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CITY OF LAKEWOOD, WA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR YEAR ENDED DECEMBER 31, 2018



COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended December 31, 2018

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended December 31, 2018

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July 9, 2019

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, 2018 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 59,350 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

The Puget Sound region currently enjoys a strong economy that continues to outperform the national economy, although most of the growth and economic gain is occurring in a small select area of the region. Despite this, most cities, including Lakewood, aren't enjoying the robust revenue growth that the regional performance would suggest. Difficult economic conditions that began over a decade ago will continue for the foreseeable future and will continue to influence City resources in a challenging way. According to the Puget Sound Economic Forecaster, employment in the region over the past few quarters has remained strong. Partly due to the stimulus at the federal level (tax cuts and deficit spending) that pushed GDP growth higher in the 2018 Q3, growth was still strong in Q4. Activity in the Puget Sound region has remained strong as well. Amazon and other firms have continued to hire and construction employment has been impressive. 2018 employment in construction was noticeably stronger than the models had been predicting. Also, higher than expected actual employment levels will remain part of the forecast for 2019.

Key drivers of Puget Sound retail sales are personal income, residential building, unemployment rate and interest rates. Projected employment growth for retail trade is anemic at 0.3% in the short-term, with most of the gains coming from online retailers. Locally, retail and wholesale trade made up 15.3% of all in jobs in 2018. Retail trade is more prevalent in the Puget Sound than nationally, partly due to the higher wages in this region allowing for more spending.

Compared to 2017, the retail sales in the Puget Sound region decreased 0.4% from 6.1% to 5.7% and is expected to continue to decline in 2019 by another 1.5% to 4.2%. However, the Puget Sound economic forecast report expects retail sales growth to rebound to 4.7% in 2020.

As of the end of 2018, the average unemployment rate in the Tacoma-Lakewood region decreased to 5.2% compared to 2017 at 5.3% compared to the 3.9% national rate. In 2018, the average personal income in Pierce County was \$70 thousand per household.

ECONOMIC TRENDS

In 2018, there were 26,776 housing units in Lakewood, a decrease of less than 0.1% over 2017. Of these units, 51% or 13,562 were single-family homes, 44% or 11,764 multi-family units, and 5% 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.

Total employment in Lakewood in 2018 is estimated at 34,096 (Chmura Economics/Jobs EQ), which is an increase of 4,382 or 14.8% between 2012 and 2018. Of those jobs, the healthcare industry saw the largest increase, followed by retail trade, then education. Additional jobs in construction, manufacturing, wholesale trade, professional/scientific and technology, and food services are consistently being introduced to the community.

Major employers are Western State Hospital, Clover Park School District, Pierce College, Camp Murray, Pierce Transit, St. Clare Hospital, Aacres WA LLC, McClane Northwest, Clover Park Technical College, and Walmart.

The major retailers in Lakewood include Walmart, Lakewood Ford, Curbside Motors, Lowe's Home Improvement, Kenworth Northwest, Schetky Northwest Sales, Target Corporation, and Enterprise Rentals.

Local sales tax collected in 2018 total \$11.0 million, and is above 2017 by \$1.0 million or 10.2% due primarily to increases in retail trade (up \$426 thousand or 9%), services (up by \$267 thousand or 11%), and construction (up \$326K or 28%).

The 2018 assessed value for 2019 tax collections includes new construction and added improvements assessed value totaled \$79.9 million or approximately 1.1% of the City's 2018 assessed valuation. The total assessed value of property in Lakewood was \$6.9 billion, which is approximately 13% higher than the 2017 assessed valuation of \$6.0 billion.

Real Estate sales increased from \$491 million in 2017 to \$539 million in 2018, an increase of 9.9% or \$48 million. Major real estate transactions in 2018 include a new general warehousing storage facility, several apartment complexes (James, Springtree, Sandman, Stanley Estates, Eastwood, Los Robles, Bridgeport, and Whispering Firs), Lakewood You Store It, Lakewood Cinema Plaza Pad "H", a number of vacant land parcels 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. Moving into 2019 and 2020, the City will continue 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 will also serve as a tool to examine financial trends and identify opportunities, particularly as new services or programs are evaluated. The financial forecast will serve as the mechanism to ensure these investments, commitments, and contractual obligations "pencil" for at least six years.

With each budget, the City will update expenditure and revenue projections for the next six years. Projections will include estimated operating costs for capital improvements that are included in the capital budget. This budget data will be presented to the City Council in a form that will facilitate budget decisions, based on a multi-year perspective. This forecast is intended to be an internal planning tool and shall be 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 updating 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 will include as complete, reliable and attainable costs estimates as possible. Project costs will be 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 costs estimates will 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

City's Bond Rating Increased: Standard & Poor's (S&P) notified the City that it will increase the City's bond rating AA, up from AA-. This is the City's second bond rating increase in four years. In 2014, S&P upgraded the City's rating to AA-, up from A. Over the last four years the City saw its bond rating increase three steps – skipping A+ in 2014 and going directly to AA-. The AA bond rating, which is an extraordinary achievement for our City, will translate into lower financing costs by attracting a broader range of investors. This rating is also a positive reflection of the City's effectiveness in managing its financial resources.

Lakewood Downtown Subarea Plan: In 2018, the City was awarded the Healthy Communities Platinum Award for its Lakewood Downtown Subarea Plan which the City embarked on in the latter part of 2017. The city year-long subarea planning process is being developed to shape the future of its Central Business District (CBD). This area is more than 300 acres and includes the Towne Center District (Lakewood Towne Center), Colonial District (Colonial Center) and the East Commercial District (area around 100th Street and Bridgeport Way). When complete we will have a road map that stipulates how growth and development should occur in this commercial center over time. This subarea plan builds on past planning efforts and creates a vision for the future. It focuses on everything from land use, building design and creating gathering places for the public to strategies for how to implement these changes over time.

Woodbrook Business Park: Lakewood is also poised to fill the high demand for industrial lands in our region. The Woodbrook Business Park totaling 150 acres, which has easy access on and off Interstate 5 is beginning to come to fruition. Another piece of the Woodbrook Business Park is now complete with the recent industrial development project built and fully leased by Seattle-based Panattoni Development Company totaling over 476,000 square feet. And there is still more to come as the Clover Park School District sells its property. This property, which is no longer needed for school district purposes will be redeveloped into an industrial project totaling upwards of 775,000 square feet, similar to the Panattoni building across the street. Other development coming through the pipeline includes another 400,000 square foot project bringing total new development to over 1.1 million square feet in the next few years. Once built out, the economic impact of this business park is projected to generate over \$1 billion to the local and regional economy along with upwards of 3,500 jobs.

Rental Housing Safety Program: In 2018, the City began the implementation of a Rental Housing Safety Program (RHSP). The program requires all residential rental properties (apartments, single family homes, duplexes, etc.) within Lakewood to be registered. Each year, owners register their rental properties to be inspected once every five years. This proactive 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. Lakewood has more rental housing units than similarly-sized suburban cities, much of which is at an age that requires life cycle investments. Some units (not all) are in need of maintenance. The program ensures that Lakewood's rental housing stock is maintained and that residents live in healthy conditions. The program also protects vulnerable tenants. Some tenants may be afraid to complain about their housing for fear of increased rent or landlord retaliation (such as eviction). There may also be language barriers and disability-related issues. As a result, the housing inhabited by vulnerable populations is often the most likely to fall through the cracks of a complaint-based code enforcement system. This program will also preserve neighborhood property values.

Transportation Projects: Projects completed in 2018 include: issued a contract to build, repair and replace over 380 new LED streetlights; installed speed radar signs around Lake Louise Drive as part of the Neighborhood Traffic Control Program; city-wide street striping, pavement patching and markings; chip sealed Lake City north of Washington Boulevard, Butte Drive and select areas in Oakbrook; Steilacoom Safety and Roadway Improvements; Military/112th Safety Signal Replacement; Gravelly Lake Drive Trail: Washington Blvd. to Nyanza Road; John Dower Safe Routes to School sidewalk improvements; Phillips Rd. Safe Routes to School sidewalk improvements; overlay at 59th - Main St. to 100th Street; Lakewood Drive - Fleet Creek to Custer Road Improvements – roadway and sidewalks; Dekoven Drive - Traffic Calming, Compact Roundabouts; and Local Improvement District for 146th, 150th, Spring St. – roadway and sidewalks.

Parks Projects: Projects completed in 2018 include: Fort Steilacoom Sports Field Improvements (upgraded dugouts, expanded irrigation, portable scoreboards, outfield fencing and mounds, storage building, park entry sign, picnic shelters and a new soccer field); Fort Steilacoom Roadway Improvements (repaved the roadway from the park entry to Angle Lane which is near updated Waughop Lake parking lot next to dog park and historic barns, paved the parking lot near the soccer fields, added parking along the roadway to provide safe access to sport fields and picnic areas as well as required landscaping and storm water improvements); and Fort Steilacoom Park Pavilion Phase 1 which will provide a venue for community activities, events and private rentals. Finish work will continue in 2019 to include paving, pathways and furnishings.

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), which includes significant public input provided via online community surveys, meetings with community groups and an open community interactive workshop, 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 and again in June 2018 by the City Council, provide overall policy guidance for the budget, and serve as a basis for decisions and recommendations for the next three-year period (2018-2020) and beyond.

The purpose of the goals is to direct our community toward positive change and serve as the policy direction for City government as well as 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.

1. ECONOMIC DEVELOPMENT

GOAL: The City of Lakewood promotes and supports a dynamic and robust local economy.

Objectives:

- 1.1 Align economic goals and resources across departments.
 - A. Develop and implement a comprehensive economic development strategy that aligns with the Strategic Plan.
 - B. Direct growth through sound planning. Update land use codes and streamline internal processes.
- 1.2 Pursue infrastructure improvements vital to economic development and to bolster the City's competitiveness.
 - A. Implement and invest in catalyst projects that promote private investment, i.e., a Downtown Plan, Lakewood Colonial Plaza, Woodbrook Business Park, and I-5 commercial corridor ("Lakewood Landing").
 - B. Improve underutilized commercial land by achieving the military land swap, WSDOT facility relocation, revision of zoning regulations where appropriate, and minimize nonconforming uses.
 - C. Expand utilities and community assets, such as sewers, libraries, etc.
 - D. Enhance commercial corridors, off-ramps, and City entry points through improvements and wayfinding signage.
- 1.3 Enhance and diversify housing stock and improve multi-generational community assets.
 - A. Improve programs and policies to increase homeownership and diversify housing stock.
 - B. Minimize nonconforming uses.
 - C. Actively advance condominium regulation reform to expand homeownership opportunities.
 - D. Continue to support youth and senior programming and expand community events.
 - E. Support and preserve historical buildings and other local places of significance.
- 1.4 Foster collaborative and advantageous partnerships with businesses, community members, and regional partners.
 - A. Be a leader in local economic development.
 - B. Analyze and influence regional transportation and planning policies.
 - C. Continue partnership with JBLM and Camp Murray to improve connectivity, land use development, and transportation near bases.
 - D. Expand partnership with the Chamber of Commerce, neighborhood associations, and other civic groups.

- E. Develop an educated workforce through collaboration with local educational institutions to leverage collective resources and to enhance K-12 and higher education opportunities.
- 1.5 Promote and facilitate sustainable economic development.
 - A. Focus resources on business creation, retention, and expansion.
 - B. Promote an entrepreneurial environment, encourage a balance of manufacturing, commercial, and retail businesses.
 - C. Continue to leverage existing assets such as location, access, lakes, parks, civic engagement opportunities, transit options, and cultural amenities.
 - D. Develop and implement an imaging campaign that confidently promotes recent accomplishments and community assets.
 - E. Promote and deploy prudent business incentives to enhance economic development strategies.

2. DEPENDABLE INFRASTRUCTURE

GOAL: The City of Lakewood provides safe, clean, well-maintained, and dependable infrastructure.

Objectives:

- 2.1 Implement capital infrastructure projects to improve transportation, park, and utility systems.
 - A. Identify future transportation upgrades from the travel demand model (TDM) and update the comprehensive plan and six-year TIP when necessary.
 - B. Expand neighborhood infrastructure improvements increasing access to roadways, parks, and public buildings.
 - C. Implement and update the Park's Legacy Plan and make strategic property additions to improve parks.
 - D. Implement technology solutions to enhance accessibility, operations, and services.
 - E. Partner with stakeholders to identify and implement infrastructure solutions.
- 2.2 Invest in preventative maintenance of facilities, parks, and streets to protect City assets.
 - A. Implement best management practices to reduce long-term costs, protect citizens, and environmental hazards.
 - B. Sustain infrastructure to ensure it is reliable, safe, aesthetically pleasing, cost effective, and improves municipal services.
- 2.3 Advance infrastructure projects that enhance the City's identity and diversity.
 - A. Enhance and upgrade street amenities, public right-of-way, and City wayfaring signage.
 - B. Showcase art, culture, and history to enhance Lakewood's sense of place.
- 2.4 Increase connectivity and accessibility.
 - A. Leverage technology and multi-use infrastructure to improve accessibility in the City and neighboring communities.
 - B. Invest in smart growth solutions to maximize efficiency and enhance sense of place.
 - C. Implement "complete streets" and non-motorized transportation projects that enable safe access for all users, and increases connectivity between neighborhoods, parks, and commercial areas.

3. PUBLIC SAFETY

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

Objectives:

- 3.1 Improve community safety and reduce crime through data driven processes.
 - A. Enhance law enforcement services through ongoing training and new technologies.
 - B. Promote crime prevention through environmental design (CPTED) in facility development.
 - C. Develop, practice, and implement emergency management plans.
- 3.2 Match perception of public safety with reality.
 - A. Promote advancements and achievements in public safety that includes publicizing the safety of the community.
 - B. Create a community dashboard to display public safety data.
 - C. Provide streamlined and innovative resources for citizens.
- 3.3 Provide resources to support the health, welfare, and safety of the community.

- A. Increase proactive abatement, code enforcement, and housing safety programs.
 - B. Encourage neighborhood association initiatives.
 - C. Support creative criminal justice and alternative diversion programs.
 - D. Take a proactive role in legislative advocacy in matters which negatively impact public safety.
- 3.4 Expand community outreach and educational programs.
- A. Cultivate and sustain collaborative partnerships with law enforcement and citizens to develop effective solutions, increase trust, and encourage mutual accountability.
 - B. Continue to improve communication efforts with multicultural communities to bridge gaps and increase trust.
 - C. Emphasize crime prevention through public education.
 - D. Continue innovative approaches to address mental health and reduce homelessness.

4. FISCAL RESPONSIBILITY

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

Objectives:

- 4.1 Provide efficient and effective municipal services.
- A. Invest resources in core functions based on priorities and data driven metrics.
 - B. Continually analyze risk assumed by the City, adjust policies and programming if necessary.
 - C. Develop an annual performance report card and community dashboards using relevant performance metrics.
- 4.2 Evaluate revenues and expenditures and respond to changing service needs.
- A. Maintain reserves to support the City in case of economic fluctuations, emergency needs, and to take advantage of emerging opportunities.
 - B. Develop balanced biennial budgets consistent with adopted financial policies.
 - a) Ensure all revenues, and expenditures match allocated resources.
 - b) Review and update financial policies, six-year financial forecasts and other six-year financial plans (capital improvement, information technology, property management), and revenue and expenditure manual.
 - C. Diversify revenue base and explore innovative funding sources.
- 4.3 Make smart investments in people, places, and resources.
- A. Continue to hire and cultivate top tier City personnel.
 - B. Seek and promote diverse citizen advisory groups.
 - C. Support and promote private economic development.
 - D. Pursue catalyst and emerging economic development opportunities across the City.
 - E. Continue to maintain our “Well City” status.
 - F. Be recognized as a regional civic leader.

5. TRANSPARENCY

GOAL: The City of Lakewood communicates its goals, successes, and challenges to the community.

Objectives:

- 5.1 Dynamically promote a positive image of Lakewood.
- A. Expand meaningful, two-way communication opportunities with community stakeholders and regional partners.
 - B. Enhance city’s image through positive spotlights, planning tools, land use codes, code enforcement, and infrastructure improvements.
- 5.2 Advocate for Lakewood at all levels of government.
- A. Continue to serve in a leadership capacity in national, regional, and local affairs.
 - B. Develop annual legislative agenda and proactively engage with the County Council, state Legislature, and federal delegation.
 - C. Improve awareness of JBLM’s and Camp Murray’s direct and indirect economic impacts on the city, region, county, and state.
 - D. Advocate for increased transportation and parks infrastructure funding.

- 5.3 Develop measureable outcomes and compare these to national benchmarks.
 - A. Provide quarterly updates that highlight specific advancements or projects within goal areas.
 - B. Implement more frequent surveys to gauge the community's assessment of neighborhood conditions, citizen satisfaction, community priorities, and specific projects.
 - C. Develop an annual performance report card and accessible "real time" community dashboard.
- 5.4 Strengthen connection with stakeholders, partners, and communities.
 - A. Craft and maintain accessible City online services, website, and social media platforms.
 - B. Focus on inclusive engagement: Conduct concentrated outreach for hard-to-reach and vulnerable populations.
 - C. Support and collaboratively engage with neighborhood associations.
 - D. Continue partnership with JBLM and Camp Murray to support access to information about workforce development, healthcare, and services on and off base.
 - E. Strengthen City's relationship with local school districts and colleges.

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. In addition to meeting the requirements set forth under state law, the audit was also designed to meet the requirements of the federal Single Audit Act of 1984 and related OMB Circular A-133. The 2018 audit of the City has been completed in conformance with generally accepted auditing standards. The financial statements of all City funds have been included in this audit. The City has been given an unmodified opinion on the annual financial statements in 2018 for the 21st 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, 2017. 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 of Lakewood received the Government Finance Officers Association Award for Outstanding Achievement for its popular annual financial report (PAFR) for the year ended December 31, 2017. 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 Outstanding Achievement is valid for a period of one year only. We believe that our current popular annual financial report continues to meet the Outstanding Achievement's Program requirements, and we are submitting it to the GFOA to determine its eligibility for another award.

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.

The City of Lakewood also submitted the 2019/2020 Biennial Budget to the Government Finance Officers Association's (GFOA) Distinguished Budget Presentation Award for its biennial budget for the years beginning January 1, 2019 and 2020. 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. We believe our current budget document conforms to program requirements and look forward to the GFOA's evaluation.

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

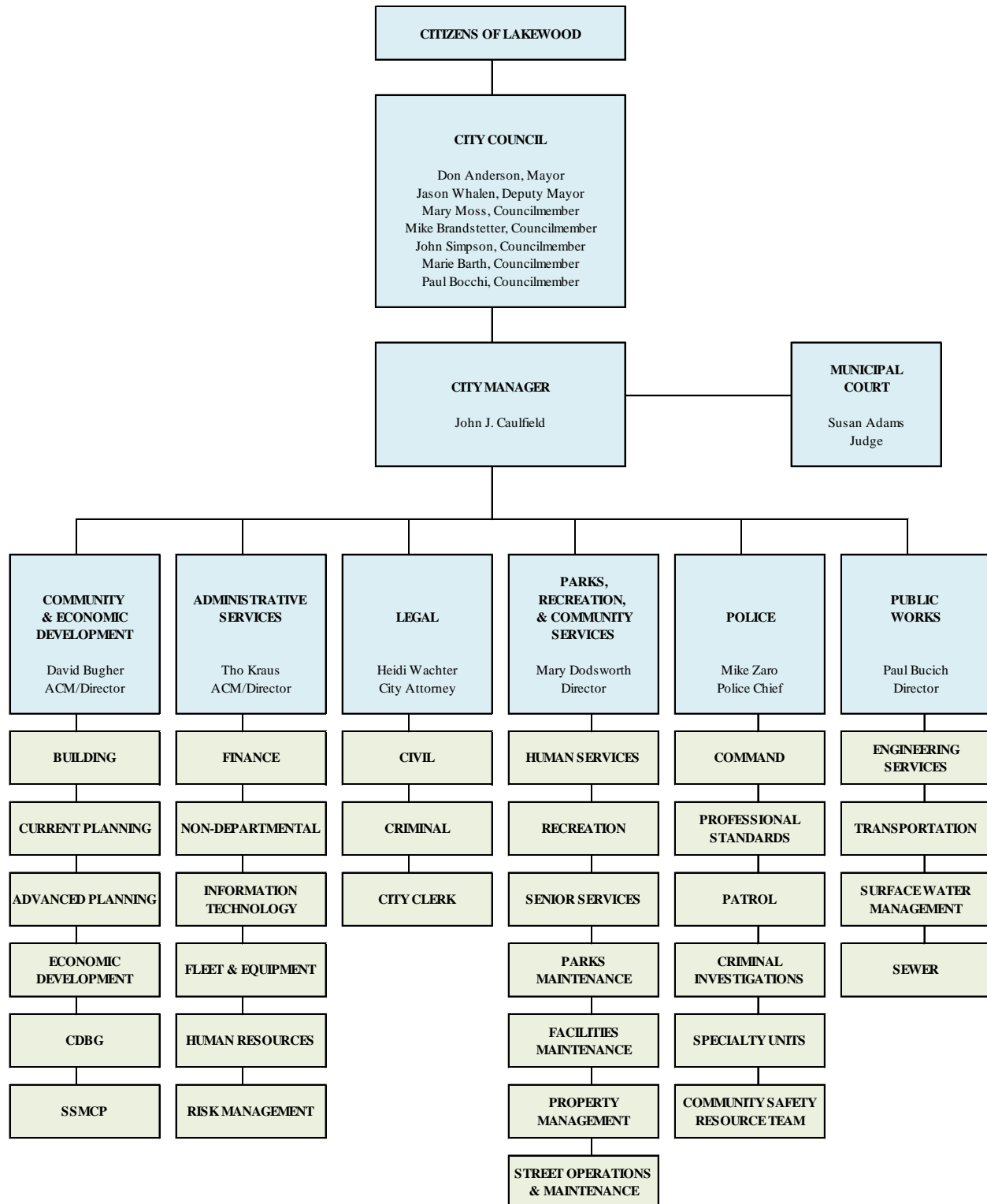


MICHAEL D. BRANDSTETTER
Councilmember

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 | Paul Bucich |
| Parks, Recreation, and Community Services Director..... | Mary Dodsworth |
| Human Resources Director..... | Mary McDougal |
| City Clerk | Briana Schumacher |

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, 2017

Executive Director/CEO

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 fiscal year ended December 31, 2017.

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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 as we are submitting it to GFOA to determine its eligibility for another certificate.



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

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

July 9, 2019

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, as of and for the year ended December 31, 2018, 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, 2018, 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.

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 Other Supplementary Information and Combining Statements 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 are 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 July 9, 2019, 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 dark ink, appearing to read "Pat McCarthy", with a stylized, cursive script.

Pat McCarthy

State Auditor

Olympia, WA



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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, 2018. 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, 2018 by \$206.5 million. Capital assets (net of depreciation and related debt) account for 84% of this amount with a value of \$172.6 million. Of the remaining net position of \$34 million or 16%, \$25.4 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 \$9.3 million, or 5% compared to 2017. Governmental activities increased by \$11.7 million and business-type activities decreased by \$2.3 million.
- Net investment in capital assets for governmental activities increased by \$9.6 million and unrestricted net position increased by \$13 thousand million compared to 2017.
- Restricted net position increased by \$2.1 million, or 32% and is largely due to the \$1.3 million reclassification of the CDBG notes/contracts receivable from deferred inflows to restricted fund balance.
- Governmental fund balances at year-end were \$20.4 million, a \$2.6 million increase over the prior year. Of this amount, a total of \$3.8 million, or 19% of the governmental fund balance is unassigned and available to fund ongoing activities. The remaining is earmarked for CDBG, 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 \$3.8 million, which decreased by \$500 thousand or 12% from the prior year.
- The City's debt decreased by \$990 thousand during the current fiscal year. The general obligation debt accounted for \$125 thousand of the decrease, along with public works trust fund loans, promissory note, special assessments debt, section 108 loan, and capital lease which decreased by \$464 thousand, \$60 thousand, \$156 thousand, \$47 thousand, and \$19 thousand respectively. These changes reflect the annual debt service payments along with d

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 City of Lakewood's basic financial statements consist 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, liabilities, and deferred inflows/outflows, 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 of Lakewood is improving or deteriorating.

The **Statement of Activities** presents information showing how the City of Lakewood'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 general government, 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 of Lakewood 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

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Lakewood, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Lakewood can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as 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 assessing 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 governmental activities in the 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 governmental fund balance sheet and the governmental fund statement of revenues, 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. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the CDBG Fund, the LID Debt Service Fund, and the Transportation Capital Fund, which are considered to be major funds. Data from the remaining governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

The City of Lakewood 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 the CDBG Fund to demonstrate compliance with this budget.

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 of Lakewood 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 of Lakewood's various functions. The City of Lakewood 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 for the internal service funds are provided in the form of combining statements in the combining and individual fund statements and schedules section of 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 acquire a 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 required supplementary information concerning the City of Lakewood's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found in the RSI section of this report.

GOVERNMENT-WIDE OVERALL 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, 2018 and 2017

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|-------------------------|----------------|--------------------------|---------------|----------------|----------------|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Current and other assets | \$ 39,775,232 | \$ 34,621,202 | \$ 3,953,063 | \$ 5,163,606 | \$ 43,728,295 | \$ 39,784,808 |
| Capital assets and CIP, net of accum. depreciation | 151,157,272 | 142,553,476 | 29,729,870 | 30,989,333 | 180,887,142 | 173,542,809 |
| Total Assets | 190,932,504 | 177,174,678 | 33,682,933 | 36,152,939 | 224,615,437 | 213,327,617 |
| Deferred outflows of resources | 904,159 | 583,481 | - | - | 904,159 | 583,481 |
| Total deferred outflows of resources | 904,159 | 583,481 | - | - | 904,159 | 632,205 |
| Current liabilities | 7,045,315 | 5,140,096 | 123,330 | 259,820 | 7,168,645 | 5,399,916 |
| Long-term liabilities | 9,146,464 | 9,957,703 | 76,582 | 70,166 | 9,223,046 | 10,027,869 |
| Total Liabilities | 16,191,779 | 15,097,799 | 199,912 | 329,986 | 16,391,691 | 15,427,785 |
| Deferred inflows of resources | 2,611,950 | 1,315,364 | - | - | 2,611,950 | 1,315,364 |
| Total deferred outflows of resources | 2,611,950 | 1,315,364 | - | - | 2,611,950 | 1,315,364 |
| Net Position: | | | | | | |
| Net investment in capital assets | 142,820,794 | 133,227,394 | 29,729,870 | 30,989,333 | 172,550,664 | 164,216,727 |
| Restricted | 8,584,761 | 6,503,131 | - | - | 8,584,761 | 6,503,131 |
| Unrestricted | 21,627,379 | 21,614,471 | 3,753,151 | 4,833,620 | 25,380,530 | 26,448,091 |
| Total Net Position | \$ 173,032,934 | \$ 161,344,996 | \$ 33,483,021 | \$ 35,822,953 | \$ 206,515,955 | \$ 197,167,949 |

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the City of Lakewood, assets and deferred outflows of resources exceeded liabilities by \$206.5 million at December 31, 2018. This is an increase of \$9.3 million or 5% compared to December 31, 2017. The increase is due to general governmental activities which increased by \$11.7 million, offset by a decrease in business type activities of \$2.3 million.

The largest component of the City's net position, 84% or \$172.6 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 49.5% or \$4.3 million of the City's restricted net position is earmarked for capital improvement projects. \$3.5 million is earmarked to the Transportation Capital Fund, and \$709 thousand is earmarked for capital in the Real Estate Excise Tax Fund. Some of the major projects are Steilacoom Blvd Safety Project, Gravelly Lake Dr – Non Motorized Trail, Lakewood Dr Overlay – Steilacoom – N City, and John Dower Road Sidewalks – SRTS1. 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 \$4.3 million is divided as follows: \$1.4 million or 16.2% for Community Development Block grants; \$1.1 million thousand or 12.5% for debt service payments; \$1.2 million or 13.6% for Hotel/Motel Lodging Tax for tourism and related activities, \$89 thousand or 1.0% for the Neighborhood Stabilization Program grant; \$74 thousand or 1% for the Office of Economic Adjustment grant, and; \$331 thousand or 3.9% for law enforcement operations.

Of the \$25.4 million unrestricted net position, \$3.8 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 reported categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

Governmental Activities

Current and other assets increased by \$5.2 million or 14.9% primarily due to a \$2.2 million increase in cash and cash equivalents due to increases in tax revenue (sales tax, excise tax, property tax) and grants, a \$2.4 million increase of net pension asset for LEOFF GASB 68 pension reporting, an increase of \$217 thousand in receivables, and an increase of \$361 thousand in due from other governments.

Capitals assets and construction in progress, net of accumulated depreciation increased \$8.6 million or 6% primarily due to a net increase in capital improvement projects in the Transportation Construction in Progress (CIP) Fund. \$2.5 million for Sidewalks & Traffic Signal: Steilacoom Blvd – Custer to 88th St, \$2.6 million Non-Motorized Trail: GLD Phase I (112th – WA), \$1.5 million Overlay Lakewood Dr – Flett Creek to 74th, \$987 thousand Washington Blvd (Edgewood to GLD), \$391 thousand for 146th, 150th & Spring St Local Improvement District, and \$355 thousand for GLD (BPW to Steilacoom). Land increased \$1.2 million due to the purchase of the 107th Street Bldg property (formerly known as Tactical Tailor). Buildings and Infrastructure had a net increase of \$4.5 million primarily to an increase of 9.7 million in infrastructure offset by \$5.2 million in the current year depreciation on the assets.

Long-term liabilities decreased by \$811 thousand or 8.1% primary due to City debt payments of \$972 thousand in 2018. Other liabilities increased by \$1.9 million or 37.1% due primarily to an increase of \$1.7 million in accounts payable which is made up of an increase of General Fund accounts payable of \$576 thousand and a \$1.2 million increase in payable for the Transportation CIP Fund.

Net investments in capital assets increased \$9.6 million or 7.2% 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, increased by \$2.1 million or 32% from the prior year primarily due to a reclassification of \$1.3 million of CDBG unavailable revenue to restricted fund balance and an increase for capital projects of \$1.0 million and a decrease of \$241 thousand in excise tax.

CHANGES IN NET POSITION
For the Years Ended December 31, 2018 and 2017

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|--------------------------------|-----------------------|---------------------------------|----------------------|-----------------------|-----------------------|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Revenues: | | | | | | |
| Programs revenues: | | | | | | |
| Charges for services | \$ 11,290,369 | \$ 10,797,686 | \$ 2,791,631 | \$ 2,755,233 | \$ 14,082,000 | \$ 13,552,919 |
| Operating grants & contrib. | 5,462,360 | 5,125,971 | - | - | 5,462,360 | 5,125,971 |
| Capital grants & contrib. | 8,383,349 | 7,150,995 | 49,226 | 144,049 | 8,432,575 | 7,295,044 |
| General revenues: | | | | | | |
| Property tax | 6,859,346 | 6,843,704 | - | - | 6,859,346 | 6,843,704 |
| Sales tax | 12,784,321 | 11,629,404 | - | - | 12,784,321 | 11,629,404 |
| Utility tax | 5,408,728 | 5,744,060 | - | - | 5,408,728 | 5,744,060 |
| Excise tax | 2,701,256 | 2,467,571 | - | - | 2,701,256 | 2,467,571 |
| Gambling tax | 3,181,655 | 2,800,955 | - | - | 3,181,655 | 2,800,955 |
| Lodging tax | 1,055,335 | 762,199 | - | - | 1,055,335 | 762,199 |
| Other tax | 1,381,527 | 1,361,903 | - | - | 1,381,527 | 1,361,903 |
| Gain on sale of capital assets | 52,819 | 182,774 | - | - | 52,819 | 182,774 |
| Investment earning | 483,530 | 319,320 | 70,004 | 48,226 | 553,534 | 367,546 |
| Miscellaneous | 780,884 | 482,026 | - | - | 780,884 | 482,026 |
| Total Revenue | <u>59,825,479</u> | <u>55,668,569</u> | <u>2,910,861</u> | <u>2,947,508</u> | <u>62,736,340</u> | <u>58,616,077</u> |
| Expenses: | | | | | | |
| General government | 4,730,161 | 4,519,656 | - | - | 4,730,161 | 4,519,656 |
| Public safety | 25,396,183 | 23,944,267 | - | - | 25,396,183 | 23,944,267 |
| Utilities and environment | 25,594 | 34,619 | - | - | 25,594 | 34,619 |
| Transportation | 7,952,096 | 6,762,984 | - | - | 7,952,096 | 6,762,984 |
| Social Services | 667,971 | 624,357 | - | - | 667,971 | 624,357 |
| Economic environment | 4,297,685 | 4,305,626 | - | - | 4,297,685 | 4,305,626 |
| Natural environment | 280,958 | 286,053 | - | - | 280,958 | 286,053 |
| Culture and recreation | 2,252,200 | 2,184,826 | - | - | 2,252,200 | 2,184,826 |
| Judicial | 1,816,443 | 1,750,272 | - | - | 1,816,443 | 1,750,272 |
| Interest on long-term debt | 186,710 | 210,858 | - | - | 186,710 | 210,858 |
| Surface water management | - | - | 3,266,842 | 3,528,083 | 3,266,842 | 3,528,083 |
| Total Expenses | <u>47,606,001</u> | <u>44,623,518</u> | <u>3,266,842</u> | <u>3,528,083</u> | <u>50,872,843</u> | <u>48,151,601</u> |
| Change in net position before transfers | 12,219,478 | 11,045,051 | (355,981) | (580,575) | 11,863,497 | 10,464,476 |
| Transfers | 1,983,951 | 992,651 | (1,983,951) | (992,651) | - | - |
| Change in net position | 14,203,429 | 12,037,702 | (2,339,932) | (1,573,226) | 11,863,497 | 10,464,476 |
| Prior period adjustment - Note 5 | 51,704 | - | - | - | 51,704 | - |
| Adjusted change in net position | 14,255,133 | 12,037,702 | (2,339,932) | (1,573,226) | 11,915,201 | 10,464,476 |
| Net position - beginning | 161,344,996 | 149,307,292 | 35,822,953 | 37,396,179 | 197,167,949 | 186,703,471 |
| Prior period adjustment - Note 7 | (2,567,195) | - | - | - | (2,567,195) | - |
| Adjusted net position - beginning | 158,777,801 | 149,307,292 | 35,822,953 | 37,396,179 | 194,600,754 | 186,703,471 |
| Net position - ending | <u>\$ 173,032,934</u> | <u>\$ 161,344,996</u> | <u>\$ 33,483,021</u> | <u>\$ 35,822,953</u> | <u>\$ 206,515,955</u> | <u>\$ 197,167,949</u> |

Business-Type Activities

Current and other assets decreased by \$1.2 million or 23.4% primarily due to cash and cash equivalents decreasing by that amount. Capital assets and construction in progress, net of accumulated depreciation decreased by \$1.2 million or 4.1% due to depreciation of \$1.2 million and \$21 thousand for depreciation of infrastructure and machinery and equipment respectively.

Current liabilities decreased by \$136 thousand or 52.5% in 2018 primarily due to a decrease of \$141 thousand in accounts payable and accruals at the end of the year.

Net investments in capital assets decreased \$1.3 million or 4.1% 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 \$1.1 million or 22.4% due primarily to the increase in transfers to parks and transportation capital projects for SWM's share of costs.

FINANCIAL ANALYSIS OF GOVERNMENTAL 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 of Lakewood's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City of Lakewood itself or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City of Lakewood's council.

As of the end of 2018, the City's governmental funds had a combined ending fund balance of \$20.3 million which increased by \$2.6 million or 14.5% from the prior year. Approximately \$3.8 million or 19% of this amount constitutes unassigned General Fund balance, which is available for spending at the City Council's discretion. Restricted fund balance is \$8.6 million and \$7.9 million is committed which indicates that neither are 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. The General Fund ending fund balance at December 31, 2018 is \$8.8 million. This ending fund balance equates to 21% of the General and Street M&O operating revenues and is 9% or \$3.8 million greater than the required ending fund balance reserves per the City's financial policies as follows:

- **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. A 2% reserve fund based on the General/Street O&M Funds operating revenues equates to \$835K.
- **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. A 5% reserve fund based on the General/Street O&M Funds operating revenues equates to \$2.1M.
- **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. A 5% reserve fund based on the General/Street O&M Funds operating revenues equates to \$2.1M.

Compared to 2017, total revenues and other sources of \$41.2 million increased by \$1.8 million or 4.5% while total expenditures and other uses of \$41.5 million increased by \$3.3 million or 8.7%. Within these increases, operating revenues of \$40.7 million increased by \$1.7 million or 4.5% and operating expenditures of \$37.5 million increased by \$2.2 million or 6.2%. Ending fund balance of \$8.8 million at December 31, 2018 decreased by \$305 thousand due to planned one-time expenditures funded one-time sources. Ending fund balance in excess of the required ending fund balance reserves is considered a one-time source.

Operating revenues increased by \$1.7 million or 4.5% compared to 2017. Major changes include:

- Sales tax increased by \$1.0 million or 10.2%
- Development services permits and fees increased by \$548 thousand or 33.1%
- Gambling tax increased by \$381 thousand or 13.6%
- Franchise fees increased by \$302 thousand or 8.1%
- Property tax increased by \$169 thousand or 2.5%
- Criminal justice sales tax increased by \$86 thousand or 8.2%
- Parks sales tax increased by \$46 thousand or 7.9%
- Utility tax decreased by \$335 thousand or 5.8%
- State shared revenues decreased by \$202 thousand or 14.4%
- Intergovernmental decreased by \$117 thousand or 18.6%
- Fines and forfeitures decreased by \$78 thousand or 4.6%

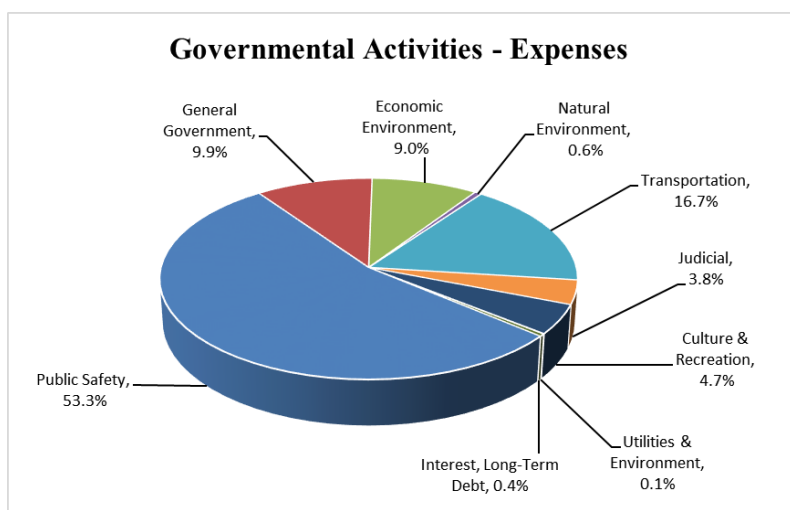
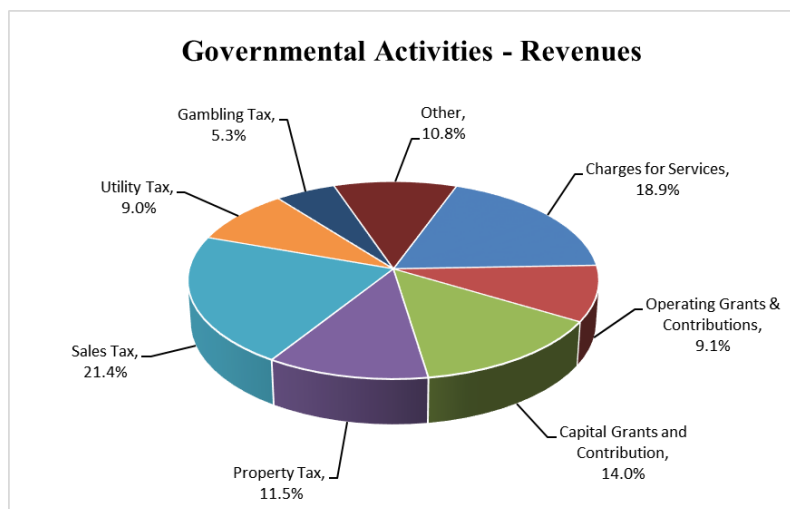
The increase in sales tax is primarily from:

- Retail sales increased by \$426 thousand or 9.3%
- Services increased by \$267 thousand or 11.2%
- Construction increased by \$326 thousand or 27.7%

Real estate excise tax revenue of \$2.7 million increased by \$242 thousand or 9.9% compared 2017 is the result of the number of transactions as well as an increase in major transactions, which are sales of \$1.0 million or more. In 2018, real estate excise tax revenue from major transactions total \$973 thousand which accounts for \$63 thousand or 26.2% of the increase and volume of sales activity accounts for \$179 thousand or 73.8% of the increase. Real estate excise tax funds are restricted to capital purposes.

Transportation Benefit District \$20 vehicle licensing fees of \$836 thousand increased by \$22 thousand or 2.7% compared to 2017. These funds are restricted to certain transportation capital projects as identified in the Transportation Benefit District Ordinance.

Hotel/motel lodging tax revenue of \$1.1 million increased by \$293 thousand or 38.5% compared to 2017. The increase is due to a new hotel, increased accommodation activity and additional revenue to the City resulting from an excise tax initiated and audited by the State of Washington Department of Revenue. The increase in accommodation activity also generates additional sales tax revenue. These funds are restricted to supporting projects which encourage eligible tourism and cultural activities and tourism facilities in the City of Lakewood, with the objectives of: generate increased tourism in Lakewood resulting in overnight lodging; generate maximum economic benefit through overnight lodging, sales of meals and goods, and construction of tourism-related facilities; increase recognition of Lakewood throughout the region as a destination for tourism; and increase opportunities for tourism by developing new visitor activities.

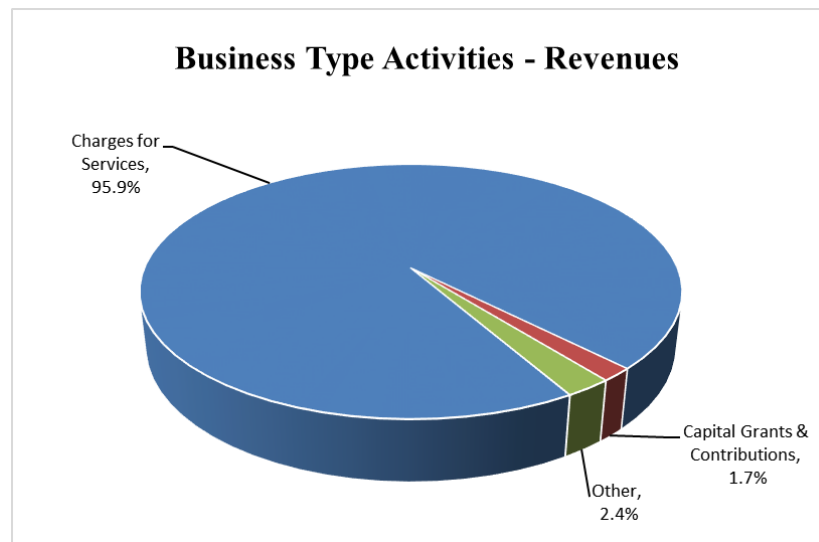


Proprietary Fund

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 \$3.6 million and the total change in net position was a decrease of \$2.3 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.

Compared to 2017, business-type activities of the City's Surface Water Management system decreased the City's net position by \$2.3 million thousand (refer to previous comparative Changes in Net Position). The key elements of the decrease were due to decreases of \$1.2 million in cash and cash equivalents mainly from an increase of \$1.0 million in transfers out compared to 2017. Also, construction in progress decreased by \$850. The decrease in net position was offset by savings in operational expenses which decreased by \$261 thousand or 7.4% from 2017.



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 2018, the City made four budget adjustments. The following discussion is reflective only of the current year of the biennium.

The General Fund operating expenditure budget increased by \$3.3 million between the original adopted budget and the final adjusted budget for 2018 fiscal year. The following are the major changes for the 2018 budget:

- Added \$1.0 million for Leonard Thomas Punitive Damages Settlement
- Added \$550 thousand for Library Funding
- Added \$375 thousand for Police Extra Duty Contract
- Added \$770 thousand for Transportation CIP Capital projects
- Added \$264 thousand for General/Street Fund Subsidy
- Added \$875 thousand for Parks CIP Capital projects
- Added \$353 thousand for implementation of AFSCME Collective Bargaining Agreement
- Added \$108 thousand for WCIA 2018 Liability Assessment
- Added \$125 thousand for Abatement Program
- Added \$182 thousand for Subarea Plan

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

- Added \$740 thousand in various tax revenue collection increases
- Added \$375 thousand for Police Extra Duty Contract
- Added \$79 thousand in Western State Hospital Community Policing Program
- Added \$38 thousand in development service fees

The General Fund's ending fund balance of \$8.8 million is \$3.8 million above the projected \$5.0 million for 2018 year-end. Compared to budget, revenues and other sources exceeded estimates by \$2.6 million or 6.9% while expenditures were below estimates by \$1.2 million or 3.1%.

- Revenues and other sources exceeding budget estimates include: \$1.1 million in sales tax; \$481 thousand in gambling tax; \$813 thousand in development service fees; \$128 thousand in fines and penalties; and \$286 thousand in miscellaneous revenue.
- Operating expenditures and other uses were below budget estimates by \$1.2 million thousand primarily due to decrease in capital and other 1-time financing uses of 1.1 million and combined lower than estimated operating expenditures of \$21 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, 2018 amounts to \$181 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 | |
|--------------------------|-------------------------|----------------|--------------------------|---------------|----------------|----------------|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Land | \$ 22,946,303 | \$ 21,757,535 | \$ 1,854,447 | \$ 1,854,447 | \$ 24,800,750 | \$ 23,611,982 |
| Construction in progress | 16,662,024 | 13,983,615 | - | 844,321 | 16,662,024 | 14,827,936 |
| Building | 20,167,738 | 20,692,064 | 1,720,282 | 1,757,415 | 21,888,020 | 22,449,479 |
| Infrastructure | 86,658,395 | 81,585,369 | 26,052,026 | 26,408,546 | 112,710,421 | 107,993,915 |
| Machinery and equipment | 4,722,811 | 4,534,894 | 103,112 | 124,604 | 4,825,923 | 4,659,498 |
| Total Capital Assets | \$ 151,157,271 | \$ 142,553,477 | \$ 29,729,867 | \$ 30,989,333 | \$ 180,887,137 | \$ 173,542,810 |

Major capital asset events during the current fiscal year included the expansion and improvement of city streets and traffic corridors for a total of \$15 million. Included in these projects were:

- Non-Motorized Trail: GLD Phase, \$2.6 million
- Steilacoom Blvd Safety improvements, sidewalks and traffic signals, \$2.5 million
- Lakewood Dr. – Steilacoom Blvd to N. city limits, overlay, \$1.5 million
- SRTS – John Dower (Custer to Steilacoom) sidewalks and bike lanes, \$1.0 million
- Fort Steilacoom Park Pavilion Phase I, \$860 thousand
- Fort Steilacoom Park Roadway, \$825 thousand
- Roadway Safety at 96th & 40th St, \$805 thousand
- Safety Improvements at Military & 112th, sidewalks and traffic signals, \$615 thousand
- GLD – 100th to Bridgeport Way, sidewalks, \$600 thousand
- Steilacoom Blvd – Farwest to Phillips Road (Design Only), \$540 thousand
- SRTS - Phillips Rd Sidewalks & Bike Lanes (Steilacoom to Onyx) - Phase I, \$506 thousand

Long-term debt

At the end of 2018, the City of Lakewood had total GO bonded debt outstanding of \$3.1 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 | |
|---|--------------------------------|---------------------|---------------------------------|-------------|---------------------|---------------------|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| 2009 LTGO | \$ - | \$ 125,000 | \$ - | \$ - | \$ - | \$ 125,000 |
| 2016 LTGO | 1,884,032 | 1,884,032 | - | - | 1,884,032 | 1,884,032 |
| LOCAL Financing | 1,175,000 | 1,275,000 | - | - | 1,175,000 | 1,275,000 |
| LOCAL Financing Premium | 142,896 | 160,217 | - | - | 142,896 | 160,217 |
| Public Works Trust Fund Loan | 4,038,695 | 4,502,633 | - | - | 4,038,695 | 4,502,633 |
| Promissory note (59th Ave) | 407,088 | 466,638 | - | - | 407,088 | 466,638 |
| Special Assessment w/ governmental commitments | 594,767 | 750,667 | - | - | 594,767 | 750,667 |
| Section 108 Loan | 94,000 | 141,000 | - | - | 94,000 | 141,000 |
| Copiers - Capital Lease | - | 20,897 | - | - | - | 20,897 |
| Total | \$ 8,336,479 | \$ 9,326,083 | \$ - | \$ - | \$ 8,336,479 | \$ 9,326,083 |

The City's total debt amount decreased by \$990 thousand during the current fiscal year. The City did not issue any new debt in 2018.

In June 2018 Standard & Poor's Ratings Services (S&P) raised the City's credit rating from "AA-" 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.

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 2019/2020 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 2019/2020 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 2019/2020 biennial budget is compliant with the City's financial policies.

The 2019/2020 budget includes funds in support of the following:

- Continue to act and serve in a leadership capacity in national, state, regional and local affairs;
- Develop an online Community Dashboard;
- Craft and implement a comprehensive imaging campaign for the City;
- Launch a new City web platform;
- Continue with a proactive County, State and Federal legislative agenda that promotes and protects the interests and needs of the Lakewood community;
- Continue to partner with the Pierce County Library System to construct a new library in the downtown that will include the incorporation of a community/senior activity center and a new library in Tillicum neighborhood;
- Strong and transparent financial reporting with a focus on full disclosure to include the preparation of the biennial budget, Popular Annual Financial Report (PAFR), Comprehensive Annual Financial Report (CAFR), six-year financial forecast, performance measures, and fleet user's manual;
- Implementation of city-wide document management and paperless system;
- Formation of a City Equity Team to promote workforce diversity and change with the organization to better serve the community;
- Continue with targeted economic development with a specific focus on the Central Business District/Towne Center, I-5 retail frontage along Pacific Highway South (Lakewood Landing), Woodbrook Industrial Business Park,

International District, Springbrook and Tillicum, and McChord North Clear Zone (NCZ). Additional resources totaling one-half of an FTE (Planning Manager-Special Projects) are provided to support economic development citywide;

- Proactive approach representing the City and participation at PCRC and PSRC to include sub-group meetings;
- Major code updates to include revision of Title 18A and update of Shoreline Management Plan (SMP);
- Evaluate options for a new online permit system to include possible partnership with Pierce County;
- Continue implementation of rental housing safety program;
- Continue proactive abatement program that includes the addition of a program coordinator;
- A building inspector and/or plans examiner apprenticeship program in partnership with a local community college;
- 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 implementation of Joint Land Use Study (JLUS) with a continued focus on protecting JBLM from urban encroachment by addressing land use issues, 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; transportation and finding solutions to address the North Clear Zone (NCZ);
- Update Lakewood Legacy Plan;
- Implement a cooperative use agreement between the City and Clover Park School District;
- Continue commitment to setting aside 1% of General Fund for human and social services to include homelessness and mental illness;
- Develop a new youth afterschool program to create safe and structured opportunities for youth;
- Develop youth summit to engage teens in community issues and gather information for future programs;
- Support 2019 international cyclocross event at Fort Steilacoom Park that will bring tourists from throughout the nation and world to our community;
- Additional resources provided in support of street landscaping program given number of recent capital investments;
- Implementation of a free summer concert series at Fort Steilacoom Park;
- Update Non-Motorized Transportation Plan;
- Expansion of Veteran's Court and evaluate community/mental health court models;
- Resources to continue implementation of in-car camera systems in patrol vehicles;
- Revitalize the bike patrol unit for parks and isolated neighborhoods;
- Create a Community Academy taught by police officers that exposes community members to police work;
- Evaluate options to replace Pred-Pol (Predictive Policing) program;
- Continues the partnership between the City and West Pierce Fire and Rescue (WPFR) in support of shared emergency management services; and
- Defer collection of fleet and equipment reserves by one year by extending the life on assets by one year.

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.

BASIC FINANCIAL STATEMENTS

City of Lakewood
Statement of Net Position
December 31, 2018

| | Primary Government | | |
|---|----------------------------|-----------------------------|-----------------------|
| | Governmental Activities | Business-type Activities | Total |
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 21,398,651 | \$ 3,724,304 | \$ 25,122,955 |
| Receivables (net) | 9,554,640 | 75,779 | 9,630,419 |
| Due from other governments | 1,774,002 | - | 1,774,002 |
| Internal balances | (152,980) | 152,980 | - |
| Total current assets | <u>32,574,313</u> | <u>3,953,063</u> | <u>36,527,376</u> |
| Noncurrent assets: | | | |
| Net pension asset | 7,200,919 | - | 7,200,919 |
| Capital assets not being depreciated | 39,608,327 | 1,854,447 | 41,462,774 |
| Capital assets, net of accumulated depreciation | <u>111,548,945</u> | <u>27,875,423</u> | <u>139,424,368</u> |
| Total noncurrent assets | <u>158,358,191</u> | <u>29,729,870</u> | <u>188,088,061</u> |
| Total assets | <u>190,932,504</u> | <u>33,682,933</u> | <u>224,615,437</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred outflows of resources related to pensions | 758,523 | - | 758,523 |
| Deferred charge on refunding | <u>145,636</u> | <u>-</u> | <u>145,636</u> |
| Total deferred outflows of resources | <u>904,159</u> | <u>-</u> | <u>904,159</u> |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable and accruals | 4,642,660 | 48,303 | 4,690,963 |
| Deposits | 191,164 | 400 | 191,564 |
| Unearned revenue | 146,879 | - | 146,879 |
| Due to other governments | 27,291 | 83 | 27,374 |
| Contracts Payable | 155,538 | 2,100 | 157,638 |
| Other Liabilities | - | 39,624 | 39,624 |
| LT Due in one year | <u>1,881,783</u> | <u>32,820</u> | <u>1,914,603</u> |
| Total current liabilities | <u>7,045,315</u> | <u>123,330</u> | <u>7,168,645</u> |
| Noncurrent liabilities: | | | |
| LT Due in more than one year | 8,757,681 | 76,582 | 8,834,263 |
| Special assessment debt, with governmental commitments, due in more than one year | <u>388,783</u> | <u>-</u> | <u>388,783</u> |
| Total noncurrent liabilities | <u>9,146,464</u> | <u>76,582</u> | <u>9,223,046</u> |
| Total liabilities | <u>16,191,779</u> | <u>199,912</u> | <u>16,391,691</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred inflows of resources related to pensions | 2,611,950 | - | 2,611,950 |
| Total liabilities and deferred inflows of resources | <u>18,803,729</u> | <u>199,912</u> | <u>19,003,641</u> |
| NET POSITION | | | |
| Net investment in capital assets | 142,820,794 | 29,729,870 | 172,550,664 |
| Restricted for: | | | |
| Capital projects | 4,394,167 | - | 4,394,167 |
| Debt Service | 1,137,870 | - | 1,137,870 |
| Grants | 1,556,116 | - | 1,556,116 |
| Law enforcement | 331,405 | - | 331,405 |
| Tourism related activities | 1,165,203 | - | 1,165,203 |
| Unrestricted | <u>21,627,379</u> | <u>3,753,151</u> | <u>25,380,530</u> |
| Total net position | <u>\$ 173,032,934</u> | <u>\$ 33,483,021</u> | <u>\$ 206,515,955</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, 2018

| | | | | | Net (Expense) Revenue and Changes in Net Position | | |
|--|---------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|----------------|
| | | Program Revenues | | | Primary Government | | |
| Functions/Programs | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-type Activities | Total |
| Primary government: | | | | | | | |
| Governmental activities: | | | | | | | |
| General government | \$ 4,730,161 | \$ 4,929,393 | \$ 15,777 | \$ 265,599 | \$ 480,608 | \$ - | \$ 480,608 |
| Public safety | 25,396,183 | 1,335,772 | 1,977,128 | (29,254) | (22,112,537) | - | (22,112,537) |
| Utilities | 25,594 | 885,500 | - | 200,878 | 1,060,784 | - | 1,060,784 |
| Transportation | 7,952,096 | 164,062 | 1,307,291 | 7,921,126 | 1,440,384 | - | 1,440,384 |
| Social services | 667,971 | - | - | - | (667,971) | - | (667,971) |
| Economic environment | 4,297,685 | 2,023,776 | - | - | (2,273,909) | - | (2,273,909) |
| Natural environment | 280,958 | 80,797 | 2,191,952 | - | 1,991,791 | - | 1,991,791 |
| Culture and recreation | 2,252,200 | 250,100 | - | 25,000 | (1,977,100) | - | (1,977,100) |
| Judicial | 1,816,443 | 1,620,968 | (29,788) | - | (225,263) | - | (225,263) |
| Debt interest | 186,710 | - | - | - | (186,710) | - | (186,710) |
| Total governmental activities | 47,606,001 | 11,290,369 | 5,462,360 | 8,383,349 | (22,469,922) | - | (22,469,922) |
| Business-type activities: | | | | | | | |
| Surface Water Management | 3,266,842 | 2,791,631 | - | 49,226 | - | (425,985) | (425,985) |
| Total business-type activities | 3,266,842 | 2,791,631 | - | 49,226 | - | (425,985) | (425,985) |
| Total primary government | \$ 50,872,843 | \$ 14,082,000 | \$ 5,462,360 | \$ 8,432,575 | (22,469,922) | (425,985) | (22,895,907) |
| General revenues: | | | | | | | |
| Property tax | | | | | 6,859,346 | - | 6,859,346 |
| Sales tax | | | | | 12,784,321 | - | 12,784,321 |
| Utility tax | | | | | 5,408,728 | - | 5,408,728 |
| Excise tax | | | | | 2,701,256 | - | 2,701,256 |
| Gambling tax | | | | | 3,181,655 | - | 3,181,655 |
| Hotel/motel lodging tax | | | | | 1,055,335 | - | 1,055,335 |
| Other taxes | | | | | 1,381,527 | - | 1,381,527 |
| Gain on sale of capital assets | | | | | 52,819 | - | 52,819 |
| Investment earnings | | | | | 483,530 | 70,004 | 553,534 |
| Miscellaneous | | | | | 780,884 | - | 780,884 |
| Transfers | | | | | 1,983,951 | (1,983,951) | - |
| Total general revenues, special items, and transfers | | | | | 36,673,351 | (1,913,947) | 34,759,404 |
| Change in net position | | | | | 14,203,429 | (2,339,932) | 11,863,497 |
| Prior period adjustment - Note 5 | | | | | 51,704 | - | 51,704 |
| Adjusted change in net position | | | | | 14,255,133 | (2,339,932) | 11,915,201 |
| Net position - beginning | | | | | 161,344,996 | 35,822,953 | 197,167,949 |
| Prior period adjustment - Note 7 | | | | | (2,567,195) | - | (2,567,195) |
| Adjusted net position - beginning | | | | | 158,777,801 | 35,822,953 | 194,600,754 |
| Net position - ending | | | | | \$ 173,032,934 | \$ 33,483,021 | \$ 206,515,955 |

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

City of Lakewood
Balance Sheet
Governmental Funds
December 31, 2018

| | General Fund | CDBG Fund | LID Debt Service | Transportation Capital Fund | Total Nonmajor Funds | Total Governmental Funds |
|---|----------------------|---------------------|---------------------|--------------------------------|----------------------------|--------------------------------|
| ASSETS | | | | | | |
| Cash and cash equivalents | \$ 6,917,100 | \$ - | \$ 67,726 | \$ 4,696,088 | \$ 5,983,758 | \$ 17,664,672 |
| Customer accounts receivable | 1,362,314 | - | - | - | - | 1,362,314 |
| Due from other governments | 266,273 | 93,792 | - | 1,161,714 | 252,223 | 1,774,002 |
| Notes/contracts receivable | - | 1,339,865 | - | - | 49,078 | 1,388,943 |
| Special assessments receivable | - | - | 865,263 | - | 337,271 | 1,202,534 |
| Taxes receivable | 4,596,559 | - | - | 53,441 | 950,849 | 5,600,849 |
| Interfund loan receivable | 86,765 | - | - | - | - | 86,765 |
| Total assets | <u>13,229,011</u> | <u>1,433,657</u> | <u>932,989</u> | <u>5,911,243</u> | <u>7,573,179</u> | <u>29,080,079</u> |
| LIABILITIES | | | | | | |
| Accounts payable | 1,364,649 | 1,470 | - | 1,378,347 | 290,029 | 3,034,495 |
| Payable to other governments | 23,050 | 54 | - | 51 | 2,096 | 25,251 |
| Custodial deposits | 59,773 | 900 | - | - | 130,491 | 191,164 |
| Unearned revenue | 138,221 | - | - | - | 8,658 | 146,879 |
| Contracts payable | - | 8,269 | - | 43,093 | 104,176 | 155,538 |
| Other accrued liabilities | 1,294,996 | 6,324 | - | 66,122 | 87,650 | 1,455,092 |
| Interfund loan payable | - | 22,858 | - | 880,204 | 63,906 | 966,968 |
| Other current liabilities | 5,000 | - | - | - | - | 5,000 |
| Total liabilities | <u>2,885,689</u> | <u>39,875</u> | <u>-</u> | <u>2,367,817</u> | <u>687,006</u> | <u>5,980,387</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | | |
| Unavailable revenue | 1,495,785 | - | 865,263 | - | 386,349 | 2,747,397 |
| Total liabilities and deferred inflows of resources | <u>4,381,474</u> | <u>39,875</u> | <u>865,263</u> | <u>2,367,817</u> | <u>1,073,355</u> | <u>8,727,784</u> |
| FUND BALANCES (DEFICITS) | | | | | | |
| Restricted | - | 1,393,782 | 67,726 | 3,543,426 | 3,579,827 | 8,584,761 |
| Committed | 5,019,691 | - | - | - | 2,919,996 | 7,939,687 |
| Unassigned | 3,827,846 | - | - | - | - | 3,827,846 |
| Total fund balances (deficits) | <u>8,847,537</u> | <u>1,393,782</u> | <u>67,726</u> | <u>3,543,426</u> | <u>6,499,823</u> | <u>20,352,294</u> |
| Total liabilities, deferred inflows, and fund balances (deficits) | <u>\$ 13,229,011</u> | <u>\$ 1,433,657</u> | <u>\$ 932,989</u> | <u>\$ 5,911,243</u> | <u>\$ 7,573,179</u> | <u>\$ 29,080,079</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, 2018

Fund balances of governmental funds \$ 20,352,294

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 | 135,523,640 | |
| Plus: Capital Assets Additions | 25,963,118 | |
| Less: Reclassification of WIP | (9,750,243) | |
| Less: Depreciation Expense | (5,283,117) | |
| | | 146,453,398 |

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 | (11,903,260) | |
| Less: Debt Redeemed, including amortization | 968,707 | |
| Plus: Compensated Absences Issued | (3,279,657) | |
| Less: Compensated Absences Redeemed | 3,185,963 | |
| Plus: Deferred Charge on Refunding | 145,636 | |
| | | (10,882,611) |

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

| | | |
|-------------------------------|-----------|-----------|
| Property Tax | 445,235 | |
| Municipal Court | 1,050,550 | |
| Property Abatements | 337,270 | |
| Local Improvement Districts | 865,262 | |
| Public Works Trust Fund Loans | 49,079 | |
| | | 2,747,396 |

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

| | | |
|---|-----------|-----------|
| Fleet & Equipment Fund Assets | 7,377,809 | |
| Property Management Fund Assets | 693,335 | |
| Information Technology Fund Assets | 1,234,376 | |
| Risk Management Fund Assets | 12,537 | |
| Fleet & Equipment Fund Liabilities | (28,017) | |
| Property Management Fund Liabilities | (43,075) | |
| Information Technology Fund Liabilities | (111,640) | |
| Risk Management Fund Liabilities | (12,537) | |
| Compensated Absences | 45,156 | |
| | | 9,167,944 |

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 | 7,200,919 | |
| Deferred outflows of resources related to pensions | 758,523 | |
| Deferred inflows of resources related to pensions | (2,611,950) | |
| | | 5,347,492 |

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

(152,980)

\$ 173,032,934

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, 2018

| | General Fund | CDBG Fund | LID Debt Service | Transportation Capital Fund | Total Nonmajor Funds | Total Governmental Funds |
|---|---------------------|---------------------|------------------|-----------------------------|----------------------|--------------------------|
| REVENUES | | | | | | |
| Taxes | \$ 28,837,365 | \$ - | \$ - | \$ - | \$ 4,586,400 | \$ 33,423,765 |
| Special assessments | - | - | 200,878 | - | - | 200,878 |
| Licenses and permits | 5,843,715 | - | - | - | 164,061 | 6,007,776 |
| Intergovernmental | 1,962,157 | 548,245 | - | 8,345,390 | 2,462,135 | 13,317,927 |
| Charges for goods and services | 2,370,074 | - | - | 23,012 | 1,447,018 | 3,840,104 |
| Fines and penalties | 1,424,921 | - | - | - | - | 1,424,921 |
| Interest and other earnings | 200,280 | 191 | 55,211 | 28,074 | 130,559 | 414,315 |
| Miscellaneous | 111,039 | 396 | - | - | 245,626 | 357,061 |
| Contributions and donations | 129,219 | - | - | - | 186,510 | 315,729 |
| Total revenues | <u>40,878,770</u> | <u>548,832</u> | <u>256,089</u> | <u>8,396,476</u> | <u>9,222,309</u> | <u>59,302,476</u> |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| General government | 4,436,972 | - | 957 | - | - | 4,437,929 |
| Public safety | 25,675,983 | - | - | - | 352,390 | 26,028,373 |
| Utilities | - | - | - | - | 25,594 | 25,594 |
| Transportation | 185,789 | - | - | 961,868 | 2,394,248 | 3,541,905 |
| Social services | 667,971 | - | - | - | - | 667,971 |
| Economic environment | 2,464,338 | 354,592 | - | - | 1,487,268 | 4,306,198 |
| Natural environment | 280,958 | - | - | - | - | 280,958 |
| Culture and recreation | 1,912,558 | - | - | - | 83,364 | 1,995,922 |
| Judicial | 1,823,022 | - | - | - | - | 1,823,022 |
| Debt service: | | | | | | |
| Principal retirement | - | 47,000 | 155,900 | - | 748,487 | 951,387 |
| Interest and other debt service costs | - | 2,925 | 36,441 | - | 137,850 | 177,216 |
| Capital outlay: | | | | | | |
| Capital | 8,684 | 29,254 | - | 12,858,514 | 3,345,677 | 16,242,129 |
| Total expenditures | <u>37,456,275</u> | <u>433,771</u> | <u>193,298</u> | <u>13,820,382</u> | <u>8,574,878</u> | <u>60,478,604</u> |
| Excess (deficiency) of revenues over expenditures | <u>3,422,495</u> | <u>115,061</u> | <u>62,791</u> | <u>(5,423,906)</u> | <u>647,431</u> | <u>(1,176,128)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers in | 300,700 | - | - | 6,418,255 | 4,668,792 | 11,387,747 |
| Transfers out | (4,027,887) | (112,997) | - | (20,409) | (4,852,076) | (9,013,369) |
| Proceeds from sale of assets | - | - | - | 40,102 | - | 40,102 |
| Total other financing source (uses) | <u>(3,727,187)</u> | <u>(112,997)</u> | <u>-</u> | <u>6,437,948</u> | <u>(183,284)</u> | <u>2,414,480</u> |
| Net change in fund balances | (304,692) | 2,064 | 62,791 | 1,014,042 | 464,147 | 1,238,352 |
| Fund balances - beginning | 9,152,229 | 51,853 | 4,935 | 2,529,384 | 6,035,676 | 17,774,077 |
| Prior period adjustment - Note 5 | - | 1,339,865 | - | - | - | 1,339,865 |
| Adjusted fund balances - beginning | 9,152,229 | 1,391,718 | 4,935 | 2,529,384 | 6,035,676 | 19,113,942 |
| Fund balances - ending | <u>\$ 8,847,537</u> | <u>\$ 1,393,782</u> | <u>\$ 67,726</u> | <u>\$ 3,543,426</u> | <u>\$ 6,499,823</u> | <u>\$ 20,352,294</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, 2018

Net change in fund balances - total governmental funds \$ 1,238,352

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

| | | |
|-------------------------------|------------------|-----------|
| Prior year deferred inflows | (3,089,107) | |
| Current year deferred inflows | <u>2,747,397</u> | |
| | | (341,710) |

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 | 16,242,129 | |
| Contributed capital | (29,254) | |
| Depreciation expense | <u>(5,283,117)</u> | |
| | | 10,929,758 |

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 | 2,598,075 | |
| Current year compensated absences | <u>(2,691,769)</u> | |
| | | (93,694) |

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 | 951,387 | |
| Bond premium amortized | 17,321 | |
| Amortization of deferred charge on refunding | <u>(25,745)</u> | |
| | | 942,963 |

Adjustment for GASB 68 pension reporting 1,288,631

Net revenue (loss) of internal service funds 248,098

Interfund revenues and expenditures are not reported on the Statement of Activities: (8,968)

Prior period adjustment to Deferred Inflows of Resources - Note 5 - Notes/contracts receivable for CDBG Fund should be classified as restricted fund balance not deferred inflows of resources.

| | | |
|---|-------------|--------|
| Notes/contracts receivable reported as deferred inflow - prior year | (1,288,161) | |
| Notes/contracts receivable reported as restricted fund balance - current year | 1,339,865 | |
| | | 51,704 |

\$ 14,255,133

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, 2018

| | Budgeted Amounts | | | Variance with |
|---|------------------|---------------|---------------|---------------|
| | Original | Final | Actual | Final Budget |
| REVENUES | | | | |
| Taxes | \$ 26,498,600 | \$ 27,221,300 | \$ 28,837,365 | \$ 1,616,065 |
| Licenses and permits | 4,869,671 | 5,134,900 | 5,843,715 | 708,815 |
| Intergovernmental | 1,681,026 | 2,117,742 | 1,962,157 | (155,585) |
| Charges for goods and services | 2,053,709 | 2,289,800 | 2,370,074 | 80,274 |
| Fines and penalties | 1,567,083 | 1,314,800 | 1,424,921 | 110,121 |
| Interest and other earnings | 86,797 | 76,000 | 200,280 | 124,280 |
| Miscellaneous | 12,900 | 13,250 | 111,039 | 97,789 |
| Contributions and donations | 69,750 | 75,250 | 129,219 | 53,969 |
| Total revenues | 36,839,536 | 38,243,042 | 40,878,770 | 2,635,728 |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 4,140,127 | 4,446,421 | 4,436,972 | (9,449) |
| Public safety | 24,680,124 | 26,497,189 | 25,675,983 | (821,206) |
| Transportation | 214,995 | 222,591 | 185,789 | (36,802) |
| Social services | 644,141 | 678,063 | 667,971 | (10,092) |
| Economic environment | 2,076,816 | 3,054,205 | 2,464,338 | (589,867) |
| Natural environment | - | - | 280,958 | 280,958 |
| Culture and recreation | 1,807,494 | 1,792,530 | 1,912,558 | 120,028 |
| Judicial | 1,707,535 | 1,948,258 | 1,823,022 | (125,236) |
| Capital outlay | - | - | 8,684 | 8,684 |
| Total expenditures | 35,271,232 | 38,639,257 | 37,456,275 | (1,182,982) |
| Excess (deficiency) of revenues over expenditures | 1,568,304 | (396,215) | 3,422,495 | 3,818,710 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 300,700 | 449,785 | 300,700 | (149,085) |
| Transfers out | (2,207,346) | (4,183,609) | (4,027,887) | 155,722 |
| Total other financing source (uses) | (1,906,646) | (3,733,824) | (3,727,187) | 6,637 |
| Net change in fund balances | (338,342) | (4,130,039) | (304,692) | 3,825,347 |
| Fund balances - beginning | 5,000,227 | 9,152,229 | 9,152,229 | - |
| Fund balances - ending | \$ 4,661,886 | \$ 5,022,191 | \$ 8,847,537 | \$ 3,825,347 |

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, 2018

| | Budgeted Amounts | | | Variance with |
|---|------------------|--------------|--------------|----------------|
| | Original | Final | Actual | Final Budget |
| REVENUES | | | | |
| Intergovernmental | \$ 423,000 | \$ 2,125,033 | \$ 548,245 | \$ (1,576,788) |
| Interest and other earnings | - | 271 | 191 | (80) |
| Miscellaneous | - | 396 | 396 | - |
| Total revenues | 423,000 | 2,125,700 | 548,832 | (1,576,868) |
| EXPENDITURES | | | | |
| Current: | | | | |
| Economic environment | 173,000 | 1,472,031 | 354,592 | (1,117,439) |
| Debt service: | | | | |
| Principal retirement | - | 94,000 | 47,000 | (47,000) |
| Interest and other debt service costs | - | 8,000 | 2,925 | (5,075) |
| Capital Outlay | - | 30,000 | 29,254 | (746) |
| Total expenditures | 173,000 | 1,604,031 | 433,771 | (1,170,260) |
| Excess (deficiency) of revenues over expenditures | 250,000 | 521,669 | 115,061 | (406,608) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | (250,000) | (573,521) | (112,997) | 460,524 |
| Total other financing source (uses) | (250,000) | (573,521) | (112,997) | 460,524 |
| Net change in fund balances | - | (51,852) | 2,064 | 53,916 |
| Fund balances - beginning | - | 51,852 | 51,853 | 1 |
| Prior period adjustment - Note 5 | - | - | 1,339,865 | 1,339,865 |
| Adjusted fund balances - beginning | - | - | 1,391,718 | 1,391,718 |
| Fund balances - ending | \$ - | \$ - | \$ 1,393,782 | \$ 1,393,782 |

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

City of Lakewood
Statement of Net Position
Proprietary Funds
December 31, 2018

| | Business-type Activities | Governmental Activities |
|---|-----------------------------|-------------------------|
| | Surface Water Management | Internal Service Funds |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 3,724,304 | \$ 3,733,979 |
| Interfund loan receivable | - | 880,204 |
| Taxes Receivable | 75,779 | - |
| Total current assets | 3,800,083 | 4,614,183 |
| Noncurrent assets: | | |
| Land | 1,854,447 | - |
| Buildings | 1,849,673 | - |
| Infrastructure | 43,651,030 | - |
| Improvements other than buildings | - | 137,279 |
| Machinery and equipment | 332,332 | 9,446,145 |
| Less accumulated depreciation | (17,957,612) | (4,879,550) |
| Total noncurrent assets | 29,729,870 | 4,703,874 |
| Total assets | 33,529,953 | 9,318,057 |
| LIABILITIES | | |
| Current liabilities: | | |
| Accounts payable | 48,303 | 109,769 |
| Payable to other governments | 83 | 2,040 |
| Retainage payable | 2,100 | 751 |
| Custodial deposits | 400 | - |
| Other liabilities payable | 39,624 | 37,553 |
| Compensated absences | 32,820 | 13,547 |
| Total current liabilities | 123,330 | 163,660 |
| Noncurrent liabilities: | | |
| Compensated absences | 76,582 | 31,609 |
| Total noncurrent liabilities | 76,582 | 31,609 |
| Total liabilities | 199,912 | 195,269 |
| NET POSITION | | |
| Net investment in capital assets | 29,729,870 | 4,703,872 |
| Unrestricted | 3,600,171 | 4,418,914 |
| Total net position | \$ 33,330,041 | \$ 9,122,788 |
| Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds | 152,980 | |
| Net position of business-type activities | \$ 33,483,021 | |

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, 2018

| | Business-type Activities | Governmental Activities |
|---|-----------------------------|----------------------------|
| | Surface Water Management | Internal Service Funds |
| OPERATING REVENUES | | |
| Charges for goods and services | \$ 2,791,631 | \$ 6,164,740 |
| Miscellaneous | - | 120,811 |
| Total operating revenues | <u>2,791,631</u> | <u>6,285,551</u> |
| OPERATING EXPENSES | | |
| Personal Services | 675,021 | 725,398 |
| Materials and supplies | 76,315 | 931,355 |
| Services and charges | 662,263 | 3,599,132 |
| Intergovernmental | 184,908 | 4,260 |
| External and interfund taxes | 404,814 | - |
| Depreciation | <u>1,269,246</u> | <u>776,686</u> |
| Total operating expenses | <u>3,272,567</u> | <u>6,036,831</u> |
| Operating income (loss) | <u>(480,936)</u> | <u>248,720</u> |
| NONOPERATING REVENUES (EXPENSES) | | |
| Intergovernmental revenue | 49,226 | - |
| Gain (loss) on disposal of capital assets | - | 52,819 |
| Investment earnings | 66,762 | 72,456 |
| Interest expense | <u>-</u> | <u>(1,070)</u> |
| Total nonoperating revenues (expenses) | <u>115,988</u> | <u>124,205</u> |
| Income (loss) before contributions and transfers | <u>(364,948)</u> | <u>372,925</u> |
| Capital contributions | - | 265,599 |
| Transfers out | <u>(1,983,951)</u> | <u>(390,426)</u> |
| Change in net position | <u>(2,348,899)</u> | <u>248,098</u> |
| Total net position - beginning | 35,678,940 | 8,823,517 |
| Prior period adjustment - Note 7 | <u>-</u> | <u>51,173</u> |
| Total net position - ending | <u>\$ 33,330,041</u> | <u>\$ 9,122,788</u> |
| Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds | <u>8,968</u> | |
| Changes in net position of business-type activities | <u>\$ (2,339,932)</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, 2018

| | Business-type Activities Enterprise Funds | Governmental Activities |
|---|--|----------------------------|
| | Surface Water Management | Internal Service Funds |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash receipts from customers | \$ 2,793,731 | \$ - |
| Cash from interdepartmental services | - | 6,285,388 |
| Cash paid to employees | (665,857) | (722,842) |
| Cash paid to suppliers | (1,045,391) | (4,581,578) |
| Cash paid for external and interfund taxes | (404,814) | - |
| Other operating receipts (payments) | 39,707 | 914 |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | <u>717,376</u> | <u>981,882</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | |
| Interfund loan | - | (880,204) |
| Gain (loss) on disposal of capital assets | - | 52,819 |
| Transfers to other funds | (1,983,951) | (390,426) |
| NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES | <u>(1,983,951)</u> | <u>(1,217,811)</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Intergovernmental revenue | 91,243 | - |
| Capital contributions | - | 265,599 |
| Acquisition and construction of capital assets | (68,926) | (1,018,593) |
| Principal paid on long-term debt | - | (20,897) |
| Interest paid on long-term debt | - | (1,070) |
| NET CASH USED FOR CAPITAL AND CAPITAL-RELATED FINANCING ACTIVITIES | <u>22,317</u> | <u>(774,961)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Interest income | 66,762 | 72,456 |
| NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES | <u>66,762</u> | <u>72,456</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (1,177,496) | (938,434) |
| CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR | 4,901,798 | 4,671,735 |
| Prior period adjustment - Note 7 | - | 675 |
| ADJUSTED CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR | 4,901,798 | 4,672,412 |
| CASH AND CASH EQUIVALENTS - END OF YEAR | <u>\$ 3,724,304</u> | <u>\$ 3,733,979</u> |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | | |
| Operating Income | \$ (480,936) | \$ 248,720 |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | |
| Increase/(decrease) in depreciation expense | 1,269,246 | 776,686 |
| Increase/(decrease) in accounts payable - supplier | (181,046) | (59,076) |
| Increase/(decrease) in payable to other governments | 83 | 12,245 |
| Increase/(decrease) in other liabilities payable | 39,624 | - |
| Increase/(decrease) in retainage payable | 2,100 | 751 |
| Increase/(decrease) in salaries & benefits payable | 9,164 | 2,556 |
| Increase/(decrease) in capital assets | 59,141 | - |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | <u>\$ 717,376</u> | <u>\$ 981,882</u> |
| NON-CASH CAPITAL CONTRIBUTIONS | <u>\$ -</u> | <u>\$ 23,095</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, 2018

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.

FINANCIAL STATEMENT PRESENTATION

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.

OTHER FUND TYPES

Additionally, the government reports the following fund types:

Debt service funds account for the accumulation of resources that are restricted, committed, or assigned for the payment of principal and interest on long-term obligations of governmental funds.

Capital projects funds account for the acquisition and construction of the government's capital facilities, other than those by proprietary funds.

Internal service funds account for the financing of goods or services provided by fleet and equipment, property management, information technology and risk management provided to other departments or agencies of a government, or to other governments, on a cost-reimbursement basis.

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, 2018 should be read in conjunction with the government's financial statements for the year ended December 31, 2017.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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.

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 measurement focus 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.

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.

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.

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.

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, 2018, the City had \$18,567,424 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, 2018, 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 – 2 |

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.

Fund Balance Details

| 2018 Fund Balance Classification | | | | | | |
|--|---------------------|---------------------|---------------------|----------------------------|-----------------------------------|----------------------|
| | General Fund | CDBG Fund | LID Debt Service | Transportation CIP Fund | Nonmajor Governmental Funds | Total |
| Restricted for: | \$ - | \$ 1,393,782 | \$ 67,726 | \$ 3,543,426 | \$ 3,579,827 | \$ 8,584,761 |
| Transportation CIP | - | - | - | 3,543,426 | - | 3,543,426 |
| Real Estate Excise Tax | - | - | - | - | 709,416 | 709,416 |
| Transportation Benefit District | - | - | - | - | 141,325 | 141,325 |
| Local Improvement District-related debt | - | - | 67,726 | - | - | 67,726 |
| Hotel/Motel Lodging Tax | - | - | - | - | 1,165,203 | 1,165,203 |
| Police Seizure | - | - | - | - | 331,405 | 331,405 |
| Neighborhood Stabilization Program Grant | - | - | - | - | 88,633 | 88,633 |
| Office of Economic Adjustment Grant/SSMCP | - | - | - | - | 73,701 | 73,701 |
| Public Works Trust Fund Debt | - | - | - | - | 940,457 | 940,457 |
| LID Guaranty | - | - | - | - | 129,687 | 129,687 |
| CDBG Fund | - | 1,393,782 | - | - | - | 1,393,782 |
| Committed to: | \$ 5,019,691 | \$ - | \$ - | \$ - | \$ 2,919,997 | \$ 7,939,687 |
| General Fund Ending Fund Balance Reserve | 5,011,691 | - | - | - | - | 5,011,691 |
| Petty Cash | 8,000 | - | - | - | - | 8,000 |
| Street Operations & Maintenance | - | - | - | - | - | - |
| Property Abatement / Rental Housing Safety Program | - | - | - | - | 468,879 | 468,879 |
| Public Art | - | - | - | - | 24,886 | 24,886 |
| Parks CIP | - | - | - | - | 1,492,523 | 1,492,523 |
| Sanitary Sewer CIP | - | - | - | - | 118,225 | 118,225 |
| Sanitary Sewer Connection | - | - | - | - | 815,484 | 815,484 |
| Unassigned: | \$ 3,827,846 | \$ - | \$ - | \$ - | \$ - | \$ 3,827,846 |
| General Fund | 3,827,846 | - | - | - | - | 3,827,846 |
| Total Fund Balances: | \$ 8,847,537 | \$ 1,393,782 | \$ 67,726 | \$ 3,543,426 | \$ 6,499,823 | \$ 20,352,294 |

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 \$152,680,640 difference are as follows.

| | |
|--|----------------|
| Capital assets used in the governmental activities are not financial resources and, therefore, are not reported in the funds. | \$ 146,453,398 |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. | (10,882,611) |
| Some revenue reported on the government-wide Statement of Activities is reported as deferred inflows of resources in the governmental funds. | 2,747,396 |
| Assets and liabilities of internal service funds are included in governmental activities in the Statement of Net Position. | 9,167,944 |
| 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. | 5,347,492 |
| Interfund revenues and expenditures are reported as internal balances in the government-wide statements to avoid overstating revenues and expenditures. | (152,980) |

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 \$13,016,782 difference are as follows.

| | |
|---|--------------|
| Deferred inflows of resources reported in the funds are reported as revenue in the government-wide financial statements | \$ (341,710) |
| 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 | 10,929,758 |
| 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. | (93,694) |
| The repayment of long term debt consumes the current financial resources of governmental funds. These transactions have no effect on net position. | 942,963 |
| Adjustment for GASB 68 pension reporting | 1,288,631 |
| The internal service funds are used by management to charge the costs fleet management, property management, IT management and risk management to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities. | 239,130 |
| Prior period adjustments, Note 5 - Deferred Inflows of Resources | 51,704 |

NOTE 3– SUPPLEMENTAL APPROPRIATIONS**Operating Budget Funds**

Appropriations established during 2018 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.

| | 2018 | | |
|---------------------------------|----------------------|-----------------------------|----------------------|
| | Original Budget | Supplemental Appropriations | Final Budget |
| <i>General Fund</i> | \$ 37,478,578 | \$ 5,344,287 | \$ 42,822,865 |
| <i>Special Revenue Funds:</i> | | | |
| Street Operations & Maintenance | 2,023,711 | 384,059 | 2,407,770 |
| Real Estate Excise Tax | 1,513,465 | 1,437,358 | 2,950,823 |
| Transportation Benefit District | 685,000 | 272,506 | 957,506 |
| Hotel/Motel Lodging Tax | 650,000 | 835,871 | 1,485,871 |
| Property Abatement | 248,671 | 503,926 | 752,597 |
| Public Art | 2,000 | 32,598 | 34,598 |
| Narcotics Seizure | 75,000 | 310,804 | 385,804 |
| Felony Seizure | - | 95,363 | 95,363 |
| Federal Seizure | 104,900 | (27,540) | 77,360 |
| Grant | 423,000 | 1,754,552 | 2,177,552 |
| Neighborhood Stabilization Prog | 95,392 | 90,077 | 185,469 |
| OEA Grant/SSMCP | 226,805 | 2,484,383 | 2,711,188 |
| Public Safety Grants | - | 137,078 | 137,078 |
| <i>Debt Service Funds:</i> | | | |
| General Obligation Debt Service | 478,135 | - | 478,135 |
| LID Debt Service | 191,881 | 4,935 | 196,816 |
| Sewer Project Debt | 537,491 | 18,995 | 556,486 |
| LID Guaranty | - | - | - |
| <i>Capital Projects Funds:</i> | | | |
| General Government CIP | 1,860,000 | 4,055,052 | 5,915,052 |
| Transportation CIP | 19,958,600 | 1,260,758 | 21,219,358 |
| Sewer Project CIP | 85,000 | 42,472 | 127,472 |
| Sanitary Sewer Connection | 35,000 | 55,500 | 90,500 |
| Total Budgeted Funds | \$ 66,672,629 | \$ 19,093,034 | \$ 85,765,663 |

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 \$25,122,955 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 City of Lakewood is a participant in the Local Government Investment Pool was authorized by Chapter 294, Laws of 1986, and is managed and operated by the Washington State Treasurer. The State Finance Committee is the administrator of the statute that created the pool and adopts rules. The State Treasurer is responsible for establishing the investment policy for the pool and reviews the policy annually and proposed changes are reviewed by the LGIP advisory Committee.

Investments in the LGIP, a qualified external investment pool, are reported at amortized cost which approximates fair value. The LGIP is an unrated external investment pool. The pool portfolio is invested in a manner that meets the maturity, quality, diversification and liquidity requirements set forth by the GASBS 79 for external investments pools that elect to measure, for financial reporting purposes, investments at amortized cost. The LGIP does not have any legally binding guarantees of share values. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals.

The Office of the State Treasurer prepares a stand-alone LGIP financial report. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, online at <http://www.tre.wa.gov>.

As of December 31, 2018, the City had the following investments and maturities:

| Investment Maturities | | | | |
|----------------------------------|----------------------|--------------------|---------------------|----------------------|
| Investment | < 1 Year | 1 - 3 Years | > 3 Years | Total |
| Local Government Investment Pool | \$ 18,567,424 | \$ - | \$ - | \$ 18,567,424 |
| Total: | \$ 18,567,424 | \$ - | \$ - | \$ 18,567,424 |

Reconciliation of Government-Wide Statement of Net Position:

| | |
|---|----------------------|
| Cash in bank per books | \$ 6,510,281 |
| Petty cash/change fund/investigative fund | 45,250 |
| Local Government Investment Pool | <u>18,567,424</u> |
| Total cash and investments, Government-Wide Statement of Net Position | <u>\$ 25,122,955</u> |

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, 2018, the City had \$18,567,424 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, 2018, the total balance of property taxes receivable recorded by the City was \$494,539. Of this, \$445,235 is recorded as deferred inflow of resources, since it was not collected within the first 60 days of 2018.

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).

1. 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
2. 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 2018 was \$1.15 per \$1,000 on an assessed valuation of \$6,002,783,089 for a total regular levy of \$6,910,944.

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. \$1,833,055 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, 2018, 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, 2018 | | | | | |
| Deferred Inflows of Resources | General | Grant | LID Debt Service | Nonmajor Governmental | Total General Government |
| Local Improvement Districts | \$ - | \$ - | \$ 865,263 | \$ - | \$ 865,263 |
| Public Works Trust Fund Loan - Side Sewer | - | - | - | 49,079 | 49,079 |
| Property Tax | 445,235 | - | - | - | 445,235 |
| Municipal Court | 1,050,550 | - | - | - | 1,050,550 |
| Abatements | - | - | - | 337,270 | 337,270 |
| Total: Deferred Inflows - Governmental Funds | \$ 1,495,785 | \$ - | \$ 865,263 | \$ 386,349 | \$ 2,747,397 |

The prior period adjustment is due to the elimination of CDBG notes/contracts receivable as deferred inflows of resources (unavailable revenue) in of \$1,393,782 and reclassified to restricted fund balance on the Governmental Funds Balance Sheet for the CDBG Fund in 2018.

Receivables & Due from Other Governments

The receivables and due from other governmental entities for the fiscal year ended December 31, 2018 are detailed in the following schedule.

| Receivables & Due From Other Governments As of December 31, 2018 | | | | | | | | |
|---|---------------------|-----------------------|---------------------|---------------------|---------------------|-------------------------------------|---|--------------------------------|
| Receivable | General | Transportation CIP | Grant | LID Debt Service | Nonmajor Gov't | Total Governmental Activities | Total Business Type Activities | Total Primary Government |
| Property Tax | \$ 494,539 | \$ - | \$ - | \$ - | - | \$ 494,539 | \$ - | \$ 494,539 |
| Sales and Use Tax | 2,552,098 | - | - | - | - | 2,552,098 | 75,778 | 2,627,876 |
| Other Tax | 1,549,921 | 53,442 | - | - | 950,849 | 2,554,212 | - | 2,554,212 |
| Municipal Court Receivables | 1,257,220 | - | - | - | - | 1,257,220 | - | 1,257,220 |
| Other Receivables | 105,093 | - | - | - | - | 105,093 | - | 105,093 |
| Notes/Loans Receivable | - | - | 1,339,865 | - | 49,078 | 1,388,943 | - | 1,388,943 |
| Abatement Assessments | - | - | - | - | 337,271 | 337,271 | - | 337,271 |
| Special Assessments | - | - | - | 865,263 | - | 865,263 | - | 865,263 |
| Animal Control | 10,133 | - | - | - | - | 10,133 | - | 10,133 |
| City of Federal Way - WATPA | 68,574 | - | - | - | - | 68,574 | - | 68,574 |
| City of Tacoma | - | - | 82,081 | - | - | 82,081 | - | 82,081 |
| City of University Place | 24,199 | - | - | - | - | 24,199 | - | 24,199 |
| DEA | - | - | - | - | 3,733 | 3,733 | - | 3,733 |
| Dept of Commerce | 6,390 | - | - | - | 22,693 | 29,083 | - | 29,083 |
| Dept of Justice | - | - | - | - | 18,960 | 18,960 | - | 18,960 |
| FBI PNWIL | 9,196 | - | - | - | - | 9,196 | - | 9,196 |
| FBI Safe Streets Task Force | 2,998 | - | - | - | - | 2,998 | - | 2,998 |
| HUD | - | - | 11,711 | - | - | 11,711 | - | 11,711 |
| Office of Economic Adjustment | - | - | - | - | 138,948 | 138,948 | - | 138,948 |
| Pierce County Sex Offender Residency | 4,769 | - | - | - | - | 4,769 | - | 4,769 |
| RCO | - | - | - | - | 25,000 | 25,000 | - | 25,000 |
| Sound Transit | - | 110 | - | - | - | 110 | - | 110 |
| South Sound 911 | 2,592 | - | - | - | - | 2,592 | - | 2,592 |
| Town of Steilacoom | - | 113,501 | - | - | - | 113,501 | - | 113,501 |
| US Marshall SI-PA-9-13 | - | - | - | - | 9,342 | 9,342 | - | 9,342 |
| WA State Dept of Transportation | - | 1,048,103 | - | - | - | 1,048,103 | - | 1,048,103 |
| WA State Emergency Mgmt | 26,830 | - | - | - | - | 26,830 | - | 26,830 |
| WA State Military | 21,717 | - | - | - | 16,633 | 38,350 | - | 38,350 |
| WA Traffic Safety Commission | - | - | - | - | 16,915 | 16,915 | - | 16,915 |
| Western State Partnership | 77,625 | - | - | - | - | 77,625 | - | 77,625 |
| WSH Service Calls | 11,250 | - | - | - | - | 11,250 | - | 11,250 |
| Total by Fund | \$ 6,225,144 | \$ 1,215,156 | \$ 1,433,657 | \$ 865,263 | \$ 1,589,422 | \$ 11,328,642 | \$ 75,778 | \$ 11,404,420 |

NOTE 6 – DUE TO OTHER GOVERNMENTS

At December 31, 2018, the City recorded \$27,374 as due to other governments as follows:

| Due to Other Governments As of December 31, 2018 | | | | | | | | |
|---|------------------|--------------|-----------------------|--------------------------|-----------------------------|-----------------------------|---------------------|------------------|
| Payable | General | CDBG | Transportation CIP | Nonmajor Governmental | Total General Government | Surface Water Management | Internal Service | Total |
| Sales and Use Tax | \$ 4,550 | \$ 54 | \$ 51 | \$ 2,095 | \$ 6,751 | \$ 83 | \$ 2,040 | \$ 8,874 |
| Lakewood Water District | 18,500 | - | - | - | 18,500 | - | - | 18,500 |
| Total by Fund | \$ 23,050 | \$ 54 | \$ 51 | \$ 2,095 | \$ 25,251 | \$ 83 | \$ 2,040 | \$ 27,374 |

NOTE 7 – CAPITAL ASSETS

Capital assets activity for governmental funds for the year ended December 31, 2018 is as follows:

| Governmental Activities | Beginning Balance 1/1/2018 | Prior Period Adjustment | Adjusted Beginning Balance 1/1/2018 | Increases | Decreases | Ending Balance 12/31/2018 |
|--|---|--|--|----------------------|-----------------------|--|
| Capital assets, not being depreciated: | | | | | | |
| Land and land rights | \$ 21,757,535 | \$ - | \$ 21,757,535 | \$ 1,188,768 | \$ - | \$ 22,946,303 |
| Constuction in progress | 13,983,615 | (2,567,870) | 11,415,745 | 14,996,522 | (9,750,243) | 16,662,024 |
| Total capital assets, being not depreciated | 35,741,150 | (2,567,870) | 33,173,280 | 16,185,290 | (9,750,243) | 39,608,327 |
| Capital Assets being depreciated: | | | | | | |
| Buildings | 26,227,943 | - | 26,227,943 | - | - | 26,227,943 |
| Infrastructure | 132,414,308 | - | 132,414,308 | 9,750,243 | - | 142,164,551 |
| Machinery and equipment | 11,728,296 | 675 | 11,728,971 | 1,045,503 | (274,048) | 12,500,426 |
| Total capital assets, being depreciated | 170,370,547 | 675 | 170,371,222 | 10,795,746 | (274,048) | 180,892,920 |
| Less accumulated depreciation for: | | | | | | |
| Buildings | (5,535,879) | - | (5,535,879) | (524,326) | - | (6,060,205) |
| Infrastructure | (50,828,939) | - | (50,828,939) | (4,677,217) | - | (55,506,156) |
| Machinery and equipment | (7,193,402) | - | (7,193,402) | (880,343) | 296,130 | (7,777,615) |
| Total accumulated depreciation | (63,558,220) | - | (63,558,220) | (6,081,886) | 296,130 | (69,343,976) |
| Total capital assets being depreciated, net | 106,812,327 | 675 | 106,813,002 | 4,713,860 | 22,082 | 111,548,944 |
| Governmental Activities capital assets, net | \$ 142,553,477 | \$ (2,567,195) | \$ 139,986,282 | \$ 20,899,150 | \$ (9,728,161) | \$ 151,157,271 |

The prior period adjustment of \$2,567,195 is due to returning General Government construction in progress assets in the amount of \$2,567,870 to Pierce County and the \$675 is due to correcting the prior year beginning balance. \$51,173 is due to the transfer of four vehicles purchased in 2017 from the General Government Fund to the Internal Service Funds with a net effect of zero.

Capital asset activity for Business-type activities for the year ended December 31, 2018, was as follows:

| Business-Type Activities | Beginning Balance 1/1/2018 | Prior Period Adjustment | Adjusted Beginning Balance 1/1/2018 | Increases | Decreases | Ending Balance 12/31/2018 |
|---|---|--|--|---------------------|---------------------|--|
| Capital assets, not being depreciated: | | | | | | |
| Land and land rights | \$ 1,854,447 | \$ - | \$ 1,854,447 | \$ - | \$ - | \$ 1,854,447 |
| Constuction in progress | 844,321 | - | 844,321 | 10,111 | (854,432) | - |
| Total capital assets, not being depreciated | 2,698,768 | - | 2,698,768 | 10,111 | (854,432) | 1,854,447 |
| Capital assets being depreciated: | | | | | | |
| Buildings | 1,849,673 | - | 1,849,673 | - | - | 1,849,673 |
| Infrastructure | 42,796,926 | - | 42,796,926 | 854,101 | - | 43,651,027 |
| Machinery and equipment | 332,332 | - | 332,332 | - | - | 332,332 |
| Total capital assets being depreciated | 44,978,931 | - | 44,978,931 | 854,101 | - | 45,833,032 |
| Less accumulated depreciation for: | | | | | | |
| Buildings | (92,258) | - | (92,258) | (37,133) | - | (129,391) |
| Infrastructure | (16,388,380) | - | (16,388,380) | (1,210,621) | - | (17,599,001) |
| Machinery and equipment | (207,728) | - | (207,728) | (21,492) | - | (229,220) |
| Total accumulated depreciation | (16,688,366) | - | (16,688,366) | (1,269,246) | - | (17,957,612) |
| Total capital assets being depreciated, net | 28,290,565 | - | 28,290,565 | (415,145) | - | 27,875,420 |
| Business-Type Activities capital assets, net | \$ 30,989,333 | \$ - | \$ 30,989,333 | \$ (405,034) | \$ (854,432) | \$ 29,729,867 |

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, 2018 | |
| Governmental Activities: | |
| General Government | \$ 434,905 |
| Judicial | 4,255 |
| Public Safety (Police) | 815,761 |
| Transportation (Highways and Streets) | 4,465,801 |
| Economic Environment | - |
| Culture and Recreation | 361,163 |
| Total Depreciation Expense - Governmental Activities | 6,081,886 |
| Business-Type Activities: | |
| Utilities and Environment (Surface Water Management) | 1,269,246 |
| Total Depreciation Expense - Business-Type Activities | 1,269,246 |
| Total Depreciation Expense | \$ 7,351,132 |

The City has active construction projects as of December 31, 2018. The City's commitments with contractors are as follows:

| Construction Commitments | | | | |
|--|---|------------------------|---------------------|------------------------------|
| Vendor | Contract Name | Contract Amount | Payments | Balance at 12/31/2018 |
| Construction Contracts | | | | |
| Northwest Cascade Inc. | Non-Motorized Trail: 112th – WA | \$ 2,711,041 | \$ 2,480,263 | \$ 230,777 |
| Axum General Construction | Sidewalks: GLD Phase II (BP Way to 59th) | 522,945 | 325,768 | 197,177 |
| Tucci & Sons, Inc. | Overlay: Steilacoom Blvd to N City Limits | 1,467,377 | 1,370,472 | 96,905 |
| KBH Construction Co. | Gateways | 200,000 | 138,734 | 61,266 |
| Western Systems Inc. | Safety: Neighborhood Traffic Safety/Calming | 13,698 | - | 13,698 |
| Consulting and Engineering Services | | | | |
| Bruce Dees & Associates | Wards Lake Improvements | 29,930 | 2,505 | 27,425 |
| Cascade Right-Of-Way Svcs LLC | Streets: Steilacoom Blvd – Farwest to Phillips Road | 101,080 | 28,650 | 72,430 |
| Geoengineers | Streets: Steilacoom Blvd – Farwest to Phillips Road | 39,606 | 33,430 | 6,176 |
| KPFF Inc | Streets: Steilacoom Blvd – Farwest to Phillips Road | 66,830 | 10,844 | 55,986 |
| KPG INC | Streets: Steilacoom Blvd – Farwest to Phillips Road | 84,426 | 70,024 | 14,403 |
| Northeast Electric LLC | Street Lights: New LED Street Lights | 286,034 | 210,467 | 75,567 |
| Robert W. Droll | Harry Todd Park (Dock, Bulkhead, Shoreline) | 367,107 | 291,540 | 75,567 |
| | | \$ 2,656,087 | \$ 2,156,664 | \$ 499,424 |

NOTE 8 – PENSION PLANS

The City participates in four retirement plans. Two are administered by International City Manager's Association (ICMA); one is administered by WA State Department of Retirement Systems (DRS) and one by the State Board for Volunteer Fire Fighters and Reserve Officers. 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, 2018, was \$19,230,054.

| 2018 Employer Contribution | 2018 Employee Contribution |
|----------------------------|----------------------------|
| 7.62% | 5.08% |
| \$706,278 | \$470,854 |

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:

| 2018 Employer Contribution | 2018 Employee Contribution |
|----------------------------|----------------------------|
| 4.77% | 6.20% |
| \$1,010,541 | \$1,313,490 |

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, 2018, was \$34,438,922.

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 2018:

| Aggregate Pension Amounts - LEOFF 2 | |
|-------------------------------------|----------------|
| Pension assets | \$ 7,200,919 |
| Deferred outflows of resources | \$ 758,523 |
| Deferred inflows of resources | \$ (2,611,950) |
| Pension expenditures | \$ (258,622) |

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, 2018 | |
|---|---------------|
| Inactive plan members or beneficiaries currently receiving benefits | 5,769 |
| Inactive plan members entitled to but not yet receiving benefits | 932 |
| Active plan members | 18,129 |
| Total Membership | 24,830 |

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 2018 were as follows:

| LEOFF Plan 2 | | |
|----------------------------------|-----------------|-----------------|
| Actual Contribution Rates | Employer | Employee |
| State and local governments | 5.43% | 8.75% |

The City of Lakewood's actual contributions to the plan were \$631,767 for the year ended December 31, 2018.

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, 2018, the state contributed \$68,152,127 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 2018 with a valuation date of June 30, 2017. 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 *2017 Economic Experience Study*.

Additional assumptions for subsequent and law changes are current as of the 2017 actuarial report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2018. Plan liabilities were rolled forward from June 30, 2017, to June 30, 2018, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 2.75% total economic inflation; 3.50% salary inflation
- **Salary increases:** In addition to the base 3.50% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.40%

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.

- Updated valuation interest rate, general salary growth, and inflation assumptions to be consistent with the assumptions adopted by the Pension Funding Council and LEOFF 2 Board.
 - Lowered the valuation interest rate from 7.70% to 7.50% for all systems except LEOFF 2. For LEOFF 2 the valuation interest rate was lowered from 7.50% to 7.40%.
 - Lowered assumed general salary growth from 3.75% to 3.50% for all systems.
 - Lowered assumed inflation from 3.00% to 2.75% for all systems.
- Modified how the valuation software calculates benefits paid to remarried duty-related death survivors of LEOFF 2 members.
- Updated the trend that the valuation software uses to project medical inflation for LEOFF 2 survivors of a duty-related death, and for certain LEOFF 2 medical-related duty disability benefits.

Discount Rate

The discount rate used to measure the total pension liability was 7.40%. To determine that rate, an asset sufficiency test included an assumed 7.50% long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. (All plans use 7.50% except LEOFF 2, which has assumed 7.40%). Consistent with the long-term expected rate of return, a 7.40% 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 7.40% 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 7.40% 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, 2018, are summarized in the table below. The inflation component used to create the table is 2.20% 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 7.40%, 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 (6.40%) or 1-percentage point higher (8.40%) than the current rate.

| | 1% Decrease (6.5%) | Current Discount Rate (7.5%) | 1% Increase (8.5%) |
|--------------|-----------------------|---------------------------------|------------------------|
| LEOFF 2 | \$ (957,588) | \$ (7,200,919) | \$ (12,293,083) |
| Total | \$ (957,588) | \$ (7,200,919) | \$ (12,293,083) |

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, 2018, the City of Lakewood's reported a total pension asset of \$7,200,919 for its proportionate share of the net pension assets as follows:

| Liability (or Asset) | |
|----------------------|---------------|
| LEOFF 2 | (\$7,200,919) |

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 | \$ (7,200,919) |
| LEOFF 2 - State's proportionate share of the net pension liability / (asset) associated with the employer | (4,662,459) |
| Total | \$ (11,863,379) |

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

| | Proportionate Share | | Change in Proportion |
|---------|---------------------|-----------|-------------------------|
| | 6/30/2017 | 6/30/2018 | |
| LEOFF 2 | 0.34524% | 0.35469% | 0.009% |

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 2018, the state of Washington contributed 39.30% of LEOFF 2 employer contributions pursuant to RCW 41.27.726 and all other employers contributed the remaining 60.70 percent of employer contributions.

Pension Expense

For the year ended December 31, 2018, the City of Lakewood recognized pension expense as follows:

| Pension Expense | |
|-----------------|----------------|
| LEOFF 2 | \$258,622 |
| \$ | 258,622 |

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2018, 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 | \$ 385,739 | \$ (167,206) |
| Net difference between projected and actual investment earnings on pension plan investments | - | (1,260,258) |
| Change of assumptions | 4,076 | (1,033,462) |
| Changes in proportion and differences between contributions and proportionate share of contributions | 35,335 | (151,024) |
| Contributions subsequent to the measurement date | 333,373 | - |
| Total | \$ 758,523 | \$ (2,611,950) |

For the year ended December 31, 2018, 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 |
|------------------------|-----------------------|
| 2019 | (151,780) |
| 2020 | (342,591) |
| 2021 | (755,570) |
| 2022 | (297,912) |
| 2023 | (119,244) |
| Thereafter | (519,703) |
| Total | \$ (2,186,800) |

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 2018 were as follows:

| VFFRPF | | |
|------------------|--------------|----------------------------|
| | Firefighters | EMSD & Reserve Officers |
| Municipality Fee | \$ 30 | \$ 105 |
| Member Fee | 30 | 30 |
| Total Fee | \$ 60 | \$ 135 |

The City of Lakewood's actual contributions to the plan were \$1,890 for the year ended December 31, 2018. The City has opted to pay members' fees on their behalf. Contributions on behalf of members were \$60 for the year ended December 31, 2018.

In accordance with Chapter 41.24 RCW, the state contributes 40% of the fire insurance premium tax to the plan. For fiscal year 2018 the fire insurance premium tax contribution was \$7.2 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 2007-2012 *Experience Study*. Additional assumptions for subsequent events and law changes are current as of the 2017 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 VFFR2019PF pension plan investments of 7.4% 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, 2018, 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 | 7% | 4.9% |
| Real Estate | 18% | 5.8% |
| Global Equity | 32% | 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 | \$ (8,420) | \$ (14,815) | \$ (20,519) |

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, 2018, the City of Lakewood recognized pension expense of \$1,890. 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 160 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 \$16 million in limits above the self-insured layer is provided by reinsurance. Total limits are \$20 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 2018.

The following is a summary of coverage in force in 2018:

| Schedule of Insurance in Force As of December 31, 2018 | | | |
|---|--|---|---|
| Company | Policy Period | Details of Coverage | Limit |
| WCIA | 1/1/18 - 1/1/19 | 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 | 12/31/17 - 12/31/18 | 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 | 12/31/17 - 12/31/18 | 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 | 12/1/17 - 12/1/18 | Boiler and Machinery (Equipment Breakdown) Insurance | \$100,000,000 Equipment Breakdown subject to other applicable limits. |
| National Union Fire Insurance Company | 12/1/17 - 12/1/18 | 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 | 5/31/1 - 5/31/18 then 5/31/18 - 5/31/19 | 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; \$1,000,000 PCI-DSS Assessment or Fine per Member; \$75,000 Affected Individuals Privacy Event Svc per Member; \$1,000,000 Event Mgmt Electronic Data and \$1,000,000 Event Mgmt Event Response per Member; and \$1,000,000 Cyber Extortion |
| ACE American Insurance Company | 3/16/17 - 3/16/18 then 3/16/18 - 3/16/19 | 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, 2018, 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, 2018, is recapped in the chart that follows:

| Description | Date of Issue | Maturity Date | Interest Rate | Original Issue Amount | Beginning of Year O/S Debt | Prior Period Adj | Adjusted Beginning Balance 1/1/2018 | 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 | \$ 125,000 | \$ - | \$ 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 | 173,234 | 1,710,798 |
| LOCAL Financing | 3/24/2015 | 12/1/2027 | 2.33% | 1,460,000 | 1,275,000 | - | 1,275,000 | - | 100,000 | 1,175,000 | 105,000 | 1,070,000 |
| Subtotal GO Bonds | | | | \$ 6,039,032 | \$ 3,284,032 | \$ - | \$ 3,284,032 | \$ - | \$ 225,000 | \$ 3,059,032 | \$ 278,234 | \$ 2,780,798 |
| LOCAL Financing Premium | 3/24/2015 | 12/1/2027 | n/a | 207,849 | 160,217 | - | 160,217 | - | 17,321 | 142,896 | 17,321 | 125,575 |
| Subtotal GO Bonds Premium | | | | \$ 207,849 | \$ 160,217 | \$ - | \$ 160,217 | \$ - | \$ 17,321 | \$ 142,896 | \$ 17,321 | \$ 125,575 |
| <u>Special Assessment Bonds (with governmental commitments)</u> | | | | | | | | | | | | |
| CLID 1101/1103 | 12/1/2006 | 12/1/2026 | 3.75% - 4.65% | 2,824,704 | 460,000 | - | 460,000 | - | 100,000 | 360,000 | 150,000 | 210,000 |
| LID 1108 | 1/18/2008 | 12/1/2027 | 4.22% - 5.30% | 880,000 | 290,667 | - | 290,667 | - | 55,900 | 234,767 | 55,984 | 178,783 |
| Subtotal Special Assessment Bonds | | | | \$ 3,704,704 | \$ 750,667 | \$ - | \$ 750,667 | \$ - | \$ 155,900 | \$ 594,767 | \$ 205,984 | \$ 388,783 |
| <u>Notes Payable</u> | | | | | | | | | | | | |
| 59th Avenue | 4/30/2005 | 4/30/2024 | Varies | 1,071,000 | 466,638 | - | 466,638 | - | 59,549 | 407,088 | 61,776 | 345,312 |
| Subtotal Notes Payable | | | | \$ 1,071,000 | \$ 466,638 | \$ - | \$ 466,638 | \$ - | \$ 59,549 | \$ 407,088 | \$ 61,776 | \$ 345,312 |
| <u>Government Loans</u> | | | | | | | | | | | | |
| PWTF - 04-691-PRE-132 | 7/7/2005 | 7/7/2024 | 1.00% | 593,864 | 208,006 | - | 208,006 | - | 29,715 | 178,291 | 29,715 | 148,576 |
| PWTF - 06-962-022 | 9/18/2006 | 9/18/2026 | 0.50% | 5,000,000 | 2,650,339 | - | 2,650,339 | - | 294,482 | 2,355,857 | 294,482 | 2,061,375 |
| PWTF - 08-951-025 | 3/1/2008 | 7/1/2028 | 0.50% | 1,840,000 | 1,144,288 | - | 1,144,288 | - | 104,026 | 1,040,262 | 104,026 | 936,236 |
| PWTF - 12-951-025 | 6/1/2012 | 6/1/2031 | 0.50% | 500,000 | 500,000 | - | 500,000 | - | 35,714 | 464,286 | 35,714 | 428,571 |
| Subtotal Government Loans | | | | \$ 7,933,864 | \$ 4,502,633 | \$ - | \$ 4,502,633 | \$ - | \$ 463,937 | \$ 4,038,695 | \$ 463,937 | \$ 3,574,758 |
| <u>HUD Loans</u> | | | | | | | | | | | | |
| Section 108 Loan | 8/31/2017 | 8/1/2020 | Varies | 141,000 | 141,000 | - | 141,000 | - | 47,000 | 94,000 | 47,000 | 47,000 |
| Subtotal HUD Loans | | | | \$ 141,000 | \$ 141,000 | \$ - | \$ 141,000 | \$ - | \$ 47,000 | \$ 94,000 | \$ 47,000 | \$ 47,000 |
| <u>Capital Lease</u> | | | | | | | | | | | | |
| Copiers | 10/1/2015 | 12/1/2018 | - | 60,018 | 20,896 | - | 20,896 | - | 20,897 | - | - | - |
| Subtotal Government Capital Leases | | | | \$ 60,018 | \$ 20,896 | \$ - | \$ 20,896 | \$ - | \$ 20,897 | \$ - | \$ - | \$ - |
| Compensated Absences | | | | | 2,595,518 | 2,557 | 2,598,075 | 3,279,657 | 3,185,963 | 2,691,769 | 807,531 | 1,884,238 |
| Subtotal Governmental Activities | | | | | \$ 11,921,600 | \$ 2,557 | \$ 11,924,157 | \$ 3,279,657 | \$ 4,175,568 | \$ 11,028,248 | \$ 1,881,784 | \$ 9,146,464 |
| Business-type Activities | | | | | | | | | | | | |
| Compensated absences | | | | | 100,237 | - | 100,237 | 66,222 | 57,058 | 109,401 | 32,820 | 76,581 |
| Subtotal Business-type Activities | | | | | \$ 100,237 | \$ - | \$ 100,237 | \$ 66,222 | \$ 57,058 | \$ 109,401 | \$ 32,820 | \$ 76,581 |
| Total | | | | | \$ 12,021,837 | \$ 2,557 | \$ 12,024,394 | \$ 3,345,879 | \$ 4,232,626 | \$ 11,137,649 | \$ 1,914,604 | \$ 9,223,045 |

The prior period adjustment of \$2,557 is due to compensated absences prior year beginning balance correction.

Future payment requirements on debt balances are as follows:

| Year(s) | Principal | Interest |
|---------------|---------------------|-------------------|
| 2019 | 1,066,932 | 153,451 |
| 2020 | 1,015,620 | 131,143 |
| 2021-2025 | 4,383,142 | 364,479 |
| 2026-2030 | 1,692,173 | 50,583 |
| 2031 | 35,714 | 179 |
| Totals | \$ 8,193,582 | \$ 699,834 |

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 12/31/2018 the outstanding principal balance for this loan is \$94,000.

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, 2018, of \$908,000 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.

The City's assessed valuation for 2018 was \$6.0 billion and the total amount of debt the City may issue is \$447 million. Remaining legal debt capacities as of December 31, 2018 are:

| Legally Remaining Debt Capacity As of December 31, 2018 | |
|---|-----------------------|
| General Government (no vote required) | \$ 86,575,626 |
| General Government (3/5 majority vote required) | 60,027,831 |
| Parks and open space (3/5 majority vote required) | 150,069,577 |
| Utilities (3/5 majority vote required) | 150,069,577 |
| Total Capacity | \$ 446,742,611 |

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, 2018 | |
|---|---------------------|
| <i>Governmental Activities:</i> | |
| Current Portion | \$ 807,531 |
| Noncurrent Portion | 1,884,238 |
| Subtotal Governmental Activities | 2,691,769 |
| <i>Business-Type Activities:</i> | |
| Current Portion | 32,820 |
| Noncurrent Portion | 76,581 |
| Subtotal Business-Type Activities | 109,401 |
| Total Compensated Absences | \$ 2,801,170 |

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 2018 totaled \$61,750. 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 |
|------|-----------|
| 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 2018 totaled \$101,850. The future minimum lease payments are as follows:

| Year | Amount |
|------|------------|
| 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 expired 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 with the lease to own portion amounting to \$60,018. Payments in 2018 were \$20,896. The agreement expired in 2018.

NOTE 11 – INTERFUND TRANSACTIONS

Interfund transfers for the year ended December 31, 2018, were as follows:

| Interfund Transactions | | Transfer From | | | | | |
|------------------------|-------------------------------|---------------|-----------------|-------------------------|-------------------------------|------------------------------|------------------------|
| | | General Fund | CDBG Grant Fund | Transportation CIP Fund | Surface Water Management Fund | Non-Major Governmental Funds | Internal Service Funds |
| Transfer To | General Fund | \$ - | \$ - | \$ - | \$ 284,700 | \$ - | \$ 16,000 |
| | CDBG Fund | - | - | - | - | - | - |
| | Transportation CIP | 1,045,635 | 112,997 | - | 1,451,101 | 3,434,095 | 374,426 |
| | Surface Water Management Fund | - | - | - | - | - | - |
| | Non-Major Governmental Funds | 2,982,252 | - | 20,409 | 248,150 | 1,417,981 | - |
| Total | | \$ 4,027,887 | \$ 112,997 | \$ 20,409 | \$ 1,983,951 | \$ 4,852,076 | \$ 390,426 |
| | | | | | | | \$11,387,747 |

The following describes the amounts transferred out during 2018:

General Fund:

- \$1.4 million to Street O&M Fund to subsidize street operations and maintenance
- \$250 thousand to the Property Abatement/Rental Housing Safety Program Fund for dangerous property abatements
- \$50 thousand for executive leadership contribution to South Sound Military Communities Partnership;
- \$399 thousand to the General Government Debt Service Fund for debt service payments;
- \$925 thousand to Parks CIP to fund various park capital projects; and
- \$1.0 million to the Transportation CIP Fund to fund various transportation capital projects.

CDBG Fund:

- \$113 thousand to the Transportation CIP Fund to fund CDBG eligible transportation related capital projects.

Surface Water Management Fund:

- \$285 thousand to the General Fund for administrative fees and landscape maintenance;
- \$1.5 million to the Transportation CIP for SWM's share of transportation capital projects.
- \$248 thousand to the Parks CIP Fund for SWM's share of parks capital project.

Nonmajor Governmental Funds:

- \$16 thousand from the Fleet & Equipment Fund excess proceeds and replacement reserves to the General Fund;
- \$374 thousand from the Fleet & Equipment Fund excess proceeds and replacement reserves to the Transportation CIP Fund for various expenses;
- \$2.6 million from the REET Fund to the Transportation CIP Fund for various capital projects;
- \$359 thousand from the REET Fund to the Parks CIP Fund for various capital projects;
- \$842 thousand from the Transportation Benefit District Fund to the Transportation CIP Fund for various capital projects;
- \$955 thousand from the Hotel/Motel Lodging Tax Fund to the Parks CIP Fund for various capital projects;
- \$69 thousand from the Sewer Project Debt Fund to Sewer Project CIP Fund;
- \$20 thousand from the Transportation CIP fund to the Parks CIP Fund for Paths & Trails; and
- \$35 thousand from the Sanitary Sewer Connection Fund to the Sewer Project CIP Fund for engineering of N. Thorne Lane sewer extension.

The General Fund made the following interfund loans:

- \$23 thousand 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;
- \$45 thousand to the South Sound Military and Communities Partnership 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; and
- \$19 thousand to the Public Safety Grant 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, 2018, 257 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 2018, 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 – CONTINGENCIES AND LITIGATION

The City Attorney estimates that the amount of actual and/or potential claims against the City as of December 31, 2018 is an amount that should fall within the insurance protection held by the City. Matters reported in previous years have resolved and paid through insurance or directly by the City.

NOTE 14 – 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, 2018, the City of Lakewood abated property taxes totaling \$36,864 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 2018 abatement amounted to \$31,658.

- The second entity has two exemption agreements.
 - The first agreement went into effect in 2014 and runs through 2021.
The 2018 abatement amounted to \$3,977.
 - The second agreement went into effect in 2015 and runs through 2024.
The 2018 abatement amounted to \$1,229.

Because the amounts are related to the regular levy, rather than the excess levy, the program resulted in tax revenue of \$36,864 being shifted from program beneficiaries to other taxpayers and therefore no revenue loss to the City.

NOTE 15 – SUBSEQUENT EVENTS

On May 8, 2019, the City issued \$7,460,000 in Limited Tax General Obligation bonds to provide funds to finance transportation projects, which may include improvements and upgrades to non-motorized trail of Gravelly Lake Drive, street projects on Washington Boulevard and Steilacoom Boulevard, and sidewalks on Veterans Drive and Onyx Drive SW, and other capital purposes and pay costs of issuing the Bonds. Principal of the Bonds is payable annually on December 1 of each year from 2020 to 2038, inclusive. Interest on the Bonds is payable semiannually on each June 1 and December 1, commencing on December 1, 2019. The Bonds constitute a general obligation of the City and are payable from property tax revenues of the City and such other money as is lawfully available, including real estate excise taxes (REET).



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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, 2018
Last 10 Fiscal Years*

| | 2018 | 2017 | 2016 | 2015 |
|---|------------------------|-----------------------|-----------------------|-----------------------|
| Employer's proportion of the net pension liability (asset) | 0.3547% | 0.3452% | 0.3379% | 0.3406% |
| Employer's proportionate share of the net pension liability (asset) | \$ (7,200,919) | \$ (4,790,743) | \$ (1,965,200) | \$ (3,500,512) |
| State's proportionate share of the net pension liability (asset) associated with the employer | \$ (4,662,459) | \$ (3,107,666) | \$ (1,281,167) | \$ (2,314,541) |
| Total | <u>\$ (11,863,379)</u> | <u>\$ (7,898,409)</u> | <u>\$ (3,246,367)</u> | <u>\$ (5,815,053)</u> |
| Covered payroll | \$ 11,243,699 | \$ 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 | -64.0% | -44.0% | -19.1% | -34.8% |
| Plan fiduciary net position as a percentage of the total pension liability | 118.5% | 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, 2018
Last 10 Fiscal Years*

| | 2018 | 2017 | 2016 | 2015 |
|--|---------------------|---------------------|---------------------|---------------------|
| Statutorily or contractually required contributions | \$ 631,767 | \$ 580,241 | \$ 544,089 | \$ 516,402 |
| Contributions in relation to the statutorily or contractually required contributions | <u>\$ (631,767)</u> | <u>\$ (580,241)</u> | <u>\$ (544,089)</u> | <u>\$ (516,402)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered payroll | \$ 11,545,187 | \$ 11,003,434 | \$ 10,844,951 | \$ 9,525,162 |
| Contributions as a percentage of covered employee payroll | 5.5% | 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, 2018

| 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 | EN-1320-16-02 | - | 16,632 | 16,632 | - | |
| | | 12.610 | EN-1320-18-04 | - | 265,608 | 265,608 | - | |
| Total CFDA 12.610: | | | | - | 282,239 | 282,239 | - | |
| CDBG - Entitlement Grants Cluster | | | | | | | | |
| Assistant Secretary for Community Planning and Development, Department of Housing and Urban Development | Community Development Block Grants / Entitlement Grants | 14.218 | B15MC5-30016 | - | 1,890 | 1,890 | - | |
| | | | B16MC5-30016 | - | 64,228 | 64,228 | - | |
| | | | B17MC5-30016 | - | 209,301 | 209,301 | - | |
| | | | B18MC5-30016 | - | 136,772 | 136,772 | - | 3 |
| Total CDBG - Entitlement Grants Cluster: | | | | - | 412,192 | 412,192 | - | |
| Assistant Secretary for 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 | 58,540 | - | 58,540 | - | |
| Assistant Secretary for Community Planning and Development, Department of Housing and Urban Development (via Tacoma Community Redevelopment Authority) | Home Investment Partnerships Program | 14.239 | 2017-027 | 123,714 | - | 123,714 | 39,709 | 4a |
| US Department of Justice | Federal Bureau of Investigation - Pacific Northwest Innocence Lost | 16.200862 | 2008-6-16 | - | 30,152 | 30,152 | - | |
| | Federal Bureau of Investigation - Safe Streets Task Force | 16.281DSE88930 | 281D-SE-88930 | - | 17,464 | 17,464 | - | |
| Office on Violence Against Women (OVW), Department of Justice (via Washington State Department of Commerce) | Violence Against Women Formula Grants | 16.588 | F-17-31103-061 | 27,779 | - | 27,779 | - | |
| Office on Violence Against Women (OVW), Department of Justice (via PC Sheriff) | Violence Against Women Formula Grants | 16.588 | 2018-008 | 5,401 | - | 5,401 | - | |
| Total CFDA 16.588: | | | | 33,180 | - | 33,180 | - | |
| Office of Justice Programs, Department of Justice (via Washington Association of Sheriffs and Police Chiefs) | Project Safe Neighborhoods | 16.609 | TBD | 3,863 | - | 3,863 | - | |
| Office Of Justice Programs, Department of Justice | Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | 2017-DJ-BX-0328 | - | 18,960 | 18,960 | - | |
| | Equitable Sharing Program | 16.922 | WA0272300 | - | 3,096 | 3,096 | - | |

**The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.*

City of Lakewood
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2018

| 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 | |
| Federal Agency (Pass-Through Agency) | Federal Program | CFDA Number | Other Award Number | | | | | Note |
| Highway Planning and Construction Cluster | | | | | | | | |
| Federal Highway Administration, Department of Transportation (via US Department of Transportation) | Highway Planning and Construction | 20.205 | WSDOT - HSIP-2920(001) | 156,384 | - | 156,384 | - | |
| | | | WSDOT - CM-3136(007) | 365,618 | - | 365,618 | - | |
| | | | WSDOT - HSIP-000S(424) | 648,350 | - | 648,350 | - | |
| | | | WSDOT - HSIP-3000(003) | 610,171 | - | 610,171 | - | |
| | | | WSDOT - SRTS-2919(001) | 426,979 | - | 426,979 | - | |
| | | | WSDOT - SRTS-2921(002) | 481,627 | - | 481,627 | - | |
| | | | WSDOT - TAP-3082(001) | 2,288 | - | 2,288 | - | |
| | | | WSDOT- HSIP-3136(005) | 1,929,000 | - | 1,929,000 | - | |
| Total Highway Planning and Construction Cluster: | | | | 4,620,417 | - | 4,620,417 | - | |
| Highway Safety Cluster | | | | | | | | |
| National Highway Traffic Safety Administration, Department of Transportation (via Washington Traffic Safety Commission) | State and Community Highway Safety | 20.600 | 2018-HVE-2374 | 1,061 | - | 1,061 | - | |
| | | | 2019-HVE-3293 | 2,422 | - | 2,422 | - | |
| Total CFDA 20.600: | | | | 3,483 | - | 3,483 | - | |
| National Highway Traffic Safety Administration, Department of Transportation (via Washington Traffic Safety Commission) | National Priority Safety Programs | 20.616 | 2018-HVE-2374 | 5,310 | - | 5,310 | - | |
| | | | 2019-HVE-3293 | 2,453 | - | 2,453 | - | |
| | | | 2446-AG-1939 | 8,462 | - | 8,462 | - | |
| Total CFDA 20.616: | | | | 16,225 | - | 16,225 | - | |
| Total Highway Safety Cluster: | | | | 19,709 | - | 19,709 | - | |
| National Highway Traffic Safety Administration, Department of Transportation (via Washington Traffic Safety Commission) | Minimum Penalties for Repeat Offenders for Driving While Intoxicated | 20.608 | 2018-HVE-2374 | 3,000 | - | 3,000 | - | |
| U.S. Coast Guard, Department of Homeland Security (via Washington State Parks and Recreation Commission) | Boating Safety Financial Assistance | 97.012 | 3318FAS180153 | 15,965 | - | 15,965 | - | |
| Federal Emergency Management Agency, Department of Homeland Security (via Washington State Military Department) | Emergency Management Performance Grants | 97.042 | EMPG E18-103 | 16,695 | - | 16,695 | 16,695 | 4b |
| | | | EMPG E19-160 | 16,633 | - | 16,633 | 16,633 | 4c |
| Total CFDA 97.042: | | | | 33,327 | - | 33,327 | 33,328 | |
| Federal Emergency Management Agency, Department of Homeland Security (via PC Department of Emergency Management) | Homeland Security Grant Program | 97.067 | FFY16 SHSP-E246 | 23,096 | - | 23,096 | | 7 |
| Total Federal Awards Expended: | | | | 4,934,810 | 764,103 | 5,698,914 | 73,037 | |

*The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**CITY OF LAKEWOOD
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

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 \$92,995 and is presented in the schedule. The amount of loan repayments for the year was \$133,450.

NOTE 4 - AMOUNTS AWARDED TO SUBRECIPIENTS

Included in the total amount expended for this program is a)\$38,845 Habitat for Humanity and \$864 Homeownership Center of Tacoma; b)\$16,695 West Pierce Fire & Rescue; c)\$16,633 West Pierce Fire & Rescue

NOTE 5 - LOAN GUARANTEE

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

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 12/31/2018 is \$598,000.
- 2) Living Access Support Alliance in the amount of \$310,000 with the loan term from 2015 - 2035. The loan balance as of 12/31/2018 is \$310,000.
- 3) 108th St. Road Improvement in the amount of \$140,000 with a loan term of 2017 - 2020. The loan balance of 12/31/2018 is \$94,000. This loan will be paid back using CDBG entitlement grant funds.

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.

NOTE 7 - NON-CASH AWARDS - EQUIPMENT

The City of Lakewood received equipment that was purchased with Federal Homeland Security Funds through the Washington State Military Department. The amount reported on the Schedule \$23,095.67 is the value of the property on the date it was received by the City of Lakewood and priced by the Pierce County Department of Emergency Management.

**The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.*

COMBINING STATEMENTS



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**Combining Statement – Nonmajor Governmental Funds Description
For the Year Ended December 31, 2018**

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, 2018

| | Special Revenue Funds | Debt Service Funds | Capital Projects Funds | Total Nonmajor Governmental Funds |
|--|--------------------------|-----------------------|---------------------------|---|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 2,295,713 | \$ 1,070,144 | \$ 2,617,901 | \$ 5,983,758 |
| Due from other governments | 227,223 | - | 25,000 | 252,223 |
| Notes/contracts receivable | - | 49,078 | - | 49,078 |
| Special assessments receivable | 337,271 | - | - | 337,271 |
| Taxes Receivable | 950,849 | - | - | 950,849 |
| Total assets | <u>3,811,056</u> | <u>1,119,222</u> | <u>2,642,901</u> | <u>7,573,179</u> |
| LIABILITIES | | | | |
| Accounts payable | 185,205 | - | 104,824 | 290,029 |
| Payable to other governments | 2,096 | - | - | 2,096 |
| Custodial deposits | 130,491 | - | - | 130,491 |
| Unearned revenue | 7,750 | - | 908 | 8,658 |
| Contracts payable | - | - | 104,176 | 104,176 |
| Other accrued liabilities | 80,889 | - | 6,761 | 87,650 |
| Total liabilities | <u>470,337</u> | <u>-</u> | <u>216,669</u> | <u>687,006</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Unavailable revenue | <u>337,271</u> | <u>49,078</u> | <u>-</u> | <u>386,349</u> |
| Total liabilities and deferred inflows of resources | <u>807,608</u> | <u>49,078</u> | <u>216,669</u> | <u>1,073,355</u> |
| FUND BALANCES (DEFICITS) | | | | |
| Restricted | 2,509,683 | 1,070,144 | - | 3,579,827 |
| Committed | <u>493,765</u> | <u>-</u> | <u>2,426,232</u> | <u>2,919,997</u> |
| Total fund balances (deficits) | <u>3,003,452</u> | <u>1,070,144</u> | <u>2,426,232</u> | <u>6,499,828</u> |
| Total liabilities, deferred inflows, and fund balances (deficits) | <u>\$ 3,811,056</u> | <u>\$ 1,119,222</u> | <u>\$ 2,642,901</u> | <u>\$ 7,573,179</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, 2018

| | Special Revenue Funds | Debt Service Funds | Capital Projects Funds | Total Nonmajor Governmental Funds |
|---|--------------------------|-----------------------|---------------------------|--------------------------------------|
| REVENUES | | | | |
| Taxes | \$ 4,586,400 | \$ - | \$ - | \$ 4,586,400 |
| Licenses and permits | 164,062 | - | - | 164,062 |
| Intergovernmental | 2,437,135 | - | 25,000 | 2,462,135 |
| Charges for goods and services | 561,517 | 673,892 | 211,609 | 1,447,018 |
| Interest and other earnings | 86,062 | 17,739 | 26,758 | 130,559 |
| Miscellaneous | 228,651 | 14,565 | 2,410 | 245,626 |
| Contributions and donations | 24,260 | - | 162,250 | 186,510 |
| Total revenues | <u>8,088,087</u> | <u>706,196</u> | <u>428,027</u> | <u>9,222,310</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Public safety | 352,390 | - | - | 352,390 |
| Utilities and environment | - | - | 25,594 | 25,594 |
| Transportation | 2,394,248 | - | - | 2,394,248 |
| Economic environment | 1,446,492 | - | 40,776 | 1,487,268 |
| Natural environment | - | - | - | - |
| Culture and recreation | 19,061 | - | 64,303 | 83,364 |
| Debt service: | | | | |
| Principal retirement | - | 748,487 | - | 748,487 |
| Interest and other debt service costs | - | 137,850 | - | 137,850 |
| Capital outlay: | | | | |
| Capital | <u>1,201,028</u> | <u>-</u> | <u>2,144,649</u> | <u>3,345,677</u> |
| Total expenditures | <u>5,413,219</u> | <u>886,337</u> | <u>2,275,322</u> | <u>8,574,878</u> |
| Excess (deficiency) of revenues over expenditures | <u>2,674,868</u> | <u>(180,141)</u> | <u>(1,847,295)</u> | <u>647,432</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Proceeds from sale of assets | - | - | - | - |
| Transfers in | 1,658,130 | 398,847 | 2,611,815 | 4,668,792 |
| Transfers out | <u>(4,748,081)</u> | <u>(68,995)</u> | <u>(35,000)</u> | <u>(4,852,076)</u> |
| Total other financing source (uses) | <u>(3,089,951)</u> | <u>329,852</u> | <u>2,576,815</u> | <u>(183,284)</u> |
| Net change in fund balances | (415,083) | 149,711 | 729,520 | 464,148 |
| Fund balances - beginning | <u>3,418,535</u> | <u>920,433</u> | <u>1,696,712</u> | <u>6,035,680</u> |
| Fund balances - ending | <u>\$ 3,003,452</u> | <u>\$ 1,070,144</u> | <u>\$ 2,426,232</u> | <u>\$ 6,499,828</u> |

Combining Statement – Nonmajor Special Revenue Funds Description For the Year Ended December 31, 2018

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.

City of Lakewood
Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2018

| | 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 | \$ 842 | \$ 10,657 | \$ 141,325 | \$ 1,046,924 | \$ 479,231 | \$ 24,886 |
| Due from other governments | - | - | - | - | - | - |
| Special assessments receivable | - | - | - | - | 196,898 | - |
| Taxes Receivable | 130,840 | 698,759 | - | 121,250 | - | - |
| Total assets | <u>131,682</u> | <u>709,416</u> | <u>141,325</u> | <u>1,168,174</u> | <u>676,129</u> | <u>24,886</u> |
| LIABILITIES | | | | | | |
| Accounts payable | 71,235 | - | - | 2,971 | 820 | - |
| Payable to other governments | 354 | - | - | - | - | - |
| Custodial deposits | 1,491 | - | - | - | - | - |
| Unearned revenue | - | - | - | - | - | - |
| Other accrued liabilities | 58,602 | - | - | - | 9,532 | - |
| Interfund loan payable | - | - | - | - | - | - |
| Total liabilities | <u>131,682</u> | <u>-</u> | <u>-</u> | <u>2,971</u> | <u>10,352</u> | <u>-</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | | |
| Unavailable revenue | - | - | - | - | 196,898 | - |
| Total liabilities and deferred inflows of resources | <u>131,682</u> | <u>-</u> | <u>-</u> | <u>2,971</u> | <u>207,250</u> | <u>-</u> |
| FUND BALANCES (DEFICITS) | | | | | | |
| Restricted | - | 709,416 | 141,325 | 1,165,203 | - | - |
| Committed | - | - | - | - | 468,879 | 24,886 |
| Total fund balances (deficits) | <u>-</u> | <u>709,416</u> | <u>141,325</u> | <u>1,165,203</u> | <u>468,879</u> | <u>24,886</u> |
| Total liabilities, deferred inflows, and fund balances (deficits) | <u>\$ 131,682</u> | <u>\$ 709,416</u> | <u>\$ 141,325</u> | <u>\$ 1,168,174</u> | <u>\$ 676,129</u> | <u>\$ 24,886</u> |

City of Lakewood
Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2018

| | Narcotics Seizure | Felony Seizure | Federal Seizure | NSP Grant | OEA Grant/ SSMCP | Public Safety Grants | Total Nonmajor Special Revenue Funds |
|---|----------------------|-------------------|--------------------|-------------------|---------------------|----------------------------|--|
| ASSETS | | | | | | | |
| Cash and cash equivalents | \$ 384,022 | \$ 107,622 | \$ - | \$ 100,204 | \$ - | \$ - | \$ 2,295,713 |
| Due from other governments | 13,075 | - | - | - | 161,641 | 52,507 | 227,223 |
| Special assessments receivable | - | - | - | 140,373 | - | - | 337,271 |
| Taxes Receivable | - | - | - | - | - | - | 950,849 |
| Total assets | <u>397,097</u> | <u>107,622</u> | <u>-</u> | <u>240,577</u> | <u>161,641</u> | <u>52,507</u> | <u>3,811,056</u> |
| LIABILITIES | | | | | | | |
| Accounts payable | 37,872 | 3,208 | - | 10,990 | 25,562 | 32,547 | 185,205 |
| Payable to other governments | 1,738 | - | - | - | 4 | - | 2,096 |
| Custodial deposits | 39,630 | 89,370 | - | - | - | - | 130,491 |
| Unearned revenue | - | - | - | - | 7,750 | - | 7,750 |
| Other accrued liabilities | 1,496 | - | - | 581 | 9,640 | 1,038 | 80,889 |
| Interfund loan payable | - | - | - | - | 44,984 | 18,922 | 63,906 |
| Total liabilities | <u>80,736</u> | <u>92,578</u> | <u>-</u> | <u>11,571</u> | <u>87,940</u> | <u>52,507</u> | <u>470,337</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | | | |
| Unavailable revenue | - | - | - | 140,373 | - | - | 337,271 |
| Total liabilities and deferred inflows of resources | <u>80,736</u> | <u>92,578</u> | <u>-</u> | <u>151,944</u> | <u>87,940</u> | <u>52,507</u> | <u>807,608</u> |
| FUND BALANCES (DEFICITS) | | | | | | | |
| Restricted | 316,361 | 15,044 | - | 88,633 | 73,701 | - | 2,509,683 |
| Committed | - | - | - | - | - | - | 493,765 |
| Total fund balances (deficits) | <u>316,361</u> | <u>15,044</u> | <u>-</u> | <u>88,633</u> | <u>73,701</u> | <u>-</u> | <u>3,003,448</u> |
| Total liabilities, deferred inflows, and fund balances (deficits) | <u>\$ 397,097</u> | <u>\$ 107,622</u> | <u>\$ -</u> | <u>\$ 240,577</u> | <u>\$ 161,641</u> | <u>\$ 52,507</u> | <u>\$ 3,811,056</u> |

City of Lakewood
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2018

| | Street Operations and Maintenance | Real Estate Excise Tax | Transportation Benefit District | Hotel/Motel Lodging Tax | Property Abatement/ Rental Housing Safety | Public Art |
|--|--|---------------------------|---------------------------------------|----------------------------|---|------------------|
| REVENUES | | | | | | |
| Taxes | \$ - | \$ 2,695,355 | \$ 835,710 | \$ 1,055,335 | \$ - | \$ - |
| Licenses and permits | 164,062 | - | - | - | - | - |
| Intergovernmental | 860,015 | - | - | - | - | - |
| Charges for goods and services | - | - | - | - | 317,378 | - |
| Interest and other earnings | - | 14,061 | 3,906 | 22,883 | 35,430 | 349 |
| Miscellaneous | 536 | - | - | - | - | 24,000 |
| Contributions and donations | 200 | - | - | - | - | - |
| Total revenues | <u>1,024,813</u> | <u>2,709,416</u> | <u>839,616</u> | <u>1,078,218</u> | <u>352,808</u> | <u>24,349</u> |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| Public safety | - | - | - | - | - | - |
| Transportation | 2,394,248 | - | - | - | - | - |
| Economic environment | - | - | - | 470,793 | 381,525 | - |
| Culture and recreation | - | - | - | - | - | 19,061 |
| Capital outlay: | | | | | | |
| Capital | - | - | - | - | - | - |
| Total expenditures | <u>2,394,248</u> | <u>-</u> | <u>-</u> | <u>470,793</u> | <u>381,525</u> | <u>19,061</u> |
| Excess (deficiency) of revenues over expenditures | <u>(1,369,435)</u> | <u>2,709,416</u> | <u>839,616</u> | <u>607,425</u> | <u>(28,717)</u> | <u>5,288</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers in | 1,358,130 | - | - | - | 250,000 | - |
| Transfers out | - | (2,950,823) | (841,797) | (955,461) | - | - |
| Total other financing source (uses) | <u>1,358,130</u> | <u>(2,950,823)</u> | <u>(841,797)</u> | <u>(955,461)</u> | <u>250,000</u> | <u>-</u> |
| Net change in fund balances | (11,305) | (241,407) | (2,181) | (348,036) | 221,283 | 5,288 |
| Fund balances - beginning | 11,305 | 950,823 | 143,506 | 1,513,239 | 247,596 | 19,598 |
| Fund balances - ending | <u>\$ -</u> | <u>\$ 709,416</u> | <u>\$ 141,325</u> | <u>\$ 1,165,203</u> | <u>\$ 468,879</u> | <u>\$ 24,886</u> |

City of Lakewood
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2018

| | Narcotics Seizure | Felony Seizure | Federal Seizure | NSP Grant | OEA Grant/ SSMCP | Public Safety Grants | Total Nonmajor Special Revenue Funds |
|--|----------------------|-------------------|--------------------|------------------|---------------------|----------------------------|--|
| REVENUES | | | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 4,586,400 |
| Licenses and permits | - | - | - | - | - | - | 164,062 |
| Intergovernmental | - | - | 736 | - | 1,464,107 | 112,277 | 2,437,135 |
| Charges for goods and services | 27,557 | - | - | 36,982 | 179,600 | - | 561,517 |
| Interest and other earnings | 4,712 | - | - | 4,721 | - | - | 86,062 |
| Miscellaneous | 172,938 | 30,841 | - | - | 336 | - | 228,651 |
| Contributions and donations | - | - | - | - | 2,910 | 21,150 | 24,260 |
| Total revenues | <u>205,207</u> | <u>30,841</u> | <u>736</u> | <u>41,703</u> | <u>1,646,953</u> | <u>133,427</u> | <u>8,088,087</u> |
| EXPENDITURES | | | | | | | |
| Current: | | | | | | | |
| Public safety | 154,707 | 61,160 | 3,096 | - | - | 133,427 | 352,390 |
| Transportation | - | - | - | - | - | - | 2,394,248 |
| Economic environment | - | - | - | 58,540 | 535,634 | - | 1,446,492 |
| Culture and recreation | - | - | - | - | - | - | 19,061 |
| Capital outlay: | | | | | | | |
| Capital | 18,901 | - | - | - | 1,182,127 | - | 1,201,028 |
| Total expenditures | <u>173,608</u> | <u>61,160</u> | <u>3,096</u> | <u>58,540</u> | <u>1,717,761</u> | <u>133,427</u> | <u>5,413,219</u> |
| Excess (deficiency) of revenues over expenditures | <u>31,599</u> | <u>(30,319)</u> | <u>(2,360)</u> | <u>(16,837)</u> | <u>(70,808)</u> | <u>-</u> | <u>2,674,868</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | | |
| Transfers in | - | - | - | - | 50,000 | - | 1,658,130 |
| Transfers out | - | - | - | - | - | - | (4,748,081) |
| Total other financing source (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>50,000</u> | <u>-</u> | <u>(3,089,951)</u> |
| Net change in fund balances | 31,599 | (30,319) | (2,360) | (16,837) | (20,808) | - | (415,083) |
| Fund balances - beginning | 284,762 | 45,363 | 2,360 | 105,470 | 94,509 | - | 3,418,535 |
| Fund balances - ending | <u>\$ 316,361</u> | <u>\$ 15,044</u> | <u>\$ -</u> | <u>\$ 88,633</u> | <u>\$ 73,701</u> | <u>\$ -</u> | <u>\$ 3,003,448</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, 2018

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|---|------------------|-------------|-------------|-------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Licenses and permits | \$ 96,000 | \$ 96,000 | \$ 164,062 | \$ 68,062 |
| Intergovernmental | 870,000 | 862,399 | 860,015 | (2,384) |
| Charges for goods and services | 1,000 | 1,000 | - | (1,000) |
| Miscellaneous | 2,500 | 2,500 | 536 | (1,964) |
| Contributions and donations | | | 200 | 200 |
| Total revenues | 969,500 | 961,899 | 1,024,813 | 62,914 |
| EXPENDITURES | | | | |
| Current: | | | | |
| Transportation | 2,008,711 | 2,380,770 | 2,394,248 | 13,478 |
| Capital Outlay | 15,000 | 27,000 | - | (27,000) |
| Total expenditures | 2,023,711 | 2,407,770 | 2,394,248 | (13,522) |
| Excess (deficiency) of revenues over expenditures | (1,054,211) | (1,445,871) | (1,369,435) | 76,436 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 1,054,211 | 1,434,566 | 1,358,130 | (76,436) |
| Total other financing source (uses) | 1,054,211 | 1,434,566 | 1,358,130 | (76,436) |
| Net change in fund balances | - | (11,305) | (11,305) | - |
| Fund balances - beginning | - | 11,305 | 11,305 | - |
| Fund balances - ending | \$ - | \$ - | \$ - | \$ - |

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, 2018

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|---|------------------|--------------|--------------|-------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Taxes | \$ 1,300,000 | \$ 2,000,000 | \$ 2,695,355 | \$ 695,355 |
| Interest and other earnings | - | - | 14,061 | 14,061 |
| Total revenues | 1,300,000 | 2,000,000 | 2,709,416 | 709,416 |
| EXPENDITURES | | | | |
| Current: | | | | |
| Total expenditures | - | - | - | - |
| Excess (deficiency) of revenues over expenditures | 1,300,000 | 2,000,000 | 2,709,416 | 709,416 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | (1,513,465) | (2,950,823) | (2,950,823) | - |
| Total other financing source (uses) | (1,513,465) | (2,950,823) | (2,950,823) | - |
| Net change in fund balances | (213,465) | (950,823) | (241,407) | 709,416 |
| Fund balances - beginning | 319,249 | 950,823 | 950,823 | - |
| Fund balances - ending | \$ 105,784 | \$ - | \$ 709,416 | \$ 709,416 |

City of Lakewood
Transportation Benefit District
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
For the Year Ended December 31, 2018

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|---|------------------|------------|------------|-------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Taxes | \$ 689,000 | \$ 814,000 | \$ 835,710 | \$ 21,710 |
| Interest and other earnings | - | - | 3,906 | 3,906 |
| Total revenues | 689,000 | 814,000 | 839,616 | 25,616 |
| EXPENDITURES | | | | |
| Current: | | | | |
| Transportation | 2,500 | - | - | - |
| Total expenditures | 2,500 | - | - | - |
| Excess (deficiency) of revenues over expenditures | 686,500 | 814,000 | 839,616 | 25,616 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | (682,500) | (957,506) | (841,797) | 115,709 |
| Total other financing source (uses) | (682,500) | (957,506) | (841,797) | 115,709 |
| Net change in fund balances | 4,000 | (143,506) | (2,181) | 141,325 |
| Fund balances - beginning | 4,000 | 143,506 | 143,506 | - |
| Fund balances - ending | \$ 8,000 | \$ - | \$ 141,325 | \$ 141,325 |

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, 2018

| | Budgeted Amounts | | | Variance with |
|---|------------------|------------|--------------|---------------|
| | Original | Final | Actual | Final Budget |
| REVENUES | | | | |
| Taxes | \$ 600,000 | \$ 700,000 | \$ 1,055,335 | \$ 355,335 |
| Interest and other earnings | - | - | 22,883 | 22,883 |
| Total revenues | 600,000 | 700,000 | 1,078,218 | 378,218 |
| EXPENDITURES | | | | |
| Current: | | | | |
| Economic environment | 600,000 | 530,411 | 470,793 | (59,618) |
| Total expenditures | 600,000 | 530,411 | 470,793 | (59,618) |
| Excess (deficiency) of revenues over expenditures | - | 169,589 | 607,425 | 437,836 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | (50,000) | (955,460) | (955,461) | (1) |
| Total other financing source (uses) | (50,000) | (955,460) | (955,461) | (1) |
| Net change in fund balances | (50,000) | (785,871) | (348,036) | 437,835 |
| Fund balances - beginning | 469,290 | 1,513,239 | 1,513,239 | - |
| Fund balances - ending | \$ 419,290 | \$ 727,368 | \$ 1,165,203 | \$ 437,835 |

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, 2018

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|---|------------------|------------|------------|-------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Charges for goods and services | \$ 270,319 | \$ 255,000 | \$ 317,378 | \$ 62,378 |
| Interest and other earnings | - | - | 35,430 | 35,430 |
| Total revenues | 270,319 | 255,000 | 352,808 | 97,808 |
| EXPENDITURES | | | | |
| Current: | | | | |
| Economic environment | 248,671 | 603,512 | 381,525 | (221,987) |
| Total expenditures | 248,671 | 603,512 | 381,525 | (221,987) |
| Excess (deficiency) of revenues over expenditures | 21,648 | (348,512) | (28,717) | 319,795 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 125,000 | 250,000 | 250,000 | - |
| Transfer out | - | (149,085) | - | 149,085 |
| Total other financing source (uses) | 125,000 | 100,915 | 250,000 | 149,085 |
| Net change in fund balances | 146,648 | (247,597) | 221,283 | 468,880 |
| Fund balances - beginning | 4,889 | 247,597 | 247,596 | (1) |
| Fund balances - ending | \$ 151,537 | \$ - | \$ 468,879 | \$ 468,879 |

City of Lakewood
Public Art
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
For the Year Ended December 31, 2018

| | Budgeted Amounts | | | Variance with |
|---|------------------|----------|-----------|---------------|
| | Original | Final | Actual | Final Budget |
| REVENUES | | | | |
| Interest and other earnings | \$ - | \$ - | \$ 349 | \$ 349 |
| Miscellaneous | 10,000 | 15,000 | 24,000 | 9,000 |
| Total revenues | 10,000 | 15,000 | 24,349 | 9,349 |
| EXPENDITURES | | | | |
| Current: | | | | |
| Culture and recreation | 2,000 | 34,598 | 19,061 | (15,537) |
| Total expenditures | 2,000 | 34,598 | 19,061 | (15,537) |
| Excess (deficiency) of revenues over expenditures | 8,000 | (19,598) | 5,288 | 24,886 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Total other financing source (uses) | - | - | - | - |
| Net change in fund balances | 8,000 | (19,598) | 5,288 | 24,886 |
| Fund balances - beginning | 19,074 | 19,598 | 19,598 | - |
| Fund balances - ending | \$ 27,074 | \$ - | \$ 24,886 | \$ 24,886 |

City of Lakewood
Narcotics Seizure
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
For the Year Ended December 31, 2018

| | Budgeted Amounts | | | Variance with |
|---|------------------|-----------|------------|---------------|
| | Original | Final | Actual | Final Budget |
| REVENUES | | | | |
| Charges for goods and services | \$ - | \$ 26,042 | \$ 27,557 | \$ 1,515 |
| Interest and other earnings | - | - | 4,712 | 4,712 |
| Miscellaneous | 75,000 | 75,000 | 172,938 | 97,938 |
| Total revenues | 75,000 | 101,042 | 205,207 | 104,165 |
| EXPENDITURES | | | | |
| Current: | | | | |
| Public safety | 75,000 | 385,804 | 154,707 | (231,097) |
| Capital Outlay | - | - | 18,901 | 18,901 |
| Total expenditures | 75,000 | 385,804 | 173,608 | (212,196) |
| Excess (deficiency) of revenues over expenditures | - | (284,762) | 31,599 | 316,361 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Total other financing source (uses) | - | - | - | - |
| Net change in fund balances | - | (284,762) | 31,599 | 316,361 |
| Fund balances - beginning | 532 | 284,762 | 284,762 | - |
| Fund balances - ending | \$ 532 | \$ - | \$ 316,361 | \$ 316,361 |

City of Lakewood
Felony Seizure
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
For the Year Ended December 31, 2018

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|---|------------------|-----------|-----------|-------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Miscellaneous | \$ - | \$ 50,000 | \$ 30,841 | \$ (19,159) |
| Total revenues | - | 50,000 | 30,841 | (19,159) |
| EXPENDITURES | | | | |
| Current: | | | | |
| Public safety | - | 95,363 | 61,160 | (34,203) |
| Total expenditures | - | 95,363 | 61,160 | (34,203) |
| Excess (deficiency) of revenues over expenditures | - | (45,363) | (30,319) | 15,044 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Total other financing source (uses) | - | - | - | - |
| Net change in fund balances | - | (45,363) | (30,319) | 15,044 |
| Fund balances - beginning | - | 45,363 | 45,363 | - |
| Fund balances - ending | \$ - | \$ - | \$ 15,044 | \$ 15,044 |

City of Lakewood
Federal Seizure
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
For the Year Ended December 31, 2018

| | Budgeted Amounts | | | Variance with |
|---|------------------|-----------|---------|---------------|
| | Original | Final | Actual | Final Budget |
| REVENUES | | | | |
| Intergovernmental | \$ 75,000 | \$ 75,000 | \$ 736 | \$ (74,264) |
| Total revenues | 75,000 | 75,000 | 736 | (74,264) |
| EXPENDITURES | | | | |
| Current: | | | | |
| Public safety | 104,900 | 77,360 | 3,096 | (74,264) |
| Total expenditures | 104,900 | 77,360 | 3,096 | (74,264) |
| Excess (deficiency) of revenues over expenditures | (29,900) | (2,360) | (2,360) | - |
| OTHER FINANCING SOURCES (USES) | | | | |
| Total other financing source (uses) | - | - | - | - |
| Net change in fund balances | (29,900) | (2,360) | (2,360) | - |
| Fund balances - beginning | 150,100 | 2,360 | 2,360 | - |
| Fund balances - ending | \$ 120,200 | \$ - | \$ - | \$ - |

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, 2018

| | Budgeted Amounts | | | Variance with |
|---|------------------|-----------|-----------|---------------|
| | Original | Final | Actual | Final Budget |
| REVENUES | | | | |
| Charges for goods and services | \$ 94,716 | \$ 80,000 | \$ 36,982 | \$ (43,018) |
| Interest and other earnings | - | - | 4,721 | 4,721 |
| Total revenues | 94,716 | 80,000 | 41,703 | (38,297) |
| EXPENDITURES | | | | |
| Current: | | | | |
| Economic environment | 95,392 | 185,469 | 58,540 | (126,929) |
| Total expenditures | 95,392 | 185,469 | 58,540 | (126,929) |
| Excess (deficiency) of revenues over expenditures | (676) | (105,469) | (16,837) | 88,632 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Total other financing source (uses) | - | - | - | - |
| Net change in fund balances | (676) | (105,469) | (16,836) | 88,633 |
| Fund balances - beginning | 676 | 105,469 | 105,469 | - |
| Fund balances - ending | \$ - | \$ - | \$ 88,633 | \$ 88,633 |

City of Lakewood
OEA Grant/SSMCP
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
For the Year Ended December 31, 2018

| | Budgeted Amounts | | | Variance with |
|---|------------------|--------------|--------------|---------------|
| | Original | Final | Actual | Final Budget |
| REVENUES | | | | |
| Intergovernmental | \$ 176,805 | \$ 2,442,077 | \$ 1,464,107 | \$ (977,970) |
| Charges for goods and services | - | 227,100 | 179,600 | (47,500) |
| Miscellaneous | - | - | 336 | 336 |
| Contributions and donations | - | - | 2,910 | 2,910 |
| Total revenues | 176,805 | 2,669,177 | 1,646,953 | (1,022,224) |
| EXPENDITURES | | | | |
| Current: | | | | |
| Economic environment | 226,805 | 761,188 | 535,634 | (225,554) |
| Capital Outlay | - | 1,950,000 | 1,182,127 | (767,873) |
| Total expenditures | 226,805 | 2,711,188 | 1,717,761 | (993,427) |
| Excess (deficiency) of revenues over expenditures | (50,000) | (42,011) | (70,808) | (28,797) |
| 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 | - | 7,989 | (20,808) | (28,797) |
| Fund balances - beginning | - | 94,509 | 94,509 | - |
| Fund balances - ending | \$ - | \$ 102,498 | \$ 73,701 | \$ (28,797) |

City of Lakewood
Public Safety Grants
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
For the Year Ended December 31, 2018

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|---|------------------|------------|------------|-------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Intergovernmental | \$ - | \$ 137,078 | \$ 112,277 | \$ (24,801) |
| Contributions and donations | - | - | 21,150 | 21,150 |
| Total revenues | - | 137,078 | 133,427 | (3,651) |
| EXPENDITURES | | | | |
| Current: | | | | |
| Public safety | - | 137,078 | 133,427 | (3,651) |
| Total expenditures | - | 137,078 | 133,427 | (3,651) |
| Excess (deficiency) of revenues over expenditures | - | - | - | - |
| OTHER FINANCING SOURCES (USES) | | | | |
| Total other financing source (uses) | - | - | - | - |
| Net change in fund balances | - | - | - | - |
| Fund balances - beginning | - | - | - | - |
| Fund balances - ending | \$ - | \$ - | \$ - | \$ - |



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**Combining Statement – Nonmajor Debt Service Funds Description
For the Year Ended December 31, 2018**

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, 2018

| | General Obligation Debt Service | Sewer Project Debt | LID Guaranty | Total Nonmajor Debt Service Funds |
|--|---------------------------------------|-----------------------|-------------------|---|
| ASSETS | | | | |
| Cash and cash equivalents | \$ - | \$ 940,457 | \$ 129,687 | \$ 1,070,144 |
| Notes/contracts receivable | - | 49,078 | - | 49,078 |
| Total assets | <u>-</u> | <u>989,535</u> | <u>129,687</u> | <u>1,119,222</u> |
| LIABILITIES | | | | |
| Accounts Payable | - | - | - | - |
| Total liabilities | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Unavailable revenue | - | 49,078 | - | 49,078 |
| Total liabilities and deferred inflows of resources | <u>-</u> | <u>49,078</u> | <u>-</u> | <u>49,078</u> |
| FUND BALANCES (DEFICITS) | | | | |
| Restricted | - | 940,457 | 129,687 | 1,070,144 |
| Total fund balances (deficits) | <u>-</u> | <u>940,457</u> | <u>129,687</u> | <u>1,070,144</u> |
| Total liabilities, deferred inflows, and fund balances (deficits) | <u>\$ -</u> | <u>\$ 989,535</u> | <u>\$ 129,687</u> | <u>\$ 1,119,222</u> |

City of Lakewood
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Debt Service Funds
For the Year Ended December 31, 2018

| | General Obligation Debt Service | Sewer Project Debt | LID Guaranty | Total Nonmajor Debt Service Funds |
|---|---------------------------------------|--------------------------|--------------|--|
| REVENUES | | | | |
| Charges for goods and services | \$ - | \$ 673,892 | \$ - | \$ 673,892 |
| Interest and other earnings | - | 14,979 | 2,760 | 17,739 |
| Miscellaneous | - | 14,565 | - | 14,565 |
| Total revenues | - | 703,436 | 2,760 | 706,196 |
| EXPENDITURES | | | | |
| Current: | | | | |
| Debt service: | | | | |
| Principal | 284,549 | 463,938 | - | 748,487 |
| Interest and other debt service costs | 114,298 | 23,552 | - | 137,850 |
| Total expenditures | 398,847 | 487,490 | - | 886,337 |
| Excess (deficiency) of revenues over expenditures | (398,847) | 215,946 | 2,760 | (180,141) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 398,847 | - | - | 398,847 |
| Transfers Out | - | (68,995) | - | (68,995) |
| Total other financing source (uses) | 398,847 | (68,995) | - | 329,852 |
| Net change in fund balances | - | 146,951 | 2,760 | 149,711 |
| Fund balances - beginning | - | 793,506 | 126,927 | 920,433 |
| Fund balances - ending | \$ - | \$ 940,457 | \$ 129,687 | \$ 1,070,144 |

City of Lakewood
General Obligation Debt Service
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
For the Year Ended December 31, 2018

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|---|------------------|-----------|-----------|-------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Intergovernmental | \$ - | \$ - | \$ - | \$ - |
| Total revenues | - | - | - | - |
| EXPENDITURES | | | | |
| Debt service: | | | | |
| Principal | 363,837 | 363,837 | 284,549 | (79,288) |
| Interest | 114,298 | 114,298 | 114,298 | - |
| Total expenditures | 478,135 | 478,135 | 398,847 | (79,288) |
| Excess (deficiency) of revenues over expenditures | (478,135) | (478,135) | (398,847) | 79,288 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Total other financing source (uses) | 478,135 | 478,135 | 398,847 | (79,288) |
| Net change in fund balances | - | - | - | - |
| Fund balances - beginning | - | - | - | - |
| Fund balances - ending | \$ - | \$ - | \$ - | \$ - |

City of Lakewood
Sewer Project Debt
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
For the Year Ended December 31, 2018

| | Budgeted Amounts | | | Variance with |
|---|------------------|------------|------------|---------------|
| | Original | Final | Actual | Final Budget |
| REVENUES | | | | |
| Charges for goods and services | \$ 660,000 | \$ 660,000 | \$ 673,892 | \$ 13,892 |
| Interest and other earnings | 4,500 | 4,500 | 14,979 | 10,479 |
| Miscellaneous | 20,229 | 20,229 | 14,565 | (5,664) |
| Total revenues | 684,729 | 684,729 | 703,436 | 18,707 |
| EXPENDITURES | | | | |
| Debt service: | | | | |
| Principal | 463,938 | 463,938 | 463,938 | - |
| Interest | 23,553 | 23,553 | 23,552 | (1) |
| Total expenditures | 487,491 | 487,491 | 487,490 | (1) |
| Excess (deficiency) of revenues over expenditures | 197,238 | 197,238 | 215,946 | 18,708 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfer out | (50,000) | (68,995) | (68,995) | - |
| Total other financing source (uses) | (50,000) | (68,995) | (68,995) | - |
| Net change in fund balances | 147,238 | 128,243 | 146,951 | 18,708 |
| Fund balances - beginning | 782,002 | 793,506 | 793,506 | - |
| Fund balances - ending | \$ 929,240 | \$ 921,749 | \$ 940,457 | \$ 18,708 |

City of Lakewood
LID Guaranty
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
For the Year Ended December 31, 2018

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|---|------------------|------------|------------|-------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Interest and other earnings | \$ - | \$ - | \$ 2,760 | \$ 2,760 |
| Total revenues | - | - | 2,760 | 2,760 |
| EXPENDITURES | | | | |
| Total expenditures | - | - | - | - |
| Excess (deficiency) of revenues over expenditures | - | - | 2,760 | 2,760 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Total other financing source (uses) | - | - | - | - |
| Net change in fund balances | - | - | 2,760 | 2,760 |
| Fund balances - beginning | 124,501 | 126,927 | 126,927 | - |
| Fund balances - ending | \$ 124,501 | \$ 126,927 | \$ 129,687 | \$ 2,760 |

Combining Statement – Nonmajor Capital Project Funds Description
For the Year Ended December 31, 2018

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, 2018

| | Parks CIP | Sewer Project CIP | Sanitary Sewer Connection CIP | Total Nonmajor Capital Projects Funds |
|--|---------------------|-------------------|-------------------------------|---------------------------------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 1,675,075 | \$ 125,910 | \$ 816,916 | \$ 2,617,901 |
| Due from other governments | 25,000 | - | - | 25,000 |
| Total assets | <u>1,700,075</u> | <u>125,910</u> | <u>816,916</u> | <u>2,642,901</u> |
| LIABILITIES | | | | |
| Accounts payable | 101,400 | 3,387 | 37 | 104,824 |
| Unearned revenue | - | 908 | - | 908 |
| Contracts Payable | 104,176 | - | - | 104,176 |
| Other accrued liabilities | 1,976 | 3,390 | 1,395 | 6,761 |
| Total liabilities | <u>207,552</u> | <u>7,685</u> | <u>1,432</u> | <u>216,669</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Total liabilities and deferred inflows of resources | <u>207,552</u> | <u>7,685</u> | <u>1,432</u> | <u>216,669</u> |
| FUND BALANCES (DEFICITS) | | | | |
| Committed | <u>1,492,523</u> | <u>118,225</u> | <u>815,484</u> | <u>2,426,232</u> |
| Total fund balances (deficits) | <u>1,492,523</u> | <u>118,225</u> | <u>815,484</u> | <u>2,426,232</u> |
| Total liabilities, deferred liabilities and fund balances (deficits) | <u>\$ 1,700,075</u> | <u>\$ 125,910</u> | <u>\$ 816,916</u> | <u>\$ 2,642,901</u> |

City of Lakewood
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2018

| | Parks CIP | Sewer Project CIP | Sanitary Sewer Connection | Total Nonmajor Capital Projects Funds |
|---|---------------------|----------------------|---------------------------------|---|
| REVENUES | | | | |
| Intergovernmental | \$ 25,000 | \$ - | \$ - | \$ 25,000 |
| Charges for goods and services | - | - | 211,609 | 211,609 |
| Interest and other earnings | 12,988 | 3,290 | 10,480 | 26,758 |
| Miscellaneous | - | - | 2,410 | 2,410 |
| Contributions and donations | 162,250 | - | - | 162,250 |
| Total revenues | <u>200,238</u> | <u>3,290</u> | <u>224,499</u> | <u>428,027</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Utilities and environment | - | - | 25,594 | 25,594 |
| Economic environment | - | 40,776 | - | 40,776 |
| Culture and recreation | 64,303 | - | - | 64,303 |
| Capital outlay: | | | | |
| Capital | 2,144,649 | - | - | 2,144,649 |
| Total expenditures | <u>2,208,952</u> | <u>40,776</u> | <u>25,594</u> | <u>2,275,322</u> |
| Excess (deficiency) of revenues over expenditures | <u>(2,008,714)</u> | <u>(37,486)</u> | <u>198,905</u> | <u>(1,847,295)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 2,507,820 | 103,995 | - | 2,611,815 |
| Transfers Out | - | - | (35,000) | (35,000) |
| Total other financing source (uses) | <u>2,507,820</u> | <u>103,995</u> | <u>(35,000)</u> | <u>2,576,815</u> |
| Net change in fund balances | 499,106 | 66,509 | 163,905 | 729,520 |
| Fund balances - beginning | 993,417 | 51,716 | 651,579 | 1,696,712 |
| Fund balances - ending | <u>\$ 1,492,523</u> | <u>\$ 118,225</u> | <u>\$ 815,484</u> | <u>\$ 2,426,232</u> |

City of Lakewood
Parks CIP
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
For the Year Ended December 31, 2018

| | Budgeted Amounts | | | Variance with |
|---|------------------|--------------|--------------|----------------|
| | Original | Final | Actual | Final Budget |
| REVENUES | | | | |
| Intergovernmental | \$ 1,250,000 | \$ 2,080,000 | \$ 25,000 | \$ (2,055,000) |
| Interest & other earnings | - | - | 12,988 | 12,988 |
| Contributions and donations | 50,000 | 184,000 | 162,250 | (21,750) |
| Total revenues | 1,300,000 | 2,264,000 | 200,238 | (2,063,762) |
| EXPENDITURES | | | | |
| Current: | | | | |
| Culture and recreation | - | - | 64,303 | 64,303 |
| Capital Outlay | 1,860,000 | 5,915,049 | 2,144,649 | (3,770,400) |
| Total expenditures | 1,860,000 | 5,915,049 | 2,208,952 | (3,706,097) |
| Excess (deficiency) of revenues over expenditures | (560,000) | (3,651,049) | (2,008,714) | 1,642,335 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 560,000 | 2,657,634 | 2,507,820 | (149,814) |
| Total other financing source (uses) | 560,000 | 2,657,634 | 2,507,820 | (149,814) |
| Net change in fund balances | - | (993,415) | 499,106 | 1,492,521 |
| Fund balances - beginning | - | 993,417 | 993,417 | - |
| Fund balances - ending | \$ - | \$ 2 | \$ 1,492,523 | \$ 1,492,521 |

City of Lakewood
Sewer Project CIP
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
For the Year Ended December 31, 2018

| | Budgeted Amounts | | | Variance with |
|---|------------------|-----------|------------|---------------|
| | Original | Final | Actual | Final Budget |
| REVENUES | | | | |
| Interest & other earnings | \$ - | \$ - | \$ 3,290 | \$ 3,290 |
| Total revenues | - | - | 3,290 | 3,290 |
| EXPENDITURES | | | | |
| Current: | | | | |
| Economic Environment | - | - | 40,776 | 40,776 |
| Capital Outlay | 85,000 | 127,472 | - | (127,472) |
| Total expenditures | 85,000 | 127,472 | 40,776 | (86,696) |
| Excess (deficiency) of revenues over expenditures | (85,000) | (127,472) | (37,486) | 89,986 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 85,000 | 103,995 | 103,995 | - |
| Total other financing source (uses) | 85,000 | 103,995 | 103,995 | - |
| Net change in fund balances | - | (23,477) | 66,509 | 89,986 |
| Fund balances - beginning | 39,173 | 51,716 | 51,716 | - |
| Fund balances - ending | \$ 39,173 | \$ 28,239 | \$ 118,225 | \$ 89,986 |

City of Lakewood
Sanitary Sewer Connection
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
For the Year Ended December 31, 2018

| | Budgeted Amounts | | | Variance with |
|---|------------------|------------|------------|---------------|
| | Original | Final | Actual | Final Budget |
| REVENUES | | | | |
| Charges for goods and services | \$ 346,000 | \$ 175,000 | \$ 211,609 | \$ 36,609 |
| Interest & other earnings | - | - | 10,480 | |
| Miscellaneous | - | - | 2,410 | 2,410 |
| Total revenues | 346,000 | 175,000 | 224,499 | 39,019 |
| EXPENDITURES | | | | |
| Current: | | | | |
| Utilities and environment | - | 55,500 | 25,594 | (29,906) |
| Total expenditures | - | 55,500 | 25,594 | (29,906) |
| Excess (deficiency) of revenues over expenditures | 346,000 | 119,500 | 198,905 | 68,925 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | (35,000) | (35,000) | (35,000) | - |
| Total other financing source (uses) | (35,000) | (35,000) | (35,000) | - |
| Net change in fund balances | 311,000 | 84,500 | 163,905 | 68,925 |
| Fund balances - beginning | 880,482 | 651,579 | 651,579 | - |
| Fund balances - ending | \$ 1,191,482 | \$ 736,079 | \$ 815,484 | \$ 68,925 |

City of Lakewood
LID Debt Service
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
For the Year Ended December 31, 2018

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|---|------------------|------------|------------|-------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Special Assessments | \$ 140,438 | \$ 140,438 | \$ 200,878 | \$ 60,440 |
| Interest and other earnings | 51,443 | 51,443 | 55,211 | 3,768 |
| Total revenues | 191,881 | 191,881 | 256,089 | 64,208 |
| EXPENDITURES | | | | |
| Current: | | | | |
| General Government | - | 1,200 | 957 | (243) |
| Debt service: | | | | |
| Principal | 155,900 | 159,635 | 155,900 | (3,735) |
| Interest | 35,981 | 35,981 | 36,441 | 460 |
| Total expenditures | 191,881 | 196,816 | 193,298 | (3,518) |
| Excess (deficiency) of revenues over expenditures | - | (4,935) | 62,791 | 67,726 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Total other financing source (uses) | - | - | - | - |
| Net change in fund balances | - | (4,935) | 62,791 | 67,726 |
| Fund balances - beginning | 7,319 | 4,935 | 4,935 | - |
| Fund balances - ending | \$ 7,319 | \$ - | \$ 67,726 | \$ 67,726 |

City of Lakewood
Transportation CIP
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
For the Year Ended December 31, 2018

| | Budgeted Amounts | | | Variance with |
|---|------------------|---------------|--------------|----------------|
| | Original | Final | Actual | Final Budget |
| REVENUES | | | | |
| Intergovernmental | \$ 14,630,936 | \$ 10,383,264 | \$ 8,345,390 | \$ (2,037,874) |
| Charges for goods and services | 20,000 | 20,000 | 23,012 | 3,012 |
| Interest & other earnings | - | - | 28,074 | 28,074 |
| Contributions and donations | 1,094,000 | 1,240,000 | - | (1,240,000) |
| Total revenues | 15,744,936 | 11,643,264 | 8,396,476 | (3,246,788) |
| EXPENDITURES | | | | |
| Current: | | | | |
| Transportation | 12,410,100 | 492,000 | 961,868 | 469,868 |
| Capital Outlay | 7,548,500 | 19,686,949 | 12,858,514 | (6,828,435) |
| Total expenditures | 19,958,600 | 20,178,949 | 13,820,382 | (6,358,567) |
| Excess (deficiency) of revenues over expenditures | (4,213,664) | (8,535,685) | (5,423,906) | 3,111,779 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 4,277,965 | 7,630,851 | 6,418,255 | (1,212,596) |
| Transfer out | - | (1,040,409) | (20,409) | 1,020,000 |
| Procees from sale of assets | - | - | 40,102 | 40,102 |
| Total other financing source (uses) | 4,277,965 | 6,590,442 | 6,437,948 | (152,494) |
| Net change in fund balances | 64,301 | (1,945,243) | 1,014,042 | 2,959,285 |
| Fund balances - beginning | 387,787 | 2,529,384 | 2,529,384 | - |
| Fund balances - ending | \$ 452,088 | \$ 584,141 | \$ 3,543,426 | \$ 2,959,285 |

**Combining Statement – Internal Service Funds Description
For the Year Ended December 31, 2018**

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, 2018

| | Fleet & Equipment | Property Management | Information Technology | Risk Management | Total Nonmajor Internal Service Funds |
|-----------------------------------|----------------------|------------------------|---------------------------|--------------------|---|
| ASSETS | | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents | \$ 2,983,590 | \$ 536,213 | \$ 201,639 | \$ 12,537 | \$ 3,733,979 |
| Interfund loan receivable | 880,204 | - | - | - | 880,204 |
| Total current assets | 3,863,794 | 536,213 | 201,639 | 12,537 | 4,614,183 |
| Noncurrent assets: | | | | | |
| Improvements other than buildings | - | 137,279 | - | - | 137,279 |
| Machinery and equipment | 8,057,315 | 79,596 | 1,309,234 | - | 9,446,145 |
| Less accumulated depreciation | (4,543,300) | (59,753) | (276,497) | - | (4,879,550) |
| Total noncurrent assets | 3,514,015 | 157,122 | 1,032,737 | - | 4,703,874 |
| Total assets | 7,377,809 | 693,335 | 1,234,376 | 12,537 | 9,318,057 |
| LIABILITIES | | | | | |
| Current liabilities: | | | | | |
| Accounts payable | 28,017 | 20,231 | 49,975 | 11,546 | 109,769 |
| Payable to other governments | - | - | 2,021 | 19 | 2,040 |
| Retainage payable | - | - | - | 751 | 751 |
| Other liabilities payable | - | 10,599 | 26,733 | 221 | 37,553 |
| Compensated absences | - | 3,673 | 9,874 | - | 13,547 |
| Total current liabilities | 28,017 | 34,503 | 88,603 | 12,537 | 163,660 |
| Noncurrent liabilities: | | | | | |
| Compensated absences | - | 8,572 | 23,037 | - | 31,609 |
| Capital lease liability | - | - | - | - | - |
| Total noncurrent liabilities | - | 8,572 | 23,037 | - | 31,609 |
| Total liabilities | 28,017 | 43,075 | 111,640 | 12,537 | 195,269 |
| NET POSITION | | | | | |
| Net investment in capital assets | 3,514,015 | 157,122 | 1,032,737 | - | 4,703,874 |
| Unrestricted | 3,835,777 | 493,138 | 89,999 | - | 4,418,914 |
| Total net position | \$ 7,349,792 | \$ 650,260 | \$ 1,122,736 | \$ - | \$ 9,122,788 |

City of Lakewood
Combining Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Funds
For the Year Ended December 31, 2018

| | Fleet & Equipment | Property Management | Information Technology | Risk Management | Total Internal Service Funds |
|--|----------------------|------------------------|---------------------------|--------------------|---------------------------------|
| OPERATING REVENUES | | | | | |
| Charges for goods and services | \$ 1,634,607 | \$ 777,621 | \$ 1,454,809 | \$ 2,297,703 | \$ 6,164,740 |
| Miscellaneous | 163 | - | - | 120,648 | 120,811 |
| Total operating revenues | <u>1,634,770</u> | <u>777,621</u> | <u>1,454,809</u> | <u>2,418,351</u> | <u>6,285,551</u> |
| OPERATING EXPENSES | | | | | |
| Personal services | - | 193,527 | 521,876 | 9,995 | 725,398 |
| Materials and supplies | 360,634 | 259,656 | 266,298 | 44,767 | 931,355 |
| Services and charges | 392,503 | 274,474 | 568,472 | 2,363,683 | 3,599,132 |
| Intergovernmental | - | 4,260 | - | - | 4,260 |
| Depreciation | 634,385 | 14,803 | 127,498 | - | 776,686 |
| Total operating expenses | <u>1,387,522</u> | <u>746,720</u> | <u>1,484,144</u> | <u>2,418,445</u> | <u>6,036,831</u> |
| Operating income (loss) | <u>247,248</u> | <u>30,901</u> | <u>(29,335)</u> | <u>(94)</u> | <u>248,720</u> |
| NONOPERATING REVENUES (EXPENSES) | | | | | |
| Gain (loss) on disposal of capital assets | 52,500 | - | 319 | - | 52,819 |
| Investment earnings | 61,237 | 10,535 | 590 | 94 | 72,456 |
| Interest expense | - | - | (1,070) | - | (1,070) |
| Total nonoperating revenues (expenses) | <u>113,737</u> | <u>10,535</u> | <u>(161)</u> | <u>94</u> | <u>124,205</u> |
| Income (loss) before contributions and transfers | <u>360,985</u> | <u>41,436</u> | <u>(29,496)</u> | <u>-</u> | <u>372,925</u> |
| Capital Contributions | 51,674 | - | 213,925 | - | 265,599 |
| Transfers out | <u>(390,426)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(390,426)</u> |
| Change in net position | 22,233 | 41,436 | 184,429 | - | 248,098 |
| Total net position - beginning | 7,276,386 | 608,824 | 938,307 | - | 8,823,517 |
| Prior period adjustment - Note 7 | 51,173 | - | - | - | 51,173 |
| Total net position - ending | <u>\$ 7,349,792</u> | <u>\$ 650,260</u> | <u>\$ 1,122,736</u> | <u>\$ -</u> | <u>\$ 9,122,788</u> |

City of Lakewood
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended December 31, 2018

| | Fleet & Equipment | Property Management | Information Technology | Risk Management | Total Internal Service Funds |
|---|----------------------|------------------------|---------------------------|--------------------|---------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| Cash from interdepartmental services | \$ 1,634,607 | \$ 777,621 | \$ 1,454,809 | \$ 2,418,351 | \$ 6,285,388 |
| Cash paid to employees | - | (191,798) | (521,049) | (9,995) | (722,842) |
| Cash paid to suppliers | (769,753) | (562,288) | (835,804) | (2,413,733) | (4,581,578) |
| Other operating receipts (payments) | 163 | - | - | 751 | 914 |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | 865,017 | 23,535 | 97,956 | (4,626) | 981,882 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | | |
| Interfund Loan | (880,204) | - | - | - | (880,204) |
| Gain (loss) on disposal of capital assets | 52,500 | - | 319 | - | 52,819 |
| Transfers to other funds | (390,426) | - | - | - | (390,426) |
| NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES | (1,218,130) | - | 319 | - | (1,217,811) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | |
| Capital contributions | 51,674 | - | 213,925 | - | 265,599 |
| Acquisition and construction of capital assets | (775,063) | - | (243,530) | - | (1,018,593) |
| Principal paid on long-term debt | - | - | (20,897) | - | (20,897) |
| Interest paid on long-term debt | - | - | (1,070) | - | (1,070) |
| NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES | (723,389) | - | (51,572) | - | (774,961) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| Interest income | 61,237 | 10,535 | 590 | 94 | 72,456 |
| NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES | 61,237 | 10,535 | 590 | 94 | 72,456 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (1,015,265) | 34,070 | 47,293 | (4,532) | (938,434) |
| BALANCES - BEGINNING OF YEAR | 3,998,855 | 502,143 | 154,345 | 17,069 | 4,672,412 |
| BALANCES - END OF YEAR | \$ 2,983,590 | \$ 536,213 | \$ 201,639 | \$ 12,537 | \$ 3,733,979 |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | | | | | |
| Operating Income | \$ 247,248 | \$ 30,901 | \$ (29,335) | \$ (94) | \$ 248,720 |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | | | |
| Increase/(decrease) in depreciation expense | 634,385 | 14,803 | 127,498 | - | 776,686 |
| Increase/(decrease) in accounts payable - supplier | (16,616) | (34,497) | (2,661) | (5,302) | (59,076) |
| Increase/(decrease) in payable to other governments | - | 10,599 | 1,627 | 19 | 12,245 |
| Increase/(decrease) in retainage payable | - | - | - | 751 | 751 |
| Increase/(decrease) in salaries & benefits payable | - | 1,729 | 827 | - | 2,556 |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | \$ 865,017 | \$ 23,535 | \$ 97,956 | \$ (4,626) | \$ 981,882 |
| NON-CASH CAPITAL CONTRIBUTIONS | \$ 23,095 | \$ - | \$ - | \$ - | \$ 23,095 |

STATISTICAL SECTION

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.

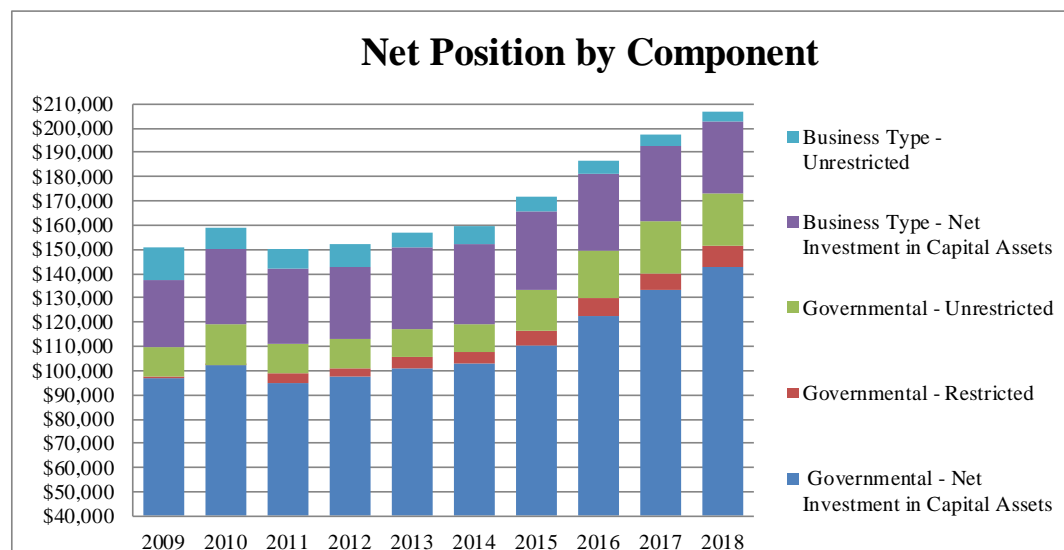
Debt Capacity – These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

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 | | | | | | | | | |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
| Governmental activities | | | | | | | | | | |
| Net investment in capital assets | \$ 96,668 | \$ 102,080 | \$ 94,753 | \$ 97,427 | \$ 100,848 | \$ 103,007 | \$ 110,661 | \$ 122,799 | \$ 133,425 | \$ 142,821 |
| Restricted | 1,011 | 36 | 4,273 | 3,618 | 4,638 | 4,830 | 5,806 | 7,395 | 6,503 | 8,585 |
| Unrestricted | 12,199 | 17,301 | 11,748 | 12,094 | 11,461 | 11,565 | 16,546 | 19,113 | 21,417 | 21,627 |
| Total governmental activities net position | 109,878 | 119,417 | 110,774 | 113,139 | 116,947 | 119,402 | 133,013 | 149,307 | 161,345 | 173,033 |
| Business-type activities | | | | | | | | | | |
| Net investment in capital assets | 27,486 | 30,512 | 31,490 | 29,788 | 33,613 | 33,001 | 32,733 | 31,816 | 30,989 | 29,730 |
| Restricted | - | - | - | - | - | - | - | - | - | - |
| Unrestricted | 13,329 | 9,076 | 8,050 | 9,031 | 6,296 | 6,976 | 5,927 | 5,580 | 4,834 | 3,753 |
| Total business-type activities net position | 40,815 | 39,588 | 39,540 | 38,819 | 39,909 | 39,977 | 38,661 | 37,396 | 35,823 | 33,483 |
| Primary government | | | | | | | | | | |
| Net investment in capital assets | 132,592 | 126,243 | 127,215 | 134,461 | 136,009 | 143,394 | 154,615 | 154,615 | 164,414 | 172,551 |
| Restricted | 36 | 4,273 | 3,618 | 4,638 | 4,830 | 5,806 | 7,395 | 7,395 | 6,503 | 8,585 |
| Unrestricted | 26,377 | 19,798 | 21,125 | 17,757 | 18,541 | 22,473 | 24,693 | 24,693 | 26,251 | 25,381 |
| Total primary government net position | \$ 159,005 | \$ 150,314 | \$ 151,958 | \$ 156,856 | \$ 159,380 | \$ 171,674 | \$ 186,703 | \$ 186,703 | \$ 197,168 | \$ 206,516 |

**Source:**

City of Lakewood Finance Division

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

| | Fiscal Year | | | | | | | | | |
|---|-------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
| Expenses | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| General government | \$ 8,187 | \$ 8,042 | \$ 8,674 | \$ 7,046 | \$ 7,284 | \$ 7,481 | \$ 4,360 | \$ 4,306 | \$ 4,520 | \$ 4,730 |
| Public safety | 19,672 | 20,038 | 20,914 | 20,480 | 21,580 | 21,486 | 22,000 | 23,471 | 23,944 | 25,396 |
| Utilities and environment | 348 | 341 | 320 | 489 | 453 | 59 | 20 | 28 | 35 | 26 |
| Transportation | 7,122 | 7,103 | 5,597 | 6,220 | 3,624 | 6,157 | 6,097 | 6,341 | 6,763 | 7,952 |
| Social services | 478 | 539 | 524 | 238 | 384 | 589 | 585 | 629 | 624 | 668 |
| Economic environment | 3,588 | 3,834 | 4,232 | 3,549 | 4,239 | 4,971 | 3,687 | 3,843 | 4,306 | 4,298 |
| Natural environment | - | - | - | - | 290 | - | 298 | 249 | 286 | 281 |
| Culture and recreation | 1,846 | 1,940 | 2,055 | 2,057 | 1,978 | 1,776 | 2,030 | 2,088 | 2,185 | 2,252 |
| Judicial | - | - | - | 1,757 | 1,718 | 1,491 | 1,537 | 1,645 | 1,750 | 1,816 |
| Interest on long-term debt | 299 | 291 | 278 | 263 | 254 | 237 | 269 | 233 | 211 | 187 |
| Total governmental activities expenses | 41,540 | 42,128 | 42,594 | 42,099 | 41,803 | 44,247 | 40,884 | 42,833 | 44,624 | 47,606 |
| Business-type activities: | | | | | | | | | | |
| Surface water management | 2,539 | 2,179 | 2,610 | 2,668 | 2,492 | 3,142 | 3,244 | 3,338 | 3,528 | 3,267 |
| Total business-type activities net position | 2,539 | 2,179 | 2,610 | 2,668 | 2,492 | 3,142 | 3,244 | 3,338 | 3,528 | 3,267 |
| Total primary government expenses | 44,079 | 44,307 | 45,204 | 44,767 | 44,295 | 47,389 | 44,127 | 46,171 | 48,152 | 50,873 |
| Program Revenues | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| General government | 3,282 | 5,394 | 1,767 | 3,066 | 5,411 | 5,211 | 3,439 | 3,878 | 4,452 | 4,929 |
| Public safety | 3,635 | 3,361 | 3,992 | 1,376 | 1,506 | 1,252 | 1,023 | 1,203 | 1,530 | 1,336 |
| Utilities and environment | 628 | 781 | 492 | 1,022 | 916 | 781 | 931 | 892 | 885 | 886 |
| Transportation | 70 | 73 | 49 | 99 | 70 | 560 | 57 | 417 | 136 | 164 |
| Social services | - | - | (510) | - | - | - | - | - | - | - |
| Economic environment | 1,177 | 1,427 | 1,860 | 1,027 | 384 | 1,060 | 1,130 | 1,227 | 1,539 | 2,024 |
| Natural environment | - | - | - | - | 34 | - | 80 | 84 | 83 | 81 |
| Culture and recreation | 227 | 210 | 216 | 237 | 234 | 247 | 266 | 219 | 240 | 250 |
| Judicial | - | - | - | 1,812 | 1,655 | 1,754 | 1,970 | 1,968 | 1,932 | 1,621 |
| Operating grants and contributions | 5,524 | 9,976 | 7,291 | 4,290 | 2,913 | 3,162 | 4,785 | 5,048 | 5,126 | 5,462 |
| Capital grants and contributions | 2,588 | 2,228 | 1,266 | 6,595 | 3,149 | 3,784 | 7,361 | 12,519 | 7,151 | 8,383 |
| Total governmental activities program revenues | 17,131 | 23,450 | 16,423 | 19,524 | 16,272 | 17,810 | 21,042 | 27,457 | 23,075 | 25,136 |
| Business-type activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| Surface water management | 2,847 | 2,650 | 2,719 | 2,733 | 2,721 | 2,724 | 2,740 | 2,768 | 2,755 | 2,792 |
| Operating grants and contributions | 89 | 45 | 425 | 143 | - | - | - | - | - | - |
| Capital grants and contributions | - | - | - | - | 913 | 277 | 211 | 190 | 144 | 49 |
| Total business-type activities program revenues | 2,936 | 2,695 | 3,144 | 2,876 | 3,634 | 3,000 | 2,951 | 2,959 | 2,899 | 2,841 |
| Total primary government program revenues | \$ 20,067 | \$ 26,145 | \$ 19,567 | \$ 22,400 | \$ 19,906 | \$ 20,811 | \$ 23,993 | \$ 30,415 | \$ 25,974 | \$ 27,977 |

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

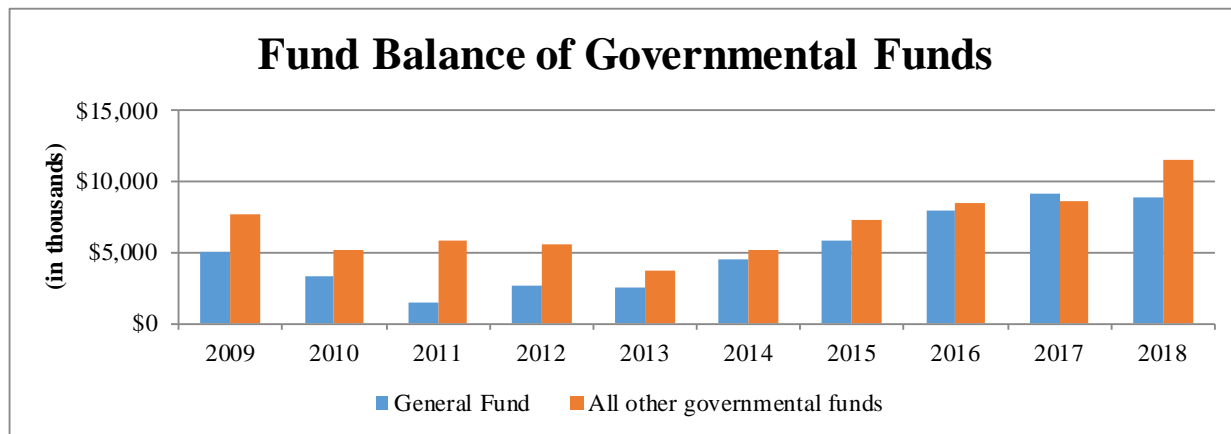
| | Fiscal Year | | | | | | | | | |
|---|--------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
| Net (Expense) Revenue | | | | | | | | | | |
| Governmental activities | \$ (18,678) | \$ (26,171) | \$ (22,575) | \$ (25,531) | \$ (26,437) | \$ (19,842) | \$ (15,376) | \$ (21,549) | \$ (21,549) | \$ (22,470) |
| Business-type activities | 516 | 534 | 208 | 1,142 | (141) | (293) | (379) | (629) | (629) | (426) |
| Total primary government net expense | (18,162) | (25,637) | (22,367) | (24,389) | (26,578) | (20,135) | (15,755) | (22,178) | (22,178) | (22,896) |
| General Revenues and Other Changes in Net Position | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Taxes: | | | | | | | | | | |
| Property taxes | 5,657 | 6,195 | 5,972 | 6,219 | 6,200 | 6,424 | 6,652 | 6,712 | 6,844 | 6,859 |
| Sales taxes | 8,935 | 9,304 | 9,145 | 9,565 | 9,453 | 9,697 | 10,184 | 10,736 | 11,629 | 12,784 |
| Business taxes | 6,250 | 5,675 | 6,564 | 6,214 | 8,311 | 5,748 | 5,704 | 5,629 | 5,744 | 5,409 |
| Excise taxes | 4,051 | 3,268 | 3,011 | 3,082 | 1,159 | 1,107 | 1,509 | 2,125 | 2,468 | 2,701 |
| Other taxes | 433 | 1,660 | 1,563 | 1,927 | 2,989 | 5,515 | 4,604 | 4,851 | 4,925 | 5,619 |
| Investment earnings | 313 | 266 | 265 | 213 | 219 | 221 | 202 | 214 | 319 | 484 |
| Gain (loss) on sale/retirement of capital asset | (73) | (54) | 9 | 13 | 22 | 91 | - | - | 183 | 53 |
| Contributions to other governments | - | - | (9,734) | (3,022) | - | - | - | - | - | - |
| Judgements and settlements | 129 | 2 | 74 | 116 | 99 | 81 | - | - | - | - |
| Donations of capital assets | - | - | - | - | - | 11 | - | - | - | - |
| Miscellaneous | 50 | 90 | (5) | 2 | 80 | 191 | 1,071 | 495 | 482 | 781 |
| Transfers | 902 | 1,812 | 663 | 954 | 78 | (190) | 1,040 | 909 | 993 | 1,984 |
| Total governmental activities | 26,647 | 28,218 | 17,527 | 25,283 | 28,610 | 28,897 | 30,966 | 31,671 | 33,587 | 36,673 |
| Business-type activities: | | | | | | | | | | |
| Investment earnings | 90 | 68 | 78 | 25 | 24,555 | 11,807 | 15 | 23 | 48 | 70 |
| Gain (loss) on sale/retirement of capital asset | - | - | 3 | - | - | - | - | - | - | - |
| Disposition of capital assets | 4 | - | - | - | - | - | - | - | - | - |
| Judgements and settlements | - | - | - | - | - | - | - | - | - | - |
| Miscellaneous | 4 | 1 | - | - | - | 9 | 1 | - | - | - |
| Transfers | (902) | (1,812) | (663) | (954) | (78) | 190 | (1,040) | (909) | (993) | (1,984) |
| Total business-type activities | (804) | (1,743) | (582) | (929) | (53) | 211 | (1,024) | (886) | (944) | (1,914) |
| Total primary government | 25,843 | 26,475 | 16,945 | 24,354 | 28,557 | 29,108 | 29,941 | 30,785 | 32,642 | 34,759 |
| Change in Net Position | | | | | | | | | | |
| Governmental activities | 7,969 | 2,047 | (5,048) | (248) | 2,174 | 9,055 | 15,589 | 10,122 | 12,038 | 14,203 |
| Prior period adjustment - Note 5 | - | - | - | - | - | - | - | - | - | 52 |
| Adjusted Governmental activities | - | - | - | - | - | - | - | - | - | 14,255 |
| Business-type activities | (288) | (1,209) | (374) | 213 | (195) | (82) | (1,403) | (1,514) | (1,573) | (2,340) |
| Total primary government | \$ 7,681 | \$ 838 | \$ (5,422) | \$ (35) | \$ 1,979 | \$ 8,974 | \$ 14,186 | \$ 8,607 | \$ 10,464 | \$ 11,915 |

Source:

City of Lakewood Finance Division

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

| | Fiscal year | | | | | | | | | |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|------------------|
| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
| General Fund | | | | | | | | | | |
| Unreserved | \$ 5,015 | \$ 3,297 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Nonspendable | - | - | - | - | 20 | - | - | - | - | - |
| Spendable: | | | | | | | | | | |
| Restricted | - | - | - | - | - | - | - | - | - | - |
| Committed | - | - | - | - | 5 | 6 | 4,405 | 4,543 | 4,809 | 5,020 |
| Assigned | - | - | 95 | - | - | - | - | - | - | - |
| Unassigned | - | - | 1,334 | 2,615 | 2,556 | 4,527 | 1,444 | 3,367 | 4,344 | 3,828 |
| Total | 5,015 | 3,297 | 1,429 | 2,615 | 2,581 | 4,533 | 5,849 | 7,909 | 9,152 | 8,848 |
| All Other Governmental Funds | | | | | | | | | | |
| Reserved | 1,431 | 1,307 | - | - | - | - | - | - | - | - |
| Unreserved, reported in: | | | | | | | | | | |
| Special Revenue Funds | 4,208 | 3,493 | - | - | - | - | - | - | - | - |
| Debt Service Funds | - | - | - | - | - | - | - | - | - | - |
| Capital Projects Funds | 2,061 | 316 | - | - | - | - | - | - | - | - |
| Nonspendable | - | - | - | 1 | 20 | - | - | - | - | - |
| Spendable: | | | | | | | | | | |
| Restricted | - | - | 4,237 | 4,720 | 3,881 | 4,029 | 5,806 | 7,395 | 6,503 | 8,585 |
| Committed | - | - | 1,569 | 833 | 895 | 1,087 | 1,494 | 1,068 | 2,119 | 2,920 |
| Assigned | - | - | - | - | 840 | - | - | - | - | - |
| Unassigned | - | - | - | - | (1,971) | - | - | - | - | - |
| Total all other governmental funds | \$ 7,700 | \$ 5,116 | \$ 5,806 | \$ 5,554 | \$ 3,666 | \$ 5,117 | \$ 7,300 | \$ 8,463 | \$ 8,622 | \$ 11,505 |



1) Restricted fund balance increased in 2018 primarily due to reclassification of CDBG notes/contracts receivables from deferred inflows of resources to restricted fund balance.

Source:

City of Lakewood Finance Division

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

| | Fiscal Year | | | | | | | | | |
|---|--------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
| Revenues | | | | | | | | | | |
| Taxes | 25,905 | 26,325 | 26,736 | 26,814 | 26,420 | 26,717 | 28,565 | 29,983 | 31,508 | 33,424 |
| Licenses and permits | 3,207 | 3,097 | 3,444 | 4,016 | 4,186 | 4,459 | 4,582 | 4,857 | 5,144 | 6,008 |
| Intergovernmental | 6,798 | 11,389 | 7,663 | 10,611 | 7,487 | 8,590 | 11,585 | 15,684 | 11,217 | 13,318 |
| Charges for services | 1,987 | 1,971 | 2,173 | 2,651 | 2,906 | 3,824 | 3,209 | 4,058 | 4,067 | 3,840 |
| Fines and forfeitures | 2,725 | 1,438 | 1,803 | 2,084 | 1,884 | 1,614 | 1,557 | 1,620 | 1,456 | 1,425 |
| Special assessments | 603 | 179 | 179 | - | 179 | 179 | 511 | 140 | 140 | 201 |
| Investment earnings | 293 | 232 | 214 | 195 | 203 | 212 | 199 | 196 | 291 | 414 |
| Rents and leases | - | - | - | - | - | - | - | - | - | - |
| Contributions | 248 | 12 | 44 | 21 | 274 | 87 | 118 | 517 | 189 | 316 |
| Miscellaneous | 714 | 658 | 603 | 709 | 486 | 210 | 298 | 415 | 292 | 357 |
| Total revenues | 42,480 | 45,301 | 42,859 | 47,101 | 44,025 | 45,892 | 50,624 | 57,471 | 54,304 | 59,302 |
| Expenditures | | | | | | | | | | |
| General government | 8,519 | 8,281 | 8,998 | 6,754 | 7,562 | 7,152 | 4,170 | 3,852 | 4,140 | 4,438 |
| Public safety | 19,273 | 19,193 | 19,953 | 19,538 | 20,405 | 20,548 | 22,121 | 23,024 | 24,128 | 26,028 |
| Utilities and environment | 336 | 333 | 304 | 482 | 71 | 58 | 20 | 28 | 35 | 26 |
| Transportation | 4,894 | 4,728 | 3,370 | 3,543 | 2,801 | 2,897 | 2,845 | 2,709 | 3,156 | 3,542 |
| Health and human services | 489 | 540 | 524 | 460 | 384 | 588 | 585 | 629 | 624 | 668 |
| Natural & Economic environment | 3,549 | 3,803 | 4,122 | 3,334 | 4,478 | 5,008 | 3,986 | 4,078 | 4,589 | 4,587 |
| Culture and recreation | 1,577 | 1,574 | 1,692 | 1,723 | 1,664 | 1,431 | 1,788 | 1,830 | 1,930 | 1,996 |
| Judicial | - | - | - | 1,679 | 1,721 | 1,468 | 1,550 | 1,647 | 1,760 | 1,823 |
| Capital outlay | 13,171 | 13,849 | 6,233 | 8,639 | 4,175 | 5,193 | 12,213 | 15,998 | 13,496 | 16,242 |
| Debt service: | | | | | | | | | | |
| Principal | 908 | 786 | 755 | 782 | 789 | 791 | 646 | 1,230 | 936 | 951 |
| Interest and debt issue costs | 301 | 293 | 281 | 273 | 256 | 240 | 284 | 220 | 200 | 177 |
| Total expenditures | 53,017 | 53,380 | 46,232 | 47,207 | 44,306 | 45,374 | 50,210 | 55,246 | 54,994 | 60,479 |
| Excess of revenues over (under) expenditures | (10,537) | (8,079) | (3,373) | (106) | (281) | 518 | 415 | 2,225 | (689) | (1,176) |
| Other Financing Sources (Uses) | | | | | | | | | | |
| Transfers in | 4,736 | 3,078 | 2,259 | 2,955 | 1,933 | 3,795 | 6,686 | 6,600 | 8,654 | 11,388 |
| Transfers out | (3,936) | (1,381) | (1,711) | (2,009) | (1,856) | (2,879) | (5,606) | (5,925) | (7,614) | (9,013) |
| Debt proceeds ⁽¹⁾ | 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 | 6 | 1 | - | - | 581 | - | 154 | 2 | 404 | 40 |
| Nonrevenues | - | - | - | - | 8 | - | - | - | - | - |
| Total other financing sources (uses) | 6,048 | 3,776 | 1,810 | 999 | 695 | 933 | 3,084 | 998 | 2,091 | 2,414 |
| Net change in fund balance | (4,489) | (4,303) | (1,563) | 893 | 414 | 1,451 | 3,499 | 3,223 | 1,402 | 1,238 |
| Debt service as a percentage of noncapital expenditures | 3.03% | 2.73% | 2.59% | 2.74% | 2.60% | 2.56% | 2.45% | 3.70% | 2.74% | 2.55% |

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.

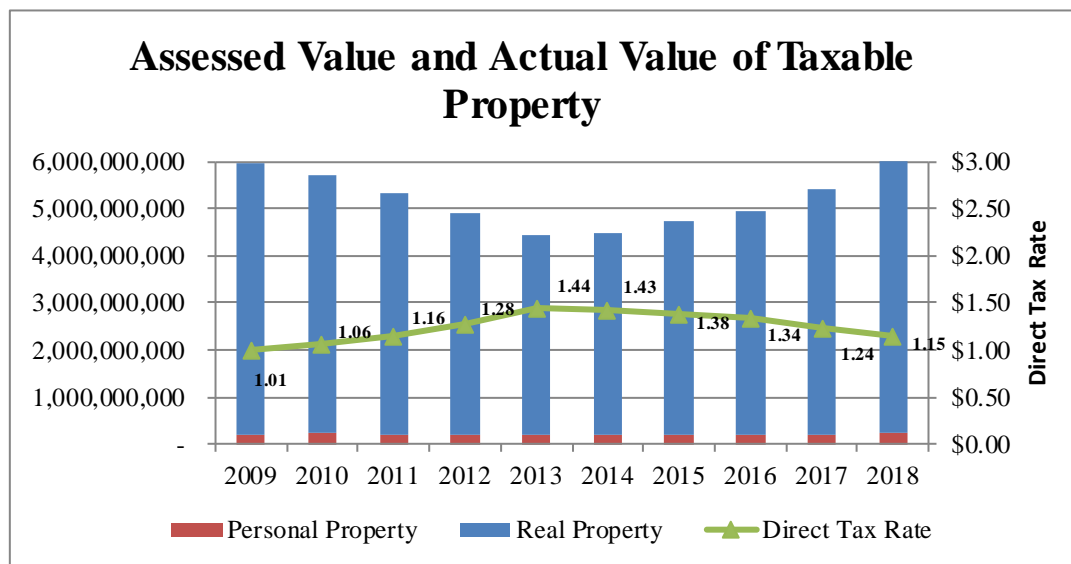
2) Fund balance increased in 2018 due to increase in sales tax.

Source:

City of Lakewood Finance Division

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

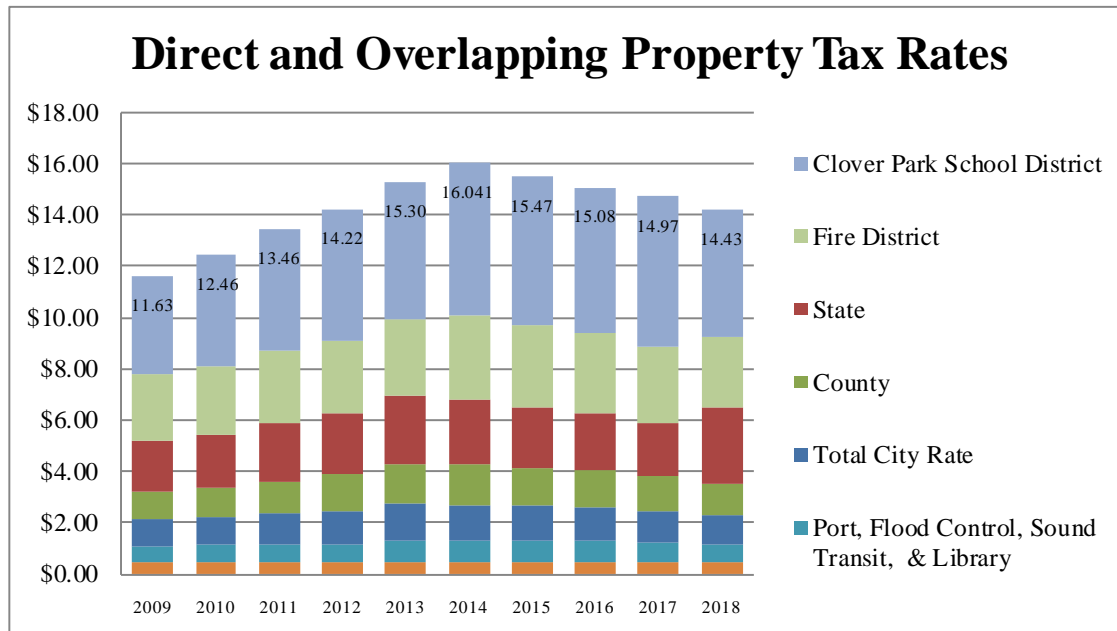
| Fiscal Year | Real Property | Personal Property | Total Taxable Assessed Valuation | Total Direct Tax Rate |
|-------------|---------------|-------------------|----------------------------------|-----------------------|
| 2009 | 5,741,332,115 | 207,649,289 | 5,948,981,404 | 1.00 |
| 2010 | 5,465,345,337 | 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 |
| 2018 | 5,735,143,229 | 267,639,860 | 6,002,783,089 | 1.15 |

**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 | |
| 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 |
| 2018 | 1.15 | 2.91 | 1.23 | 0.18 | 0.08 | 0.23 | 0.48 | 4.96 | 0.43 | 2.78 | 14.43 |

**Source:**

Pierce County Assessor Treasurer.

Schedule 7
Principal Property Taxpayers
Current Year and Nine Years Ago

| Taxpayer | 2018 | | | 2009 | | |
|-----------------------------------|------------------------|------|--|------------------------|------|--|
| | Taxable Assessed Value | Rank | % of Total City Taxable Assessed Value | Taxable Assessed Value | Rank | % of Total City Taxable Assessed Value |
| Northwest Building LLC | \$ 176,400,041 | 1 | 2.55% | \$ 99,885,017 | 1 | 1.68% |
| Puget Sound Energy/Gas | 147,047,279 | 2 | 2.12% | 25,757,054 | 6 | 0.43% |
| RPAI Lakewood LLC | 71,211,000 | 3 | 1.03% | - | | 0.00% |
| BRE WA Village at Seeley Lake LLC | 70,506,400 | 4 | 1.02% | - | | 0.00% |
| Tacoma Gateway Lakewood LLC | 38,058,400 | 5 | 0.55% | - | | 0.00% |
| Lakewood 231 LLC | 32,752,000 | 6 | 0.47% | - | | 0.00% |
| Beaumont Lakewood Associates LLC | 29,223,900 | 7 | 0.42% | 22,669,300 | 8 | 0.38% |
| Lakha Lakewood Properties | 28,583,500 | 8 | 0.41% | 31,026,700 | 5 | 0.52% |
| WIG Properties LLC-LKPL | 23,198,200 | 9 | 0.33% | 21,920,500 | 10 | 0.37% |
| Morningtree Park LLC | 22,202,500 | 10 | 0.32% | - | | 0.00% |
| Inland Western Lakewood LLC | - | | 0.00% | 91,584,300 | 2 | 1.54% |
| ERP Operating LP | - | | 0.00% | 54,939,200 | 3 | 0.92% |
| Wal-Mart Stores Inc #2403 | - | | 0.00% | 32,244,300 | 4 | 0.54% |
| Prum Lakewood Bldgs LLC | - | | 0.00% | 24,003,800 | 7 | 0.40% |
| Lowes of Lakewood #1081 | - | | 0.00% | 21,962,013 | 9 | 0.37% |
| NetFlix Inc | - | | 0.00% | - | | 0.00% |
| Lakewood Cinema Plaza | - | | 0.00% | - | | 0.00% |
| Green Leaf Lakewood LLC | - | | 0.00% | - | | 0.00% |
| Qwest Corporation Inc | - | | 0.00% | - | | 0.00% |
| UDR Beaumont LLC | - | | 0.00% | - | | 0.00% |
| TOTAL | \$ 639,183,220 | | 9.22% | \$ 425,992,184 | | 7.16% |

Source:

Pierce County Assessor Treasurer

Note: Values are based on current year assessed value for following year taxes.

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 | | |
| 2009 | 5,967,019 | 5,681,367 | 95.21% | 285,651 | 5,967,018 | 100.00% | 0 | 0.00% |
| 2010 | 6,160,466 | 5,806,803 | 94.26% | 353,547 | 6,160,350 | 100.00% | 116 | 0.00% |
| 2011 | 6,085,973 | 5,898,256 | 96.92% | 187,603 | 6,085,858 | 100.00% | 115 | 0.00% |
| 2012 | 6,212,891 | 6,031,790 | 97.09% | 181,064 | 6,212,855 | 100.00% | 36 | 0.00% |
| 2013 | 6,313,779 | 6,135,401 | 97.17% | 177,951 | 6,313,353 | 99.99% | 426 | 0.01% |
| 2014 | 6,436,606 | 6,248,259 | 97.07% | 187,460 | 6,435,719 | 99.99% | 886 | 0.01% |
| 2015 | 6,654,797 | 6,413,233 | 96.37% | 224,146 | 6,637,379 | 99.74% | 17,418 | 0.26% |
| 2016 | 6,782,076 | 6,545,433 | 96.51% | 120,785 | 6,666,218 | 98.29% | 115,858 | 1.71% |
| 2017 | 7,042,957 | 6,738,954 | 95.68% | 132,350 | 6,871,304 | 97.56% | 171,652 | 2.44% |
| 2018 | 7,097,538 | 6,935,521 | 97.72% | - | 6,935,521 | 97.72% | 162,017 | 2.28% |

*Includes amount collected within the fiscal year and subsequent year certification adjustments.

**Amounts reported for current year are reported in the following year and adjusted for subsequent year's collection.

Source:

Pierce County Assessor Treasurer.

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

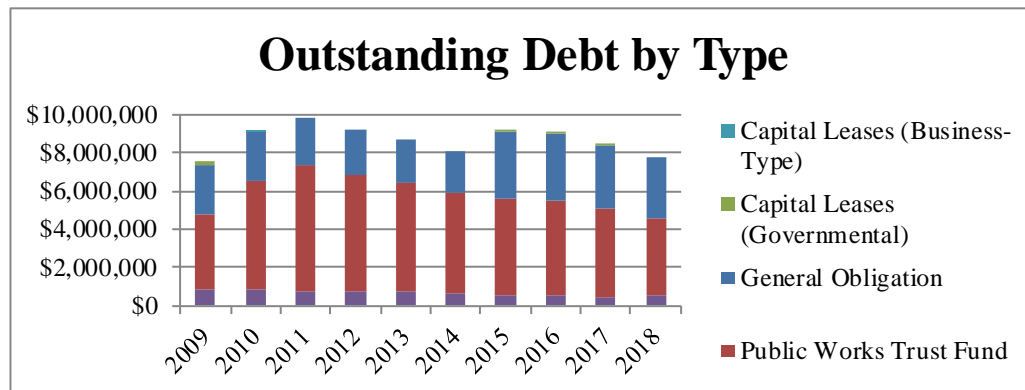
| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|------------------|
| Agriculture, Forestry, & Fishing | \$ 5 | \$ 2 | \$ 2 | \$ 2 | \$ 2 | \$ 2 | \$ 1 | \$ 1 | \$ 1 | \$ 1 |
| Mining | - | - | 1 | - | - | - | 1 | 2 | 4 | 0 |
| Utilities | 2 | 2 | 2 | 2 | 1 | 2 | 2 | 2 | 2 | 4 |
| Construction | 1,076 | 963 | 714 | 903 | 1,030 | 884 | 884 | 913 | 1,175 | 1,506 |
| Manufacturing | 104 | 113 | 136 | 132 | 136 | 157 | 158 | 217 | 199 | 219 |
| Wholesale Trade | 291 | 382 | 312 | 317 | 342 | 466 | 398 | 396 | 496 | 462 |
| Retail Trade | 3,473 | 3,586 | 3,719 | 4,016 | 3,938 | 3,925 | 4,209 | 4,224 | 4,599 | 5,042 |
| Transportation & Warehousing | 34 | 31 | 40 | 36 | 43 | 64 | 57 | 54 | 88 | 55 |
| Information | 324 | 364 | 364 | 364 | 387 | 424 | 449 | 504 | 500 | 485 |
| Finance and Insurance | 32 | 28 | 34 | 25 | 41 | 41 | 56 | 62 | 50 | 66 |
| Real Estate, Rental, Leasing | 201 | 206 | 196 | 214 | 236 | 239 | 288 | 338 | 336 | 344 |
| Professional, Scientific, & Technical | 85 | 55 | 66 | 68 | 88 | 95 | 95 | 125 | 100 | 107 |
| Management of Companies & Enterprises | - | - | 4 | - | - | - | - | 1 | 1 | 0 |
| Administrative Services | 130 | 131 | 135 | 125 | 143 | 139 | 155 | 159 | 178 | 269 |
| Educational Services | 57 | 54 | 48 | 43 | 46 | 35 | 37 | 51 | 31 | 24 |
| Health Care & Social Assistance | 30 | 60 | 27 | 29 | 45 | 39 | 46 | 47 | 40 | 40 |
| Arts, Entertainment, & Recreation | 95 | 95 | 92 | 88 | 91 | 96 | 106 | 112 | 107 | 113 |
| Accommodation & Food Services | 968 | 981 | 989 | 1,050 | 1,088 | 1,127 | 1,211 | 1,260 | 1,367 | 1,529 |
| Public Administration | 65 | 57 | 55 | 66 | 59 | 71 | 59 | 68 | 112 | 21 |
| Other Services | 404 | 454 | 511 | 416 | 423 | 467 | 497 | 642 | 573 | 690 |
| Total | \$ 7,374 | \$ 7,562 | \$ 7,445 | \$ 7,897 | \$ 8,140 | \$ 8,272 | \$ 8,708 | \$ 9,179 | \$ 9,959 | \$ 10,978 |

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 | | | |
| 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 | 18.60% | 154 |
| 2018 | 3,201,928 | 594,767 | 4,038,695 | - | 501,088 | - | 8,336,476 | - | 140 |



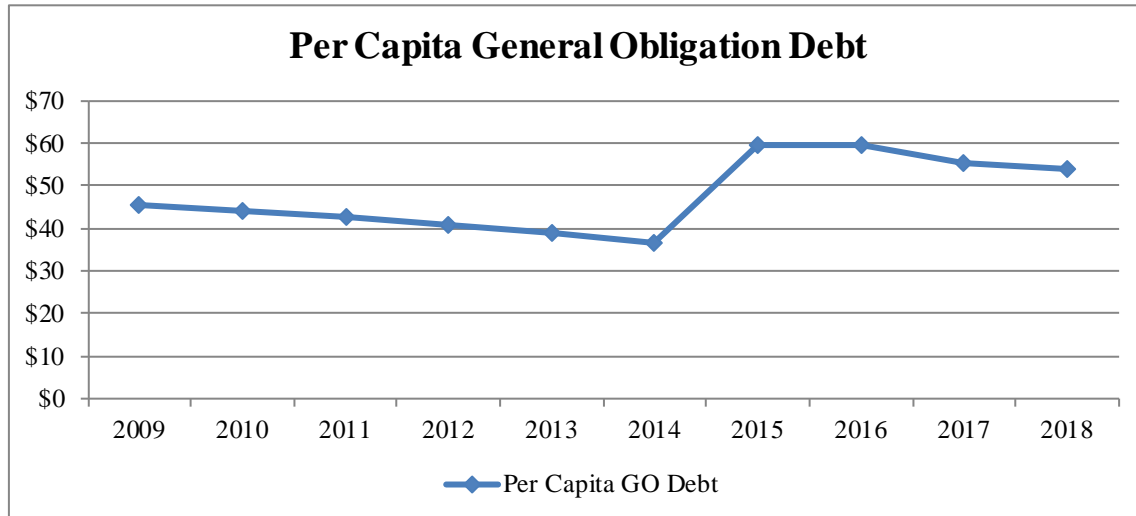
(A) Personal income is calculated based on Pierce County Per Capita Personal Income applied to Lakewood population. 2018 data was not available at time of publication of this document.

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 |
|--------------------|-------------------------------------|---|-------------------|
| 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 |
| 2018 | 3,201,928 | 0.05% | 53.95 |



Source:

City of Lakewood Finance

Schedule 12
Direct and Overlapping Governmental Activities Debt
As of December 31, 2018

| | Net Debt Outstanding | Estimated Percentage Applicable | Estimated Share of Overlapping Debt |
|--|---------------------------------|--|--|
| Overlapping Debt: | | | |
| Pierce County | \$ 111,615,000 | 7.7% | \$ 8,547,331 |
| Port of Tacoma | 166,840,000 | 7.7% | 12,776,390 |
| Clover Park School District | 126,295,000 | 95.7% | 120,869,034 |
| Steilacoom Historical School District | 36,595,000 | 5.2% | 1,917,952 |
| Tacoma School District | 492,430,000 | 0.3% | 1,703,427 |
| West Pierce Fire District | 1,102,297 | 60.5% | 667,424 |
| Total Overlapping Debt | 934,877,297 | | 146,481,558 |
| Direct Debt: City of Lakewood | 8,336,478 | 100% | 8,336,478 |
| Total Direct and Overlapping Debt | <u>\$ 943,213,775</u> | | <u>\$ 154,818,036</u> |

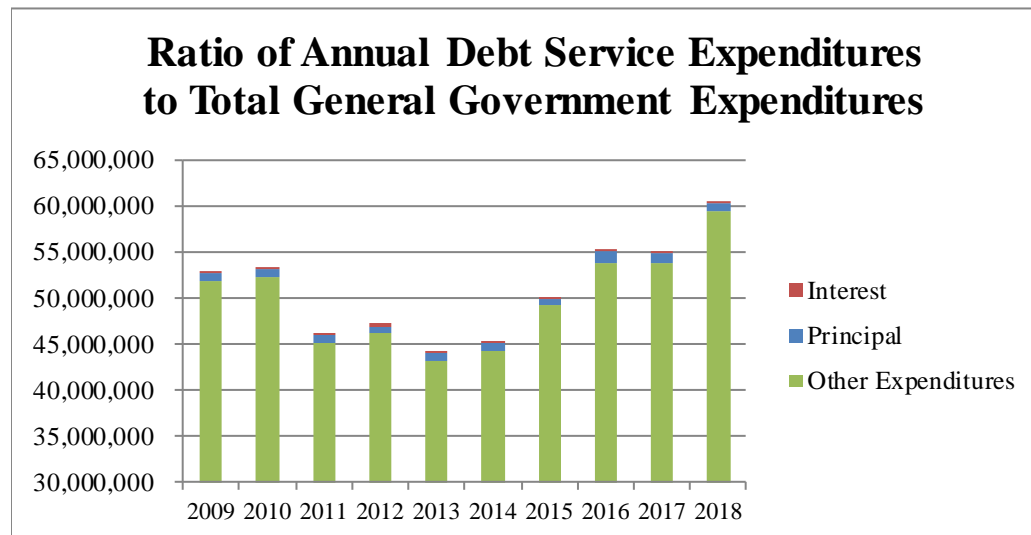
The estimated percentage applicable is calculated by dividing the assessed value of Lakewood properties within the taxing district divided by the total assessed property values within the taxing district multiplied by the outstanding debt of the taxing district.

Source:

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

Schedule 13
Ratio of Annual Debt Service Expenditures to Total
General Governmental Expenditures
Last Ten Fiscal Years

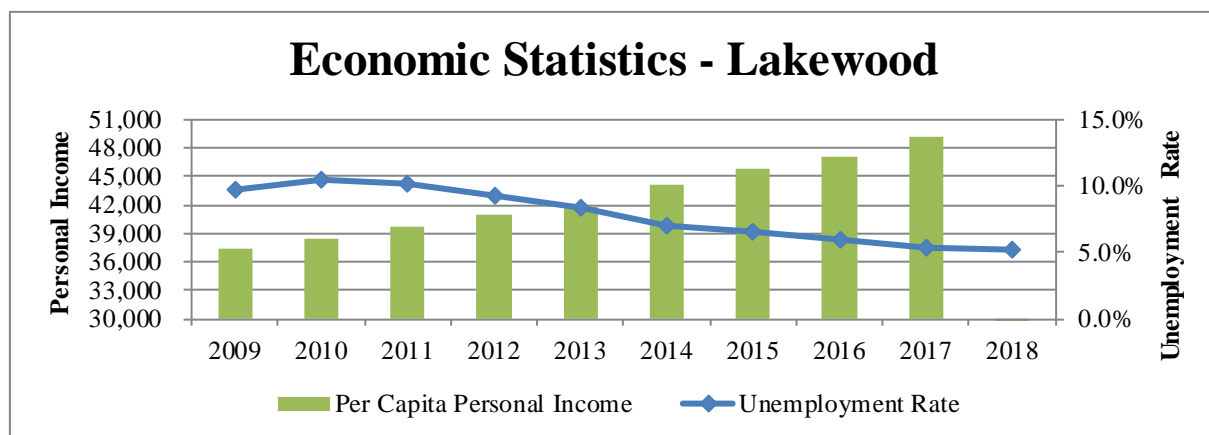
| Fiscal Year | Principal | Interest | Total Debt Service | Total General Governmental Expenditures | Ratio of Debt Service to General Governmental Expenditures |
|-------------|-----------|----------|--------------------|---|--|
| 2009 | 907,799 | 277,301 | 1,185,100 | 53,016,982 | 2.24% |
| 2010 | 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% |
| 2018 | 951,387 | 177,216 | 1,128,603 | 60,478,604 | 1.87% |

Source:

City of Lakewood Finance Division

Schedule 14
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⁾ |
|-------------|------------------------------------|--|---|----------------------------------|--|----------------------------------|
| 2009 | 58,840 | 2,205,088 | 37,476 | 11,245 | 56,555 | 9.7% |
| 2010 | 58,163 | 2,229,097 | 38,325 | 11,172 | 55,531 | 10.4% |
| 2011 | 58,190 | 2,310,259 | 39,702 | 11,160 | 56,114 | 10.1% |
| 2012 | 58,260 | 2,387,961 | 40,988 | 11,383 | 57,162 | 9.3% |
| 2013 | 58,310 | 2,440,332 | 41,851 | 11,602 | 57,238 | 8.3% |
| 2014 | 58,360 | 2,573,034 | 44,089 | 12,254 | 59,998 | 7.0% |
| 2015 | 58,400 | 2,671,333 | 45,742 | 12,285 | 59,566 | 6.5% |
| 2016 | 58,800 | 2,770,186 | 47,112 | 12,346 | 61,042 | 6.0% |
| 2017 | 59,280 | 2,917,406 | 49,214 | 12,885 | 65,517 | 5.3% |
| 2018 | 59,350 | - | - | 12,953 | 70,321 | 5.2% |



- (1) State of Washington, Office of Financial Management.
- (2) Pierce County Per Capita Personal Income applied to Lakewood population. 2018 data is not yet available.
- (3) Pierce County Per Capita Personal Income as provided by Bureau of Economic Analysis (BEA). 2018 data is not yet available and is normally updated in November. Previous years have been updated per revisions by the BEA.
- (4) Clover Park School District which is the largest in Lakewood.
- (5) Median household income from the Washington State Office of Financial Management (OFM). 2017 is a preliminary estimate and 2018 is a projection made by OFM. Data becomes available in mid-April following the year.
- (6) Pierce County Unemployment Rate as provided by the Bureau of Labor Statistics (BLS). 2018 is unavailable as December is currently an estimate. Data is calculated by the monthly average, including the December estimate. Previous years have updated per revisions by the BLS.

Schedule 15
Principal Employers
Current Year and Ten Years Ago

| Taxpayer | Type of Business | 2018 | | | 2009 | | |
|-------------------------------|--|---------------------|------|----------------------------|---------------------|------|----------------------------|
| | | 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 | 1,667 | 2 | 4.9% | 1,696 | 2 | 7.6% |
| Pierce College | Public Sector - Education | 1,131 | 3 | 3.3% | 787 | 4 | 3.5% |
| Camp Murray | Military - National Guard | 1,050 | 4 | 3.1% | - | | |
| Pierce Transit | Public Sector - Transportation | 950 | 5 | 2.8% | 911 | 3 | 4.1% |
| St. Clare Hospital | Health Care | 723 | 6 | 2.1% | 700 | 5 | 3.1% |
| Aacres WA LLC | Private Social Services Network | 587 | 7 | 1.7% | - | | |
| McClane Northwest | Transportation/Warehousing | 424 | 8 | 1.3% | 370 | 6 | 1.7% |
| Clover Park Technical College | Public Sector - Education | 400 | 9 | 1.2% | 260 | 9 | 1.2% |
| Wal-Mart | Retail | 370 | 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>9,602</u> | | <u>28.39%</u> | <u>7,575</u> | | <u>33.97%</u> |

2018 Jobs in Lakewood: 34,096

Source:

City of Lakewood Community and Economic Development Department

*2009 Figures unavailable, used 2005 Figures

Schedule 16
Capital Assets by Function
Last Ten Fiscal Years

| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Transportation | | | | | | | | | | |
| Street (center line miles) | 180 | 180 | 180 | 180 | 180 | 180 | 180 | 180 | 180 | 180 |
| Signals City-owned and maintained | 68 | 69 | 69 | 69 | 69 | 69 | 69 | 69 | 69 | 69 |
| Signals WSDOT-owned and maintained | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 11 | 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 | - | - | - |
| Street lights City-owned and maintained | 194 | 204 | 204 | 214 | 614 | 614 | 614 | 2,176 | 2,176 | 2,277 |
| Street lights City-owned and TPU maintained | 428 | 420 | 420 | 420 | 420 | 420 | 420 | - | - | - |
| Street lights City-owned and Lakeview maintained | 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 | 1,098 |
| Street lights TPU-owned and maintained | 353 | 353 | 353 | 353 | 353 | 353 | 353 | - | - | - |
| Culture & Recreation | | | | | | | | | | |
| Developed parks - acreage | 77 | 77 | 77 | 77 | 80 | 80 | 80 | 82 | 82 | 82 |
| Developed parks - number of parks | 12 | 12 | 12 | 12 | 12 | 12 | 13 | 13 | 12 | 12 |
| Undeveloped parks - acreage | 456 | 456 | 461 | 461 | 465 | 467 | 467 | 467 | 467 | 467 |
| Playgrounds | 11 | 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 | 10 | 10 | 10 | 10 | 11 | 12 | 12 |
| Community gardens | - | - | - | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Senior Center | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |

Source:

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

Schedule 17
Operating Indicators by Function
Last Ten Fiscal Years

| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|--|--------|-------|-------|-------|--------|-------|--------|-------|--------|--------|
| SECURITY OF PERSONS & PROPERTY | | | | | | | | | | |
| Police Information | | | | | | | | | | |
| Offenses: | | | | | | | | | | |
| Forcible Rape (including attempts) | 47 | 39 | 45 | 38 | 30 | 34 | 58 | 55 | 67 | 38 |
| Robbery | 171 | 137 | 114 | 109 | 90 | 89 | 93 | 103 | 94 | 90 |
| Criminal Homicide | 2 | - | 2 | 3 | 2 | 1 | 2 | - | 5 | 7 |
| Aggravated Assault | 341 | 316 | 343 | 319 | 278 | 247 | 339 | 375 | 322 | 332 |
| Vehicle Theft | 255 | 272 | 308 | 233 | 205 | 215 | 260 | 368 | 375 | 382 |
| Burglary (commercial & residential) | 585 | 584 | 604 | 725 | 642 | 644 | 566 | 616 | 507 | 492 |
| Larceny | 2,195 | 1,882 | 1,943 | 2,089 | 1,832 | 1,681 | 1,991 | 2,097 | 2,052 | 2,041 |
| Arson | 16 | 10 | 3 | 13 | 14 | 15 | 13 | 15 | 11 | 15 |
| Citations: | | | | | | | | | | |
| Traffic | 5,339 | 5,461 | 8,608 | 6,633 | 5,753 | 8,980 | 8,202 | 6,595 | 5,023 | 3,697 |
| Red Light Photo | 10,399 | 8,310 | 8,039 | 8,225 | 8,586 | 8,827 | 10,586 | 7,289 | 11,336 | 11,927 |
| Fixed Speed Photo | 12,041 | 5,842 | 6,062 | 5,814 | 5,744 | 4,669 | 3,384 | 9,749 | 6,198 | 6,571 |
| ECONOMIC ENVIRONMENT | | | | | | | | | | |
| Building Related Permits & Values | | | | | | | | | | |
| Building Permits | 1,360 | 1,379 | 1,666 | 1,392 | 1,927 | 1,339 | 1,336 | 1,207 | 1,540 | 1,718 |
| Estimated Value (in millions) | \$ 61 | \$ 39 | \$ 62 | \$ 46 | \$ 147 | \$ 52 | \$ 56 | \$ 65 | \$ 76 | \$ 124 |

Source

(1) City of Lakewood Police Department

(2) City of Lakewood Community and Economic Environment Department

Schedule 18
Full-Time Equivalent City Government Employees by Function/Program
Last Ten Fiscal Years

| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Function/Program | | | | | | | | | | |
| General Government | | | | | | | | | | |
| Municipal Court | 14.75 | 15.75 | 16.00 | 16.75 | 16.75 | 16.00 | 12.50 | 12.50 | 11.00 | 11.00 |
| City Manager | 3.60 | 4.00 | 4.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 |
| Administrative Services | 23.70 | 24.30 | 24.50 | 20.85 | 20.85 | 20.85 | 16.00 | 16.00 | 16.00 | 16.00 |
| Legal & City Clerk | 12.74 | 14.00 | 12.75 | 11.98 | 11.98 | 11.98 | 12.50 | 12.50 | 11.00 | 11.00 |
| Community & Economic Development | 22.50 | 24.50 | 25.00 | 23.00 | 22.00 | 19.00 | 16.00 | 17.50 | 17.50 | 18.50 |
| Culture & Recreation | 12.95 | 13.10 | 12.75 | 15.50 | 15.50 | 22.70 | 18.25 | 24.25 | 24.25 | 24.25 |
| Security | 129.00 | 123.00 | 123.00 | 118.00 | 118.00 | 121.00 | 116.00 | 116.00 | 116.00 | 116.00 |
| Public Works | 22.75 | 22.71 | 35.50 | 34.00 | 34.00 | 27.90 | 26.00 | 20.50 | 20.50 | 20.50 |
| Total | 241.99 | 241.36 | 253.50 | 243.08 | 242.08 | 242.43 | 220.25 | 222.25 | 219.25 | 220.25 |

Source:

City of Lakewood Finance