

ANNUAL REPORT

City of Port Orchard

Official Name of Government

0455

MCAG No.

Submitted pursuant to RCW 43.09.230 to the STATE AUDITOR'S OFFICE

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010

Certified correct this 23rd day of May, 2011, to the best of my knowledge and belief:

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Certified by Allan Martin, City Treasurer

Signature 

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CITY OF PORT ORCHARD
2010
Directory of Officials

| Position | Elective | Term | Expiration |
|-----------------|------------------|-------------|-------------------|
| Mayor | Lary Coppola | 4 | December 31, 2011 |
| Councilman | John Clauson | 4 | December 31, 2011 |
| Councilman | Jerry Childs | 2 | December 31, 2011 |
| Councilman | Fred Olin | 4 | December 31, 2011 |
| Councilman | Robert Putaansuu | 4 | December 31, 2013 |
| Councilman | Carolyn Powers | 4 | December 31, 2013 |
| Councilman | Jim Colebank | 4 | December 31, 2011 |
| Councilman | Fred Chang | 4 | December 31, 2013 |

CITY OF PORT ORCHARD
2010
Directory of Officials

| Position | Official |
|--|------------------------------------|
| Treasurer | Allan J. Martin |
| Clerk/Assistant to the Mayor | Patricia Kirkpatrick |
| Attorney | Gregory Jacoby, McGavick Graves |
| Public Works Director/ City Engineer | Mark Dorsey |
| City Development Director..... | James Weaver |
| Police Chief..... | Alan Townsend |
| Municipal Court Judge..... | Tarrell Decker |

Mailing Address

City Hall
216 Prospect Street
Port Orchard, WA 98366

Administration

Telephone.....(360) 876-4407
Fax.....(360) 895-9029

CITY OF PORT ORCHARD
2010
Statement of Elected and Appointed Officials
Department Heads

| <u>Elected Officials</u> | <u>2010 Salaries</u> | <u>Fidelity Bond</u> |
|---|----------------------|----------------------|
| Mayor Lary Coppola | \$62,150 | \$1,000,000 |
| Mayor Pro-Tem Robert Putaansuu | \$386/meeting | 1,000,000 |
| Councilman John Clauson | 386/meeting | 1,000,000 |
| Councilman Fred Olin | 386/meeting | 1,000,000 |
| Councilman Jerry Childs | 386/meeting | 1,000,000 |
| Councilman Carolyn Powers | 386/meeting | 1,000,000 |
| Councilman Jim Colebank | 386/meeting | 1,000,000 |
| Councilman Fred Chang | 386/meeting | 1,000,000 |
| <u>Appointed Officials/Department Heads</u> | | |
| City Treasurer-Allan Martin | \$103,713 | \$1,000,000 |
| City Clerk/Assist to Mayor-Patricia Kirkpatrick | 71,156 | 1,000,000 |
| PW Director/Engineer-Mark Dorsey | 107,770 | 1,000,000 |
| City Dev Director-James Weaver | 95,501 | 1,000,000 |
| Chief of Police-Alan Townsend | 117,809 | 1,000,000 |
| Municipal Court Judge-Tarrell Decker | 72,780 | 1,000,000 |

CITY OF PORT ORCHARD
Cash and Investments
as of 12/31/10

| | Cash & Cash Equivalents | Agency Funds | Total |
|--|--|----------------------|-------------------------|
| Kitsap Bank: | | | |
| Checking Account: | | | |
| #0190001301 | \$ 178,432.70 | \$ 309,891.13 | \$ 488,323.83 |
| Washington State Treasurer: | | | |
| Local Government Investment Pool: | | | |
| #01780 | 3,999,454.54 | | 3,999,454.54 |
| Kitsap County Treasurer: | | | |
| Kitsap County Investment Pool: | | | |
| #87691 | 7,618,735.90 | | 7,618,735.90 |
| Cash in Offices: | | | |
| Utilities | 300.00 | | |
| Petty Cash | 150.00 | | |
| City Clerk's Travel Expense | 2,000.00 | | |
| Municipal Court Office | 300.00 | | |
| Police Department SIU Fund | 1,000.00 | | 3,750.00 |
| Total | \$ 11,800,373.14 | \$ 309,891.13 | \$ 12,110,264.27 |

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Port Orchard's discussion and analysis is a narrative overview of the City's financial activities for the fiscal year ended December 31, 2010. The information presented here should be read in conjunction with the financial statements and notes to the financial statements that follow.

FINANCIAL HIGHLIGHTS

- City of Port Orchard assets exceeded its liabilities at December 31, 2010 by \$71.1 million.
- Capital assets (net of depreciation and related debt) account for about 75 percent of this amount, with a value of \$53.1 million.
- Of the remaining net assets, \$14.4 million may be used to meet the government's ongoing obligations to citizens and creditors, without legal restriction while \$3.5 million is restricted.
- The government's total net assets show an increase of \$8,724,585. This change was in the acquisition of assets, which included Geiger Road II, Sedgwick, Sidney Glen and McCormick Woods/The Ridge storm drainage.
- As of December 31, 2010, City of Port Orchard's governmental funds reported combined ending fund balances of \$6.1 million. Over 17% of this total amount, \$1,064,388 is available for spending at the government's discretion. Unreserved undesignated fund balance for the general fund was \$418,683, while there is \$890,518 designated fund balance at December 31, 2010.
- City of Port Orchard's total bonded debt decreased by \$167,146 during the fiscal year. At December 31, 2010 the total outstanding bonded debt was \$1,743,361.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis provides an introduction and overview to the City of Port Orchard's basic financial statements. This information will assist users in interpreting the basic statements. We will also provide other supplementary information in addition to the basic financial statements. This financial discussion and analysis should assist the reader in understanding the City's financial condition.

Basic Financial Statements

The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and, 3) notes to the financial statements. The financial section of this report also contains required supplementary information, in addition to the basic financial statements.

Government Wide Financial Statements

Government-wide financial statements provide readers with a broad overview of the City's finances in a manner similar to a private-sector business, distinguishing functions that are principally supported by taxes and intergovernmental revenues (referred to as "governmental activities") from functions that are intended to recover all or a significant portion of their costs through user fees and charges (referred to as "business-type activities"). The governmental activities of the City include a full range of local government services provided to the public, such as law enforcement and public safety; road construction and maintenance; community planning and development; parks and recreation facilities; and other community services. In addition, other general government services are provided, such as, tax collection, and the issuance of permits and licenses. The business-type activities of the City include water, sewer and storm utility management and operation.

The Statement of Net Assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. This statement serves a purpose similar to that of the balance sheet of a private-sector business. Over time, increases or decreases in net assets may serve as one indicator of whether the financial position of the City is improving or deteriorating. Other indicators include the condition of the City's infrastructure systems (roads, drainage systems, bridges, etc.), changes in property tax base, and general economic conditions within the City.

The Statement of Activities presents information showing how the government's net assets changed during 2010. This statement separates program revenue (revenue generated by specific programs through charges for services, grants, and contributions) from general revenue (revenue provided by taxes and other sources not tied to a particular program). This shows the extent each program relies on taxes for funding. All changes in net assets are reported using the accrual basis of accounting, which requires that revenues be reported when they are earned and expenses are reported when the goods and services are received. Items such as uncollected taxes, unpaid vendor invoices for items received in 2010, and earned but unused vacation leave will be included in the statement of activities as revenue and expense, even though the cash associated with these items was not received or distributed in 2010.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting for compliance with finance-related legal requirements. All of the funds of the City fall into three categories: governmental funds, proprietary funds, and fiduciary funds. Governmental funds account for most, if not all, of a government's tax-supported activities. Proprietary funds account for a government's business type activities, where all or part of the costs of activities are supported by fees and charges that are paid directly by those who benefit from the activities. Fiduciary funds account for resources that are held by the government as an agent for parties outside of the government. The resources of fiduciary funds cannot be used to support the government's own programs.

Governmental Funds

The governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances present separate columns of financial data for the General Fund, the City Street Fund and the Arterial Street Fund. These are considered major funds. Data from the remaining governmental funds are combined into a single, aggregated presentation.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Governmental funds financial statements focus on near-term inflows and outflows of spendable resources and on balances of spendable resources available at the end of the fiscal year. Such information is useful in evaluating a government's near-term financing requirements in comparison to near-term resources available.

Because the focus of governmental funds financial statements is narrower than that of government-wide financial statements accrual basis focus, it is useful to compare information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. This gives readers a better understanding of the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide reconciliation to the governmental activities column in the government-wide statements, facilitating this comparison.

The City maintains budgetary controls over its operating funds. Budgetary controls ensure compliance with legal provisions embodied in the annual appropriated budget. Governmental funds budgets are established in accordance with state law, and are adopted on a fund level. Personnel services are budgeted by position and by prorating the costs based on time allocation to the various funds. Budgetary variances are discussed later in this section.

Proprietary Funds

The City has two proprietary funds also known as enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses one enterprise fund to account for its water and sewer utilities operation. The City also has a Storm Drainage Utility Fund. Proprietary fund statements provide the same type of information as the government-wide financial statements, only in more detail, since both apply the accrual basis of accounting. In comparing the proprietary fund statement of net assets to the business-type column on the government-wide statement of net assets, the total net assets agree, and therefore need no reconciliation. In comparing the total assets and total liabilities between the same two statements, you will notice slightly different amounts. This is because the "internal balances" line on the government-wide statement combines the "due from other funds" (asset) and the "due to other funds" (liabilities) from the proprietary fund statement in a single line in the asset section of the government-wide statement.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided, and are an integral part of the government-wide and fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Assets

As noted earlier, changes in net assets may serve as a useful indicator of a government's financial position. The City of Port Orchard's net assets total \$71,138,360 at December 31, 2010. The following is a condensed version of the government-wide statement of net assets.

City of Port Orchard's Net Assets

| | Governmental Activities 2010 | Governmental Activities 2009 | Business-Type Activities 2010 | Business-Type Activities 2009 | Total Activities 2010 | Total Activities 2009 |
|--|------------------------------------|------------------------------------|-------------------------------------|-------------------------------------|-----------------------------|-----------------------------|
| Current and other assets | \$ 6,911,569 | \$ 4,670,298 | \$12,087,039 | \$11,162,471 | \$18,998,608 | \$15,832,769 |
| Capital assets | 21,603,612 | 20,421,605 | 33,494,130 | 29,426,969 | 55,097,742 | 49,848,574 |
| Total assets | 28,515,181 | 25,091,903 | 45,581,169 | 40,589,440 | 74,096,350 | 65,681,343 |
| Long-Term liabilities | 1,818,248 | 1,809,798 | 719,474 | 756,995 | 2,537,722 | 2,566,793 |
| Liabilities Pybl frm Res. Assets | 44,160 | 4,896 | | | 44,160 | 4,896 |
| Other liabilities | 143,391 | 310,163 | 232,717 | 385,716 | 376,108 | 695,879 |
| Total liabilities | 2,005,799 | 2,124,857 | 952,191 | 1,142,711 | 2,957,990 | 3,267,568 |
| Net Assets | | | | | | |
| Invested in capital assets, net of related debt | 20,329,051 | 19,024,806 | 32,833,977 | 28,721,909 | 53,163,028 | 47,746,715 |
| Restricted | 3,520,921 | 1,903,616 | - | - | 3,520,921 | 1,903,616 |
| Unrestricted | 2,659,410 | 2,038,624 | 11,795,001 | 10,724,820 | 14,454,411 | 12,763,444 |
| Total net assets | \$26,509,382 | \$22,967,046 | \$44,628,978 | \$39,446,729 | \$71,138,360 | \$62,413,775 |

The current and other assets increase was due to revenue received from annexations. The large increase in capital assets is added infrastructure due to annexations and right of way purchase for the future Tremont widening. The largest portion of the City's net assets (75 percent) reflects its investment in capital, less any related debt used to acquire those assets that is still outstanding. The City's capital assets are used to provide services to citizens. Consequently the value of these assets of \$53,163,028, are not available for future spending. Of the remaining balance, \$3,520,921 is restricted and \$14,454,411 (unrestricted net assets) represents the amount that may be used to meet the City's ongoing obligations.

At December 31, 2010, the City of Port Orchard reports positive balances in the two categories of net assets, for the government as a whole, as well as for separate governmental and business-type activities.

Statement of Activities

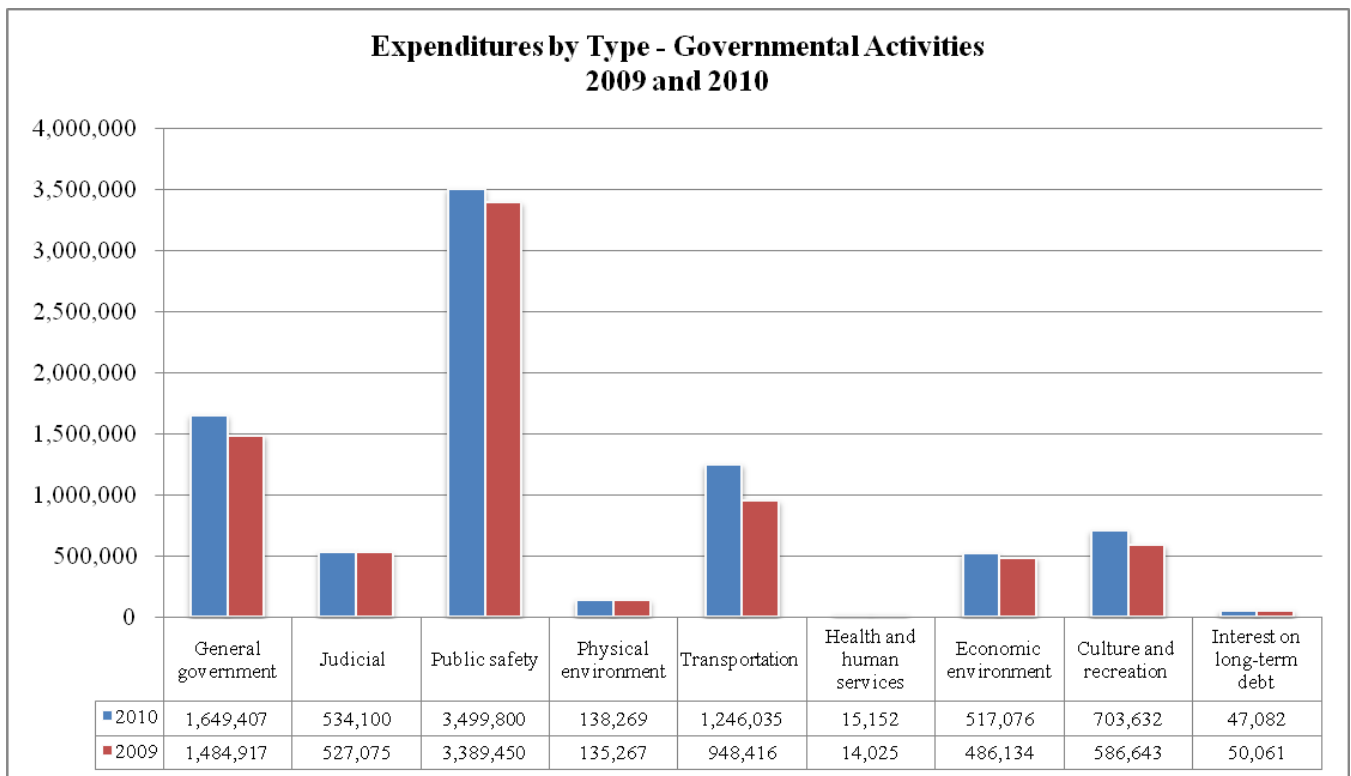
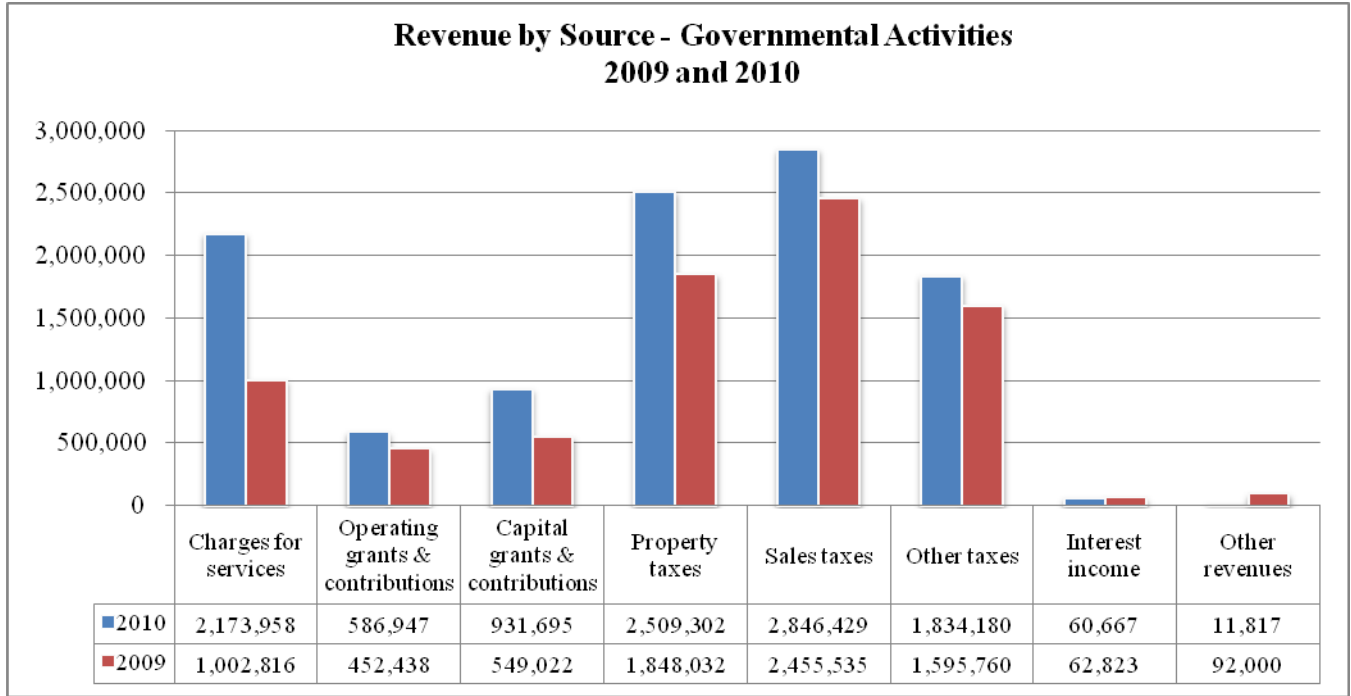
In 2010 the City's total net assets increased by \$8,724,586. The governmental net assets increased \$3,542,337 and business-type activities increased \$5,182,249.

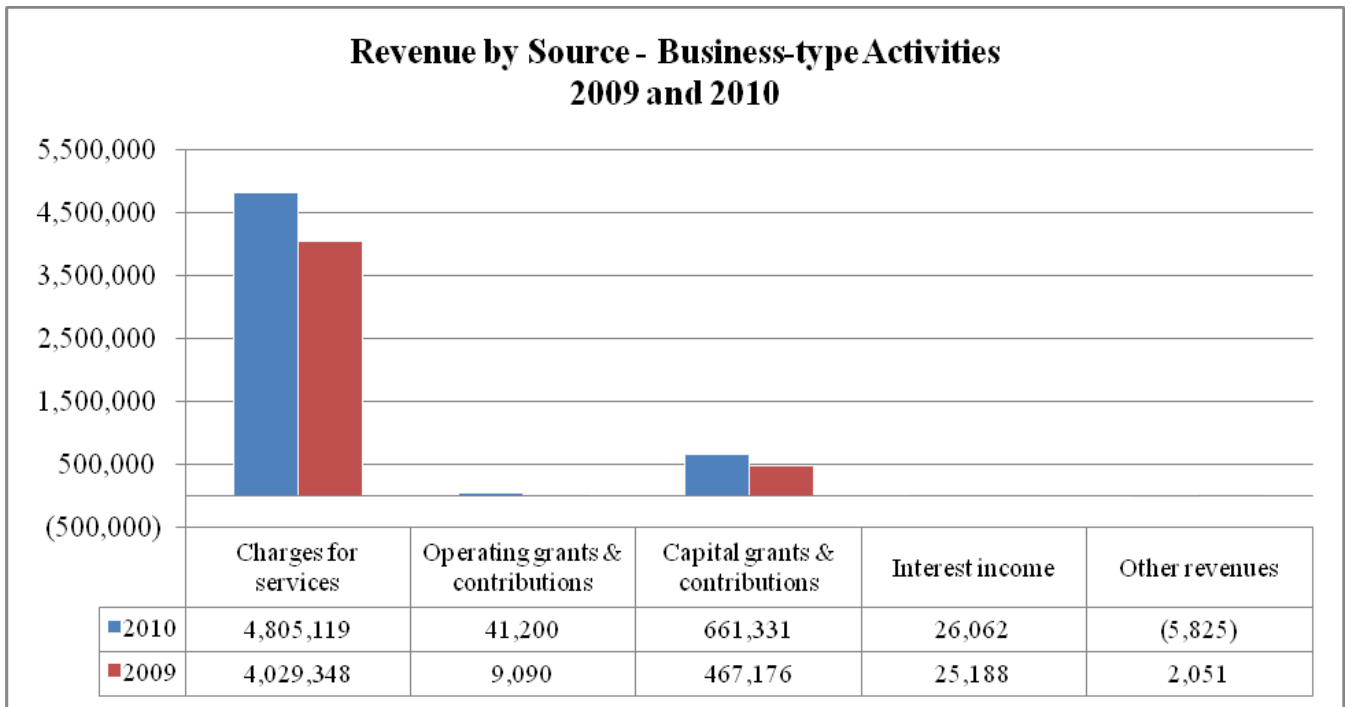
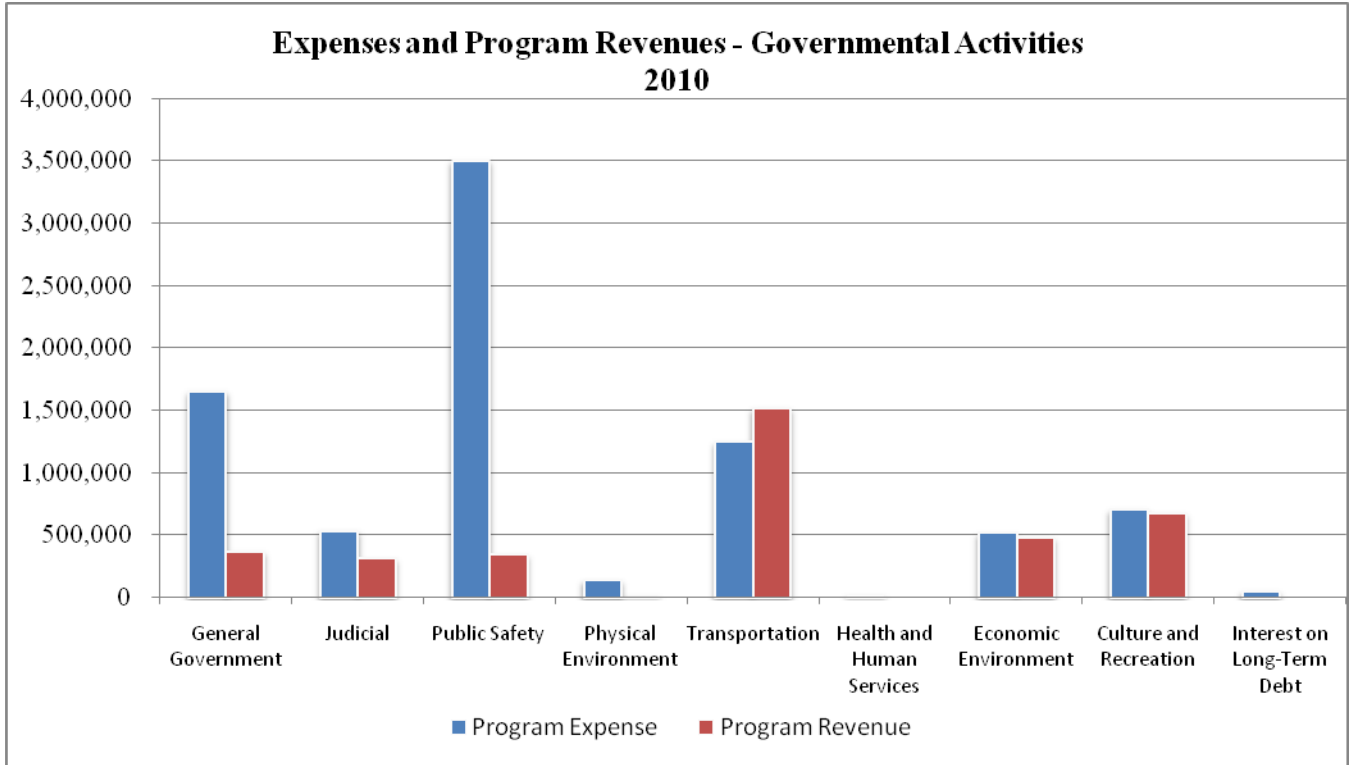
The following is a condensed version of the statement of changes in net assets for the City. The full statement is a tabular depiction of the relationship of revenues and expenses for the City's governmental activities and proprietary funds. A prior period adjustment is recognized on the government wide statement of activities due to annexations. The City annexed Geiger II, Sedgwick, Sidney Glen and McCormick Woods/The Ridge storm drainage which added significant capital asset value.

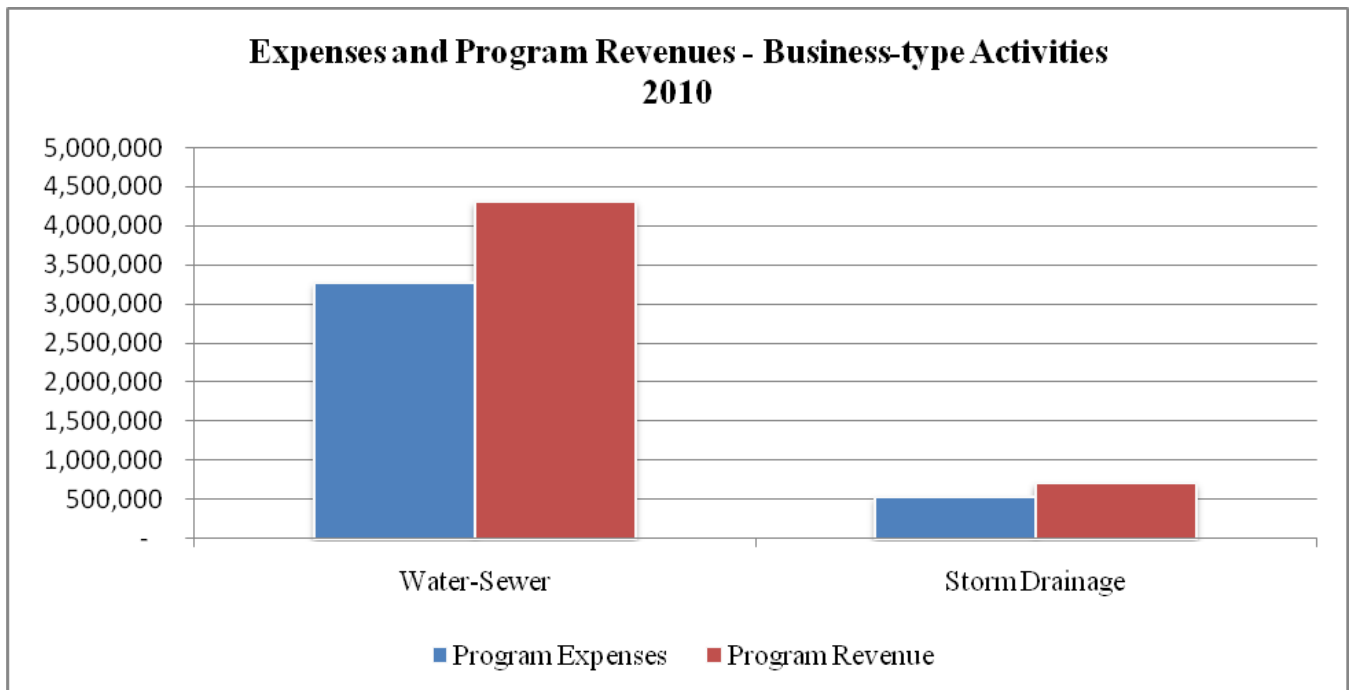
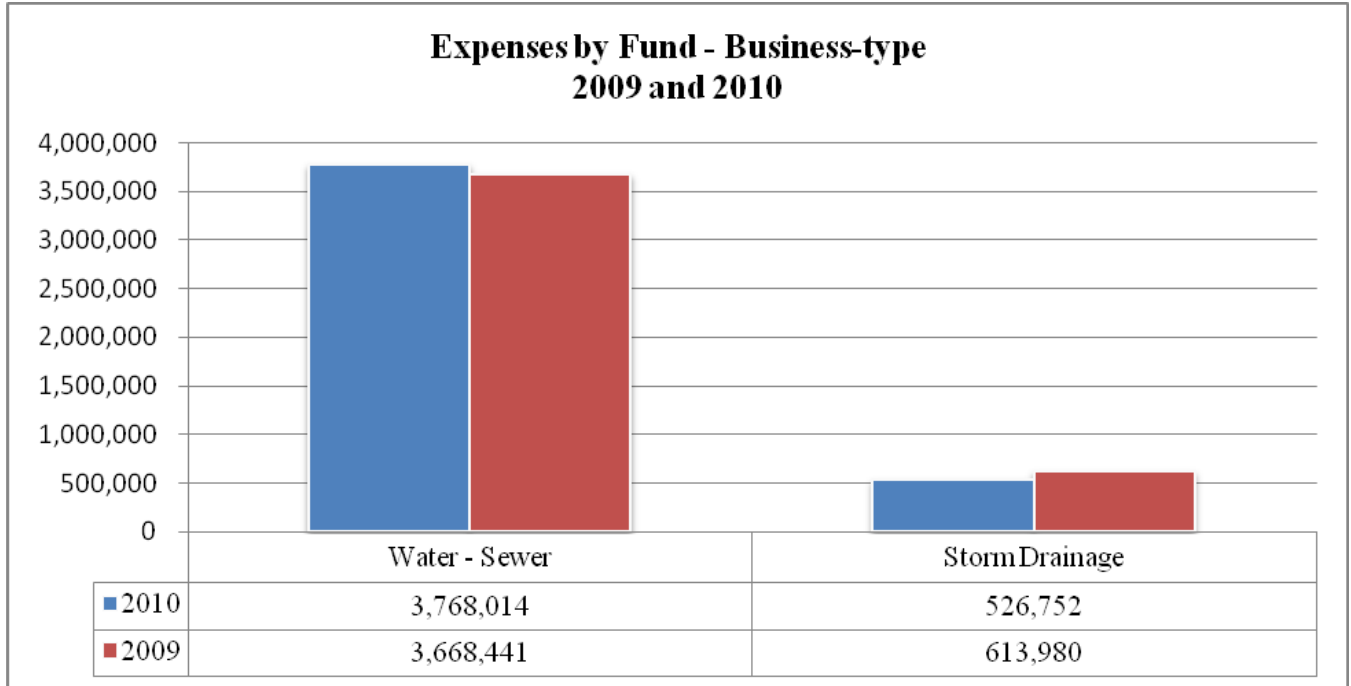
City of Port Orchard's Statement of Activities

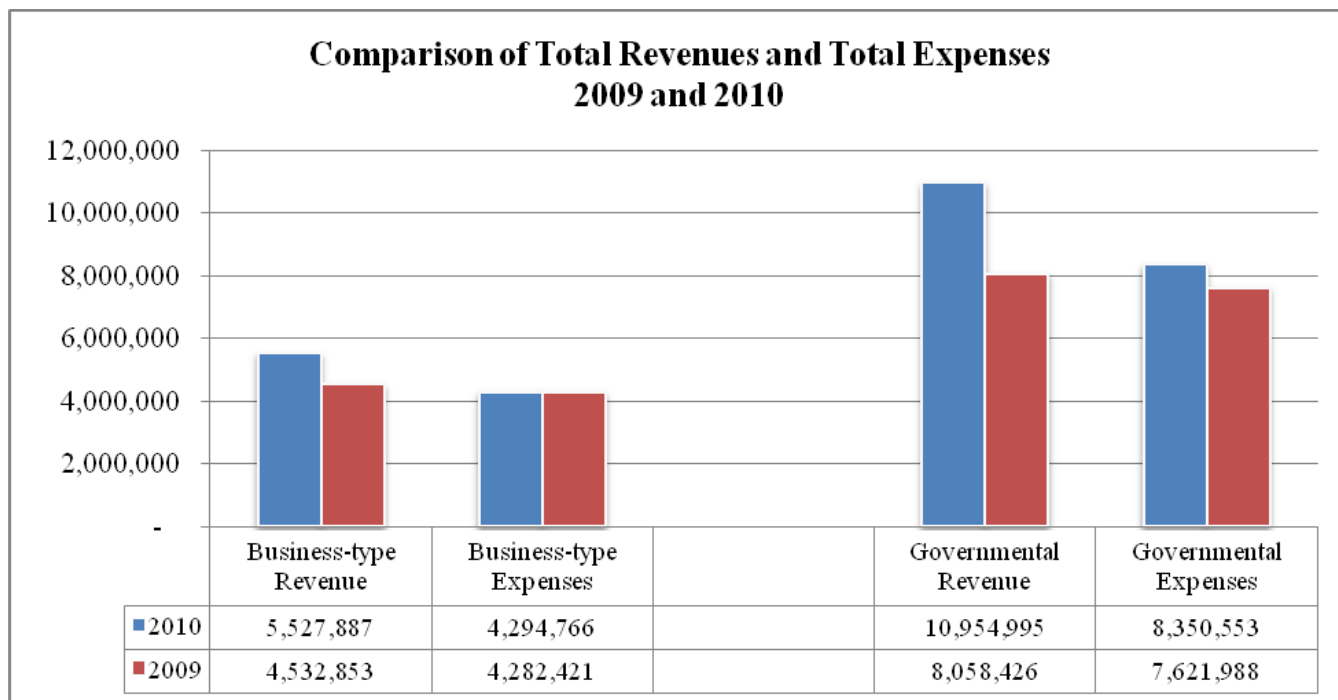
| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|---|----------------------------|---------------|-----------------------------|---------------|-----------------------------|---------------|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 2,173,958 | \$ 1,002,816 | \$ 4,805,119 | \$ 4,029,348 | \$ 6,979,077 | \$ 5,032,164 |
| Operating grants & contributions | 586,947 | 452,438 | 41,200 | 9,090 | 628,147 | 461,528 |
| Capital grants & contributions | 931,695 | 549,022 | 661,331 | 467,176 | 1,593,026 | 1,016,198 |
| General revenues: | | | | | | |
| Property taxes | 2,509,302 | 1,848,032 | - | - | 2,509,302 | 1,848,032 |
| Sales taxes | 2,846,429 | 2,455,535 | - | - | 2,846,429 | 2,455,535 |
| Other taxes | 1,834,180 | 1,595,760 | - | - | 1,834,180 | 1,595,760 |
| Interest income | 60,667 | 62,823 | 26,062 | 25,188 | 86,729 | 88,011 |
| Other revenues | 11,817 | 92,000 | (5,825) | 2,051 | 5,992 | 94,051 |
| Total Revenues | \$ 10,954,995 | \$ 8,058,426 | \$ 5,527,887 | \$ 4,532,853 | \$ 16,482,882 | \$ 12,591,279 |
| Expenses: | | | | | | |
| General government | 1,649,407 | 1,484,917 | - | - | 1,649,407 | 1,484,917 |
| Judicial | 534,100 | 527,075 | - | - | 534,100 | 527,075 |
| Public safety | 3,499,800 | 3,389,450 | - | - | 3,499,800 | 3,389,450 |
| Physical environment | 138,269 | 135,267 | - | - | 138,269 | 135,267 |
| Transportation | 1,246,035 | 948,416 | - | - | 1,246,035 | 948,416 |
| Health and human services | 15,152 | 14,025 | - | - | 15,152 | 14,025 |
| Economic environment | 517,076 | 486,134 | - | - | 517,076 | 486,134 |
| Culture and recreation | 703,632 | 586,643 | - | - | 703,632 | 586,643 |
| Water - Sewer | - | - | 3,768,014 | 3,668,441 | 3,768,014 | 3,668,441 |
| Storm Drainage | - | - | 526,752 | 613,980 | 526,752 | 613,980 |
| Interest on long-term debt | 47,082 | 50,061 | - | - | 47,082 | 50,061 |
| Total Expense | \$ 8,350,553 | \$ 7,621,988 | \$ 4,294,766 | \$ 4,282,421 | \$ 12,645,319 | \$ 11,904,409 |
| Increase/(decrease) in Net Assets before transfers | 2,604,442 | 436,438 | 1,233,121 | 250,432 | 3,837,563 | |
| Contributions | - | - | - | - | - | - |
| Special and Extraordinary Items | - | (1,507,830) | - | 1,507,830 | - | - |
| Transfers | - | - | - | - | - | - |
| Change in net assets | 2,604,442 | (1,071,392) | 1,233,121 | 1,758,262 | 3,837,563 | 686,870 |
| Net Assets 1/1/10 | 22,967,045 | 19,014,003 | 39,446,729 | 37,688,467 | 62,413,774 | 56,702,470 |
| Prior Period Adjustment Annexatr | 937,895 | 5,829,768 | 3,949,128 | - | 4,887,023 | 5,829,768 |
| Prior Year Adjustment | - | - | - | - | - | - |
| Prior Period Adjustment Court Re | - | (805,334) | - | - | - | (805,334) |
| Net Assets 12/31/10 | \$ 26,509,382 | \$ 22,967,045 | \$ 44,628,978 | \$ 39,446,729 | \$ 71,138,360 | \$ 62,413,774 |

The following charts represent the information contained in the Statement of Activities:









Governmental Activity Analysis

Total revenues in governmental activities increased by 36%. The City’s tax revenues increased by \$1,290,584, 22% in 2010. The main sources of revenue came from retail sales and use tax and property taxes. Sales tax increased from the prior year by \$390,894, 16%. Property tax revenues rose by \$661,270, an increase of 36%, primarily due to annexations. Charges for services increased **117%**. That increase was due to building permits increasing almost 100%, the City receiving impact fees from the County for the McCormick Woods Park which was annexed into the City and grants received for the engineering and land purchase for the future Tremont widening.

Total expenses in governmental activities increased by 10%. The City incurred increases in all functions: General Government \$164,490, Judicial \$7,025, Public Safety \$110,350, Physical Environment \$3,002, Transportation \$297,619, Health & Human Services \$1,127, Economic Environment \$30,942, and Culture and Recreation \$116,989. The net assets associated with governmental activities increased by \$3,542,337, which was due to the capital assets added for 2010 annexations. General Government increase was due partially to the City paying four years waterfront parking lease to the Department of Natural Resources. The lease was in negotiation and was not previously billed. The professional services in connection with the McCormick Woods Park Master Plan for the planning and landscape architecture increased Economic Development. Culture and Recreation increase was mostly due to the additional amount the City paid for the intergovernmental services for the regional library. Transportation increase was due to the City engineering costs for the construction of and right of way purchase for the future Tremont widening.

Business-Type Activities Analysis

This year, the Water-Sewer Fund had increases in operating revenues of 5.8%, and 1.6% increase in operating expenses, with an overall increase in net assets of 2.6%. The Storm Drainage Utility had increases in operating revenues of 10.5%, a decrease in operating expenses of (14%) and an overall increase in net assets of 280% (this large increase was due to the annexations.)

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Funds Analysis

The City uses fund accounting to ensure compliance with legal requirements and to assist in the budgeting and operations of the different activities of the City. Of the ten funds the City has, the governmental funds are categorized into four fund types. Each type has its unique purpose. Three funds are classified as major funds for the purposes of this report, based on GASB criteria. Those funds are the General Fund, Street Fund and Arterial Street Fund.

The General Fund's fund balance increased by \$1,677,792, due largely to the annexations. The City received \$643,742 in parks impact fees from Kitsap County due to the McCormick Woods annexation. A Transportation Impact Fund was established in 2010 for the collection of impact fees. At year end, Fund 111 (Transportation Impact Fee Fund) had a fund balance of \$334,741.

Sales tax and property tax also increased because of the annexations. The largest source of revenue is sales and use tax representing 33%. The largest expenditure category is security of persons and property, representing 50% of the general fund's activity.

The Street Fund increased in fund balance by \$123,929. The Street Fund receives a portion of the property taxes which were higher in 2010, due to annexations and expenditures for the year were down.

The Arterial Street fund had a decrease in fund balance of (\$54,240.) In 2010 the City continued engineering and purchasing land for future widening of Tremont Street from Port Orchard Boulevard to State Road 16 and the installation of two roundabouts.

The change in total governmental funds' fund balance was an overall increase of \$2,306,707. The majority of the increase was due to annexations. The City received additional property taxes, sales taxes, parks impact fees from the County and started collecting transportation impact fees. Unreserved fund balance is \$1,064,388, while the remainder is designated or restricted by Council or limited in use by state law. All other governmental funds had a combined increase in their fund balances of \$559,227.

Business-Type Fund Analysis

Proprietary funds are those funds that account for government operations where the intent is for the costs to be primarily paid for by user charges. Enterprise funds are those funds that provide services primarily to external users, and internal service funds provide their services primarily within the City, or to other governmental units.

In 2009 the City began operation of the Storm Drainage Utility Fund. This fund had total net assets at year-end of \$5.7 million. The 2010 increase was due to storm drainage infrastructure from annexations. This fund had operating income of \$126,886. The Water-Sewer Fund had total net assets at year-end of \$38.9 million. This fund had operating losses of (\$125,819). The Water-Sewer fund had an increase in total net assets of 2.6%, \$977,139. The increase was due to the increase in the investment in joint venture of the sewer treatment plant and capital contributions. The increasing numbers of users are having the dual effect of increasing revenues and increasing demands on the systems.

GENERAL FUND BUDGETARY HIGHLIGHTS

The City appropriates funds through an annual budget process while State law allows additional funds to be expended if authorized by an ordinance amending the original budget. Revenues ended the year ahead of the budget by 3.9%. The increase was due primarily from annexation revenue. Expenditures were 97.9% of the amended budget. This reflects the emphasis that the City has put on reducing expenditures while still providing efficient service.

The final budget showed increases (decreases) in: General Government \$36,450, Judicial (\$13,400), Security of Persons and Property (700), Physical Environment (\$16,700), Economic Development (\$10,050), Mental and Physical Health \$1,600, Culture and Recreation \$2,900 and Capital Expenditures \$4,900.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City of Port Orchard’s investment in capital assets, including construction in progress, for its governmental and business type activities as of December 31, 2010, amounts to \$55,097,742 (net of accumulated depreciation). This investment in capital assets includes land, intangible assets, buildings, system improvements, machinery and equipment, park facilities, and construction in progress on buildings and systems.

| | Governmental Activities | | Business Activities | | Government Wide | |
|--------------------------|-------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | 1/1/2010 | 12/31/2010 | 1/1/2010 | 12/31/2010 | 1/1/2010 | 12/31/2010 |
| Land | \$ 1,491,321 | \$ 1,501,404 | \$ 638,868 | \$ 627,351 | \$ 2,130,189 | \$ 2,128,755 |
| Intangible Assets | 562,056 | 1,032,068 | 88,915 | 131,138 | 650,971 | 1,163,206 |
| Construction in Progress | 1,128,031 | 1,709,239 | 403,437 | 862,478 | 1,531,468 | 2,571,717 |
| Buildings | 5,227,490 | 5,078,023 | 2,860,531 | 2,786,906 | 8,088,021 | 7,864,929 |
| Equipment | 643,310 | 479,231 | 1,760,044 | 1,668,651 | 2,403,354 | 2,147,882 |
| Infrastructure | 12,307,291 | 11,803,647 | 27,623,319 | 27,417,606 | 39,930,610 | 39,221,253 |
| | <u>\$21,359,499</u> | <u>\$21,603,612</u> | <u>\$33,375,114</u> | <u>\$33,494,130</u> | <u>\$54,734,613</u> | <u>\$55,097,742</u> |

In 2010 the Intangible Assets Category is added per GASB 51.

In the governmental activities, the 2010 beginning balance of Land, Intangible Assets, and Infrastructure are restated. The City had several annexations which included infrastructure and intangible assets. Intangible assets increased due to Tremont right of way purchases. Construction in Progress increased due to the following projects: Tremont Widening, Bay St Pedestrian Path (Seawall & Enhancement). Buildings, Equipment, and Infrastructure decreased due to depreciation.

Business activities: Land was restated and decreased due to moving intangible assets to their own category and retirement of assets. Intangible Assets beginning balance was restated to include easement assets previously reported under land prior to GASB 51. Donated ROW/easements increased this category. Construction in Progress increase was due to the following projects: Tremont Water & Sewer Mains Design, Tremont Sanitary SW Design, Well #10, Well #11, and Marina Pump Station. Buildings and Equipment decreased due to depreciation. Equipment was restated for an asset correction. Infrastructure restated and increased due to annexations and donation of assets.

Additional information on the City of Port Orchard's capital assets can be found in Note 6 (capital assets) of this report.

Long-Term Debt

At December 31, 2010, the City of Port Orchard had total long-term debt outstanding of \$2,537,719. Of this amount, \$1,743,361 is general obligation bonds, \$191,350 is a long-term loan made with a private party, \$396,450 long-term compensated absences and Other Postemployment Benefits (OPEB) \$206,558.

During 2010, the City of Port Orchard's net total debt decreased by (\$29,072). The decrease included annual payments on the outstanding debt, changes in compensated absences and the current year increase for OPEB. The City's remaining capacity for non-voted debt is approximately \$16.3 million. The legal debt limitation, including voter-approved debt, is approximately \$30.9 million.

Additional information on the City's long-term debt can be found in Notes 9 and 10 (long-term debt) of the notes to the financial statement in this report.

Requests for Information

This financial report is designed to provide a general overview of the City of Port Orchard's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to the City Treasurer, City of Port Orchard, 216 Prospect Street, Port Orchard, WA, 98366.

CITY OF PORT ORCHARD
Statement of Net Assets
December 31, 2010

| Assets | Governmental Activities | Business-type Activities | Total Primary Government |
|--|----------------------------|-----------------------------|-----------------------------|
| Cash and Cash Equivalents | \$ 2,714,266 | \$ 4,138,363 | \$ 6,852,629 |
| Receivables (Net of Allowance for Uncollectible) | | | |
| Taxes Receivable | 140,622 | 0 | 140,622 |
| Accounts Receivable | 435,143 | 697,248 | 1,132,391 |
| Due from Other Governmental Units | 37,217 | 20,207 | 57,424 |
| Deferred Charges | 19,239 | 7,074 | 26,313 |
| Restricted Assets: | | | |
| Cash & investments | 3,398,546 | 0 | 3,398,546 |
| Receivables | 29,203 | 0 | 29,203 |
| Due from Other Governmental Units | 137,333 | | 137,333 |
| Investment in Joint Venture | 0 | 7,224,147 | 7,224,147 |
| Capital Assets (Net of Accumulated Depreciation) | | | |
| Land | 1,501,404 | 627,351 | 2,128,755 |
| Intangible Assets | 1,032,068 | 131,138 | 1,163,206 |
| Buildings | 5,078,023 | 2,786,906 | 7,864,929 |
| Machinery and Equipment | 479,231 | 1,668,651 | 2,147,882 |
| Infrastructure | 11,803,647 | 27,417,606 | 39,221,253 |
| Construction Work in Progress | 1,709,239 | 862,478 | 2,571,717 |
| Total Assets | \$ 28,515,181 | \$ 45,581,169 | \$ 74,096,350 |
| Liabilities and Net Assets | | | |
| Accounts Payable and Other Current Liabilities | \$ 111,411 | \$ 165,490 | \$ 276,901 |
| Accrued Interest Payable | 3,564 | 1,318 | 4,882 |
| Unearned Revenue | 28,416 | 0 | 28,416 |
| Deferred Credits | 0 | 65,909 | 65,909 |
| Liabilities Payable from Restricted Assets | 44,160 | 0 | 44,160 |
| Noncurrent Liabilities: | | | |
| Due within One Year | 125,888 | 46,258 | 172,146 |
| Due in More than One Year | 1,692,360 | 673,216 | 2,365,576 |
| Total Liabilities | 2,005,799 | 952,191 | 2,957,990 |
| Net Assets: | | | |
| Invested in Capital Assets, Net of Related Debt | 20,329,051 | 32,833,977 | 53,163,028 |
| Restricted for: | | | |
| McCormick Woods Park | 604,614 | 0 | 604,614 |
| Vacation abutting water | 7,500 | 0 | 7,500 |
| Construction (Arterial Street) | 498,170 | 0 | 498,170 |
| Transportation Impact Fees | 334,741 | 0 | 334,741 |
| Capital (REET) | 1,964,124 | 0 | 1,964,124 |
| Tourism Promotion | 30,019 | 0 | 30,019 |
| Investigative Funds | 81,753 | 0 | 81,753 |
| Unrestricted | 2,659,410 | 11,795,001 | 14,454,411 |
| Total Net Assets | 26,509,382 | 44,628,978 | 71,138,360 |
| Total Liabilities and Net Assets | \$ 28,515,181 | \$ 45,581,169 | \$ 74,096,350 |

The notes to the financial statements are an integral part of this document

CITY OF PORT ORCHARD
Statement of Activities
Year Ended December 31, 2010

| Functions/Programs | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Assets | | |
|---|------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|----------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-type Activities | Total |
| PRIMARY GOVERNMENT | | | | | | | |
| Governmental Activities: | | | | | | | |
| General Government | \$ 1,649,407 | \$ 195,285 | \$ 172,015 | \$ - | \$ (1,282,107) | \$ (1,282,107) | \$ (1,282,107) |
| Judicial | 534,100 | 306,347 | 5,654 | 0 | (222,099) | (222,099) | (222,099) |
| Public Safety | 3,499,800 | 225,491 | 117,300 | 0 | (3,157,009) | (3,157,009) | (3,157,009) |
| Physical Environment | 138,269 | 5,854 | 0 | 0 | (132,415) | (132,415) | (132,415) |
| Transportation | 1,246,035 | 357,904 | 234,996 | 920,573 | 267,438 | 267,438 | 267,438 |
| Health and Human Services | 15,152 | 0 | 0 | 0 | (15,152) | (15,152) | (15,152) |
| Economic Environment | 517,076 | 434,499 | 44,162 | 0 | (38,415) | (38,415) | (38,415) |
| Culture and Recreation | 703,632 | 648,578 | 12,820 | 11,122 | (31,112) | (31,112) | (31,112) |
| Interest on Long-Term Debt | 47,082 | 0 | 0 | 0 | (47,082) | (47,082) | (47,082) |
| TOTAL | | | | | | | |
| GOVERNMENTAL ACTIVITIES | 8,350,553 | 2,173,958 | 586,947 | 931,695 | (4,657,953) | 0 | (4,657,953) |
| Business-Type Activities: | | | | | | | |
| Water - Sewer | 3,768,014 | 4,146,681 | 0 | 661,331 | 1,039,998 | 1,039,998 | 1,039,998 |
| Storm Drainage | 526,752 | 658,438 | 41,200 | 0 | 172,886 | 172,886 | 172,886 |
| TOTAL BUSINESS-TYPE ACTIVITIES | | | | | | | |
| Total Primary Government | 4,294,766 | 4,805,119 | 41,200 | 661,331 | 0 | 1,212,884 | 1,212,884 |
| | \$ 12,645,319 | \$ 6,979,077 | \$ 628,147 | \$ 1,593,026 | \$ (4,657,953) | \$ 1,212,884 | \$ (3,445,069) |
| General Revenues: | | | | | | | |
| Taxes: | | | | | | | |
| Property Taxes Levied for General Purposes | | | | | 2,509,302 | 0 | 2,509,302 |
| Sales and Use Taxes | | | | | 2,846,429 | 0 | 2,846,429 |
| Business and Occupation Taxes | | | | | 1,834,180 | 0 | 1,834,180 |
| Unrestricted Investment Earnings | | | | | 60,667 | 26,062 | 86,729 |
| Gain on Sale of Capital Assets | | | | | 11,817 | (5,825) | 5,992 |
| Miscellaneous | | | | | 0 | 0 | 0 |
| Sub-total | | | | | 7,262,395 | 20,237 | 7,282,632 |
| Total General Revenues, Extraordinary, Special Items, and Transfer | | | | | 7,262,395 | 20,237 | 7,282,632 |
| Change in Net Assets | | | | | 2,604,442 | 1,233,121 | 3,837,563 |
| Net Assets - Beginning | | | | | 22,967,045 | 39,446,729 | 62,413,774 |
| Prior year adjustments to Capital Assets due to annexations/adjustmer | | | | | 937,895 | 3,949,128 | 4,887,023 |
| Net Assets - Ending | | | | | \$ 26,509,382 | \$ 44,628,978 | \$ 71,138,360 |

The notes to the financial statements are an integral part of this statement

CITY OF PORT ORCHARD
Governmental Funds
Balance Sheet
December 31, 2010

| | General Fund | Street Fund | Arterial Street Fund | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|-------------------|-------------------------|--------------------------------|--------------------------------|
| Assets: | | | | | |
| Cash and Cash Equivalents | \$ 1,961,263 | \$ 665,361 | \$ 388,965 | \$ 3,097,222 | \$ 6,112,812 |
| Property Taxes Receivables (net) | 111,779 | 28,843 | 0 | 0 | 140,622 |
| Accounts Receivable | 433,003 | 2,141 | 0 | 29,203 | 464,347 |
| Due from Other Governmental Units | 37,217 | 0 | 137,333 | 0 | 174,550 |
| Total Assets | 2,543,262 | 696,346 | 526,298 | 3,126,425 | 6,892,331 |
| Liabilities and Fund Balances: | | | | | |
| Liabilities: | | | | | |
| Accounts Payable | \$ 97,114 | \$ 14,298 | \$ 28,128 | \$ 16,032 | \$ 155,572 |
| Unearned Revenue | 0 | 0 | 0 | 0 | 0 |
| Deferred Revenues | 532,333 | 28,843 | 0 | 27,347 | 588,523 |
| Total Liabilities | 629,447 | 43,140 | 28,128 | 43,379 | 744,094 |
| Fund Balances: | | | | | |
| Unreserved | 418,683 | 645,705 | 0 | 0 | 1,064,388 |
| Designated | 890,518 | 7,500 | 498,170 | 0 | 1,396,188 |
| Restricted for Capital | 604,614 | 0 | 0 | 0 | 604,614 |
| Unreserved, Reported in Nonmajor: | | | | | |
| Special Revenue Funds | 0 | 0 | 0 | 521,420 | 521,420 |
| Capital Project Funds | 0 | 0 | 0 | 2,561,626 | 2,561,626 |
| Total Fund Balances | 1,913,815 | 653,205 | 498,170 | 3,083,046 | 6,148,236 |
| Total Liabilities and Fund Balances | \$ 2,543,262 | \$ 696,346 | \$ 526,298 | \$ 3,126,425 | |

Amounts reported for governmental activities in the statement of net assets are different because (See Note 2 also):

| | |
|--|----------------------|
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds; restated beginning balance | 21,603,612 |
| Other long-term assets are not available to pay for current-period expenditures and, therefore are deferred in the funds | 560,107 |
| Long-term liabilities that are not due and payable in the current period and are not reported in the funds | (1,802,573) |
| Net assets of governmental activities | \$ 26,509,382 |

The notes to the financial statements are an integral part of this statement

CITY OF PORT ORCHARD
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended December 31, 2010

| | General Fund | Street Fund | Arterial Street Fund | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|-------------------|----------------------|--------------------------|--------------------------|
| Revenues: | | | | | |
| Property Taxes | \$ 1,827,665 | \$ 643,646 | \$ - | \$ - | \$ 2,471,311 |
| Retail Sales and Use Taxes | 2,774,188 | 0 | 0 | 72,241 | 2,846,429 |
| Other Taxes | 1,527,103 | 0 | 0 | 307,077 | 1,834,180 |
| License and Permits | 389,679 | 925 | 0 | 0 | 390,604 |
| Intergovernmental | 352,990 | 159,830 | 995,739 | 0 | 1,508,559 |
| Charges for Services | 997,441 | 16,813 | 100 | 3,299 | 1,017,653 |
| Fines and Forfeits | 268,097 | 100 | 0 | 2,361 | 270,558 |
| Interest Earnings | 26,238 | 7,217 | 1,141 | 25,550 | 60,145 |
| Rents and Royalties | 111,168 | 10,933 | 0 | 0 | 122,101 |
| Planning & Dev Contributors | 0 | 0 | 0 | 329,945 | 329,945 |
| Contributions/Donations | 12,295 | 0 | 0 | 0 | 12,295 |
| Miscellaneous | 1,230 | 471 | 0 | 3,058 | 4,759 |
| Total Revenues | 8,288,093 | 839,935 | 996,980 | 743,531 | 10,868,538 |
| Expenditures: | | | | | |
| Current | | | | | |
| General Government | 1,428,908 | 0 | 0 | 0 | 1,428,908 |
| Judicial | 534,100 | 0 | 0 | 0 | 534,100 |
| Security/Persons and Property | 3,297,099 | 0 | 0 | 5,442 | 3,302,541 |
| Physical Environment | 138,269 | 0 | 0 | 0 | 138,269 |
| Transportation | 0 | 709,729 | 0 | 0 | 709,729 |
| Economic Environment | 517,076 | 0 | 0 | 0 | 517,076 |
| Mental and Physical Health | 15,152 | 0 | 0 | 0 | 15,152 |
| Culture and Recreation | 606,930 | 0 | 0 | 61,617 | 668,547 |
| Capitalized Expenditures | 11,844 | 8,314 | 1,051,220 | 25,228 | 1,096,606 |
| Debt Service | | | | | |
| Principal Retirement | 0 | 0 | 0 | 120,450 | 120,450 |
| Interest/Fiscal Charges | 0 | 0 | 0 | 46,386 | 46,386 |
| Total Expenditures | 6,549,378 | 718,043 | 1,051,220 | 259,122 | 8,577,764 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 1,738,715 | 121,892 | (54,240) | 484,408 | 2,290,774 |
| Other Financing Sources (Uses) | | | | | |
| Sale of Capital Assets | 315 | 3,450 | 0 | 0 | 3,765 |
| Compensation-Loss of Capital Assets | 8,052 | 0 | 0 | 0 | 8,052 |
| Transfers In | 2,906 | 0 | 0 | 242,836 | 245,742 |
| Insurance Recoveries | 3,804 | 312 | 0 | 0 | 4,116 |
| Transfers Out | (76,000) | (1,725) | 0 | (168,017) | (245,742) |
| Total Other Financing Sources and Uses | (60,923) | 2,038 | 0 | 74,819 | 15,932 |
| Net Change in Fund Balances | 1,677,792 | 123,929 | (54,240) | 559,227 | 2,306,707 |
| Fund Balance at Beginning of Year | 236,023 | 529,277 | 552,410 | 2,523,819 | 3,841,529 |
| Fund Balance at End of Year | \$ 1,913,815 | \$ 653,206 | \$ 498,170 | \$ 3,083,046 | \$ 6,148,236 |

The notes to the financial statements are an integral part of this statement

CITY OF PORT ORCHARD
 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance
 of Governmental Funds to the Statement of Activities
 Year Ended December 31, 2010

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

Net changes in fund balances - total governmental funds: \$ 2,306,707

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 expenses. This is the amount by which capital outlays exceeded depreciation in the current period. 234,030

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) to decrease net assets. 10,083

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 64,034

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. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. 120,450

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (130,862)

Changes in Net Assets (governmental activities) \$ 2,604,442

The notes to the financial statements are an integral part of this statement

CITY OF PORT ORCHARD
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances
Budget (GAAP Basis) and Actual
For the Fiscal Year Ended December 31, 2010

| | Budgeted Amounts | | Actual Amount | Variance with Final Budget |
|--|---------------------|---------------------|---------------------|-------------------------------|
| | Original | Final | | |
| Revenues: | | | | |
| Property Taxes | \$ 1,854,192 | \$ 1,854,192 | \$ 1,827,665 | \$ (26,527) |
| Sales and Use Taxes | 2,600,000 | 2,600,000 | 2,774,188 | 174,188 |
| Other Taxes | 1,575,858 | 1,575,858 | 1,527,103 | (48,755) |
| License and Permits | 239,490 | 239,490 | 389,679 | 150,189 |
| Intergovernmental | 344,361 | 344,361 | 352,990 | 8,629 |
| Charges for Services | 974,892 | 974,892 | 997,441 | 22,549 |
| Fines and Forfeits | 246,500 | 246,500 | 268,097 | 21,597 |
| Interest Earnings | 17,050 | 17,050 | 26,238 | 9,188 |
| Rents and Royalties | 120,170 | 120,170 | 111,168 | (9,002) |
| Contributions/Donations | 4,500 | 4,500 | 12,295 | 7,795 |
| Miscellaneous | 1,000 | 1,000 | 1,230 | 230 |
| Total Revenues | <u>7,978,013</u> | <u>7,978,013</u> | <u>8,288,093</u> | <u>310,081</u> |
| Expenditures: | | | | |
| Current | | | | |
| General Government | 1,426,966 | 1,463,416 | 1,428,908 | 34,508 |
| Judicial | 550,575 | 537,175 | 534,100 | 3,075 |
| Security/Persons and Property | 3,354,832 | 3,354,132 | 3,297,099 | 57,033 |
| Physical Environment | 160,332 | 143,632 | 138,269 | 5,363 |
| Economic Environment | 546,334 | 536,284 | 517,076 | 19,208 |
| Mental and Physical Health | 15,139 | 16,739 | 15,152 | 1,587 |
| Culture and Recreation | 620,232 | 623,132 | 606,930 | 16,202 |
| Capitalized Expenditures | 8,000 | 12,900 | 11,844 | 1,056 |
| Total Expenditures | <u>6,682,410</u> | <u>6,687,410</u> | <u>6,549,378</u> | <u>138,032</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 1,295,603 | 1,290,603 | 1,738,715 | 448,113 |
| Nonrevenues/Nonexpenditures | | | | |
| Loans Received | 0 | 0 | 0 | 0 |
| Loans Repayment Issued | 0 | 0 | 0 | 0 |
| Total Nonrevenues/Nonexpenditures | 0 | 0 | 0 | 0 |
| Other Financing Sources (Uses): | | | | |
| Sale of Capital Assets | 0 | 0 | 315 | 315 |
| Compensation-Loss of Capital Assets | 0 | 0 | 8,052 | 8,052 |
| Transfers In | 0 | 5,000 | 2,906 | (2,094) |
| Insurance Recoveries | 0 | 0 | 3,804 | 3,804 |
| Transfers Out | (76,000) | (76,000) | (76,000) | 0 |
| Total Other Financing Sources and Uses | <u>(76,000)</u> | <u>(71,000)</u> | <u>(60,923)</u> | <u>10,077</u> |
| Net Change in Fund Balance | 1,219,603 | 1,219,603 | 1,677,792 | 458,190 |
| Fund Balances at Beginning of Year | 270,903 | 270,903 | 236,023 | (34,880) |
| Fund Balances at End of Year | <u>\$ 1,490,506</u> | <u>\$ 1,490,506</u> | <u>\$ 1,913,815</u> | <u>\$ 423,310</u> |

The notes to the financial statements are an integral part of this statement

CITY OF PORT ORCHARD
Street Fund
Statement of Revenues, Expenditures and Changes in Fund Balances
Budget (GAAP Basis) and Actual
For the Fiscal Year Ended December 31, 2010

| | Budgeted Amounts | | Actual Amount | Variance with Final Budget |
|--|------------------|------------|------------------|-------------------------------|
| | Original | Final | | |
| Revenues: | | | | |
| Property Taxes | \$ 644,471 | \$ 644,471 | \$ 643,646 | \$ (825) |
| License and Permits | 4,100 | 4,100 | 925 | (3,175) |
| Intergovernmental | 129,880 | 129,880 | 159,830 | 29,950 |
| Charges for Services | 13,100 | 13,100 | 16,813 | 3,713 |
| Fines and Forfeits | 0 | 0 | 100 | 100 |
| Interest Earnings | 6,800 | 6,800 | 7,217 | 417 |
| Rents and Royalties | 9,300 | 9,300 | 10,933 | 1,633 |
| Contributions/Donations | 0 | 0 | 0 | 0 |
| Miscellaneous | 0 | 0 | 471 | 471 |
| Total Revenues | 807,651 | 807,651 | 839,935 | 32,284 |
| Expenditures: | | | | |
| Current: | | | | |
| Transportation | 817,651 | 815,926 | 709,729 | 106,197 |
| Capitalized Expenditures | 120,000 | 120,000 | 8,314 | 111,686 |
| Total Expenditures | 937,651 | 935,926 | 718,043 | 217,883 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (130,000) | (128,275) | 121,892 | 250,167 |
| Other Financing Sources (Uses): | | | | |
| Sale of Capital Assets | 0 | 0 | 3,450 | 3,450 |
| Transfers In | 0 | 0 | 0 | 0 |
| Insurance Recoveries | 0 | 0 | 312 | 312 |
| Transfers Out | 0 | (1,725) | (1,725) | 0 |
| Total Other Financing Sources and Uses | 0 | (1,725) | 2,038 | 3,762 |
| Net Change in Fund Balance | (130,000) | (130,000) | 123,929 | 253,929 |
| Fund Balances at Beginning of Year | 137,500 | 137,500 | 529,277 | 391,777 |
| Fund Balances at End of Year | \$ 7,500 | \$ 7,500 | \$ 653,206 | \$ 645,706 |

The notes to the financial statements are an integral part of this statement

CITY OF PORT ORCHARD
Arterial Street Fund
Statement of Revenues, Expenditures and Changes in Fund Balances
Budget (GAAP Basis) and Actual
For the Fiscal Year Ended December 31, 2010

| | Budgeted Amounts | | Actual Amount | Variance with Final Budget |
|--|------------------|--------------|------------------|-------------------------------|
| | Original | Final | | |
| Revenues: | | | | |
| Intergovernmental | \$ 2,642,700 | \$ 2,642,700 | \$ 995,739 | \$ (1,646,961) |
| Charges for Services | 0 | 0 | 100 | 100 |
| Interest Earnings | 4,950 | 4,950 | 1,141 | (3,809) |
| Total Revenues | 2,647,650 | 2,647,650 | 996,980 | (1,650,670) |
| Expenditures: | | | | |
| Current: | | | | |
| Capitalized Expenditures | 3,146,812 | 3,146,812 | 1,051,220 | 2,095,592 |
| Total Expenditures | 3,146,812 | 3,146,812 | 1,051,220 | 2,095,592 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (499,162) | (499,162) | (54,240) | 444,922 |
| Net Change in Fund Balance | (499,162) | (499,162) | (54,240) | 444,922 |
| Fund Balances at Beginning of Year | 500,800 | 500,800 | 552,410 | 51,610 |
| Fund Balances at End of Year | \$ 1,638 | \$ 1,638 | \$ 498,170 | \$ 496,532 |

The notes to the financial statements are an integral part of this statement

CITY OF PORT ORCHARD
Proprietary Funds
Statement of Net Assets
December 31, 2010

| | Major Enterprise Fund Water-Sewer | Major Enterprise Fund Storm Drainage | Total Business Activities |
|---|---|--|------------------------------|
| Assets: | | | |
| <i>Current Assets:</i> | | | |
| Cash and Cash Equivalents | \$ 3,827,218 | \$ 311,145 | \$ 4,138,363 |
| Receivables (net) | | | |
| Accounts | 610,278 | 86,970 | 697,248 |
| Due from Other Governmental Units | 0 | 20,207 | 20,207 |
| Total Current Assets | <u>4,437,496</u> | <u>418,322</u> | <u>4,855,818</u> |
| <i>Long-term Assets:</i> | | | |
| Deferred Charges | 7,074 | 0 | 7,074 |
| Investment in Joint Venture | 7,224,147 | 0 | 7,224,147 |
| Property, Plant and Equipment (Net) | 28,160,143 | 5,333,987 | 33,494,130 |
| Total Long-term Assets | <u>35,391,364</u> | <u>5,333,987</u> | <u>40,725,351</u> |
| Total Assets | 39,828,860 | 5,752,309 | 45,581,169 |
| Liabilities and Net Assets | | | |
| <i>Current Liabilities:</i> | | | |
| Accounts Payable | 132,509 | 32,981 | 165,490 |
| Accrued Interest Payable | 1,318 | 0 | 1,318 |
| Bonds, Notes, Loans Payable | 46,258 | 0 | 46,258 |
| Total Current Liabilities | <u>180,085</u> | <u>32,981</u> | <u>213,066</u> |
| <i>Long-term Liabilities:</i> | | | |
| Bonds, Notes and Loan Payable (Net) | 613,895 | 0 | 613,895 |
| Deferred Credits | 65,909 | 0 | 65,909 |
| Due to Other Governments | 0 | 0 | 0 |
| Accrued Employee Benefits | 46,251 | 13,070 | 59,321 |
| Total Long-term Liabilities | <u>726,055</u> | <u>13,070</u> | <u>739,125</u> |
| Total Liabilities | <u>906,140</u> | <u>46,051</u> | <u>952,191</u> |
| <i>Net Assets:</i> | | | |
| Invested in Capital Assets, Net of Related Debt | 27,499,990 | 5,333,987 | 32,833,977 |
| Unrestricted | 11,422,730 | 372,271 | 11,795,001 |
| Total Net Assets | <u>38,922,720</u> | <u>5,706,258</u> | <u>44,628,978</u> |
| Total Liabilities and Net Assets | \$ 39,828,860 | \$ 5,752,309 | \$ 45,581,169 |

The notes to the financial statements are an integral part of this statement

CITY OF PORT ORCHARD
Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund Net Assets
For the Fiscal Year Ended December 31, 2010

| | Major Enterprise Fund Water-Sewer | Major Enterprise Fund Storm Drainage | Total Business Activities |
|---|---|--|------------------------------|
| Operating Revenues | | | |
| Charge for Services | \$ 3,565,053 | \$ 653,638 | \$ 4,218,691 |
| Miscellaneous | 59,619 | 0 | 59,619 |
| Total Operating Revenues | <u>3,624,672</u> | <u>653,638</u> | <u>4,278,310</u> |
| Operating Expenses | | | |
| Operations | | | |
| General Operations | 2,199,316 | 203,780 | 2,403,096 |
| Power, Water, Gas Purchased for Resale | 987 | 0 | 987 |
| Customer Service and Marketing | 164,514 | 74,159 | 238,673 |
| General Administration | 449,003 | 184,931 | 633,934 |
| Taxes | 263,342 | 43,266 | 306,608 |
| Depreciation, Amortization, Depletion | 673,329 | 20,616 | 693,945 |
| Total Operating Expenses | <u>3,750,491</u> | <u>526,752</u> | <u>4,277,243</u> |
| Operating Income (loss) | (125,819) | 126,886 | 1,067 |
| Nonoperating Revenues (Expenses) | | | |
| Interest Earnings | 25,445 | 617 | 26,062 |
| State and Federal Grants | 0 | 41,200 | 41,200 |
| Interest and Fiscal Charges | (17,523) | 0 | (17,523) |
| Gain (Loss) on Disposal of Assets | (5,825) | 0 | (5,825) |
| Concurrency Fees | 8,682 | 4,800 | 13,482 |
| Net Income (Loss) of Joint Ventures | 513,327 | 0 | 513,327 |
| Miscellaneous Revenue (Expense) | 0 | 0 | 0 |
| Total Nonoperating Revenues (Expenses) | <u>524,106</u> | <u>46,617</u> | <u>570,723</u> |
| Income (Loss) before Contributions and Transfers | 398,287 | 173,503 | 571,790 |
| Capital Contributions | 661,331 | 0 | 661,331 |
| Special Item- | | 0 | 0 |
| Increase (Decrease) in Net Assets | <u>1,059,618</u> | <u>173,503</u> | <u>1,233,121</u> |
| Total Net Assets at Beginning of Year | 37,945,581 | 1,501,148 | 39,446,729 |
| Prior Period Adjustment | (82,479) | 4,031,607 | 3,949,128 |
| Total Net Assets at End of Year | <u>\$ 38,922,720</u> | <u>\$ 5,706,258</u> | <u>\$ 44,628,978</u> |

The notes to the financial statements are an integral part of this statement

CITY OF PORT ORCHARD
 Proprietary Funds
 Statement of Cash Flows
 For the Fiscal Year Ended December 31, 2010

| | Major Enterprise Fund Water-Sewer | Major Enterprise Fund Storm Drainage | Total Business Activities |
|--|---|--|------------------------------|
| Cash Flows from Operating Activities: | | | |
| Cash Received from Customers | \$ 3,555,479 | \$ 634,710 | \$ 4,190,189 |
| Cash Payments to Suppliers | (1,983,678) | (82,909) | (2,066,587) |
| Cash Payments to Employees | (1,004,879) | (349,971) | (1,354,850) |
| Cash Payments to other Governments (Taxes) | (263,342) | (43,266) | (306,608) |
| Net Cash Provided by Operating Activities | <u>303,580</u> | <u>158,564</u> | <u>462,144</u> |
| Cash Flows from Noncapital Financing Activities: | | | |
| Principal Paid on Inter Fund Loan | 0 | 0 | 0 |
| Interest Paid on Inter Fund Loan | 0 | 0 | 0 |
| Receipt of Grant Funds | 0 | 29,204 | 29,204 |
| Receipt of Interfund Loan | 0 | 0 | 0 |
| Receipt of Insurance Proceeds | 0 | 0 | 0 |
| Net Cash Provided (Used) by Noncapital Financing Activities | <u>0</u> | <u>29,204</u> | <u>29,204</u> |
| Cash Flows from Capital and Related Financing Activities: | | | |
| Acquisition and Construction of Capital Assets | (657,125) | (22,095) | (679,220) |
| Principal Paid on GO Bond | (44,550) | 0 | (44,550) |
| Interest Paid on Revenue Bonds and Other Long-Term Debt | (17,156) | 0 | (17,156) |
| Receipt of Capital Contributions | 521,659 | 0 | 521,659 |
| Proceeds from Sale of Property | 1,085 | 0 | 1,085 |
| Net Cash Provided for Capital and Related Financing Activities | <u>(196,087)</u> | <u>(22,095)</u> | <u>(218,182)</u> |
| Cash Flows from Investing Activities: | | | |
| Interest on Investments | 25,445 | 618 | 26,063 |
| Net Cash Used by Investing Activities | <u>25,445</u> | <u>618</u> | <u>26,063</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | 132,938 | 166,291 | 299,229 |
| Cash and Cash Equivalents at Beginning of Year | 3,694,280 | 144,854 | 3,839,134 |
| Cash and Cash Equivalents at End of Year | <u>\$ 3,827,218</u> | <u>\$ 311,145</u> | <u>\$ 4,138,363</u> |
| Cash and Cash Equivalents | 3,827,218 | 311,145 | 4,138,363 |
| Restricted Cash and Cash Equivalents | 0 | 0 | 0 |
| Total Cash and Cash Equivalents | <u>\$ 3,827,218</u> | <u>\$ 311,145</u> | <u>\$ 4,138,363</u> |

The notes to the financial statements are an integral part of this statement

CITY OF PORT ORCHARD
 Proprietary Funds
 Statement of Cash Flows
 For the Fiscal Year Ended December 31, 2010

| | Major Enterprise Fund Water-Sewer | Major Enterprise Fund Storm Drainage | Total Business Activities |
|--|--|---|------------------------------|
| Reconciliation of Operating Income (Loss) to Net | | | |
| Cash Used by Operating Activities: | | | |
| Net Operating Income (Loss) | \$ (125,819) | \$ 126,886 | \$ 1,067 |
| Adjustments to Reconcile Net Operating Income (Loss) to Net | | | |
| Cash Provided by Operations: | | | |
| Depreciation Expense | 673,329 | 20,616 | 693,945 |
| Disposal of Construction in Progress | 0 | 0 | 0 |
| (Increase) Decrease in Receivables | (77,120) | (23,728) | (100,848) |
| Increase (Decrease) in Current Payables | (179,029) | 26,900 | (152,129) |
| Increase (Decrease) in Accrued Employee Benefits | 4,295 | 3,090 | 7,385 |
| Increase (Decrease) in Deferred Lease | (758) | 0 | (758) |
| Receipt of Non-Operating Revenues | 8,682 | 4,800 | 13,482 |
| Total Adjustments | 429,399 | 31,678 | 461,077 |
| Net Cash Provided by Operating Activities | \$ 303,580 | \$ 158,564 | \$ 462,144 |
| Noncash Investing, Financing and Capital Activities | | | |
| Capital Assets Donated | \$ 140,656 | | \$ 140,656 |
| Disposal of Capital Assets | (89,391) | | (89,391) |
| Total Noncash Investing, Financing and Capital Activities | \$ 51,265 | \$ - | \$ 51,265 |

The notes to the financial statements are an integral part of this statement

CITY OF PORT ORCHARD
 Fiduciary Funds
 Statement of Fiduciary Net Assets
 December 31, 2010

| | <u>Total Fiduciary Funds</u> |
|---------------------------|--------------------------------------|
| Assets: | |
| <i>Current Assets:</i> | |
| Cash and Cash Equivalents | \$ <u>1,549,218</u> |
| Total Assets | <u>1,549,218</u> |
| Liabilities | |
| Custodial Accounts | <u>1,549,218</u> |
| Total Liabilities | <u>1,549,218</u> |

The notes to the financial statements are an integral part of this statement

CITY OF PORT ORCHARD
Notes To Financial Statements
December 31, 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Port Orchard have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The Governmental Accounting and Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described below.

A. REPORTING ENTITY

The City of Port Orchard, Washington was incorporated on September 1, 1890 and operates under the laws of the State of Washington applicable to non-charter code cities (second-class city) with a Mayor/Council form of government. As required by the Generally Accepted Accounting Principles the financial statements represent the City of Port Orchard. The City has no component units.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. 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 or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements or a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

Basis of accounting refers to the point at which revenues and expenditures/expenses are recognized in the accounts and reported in the financial statements. Basis relates to the timing of the measurements made, regardless of the measurement focus applied.

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

CITY OF PORT ORCHARD
Notes To Financial Statements
December 31, 2010

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 report 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 government considers revenues to be available if they are collected within 30 days of the end of the current fiscal period. Property tax is considered to be available if it is collected within 60 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, franchise taxes, licenses and interest associated with the current fiscal 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 assessments 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 (current expense) is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The street fund accounts for a percentage of the revenue from State motor vehicle fuel taxes and expenditures for street construction, maintenance and repair. This fund accounts for transportation activities that the City Council wants to review separately from other activities.

The arterial street fund is used for the receipt and expenditure of a percentage of the State levied motor vehicle fuel taxes distributed to the City. The City utilizes these revenues as matching funds for grants specified for arterial street purposes. Projects that use this tax are reflected on the six-year transportation improvement program as passed annually by Council.

The government reports the following major proprietary funds:

The water-sewer fund accounts for the activity of the City's utilities. Its revenues are received from the sales of water and sewer services. Expenses are for the maintenance and extensions of water and sewer service facilities, operating a water supply system, maintaining a sewer treatment plant and lift stations.

To comply with the Federal Clean Water Act, Washington State Dept of Ecology mandated the City of Port Orchard to have a program for monitoring and maintaining storm and surface water drainage. On October 14, 2008 the City Council established a Storm Drainage Utility which began operation in 2009. Revenues are based on fees received from

CITY OF PORT ORCHARD
Notes To Financial Statements
December 31, 2010

properties within City limits that have impervious surfaces. Expenses are for operation, maintenance and improvement of the City's storm and surface water drainage system.

Additionally, the government reports the following fund types:

Debt service funds account for the accumulation of resources for the payment of general long-term debt principal and interest.

Special revenue funds account for revenues from specific taxes, grants, or other sources, which are designated to finance particular activities of the City.

Capital project funds account for the acquisition or construction of general government capital improvements.

Agency funds represent assets held in a trustee or agency capacity for others and do not report results of operation.

The City has two agency funds. The Wastewater Treatment Facility Fund receives money from the Joint Venture to repay both the Public Works Trust Fund loans. Also deposited into this fund are the Wastewater Treatment Facility Fees component of the Sewer Capital Facility Charge and interest earnings on such funds. These dollars are held in trust to mitigate the debt and future construction costs for the Wastewater Treatment Facility. The Trust and Agency Fund collects fees which the Treasurer, acting as an intermediary depository, shall distribute to the proper agencies on a regular and timely basis. Examples of these fees include but are not limited to State court fines, County crime victim fines, State building code fees, State concealed pistol licenses and background checks.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance. As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water, sewer and storm functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating 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. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services,

CITY OF PORT ORCHARD
Notes To Financial Statements
December 31, 2010

administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use unrestricted resources first, and then restricted resources as they are needed.

D. BUDGETARY INFORMATION

1. Scope of Budget

Annual appropriated budgets are adopted for the general fund, special revenue funds, debt service funds not related to special assessments and capital project funds, on the modified accrual basis of accounting. Budgets for debt service and capital project funds are adopted at the level of the individual debt issue or project and for fiscal periods that correspond to the lives of debt issues or projects. There is no difference between the budgetary basis and generally accepted accounting principles.

Proprietary funds are budgeted on the full accrual basis for management control purposes only.

Appropriations for general and special revenue funds lapse at year-end.

2. Adopting the Budget

The City's budget procedures are mandated by RCW 35.33. The steps in the budget process are as follows:

- a. No later than the first Monday in October, the Mayor submits to the City Council. This budget is based on priorities established by the Council and estimates provided by City Departments during the preceding months, and balanced with revenue estimates made by the City Treasurer.
- b. The Council conducts public hearings on the proposed budget in October and December.
- c. The Council makes its adjustments to the proposed budget and adopts by ordinance a final balanced budget no later than December 31.

3. Amending the Budget

The City Treasurer is authorized to transfer budgeted amounts between departments within any fund; however any revisions that alter the total expenditures of a fund or that affect the number of authorized employee positions, salary ranges or other conditions of employment must be approved by the City Council.

When the Council determines that it is in the best interest of the City to increase or decrease the appropriations for a particular fund, it may do so by ordinance approved by one more than the majority after two readings.

Budget amounts shown in the basic financial statements are the final authorized amounts as revised during the year.

CITY OF PORT ORCHARD
Notes To Financial Statements
December 31, 2010

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 reserves, transfers, allocations, supplemental appropriations, and other legally authorized changes applicable for the fiscal year.

E. ASSETS, LIABILITIES AND NET ASSETS OR EQUITIES

1. Cash & Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Cash resources of individual funds are invested into government investment pools with interest directly accruing for the benefit of the investing funds. This policy covers all funds operated by the City. Cash resources required for immediate reasons (within the next month) are invested to the extent possible in short-term investments with interest accruing to the benefit of each individual fund based on the monthly average cash balance of each fund.

Statutes authorize the City to invest in obligations of the U.S. Treasury, U.S. Agencies and instrumentalities, banker's acceptances, repurchase agreements, and the state treasurer's and county's investment pool. The City is also authorized to enter into reverse repurchase agreements, but did not participate in these investments during 2010.

Investments for the City are reported at fair value. The State Treasurer's Investment Pool and Kitsap County Investment Pool operate in accordance with appropriate state laws and regulations. The reported values of the pools are the same as the fair value of the pool shares.

For purposes of the statement of cash flows, the City considers the State and County government investment pools and all highly liquid investments with maturity of three months or less to be cash equivalents.

2. Receivables

Property tax receivables are shown net of an allowance for uncollectibles.

The Kitsap County Treasurer acts as an agent to collect property taxes levied in the County for all taxing authorities. Taxes are levied annually before December 15, and become a lien as of January 1, on property value listed as of the prior May 31. Assessed values are established by the County assessor at 100 percent of fair market value. A physical inspection of all property is required at least every six years with annual review and update based on sales analysis.

Taxes are due in two equal installments on April 30 and October 31. The County treasurer remits collections monthly to the appropriate district. Taxes receivable consists of property taxes and related interest and penalties. (See Note 5)

CITY OF PORT ORCHARD
Notes To Financial Statements
December 31, 2010

Special assessments are recorded when levied. Special assessments receivable consists of current and delinquent assessments and related interest and penalties. There were no outstanding special assessments receivables at December 31, 2010. Deferred assessments consist of unbilled special assessments that are liens against the property benefited.

Customer accounts receivable consists of amounts owed from private individuals or organizations for goods and services including amounts owed for which billings have not been prepared. Notes and contracts receivable consists of amounts owed on open accounts from private individuals or organizations for goods and services rendered.

3. Amounts Due to and from Other Funds and Governments, Interfund Loans and Advances Receivable

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

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.

4. Inventories

Inventories in governmental funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual items are purchased. Inventories in the proprietary funds are not significant and not recorded.

5. Restricted Assets and Liabilities

These accounts contain resources for programs, construction, and impact fees.

CITY OF PORT ORCHARD
Notes To Financial Statements
December 31, 2010

Restricted Assets are composed of the following:

| | |
|---|---------------------|
| Governmental Type | |
| McCormick Woods Park | \$ 604,614 |
| Street vacation abutting water | 7,500 |
| Arterial Street transportation grant funding | 388,965 |
| Special Investigative Unit Funds | 54,936 |
| Community Events | 45,521 |
| Transportation Impact Fees | 332,886 |
| Cumulative Reserve for Municipal Facilities | 1,964,124 |
| | <hr/> 3,398,546 |
| | |
| Deferred Revenues for Special Investigative Unit Fund | 27,347 |
| Transportation Improvement Fund Receivable | 1,856 |
| | <hr/> 29,203 |
| | |
| Due from other governments | 137,333 |
| | <hr/> |
| | |
| Total governmental | \$ 3,565,082 |

6. Deferred Charges

Expenditures which are not chargeable to the fiscal period in which made but are carried on the asset side of the balance sheet pending amortization or other disposition.

7. Capital Assets

Capital assets, which include property, intangible assets, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$4,000 (amount not rounded) 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.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

CITY OF PORT ORCHARD
Notes To Financial Statements
December 31, 2010

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

| <u>Asset Category</u> | <u>Useful Life</u> |
|------------------------------|--------------------|
| Buildings | 50 |
| Infrastructure | 10-40 |
| Intangible Assets | 6 |
| Utility Improvements | 10-100 |
| Mowers/Public Work Equipment | 6-12 |
| Vehicles | 5 |

The City has acquired certain assets with funding provided by federal financial assistance programs. Depending on the terms of the agreements involved, the federal government could retain an equity interest in these assets. However, the City has sufficient legal interest to accomplish the purposes for which the assets were acquired, and has included such assets within the applicable column in the statement of net assets.

8. Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation and comp-time. In governmental funds, compensated absences that are expected to be liquidated with expendable available financial resources are reported as an expenditure. In proprietary (and similar trust) funds, compensated absences are recorded as an expense and liability of the fund that will pay for them.

For all employees except LEOFF II employees, vacation pay, which may be accumulated up to 30 days at December 31, is payable upon resignation, retirement or death (upon termination, pay is limited to 240 hours). There is no cap on the amount of payment for accrued vacation for LEOFF II employees (excluding management) upon termination. LEOFF II employees (excluding management) earn 120 hours holiday leave annually and may carry over 96 hours at December 31. There is no cap on the holiday leave payable upon resignation, retirement or death. Sick leave may be accumulated up to 960 hours and is not payable upon resignation, retirement or death for all employees except LEOFF II (excluding management). LEOFF II employees (excluding management) can accumulate more than 960 hours during the year, but may only carry over 960 hours from one year to the next. LEOFF II employees (excluding management) hired as a fully commissioned officer in 1985 or before and are continuously employed by the City, may elect to cash out up to 400 hours of accrued but unused sick leave, upon permanent separation from the City due to the employee's death, disability or voluntary termination.

9. Other Accrued Liabilities

This account consists of accrued wages and accrued employee benefits.

CITY OF PORT ORCHARD
Notes To Financial Statements
December 31, 2010

10. Deferred Revenues

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but have not yet been earned.

| | <u>Unavailable</u> | <u>Unearned</u> |
|---|--------------------|------------------|
| Delinquent property taxes receivable (general fund) | \$ 111,779 | \$ - |
| Delinquent property taxes receivable (street fund) | 28,843 | - |
| Court receivables - not yet collected (general fund) | 392,138 | - |
| Court receivables - not yet collected (nonmajor governmental funds) | 27,347 | - |
| Kitsap Transit Prepaid Lease - not yet earned | - | 28,416 |
| Total deferred/unearned revenue for governmental funds | \$ 560,107 | \$ 28,416 |

11. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premium and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

12. Fund Reserves and Designations

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance are as follows:

CITY OF PORT ORCHARD
Notes To Financial Statements
December 31, 2010

| General Fund | |
|---|---------------------|
| Cash in offices | \$ 2,450 |
| Park Acquisition | 83,965 |
| Recreation | 204,627 |
| City Hall Repairs | 43,615 |
| Property tax Obligation | 345,861 |
| Sales Tax Obligation | 160,000 |
| Housing Authority Obligation | 50,000 |
| | 890,518 |
| Cumulative Reserve for Equipment Replacement | 597,502 |
| Total Designation of Fund Balances | \$ 1,488,020 |

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUNDS BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS

The governmental funds balance sheet includes a reconciliation between fund balance—total governmental funds and net assets—governmental activities as reported in the government-wide statement of net assets.

One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this difference are as follows:

| | |
|---|---------------------|
| Bonds Payable | \$ 1,259,250 |
| Plus: Deferred charge on refunding (to be amortized as interest expense) | 10,870 |
| Less: Deferred charge for issuance costs (to be amortized over life of debt) | (19,239) |
| Plus: Issuance premium (to be amortized as interest expense) | 4,441 |
| Accrued interest payable | 3,564 |
| Other post employment benefits | 206,558 |
| Compensated absences | 337,129 |
| Net adjustment to reduce fund balance-total governmental funds to arrive at net assets-governmental activities | \$ 1,802,573 |

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B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

The governmental funds statement of revenues, expenditures and changes in fund balances includes a reconciliation between net changes in fund balances—total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains, “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. The details of this difference are as follows:

| | |
|--|---------------------------------|
| Current Year Capital outlay | \$ 1,096,606 |
| Current Year Depreciation expense | (862,576) |
| Net adjustment to decrease net changes in fund balances- total governmental funds to arrive at changes in net assets of governmental activities | <u><u>\$ 234,030</u></u> |

Another element of that reconciliation is the net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) to increase net assets. The details of this are as follows:

| | |
|--------------------------------|--------------------------------|
| Donated Capital Assets | \$ 10,083 |
| Sale of Capital Assets | 11,817 |
| Gain on Sale of Capital Assets | (11,817) |
| Increase in Net Assets | <u><u>\$ 10,083</u></u> |

Another element of that reconciliation states that “revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.” The details of this \$64,034 differences are as follows:

| | |
|--|--------------------------------|
| Municipal Court & Non-major fund revenues | \$ 26,043 |
| Tax revenues - unavailable | 37,991 |
| Net adjustment to increase net changes in fund balances- total governmental funds to arrive at changes in net assets of governmental activities | <u><u>\$ 64,034</u></u> |

Another element of that reconciliation states “some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this (\$130,862) differences are as follows:

CITY OF PORT ORCHARD
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| | |
|--|-----------------------------------|
| Accrued interest | \$ 302 |
| Employee benefits accrual | (78,912) |
| Amortization of issuance costs | (2,264) |
| Amortization of deferred amount on refunding | 1,266 |
| Amortization of bond premiums | 522 |
| OPEB | (51,776) |
| Net adjustment to decrease net changes in fund balances- total governmental funds to arrive at changes in net assets of governmental activities | <u><u>\$ (130,862)</u></u> |

NOTE 3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

There have been no material violations of finance-related legal or contractual provisions.

NOTE 4. DEPOSITS AND INVESTMENTS

DEPOSITS

The City has no policy related to custodial credit risk; however, all deposits are insured or collateralized with securities held by the entity or by the agent in the City's name.

The Washington State Treasurer's Office Local Government Investment Pool is classified as a 2(a) 7 investment pool, and therefore the City states the fair value of its investment in the pool based upon the share price of the pool. The taxes and fees collected by the Kitsap County Treasurer, on behalf of the City, are deposited directly into the Kitsap County Investment Pool and credited to the City. The City considers the amount invested in the government investment pools to be liquid investments, and as such cash equivalents.

The book value of deposits does not materially differ from the bank balance of deposits. As of December 31, 2010, the carrying amount of City cash and cash equivalents is as follows:

| | |
|---|------------------------------------|
| | <u>12/31/2010</u> |
| Cash on hand | \$ 3,750 |
| Cash deposits in bank accounts | 178,452 |
| Washington State Local Government Investment Pool | 3,999,455 |
| Kitsap County Investment Pool | 7,618,736 |
| Total cash and cash equivalents | <u><u>\$ 11,800,393</u></u> |

The City's deposits and certificates of deposit 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).

CITY OF PORT ORCHARD
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INVESTMENTS

As required by state law, all investments of the City's funds are obligations of the U.S. Government, U.S. agency issues, obligations of the State of Washington, general obligations of Washington State municipalities, or certificates of deposit with Washington State banks and savings and loan institutions. All temporary investments are stated at fair value. The only investments made by the City are with the Washington State Treasurer's Office Local Government Investment Pool (LGIP), and the Kitsap County Investment Pool, which are classified as cash equivalents. These are unrated external investment pools.

Further, the City is not subject to foreign currency risk or interest rate risk.

NOTE 5. 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 after the end of each month.

Property Tax Calendar

| | |
|-------------|--|
| January 1 | Taxes are levied and become an enforceable lien against properties. Assessed value of property established for next year's levy at 100 percent of market value. |
| February 14 | Tax bills are mailed. |
| April 30 | First of two equal installment payments is due. |
| July 31 | New construction valued as of July 31 st of the assessment year. |
| October 31 | Second Installment is due. |

A City is permitted by law to levy up to \$3.60 per \$1,000 of assessed valuation for general governmental services. The City is annexed to South Kitsap Fire and Rescue. South Kitsap Fire may levy up to \$1.50 and the difference of South Kitsap Fire's levy and \$3.60 is the City's capacity. Washington State Constitution and Washington State Law, RCW 84.55.010 limit the rate.

The City's regular levy for 2010 was \$2.142357 per \$1,000 on an assessed valuation of \$1,165,037,143 for a total regular levy of \$2,495,925.

Special levies approved by the voters are not subject to the limitations listed above. In 2010, there were no outstanding voter approved bonds, therefore there was no additional levy.

NOTE 6. CAPITAL ASSETS**A. CAPITAL ASSETS**

A summary of capital asset activity for the year ended December 31, 2010 was as follows:

CITY OF PORT ORCHARD
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| | Beginning Bal. | | | Ending Bal. |
|--|-----------------------|-------------------|------------------|----------------------|
| | 01/01/10 | Increases | Decreases | 12/31/10 |
| Governmental activities: | | | | |
| Capital assets, not being depreciated | | | | |
| Land and other improvements* | \$ 1,491,321 | \$ 10,083 | \$ - | \$ 1,501,404 |
| Intangible Assets* | 562,056 | 470,012 | - | 1,032,068 |
| Construction in progress | 1,128,031 | 581,208 | - | 1,709,239 |
| Total capital assets, not being depreciated | 3,181,408 | 1,061,303 | - | 4,242,711 |
| Capital assets, being depreciated/depleted: | | | | |
| Buildings | 6,725,990 | - | - | 6,725,990 |
| Equipment | 2,299,095 | 44,205 | 126,851 | 2,216,449 |
| Infrastructure* | 25,348,216 | 1,181 | 3,450 | 25,345,947 |
| Total capital assets being depreciated | 34,373,301 | 45,386 | 130,301 | 34,288,386 |
| Less accumulated depreciation for: | | | | |
| Buildings | 1,498,500 | 149,467 | - | 1,647,967 |
| Equipment | 1,655,785 | 208,284 | 126,851 | 1,737,218 |
| Infrastructure | 13,040,925 | 504,825 | 3,450 | 13,542,300 |
| Improvements other than buildings | - | - | - | - |
| Total accumulated depreciation | 16,195,210 | 862,576 | 130,301 | 16,927,485 |
| Total capital assets, being depreciated, net | 18,178,091 | (817,190) | - | 17,360,901 |
| Governmental activities capital assets, net | \$ 21,359,499 | \$ 244,113 | \$ - | \$ 21,603,612 |

*Note: The beginning balances of Land, Intangible Assets & Infrastructure are restated. The City had several annexations which included infrastructure.

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

| | |
|---|-------------------|
| Governmental activities: | |
| General government | \$ 143,865 |
| Security of persons and property | 145,483 |
| Transportation | 536,618 |
| Physical environment | - |
| Culture and recreation | 36,610 |
| Total depreciation expense—governmental activities | \$ 862,576 |

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Notes To Financial Statements
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| | Beginning Bal. 01/01/10 | Increases | Decreases | Ending Bal. 12/31/10 |
|---|----------------------------|-------------------|------------------|-------------------------|
| Business-type Activities:* | | | | |
| Capital assets, not being depreciated | | | | |
| Land and other improvements* | \$ 638,867 | \$ - | \$ 11,516 | \$ 627,351 |
| Intangible Assets* | \$ 88,915 | \$ 42,223 | \$ - | \$ 131,138 |
| Construction in progress | 403,437 | 549,792 | 90,751 | 862,478 |
| Total capital assets, not being depreciated | 1,131,219 | 592,015 | 102,267 | 1,620,967 |
| Capital assets, being depreciated/depleted: | | | | |
| Buildings | 3,564,330 | 546 | - | 3,564,876 |
| Equipment* | 4,110,835 | 122,005 | 50,547 | 4,182,293 |
| Infrastructure* | 32,410,321 | 186,634 | 53,176 | 32,543,779 |
| Total capital assets being depreciated | 40,085,486 | 309,185 | 103,723 | 40,290,948 |
| Less accumulated depreciation for: | | | | |
| Buildings | 703,799 | 74,171 | - | 777,970 |
| Equipment | 2,350,791 | 213,398 | 50,547 | 2,513,642 |
| Infrastructure | 4,787,002 | 406,384 | 67,213 | 5,126,173 |
| Improvements other than buildings | - | - | - | - |
| Total accumulated depreciation | 7,841,592 | 693,953 | 117,760 | 8,417,785 |
| Total capital assets, being depreciated, net | 32,243,894 | (384,768) | (14,037) | 31,873,163 |
| Business-type activities capital assets, net | \$ 33,375,113 | \$ 207,247 | \$ 88,230 | \$ 33,494,130 |

*Note: In Land & Intangible Assets beginning balances are restated to reflect easement assets recorded under Land prior to GASB 51. Equipment is restated due to a correction. Infrastructure is restated due to several annexations which included infrastructure.

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

| | |
|--|-------------------|
| Business-type activities: | |
| Water-Sewer | \$ 673,330 |
| Storm Drainage | 20,623 |
| Total depreciation expense-business-type activities | \$ 693,953 |

CITY OF PORT ORCHARD
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B. CONSTRUCTION COMMITMENTS

At year-end the government's commitments with contractors were as follows:

2010 Governmental Construction in Progress Activity:

| Project | Spent to Date | Remaining Commitment |
|--|---------------------|-------------------------|
| Bay Street Pedestrian Path-Enhancement | \$ 217,095 | \$ 72,980 |
| Bay Street Pedestrian Path-Seawall | 298,839 | 11,740 |
| Cedar Heights Sidewalk | 51,143 | - |
| Parking Garage | 42,832 | - |
| Tremont Street Widening | 1,099,330 | 219,638 |
| Total | \$ 1,709,239 | \$ 304,358 |

2010 Business-type Construction in Progress Activity:

| Project | Spent to Date | Remaining Commitment |
|-----------------------------------|-------------------|-------------------------|
| SCADA | \$ 23,123 | \$ - |
| Tremont Sanitary Sewer Design | 161,608 | - |
| Tremont Widening Water Mains | 21,174 | 8,276 |
| Tremont Widening Sewer Mains | 21,174 | 8,276 |
| Water Rights | 72,736 | - |
| Well 10 2 nd Wa Rights | 9,503 | 497 |
| Well #10 | 136,321 | - |
| Well #11 | 416,839 | - |
| Total | \$ 862,478 | \$ 17,049 |

NOTE 7. PENSION PLANS

Substantially all City of Port Orchard 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 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 98504-8380; or it may be downloaded from the DRS website at www.drs.wa.gov. The following disclosures are made pursuant to GASB Statement 27,

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Accounting for Pensions by State and Local Government Employers and No. 50, Pension Disclosures, an Amendment of GASB Statements No. 25 and No. 27.

PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS) PLANS 1, 2 AND 3

Plan Description:

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

Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals and Superior courts (other than judges in a judicial retirement system); employees of legislative committees; community and technical colleges, college and university employees not participating in national higher education retirement programs; judges of district and municipal courts; and employees of local governments.

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

PERS Plan 1 and Plan 2 defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions. PERS retirement benefit provisions are established in Chapters 41.34 and 41.40 RCW and may be amended only by the State Legislature.

Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement after 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service. The monthly benefit is two percent of the average final compensation (AFC) per year of service. (AFC is the monthly average of the 24 consecutive highest-paid service credit months.) The retirement benefit may not exceed 60 percent of the AFC. The monthly benefit is subject to a minimum for PERS Plan 1 retirees who have 25 years of service and have been retired 20 years, or who have 20 years of service and have been retired 25 years. Plan 1 members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits. If a survivor option is chosen, the benefit is further reduced. A cost-of-living allowance (COLA) is granted at age 66 based upon years of service times the COLA amount, which is increased by three percent annually. Plan 1 members may also elect to receive an optional COLA amount that provides an automatic annual adjustment based on the Consumer Price index. The adjustment is capped at three percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

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PERS Plan 1 provides duty and non-duty disability benefits. Duty disability retirement benefits for disablement prior to age of 60 consist of a temporary life annuity payable to the age of 60. The allowance amount is \$350 a month, or two-thirds of the monthly AFC, whichever is less. The benefit is reduced by any workers' compensation benefit and is payable as long as the member remains disabled or until the member attains the age of 60. A member with five years of covered employment is eligible for non-duty disability retirement. Prior to the age of 55, the allowance amount is 2 percent of the AFC for each year of service reduced by 2 percent for each year that the member's age is less than 55. The total benefit is limited to 60 percent of the AFC and is actuarially reduced to reflect the choice of a survivor option. A cost-of-living allowance is granted at age 66 based upon years of service times the COLA amount (based on the Consumer Price Index), capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

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

Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is 2 percent of the AFC per year of service. (AFC is the monthly average of the 60 consecutive highest-paid services months.)

PERS Plan 2 members who have at least 20 years of service credit and are 55 years of age or older are eligible for early retirement with a reduced benefit. The benefit is reduced by an early retirement factor (ERF) that varies according to age, for each year before age 65.

PERS Plan 2 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

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

PERS Plan 2 retirement benefits are also actuarially reduced to reflect the choice, if made, of a survivor option. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

The surviving spouse or eligible child or children of a PERS Plan 2 member who dies after leaving eligible employment having earned ten years of service credit may request a refund of the member's accumulated contributions. Effective July 22, 2007, said refund (adjusted as needed for specified legal reductions) is increased from 100 percent to 200 percent of the accumulated contributions if the member's death occurs in the uniformed service to the United States while participating in Operation Enduring Freedom or Persian Gulf, Operation Iraqi Freedom.

PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. The defined benefit portion provides a monthly benefit that is 1 percent of the AFC per year of service. (AFC is the monthly average of the 60 consecutive highest-paid service months.)

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

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

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

PERS Plan 3 defined benefit retirement benefits are also actuarially reduced to reflect the choice, if made, of a survivor option. There is no cap on years of service credit and Plan 3 provides the same cost-of-living allowance as Plan 2.

PERS Plan 3 defined contribution retirement benefits are solely dependent upon the result of investment activities.

The defined contribution portion can be distributed in accordance with an option selected by the member, either as a lump sum or pursuant to other options authorized the Director of the Department of Retirement Systems.

PERS Plan 2 and Plan 3 provide disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 monthly benefit amount is 2 percent of the AFC per year of service. For Plan 3, the monthly benefit amount is 1 percent of the AFC per year of service.

These disability benefit amounts are actuarially reduced for each year that the member's age is less than 65, and to reflect the choice of a survivor option. There is no cap on years of service credit, and a cost-of-living allowance is granted (based on the Consumer Price Index) capped at 3 percent annually.

PERS Plan 2 and Plan 3 members may have up to ten years of interruptive military service credit; five years at no cost and five years that may be purchased by paying the required contributions. Effective July 24, 2005, a member who becomes totally incapacitated for continued employment while serving the uniformed services, or a surviving spouse or eligible children, may apply for interruptive military service credit. Additionally, PERS Plan 2 and Plan 3 members can also purchase up to 24 months of service credit lost because of an on-the-job injury.

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

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

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

Judicial Benefit Multiplier

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

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

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

There are 1,189 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2009:

| | |
|---|-----------------------|
| Retirees and Beneficiaries Receiving Benefits | 74,857 |
| Terminated Plan Members Entitled to But Not | 28,074 |
| Active Plan Members Vested | 105,339 |
| Active Plan Members Nonvested | 53,896 |
| Total | <u>262,166</u> |

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Funding Policy:

Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates, Plan 2 employer and employee contribution rates, and Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at 6 percent for local government unit employees. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. All employers are required to contribute at the level established by the Legislature. Under PERS Plan 3, employer contributions finance the defined benefit portion of the plan, and member contributions finance the defined contribution portion. The Director of the Department of Retirement System sets Plan 3 employee contribution rates. Six rate options are available ranging from 5 to 15 percent; two of the options are graduated rates dependent on the employee's age. As a result of the implementation of the Judicial Benefit Multiplier Program in January 2007, a second tier of employer and employee rates was developed to fund, along with investment earnings, the increased retirement benefits of those justices and judges that participate in the program. The methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.40 and 41.45 RCW.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2010, were as follows:

Members not participating in JBM:

| | <u>PERS Plan 1</u> | <u>PERS Plan 2</u> | <u>PERS Plan 3</u> |
|-----------|---------------------------|---------------------------|---------------------------|
| Employer* | 5.31%** | 5.31%** | 5.31%*** |
| Employee | 6%**** | 3.9%**** | ***** |

- *The employer rates include the employer administrative expense fee currently set at 0.16%.
- **The employer rate for state elected officials is 7.89% for Plan 1 and 5.31% for Plan 2 and Plan 3.
- ***Plan 3 defined benefit portion only.
- ****The employee rate for state elected officials is 7.50% for Plan 1 and 3.90% for Plan 2.
- *****Variable from 5.0% minimum to 15.0% maximum based on rate selected by the PERS 3 member.

Members participating in JBM:

| | <u>PERS Plan 1</u> | <u>PERS Plan 2</u> | <u>PERS Plan 3</u> |
|-----------|---------------------------|---------------------------|---------------------------|
| Employer* | 5.31% | 5.31% | 5.31%** |
| Employee | 12.26% | 9.75% | 7.50%*** |

- *The employer rates include the employer administrative expense fee currently set at 0.16%.
- **Plan 3 defined benefit portion only.
- ***Minimum rate.

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Both City and the employees made the required contributions. For the year ending December 31, the City's required contributions were as follows:

| | <u>PERS Plan 1</u> | <u>PERS Plan 2</u> | <u>PERS Plan 3</u> |
|------|--------------------|--------------------|--------------------|
| 2010 | \$ 9,877 | \$ 139,819 | \$ 5,292 |
| 2009 | \$ 17,148 | \$ 179,299 | \$ 5,562 |
| 2008 | \$ 20,083 | \$ 162,146 | \$ 6,894 |

LAW ENFORCEMENT OFFICERS' AND FIREFIGHTERS' (LEOFF) PLANS 1 AND 2

Plan Description:

LEOFF is a cost-sharing multiple-employer retirement system comprised of two separate defined benefit plans. LEOFF participants who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 are Plan 2 members. Membership in the system includes all full-time, fully compensated, local law enforcement officers and firefighters. LEOFF membership is comprised primarily of non-state employees.

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

LEOFF defined benefit retirement benefits are financed from a combination of investment earnings, employer and employee contributions, and a special funding situation in which the state pays through state legislative appropriations. LEOFF retirement benefit provisions are established in Chapter 41.26 RCW and may be amended only by the State Legislature.

LEOFF Plan 1 members are vested after an employee completes five years of eligible service. Plan 1 members are eligible for retirement with five years of service at the age of 50.

The benefit per year of service calculated as a percent of final average salary (FAS) is as follows:

| <u>Term of Service</u> | <u>Percent of Final Average</u> |
|---------------------------|---------------------------------|
| 20 or more years | 2.00% |
| 10 but less than 20 years | 1.50% |
| 5 but less than 10 years | 1.00% |

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

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A one-time duty-related death benefit is provided to the estate (or duly designated nominee) of a LEOFF Plan 1 member who dies as a result of injuries or illness sustained in the course of employment, if found eligible by the Department of Labor and Industries.

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

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

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

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

Effective June 2010, benefits to LEOFF Plan 2 members who are catastrophically disabled include payment of eligible health care insurance programs.

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

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

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

LEOFF Plan 2 members can purchase service credit for military service that interrupts employment. Additionally, LEOFF Plan 2 members who become totally incapacitated for continued employment while servicing in the uniformed services may apply for interruptive military service credit. Should any such member die during the active duty, the member's surviving spouse or eligible child(ren) may purchase service credit on behalf of the deceased member.

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

Beneficiaries of a LEOFF Plan 2 member who is killed in the course of employment receive retirement benefits without actuarial reduction, if found eligible by the Director of the Department of Labor and Industries.

Benefits to eligible surviving spouses and dependent children of LEOFF Plan 2 members killed in the course of employment include the payment of on-going health care insurance premiums paid to the Washington State Health Care Authority,

A one-time duty-related death benefit is provided to the estate (or duly designated nominee) of a LEOFF Plan 2 member who dies as a result of injuries or illness sustained in the course of employment, if found eligible by the Department of Labor and Industries.

There are 372 participating employers in LEOFF. Membership in LEOFF consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2009:

| | |
|--|---------------|
| Retirees and Beneficiaries Receiving Benefits | 9,454 |
| Terminated Plan Members Entitled to But Not Yet Receiving Benefits | 674 |
| Active Plan Members Vested | 13,363 |
| Active Plan Members Nonvested | 3,944 |
| Total | 27,435 |

Funding Policy

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

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required to contribute at the level required by state law. The Legislature, by means of a special funding arrangement, appropriated money from the state General Fund to supplement the current service liability and fund the prior service costs of LEOFF Plan 2 in accordance with the requirements of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. However, this special funding situation is not mandated by the state constitution and this funding requirement could be returned to the employers by a change of statute.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2010, were as follows:

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

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

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

Both City and the employees made the required contributions.

The City's required contributions for the years ending December 31 were as follows:

| | <u>LEOFF Plan 1</u> | <u>LEOFF Plan 2</u> |
|------|---------------------|---------------------|
| 2010 | \$ - | \$ 81,610 |
| 2009 | \$ - | \$ 73,492 |
| 2008 | \$ - | \$ 71,241 |

OTHER RETIREMENT SYSTEMS – VOLUNTEER FIRE FIGHTERS’ RELIEF AND PENSION FUND

The Volunteer Fire Fighters’ Relief and Pension Fund System is a cost-sharing multiple-employer retirement system, which was created by the Legislature in 1945 under Chapter 41.24 RCW. It provides pension, disability and survivor benefits. Membership in the system requires service with a fire department of an electing municipality of Washington State except those covered by LEOFF. The system is funded through member contributions of \$30 per year; employer contributions of \$105 per year; 40 percent of the Fire Insurance Premium Tax; and earnings from the investment of moneys by the Washington State Investment Board. However, members may elect to withdraw their contributions upon termination.

As of January 1, 2002, the City annexed to South Kitsap Fire and Rescue. South Kitsap Fire now reports former City of Port Orchard volunteers. The City does have police reserve officers covered under this system.

NOTE 8. RISK MANAGEMENT

The City of Port Orchard is a member of the Association of Washington Cities Risk Management Service Agency (AWC RMSA). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring

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or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC RMSA was formed on January 1, 1989 when 32 municipalities in the State of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 31, 2010, 85 municipalities/entities participate in the RMSA pool.

The AWC RMSA allows members to establish a program of joint insurance and provides risk management services to all members. All coverages are on an occurrence basis. The AWC RMSA provides all risk property, comprehensive crime, general liability, automobile liability, police liability, public officials liability, employee fidelity and faithful performance, and boiler and machinery insurance coverage. Boiler and machinery is included with the property reinsurance carrier and employee fidelity coverage is a stand-alone policy that the AWC RMSA arranges for its members. The AWC RMSA also allows members to group purchase airport liability coverages.

Members pay an annual assessment to the AWC RMSA. The AWC RMSA is responsible for payment of all covered causes of loss against the jurisdiction above the stated retention. AWC RMSA, itself, pays out of its own funds all claims up to \$250,000 for liability and \$50,000 for property and thereafter purchases excess liability insurance through ACE Insurance Company, up to \$1 million, and CV Starr, from \$1 million to \$10 million. The excess property coverage is purchased through Allianz, with limits up to \$250 million, using the Pool's broker, Arthur J. Gallagher Risk Management Services. AWC RMSA is a cooperative program; the members of the AWC RMSA are jointly liable.

Members contract to remain in the RMSA Pool a minimum of three years and must give one-year notice before terminating participation. Even after termination, a member is still responsible for contributions to the Pool for any unresolved, unreported and in-process claims for the period they were a signatory to the Interlocal Governmental Agreement.

The Interlocal Governmental Agreement was revised in 2009 and approved by membership in 2010. In accordance with WAC 82.60.02023, the Pool elected its first Board of Directors, comprised of elected officials that are members of AWC RMSA, elected at large.

The AWC RMSA establishes a loss fund for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses.

The specific financials of the AWC RMSA can be seen in their Annual Report on file with the City of Port Orchard.

NOTE 9. LONG-TERM DEBT

A. LONG-TERM DEBT

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. The City has \$1,725,000 in general obligation bonds outstanding on December 31, 2010.

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General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds generally are issued as 20-year serial bonds with equal amounts of principal maturing each year. General obligation bonds are either created by 3/5 majority vote of the people and, therefore, financed by a special tax levy; or created by ordinance, adopted by the City Council, and normally financed from general revenues (councilmanic bonds). General obligation bonds currently outstanding are as follows:

| Name of Issuance | Purpose | Original Amount | Maturity Date | Interest Rate | Debt Outstanding |
|---------------------------------------|---------------------|----------------------------|--------------------------|--------------------------|-----------------------------|
| | Bus. Type & | | | | |
| 2003 LTGO Bond | Gov't'l. Activities | \$ 3,000,000 | 12/1/2019 | 2%-3.8% | \$ 1,725,000 |
| Total General Obligation Bonds | | | | | <u>\$ 1,725,000</u> |

The City provides for cash to fund current debt service requirements as a part of the budgeting process. Annual debt service requirements to maturity for general obligation bonds are as follows:

| | Governmental Activities | | | Business-Type Activities | | |
|-----------|--------------------------------|--------------------------|-------------------------------|---------------------------------|-------------------------|-------------------------------|
| | Principal | Interest | Total Requirements | Principal | Interest | Total Requirements |
| 2011 | 124,100 | 42,772 | 166,872 | 45,900 | 15,820 | 61,720 |
| 2012 | 127,750 | 39,049 | 166,799 | 47,250 | 14,443 | 61,693 |
| 2013 | 131,400 | 35,217 | 166,617 | 48,600 | 13,025 | 61,625 |
| 2014 | 135,050 | 31,111 | 166,161 | 49,950 | 11,506 | 61,456 |
| 2015 | 138,700 | 26,721 | 165,421 | 51,300 | 9,884 | 61,184 |
| 2016-2019 | 602,250 | 56,632 | 658,882 | 222,750 | 20,945 | 243,695 |
| | <u>\$ 1,259,250</u> | <u>\$ 231,502</u> | <u>\$ 1,490,752</u> | <u>\$ 465,750</u> | <u>\$ 85,623</u> | <u>\$ 551,373</u> |

B. GOVERNMENT NOTE

Government note in business activity outstanding at year-end is as follows:

| Name | Original Amount | Purpose | Issuance Date | Maturity Date | Interest Rate | Debt Outstanding |
|----------------------|----------------------------|----------------|--------------------------|--------------------------|--------------------------|-----------------------------|
| Bus.-Type Activities | | | | | | |
| McCormick Note | \$ 441,250 | Capital | 11/23/1998 | N/A | 0.00% | \$ 191,350 |
| Bus.-Type Total | | | | | | 191,350 |
| Total Note | | | | | | <u>\$ 191,350</u> |

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The promissory note that was entered into for the purchase of the McCormick Water Company is being repaid with new McCormick water connection fees as the revenue source. There is \$700 paid on each of the first 550 connections and \$225 paid on the 551st connection through the 800th connection. Payments are made no less frequent than quarterly. This type of note does not have a repayment schedule.

C. REFUNDED DEBT

In prior years, the City has defeased various bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase US Government securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been removed as a liability from the governmental activities column of the statement of net assets. At December 31, 2010, \$47,000 of bonds outstanding are considered defeased.

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NOTE 10. CHANGES IN LONG-TERM LIABILITIES

The following is a summary of long-term debt changes of the City for the year ended December 31, 2010:

| | Beginning | | | Ending | Due Within |
|---|---------------------|-------------------|-------------------|---------------------|-------------------|
| | Balance | Additions | Reductions | Balance | One Year |
| Governmental activities | | | | | |
| Bonds payable: | | | | | |
| General obligation bonds | \$ 1,379,700 | \$ - | \$ 120,450 | \$ 1,259,250 | \$ 124,100 |
| Less deferred amounts | | | | | |
| For issuance premiums (discounts) | 4,963 | - | 522 | 4,441 | 522 |
| On refunding | 12,136 | - | 1,266 | 10,870 | 1,266 |
| Total bonds payable | 1,396,799 | - | 122,238 | 1,274,561 | 125,888 |
| Capital leases | - | - | - | - | - |
| Claims and judgements | - | - | - | - | - |
| Net pension obligation | 154,782 | 126,518 | 74,742 | 206,558 | - |
| Compensated absences | 258,217 | 78,912 | - | 337,129 | - |
| Governmental activity long-term liabilities | \$ 1,809,798 | \$ 205,430 | \$ 196,980 | \$ 1,818,248 | \$ 125,888 |
| Business-type activities | | | | | |
| Bonds payable | | | | | |
| General obligation bonds | \$ 510,300 | \$ - | \$ 44,550 | \$ 465,750 | \$ 45,900 |
| Revenue bonds | - | - | - | - | - |
| Less deferred amounts | | | | | |
| For issuance premiums (discounts) | 1,824 | - | 192 | 1,632 | 192 |
| On refunding | 1,584 | - | 166 | 1,418 | 166 |
| Total bonds payable | 513,708 | - | 44,908 | 468,800 | 46,258 |
| Private note | 191,350 | - | - | 191,350 | - |
| Compensated absences | 51,935 | 7,386 | - | 59,321 | - |
| Capital leases | - | - | - | - | - |
| Business-type activity long-term liabilities | \$ 756,993 | \$ 7,386 | \$ 44,908 | \$ 719,471 | \$ 46,258 |

NOTE 11. LEASESOperating Leases

The City is obligated under certain leases accounted for as operating leases. These represent lease of copiers, a postage machine, lease for a police substation effective June 1, 2010 and an aquatic lands lease which was in negotiations and payments for June 2007 – June 2010 were paid in 2010. The aquatic lands lease amendment provides that the current lease terminates June, 2012 and the City needed to notify Department of Natural Resources of future lease intentions prior to June 3, 2011. The intent has been sent and the City is waiting for a reply. Operating leases do not give rise to property rights or lease obligations, and therefore the results of the lease

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agreements are not reflected in the City's statement of net assets. Increases in rent, if any, are contingent upon the consumer price index at defined intervals.

The following is a schedule by years of future minimum rental payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year as of December 31, 2010:

| <u>Year Ending December 31</u> | <u>Total</u> |
|--|-----------------------------------|
| 2011 | \$ 43,570.60 |
| 2012 | 13,558.44 |
| 2013 | 8,308.44 |
| 2014 | 730.00 |
| Total minimum payments required | <u><u>\$ 66,167.48</u></u> |

Total rent expense for the year ended December 31, 2010 was \$107,446.57.

NOTE 12. CONTINGENCIES AND LITIGATION

The City of Port Orchard has situations which are not yet resolved, but based on available information, in the opinion of management, the City of Port Orchard's insurance policies and/or reserves are adequate to pay all known or pending claims.

NOTE 13. RESTRICTED NET ASSETS

The government-wide statement of net assets reports \$3,520,921 of restricted net assets, all of which is restricted by enabling legislation.

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NOTE 14. INTERFUND BALANCES AND TRANSFERS**A. INTERFUND BALANCES**

There were no inter-fund loans in 2010.

B. INTERFUND TRANSFERS

Interfund transfers are the flow of assets without a reciprocal return of assets, goods or services. These are transfers to support other funds without a requirement for repayment. Non-routine transfers included Current Expense receiving \$1,725 from a street fund vacation to be put in a designated unreserved fund balance for parks and \$1,181 from Cumulative Reserve for Municipal Facilities for the Blackjack Creek Trail. The interfund transfer activity for 2010 is as follows:

Transfers In:

| | General Fund | City Street | Nonmajor Gov't Funds | Total |
|-----------------------------|-------------------------|--------------------|---------------------------------|-------------------|
| General Fund | \$ - | \$ 1,725 | \$ 1,181 | \$ 2,906 |
| Street Fund | - | - | - | - |
| Nonmajor Governmental Funds | - | - | 242,836 | 242,836 |
| Total | \$ - | \$ 1,725 | \$ 244,017 | \$ 245,742 |

Transfers Out:

| | General Fund | City Street | Nonmajor Gov't Funds | Total |
|-----------------------------|-------------------------|--------------------|---------------------------------|-------------------|
| General Fund | \$ - | \$ - | \$ 76,000 | \$ 76,000 |
| Street Fund | 1,725 | - | - | 1,725 |
| Nonmajor Governmental Funds | 1,181 | - | 166,836 | 168,017 |
| Total | \$ 2,906 | \$ - | \$ 242,836 | \$ 245,742 |

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NOTE 15. RECEIVABLES AND PAYABLES BALANCES**A. RECEIVABLES**

| | Due from | | | Total |
|--|-------------------|-------------------|-------------------|-------------------|
| | Other Gvts | Taxes | Other | |
| Governmental Activities: | | | | |
| General Fund taxes | | \$ 111,779 | | \$ 111,779 |
| General Fund miscellaneous receivables | | | \$ 40,865 | 40,865 |
| General Fund Municipal Court Receivables | | | 392,137 | 392,137 |
| General Fund due from other governments | \$ 37,217 | | | 37,217 |
| Street Fund taxes | | 28,843 | | 28,843 |
| Street miscellaneous receivables | | | 2,141 | 2,141 |
| Special Investigative Unit Court Receivables | | | 27,347 | 27,347 |
| Transportation Imp. Receivables | | | 1,856 | 1,856 |
| Arterial Street due from other governments | 137,333 | | | 137,333 |
| Total Governmental Activities | \$ 174,550 | \$ 140,622 | \$ 464,346 | \$ 779,518 |
| Business Type Activities: | | | | |
| Water Sewer accounts receivable | | | \$ 490,746 | \$ 490,746 |
| Water-Sewer miscellaneous receivables | | | 2,130 | 2,130 |
| Water-Sewer soil clean-up receivable | | | 117,401 | 117,401 |
| Storm Drainage accounts receivable | | | 86,715 | 86,715 |
| Storm Drainage miscellaneous receivables | | | 255 | 255 |
| Storm Drainage due from other governments | \$ 20,207 | | | 20,207 |
| Total Business Type Activities | \$ 20,207 | | \$ 697,247 | \$ 717,454 |

B. PAYABLES

| | Vendors | Total |
|---------------------------------------|-------------------|-----------------------------|
| Governmental Activities: | | |
| General Fund Payables | \$ 97,114 | \$ 97,114 |
| Street Fund Payables | 14,298 | 14,298 |
| Arterial Street Fund Payables | 28,128 | 28,128 |
| Non-Major Fund Payables | 16,032 | 16,032 |
| Total Governmental Activities | \$ 155,572 | \$ - \$ - \$ 155,572 |
| Business Type Activities: | | |
| Water Sewer Fund Payables | \$ 132,509 | \$ 132,509 |
| Storm Drainage Fund Payables | 32,981 | 32,981 |
| Total Business Type Activities | \$ 165,490 | \$ - \$ - \$ 165,490 |

CITY OF PORT ORCHARD
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NOTE 16. INSURANCE RECOVERIES

The City of Port Orchard received insurance reimbursements for damaged vehicles and fence repair. This was reported as insurance recoveries at the fund level and shown net of the expense in the Statement of Activities.

NOTE 17. JOINT VENTURES

In 1983, the City of Port Orchard and West Sound Utility District (previously the Karcher Creek Sewer District) amended an intergovernmental agreement relating to the construction and management of the secondary Wastewater Treatment Facility. This Joint Venture establishes the Sewer Advisory Committee (SAC) consisting of three representatives from each entity who prepare and monitor the Facility's budget, after the City and District each adopt it. The District and the City share 50/50% ownership in the Facility's total assets. In accordance with the generally accepted accounting principles, the proportional shares of the Joint Venture's results of operations are presented as a single operating account on the City's proprietary fund's operating statement – Investment in Joint Venture. In 2010, the change in the City's equity in the Joint Venture was an increase of \$513,327. The City of Port Orchard's equity interest in the secondary Wastewater Treatment Facility as of December 31, 2010 was \$7,224,147.

The Utility District is responsible for the daily operation of the facility. The participants pay their share of the expenses based on their portion of flow into the facility. The City and the District pays the Joint Venture, an amount determined during the budget process, monthly to cover maintenance, operation, capital improvements and debt. The current cost sharing is 47% City and 53% District.

Although both of the Public Works Trust Fund Loans for the Facility's expansion were issued in the City of Port Orchard's name, these loans are secured by the assets of the Facility and the revenues of the Facility are used to make the debt service payments. Annually, the Facility makes a payment to the City to cover the debt service on these loans. The SAC recommended and the City Council and the District Commissioners approved using a portion of Wastewater Treatment Facility Fees collected by each jurisdiction to help make the annual debt payments. This cost sharing formula is 50/50% and in 2010 each entity paid \$150,000.

| Name of Issuance | Purpose | Total Amount of Loan | First Draw Date | Maturity Date | Interest Rate | Debt Outstanding |
|-------------------------|---------|-------------------------|--------------------|------------------|------------------|------------------------------------|
| Public Works Trust Fund | | | | | | |
| Loan 1 | Capital | \$ 10,000,000 | 2/29/2004 | 7/1/2022 | 0.50% | \$ 6,631,140 |
| Loan 2 | Capital | 6,800,000 | 6/30/2005 | 7/1/2024 | 0.50% | 5,040,000 |
| Joint Venture Total | | | | | | <u>\$ 11,671,140</u> |
| Total Loans | | | | | | <u><u>\$ 11,671,140</u></u> |

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West Sound Utility District maintains separate accounting records and prepares separate financial statements of the operations of the Joint Wastewater Treatment Facility. Complete financial statements for the Facility can be obtained from West Sound Utility District at 2924 SE Lund Ave, Port Orchard, WA 98366.

NOTE 18. OTHER POST EMPLOYMENT BENEFITS (OPEB) PLANS

A. PLAN DESCRIPTION – DEFINED BENEFIT – SINGLE EMPLOYER PLAN (LEOFF 1 OPEB)

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. 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. As of December 31, 2010 the City has five members in this group.

This OPEB plan does not issue a stand-alone financial report nor is it included in the report of another entity.

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.

The City was required to contribute \$126,518, but only contributed \$74,742 at December 31, 2010. This \$74,742 contributed differs from the Annual Required Contribution (ARC) because the plan is financed on a pay-as-you-go basis. The difference between the OPEB Costs and the required contribution is called the Net OPEB Obligation (NOO). This amount of \$206,558 is the actuarial accrued liability recognized on the government wide statement of net assets.

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation is as follows:

| Fiscal Year Ended | Annual OPEB Costs | Percentage of Annual OPEB Costs Contributed | Net OPEB Obligation |
|--------------------------|--------------------------|--|----------------------------|
| 2010 | \$ 126,518 | 59% | \$ 206,558 |
| 2009 | \$ 136,198 | 50% | \$ 154,782 |
| 2008 | \$ 150,222 | 43% | \$ 86,305 |

| Fiscal Year Ended | Actuarial Value of Assets | Actuarial Accrued Liability Projected Unit Credit | Unfunded Actuarial Accrued Liabilities (UAAL) | Funded Ratio | Covered Payroll | UAAL as a Percentage of Covered Payroll |
|--------------------------|----------------------------------|--|--|---------------------|------------------------|--|
| 12/31/2010 | 0 | 1,438,725 | 1,438,725 | 0% | 0 | N/A |
| 12/31/2009 | 0 | 1,507,296 | 1,507,296 | 0% | 0 | N/A |
| 12/31/2008 | 0 | 1,613,318 | 1,613,318 | 0% | 0 | N/A |

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Annual OPEB Cost and Net OPEB Obligation

The City used the alternative measurement method permitted under GASB Statement No. 45. A single retirement age of 56.24 was assumed for all active members for the purpose of determining the actuarial accrued liability and normal cost. Retirement, disablement, termination and mortality rates were assumed to follow the LEOFF 1 termination rates used in the June 30, 2007 actuarial valuation report issued by the Office of the State Actuary (OSA). Healthcare costs and trends were determined by Milliman and used by OSA in the state-wide LEOFF1 medical study performed in 2007. The results were based on grouped data with four active groupings and four inactive groupings. The actuarial cost method and net OPEB obligation are amortized on an open basis as a level dollar over 15 years. These assumptions are individually and collectively reasonable for the purposes of this valuation.

The Annual Required Contribution (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 twenty five years using closed group contribution rates, including an annual budget of \$26,000,000 and annual budget growth of 5.0%, with a +or- 4% medical inflation sensitivity performed as of December 31, 2010. 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 net OPEB Obligation. The net OPEB obligation of \$206,558 is included as a non-current liability in the statement of net assets.

Determination of Annual Required Contribution as of December 31:

| | 2010 |
|--|---------------|
| Determination of Annual Required Contribution | |
| Normal Cost at beginning of year | \$ - |
| Amortization of UAAL* | 133,965 |
| Annual Required Contribution (ARC) at year-end | \$ 133,965 |
| Determination of Net OPEB Obligation | |
| Actuarial Required Contribution (ARC 12/31/09) | \$ 133,965 |
| Interest on Net OPEB Obligation (NOO) | 6,965 |
| Adjustment to NOO | (14,412) |
| Annual OPEB Cost | \$ 126,518 |
| Employer Contributions | \$ 74,742 |
| Increase (Decrease) in NOO | 51,776 |
| Net OPEB Obligation January 1, 2009 | 154,782 |
| Net OPEB Obligation December 31, 2009 | \$ 206,558 |

The City's percentage of annual OPEB cost contributed to the plan for 2010 is 59%.

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B. PLAN DESCRIPTION - AWC (OTHER THAN LEOFF1)

The City is a Participating Employer in the Association of Washington Cities Employee Benefit Trust (“Trust”), a cost-sharing multiple-employer welfare benefit plan administered by the Association of Washington Cities. Under GASB 45 and GASB 43, a cost-sharing multiple-employer plan is a plan administered by a trust or equivalent arrangement in which (i) employer contributions to the trust are irrevocable; (ii) plan assets are dedicated to providing OPEB to retirees and their beneficiaries in accordance with the terms of the plan; and (iii) plan assets are legally protected from creditors of the employers or plan administrator. In a cost sharing plan, retirees of the various employers are all placed together in a common pool for rate-setting purposes, so that the rate for each employer reflects the experience of the pool of retirees of all employers rather than the experience of that particular employer’s retirees. There is no sub-accounting of activity and assets for each employer. Here, there is just one actuarial analysis (under GASB 43) that is done on the plan-wide, rather than on a city-by-city basis.

Currently, retiring employees from a Trust member have several retiree medical plans to choose from. The AWC Trust works directly with the retired employee, and no monies pass through the former employer. Additionally, the AWC Trust pools the health care costs of the retiree medical programs, and rates the programs accordingly. Currently the AWC Trust Board of Trustees have committed to a retiree medical plan subsidy of 25% which is drawn from the accumulated medical reserve fund. The medical reserves have accumulated over the years from excess premium contributions of employers, active employees and retirees in favorable claims years. The Trust Board of Trustees can change their retiree medical plan subsidy policy in any given year. The AWC Trust’s retiree medical plans are available to former employees of Trust member jurisdictions only. Additionally, the retiring employee must meet the retirement criteria established by the Board of Trustees, including age and years of service requirement of their pension program. The AWC Employee Benefit Trust can be reached at 1- 800-562-8981.

Funding Policy

The Trust provides that contribution requirements of Participating Employers and of participating employees, retirees and other beneficiaries, if any, are established and may be amended by the Board of Trustees of the Trust. The chart below shows the monthly costs for 2008, 2009 & 2010.

| Retirees receiving medical benefits from the trust | 2010 | | 2009 | 2008 |
|---|-----------------------------------|-------------|-------------|-------------|
| | Healthfirst - Selections - | | | |
| | 1000 | 1000 | | |
| Monthly Contributions: | | | | |
| Non-Medicare enrolled retiree-only coverage | \$ 668.43 | \$ 625.93 | \$ 668.43 | \$ 644.35 |
| Non-Medicare enrolled retiree and spouse coverage | 1,339.17 | 1,254.16 | 1,339.17 | 1,288.70 |
| Medicare enrolled retiree & Non Medicare enrolled Spouse coverage | 1,035.56 | 962.24 | 1,035.56 | 987.25 |
| Medicare enrolled retiree and spouse coverage | 731.95 | 670.32 | 731.95 | 685.80 |

CITY OF PORT ORCHARD
Notes To Financial Statements
December 31, 2010

Participating employers are contractually required to contribute at a rate assessed each year by the Trust, currently 14 percent of annual gross payroll. The City's contributions to the Trust for the year ended December 31, 2010, was \$662,193 which equaled the required contributions of that year.

A complete report of Postemployment Benefits Other Than Pension for the Association of Washington Cities is available at the City of Port Orchard.

| Fiscal Year | Annual Gross | Contribution | City's |
|--------------------|---------------------|---------------------|---------------------|
| Ended | Payroll | Rate (%) | Contribution |
| 2010 | \$ 4,582,075 | 14% | \$ 662,193 |
| 2009 | \$ 4,445,286 | 13% | \$ 559,203 |
| 2008 | \$ 4,193,618 | 12% | \$ 493,324 |

NOTE 19. TERMINATION BENEFITS

The funding policy for any termination benefits is based upon pay-as-you-go. These termination benefits are handled on a case by case basis.

NOTE 20. OTHER DISCLOSURES

A. PRIOR PERIOD ADJUSTMENTS

A prior period adjustment is recognized on the Statement of Activities for Governmental and Business type activities. These balances were restated largely due to capital asset infrastructure received from annexations. Also included in the restated amounts is a correction to an asset.

In 2010, the City completed two annexations. The annexations increased the size of the City by 105 acres (0.167 square miles) and resulted in additional assessed valuation of \$12,341,390. The City population increased by 40 citizens, as a result of these annexations. The largest annexation was South Sedgwick Annexation with an assessed valuation of \$6,845,780 which became effective on September 23, 2010. The City gained Real Personal and Property Tax due to the annexation per RCW 35.13.270.

B. SPECIAL ITEMS

GASB 51 Implemented

GASB 51 Accounting and Financial Reporting for Intangible Assets is implemented. The City received intangible assets from annexation in the form of rights of way.

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

| Fiscal Year Ended | Actuarial Value of Assets | Actuarial Accrued Liability Projected Unit Credit | Unfunded Actuarial Accrued Liabilities (UAAL) | Funded Ratio | Covered Payroll | UAAL as a Percentage of Covered Payroll |
|----------------------|------------------------------|---|---|-----------------|--------------------|---|
| 12/31/2008 | 0 | \$ 1,613,318 | \$ 1,613,318 | 0% | 0 | N/A |
| 12/31/2009 | 0 | \$ 1,507,296 | \$ 1,507,296 | 0% | 0 | N/A |
| 12/31/2010 | 0 | \$ 1,438,725 | \$ 1,438,725 | 0% | 0 | N/A |

CITY OF PORT ORCHARD
Detail of Revenues and Other Resources
For Year Ending December 31, 2010

| Fund Number | Fund Name | Account Code | Account Title | Actual Amount |
|--------------------|------------------|---------------------|---|----------------------|
| 001 | Current Expense | 2870100 | Beginning Designated Unreserved Fund Balance | \$ 82,241 |
| 001 | Current Expense | 2870200 | Beginning Designated Unreserved Fund Balance | 43,615 |
| 001 | Current Expense | 2870500 | Beginning Designated Unreserved Fund Balance | 108,668 |
| 001 | Current Expense | 2927100 | Beginning Fund Balance - Reserved | 1,500 |
| 001 | Current Expense | 3111000 | Real and Personal Property | 1,827,665 |
| 001 | Current Expense | 3131000 | Local Retail Sales & Use Tax | 2,774,188 |
| 001 | Current Expense | 3137100 | Local Retail Sales & use Tax Criminal Justice Fund | 124,335 |
| 001 | Current Expense | 3145200 | Utility Tax - Water | 51,835 |
| 001 | Current Expense | 3145400 | Utility Tax - Sewer | 121,987 |
| 001 | Current Expense | 3145800 | Utility Tax - Storm Drainage | 32,243 |
| 001 | Current Expense | 3162000 | Admissions Tax | 62,120 |
| 001 | Current Expense | 3164100 | Utility Tax - Electric | 527,495 |
| 001 | Current Expense | 3164300 | Utility Tax - Gas | 62,076 |
| 001 | Current Expense | 3164500 | Utility Tax - Garbage | 72,753 |
| 001 | Current Expense | 3164600 | Utility Tax - Television Cable | 69,769 |
| 001 | Current Expense | 3164700 | Utility Tax - Telephone | 297,728 |
| 001 | Current Expense | 3172000 | Leasehold Excise Taxes | 28,863 |
| 001 | Current Expense | 3175100 | Gambling Excise Taxes - Punch Boards & Pull Tabs | 68,342 |
| 001 | Current Expense | 3175200 | Gambling Excise Taxes - Bingo & Raffles | 282 |
| 001 | Current Expense | 3175300 | Gambling Excise Taxes - Amusement Games | 426 |
| 001 | Current Expense | 3175400 | Gambling Excise Taxes - Card Games | 6,320 |
| 001 | Current Expense | 3198100 | Penalties & Interest on Other Taxes | 528 |
| 001 | Current Expense | 3213000 | Licenses & Permits - Police & Protective | 800 |
| 001 | Current Expense | 3216000 | Licenses & Permits - Professional & Occupational | 1,269 |
| 001 | Current Expense | 3217000 | Licenses & Permits - Amusements | 1,120 |
| 001 | Current Expense | 3218000 | Licenses & Permits - Penalties on Business Licenses | 140 |
| 001 | Current Expense | 3219000 | Licenses & Permits - Other Business & Permit | 62,243 |
| 001 | Current Expense | 3219002 | Licenses & Permits - Vendor Permits | 770 |
| 001 | Current Expense | 3221000 | Licenses & Permits - Buildings, Structures & Equipment | 321,381 |
| 001 | Current Expense | 3223000 | Animal Licenses | 225 |
| 001 | Current Expense | 3224000 | Street & Curb Permits | 1,147 |
| 001 | Current Expense | 3229000 | Licenses & Permits - Other Non-Business | 585 |
| 001 | Current Expense | 3311660 | Federal Direct Bullet Proof Vests | 801 |
| 001 | Current Expense | 3311673 | Fed Direct - USDOJ - Byrne Community Policing | 8,847 |
| 001 | Current Expense | 3331590 | Fed Direct-RCO/USNPS-BlkjCrk/Mosq Flt Tr | 1,039 |
| 001 | Current Expense | 3332060 | Police Equipment Federal Indi | 1,401 |
| 001 | Current Expense | 3339700 | Federal Indirect - Boating Safety Fin Assistance | 18,451 |
| 001 | Current Expense | 3340310 | DOE - Shoreline Master Update | 44,162 |
| 001 | Current Expense | 3360084 | State Entitlements - Vessel Registration Fees | 9,166 |
| 001 | Current Expense | 3360621 | MVET-Criminal Justice Funding-Violent Crimes/Population | 11,217 |
| 001 | Current Expense | 3360626 | Criminal Justice - Special Programs | 9,141 |
| 001 | Current Expense | 3360651 | DUI-Other Criminal Justice Assistance | 2,010 |
| 001 | Current Expense | 3360694 | Liquor Excise Tax | 53,735 |
| 001 | Current Expense | 3360695 | Liquor Control Board Profits | 86,744 |
| 001 | Current Expense | 3370100 | Interlocal Grants - Admin Courts | 5,654 |
| 001 | Current Expense | 3370101 | SK Fire & Rescue Marine Patrol | 1,000 |
| 001 | Current Expense | 3370200 | EMS | 835 |
| 001 | Current Expense | 3370600 | City of Port Orchard Foot Ferry | 1,023 |
| 001 | Current Expense | 3370800 | Hotel/Motel Donations | 9,750 |
| 001 | Current Expense | 3382100 | Intergovernmental Svc Law Enforcement | 2,781 |
| 001 | Current Expense | 3387300 | Intergovernmental Spectator & Community Events | 2,047 |
| 001 | Current Expense | 3391671 | ARRA Cops Hiring Grant | 74,752 |
| 001 | Current Expense | 3391680 | ARRA Byrne Recovery Grant | 8,431 |
| 001 | Current Expense | 3412200 | District/Municipal Court Civil Filings | 22 |

CITY OF PORT ORCHARD
Detail of Revenues and Other Resources
For Year Ending December 31, 2010

| Fund Number | Fund Name | Account Code | Account Title | Actual Amount |
|--------------------|------------------|---------------------|--|----------------------|
| 001 | Current Expense | 3413200 | Municipal Court Records Servc | 50 |
| 001 | Current Expense | 3413300 | Municipal Court - Administrative Fees | 9,546 |
| 001 | Current Expense | 3416200 | Municipal Court Word Proc., Printing & Duplicating Svs | 128 |
| 001 | Current Expense | 3416900 | Word Proc., Printing & Duplicating Services | 1,789 |
| 001 | Current Expense | 3417500 | Sales of Maps & Publications | 60 |
| 001 | Current Expense | 3419500 | Legal Services | 15,293 |
| 001 | Current Expense | 3421000 | Law Enforcement Services | 84,220 |
| 001 | Current Expense | 3423300 | Adult Probation Service Charges | 121,927 |
| 001 | Current Expense | 3423600 | Monitoring & Incarceration | 189 |
| 001 | Current Expense | 3424000 | Protective Inspection Fees | 50 |
| 001 | Current Expense | 3425000 | Emergency Service Fees | 3,420 |
| 001 | Current Expense | 3429000 | Other Services | 3,886 |
| 001 | Current Expense | 3458100 | Zoning & Subdivision Fees | 7,238 |
| 001 | Current Expense | 3458300 | Plan Checking Fees | 85,682 |
| 001 | Current Expense | 3458500 | Impact Fees | 643,742 |
| 001 | Current Expense | 3458900 | Other Planning & Development Fees & Charges | 5,900 |
| 001 | Current Expense | 3458901 | Other Planning Fees - Hearing Examiner | 14,297 |
| 001 | Current Expense | 3523000 | Proof of Motor Vehicle Insurance | 4,448 |
| 001 | Current Expense | 3524000 | Boating Infraction | 1,091 |
| 001 | Current Expense | 3531000 | Traffic Infraction Penalties | 153,223 |
| 001 | Current Expense | 3537000 | Non-Traffic Infraction Penalties | 2,026 |
| 001 | Current Expense | 3540000 | Civil Parking Infraction Penalties | 70,035 |
| 001 | Current Expense | 3552000 | Driving Under Influence (DUI) Fines | 6,388 |
| 001 | Current Expense | 3558000 | Other Criminal Traffic Misdemeanor Fines | 9,689 |
| 001 | Current Expense | 3565000 | Investigative Fund Assessments | 7,658 |
| 001 | Current Expense | 3569000 | Other Criminal Non-Traffic Fines | 3,486 |
| 001 | Current Expense | 3573300 | Public Defense Cost | 9,221 |
| 001 | Current Expense | 3599000 | Miscellaneous Fines & Penalties | 832 |
| 001 | Current Expense | 3611100 | Investment Interest | 13,408 |
| 001 | Current Expense | 3614000 | Interest on Contracts, Notes, Taxes, Loans & Acct. Rec. | 4,038 |
| 001 | Current Expense | 3614001 | Interest Collected Municipal Court | 8,792 |
| 001 | Current Expense | 3623000 | Parking | 46,547 |
| 001 | Current Expense | 3624000 | Space & Facilities Rentals (Short Term) | 249 |
| 001 | Current Expense | 3624100 | Space & Facilities Rentals (City Hall) | 688 |
| 001 | Current Expense | 3624200 | Police Firearms Range Rental | 350 |
| 001 | Current Expense | 3625000 | Space & Facilities Leases (Long Term) | 54,330 |
| 001 | Current Expense | 3625100 | A/C Non-refundable Cleaning Fee | 150 |
| 001 | Current Expense | 3626000 | Housing Rentals/Leases | 8,854 |
| 001 | Current Expense | 3671100 | Gifts, Pledges, Grants and Bequests From Private Sources | 12,295 |
| 001 | Current Expense | 3691000 | Sale of Junk & Salvage | 207 |
| 001 | Current Expense | 3693000 | Confiscated & Forfeited Property | 534 |
| 001 | Current Expense | 3694000 | Other Judgments & Settlements | (118) |
| 001 | Current Expense | 3699000 | Other Miscellaneous Revenue | 607 |
| 001 | Current Expense | 3951000 | Proceeds From Sales Fixed Asset | 315 |
| 001 | Current Expense | 3952000 | Compensation-Loss Capital Assets | 8,052 |
| 001 | Current Expense | 3970000 | Transfer In | 2,906 |
| 001 | Current Expense | 3980000 | Insurance Recoveries | 3,804 |
| 101 | Street | 2870000 | Beginning Designated Unreserved Fund Balance | 7,500 |
| 101 | Street | 2927400 | Beginning Fund Balance - Unreserved | 521,777 |
| 101 | Street | 3111000 | Real and Personal Property | 633,702 |
| 101 | Street | 3111001 | RCW 35.13.270 Real & Personal Property Tax | 9,944 |
| 101 | Street | 3224000 | Street & Curb Permits | 925 |
| 101 | Street | 3339703 | Homeland Sec Presid Disasters | 100 |
| 101 | Street | 3360087 | Motor Vehicle Fuel Tax | 159,730 |

CITY OF PORT ORCHARD
Detail of Revenues and Other Resources
For Year Ending December 31, 2010

| Fund Number | Fund Name | Account Code | Account Title | Actual Amount |
|--------------------|-----------------------------------|---------------------|--|----------------------|
| 101 | Street | 3437000 | Garbage/Solid Waste Fees and Service Charges | 1,312 |
| 101 | Street | 3441000 | Road/Street Maintenance Repair | 159 |
| 101 | Street | 3458900 | Other Planning & Development Fees & Charges | 4,318 |
| 101 | Street | 3494800 | Municipal Vehicles & Public Works Equipment | 11,025 |
| 101 | Street | 3599000 | Miscellaneous Fines & Penalties | 100 |
| 101 | Street | 3611100 | Investment Interest | 7,217 |
| 101 | Street | 3625000 | Space & Facilities Leases (Long Term) | 10,933 |
| 101 | Street | 3691000 | Sale of Scrap & Junk | 207 |
| 101 | Street | 3694000 | Other Judgments and Settlements | 234 |
| 101 | Street | 3699000 | Other Miscellaneous Revenue | 30 |
| 101 | Street | 3951000 | Proceeds from Sales of Fixed Assets | 3,450 |
| 101 | Street | 3980000 | Insurance Recoveries | 312 |
| 102 | Arterial Street | 2870100 | Beginning Designated Unreserved Fund Balance | 175,000 |
| 102 | Arterial Street | 2927400 | Beginning Fund Balance - Unreserved | 377,410 |
| 102 | Arterial Street | 3332020 | Federal Grant Indirect - DOT | 920,572 |
| 102 | Arterial Street | 3360087 | Motor Vehicle Fuel Tax - Arterial Streets | 75,167 |
| 102 | Arterial Street | 3417500 | Sale of Non-taxable Mdse | 100 |
| 102 | Arterial Street | 3611100 | Investment Interest | 1,141 |
| 104 | Special Investigative Unit | 2927100 | Beginning Fund Balance - Reserved | 1,000 |
| 104 | Special Investigative Unit | 2927400 | Beginning Fund Balance - Unreserved | 53,279 |
| 104 | Special Investigative Unit | 3565000 | Investigative Fund Assessments | 2,361 |
| 104 | Special Investigative Unit | 3611100 | Investment Interest | 441 |
| 104 | Special Investigative Unit | 3693000 | Confiscated & Forfeited Property | 2,768 |
| 105 | Contingency | 2927400 | Beginning Fund Balance - Unreserved | 101,954 |
| 105 | Contingency | 3611100 | Investment Interest | 299 |
| 107 | Community Events | 2927400 | Beginning Fund Balance - Unreserved | 18,985 |
| 107 | Community Events | 3133000 | Hotel/Motel Tax | 72,241 |
| 107 | Community Events | 3611100 | Investment Interest | 120 |
| 107 | Community Events | 369900 | Other Miscellaneous Revenue | 290 |
| 111 | Transportation Impact | 3458900 | Other Planning & Developer Fees & Charges | 3,299 |
| 111 | Transportation Impact | 3611100 | Investment Interest | 1,497 |
| 111 | Transportation Impact | 3671200 | Planning & Developer Contributors | 329,945 |
| 206 | 2003 Limited Tax GO Ref Bond | 3970000 | Transfers In | 228,543 |
| 302 | Cum Res for Municipal Facilites | 2927400 | Beginning Fund Balance - Unreserved | 1,804,247 |
| 302 | Cum Res for Municipal Facilites | 3173400 | REET 1 - First Quarter Percent | 153,539 |
| 302 | Cum Res for Municipal Facilites | 3173500 | REET 2 - Second Quarter Percent | 153,539 |
| 302 | Cum Res for Municipal Facilites | 3611100 | Investment Interest | 20,817 |
| 303 | Cum Res for Equipment Replacement | 2870100 | Designated Unreserved Fund Balance-Police | 132,469 |
| 303 | Cum Res for Equipment Replacement | 2870200 | Designated Unreserved Fund Balance-Street | 105,014 |
| 303 | Cum Res for Equipment Replacement | 2870300 | Designated Unreserved Fund Balance-Misc. | 288,226 |
| 303 | Cum Res for Equipment Replacement | 2870400 | Designated Unreserved Fund Balance-Computers | 18,646 |
| 303 | Cum Res for Equipment Replacement | 3611100 | Investment Interest | 2,374 |
| 303 | Cum Res for Equipment Replacement | 3970000 | Transfers-In | 76,000 |
| 401 | Water-Sewer Utilities Operating | 3081000 | Beginning Fund Balance - Reserved | 300 |
| 401 | Water-Sewer Utilities Operating | 3088000 | Beginning Fund Balance - Unreserved | 809,379 |
| 401 | Water-Sewer Utilities Operating | 3434010 | Water Sales | 1,089,590 |
| 401 | Water-Sewer Utilities Operating | 3435010 | Sewer Service Charges | 2,384,918 |
| 401 | Water-Sewer Utilities Operating | 3435020 | Sewer Charges - Leachate | 20,258 |
| 401 | Water-Sewer Utilities Operating | 3458900 | Other Planning & Developing Fees & Charges | 8,682 |
| 401 | Water-Sewer Utilities Operating | 3611100 | Investment Interest | 1,904 |
| 401 | Water-Sewer Utilities Operating | 3621000 | Equipment & Vehicle Rental (Short Term) | 272 |
| 401 | Water-Sewer Utilities Operating | 3625000 | Space & Facilities Leases (Long Term) | 42,177 |
| 401 | Water-Sewer Utilities Operating | 3655000 | Interfund Facilities Leases | 3,600 |
| 401 | Water-Sewer Utilities Operating | 3691000 | Sale of Junk & Salvage | 1,587 |

CITY OF PORT ORCHARD
Detail of Revenues and Other Resources
For Year Ending December 31, 2010

| Fund Number | Fund Name | Account Code | Account Title | Actual Amount |
|--------------------|-----------------------------------|---------------------|--|----------------------|
| 401 | Water-Sewer Utilities Operating | 3698100 | Cashiers Overages & Shortages | 7 |
| 401 | Water-Sewer Utilities Operating | 3730000 | Current Year Insurance Recovery | 3,479 |
| 401 | Water-Sewer Utilities Operating | 3791000 | Water Connection Charges | 4,285 |
| 401 | Water-Sewer Utilities Operating | 3792000 | Sewer Connection Charges | 13,600 |
| 401 | Water-Sewer Utilities Operating | 3951000 | Proceeds from Sales - Fixed Assets | 1,086 |
| 401 | Water-Sewer Utilities Operating | 3970000 | Transfers In | 744,242 |
| 402 | Water-Sewer Equipment Replacement | 3088000 | Unreserved Beginning Fund Balance | 276,152 |
| 402 | Water-Sewer Equipment Replacement | 3611100 | Investment Interest | 2,026 |
| 402 | Water-Sewer Equipment Replacement | 3970000 | Transfers In | 25,500 |
| 403 | Cum Res for Water-Sewer | 3088000 | Unreserved Beginning Fund Balance | 2,608,449 |
| 403 | Cum Res for Water-Sewer | 3611100 | Investment Interest | 21,515 |
| 403 | Cum Res for Water-Sewer | 3791000 | Water Connection Charges | 127,054 |
| 403 | Cum Res for Water-Sewer | 3792000 | Sewer Connection Charges | 376,720 |
| 421 | Storm Drainage Utility Operating | 3088000 | Beginning Fund Balance-Unreserved | 144,854 |
| 421 | Storm Drainage Utility Operating | 3221000 | Stormwater Permit | 1,800 |
| 421 | Storm Drainage Utility Operating | 3340310 | KC Health Dist IDDE Grant | 38,975 |
| 421 | Storm Drainage Utility Operating | 3340311 | DOE PO Phase II Stormwater LTCA | 2,225 |
| 421 | Storm Drainage Utility Operating | 3438310 | Storm Drainage | 630,164 |
| 421 | Storm Drainage Utility Operating | 3458900 | Other Planning & Developing Fees & Charges | 3,000 |
| 421 | Storm Drainage Utility Operating | 3611100 | Investment Interest | 618 |
| 421 | Storm Drainage Utility Operating | 3730000 | Current Year Insurance Recovery | 255 |

CITY OF PORT ORCHARD
Detail of Expenditures/Expenses and Other Uses
For Year Ending December 31, 2010

| Fund Number | Fund Name | Account Code | Account Title | Actual Amount |
|--------------------|------------------|---------------------|---|----------------------|
| 001 | Current Expense | 5113010 | Official Publication Services Salaries | \$ 45,812 |
| 001 | Current Expense | 5113020 | Official Publication Services Benefits | 13,004 |
| 001 | Current Expense | 5113040 | Official Publication Services Other Chgs. | 1,587 |
| 001 | Current Expense | 5116010 | Legislative Services Salaries | 64,784 |
| 001 | Current Expense | 5116020 | Legislative Services Benefits | 6,839 |
| 001 | Current Expense | 5116030 | Legislative Services Supplies | 1,120 |
| 001 | Current Expense | 5116040 | Legislative Services Other Chgs. | 17,896 |
| 001 | Current Expense | 5117050 | Election Costs IntrgvtSvs | 2,369 |
| 001 | Current Expense | 5118050 | Voter Registration Costs IntrgvtSvs | 11,277 |
| 001 | Current Expense | 5125010 | Municipal Court Salaries | 307,345 |
| 001 | Current Expense | 5125020 | Municipal Court Benefits | 103,287 |
| 001 | Current Expense | 5125030 | Municipal Court Supplies | 3,968 |
| 001 | Current Expense | 5125040 | Municipal Court Other Chgs. | 30,825 |
| 001 | Current Expense | 5128340 | Public Defender Other Chgs. | 88,676 |
| 001 | Current Expense | 5131010 | Executive Administration Salaries | 42,262 |
| 001 | Current Expense | 5131020 | Executive Administration Benefits | 17,935 |
| 001 | Current Expense | 5131030 | Executive Administration Supplies | 793 |
| 001 | Current Expense | 5131040 | Executive Administration Other Chgs. | 7,265 |
| 001 | Current Expense | 5142210 | Fiduciary Services Salaries | 20,743 |
| 001 | Current Expense | 5142220 | Fiduciary Services Benefits | 5,627 |
| 001 | Current Expense | 5142310 | Budgeting, Accounting, Auditing Salaries | 120,733 |
| 001 | Current Expense | 5142320 | Budgeting, Accounting, Auditing Benefits | 43,654 |
| 001 | Current Expense | 5142330 | Budgeting, Accounting, Auditing Supplies | 2,736 |
| 001 | Current Expense | 5142340 | Budgeting, Accounting, Auditing Other Chgs. | 30,558 |
| 001 | Current Expense | 5143010 | Records Services Salaries | 66,121 |
| 001 | Current Expense | 5143020 | Records Services Benefits | 17,412 |
| 001 | Current Expense | 5143030 | Records Services Supplies | 3,140 |
| 001 | Current Expense | 5143040 | Records Services Other Chgs. | 14,492 |
| 001 | Current Expense | 5148010 | Census Salaries | 553 |
| 001 | Current Expense | 5148020 | Census Benefits | 137 |
| 001 | Current Expense | 5148040 | Census Other Chgs. | 18 |
| 001 | Current Expense | 5152140 | Legal Services-Criminal Other Chgs. | 88,962 |
| 001 | Current Expense | 5152240 | Legal Services - Civil Other Chgs. | 177,894 |
| 001 | Current Expense | 5152340 | Legal Services - Traffic Other Chgs. | 9,885 |
| 001 | Current Expense | 5162010 | Personnel Services Salaries | 44,981 |
| 001 | Current Expense | 5162020 | Personnel Services Benefits | 7,177 |
| 001 | Current Expense | 5162030 | Personnel Services Supplies | 672 |
| 001 | Current Expense | 5162040 | Personnel Services Other Chgs. | 13,190 |
| 001 | Current Expense | 5179030 | Other Employee Benefit Programs Supplies | 201 |
| 001 | Current Expense | 5179040 | Other Employee Benefit Programs Other Chgs. | 75 |
| 001 | Current Expense | 5183010 | Public Works Salaries | 553 |
| 001 | Current Expense | 5183020 | Public Works Benefits | 245 |
| 001 | Current Expense | 5183030 | Public Works Supplies | 5,612 |
| 001 | Current Expense | 5183040 | Public Works Other Chgs. | 381,505 |
| 001 | Current Expense | 5188810 | Information Technology Salaries | 54,035 |
| 001 | Current Expense | 5188820 | Information Technology Benefits | 20,898 |
| 001 | Current Expense | 5188830 | Information Technology Supplies | 35,249 |
| 001 | Current Expense | 5188840 | Information Technology Other Chgs. | 23,627 |
| 001 | Current Expense | 5199040 | Miscellaneous - AWC Fees Other Chgs. | 5,280 |
| 001 | Current Expense | 5211010 | Law Enforcement Administration Salaries | 334,608 |
| 001 | Current Expense | 5211020 | Law Enforcement Administration Benefits | 168,224 |
| 001 | Current Expense | 5211030 | Law Enforcement Administration Supplies | 10,643 |
| 001 | Current Expense | 5211040 | Law Enforcement Administration Other Chgs. | 21,685 |
| 001 | Current Expense | 5212110 | Police Investigations Salaries | 214,851 |
| 001 | Current Expense | 5212120 | Police Investigations Benefits | 59,863 |
| 001 | Current Expense | 5212130 | Police Investigations Supplies | 8,993 |
| 001 | Current Expense | 5212140 | Police Investigations Other Chgs. | 3,455 |
| 001 | Current Expense | 5212190 | Police Investigations InfrndPy | 4,650 |
| 001 | Current Expense | 5212210 | Police Patrol Salaries | 727,570 |

CITY OF PORT ORCHARD
Detail of Expenditures/Expenses and Other Uses
For Year Ending December 31, 2010

| Fund Number | Fund Name | Account Code | Account Title | Actual Amount |
|--------------------|------------------|---------------------|--|----------------------|
| 001 | Current Expense | 5212220 | Police Patrol Benefits | 255,365 |
| 001 | Current Expense | 5212230 | Police Patrol Supplies | 53,212 |
| 001 | Current Expense | 5212240 | Police Patrol Other Chgs. | 8,683 |
| 001 | Current Expense | 5212290 | Police Patrol InfrndPy | 3,920 |
| 001 | Current Expense | 5212310 | Marine Patrol Salaries | 18,483 |
| 001 | Current Expense | 5212320 | Marine Patrol Benefits | 5,461 |
| 001 | Current Expense | 5212330 | Marine Patrol Supplies | 5,154 |
| 001 | Current Expense | 5212340 | Marine Patrol Other Chgs. | 11,127 |
| 001 | Current Expense | 5212390 | Marine Patrol InfrndPy | 175 |
| 001 | Current Expense | 5212510 | Police Patrol Salaries | 138,091 |
| 001 | Current Expense | 5212520 | Police Patrol Benefits | 57,681 |
| 001 | Current Expense | 5212530 | Police Patrol Supplies | 8,347 |
| 001 | Current Expense | 5212540 | Police Patrol Other Chgs. | 1,370 |
| 001 | Current Expense | 5212590 | Police Patrol InfrndPy | 805 |
| 001 | Current Expense | 5213010 | Crime Prevention Salaries | 170,916 |
| 001 | Current Expense | 5213020 | Crime Prevention Benefits | 56,667 |
| 001 | Current Expense | 5213030 | Crime Prevention Supplies | 6,746 |
| 001 | Current Expense | 5213040 | Crime Prevention Other Chgs. | 1,143 |
| 001 | Current Expense | 5213090 | Crime Prevention InfrndPy | 1,120 |
| 001 | Current Expense | 5214010 | Police Training Salaries | 28 |
| 001 | Current Expense | 5214020 | Police Training Benefits | 24 |
| 001 | Current Expense | 5214030 | Police Training Supplies | 1,990 |
| 001 | Current Expense | 5214040 | Police Training Other Chgs. | 8,948 |
| 001 | Current Expense | 5217010 | Traffic Policing Salaries | 188,474 |
| 001 | Current Expense | 5217020 | Traffic Policing Benefits | 72,702 |
| 001 | Current Expense | 5217030 | Traffic Policing Supplies | 15,443 |
| 001 | Current Expense | 5217040 | Traffic Policing Other Chgs. | 7,682 |
| 001 | Current Expense | 5217090 | Traffic Policing InfrndPy | 1,715 |
| 001 | Current Expense | 5219030 | Other Services Supplies | 271 |
| 001 | Current Expense | 5251050 | Emergencies Services Administration IntrgvtSvs | 10,832 |
| 001 | Current Expense | 5256030 | Emergency Preparedness Supplies | 146 |
| 001 | Current Expense | 5256040 | Emergency Preparedness Other Chgs. | 1,178 |
| 001 | Current Expense | 5232010 | Monitoring of Prisoners Salaries | 50,339 |
| 001 | Current Expense | 5232020 | Monitoring of Prisoners Benefits | 24,983 |
| 001 | Current Expense | 5232030 | Monitoring of Prisoners Supplies | 4,506 |
| 001 | Current Expense | 5232040 | Monitoring of Prisoners Other Chgs. | 4 |
| 001 | Current Expense | 5232050 | Monitoring of Prisoners IntrgvtSvs | 259,810 |
| 001 | Current Expense | 5232090 | Monitoring of Prisoners InfrndPy | 1,103 |
| 001 | Current Expense | 5236030 | Care & Custody of Prisoners Supplies | 4,347 |
| 001 | Current Expense | 5242010 | Inspections, Permits, Cert. & Licenses Salaries | 131,338 |
| 001 | Current Expense | 5242020 | Inspections, Permits, Cert. & Licenses Benefits | 30,929 |
| 001 | Current Expense | 5242030 | Inspections, Permits, Cert. & Licenses Supplies | 2,959 |
| 001 | Current Expense | 5242040 | Inspections, Permits, Cert. & Licenses Other Chgs. | 19,327 |
| 001 | Current Expense | 5242090 | Inspections, Permits, Cert. & Licenses InfrndPy | 298 |
| 001 | Current Expense | 5288030 | Communication - General Operations Supplies | 667 |
| 001 | Current Expense | 5288040 | Communication - General Operations Other Chgs. | 12,116 |
| 001 | Current Expense | 5288050 | Communication - General Operations IntrgvtSvs | 85,932 |
| 001 | Current Expense | 5317050 | Pollution Control IntrgvtSvs | 3,738 |
| 001 | Current Expense | 5321010 | Engineering Administration Salaries | 66,671 |
| 001 | Current Expense | 5321020 | Engineering Administration Benefits | 16,963 |
| 001 | Current Expense | 5321030 | Engineering Administration Supplies | 3,586 |
| 001 | Current Expense | 5321040 | Engineering Administration Other Chgs. | 10,856 |
| 001 | Current Expense | 5321090 | Engineering Administration InfrndPy | 210 |
| 001 | Current Expense | 5393040 | Animal Control Other Chgs. | 731 |
| 001 | Current Expense | 5393050 | Animal Control IntrgvtSvs | 35,515 |
| 001 | Current Expense | 5582010 | Comprehensive Planning Salaries | 36,631 |
| 001 | Current Expense | 5582020 | Comprehensive Planning Benefits | 7,481 |
| 001 | Current Expense | 5582040 | Comprehensive Planning Other Chgs. | 564 |
| 001 | Current Expense | 5586010 | Planning Salaries | 288,766 |
| 001 | Current Expense | 5586020 | Planning Benefits | 94,589 |

CITY OF PORT ORCHARD
Detail of Expenditures/Expenses and Other Uses
For Year Ending December 31, 2010

| Fund Number | Fund Name | Account Code | Account Title | Actual Amount |
|--------------------|------------------|---------------------|--|----------------------|
| 001 | Current Expense | 5586030 | Planning Supplies | 2,439 |
| 001 | Current Expense | 5586040 | Planning Other Chgs. | 85,783 |
| 001 | Current Expense | 5586090 | Planning InfrndPy | 245 |
| 001 | Current Expense | 5588040 | Commute Trip Reduction Other Chgs. | 75 |
| 001 | Current Expense | 5592010 | Housing & Community Development Salaries | 439 |
| 001 | Current Expense | 5592020 | Housing & Community Development Benefits | 64 |
| 001 | Current Expense | 5620040 | Public Health Other Chgs. | 500 |
| 001 | Current Expense | 5620050 | Public Health IntragvtSvs | 10,943 |
| 001 | Current Expense | 5660050 | Substance Abuse IntragvtSvs | 3,709 |
| 001 | Current Expense | 5722050 | Library Services IntragvtSvs | 373,274 |
| 001 | Current Expense | 5725010 | Library Facilities Salaries | 83 |
| 001 | Current Expense | 5725020 | Library Facilities Benefits | 13 |
| 001 | Current Expense | 5725030 | Library Facilities Supplies | 3,786 |
| 001 | Current Expense | 5725040 | Library Facilities Other Chgs. | 36,699 |
| 001 | Current Expense | 5739010 | Spectator and Community Events Salaries | 16,282 |
| 001 | Current Expense | 5739020 | Spectator and Community Events Benefits | 5,853 |
| 001 | Current Expense | 5739030 | Spectator and Community Events Supplies | 10,647 |
| 001 | Current Expense | 5739040 | Spectator and Community Events Other Chgs. | 9,686 |
| 001 | Current Expense | 5739140 | Foot Ferry Service Other Chgs. | 1,870 |
| 001 | Current Expense | 5768010 | General Parks Salaries | 72,082 |
| 001 | Current Expense | 5768020 | General Parks Benefits | 17,645 |
| 001 | Current Expense | 5768030 | General Parks Supplies | 9,438 |
| 001 | Current Expense | 5768040 | General Parks Other Chgs. | 49,572 |
| 001 | Current Expense | 5941860 | Capital Outlay - Computers Mach. & Equip. | 5,367 |
| 001 | Current Expense | 5942160 | Capital Outlay Law Enforcement Mach. & Equip. | 4,991 |
| 001 | Current Expense | 5947610 | Capital Outlay Playground Equipment Salaries | 781 |
| 001 | Current Expense | 5947620 | Capital Outlay Playground Equipment Benefits | 319 |
| 001 | Current Expense | 5947660 | Capital Outlay Playground Equipment Mach. & Equip. | 386 |
| 001 | Current Expense | 5970000 | Operating Transfers-Out | 76,000 |
| 001 | Current Expense | 2870100 | Designated Unreserved Ending Fund Balance Parks | 83,966 |
| 001 | Current Expense | 2870200 | Designated Unreserved Ending Fund Balance City Hall | 43,615 |
| 001 | Current Expense | 2870300 | Designated Unreserved Ending Fund Balance Property Tax | 345,861 |
| 001 | Current Expense | 2870400 | Designated Unreserved Ending Fund Balance Sales Tax | 160,000 |
| 001 | Current Expense | 2870500 | Designated Unreserved Ending Fund Balance Recreation | 204,627 |
| 001 | Current Expense | 2870600 | Designated Unreserved Ending Fund Balance KCCCHA | 50,000 |
| 001 | Current Expense | 2870800 | Designated Unreserved Ending Fund Balance McWds Park | 604,614 |
| 001 | Current Expense | 2927100 | Reserved Ending Fund Balance | 2,450 |
| 001 | Current Expense | 2928000 | Unreserved Ending Fund Balance | 418,683 |
| 101 | Street | 5423010 | Roadway Salaries | 45,206 |
| 101 | Street | 5423020 | Roadway Benefits | 16,772 |
| 101 | Street | 5423030 | Roadway Supplies | 9,025 |
| 101 | Street | 5423040 | Roadway Other Chgs. | 15,682 |
| 101 | Street | 5425010 | Structures Salaries | 200 |
| 101 | Street | 5425020 | Structures Benefits | 30 |
| 101 | Street | 5425030 | Structures Supplies | 72 |
| 101 | Street | 5426110 | Sidewalks Salaries | 114 |
| 101 | Street | 5426120 | Sidewalks Benefits | 17 |
| 101 | Street | 5426130 | Sidewalks Supplies | 10 |
| 101 | Street | 5426140 | Sidewalks Other Chgs. | 2,384 |
| 101 | Street | 5426310 | Street Lighting Salaries | 682 |
| 101 | Street | 5426320 | Street Lighting Benefits | 178 |
| 101 | Street | 5426330 | Street Lighting Supplies | 83 |
| 101 | Street | 5426340 | Street Lighting Other Chgs. | 109,613 |
| 101 | Street | 5426410 | Traffic Control Devices Salaries | 50,291 |
| 101 | Street | 5426420 | Traffic Control Devices Benefits | 16,552 |
| 101 | Street | 5426430 | Traffic Control Devices Supplies | 19,067 |

CITY OF PORT ORCHARD
Detail of Expenditures/Expenses and Other Uses
For Year Ending December 31, 2010

| Fund Number | Fund Name | Account Code | Account Title | Actual Amount |
|--------------------|----------------------------|---------------------|--|----------------------|
| 101 | Street | 5426440 | Traffic Control Devices Other Chgs. | 58,710 |
| 101 | Street | 5426510 | Parking Facilities Salaries | 1,386 |
| 101 | Street | 5426520 | Parking Facilities Benefits | 487 |
| 101 | Street | 5426530 | Parking Facilities Supplies | 125 |
| 101 | Street | 5426540 | Parking Facilities Other Chgs. | 73 |
| 101 | Street | 5426610 | Snow & Ice Control Salaries | 14,221 |
| 101 | Street | 5426620 | Snow & Ice Control Benefits | 2,696 |
| 101 | Street | 5426630 | Snow & Ice Control Supplies | 5,525 |
| 101 | Street | 5426640 | Snow & Ice Control Other Chgs. | 1,680 |
| 101 | Street | 5427010 | Roadside Salaries | 23,049 |
| 101 | Street | 5427020 | Roadside Benefits | 8,796 |
| 101 | Street | 5427030 | Roadside Supplies | 4,737 |
| 101 | Street | 5427040 | Roadside Other Chgs. | 573 |
| 101 | Street | 5428010 | Ancillary Operations Salaries | 9,048 |
| 101 | Street | 5428020 | Ancillary Operations Benefits | 3,849 |
| 101 | Street | 5428030 | Ancillary Operations Supplies | 612 |
| 101 | Street | 5428040 | Ancillary Operations Other Chgs. | 568 |
| 101 | Street | 5429010 | Maintenance Administration Salaries | 30,000 |
| 101 | Street | 5429020 | Maintenance Administration Benefits | 10,578 |
| 101 | Street | 5429030 | Maintenance Administration Supplies | 8,914 |
| 101 | Street | 5429040 | Maintenance Administration Other Chgs. | 2,216 |
| 101 | Street | 5431010 | Management Salaries | 61,259 |
| 101 | Street | 5431020 | Management Benefits | 23,768 |
| 101 | Street | 5431030 | Management Supplies | 17 |
| 101 | Street | 5431040 | Management Other Chgs. | 2,849 |
| 101 | Street | 5433010 | General Services Salaries | 66,692 |
| 101 | Street | 5433020 | General Services Benefits | 25,011 |
| 101 | Street | 5433030 | General Services Supplies | 851 |
| 101 | Street | 5433040 | General Services Other Chgs. | 15,960 |
| 101 | Street | 5435010 | Facilities Salaries | 23,524 |
| 101 | Street | 5435020 | Facilities Benefits | 6,746 |
| 101 | Street | 5435030 | Facilities Supplies | 2,599 |
| 101 | Street | 5435040 | Facilities Other Chgs. | 6,406 |
| 101 | Street | 5436040 | Training Other Chgs. | 225 |
| 101 | Street | 5944260 | Capital Outlay Machinery & Equipment | 8,314 |
| 101 | Street | 5970000 | Operating Transfers-Out | 1,725 |
| 101 | Street | 2870000 | Designated Unreserved Ending Fund Balance Water Vacation | 7,500 |
| 101 | Street | 2928000 | Unreserved Ending Fund Balance | 645,705 |
| 102 | Arterial Street | 5951010 | Roadway Const-Tremont St Wide Salaries | 663 |
| 102 | Arterial Street | 5951020 | Roadway Const-Tremont St Wide Benefits | 141 |
| 102 | Arterial Street | 5951060 | Roadway Const-Tremont St Wide Other Improv | 136,960 |
| 102 | Arterial Street | 5951110 | Roadway Const (Eng) - Cedar Hts Sidewalk Salaries | 481 |
| 102 | Arterial Street | 5951120 | Roadway Const (Eng) - Cedar Hts Sidewalk Benefits | 150 |
| 102 | Arterial Street | 5951210 | Roadway Const - Bay St Ped Path Salaries | 821 |
| 102 | Arterial Street | 5951220 | Roadway Const - Bay St Ped Path Benefits | 252 |
| 102 | Arterial Street | 5951260 | Roadway Const - Bay St Ped Path Other Improv | 139,380 |
| 102 | Arterial Street | 5951310 | Roadway Const (Eng)-Bay St Seawall Salaries | 668 |
| 102 | Arterial Street | 5951320 | Roadway Const (Eng)-Bay St Seawall Benefits | 100 |
| 102 | Arterial Street | 5951360 | Roadway Const (Eng)-Bay St Seawall Other Improv | 1,150 |
| 102 | Arterial Street | 5952010 | Roadway Const-Tremont St Wide ROW Salaries | 1,066 |
| 102 | Arterial Street | 5952020 | Roadway Const-Tremont St Wide ROW Benefits | 295 |
| 102 | Arterial Street | 5952060 | Roadway Const-Tremont St Wide ROW Other Improv | 633,088 |
| 102 | Arterial Street | 5956110 | Roadway Const (Const) - Bay St Seawall Salaries | 16,059 |
| 102 | Arterial Street | 5956120 | Roadway Const (Const) - Bay St Seawall Benefits | 4,195 |
| 102 | Arterial Street | 5956160 | Roadway Const (Const) - Bay St Seawall Other Improv | 115,752 |
| 102 | Arterial Street | 2928000 | Unreserved Ending Fund Balance | 498,170 |
| 104 | Special Investigative Unit | 5212130 | SIU Investigation Supplies | 1,506 |
| 104 | Special Investigative Unit | 5212140 | SIU Investigation Other Chgs | 3,551 |

CITY OF PORT ORCHARD
Detail of Expenditures/Expenses and Other Uses
For Year Ending December 31, 2010

| Fund Number | Fund Name | Account Code | Account Title | Actual Amount |
|--------------------|-----------------------------------|---------------------|---|----------------------|
| 104 | Special Investigative Unit | 5212190 | SIU Investigation Other Chgs | 385 |
| 104 | Special Investigative Unit | 2928000 | Unreserved Ending Fund Balance | 54,406 |
| 105 | Contingency | 2928000 | Unreserved Ending Fund Balance | 102,253 |
| 107 | Community Events | 5731040 | Administration Other Chgs | 61,617 |
| 107 | Community Events | 2928000 | Unreserved Ending Fund Balance | 30,019 |
| 111 | Transportation Impact | 2928000 | Unreserved Ending Fund Balance | 334,741 |
| 206 | 2003 Limited Tax GO Ref Bond | 5918971 | GO Bonds Principle | 165,000 |
| 206 | 2003 Limited Tax GO Ref Bond | 5928983 | Interest on Long Term Debt | 63,543 |
| 302 | Cum Res for Municipal Facilites | 5970000 | Operating Transfers-Out | 168,017 |
| 302 | Cum Res for Municipal Facilites | 2928000 | Unreserved Ending Fund Balance | 1,964,124 |
| 303 | Cum Res for Equipment Replacement | 5942160 | Capital Outlay Mach&Equip | 25,228 |
| 303 | Cum Res for Equipment Replacement | 2870100 | Designated Unreserved Fund Balance Police | 143,645 |
| 303 | Cum Res for Equipment Replacement | 2870200 | Designated Unreserved Fund Balance Street | 106,160 |
| 303 | Cum Res for Equipment Replacement | 2870300 | Designated Unreserved Fund Balance Misc | 288,997 |
| 303 | Cum Res for Equipment Replacement | 2870400 | Designated Unreserved Fund Balance Computer | 18,696 |
| 303 | Cum Res for Equipment Replacement | 2870500 | Designated Unreserved Fund Balance Park Boxes | 40,004 |
| 401 | Water-Sewer Utilities Operating | 5013810 | Water/Sewer Utilities Salaries | 752,569 |
| 401 | Water-Sewer Utilities Operating | 5013820 | Water/Sewer Utilities Benefits | 256,605 |
| 401 | Water-Sewer Utilities Operating | 5013830 | Water/Sewer Utilities Supplies | 104,529 |
| 401 | Water-Sewer Utilities Operating | 5013840 | Water/Sewer Utilities Other Chgs | 786,900 |
| 401 | Water-Sewer Utilities Operating | 5013850 | Water/Sewer Utilities IntrgvtSv | 1,183,093 |
| 401 | Water-Sewer Utilities Operating | 5943810 | Capitol Outlay Salaries | 2,914 |
| 401 | Water-Sewer Utilities Operating | 5943820 | Capitol Outlay Benefits | 873 |
| 401 | Water-Sewer Utilities Operating | 5943861 | Capitol Outlay Bldg Land | 6,780 |
| 401 | Water-Sewer Utilities Operating | 5943862 | Capitol Outlay Bldg Struct | 541 |
| 401 | Water-Sewer Utilities Operating | 5943863 | Capital Outlay Other Impr | 602,305 |
| 401 | Water-Sewer Utilities Operating | 5943864 | Capital Outlay Mach/Equip | 32,880 |
| 401 | Water-Sewer Utilities Operating | 5970000 | Operating Transfers-Out | 87,206 |
| 401 | Water-Sewer Utilities Operating | 5080000 | Ending Cash & Investments | 1,133,745 |
| 401 | Water-Sewer Utilities Operating | 5081000 | Reserved Ending Fund Balance | 300 |
| 402 | Water-Sewer Equipment Replacement | 5080000 | Ending Cash & Investments | 303,678 |
| 403 | Cum Res for Water-Sewer | 5970000 | Operating Transfers-Out | 744,242 |
| 403 | Cum Res for Water-Sewer | 5080000 | Ending Cash & Investments | 2,389,496 |
| 421 | Storm Drainage Utility Operating | 5424010 | Storm Drain Salaries | 189,658 |
| 421 | Storm Drainage Utility Operating | 5424020 | Storm Drain Benefits | 65,297 |
| 421 | Storm Drainage Utility Operating | 5424030 | Storm Drain Supplies | 6,371 |
| 421 | Storm Drainage Utility Operating | 5424040 | Storm Drain Other Chgs | 131,910 |
| 421 | Storm Drainage Utility Operating | 5424110 | Health ILA Salaries | 44,536 |
| 421 | Storm Drainage Utility Operating | 5424120 | Health ILA Benefits | 17,330 |
| 421 | Storm Drainage Utility Operating | 5424210 | DOE GRANT Salaries | 1,820 |
| 421 | Storm Drainage Utility Operating | 5424220 | DOE GRANT Benefits | 405 |
| 421 | Storm Drainage Utility Operating | 5426710 | Street Cleaning Salaries | 24,427 |
| 421 | Storm Drainage Utility Operating | 5426720 | Street Cleaning Benefits | 9,588 |
| 421 | Storm Drainage Utility Operating | 5426730 | Street Cleaning Supplies | 11,880 |
| 421 | Storm Drainage Utility Operating | 5426740 | Street Cleaning Other Chgs | 3,169 |
| 421 | Storm Drainage Utility Operating | 5888000 | Prior Year Correction | 9,980 |
| 421 | Storm Drainage Utility Operating | 5944010 | Capital Outlay Salaries | 250 |
| 421 | Storm Drainage Utility Operating | 5944020 | Capital Outlay Benefits | 39 |
| 421 | Storm Drainage Utility Operating | 5944064 | Capital Outlay Mach/Equip | 21,672 |
| 421 | Storm Drainage Utility Operating | 5954010 | Capital Outlay Salaries | 85 |
| 421 | Storm Drainage Utility Operating | 5954020 | Capital Outlay Benefits | 48 |
| 421 | Storm Drainage Utility Operating | 5080000 | Ending Cash & Investments | 311,145 |

THE CITY OF PORT ORCHARD
 Schedule 9 Long-Term Liabilities
 For the year ending December 31, 2010

| I.D. No. | Description | Beginning Balance 01/01/10 | Additions | Reductions | BARS Code for Redemption of Debt Only | Ending Balance Debt 12/31/2010 |
|--------------|----------------------|-------------------------------|-------------------|-------------------|--|-----------------------------------|
| 251.15 | G O Debt | \$ 1,890,000 | \$ - | \$ 165,000 | 6.591.89.71 | \$ 1,725,000 |
| 263.61 | Notes Payable | 191,350 | - | - | 5.582.34.77 | 191,350 |
| 259.00 | Compensated Absences | 310,152 | 86,298 | - | | 396,450 |
| 263.90 | OPEB | 154,782 | 126,518 | 74,742 | | 206,558 |
| TOTAL | | \$ 2,546,284 | \$ 212,816 | \$ 239,742 | | \$ 2,519,358 |

CITY OF PORT ORCHARD
 Schedule of Limitation of Indebtedness
 As of December 31, 2010

Total Taxable Property Value \$1,239,258,364

2.5% (\$30,981,459) general purposes limit is allocated between:

Remaining Debt Capacity

| | | |
|---|--------------|---------------------|
| Up to 1.5% debt without a vote (councilmanic) | \$18,588,875 | |
| Less: outstanding debt | \$2,328,008 | |
| Less: contracts payable | \$-0- | |
| Less: excess of debt with a vote | \$-0- | |
| Add: available assets | \$-0- | |
| Equals: remaining debt capacity without a vote | | \$16,260,867 |

| | | |
|--|--------------|---------------------|
| 1.0% general purposes debt with a vote | \$12,392,584 | |
| Less: outstanding debt | \$-0- | |
| Less: contracts payable | \$-0- | |
| Add: available assets | \$-0- | |
| Equals: remaining debt capacity with a vote | | \$12,392,584 |

| | | |
|---|--------------|---------------------|
| 2.5% utility purposes limit, voted | \$30,981,459 | |
| Less: outstanding debt | \$-0- | |
| Less: contracts payable | \$-0- | |
| Add: available assets | \$-0- | |
| Equals: remaining debt capacity - utility purpose, voted | | \$30,981,459 |

| | | |
|---|--------------|---------------------|
| 2.5% open space, park and capital facilities, voted | \$30,981,459 | |
| Less: outstanding debt | \$-0- | |
| Less: contracts payable | \$-0- | |
| Add: available assets | \$-0- | |
| Equals: remaining debt capacity - open space, park and capital facilities, voted | | \$30,981,459 |

CITY OF PORT ORCHARD
Schedule of Expenditures for Federal Awards
For The Year Ended December 31, 2010

| 1 Federal Agency Name / Pass- Through Agency Name | 2 Federal Program Name | 3 CFDA Number | 4 Other I.D. Number | 5 Expenditures | | | 6 Foot- note Ref. |
|---|--|--------------------------------------|--|--|--------------------------------|------------------|----------------------------|
| | | | | From Pass- Through Awards | From Direct Awards | Total | |
| National Parks Service/ pass-through from RCO | Outdoor Recreation - Acquisition, Development & Planning (B) | 15.916 | 09-1167 | 1,039 | | 1,039 | |
| U.S. Bureau of Justice | Bulletproof Vest Partnership | 16.607 | n/a | | 801 | 801 | |
| U.S. Department of Justice | ARRA-Cops Hiring Recovery Program (CHRPS) | 16.710 | #2009RKWX0888 | | 74,752 | 74,752 | 9 |
| U.S. Department of Justice | Edward Byrne Justice Assistance Grant Program-Community Policing Officer Safety & Technology Improvement | 16.738 16.738 | #2009 DJ BX 0532 #2010-DJ-BX-0202 Subtotal | | 3,770 <u>5,077</u> 8,847 | | |
| U.S. Department of Justice | ARRA-Recovery Act-Edward Byrne Memorial Justice Assistance Grant | 16.804 | #2009-SB-B9-2220 | | 8,431 | 8,431 | 9 |
| U.S. Department of Transportation / pass-through from WSDOT | Highway Planning and Construction | 20.205 20.205 20.205 20.205 | STPUS-6601(001) LA-5253 Bay Street Seawall STPUS-6621(001) LA-5854 Cedar Heights Jr. High School Sidewalk STPUS-6610(004) LA-5855 Tremont Street Widening STPE-0166(008) LA-6165 Bay Street Enhancement Subtotal | 119,121 195 660,804 <u>140,453</u> 920,572 | | 920,572 | |
| National Highway Traffic Safety Admin./ pass-through from Wa Asc Sheriff's & Police Chiefs | State & Community Highway Safety | 20.600 | n/a | 1,000 | | 1,000 | |
| National Highway Traffic Safety Admin./ pass-through from WA Traffic Safety Commission | Alcohol Traffic Safety & Drunk Driving Prevention Incentive Grants (B) | 20.601 | n/a | 401 | | 401 | |
| US Department of Homeland Security / Federal Emergency Management Agency (pass-through from Wa State Military Dept) | Disaster Grants- Public Assistance (Presidentially Declared Disasters) | 97.036 | FEMA-1734-DR-WA / POC A-1, POC B-1, POCB-2 | 100 | | 100 | |
| US Department of Homeland Security / pass-through from Washington State Parks | Boating Safety Financial Assistance-Marine Law Enforcement Grants | 97.012 | n/a | 18,451 | | 18,451 | |
| Total Federal Awards Expended | | | | 941,563 | 92,832 | 1,034,395 | |

Note 9=American Recoveries & Reinvestment Act (ARRA) of 2009. Expenditures for this program were funded by ARRA

The accompanying Notes to the Schedule of State and Local Financial Assistance are an integral part of this Schedule.

CITY OF PORT ORCHARD
 Schedule of State and Local Financial Assistance
 For The Year Ended December 31, 2010

| 1 | 2 | 3 |
|---|-----------------------|---------------------------|
| Grantor/Program Title | Identification Number | Current Year Expenditures |
| WA State Dept of Ecology | | |
| Phase II Municipal Stormwater Grants Program | G0600307 | 2,225 |
| Shoreline Master Program Grant | G1000018 | 44,162 |
| WA State Dept of Ecology / pass-through from Kitsap County Health District | | |
| Kitsap Regional IDDE Project | ILA #C009-09 | 38,975 |
| Wa State Administrative Office of the Courts | | |
| Interagency Agreement-Court Interpreter Services | IAA10233 | 87 |
| Interagency Agreement-Computer Equipment | IAA05825 | 5,567 |
| TOTAL STATE ASSISTANCE | | 91,017 |
| TOTAL LOCAL ASSISTANCE | | - |
| TOTAL STATE AND LOCAL ASSISTANCE | | 91,017 |
| The Accompanying Notes To The Schedule Of State and Local Financial Assistance Are An Integral Part of This Schedule. | | |

CITY OF PORT ORCHARD
Notes to Schedule of Financial Assistance
January 1, 2010 through December 31 2010

NOTE 1. BASIS OF ACCOUNTING

The Schedule of Financial Assistance is prepared on the same basis of accounting as the City's financial statements. The City uses the accrual basis of accounting for all funds except the governmental fund types, expendable trust funds and agency funds, which use the modified accrual basis of accounting.

NOTE 2. PROGRAM COSTS

The amounts shown as current year expenditures represent only state, local, or federal portion of the program costs. Actual program costs, including the city's portion, may be more than shown.

NOTE 3. GRANT DESCRIPTION**FEDERAL GRANTS**US Bureau of Justice - Bullet Proof Vest Partnership

This is a Bureau of Justice program that helps agencies offset the cost of body armor for officers. The grant can pay up to 50% of the cost of the body armor.

US Department of Justice ARRA-COPS Hiring Recovery Program

This grant was awarded in 2009 to hire an additional Police officer. The three year grant pays for the officer's salary and benefits to allowed amounts.

US Department of Justice ARRA-Recovery Act Edward Byrne Memorial JAG

These grant funds were utilized for the purchase of equipment and personnel costs to enhance the Department's crime prevention, community policing and patrol operations.

US Department of Justice Edward Byrne Justice Assistance-Community Policing Officer Safety and Technology Improvement

The City received two grants in this category. These grant funds were used to fund the purchase of equipment to enhance the Department's community policing program, officer safety and training and technology.

US Department of Transportation / WSDOT - Bay Street Enhancement

The City was awarded \$300,000 to prepare engineering drawings needed to construct a new pedestrian trail that will follow the waterfront along Sinclair Inlet. This trail will connect with the existing pedestrian facility along Bay Street from Port Orchard Blvd to our eastern City limits.

US Department of Transportation / WSDOT - Bay Street Seawall (Formerly Pedestrian Path)

WSDOT has provided funding to improve pedestrian safety along the 1800 block of Bay Street. Originally a concrete sidewalk was designed. However, due to changing regulations the scope of work has been changed from the sidewalk to a guardrail to protect pedestrians from vehicle traffic.

CITY OF PORT ORCHARD
Notes to Schedule of Financial Assistance
January 1, 2010 through December 31 2010

US Department of Transportation / WSDOT - Tremont Street Widening Project

This WSDOT project will widen Tremont Street to provide four continuous lanes between Port Orchard Blvd and SR 16. Two existing signalized intersections within the project have been designed as roundabouts at South Kitsap Blvd and Pottery Ave. In addition to providing roadway widening and aesthetic improvements, this will provide curb, gutter, and sidewalks along both sides of the road; intersection modifications; improvements to storm drainage facilities; traffic signal and illumination upgrades; retaining walls and bike paths.

US Department of Transportation / WSDOT - Cedar Heights Jr. High School Sidewalk Project

This WSDOT project will provide funding to assist the City to construct approximately 700 LF x 6 feet wide of sidewalk on Pottery Ave to accommodate children walking to Cedar Heights Jr. High. The proposed improvements will include installation of crosswalk visibility improvements and replacing and upgrading an existing drainage culvert underneath Pottery Ave adjacent to the Cedar Heights Jr. High school (Funding for the culvert will be from the Storm Drainage Utility.).

US Dept of Homeland Security FEMA - Disaster Grants – Public Assistance

The storm of December 3, 2007 caused extensive flooding and landslides throughout the City. The flooding caused a large sinkhole from a storm drainage main damaged during the storm.

US Dept of Homeland Security / Washington State Parks Boating Safety / Marine Law Enforcement

This grant allows funding for additional Police overtime while utilizing our marine vessel to protect the waterfront areas that border the City.

National Park Service / Washington State Recreation & Conservation Office - Blackjack Creek Mosquito Fleet Trail Connection

This grant provides \$60,000 to design, acquire easements/property and construct the Blackjack Creek Mosquito Fleet Trail Connection.

National Highway Traffic Safety Admin / WA Assoc Sheriffs & Police Chiefs

The City was awarded funding to purchase equipment that promotes highway safety.

National Highway Traffic Safety Admin / WA Traffic Safety Commission

This grant was awarded to the City to offset costs of extra DUI Emphasis patrols.

STATE GRANTS

Washington State Department of Ecology - Phase II Municipal Storm Water Grants Program

The purpose of the grant is to provide funding for the implementation of Phase II municipal storm water National Pollutant Discharge Elimination System (NPDES) permit.

Washington State Department of Ecology-Shoreline Master Program Update

This grant was awarded in 2009 to fund the update of the City's Shoreline Management Plan as required by RCW 90.58.

CITY OF PORT ORCHARD
Notes to Schedule of Financial Assistance
January 1, 2010 through December 31 2010

Washington State Department of Ecology/ Kitsap County Health District-Kitsap Regional IDDE Project

This grant is to help fund the identification and education of commercial property owners for illicit discharges and connections and for the mapping of private and municipal storm water.

Washington State Administrative Office of the Courts –Court Interpreter Services

Funds were awarded to help defray the cost of interpreter services.

Washington State Administrative Office of the Courts –Computer Equipment

Funds were awarded to help defray the cost of Computer Equipment for our Municipal Court.

NOTE 4. AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA) of 2009

Expenditures for this program were funded by ARRA.

CITY OF PORT ORCHARD
Schedule of Labor Relations Consultant
For the Year Ended December 31, 2010

Has your government engaged labor relations consultants? XXX Yes ___ No

If yes, please provide the following information for each consultant(s):

Name of Firm: McGavick Graves, Attorneys at Law

Name of Consultant: Dave Luxenberg

Business Address: 1102 Broadway, Suite 500

Tacoma, Washington 98401

Amount Paid to Consultant during Fiscal Year: \$39,316.12

Terms and Conditions, As Applicable, Including:

Rates: \$170 per hour

Maximum Compensation Allowed: _____

Duration of Services: _____

Services Provided: Labor Negotiations

Certified Correct this 23rd day of May, 2011 .

To the best of my knowledge and belief:

Signature: 
Name: Allan Martin
Title: City Treasurer