



CITY OF LAKEWOOD, WA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR YEAR ENDED DECEMBER 31, 2017



COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended December 31, 2017

City of Lakewood
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**Administrative Services Department
Finance Division**

Tho Kraus
Assistant City Manager/Finance Director

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended December 31, 2017

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June 25, 2018

People of the City of Lakewood
Honorable Mayor and City Council

THE COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY OF LAKEWOOD

The Comprehensive Annual Financial Report (CAFR) of the City of Lakewood for the year ended December 31, 2017 is hereby submitted. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with City management. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

This transmittal letter is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the Independent Auditor's Report.

REPORTING ENTITY

The City of Lakewood is an optional code city and incorporated in 1996. Lakewood is the second largest city in Pierce County and is host community to Joint Base Lewis McChord (JBLM), the largest Army military installation in the western United States and the largest single-site employer in Washington State. Our legacy and commitment to each other dates back almost 100 years to World War 1 and the creation of Camp Lewis that then became Fort Lewis followed by the addition of McChord Air Force Base and now JBLM, the sole "Power Projection Platform" on the West Coast. Lakewood has a population of 59,280 and covers an area of 18.95 square miles, of which 17.17 square miles is land and 1.78 square miles is water. Lakewood is known for its lakes, natural beauty, and economic potential.

The City Council is responsible for enacting all legislation and making general policy decisions governing the City. The City Manager, who serves as the chief executive officer of the City, is appointed by, reports directly to, and serves at the pleasure of the City Council. The City Manager implements the policies and goals of the City Council, manages and coordinates the overall operations of the City and provides leadership, coordination, and development of City departments, while ensuring the delivery of quality service and serving the needs of the public. This is accomplished through the expressed direction of the Lakewood City Council.

The City provides the following services to residents and businesses: parks and recreation, police, jail, streets and roads, stormwater collection and treatment, economic development, public improvements, building, planning and zoning, social and senior services, municipal court, and general administrative services. Water is provided by the Lakewood Water District and sewer services are provided through Pierce County. Fire services are provided by the West Pierce Fire and Rescue. Garbage and recycling is provided by Waste Connections under contract with the City. Power is provided by Tacoma Power, Puget Sound Energy, and Lakeview Light and Power. Library services are provided by the Pierce County Library system. K-12 education is provided by Clover Park School District #400 and Steilacoom Historical School District #1. Higher education is provided by Pierce College at Fort Steilacoom Park

and Clover Park Technical College. Interstate Highway 5 and State Highway 512 pass through Lakewood. Pierce Transit and the Sound Transit (ST) systems, with stations adjacent to the I-5 Corridor and the Lakewood Towne Center, serve the community. The combination of services from these agencies provides excellent public transportation to the greater Tacoma/Seattle area.

ECONOMIC FACTORS AFFECTING FINANCIAL CONDITION

According to the Puget Sound Economic Forecaster, the Puget Sound continues to exceed expectations, however, declining aerospace and manufacturing employment, as well as Amazon's latest moves, may point towards Puget Sound approaching the national average. The forecast indicates a slowdown in employment and personal income growth moving forward, dropping from the 2016 high of 3.2% employment growth down to 2.3% in 2018 and 1.4 percent in 2019.

Key drivers of Puget Sound retail sales are personal income, housing activity, unemployment and interest rates. The growth rate for Puget Sound taxable retail sales is expected to be 3.7 % over the near-term (2017-2019). This is much weaker than the 8.2% growth in spending last year. Most of the pullback comes in "other taxable sales", which in recent quarters have been pushed higher by the booming construction sector. Regional retail sales also shows a similar easing-back in growth rates for total retail sales from 6.1 % this year to 4.2% in 2018 and 2019.

As of the end of 2017, the average unemployment rate in the Tacoma-Lakewood region was 5.4% compared to the 4.1% national rate. Employment in the Tacoma-Lakewood area gained an average of 10,570 jobs in 2017 and this strong employment growth and a relatively low unemployment rate have helped the regions pocketbooks. In 2017, the average personal income in Pierce County increased to \$64 thousand compared to \$61 thousand in 2016.

ECONOMIC TRENDS

In 2017, there were 26,784 housing units in Lakewood, an increase of less than 0.1% over 2016. Of these units, 50% or 13,560 were single family homes, 45% or 11,774 multi-family units, and .05% or 1,450 mobile homes and trailers.

The community is residential and commercial, with the populace employed locally, at Joint Base Lewis-McChord, and in the neighboring cities such as Tacoma, University Place, Steilacoom and unincorporated Pierce County. Employment in Lakewood is highly concentrated in retail and services sectors which respond primarily to the needs of the local market area population. Employment in the Tacoma-Lakewood region increased by 2.6% or 10,570 in 2017. Major employers are the Clover Park School District, Western State Hospital, Camp Murray, Pierce College, St. Clare Hospital, Pierce Transit, Aacres WA LLC, McClane Northwest, Clover Park Technical College and Walmart.

Sales tax collected in 2017 total \$10.0 million, and is above 2016 by \$800 thousand or 8.5%. The major retailers include Walmart, Lakewood Ford, Curbside Motors, Lowe's Home Improvement, Kenworth Northwest, Schetky Northwest Sales, Target Corporation, and Enterprise Rentals.

The 2017 assessed value for 2018 property tax collections includes new construction and added improvements assessed value totaled \$54.7 million or approximately 0.9% of the City's 2017 assessed valuation. The total assessed value of property in Lakewood was \$6.0 billion, which is approximately 11% higher than the 2016 assessed valuation of \$5.4 billion.

Real Estate sales increased from \$422.9 million in 2016 to \$490.7 million in 2017, an increase of 16% or \$67.7 million. Major real estate transactions in 2017 include Candlewood Suites Hotel, Beaumont Apartments, Lakewood Business Park, Steeple Chase Apartments, a general warehousing storage facility and several major single family residences and other multifamily residences.

LONG-TERM PLANNING

In 2014, the City began the development of a six-year financial forecast to help provide a more effective delivery of services. The City continues the development of the financial forecast that includes facts and assumptions to enable an accurate forecast of the financial future of the city to ensure whether adequate resources will be available to

maintain current and projected city service levels with a particular focus on the impact of current economic conditions and, if not, develop strategies to address them. The forecast serves as a tool to examine financial trends and identify opportunities, particularly as new services or programs are evaluated. The financial forecast serves as the mechanism to ensure these investments, commitments, and contractual obligations “pencil” for at least six years.

With each budget, the City updates expenditure and revenue projections for the next six years. Projections include estimated operating costs for capital improvements that are included in the capital budget. This budget data is presented to the City Council in a form that facilitates budget decisions, based on a multi-year perspective. This forecast is intended to be an internal planning tool and is included in the biennial budget document and updated at least annually as part of the adopted budget process in the even years and the mid-biennial review in the odd years.

In compliance with the Growth Management Act legislation within the State of Washington, the City is updates its 6-Year Capital Improvement Plan which includes an inventory of existing facilities, a forecast of future needs, proposed locations, capacities for new or expanded facilities, and a financing plan. The financing plan outlines the costs, revenues, and time schedule for each capital improvement project. Capital project proposals include as complete, reliable and attainable costs estimates as possible. Project costs are based on a thorough analysis of the projects and are expected to be as reliable as the level of detail known about a project. Project cost estimates vary in reliability depending on whether they are to be undertaken in the first, second, or third biennium of the plan.

MAJOR INITIATIVES AND ACCOMPLISHMENTS

Continued Pursuit of Economic Development Activities: The City continues to support a dynamic and robust local economy through implementation of an effective development strategy. The objectives and action strategies include:

- Balanced and sustainable growth by implementing an economic development strategy that will create jobs and improve the tax based in the community with particular focus on the community’s commercial corridors.
- Provide leadership and strategic guidance concerning economic development, including coordination with various stakeholders.
- Create collaborative and effective working partnerships with the business community, and other key organizations to effectively manage the City’s regulatory environment while accomplishing economic development goals.
- Update and implement the Comprehensive Plan, Community Vision and key development regulations and other policies such as housing and capital facilities plan (CFP) in partnership with residents, neighborhoods and businesses.
- Attract new housing development to accommodate military and all segments of population.
- Explore ways the City can effectively stimulate economic development with our economic partners to address community-wide economic development issues (e.g., assistance to existing businesses, business recognition, business retention and expansion strategies, business attraction strategies, community marketing).
- Promote an attractive Lakewood image to include a positive message about doing business in the City and leverage existing competitive advantages such as location, access, military, lakes, parks, golf courses, civic and community involvement, transit options, and wide variety of retail, restaurant and cultural activities.
- Promote better access (e.g., I-5, Bridgeport, Gravelly Lake Drive, 100th, 108th) and increase visibility to Towne Center and other commercial centers to take advantage of proximity to I-5 and six freeway exits.
- If feasible, pursue annexation of selected areas within the City’s Urban Growth Area (UGA).

Rental Housing Safety Program: Following a year and a half of discussion and community input, the Lakewood City Council adopted a Rental Housing Safety Program (RHSP) on August 1, 2016. The City recognizes that the

Rental housing Safety Program will protect the public health, safety and welfare of tenants by encouraging proper maintenance of residential housing, by identifying and requiring correction of substandard housing conditions, and by preventing conditions of deterioration and flight that could adversely impact the quality of life in Lakewood. The City implemented the RHSP in October 2017. All rental property owners were required to register their properties by the end of November 2017 and have the property inspected every five years. The Tacoma-Pierce County Health Department awarded the City's RHSP a Healthy Communities Award at the platinum level in 2017.

Springbrook Park: Springbrook Park was one of two parks featured during a Washington Wildlife and Recreation Coalition annual breakfast held in Seattle in September 2017 at attending by Gov. Jay Inslee. The state's Recreation and Conservation Office contributed nearly \$200,000 to the city's park expansion project that also included upgrading the play structure, picnic shelter and expanding the community garden. The Tacoma-Pierce County Health Department awarded the City's Springbrook Park a Healthy Communities Award at the platinum level in 2017.

Fort Steilacoom Park: Fort Steilacoom Park's off-leash dog park was named "Best of Western Washington" in 2017 by King 5 Evening Magazine for its 25th Annual "Best of Western Washington" awards competition beating out Marymoor Dog Park on the Eastside and Seattle's Magnuson Park.

Unmanned Aerial System: In November 2017, the City of Lakewood Police Department launched its Unmanned Aircraft Systems (UAS) Program. The City's Police Department worked with the City's Public Safety Advisory Committee to draft policy regulations on the city's use of the technology and the FAA issued a Certificate of Authorization after vetting and approving the regulations. Per the City's policies, the UAS can be used only for specific operations. This includes assessing damage in hazardous conditions; assisting with search and rescue; and providing awareness to support officers in emergency situations; documenting traffic collisions; and collecting evidence of a crime (under an approved judicial warrant). The Department maintains its priorities on safety, transparency and privacy. Usage of the UAS Program is reported publicly on a monthly basis.

Phlebotomy Program: In March 2017 the City of Lakewood Police Department is the first in the state to eliminate taking DUI suspects to hospitals, and instead draw blood for evidence at the station. The blood draws are done under a warrant and the equipment and procedures are the same used in hospitals. The only difference is the person performing the procedures is a Lakewood police officer instead of a hospital employee. The new program helps Lakewood Police streamline its investigations and help catch more impaired drivers. The time savings allows officers to get out of the hospital waiting rooms and back on the roads to process more DUIs which will ultimately make roads safer. The Washington Safety Traffic Commission provided \$50,000 in grant funding towards this program. In April 2018 the City received the Municipal Excellence Award for Public Safety for the Phlebotomy Program.

OUTLOOK FOR THE FUTURE

The City Council sets the vision for our City and adopts goals to reflect that vision and guide decision-making at all levels of City government. The goal setting process also builds consensus on policies and projects that impact City residents, businesses and the community as a whole.

On October 19, 2015, the City Council adopted the following visioning statement (Resolution No. 2015-30). This visioning statement replaces an earlier version, which came about in 1996 in response to some of the issues facing Lakewood just after incorporation. Since that time, many of the City's goals and objectives have been accomplished, and, thus, the need to update the visioning statement. The new vision statement (below) addresses community attitudes concerning current and anticipated issues affecting the City.

Our VISION for Lakewood is a thriving, urban, South Puget Sound City, possessing the core values of family, community, education, and economic prosperity. We will advance these values by recognizing our past, taking action in the present, and pursuing a dynamic future.

The City Council's VISION for Lakewood at its 30 Year Anniversary is a community:

- Inspired by its own sense of history and progress;
- Known for its safe and attractive neighborhoods, vibrant downtown, active arts and cultural communities;

- Sustained by robust economic growth and job creation;
- Recognized for the excellence of its public and private schools, and its community and technical colleges;
- Characterized by the beauty of its lakes, parks and natural environment;
- Acknowledged for excellence in the delivery of municipal services;
- Leveraging and embracing of our diversity; and,
- Supportive of Joint Base Lewis McChord (JBLM), Camp Murray, service members and their families.

The following five goals originally adopted by the City Council in July 2014, reaffirmed and modified in April 2016 by the City Council, provide overall policy guidance for the budget, and serve as a basis for decisions and recommendations for the years 2017-2018 and beyond.

The purpose of the goals are to guide the allocation of resources through the budget and capital improvement program to assure that organizational work plans and projects are developed that incrementally move the community toward positive change and the stated goals.

Goal 1: Fiscal Responsibility

The City of Lakewood maintains a strong fiscal position providing quality municipal services

Policy Objectives & Action Strategies

- Support a stronger, more prosperous community by making smart investments that accomplish lasting, tangible returns
- Adjust to changes in the service requirements of the community, maximizing resources and creating meaningful performance measures for programs and services
- Focus on total financial picture of the City rather than single-issue areas and promote long-term financial forecasting in support of day-to-day operations
- Continuously evaluate City revenues and expenditures with a view of maintaining a strong fiscal position while providing quality municipal services
- Perform organizational structure review for economic efficiencies and effectiveness, including contract services and vendors
- Do not balance the operating budget with one-time monies and/or reserves; one-time monies should be used for one-time projects, not ongoing or reoccurring programs
- Use performance measures and benchmark key community characteristics

Goal 2: Public Safety

The City of Lakewood is one of the safest cities in Washington State.

Policy Objectives & Action Strategies

- The City of Lakewood is safe
- Residents and visitors will experience a sense of safety in all neighborhoods and in all activities in the City of Lakewood
- Ensure adequate resources are available to maintain and ensure health, welfare, and safety of community
- Enhance community safety through expanded public awareness and educational programs

Goal 3: Economic Development

The City of Lakewood supports a dynamic and robust local economy through implementation of an effective economic development strategy.

Policy Objectives & Action Strategies

- Lakewood will support a dynamic and robust local economy with balanced and sustainable growth by implementing an economic development strategy that will create jobs and improve the tax base in the community with a particular focus on the community's commercial corridors
- Provide leadership and strategic guidance concerning economic development, including coordination with various stakeholders
- Create collaborative and effective working partnerships with the business community, and other key organizations to effectively manage the City's regulatory environment while accomplishing economic development goals
- Update and implement the Comprehensive Plan, Community Vision and key development regulations and other policies such as housing and capital facilities plan (CFP) in partnership with residents, neighborhoods and businesses
- Attract new housing development to accommodate military and all segments of population
- Explore ways the City can effectively stimulate economic development with our economic partners to address community-wide economic development issues (e.g., assistance to existing businesses, business recognition, business retention and expansion strategies, business attraction strategies, community marketing)
- Promote an attractive Lakewood image to include a positive message about doing business in the City and leverage existing competitive advantages such as location, access, military, lakes, parks, golf courses, civic and community involvement, transit options, and wide variety of retail, restaurant and cultural activities.
- Promote better access (e.g., I-5, Bridgeport, Gravelly Lake Dr, 100th, 108th) and increase visibility to Towne Center and other commercial centers to take advantage of proximity to I-5 and six freeway exits
- If feasible, pursue annexation of selected areas within the City's Urban Growth Area (UGA)

Goal 4: Dependable Infrastructure

The City of Lakewood provides a safe, clean, and well-maintained community and provides preventative maintenance to avoid greater replacement costs.

Policy Objectives & Action Strategies

- Implement a capital improvement program that provides a safe, clean, and well-maintained community for the enjoyment of all residents and to provide preventive maintenance to avoid greater replacement costs
- Identify, review and prioritize capital infrastructure projects for transportation and parks
- Explore, identify and develop long-term funding strategies to maintain the City's infrastructure assets (i.e., Transportation Benefit District, voter-approved initiative, grants, etc.)
- Enhance curb appeal with ramp beautification, well maintained properties on major thoroughfares, right of way maintenance, and beautification plan for all entry points to the City
- Develop and implement a vision for parks and public spaces to improve quality of life and attract residents

Goal 5: Transparency

The City of Lakewood engages the community in City government to include providing timely and accurate information about City services as well as information about City actions and decisions.

Policy Objectives & Action Strategies

- Enhance and promote the community's image – “#IamLakewood”
- Develop and implement a coordinated communication and engagement plan that will better allow the City to share information about the good work the City is doing, as well as obtain feedback from those the City serves about community priorities and public services
- Engage the community in City government to include providing timely and accurate information about City services and openly share information about City actions and decisions
- Ensure transparency between the City as an organization and the community to encourage and promote citizen and civic engagement
- Actively participate in local and regional issues that impact the Lakewood community to include coordination and partnerships with military partners and educational institutions
- Committed to developing and maintaining a professional, highly qualified, well-trained, and service-oriented City workforce that utilizes sound business practices rooted in accountability, ethical behavior, efficiency, technology, effectiveness, and responsiveness in the delivery of city services
- Promote the interests and needs of Lakewood in local, state, and national affairs
 - Support human services for the benefit of residents of all ages
 - Continue to promote and partner with various volunteer groups

In addition to the adopted Vision Statement and City Council goals, there are operational values that guide how the City's organization works toward goal achievement:

- Regional Partnerships -- Lakewood encourages and participates in regional approaches to service delivery to the extent that a regional model produces efficiencies and cost savings, and ultimately improves service to our citizens;
- Efficiency -- Lakewood is committed to providing public services in the most efficient manner possible and maximizing the public's return on their investment;
- Accountability -- The City of Lakewood is accountable to the community for the achievement of goals. To that end, meaningful performance measures will be developed for each goal area to track our progress toward the stated goals; and
- Proactive Focus -- Lakewood proactively focuses on the total condition of the City and promotes long-term financial and strategic forecasting and planning.

Each adopted goal also includes specific policy objectives and action strategies as well as a work plan outlining priority projects identified to implement each goal. These latter items and projects are not inclusive of all activities and services provided or undertaken by City departments, though they represent the leading priorities.

FINANCIAL INFORMATION

The City of Lakewood is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft, or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: 1) the cost of a control should not exceed the benefits likely to be derived, and 2) the evaluation of relative costs and benefits of the control system requires estimates and judgments by management.

Independent Audit

State law requires an annual audit of all City books of account, financial records, and transactions by the State Auditor, an independently elected state official. The Auditor has broad legal authority to inquire into all financial and legal compliance matters and such audits are considered equal to audits by certified public accounting firms. The 2017 financial audit of the City is complete and was conducted in conformance with General Accepted Auditing Standards. The financial statements of all City funds have been included in this audit. The City has been given an unmodified ("clean") opinion on the annual financial statements in 2017 for the 20th consecutive year. The State Auditor's report on the basic financial statements is included in the financial section of this report.

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Lakewood for its comprehensive annual financial report (CAFR) for the year ended December 31, 2016. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The City also issued its first Popular Annual Financial Report (PAFR) for the year ended December 31, 2016 and also received recognition from GFOA in the form of its PAFR award. The PAFR is an easy-to-read version of the City's CAFR designed to provide citizens with an overview of the City's finances.

The City of Lakewood received the Government Finance Officers Association Distinguished Budget Presentation Award for its biennial budget for the years beginning January 1, 2017 and 2018. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, a financial plan, an operations guide, and a communications medium.

ACKNOWLEDGEMENTS

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the finance division. In addition, staff in all City departments should be recognized for responding so positively to the requests for detailed information which accompany each audit. The role of the State Auditor's Office should also be acknowledged as a significant contribution to a fine product. Finally, we wish to express our appreciation to the Mayor and City Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City's finances and for providing the firm foundation for the pursuit of excellence in all realms of professional endeavors.

Respectfully submitted,



John J. Caulfield
City Manager



Tho Kraus
Assistant City Manager/Administrative Services Director

CITY OFFICIALS



DON ANDERSON
Mayor



JASON WHALEN
Deputy Mayor



MARY MOSS
Councilmember



MARIE BARTH
Councilmember



PAUL BOCCHI
Councilmember



JOHN SIMPSON
Councilmember

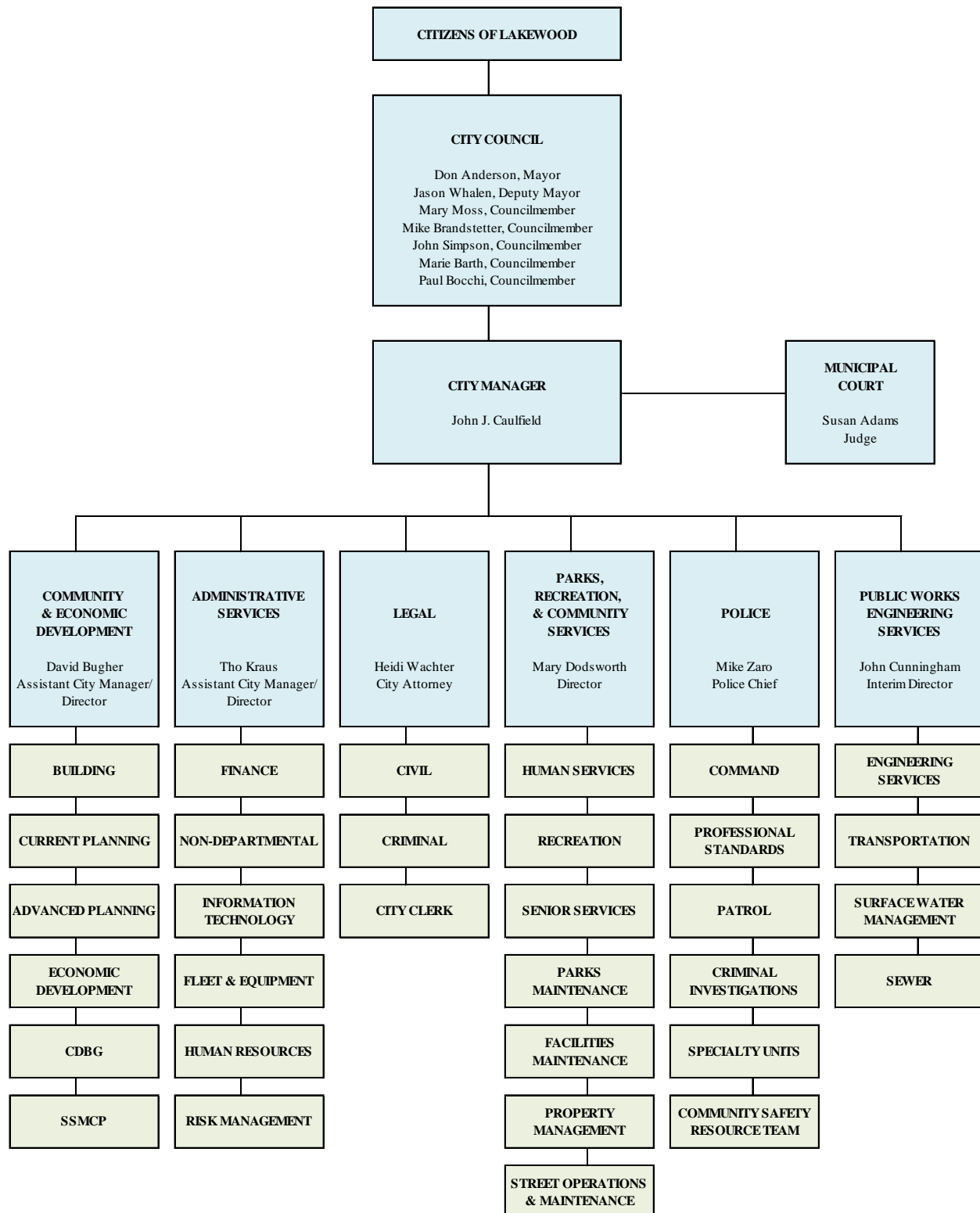


**MICHAEL D.
BRANDSTETTER**
Councilmember

ADMINISTRATIVE STAFF

City Manager	John J. Caulfield
Assistant City Manager/Administrative Services	Tho Kraus
Assistant City Manager/Development Services.....	M. David Bugher
City Attorney	Heidi Wachter
Police Chief	Mike Zaro
Municipal Court Judge	Susan Adams
Public Works Director (Interim).....	John Cunningham
Parks, Recreation, and Community Services Director.....	Mary Dodsworth
Human Resources Director.....	Mary McDougal
City Clerk	Alice Bush

CITY-WIDE ORGANIZATION CHART





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Lakewood
Washington**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2016

Christopher P. Morrell

Executive Director/CEO

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**Office of the Washington State Auditor
Pat McCarthy**

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

June 25, 2018

Mayor and City Council
City of Lakewood
Lakewood, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Lakewood, Pierce County, Washington, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Lakewood, as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General and Community Development Block Grant funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 16 to the financial statements, in 2017, the City adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information


Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining financial statements and schedules are presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. This information has been subjected to auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Our audit was conducted for the sole purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The Introductory and Statistical Sections is presented for purposes of additional analysis and is not a required part of the basic financial statements of the City. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we will also issue our report dated June 25, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report will be issued under separate cover in the City's Single Audit Report. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Sincerely,

A handwritten signature in black ink, appearing to read "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy

State Auditor

Olympia, WA

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Lakewood's annual financial report provides a narrative overview of the City's financial activities for the fiscal year ended December 31, 2017. This information should be read in conjunction with the preceding letter of transmittal, the financial statements and notes to the financial statements that follow.

FINANCIAL HIGHLIGHTS

- The total assets of the City of Lakewood exceeded its liabilities at December 31, 2017 by \$197.2 million. Capital assets (net of depreciation and related debt) account for 83% of this amount with a value of \$164.4 million. Of the remaining net position of \$32.8 million or 17%, \$26.3 million may be used to meet the government's ongoing obligations to citizens and creditors, without legal restriction.
- The City's total net position increased by \$10.5 million, or 6% compared to 2016. Governmental activities increased by \$12 million and business-type activities decreased by \$1.5 million.
- Net investment in capital assets for governmental activities increased by \$10.6 million and unrestricted net position increased by \$2.3 million compared to 2016.
- Restricted net position decreased by \$900 thousand, or 12% and is largely due to a decrease in funding of grants and capital projects.
- Governmental fund balances at year-end were \$17.8 million, a \$1.4 million increase over the prior year. Of this amount, a total of \$9.1 million, or 51% of the governmental fund balance is unassigned and available to fund ongoing activities. The remaining is earmarked for parks, transportation and sewer capital projects, local improvement district related debt, hotel/motel lodging tax, police seizure, grants, public works trust fund loan debt, petty cash, property abatement, and public art.
- Unassigned fund balance in the general fund was \$9.1 million, which increased by \$1.2 million or 16% from the prior year.
- The City's debt decreased by \$404 thousand during the current fiscal year. The City received a Section 108 Loan of \$141 thousand, however this was offset by debt amounts redeemed of \$956 thousand in general obligation debt, public works trust fund loans, promissory note, special assessments debt, and capital lease which decreased by \$215 thousand, \$428 thousand, \$57 thousand, \$235 thousand, and \$19 thousand respectively. These changes reflect the annual debt service payments.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of Lakewood's 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.

In addition to the required components, the City's annual report also includes other supplementary information. The first set of supplementary information is the Combining Statements. These provide Balance Sheets, Schedules of Revenues, Expenditures, and Changes in Fund Balances with Budget to Actual Comparisons, Statement of Net Position, and Cash Flows for all Non-Major Funds. The other set of supplementary information is the Statistical Section. This section provides an eight to ten-year (number of years presented based on availability of information) view of the City's revenues, expenditures, debt obligations and capacity, the City's largest taxpayers, and those entities with the largest employment within the City of Lakewood. This section provides a long-term perspective on the City's economy.

Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Lakewood's finances in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the City of Lakewood's assets and deferred outflows liabilities, and deferred inflows, with the difference reported as *net position*. This statement serves a purpose similar to that of a balance sheet in private business. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The **Statement of Activities** presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Lakewood that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Lakewood include law enforcement and public safety, construction and maintenance of streets, building inspection, municipal court services, jail services, community planning and development services, parks and recreation facilities, other community services and general administration. The business-type activities of the City include surface water management.

The City has no separately identified component units included in the government-wide financial statements or joint ventures.

The government-wide financial statements can be found immediately following this MD&A.

Fund Financial Statements

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

Governmental Funds

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Lakewood maintains twenty-two individual governmental funds. The City's four major governmental funds, the General Fund, CDBG Fund, LID Debt Service Fund, and Transportation Capital Fund are presented separately in the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances. The remaining governmental funds are combined into a single column labeled Nonmajor Governmental Funds. Individual fund data for each of the nonmajor governmental funds can be found in combining statements later on in this report.

The City maintains control over its operating funds through the adoption of the biennial budget. Budgets are adopted at the fund level and according to state law. A budgetary comparison statement is presented for the General Fund and CDBG Fund as a basic financial statement.

The basic governmental fund financial statements can be found on pages after the government-wide statements of this report.

Proprietary Funds

The City of Lakewood maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide statements. The City uses enterprise funds to account for its surface water management. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its fleet and equipment, information technology, property management and risk management.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Surface Water Management Fund. The internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found following the governmental fund statements of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents the combining statements for non-major governmental funds, internal service funds, and capital assets of governmental funds.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

This section provides analysis of the government-wide financial statements including long-term and short-term information about the City's overall financial condition. The following tables address the financial results of the City as a whole.

CONDENSED STATEMENT OF NET POSITION As of December 31, 2017 and 2016

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 34,621,202	\$ 30,757,671	\$ 5,163,606	\$ 5,765,742	\$ 39,784,808	\$ 36,523,413
Capital assets and CIP, net of accum. depreciation	142,553,476	132,957,013	30,989,333	31,816,333	173,542,809	164,773,346
Total Assets	177,174,678	163,714,684	36,152,939	37,582,075	213,327,617	201,296,759
Deferred outflows of resources	557,736	1,528,386	-	-	557,736	1,528,386
Total deferred outflows of resources	557,736	1,528,386	-	-	557,736	632,205
Current liabilities	5,120,841	4,988,162	259,820	120,839	5,380,661	5,109,001
Long-term liabilities	9,951,213	10,947,617	70,166	65,057	10,021,379	11,012,674
Total Liabilities	15,072,054	15,935,779	329,986	185,896	15,402,040	16,121,675
Deferred inflows of resources	1,315,364	-	-	-	1,315,364	-
Total deferred outflows of resources	1,315,364	-	-	-	1,315,364	1,060,637
Net Position:						
Net investment in capital assets	133,424,522	122,799,092	30,989,333	31,816,333	164,413,855	154,615,425
Restricted	6,503,131	7,394,971	-	-	6,503,131	7,394,971
Unrestricted	21,417,344	19,113,228	4,833,620	5,579,846	26,250,964	24,693,074
Total Net Position	\$ 161,344,996	\$ 149,307,289	\$ 35,822,953	\$ 37,396,179	\$ 197,167,949	\$ 186,703,468

Analysis of Net Position

Total net position of the primary government of \$197.2 million at December 31, 2017 increased \$10.5 million or 6% compared to December 31, 2016. The increase is due to general governmental activities which increased by \$12 million, offset by a decrease in business type activities of \$1.5 million.

The largest component of the City's net position, 83% or \$164.4 million, is its net investment in capital assets. These capital assets such as land, streets, trails, parks, police vehicles, and parks equipment are used to provide services to the citizens. Consequently, these assets are not available to sell and convert to cash for future spending.

Approximately 53.5% or \$3.5 million of the City's restricted net position is earmarked for capital improvement projects. \$2.5 million is earmarked to the Transportation Capital Fund, and \$950 thousand is earmarked for capital in the Real Estate Excise Tax Fund. Some of the major projects are Bridgeport Way 83rd-75th, Madigan Access Improvements, Lakewood Traffic Signal Upgrade Phase IV, GLD – 100th to Bridgeport Way, Bridgeport Way JBLM – I-5, and Lakewood Dr – 100th St to Steilacoom Blvd. The City attempts to fund capital construction projects on a pay-as-you-go basis, aggressively pursuing transportation grant funding and cost sharing with developers to construct large projects in the City that impact the transportation system.

The balance of the City's restricted net position of \$3.0 million is divided as follows: \$925 thousand or 14.6% for debt service payments; \$1.5 million or 23.3% for Hotel/Motel Lodging Tax for tourism and related activities, \$105 thousand or 1.6% for the Neighborhood Stabilization Program grant; \$95 thousand or 1.5% for the Office of Economic Adjustment grant, and \$52 thousand or 0.8% for Community Development Block grants; \$332 thousand or 5.1% for law enforcement operations. Of the \$26.3 million unrestricted net position, \$4.7 million is earmarked for Surface Water Management and \$21.6 million may be used to meet ongoing obligations to citizens and creditors. Examples of other City obligations for which the remaining unrestricted net position may be used are public safety, parks maintenance, capital projects, street operations and maintenance.

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

Governmental Activities

Current and other assets increased by \$3.8 million or 12.6% primarily due to a \$2.9 million increase in cash and cash equivalents due to increases in tax revenue (sales tax, excise tax, property tax) and grants, a 2.8 million increase of net pension asset for LEOFF GASB 68 pension reporting and an increase of \$600 thousand in receivables which were offset by a decrease of a of \$2.5 million in due from other governments.

Capitals assets and construction in progress, net of accumulated depreciation increased \$9.6 million or 7.2% primarily due to a net increase in capital improvement projects in the Transportation Construction in Progress (CIP) Fund. \$1.7 million for Gravelley Lake Dr (100th to Bridgeport), \$1.5 million South Tacoma Way (SR512 to 96th), \$1.7 million South Tacoma Way (Steilacoom to 88th), \$1.2 million for Lakewood Drive (100th to Steilacoom), and \$1.7 for Lakeview Ave Sidewalk Improvements. Land decreased by \$143 thousand due to the sale of 12611 Lakeland Ave SW which was offset by various small land purchases of \$77 thousand. Buildings and Improvements other than buildings had a net increase of \$18.5 million primarily to an increase in 22.9 million in infrastructure offset by \$4.4 million in the current year depreciation on the assets.

Long-term liabilities decreased by \$1.0 million or 9.1% due to City debt payments of \$955 thousand in 2017.

Other liabilities increased by \$133 thousand or 2.7% due to an increase of \$70 thousand in unearned revenue, increase of \$117 thousand in long-term debt due in one year, and an increase of \$190 thousand in contracts payable. These were offset by a decrease of \$217 thousand in due to other governments and a decrease of \$26 thousand in accounts payable/accruals due to timing of invoice payments.

Net investments in capital assets increased \$10.6 million or 8.7% primarily due to an increase in transportation capital assets.

Restricted net position for capital projects, amounts that must be used in accordance with external restrictions, decreased by \$900 thousand or 12.1% from the prior year primarily due to an decrease for capital projects of \$500

Business-Type Activities

Current and other assets decreased by \$602 thousand or 10.4% primarily due to capital project expenditures.

Capital assets and construction in progress, net of accumulated depreciation decreased by \$827 thousand or 2.6% due to depreciation of \$1.2 million and \$23 thousand for depreciation of infrastructure and machinery and equipment respectively. This decrease was offset by additions to construction in progress of \$444 thousand for the Stormwater Pipe Repair Project.

Current liabilities increased by \$139 thousand or 115% in 2017 due to an increase of \$229 thousand in accounts payable and accruals at the end of the year.

Net investments in capital assets decreased \$827 thousand or 2.6% primarily due to depreciation in Surface Water Management capital assets. The City had no restricted net position for business-type activities. Unrestricted net position decreased by \$746 thousand or 13.47% due primarily to the increase in transfers to parks and transportation capital projects for SWM's share of costs.

CHANGES IN NET POSITION
For the Years Ended December 31, 2017 and 2016

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Programs revenues:						
Charges for services	\$ 10,797,686	\$ 9,888,918	\$ 2,755,233	\$ 2,768,497	\$ 13,552,919	\$ 12,657,415
Operating grants & contrib.	5,125,971	5,048,177	-	-	5,125,971	5,048,177
Capital grants & contrib.	7,150,995	12,519,419	144,049	190,114	7,295,044	12,709,533
General revenues:						
Property tax	6,843,704	6,711,978	-	-	6,843,704	6,711,978
Sales tax	11,629,404	10,735,916	-	-	11,629,404	10,735,916
Utility tax	5,744,060	5,629,010	-	-	5,744,060	5,629,010
Excise tax	2,467,571	2,124,791	-	-	2,467,571	2,124,791
Gambling tax	2,800,955	2,711,471	-	-	2,800,955	2,711,471
Lodging tax	762,199	757,364	-	-	762,199	757,364
Other tax	1,361,903	1,382,182	-	-	1,361,903	1,382,182
Gain on sale of capital assets	182,774	-	-	-	-	-
Investment earning	319,320	213,928	48,226	23,246	367,546	237,174
Miscellaneous	482,026	495,120	-	-	482,026	495,120
Total Revenue	<u>55,668,569</u>	<u>58,218,274</u>	<u>2,947,508</u>	<u>2,981,857</u>	<u>58,616,077</u>	<u>61,200,131</u>
Expenses:						
General government	4,519,656	4,306,296	-	-	4,519,656	4,306,296
Public safety	23,944,267	23,470,955	-	-	23,944,267	23,470,955
Utilities and environment	34,619	28,018	-	-	34,619	28,018
Transportation	6,762,984	6,340,733	-	-	6,762,984	6,340,733
Social Services	624,357	628,740	-	-	624,357	628,740
Economic environment	4,305,626	3,843,329	-	-	4,305,626	3,843,329
Natural environment	286,053	248,901	-	-	286,053	248,901
Culture and recreation	2,184,826	2,088,021	-	-	2,184,826	2,088,021
Judicial	1,750,272	1,644,719	-	-	1,750,272	1,644,719
Interest on long-term debt	210,858	233,235	-	-	210,858	233,235
Surface water management	-	-	3,528,083	3,337,572	3,528,083	3,337,572
Total Expenses	<u>44,623,518</u>	<u>42,832,947</u>	<u>3,528,083</u>	<u>3,337,572</u>	<u>48,151,601</u>	<u>46,170,519</u>
Change in net position before transfers	11,045,051	15,385,327	(580,575)	(355,715)	10,464,476	15,029,612
Transfers	<u>992,651</u>	<u>908,896</u>	<u>(992,651)</u>	<u>(908,896)</u>	<u>-</u>	<u>-</u>
Change in net position	12,037,702	16,294,223	(1,573,226)	(1,264,611)	10,464,476	15,029,612
Net position - beginning	149,307,292	133,013,067	37,396,179	38,660,790	186,703,471	171,673,857
Net position - ending	\$ 161,344,996	\$ 149,307,289	\$ 35,822,953	\$ 37,396,179	\$ 197,167,949	\$ 186,703,468

Analysis of the Change in Net Position

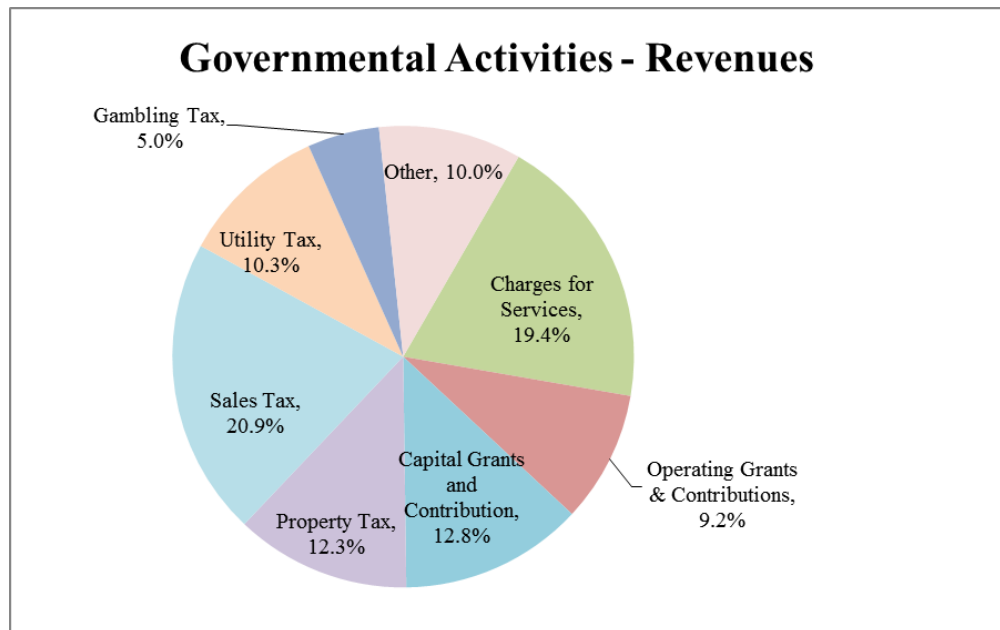
Total government-wide revenues of the primary government decreased \$2.6 million or 4.2% and total expenses increased \$2 million or 4.3% from the prior year. These changes are discussed in more detail below.

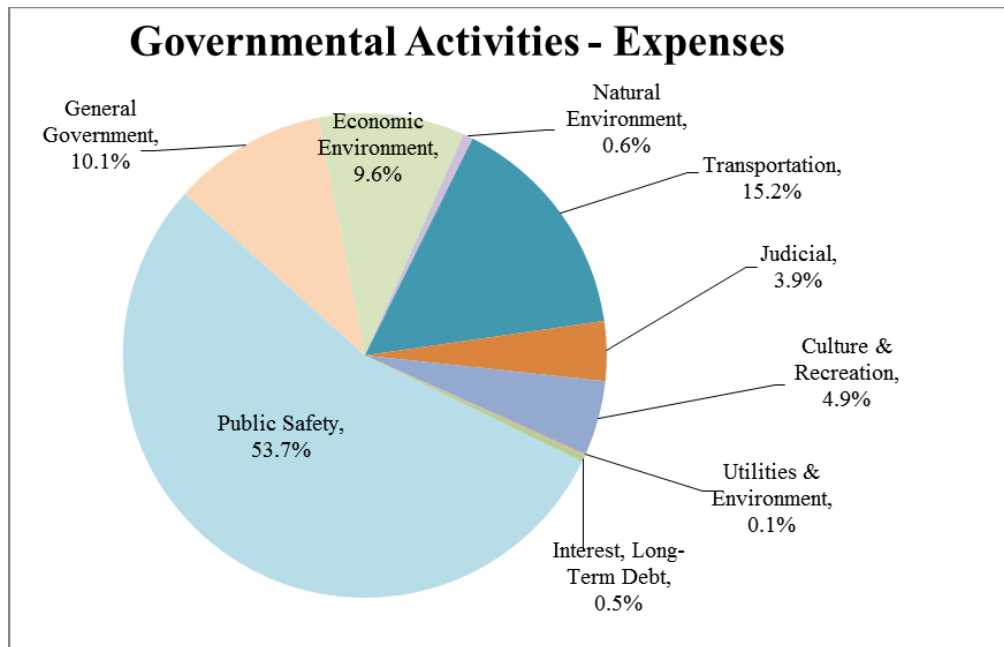
Governmental Activities

Compared to 2016, governmental activities decreased the City's change in net position by \$4.2 million or 28.2% of the total change in net position of \$4.5 million (refer to the comparative Changes in Net Position statement on the previous page). Total revenues for governmental activities from prior year decreased \$2.5 million or 4.4%.

The decrease is mainly due to: \$4.9 million or 85.5% decrease in transportation capital grants & contributions; \$578 thousand or 1.11% decrease in culture and recreation capital grants & contributions. These decreases were offset by increases of \$900 thousand in charges from services from franchise fees, building permits, plan check fees, and extra duty contract revenue and \$1.5 million combined increase for property, sales, excise, and hotel/lodging taxes.

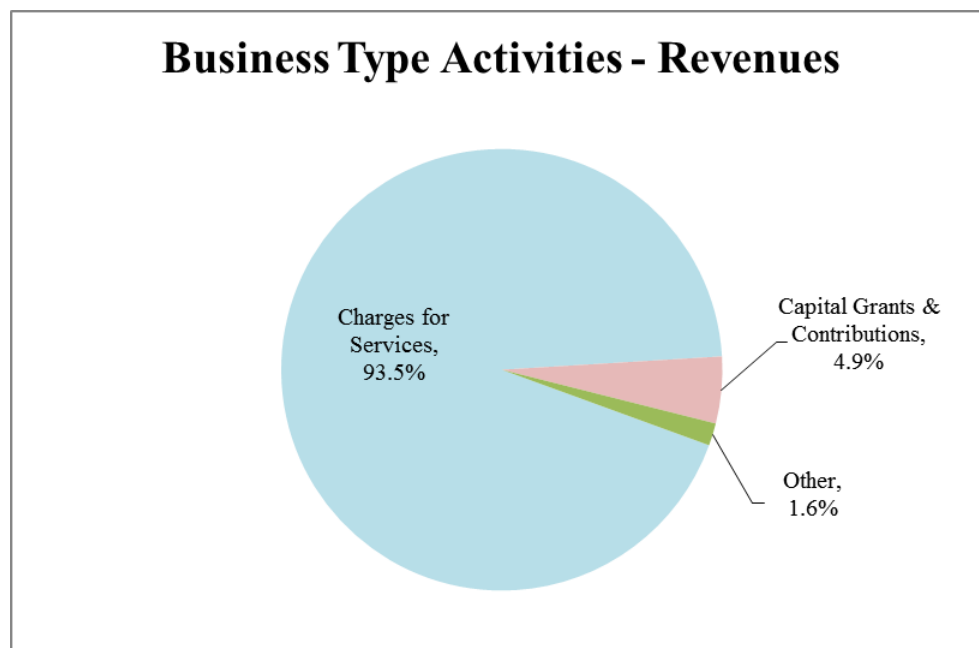
Total expenses for governmental activities increased \$1.7 million or 4.2%. The increase is mainly due to a \$470 thousand or 2.0% increase in public safety expenses, \$420 thousand or 6.7% increase in transportation expenses and \$460 thousand increase or 12% in economic environment expenses as well as a combined increase of \$460 thousand in general government, utilities and environment, natural environment, culture and recreation and judicial. These increases were offset by \$27 thousand decreases in social service and interest on long-term debt. Transfers had a net increase of \$84 thousand.





Business-Type Activities

Compared to 2016, business-type activities of the City's Surface Water Management system decreased the City's net position by \$300 thousand (refer to previous comparative Changes in Net Position). Key elements of the decrease are as follows: total revenues decreased by only \$34 thousand or 1.2% from 2016 and capital grants and contributions decreased by \$46 thousand in 2017. Total expenditures increased by \$190 thousand or 5.7% from 2016. The increase is primarily due to an increase in operational expenses within the surface water management utility.



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City of Lakewood uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City of Lakewood's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of 2017, the City's governmental funds had a combined ending fund balance of \$17.7 million which increased by \$1.4 million or 8.6% from the prior year. Approximately \$9.2 million or 51% of this amount constitutes unassigned General Fund balance, which is available for spending at the City Council's discretion. The remainder of the fund balance is restricted (\$6.5 million) or committed (\$2.1 million) to indicate that it is not available for new spending because it has already been earmarked as previously discussed in the financial highlights.

The General Fund is the chief operating fund of the City. Total fund balance increased \$1.2 million or 15.7%. The increase in fund balance is due to a combination of revenue increases (property tax, sales tax, parks sales tax, criminal justice sales tax, gambling tax, franchise fee). Overall revenues for the General Fund increased by \$2.2 million or 6% compared to 2016 and overall expenditures increased by \$2 million or 6% compared to 2016.

The CDBG Fund was established to account for revenues and expenditures associated with Community Development Block Grants (CDBG) and HOME Investment Partnership Act grants. Revenue and other resources reported in this fund include direct and indirect federal grants and state grants. The Grant Fund's ending fund balance increased by \$12 thousand in 2017. The increase is due to timing of revolving loan expenditures.

The LID Debt Service Fund was created to account for the payment of special assessment bonds as well as the collection of assessments from property owners within the local improvement district (LID). Ending fund balance decreased by \$83 thousand dollars due to a partial redemption of \$180 thousand in 2017 due to early payoff of debt by a major payer in 2015.

The Transportation Capital Projects Fund was established to account for capital projects related to street infrastructure. In 2017 the ending fund balance decreased \$500 thousand due to an overall decrease in funding and an increase in transportation expenses on various projects.

Proprietary Fund

The City of Lakewood's proprietary funds provide the same type of information found in the government-wide, but in more detail. Unrestricted net position of the Surface Water Management Fund at the end of the year amounted to \$4.8 million and the total change in net position was a decrease of \$1.5 million. Other factors concerning the finances of this fund have already been addressed in the discussion of the City of Lakewood's business-type activities.

GENERAL FUND BUDGETARY AND ACTUAL HIGHLIGHTS

The City of Lakewood budgets on a biennial basis with each budget beginning in an odd numbered year. Appropriations for operating funds are authorized for two years, but must be reviewed and reauthorized by the City Council in the middle of the biennial period. In 2017, the City made three budget adjustments. The following discussion is reflective only of the current year of the biennium.

The General Fund operating expenditure budget increased by \$1.4 million between the original adopted budget and the final adjusted budget for 2017 fiscal year. The following are the major changes for the 2017 budget:

- Added \$260 thousand for Subarea Plan
- Added \$650 thousand for Parks CIP Fort Steilacoom Park Driveway
- Added \$177 thousand for implementation of AFSCME Collective Bargaining Agreement
- Added \$125 thousand for Pavement Patching Equipment

The following are the major adjustments to the revenues and other sources totaling \$1 million:

- Added \$648 thousand in various tax revenue collection increases
- Added \$144 thousand in court contracts (2016 Court Cost True Up)
- Added \$97 thousand in development service fees

The General Fund's ending fund balance of \$9.2 million is \$3 million above the projected \$6.2 million for 2017 year-end. Compared to budget, revenues and other sources exceeded estimates by \$1.7 million or 4.7% while expenditures were below estimates by \$1 million or 2.7%.

- Revenues and other sources exceeding budget estimates include: \$500 thousand in sales tax; \$83 thousand in criminal justice sales tax; \$91 thousand in utility tax; \$100 thousand in gambling tax \$175 thousand in licenses and permits; \$225 thousand in charges and services; \$141 thousand in fines and penalties and \$368 thousand in grants and other one-time sources.
- Operating expenditures and other uses were below budget estimates by \$1 million thousand due to savings in: personnel costs of \$317 thousand; professional services of \$92 thousand; travel and training of \$17 thousand; and internal service charges (fleet and equipment reserves and fuel) of \$700 thousand.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City of Lakewood's investment in capital assets for its governmental and business-type activities as of December 31, 2017 amounts to \$173.5 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, infrastructure, and construction in progress. For more details, please see Note 7.

CAPITAL ASSETS AT YEAR-END, NET OF DEPRECIATION

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 21,757,535	\$ 21,901,693	\$ 1,854,447	\$ 1,854,447	\$ 23,611,982	\$ 23,756,140
Construction in progress	13,983,615	23,662,885	844,321	400,790	14,827,936	24,063,675
Building	20,692,064	21,216,390	1,757,415	1,794,548	22,449,479	23,010,938
Infrastructure	81,585,369	62,518,740	26,408,546	27,618,593	107,993,915	90,137,334
Machinery and equipment	4,535,569	3,657,308	124,604	147,954	4,660,173	3,805,262
Total Capital Assets	\$ 142,554,152	\$ 132,957,017	\$ 30,989,333	\$ 31,816,333	\$ 173,543,485	\$ 164,773,350

Major capital asset events during the current fiscal year included the expansion and improvement of city streets and traffic corridors for a total of \$19 million.

Long-term debt

At the end of 2017, the City of Lakewood had total GO bonded debt outstanding of \$3.4 million for future principal payments which are backed by the full faith and credit of the government. The remainder of the City's debt represents Public Works Trust Fund Loans, Special Assessment Bonds, Notes Payable, and Capital Lease.

LONG-TERM DEBT

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
2009 LTGO	\$ 125,000	\$ 245,000	\$ -	\$ -	\$ 125,000	\$ 245,000
2016 LTGO	1,884,032	1,884,032	-	-	1,884,032	1,884,032
2016 LTGO Deferred Charge	(171,382)	-	-	-	(171,382)	-
LOCAL Financing	1,275,000	1,370,000	-	-	1,275,000	1,370,000
LOCAL Financing Premium	160,217	177,537	-	-	160,217	177,537
Public Works Trust Fund Loan	4,643,633	4,930,856	-	-	4,643,633	4,930,856
Promissory note (59th Ave)	466,638	524,041	-	-	466,638	524,041
Special Assessment w/ governmental commitments	750,667	986,515	-	-	750,667	986,515
Copiers - Capital Lease	20,897	39,940	-	-	20,897	39,940
Total	\$ 9,154,701	\$ 10,157,921	\$ -	\$ -	\$ 9,154,701	\$ 10,157,921

The City's total debt amount redeemed was \$3.7 million offset by amount issued of \$3 million.

In March 2014 Standard & Poor's Ratings Services (S&P) raised the City's credit rating from "A" to "AA-" with respect to the City's General Obligation Bonds. At the same time, Standard & Poor's affirmed the "A-" long-term rating on the City's Special Assessment Bonds for Local Improvement District No. 1101, Series 2006. S&P affirmed a stable outlook based on its review of the City's long-term debt. Effective April 2016, the City no longer has LTGO rated debt, therefore, rating is based on the last rated bond.

Washington State statutes limit the amount of debt a government entity may issue to 7.5% of its total assessed valuation, subject to 60% majority vote of qualified electors. Of the 7.5% limit, 2.5% is for general purposes, 2.5% for open space/park facilities, and 2.5% for utilities. Non-voted general purpose indebtedness is limited to 1.5% of assessed valuation and combination of voted and non-voted general purpose indebtedness cannot exceed 2.5% of assessed valuation.

The City's assessed valuation for 2017 was \$5.4 billion and the total amount of debt the City may issue is \$402 million. Remaining legal debt capacities as of December 31, 2017 are:

Legally Remaining Debt Capacity	
As of December 31, 2017	
General Government (no vote required)	\$ 77,405,553
General Government (3/5 majority vote required)	54,104,148
Parks and open space (3/5 majority vote required)	135,260,371
Utilities (3/5 majority vote required)	135,260,371
Total Capacity	\$ 402,030,443

Additional information on the City of Lakewood's long-term debt can be found in Note 10 and in the Statistical Section of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The 2017/2018 budget emphasizes health, safety, and welfare obligations followed by legal mandates, ensuring financial stability and integrity, with a focus on implementing City Council goals and achieving the community's vision to include public safety, economic development and increased infrastructure investment. Available resources are still constrained by very difficult economic conditions that began in late 2007 and will continue for the foreseeable future. With this budget our organization remains focused on our key strategic goals while meeting the challenge of limited funding with the innovative service delivery that our citizens have come to expect. The 2017/2018 biennial budget ensures operating expenditures are within the constraints of available operating revenues and does not use reserves to balance the budget. As a result, the 2017/2018 biennial budget is compliant with the City's financial policies.

The 2017/2018 budget includes funds in support of the following:

- Conduct a community satisfaction survey as a follow up to the 2015 survey to again assess residents' satisfaction with the delivery of City services and quality of life in the community. The survey will cover areas of public safety, parks and recreation, civic engagement, public trust and more. The results will provide a baseline benchmark from which to measure and compare the results of past and future surveys and it will be benchmarked to similar cities both locally and nationally;
- Continues with a proactive State and Federal legislative agenda that promotes and protects the interests and needs of the Lakewood community;
- Funding allocated in support of Landmarks and Heritage Advisory Board (LHAB) and Arts Commission consistent with previous years. Also, additional funding totaling \$27,074 is projected to be available in the Public Art Fund by the end of 2018;
- Internal resources to work with the Pierce County Library System to construct a new Lakewood Library and Tillicum Library;
- Strong and transparent financial reporting to include the preparation of a Popular Annual Financial Report (PAFR); six-year financial report; Municipal Finances 101; performance measures; debt manual; purchasing policies; enhancement of the City's volunteer and internship programs; and revenue audits, specifically admissions taxes and utility taxes.
- Targeted economic development with a specific focus on the Central Business District/Towne Center and subarea plan, I-5 retail frontage along Pacific Highway South, Woodbrook Industrial Business Park, International District, Springbrook and Tillicum;
- Preparation of Community Visioning Strategic Action Plan and facilitate Comprehensive Plan update process along with various code updates to include LMC 18A (food trucks, sign code), international fire code (sprinkler system), aggressive begging, and unmanned aircraft system (UAS) rules and regulations;
- Continue rental housing safety program (standalone recommendation as part of Community & Economic Development Department);
- Continue proactive abatement program;
- City's leadership and contribution to the South Sound Military and Communities Partnership (SSMCP) to continue implementing the Joint Base Lewis-McChord (JBLM) Growth Coordination Plan and begin implementing recently completed Joint Land Use Study (JLUS) with a continued focus on protecting JBLM from urban encroachment by addressing land use issues, transportation and finding solutions to address the North Clear Zone (NCZ);
- Prepare Legacy Plan report card;
- The consolidation and realignment of parks maintenance, street and traffic maintenance and facilities maintenance that began in 2015 to provide for operational efficiencies and coordination and delivery of services is complete. Next steps are to expand street maintenance services such vegetation management, crack sealing, striping and pothole response;
- Additional marketing in support of City sponsored events coupled with expanding Adopt-a-Street and Adopt-a-Park/Spot programs;
- Continue commitment to setting aside 1% of General Fund for human and social services to include homelessness and mental illness;

- Contracted services to provide municipal court services to the City of DuPont, City of University Place and Town of Steilacoom;
- Implementation of Veteran's Court, evaluate video hearings opportunities with Pierce County Jail, and review indigent screening program;
- Crime reduction will continue to be a top priority for our City's Police Department;
- Resources to expand in-car camera program for Police Department as well as continued use of Pred-Pol (Predictive Policing) and to determine its effectiveness on property crime reduction;
- Continue imbedded mental health professional (MHP) with police patrol coupled with continued efforts to mitigate the impacts of homelessness in our community; and
- Continues the partnership between the City and West Pierce Fire and Rescue (WPFR) in support of shared emergency management services.

Cities such as ours will continue to struggle with aligning operating revenues with operating expenditures. Revenue trends will continue to lag significantly behind costs, thus our proactive focus must be on cost containment and economic development.

Local governments are challenged to meet the demands of infrastructure and its associated costs, thus our focus on infrastructure investment in areas such as transportation, parks and sewers. We are also challenged with increased service demands including the issues surrounding homelessness and mental illness, which are not core responsibilities of local government, but are being responded to by local governments.

The Lakewood City Council in partnership with the community has identified a long-term vision and goals that will move our community forward. We have taken steps to ensure long-term financial sustainability and have developed and implemented a service delivery model that ensures our citizens and businesses can expect excellence in the delivery of City services.

We continue to emphasize economic development, focusing on our commercial areas to create new jobs and build our tax base, which will generate additional property and sales tax. This in turn will allow the City to meet the growing demand for services. Our targeted approach in our key commercial areas such as the Towne Center, Springbrook, Tillicum, and the Pacific Highway South, which is directly adjacent to I-5 with multiple prime properties ready for redevelopment and revitalization, is beginning to show dividends. Areas such as the International District and Woodbrook Industrial Business Park (WIBP) stand ready and available for new investment to create jobs and increased opportunity for Lakewood and our region. These actions will allow Lakewood to continue to support our community's quality of life while implementing our strategic goals for the future.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the City of Lakewood'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 Tho Kraus, Assistant City Manager/Administrative Services and Chief Financial Officer, City of Lakewood, 6000 Main Street SW, Lakewood, Washington 98499, telephone 253-983-7706, or visit the City's website at www.cityoflakewood.us.



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BASIC FINANCIAL STATEMENTS



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**Government-Wide Financial Statements
For the Year Ended December 31, 2017**

Statement of Net Position

This statement provides information on all City assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as net position.

Statement of Activities

This statement is focused on both the gross and net costs of various functions, including both governmental and business-type activities, which are supported by the City's general tax and other revenues.

City of Lakewood
Statement of Net Position
December 31, 2017

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 19,223,031	\$ 4,901,798	\$ 24,124,829
Receivables (net)	9,338,085	76,997	9,415,082
Due from other governments	1,413,354	40,799	1,454,153
Internal balances	(144,012)	144,012	-
Total current assets	<u>29,830,458</u>	<u>5,163,606</u>	<u>34,994,064</u>
Noncurrent assets:			
Net pension asset	4,790,744	-	4,790,744
Capital assets not being depreciated	35,741,150	2,698,768	38,439,918
Capital assets, net of accumulated depreciation	<u>106,812,326</u>	<u>28,290,565</u>	<u>135,102,891</u>
Total noncurrent assets	<u>147,344,220</u>	<u>30,989,333</u>	<u>178,333,553</u>
Total assets	<u>177,174,678</u>	<u>36,152,939</u>	<u>213,327,617</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pensions	583,481	-	583,481
Total deferred outflows of resources	<u>583,481</u>	<u>-</u>	<u>583,481</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accruals	2,908,645	229,349	3,137,994
Deposits	116,456	400	116,856
Unearned revenue	127,500	-	127,500
Due to other governments	3,354	-	3,354
Contracts Payable	191,626	-	191,626
LT Due in one year	<u>1,792,515</u>	<u>30,071</u>	<u>1,822,586</u>
Total current liabilities	<u>5,140,096</u>	<u>259,820</u>	<u>5,399,916</u>
Noncurrent liabilities:			
LT Due in more than one year	9,318,936	70,166	9,389,102
Special assessment debt, with governmental commitments, due in more than one year	<u>638,767</u>	<u>-</u>	<u>638,767</u>
Total noncurrent liabilities	<u>9,957,703</u>	<u>70,166</u>	<u>10,027,869</u>
Total liabilities	<u>15,097,799</u>	<u>329,986</u>	<u>15,427,785</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions	1,315,364	-	1,315,364
Total liabilities and deferred inflows of resources	<u>16,413,163</u>	<u>329,986</u>	<u>15,427,785</u>
NET POSITION			
Net investment in capital assets	133,227,394	30,989,333	164,216,727
Restricted for:			
Capital projects	3,480,207	-	3,480,207
Debt Service	925,368	-	925,368
Grants	251,832	-	251,832
Law enforcement	332,485	-	332,485
Tourism related activities	1,513,239	-	1,513,239
Unrestricted	<u>21,614,471</u>	<u>4,833,620</u>	<u>26,448,091</u>
Total net position	<u>\$ 161,344,996</u>	<u>\$ 35,822,953</u>	<u>\$ 197,167,949</u>

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

City of Lakewood
Statement of Activities
For the Year Ended December 31, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 4,519,656	\$ 4,452,222	\$ 99,520	\$ 665,014	\$ 697,100	\$ -	\$ 697,100
Public safety	23,944,267	1,530,079	2,074,704	16,400	(20,323,084)	-	(20,323,084)
Utilities	34,619	884,830	-	140,438	990,649	-	990,649
Transportation	6,762,984	136,021	1,618,783	5,760,191	752,011	-	752,011
Social services	624,357	-	-	-	(624,357)	-	(624,357)
Economic environment	4,305,626	1,539,127	-	50,000	(2,716,499)	-	(2,716,499)
Natural environment	286,053	83,285	1,332,965	-	1,130,197	-	1,130,197
Culture and recreation	2,184,826	240,404	-	518,952	(1,425,471)	-	(1,425,471)
Judicial	1,750,272	1,931,718	-	-	181,446	-	181,446
Debt interest	210,858	-	-	-	(210,858)	-	(210,858)
Total governmental activities	44,623,518	10,797,686	5,125,971	7,150,995	(21,548,866)	-	(21,548,866)
Business-type activities:							
Surface Water Management	3,528,083	2,755,233	-	144,049	-	(628,801)	(628,801)
Total business-type activities	3,528,083	2,755,233	-	144,049	-	(628,801)	(628,801)
Total primary government	\$ 48,151,601	\$ 13,552,919	\$ 5,125,971	\$ 7,295,044	(21,548,866)	(628,801)	(22,177,667)
General revenues:							
Property tax					6,843,704	-	6,843,704
Sales tax					11,629,404	-	11,629,404
Utility tax					5,744,060	-	5,744,060
Excise tax					2,467,571	-	2,467,571
Gambling tax					2,800,955	-	2,800,955
Hotel/motel lodging tax					762,199	-	762,199
Other taxes					1,361,903	-	1,361,903
Gain on sale of capital assets					182,774	-	182,774
Investment earnings					319,320	48,226	367,546
Miscellaneous					482,026	-	482,026
Transfers					992,651	(992,651)	-
Total general revenues, special items, and transfers					33,586,568	(944,425)	32,642,143
Change in net position					12,037,702	(1,573,226)	10,464,476
Net position - beginning					149,307,292	37,396,179	186,703,471
Net position - ending					\$ 161,344,996	\$ 35,822,953	\$ 197,167,949

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



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Major Governmental Funds Description For the Year Ended December 31, 2017

The **General Fund** is the City's operating fund. It accounts for all financial resources of the general government, except those required or elected to be accounted for in another fund. These include the costs of legislative and executive departments, municipal court services, finance and information technology departments, legal department, community development services, human resources; parks, recreation, and human services; economic development, police and animal control; and city hall maintenance. Major sources of revenue reported for the General Fund include property, sales and use, utility, and franchise fees.

The **CDBG Fund** was established to account for revenues and expenditures associated with Community Development Block Grants (CDBG) and HOME Investment Partnership Act grants. Revenue and other resources reported in the CDBG Grant Fund include direct and indirect federal grants and state grants.

The **LID Debt Service Fund** was established to account for both the payment of special assessment bonds, as well as the collection of assessments from property owners within the local improvement district (LID). The assessment payments are the revenue source for the debt payments.

The **Transportation Capital Projects Fund** accounts for capital projects related to street infrastructure. Revenue and other resources reported for the Transportation Capital Projects Fund include real estate excise taxes, direct and indirect federal grants, state grants, motor vehicle fuel taxes and transfers in from the Transportation Benefit District \$20 vehicle license fee.

City of Lakewood
Balance Sheet
Governmental Funds
December 31, 2017

	General Fund	CDBG Fund	LID Debt Service	Transportation Capital Fund	Total Nonmajor Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 6,640,450	\$ -	\$ 4,935	\$ 2,138,248	\$ 5,767,661	\$ 14,551,294
Customer accounts receivable	1,566,587	-	-	-	-	1,566,587
Due from other governments	332,136	122,557	-	713,177	245,484	1,413,354
Notes/contracts receivable	-	1,288,161	-	-	63,513	1,351,674
Special assessments receivable	-	-	1,076,740	-	407,781	1,484,521
Taxes receivable	4,286,618	-	-	57,370	591,315	4,935,303
Interfund loan receivable	54,653	-	-	-	-	54,653
Total assets	<u>12,880,444</u>	<u>1,410,718</u>	<u>1,081,675</u>	<u>2,908,795</u>	<u>7,075,754</u>	<u>25,357,386</u>
LIABILITIES						
Accounts payable	787,911	10,605	-	205,769	303,613	1,307,898
Payable to other governments	1,463	-	-	16	1,457	2,936
Custodial deposits	39,491	250	-	-	76,715	116,456
Unearned revenue	127,036	-	-	-	464	127,500
Contracts payable	-	-	-	106,512	85,114	191,626
Other accrued liabilities	1,226,241	5,155	-	67,114	101,421	1,399,931
Interfund loan payable	-	54,653	-	-	-	54,653
Other current liabilities	5,000	41	-	-	-	5,041
Total liabilities	<u>2,187,142</u>	<u>70,704</u>	<u>-</u>	<u>379,411</u>	<u>568,784</u>	<u>3,206,041</u>
DEFERRED INFLOWS OF RESOURCES						
Unearned revenue	1,541,073	1,288,161	1,076,740	-	471,294	4,377,268
Total liabilities and deferred inflows of resources	<u>3,728,215</u>	<u>1,358,865</u>	<u>1,076,740</u>	<u>379,411</u>	<u>1,040,078</u>	<u>7,583,309</u>
FUND BALANCES (DEFICITS)						
Restricted	-	51,853	4,935	2,529,384	3,916,959	6,503,131
Committed	4,808,200	-	-	-	2,118,717	6,926,917
Unassigned	4,344,029	-	-	-	-	4,344,029
Total fund balances (deficits)	<u>9,152,229</u>	<u>51,853</u>	<u>4,935</u>	<u>2,529,384</u>	<u>6,035,676</u>	<u>17,774,077</u>
Total liabilities, deferred inflows, and fund balances (deficits)	<u>\$ 12,880,444</u>	<u>\$ 1,410,718</u>	<u>\$ 1,081,675</u>	<u>\$ 2,908,795</u>	<u>\$ 7,075,754</u>	<u>\$ 25,357,386</u>

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

City of Lakewood
Reconciliation of Balance Sheet to the Statement of Net Position
December 31, 2017

Fund balances of governmental funds \$17,774,077

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

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

Governmental Capital Assets (Net) Beginning of Year	129,431,103
Plus: Capital Assets Additions	36,471,532
Less: Reclassification of CIP	(22,958,372)
Less: Depreciation Expense	(4,554,452)
Less: Disposed Assets	(221,700)
	138,168,111

Long-term liabilities applicable to the City's activities are not due and payable in the current period and are not reported as fund liabilities:

Long Term Liabilities Outstanding Beginning of Year	(12,331,618)
Plus: Debt Issued	(141,000)
Less: Debt Redeemed, including amortization	928,050
Plus: Compensated Absences Issued	(2,917,108)
Less: Compensated Absences Redeemed	2,732,354
	(11,729,322)

Some revenue reported on the government-wide Statement of Activities is reported as deferred inflows of resources in the governmental funds:

Property Tax	496,833
Municipal Court	1,044,240
Property Abatements	407,781
HUD Loans	1,288,161
Local Improvement Districts	1,076,740
Public Works Trust Fund Loans	63,513
	4,377,268

Assets and liabilities of internal service funds are included in governmental activities in the Statement of Net Position

Fleet & Equipment Fund Assets	7,321,019
Property Management Fund Assets	674,068
Information Technology Fund Assets	1,071,049
Fleet & Equipment Fund Liabilities	(44,633)
Property Management Fund Liabilities	(65,244)
Information Technology Fund Liabilities	(132,742)
Prior period adjustment - Fleet & Equipment	(26,103)
Long term compensated absences	42,599
	8,840,013

Long term assets and deferred inflows/outflows of resources related to pensions and losses on debt refunding are included in governmental activities in the Statement of Net Position

Net pension asset	4,790,743
Deferred outflows of resources related to pensions	583,481
Deferred inflows of resources related to pensions	(1,315,364)
	4,058,860

Interfund revenues and expenditures are reported as internal balances in the government-wide statements to avoid overstating revenues and expenditures

(144,012)

\$161,344,996

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

City of Lakewood
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2017

	General Fund	CDBG Fund	LID Debt Service	Transportation Capital Fund	Total Nonmajor Funds	Total Governmental Funds
REVENUES						
Taxes	\$ 27,469,335	\$ -	\$ -	\$ -	\$ 4,038,366	\$ 31,507,701
Special assessments	-	-	140,438	-	-	140,438
Licenses and permits	5,007,898	-	-	1,000	135,021	5,143,919
Intergovernmental	2,273,828	990,675	-	6,243,358	1,709,049	11,216,910
Charges for goods and services	2,525,981	-	-	263,960	1,277,425	4,067,366
Fines and penalties	1,455,953	-	-	-	-	1,455,953
Interest and other earnings	144,283	458	60,736	12,973	72,317	290,767
Miscellaneous	80,264	4,402	-	-	207,505	292,171
Contributions and donations	77,422	1,008	-	-	110,750	189,180
Total revenues	<u>39,034,964</u>	<u>996,543</u>	<u>201,174</u>	<u>6,521,291</u>	<u>7,550,433</u>	<u>54,304,405</u>
EXPENDITURES						
Current:						
General government	4,138,906	-	995	-	-	4,139,901
Public safety	23,599,259	-	-	-	528,382	24,127,641
Utilities	-	-	-	-	34,619	34,619
Transportation	156,873	-	-	781,998	2,216,786	3,155,657
Social services	624,357	-	-	-	-	624,357
Economic environment	2,680,342	431,704	-	-	1,190,677	4,302,723
Natural environment	286,053	-	-	-	-	286,053
Culture and recreation	1,856,364	-	-	-	73,862	1,930,226
Judicial	1,760,089	-	-	-	-	1,760,089
Debt service:						
Interest and other debt service costs	-	-	47,448	-	152,062	199,510
Principal retirement	-	-	235,848	-	700,626	936,474
Capital outlay:						
Capital	-	-	-	11,316,082	2,180,399	13,496,481
Total expenditures	<u>35,102,243</u>	<u>431,704</u>	<u>284,291</u>	<u>12,098,080</u>	<u>7,077,413</u>	<u>54,993,731</u>
Excess (deficiency) of revenues over expenditures	<u>3,932,721</u>	<u>564,839</u>	<u>(83,117)</u>	<u>(5,576,789)</u>	<u>473,020</u>	<u>(689,326)</u>
OTHER FINANCING SOURCES (USES)						
Issuance of debt	-	141,000	-	-	-	141,000
Interfund loan	-	-	-	505,778	-	505,778
Transfers in	380,750	-	-	4,574,155	3,699,590	8,654,495
Transfers out	(3,070,624)	(693,751)	-	-	(3,849,938)	(7,614,313)
Proceeds from sale of assets	-	-	-	-	404,474	404,474
Total other financing source (uses)	<u>(2,689,874)</u>	<u>(552,751)</u>	<u>-</u>	<u>5,079,933</u>	<u>254,126</u>	<u>2,091,434</u>
Net change in fund balances	1,242,847	12,088	(83,117)	(496,856)	727,146	1,402,108
Fund balances - beginning	7,909,382	39,765	88,052	3,026,240	5,308,530	16,371,969
Fund balances - ending	<u>\$ 9,152,229</u>	<u>\$ 51,853</u>	<u>\$ 4,935</u>	<u>\$ 2,529,384</u>	<u>\$ 6,035,676</u>	<u>\$ 17,774,077</u>

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

City of Lakewood
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances to the Statement of Activities
For the Year Ended December 31, 2017

Net change in fund balances - total governmental funds \$1,402,108

Deferred inflows of resources reported in the funds are reported as revenue in the government-wide financial statements

Prior year deferred inflows	(4,260,573)	
Current year deferred inflows	<u>4,377,268</u>	116,695

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of these assets are capitalized and depreciated over the estimated useful lives of the assets

Capital asset purchases and construction in process capitalized	13,496,481	
Gain/loss on disposal of capital assets	182,774	
Contributed capital	63,425	
Depreciation expense	<u>(4,554,451)</u>	9,188,229

Expenses for compensated absences 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.

Prior year compensated absences	2,410,764	
Current year compensated absences	(2,595,518)	(184,754)

The repayment of long term debt consumes the current financial resources of governmental funds. These transactions have no effect on net position.

Bond principal retired	936,474	
Bond premium amortized	17,321	
Amortization of deferred charge on refunding	(25,745)	
Issuance of long term debt and premiums on bonds sold	<u>(141,000)</u>	787,050

Adjustment for GASB 68 pension reporting 353,777

Net revenue (loss) of internal service funds 385,786

Interfund revenues and expenditures are not reported on the Statement of Activities: (11,189)

\$12,037,702

The notes to financial statement are an integral part of this statement.

City of Lakewood
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
For the Year Ended December 31, 2017

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Taxes	\$ 26,053,034	\$ 26,687,734	\$ 27,469,335	\$ 781,601
Licenses and permits	4,736,880	4,833,400	5,007,898	174,498
Intergovernmental	1,696,274	2,048,902	2,273,828	224,926
Charges for goods and services	2,025,323	2,255,750	2,525,981	270,231
Fines and penalties	1,567,083	1,314,800	1,455,953	141,153
Interest and other earnings	86,797	76,000	144,286	68,286
Miscellaneous	12,900	13,250	80,264	67,014
Contributions and donations	69,750	69,750	77,422	7,672
Total revenues	36,248,041	37,299,586	39,034,967	1,735,381
EXPENDITURES				
Current:				
General government	4,205,089	4,519,760	4,138,906	(380,854)
Public safety	23,703,044	24,263,022	23,599,259	(663,763)
Transportation	214,519	221,076	156,873	(64,203)
Social services	639,591	646,177	624,357	(21,820)
Economic environment	2,048,196	2,501,583	2,680,342	178,759
Natural environment	281,510	287,225	286,053	(1,172)
Culture and recreation	1,829,544	1,862,506	1,856,364	(6,142)
Judicial	1,683,847	1,767,504	1,760,089	(7,415)
Total expenditures	34,605,340	36,068,853	35,102,243	(966,610)
Excess (deficiency) of revenues over expenditures	1,642,701	1,230,733	3,932,724	2,701,991
OTHER FINANCING SOURCES (USES)				
Transfers in	380,750	380,750	380,750	-
Transfers out	(2,338,654)	(3,279,115)	(3,070,624)	208,491
Total other financing source (uses)	(1,957,904)	(2,898,365)	(2,689,874)	208,491
Net change in fund balances	(315,203)	(1,667,632)	1,242,850	2,910,482
Fund balances - beginning	4,337,797	7,909,382	7,909,382	-
Fund balances - ending	\$ 4,022,594	\$ 6,241,750	\$ 9,152,232	\$ 2,910,482

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

City of Lakewood
CDBG Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
For the Year Ended December 31, 2017

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 445,000	\$ 2,350,932	\$ 1,131,675	\$ (1,219,257)
Interest and other earnings	-	572	455	(117)
Miscellaneous	-	375	4,402	4,027
Contributions and donations	-	-	1,008	1,008
Total revenues	<u>445,000</u>	<u>2,351,879</u>	<u>1,137,540</u>	<u>(1,214,339)</u>
EXPENDITURES				
Current:				
Economic environment	<u>445,000</u>	<u>1,384,797</u>	<u>431,704</u>	<u>(953,093)</u>
Total expenditures	<u>445,000</u>	<u>1,384,797</u>	<u>431,704</u>	<u>(953,093)</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>967,082</u>	<u>705,836</u>	<u>(261,246)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>-</u>	<u>(1,006,849)</u>	<u>(693,751)</u>	<u>313,098</u>
Total other financing source (uses)	<u>-</u>	<u>(1,006,849)</u>	<u>(693,751)</u>	<u>313,098</u>
Net change in fund balances	<u>-</u>	<u>(39,767)</u>	<u>12,085</u>	<u>51,852</u>
Fund balances - beginning	<u>1,212</u>	<u>39,765</u>	<u>39,765</u>	<u>-</u>
Fund balances - ending	<u>\$ 1,212</u>	<u>\$ (2)</u>	<u>\$ 51,850</u>	<u>\$ 51,852</u>

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



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**Proprietary Funds Description
For the Year Ended December 31, 2017**

The *Surface Water Management Fund* accounts for activities that provide storm water collection and disposal services to the City. Activities include administration, engineering, construction, operation, maintenance, and repairs, which are primarily supported by user fees. The fees are billed along with Pierce County's semi-annual property taxes, and remitted by the County to the City.

City of Lakewood
Statement of Net Position
Proprietary Funds
December 31, 2017

	Business-type Activities	Governmental Activities
	Surface Water Management	Internal Service Funds
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 4,901,798	\$ 4,671,737
Due from other governments	40,799	-
Taxes Receivable	76,997	-
Total current assets	<u>5,019,594</u>	<u>4,671,737</u>
Noncurrent assets:		
Land	1,854,447	-
Construction in Progress	844,321	-
Buildings	1,849,673	-
Infrastructure	42,796,926	-
Improvements other than buildings	-	137,279
Machinery and equipment	332,332	8,651,102
Less accumulated depreciation	(16,688,366)	(4,376,913)
Total noncurrent assets	<u>30,989,333</u>	<u>4,411,468</u>
Total assets	<u>36,008,927</u>	<u>9,083,205</u>
LIABILITIES		
Current liabilities:		
Accounts payable	229,349	195,775
Payable to other governments	-	418
Custodial deposits	400	-
Compensated absences	30,071	-
Total current liabilities	<u>259,820</u>	<u>196,193</u>
Noncurrent liabilities:		
Compensated absences	70,166	42,599
Capital lease liability	-	20,896
Total noncurrent liabilities	<u>70,166</u>	<u>63,495</u>
Total liabilities	<u>329,986</u>	<u>259,688</u>
NET POSITION		
Net investment in capital assets	30,989,333	4,390,570
Unrestricted	4,689,608	4,432,945
Total net position	<u>\$ 35,678,941</u>	<u>\$ 8,823,517</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	144,012	
Net position of business-type activities	<u>\$ 35,822,953</u>	

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

City of Lakewood
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2017

	Business-type Activities	Governmental Activities
	Surface Water Management	Internal Service Funds
OPERATING REVENUES		
Charges for goods and services	\$ 2,755,233	\$ 4,705,004
Miscellaneous	-	208,425
Total operating revenues	<u>2,755,233</u>	<u>4,913,429</u>
OPERATING EXPENSES		
Personal Services	710,384	678,761
Materials and supplies	60,101	573,087
Services and charges	938,767	2,763,714
Intergovernmental	126,124	4,392
External and interfund taxes	432,106	-
Depreciation	1,270,531	658,311
Total operating expenses	<u>3,538,013</u>	<u>4,678,265</u>
Operating income (loss)	<u>(782,780)</u>	<u>235,164</u>
NONOPERATING REVENUES (EXPENSES)		
Interfund loan	-	(505,778)
Gain (loss) on disposal of capital assets	-	12,029
Investment earnings	46,966	29,812
Interest expense	-	(2,924)
Total nonoperating revenues (expenses)	<u>46,966</u>	<u>(466,861)</u>
Income (loss) before contributions and transfers	<u>(735,814)</u>	<u>(231,697)</u>
Capital contributions	144,049	665,014
Transfers in	-	52,914
Transfers out	(992,651)	(100,445)
Change in net position	<u>(1,584,416)</u>	<u>385,786</u>
Total net position - beginning	37,263,356	8,411,628
Total net position - ending	<u>\$ 35,678,940</u>	<u>\$ 8,823,517</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	11,189	
Changes in net position of business-type activities	<u>\$ (1,573,227)</u>	

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

City of Lakewood
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2017

	Business-type Activities Enterprise Funds Surface Water Management	Governmental Activities Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	\$ 2,755,233	\$ -
Cash from interdepartmental services	-	4,705,004
Cash paid to employees	(703,086)	(671,096)
Cash paid to suppliers	(988,200)	(3,333,639)
Cash paid for external and interfund taxes	(432,106)	-
Other operating receipts	-	208,425
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>631,841</u>	<u>908,694</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Interfund loan	-	(505,778)
Gain (loss) on disposal of capital assets	-	12,029
Transfers from other funds	-	52,914
Transfers to other funds	(992,651)	(100,445)
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>(992,651)</u>	<u>(541,280)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from sale of capital assets	-	17,170
Capital Contributions/Grants	219,792	659,964
Acquisition and construction of capital assets	(443,531)	(1,544,696)
Principal paid on long-term debt	-	(19,044)
Interest paid on long-term debt	-	(2,924)
NET CASH USED FOR CAPITAL AND CAPITAL-RELATED FINANCING ACTIVITIES	<u>(223,738)</u>	<u>(889,530)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	46,966	29,810
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>46,966</u>	<u>29,810</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(537,582)</u>	<u>(492,306)</u>
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	5,439,380	5,164,041
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 4,901,798</u>	<u>\$ 4,671,735</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating Income	\$ (782,780)	\$ 235,164
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Increase/(decrease) in depreciation expense	1,270,531	658,311
Increase/(decrease) in accounts payable - supplier	136,792	(7,551)
Increase/(decrease) in payable to other governments	-	291
Increase/(decrease) in salaries & benefits payable	7,298	7,666
Increase/(decrease) in capital assets	-	14,813
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 631,841</u>	<u>\$ 908,694</u>
NON-CASH CAPITAL CONTRIBUTIONS	<u>\$ -</u>	<u>\$ -</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS



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NOTES TO THE BASIC FINANCIAL STATEMENTS

For the Year Ended December 31, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Lakewood, Pierce County, Washington, have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described below.

REPORTING ENTITY

The City of Lakewood, Pierce County, Washington, was incorporated in 1996 and operates under the laws of the state of Washington applicable to an optional code city. The City's Comprehensive Annual Financial Report (CAFR) includes the funds, agencies and boards controlled by or dependent upon the City. In conformance with Governmental Accounting Standards Board (GASB) Statement 14, *The Financial Reporting Entity*, the primary basis of determining whether outside agencies and organizations should be considered component units of the City is financial accountability. Financial accountability is dependent on the City's obligation to redeem the organization's debts, to finance the organization's deficits, and the extent to which subsidies from the City constitute a major portion of the organization's total resources. Applying these criteria as outlined in GASB Statement 14, the City has no relationships that qualify as component units in 2017.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) report information on all the non-fiduciary 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 segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Our policy is to allocate indirect costs to specific functions or segments. 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) grant 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.

Separate fund financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and the City's one major individual enterprise fund are reported as separate columns in the fund financial statements.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, and FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Funds

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City of Lakewood considers revenues to be available if they are 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, sales taxes, utility taxes, licenses, franchise fees, and interest associated within the current period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). 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.

Proprietary Funds:

Proprietary funds are used to account for activities similar to those found in the private sector where the intent of the governing body is to finance the full cost of providing services, including depreciation, primarily through user charges. The measurement focus for these funds is based on the commercial model, which uses a flow of economic resources approach. Under this approach, the operating statements for the proprietary funds focus on a measurement of net income (revenues and expenses) and both current and non-current assets and liabilities are reported on the related balance sheets.

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 City's Surface Water Management Fund and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported to the various functions concerned.

Amounts reported as program revenue include 1) charges to customers, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than program revenues. General revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise and internal service funds are primarily user charges, the cost of providing goods or services to the general public on a continuing basis. Operating expenses for enterprise funds and internal service funds includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

MAJOR FUNDS

Major Governmental Funds:

The **General Fund** is the City's operating fund. It accounts for all financial resources of the general government, except those required or elected to be accounted for in another fund. These include the costs of legislative and executive departments, municipal court services, finance and information technology departments, legal department, community development services, human resources; parks, recreation, and human services; economic development, police and animal control. Major sources of revenue reported for the General Fund include property, sales and use, and utility taxes, as well as franchise fees.

The **Transportation Capital Projects Fund** accounts for capital projects related to street infrastructure. Revenue and other resources reported for the Transportation Capital Projects Fund include real estate excise taxes, direct and indirect federal grants, state grants, motor vehicle fuel taxes and transfers in from the Transportation Benefit District \$20 vehicle license fee.

The **CDBG Fund** was established to account for revenues and expenditures associated with Community Development Block Grants (CDBG), and HOME Investment Partnership Act grants. Revenue and other resources reported in the CDBG Fund include direct and indirect federal grants and local donations and contributions.

The **LID Debt Service Fund** was established to account for both the payment of special assessment bonds, as well as the collection of assessments from property owners within the local improvement district (LID). The assessment payments are the revenue source for the debt payments.

Major Proprietary Fund:

The **Surface Water Management Fund** accounts for activities that provide storm water collection and disposal services to the City. Activities include administration, engineering, construction, operation, maintenance, and repairs, which are primarily supported by user fees. The fees are billed along with Pierce County's semi-annual property taxes, and remitted by the County to the City.

NON-MAJOR FUNDS

Special Revenue Funds:

These funds are used to account for proceeds of revenues and sources (other than special assessments, expendable trust, or major capital projects) that are committed or legally restricted to expenditures for specified purposes.

The **Street Operations and Maintenance Fund** is used to account for the receipts and disbursements associated with City planning, establishing, repairing and maintaining City streets, sidewalks, and appurtenances, including pedestrian and bicycle paths, lanes and routes. The fund is supported primarily by an interfund transfer from the General Fund, motor vehicle fuel tax, and permits to a much lesser degree. Primary areas of service are transportation planning, traffic operations and maintenance, neighborhood traffic services, snow and ice response, and street maintenance.

The **Real Estate Excise Tax Fund** is used to account for the receipt and disbursement of the first and second 0.25 percent real estate excise tax and other revenue sources that may be authorized by the City Council. The first 0.25 percent real estate excise tax is authorized by RCW 82.46.010, and dedicated for the capital purposes defined in RCW 35.43.040. Such expenditures include public buildings and facilities, parks, and debt service associated with such capital-oriented projects. The second 0.25 percent real estate tax authorized by the Growth Management Act RCW 82.46.035. These revenues are restricted to financing capital projects specified in a capital facilities plan.

The **Transportation Benefit District Fund** is used to account for the annual \$20 vehicle license fee (VLF) revenues used to fund specific transportation projects. Proceeds from the VLF are transferred to Fund 302 Transportation Capital Projects to provide funding of those specific projects.

The **Hotel/Motel Lodging Tax Fund** is used to account for the hotel/motel lodging tax revenues and associated disbursements. RCW 67.28 authorizes a transient rental tax of up to two percent for lodging at hotels, motels, private campgrounds, RV parks and similar facilities. RCW 67.28 also authorizes a five percent special hotel/motel tax on the same base. The expenditures from this fund must adhere to the governing state statutes, which limit the expenditures to those costs related to tourism promotion, and acquisition and/or operation of tourism-related facilities.

The **Property Abatement Fund/Rental Housing Safety Program** accounts for property abatement and rental housing safety program activity. The property abatement portion of this fund accounts for projects that the City has identified and processed through the abatement program. All revenues from the rightful recovery of those project expenses, along with all revenues from fees, fines, and interest, and other rightful recoveries from those projects are deposited into the fund for the purpose of funding additional abatement projects. The rental housing safety program portion of this fund accounts for the registration program fees and associated expenditures of administering this program. The program requires all residential rental properties (apartments, single family homes, duplexes, etc.) within Lakewood city limits to be registered. The program is designed to ensure that all rental housing units comply with specific life and safety standards and are providing a safe place for tenants to live.

The sole purpose of the **Public Art Fund** is to account primarily for the revenue from the fees charged for the rental of the McGavick Center by the City and expenditure of that revenue for approved public art activities.

The ***Narcotics Seizure Fund*** was established for the purposes of tracking assets seized as a result of involvement with the illegal sale, possession, or distribution of drugs or controlled substances, and for the purchase of controlled substances or drugs by law enforcement officers or agents, as well as for such other expenses the City determines to be reasonably connected with public safety activity.

The ***Felony Seizure Fund*** accounts for assets seized by the police department under RCW 10.105.101 and the related expenditures. The statute authorizes the seizure of assets that have been or was actually employed as an instrumentality in the commission of, or in aiding or abetting in the commission of any felony, or which was furnished or was intended to be furnished by any person in the commission of, as a result of, or as compensation for the commission of, any felony, or which was acquired in whole or in part with proceeds traceable to the commission of a felony.

The ***Federal Seizure Fund*** was established to track the revenues associated with assets seized as a result of the police department working in conjunction with federal law enforcement. The fund also accounts for public safety expenditures funded by those revenues.

The ***Neighborhood Stabilization Program Fund*** accounts for the revenues and expenditures associated with the Federal Neighborhood Stabilization Program Grant. The NSP was established for the purpose of stabilizing communities that have suffered from foreclosures and abandonment. The NSP1 program provides funds to purchase and redevelop foreclosed and abandoned homes and residential properties. NSP 3 program provides a third round of neighborhood stabilization grants to all states and select governments on a formula basis.

The ***Office of Economic Adjustment (OEA) Grant /South Sound Military Communities Partnership (SSMCP) Fund*** accounts for the revenues and expenditures associated with the Federal Office of Economic Adjustment Grant Program, which provides grants to assist communities with the alleviation of socioeconomic effects that may result from military base closures and realignments. This fund also accounts for all activity associated with the South Sound Military Communities Partnership.

The ***Public Safety Grant Fund*** accounts for the revenues and expenditures related to police department grants and local revenues.

Debt Service Funds:

The ***General Obligation Bond Debt Service Fund*** accounts for the debt service on the City Council approved general obligation (G.O.) debt. Included in the costs charged to this fund are the scheduled principal and interest payments, debt issue costs, fiscal agent fees, and any other debt related costs. Debt service currently scheduled for payment from this fund includes the 59th Avenue Promissory Note, 2009 LTGO and 2016 LTGO for the Police Station, and LOCAL financing for LED Streetlight Retrofit. The funding source for payment of the debt service is transfers in from the General Fund.

The ***Sewer Project Debt Service Fund*** accounts for the Public Works Trust Fund Loans that the City secured to fund both sewer main construction and the side sewer construction loan program

The ***LID Guaranty Debt Service Fund*** was created in conjunction with establishing the permanent financing of CLID 1101-1103. It also accounts for the guaranty funds connected with LID 1108.

Capital Projects Funds:

The ***Parks Capital Project Fund*** accounts for the receipt and disbursements related to the acquisition or construction of major parks capital improvement projects.

The ***Sewer Capital Project Fund*** accounts for the construction of a sewer system, which was donated to Pierce County. Only minor sewer construction-related activity has taken place in the fund from 2014 through 2016.

The ***Sanitary Sewer Connection Capital Project Fund*** accounts for the revenues generated from the sewer availability charges (in conjunction with the new sewer main that was donated to Pierce County), expenditures and transfers that are legally allowable for sewer availability charge fees, and for administrative expenses to maintain and operate the fund.

OTHER FUND TYPES

Internal Service Funds:

The City uses internal service funds to account for the financing of goods or services provided by one department or agency to other departments or agencies of a government, or to other governments, on a cost-reimbursement basis.

A description of each individual internal service fund included in the Comprehensive Annual Financial Report is provided below:

The ***Fleet and Equipment Fund*** accounts for all costs associated with operating, maintaining and replacing the City's vehicles and other motorized equipment. This fund owns and depreciates all non-proprietary fund assets of this nature. Rates charged to user departments are based on the full cost of maintaining fleet and equipment, including the recovery of related depreciation expense.

The ***Property Management Fund*** accounts for all costs associated with the maintenance and operations of City Hall, Police Station, and Parking/Light Rail Facility. Maintenance and operating costs are charged to this fund which is funded primarily through user charges allocated to the operating funds. The fund has also accumulated replacement reserves for the purpose of funding future major repairs and capital improvements to city-owned facilities.

The ***Information Technology Fund*** accounts for all costs and services associated with the City's information technology needs. This fund is used to support all internal systems such as the City's geographical information system needs, internal and external web resources, email systems, business continuity needs, infrastructure resources, applications and overall support. This fund owns and depreciates all non-proprietary fund assets related to these functions. Information technology costs are allocated to the operating funds.

The ***Risk Management Fund*** accounts for the financial administration of the City's comprehensive risk management program. The fund assures that the revenues and assets of the City are protected through an established risk control and risk finance program including risk management goals and objectives, a formalized risk assessment process and methodology for reviewing and monitoring of the effectiveness of the risk management program. This fund is funded primarily through user charges allocated to the operating funds.

BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures or expenses are recognized and reported in the financial statements.

The ***accrual basis*** of accounting is used by proprietary funds. Under this method, revenues are recognized when earned, and expenses are recognized when incurred.

The ***modified accrual*** basis of accounting is used by governmental funds. Revenues and other financial resources are recognized when they become susceptible to accrual, i.e., when the related funds become both measurable and available to finance expenditures of the current period. To be considered "available", revenue must be collected during the current period or soon enough thereafter to pay current liabilities. The City uses sixty days when evaluating the available criteria.

Expenditures are recognized when the related fund liability is incurred. Since the recognition of depreciation does not reduce net financial resources, it is not considered as expenditure. Other exceptions include (1) inventories of materials and prepaid items are reported as expenditures when purchased, (2) interest on long-term debt is not accrued but is recorded as an expenditure when due, (3) accumulated unpaid vacation and sick pay are considered expenditures when paid.

Major revenues recorded on the modified accrual basis are:

Property Taxes - Pierce County acts as the City's collection agent for these taxes. Each month, the County electronically transmits to the City the taxes which it has collected on the City's behalf in the prior month. On this basis, property taxes received in January and February are considered both measurable and available and are therefore recognized as revenue in the current year.

Other Locally Levied Taxes - Pierce County also acts as the City's collection agent for the ¼% and optional ¼% real estate excise taxes. Although a time lag occurs in payment of these taxes to the City, since the taxes are actually collected by Pierce County in December and receipted to the City within 10 days after the end of the year, they are considered to be both measurable and available, and are, therefore, accrued as revenue at year end. The State of Washington acts as the City's collection agency for the locally levied sales tax. The sales tax is distributed monthly and remitted to the City in the following month. The Sales Tax remittance in January and February are considered both measurable and available and is therefore accrued as revenue at year-end.

Grant Revenues - Under Section G60.109 of the Codification of Governmental Accounting and Financial Reporting Standards, revenues for cost reimbursement grants are determined to be earned and, therefore, available at the time related expenditures are incurred. For this reason, grant revenues to be received as reimbursement for expenditures incurred in the current year are also recognized as revenue in that year.

Shared Revenues - Revenues that have been collected, but not remitted by an intermediary collection agency to the City, are considered measurable and available.

Other Revenue Sources - Other items recognized as revenue in the current year on the modified accrual basis include investment interest earned but not received at year end; inter-fund and intergovernmental service billings related to services provided in the current year which are outstanding at year-end, and any other material revenue amounts determined to be both measurable and available under current modified accrual accounting practices.

FINANCIAL STATEMENT PRESENTATION

In order to obtain an understanding of changes in the City's position and the results of the City's operations, the financial statements for the year ended December 31, 2017 should be read in conjunction with the government's financial statements for the year ended December 31, 2016.

BUDGETARY INFORMATION

Scope of Budget

Annual appropriated budgets are adopted, on a biennial basis, for the general, special revenue, and capital project funds on the modified accrual basis of accounting. For governmental funds, both budget and actual information is presented on a GAAP basis of accounting. Budgetary accounts are integrated in fund ledgers for all budgeted funds, but the financial statements include budgetary comparisons for the general fund, major special revenue funds, debt service funds, and CIP funds only.

Budgets for debt service funds are adopted at the level of the individual debt issue and for fiscal periods that correspond to the lives of debt issue.

Annual appropriated budgets are adopted at the fund level, and the budgets constitute the legal authority for expenditures at that level. Total fund appropriation includes expenditures, other financing uses, and estimated ending fund balance. Subsidiary revenue and expenditure ledgers are used to compare the budgeted amounts with actual revenues and expenditures.

At the fund level, actual expenditures cannot exceed budgeted appropriations. Appropriations for general and special revenue funds lapse at year-end. The budgeted financial statements represented in this report reflect the final budget authorization, including all amendments.

Amending the Budget

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

When the City Council determines that it is in the best interest of the City to increase or decrease the appropriation for a particular fund, it may do so by ordinance approved by one more than the majority after holding public hearing(s). The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

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.

ASSETS, LIABILITIES, FUND BALANCE, AND NET POSITION

Cash and Investments

It is the City's policy to invest all temporary cash surpluses. At December 31, 2017, the City had \$21,005,566 in short-term residual investments of surplus cash. This amount is classified on the Statement of Net Position as cash and cash equivalents in various funds. The interest on these investments is prorated to the various funds on the basis of the ending cash balance in each participating fund.

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

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

The City is authorized by State law to purchase certificates of deposit issued by Washington State depositories that participate in a state insurance pool managed by the Washington Public Deposit Protection Commission; securities purchased by the Washington State Investment Pool; U.S. Treasury and Agency securities, banker's acceptances trading in the secondary market; and repurchase agreements with dealers that use authorized securities as collateral. In accordance with GASB 31, investments in money market investments and participating interest-earning investment contracts with a remaining maturity of one year or less at the time of purchase are stated at amortized cost. All other investments are stated at fair value. There was no material deviation from fair value quoted at year-end.

Receivables

Receivables include taxes receivable, accounts receivable, interest receivable, notes receivable and grants receivable. Taxes receivable consist of property taxes receivable. (See Note 5)

Accounts receivable consist of amounts owed from private individuals or organizations for goods and services including amounts owed for which the City is not required to bill. Notes receivable include amounts owed from private individuals for money loaned to provide assistance in paying for side sewer connection costs. Public works trust fund loan proceeds were the funding source for the loans made.

Also included in General Fund receivables are amounts due in connection with municipal court fines, fees, and penalties. The Washington State Administrative Office of the Courts (AOC) provides the primary information system for many courts in the state of Washington through its Judicial Information System (JIS). The City of Lakewood utilizes JIS for tracking all court revenues, and followed the AOC-recommended methodology for determining the amount of current local receivables, as well as for estimating future collections related to current local receivables.

Accrued interest receivable consists of amounts earned on investments and notes at the end of the year.

Grants Receivable consists of amounts owed from governmental or other third parties. Special Assessments are recorded when levied. Special assessments receivable consist of current and delinquent assessments and related interest and penalties. Deferred assessments on the fund financial statements consist of unbilled special assessments that are liens against the property benefited. As of December 31, 2017, no amount of special assessments receivable were delinquent.

Uncollected amounts are considered immaterial and the direct write-off method is used when applicable.

Amounts Due to and from Other Funds and Governments, Interfund Loans, and Accounts Receivable

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either interfund loans receivable/payable or advances to/from other funds. All other outstanding balances between funds are reported as due to/from other funds.

Inventories

Inventories in the governmental funds are recorded as expenditures at the time of purchase. Amounts remaining at year-end are immaterial and, therefore, are not reflected on the balance sheets of those funds. There were no material inventories at year-end in the Internal Service or Enterprise Funds.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost equal to or greater than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated fair market value if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

Land and construction in progress are not depreciated. Costs for additions or improvements to capital assets are capitalized when they increase the effectiveness or efficiency of the asset. The costs for normal maintenance and repairs are not capitalized. Major outlays for capital assets and improvements are recorded in Construction in Progress as they are constructed, and capitalized upon completion.

Capital assets of the City are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings & improvements	25 – 75
Improvements other than buildings	10 – 20
Public domain infrastructure	10 – 50
Police vehicles	6 – 10
Police vehicles (seizure)	3 – 5
Operations & maintenance vehicles	6 – 10
Operations & maintenance equipment	5 – 20

Compensated Absences

The City records a liability for all outstanding vacation pay and accrued compensatory time. In governmental funds, vacation pay, personal time off, and compensatory time is recorded as expenditures when paid, which occurs when used or upon termination. In the entity-wide statements and the proprietary fund statements, vacation pay and compensatory time is recorded as a liability and expense in the year earned.

City employees who are non-represented accumulate combination leave and major medical leave. Upon termination or retirement, the employees in this group who have less than three years of service with the City receive 75% of his or her combination leave at the current rate of pay. Employees with three or more years of service receive 100% of their combination leave at their current rate of pay. Those individuals who are of retirement age upon separation or who are laid off from the City receive 25% of their major medical leave at their current rate of pay, with a maximum of 160 hours to be paid out.

The Teamsters Union members receive one type of leave, Paid Time Off (PTO), and are paid 57.5% of their leave balance at their current rate of pay upon separation.

The Lakewood Police Independent Guild members receive one type of leave, Annual Leave, and are paid 65% of their leave balance at their current rate of pay upon separation.

The Lakewood Police Management Guild (LPMG), receive one type of leave, PTO, and are paid 65% of their leave balance at their current rate of pay upon separation.

City employees who are members of the Associate of Federal, State, County, and Municipal Employees (AFSCME) union also accumulate PTO, and upon separation receive 65% of their PTO at their current rate of pay.

Pensions

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

Long-term Liabilities

In the government-wide financial statements and the proprietary 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 statement of net position. Long-term debt outstanding at year-end is outlined in Note 10.

Deferred Outflows/Inflows of Resources

The deferred inflow of resources account is used to offset receivables established in the governmental funds for certain revenues that are measurable but not considered available to finance payment of current obligations and, therefore, are not susceptible to accrual on the modified accrual basis. When the receivable amounts are collected in future periods, this liability account is reduced and corresponding revenue is recorded. The portions of Property Taxes that do not meet the available criteria are recorded as deferred inflow of resources. (See Note 5)

Fund Balance Classification

Fund balance is a measurement of available financial resources and is the difference between total assets and total liabilities in each fund.

Beginning with the most restrictive constraints, fund balance amounts will be reported in the following categories:

Nonspendable – amounts that are not in a spendable form or are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for the specific purposes stipulated by external parties either constitutionally or through enabling legislation.

Committed – amounts that can be used only for the specific purposes determined by formal action of the City Council. Commitments may be changed or lifted by referring to the formal action that imposed the constraint originally.

Assigned – amounts *intended* to be used by the government for specific purposes. Intent is expressed by the governing body (City Council) or a body or official to which the City has delegated the authority to assign amounts to be used for specific purposes (City Manager). In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other government funds, at a minimum, are intended to be used for the purpose of that fund.

Unassigned – includes all amounts not contained in other classifications and is the residual classification of the general fund only. Unassigned amounts are available for any legal purpose.

The responsibility for designating funds to specific classifications shall be as follows:

Committed Fund Balance – The City Council is the highest level of decision-making authority, and the formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is established by ordinance approved by the Council.

When multiple categories of fund balance are available for expenditure, the City will start with the most restricted category and spend those funds first before moving down to the next category of available funds.

In September 2014, the City Council adopted set of financial policies. The fund balance policy requires the General Fund ending fund balance reserves at 12% of the combined General and Street Operations & Maintenance Funds operating revenues. The timeline to achieve the target reserves is no later than December 31, 2016. The 12% ending fund balance reserves equates to \$4.80 million and is achieved at the end of 2017. The 12% fund balance is comprised of:

- *2% General Fund Contingency Reserves:* The purpose of this reserve is to accommodate unexpected operational changes, legislative impacts, or other economic events affecting the City's operations which could not have been reasonably anticipated at the time the original budget was prepared. The City Council will determine how the Contingency Reserves are spent. The 2% ending fund balance reserves equates to \$800K.
- *5% General Fund Ending Fund Balance Reserves:* The purpose of this reserve is to provide financial stability, cash flow for operations and the assurance that the City will be able to respond to revenue shortfalls with fiscal strength. The 5% ending fund balance reserves equates to \$2.0M.
- *5% Strategic Reserves:* The purpose of this reserve is to provide some fiscal means for the City to respond to potential adversities such as public emergencies, natural disasters or similarly major, unanticipated events. The 5% ending fund balance reserves equates to \$2.0M.

Fund Balance Details

2017 Fund Balance Classification						
Fund Balance	General Fund	CDBG Fund	LID Debt Service	Transportation CIP Fund	Nonmajor Governmental Funds	Total
Restricted for:	\$ -	\$ 51,853	\$ 4,935	\$ 2,529,384	\$ 3,916,959	\$ 6,503,131
Transportation CIP	-	-	-	2,529,384	-	2,529,384
Real Estate Excise Tax	-	-	-	-	950,823	950,823
Local Improvement District-related debt	-	-	4,935	-	-	4,935
Hotel/Motel Lodging Tax	-	-	-	-	1,513,239	1,513,239
Police Seizure	-	-	-	-	332,485	332,485
Neighborhood Stabilization Program Grant	-	-	-	-	105,470	105,470
Office of Economic Adjustment Grant/SSMCP	-	-	-	-	94,509	94,509
Public Works Trust Fund Debt	-	-	-	-	793,506	793,506
LID Guaranty	-	-	-	-	126,927	126,927
CDBG Fund	-	51,853	-	-	-	51,853
Committed to:	\$ 8,200	\$ -	\$ -	\$ -	\$ 2,118,717	\$ 6,927,265
General Fund Ending Fund Balance Reserve	4,800,348	-	-	-	-	4,800,348
Petty Cash	8,200	-	-	-	-	8,200
Street Operations & Maintenance	-	-	-	-	11,305	11,305
Transportation Benefit District	-	-	-	-	143,506	143,506
Property Abatement / Rental Housing Safety Program	-	-	-	-	247,596	247,596
Public Art	-	-	-	-	19,598	19,598
Parks CIP	-	-	-	-	993,417	993,417
Sanitary Sewer CIP	-	-	-	-	51,716	51,716
Sanitary Sewer Connection	-	-	-	-	651,579	651,579
Unassigned:	\$ 4,343,681	\$ -	\$ -	\$ -	\$ -	\$ 4,343,681
General Fund	4,343,681	-	-	-	-	4,343,681
Total Fund Balance:	\$ 4,351,881	\$ 51,853	\$ 4,935	\$ 2,529,384	\$ 6,035,676	\$ 17,774,077

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE & FUND FINANCIAL STATEMENTS

Explanation of Certain Differences between the Governmental Funds Balance Sheet and the Government-Wide Statement of Net Position

The governmental funds' balance sheet includes reconciliation between *fund balance – total governmental funds and net position – governmental activities* as reported in the government-wide statement of net position. The details of this \$143.5 million difference are as follows.

Capital assets used in governmental activities are not financial resources and are therefore reported at the government-wide level but not at the fund level:

Governmental Capital Assets (Net) Beginning of Year	\$ 129,431,103
Plus: Capital Assets Additions	36,471,532
Less: Reclassification of WIP	(22,958,372)
Less: Depreciation Expense	(4,554,452)
Less: Disposed Assets	(221,700)
	<u>\$ 138,168,111</u>

Long-term liabilities applicable to the City's activities are not due and payable in the current period and are not reported as fund liabilities:

Long Term Liabilities Outstanding Beginning of Year	\$ (12,331,618)
Plus: Debt Issued	(141,000)
Less Debt Redeemed, including amortization	928,050
Plus: Compensated Absences Issued	(2,917,108)
Less: Compensated Absences Redeemed	2,732,354
	<u>\$ (11,729,322)</u>

Some deferred inflows reported in the governmental funds are reported as revenues on the government-wide Statement of Activities:

Property Tax	\$ 496,833
Municipal Court	1,044,240
Property Abatements	407,781
HUD Loans	1,288,161
Local Improvement Districts	1,076,740
Public Works Trust Fund Loans	63,513
	<u>\$ 4,377,268</u>

Assets and liabilities of internal service funds are included in governmental activities in the Statement of Net Position:

Fleet & Equipment Fund Assets	\$ 7,321,019
Property Management Fund Assets	674,068
Information Technology Fund Assets	1,071,049
Fleet & Equipment Fund Liabilities	(44,633)
Property Management Fund Liabilities	(65,244)
Information Technology Fund Liabilities	(132,742)
Prior period adjustment - Fleet & Equipment	(26,103)
Long term compensated absences	42,599
	<u>\$ 8,840,013</u>

Long-term assets and deferred inflows/outflows of resources related to pensions are included in governmental activities in the Statement of Net Position:

Net pension asset	\$ 4,790,743
Deferred outflows of resources related to pensions	583,481
Deferred inflows of resources related to pensions	(1,315,364)
	<u>\$ 4,058,860</u>

Interfund revenues and expenditures are reported as internal balances on the government-wide statements to avoid overstating revenues and expenditures:

Interfund Balances	<u>\$ (144,012)</u>
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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, expenditure, and changes in fund balances includes reconciliation between *Net Changes in Fund Balances – Total Governmental Funds* and *Changes in Net Position of Governmental Activities* as reported in the Government-wide Statement of Activities. The details of the \$10.6 million difference are as follows.

Some deferred inflows reported in the funds are recognized as revenue in the government-wide financial statements:

Prior year deferred inflows recognized as revenue	\$ (4,260,573)
Current year deferred inflows recognized as revenue	4,377,268
	<u>\$ 116,695</u>

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of these assets are capitalized and depreciated over the estimated useful lives of the assets:

Capital asset purchases and construction in process capitalized	\$ 13,496,481
Gain/loss on disposal of capital assets	182,774
Contributed capital asset	63,425
Depreciation expense	(4,554,451)
	<u>\$ 9,188,229</u>

Expenses for compensated absences reported in the Statement of Activities do not require the use of current financial resources and are therefore not reported as expenditures in the governmental funds:

Prior year compensated absences	\$ 2,410,764
Current year compensated absences	(2,595,518)
	<u>\$ (184,754)</u>

The repayment of long-term debt consumes the current financial resources of governmental funds, but these transactions have no effect on government-wide net position:

Bond principal retired	\$ 936,474
Bond premium amortized	17,321
Amortization of deferred charge on refunding	(25,745)
Issuance of long term debt	(141,000)
	<u>\$ 787,050</u>

Adjustment for GASB 68 pension reporting:

Adjustment for GASB 68 pension reporting	\$ 353,777
	<u>\$ 353,777</u>

Net revenue (loss) of internal service funds:

Net revenue (loss) of internal service funds	\$ 385,786
	<u>\$ 385,786</u>

Interfund revenues and expenditures are not reported on the Statement of Activities:

Interfund balances	<u>\$ (11,189)</u>
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NOTE 3– SUPPLEMENTAL APPROPRIATIONS**Operating Budget Funds**

Appropriations established during 2017 are provided below. As explained in Note 1, both original and supplemental appropriations are adopted by the City Council by ordinance. Both original and final budget appropriations are shown on the accompanying financial statements. The final budget values include all adopted adjustments to original budget amounts.

Fund Balance	2017		
	Original Budget	Supplemental Appropriations	Final Budget
<i>General Fund</i>	\$ 36,943,994	\$ 2,403,973	\$ 39,347,967
<i>Special Revenue Funds:</i>			
Street Operations & Maintenance	2,155,612	196,396	2,352,008
Real Estate Excise Tax	1,191,000	1,195,870	2,386,870
Transportation Benefit District	685,000	95,000	780,000
Hotel/Motel Lodging Tax	1,100,000	165,369	1,265,369
Property Abatement	310,111	35,678	345,789
Public Art	2,000	80,000	82,000
Narcotics Seizure	75,000	422,800	497,800
Felony Seizure	-	194,924	194,924
Federal Seizure	104,900	100,546	205,446
Grant	445,000	1,946,646	2,391,646
NSP Grant	-	187,982	187,982
Office of Economic Adjustment/South Sound Military Partnership	306,672	126,229	432,901
Public Safety Grant	-	132,103	132,103
<i>Debt Service Funds:</i>			
General Government Debt Service	477,570	-	477,570
LID Debt Service	204,438	86,200	290,638
Sewer Project Debt	744,406	110,000	854,406
LID Guaranty	-	-	-
<i>Capital Projects Funds:</i>			
General Government CIP	1,500,000	3,717,461	5,217,461
Transportation CIP	8,113,000	15,928,199	24,041,199
Sewer Project CIP	290,000	126,791	416,791
Sanitary Sewer Connection	-	35,000	35,000
Total Fund Balance:	\$ 54,648,703	\$ 27,287,167	\$ 81,935,870

NOTE 4 – DEPOSITS AND INVESTMENTS

As required by state law, all deposits and investments of the City's funds are obligations of the U.S. Government, the Local Government Investment Pool (LGIP), bankers' acceptances, or deposits with Washington State banks and savings and loan institutions. In 2017 the City utilized obligations of the Local Government Investment Pool and Washington state banks as legal authorized investment instruments.

Cash and Deposits

At year-end, the City had \$24,124,829 in cash and cash equivalents. Custodial credit risk for these deposits is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. However, the City's deposits are covered up to \$250,000 through federal depository insurance and through the Washington Public Deposit Protection Commission (WPDPC), a multiple financial institution collateral pool, for amounts over \$250,000. Under Washington State statutes, members of the WPDPC may be assessed on a prorated basis if the pool's collateral is insufficient to cover a loss.

The State Treasurer's Office administers the Washington State LGIP authorized under Chapter 43.250 RCW. The LGIP operates in a manner consistent with the SEC Rule 2a-7. In its management of LGIP, the State Treasurer adheres to the principles appropriate for the prudent investment of public funds. In priority order, they are the safety of principal, the assurance of sufficient liquidity and the assurance of sufficient liquidity to meet cash flow demands.

As of December 31, 2017, the City had the following investments and maturities:

Investment Maturities				
Investment	< 1 Year	1 - 3 Years	> 3 Years	Total
Local Government Investment Pool	\$ 21,005,566	\$ -	\$ -	\$ 21,005,566
Total:	\$ 21,005,566	\$ -	\$ -	\$ 21,005,566

Investments

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy states: The City will minimize interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity and investing operating funds in primarily short-term securities, money market mutual funds or similar investment pools.

Credit Risk

Credit risk is the risk that an issuer or other counter-party has to an investment in not fulfilling its obligations. The City's investment policy states that the City will minimize credit risk by limiting investments to the safest type of securities; prequalifying the financial institutions and brokers/dealers with which the City will do business; and diversifying the investment portfolio so that potential losses on individual securities will be minimized.

State law and the City's investment policy limits the instruments in which the City may invest. The following are categories of investments authorized under the City's policy, in general order of safety and liquidity: Local Government Investment Pool (LGIP); repurchase agreements; U.S. treasury obligations; U.S. government agencies; U.S. government-sponsored corporations/instrumentalities; bankers' acceptances (secondary market domestic and foreign); commercial paper (secondary market); insured certificates of deposit (banks and savings & loans); and uninsured/collateralized certificates of deposit (banks and savings & loans).

The credit risk of the State Investment Pool is limited to obligations of the US Government, government sponsored enterprises, or insured demand deposit accounts and certificates of deposit.

As of December 31, 2017, the City had \$21,005,566 in the LGIP. The LGIP is unrated. LGIP is comparable to Securities Exchange Commission 2a-7 to minimize credit risk.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The City diversifies its investments by security type and institution. The investment policy states: "No more than 5% of the portfolio may be invested in the securities of a single issuer, except for the U.S. Treasury, to which no limits apply. No more than 30% of the portfolio may be invested in bankers' acceptances and certificates of deposit."

Due to fluctuations in the aggregate surplus funds balance, maximum percentages for a particular issuer or investment type may be exceeded at a point in time subsequent to the purchase of a particular issuer or investment type. Securities need not be liquidated to realign the portfolio; however, consideration should be given to this matter when future purchases are made to ensure that appropriate diversification is maintained.

NOTE 5 – RECEIVABLES, DEFERRED INFLOWS OF RESOURCES, DUE FROM OTHER GOVERNMENTS

Property Taxes

The Pierce County Assessor Treasurer is responsible for collecting property taxes levied in the County by all taxing districts. Amounts collected by the County on the City's behalf are remitted monthly.

PROPERTY TAX CALENDAR

January 1	Taxes are levied and become an enforceable lien against properties.
February 14	Tax bills are mailed.
April 30	First of two equal installment payments is due.
May 31	Assessed value of property established for next year's levy at 100% of market value.
October 31	Second installment is due.

Taxes are levied and become an enforceable lien against properties as of January 1. Annual tax billings may be paid in two equal installments, due April 30 and October 31. At December 31, 2017, the total balance of property taxes receivable recorded by the City was \$560,769. Of this, \$496,833 is recorded as deferred inflow of resources, since it was not collected within the first 60 days of 2017.

Property taxes are recorded as a receivable when levied, offset by deferred inflow of resources. During the year, property tax revenues are recognized when cash is collected. At year-end, property tax revenues are recognized for collections expected to occur within 30 days. No allowance for uncollectible taxes is established because delinquent taxes are considered fully collectible.

Under State law, the maximum levy (for general governmental services) is up to \$3.60 per \$1,000 of assessed valuation, subject to two limitations, set forth below. Since the City of Lakewood is not a full service city, the City is only allowed \$1.60. The remaining \$2.00 is for the fire district (\$1.50) and library district (\$0.50).

- Chapter 84.55 of the State RCW was amended most recently by Initiative No. 747 (which was passed by voters on November 6, 2001), limits the total dollar amount of regular property taxes levied by the City to the amount of such taxes levied in the three most recent years multiplied by a limit factor, plus an adjustment to account for taxes on new construction, improvements and state-assessed property at the previous year's rate. As amended by Initiative No. 747, the limit factor is the lesser of 101% or 100% plus the percent change in the Implicit Price Deflator, unless a greater amount is approved by a simple majority of the voters; and
- The Washington State Constitution limits the total regular property taxes to 1% of assessed valuation or \$10 per \$1,000 of value. If the taxes of all districts exceed this amount, each is proportionately reduced until the total is at or below the 1% limit.

The City's regular levy for 2017 was \$1.24 per \$1,000 on an assessed valuation of \$5,410,414,843 for a total regular levy of \$6,711,836.

Deferred Inflows of Resources

The table below provides details of the deferred inflows of resources as reported on the government-wide Statement of Net Position and the governmental funds Balance Sheet. \$1,948,854 of resources reported as Deferred Inflows on the Governmental Funds Balance Sheet are reported as revenue on the Government-Wide Statement of Activities because, while unavailable at December 31, 2017, the amounts were known and due to the City. Grant reimbursements are receivable within one year of the end of the fiscal period.

Deferred Inflows of Resources As of December 31, 2017					
Deferred Inflows of Resources	General	Grant	LID Debt Service	Nonmajor Governmental	Total General Government
HUD Loans	\$ -	\$ 1,147,161	\$ -	\$ -	\$ 1,147,161
Local Improvement Districts	-	-	1,076,740	-	1,076,740
Public Works Trust Fund Loan - Side Sewer	-	-	-	63,513	63,513
Property Tax	496,833	-	-	-	496,833
Municipal Court	1,044,240	-	-	-	1,044,240
Abatements	-	-	-	407,781	407,781
Total: Deferred Inflows - Governmental Funds	\$ 1,541,073	\$ 1,147,161	\$ 1,076,740	\$ 471,294	\$ 4,236,268

Receivables & Due from Other Governments

The receivables and due from other governmental entities for the fiscal year ended December 31, 2017 are detailed in the following schedule.

Receivables & Due From Other Governments								
As of December 31, 2017								
Receivable	General	Transportation CIP	Grant	LID Debt Service	Nonmajor Govt'l	Total Governmental Activities	Total Business Type Activities	Total Primary Government
Property Tax	\$ 560,769	\$ -	\$ -	\$ -	-	\$ 560,769	\$ -	\$ 560,769
Sales and Use Tax	2,239,998	-	-	-	-	2,239,998	76,997	2,316,995
Other Tax	1,485,851	57,370	-	-	591,315	2,134,536	-	2,134,536
Municipal Court Receivables	1,290,360	-	-	-	-	1,290,360	-	1,290,360
Other Receivables	276,227	-	-	-	-	276,227	-	276,227
Notes/Loans Receivable	-	-	1,288,161	-	63,513	1,351,674	-	1,351,674
Abatement Assessments	-	-	-	-	407,781	407,781	-	407,781
Special Assessments	-	-	-	1,076,739	-	1,076,739	-	1,076,739
Grants	-	-	122,557	-	161,231	283,788	-	283,788
Animal Control	12,237	-	-	-	-	12,237	-	12,237
City of Federal Way - PS Auto Theft	11,774	-	-	-	-	11,774	-	11,774
City of Federal Way - WATPA	30,392	-	-	-	5,723	36,115	-	36,115
Department of Ecology	-	-	-	-	-	-	40,799	40,799
Dept of Commerce	8,368	-	-	-	-	8,368	-	8,368
Dept of Justice	-	-	-	-	291	291	-	291
FBI PNILTF	8,241	-	-	-	-	8,241	-	8,241
FBI Safe Streets Task Force	1,087	-	-	-	-	1,087	-	1,087
Momentum Partners Asset Group	-	185,000	-	-	50,000	235,000	-	235,000
Office of Economic Adjustment	-	-	-	-	10,566	10,566	-	10,566
Pierce County Sex Offender Residency	9,862	-	-	-	-	9,862	-	9,862
Sound Transit	-	110	-	-	-	110	-	110
South Sound 911	425	-	-	-	-	425	-	425
Town of Steilacoom	-	73,442	-	-	-	73,442	-	73,442
Traffic Improvement Boards	-	148,775	-	-	-	148,775	-	148,775
US Marshall SI-PA-9-13	3,000	-	-	-	-	3,000	-	3,000
WA State Dept of Transportation	-	305,850	-	-	-	305,850	-	305,850
WA State Military	-	-	-	-	16,695	16,695	-	16,695
WA Traffic Safety Commission	-	-	-	-	978	978	-	978
Western State Hospital DSHS	213,000	-	-	-	-	213,000	-	213,000
WSH Service Calls	33,750	-	-	-	-	33,750	-	33,750
Total by Fund	\$ 6,185,341	\$ 770,547	\$ 1,410,718	\$ 1,076,739	\$ 1,308,093	\$ 10,751,438	\$ 117,796	\$ 10,869,234

NOTE 6 – DUE TO OTHER GOVERNMENTS

At December 31, 2017, the City recorded \$324,039 as due to other governments as follows:

Due to Other Governments						
As of December 31, 2017						
Payable	General	Transportation CIP	Nonmajor Governmental	Total General Government	Total	
Sales and Use Tax	\$ 1,463	\$ 16	\$ 4,706	\$ 6,169	\$ 6,169	
Pierce County	95,683	-	-	95,683	95,683	
WA State Treasurer	-	-	(390)	(390)	(390)	
West Pierce Fire & Rescue	222,561	-	-	222,561	222,561	
Total by Fund	\$ 319,707	\$ 16	\$ 4,316	\$ 324,039	\$ 324,039	

NOTE 7 – CAPITAL ASSETS

Capital assets activity for governmental funds for the year ended December 31, 2017 is as follows:

	Beginning Balance 1/1/2017	Prior Period Adjustment	Adjusted Beginning Balance 1/1/2017	Increases	Decreases	Ending Balance 12/31/2017
Governmental Activities						
Capital assets, not being depreciated:						
Land and land rights	\$ 21,901,415	\$ -	\$ 21,901,415	\$ 77,820	\$ (221,700)	\$ 21,757,535
Construction in progress	23,557,820	-	23,557,820	13,384,167	(22,958,372)	13,983,615
Total capital assets, being not depreciated	45,459,235	-	45,459,235	13,461,987	(23,180,072)	35,741,150
Capital Assets being depreciated:						
Buildings	26,227,943	-	26,227,943	-	-	26,227,943
Infrastructure	109,318,657	-	109,318,657	22,958,372	-	132,277,029
Machinery and equipment	3,052,124	(25,428)	3,026,696	51,173	-	3,077,869
Total capital assets, being depreciated	138,598,724	(25,428)	138,573,296	23,009,545	-	161,582,841
Less accumulated depreciation for:						
Buildings	(5,011,553)	-	(5,011,553)	(524,326)	-	(5,535,879)
Infrastructure	(46,907,048)	-	(46,907,048)	(3,888,312)	-	(50,795,360)
Machinery and equipment	(2,708,255)	-	(2,708,255)	(141,814)	-	(2,850,069)
Total accumulated depreciation	(54,626,856)	-	(54,626,856)	(4,554,452)	-	(59,181,308)
Total capital assets being depreciated, net	83,971,868	(25,428)	83,946,440	18,455,093	-	102,401,533
Subtotal Governmental Activities capital assets, net	\$ 129,431,103	\$ (25,428)	\$ 129,405,675	\$ 31,917,080	\$ (23,180,072)	\$ 138,142,683
Internal Service Funds						
Capital assets, not being depreciated:						
Land and land rights	\$ 278	\$ -	\$ 278	\$ -	\$ (278)	\$ -
Construction in progress	105,065	-	105,065	-	(105,065)	-
Total capital assets, not being depreciated	105,343	-	105,343	-	(105,343)	-
Capital assets being depreciated						
Infrastructure	137,279	-	137,279	-	-	137,279
Machinery and equipment	7,297,351	25,428	7,322,779	1,651,084	(323,436)	8,650,427
Total capital assets, being depreciated	7,434,630	25,428	7,460,058	1,651,084	(323,436)	8,787,706
Less accumulated depreciation for:						
Infrastructure	(30,147)	-	(30,147)	(3,432)	-	(33,579)
Machinery and equipment	(3,983,912)	-	(3,983,912)	(657,041)	297,620	(4,343,333)
Total accumulated depreciation	(4,014,059)	-	(4,014,059)	(660,473)	297,620	(4,376,912)
Total capital assets being depreciated, net	3,420,571	25,428	3,445,999	990,611	(25,816)	4,410,794
Subtotal Internal Service Funds capital assets, net	3,525,914	25,428	3,551,342	990,611	(131,159)	4,410,794
Governmental Activities capital assets, net	\$ 132,957,017	\$ -	\$ 132,957,017	\$ 32,907,691	\$ (23,311,231)	\$ 142,553,477

Capital asset activity for Business-type activities for the year ended December 31, 2017, was as follows:

	Beginning Balance				Ending Balance	
Business-Type Activities	1/1/2017		Increases		Decreases	
Capital assets, not being depreciated:						
Land and land rights	\$ 1,854,447	\$ -	\$ 1,854,447	\$ -	\$ -	\$ 1,854,447
Constuction in progress	400,790	-	400,790	443,531	-	844,321
Total capital assets, not being depreciated	2,255,237	-	2,255,237	443,531	-	2,698,768
Capital assets being depreciated:						
Buildings	1,849,673	-	1,849,673	-	-	1,849,673
Infrastructure	42,796,926	-	42,796,926	-	-	42,796,926
Machinery and equipment	332,332	-	332,332	-	-	332,332
Total capital assets being depreciated	44,978,931	-	44,978,931	-	-	44,978,931
Less accumulated depreciation for:						
Buildings	(55,125)	-	(55,125)	(37,133)	-	(92,258)
Infrastructure	(15,178,333)	-	(15,178,333)	(1,210,047)	-	(16,388,380)
Machinery and equipment	(184,377)	-	(184,377)	(23,351)	-	(207,728)
Total accumulated depreciation	(15,417,835)	-	(15,417,835)	(1,270,531)	-	(16,688,366)
Total capital assets being depreciated, net	29,561,096	-	29,561,096	(1,270,531)	-	28,290,565
Subtotal Business-Type Activities capital assets, net	\$ 31,816,333	\$ -	\$ 31,816,333	\$ (827,000)	\$ -	\$ 30,989,333

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

Capital Asset Depreciation by Function	
As of December 31, 2017	
Governmental Activities:	
General Government	\$ 376,322
Judicial	4,255
Public Safety (Police)	813,375
Transportation (Highways and Streets)	3,672,762
Economic Environment	25,419
Culture and Recreation	322,792
Total Depreciation Expense - Governmental Activities	5,214,925
Business-Type Activities:	
Utilities and Environment (Surface Water Management)	1,270,531
Total Depreciation Expense - Business-Type Activities	1,270,531
Total Depreciation Expense	\$ 6,485,456

The City has active construction projects as of December 31, 2017. The City's commitments with contractors are as follows:

Construction Commitments				
Vendor	Contract Name	Contract Amount	Payments	Balance at 12/31/2017
Construction Contracts				
Consolidated Electrical Dist	New LED Street Lights	\$ 20,699	\$ 5,552	\$ 15,147
Graybar Electric Company	Lakeview Ave Sidewalk Improvements	22,103	17,648	4,455
Miles Resources LLC	Lakewood Drive (100th to Steilacoom)	1,237,930	1,160,590	77,341
Interlocal Agreements				
Dept of Ecology	NPDES Requirments	40,000	-	40,000
Consulting and Engineering Services				
AHBL Inc	Personnel, Engineering & Prof Svcs	9,147	-	9,147
AHBL Inc	Lakewood Drive (100th to Steilacoom)	1,648	-	1,648
AHBL Inc	Lakeview Ave Sidewalk Improvements	5,460	1,100	4,360
Brown & Caldwell	Waughop Lake Management Plan	32,000	14,578	17,422
Cascade Right-of-Way Svcs	S Tacoma Way (Steilacoom to 88th)	6,703	-	6,703
Construction Testing	108th St (Main to Bridgeport)	6,258	3,619	2,640
DKS Associates	S Tacoma Way (Steilacoom to 88th)	6,266	-	6,266
Geoengineers	Steilacoom Blvd Cor Safety Proj	9,130	-	9,130
Krazan & Associates Inc	S Tacoma Way (SR 512 to 96th)	22,190	13,020	9,170
Tierra Right of Way Svcs	Lakeview Ave Sidewalk Improvements	14,737	10,995	3,742
West Consultants Inc	Surface Water Mgt Ongoing Ops	6,583	578	6,005
		\$ 1,440,854	\$ 1,227,679	\$ 213,175

NOTE 8 – PENSION PLANS

The City participates in three retirement plans. Two are administered by International City Manager's Association (ICMA); one is administered by WA State Department of Retirement Systems (DRS). Descriptions of the plans are as follows:

Plan 1-City of Lakewood: A Defined Contribution Plan, Retirement Trust - ICMA # 109566

During the first couple of months of 1995-96 (*the City became incorporated February 28, 1996*), the City of Lakewood employees voted not to join the State's Public Employees Retirement Systems (*PERS*). Instead, the employees of the City voted to participate in a section 401 (a) - IRS, plan administered through International City Manager's Association (*ICMA*). The plan was established under the authority of the City Council, which is responsible for amending the provisions and contribution requirements. The plan is a qualified plan – "a defined contribution plan" registered through the Internal Revenue Service (*IRS*) as a section 401 (a). The vesting schedules are the same as PERS with added enhancements where employees can manage their own investment portfolio of both the employee and employer contributions. Contributions to the plan are not subject to federal income tax (pre-tax dollars). All full time employees are required to participate. A vesting schedule is tied to years of service that an employee may bring from the previous vesting in PERS or another qualified plan. The vesting schedule is below.

Years of Service	Vesting Percentage
0 - 1 Year of Service	20%
1 - 2 Years of Service	40%
2 - 3 Years of Service	60%
3 - 4 Years of Service	80%
4+ Years of Service	100%

The table below shows the percentage contributions that are made bi-monthly by the employer and employee to this qualified money purchase plan. Contributions are made every payroll cycle (*on the 5th & 20th of each month*). The balance in the trust as of December 31, 2017, was \$19,871,710.

2017 Employer Contribution	2017 Employee Contribution
7.62%	5.08%
\$661,900	\$441,268

Each employee directs his/her investment among various investment options as defined by the ICMA group for both the employee and employer contributions.

Upon separation of service prior to retirement, all employee contributions may be withdrawn without regard to age. Employer contributions will be distributed to the employee based upon the vesting schedule. The contract has identified regular retirement age at 55.

Plan assets, which consist of stocks, bonds, and guaranteed insurance contracts, are not the property of the City are not subject to the claims of the City's general creditors. The program is administered by a private consulting firm, the ICMA. Actuarial determinations are not required because benefits paid to participants upon retirement are limited to: (a) A non-forfeitable, non-transferable annuity contract purchased by the plan's trustee; (b) Retirement benefits paid from the employee's deferred savings to which no contributions by the City or the participants can be added after retirement; or (c) A single lump-sum payment equal to the accumulated balance in the employee's deferred savings account as of his or her retirement date.

Plan 2-City of Lakewood: A Defined Money Contribution Plan, Money Purchase Retirement Trust-ICMA # 109266

During the first couple of months of 1995-96 (*the City became incorporated February 28, 1996*), the City of Lakewood employees, through an election, voted not to join Social Security Retirement Plan (SSI). Instead, the City participates in a Money Purchase qualified plan, a defined money contribution plan - Retirement Trust Section 401 (a), administered through ICMA, which is registered with the Internal Revenue Service section 401. The plan was established under the authority of the City Council, which is responsible for amending the provisions and contribution requirements. The benefit package includes the following: 1) long term disability benefits, 2) survivor benefits for spouse and children, 3) lump sum death benefits and, 4) life benefits. Contributions to the plan are not subject to federal income tax. All full time employees and the

City Council members who are under the Omnibus Budget Reconciliation Act of 1990 are required to participate. The contribution percentages are listed as follows:

2017 Employer Contribution	2017 Employee Contribution
4.77%	6.20%
\$956,654	\$1,243,448

Each employee directs his/her investment among various investment options for both the employee and employer contribution.

Upon separation of service prior to retirement, all employee contributions may be withdrawn without regard to age which may include a penalty from the Internal Revenue Service. Employer contributions must be left in the plan and distributed when the participant attains age 55. Employee and employer contributions for retirement benefits are 100% vested.

Temporary employees are not part of the 401(a) plan. Temporary employees contribute to social security insurance. The balance in the trust as of December 31, 2017, was \$35,755,404.

Law Enforcement Officers' LEOFF Plan 2

The following table represents the aggregate pension amounts for all plans subject to the requirements of the GASB Statement 68, *Accounting and Financial Reporting for Pensions* for the year 2017:

Aggregate Pension Amounts - LEOFF 2	
Pension assets	\$ 4,790,743
Deferred outflows of resources	\$ 583,483
Deferred inflows of resources	\$ (1,315,364)
Pension expenditures	\$ 171,616

State Sponsored Pension Plans

All City of Lakewood commissioned officers participate in LEOFF Plan 2 retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans. The state Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

LEOFF Membership as of June 30, 2017	
Inactive plan members or beneficiaries currently receiving benefits	5,140
Inactive plan members entitled to but not yet receiving benefits	864
Active plan members	17,699
Total Membership	23,703

The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

Department of Retirement Systems
Communications Unit
P.O. Box 48380
Olympia, WA 98540-8380

Or the DRS CAFR may be downloaded from the DRS website at www.drs.wa.gov.

LEOFF Plan 2 provides retirement, disability and death benefits. Retirement benefits are calculated using 2% of the member's Final Average Salary (FAS) times the member's years of service. FAS is the monthly average of the member's 60

consecutive highest-paid service credit months. Members are eligible for retirement with a full benefit at age 53 with at least five years of service credit. Members who retire before age 53 receive reduced benefits. If the member has at least 20 years of service and is age 50 to 52, the reduction is 3% for each year before age 53. Otherwise, the benefits are actuarially reduced for each year before age 53. LEOFF Plan 2 retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other LEOFF Plan 2 benefits include duty and nonduty disability payments; a Cost-of-Living Adjustment (COLA) based on the Consumer Price Index, capped at 3% annually; and a one-time, duty-related death benefit, if the Washington State Department of Labor & Industries finds the member eligible. LEOFF 2 members are vested after the completion of five years of eligible service.

Contributions

The **LEOFF Plan 2** employer and employee contribution rates are developed by the Office of the State Actuary (OSA) to fully fund Plan 2. The employer rate includes an administrative expense component set at 0.18%. The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) at the close of fiscal year 2017 were as follows:

LEOFF Plan 2		
Actual Contribution Rates	Employer	Employee
State and local governments	5.23%	8.41%

The City of Lakewood's actual contributions to the plan were \$580,241 for the year ended December 31, 2017.

The Legislature, by means of a special funding arrangement, appropriates money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute. For the state fiscal year ending June 30, 2017, the state contributed \$62,155,262 to LEOFF Plan 2.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2017 with a valuation date of June 30, 2016. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2007-2012 Experience Study* and the *2015 Economic Experience Study*.

Additional assumptions for subsequent and law changes are current as of the 2016 actuarial report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2017. Plan liabilities were rolled forward from June 30, 2016, to June 30, 2017, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

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

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

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

- For all plans except LEOFF Plan 1, how terminated and vested member benefits are valued was corrected.
- How the basic minimum COLA in PERS Plan 1 is valued for legal order payees was improved.
- For all plans, the average expected remaining service lives calculation was revised.

Discount Rate

requirements. (All plans use 7.7% except LEOFF 2, which has assumed 7.5%). Consistent with the long-term expected rate of return, a 7.5% future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue being made at contractually required rates (including PERS 2/3, PSERS 2, SERS 2/3, and TRS 2/3 employers, whose rates include a component for the PERS 1, and TRS 1 plan liabilities). Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.75% was used to determine the total liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.5% was determined using a building-block method. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered capital market assumptions and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns over various time horizons.

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2017, are summarized in the table below. The inflation component used to create the table is 2.2% and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Rate of Return Arithmetic
Fixed Income	20%	1.7%
Tangible Assets	5%	4.9%
Real Estate	15%	5.8%
Global Equity	37%	6.3%
Private Equity	23%	9.3%
	100%	

Sensitivity of Net Pension Asset

The table below presents the City of Lakewood proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the City of Lakewood proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.50%) or 1-percentage point higher (8.50%) than the current rate.

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
LEOFF 2	\$ 1,036,710	\$ (4,790,743)	\$ (9,538,708)
Total	\$ 1,036,710	\$ (4,790,743)	\$ (9,538,708)

Pension Plan Fiduciary Net Position

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

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

At June 30, 2017, the City of Lakewood's reported a total pension asset of \$4,790,743 for its proportionate share of the net pension assets as follows:

Liability (or Asset)	
LEOFF 2	(\$4,790,743)

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

	Liability (or Asset)
LEOFF 2 - Employer's proportionate share	\$ (4,790,743)
LEOFF 2 - State's proportionate share of the net pension liability / (asset) associated with the employer	(3,107,666)
Total	\$ (7,898,409)

At June 30, the City of Lakewood proportionate share of the collective net pension liabilities was as follows:

	Proportionate Share		Change in Proportion
	6/30/2016	6/30/2017	
LEOFF 2	0.33788%	0.34524%	0.007%

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

In fiscal year 2017, the state of Washington contributed 39.35% of LEOFF 2 employer contributions pursuant to RCW 41.27.726 and all other employers contributed the remaining 60.65 percent of employer contributions.

Pension Expense

For the year ended December 31, 2017, the City of Lakewood recognized pension expense as follows:

Pension Expense	
LEOFF 2	(\$171,616)
\$	(171,616)

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2017, the City of Lakewood reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 210,562	\$ (181,673)
Net difference between projected and actual investment earnings on pension plan investments	-	(1,075,555)
Change of assumptions	5,769	-
Changes in proportion and differences between contributions and proportionate share of contributions	50,070	(58,136)
Contributions subsequent to the measurement date	317,082	-
Total	\$ 583,483	\$ (1,315,364)

Or the year ended December 31, 2017, the net amount of deferred outflows and inflows of resources that will be recognized in the employer's pension expense for each of the subsequent five years is as follows:

Year Ended December 31	LEOFF 2
2018	(488,363)
2019	117,649
2020	(68,073)
2021	(470,280)
2022	(24,982)
Thereafter	(114,915)
Total	\$ (1,048,962)

Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund (VFFRPF)

VFFRPF is a cost-sharing, multiple-employer defined benefit plan administered by the State Board for Volunteer Fire Fighters and Reserve Officers. The Board is appointed by the Governor and is comprised of five members of fire departments covered by Chapter 41.24 RCW. Administration costs of the VFFRPF are funded through legislative appropriation. Approximately 450 local governments, consisting of fire departments, emergency medical service districts and law enforcement agencies, contribute to the plan. In addition, the state contributes 40% of the fire insurance premium tax. Retirement benefits are established in Chapter 41.24 RCW and may be amended only by the Legislature.

The VFFRPF plan does not issue a stand-alone financial report, but is included in the comprehensive annual financial report (CAFR) of the State of Washington. The State CAFR may be downloaded from the Office of Financial Management (OFM) website www.ofm.wa.gov.

Membership in the VFFRPF includes volunteer firefighters, emergency medical technicians, and commissioned reserve law enforcement officers of participating employers. After 25 years of active membership, members having reached the age of 65 and who have paid their annual retirement fee for 25 years are entitled to receive a monthly benefit of \$50 plus \$10 per year of service, for a maximum monthly benefit of \$300. Reduced pensions are available for members under the age of 65 or with less than 25 years of service.

Members are vested after ten years of service. The VFFRPF members earn no interest on contributions and may elect to withdraw their contributions upon termination. Death and active duty disability benefits are provided at no cost to the member. Death benefits in the line of duty consist of a lump sum of \$214,000 and funeral and burial expenses of \$2,000. Members receiving disability benefits at the time of death shall be paid \$500.

Contribution rates for emergency medical service districts (EMSD) and law enforcement agencies are set each year by the Board based on the actual cost of participation as determined by the Office of the State Actuary. All other contribution rates are set by the Legislature. Municipalities may opt to pay the member's fee on their behalf.

The contribution rates for 2017 were as follows:

VFFRPF		
	Firefighters	EMSD & Reserve Officers
Municipality Fee	\$30	\$105
Member Fee	\$30	\$30

The City of Lakewood's actual contribution to the plan were \$1,110 for the year ended December 31, 2017. The City has opted to pay members' fees on their behalf. Contributions on behalf of members were \$60 for the year ended December 31, 2017.

In accordance with Chapter 41.24 RCW, the state contributes 40% of the fire insurance premium tax to the plan. For fiscal year 2017m the fire insurance premium tax contribution was \$6.6 million.

Actuarial Assumptions

The total pension asset for the VFFRPF was determined by an actuarial valuation by the Office of the State (OSA) as of June 30, 2016, and rolled forward to June 30, 2017, using the following actuarial assumptions, applied to all prior periods included in the measurement:

- **Inflation:** 2.75%
- **Salary Increases:** N/A
- **Investment Rate of Return:** 7.0%

The actuarial assumptions used in the valuation were based on the results of OSA's 2017-2012 *Experience Study*. Additional assumptions for subsequent events and law changes are current as of the 2016 valuation report.

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

Discount Rate

The discount rate used to measure the total VFFRPF pension asset was 7%. To determine that rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Consistent with current law, the completed asset sufficiency test included an assumed a 7% long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Consistent with long-term expected rate of return, a 7% future investment rate of return on invested assets was assumed for the test. Contribution from plan members, municipalities, and the state will be made at the contribution rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

Long-Term Expected Rate of Return

The long-term expected rate of return on the VFFRPF pension plan investments of 7% was determined using a building-block method. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered capital market assumptions and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns over various time horizons.

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2017, are summarized in the table below. The inflation component used to create the table is 2.2% and represents WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Rate of Return Arithmetic
Fixed Income	20%	1.7%
Tangible Assets	5%	4.9%
Real Estate	15%	5.8%
Global Equity	37%	6.3%
Private Equity	23%	9.3%
	100%	

Sensitivity of the Net Pension Asset

The following presets the City of Lakewood's proportionate share of the VFFRPF net pension asset calculated using the discount rate of 7%, as well as what the City of Lakewood's proportionate share of the net pension asset would be if it were calculated using a discount rate that is 1-percentage point lower (6%) or 1-percentage point higher (8%) than the current rate.

Asset Class	1% Decrease (6%)	Current Discount Rate (7%)	1% increase (8%)
VFFRPF	\$ (3,895)	\$ (10,401)	\$ (16,025)

Pension Plan Fiduciary Net Position

Detailed information about the VFFRPF plan's fiduciary net position is available in the separately issued State of Washington CAFR.

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

At June 30, 2017, the City of Lakewood reported an asset of \$10,401 for its proportionate share of the VFFRPF plan's net position. The City of Lakewood's proportion of the net pension asset was based on actuarial contributions to the plan relative to total contributions of all participating municipalities. At June 30, 2017 the City of Lakewood's proportion was 0.03%

The VFFRPF collective net pension asset was measured as of June 30, 2017, and the actuarial valuation date on which the total pension liability is based was on June 30, 2016, with update procedures used to roll forward the total pension liability to the measurement date.

For the year ended December 31, 2017, the City of Lakewood recognized pension expense of \$1,136. Deferred outflows of resources and deferred inflows of resources are not material to the VFFRPF plan.

NOTE 9 – RISK MANAGEMENT

The City of Lakewood is a member of the Washington Cities Insurance Authority (WCIA). Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and / or jointly contracting for risk management services. WCIA has a total of 161 Members.

New members initially contract for a three-year term, and thereafter automatically renew on an annual basis. A one-year withdrawal notice is required before membership can be terminated. Termination does not relieve a former member from its unresolved loss history incurred during membership.

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, errors or omissions, stop gap, employment practices and employee benefits liability. Limits are \$4 million per occurrence in the self-insured layer, and \$21 million in limits above the self-insured layer is provided by reinsurance. Total limits are \$25 million per occurrence subject to aggregates and sublimits. The Board of Directors determines the limits and terms of coverage annually.

Insurance for property, automobile physical damage, fidelity, inland marine, and boiler and machinery coverage are purchased on a group basis. Various deductibles apply by type of coverage. Property coverage is self-funded from the members' deductible to \$750,000, for all perils other than flood and earthquake, and insured above that to \$300 million per occurrence subject to aggregates and sublimits. Automobile physical damage coverage is self-funded from the members' deductible to \$250,000 and insured above that to \$100 million per occurrence subject to aggregates and sublimits.

In-house services include risk management consultation, loss control field services, and claims and litigation administration. WCIA contracts for certain claims investigations, consultants for personnel and land use issues, insurance brokerage, actuarial, and lobbyist services.

WCIA is fully funded by its members, who make annual assessments on a prospectively rated basis, as determined by an outside, independent actuary. The assessment covers loss, loss adjustment, and administrative expenses. As outlined in the interlocal, WCIA retains the right to additionally assess the membership for any funding shortfall.

An investment committee, using investment brokers, produces additional revenue by investment of WCIA's assets in financial instruments which comply with all State guidelines.

A Board of Directors governs WCIA, which is comprised of one designated representative from each member. The Board elects an Executive Committee and appoints a Treasurer to provide general policy direction for the organization. The WCIA Executive Director reports to the Executive Committee and is responsible for conducting the day to day operations of WCIA.

There were no settlements in excess of insurance for commercially insured activities for 1996 through 2017.

The following is a summary of coverage in force in 2017:

Schedule of Insurance in Force As of December 31, 2017			
Company	Policy Period	Details of Coverage	Limit
WCIA	1/1/17 - 1/1/18	Liability Program (Auto, General, Police, Errors or Omissions, Employment Practices, Employee Benefit and Stop Gap)	\$25,000,000 per Occurrence Subject to Aggregates and Sub-Limits.
WCIA	12/31/16 - 12/31/17	Property Program - Manuscript Policy All Risk Form	\$300,000,000 per occurrence. Sub-Limits: \$150,000,000 Earthquake per Occurrence and Annual Pool Aggregate; \$100,000,000 Flood per Occurrence and Annual Pool Aggregate, except \$50,000,000 Flood Sub-Limit within Flood Zones A and V. Other Sub-Limits may apply
WCIA	12/31/16 - 12/31/17	Auto Physical Damage Program	Actual Cash Value for scheduled vehicles except optional replacement cost coverage for vehicles over \$25,000. Deductible waived for glass repair and damaged caused by fire or lightning.
Hartford Steam Boiler Inspection and Insurance Company	12/1/16 - 12/1/17	Boiler and Machinery (Equipment Breakdown) Insurance	\$100,000,000 Equipment Breakdown subject to other applicable limits.
National Union Fire Insurance Company	12/31/16 - 12/31/17	Crime/Fidelity Insurance Blanket Coverage	\$2,500,000 for: Employee Theft Per Loss Coverage, Forgery or Alteration, Inside Premises – Theft of Money and Securities, Inside Premises – Robbery or Safe Burglary of Other Property, Outside the Premises, Computer Fraud, Funds Transfer Fraud, Money Orders and Counterfeit Money, and Faithful Performance of Duty required by law.
AIG Specialty Insurance Company	5/31/16 - 5/31/17 then 5/31/17 - 5/31/18	Information Security Insurance (Cyber Insurance)	\$10,000,000 Aggregate Pool Policy Limit and per Member \$1,000,000 Limit. Sublimits: 1,000,000 Security and Privacy Liability per Member; \$1,000,000 Regulatory Action per Member; \$1,000,000 Cyber Extortion; \$250,000 PCI-DSS Assessment or Fine per Member; \$75,000 Affected Individuals Privacy Event Svc per Member; \$500,000 Event Mgmt Electronic Data and \$500,000 Event Mgmt Event Response per Member; and \$1,000,000 Cyber Extortion
ACE American Insurance Company	3/16/16 - 3/14/17 then 3/16/17 - 3/16/18	Environmental Liability for Specified Fuel Storage Tanks	\$1,000,000 Per Storage Tank Incident Limit of Liability and \$2,000,000 Aggregate Limit of Liability for all Storage Tank Incidents; \$1,000,000 Aggregate Limit of Liability for all Legal Defense Expenses for all Storage Tank Incidents; \$3,000,000 Total Policy Aggregate Limit of Liability for all Storage Tank Incidents.

NOTE 10 – LONG-TERM LIABILITIES

Arbitrage is the reinvestment of the proceeds of tax-exempt securities in materially higher-yielding taxable securities. The federal government requires that such excess earnings be remitted to the federal government (arbitrage rebate). The City reviewed the applicability of arbitrage rebate regulations on its outstanding general obligation and LID bonds and is in compliance with those regulations. The bonds issued by the City are not currently subject to arbitrage rebate as they fall under the small issuer exception (the face amount of the debt is \$5,000,000 or less).

The City has issued special assessment debt to provide funds for the residential infrastructure improvements. Special assessment bonds were created by ordinance, adopted by Council, and repaid from amounts levied against the property owners benefitted by the construction. A separate guaranty fund is available to cover most outstanding delinquencies at the end of the assessment period. The City's obligation doesn't extend beyond the guaranty fund assets. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service is due, the government must provide the resources to cover the deficiency until other resources, for example, foreclosure proceeds, are received. The City has an LID Guaranty Fund to finance any uncollectible special assessment debt. As of December 31, 2017, no amount of special assessment receivables was considered delinquent.

The City has four outstanding public works trust fund loans (PWTFL) in support of sewer extensions into the Tillicum and Woodbrook neighborhoods that are financed with an assessment on all Lakewood sewer accounts.

Compensated absences are a liability of the City for accrued vacation and compensatory time of employees. The liability for compensated absences in prior years has mainly been liquidated in the General Fund, and to a smaller extent, the Street Operations and Maintenance Fund, Street Capital Projects Fund and the Surface Water management fund.

Debt activity for the year ended December 31, 2017, is recapped in the chart that follows:

Description	Date of Issue	Maturity Date	Interest Rate	Original Issue Amount	Beginning of Year O/S Debt	Amount Issued	Amount Redeemed	End of Year O/S Debt	Due in One Year	Long-Term Portion
Governmental Activities										
<u>General Obligation Bonds</u>										
2009 LTGO	3/31/2009	12/1/2028	2.25% - 5.0%	\$ 2,695,000	\$ 245,000	\$ -	\$ 120,000	125,000	\$ 125,000	\$ -
2016 LTGO	4/19/2016	12/1/2028	1.40%-2.41%	1,884,032	1,884,032	-	-	1,884,032	-	1,884,032
LOCAL Financing	3/24/2015	12/1/2027	2.33%	1,460,000	1,370,000	-	95,000	1,275,000	100,000	1,175,000
Subtotal GO Bonds				\$ 6,039,032	\$ 3,499,032	\$ -	\$ 215,000	\$ 3,284,032	\$ 225,000	\$ 3,059,032
LOCAL Financing Premium	3/24/2015	12/1/2027	n/a	207,849	177,537	-	17,321	160,217	17,321	142,896
2016 LTGO Deferred Loss on Refunding	4/19/2016	12/1/2024	n/a	(222,872)	-	(197,127)	(25,745)	(171,382)	(25,745)	(145,637)
Subtotal GO Bonds Premium				\$ (15,023)	\$ 177,537	\$ -	\$ (8,424)	\$ (11,165)	\$ (8,424)	\$ (2,741)
<u>Special Assessment Bonds (with governmental commitments)</u>										
CLID 1101/1103	12/1/2006	12/1/2026	3.75% - 4.65%	2,824,704	640,000	-	180,000	460,000	150,000	310,000
LID 1108	1/18/2008	12/1/2027	4.22% - 5.30%	880,000	346,515	-	55,848	290,667	55,900	234,767
Subtotal Special Assessment Bonds				\$ 3,704,704	\$ 986,515	\$ -	\$ 235,848	\$ 750,667	\$ 205,900	\$ 544,767
<u>Notes Payable</u>										
59th Avenue	4/30/2005	4/30/2025	Varies	1,071,000	524,040	-	57,403	466,638	59,549	407,088
Subtotal Notes Payable				\$ 1,071,000	\$ 524,040	\$ -	\$ 57,403	\$ 466,638	\$ 59,549	\$ 407,088
<u>Government Loans</u>										
PWTF - 04-691-PRE-132	7/7/2005	7/7/2024	1.00%	593,864	237,721	-	29,715	208,006	29,715	178,291
PWTF - 06-962-022	9/18/2006	9/18/2026	0.50%	5,000,000	2,944,821	-	294,482	2,650,339	294,482	2,355,857
PWTF - 08-951-025	3/1/2008	7/1/2028	0.50%	1,840,000	1,248,314	-	104,026	1,144,288	104,026	1,040,262
PWTF - 12-951-025	6/1/2012	6/1/2031	0.50%	500,000	500,000	-	-	500,000	35,714	464,286
Section 108 Loan	8/31/2017	8/1/2020	Varies	141,000	-	141,000	-	141,000	47,000	94,000
Subtotal Government Loans				\$ 8,074,864	\$ 4,930,856	\$ 141,000	\$ 428,223	\$ 4,643,633	\$ 510,937	\$ 4,132,695
<u>Capital Lease</u>										
Copiers	10/1/2015	12/1/2018	-	60,018	39,940	-	19,044	20,897	20,897	-
Subtotal Government Capital Leases				\$ 60,018	\$ 39,940	\$ -	\$ 19,044	\$ 20,897	\$ 20,897	\$ -
<u>Compensated Absences</u>										
					2,410,764	2,917,108	2,732,354	2,595,518	778,656	1,816,862
Subtotal Governmental Activities					\$ 12,568,684	\$ 3,058,108	\$ 3,679,447	\$ 11,750,218	\$ 1,792,515	\$ 9,957,703
<u>Business-type Activities</u>										
<u>Compensated absences</u>										
					92,939	69,153	61,855	100,237	30,071	70,166
Subtotal Business-type Activities					\$ 92,939	\$ 69,153	\$ 61,855	\$ 100,237	\$ 30,071	\$ 70,166
Total					\$ 12,661,623	\$ 3,127,261	\$ 3,741,302	\$ 11,850,455	\$ 1,822,586	\$ 10,027,869

Future payment requirements on debt balances are as follows:

Year(s)	Principal	Interest
2018	1,001,387	174,292
2019	1,061,932	149,966
2020-2024	4,579,623	440,750
2025-2029	2,430,599	82,949
2030 - 2031	71,429	536
Totals	\$ 9,144,969	\$ 848,493

HUD Section 108 Loans

On August 31, 2017, the City entered into a Contract Loan Guarantee with Housing Urban Development for the overlay project 108th Street. The loan amount is \$141,000 to be paid with three years of CDBG entitlement funds. This was approved in the annual action plan and the note application. The security pledge is the City's full faith and credit. The interest rate is variable and is set by LIBOR. As of 12/31/2017 the outstanding principal balance for this loan is \$141,000.

A Section 108 Loan in the amount of \$700,000 was issued in 2014 for Curbside Motors Incorporated and another for \$310,000 in 2015 for Living Access Support Alliance by the United States Department of Housing and Urban Development (HUD) to

the City. The outstanding combined principal balance as of December 31, 2017, of \$935,000 is being repaid by a third party and, therefore, is not recognizable as debt on the City's long-term debt schedule.

Computation of Legal Debt Margin

Under Washington State law (RCW 39.36.020), a City may incur general obligation debt for general city purposes in an amount not to exceed 2½ percent of the value of all taxable property within the City. State law requires all property to be assessed at 100 percent of its true and fair value. Unlimited tax general obligation debt requires an approving vote of the people, and any election to validate such general obligation debt must have a voter turnout of at least 40 percent of those who voted in the last State general election and of those voting; 60 percent must be in the affirmative. The City Council may, by ordinance, authorize the issuance of limited tax general obligation debt in an amount up to 1.5% of the valuation within the City without a vote of the people. No combination of limited or unlimited tax debt may exceed 7½ percent of the valuation. The debt service on unlimited tax debt is secured by excess property tax levies, whereas the debt service on limited tax debt is secured by property taxes collected with the City's council manic levy.

Legally Remaining Debt Capacity	
As of December 31, 2017	
General Government (no vote required)	\$ 77,405,553
General Government (3/5 majority vote required)	54,104,148
Parks and open space (3/5 majority vote required)	135,260,371
Utilities (3/5 majority vote required)	135,260,371
Total Capacity	\$ 402,030,443

Compensated Absences

The City's liability for accrued vacation and compensatory time balances is recorded in the schedule below. Accrued compensated absences for proprietary fund employees are recorded as liabilities in those funds expected to incur the related future expense.

Compensated Absences	
For the Year Ended December 31, 2017	
<i>Governmental Activities:</i>	
Current Portion	\$ 778,656
Noncurrent Portion	1,816,862
Subtotal Governmental Activities	2,595,518
<i>Business-Type Activities:</i>	
Current Portion	30,071
Noncurrent Portion	70,166
Subtotal Business-Type Activities	100,237
Total Compensated Absences	\$ 2,695,755

Leases

Building Leases: In 2006, the City entered into a 5 year cancelable lease agreement with Pierce County to provide facilities for the Senior Center, which was renewed twice for a total of for 10 years. In 2015, the City switched to an annual renewal of the lease. Building lease payments for 2017 totaled \$59,280. Beginning in 2017, the City entered into a 3 year lease agreement with renewal options for 2 additional 1-year terms (2020 and 2021). The future minimum lease payments are as follows:

Year	Amount
2018	\$ 61,750
2019	\$ 62,985
2020	\$ 64,220
2021	\$ 65,455

McGavick Center Lease: In 2007, the City entered into an agreement with Clover Park Technical College to contribute 11% of the construction costs for the McGavick Center. The contribution is in equal installments of \$101,850 over 20 years. In return for the contribution, the City of Lakewood has use of the center for 18 days per year for a 30 year period to be used for tourism related activities. Lease payments to Clover Park Technical College for 2017 totaled \$101,850. The future minimum lease payments are as follows:

Year	Amount
2018	\$ 101,850
2019	\$ 101,850
2020	\$ 101,850
2021	\$ 101,850

Copier & Printer Leases: The City previously entered into a twelve 60 month non-cancelable copier lease with Ricoh. Nine of the leases expired in March 2015; one lease expires in July of 2016; and the remaining two leases expire in 2018. Lease payments for existing copiers in 2015 were \$36,668. In October 2015 the City entered into a 38 month lease to own agreement with National Cooperative Leasing for 16 printers. The total lease amounts to \$82,853.77 with the lease to own portion amounting to \$60,018. Payments in 2017 were \$19,043. The future minimum lease payment is as follows:

Year	Amount
2018	\$ 20,896

NOTE 11 – INTERFUND TRANSACTIONS

Interfund transfers for the year ended December 31, 2017, were as follows:

Interfund Transactions		Transfer From				
		General Fund	CDBG Grant Fund	Surface Water Management Fund	Non-Major Governmental Funds	Total
Transfer To	General Fund	\$ -	\$ -	\$ 284,700	\$ 96,050	\$ 380,750
	Grant Fund	-	-	-	-	-
	Transportation CIP	602,715	693,751	666,365	2,611,324	4,574,155
	Surface Water Management Fund	-	-	-	-	-
	Non-Major Governmental Funds	2,467,909	-	41,586	1,243,009	3,752,504
	Total	\$ 3,070,624	\$ 693,751	\$ 992,651	\$ 3,950,383	\$ 8,707,409

The following describes the amounts transferred out during 2017:

General Fund:

- \$1,187,502 to Street O&M Fund to subsidize street operations and maintenance
- \$175,000 to the Property Abatement/Rental Housing Safety Program Fund for dangerous property abatements (\$125,000) and for Rental Housing Safety Program to subsidize the first year of operations;
- \$50,000 for executive leadership contribution to South Sound Military Communities Partnership;
- \$398,282 to the General Government Debt Service Fund for debt service payments;
- \$657,125 to Parks CIP to fund various park capital projects; and
- \$602,715 to the Transportation CIP Fund to fund various transportation capital projects.

CDBG Fund:

- \$693,751 to the Transportation CIP Fund to fund CDBG eligible transportation related capital projects.

Surface Water Management Fund:

- \$284,700 to the General Fund for administrative fees and landscape maintenance;
- \$666,365 to the Transportation CIP for SWM's share of transportation capital projects.
- \$41,586 to the Parks CIP Fund for SWM's share of parks capital project;

Nonmajor Governmental Funds:

- \$96,050 from the Fleet & Equipment Fund excess proceeds and replacement reserves to the General Fund;
- \$1,833,824 from the REET Fund to the Transportation CIP Fund for various capital projects;
- \$27,791 from the REET Fund to the Public Art Fund for a major public art project;
- \$525,255 from the REET Fund to the Parks CIP Fund for various capital projects;
- \$777,500 from the Transportation Benefit District Fund to the Transportation CIP Fund for various capital projects;
- \$237,049 from the Hotel/Motel Lodging Tax Fund to the Parks CIP Fund for various capital projects;
- \$400,000 from the Sewer Project Debt Fund to Sewer Project CIP Fund;
- \$48,519 from the Felony Seizure Fund to the Fleet and Equipment Fund for a portion of the cost of vehicle replacement; and
- \$4,395 from the Risk Management Fund insurance proceeds to the Fleet & Equipment Fund for vehicle replacement.

The General Fund made the following interfund loan:

- \$54,653 to the CDBG Fund to cover negative cash balance at the end of the year due to timing difference between when grant revenues and expenditures are recognized and when cash receipts and payments actually occur.

NOTE 12 – HEALTH AND WELFARE

The City of Lakewood is a member of the Association of Washington Cities Employee Benefit Trust Health Care Program (AWC Trust HCP). Chapter 48.62 RCW provides that two or more local government entities may, by Interlocal agreement under Chapter 39.34 RCW, form together or join a pool or organization for the joint purchasing of insurance, and/or joint self-insurance, to the same extent that they may individually purchase insurance, or self-insure.

An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC Trust HCP was formed on January 1, 2014 when participating cities, towns, and non-city entities of the AWC Employee Benefit Trust in the State of Washington joined together by signing an Interlocal Governmental Agreement to jointly self-insure certain health benefit plans and programs for participating employees, their covered dependents and other beneficiaries through a designated account within the Trust.

As of December 31, 2017, 261 cities/towns/non-city entities participate in the AWC Trust HCP.

The AWC Trust HCP allows members to establish a program of joint insurance and provides health and welfare services to all participating members. The AWC Trust HCP pools claims without regard to individual member experience. The pool is actuarially rated each year with the assumption of projected claims run-out for all current members. The AWC Trust HCP includes medical, dental and vision insurance through the following carriers: Kaiser Foundation Health Plan of Washington, Kaiser Foundation Health Plan of Washington Options, Inc., Regence BlueShield, Asuris Northwest Health, Delta Dental of Washington, and Vision Service Plan. Eligible members are cities and towns within the state of Washington. Non-City Entities (public agency, public corporation, intergovernmental agency, or political subdivision within the state of Washington) are eligible to apply for coverage into the AWC Trust HCP, submitting application to the Board of Trustees for review as required in the Trust Agreement.

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. In 2017, the AWC Trust HCP purchased stop loss insurance for Regence/Asuris plans at an Individual Stop Loss (ISL) of \$1.5 million through Life Map, and Kaiser ISL at \$1 million with Companion Life through ASG Risk Management. The aggregate policy is for 200% of expected medical claims.

Participating employers contract to remain in the AWC HCP for a minimum of three years. Participating employers with over 250 employees must provide written notice of termination of all coverage a minimum of 12 months in advance of the termination date, and participating employers with under 250 employees must provide written notice of termination of all coverage a minimum of 6 months in advance of termination date. When all coverage is being terminated, termination will only occur on December 31. Participating employers terminating a group or line of coverage must notify the HCP a minimum

of 60 days prior to termination. A participating employer's termination will not obligate that member to past debts, or further contributions to the HCP. Similarly, the terminating member forfeits all rights and interest to the HCP Account.

The operations of the Health Care Program are managed by the Board of Trustees or its delegates. The Board of Trustees is comprised of four regionally elected officials from Trust member cities or towns, the Employee Benefit Advisory Committee Chair and Vice Chair, and two appointed individuals from the AWC Board of Directors, who are from Trust member cities or towns.

The Trustees or its appointed delegates review and analyze Health Care Program related matters and make operational decisions regarding premium contributions, reserves, plan options and benefits in compliance with Chapter 48.62 RCW. The Board of Trustees has decision authority consistent with the Trust Agreement, Health Care Program policies, Chapter 48.62 RCW and Chapter 200-110-WAC.

The accounting records of the Trust HCP are maintained in accordance with methods prescribed by the State Auditor's office under the authority of Chapter 43.09 RCW. The Trust HCP also follows applicable accounting standards established by the Governmental Accounting Standards Board ("GASB"). Year-end financial reporting is done on an accrual basis and submitted to the Office of the State Auditor as required by Chapter 200-110 WAC. The audit report for the AWC Trust HCP is available from the Washington State Auditor's office.

NOTE 13 – OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS

Trust Description

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. The Trust provides medical benefits to certain eligible retired employees of Participating Employers and their eligible family members. Under Article VII of the trust document, the Trustees have the authority and power to amend the amount and the nature of the medical and other benefits provided by the Trust. The Trust issues a publicly available financial report that includes financial statements and requires supplementary information for Trust. That report, along with a copy of the Trust document, may be obtained by writing to Trust at 1076 Franklin Street SE, Olympia, WA 98501-1346 or by calling 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. Retirees of the City receiving medical benefits from the Trust contribute the following monthly amounts:

Plan	2017		2016	
	City	Retiree	City	Retiree
Health First - 1000				
Non-Medicare enrolled retiree coverage	\$ -	\$ 734	\$ -	\$ 734
Non-Medicare enrolled spouse coverage	-	741	-	741
Health First - 2500				
Non-Medicare enrolled retiree coverage	\$ -	\$ 641	\$ -	\$ 641
Non-Medicare enrolled spouse coverage	-	646	-	646
Regence Medicare Advantage				
Medicare enrolled retiree coverage	\$ -	\$ 395	\$ -	\$ 385
Medicare enrolled spouse coverage	-	395	-	385

NOTE 14 – CONTINGENCIES AND LITIGATION

The City Attorney estimates that the amount of actual or potential claims against the City as of December 31, 2017 is not an amount within the insurance protection the City holds. A verdict was awarded in July 2017 that includes \$6.5M in punitive damages against City of Lakewood police officers. In February 2018 the Lakewood City Council approved the motion to

indemnify the police officers of punitive damages awarded. This amount could potentially be reduced either through appeal or post-trial mediation. Matters beyond this specific case are in amounts within the insurance protection that the City holds.

NOTE 15 – TAX ABATEMENTS

The City of Lakewood offers Multi-Unit Housing Tax Incentive Program per RCW 84.14.100. The purpose of the program is to encourage increased residential opportunities, including affordable housing opportunities, in cities that are required to plan or choose to plan under the growth management act within urban centers where the governing authority of the affected city has found there is insufficient housing opportunities, including affordable housing opportunities. It is further the purpose to stimulate the construction of new multifamily housing and the rehabilitation of existing vacant and underutilized buildings for multifamily housing in urban centers having insufficient housing opportunities that will increase and improve residential opportunities, including affordable housing opportunities, within these urban centers.

Thirty days after the anniversary of the date of the certificate of tax exemption and each year for the tax exemption period, the owner of the rehabilitated or newly constructed property must file with a designated authorized representative of the city an annual report indicating the following:

- (a) A statement of occupancy and vacancy of the rehabilitated or newly constructed property during the twelve months ending with the anniversary date;
- (b) A certification by the owner that the property has not changed use and, if applicable, that the property has been in compliance with the affordable housing requirements as described in RCW 84.14.020 since the date of the certificate approved by the city;
- (c) A description of changes or improvements constructed after issuance of the certificate of tax exemption; and
- (d) Any additional information requested by the city in regards to the units receiving a tax exemption.

For the fiscal year ended December 31, 2017, the City of Lakewood abated property taxes totaling \$35,594 under this program, which included the following tax abatement agreements. The abatement amount is calculated using the difference between the assessed and taxable value which is multiplied by the applicable tax multiplier.

- The first entity's agreement went into effect in 2011 and runs through 2020. The 2017 abatement amounted to \$30,531.
- The second entity has two exemption agreements.
 - The first agreement went into effect in 2014 and runs through 2021. The 2017 abatement amounted to \$3,803.
 - The second agreement went into effect in 2015 and runs through 2024. The 2017 abatement amounted to \$1,260.

Because the amounts are related to the regular levy, rather than the excess levy, the program resulted in tax revenue of \$35,594 being shifted from program beneficiaries to other taxpayers and therefore no revenue loss to the City.

NOTE 16 – ACCOUNTING AND REPORTING CHANGES

The City adopted reporting requirements of the GASB Statement 78, Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans. See Note 8 for implementation.



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REQUIRED SUPPLEMENTARY INFORMATION

City of Lakewood
Schedule of Proportionate Share of the Net Pension Liability (Asset)
LEOFF 2
As of June 30, 2017
Last 10 Fiscal Years*

	2017	2016	2015
Employer's proportion of the net pension liability (asset)	0.3%	0.3%	0.3%
Employer's proportionate share of the net pension liability (asset)	\$ (4,790,743)	\$ (1,965,200)	\$ (3,500,512)
State's proportionate share of the net pension liability (asset) associated with the employer	<u>\$ (3,107,666)</u>	<u>\$ (1,281,167)</u>	<u>\$ (2,314,541)</u>
Total	<u>\$ (7,898,409)</u>	<u>\$ (3,246,367)</u>	<u>\$ (5,815,053)</u>
Employer's covered employee payroll	\$ 10,882,017	\$ 10,274,320	\$ 10,067,043
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	-44.0%	-19.1%	-34.8%
Plan fiduciary net position as a percentage of the total pension liability	113.4%	106.0%	111.7%

* 2015 is the first year of reporting, therefore, prior years' information is not available.

Note to schedule:

Significant methods and assumptions used in calculating the actuarial determined contribution are presented in Note 8.

City of Lakewood
Schedule of Employer Contributions
LEOFF 2
As of December 31, 2017
Last 10 Fiscal Years*

	2017	2016	2015
Statutorily or contractually required contributions	\$ 580,241	\$ 544,089	\$ 516,402
Contributions in relation to the statutorily or contractually required contributions	<u>\$ (580,241)</u>	<u>\$ (544,089)</u>	<u>\$ (516,402)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Employer Payroll	\$ 11,003,434	\$ 10,844,951	\$ 9,525,162
Contributions as a percentage of covered employee payroll	5.3%	5.0%	5.4%

* 2015 is the first year of reporting, therefore, prior years' information is not available.

Note to schedule:

Significant methods and assumptions used in calculating the actuarial determined contribution are presented in Note 8.

OTHER SUPPLEMENTARY INFORMATION

City of Lakewood
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2017

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures				Note
				From Pass- Through Awards	From Direct Awards	Total	Passed through to Subrecipients	
Office Of Economic Adjustment, Department Of Defense	Community Economic Adjustment Assistance for Compatible Use and Joint Land Use Studies	12.610	EN1320-16-02		127,422	127,422		
CDBG - Entitlement Grants Cluster								
Office Of Community Planning And Development, Department Of Housing And Urban Development	Community Development Block Grants/Entitlement Grants	14.218	B-14-MC-53-0016		73,175	73,175		
		14.218	B-15-MC-53-0016		302,543	302,543		
		14.218	B-16-MC-53-0016		419,636	419,636		
		14.218	B-17-MC-53-0016		70,554	70,554		
Total CDBG - Entitlement Grants Cluster:					865,908	865,908		
Office Of Community Planning And Development, Department Of Housing And Urban Development (via Washington State Department of Commerce)	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	08-F6401-012	144,251		144,251		
Office Of Community Planning And Development, Department Of Housing And Urban Development (via Tacoma Community Redevelopment Authority)	Home Investment Partnerships Program	14.239	2017-027	113,547		113,547	31,146	4a
Office Of Community Planning And Development, Department Of Housing And Urban Development	Community Development Block Grants Section 108 Loan Guarantees	14.248	B-11-MC-530016		141,000	141,000		5
Total CFDA 14.248:				-	141,000	141,000	-	
US Department of Justice	Federal Bureau of Investigation - Pacific Northwest Innocence Lost	16.200862	2008-6-16		31,718	31,718		
US Department of Justice	Federal Bureau of Investigation - Safe Streets Task Force	16.281DSE 88930	281D-SE-88930		15,140	15,140		
Violence Against Women Office, Department Of Justice (via Washington State Department of Commerce)	Violence Against Women Formula Grants	16.588	F-16-31103-061	30,271		30,271		
Violence Against Women Office, Department Of Justice (via PC Sheriff)		16.588	2017-094	3,621		3,621		
Total CFDA 16.588:				33,892	-	33,892	-	

The accompanying notes to the Schedule of Expenditures of Federal Awards is an integral part of this schedule.

City of Lakewood
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2017
(continued)

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures				Note
				From Pass- Through Awards	From Direct Awards	Total	Passed through to Subrecipients	
Bureau Of Justice Assistance, Department Of Justice	Bulletproof Vest Partnership Program	16.607	FFY2016		10,764	10,764		
Bureau Of Justice Assistance, Department Of Justice (via PC Sheriff -Tacoma Narcotics Enforcement Task Force)	Edward Byrne Memorial Justice Assistance Grant Program	16.738	F16-31440-13	13,230		13,230		
Criminal Division, Department Of Justice	Equitable Sharing Program	16.922	WA0272300		128,414	128,414		
Highway Planning and Construction Cluster								
Federal Highway Administration (FHWA), Department Of Transportation (via Washington Department of Transportation)	Highway Planning and Construction	20.205	CM-2885(004)	1,358,000		1,358,000		
		20.205	HSIP-3136(005)	98,406		98,406		
		20.205	STPUL-2947(016)	12,664		12,664		
		20.205	TAP-3082(001)	74		74		
		20.205	CM-3136(007)	26,988		26,988		
		20.205	HSIP-3000(003)	50,180		50,180		
		20.205	HSIP-000S(424)	74,109		74,109		
		20.205	SRTS-2921(002)	25,829		25,829		
		20.205	SRTS-2919(001)	10,053		10,053		
		20.205	HSIP-2920(001)	22,773		22,773		
Total Highway Planning and Construction Cluster:				1,679,076	-	1,679,076	-	
Highway Safety Cluster								
National Highway Traffic Safety Administration (NHTSA), Department Of Transportation (via Washington Traffic Safety Commission)	State and Community Highway Safety	20.600	17ID1	4,834		4,834		
	State Traffic Safety Information System Improvement Grants	20.610	2016-173	10,000		10,000		
	National Priority Safety Programs	20.616	17SB-ID3	3,081		3,081		
Total Highway Safety Cluster:				17,915	-	17,915	-	
National Highway Traffic Safety Administration (NHTSA), Department Of Transportation (via Washington Traffic Safety Commission)	Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	17MC2	1,523		1,523		
Centers For Disease Control And Prevention, Department Of Health And Human Services (via Tacoma-Pierce County Health Department)	State and Local Public Health Actions to Prevent Obesity, Diabetes, Heart Disease and Stroke (PPHF)	93.757	2017-00000078	2,247		2,247		
United States Coast Guard (USCG), Department Of Homeland Security (via Washington State Parks and Recreation Commission)	Boating Safety Financial Assistance	97.012	3317FAS170153	12,269		12,269		
Federal Emergency Management Agency (FEMA), Department Of Homeland Security (via Washington State Military Department)	Emergency Management Performance Grants	97.042	EMPG E17-120	19,742		19,742	19,742	4b
		97.042	EMPG E18-103	16,695		16,695	16,695	4c
Total Highway Safety Cluster:				36,437	-	36,437	36,437	
Total Federal Awards Expended:				\$ 2,054,386	\$ 1,320,364	\$ 3,374,749	\$ 67,583	

The accompanying notes to the Schedule of Expenditures of Federal Awards is an integral part of this schedule.

CITY OF LAKEWOOD
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 1 - BASIS OF ACCOUNTING

This schedule is prepared on the same basis of accounting as the City of Lakewood's financial statements. The city uses the accrual method of accounting.

NOTE 2 - PROGRAM COSTS

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including the City of Lakewood's portion, are more than shown. Such expenditures are recognized following as applicable, either the cost principles in the OMB Circular, A-87, Cost Principles for State, Local, and Indian Tribal Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 - REVOLVING LOAN FUND - PROGRAM INCOME

The city administers a revolving loan program for CDBG Down -Payment Assistance, Major Home Repairs, and Economic Development Loans. Under this federal program, repayments to the city program are considered program revenue (income) and loans of such funds to eligible recipients are considered expenditures. The amount of loan funds disbursed to participants for the year was \$31,001 and is presented in the schedule. The amount of loan repayments for the year was \$51,820.

NOTE 4 - AMOUNTS AWARDED TO SUBRECIPIENTS

Included in the total amount expended for this program is a)\$31,146; b)\$19,742; c)\$16,695 which was passed through to a subrecipient.

NOTE 5 - LOAN GUARANTEE

Section 108 Loans approved by the U.S. Department of Housing and Urban Development.

Current Year Federal Loan

The City of Lakewood was approved by the HUD-Community Development Block Grant - Section 108 Loan Guarantee Program to receive a loan for \$141,000 to fund the 108th Street Roadway Improvement Project. The amount listed is the amount of proceeds used this year and is the loan balance. The loan period is from 8/31/2017 - 8/1/2020. This loan will be paid back using CDBG entitlement grant funds.

Prior Years Federal Loans

- 1) Curbside Motors Incorporated in the amount of \$700,000 with the loan term from 2014 - 2035. The loan balance as of 12/31/2017 is \$625,000.
- 2) Living Access Support Alliance in the amount of \$310,000 with the loan term from 2015 - 2035. The loan balance as of 12/31/2017 is \$310,000.

The City of Lakewood participates in the U.S. Department of Housing and Urban Development (HUD) Section 108 Loan Guarantee Program in order to leverage economic development projects. The City is able to guarantee up to five times its annual CDBG allocation. The block grant is partial guarantee for the loan, and no City funds are pledged for the 108 loans. The Zion's Bank serves as the City's custodian under a custodial agreement disbursing the Section 108 funds to the borrower, receiving loan payments from the borrower, and remitting the repayments to HUD.

NOTE 6 - INDIRECT COST RATE

The City of Lakewood has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

COMBINING STATEMENTS



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**Combining Statement – Nonmajor Governmental Funds Description
For the Year Ended December 31, 2017**

Special Revenue Funds

Special Revenue funds are used to account for the proceeds of revenue sources (other than special assessments, expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Funds

Debt Service Funds accounts for the accumulation of resources for the payment of special assessment bond principal, interest and related costs. Revenues for this fund consist of special assessments.

Capital Projects Funds

Capital Project Funds account for acquisition or construction of major capital facilities with the exception of those facilities financed by proprietary and trust funds. The major sources of revenue for this fund are real estate excise tax, motor vehicle excise tax, grants from other agencies, and contributions from other funds.

City of Lakewood
Combining Governmental Balance Sheet
Nonmajor Governmental Funds
Summary by Fund Type
December 31, 2017

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 3,073,103	\$ 920,746	\$ 1,773,812	\$ 5,767,661
Due from other governments	34,253	-	211,231	245,484
Notes/contracts receivable	-	63,513	-	63,513
Special assessments receivable	407,781	-	-	407,781
Taxes Receivable	591,315	-	-	591,315
Total assets	<u>4,106,452</u>	<u>984,259</u>	<u>1,985,043</u>	<u>7,075,754</u>
LIABILITIES				
Accounts payable	104,288	313	199,012	303,613
Payable to other governments	1,457	-	-	1,457
Custodial deposits	76,715	-	-	76,715
Unearned revenue	-	-	464	464
Contracts payable	-	-	85,114	85,114
Other accrued liabilities	97,680	-	3,741	101,421
Total liabilities	<u>280,140</u>	<u>313</u>	<u>288,331</u>	<u>568,784</u>
DEFERRED INFLOWS OF RESOURCES				
Unearned revenue	<u>407,781</u>	<u>63,513</u>	<u>-</u>	<u>471,294</u>
Total liabilities and deferred inflows of resources	<u>687,921</u>	<u>63,826</u>	<u>288,331</u>	<u>568,784</u>
FUND BALANCES (DEFICITS)				
Restricted	2,996,526	920,433	-	3,916,959
Committed	422,005	-	1,696,712	2,118,717
Total fund balances (deficits)	<u>3,418,531</u>	<u>920,433</u>	<u>1,696,712</u>	<u>6,035,676</u>
Total liabilities, deferred inflows, and fund balances (deficits)	<u>\$ 4,106,452</u>	<u>\$ 984,259</u>	<u>\$ 1,985,043</u>	<u>\$ 6,604,460</u>

City of Lakewood
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Summary by Fund Type
For the Year Ended December 31, 2017

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
REVENUES				
Taxes	\$ 4,038,366	\$ -	\$ -	\$ 4,038,366
Licenses and permits	135,021	-	-	135,021
Intergovernmental	1,140,375	-	568,674	1,709,049
Charges for goods and services	392,595	708,949	175,881	1,277,425
Interest and other earnings	46,991	14,060	11,266	72,317
Miscellaneous	160,351	45,800	1,354	207,505
Contributions and donations	10,500	-	100,250	110,750
Total revenues	<u>5,924,199</u>	<u>768,809</u>	<u>857,425</u>	<u>7,550,433</u>
EXPENDITURES				
Current:				
Public safety	528,382	-	-	528,382
Utilities and environment	-	-	34,619	34,619
Transportation	2,216,786	-	-	2,216,786
Economic environment	1,185,230	-	5,447	1,190,677
Natural environment	-	-	-	-
Culture and recreation	62,723	-	11,139	73,862
Debt service:				
Interest and other debt service costs	-	152,062	-	152,062
Principal retirement	-	700,626	-	700,626
Capital outlay:				
Capital	76,437	-	2,103,962	2,180,399
Total expenditures	<u>4,069,558</u>	<u>852,688</u>	<u>2,155,167</u>	<u>7,077,413</u>
Excess (deficiency) of revenues over expenditures	<u>1,854,641</u>	<u>(83,879)</u>	<u>(1,297,742)</u>	<u>473,020</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of assets	-	-	404,474	404,474
Transfers in	1,440,293	398,282	1,861,015	3,699,590
Transfers out	(3,449,938)	(400,000)	-	(3,849,938)
Total other financing source (uses)	<u>(2,009,645)</u>	<u>(1,718)</u>	<u>2,265,489</u>	<u>254,126</u>
Net change in fund balances	(155,004)	(85,597)	967,747	727,146
Fund balances - beginning	3,573,535	1,006,030	728,965	5,308,530
Fund balances - ending	<u>\$ 3,418,531</u>	<u>\$ 920,433</u>	<u>\$ 1,696,712</u>	<u>\$ 6,035,676</u>



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Combining Statement – Nonmajor Special Revenue Funds Description For the Year Ended December 31, 2017

The ***Street Operations and Maintenance Fund*** is used to account for the receipts and disbursements associated with City planning, establishing, repairing and maintaining City streets, sidewalks, and appurtenances, including pedestrian and bicycle paths, lanes and routes. The fund is supported primarily by an interfund transfer from the General Fund, motor vehicle fuel tax and permits to a much lesser degree. Primary areas of service are transportation planning, traffic operations and maintenance, neighborhood traffic services, snow and ice response, and street maintenance.

The ***Real Estate Excise Tax Fund*** is used to account for the receipt and disbursement of the first and second 0.25 percent real estate excise tax and other revenue sources that may be authorized by the City Council. The first 0.25 percent real estate excise tax is authorized by RCW 82.46.010, and dedicated for the capital purposes defined in RCW 35.43.040. Such expenditures include public buildings and facilities, parks, and debt service associated with such capital-oriented projects. The second 0.25 percent real estate tax authorized by the Growth Management Act RCW 82.46.035. These revenues are restricted to financing capital projects specified in a capital facilities plan.

The ***Transportation Benefit District Fund*** is used to account for the annual \$20 vehicle license fee (VLF) revenues used to fund specific transportation projects. Proceeds from the VLF are transferred to Fund 302 Transportation Capital Projects to provide funding of those specific projects.

The ***Hotel/Motel Lodging Tax Fund*** is used to account for the hotel/motel lodging tax revenues and associated disbursements. RCW 67.28 authorizes a transient rental tax of up to two percent for lodging at hotels, motels, private campgrounds, RV parks and similar facilities. RCW 67.28 also authorizes a five percent special hotel/motel tax on the same base. The expenditures from this fund must adhere to the governing state statutes, which limit the expenditures to those costs related to tourism promotion, and acquisition and/or operation of tourism-related facilities.

The ***Property Abatement Fund/Rental Housing Safety Program*** accounts for property abatement and rental housing safety program activity. The property abatement portion of this fund accounts for projects that the City has identified and processed through the abatement program. All revenues from the rightful recovery of those project expenses, along with all revenues from fees, fines, and interest, and other rightful recoveries from those projects are deposited into the fund for the purpose of funding additional abatement projects. The rental housing safety program portion of this fund accounts for the registration program fees and associated expenditures of administering this program. The program requires all residential rental properties (apartments, single family homes, duplexes, etc.) within Lakewood city limits to be registered. The program is designed to ensure that all rental housing units comply with specific life and safety standards and are providing a safe place for tenants to live.

The ***Public Art Fund***'s sole purpose is to account for the revenue from the fees charged for the rental of the McGavick Center by the City and expenditure of that revenue for approved public art activities.

The ***Narcotics Seizure Fund*** was established for the purposes of tracking assets seized as a result of involvement with the illegal sale, possession, or distribution of drugs or controlled substances, and for the purchase of controlled substances or drugs by law enforcement officers or agents, as well as for such other expenses the City determines to be reasonably connected with public safety activity.

The ***Felony Seizure Fund*** accounts for assets seized by the police department under RCW 10.105.101 and the related expenditures. The statute authorizes the seizure of assets that have been or was actually employed as an instrumentality in the commission of, or in aiding or abetting in the commission of any felony, or which was furnished or was intended to be furnished by any person in the commission of, as a result of, or as compensation for the commission of, any felony, or which was acquired in whole or in part with proceeds traceable to the commission of a felony.

The ***Federal Seizure Fund*** was established to track the revenues associated with assets seized as a result of the police department working in conjunction with federal law enforcement. The fund also accounts for public safety expenditures funded by those revenues.

The ***Neighborhood Stabilization Program Fund*** accounts for the revenues and expenditures associated with the Federal Neighborhood Stabilization Program Grant. The NSP was established for the purpose of stabilizing communities that have suffered from foreclosures and abandonment. The NSP1 program provides funds to purchase and redevelop foreclosed and abandoned homes and residential properties. The NSP3 program provides a third round of neighborhood stabilization grants to all states and select governments on a formula basis.

The ***Office of Economic Adjustment Grant (OEA)/South Sound Military Communities Partnership Fund*** accounts for the revenues and expenditures associated with the Federal Office of Economic Adjustment Grant Program, which provides grants to assist communities with the alleviation of socioeconomic effects that may result from military base closures and realignments. This fund also accounts for all activity associated with the South Sound Military Communities Partnership.

The ***Public Safety Grants Fund*** accounts for the revenues and expenditures related to police department grants and local revenues.



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City of Lakewood
Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2017

	Street Operations & Maintenance	Real Estate Excise Tax	Transportation Benefit District	Hotel/ Motel Lodging Tax	Property Abatement/ Rental Housing Safety	Public Art
ASSETS						
Cash and cash equivalents	\$ -	\$ 599,712	\$ 143,506	\$ 1,415,469	\$ 257,942	\$ 19,630
Due from other governments	-	-	-	-	-	-
Special assessments receivable	-	-	-	-	281,876	-
Taxes Receivable	140,459	351,136	-	99,720	-	-
Total assets	<u>140,459</u>	<u>950,848</u>	<u>143,506</u>	<u>1,515,189</u>	<u>539,818</u>	<u>19,630</u>
LIABILITIES						
Accounts payable	57,898	25	-	1,950	1,004	14
Payable to other governments	48	-	-	-	-	18
Custodial deposits	5,584	-	-	-	-	-
Other accrued liabilities	65,624	-	-	-	9,342	-
Total liabilities	<u>129,154</u>	<u>25</u>	<u>-</u>	<u>1,950</u>	<u>10,346</u>	<u>32</u>
DEFERRED INFLOWS OF RESOURCES						
Unearned revenue	-	-	-	-	281,876	-
Total liabilities and deferred inflows of resources	<u>129,154</u>	<u>25</u>	<u>-</u>	<u>1,950</u>	<u>292,222</u>	<u>32</u>
FUND BALANCES (DEFICITS)						
Restricted	-	950,823	-	1,513,239	-	-
Committed	11,305	-	143,506	-	247,596	19,598
Total fund balances (deficits)	<u>11,305</u>	<u>950,823</u>	<u>143,506</u>	<u>1,513,239</u>	<u>247,596</u>	<u>19,598</u>
Total liabilities, deferred inflows, and fund balances (deficits)	<u>\$ 140,459</u>	<u>\$ 950,848</u>	<u>\$ 143,506</u>	<u>\$ 1,515,189</u>	<u>\$ 539,818</u>	<u>\$ 19,630</u>

City of Lakewood
Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2017

	Narcotics Seizure	Felony Seizure	Federal Seizure	NSP Grant	OEA Grant/ SSMCP	Public Safety Grants	Total Nonmajor Special Revenue Funds
ASSETS							
Cash and cash equivalents	\$ 338,427	\$ 83,918	\$ 4,982	\$ 110,579	\$ 98,843	\$ 95	\$ 3,073,103
Due from other governments	5,723	-	-	-	10,566	17,964	34,253
Special assessments receivable	-	-	-	125,905	-	-	407,781
Taxes Receivable	-	-	-	-	-	-	591,315
Total assets	<u>344,150</u>	<u>83,918</u>	<u>4,982</u>	<u>236,484</u>	<u>109,409</u>	<u>18,059</u>	<u>4,106,452</u>
LIABILITIES							
Accounts payable	15,632	-	2,500	3,031	5,539	16,695	104,288
Payable to other governments	1,641	(390)	-	-	140	-	1,457
Custodial deposits	39,630	31,501	-	-	-	-	76,715
Other accrued liabilities	2,485	7,444	122	2,078	9,221	1,364	97,680
Total liabilities	<u>59,388</u>	<u>38,555</u>	<u>2,622</u>	<u>5,109</u>	<u>14,900</u>	<u>18,059</u>	<u>280,140</u>
DEFERRED INFLOWS OF RESOURCES							
Unearned revenue	-	-	-	125,905	-	-	407,781
Total liabilities and deferred inflows of resources	<u>59,388</u>	<u>38,555</u>	<u>2,622</u>	<u>131,014</u>	<u>14,900</u>	<u>18,059</u>	<u>687,921</u>
FUND BALANCES (DEFICITS)							
Restricted	284,762	45,363	2,360	105,470	94,509	-	2,996,526
Committed	-	-	-	-	-	-	422,005
Total fund balances (deficits)	<u>284,762</u>	<u>45,363</u>	<u>2,360</u>	<u>105,470</u>	<u>94,509</u>	<u>-</u>	<u>3,418,531</u>
Total liabilities, deferred inflows, and fund balances (deficits)	<u>\$ 344,150</u>	<u>\$ 83,918</u>	<u>\$ 4,982</u>	<u>\$ 236,484</u>	<u>\$ 109,409</u>	<u>\$ 18,059</u>	<u>\$ 4,106,452</u>

City of Lakewood
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2017

	Street Operations and Maintenance	Real Estate Excise Tax	Transportation Benefit District	Hotel/Motel Lodging Tax	Property Abatement/ Rental Housing Safety	Public Art
REVENUES						
Taxes	\$ -	\$ 2,453,402	\$ 822,764	\$ 762,200	\$ -	\$ -
Licenses and permits	135,021	-	-	-	-	-
Intergovernmental	871,657	-	-	-	-	-
Charges for goods and services	2,754	-	-	-	152,878	-
Interest and other earnings	-	4,606	1,810	13,389	10,489	321
Miscellaneous	2,184	-	-	-	983	15,000
Contributions and donations	3,000	-	-	-	-	-
Total revenues	<u>1,014,616</u>	<u>2,458,008</u>	<u>824,574</u>	<u>775,589</u>	<u>164,350</u>	<u>15,321</u>
EXPENDITURES						
Current:						
Public safety	93	-	-	-	-	-
Transportation	2,214,831	-	1,955	-	-	-
Economic environment	-	-	-	472,508	227,954	-
Culture and recreation	-	-	-	-	-	62,723
Capital outlay:						
Capital	41,664	-	-	-	-	-
Total expenditures	<u>2,256,588</u>	<u>-</u>	<u>1,955</u>	<u>472,508</u>	<u>227,954</u>	<u>62,723</u>
Excess (deficiency) of revenues over expenditures	<u>(1,241,972)</u>	<u>2,458,008</u>	<u>822,619</u>	<u>303,081</u>	<u>(63,604)</u>	<u>(47,402)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	1,187,502	-	-	-	175,000	27,791
Transfers out	-	(2,386,870)	(777,500)	(237,049)	-	-
Total other financing source (uses)	<u>1,187,502</u>	<u>(2,386,870)</u>	<u>(777,500)</u>	<u>(237,049)</u>	<u>175,000</u>	<u>27,791</u>
Net change in fund balances	(54,470)	71,138	45,119	66,032	111,396	(19,611)
Fund balances - beginning	65,775	879,685	98,387	1,447,207	136,200	39,209
Fund balances - ending	<u>\$ 11,305</u>	<u>\$ 950,823</u>	<u>\$ 143,506</u>	<u>\$ 1,513,239</u>	<u>\$ 247,596</u>	<u>\$ 19,598</u>

City of Lakewood
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2017

	Narcotics Seizure	Felony Seizure	Federal Seizure	NSP Grant	OEA Grant/ SSMCP	Public Safety Grants	Total Nonmajor Special Revenue Funds
REVENUES							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,038,366
Licenses and permits	-	-	-	-	-	-	135,021
Intergovernmental	-	-	-	40,518	127,421	100,779	1,140,375
Charges for goods and services	8,924	-	-	53,687	174,352	-	392,595
Interest and other earnings	3,216	-	327	12,833	-	-	46,991
Miscellaneous	116,037	26,147	-	-	-	-	160,351
Contributions and donations	-	-	-	-	7,500	-	10,500
Total revenues	<u>128,177</u>	<u>26,147</u>	<u>327</u>	<u>107,038</u>	<u>309,273</u>	<u>100,779</u>	<u>5,924,199</u>
EXPENDITURES							
Current:							
Public safety	185,940	124,545	117,945	-	-	99,859	528,382
Transportation	-	-	-	-	-	-	2,216,786
Economic environment	-	-	-	144,251	340,517	-	1,185,230
Culture and recreation	-	-	-	-	-	-	62,723
Capital outlay:							
Capital	<u>21,660</u>	<u>2,644</u>	<u>10,469</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>76,437</u>
Total expenditures	<u>207,600</u>	<u>127,189</u>	<u>128,414</u>	<u>144,251</u>	<u>340,517</u>	<u>99,859</u>	<u>4,069,558</u>
Excess (deficiency) of revenues over expenditures	<u>(79,423)</u>	<u>(101,042)</u>	<u>(128,087)</u>	<u>(37,213)</u>	<u>(31,244)</u>	<u>920</u>	<u>1,854,641</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	-	-	50,000	-	1,440,293
Transfers out	-	(48,519)	-	-	-	-	(3,449,938)
Total other financing source (uses)	<u>-</u>	<u>(48,519)</u>	<u>-</u>	<u>-</u>	<u>50,000</u>	<u>-</u>	<u>(2,009,645)</u>
Net change in fund balances	(79,423)	(149,561)	(128,087)	(37,213)	18,756	920	(155,004)
Fund balances - beginning	364,185	194,924	130,447	142,683	75,753	(920)	3,573,535
Fund balances - ending	<u>\$ 284,762</u>	<u>\$ 45,363</u>	<u>\$ 2,360</u>	<u>\$ 105,470</u>	<u>\$ 94,509</u>	<u>\$ -</u>	<u>\$ 3,418,531</u>

City of Lakewood
Street Operations and Maintenance
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
For the Year Ended December 31, 2017

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Licenses and permits	\$ 96,000	\$ 96,000	\$ 135,021	\$ 39,021
Intergovernmental	870,028	870,028	871,657	1,629
Charges for goods and services	1,000	1,000	2,754	1,754
Miscellaneous	2,500	2,500	2,184	(316)
Contributions and donations			3,000	3,000
Total revenues	969,528	969,528	1,014,616	45,088
EXPENDITURES				
Current:				
Public safety	-	-	93	93
Transportation	2,140,612	2,337,008	2,214,831	(122,177)
Capital outlay:				
Capital	15,000	15,000	41,664	26,664
Total expenditures	2,155,612	2,352,008	2,256,588	(95,420)
Excess (deficiency) of revenues over expenditures	(1,186,084)	(1,382,480)	(1,241,972)	140,508
OTHER FINANCING SOURCES (USES)				
Transfers in	1,186,084	1,316,705	1,187,502	(129,203)
Total other financing source (uses)	1,186,084	1,316,705	1,187,502	(129,203)
Net change in fund balances	-	(65,775)	(54,470)	11,305
Fund balances - beginning	-	65,775	65,775	-
Fund balances - ending	\$ -	\$ -	\$ 11,305	\$ 11,305

City of Lakewood
Real Estate Excise Tax
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
For the Year Ended December 31, 2017

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 1,300,000	\$ 2,120,000	\$ 2,453,402	\$ 333,402
Interest and other earnings	-	-	4,606	4,606
Total revenues	1,300,000	2,120,000	2,458,008	338,008
EXPENDITURES				
Current:				
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	1,300,000	2,120,000	2,458,008	338,008
OTHER FINANCING SOURCES (USES)				
Transfers out	(1,191,000)	(2,386,870)	(2,386,870)	-
Total other financing source (uses)	(1,191,000)	(2,386,870)	(2,386,870)	-
Net change in fund balances	109,000	(266,870)	71,138	338,008
Fund balances - beginning	-	879,685	879,685	-
Fund balances - ending	\$ 109,000	\$ 612,815	\$ 950,823	\$ 338,008

City of Lakewood
Transportation Benefit District
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
For the Year Ended December 31, 2017

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Taxes	\$ 689,000	\$ 814,000	\$ 822,764	\$ 8,764
Interest and other earnings	-	-	1,810	1,810
Total revenues	689,000	814,000	824,574	10,574
EXPENDITURES				
Current:				
Transportation	2,500	2,500	1,955	(545)
Total expenditures	2,500	2,500	1,955	(545)
Excess (deficiency) of revenues over expenditures	686,500	811,500	822,619	11,119
OTHER FINANCING SOURCES (USES)				
Transfers out	(682,500)	(777,500)	(777,500)	-
Total other financing source (uses)	(682,500)	(777,500)	(777,500)	-
Net change in fund balances	4,000	34,000	45,119	11,119
Fund balances - beginning	-	98,387	98,387	-
Fund balances - ending	\$ 4,000	\$ 132,387	\$ 143,506	\$ 11,119

City of Lakewood
Hotel/Motel Lodging Tax
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
For the Year Ended December 31, 2017

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Taxes	\$ 600,000	\$ 700,000	\$ 762,200	\$ 62,200
Interest and other earnings	-	-	13,389	13,389
Total revenues	600,000	700,000	775,589	75,589
EXPENDITURES				
Current:				
Economic environment	600,000	476,350	472,508	(3,842)
Total expenditures	600,000	476,350	472,508	(3,842)
Excess (deficiency) of revenues over expenditures	-	223,650	303,081	79,431
OTHER FINANCING SOURCES (USES)				
Transfers out	(500,000)	(789,019)	(237,049)	551,970
Total other financing source (uses)	(500,000)	(789,019)	(237,049)	551,970
Net change in fund balances	(500,000)	(565,369)	66,032	631,401
Fund balances - beginning	937,524	1,447,207	1,447,207	-
Fund balances - ending	\$ 437,524	\$ 881,838	\$ 1,513,239	\$ 631,401

City of Lakewood
Property Abatement/Rental Housing Safety Program
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
For the Year Ended December 31, 2017

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Charges for goods and services	\$ 190,000	\$ 34,588	\$ 152,878	\$ 118,290
Interest and other earnings	-	-	10,489	10,489
Miscellaneous	-	-	983	983
Total revenues	190,000	34,588	164,350	129,762
EXPENDITURES				
Current:				
Economic environment	310,111	345,789	227,954	(117,835)
Total expenditures	310,111	345,789	227,954	(117,835)
Excess (deficiency) of revenues over expenditures	(120,111)	(311,201)	(63,604)	247,597
OTHER FINANCING SOURCES (USES)				
Transfers in	125,000	175,000	175,000	-
Total other financing source (uses)	125,000	175,000	175,000	-
Net change in fund balances	4,889	(136,201)	111,396	247,597
Fund balances - beginning	-	136,200	136,200	-
Fund balances - ending	\$ 4,889	\$ (1)	\$ 247,596	\$ 247,597

City of Lakewood
Public Art
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
For the Year Ended December 31, 2017

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Interest and other earnings	\$ -	\$ -	\$ 321	\$ 321
Miscellaneous	10,000	15,000	15,000	-
Total revenues	10,000	15,000	15,321	321
EXPENDITURES				
Current:				
Culture and recreation	2,000	82,000	62,723	(19,277)
Total expenditures	2,000	82,000	62,723	(19,277)
Excess (deficiency) of revenues over expenditures	8,000	(67,000)	(47,402)	19,598
OTHER FINANCING SOURCES (USES)				
Transfer in	-	27,791	27,791	-
Total other financing source (uses)	-	27,791	27,791	-
Net change in fund balances	8,000	(39,209)	(19,611)	19,598
Fund balances - beginning	-	39,209	39,209	-
Fund balances - ending	\$ 8,000	\$ -	\$ 19,598	\$ 19,598

City of Lakewood
Narcotics Seizure
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
For the Year Ended December 31, 2017

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Charges for goods and services	-	17,753	8,924	(8,829)
Interest and other earnings	-	-	3,218	3,218
Miscellaneous	75,000	115,865	116,037	172
Total revenues	75,000	133,618	128,179	(5,439)
EXPENDITURES				
Current:				
Public safety	75,000	497,800	207,600	(290,200)
Total expenditures	75,000	497,800	207,600	(290,200)
Excess (deficiency) of revenues over expenditures	-	(364,182)	(79,421)	284,761
OTHER FINANCING SOURCES (USES)				
Total other financing source (uses)	-	-	-	-
Net change in fund balances	-	(364,182)	(79,421)	284,761
Fund balances - beginning	413,401	364,185	364,185	-
Fund balances - ending	\$ 413,401	\$ 3	\$ 284,764	\$ 284,761

City of Lakewood
Felony Seizure
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
For the Year Ended December 31, 2017

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Miscellaneous	\$ -	\$ -	\$ 26,147	\$ 26,147
Total revenues	-	-	26,147	26,147
EXPENDITURES				
Current:				
Public safety	-	131,405	124,545	(6,860)
Capital	-	-	2,644	2,644
Total expenditures	-	131,405	127,189	(4,216)
Excess (deficiency) of revenues over expenditures	-	(131,405)	(101,042)	30,363
OTHER FINANCING SOURCES (USES)				
Transfer out	-	(63,519)	(48,519)	15,000
Total other financing source (uses)	-	(63,519)	(48,519)	15,000
Net change in fund balances	-	(194,924)	(149,561)	45,363
Fund balances - beginning	11,958	194,924	194,924	-
Fund balances - ending	\$ 11,958	\$ -	\$ 45,363	\$ 45,363

City of Lakewood
Federal Seizure
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
For the Year Ended December 31, 2017

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Intergovernmental	\$ 75,000	\$ 75,000	\$ -	\$ (75,000)
Interest and other earnings	-	-	328	328
Total revenues	75,000	75,000	328	(74,672)
EXPENDITURES				
Current:				
Public safety	104,900	194,976	117,945	(77,031)
Capital outlay:				
Capital	-	10,470	10,469	(1)
Total expenditures	104,900	205,446	128,414	(77,032)
Excess (deficiency) of revenues over expenditures	(29,900)	(130,446)	(128,086)	2,360
OTHER FINANCING SOURCES (USES)				
Total other financing source (uses)	-	-	-	-
Net change in fund balances	(29,900)	(130,446)	(128,086)	2,360
Fund balances - beginning	20,240	130,447	130,447	-
Fund balances - ending	\$ (9,660)	\$ 1	\$ 2,361	\$ 2,360

City of Lakewood
National Stabilization Program (NSP)
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
For the Year Ended December 31, 2017

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Intergovernmental	\$ -	\$ -	\$ 40,518	\$ 40,518
Charges for goods and services	-	45,298	53,687	8,389
Interest and other earnings	-	-	12,833	12,833
Total revenues	-	45,298	107,038	61,740
EXPENDITURES				
Current:				
Economic environment		187,982	144,251	(43,731)
Total expenditures	-	187,982	144,251	(43,731)
Excess (deficiency) of revenues over expenditures	-	(142,684)	(37,213)	105,471
OTHER FINANCING SOURCES (USES)				
Total other financing source (uses)	-	-	-	-
Net change in fund balances	-	(142,684)	(37,213)	105,471
Fund balances - beginning	171,345	142,683	142,683	-
Fund balances - ending	\$ 171,345	\$ (1)	\$ 105,470	\$ 105,471

City of Lakewood
OEA Grant/SSMCP
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
For the Year Ended December 31, 2017

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Intergovernmental	\$ 176,805	\$ 169,426	\$ 127,421	\$ (42,005)
Charges for goods and services	-	178,500	174,350	(4,150)
Contributions and donations	-	-	7,500	7,500
Total revenues	176,805	347,926	309,271	(38,655)
EXPENDITURES				
Current:				
Economic environment	306,672	432,901	340,517	(92,384)
Total expenditures	306,672	432,901	340,517	(92,384)
Excess (deficiency) of revenues over expenditures	(129,867)	(84,975)	(31,246)	53,729
OTHER FINANCING SOURCES (USES)				
Transfers in	50,000	50,000	50,000	-
Total other financing source (uses)	50,000	50,000	50,000	-
Net change in fund balances	(79,867)	(34,975)	18,754	53,729
Fund balances - beginning	79,867	75,753	75,753	-
Fund balances - ending	\$ -	\$ 40,778	\$ 94,507	\$ 53,729

City of Lakewood
Public Safety Grants
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
For the Year Ended December 31, 2017

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ -	\$ 133,023	\$ 100,779	\$ (32,244)
Total revenues	-	133,023	100,779	(32,244)
EXPENDITURES				
Current:				
Public safety	-	132,103	99,859	(32,244)
Total expenditures	-	132,103	99,859	(32,244)
Excess (deficiency) of revenues over expenditures	-	920	920	-
OTHER FINANCING SOURCES (USES)				
Total other financing source (uses)	-	-	-	-
Net change in fund balances	-	920	920	-
Fund balances - beginning	-	(920)	(920)	-
Fund balances - ending	\$ -	\$ -	\$ -	\$ -



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**Combining Statement – Nonmajor Debt Service Funds Description
For the Year Ended December 31, 2017**

The ***General Obligation Debt Service*** Fund accounts for General Obligation Bonds.

The ***Sewer Project Debt Service*** Fund accounts for the Public Works Trust Fund Loans that the City secured to fund both sewer main construction and the side sewer construction loan program. (The City completed construction of the sewer main and donated it to Pierce County in 2012.)

The ***LID Guaranty Debt Service Fund*** fund was created in conjunction with establishing the permanent financing of CLID 1101-1103. It also accounts for the guaranty funds connected with LID 1108.

City of Lakewood
Combining Balance Sheet
Nonmajor Debt Service Funds
December 31, 2017

	General Obligation Debt Service	Sewer Project Debt	LID Guaranty	Total Nonmajor Debt Service Funds
ASSETS				
Cash and cash equivalents	\$ -	\$ 793,819	\$ 126,927	\$ 920,746
Notes/contracts receivable	-	63,513	-	63,513
Total assets	<u>-</u>	<u>857,332</u>	<u>126,927</u>	<u>984,259</u>
LIABILITIES				
Accounts Payable	-	313	-	313
Total liabilities	<u>-</u>	<u>313</u>	<u>-</u>	<u>313</u>
DEFERRED INFLOWS OF RESOURCES				
Unearned revenue	-	63,513	-	63,513
Total liabilities and deferred inflows of resources	<u>-</u>	<u>63,826</u>	<u>-</u>	<u>63,826</u>
FUND BALANCES (DEFICITS)				
Restricted	-	793,506	126,927	920,433
Total fund balances (deficits)	<u>-</u>	<u>793,506</u>	<u>126,927</u>	<u>920,433</u>
Total liabilities, deferred inflows, and fund balances (deficits)	<u>\$ -</u>	<u>\$ 857,332</u>	<u>\$ 126,927</u>	<u>\$ 984,259</u>

City of Lakewood
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Debt Service Funds
For the Year Ended December 31, 2017

	General Obligation Debt Service	Sewer Project Debt	LID Guaranty	Total Nonmajor Debt Service Funds
REVENUES				
Charges for goods and services	\$ -	\$ 708,949	\$ -	\$ 708,949
Interest and other earnings	-	12,874	1,186	14,060
Miscellaneous	-	45,800	-	45,800
Total revenues	-	767,623	1,186	768,809
EXPENDITURES				
Current:				
Debt service:				
Interest and other debt service costs	125,879	26,183	-	152,062
Principal	272,403	428,223	-	700,626
Total expenditures	398,282	454,406	-	852,688
Excess (deficiency) of revenues over expenditures	(398,282)	313,217	1,186	(83,879)
OTHER FINANCING SOURCES (USES)				
Transfers in	398,282	-	-	398,282
Transfers Out	-	(400,000)	-	(400,000)
Total other financing source (uses)	398,282	(400,000)	-	(1,718)
Net change in fund balances	-	(86,783)	1,186	(85,597)
Fund balances - beginning	-	880,289	125,741	1,006,030
Fund balances - ending	\$ -	\$ 793,506	\$ 126,927	\$ 920,433



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**Combining Statement – Nonmajor Capital Project Funds Description
For the Year Ended December 31, 2017**

The ***Parks Capital Project Fund*** accounts for general government capital improvement projects.

The ***Sewer Capital Project Fund*** accounts for the construction of a sewer system. Once the sanitary sewer lines are constructed, the system will be turned over to Pierce County for operations and maintenance. Prior to properties connecting up to the sewer system, property owners will be subject to the City's sewer availability charges.

The ***Sanitary Sewer Connection Capital Project Fund*** accounts for the revenues generated from the sewer availability charges, expenditures and transfers that are legally allowable for sewer availability charge fees, and for administrative expenses to maintain and operate the fund

City of Lakewood
Combining Balance Sheet
Nonmajor Capital Projects Funds
December 31, 2017

	Parks CIP	Sewer Project CIP	Sanitary Sewer Connection CIP	Total Nonmajor Capital Projects Funds
ASSETS				
Cash and cash equivalents	\$ 1,049,480	\$ 69,222	\$ 655,110	\$ 1,773,812
Due from other governments	211,231	-	-	211,231
Total assets	<u>1,260,711</u>	<u>69,222</u>	<u>655,110</u>	<u>1,985,043</u>
LIABILITIES				
Accounts payable	197,638	483	891	199,012
Unearned revenue	-	-	464	464
Contracts Payable	68,887	16,227	-	85,114
Other accrued liabilities	769	796	2,176	3,741
Total liabilities	<u>267,294</u>	<u>17,506</u>	<u>3,531</u>	<u>288,331</u>
DEFERRED INFLOWS OF RESOURCES				
Total liabilities and deferred inflows of resources	<u>267,294</u>	<u>17,506</u>	<u>3,531</u>	<u>288,331</u>
FUND BALANCES (DEFICITS)				
Committed	<u>993,417</u>	<u>51,716</u>	<u>651,579</u>	<u>1,696,712</u>
Total fund balances (deficits)	<u>993,417</u>	<u>51,716</u>	<u>651,579</u>	<u>1,696,712</u>
Total liabilities, deferred liabilities and fund balances (deficits)	<u>\$ 1,260,711</u>	<u>\$ 69,222</u>	<u>\$ 655,110</u>	<u>\$ 1,985,043</u>

City of Lakewood
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2017

	Parks CIP	Sewer Project CIP	Sanitary Sewer Connection	Total Nonmajor Capital Projects Funds
REVENUES				
Intergovernmental	\$ 518,674	\$ 50,000	\$ -	\$ 568,674
Charges for goods and services	-	-	175,881	175,881
Interest and other earnings	5,473	(360)	6,153	11,266
Miscellaneous	-	-	1,354	1,354
Contributions and donations	100,250	-	-	100,250
Total revenues	<u>624,397</u>	<u>49,640</u>	<u>183,388</u>	<u>857,425</u>
EXPENDITURES				
Current:				
Utilities and environment	-	-	34,619	34,619
Economic environment	-	5,447	-	5,447
Culture and recreation	11,139	-	-	11,139
Capital outlay:				
Capital	1,722,305	381,657	-	2,103,962
Total expenditures	<u>1,733,444</u>	<u>387,104</u>	<u>34,619</u>	<u>2,155,167</u>
Excess (deficiency) of revenues over expenditures	<u>(1,109,047)</u>	<u>(337,464)</u>	<u>148,769</u>	<u>(1,297,742)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of asset	404,474	-	-	404,474
Transfers in	1,461,015	400,000	-	1,861,015
Total other financing source (uses)	<u>1,865,489</u>	<u>400,000</u>	<u>-</u>	<u>2,265,489</u>
Net change in fund balances	756,442	62,536	148,769	967,747
Fund balances - beginning	236,975	(10,820)	502,810	728,965
Fund balances - ending	<u>\$ 993,417</u>	<u>\$ 51,716</u>	<u>\$ 651,579</u>	<u>\$ 1,696,712</u>



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**Combining Statement – Internal Service Funds Description
For the Year Ended December 31, 2017**

Internal Service Funds

The ***Fleet and Equipment Fund*** accounts for all costs associated with operating, maintaining and replacing the City's vehicles and other motorized equipment. This fund owns and depreciates all non-proprietary fund assets of this nature. Rates charged to user departments are based on the full cost of maintaining fleet and equipment, including the recovery of related depreciation expense.

The ***Property Management Fund*** accounts for all costs associated with the maintenance and operations of City Hall, Police Station, and Parking/Light Rail Facility. Maintenance and operating costs are charged to this fund which is funded primarily through user charges allocated to the operating funds. The fund has also accumulated replacement reserves for the purpose of funding future major repairs and capital improvements to city-owned facilities.

The ***Information Technology Fund*** accounts for all costs and services associated with the City's information technology needs. This fund is used to support all internal systems such as the City's geographical information system needs, internal and external web resources, email systems, business continuity needs, infrastructure resources, applications and overall support. This fund owns and depreciates all non-proprietary fund assets related to these functions. Information technology costs are allocated to the operating funds.

The ***Risk Management Fund*** accounts for the financial administration of the City's comprehensive risk management program. The fund assures that the revenues and assets of the City are protected through an established risk control and risk finance program including risk management goals and objectives, a formalized risk assessment process and methodology for reviewing and monitoring of the effectiveness of the risk management program. This fund is funded primarily through user charges allocated to the operating funds.

City of Lakewood
Combining Statement of Net Position
Nonmajor Internal Service Funds
December 31, 2017

	Fleet & Equipment	Property Management	Information Technology	Risk Management	Total Nonmajor Internal Service Funds
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 3,998,180	\$ 502,143	\$ 154,345	\$ 17,069	\$ 4,671,737
Total current assets	<u>3,998,180</u>	<u>502,143</u>	<u>154,345</u>	<u>17,069</u>	<u>4,671,737</u>
Noncurrent assets:					
Improvements other than buildings	-	137,279	-	-	137,279
Machinery and equipment	7,505,803	79,596	1,065,703	-	8,651,102
Less accumulated depreciation	(4,182,964)	(44,950)	(148,999)	-	(4,376,913)
Total noncurrent assets	<u>3,322,839</u>	<u>171,925</u>	<u>916,704</u>	<u>-</u>	<u>4,411,468</u>
Total assets	<u>7,321,019</u>	<u>674,068</u>	<u>1,071,049</u>	<u>17,069</u>	<u>9,083,205</u>
LIABILITIES					
Current liabilities:					
Accounts payable	44,609	54,728	79,369	17,069	195,775
Payable to other governments	24	-	394	-	418
Total current liabilities	<u>44,633</u>	<u>54,728</u>	<u>79,763</u>	<u>17,069</u>	<u>196,193</u>
Noncurrent liabilities:					
Compensated absences	-	10,516	32,083	-	42,599
Capital lease liability	-	-	20,896	-	20,896
Total noncurrent liabilities	<u>-</u>	<u>10,516</u>	<u>52,979</u>	<u>-</u>	<u>63,495</u>
Total liabilities	<u>44,633</u>	<u>65,244</u>	<u>132,742</u>	<u>17,069</u>	<u>259,688</u>
NET POSITION					
Net investment in capital assets	3,322,839	171,925	895,808	-	4,390,570
Unrestricted	3,953,547	436,899	42,499	-	4,432,945
Total net position	<u>\$ 7,276,386</u>	<u>\$ 608,824</u>	<u>\$ 938,307</u>	<u>\$ -</u>	<u>\$ 8,823,517</u>

City of Lakewood
Combining Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Funds
For the Year Ended December 31, 2017

	Fleet & Equipment	Property Management	Information Technology	Risk Management	Total Internal Service Funds
OPERATING REVENUES					
Charges for goods and services	\$ 1,560,464	\$ 818,380	\$ 1,107,295	\$ 1,218,865	\$ 4,705,004
Miscellaneous	697	-	-	207,728	208,425
Total operating revenues	1,561,161	818,380	1,107,295	1,426,593	4,913,429
OPERATING EXPENSES					
Personal Services	-	183,841	494,920	-	678,761
Materials and supplies	335,873	102,645	133,318	1,251	573,087
Services and charges	342,614	486,215	514,623	1,420,262	2,763,714
Intergovernmental	-	4,392	-	-	4,392
Depreciation	566,379	14,803	77,129	-	658,311
Total operating expenses	1,244,866	791,896	1,219,990	1,421,513	4,678,265
Operating income (loss)	316,295	26,484	(112,695)	5,080	235,164
NONOPERATING REVENUES (EXPENSES)					
Interfund loan	(505,778)	-	-	-	(505,778)
Gain (loss) on disposal of capital assets	12,005	-	24	-	12,029
Investment earnings	28,685	2,731	(919)	(685)	29,812
Interest expense	-	-	(2,924)	-	(2,924)
Total nonoperating revenues (expenses)	(465,088)	2,731	(3,819)	(685)	(466,861)
Income (loss) before contributions and transfers	(148,793)	29,215	(116,514)	4,395	(231,697)
Capital Contributions	5,050	-	659,964	-	665,014
Transfers in	52,914	-	-	-	52,914
Transfers out	(96,050)	-	-	(4,395)	(100,445)
Change in net position	(186,879)	29,215	543,450	-	385,786
Total net position - beginning	7,437,162	579,609	394,857	-	8,411,628
Prior period adjustment	26,103	-	-	-	26,103
Total net position - ending	\$ 7,276,386	\$ 608,824	\$ 938,307	\$ -	\$ 8,823,517

City of Lakewood
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended December 31, 2017

	Fleet & Equipment	Property Management	Information Technology	Risk Management	Total Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash from interdepartmental services	\$ 1,560,464	\$ 818,380	\$ 1,107,295	\$ 1,218,865	\$ 4,705,004
Cash paid to employees	-	(182,480)	(488,616)	-	(671,096)
Cash paid to suppliers	(670,336)	(584,111)	(665,574)	(1,413,618)	(3,333,639)
Other operating receipts	697	-	-	207,728	208,425
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	890,825	51,789	(46,895)	12,975	908,694
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Interfund Loan	(505,778)	-	-	-	(505,778)
Gain (loss) on disposal of capital assets	12,005	-	24	-	12,029
Transfers from other funds	52,914	-	-	-	52,914
Transfers to other funds	(96,050)	-	-	(4,395)	(100,445)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(536,909)	-	24	(4,395)	(541,280)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from sale of capital assets	17,170	-	-	-	17,170
Capital contributions	-	-	659,964	-	659,964
Acquisition and construction of capital assets	(965,660)	-	(579,036)	-	(1,544,696)
Principal paid on long-term debt	-	-	(19,044)	-	(19,044)
Interest paid on long-term debt	-	-	(2,924)	-	(2,924)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(948,490)	-	58,960	-	(889,530)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest income	28,684	2,731	(919)	(686)	29,810
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	28,684	2,731	(919)	(686)	29,810
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(565,890)	54,520	11,170	7,894	(492,306)
BALANCES - BEGINNING OF YEAR	4,564,070	447,623	143,174	9,174	5,164,041
BALANCES - END OF YEAR	\$ 3,998,180	\$ 502,143	\$ 154,344	\$ 17,068	\$ 4,671,735
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating Income	\$ 316,295	\$ 26,484	\$ (112,695)	\$ 5,080	\$ 235,164
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Increase/(decrease) in depreciation expense	566,379	14,803	77,129	-	658,311
Increase/(decrease) in accounts payable - supplier	8,151	(5,673)	(17,924)	7,895	(7,551)
Increase/(decrease) in payable to other governments	-	-	291	-	291
Increase/(decrease) in salaries & benefits payable	-	1,362	6,304	-	7,666
Increase/(decrease) in capital assets	-	14,813	-	-	14,813
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 890,825	\$ 51,789	\$ (46,895)	\$ 12,975	\$ 908,694
NON-CASH CAPITAL CONTRIBUTIONS	\$ -	\$ -	\$ -	\$ -	\$ -

STATISTICAL SECTION



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Statistical Section

The statistical section presents detailed information as a context for understanding what the information in the financial statements and note disclosures say about the City's overall financial health. The following are the five categories of information presented in this section.

Financial Trends – These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity – These schedules contain information to help the reader assess the City's most significant local revenue sources, property tax and sales tax.

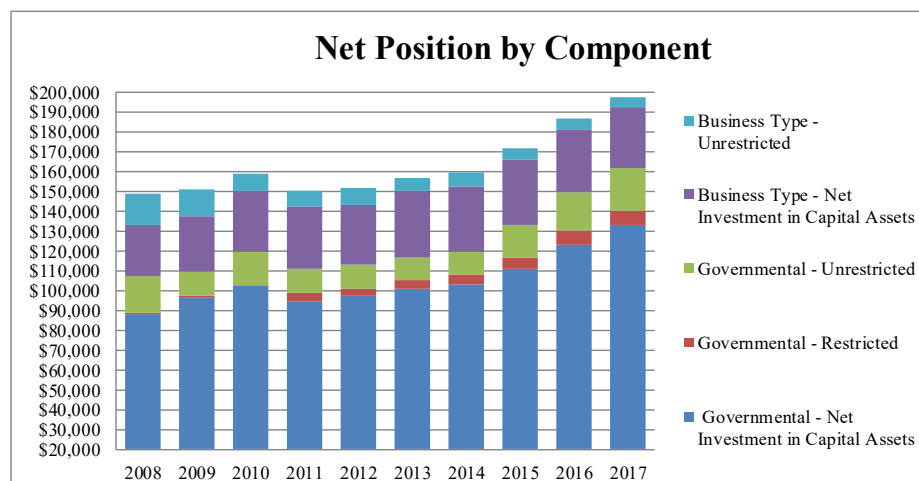
Debt Capacity – These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Demographic and Economic Information – These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information – These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the city provides and the activities it performs.

Schedule 1
Net Position by Component (in thousands)
Last Ten Fiscal Years

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities										
Net investment in capital assets	\$ 87,842	\$ 96,668	\$ 102,080	\$ 94,753	\$ 97,427	\$ 100,848	\$ 103,007	\$ 110,661	\$ 122,799	\$ 133,425
Restricted	745	1,011	36	4,273	3,618	4,638	4,830	5,806	7,395	6,503
Unrestricted	19,040	12,199	17,301	11,748	12,094	11,461	11,565	16,546	19,113	21,417
Total governmental activities net position	107,627	109,878	119,417	110,774	113,139	116,947	119,402	133,013	149,307	161,345
Business-type activities										
Net investment in capital assets	25,796	27,486	30,512	31,490	29,788	33,613	33,001	32,733	31,816	30,989
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	15,425	13,329	9,076	8,050	9,031	6,296	6,976	5,927	5,580	4,834
Total business-type activities net position	41,221	40,815	39,588	39,540	38,819	39,909	39,977	38,661	37,396	35,823
Primary government										
Net investment in capital assets	124,154	132,592	126,243	127,215	134,461	136,009	143,394	154,615	154,615	164,414
Restricted	1,011	36	4,273	3,618	4,638	4,830	5,806	7,395	7,395	6,503
Unrestricted	25,528	26,377	19,798	21,125	17,757	18,541	22,473	24,693	24,693	26,251
Total primary government net position	\$ 150,693	\$ 159,005	\$ 150,314	\$ 151,958	\$ 156,856	\$ 159,380	\$ 171,674	\$ 186,703	\$ 186,703	\$ 197,168



Source:
City of Lakewood Finance Division

Schedule 2
Changes in Net Position (in thousands)
Last ten fiscal years

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses										
Governmental activities:										
General government	\$ 8,209	\$ 8,187	\$ 8,042	\$ 8,674	\$ 7,046	\$ 7,284	\$ 7,481	\$ 4,360	\$ 4,306	\$ 4,520
Public safety	19,379	19,672	20,038	20,914	20,480	21,580	21,486	22,000	23,471	23,944
Utilities and environment	539	348	341	320	489	453	59	20	28	35
Transportation	3,907	7,122	7,103	5,597	6,220	3,624	6,157	6,097	6,341	6,763
Social services	486	478	539	524	238	384	589	585	629	624
Economic environment	3,037	3,588	3,834	4,232	3,549	4,239	4,971	3,687	3,843	4,306
Natural environment	-	-	-	-	-	290	-	298	249	286
Culture and recreation	1,706	1,846	1,940	2,055	2,057	1,978	1,776	2,030	2,088	2,185
Judicial	-	-	-	-	1,757	1,718	1,491	1,537	1,645	1,750
Interest on long-term debt	231	299	291	278	263	254	237	269	233	211
Total governmental activities expenses	37,494	41,540	42,128	42,594	42,099	41,803	44,247	40,884	42,833	44,624
Business-type activities:										
Surface water management	2,714	2,539	2,179	2,610	2,668	2,492	3,142	3,244	3,338	3,528
Total business-type activities net position	2,714	2,539	2,179	2,610	2,668	2,492	3,142	3,244	3,338	3,528
Total primary government expenses	40,208	44,079	44,307	45,204	44,767	44,295	47,389	44,127	46,171	48,152
Program Revenues										
Governmental activities:										
Charges for services:										
General government	2,780	3,282	5,394	1,767	3,066	5,411	5,211	3,439	3,878	4,452
Public safety	2,390	3,635	3,361	3,992	1,376	1,506	1,252	1,023	1,203	1,530
Utilities and environment	532	628	781	492	1,022	916	781	931	892	885
Transportation	42	70	73	49	99	70	560	57	417	136
Social services	77	-	-	(510)	-	-	-	-	-	-
Economic environment	1,506	1,177	1,427	1,860	1,027	384	1,060	1,130	1,227	1,539
Natural environment	-	-	-	-	-	34	-	80	84	83
Culture and recreation	107	227	210	216	237	234	247	266	219	240
Judicial	-	-	-	-	1,812	1,655	1,754	1,970	1,968	1,932
Operating grants and contributions	5,397	5,524	9,976	7,291	4,290	2,913	3,162	4,785	5,048	5,126
Capital grants and contributions	1,825	2,588	2,228	1,266	6,595	3,149	3,784	7,361	12,519	7,151
Total governmental activities program revenues	14,656	17,131	23,450	16,423	19,524	16,272	17,810	21,042	27,457	23,075
Business-type activities:										
Charges for services:										
Surface water management	2,686	2,847	2,650	2,719	2,733	2,721	2,724	2,740	2,768	2,755
Operating grants and contributions	71	89	45	425	143	-	-	-	-	-
Capital grants and contributions	-	-	-	-	-	913	277	211	190	144
Total business-type activities program revenues	2,757	2,936	2,695	3,144	2,876	3,634	3,000	2,951	2,959	2,899
Total primary government program revenues	\$ 17,413	\$ 20,067	\$ 26,145	\$ 19,567	\$ 22,400	\$ 19,906	\$ 20,811	\$ 23,993	\$ 30,415	\$ 25,974

Schedule 2
Changes in Net Position (in thousands)
 Last ten fiscal years
 (Continued)

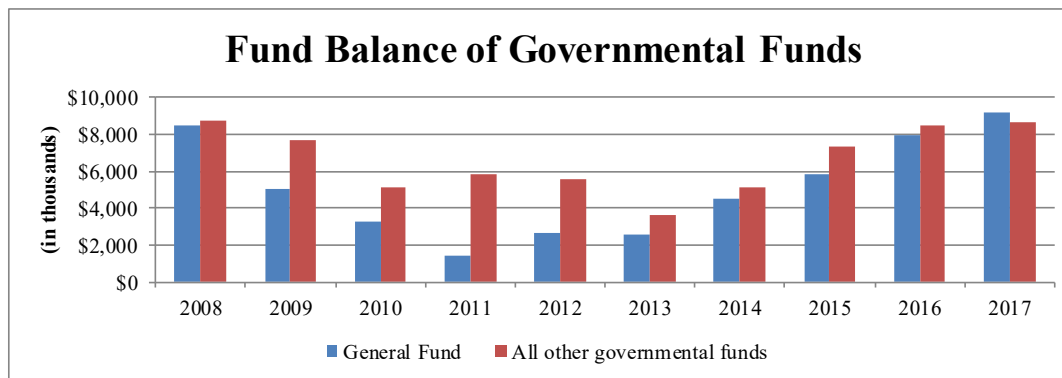
	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Net (Expense) Revenue										
Governmental activities	\$ (22,838)	\$ (24,409)	\$ (18,678)	\$ (26,171)	\$ (22,575)	\$ (25,531)	\$ (26,437)	\$ (19,842)	\$ (15,376)	\$ (21,549)
Business-type activities	43	397	516	534	208	1,142	(141)	(293)	(379)	(629)
Total primary government net expense	(22,795)	(24,012)	(18,162)	(25,637)	(22,367)	(24,389)	(26,578)	(20,135)	(15,755)	(22,178)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Property taxes	5,632	5,657	6,195	5,972	6,219	6,200	6,424	6,652	6,712	6,844
Sales taxes	9,795	8,935	9,304	9,145	9,565	9,453	9,697	10,184	10,736	11,629
Business taxes	6,447	6,250	5,675	6,564	6,214	8,311	5,748	5,704	5,629	5,744
Excise taxes	3,973	4,051	3,268	3,011	3,082	1,159	1,107	1,509	2,125	2,468
Other taxes	692	433	1,660	1,563	1,927	2,989	5,515	4,604	4,851	4,925
Investment earnings	1,000	313	266	265	213	219	221	202	214	319
Gain (loss) on sale/retirement of capital asset	4	(73)	(54)	9	13	22	91	-	-	183
Contributions to other governments	-	-	-	(9,734)	(3,022)	-	-	-	-	-
Judgements and settlements	56	129	2	74	116	99	81	-	-	-
Donations of capital assets	-	-	-	-	-	-	11	-	-	-
Miscellaneous	(1)	50	90	(5)	2	80	191	1,071	495	481
Transfers	725	902	1,812	663	954	78	(190)	1,040	909	993
Total governmental activities	28,323	26,647	28,218	17,527	25,283	28,610	28,897	30,966	31,671	33,586
Business-type activities:										
Investment earnings	480	90	68	78	25	24,555	12	15	23	48
Gain (loss) on sale/retirement of capital asset	-	-	-	3	-	-	-	-	-	-
Disposition of capital assets	-	4	-	-	-	-	-	-	-	-
Judgements and settlements	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	4	1	-	-	-	9	1	-	-
Transfers	(725)	(902)	(1,812)	(663)	(954)	(78)	190	(1,040)	(909)	(993)
Total business-type activities	(245)	(804)	(1,743)	(582)	(929)	(53)	211	(1,024)	(886)	(944)
Total primary government	28,078	25,843	26,475	16,945	24,354	28,557	29,108	29,941	30,785	32,641
Change in Net Position										
Governmental activities	5,485	2,238	9,540	(8,644)	2,708	3,080	2,460	11,124	16,294	12,037
Business-type activities	(202)	(407)	(1,227)	(48)	(721)	1,089	69	(1,317)	(1,265)	(1,573)
Total primary government	\$ 5,283	\$ 1,831	\$ 8,313	\$ (8,692)	\$ 1,987	\$ 4,168	\$ 2,531	\$ 9,807	\$ 15,030	\$ 10,464

Source:

City of Lakewood Finance Division

Schedule 3
Fund Balances, Governmental Funds (in thousands)
Last Ten Fiscal Years

	Fiscal year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund										
Unreserved	\$ 8,450	\$ 5,015	\$ 3,297	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Nonspendable	-	-	-	-	-	20	-	-	-	-
Spendable:										
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	5	6	7	7	8
Assigned	-	-	-	95	-	-	-	-	-	-
Unassigned	-	-	-	1,334	2,615	2,556	4,527	5,842	7,902	9,144
Total	8,450	5,015	3,297	1,429	2,615	2,581	4,533	5,849	7,909	9,152
All Other Governmental Funds										
Reserved	851	1,431	1,307	-	-	-	-	-	-	-
Unreserved, reported in:										
Special Revenue Funds	6,614	4,208	3,493	-	-	-	-	-	-	-
Debt Service Funds	-	-	-	-	-	-	-	-	-	-
Capital Projects Funds	1,276	2,061	316	-	-	-	-	-	-	-
Nonspendable	-	-	-	-	1	20	-	-	-	-
Spendable:										
Restricted	-	-	-	4,237	4,720	3,881	4,029	5,806	7,395	6,503
Committed	-	-	-	1,569	833	895	1,087	1,494	1,068	2,119
Assigned	-	-	-	-	-	840	-	-	-	-
Unassigned	-	-	-	-	-	(1,971)	-	-	-	-
Total all other governmental funds	\$ 8,741	\$ 7,700	\$ 5,116	\$ 5,806	\$ 5,554	\$ 3,666	\$ 5,117	\$ 7,300	\$ 8,463	\$ 8,622



1) Fund balance increased in 2015 primarily due to issuance of debt under the Local Option Capital Asset Lending Program (LOCAL) for the City's LED streetlight retrofit program.

Source:

City of Lakewood Finance Division

Schedule 4
Changes in Fund Balances, Governmental Funds
(in thousands)
Last Ten Fiscal Years

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues										
Taxes	26,327	25,905	26,325	26,736	26,814	26,420	26,717	28,565	29,983	31,508
Licenses and permits	3,305	3,207	3,097	3,444	4,016	4,186	4,459	4,582	4,857	5,144
Intergovernmental	5,967	6,798	11,389	7,663	10,611	7,487	8,590	11,585	15,684	11,217
Charges for services	1,567	1,987	1,971	2,173	2,651	2,906	3,824	3,209	4,058	4,067
Fines and forfeitures	2,746	2,725	1,438	1,803	2,084	1,884	1,614	1,557	1,620	1,456
Special assessments	-	603	179	179	-	179	179	511	140	140
Investment earnings	206	293	232	214	195	203	212	199	196	291
Rents and leases	904	-	-	-	-	-	-	-	-	-
Contributions	-	248	12	44	21	274	87	118	517	189
Miscellaneous	495	714	658	603	709	486	210	298	415	292
Total revenues	41,517	42,480	45,301	42,859	47,101	44,025	45,892	50,624	57,471	54,304
Expenditures										
General government	8,606	8,519	8,281	8,998	6,754	7,562	7,152	4,170	3,852	4,140
Public safety	18,301	19,273	19,193	19,953	19,538	20,405	20,548	22,121	23,024	24,128
Utilities and environment	383	336	333	304	482	71	58	20	28	35
Transportation	2,380	4,894	4,728	3,370	3,543	2,801	2,897	2,845	2,709	3,156
Health and human services	554	489	540	524	460	384	588	585	629	624
Natural & Economic environment	2,969	3,549	3,803	4,122	3,334	4,478	5,008	3,986	4,078	4,589
Culture and recreation	1,572	1,577	1,574	1,692	1,723	1,664	1,431	1,788	1,830	1,930
Judicial	-	-	-	-	1,679	1,721	1,468	1,550	1,647	1,760
Capital outlay	16,642	13,171	13,849	6,233	8,639	4,175	5,193	12,213	15,998	13,496
Debt service:										
Principal	633	908	786	755	782	789	791	646	1,230	936
Interest and debt issue costs	233	301	293	281	273	256	240	284	220	200
Total expenditures	52,273	53,017	53,380	46,232	47,207	44,306	45,374	50,210	55,246	54,994
Excess of revenues over (under) expenditures	(10,756)	(10,537)	(8,079)	(3,373)	(106)	(281)	518	415	2,225	(689)
Other Financing Sources (Uses)										
Transfers in	2,167	4,736	3,078	2,259	2,955	1,933	3,795	6,686	6,600	8,654
Transfers out	(1,647)	(3,936)	(1,381)	(1,711)	(2,009)	(1,856)	(2,879)	(5,606)	(5,925)	(7,614)
Debt proceeds ⁽¹⁾	1,278	5,195	2,078	1,262	-	-	-	1,639	2,205	-
Payments to escrow	-	-	-	-	-	-	-	-	(1,884)	-
Insurance proceeds	-	-	-	-	53	29	16	2	-	-
Issuance of debt	-	-	-	-	-	-	-	-	-	141
Interfund loan	-	-	-	-	-	-	-	-	-	506
Bond premium	-	47	-	-	-	-	-	208	-	-
Proceeds from sale of assets	1	6	1	-	-	581	-	154	2	404
Nonrevenues	-	-	-	-	-	8	-	-	-	-
Total other financing sources (uses)	1,799	6,048	3,776	1,810	999	695	933	3,084	998	2,091
Net change in fund balance	(8,957)	(4,489)	(4,303)	(1,563)	893	414	1,451	3,499	3,223	1,402
Debt service as a percentage of noncapital expenditures	2.43%	3.03%	2.73%	2.59%	2.74%	2.60%	2.56%	2.45%	3.70%	2.74%

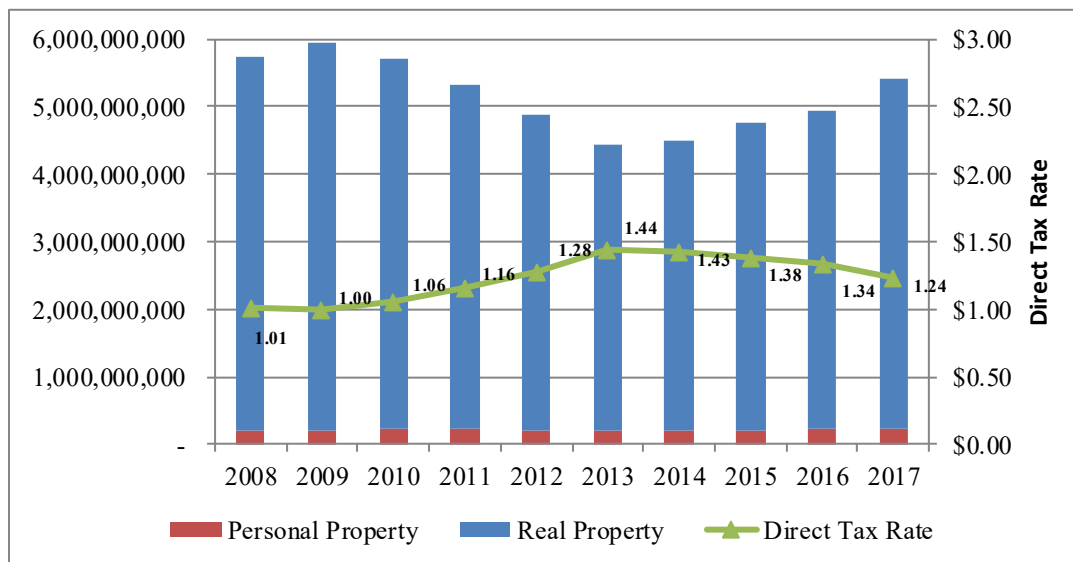
1) Fund balance increased in 2015 primarily due to issuance of debt under the Local Option Capital Asset Lending Program (LOCAL) for the City's LED streetlight retrofit program.

Source:

City of Lakewood Finance Division

Schedule 5
Assessed Value and Actual Value of Taxable Property
Last Ten Fiscal Years

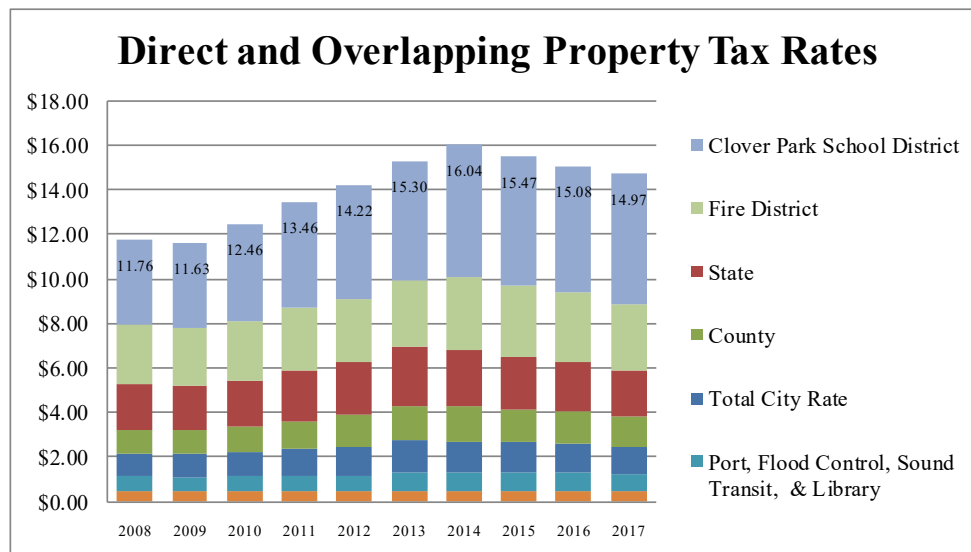
Fiscal Year	Real Property	Personal Property	Total Taxable Assessed Valuation	Total Direct Tax Rate
2008	5,555,791,256	193,145,977	5,748,937,233	1.01
2009	5,741,332,115	207,649,289	5,948,981,404	1.00
2010	5,465,345,337	227,825,096	5,693,170,433	1.06
2011	5,091,367,019	225,403,490	5,316,770,509	1.16
2012	4,679,612,726	204,704,287	4,884,317,013	1.28
2013	4,212,809,774	208,123,283	4,420,933,057	1.44
2014	4,296,330,425	198,348,975	4,494,679,400	1.43
2015	4,546,242,514	201,989,100	4,748,231,614	1.38
2016	4,724,117,345	219,025,856	4,943,143,201	1.34
2017	5,189,383,162	221,031,681	5,410,414,843	1.24

**Source:**

Pierce County Assessor Treasurer

Schedule 6
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years

	Direct Rate	Overlapping Rates									Total Direct and Overlapping Rate
	City of Lakewood	State of Washington	Pierce County	Port of Tacoma	Flood Control	Sound Transit	Emergency Management Services	Clover Park School District	Lakewood Fire District	Library	
2008	1.01	2.07	1.08	0.19	-	-	0.50	3.82	0.44	2.65	11.76
2009	1.00	2.02	1.08	0.18	-	-	0.49	3.86	0.44	2.56	11.63
2010	1.06	2.07	1.16	0.18	-	-	0.50	4.33	0.47	2.69	12.46
2011	1.16	2.27	1.29	0.18	-	-	0.50	4.79	0.50	2.77	13.46
2012	1.28	2.41	1.42	0.18	-	-	0.50	5.11	0.50	2.82	14.22
2013	1.44	2.63	1.58	0.18	0.10	-	0.50	5.34	0.50	3.03	15.30
2014	1.43	2.53	1.56	0.18	0.10	-	0.50	5.98	0.50	3.26	16.04
2015	1.38	2.39	1.48	0.18	0.10	-	0.50	5.77	0.50	3.17	15.47
2016	1.34	2.23	1.43	0.18	0.10	-	0.50	5.71	0.50	3.08	15.08
2017	1.24	2.07	1.33	0.18	0.09	0.25	0.50	5.88	0.47	2.96	14.97

**Source:**

Pierce County Assessor Treasurer.

Schedule 7
Principal Property Taxpayers
Current Year and Nine Years Ago

Taxpayer	2017			2008		
	Taxable Assessed Value	Rank	% of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	% of Total City Taxable Assessed Value
Northwest Building LLC	\$ 151,720,029	1	2.53%	\$ 92,291,524	1	1.79%
Puget Sound Energy/Gas	66,573,800	2	1.11%	26,649,107	5	0.52%
Roc II WA Village at Seeley Lake LLC	50,853,900	3	0.85%	-		0.00%
RPAI Lakewood LLC	48,595,900	4	0.81%	-		0.00%
Beaumont Lakewood Associates LLC	26,788,600	5	0.45%	19,983,500	10	0.39%
Lakha Lakewood Properties	26,042,000	6	0.43%	29,846,200	4	0.58%
Lakewood 231 LLC	20,969,300	7	0.35%	-		0.00%
Morningtree Park LLC	20,558,000	8	0.34%	-		0.00%
Wal-Mart Stores Inc #2403	17,287,500	9	0.29%	26,526,500	6	0.52%
WIG Properties LLC-LKPL	17,059,400	10	0.28%	20,157,700	9	0.39%
Inland Western Lakewood LLC	-		0.00%	87,640,000	2	1.70%
NetFlix Inc	-		0.00%	-		0.00%
Lakewood Cinema Plaza	-		0.00%	-		0.00%
Green Leaf Lakewood LLC	-		0.00%	-		0.00%
ERP Operating LP	-		0.00%	49,123,700	3	0.95%
Qwest Corporation Inc	-		0.00%	-		0.00%
Lowes of Lakewood #1081	-		0.00%	20,563,598	8	0.40%
Prum Lakewood Bldgs LLC	-		0.00%	21,752,500	7	0.42%
UDR Beaumont LLC	-		0.00%	-		0.00%
TOTAL	\$ 446,448,429		7.44%	\$ 394,534,329		7.66%

Source:

Pierce County Assessor Treasurer

Schedule 8
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal	Taxes Levied for the Fiscal Year*	<u>Collected within the fiscal year of the levy</u>		Collections in Subsequent Years	<u>Total Collections to Date</u>		Total Outstanding Delinquent Taxes	Ratio of Delinquent Taxes to Total Tax Levy
		Amount	Percentage of Levy		Amount	Percentage of Levy		
2008	5,840,645	5,581,202	95.56%	259,430	5,840,632	100.00%	13	0.00%
2009	5,967,031	5,681,367	95.21%	285,639	5,967,006	100.00%	25	0.00%
2010	6,160,539	5,806,803	94.26%	353,539	6,160,343	100.00%	196	0.00%
2011	6,085,973	5,898,256	96.92%	187,505	6,085,761	100.00%	212	0.00%
2012	6,212,891	6,031,790	97.09%	180,869	6,212,660	100.00%	231	0.00%
2013	6,313,675	6,135,401	97.18%	177,429	6,312,830	99.99%	845	0.01%
2014	6,436,270	6,248,259	97.08%	186,192	6,434,451	99.97%	1,819	0.03%
2015	6,634,819	6,413,233	96.66%	148,657	6,561,889	98.90%	72,930	1.10%
2016	6,780,836	6,545,433	96.53%	105,536	6,650,970	98.08%	129,866	1.92%
2017	7,035,979	6,738,954	95.78%	22,383	6,761,337	96.10%	274,643	3.90%

* Amounts include certification adjustments.

Source:

Pierce County Assessor Treasurer.

Schedule 9
Sales Tax Revenue by Category
Last Ten Fiscal Years
(in thousands)

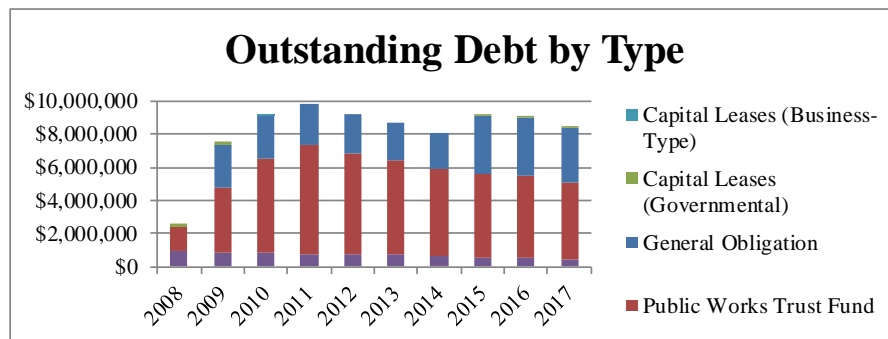
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Agriculture, Forestry, & Fishing	\$ 2	\$ 5	\$ 2	\$ 2	\$ 2	\$ 2	\$ 2	\$ 1	\$ 1	\$ 1
Mining	-	-	-	1	-	-	-	1	2	4
Utilities	1	2	2	2	2	1	2	2	2	2
Construction	1,162	1,076	963	714	903	1,030	884	884	913	1,175
Manufacturing	143	104	113	136	132	136	157	158	217	199
Wholesale Trade	435	291	382	312	317	342	466	398	396	496
Retail Trade	3,660	3,473	3,586	3,719	4,016	3,938	3,925	4,209	4,224	4,599
Transportation & Warehousing	44	34	31	40	36	43	64	57	54	88
Information	329	324	364	364	364	387	424	449	504	500
Finance and Insurance	37	32	28	34	25	41	41	56	62	50
Real Estate, Rental, Leasing	231	201	206	196	214	236	239	288	338	336
Professional, Scientific, & Technical	54	85	55	66	68	88	95	95	125	100
Management of Companies & Enterprises	-	-	-	4	-	-	-	-	1	1
Administrative Services	132	130	131	135	125	143	139	155	159	178
Educational Services	53	57	54	48	43	46	35	37	51	31
Health Care & Social Assistance	25	30	60	27	29	45	39	46	47	40
Arts, Entertainment, & Recreation	101	95	95	92	88	91	96	106	112	107
Accommodation & Food Services	994	968	981	989	1,050	1,088	1,127	1,211	1,260	1,367
Public Administration	82	65	57	55	66	59	71	59	68	112
Other Services	441	404	454	511	416	423	467	497	642	573
Total	\$ 7,927	\$ 7,374	\$ 7,562	\$ 7,445	\$ 7,897	\$ 8,140	\$ 8,272	\$ 8,708	\$ 9,179	\$ 9,959

Source:

City of Lakewood Finance Division

Schedule 10
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities					Business-Type Activities	Total Primary Government	Percentage of Personal Income ^(A)	Debt Per Capita
	General Obligation Bonds	Special Assessment Bonds	Public Works Trust Fund Loans	Capital Leases	Other Government Loan	Capital Leases			
2008	-	3,268,195	1,422,811	271,693	914,707	-	5,877,406	14.12%	100
2009	2,675,560	2,657,095	3,840,465	165,134	871,914	-	10,210,168	25.27%	175
2010	2,573,160	2,411,334	5,689,060	-	827,521	71,660	11,572,735	28.18%	199
2011	2,470,760	2,181,334	6,571,974	-	781,467	-	12,005,535	28.39%	206
2012	2,363,360	1,975,050	6,143,752	-	733,691	-	11,215,853	25.84%	193
2013	2,255,960	1,768,766	5,715,529	-	684,129	-	10,424,384	23.70%	179
2014	2,143,560	1,572,959	5,287,303	-	632,713	-	9,636,535	22.30%	165
2015	3,455,000	1,523,121	5,038,375	57,295	579,374	-	10,684,325	23.96%	183
2016	3,499,032	986,515	4,930,856	39,940	524,041	-	9,980,384	21.37%	170
2017	3,272,867	750,667	4,643,633	20,897	466,638	-	9,154,700	-	154



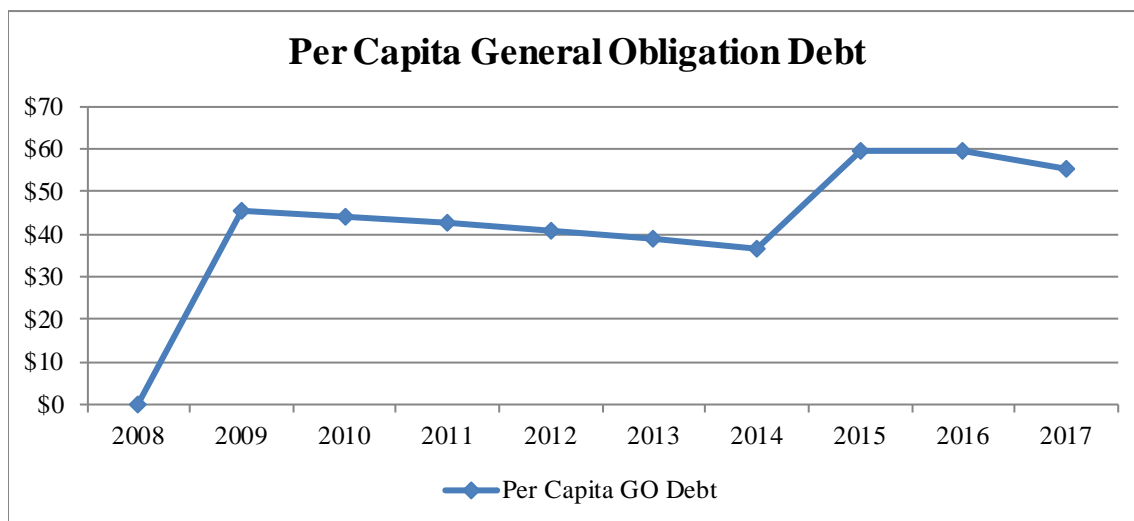
(A) Personal income is calculated based on Pierce County Per Capita Personal Income applied to Lakewood population. 2017 data is not yet available.

Source:

City of Lakewood Finance

Schedule 11
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds	Percentage of Actual Taxable Value of Property	Per Capita
2008	-	0.00%	-
2009	2,675,560	0.04%	45.47
2010	2,573,160	0.05%	44.24
2011	2,470,760	0.05%	42.46
2012	2,363,360	0.05%	40.57
2013	2,255,960	0.05%	38.69
2014	2,143,560	0.05%	36.73
2015	3,455,000	0.07%	59.69
2016	3,499,032	0.07%	59.51
2017	3,272,867	0.06%	55.21



Source:

City of Lakewood Finance

Schedule 12
Direct and Overlapping Governmental Activities Debt
As of December 31, 2017

	Net Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Overlapping Debt:			
Pierce County	\$ 124,025,000	6.6%	\$ 8,227,210
Port of Tacoma	172,416,000	6.6%	11,437,232
Clover Park School District	130,485,000	95.5%	124,628,525
Steilacoom Historical School District	42,020,000	5.0%	2,109,549
Tacoma School District	523,175,000	0.4%	1,846,840
West Pierce Fire District	1,543,213	59.7%	920,896
Total Overlapping Debt	993,664,213		149,170,252
Direct Debt: City of Lakewood	9,154,700	100%	9,154,700
Total Direct and Overlapping Debt	<u>\$ 1,002,818,913</u>		<u>\$ 158,324,952</u>

The estimated percentage applicable is calculated by dividing the assessed value of Lakewood properties within the taxing district divided by the total assessed property values within the taxing district multiplied by the outstanding debt of the taxing district.

Source:

- (1) City of Lakewood Finance Department;
- (2) Pierce County Assessor Treasurer;
- (3) State of Washington;
- (4) Port of Tacoma.

Schedule 13
Computation of Limitation of Indebtedness
As of December 31, 2017

Description	General Purpose		Excess Levy Open Space & Park		Excess Levy	Total
	Councilmanic (Limited GO)	Excess Levy (with a vote)	Park (voted)		Utility Purposes (voted)	Debt Capacity
Statutory debt limit:						
AV=	\$5,410,414,843 ^(A)					
1.50%	\$ 81,156,223	\$ (81,156,223)	\$ -	\$ -	\$ -	-
2.50%		135,260,371	135,260,371		135,260,371	405,781,113
Cash on Hand for						
Add: Redemption ^(B)	-	-	-	-	-	-
Less: Bonds Outstanding	(3,750,670)	-	-	-	-	(3,750,670)
Remaining Debt Capacity	\$ 77,405,553	\$ 54,104,148	\$ 135,260,371	\$ 135,260,371	\$ 402,030,443	
General Capacity ^(C)	\$	131,509,701				

Fiscal year	Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Applicable to Limit as a Percentage of Debt Limit
2008	\$446,173,605	\$ (914,707)	\$ 445,258,898	0.21%
2009	426,987,782	(3,501,914)	423,485,868	0.82%
2010	398,757,788	(3,357,521)	395,400,267	0.84%
2011	366,323,776	(3,211,467)	363,112,309	0.88%
2012	331,569,979	(3,058,691)	328,511,288	0.92%
2013	337,100,505	(2,904,129)	334,196,376	0.86%
2014	337,100,505	(2,742,713)	334,357,792	0.81%
2015	356,117,371	(4,034,374)	352,082,997	1.13%
2016	370,735,740	(4,023,073)	366,712,667	1.09%
2017	405,781,113	(3,750,670)	402,030,443	0.92%

Sources:

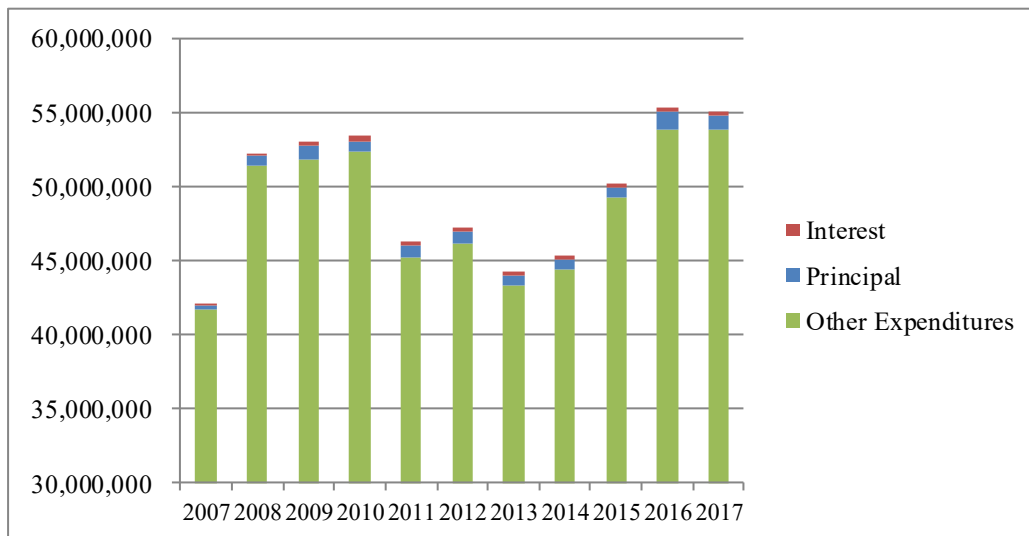
- (1) City of Lakewood Finance Division
(2) Pierce County Assessor Treasurer

Footnotes:

- (A) Final 2017 Assessed Valuation
(B) Debt Service Prefunding (the City currently does not prefund debt service)
(C) Combined Total for Councilmanic and Excess Levy Capacities

Schedule 14
Ratio of Annual Debt Service Expenditures to Total
General Governmental Expenditures
Last Ten Fiscal Years

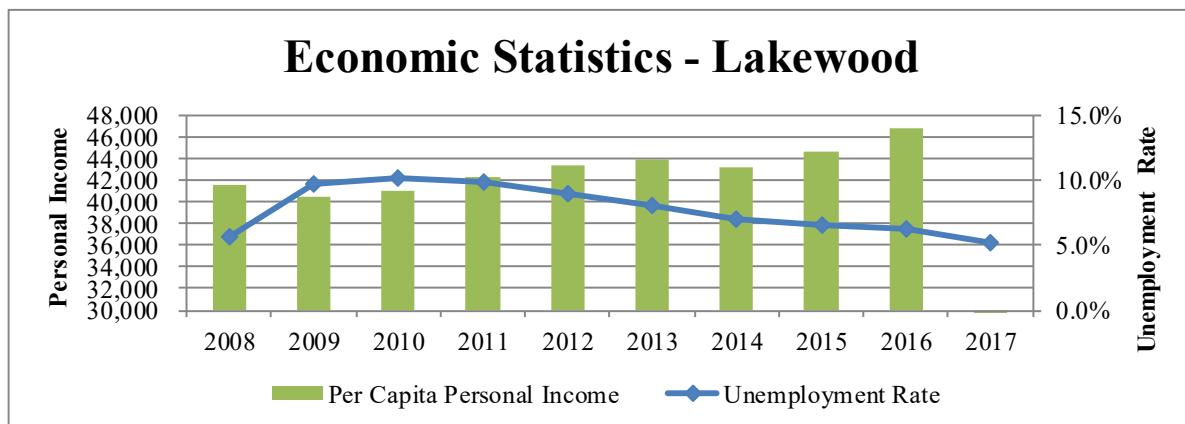
Fiscal Year	Principal	Interest	Total Debt Service	Total General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures
2007	\$ 298,942	\$ 168,560	\$ 467,502	\$ 42,167,838	1.11%
2008	632,535	232,718	865,253	52,272,845	1.66%
2009	907,799	277,301	1,185,100	53,016,982	2.24%
2010	785,986	293,278	1,079,264	53,379,702	2.02%
2011	755,140	280,814	1,035,954	46,231,974	2.24%
2012	782,283	273,019	1,055,302	47,207,030	2.24%
2013	788,898	257,756	1,046,654	44,306,413	2.36%
2014	790,618	239,574	1,030,192	45,373,578	2.27%
2015	684,124	279,630	963,754	50,209,509	1.92%
2016	1,247,518	225,150	1,472,668	55,245,997	2.67%
2017	955,518	202,434	1,157,952	54,993,731	2.11%

**Source:**

City of Lakewood Finance Division

Schedule 15
Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Lakewood Population ⁽¹⁾	Lakewood Personal Income (in thousands) ⁽²⁾	Pierce County Per Capita Personal Income ⁽³⁾	School Enrollment ⁽⁴⁾	Median Household Income ⁽⁵⁾ (Pierce County)	Unemployment Rate ⁽⁶⁾
2008	58,780	2,447,070	41,631	10,964	57,674	5.7%
2009	58,840	2,377,195	40,401	11,245	56,555	9.7%
2010	58,163	2,388,405	41,064	11,172	55,531	10.2%
2011	58,190	2,460,971	42,292	11,160	56,114	9.8%
2012	58,260	2,528,892	43,407	11,383	57,162	8.9%
2013	58,310	2,564,590	43,982	11,602	57,238	8.1%
2014	58,360	2,521,852	43,212	12,254	59,998	7.0%
2015	58,400	2,604,640	44,600	12,285	59,566	6.5%
2016	58,800	2,746,313	46,706	12,346	61,042	6.3%
2017	59,280	-	-	12,885	65,246	5.2%



- (1) State of Washington, Office of Financial Management.
- (2) Pierce County Per Capita Personal Income applied to Lakewood population. 2017 data is not yet available.
- (3) Pierce County Per Capita Personal Income as provided by Bureau of Economic Analysis. 2017 data is not yet available
- (4) Clover Park School District which is the largest in Lakewood.
- (5) Median household income from the Washington State Office of Financial Management (OFM). 2016 is a preliminary estimate and 2017 is a projection made by OFM.
- (6) Pierce County Unemployment Rate as provided by the Bureau of Labor Statistics. 2017 is unavailable as December is currently an estimate. Data is calculated by the monthly average, including the December estimate.

Schedule 16
Principal Employers
Current Year and Ten Years Ago

Taxpayer	Type of Business	2017			2008		
		Number of Employees	Rank	% of Total City Employment	Number of Employees	Rank	% of Total City Employment
Western State Hospital	Public Sector - Mental Health Facility	2,300	1	6.8%	1,947	1	8.7%
Clover Park School District	Public Sector - Education	1,390	2	4.1%	1,696	2	7.6%
Pierce College	Public Sector - Education	1,180	3	3.5%	787	4	3.5%
Camp Murray	Military - National Guard	980	5	2.9%	-		
Pierce Transit	Public Sector - Transportation	890	4	2.6%	911	3	4.1%
Aacres WA LLC	Private Social Services Network	600	6	1.8%	-		
St. Clare Hospital	Health Care	590	7	1.7%	700	5	3.1%
McClane Northwest	Transportation/Warehousing	440	8	1.3%	370	6	1.7%
Clover Park Technical College	Public Sector - Education	387	9	1.1%	260	9	1.2%
Wal-Mart	Retail	365	10	1.1%	-		
Personal Design Concepts	Retail	-			340	7	1.5%
Interstate Brands	Baked Goods	-			314	8	1.4%
Greater Lakes Mental Health	Mental Health	-			250	10	1.1%
		<u>9,122</u>		<u>26.97%</u>	<u>7,575</u>		<u>33.97%</u>

2017 Jobs in Lakewood: 33,821

Source:

City of Lakewood Community and Economic Development Department

*2008 Figures unavailable, used 2005 Figures

Schedule 17
Capital Assets by Function
Last Ten Fiscal Years

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Transportation										
Street (center line miles)	180	180	180	180	180	180	180	180	180	180
Signals City-owned and maintained	68	68	69	69	69	69	69	69	69	69
Signals WSDOT-owned and maintained	9	9	9	9	9	9	9	9	11	11
Signals West Pierce Fire-owned and Pierce County maintained	3	3	3	3	3	3	3	3	3	3
Signals City-owned and WSDOT-maintained	3	3	3	3	3	3	3	3	3	3
Signals - City -owned and Tacoma Maintained	1	1	1	1	1	1	1	1	-	-
Street lights City-owned and maintained	194	194	204	204	214	614	614	614	2,176	2,176
Street lights City-owned and TPU maintained	428	428	420	420	420	420	420	420	-	-
Street lights City-owned and Lakeview maintained	1,078	1,078	1,088	1,088	1,098	698	698	698	-	-
Street lights PSE-owned and maintained	1,071	1,071	1,071	1,071	1,071	1,071	1,071	1,071	1,071	1,071
Street lights TPU-owned and maintained	353	353	353	353	353	353	353	353	-	-
Culture & Recreation										
Developed parks - acreage	77	77	77	77	77	80	80	80	82	82
Developed parks - number of parks	11	12	12	12	12	12	12	13	13	12
Undeveloped parks - acreage	456	456	456	461	461	465	467	467	467	467
Playgrounds	10	11	11	11	11	11	11	11	11	11
Skateparks	2	2	2	2	2	2	2	2	2	2
Tennis courts - public	1	1	1	1	1	1	1	1	1	1
Baseball fields	9	9	9	9	9	9	9	9	9	9
Soccer fields	7	7	7	7	7	7	7	7	7	7
Picnic shelters	8	8	8	8	10	10	10	10	11	12
Community gardens	-	-	-	-	2	2	2	2	2	2
Senior Center	1	1	1	1	1	1	1	1	1	1
Total:	3,970	3,972	3,985	3,990	4,014	4,021	4,023	4,024	4,119	4,119

Source:

- (1) City of Lakewood Public Works Department (GIS Data);
(2) City of Lakewood Parks, Recreation, and Community Services Department.

Schedule 18
Operating Indicators by Function
Last Ten Fiscal Years

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
SECURITY OF PERSONS & PROPERTY										
Police Information										
Offenses:										
Forcible Rape (including attempts)	59	47	39	45	38	30	34	58	55	67
Robbery	147	171	137	114	109	90	89	93	103	94
Criminal Homicide	5	2	-	2	3	2	1	2	-	5
Aggravated Assault	330	341	316	343	319	278	247	339	375	322
Vehicle Theft	400	255	272	308	233	205	215	260	368	375
Burglary (commercial & residential)	700	585	584	604	725	642	644	566	616	507
Larceny	2,367	2,195	1,882	1,943	2,089	1,832	1,681	1,991	2,097	2,052
Arson	26	16	10	3	13	14	15	13	15	11
Citations:										
Traffic	5,185	5,339	5,461	8,608	6,633	5,753	8,980	8,202	6,595	5,023
Red Light Photo	2,956	10,399	8,310	8,039	8,225	8,586	8,827	10,586	7,289	11,336
Fixed Speed Photo	11,878	12,041	5,842	6,062	5,814	5,744	4,669	3,384	9,749	6,198
ECONOMIC ENVIRONMENT										
Building Related Permits & Values										
Building Permits	1,430	1,360	1,379	1,666	1,392	1,927	1,339	1,336	1,207	1,540
Estimated Value (in millions)	\$ 129	\$ 61	\$ 39	\$ 62	\$ 46	\$ 147	\$ 52	\$ 56	\$ 65	\$ 76

Source

(1) City of Lakewood Police Department

(2) City of Lakewood Community and Economic Environment Department

Schedule 19
Full-Time Equivalent City Government Employees by Function/Program
Last Ten Fiscal Years

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Function/Program										
General Government										
Municipal Court	14.75	14.75	15.75	16.00	16.75	16.75	17.00	12.50	12.50	11.00
City Manager	3.60	3.60	4.00	4.00	3.00	3.00	3.00	3.00	3.00	3.00
Administrative Services	23.90	23.70	24.30	24.50	20.85	20.85	20.85	16.00	16.00	16.00
Legal & City Clerk	20.15	12.74	14.00	12.75	11.98	11.98	11.98	12.50	12.50	11.00
Community & Economic Development	22.50	22.50	24.50	25.00	23.00	22.00	22.00	16.00	16.00	18.50
Culture & Recreation	12.95	12.95	13.10	12.75	15.50	15.50	15.50	14.75	18.25	24.25
Security	131.00	129.00	123.00	123.00	118.00	118.00	118.00	116.00	116.00	116.00
Public Works	22.75	22.75	22.71	35.50	34.00	34.00	33.00	29.50	24.00	20.00
Total	251.60	241.99	241.36	253.50	243.08	242.08	241.33	220.25	218.25	219.75

Source:

City of Lakewood Finance