covered employee payroll	5.23%

Notes to Schedule:

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

City of Bremerton
 Schedule of Proportionate Share of the Net Pension Liability
 PERS 1
 As of June 30, 2015
 Last 10 Fiscal Years*

	2015
Employer's proportion of the net pension liability (asset)	0.12367%
Employer's proportionate share of the net pension liability	\$ 6,468,882
Employer's covered employee payroll	619,512
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	1044.19%
Plan fiduciary net position as a percentage of the total pension liability	59.10%

Notes to Schedule:

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

City of Bremerton
 Schedule of Proportionate Share of the Net Pension Liability
 PERS 2/3
 As of June 30, 2015
 Last 10 Fiscal Years*

	2015
Employer's proportion of the net pension liability (asset)	0.14288%
Employer's proportionate share of the net pension liability	\$ 5,105,327
Employer's covered employee payroll	11,587,654
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	44.06%
Plan fiduciary net position as a percentage of the total pension liability	89.20%

Notes to Schedule:

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

City of Bremerton
 Schedule of Proportionate Share of the Net Pension Liability
 PSERS
 As of June 30, 2015
 Last 10 Fiscal Years*

	2015
Employer's proportion of the net pension liability (asset)	0.04270%
Employer's proportionate share of the net pension liability (asset)	\$ 7,794
Employer's covered employee payroll	126,609
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	6.16%
Plan fiduciary net position as a percentage of the total pension liability	95.08%

Notes to Schedule:

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

City of Bremerton
 Schedule of Proportionate Share of the Net Pension Liability
 LEOFF 1
 As of June 30, 2015
 Last 10 Fiscal Years*

	2015
Employer's proportion of the net pension liability (asset)	0.17571%
Employer's proportionate share of the net pension liability (asset)	\$ (2,117,718)
Employer's covered employee payroll	122,729
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	(1725.52%)
Plan fiduciary net position as a percentage of the total pension liability	(127.36%)

Notes to Schedule:

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

City of Bremerton
 Schedule of Proportionate Share of the Net Pension Liability
 LEOFF 2
 As of June 30, 2015
 Last 10 Fiscal Years*

	2015
Employer's proportion of the net pension liability (asset)	0.39748%
Employer's proportionate share of the net pension liability	\$ (4,085,289)
State's proportionate share of the net pension liability (asset) associated with the employer	\$ (2,701,196)
TOTAL	\$ (6,786,485)
Employer's covered employee payroll	11,496,279
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	(35.54%)
Plan fiduciary net position as a percentage of the total pension liability	(111.67%)

Notes to Schedule:

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

Combining Balance Sheet
NonMajor Governmental Funds
December 31, 2015

	Special Revenue									
	Arterial Street	Street	Lodging Tax	Parking System	Community Block Grant	Abatement Revolving	Police Special Projects	BKAT	Gift & Donation	
ASSETS and DEFERRED OUTFLOWS of RESOURCES										
Cash and cash equivalents	\$ 121,001	\$ 135,242	\$ 142,844	\$ 205,935	\$ 224,289	\$ 176,644	\$ 255,882	\$ 287,357	\$ 25,441	
Investments	136,661	129,507	161,331	232,588	-	199,505	288,998	324,548	28,734	
Receivables	-	144,658	31,935	217,849	-	-	-	-	-	
Due from other funds	-	265,829	-	997	-	13,300	-	-	-	
Due from other governments	-	76,374	-	-	203,447	-	-	-	-	
Other assets	-	-	-	-	638,462	-	-	-	-	
Total assets	257,662	751,610	336,110	657,369	1,066,198	389,449	544,880	611,905	54,175	
Deferred outflows of resources	-	-	-	-	-	-	-	-	-	
Total assets and deferred outflows of resources	\$ 257,662	\$ 751,610	\$ 336,110	\$ 657,369	\$ 1,066,198	\$ 389,449	\$ 544,880	\$ 611,905	\$ 54,175	
LIABILITIES and FUND BALANCES										
Liabilities:										
Accounts/contracts payable	\$ -	\$ 206,120	\$ 2,500	\$ 47,270	\$ 67,546	\$ -	\$ 47,136	\$ 3,994	\$ 50	
Due to other funds	257,662	1,463	-	30,043	5,375	-	-	266	-	
Due to other governments	-	-	-	-	-	-	-	-	-	
Employee wages payable	-	42,008	-	-	4,086	-	-	10,083	-	
Custodial Accounts	-	-	-	-	-	-	-	-	-	
Unearned revenue	-	-	-	111,614	638,462	-	-	-	-	
Total liabilities	257,662	249,591	2,500	188,927	715,469	-	47,136	14,343	50	
Fund balances:										
Restricted	-	358,335	309,030	-	350,729	-	497,744	165,961	-	
Committed	-	-	-	-	-	138,252	-	431,601	54,125	
Assigned	-	143,684	24,580	468,442	-	251,197	-	-	-	
Unassigned	-	-	-	-	-	-	-	-	-	
Total fund balances	-	502,019	333,610	468,442	350,729	389,449	497,744	597,562	54,125	
Total liabilities and fund balances	\$ 257,662	\$ 751,610	\$ 336,110	\$ 657,369	\$ 1,066,198	\$ 389,449	\$ 544,880	\$ 611,905	\$ 54,175	

See accompanying notes to the financial statements.

**Combining Balance Sheet
Non-Major Governmental Funds
December 31, 2015**

	Special Revenue				Debt Service				Total Debt Service
	Trial Improvement	One Percent for Art	Transportation Benefits District	Total Special Revenue	2012			Total Debt Service	
					2010 LTGO	2010 UTGO/ LTGO (B)	Government Center LTGO		
ASSETS and DEFERRED OUTFLOWS of RESOURCES									
Cash and cash equivalents	\$ 46,212	\$ 24,002	\$ 430,384	\$ 2,075,233	\$ 60,193	\$ 58,355	\$ 39,721	\$ 1,956	\$ 160,225
Investments	52,193	27,108	-	1,581,173	67,984	65,908	44,862	2,210	180,964
Receivables	-	-	36,857	431,299	35,151	27,448	-	-	62,599
Due from other funds	-	-	-	280,126	-	350	-	-	350
Due from other governments	-	-	-	279,821	-	-	-	-	-
Other assets	-	-	-	638,462	-	-	-	-	-
Total assets	98,405	51,110	467,241	5,286,114	163,328	152,061	84,583	4,166	404,138
Deferred outflows of resources	-	-	-	-	-	-	-	-	-
Total assets and deferred outflows of resources	\$ 98,405	\$ 51,110	\$ 467,241	\$ 5,286,114	\$ 163,328	\$ 152,061	\$ 84,583	\$ 4,166	\$ 404,138
LIABILITIES and FUND BALANCES									
Liabilities:									
Accounts/contracts payable	\$ 401	\$ -	\$ -	\$ 375,017	\$ 425	\$ 850	\$ 425	\$ -	\$ 1,700
Due to other funds	-	434	65,173	360,416	-	-	-	-	-
Due to other governments	-	-	-	-	-	-	-	-	-
Employee wages payable	-	-	-	56,177	-	-	-	-	-
Custodial Accounts	-	-	-	-	-	-	-	-	-
Unearned revenue	-	-	-	750,076	-	19,599	-	-	19,599
Total liabilities	401	434	65,173	1,541,686	425	20,449	425	-	21,299
Fund balances:									
Restricted	92,942	-	402,068	2,176,809	-	117,446	-	4,166	121,612
Committed	-	50,676	-	674,654	-	-	-	-	-
Assigned	5,062	-	-	892,965	162,903	14,166	84,158	-	261,227
Unassigned	-	-	-	-	-	-	-	-	-
Total fund balances	98,004	50,676	402,068	3,744,428	162,903	131,612	84,158	4,166	382,839
Total liabilities and fund balances	\$ 98,405	\$ 51,110	\$ 467,241	\$ 5,286,114	\$ 163,328	\$ 152,061	\$ 84,583	\$ 4,166	\$ 404,138

See accompanying notes to the financial statements.

**Combining Balance Sheet
NonMajor Governmental Funds
December 31, 2015**

	Capital Projects										Total Nonmajor Governmental Funds	
	General Govt Cap Impr	Parks Construction	Trans Capital Projects	Fire Public Safety	Lower Wheaton Way	Pacific Ave. Construct.	Washington Avenue Connector	Total Capital Projects				
ASSETS and DEFERRED OUTFLOWS of RESOURCES												
Cash and cash equivalents	\$ 308,613	\$ 71,502	\$ 29,661	\$ 4,519,992	\$ 19,419	\$ -	\$ 172,253	\$ 5,121,440				7,356,898
Investments	348,554	80,755	33,500	-	21,932	-	194,547	679,288				2,441,425
Receivables	166,413	-	-	-	-	-	151,884	318,297				812,195
Due from other funds	-	-	304,643	-	-	-	217	304,860				585,336
Due from other governments	-	-	-	-	105,739	-	324,618	430,357				710,178
Other assets	-	-	-	-	-	-	-	-				638,462
Total assets	<u>823,580</u>	<u>152,257</u>	<u>367,804</u>	<u>4,519,992</u>	<u>147,090</u>	<u>-</u>	<u>843,519</u>	<u>6,854,242</u>				<u>12,544,494</u>
Deferred outflows of resources	-	-	-	-	-	-	-	-				-
Total assets and deferred outflows of resources	<u>\$ 823,580</u>	<u>\$ 152,257</u>	<u>\$ 367,804</u>	<u>\$ 4,519,992</u>	<u>\$ 147,090</u>	<u>\$ -</u>	<u>\$ 843,519</u>	<u>\$ 6,854,242</u>				<u>12,544,494</u>
LIABILITIES and FUND BALANCES												
Liabilities:												
Accounts/contracts payable	\$ -	\$ 42,524	\$ -	\$ 19,950	\$ -	\$ -	\$ 573,858	\$ 636,332				1,013,049
Due to other funds	20,000	-	602	-	147,090	-	-	167,692				528,108
Due to other governments	-	-	-	-	-	-	-	-				-
Employee wages payable	-	-	-	-	-	-	-	-				56,177
Custodial Accounts	-	-	15,000	-	-	-	-	15,000				15,000
Unearned revenue	-	-	-	-	-	-	-	-				769,675
Total liabilities	<u>20,000</u>	<u>42,524</u>	<u>15,602</u>	<u>19,950</u>	<u>147,090</u>	<u>-</u>	<u>573,858</u>	<u>819,024</u>				<u>2,382,009</u>
Fund balances:												
Restricted	772,528	-	242,060	4,500,042	-	-	-	5,514,630				7,813,051
Committed	-	-	-	-	-	-	-	-				674,654
Assigned	31,052	109,733	110,142	-	-	-	269,661	520,588				1,674,780
Unassigned	-	-	-	-	-	-	-	-				-
Total fund balances	<u>803,580</u>	<u>109,733</u>	<u>352,202</u>	<u>4,500,042</u>	<u>-</u>	<u>-</u>	<u>269,661</u>	<u>6,035,218</u>				<u>10,162,485</u>
Total liabilities and fund balances	<u>\$ 823,580</u>	<u>\$ 152,257</u>	<u>\$ 367,804</u>	<u>\$ 4,519,992</u>	<u>\$ 147,090</u>	<u>\$ -</u>	<u>\$ 843,519</u>	<u>\$ 6,854,242</u>				<u>12,544,494</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, 2015**

	Special Revenue				Debt Service				
	Trial Improvement	One Percent for Art	Transportation Benefits District	Total Special Revenue	2010		2012		
					LTGO	UTGO/ LTGO (B)	Center LTGO	2015 Public Safety Bond Service	
REVENUES									
Taxes									
Property	\$ -	\$ -	\$ -	\$ -	\$ 2,178	\$ 904,710	\$ -	\$ -	\$ 906,888
Sales	-	-	-	529,681	349,902	-	-	-	349,902
Other	-	-	480,625	1,106,703	-	-	-	-	-
Licenses and permits	-	-	-	289,791	-	-	-	-	-
Intergovernmental	21,854	-	-	1,637,353	111,153	33,637	-	-	144,790
Charges for services	-	-	-	676,846	-	-	-	-	-
Fines and forfeitures	-	-	-	324,900	-	-	-	-	-
Miscellaneous	345	184	725	1,707,751	554	1,767	25,366	(7)	27,680
Total revenues	\$ 22,199	\$ 184	\$ 481,350	\$ 6,273,025	\$ 463,787	\$ 940,114	\$ 25,366	\$ (7)	\$ 1,429,260
EXPENDITURES									
Current:									
General government	\$ 6,005	\$ -	\$ -	\$ 258,455	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	426,090	-	-	-	-	-
Transportation	-	-	345,577	3,609,362	-	-	-	-	-
Economic environment	-	-	-	328,966	-	-	-	-	-
Mental/physical health	-	-	-	200,973	-	-	-	-	-
Culture and recreation	-	934	-	548,457	-	-	-	-	-
Debt service:									
Principal	-	-	-	200,000	215,000	650,000	190,000	-	1,055,000
Interest and other debt issue costs	-	-	-	281,686	332,622	408,983	141,641	-	883,246
Capital outlay	-	-	-	284,044	-	-	-	-	-
Intergovernmental payments	-	-	-	-	-	-	-	-	-
Total expenditures	\$ 6,005	\$ 934	\$ 345,577	\$ 6,138,033	\$ 547,622	\$ 1,058,983	\$ 331,641	\$ -	\$ 1,938,246
Excess (deficiency) of revenues over expenditures	16,194	(750)	135,773	134,992	(83,835)	(118,869)	(306,275)	(7)	(508,986)
OTHER FINANCING SOURCES (USES)									
Proceeds of long term debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,173	\$ 4,173
Premiums on bonds sold	-	-	-	-	-	-	-	-	-
Capital asset donations & disposal	-	-	-	66,703	-	-	-	-	-
Insurance recoveries	-	-	-	10,620	-	-	-	-	-
Transfers in	-	-	-	655,162	120,000	164,000	384,535	-	668,535
Transfers out	-	-	-	(785,334)	-	-	-	-	-
Total other financing sources and uses	\$ -	\$ -	\$ -	\$ (52,849)	\$ 120,000	\$ 164,000	\$ 384,535	\$ 4,173	\$ 672,708
Net change in fund balances	16,194	(750)	135,773	82,143.00	36,165	45,131	78,260	4,166	163,722
Fund balances-beginning	81,810	51,426	266,295	3,662,285	126,738	86,481	5,898	-	219,117
Prior period adjustments	-	-	-	-	-	-	-	-	-
Fund balances-ending	\$ 98,004	\$ 50,676	\$ 402,068	\$ 3,744,428	\$ 162,903	\$ 131,612	\$ 84,158	\$ 4,166	\$ 382,839

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
for the Year Ended December 31, 2015**

	General Govt Cap Impr	Parks Construction	Transportation Capital	Fire Public Safety Capital	Lower Wheaton Way	Pacific Ave. Construct.	Washington Ave. Connector	Total Capital Projects	Total Nonmajor Governmental Funds
REVENUES									
Taxes									
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 906,888
Sales	-	-	-	-	-	-	-	-	879,583
Other	982,513	-	-	-	-	-	-	982,513	2,089,216
Licenses and permits	-	-	-	-	-	-	-	-	289,791
Intergovernmental	-	-	-	380,378	-	-	1,504,917	1,885,295	3,667,438
Charges for services	-	-	-	-	-	-	-	-	676,846
Fines and forfeitures	-	-	-	-	-	-	-	-	324,900
Miscellaneous	1,744	21,139	(106)	42	512	724	141,370	165,425	1,900,856
Total revenues	\$ 984,257	\$ 21,139	\$ (106)	\$ 42	\$ 380,890	\$ 724	\$ 1,646,287	\$ 3,033,233	\$ 10,735,518
EXPENDITURES									
Current:									
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 258,455
Public safety	-	-	-	-	-	-	-	-	426,090
Transportation	-	-	-	-	-	1,073	-	1,073	3,610,435
Economic environment	-	-	-	-	-	-	-	-	328,966
Mental/physical health	-	-	-	-	-	-	-	-	200,973
Culture and recreation	-	395	-	-	-	-	-	395	548,852
Debt service:									
Principal	-	-	-	-	-	-	-	-	1,255,000
Interest and other debt issue costs	-	-	-	55,650	-	-	-	55,650	1,220,582
Capital outlay	-	44,086	602	-	844,320	-	3,687,726	4,576,734	4,860,778
Intergovernmental payments	-	-	-	-	-	-	-	-	-
Total expenditures	\$ -	\$ 44,481	\$ 602	\$ 55,650	\$ 844,320	\$ -	\$ 3,688,799	\$ 4,633,852	\$ 12,710,131
Excess (deficiency) of revenues over expenditures	984,257	(23,342)	(708)	(55,608)	(463,430)	724	(2,042,512)	(1,600,619)	(1,974,613)
OTHER FINANCING SOURCES (USES)									
Proceeds of long term debt	\$ -	\$ -	\$ -	\$ 4,155,827	\$ -	\$ -	\$ -	\$ 4,155,827	\$ 4,160,000
Premiums on bonds sold	-	-	-	399,823	-	-	-	399,823	399,823
Capital asset donations & disposal	-	-	-	-	-	-	-	-	66,703
Insurance recoveries	-	-	-	-	55,543	175,179	2,128,280	2,711,912	10,620
Transfers in	(833,607)	-	-	-	(147,091)	(289,023)	-	(1,269,721)	4,035,609
Transfers out	\$ (833,607)	\$ -	\$ 352,910	\$ -	\$ (91,548)	\$ (113,844)	\$ 2,128,280	\$ 5,997,841	(2,055,055)
Total other financing sources and uses	\$ (833,607)	\$ -	\$ 352,910	\$ 4,555,650	\$ (91,548)	\$ (113,844)	\$ 2,128,280	\$ 5,997,841	\$ 6,617,700
Net change in fund balances	150,650	(23,342)	352,202	4,500,042	(554,978)	(113,120)	85,768	4,397,222	4,643,087
Fund balances-beginning	652,930	133,075	-	-	523,784	114,748	197,152	1,621,689	5,503,091
Prior period adjustments	-	-	-	-	31,194	(1,628)	(13,259)	16,307	16,307
Fund balances-ending	\$ 803,580	\$ 109,733	\$ 352,202	\$ 4,500,042	\$ -	\$ -	\$ 269,661	\$ 6,035,218	\$ 10,162,485

Arterial Street Special Revenue Fund
Other Government Funds
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2015

	Original Budget 2015	Final Budget 2015	Actual 2015	Variance with Final Budget Positive (Negative)
REVENUES				
Other revenue	\$ -	\$ 2,000	\$ 971	\$ (1,029)
Total revenues	-	2,000	971	(1,029)
EXPENDITURES				
Transfers	-	263,256	262,227	1,029
Total expenditures	-	263,256	262,227	1,029
Excess (deficiency) of revenues over	-	(261,256)	(261,256)	-
Fund balances-beginning	253,010	261,256	261,256	-
Fund balances-ending	\$ 253,010	\$ -	\$ -	\$ -

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, 2015

	Original Budget 2015	Final Budget 2015	Actual 2015	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 500,000	\$ 570,000	\$ 626,078	\$ 56,078
Intergovernmental	2,156,000	1,112,310	959,943	(152,367)
Charges for services	559,750	589,750	511,123	(78,627)
Other revenue	1,497,472	895,100	724,348	(170,752)
Total revenues	4,713,222	3,167,160	2,821,492	(345,668)
EXPENDITURES				
Personnel	1,284,900	1,175,600	1,105,057	70,543
Supplies, services & taxes	2,427,596	1,630,196	1,520,629	109,567
Capital expenditure	800,000	399,000	216,379	182,621
Total expenditures	4,512,496	3,204,796	2,842,065	362,731
Excess (deficiency) of revenues over expenditures	200,726	(37,636)	(20,573)	17,063
Fund balances-beginning	357,558	522,592	522,592	-
Fund balances-ending	\$ 558,284	\$ 484,956	\$ 502,019	\$ 17,063

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, 2015

	Original Budget 2015	Final Budget 2015	Actual 2015	Variance with Final Budget Positive (Negative)
REVENUES				
Other revenue	\$ 52,900	\$ 52,900	\$ 52,364	\$ (536)
Total revenues	52,900	52,900	52,364	(536)
Excess (deficiency) of revenues over expenditures	52,900	52,900	52,364	(536)
Fund balances-beginning	517,296	677,340	677,340	-
Fund balances-ending	\$ 570,196	\$ 730,240	\$ 729,704	\$ (536)

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, 2015

	Original Budget 2015	Final Budget 2015	Actual 2015	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 393,000	\$ 500,000	\$ 529,681	\$ 29,681
Other revenue	700	700	569	(131)
Total revenues	<u>393,700</u>	<u>500,700</u>	<u>530,250</u>	<u>29,550</u>
EXPENDITURES				
Supplies, services & taxes	243,000	243,000	243,000	-
Transfers	155,000	155,000	155,000	-
Total expenditures	<u>398,000</u>	<u>398,000</u>	<u>398,000</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(4,300)</u>	<u>102,700</u>	<u>132,250</u>	<u>29,550</u>
Fund balances-beginning	157,822	201,360	201,360	-
Fund balances-ending	<u>\$ 153,522</u>	<u>\$ 304,060</u>	<u>\$ 333,610</u>	<u>\$ 29,550</u>

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, 2015

	Original Budget 2015	Final Budget 2015	Actual 2015	Variance with Final Budget Positive (Negative)
REVENUES				
Fines and forfeitures	\$ 200,000	\$ 200,000	\$ 202,579	\$ 2,579
Other revenue	1,120,000	1,405,000	1,345,825	(59,175)
Total revenues	<u>1,320,000</u>	<u>1,605,000</u>	<u>1,548,404</u>	<u>(56,596)</u>
EXPENDITURES				
Personnel	-	-	12,694	(12,694)
Supplies, services & taxes	740,981	850,981	795,161	55,820
Capital expenditure	20,000	20,000	15,345	4,655
Debt service	481,208	481,208	481,686	(478)
Transfers	85,000	101,500	101,500	-
Total expenditures	<u>1,327,189</u>	<u>1,453,689</u>	<u>1,406,386</u>	<u>47,303</u>
Excess (deficiency) of revenues over expenditures	<u>(7,189)</u>	<u>151,311</u>	<u>142,018</u>	<u>(9,293)</u>
Fund balances-beginning	210,228	326,424	326,424	-
Fund balances-ending	<u>\$ 203,039</u>	<u>\$ 477,735</u>	<u>\$ 468,442</u>	<u>\$ (9,293)</u>

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, 2015

	Original Budget 2015	Final Budget 2015	Actual 2015	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental	\$ 890,043	\$ 605,043	\$ 655,556	\$ 50,513
Charges for services	30,000	30,000	52,945	22,945
Other revenue	42,125	42,125	38,544	(3,581)
Total revenues	<u>962,168</u>	<u>677,168</u>	<u>747,045</u>	<u>69,877</u>
EXPENDITURES				
Personnel	123,700	123,300	119,842	3,458
Supplies, services & taxes	667,684	667,684	434,970	232,714
Transfers	145,850	170,850	151,607	19,243
Total expenditures	<u>937,234</u>	<u>961,834</u>	<u>706,419</u>	<u>255,415</u>
Excess (deficiency) of revenues over expenditures	<u>24,934</u>	<u>(284,666)</u>	<u>40,626</u>	<u>325,292</u>
Fund balances-beginning	187,353	310,103	310,103	-
Fund balances-ending	<u>\$ 212,287</u>	<u>\$ 25,437</u>	<u>\$ 350,729</u>	<u>\$ 325,292</u>

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, 2015

	Original Budget 2015	Final Budget 2015	Actual 2015	Variance with Final Budget Positive (Negative)
REVENUES				
Fines and forfeitures	\$ 35,000	\$ 100,000	\$ 99,428	\$ (572)
Other revenue	1,000	1,000	1,381	381
Total revenues	<u>36,000</u>	<u>101,000</u>	<u>100,809</u>	<u>(191)</u>
EXPENDITURES				
Supplies, services & taxes	53,500	53,500	40	53,460
Transfers	85,000	85,000	85,000	-
Total expenditures	<u>138,500</u>	<u>138,500</u>	<u>85,040</u>	<u>53,460</u>
Excess (deficiency) of revenues over expenditures	<u>(102,500)</u>	<u>(37,500)</u>	<u>15,769</u>	<u>53,269</u>
Fund balances-beginning	309,363	373,680	373,680	-
Fund balances-ending	<u>\$ 206,863</u>	<u>\$ 336,180</u>	<u>\$ 389,449</u>	<u>\$ 53,269</u>

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, 2015

	Original Budget 2015	Final Budget 2015	Actual 2015	Variance with Final Budget Positive (Negative)
REVENUES				
Fines and forfeitures	\$ 15,000	\$ 15,000	\$ 22,893	\$ 7,893
Other revenue	73,500	253,500	246,139	(7,361)
Total revenues	<u>88,500</u>	<u>268,500</u>	<u>269,032</u>	<u>532</u>
EXPENDITURES				
Supplies, services & taxes	472,595	472,595	424,823	47,772
Capital expenditure	90,000	-	-	-
Total expenditures	<u>562,595</u>	<u>472,595</u>	<u>424,823</u>	<u>47,772</u>
Excess (deficiency) of revenues over expenditures	<u>(474,095)</u>	<u>(204,095)</u>	<u>(155,791)</u>	<u>48,304</u>
Fund balances-beginning	620,496	653,535	653,535	-
Fund balances-ending	<u>\$ 146,401</u>	<u>\$ 449,440</u>	<u>\$ 497,744</u>	<u>\$ 48,304</u>

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, 2015

	Original Budget 2015	Final Budget 2015	Actual 2015	Variance with Final Budget Positive (Negative)
REVENUES				
Licenses and permits	\$ 280,000	\$ 280,000	\$ 289,791	\$ 9,791
Charges for services	124,010	124,010	111,738	(12,272)
Other revenue	65,800	65,800	71,969	6,169
Total revenues	<u>469,810</u>	<u>469,810</u>	<u>473,498</u>	<u>3,688</u>
EXPENDITURES				
Personnel	348,500	314,900	300,066	14,834
Supplies, services & taxes	54,524	79,524	58,192	21,332
Capital expenditure	46,000	100,000	-	100,000
Total expenditures	<u>449,024</u>	<u>494,424</u>	<u>358,258</u>	<u>136,166</u>
Excess (deficiency) of revenues over expenditures	<u>20,786</u>	<u>(24,614)</u>	<u>115,240</u>	<u>139,854</u>
Fund balances-beginning	358,883	482,322	482,322	-
Fund balances-ending	<u>\$ 379,669</u>	<u>\$ 457,708</u>	<u>\$ 597,562</u>	<u>\$ 139,854</u>

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, 2015

	Original Budget 2015	Final Budget 2015	Actual 2015	Variance with Final Budget Positive (Negative)
REVENUES				
Charges for services	\$ -	\$ -	\$ 1,040	\$ 1,040
Other revenue	4,750	7,450	9,236	1,786
Total revenues	4,750	7,450	10,276	2,826
EXPENDITURES				
Supplies, services & taxes	5,500	9,500	5,312	4,188
Capital expenditure	-	52,320	52,321	(1)
Transfers	30,000	30,000	30,000	-
Total expenditures	35,500	91,820	87,633	4,187
Excess (deficiency) of revenues over expenditures	(30,750)	(84,370)	(77,357)	7,013
Fund balances-beginning	78,319	131,482	131,482	-
Fund balances-ending	\$ 47,569	\$ 47,112	\$ 54,125	\$ 7,013

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, 2015

	Original Budget 2015	Final Budget 2015	Actual 2015	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental	\$ 30,000	\$ 30,000	\$ 21,854	\$ (8,146)
Other revenue	325	325	345	20
Total revenues	<u>30,325</u>	<u>30,325</u>	<u>22,199</u>	<u>(8,126)</u>
EXPENDITURES				
Supplies, services & taxes	<u>15,000</u>	<u>15,000</u>	<u>6,005</u>	<u>8,995</u>
Total expenditures	<u>15,000</u>	<u>15,000</u>	<u>6,005</u>	<u>8,995</u>
Excess (deficiency) of revenues over expenditures	<u>15,325</u>	<u>15,325</u>	<u>16,194</u>	<u>869</u>
Fund balances-beginning	<u>79,793</u>	<u>81,810</u>	<u>81,810</u>	<u>-</u>
Fund balances-ending	<u>\$ 95,118</u>	<u>\$ 97,135</u>	<u>\$ 98,004</u>	<u>\$ 869</u>

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, 2015

	Original Budget 2015	Final Budget 2015	Actual 2015	Variance with Final Budget Positive (Negative)
REVENUES				
Other revenue	\$ -	\$ -	\$ 184	\$ 184
Total revenues	-	-	184	184
EXPENDITURES				
Supplies, services & taxes	500	5,200	934	4,266
Total expenditures	500	5,200	934	4,266
Excess (deficiency) of revenues over expenditures	(500)	(5,200)	(750)	4,450
Fund balances-beginning	51,206	51,426	51,426	-
Fund balances-ending	\$ 50,706	\$ 46,226	\$ 50,676	\$ 4,450

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, 2015

	Original Budget 2015	Final Budget 2015	Actual 2015	Variance with Final Budget Positive (Negative)
REVENUES				
Charges for services	\$ 1,399,021	\$ 1,289,021	\$ 1,267,969	\$ (21,052)
Other revenue	160,750	200,750	195,725	(5,025)
Total revenues	<u>1,559,771</u>	<u>1,489,771</u>	<u>1,463,694</u>	<u>(26,077)</u>
EXPENDITURES				
Personnel	-	-	710	(710)
Supplies, services & taxes	1,550,988	1,538,988	1,454,147	84,841
Capital expenditure	10,000	-	-	-
Debt service	102,600	2,600	1,200	1,400
Total expenditures	<u>1,663,588</u>	<u>1,541,588</u>	<u>1,456,057</u>	<u>85,531</u>
Excess (deficiency) of revenues over expenditures	<u>(103,817)</u>	<u>(51,817)</u>	<u>7,637</u>	<u>59,454</u>
Fund balances-beginning	192,272	91,986	91,986	-
Fund balances-ending	<u>\$ 88,455</u>	<u>\$ 40,169</u>	<u>\$ 99,623</u>	<u>\$ 59,454</u>

**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, 2015**

	Original Budget 2015	Final Budget 2015	Actual 2015	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 430,000	\$ 430,000	\$ 480,625	\$ 50,625
Other revenue	-	-	725	725
Total revenues	430,000	430,000	481,350	51,350
EXPENDITURES				
Supplies, services & taxes	480,000	510,000	345,577	164,423
Transfers	108,000	108,000	-	108,000
Total expenditures	588,000	618,000	345,577	272,423
Excess (deficiency) of revenues over expenditures	(158,000)	(188,000)	135,773	323,773
Fund balances-beginning	266,295	239,379	266,295	26,916
Fund balances-ending	\$ 108,295	\$ 51,379	\$ 402,068	\$ 350,689

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, 2015

	Original Budget 2015	Final Budget 2015	Actual 2015	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 337,525	\$ 337,525	\$ 352,080	\$ 14,555
Intergovernmental	111,080	111,080	111,153	73
Other revenue	121,000	121,000	120,554	(446)
Total revenues	<u>569,605</u>	<u>569,605</u>	<u>583,787</u>	<u>14,182</u>
EXPENDITURES				
Debt service	547,493	547,493	547,622	(129)
Total expenditures	<u>547,493</u>	<u>547,493</u>	<u>547,622</u>	<u>(129)</u>
Excess (deficiency) of revenues over expenditures	<u>22,112</u>	<u>22,112</u>	<u>36,165</u>	<u>14,053</u>
Fund balances-beginning	126,395	126,738	126,738	-
Fund balances-ending	<u>\$ 148,507</u>	<u>\$ 148,850</u>	<u>\$ 162,903</u>	<u>\$ 14,053</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, 2015

	Original Budget 2015	Final Budget 2015	Actual 2015	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 891,000	\$ 891,000	\$ 904,710	\$ 13,710
Intergovernmental	33,582	33,582	33,637	55
Other revenue	148,500	165,000	165,767	767
Total revenues	<u>1,073,082</u>	<u>1,089,582</u>	<u>1,104,114</u>	<u>14,532</u>
EXPENDITURES				
Debt service	1,058,782	1,059,107	1,058,983	124
Transfers	-	-	-	-
Total expenditures	<u>1,058,782</u>	<u>1,059,107</u>	<u>1,058,983</u>	<u>124</u>
Excess (deficiency) of revenues over expenditures	<u>14,300</u>	<u>30,475</u>	<u>45,131</u>	<u>14,656</u>
Fund balances-beginning	78,655	86,481	86,481	-
Fund balances-ending	<u>\$ 92,955</u>	<u>\$ 116,956</u>	<u>\$ 131,612</u>	<u>\$ 14,656</u>

Government Center LTGO Debt Service Fund
Other Government Funds
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2015

	Original Budget 2015	Final Budget 2015	Actual 2015	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Other revenue	\$ 394,250	\$ 409,758	\$ 409,901	\$ 143
Total revenues	<u>394,250</u>	<u>409,758</u>	<u>409,901</u>	<u>143</u>
EXPENDITURES				
Personnel	-	-	-	-
Supplies, services & taxes	-	-	-	-
Capital expenditure	-	-	-	-
Debt service	331,473	331,823	331,641	182
Transfers	-	-	-	-
Total expenditures	<u>331,473</u>	<u>331,823</u>	<u>331,641</u>	<u>182</u>
Excess (deficiency) of revenues over expenditures	<u>62,777</u>	<u>77,935</u>	<u>78,260</u>	<u>325</u>
Fund balances-beginning	5,922	5,898	5,898	-
Prior period adjustments	-	-	-	-
Fund balances-ending	<u>\$ 68,699</u>	<u>\$ 83,833</u>	<u>\$ 84,158</u>	<u>\$ 325</u>

**2015 Public Safety Bond Debt Services Fund
Other Governmental Funds
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2015**

	Original Budget 2015	Final Budget 2015	Actual 2015	Variance with Final Budget Positive (Negative)
REVENUES				
Other revenue	\$ -	\$ -	\$ 4,166	\$ 4,166
Total revenues	-	-	4,166	4,166
EXPENDITURES				
Personnel	-	-	-	-
Supplies, services & taxes	-	-	-	-
Debt service	-	-	-	-
Capital expenditure	-	-	-	-
Transfers	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	-	4,166	4,166
Fund balances-beginning	-	-	-	-
Prior period adjustments	-	-	-	-
Fund balances-ending	\$ -	\$ -	\$ 4,166	\$ 4,166

**General Government Capital Projects Fund
Other Government Funds
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2015**

	Original Budget 2015	Final Budget 2015	Actual 2015	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 700,000	\$ 808,000	\$ 982,513	\$ 174,513
Other revenue	1,500	1,500	1,744	244
Total revenues	<u>701,500</u>	<u>809,500</u>	<u>984,257</u>	<u>174,757</u>
EXPENDITURES				
Transfers	776,300	953,607	833,607	120,000
Total expenditures	<u>776,300</u>	<u>953,607</u>	<u>833,607</u>	<u>120,000</u>
Excess (deficiency) of revenues over expenditures	<u>(74,800)</u>	<u>(144,107)</u>	<u>150,650</u>	<u>294,757</u>
Fund balances-beginning	559,282	652,930	652,930	-
Fund balances-ending	<u>\$ 484,482</u>	<u>\$ 508,823</u>	<u>\$ 803,580</u>	<u>\$ 294,757</u>

Park Facilities Capital Projects Fund
Other Government Funds
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2015

	Original Budget 2015	Final Budget 2015	Actual 2015	Variance with Final Budget Positive (Negative)
REVENUES				
Other revenue	\$ 150,850	\$ 5,000	\$ 21,139	\$ 16,139
Total revenues	150,850	5,000	21,139	16,139
EXPENDITURES				
Supplies, services & taxes	-	-	395	(395)
Capital expenditure	209,850	105,150	44,086	61,064
Total expenditures	209,850	105,150	44,481	60,669
Excess (deficiency) of revenues over expenditures	(59,000)	(100,150)	(23,342)	76,808
Fund balances-beginning	119,420	133,075	133,075	-
Fund balances-ending	\$ 60,420	\$ 32,925	\$ 109,733	\$ 76,808

Transportation Capital Projects Fund
Other Governmental Funds
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2015

	Original Budget 2015	Final Budget 2015	Actual 2015	Variance with Final Budget Positive (Negative)
REVENUES				
Other revenue	\$ -	\$ 294,223	\$ 352,804	\$ 58,581
Total revenues	-	294,223	352,804	58,581
EXPENDITURES				
Supplies, services & taxes	-	88,500	-	88,500
Capital expenditure	-	3,000	602	2,398
Total expenditures	-	91,500	602	90,898
Excess (deficiency) of revenues over expenditures	-	202,723	352,202	149,479
Fund balances-beginning	-	-	-	-
Fund balances-ending	\$ -	\$ 202,723	\$ 352,202	\$ 149,479

Fire Public Safety Capital Projects Fund
Other Governmental Funds
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2015

	Original Budget 2015	Final Budget 2015	Actual 2015	Variance with Final Budget Positive (Negative)
REVENUES				
Other revenue	\$ -	\$ 4,500,000	\$ 4,555,692	\$ 55,692
Total revenues	-	4,500,000	4,555,692	55,692
EXPENDITURES				
Debt service	-	70,000	55,650	14,350
Total expenditures	-	70,000	55,650	14,350
Excess (deficiency) of revenues over expenditures	-	4,430,000	4,500,042	70,042
Fund balances-beginning	-	-	-	-
Fund balances-ending	\$ -	\$ 4,430,000	\$ 4,500,042	\$ 70,042

Lower Wheaton Way Capital Projects Fund
Other Government Funds
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2015

	Original Budget 2015	Final Budget 2015	Actual 2015	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental	\$ 10,000	\$ 380,377	\$ 380,378	\$ 1
Other revenue	-	56,543	56,055	(488)
Total revenues	10,000	436,920	436,433	(487)
EXPENDITURES				
Capital expenditure	10,000	814,803	844,320	(29,517)
Transfers	-	145,900	147,091	(1,191)
Total expenditures	10,000	960,703	991,411	(30,708)
Excess (deficiency) of revenues over expenditures	-	(523,783)	(554,978)	(31,195)
Fund balances-beginning	87,712	523,783	523,784	1
Prior period adjustments	-	-	31,194	31,194
Fund balances-ending	\$ 87,712	\$ -	\$ -	\$ -

Pacific Avenue Construction Capital Projects Fund
Other Government Funds
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2015

	Original Budget 2015	Final Budget 2015	Actual 2015	Variance with Final Budget Positive (Negative)
REVENUES				
Other revenue	\$ -	\$ 174,622	\$ 175,903	\$ 1,281
Total revenues	-	174,622	175,903	1,281
EXPENDITURES				
Transfers	-	289,370	289,023	347
Total expenditures	-	289,370	289,023	347
Excess (deficiency) of revenues over expenditures	-	(114,748)	(113,120)	1,628
Fund balances-beginning	-	114,748	114,748	-
Prior period adjustments	-	-	(1,628)	(1,628)
Fund balances-ending	\$ -	\$ -	\$ -	\$ 1,628

Washington Avenue Connector Capital Projects Fund
Other Governmental Funds
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2015

	Original Budget 2015	Final Budget 2015	Actual 2015	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental	\$ 1,470,000	\$ 1,300,000	\$ 1,504,917	\$ 204,917
Charges for services	-	300,000	-	(300,000)
Other revenue	1,835,000	2,132,640	2,269,650	137,010
Total revenues	<u>3,305,000</u>	<u>3,732,640</u>	<u>3,774,567</u>	<u>41,927</u>
EXPENDITURES				
Supplies, services & taxes	-	-	1,073	(1,073)
Capital expenditure	3,271,750	3,672,876	3,687,726	(14,850)
Total expenditures	<u>3,271,750</u>	<u>3,672,876</u>	<u>3,688,799</u>	<u>(15,923)</u>
Excess (deficiency) of revenues over expenditures	<u>33,250</u>	<u>59,764</u>	<u>85,768</u>	<u>26,004</u>
Fund balances-beginning	152,818	197,152	197,152	-
Prior period adjustments	-	-	(13,259)	(13,259)
Fund balances-ending	<u>\$ 186,068</u>	<u>\$ 256,916</u>	<u>\$ 269,661</u>	<u>\$ 12,745</u>

**Combining Statement of Net Position
Internal Service Funds
December 31, 2015**

	Governmental Activities Internal Service Funds							Total
	Self Insurance			Accrued	Equipment		Information Technology	
	Risk Management	Health & Welfare	Employment Security	Leave Liability	Rental Operations	Equipment Reserve		
ASSETS AND DEFERRED OUTFLOWS								
Current assets:								
Cash and cash equivalents	\$ 847,660	\$ 702	\$ 260,338	\$ 247,456	\$ 162,668	\$ 1,972,787	\$ 173,258	\$ 3,664,869
Restricted cash	100,000	-	-	-	-	-	-	100,000
Investments	1,070,308	-	294,032	279,482	183,721	2,228,110	195,682	4,251,335
External receivables	-	320,478	-	-	-	-	-	320,478
Interest receivables	2,171	-	596	567	373	4,520	397	8,624
Due from other funds	35,564	-	2,717	19,128	-	618,152	-	675,561
Inventories	-	-	-	-	92,793	-	-	92,793
Prepayments	273,185	-	-	-	-	-	-	273,185
Total current assets	<u>2,328,888</u>	<u>321,180</u>	<u>557,683</u>	<u>546,633</u>	<u>439,555</u>	<u>4,823,569</u>	<u>369,337</u>	<u>9,386,845</u>
Noncurrent assets:								
Capital assets net of depreciation	-	-	-	-	-	4,104,037	-	4,104,037
Total noncurrent assets	-	-	-	-	-	4,104,037	-	4,104,037
Total assets	<u>2,328,888</u>	<u>321,180</u>	<u>557,683</u>	<u>546,633</u>	<u>439,555</u>	<u>8,927,606</u>	<u>369,337</u>	<u>13,490,882</u>
Deferred outflows of resources								
Total assets and deferred outflows	<u>\$ 2,328,888</u>	<u>\$ 321,180</u>	<u>\$ 557,683</u>	<u>\$ 546,633</u>	<u>\$ 468,188</u>	<u>\$ 8,927,606</u>	<u>\$ 407,877</u>	<u>\$ 13,558,055</u>
LIABILITIES AND DEFERRED INFLOWS								
Current liabilities:								
Accounts/contract payable	8,380	-	3,349	-	57,935	115,237	3,549	188,450
Claims and Judgements Payable	308,685	596,748	-	-	-	-	-	905,433
Due to other funds	-	-	-	-	3,699	565	3,593	7,857
Employee wages payable	-	-	-	41,131	26,708	-	38,977	106,816
Total current liabilities	<u>317,065</u>	<u>596,748</u>	<u>3,349</u>	<u>41,131</u>	<u>88,342</u>	<u>115,802</u>	<u>46,119</u>	<u>1,208,556</u>
Noncurrent liabilities:								
Claims and judgments payable	846,046	-	-	-	-	-	-	846,046
Net pension liability	-	-	-	-	250,489	-	337,159	587,648
Compensated absences	-	-	-	-	17,335	-	27,831	45,166
Total noncurrent liabilities	<u>846,046</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>267,824</u>	<u>-</u>	<u>364,990</u>	<u>1,478,860</u>
Total liabilities	<u>1,163,111</u>	<u>596,748</u>	<u>3,349</u>	<u>41,131</u>	<u>356,166</u>	<u>115,802</u>	<u>411,109</u>	<u>2,687,416</u>
Deferred inflows of resources								
Total liabilities and deferred inflows	<u>\$ 1,163,111</u>	<u>\$ 596,748</u>	<u>\$ 3,349</u>	<u>\$ 41,131</u>	<u>\$ 393,878</u>	<u>\$ 115,802</u>	<u>\$ 461,870</u>	<u>\$ 2,775,889</u>
NET POSITION								
Net investment in capital assets	-	-	-	-	-	4,104,037	-	4,104,037
Restricted for Worker's Compensation	100,000	-	-	-	-	-	-	100,000
Unrestricted	1,065,777	(275,568)	554,334	505,502	74,310	4,707,767	(53,993)	6,578,129
Total net position	<u>\$ 1,165,777</u>	<u>\$ (275,568)</u>	<u>\$ 554,334</u>	<u>\$ 505,502</u>	<u>\$ 74,310</u>	<u>\$ 8,811,804</u>	<u>\$ (53,993)</u>	<u>\$ 10,782,166</u>

**Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Internal Service Funds
for the Year Ended December 31, 2015**

	Governmental Activities Internal Service Funds							Total
	Risk Management	Self Insurance	Employment Security	Accrued Leave Liability	Equipment Rental Operations	Equipment Rental Reserve	Information Technology	
OPERATING REVENUES								
Charges for services	\$ 1,518,567	\$ 4,529,591	\$ 80,131	\$ 431,954	\$ 1,555,219	\$ -	\$ 1,082,540	\$ 9,198,002
Interest & dividend income	-	-	-	-	-	-	-	-
Other operating revenue	1,000	-	-	-	-	-	-	1,000
Total operating revenues	1,519,567	4,529,591	80,131	431,954	1,555,219	-	1,082,540	9,199,002
OPERATING EXPENSES								
General operation	70,653	-	5,375	226,091	1,421,391	10,636	976,964	2,711,110
General administration	285,116	362,719	-	-	-	-	-	647,835
Depreciation and amortization	-	-	-	-	-	708,391	-	708,391
Risk transfer payments	498,043	-	-	-	-	-	-	498,043
Payments to claimants & beneficiaries	505,042	4,450,440	-	-	-	-	-	4,955,482
Other operating expenses	1,826	-	-	-	-	-	-	1,826
Total operating expenses	1,360,680	4,813,159	5,375	226,091	1,421,391	719,027	976,964	9,522,687
Operating income (loss)	158,887	(283,568)	74,756	205,863	133,828	(719,027)	105,576	(323,685)
NONOPERATING REVENUES (EXPENSES)								
Interest and investment revenue	6,129	-	1,757	1,361	427	16,444	884	27,002
Gain (loss) on capital asset disposal	-	-	-	-	-	(18,591)	-	(18,591)
Other nonoperating revenue/expense	(639,991)	-	-	-	3,636	-	957	(635,398)
Total nonoperating revenues (expenses)	(633,862)	-	1,757	1,361	4,063	(2,147)	1,841	(626,987)
Income (loss) before contributions and transfers	(474,975)	(283,568)	76,513	207,224	137,891	(721,174)	107,417	(950,672)
Capital contributions	-	-	-	-	-	825,000	-	825,000
Transfers to other funds	-	-	(8,000)	-	-	-	-	(8,000)
Transfers from other funds	-	8,000	-	-	-	-	-	8,000
Change in net position	(474,975)	(275,568)	68,513	207,224	137,891	103,826	107,417	(125,672)
Total net position - beginning	1,640,752	-	485,821	298,278	208,964	8,707,978	205,438	11,547,231
Change in accounting principle - GASB 68	-	-	-	-	(272,545)	-	(366,848)	(639,393)
Total net position - ending	\$ 1,165,777	\$ (275,568)	\$ 554,334	\$ 505,502	\$ 74,310	\$ 8,811,804	\$ (53,993)	\$ 10,782,166

**Combining Statement of Cash Flows
Internal Service Funds
for the Year Ended December 31, 2015**

Page 1 of 2

	Risk Management	Self Insurance	Employment Security	Accrued Leave Liability	Equipment Rental Operations	Equipment Rental Reserve	Information Technology	Total
CASH FLOWS FROM OPERATING ACTIVITIES								
Cash received from customers	\$ 1,497,781	\$ 4,529,591	\$ 82,805	\$ 428,911	\$ 1,561,782	\$ -	\$ 1,082,540	\$ 9,183,410
Interest on investments	-	-	-	-	-	-	-	-
Cash payments to suppliers	(357,290)	(4,536,889)	(2,026)	-	(1,035,265)	(21,260)	(455,213)	(6,407,943)
Cash payments to employees	-	-	-	(184,960)	(399,278)	-	(539,156)	(1,123,394)
Purchase of insurance	(484,005)	-	-	-	-	-	-	(484,005)
Payment for insurance claims	(299,446)	-	-	-	-	-	-	(299,446)
Other operating receipts and payments	1,000	-	-	-	-	-	-	1,000
Net cash provided by operating activities	358,040	(7,298)	80,779	243,951	127,239	(21,260)	88,171	869,622
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES								
Transfer ins	-	8,000	-	-	-	-	-	8,000
Transfer outs	-	-	(8,000)	-	-	-	-	(8,000)
Other nonoperating revenues/expenses	9	-	-	-	3,636	-	957	4,602
Return of Risk Management Reserves	(640,000)	-	-	-	-	-	-	(640,000)
Net cash provided (used) by noncapital financing activities	(639,991)	8,000	(8,000)	-	3,636	-	957	(635,398)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES								
Acquisition and construction of capital assets	-	-	-	-	-	(1,168,978)	-	(1,168,978)
Proceeds/costs on sale of assets	-	-	-	-	-	54,460	-	54,460
Capital contributions	-	-	-	-	-	825,000	-	825,000
Net cash provided (used) for capital and related financing activities	-	-	-	-	-	(289,518)	-	(289,518)
CASH FLOW FROM INVESTING ACTIVITIES								
Proceeds from repayment of loans	-	-	-	-	-	92,604	-	92,604
Net change in investments	244,341	-	(18,941)	(117,901)	(60,350)	295,387	(35,743)	306,793
Interest on loans and investments	7,251	-	1,850	1,199	363	18,244	888	29,795
Net cash provided (used) in investing activities	251,592	-	(17,091)	(116,702)	(59,987)	406,235	(34,855)	429,192
Net increase (decrease) in cash and cash equivalents	(30,359)	702	55,688	127,249	70,888	95,457	54,273	373,898
Cash and equivalents - beginning	978,019	-	204,650	120,207	91,780	1,877,330	118,985	3,390,971
Cash and equivalents - ending	\$ 947,660	\$ 702	\$ 260,338	\$ 247,456	\$ 162,668	\$ 1,972,787	\$ 173,258	\$ 3,764,869
Cash at the end of the year consists of:								
Operating fund cash	847,660	702	260,338	247,456	162,668	1,972,787	173,258	3,664,869
Restricted cash	100,000	-	-	-	-	-	-	100,000
Total cash at end of year	\$ 947,660	\$ 702	\$ 260,338	\$ 247,456	\$ 162,668	\$ 1,972,787	\$ 173,258	\$ 3,764,869

Combining Statement of Fiduciary Net Position
Agency Funds
December 31, 2015

	Salary Clearing	Administrative Trust	Total
Assets			
Cash and cash equivalents	\$ 70,914	\$ 131,866	\$ 202,780
Total assets	\$ 70,914	\$ 131,866	\$ 202,780
Deferred outflows of resources			
	\$ -	\$ -	\$ -
Liabilities			
Accounts/contracts payable	-	33,790	33,790
Other current liabilities	70,914	98,076	168,990
Total liabilities	\$ 70,914	\$ 131,866	\$ 202,780
Deferred inflows of resources			
	\$ -	\$ -	\$ -

See accompanying notes to the financial statements.

Table 1

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

	December 31,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental activities										
Net investment in capital assets	\$ 58,958,873	\$ 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
Restricted	7,390,108	3,168,374	2,682,534	3,111,288	8,275,949	6,008,032	4,200,925	4,104,980	3,767,053	8,629,268
Unrestricted	13,822,625	15,362,418	10,777,450	9,159,249	9,434,193	5,948,429	8,795,698	9,704,988	9,237,898	3,997,964
Total governmental activities net position	\$ 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
Business-type activities										
Net investment in capital assets	\$ 92,069,352	\$ 92,747,306	\$ 103,397,203	\$ 122,329,665	\$ 128,158,641	\$ 128,930,881	\$ 139,290,172	\$ 145,318,353	\$ 147,992,658	\$ 147,071,444
Restricted	557,859	1,483,026	3,988,736	1,174,604	1,305,903	1,527,135	1,616,969	1,778,954	7,648,222	2,201,230
Unrestricted	14,575,413	23,225,228	21,514,830	21,386,589	23,973,489	26,398,932	24,624,122	21,386,988	14,110,023	19,858,485
Total business-type activities net position	\$ 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
Primary government										
Net investment in capital assets	\$ 151,028,225	\$ 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
Restricted	7,947,967	4,651,400	6,671,270	4,285,892	9,581,852	7,535,167	5,817,894	5,883,934	11,415,275	10,830,498
Unrestricted	28,398,038	38,587,646	32,292,280	30,545,838	33,407,682	32,347,361	33,215,777	31,091,976	23,347,921	23,856,449
Total primary government net position	\$ 187,374,230	\$ 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

Total Net Position

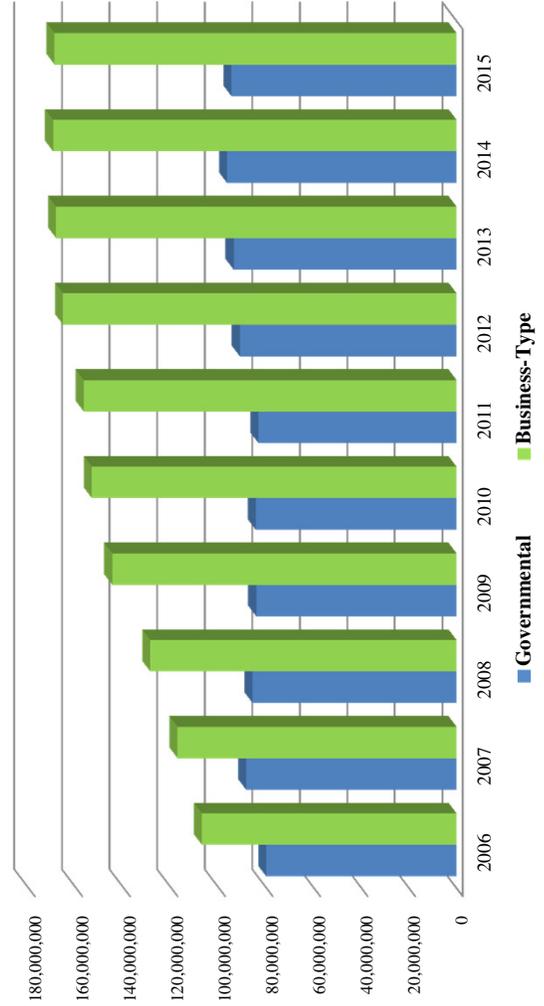


Table 2

1 of 2.

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

	December 31,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Program Revenues										
Governmental activities:										
Program revenues										
Charges for services	\$ 7,898,109	\$ 8,239,980	\$ 8,911,480	\$ 9,065,757	\$ 7,974,533	\$ 8,134,426	\$ 8,147,866	\$ 7,554,419	\$ 7,375,242	\$ 8,149,740
Operating grants and contributions	964,454	1,350,646	2,321,404	2,226,968	2,685,281	1,862,766	677,864	756,478	686,422	821,207
Capital grants and contributions	7,895,086	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
General revenues										
Property taxes	7,329,167	7,920,916	7,799,723	8,490,418	8,553,934	8,546,532	8,578,750	8,511,679	8,688,122	8,971,576
Sales taxes	7,157,768	7,574,011	7,790,117	6,541,673	6,538,977	7,050,928	7,295,954	7,678,855	8,129,965	8,662,583
Business taxes	3,898,778	4,783,087	3,454,258	3,706,834	3,406,535	3,175,405	3,256,913	2,665,107	2,733,787	2,878,276
Utility taxes	4,744,302	4,974,578	5,087,768	4,753,803	4,531,307	4,512,670	4,407,473	4,415,712	4,332,386	9,695,992
Other taxes	3,567,985	2,984,146	2,572,169	2,461,170	2,391,050	2,384,628	2,679,142	3,147,164	4,045,245	4,045,245
Other general revenues	3,088,501	1,831,840	1,142,115	217,758	1,428,517	657,845	488,144	(720,663)	692,314	484,086
Total governmental program revenues	46,544,150	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
Business-type activities:										
Charges for services:										
Operating grants and contributions	27,738,767	27,611,963	26,764,076	27,619,991	25,981,745	26,471,213	26,807,859	29,197,326	31,020,945	34,561,549
Capital grants and contributions	-	-	235,414	34,341	65,812	258,531	3,000	392,179	-	11,005
Other general revenues	755,136	4,936,686	8,449,263	3,882,290	7,417,318	2,580,408	9,253,974	3,877,546	1,386,750	2,132,266
General revenues										
Sales taxes	49,180	41,562	21,857	14,678	-	16,735	16,201	30,041	28,022	47,570
Business taxes	6,672	8,004	229	-	6,486	395	1,120	4,598	3,915	14,020
Other general revenues	487,531	913,859	867,602	556,994	584,246	613,062	683,660	474,662	531,817	644,409
Total business-type activities program revenues	29,037,286	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
Total primary government program revenues	\$ 75,581,436	\$ 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
Expenses										
Governmental activities:										
General government	\$ 4,036,679	\$ 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
Public safety	19,018,326	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
Utilities and environment	205,404	374,985	223,469	226,975	219,431	219,631	219,560	220,176	-	-
Transportation	7,731,187	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
Economic environment	2,863,004	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
Cultural and recreation	5,581,830	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
Interest on long-term debt	1,422,858	1,378,912	1,181,513	961,926	976,987	1,511,968	1,172,255	1,221,700	1,214,965	1,404,627
Total governmental activities expenses	40,859,288	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
Business-type activities:										
Water	8,052,273	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
Wastewater	8,387,319	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
Golf course	3,578,441	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
Other proprietary funds	1,200,116	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
Total business-type activities expenses	21,218,149	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
Total primary government expenses	\$ 62,077,437	\$ 67,048,721	\$ 70,498,226	\$ 64,151,191	\$ 63,635,970	\$ 65,135,629	\$ 62,458,600	\$ 65,780,307	\$ 69,282,499	\$ 79,098,793

Table 2

2 of 2.

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

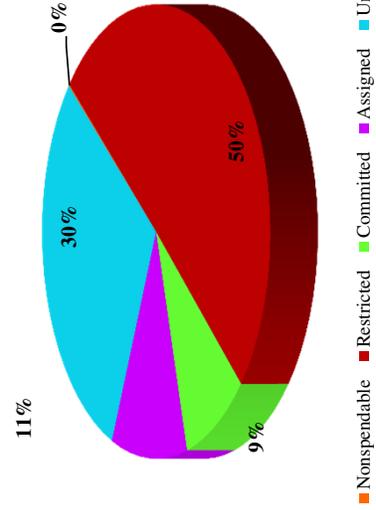
	December 31,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Change in Net Position										
Governmental activities:										
Excess of revenues over expenses	\$ 5,684,862	\$ 4,820,401	\$ (4,566,114)	\$ 81,616	\$ (1,208,855)	\$ (4,399,011)	\$ 3,340,797	\$ (2,636,527)	\$ (3,524,393)	\$ (503,599)
Transfers	1,291,437	1,944,641	1,973,245	4,175,924	3,610,764	3,737,965	4,462,373	5,492,002	6,416,953	1,778,043
Governmental activities change in net position	6,976,299	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
Business-type activities:										
Excess of revenues over expenses	7,819,137	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
Transfers	(1,291,437)	(1,944,641)	(1,973,245)	(4,175,924)	(3,610,764)	(3,737,965)	(4,462,373)	(5,492,002)	(6,416,953)	(1,778,043)
Business-type activities change in net position	6,527,700	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
Governmental Activities Net Position:										
Net position - beginning	73,195,307	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
Prior period adjustment/special items	1,708,823	1,708,823	(140,726)	(5,811,306)	(2,144,491)	(465,545)	-	(244,420)	(100,372)	(3,132,735)
Net position - ending	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
Business-type activities net position										
Net position - beginning	101,035,902	107,202,624	117,455,560	128,900,769	144,890,858	153,438,033	156,856,948	165,531,263	168,484,295	169,750,903
Prior period adjustment/special items	(360,978)	350,000	(705,529)	10,904,141	(728,969)	(125,821)	(209,083)	(148,347)	714,050	(4,708,433)
Net position - ending	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
Total Primary Government Net Position	\$ 187,374,230	\$ 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

Table 3

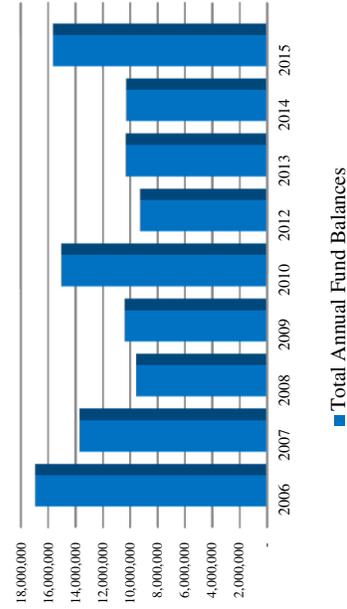
Fund Balance of Governmental Funds
Last Ten Fiscal Years

	December 31,									
	2006	2007	2008	2009	2010	2011*	2012	2013	2014	2015
General fund										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,683	\$ 18,418	\$ 24,801	\$ 20,060	\$ 18,827
Restricted	-	-	-	-	-	48,556	20,562	50,179	50,179	76,836
Committed	-	-	-	-	-	-	-	-	-	729,705
Assigned	-	-	-	-	-	65,926	545,168	-	-	-
Unassigned	-	-	-	-	-	3,274,281	4,018,522	4,794,308	4,725,880	4,658,608
General fund *										
Reserved	14,970	20,470	19,070	-	-	-	-	-	-	-
Unreserved	4,386,943	4,084,868	1,313,146	1,957,308	3,049,878	-	-	-	-	-
Total General Fund	\$ 4,401,913	\$ 4,105,338	\$ 1,332,216	\$ 1,957,308	\$ 3,049,878	\$ 3,407,446	\$ 4,602,670	\$ 4,869,288	\$ 4,796,119	\$ 5,483,976
All other governmental funds										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23,264	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-	4,592,196	2,786,592	3,040,543	2,923,689	7,813,051
Committed	-	-	-	-	-	232,026	313,984	357,663	652,253	674,653
Assigned	-	-	-	-	-	1,045,415	1,577,720	2,051,610	1,927,149	1,674,781
Unassigned	-	-	-	-	-	(96,866)	-	-	-	-
All other governmental funds *										
Reserved	1,054,224	176,435	198,472	350,758	391,078	-	-	-	-	-
Unreserved, reported in:										
Special revenue funds	5,025,387	6,251,037	5,867,682	5,758,691	4,488,327	-	-	-	-	-
Capital projects funds	6,074,023	2,626,138	1,578,618	2,096,861	6,662,498	-	-	-	-	-
Debt service funds	418,036	548,107	590,314	262,834	433,778	-	-	-	-	-
Total All Other Governmental Funds	\$12,571,670	\$ 9,601,717	\$ 8,235,086	\$ 8,469,144	\$11,975,681	\$ 5,796,035	\$ 4,678,296	\$ 5,449,816	\$ 5,503,091	\$ 10,162,485

2015 Governmental Fund Balances



Governmental Fund Balances by Fiscal Year



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

Table 4

1 of 2

Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years

	December 31,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues										
Taxes	\$25,423,632	\$26,572,963	\$25,132,935	\$24,259,262	\$23,958,593	\$24,139,778	\$24,476,535	\$24,893,527	\$25,964,771	\$32,486,301
License and permits	1,043,642	1,160,778	1,037,771	1,174,918	1,165,394	1,233,719	1,133,301	1,264,323	1,306,759	1,439,387
Intergovernmental	10,574,163	10,004,467	8,846,813	8,126,087	8,266,451	5,650,308	6,961,371	5,597,461	6,010,619	4,982,307
Charges for services	5,214,339	4,645,238	5,005,728	5,188,790	5,648,907	4,950,225	6,601,588	3,345,061	3,079,275	3,507,757
Fines and forfeits	868,427	1,022,563	1,689,080	1,929,836	1,581,937	1,536,690	1,492,213	1,252,160	1,260,469	1,377,204
Miscellaneous	3,101,742	3,107,379	2,497,255	1,636,519	2,962,238	1,706,691	1,985,835	1,737,857	2,030,651	2,129,699
Total revenues	46,225,945	46,513,388	44,209,582	42,315,412	43,583,520	39,217,411	42,650,843	38,090,389	39,652,544	45,922,655
Expenditures										
General government	5,628,413	6,389,555	6,830,197	6,793,202	6,878,458	7,237,760	6,096,052	4,833,662	4,713,790	5,204,949
Public safety	15,516,122	17,418,932	21,205,949	22,222,451	22,369,568	21,787,632	21,161,867	21,473,549	22,513,669	23,534,874
Utilities and environment	217,600	374,985	223,469	226,975	219,431	219,631	219,560	28,166	23,165	28,694
Transportation	6,295,350	7,652,880	7,401,334	3,372,750	3,010,848	3,135,657	4,419,430	3,242,692	4,236,661	4,382,943
Economic environment	2,795,953	2,521,648	3,142,196	1,950,417	3,269,259	2,292,909	1,891,527	1,616,533	1,647,643	1,799,656
Mental/physical health	71,285	71,379	73,525	74,922	75,126	75,573	69,963	271,038	274,877	275,421
Cultural and recreation	4,873,362	5,313,236	5,357,250	4,548,291	4,867,545	4,364,162	4,530,933	4,226,772	4,480,333	4,552,498
Debt service										
Principle	1,367,000	1,562,499	986,000	1,035,500	771,500	1,382,500	1,458,239	10,025,000	1,260,000	1,255,000
Interest and other debt issue costs	1,409,746	1,363,534	1,165,883	946,444	964,772	1,402,902	1,140,116	1,174,562	1,192,256	1,222,366
Capital	10,722,720	8,090,180	4,515,778	4,874,658	9,361,248	7,256,768	5,708,349	4,781,135	6,028,569	4,879,056
Intergovernmental Payments										
Total expenditures	48,897,551	50,758,828	50,901,581	46,045,610	51,787,755	49,197,697	46,696,036	51,673,109	46,370,963	47,135,457
Excess of revenues over (under) expenditures	(2,671,606)	(4,245,440)	(6,691,999)	(3,730,198)	(8,204,235)	(9,980,286)	(4,045,193)	(13,582,720)	(6,718,419)	(1,212,802)
Other Financing Sources (Uses)										
Proceeds of long-term debt										
Premiums on bonds sold										
Payments to refunded escrow agent	2,700,538	1,467,967	428,319	398,759	40,930	511,823	(9,675,000)	137,498	199,550	67,728
Capital asset donation and disposal										
Insurance recoveries										
Transfers in	9,768,469	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
Transfers out	(10,596,716)	(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)
Total other financing sources and uses	1,872,291	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

Table 4
2 of 2

Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years

	December 31,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Other Change in Fund Balance										
Change in reserves for inventory	39,932	(755)	(1,507)	-	(10,666)	6,820	(23,264)	-	-	-
Net change in fund balances	(759,383)	(3,266,528)	(3,999,027)	859,149	4,475,680	(5,822,078)	77,485	1,038,138	(93,098)	5,330,944
Fund balances-beginning	17,732,966	16,973,583	13,707,055	9,567,302	10,426,451	15,025,559	9,203,481	9,280,966	10,319,104	10,299,210
Prior Period Adjustments	-	-	(140,726)	-	123,428	-	-	-	73,204	16,307
Fund balances-ending	\$ 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
Debt service as a percentage of noncapital expenditures	7.27%	6.86%	4.64%	4.81%	4.09%	6.64%	6.34%	23.88%	6.08%	5.86%

Changes in Fund Balance by Fiscal Year

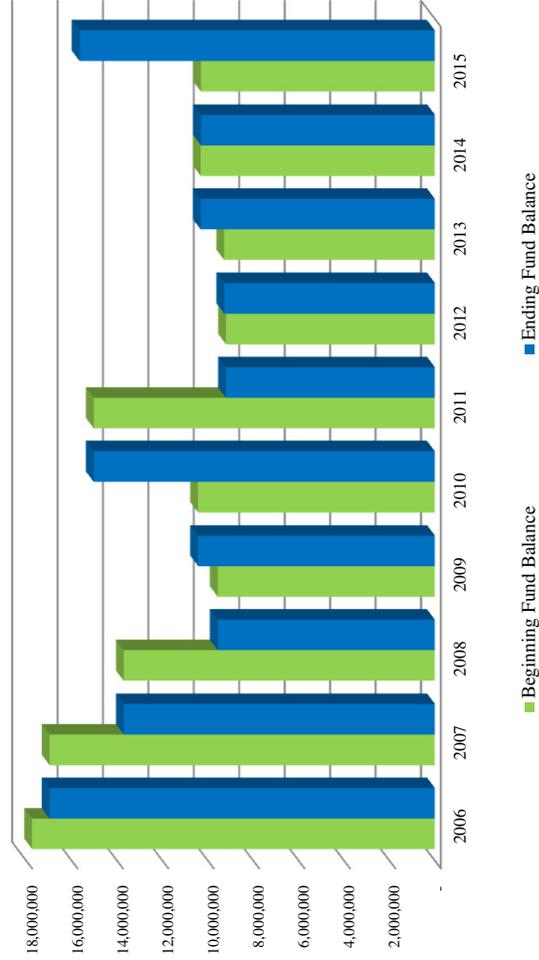


Table 5

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

Fiscal Year	Real Property		Personal Property		Total		Ratio of Assessed Value to Estimated Actual Value	Total Levy Rate per \$1,000
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value		
2006	2,089,518,973	2,324,270,270	133,373,551	133,373,551	2,222,892,524	2,457,643,821	90.1%	3.35
2007	2,557,714,553	2,919,765,471	134,674,238	134,674,238	2,692,388,791	3,054,439,709	87.9%	2.85
2008	2,974,663,326	3,395,734,390	140,113,102	143,118,592	3,114,776,428	3,538,852,982	87.8%	2.51
2009	2,950,336,030	3,430,623,291	134,404,987	138,704,837	3,084,741,017	3,569,328,128	86.2%	2.76
2010	2,738,164,824	3,187,619,120	161,319,684	163,279,032	2,899,484,508	3,350,898,152	86.2%	2.97
2011	2,592,959,827	2,939,863,749	155,787,967	157,999,967	2,748,747,794	3,097,863,716	88.4%	3.13
2012	2,396,294,922	2,704,621,808	152,670,570	155,153,018	2,548,965,492	2,859,774,826	88.8%	3.37
2013	2,250,204,824	2,445,874,809	144,576,776	148,436,115	2,394,781,600	2,594,310,924	92.1%	3.61
2014	2,143,730,007	2,358,338,842	149,270,722	156,304,421	2,293,000,729	2,514,643,263	91.0%	3.85
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

Table 6

Governmental Activities Tax Revenues by Source

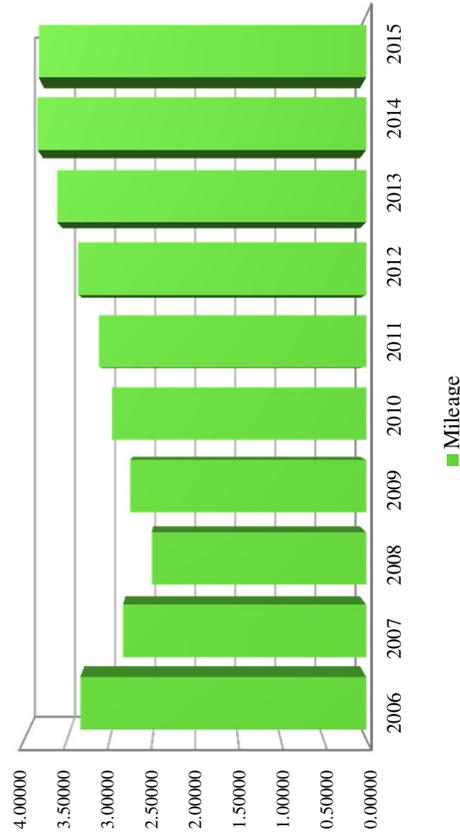
	December 31,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Revenues										
Taxes										
Property Tax	7,329,167	7,920,916	7,799,723	8,490,418	8,553,934	8,546,532	8,578,750	8,511,679	8,688,122	8,971,576
Local Sales & Use Tax										
Local Retail Sales & Use Tax	6,671,968	7,072,198	7,313,178	6,114,008	6,120,060	6,604,669	6,844,193	6,489,850	6,864,848	7,288,823
Local Revitalization Financing	-	-	-	-	146,258	370,613	339,594	337,450	340,860	349,901
Hotel/Motel Sales & Use Tax	333,577	331,093	317,385	362,410	347,792	393,288	417,131	388,620	434,001	529,682
Criminal Justice Sales & Use Tax	485,800	501,813	476,939	427,665	418,917	446,258	451,761	462,935	490,256	541,747
Total Local Sales & Use Tax	7,491,345	7,905,104	8,107,502	6,904,083	7,033,027	7,814,828	8,052,679	7,678,855	8,129,965	8,710,153
Business Taxes										
Business & Occupation Taxes	3,261,382	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
Gambling Excise Taxes	323,615	275,496	268,174	239,959	276,734	93,146	81,841	55,641	68,993	54,108
Total Business Taxes	3,584,997	4,489,213	3,157,656	3,395,460	3,088,637	2,859,025	2,780,415	2,665,107	2,733,787	2,892,296
Utility Taxes										
Electric Utility	1,410,790	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
Gas Utility	951,949	955,006	907,311	527,349	419,100	449,995	375,524	365,522	394,593	371,878
Garbage/Solid Waste Utility	476,226	465,010	428,975	460,037	454,929	455,621	459,818	476,599	483,359	573,835
Cable TV Utility	486,684	519,622	563,620	575,472	601,782	619,550	617,149	618,076	636,564	609,528
Telephone Utility	1,379,209	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
Water Utility	698,801	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
Wastewater Utility	1,043,647	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
Stormwater Utility	145,739	153,902	164,091	244,916	327,771	343,308	452,427	481,739	376,536	547,164
Total Utility Taxes	6,593,045	6,779,353	7,061,013	7,582,058	8,141,894	8,208,232	8,869,681	8,884,714	9,182,786	9,695,992
Other Taxes and State Shared Revenue										
Leasehold Tax	43,562	46,019	53,055	62,232	101,570	110,491	112,087	111,758	123,721	128,893
TBD Vehicle Fees	-	-	-	-	-	-	189,169	431,866	444,012	480,625
Parking Tax	313,781	293,874	296,602	311,374	317,898	316,380	476,499	497,088	547,288	626,078
Real Estate Excise Tax	1,749,178	1,176,732	709,894	570,619	412,518	336,378	427,807	481,898	788,594	982,512
State & Local Shared Revenue	1,441,668	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
Total Other Taxes and State Shared Revenue	3,548,189	2,946,927	2,551,386	2,410,134	2,361,156	2,307,720	2,927,679	3,147,164	4,045,311	4,045,245
Total	28,546,743	30,041,513	28,677,280	28,782,153	29,178,648	29,736,337	31,209,204	30,887,519	32,779,971	34,315,262

Table 7

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

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

City of Bremerton Direct Property Tax Rate



Total Direct & Overlapping Property Tax Rates

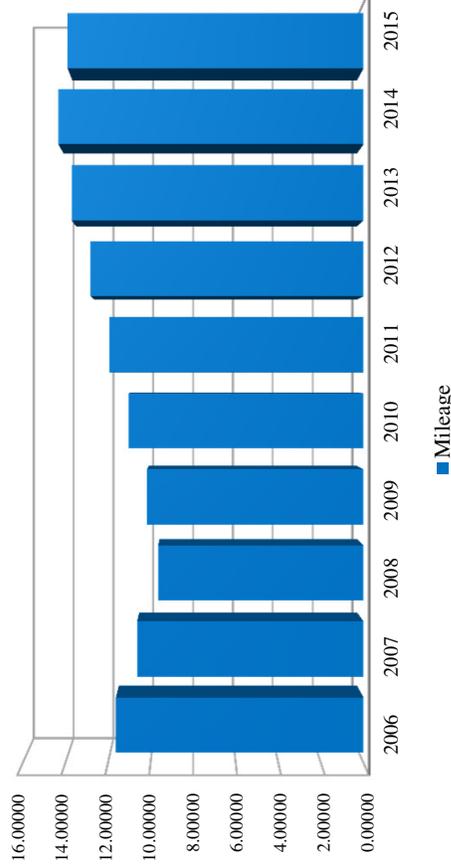


Table 8

Principal Property Taxpayers
Current Year and Nine Years Ago

Taxpayer	2015			2006		
	Taxable Assessed Valuation	Rank	Percentage of Assessed Valuation	Taxable Assessed Valuation	Rank	Percentage of Assessed Valuation
Puget Sound Energy	\$ 41,647,182	1	1.8%	\$ 30,664,475	1	1.4%
Qwest Corporation	14,895,493	2	0.6%	15,544,140	2	0.7%
Kitsap Credit Union	12,637,320	3	0.5%	8,588,410	3	0.4%
R&L Property Management	12,148,370	4	0.5%	8,326,750	4	0.4%
Health Care Reit Inc	11,432,875	5	0.5%	7,442,680	5	0.3%
Heartland Automobile Prop LLC	10,215,910	6	0.4%	7,082,330	6	0.3%
HCK2 LLC	10,101,170	7	0.4%	6,501,860	7	0.3%
Winco Foods LLC	9,971,540	8	0.4%	5,859,928	8	0.3%
EP Holdings LLC	9,564,430	9	0.4%	5,702,360	9	0.3%
MG Phe Ridge Apts LP	8,732,390	10	0.4%	5,299,180	10	0.2%
Top Ten Taxpayer Taxable Assessed Valuation	141,346,680		6.0%	101,012,113		4.5%
All Other Taxpayer Taxable Assessed Valuation	2,213,196,067		94.0%	2,121,880,411		95.5%
Total Taxpayer Taxable Assessed Valuation	\$ 2,354,542,747		100.0%	\$ 2,222,892,524		100.0%

Assessed Valuation of 2015 Top Ten Taxpayers Compared to Total Taxable Assessed Valuation

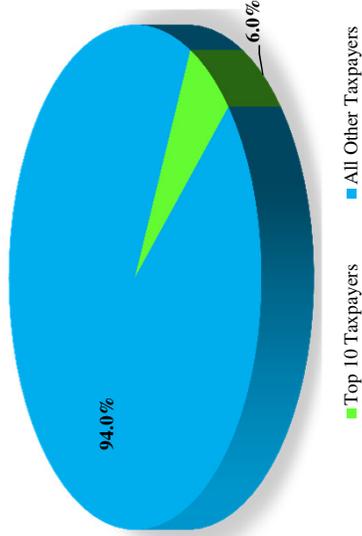


Table 9

**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
2006	7,431	7,188	96.73%	308	7,496	100.87%	631	8.49%
2007	7,658	7,406	96.71%	436	7,842	102.40%	425	5.55%
2008	7,816	7,498	95.93%	190	7,688	98.36%	506	6.47%
2009	8,507	8,064	94.79%	192	8,256	97.05%	735	8.64%
2010	8,613	8,209	95.31%	411	8,620	100.08%	669	7.77%
2011	8,590	8,278	96.37%	283	8,561	99.66%	655	7.63%
2012	8,587	8,242	95.98%	317	8,559	99.67%	614	7.15%
2013	8,647	8,321	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%

Annual Property Tax Levies and Taxes Collected

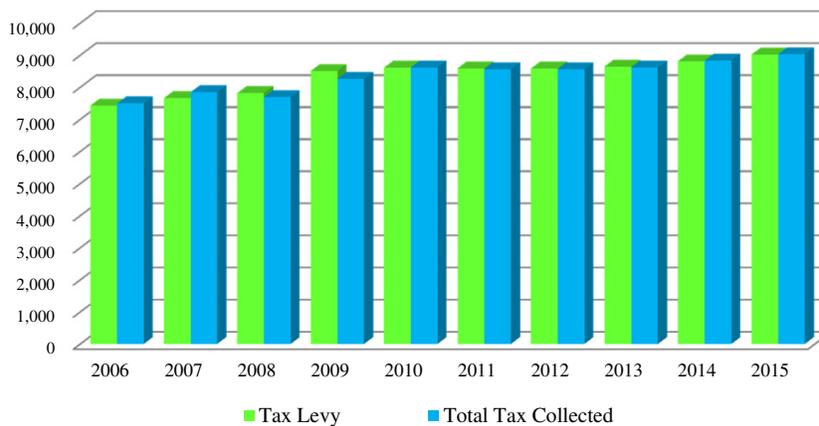


Table 10

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

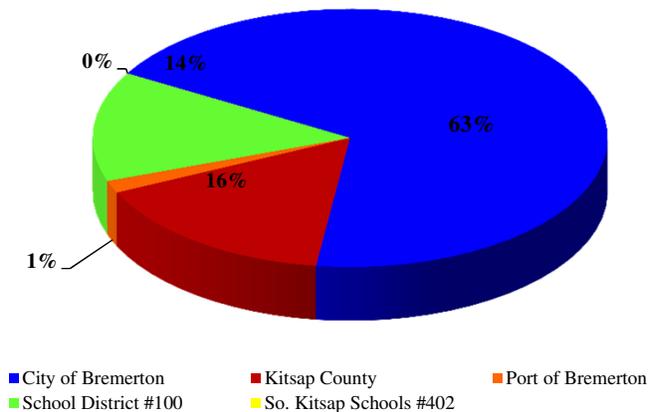
Fiscal Year	Population*	Assessed Value**	General Obligation Bonded Debt	Less Debt Service Fund	Net Bonded Debt	Percentage Net Bonded Debt to Assessed Value	Debt per Capita
2006	35,910	2,222,892,524	30,318,664	457,626	29,861,038	1.34%	832
2007	35,810	2,692,388,791	28,619,400	573,654	28,045,746	1.04%	783
2008	36,860	3,114,776,428	27,424,767	623,385	26,801,382	0.86%	727
2009	36,620	3,084,741,017	26,847,185	313,948	26,533,237	0.86%	725
2010	36,190	2,899,484,508	35,705,685	474,303	35,231,382	1.22%	974
2011	38,790	2,748,747,794	39,511,239	426,513	39,084,726	1.42%	1,008
2012	39,650	2,548,965,492	37,768,000	275,190	37,492,810	1.47%	946
2013	37,850	2,394,781,600	36,260,000	203,725	36,056,275	1.51%	953
2014	37,850	2,293,000,729	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

Table 11

**Computation of Direct and Overlapping Debt
December 31, 2015**

<u>Jurisdiction</u>	<u>Gross General Obligation</u>	<u>Percentage Applicable to Bremerton</u>	<u>Amount Applicable to Bremerton</u>
City of Bremerton	32,920,000	100.00 %	32,920,000
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
TOTAL	137,099,877		47,865,569

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



**Computation of Legal Debt Margin
as of December 31, 2015**

Total Taxable Property Value	2,354,542,747	
2.5% General purpose limit is allocated between:	58,863,569	
Up to 1.5% debt without a vote (RCW 39.36.020)	35,318,141	
Less: Outstanding Debt (non-voted)	25,115,000	
Less: Excess of Debt with a Vote	-	
Add: Available Assets	227,486	
<i>Equals remaining debt capacity without a vote</i>	10,430,627	
Up to 2.5% debt with a vote (RCW 39.36.020)	33,976,055	
Less: Outstanding Debt (voted)	12,315,000	
Add: Available Assets	113,703	
<i>Equals remaining debt capacity with a vote</i>	21,774,758	
2.5% Utility purpose limit, voted (RCW 39.36.020)	58,863,569	
Less: Outstanding Debt	-	
Less: Contracts Payable	-	
Add: Available Assets	-	
<i>Equals remaining debt capacity- Utility purpose, voted</i>	58,863,569	
2.5% <i>Open Space, park & capital facilities, voted (RCW 39.36.020)</i>	58,863,569	
Less: Outstanding Debt	-	
Less: Contracts Payable	-	
Add: Available Assets	-	
<i>Equals remaining debt capacity - Open space, park & capital facilities voted</i>	58,863,569	

Table 13

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

Fiscal Year	Gross Revenue	Maintenance & Operating Expenses*	Net Revenue Available for Debt Service	Current Principal	Interest	Total	Current Coverage Ratio
2006	21,732,894	10,951,004	10,781,890	2,555,659	305,144	2,860,803	3.77
2007	23,009,152	11,486,862	11,522,290	2,815,000	242,816	3,057,816	3.77
2008	23,021,132	13,023,575	9,997,557	305,000	223,202	528,202	18.93
2009	22,697,794	13,160,506	9,537,288	320,000	210,148	530,148	17.99
2010	22,172,232	12,563,519	9,608,713	330,000	196,452	526,452	18.25
2011	22,869,304	12,807,726	10,061,578	335,000	182,328	517,328	19.45
2012	23,000,401	12,822,748	10,177,653	350,000	167,990	517,990	19.65
2013	23,418,123	12,907,625	10,510,498	365,000	153,010	518,010	20.29
2014	27,651,623	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

* Net of depreciation, amortization and City taxes

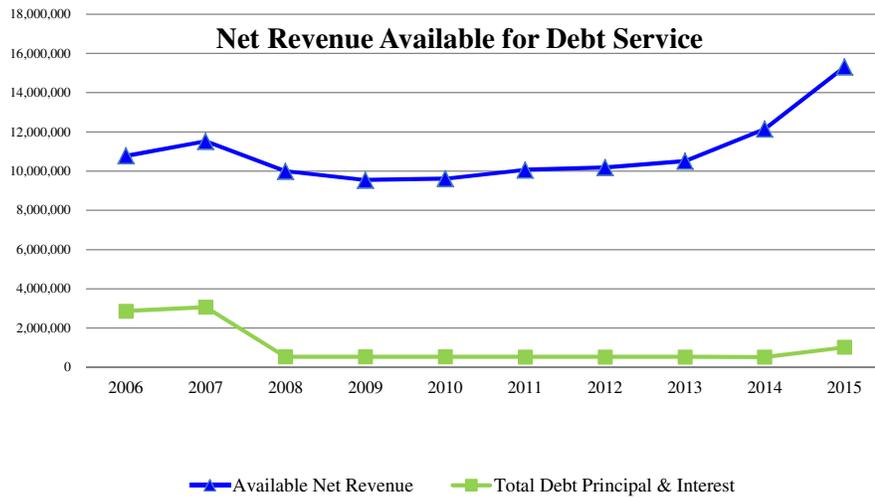


Table 14

**Demographic Statistics
Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Population</u> ¹	<u>Personal Income (\$000)</u> ²	<u>Income Per Capita</u> ³	<u>School Enrollment</u> ⁴	<u>Number of Housing Units</u> ⁵	<u>Rate of Unemployment</u> ⁶
2005	34,580	1,334,169	38,431	5,412	16,607	5.1
2006	35,910	1,441,502	39,809	5,209	16,615	4.7
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	N/A	N/A	5,013	17,194	5.4

¹ State of Washington, Office of Financial Management.

² U.S. Department of Commerce - Bureau of Economic Analysis (County data prorated based on local population).
2015 data not available at report date.

³ Bremerton-Silverdale, WA - Bureau of Economic Analysis.

⁴ State of Washington, Office of Financial Management - Office of Superintendent of Public Instruction.

⁵ State of Washington, Office of Financial Management (post centual estimate).

⁶ State of Washington, Employment Security Department.

^{2 & 3} 2015 data not published.

Table 15

Miscellaneous Statistics

DATE OF INCORPORATION

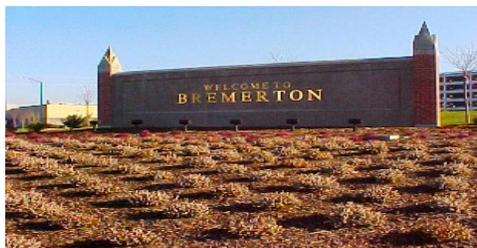
October 14, 1901

FORM OF GOVERNMENT

Council - Mayor

Type of Government

Home-Rule Charter



Demographics in 2015

Total Area for City of Bremerton 32.1 Square Miles

Number of City Employees 2015

Full-Time Equivalents 327.29

Fire Protection

Number of Personnel 58
 Number of Stations 3
 Fire and Aid Calls - 2015 8,676
 Priority 1 Response Time (minutes) 5:13



Police Protection

Number of Police Officers 58
 Calls for Service - 2015 53,456
 Average Priority 1 Response Time (minutes) 2:49
 Average Priority 2 Response Time (minutes) 4:22



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 - 2015 4,475
 Number of Business Licenses Issued in City Limits 1,322
 Number of Landlord Licenses Issued - 2015 1,837

Miscellaneous Statistics

Water Utility Services 2015

Residential Accounts	16,871
Commercial Accounts	1,830
Storage Capacity (gallons)	33,240,000
Cascade Dam Capacity (gallons)	1.4 billion
Average Daily Demand (millions per gallon-MG)	6.2
Reservoirs	16
Watershed Land (square miles)	12.96
Sources:	
Surface Supply (MG)	1,082
Ground Supply (MG)	1,150
Miles of Main	322



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

Sewer Utility Services 2015

Residential Sewer Accounts	9,905
Commercial Sewer Accounts	925
Miles of Main	141
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 2015

Residential Accounts	10,116
Commercial Accounts	1,035
Miles of Mains	114



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

Table 15

Miscellaneous Statistics

City Streets

Street Miles	144
State Highway Miles	19
Miles of Sidewalks	127
Signalized Traffic Intersections	39
Street Lights:	
City Owned	917
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	51
Timber Harvested (board feet)	485 MBF
Biosolids applied (cubic yards)	3,519
Reforestation (seedlings planted)	28,920

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

Miscellaneous Statistics

Local Transportation

Washington State Ferries	
Seattle Bremerton Route - Total Annual Rides 2015	2,659,813
Kitsap Transit 2015	
Foot Ferry	
Annual Rides - Port Orchard & Annapolis	492,857
Buses (County Wide)	
Annual Bus Rides (<i>Routed Service</i>)	2,312,766
Kitsap Access Bus	305,544
Worker/Driver Service	496,769
2015 Total Bus Ridership	3,115,079
Vanpool and Other	
Vanpool Service	205,418
2015 Total Vanpool Ridership	205,418
Total Kitsap Transit Ridership	3,813,354

Sources: Washington State Ferries
Kitsap Transit