

2019 Governor's Smart
Communities Award for
Smart Vision

2019

Comprehensive Annual Financial Report



City of Lakewood, WA

For the Year Ended December 31, 2019



COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended December 31, 2019

City of Lakewood
6000 Main Street SW
Lakewood, Washington 98499
(253) 983-7706

www.cityoflakewood.us

**Administrative Services Department
Finance Division**

Tho Kraus
Assistant City Manager/Chief Financial Officer

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended December 31, 2019

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July 31, 2020

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, 2019 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 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 59,670 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 had a relatively strong economy that continued to outperform the national level, 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. Activity in the Puget Sound region has remained strong through the end of 2019. Amazon and other firms have continued to hire and construction employment has been impressive. 2019 employment in construction was noticeably stronger than the models had been predicting.

The unexpected turnaround in the economy brought on by the pandemic crisis in the first quarter of 2020 will negatively impact the City's finances despite any momentum it had going into the new year. This will be true for most other local governments and the State of Washington. A discussion of the economic impacts and how the City intends to respond to this crisis is provided in Management's Discussion and Analysis - Impact of Economic Crisis Due to COVID-19 Pandemic.

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 2019. 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 2018, 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 2020 due to the health and economic crisis that began in the first quarter of 2020.

As of the end of 2019, the average unemployment rate in the Tacoma-Lakewood region decreased to 5.1% compared to 2018 at 5.2% and compared to the 3.5% annual rate. In 2019, the average personal income in Pierce County was \$72K per household.

ECONOMIC TRENDS

In 2019, there were 26,835 housing units in Lakewood, an increase of 0.22% over 2018. Of these units, 51% or 13,613 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.

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 2019 total \$11.9M, and is above 2018 by \$0.9M or 11.0% due primarily to increases in retail trade (up \$335K or 6.7%), services (up by \$109K or 4.1%), and construction (up \$475KK or 31%).

The 2019 assessed value for 2019 tax collections includes new construction and added improvements assessed value totaled \$79.9M or approximately 1.1% of the City's 2019 assessed valuation. The total assessed value of property in Lakewood was \$7.5B, which is approximately 13% higher than the 2018 assessed valuation of \$6.0B.

Real Estate sales decreased from \$539 million in 2018 to \$470 million in 2019, an increase of 13% or \$69 million. Some of the major real estate transactions in 2019 include a Royal Oaks Apartment, Oakridge Condos, Dutch Brother's Coffee, CVS, Macau Casino Restaurant, Butler House, new multi-family apartments on Woodbrook, and new warehouse on 96th.

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 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

Transportation Projects: Projects completed in 2019 include: issued a contract to build, repair and replace over eleven new LED streetlights; sidewalks and traffic signal improvements at Steilacoom Blvd, Custer to 88th St; Military/112th sidewalks and safety improvements; Gravelly Lake Driven sidewalk and lighting improvements, John Dower (Custer to Steilacoom) sidewalks and bike lanes; Steilacoom to Onyx (Phillips Road) sidewalk and bike lane improvements; Steilacoom Blvd Creed to North City Limits curb and sidewalk upgrades; new street corridor for Motor Avenue SW between Whitman Avenue SW, and the intersection of Gravelly Lake Drive SW and Bridgeport Way SW; Bridgeport to 59th bike lanes and gutters; Steilacoom to John Dower overlay.

Parks Projects: Projects completed in 2019 include: Park Playground Resurfacing (engineered wood chips) which playgrounds at the parks at Wards Lake, Harry Todd, Fort Steilacoom, Washington, Oakbrook, and Kiwanis; Oakbrook Park Improvements (upgraded playground equipment); and acquire 1.1 acres of land in the Springbrook neighborhood in Lakewood which is adjacent to Springbrook Park.

Downtown Plan Award: The City of Lakewood was recognized by Governor Jay Inslee as one of 13 communities to earn a Smart Communities Award. The award recognizes achievements by local leaders statewide who promote smart growth planning and projects that contribute to thriving communities, a prosperous economy and sustainable infrastructure. “Creativity, collaboration and public engagement are key to ensuring that communities are successful in meeting future growth and prosperity goals,” Inslee said in a prepared release. “This year’s award-winning plans and projects exemplify some of the reasons why Washington is consistently ranked one of the best states in America.” Lakewood received the Smart Vision Award for its Downtown Plan. The award recognizes and “outstanding comprehensive plan, sub-area plan or countywide planning policies.”

Fort Steilacoom Park Transfer: The Washington State Department of Enterprise Services (DES) transferred a deed for Fort Steilacoom Park to the City of Lakewood at no cost to the City. The 340-acre park and popular Waughop Lake is across the street from Western State Hospital at 8714 87th Ave. SW and was previously under the custodial care of the Department of Social and Health Services. Pierce County began leasing the property in 1968. Once the City of Lakewood became incorporated in 1996 it assumed the land lease from the county and made numerous improvements on it, including picnic shelters, a trail system, ball fields and playground areas.

National Event Held at Fort Steilacoom Park: The City of Lakewood, Tacoma Sports Commission and MFG Cyclocross welcomed the 2019 US Cyclocross National Championship in December. Fort Steilacoom Park is a nationally recognized venue for cyclocross, with decades of local, national, and international racing taking place over many different course variations. The City of Lakewood has been supportive of the sport of cyclocross, and over the last three years have welcomed new course features.

Health Hero Award: The City of Lakewood was recognized as a Health Hero at the Community Health Care 50th Anniversary event. In its first year, the award is meant to recognize people (or agencies, in Lakewood's case) that "add substantively to the community, who make it a better place to live and work and who open avenues of opportunity to those who live in the margins." The nomination noted the City's record of improving the community's physical infrastructure which alone would be worthy for the positive impact on community health and wellbeing; focus on providing services to its most challenged neighborhoods and residents; dedicating of 1 percent of General Fund revenues to providing funding to partner agencies to deliver human services; creating of a Youth Council to advise the City Council; implementing a rental housing safety program for rental properties as well as a Behavioral Health Contact Team; and developing and refurbishing parks.

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 2019 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 (2019-2020) 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 wayfaring 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 the City'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 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 Uniform Guidance. The 2019 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 2019 for the 22nd 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, 2018. 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 CAFR 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 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.

The City of Lakewood received the GFOA Popular Annual Financial Report Award for its (PAFR) for the year ended December 31, 2018. The GFOA established this program to encourage and assist state and local governments to extract information from their comprehensive annual financial report to produce high quality popular annual financial reports specifically designed to be readily accessible and easily understandable to the general public and other interested parties without a background in public finance and then to recognize governments that are successful in achieving that goal. The award is valid for a period of one year only. We believe that our current popular annual financial report continues to meet the PAFR Report Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another award.

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/Chief Financial Officer

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

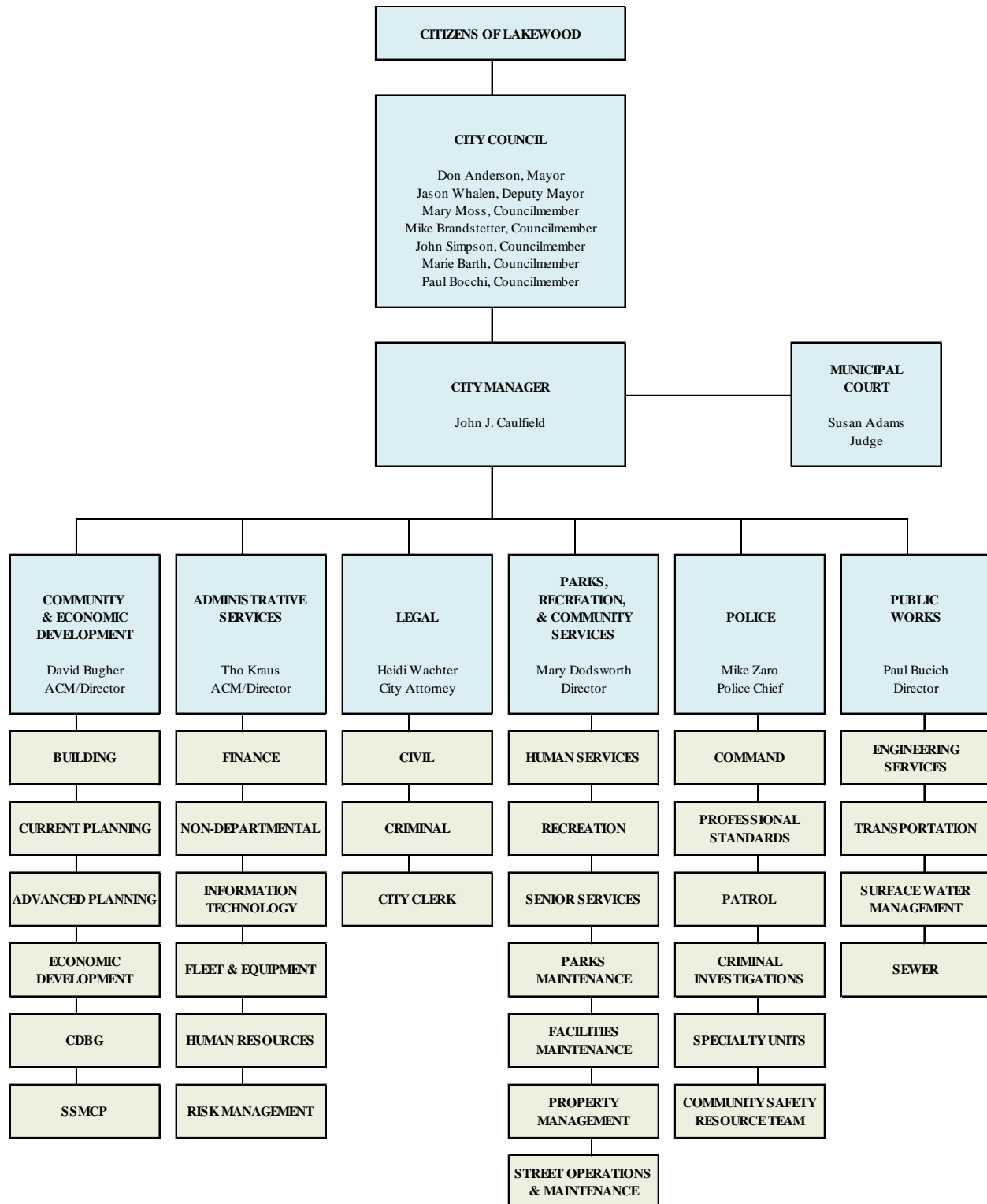
CITY MANAGER

John J. Caulfield

DEPARTMENT DIRECTORS

Tho Kraus, Assistant City Manager/Chief Financial Officer
M. David Bugher, Assistant City Manager/Community & Economic Development Director
Heidi Wachter, City Attorney
Mike Zaro, Police Chief
Susan Adams, Municipal Court Judge
Paul Bucich, Public Works Engineering Director
Mary Dodsworth, Parks, Recreation, and Community Services Director

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, 2018

Christopher P. Morill

Executive Director/CEO

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

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

July 31, 2020

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, 2019, 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.

Opinions

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, 2019, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General and Community Development Block Grant funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 1 to the financial statements, in 2019, the City adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

As discussed in Note 15 to the financial statements, in February 2020, a state of emergency was declared that could have a negative financial effect on the City. Management's plans in response to this matter are also described in Note 15. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

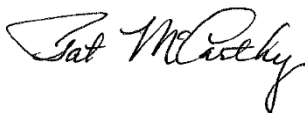
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The Other Supplementary Information and Combining Statements are presented for the purposes of additional analysis and is not a required 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 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 31, 2020, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report will be issued under separate cover in the City's Single Audit Report. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Sincerely,

A handwritten signature in black ink, appearing to read "Pat McCarthy". The signature is fluid and cursive, with the first name "Pat" and last name "McCarthy" clearly distinguishable.

Pat McCarthy

State Auditor

Olympia, WA



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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Lakewood's (the City) annual financial report provides a narrative overview of the City's financial activities for the fiscal year ended December 31, 2019. This information should be read in conjunction with the preceding letter of transmittal and the financial statements and notes to the financial statements that follow.

FINANCIAL HIGHLIGHTS

- The total assets of the City exceeded its liabilities at December 31, 2019 by \$212.6M. Net investment in capital assets (capital asset cost net of depreciation and related debt) accounted for 82% of this amount or \$174.1M. Of the remaining net position of \$38.5M or 18%, \$23.4M may be used to meet the government's ongoing obligations to its citizens, creditors and employees without legal restriction.
- The City's total net position increased by \$7.4M, or 4% compared to 2018. Governmental activities increased by \$7.9M while business-type activities decreased by \$503K.
- Net investment in capital assets for governmental activities increased by \$2.9M mostly due to continued capital construction in streets and parks. Restricted net position increased by \$1.1M or 8% while unrestricted net position increased by \$3.4M or 17% compared to 2018
- Governmental fund balances at year-end were \$31.0M, a \$10.6M increase over the prior year. Of this amount, a total of \$4.6M or 15% is the unassigned balance which is available to fund ongoing activities. The remaining balance is restricted or committed for CDBG, parks, transportation and sewer capital projects, local improvement district debt, hotel/motel lodging tax, police seizure, grants, public works trust fund loan debt, property abatement, and public art.
- All the unassigned fund balance of \$4.6M mentioned above belong to the City's general fund and the balance represented an increase of \$817K or 21% over 2018.
- The City's long-term debt increased by \$6.8M or 74% during the current fiscal year. The increase in borrowing was largely due to the issuance of new general obligation bonds to fund transportation capital projects. The total amount issued was \$8.0M including premium of \$596K. Total debt redemption amounted to \$1.1M in principal payments to older outstanding debt which include general obligation debt in the amount of \$278K, along with public works trust fund loans, promissory note, special assessments debt, section 108 loan, in the amounts of \$464K, \$62K, \$206K, and \$47K, respectively.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements; 2) fund financial statements, and 3) notes to the financial statements. Other important information is also required to be disclosed to supplement the basic financial statements and is presented in the required supplementary information section following the 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 nonmajor proprietary funds. Another set of supplementary information is the Statistical Section. This section provides a ten-year view of the City's revenues, expenditures, debt obligations and debt capacity, the City's largest taxpayers, and those entities with the largest employment within the City. 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's finances in a manner similar to a private-sector business.

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

The **Statement of Activities** presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing

of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City 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 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 includes surface water management.

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

The government-wide financial statements can be found immediately following the 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 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. (For example, capital assets and long-term debt are not reported in governmental funds). 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 funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances include individual reconciliations to facilitate this comparison between governmental funds and governmental activities.

The City maintains twenty-three 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 Community Development Block Grant (CDBG) Fund, the Local Improvement District (LID) Fund, 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. A separate fiduciary fund is disclosed in the Basic Statements but is not included in the governmental funds financial statements.

The City maintains control over its operating funds through the adoption of the biennial budget. Budgets are adopted at the fund level and according to state law. A budgetary comparison statement is presented for the General Fund and the CDBG Fund to demonstrate compliance with this budget. The City's fiduciary fund is not budgeted.

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

Proprietary Funds

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

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

Notes to the Financial Statements

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

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents the required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found immediately following the notes to the financial statements 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, 2019 and 2018

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 49,332,520	\$ 39,775,232	\$ 4,723,485	\$ 3,953,063	\$ 54,056,005	\$ 43,728,295
Capital assets net of accumulated depreciation	153,678,601	149,815,216 *	28,532,357	29,729,870	182,210,958	179,545,086 *
Total Assets	203,011,121	189,590,448 *	33,255,842	33,682,933	236,266,963	223,273,381 *
Deferred outflows of resources	1,151,263	904,159	-	-	1,151,263	904,159
Current liabilities	5,772,500	7,045,315	191,690	123,330	5,964,190	7,168,645
Long-term liabilities	15,941,659	9,146,464	84,233	76,582	16,025,892	9,223,046
Total Liabilities	21,714,159	16,191,779	275,923	199,912	21,990,082	16,391,691
Deferred inflows of resources	2,829,796	2,611,950	-	-	2,829,796	2,611,950
Net Position:						
Net investment in capital assets	145,611,845	141,478,738 *	28,532,357	29,729,870	174,144,202	171,208,608 *
Restricted	15,011,473	13,932,253 *	16,571	-	15,028,044	13,932,253 *
Unrestricted	18,995,111	16,279,887 *	4,430,991	3,753,151	23,426,102	20,033,038 *
Total Net Position	\$ 179,618,429	\$ 171,690,878 *	\$ 32,979,919	\$ 33,483,021	\$ 212,598,348	\$ 205,173,899 *

*Adjusted for the effects prior period adjustments as detailed in 2019 CAFR - Note 6 and 2018 CAFR - Note 7

As noted earlier, net position over time may serve as a useful indicator of a government's financial position. The City's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$212.6M at December 31, 2019. This is an increase of \$7.4M or 4% compared to December 31, 2018 and is due to governmental activities net position which went up by \$7.9M offset by a decrease in business type activities net position of \$503K.

The largest component of the City's net position, 82% or \$174.1M, is its net investment in capital assets which is calculated as the net book value of capital assets less the amount of outstanding debt used to acquire those assets. Capital assets such as land,

streets, surface and storm water infrastructure, parks and trails, police vehicles, and machinery and equipment are used to provide services to the citizens. Consequently, these assets are not available to sell or convert to cash to cover current expenditures.

Of the \$23.4M unrestricted net position, \$4.4M is earmarked for the Surface Water Management enterprise and \$19.0M may be used to meet the City's ongoing obligations to its citizens and creditors. Examples of other city obligations for which the remaining unrestricted net position may be used are public safety, parks maintenance and street operations maintenance.

At the end of the fiscal year, the City 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 of the City's governmental activities increased by \$9.5M or 24% primarily due to a \$8.9M increase in cash and cash equivalents from the inflow of cash proceeds from a bond issue, an increase of \$848K or 12% in the LEOF pension asset, offset by a combined decrease of \$203K in receivables from customers, other governments and other funds.

CHANGES IN NET POSITION For the Years Ended December 31, 2019 and 2018

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Programs revenues:						
Charges for services	\$ 12,640,951	\$ 11,290,369	\$ 4,350,509	\$ 2,791,631	\$ 16,991,460	\$ 14,082,000
Operating grants & contrib.	3,501,923	5,462,360	-	-	3,501,923	5,462,360
Capital grants & contrib.	3,474,195	8,383,349	75,000	49,226	3,549,195	8,432,575
General revenues:						
Property tax	7,060,525	6,859,346	-	-	7,060,525	6,859,346
Sales tax	13,848,194	12,784,321	-	-	13,848,194	12,784,321
Utility tax	5,575,351	5,408,728	-	-	5,575,351	5,408,728
Excise tax	3,004,413	2,701,256	-	-	3,004,413	2,701,256
Gambling tax	3,099,812	3,181,655	-	-	3,099,812	3,181,655
Lodging tax	1,091,953	1,055,335	-	-	1,091,953	1,055,335
Other tax	3,484,083	1,381,527	-	-	3,484,083	1,381,527
Gain on sale of capital assets	207,846	52,819	-	-	207,846	52,819
Investment earning	439,859	483,530	81,176	70,004	521,035	553,534
Miscellaneous	46,452	780,884	-	-	46,452	780,884
Total Revenue	57,475,557	59,825,479	4,506,685	2,910,861	61,982,242	62,736,340
Expenses:						
General government	4,856,859	4,730,161	-	-	4,856,859	4,730,161
Public safety	26,068,011	25,396,183	-	-	26,068,011	25,396,183
Utilities and environment	-	25,594	-	-	-	25,594
Transportation	8,292,680	8,302,545 *	-	-	8,292,680	8,302,545 *
Social Services	714,285	667,971	-	-	714,285	667,971
Economic environment	5,733,440	4,297,685	-	-	5,733,440	4,297,685
Natural environment	324,810	280,958	-	-	324,810	280,958
Culture and recreation	2,580,621	2,252,200	-	-	2,580,621	2,252,200
Judicial	1,834,062	1,816,443	-	-	1,834,062	1,816,443
Interest on long-term debt	347,751	186,710	-	-	347,751	186,710
Surface water management	-	-	3,805,274	3,266,842	3,805,274	3,266,842
Total Expenses	50,752,519	47,956,450 *	3,805,274	3,266,842	54,557,793	51,223,292 *
Change in net position before transfers	6,723,038	11,869,029 *	701,411	(355,981)	7,424,449	11,513,048 *
Transfers	1,204,513	1,983,951	(1,204,513)	(1,983,951)	-	-
Change in net position	7,927,551	13,852,980	(503,102)	(2,339,932)	7,424,449	11,513,048
Net position - beginning	171,690,878	157,837,898 *	33,483,021	35,822,953	205,173,899	193,660,851 *
Net position - ending	\$ 179,618,429	\$ 171,690,878 *	\$ 32,979,919	\$ 33,483,021	\$ 212,598,348	\$ 205,173,899 *

*Adjusted for the effects prior period adjustments as detailed in 2019 CAFR - Note 6 and 2018 CAFR - Note 7

Capitals assets, net of accumulated depreciation, increased \$3.9M or about 3% due to additions to transportation and parks infrastructure construction of \$8.5M, parks and open space land acquisitions totaling \$815K, and fleet and equipment purchases of \$1.2M, offset by annual depreciation charges of \$6.6M.

Long-term liabilities increased by \$6.8M or 74% due to the issuance of \$8.0M in new general obligation bonds for transportation capital projects offset by redemption of principal of older debt in the amount of \$1.1M, plus a slight net increase in compensated absences payable of \$144K. Short-term liabilities decreased by \$1.3M or 18% due in large part to a decrease of \$2.7M in accounts payable alongside increases of \$1.4M in other liabilities (salaries and benefits) and \$309K in debt service payments due next year.

Net investment in capital assets increased \$2.9M or 2% over 2018. While capital assets net of accumulated depreciation increased by \$2.5M the capital-related debt decreased by last year's principal payments. Further a significant portion of the new debt was still unspent at the end of 2019. Restricted net position for capital projects, amounts that must be used in accordance with external restrictions increased by \$246K or 6% from the prior year.

Approximately 51% or \$4.5M of the City's governmental activities restricted net position is restricted for capital improvement projects: \$3.7M for the Transportation Capital Fund, and \$800K mandated for capital construction funded by the Real Estate Excise Tax Fund. The City attempts to fund other non-bond funded 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 governmental activities restricted net position of \$4.3M include: \$1.6M for Hotel/Motel Lodging Tax for tourism and related activities; \$1.4M for Community Development Block grants; \$550K for law enforcement operations; \$452K for debt service payments; \$142K for the Neighborhood Stabilization Program grant; \$53K for the Office of Economic Adjustment grant, and; \$35K for Local Improvement District debt service.

Business-Type Activities

Under business-type activities current and other assets increased by \$770K or 20% primarily due to an increase in cash and cash equivalents. Capital assets and construction in progress, net of accumulated depreciation decreased by \$1.2M or 4% mostly from annual depreciation charges in surface water infrastructure and machinery and equipment.

Current liabilities in the form of accounts payables and other accruals increased by \$68K or 55% during the year.

Net investment in capital assets decreased \$1.2M or 4% from annual depreciation charges. Restricted net position of about \$17K for business-type activities comprise the resources dedicated to Lake Management District 1 (American Lake) which was created by the City Council and is in the process of organization. Unrestricted net position increased by \$678K or 18% due primarily to the budgeted reduction in transfers in the enterprise's cost share of parks and transportation capital projects. These make up the total decrease in net position of \$503K over 2018.

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's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary spending as they represent the portion of fund balance that has not yet been constrained to a specific purpose by either an external authority, the City governance itself or a group or individual that has been delegated authority by the City Council.

As of the end of 2019, the City's governmental funds had a combined ending fund balance of \$31.0M which increased by \$10.6M or 52% from the prior year. Approximately \$4.6M or 15% of this amount constitutes unassigned General Fund balance, which is available for spending at the City Council's discretion. Restricted fund balance is \$16.4M while \$10.0M is committed fund balance which indicates that neither is available for new spending because of existing legal and legislative constraints.

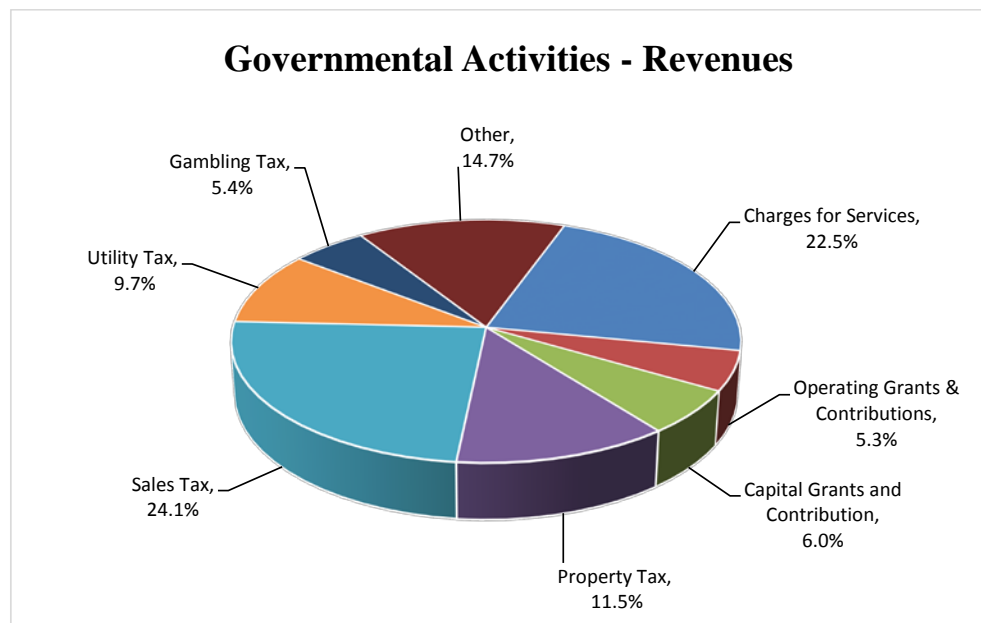
The General Fund is the chief operating fund of the City. The General Fund ending fund balance at December 31, 2019 is \$9.9M. This ending fund balance represents 23% of the General and Street M&O operating revenues and is 11% or \$4.7M greater than the required ending fund balance reserves per the City's financial policies as follows:

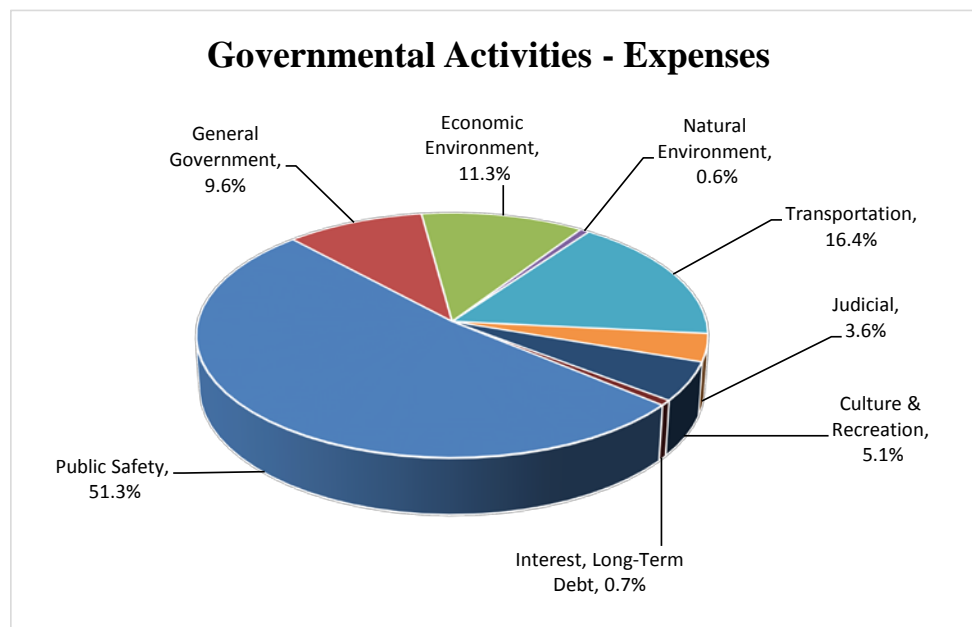
- **2% General Fund Contingency Reserves:** The purpose of this reserve is to accommodate unexpected operational changes, legislative impacts, or other economic events affecting the City's operations which could not have been reasonably anticipated at the time the original budget was prepared. A 2% reserve fund based on the General/Street O&M Funds operating revenues equates to \$870K.
- **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 \$2.2M
- **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 \$2.2M.

Compared to 2018, total revenues and other financing sources in the General Fund increased by \$1.7M or 4% to \$42.5M while total expenditures and other financing uses increased by \$327K or 1% to \$41.8M. Within these increases, operating revenues increased by \$1.7M or 4% to \$42.5M, and operating expenditures increased by \$343K or 1% to \$38.2M. Ending fund balance of \$9.9M at December 31, 2019 is an increase of \$1.0M or 12% due to increases in taxes, intergovernmental revenues, charges for services and fines and penalties. Ending fund balance in excess of the required fund balance reserves is considered a one-time revenue source.

Total governmental funds operating revenues decreased by \$3.2M or 3% compared to 2018 mainly due to lower grant revenues for capital purposes as capital spending in the Transportation Capital Fund decreased by \$6.5M due to the completion of major highway projects in 2018. There was also grant program land acquisitions (North Clear Zone Project) in the nonmajor funds during 2018 but not in 2019, although the program continues through future years. Other notable changes are:

- Charges for services increased by \$1.3M or 11%
- Real estate excise taxes increased by \$299K or 11%
- Combined sales taxes increased by \$1.1M or 8%
- Property taxes increased by \$201K or 3%
- Hotel/motel lodging tax revenue of \$1.1M increased by \$37K or 3%
- Contributions and donations decreased by \$238K or 25%
- Gambling taxes decreased by \$240K or 7%
- Utility taxes decreased by \$155K or 3%



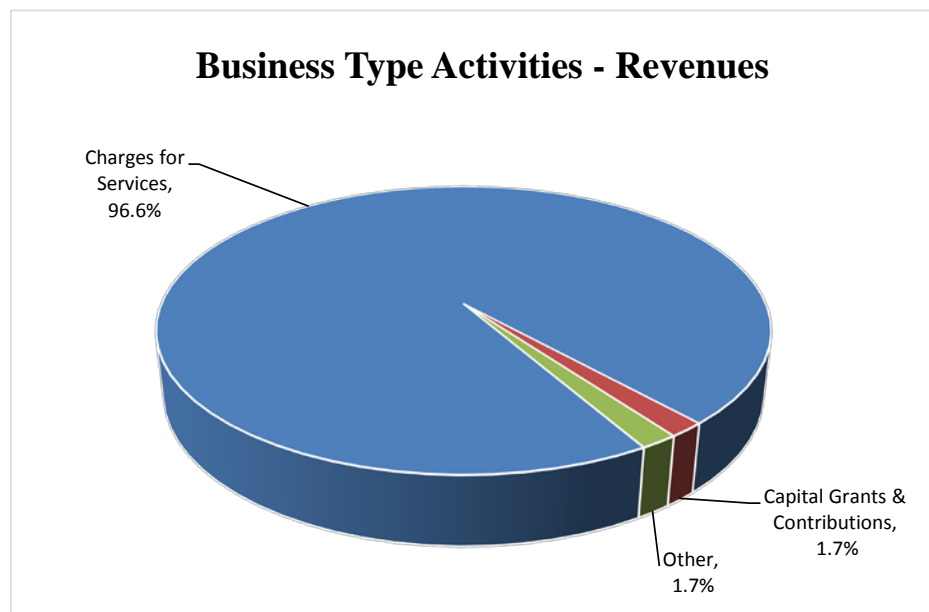


Proprietary Fund

The City of Lakewood's proprietary funds provide the same type of information found in the government-wide business-type activities, but in more detail.

Unrestricted net position of the Surface Water Management Fund at the end of the year amounted to \$4.4M representing an increase over the prior year of \$678K. Other factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities.

Compared to 2018, business-type activities of the City's Surface Water Management reduced the City's total net position by \$503K (refer to previous comparative Changes in Net Position). Operating revenues increased by \$1.6M or 56% but was partly offset by an increase in operating expenses by \$517K or 16%.



GENERAL FUND BUDGETARY AND ACTUAL HIGHLIGHTS

The City 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 2019, the City made two budget adjustments. The following discussion is reflective only of the current year of the biennium.

The General Fund operating expenditure budget increased by \$3.8M between the original adopted budget and the final adjusted budget for 2019 fiscal year. The following are the major changes for the 2019 budget:

- Added \$550K to Library Property Purchase/Secure Funding in Community and Economic Development
- Added \$331K to transfer to Transportation Capital Fund for the Colonial Center Plaza and other projects
- Added \$394K to transfer to Parks Capital Project Fund
- Added \$390K for Street Maintenance and Operations subsidy
- Added \$334K to fund development of the Document Management System and cyber security projects
- Added \$261K for WSDOT relocation and redevelopment
- Added \$250K for Police Department jail services

The following are the major adjustments to the revenues and other sources:

- Added \$950K in sales tax revenue collection increases
- Added \$121K for one-time Criminal Justice Training Commission grants
- Added \$101K in Lakewood CHOICE grant funding
- Added \$100K in anticipated increase in camera enforcement revenues
- Added \$79K in Western State Hospital Community Policing Program
- Reduced building permit fee and utility revenues by \$288K and \$261K respectively.

The General Fund's ending fund balance of \$9.9M is \$3.8M above the projected \$5.4M for 2019 year-end. Compared to budget, revenues and other sources exceeded estimates by \$2.6M or 6% while expenditures were below estimates by \$1.9M or 4%.

- Revenues and other sources exceeding budget estimates include: \$1.1M in sales tax; \$298.8K in gambling tax; \$471.5K in development service fees; \$211.4K in Police contracts, \$176.2K in fines and penalties; and \$164.7K in miscellaneous revenue.
- Operating expenditures and other uses were below budget estimates by \$1.5M primarily due to decrease in general government and public safety spending by \$190.4K and \$484.2K, respectively. Capital purchases were lower by \$176.0K and transfers to other funds were lower by \$345.2K compared to the final budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2019 amounts to \$182.2M (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 6.

CAPITAL ASSETS AT YEAR-END, NET OF DEPRECIATION

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 23,758,249	\$ 22,946,303	\$ 1,860,947	\$ 1,854,447	\$ 25,619,196	\$ 24,800,750
Construction in progress	10,344,800	15,324,055 *	526,531	-	10,871,331	15,324,055
Building	19,643,412	20,167,738	1,683,149	1,720,282	21,326,561	21,888,020
Infrastructure	95,128,425	86,658,395	24,380,109	26,052,026	119,508,534	112,710,421
Machinery and equipment	4,803,715	4,718,724 *	81,620	103,112	4,885,336	4,821,837
Total Capital Assets	\$ 153,678,601	\$ 149,815,215 *	\$ 28,532,357	\$ 29,729,867	\$ 182,210,957	\$ 179,545,083

*Adjusted for the effects prior period adjustments as detailed in 2019 CAFR - Note 6 and 2018 CAFR - Note 7

Major capital asset events during the current fiscal year included the expansion and improvement of city streets and traffic corridors. These projects included the following:

- Colonial Center Revitalization, \$2.1M
- 123rd Street Bridgeport Way to 47th Ave Street Improvements, \$1.1M
- Overlay at Custer: Steilacoom to John Dower, \$636K
- Veterans Drive: Gravelly Lake Drive to American Lake Park, \$582K
- SRTS: Gravelly Lake Drive (Bridgeport Way to Steilacoom), \$371K
- Sidewalk improvements: Onyx Drive SW (89th to 97th Streets), \$334K
- Lakewood Drive overlay: Steilacoom Blvd to N City limits, \$129K
- Other capital spending: new LED streetlights, various sites, \$397K; minor capital, \$449K; and personnel, engineering & professional services, \$571K.

Long-term debt

At the end of 2019, the City had total General Obligation bonded debt outstanding of \$10.9M 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, and Notes Payable.

LONG-TERM DEBT

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
2019 LTGO	\$ 7,460,000	\$ -	\$ -	\$ -	\$ 7,460,000	\$ -
2019 LTGO Premium	566,105	-	-	-	566,105	-
2016 LTGO	1,710,798	1,884,032	-	-	1,710,798	1,884,032
LOCAL Financing	1,070,000	1,175,000	-	-	1,070,000	1,175,000
LOCAL Financing Premium	125,575	142,896	-	-	125,575	142,896
Public Works Trust Fund Loan	3,574,758	4,038,695	-	-	3,574,758	4,038,695
Promissory note (59th Ave)	345,312	407,088	-	-	345,312	407,088
Special Assessment w/ governmental commitments	388,783	594,767	-	-	388,783	594,767
Section 108 Loan	47,000	94,000	-	-	47,000	94,000
Total	\$ 15,288,331	\$ 8,336,479	\$ -	\$ -	\$ 15,288,331	\$ 8,336,479

The City's total debt increased by \$7.0M during the current fiscal year due to the issuance in 2019 of new General Obligation bonds to finance construction and improvements of transportation infrastructure.

In April 2019 Standard & Poor's Ratings Services (S&P) rated the City's General Obligation bond issue as "AA". Issuers or issues rated AA demonstrate very strong creditworthiness relative to other U.S. municipal or tax-exempt issuers or issues. Standard & Poor's also 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's long-term debt can be found in Note 9 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 Predictive Policing (Pred-Pol) 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 of assets by one year.

Impact of Economic Crisis Due to COVID-19 Pandemic

The worldwide outbreak of the COVID-19 pandemic disease and the efforts to control its spread has severely impacted the national and local economies throughout the country with no clear path to economic recovery. Many businesses remain shut down because of stay-at-home and social distancing mandates and this has brought about massive layoffs and furloughs resulting in unemployment rates approaching those of the Great Depression. The City of Lakewood and other local governments are expected to experience revenue shortfalls as derived tax revenues dry-up due to lack of economic activity. Even the traditional revenue sources like property taxes may be impacted as affected homeowners struggle with their household budgets. The difficulty for cities may just be beginning, since local government finances tend to lag behind changing economic conditions by 18 months to several years. For this reason, the worse effects of the economic downturn upon local governments may be 2021, and perhaps continue into 2022 and even 2023. Even when the economy begins to improve, it will be some time before it will return to pre-pandemic levels.

For the future the City is beginning to focus on recovery and what that will look like, specifically as it relates to City finances that in turn will impact service delivery. City management will ensure that it has some type of understanding or empirical data to support its assumptions going forward. Until that information is available, Primarily, City management will be drawing from its experiences post 9-11 and from the housing crisis from ten years ago as well as other economic downturns going back 30 years, recognizing that the current downturn may be more severe. Secondly, a key attribute of the City's financial successes in recent years are the adopted comprehensive financial policies that provide a vital framework for governance and decision-making, especially in regard to issues that substantively impact the City's finances. While these policies have served the City very well during the region's recent economic prosperity, they will also serve as the foundation for the City's recovery to a more sustainable financial future.

The 2019-2020 Biennial Budget adopted by City Council in November 2018 was prepared and finalized before anyone even knew of COVID-19. Despite this, the budget's conservative assumptions for revenue growth in 2020 will make the City's financial forecasts even more conservative looking forward to 2021 and 2022. Because of this conservative approach, the City's 2019 finances ended in a much stronger position than originally projected.

On March 3, 2020, the City Manager issued a directive to pause all general government expenditures to address the projected decrease in General Fund revenues. In planning the budget for the 2021-2022 biennium, priorities will focus on life/health/safety, legal mandates, and City Council goals and priorities. In the meantime, the March 3, 2020 directive will remain in place along with the following other action strategies to mitigate the downturn in our revenue collections for 2020 and into 2021 caused by the impact of the COVID-19 pandemic.

- All current and future vacant positions (regular full-time, regular part-time, limited term, temporary, interns, seasonal) will not be filled for the foreseeable future.
- All discretionary spending (i.e. supplies, travel, training, overtime, equipment, temporary help, etc.) are on hold indefinitely.
- Anything not covered above must be approved in advance after review by the ACM/Administrative Services and City Manager.
- Fleet & equipment, information technology, and property management projects and replacement will only include essential items as well as those that will be completed by December 31, 2020.
- Transportation, parks and sewer improvement projects will continue as planned for 2020 given these projects are funded with very limited general government funds.
- Excess real estate excise taxes (REET) will be set aside to offset any decrease in 2020 REET collections and to ensure payment of debt service in 2020 and 2021.

In addition to the directive and action strategies outlined above, the City will also be reviewing the following:

- Use of financial reserves or contingency accounts to temporarily maintain services

Although the City has \$4.9M set aside for unanticipated events, management intends to hold off on using these dollars at this time as these reserves may be needed in 2021 if the economy does not improve and/or if Congress does not provide the financial assistance currently under consideration for local governments. More importantly, the current economic conditions is likely to create a structural problem in the General Fund, meaning the use of reserves now does not address the ongoing loss of tax revenues. In the meantime, current unanticipated fund balances totaling \$3.1M can

be used to help with revenue shortfalls in 2020. However, the use of these funds will have an impact on funding one-time projects in 2021-2022, specifically in support of parks and transportation improvement projects.

- Reduction or elimination of operating programs

The City will need to consider changes in the delivery of services to include further budget reductions depending on the outcome of the fiscal scenarios as outlined below. Without a federal stimulus bill that provides fiscal assistance to local governments, the City will likely have to reduce and/or eliminate programs.

- Reduction or elimination of capital improvement projects

The City's capital improvement projects for transportation, parks and sewers are funded primarily with revenue specific funding sources coupled with some limited one-time funds that are dedicated specifically for these types of projects and that cannot be used for General Fund operating activities. Although a reduction in transportation and park improvement projects could temporarily save some money in the General Fund, deferred maintenance potentially creates a higher cost in the long term because infrastructure deteriorates at a faster rate as they age. In addition, most projects for 2020 have been bid out or are in the bid process. These will also eliminate the City's ability to leverage these resources with state and federal funds to continue to revitalize the City's basic infrastructure system in support of transportation and parks. The City will need to consider changes in the delivery of services to include further budget.

On the federal front, the City has been in contact with its federal delegation communicating the projected possible negative economic impact to the City's finances. Recently, the House of Representatives introduced the Coronavirus Community Relief Act (HR 6467), a new legislation to provide \$250B in stabilization funds for mid-sized local communities, cities, and towns with under 500,000 in population across the United States that are struggling amidst the COVID-19 pandemic. Local jurisdictions could use the funds for costs due to COVID-19 incurred during March 1, 2020 to October 31, 2020.

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 <https://cityoflakewood.us>

BASIC FINANCIAL STATEMENTS

City of Lakewood
Statement of Net Position
December 31, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 30,297,968	\$ 4,451,881	\$ 34,749,849
Receivables (net)	9,186,960	130,330	9,317,290
Due from other governments	1,940,304	-	1,940,304
Internal balances	(141,274)	141,274	-
Total current assets	41,283,958	4,723,485	46,007,443
Noncurrent assets:			
Net pension asset	8,048,562	-	8,048,562
Capital assets not being depreciated	34,103,049	2,387,478	36,490,527
Capital assets, net of accumulated depreciation	119,575,552	26,144,879	145,720,431
Total noncurrent assets	161,727,163	28,532,357	190,259,520
Total assets	203,011,121	33,255,842	236,266,963
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pensions	1,031,371	-	1,031,371
Deferred charge on refunding	119,892	-	119,892
Total deferred outflows of resources	1,151,263	-	1,151,263
LIABILITIES			
Current liabilities:			
Accounts payable and accruals	1,916,040	101,221	2,017,261
Wages payable	1,433,111	49,755	1,482,866
Unearned revenue	91,407	-	91,407
Due to other governments	67,191	-	67,191
Contracts Payable	39,103	4,214	43,317
Other Liabilities	34,592	400	34,992
LT Due in one year:			
General obligation bonds and notes	665,692	-	665,692
Loans	510,938	-	510,938
Special assessment debt, with governmental commitment	161,111	-	161,111
Compensated absences	853,315	36,100	889,415
Total current liabilities	5,772,500	191,690	5,964,190
Noncurrent liabilities:			
Due in more than one year:			
General obligation bonds and notes	10,612,099	-	10,612,099
Loans	3,110,820	-	3,110,820
Special assessment debt, with governmental commitment	227,672	-	227,672
Compensated absences	1,991,068	84,233	2,075,301
Total noncurrent liabilities	15,941,659	84,233	16,025,892
Total liabilities	21,714,159	275,923	21,990,082
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions	2,829,796	-	2,829,796
Total liabilities and deferred inflows of resources	24,543,955	275,923	24,819,878
NET POSITION			
Net investment in capital assets	145,611,845	28,532,357	174,144,202
Restricted for:			
Capital projects	4,564,602	-	4,564,602
Debt Service	486,717	-	486,717
Grants	1,599,091	-	1,599,091
Law enforcement	550,292	-	550,292
Tourism related activities	1,560,634	-	1,560,634
Pensions	6,250,137	-	6,250,137
Lake Management District	-	16,571	16,571
Unrestricted	18,995,111	4,430,991	23,426,102
Total net position	\$ 179,618,429	\$ 32,979,919	\$ 212,598,348

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

City of Lakewood
Statement of Activities
For the Year Ended December 31, 2019

					Net (Expense) Revenue and Changes in Net Position		
					Primary Government		
		Program Revenues					
		Charges for	Operating	Capital Grants			
Functions/Programs	Expenses	Services	Grants and Contributions	and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 4,856,859	\$ 5,331,634	\$ 6,297	\$ 3,420	\$ 484,492	\$ -	\$ 484,492
Public safety	26,068,011	1,903,427	1,814,717	263,663	(22,086,204)	-	(22,086,204)
Utilities	-	1,324,681	-	18,382	1,343,063	-	1,343,063
Transportation	8,292,680	152,287	265,236	1,557,985	(6,317,172)	-	(6,317,172)
Social services	714,285	-	-	-	(714,285)	-	(714,285)
Economic environment	5,733,440	1,586,526	1,357,285	-	(2,789,629)	-	(2,789,629)
Natural environment	324,810	91,576	3,075	-	(230,159)	-	(230,159)
Culture and recreation	2,580,621	302,541	55,313	1,630,745	(592,022)	-	(592,022)
Judicial	1,834,062	1,948,279	-	-	114,217	-	114,217
Debt interest	347,751	-	-	-	(347,751)	-	(347,751)
Total governmental activities	50,752,519	12,640,951	3,501,923	3,474,195	(31,135,450)	-	(31,135,450)
Business-type activities:							
Surface Water Management	3,805,274	4,350,509	-	75,000	-	620,235	620,235
Total business-type activities	3,805,274	4,350,509	-	75,000	-	620,235	620,235
Total primary government	\$ 54,557,793	\$ 16,991,460	\$ 3,501,923	\$ 3,549,195	(31,135,450)	620,235	(30,515,215)
General revenues:							
Property tax					7,060,525	-	7,060,525
Sales tax					13,848,194	-	13,848,194
Utility tax					5,575,351	-	5,575,351
Excise tax					3,004,413	-	3,004,413
Gambling tax					3,099,812	-	3,099,812
Hotel/motel lodging tax					1,091,953	-	1,091,953
Other taxes					3,484,083	-	3,484,083
Gain on sale of capital assets					207,846	-	207,846
Investment earnings					439,859	81,176	521,035
Miscellaneous					46,452	-	46,452
Transfers					1,204,513	(1,204,513)	-
Total general revenues and transfers					39,063,001	(1,123,337)	37,939,664
Change in net position					7,927,551	(503,102)	7,424,449
Net position - beginning					173,032,934	33,483,021	206,515,955
Prior period adjustment - Note 6					(1,342,056)	-	(1,342,056)
Adjusted net position - beginning					171,690,878	33,483,021	205,173,899
Net position - ending					\$ 179,618,429	\$ 32,979,919	\$ 212,598,348

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

City of Lakewood
Balance Sheet
Governmental Funds
December 31, 2019

	General Fund	CDBG Fund	LID Debt Service	Transportation Capital Fund	Total Nonmajor Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 7,505,166	\$ -	\$ 35,097	\$ 12,252,979	\$ 6,727,591	\$ 26,520,833
Customer accounts receivable	1,540,189	-	-	-	-	1,540,189
Due from other governments	257,394	55,206	-	381,374	1,246,330	1,940,304
Notes/contracts receivable	-	1,398,196	-	-	41,312	1,439,508
Special assessments receivable	-	-	699,557	-	239,438	938,995
Taxes receivable	4,272,749	-	-	54,783	940,736	5,268,268
Interfund loan receivable	214,422	-	-	-	-	214,422
Total assets	<u>13,789,920</u>	<u>1,453,402</u>	<u>734,654</u>	<u>12,689,136</u>	<u>9,195,407</u>	<u>37,862,519</u>
LIABILITIES						
Accounts payable	1,023,741	12,692	-	376,678	295,973	1,709,084
Wages payable	1,281,580	6,170	-	49,612	95,749	1,433,111
Payable to other governments	25,535	18	-	-	196	25,749
Unearned revenue	90,781	-	-	-	626	91,407
Contracts payable	-	-	-	28,504	10,599	39,103
Interfund loan payable	-	31,297	-	880,204	183,125	1,094,626
Other current liabilities	33,101	-	-	-	1,491	34,592
Total liabilities	<u>2,454,738</u>	<u>50,177</u>	<u>-</u>	<u>1,334,998</u>	<u>587,759</u>	<u>4,427,672</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue	1,461,130	-	699,556	-	280,750	2,441,436
Total liabilities and deferred inflows of resources	<u>3,915,868</u>	<u>50,177</u>	<u>699,556</u>	<u>1,334,998</u>	<u>868,509</u>	<u>6,869,108</u>
FUND BALANCES (DEFICITS)						
Restricted	-	1,403,225	35,098	11,354,138	3,611,137	16,403,598
Committed	5,220,958	-	-	-	4,715,761	9,936,719
Unassigned	4,653,094	-	-	-	-	4,653,094
Total fund balances	<u>9,874,052</u>	<u>1,403,225</u>	<u>35,098</u>	<u>11,354,138</u>	<u>8,326,898</u>	<u>30,993,411</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 13,789,920</u>	<u>\$ 1,453,402</u>	<u>\$ 734,654</u>	<u>\$ 12,689,136</u>	<u>\$ 9,195,407</u>	<u>\$ 37,862,519</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, 2019

Fund balances of governmental funds \$ 30,993,411

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	146,453,397	
Plus: Capital Assets Additions	9,129,336	
Less: Depreciation Expense	(5,581,075)	
Less: Prior period adjustment	(1,342,056)	
	148,659,602	

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	(11,028,248)	
Plus: Debt Issued	(7,460,000)	
Plus: Premium on Bonds Sold	(595,905)	
Less: Debt Redeemed, including amortization	1,104,052	
Plus: Compensated Absences Issued	(3,159,452)	
Less: Compensated Absences Redeemed	3,006,838	
Compensated absences in Internal Service Funds	53,760	
Plus: Deferred Charge on Refunding	119,892	
	(17,959,063)	

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

Property Tax	346,316	
Municipal Court	1,114,814	
Property Abatements	239,438	
Local Improvement Districts	699,556	
Public Works Trust Fund Loans	41,312	
	2,441,436	

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

Fleet & Equipment Fund Assets	7,438,534	
Property Management Fund Assets	690,015	
Information Technology Fund Assets	1,467,786	
Risk Management Fund Assets	80,003	
Fleet & Equipment Fund Liabilities	(42,916)	
Property Management Fund Liabilities	(73,894)	
Information Technology Fund Liabilities	(105,345)	
Risk Management Fund Liabilities	(80,003)	
Internal balances in internal service funds	(141,274)	
	9,232,906	

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	8,048,562	
Deferred outflows of resources related to pensions	1,031,371	
Deferred inflows of resources related to pensions	(2,829,796)	
	6,250,137	

\$ 179,618,429

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, 2019

	General Fund	CDBG Fund	LID Debt Service	Transportation Capital Fund	Total Nonmajor Funds	Total Governmental Funds
REVENUES						
Taxes	\$ 30,197,457	\$ -	\$ -	\$ -	\$ 4,917,272	\$ 35,114,729
Special assessments	-	-	157,358	-	-	157,358
Licenses and permits	5,566,713	-	-	-	154,287	5,721,000
Intergovernmental	2,153,363	842,401	-	1,913,936	2,890,137	7,799,837
Charges for goods and services	2,600,292	-	-	335,596	1,818,941	4,754,829
Fines and penalties	1,670,113	2	-	-	42	1,670,157
Interest and other earnings	211,880	781	45,948	136,879	154,406	549,894
Miscellaneous	98,276	1,309	-	-	171,853	271,438
Contributions and donations	55,313	-	-	-	22,350	77,663
Total revenues	<u>42,553,407</u>	<u>844,493</u>	<u>203,306</u>	<u>2,386,411</u>	<u>10,129,288</u>	<u>56,116,905</u>
EXPENDITURES						
Current:						
General government	4,419,897	-	965	-	-	4,420,862
Public safety	25,592,942	-	-	-	476,534	26,069,476
Transportation	182,207	-	-	914,512	2,503,796	3,600,515
Social services	714,285	-	-	-	-	714,285
Economic environment	2,685,371	299,022	-	-	2,727,536	5,711,929
Natural environment	324,810	-	-	-	-	324,810
Culture and recreation	2,119,383	-	-	-	49,533	2,168,916
Judicial	1,751,862	-	-	-	67,920	1,819,782
Debt service:						
Principal retirement	-	47,000	205,984	-	803,948	1,056,932
Interest and other debt service costs	-	2,583	28,985	55,881	281,677	369,126
Capital outlay:						
Capital	374,027	-	-	6,341,673	2,013,872	8,729,572
Total expenditures	<u>38,164,784</u>	<u>348,605</u>	<u>235,934</u>	<u>7,312,066</u>	<u>8,924,816</u>	<u>54,986,205</u>
Excess (deficiency) of revenues over expenditures	<u>4,388,623</u>	<u>495,888</u>	<u>(32,628)</u>	<u>(4,925,655)</u>	<u>1,204,472</u>	<u>1,130,700</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	284,700	-	-	4,485,549	6,438,084	11,208,333
Transfers out	(3,646,808)	(486,445)	-	(5,087)	(5,815,481)	(9,953,821)
G.O. Bond proceeds	-	-	-	7,460,000	-	7,460,000
Premium on bond issuance	-	-	-	595,905	-	595,905
Proceeds from sale of assets	-	-	-	200,000	-	200,000
Total other financing source (uses)	<u>(3,362,108)</u>	<u>(486,445)</u>	<u>-</u>	<u>12,736,367</u>	<u>622,603</u>	<u>9,510,417</u>
Net change in fund balances	1,026,515	9,443	(32,628)	7,810,712	1,827,075	10,641,117
Fund balances - beginning	<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>
Fund balances - ending	<u>\$ 9,874,052</u>	<u>\$ 1,403,225</u>	<u>\$ 35,098</u>	<u>\$ 11,354,138</u>	<u>\$ 8,326,898</u>	<u>\$ 30,993,411</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, 2019

Net change in fund balances - total governmental funds \$ 10,641,117

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

Prior year deferred inflows	(2,747,394)	
Current year deferred inflows	2,441,436	
		(305,958)

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	8,729,572	
Book value assets retired	(5,493)	
Contributed capital	405,257	
Depreciation expense	(5,581,075)	
		3,548,261

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	2,691,769	
Current year compensated absences	(2,844,383)	
Change in Internal Service Funds compensated absences	8,604	
		(144,010)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of long term debt consumes the current financial resources of governmental funds. These transactions have no effect on net position. Also, governmental funds report the effect of issuance costs, premiums, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Issuance of G.O. bonds	(7,460,000)	
Premium on bond issuance	(595,905)	
Bond principal retired	1,056,932	
Bond premium amortized	47,120	
Amortization of deferred charge on refunding	(25,745)	
		(6,977,598)

Adjustment for GASB 68 pension reporting

Pension expense adjustment	483,179	
State contributions	419,466	
		902,645

Net revenue (loss) of internal service funds 263,101

\$ 7,927,558

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, 2019

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Taxes	\$ 27,734,900	\$ 28,492,900	\$ 30,197,457	\$ 1,704,557
Licenses and permits	5,517,000	5,274,000	5,566,713	292,713
Intergovernmental	1,842,400	2,219,117	2,153,363	(65,754)
Charges for goods and services	2,340,000	2,275,000	2,600,292	325,292
Fines and penalties	1,287,000	1,357,700	1,670,113	312,413
Interest and other earnings	138,000	198,000	211,880	13,880
Miscellaneous	51,200	65,746	98,276	32,530
Contributions and donations	130,750	82,650	55,313	(27,337)
Total revenues	39,041,250	39,965,113	42,553,407	2,588,294
EXPENDITURES				
Current:				
General government	4,393,161	4,610,272	4,419,897	(190,375)
Public safety	25,465,459	26,077,099	25,592,942	(484,157)
Transportation	244,539	259,652	182,207	(77,445)
Social services	673,203	797,453	714,285	(83,168)
Economic environment	2,390,065	2,918,585	2,685,371	(233,214)
Natural environment	-	332,097	324,810	(7,287)
Culture and recreation	2,129,119	2,274,628	2,119,383	(155,245)
Judicial	1,753,606	1,863,996	1,751,862	(112,134)
Capital outlay	-	550,000	374,027	(175,973)
Total expenditures	37,049,152	39,683,782	38,164,784	(1,518,998)
Excess (deficiency) of revenues over expenditures	1,992,098	281,331	4,388,623	4,107,292
OTHER FINANCING SOURCES (USES)				
Transfers in	284,700	284,700	284,700	-
Transfers out	(2,819,347)	(3,991,963)	(3,646,808)	345,155
Total other financing source (uses)	(2,534,647)	(3,707,263)	(3,362,108)	345,155
Net change in fund balances	(542,549)	(3,425,932)	1,026,515	4,452,447
Fund balances - beginning	5,798,575	8,847,536	8,847,537	1
Fund balances - ending	\$ 5,256,027	\$ 5,421,605	\$ 9,874,052	\$ 4,452,448

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, 2019

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Intergovernmental	\$ 565,000	\$ 2,387,467	\$ 842,401	\$ (1,545,066)
Interest and other earnings	-	-	783	783
Miscellaneous	-	396	1,309	913
Total revenues	565,000	2,387,863	844,493	(1,543,370)
EXPENDITURES				
Current:				
Economic environment	315,000	1,715,931	299,022	(1,416,909)
Debt service:				
Principal retirement	-	94,000	47,000	(47,000)
Interest and other debt service costs	-	7,387	2,583	(4,804)
Capital Outlay	-	-	-	-
Total expenditures	315,000	1,817,318	348,605	(1,468,713)
Excess (deficiency) of revenues over expenditures	250,000	570,545	495,888	(74,657)
OTHER FINANCING SOURCES (USES)				
Transfers out	(250,000)	(624,461)	(486,445)	138,016
Total other financing source (uses)	(250,000)	(624,461)	(486,445)	138,016
Net change in fund balances	-	(53,916)	9,443	63,359
Fund balances - beginning	-	1,393,781	1,393,782	1
Fund balances - ending	\$ -	\$ 1,339,865	\$ 1,403,225	\$ 63,360

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

City of Lakewood
Statement of Net Position
Proprietary Funds
December 31, 2019

	Business-type Activities Surface Water Management	Governmental Activities Internal Service Funds
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 4,451,881	\$ 3,777,135
Accounts receivable	20,678	-
Interfund loan receivable	-	880,204
Taxes Receivable	109,652	-
Total current assets	<u>4,582,211</u>	<u>4,657,339</u>
Noncurrent assets:		
Land	1,860,947	-
Construction in Progress	526,531	247,769
Buildings	1,849,673	-
Infrastructure	43,197,513	-
Improvements other than buildings	-	137,279
Machinery and equipment	332,332	10,195,616
Less accumulated depreciation	(19,234,639)	(5,561,665)
Total noncurrent assets	<u>28,532,357</u>	<u>5,018,999</u>
Total assets	<u>33,114,568</u>	<u>9,676,338</u>
LIABILITIES		
Current liabilities:		
Accounts payable	101,221	200,497
Wages payable	49,755	41,442
Retainage payable	4,214	6,377
Other accrued liabilities	400	-
Payable to other governments	-	82
Compensated absences	36,100	16,128
Total current liabilities	<u>191,690</u>	<u>264,526</u>
Noncurrent liabilities:		
Compensated absences	84,233	37,632
Total noncurrent liabilities	<u>84,233</u>	<u>37,632</u>
Total liabilities	<u>275,923</u>	<u>302,158</u>
NET POSITION		
Net investment in capital assets	28,532,357	5,018,997
Restricted for Lake Management District	16,571	-
Unrestricted	4,289,717	4,355,181
Total net position	<u>\$ 32,838,645</u>	<u>\$ 9,374,180</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	141,274	
Net position of business-type activities	<u>\$ 32,979,919</u>	

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

City of Lakewood
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2019

	Business-type Activities	Governmental Activities
	Surface Water Management	Internal Service Funds
OPERATING REVENUES		
Charges for goods and services	\$ 4,303,741	\$ 5,497,234
Miscellaneous	46,768	285,937
Total operating revenues	<u>4,350,509</u>	<u>5,783,171</u>
OPERATING EXPENSES		
Personal Services	835,098	807,834
Materials and supplies	21,853	623,072
Services and charges	1,083,954	3,353,745
External and interfund taxes	571,984	-
Depreciation	<u>1,277,027</u>	<u>1,060,227</u>
Total operating expenses	<u>3,789,916</u>	<u>5,844,878</u>
Operating income (loss)	<u>560,593</u>	<u>(61,707)</u>
NONOPERATING REVENUES (EXPENSES)		
Intergovernmental revenue	75,000	3,420
Gain (loss) on disposal of capital assets	-	13,339
Investment earnings	<u>77,524</u>	<u>82,677</u>
Total nonoperating revenues (expenses)	<u>152,524</u>	<u>99,436</u>
Income (loss) before contributions and transfers	713,117	37,729
Capital contributions	-	263,663
Transfers in	-	81,184
Transfers out	<u>(1,204,513)</u>	<u>(131,184)</u>
Change in net position	<u>(491,396)</u>	<u>251,392</u>
Total net position - beginning	33,330,041	9,122,788
Total net position - ending	<u>\$ 32,838,645</u>	<u>\$ 9,374,180</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	<u>(11,706)</u>	
Changes in net position of business-type activities	<u>\$ (503,103)</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, 2019

	Business-type Activities Enterprise Funds Surface Water Management	Governmental Activities Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	\$ 4,249,190	\$ -
Cash from interdepartmental services	-	5,782,815
Cash paid to employees	(824,166)	(799,230)
Cash paid to suppliers	(1,040,728)	(3,877,781)
Cash paid to interfund and external taxes	(571,984)	-
Other operating receipts (payments)	46,768	(395)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>1,859,080</u>	<u>1,105,409</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Gain (loss) on disposal of capital assets	-	13,339
Transfers to other funds	(1,204,513)	(50,000)
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>(1,204,513)</u>	<u>(36,661)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Intergovernmental revenue	75,000	3,420
Capital contributions	-	263,663
Acquisition and construction of capital assets	(79,514)	(1,375,352)
NET CASH USED FOR CAPITAL AND CAPITAL-RELATED FINANCING ACTIVITIES	<u>(4,514)</u>	<u>(1,108,269)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	77,524	82,677
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>77,524</u>	<u>82,677</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	727,577	43,156
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	3,724,304	3,733,979
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 4,451,881</u>	<u>\$ 3,777,135</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating Income	\$ 560,593	\$ (61,707)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Increase/(decrease) in depreciation expense	1,277,027	1,060,227
Increase/(decrease) in accounts payable - supplier	52,918	99,948
Increase/(decrease) in payable to other governments	(83)	(12,557)
Increase/(decrease) in wages payable	21,062	10,894
Increase/(decrease) in retainage payable	2,114	-
Increase/(decrease) in accounts receivables	(33,873)	8,604
Increase/(decrease) in other receivables	(20,678)	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 1,859,080</u>	<u>\$ 1,105,409</u>

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

City of Lakewood
Statement of Fiduciary Net Position
Custodial Fund
December 31, 2019

	<u>Custodial Activities</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 152,960
Total assets	<u>\$ 152,960</u>
 NET POSITION	
Restricted	\$ 152,960
Total net position	<u>\$ 152,960</u>

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

City of Lakewood
Statement of Changes in Fiduciary Net Position
Custodial Fund
For the Year Ended December 31, 2019

	<u>Custodial Activities</u>
ADDITIONS	
Contributions:	
Seizures and evidence	\$ 7,435
Court fines and penalties for other governments	<u>1,330,643</u>
Total additions	<u>\$ 1,338,078</u>
DEDUCTIONS	
Seizure settlements	\$ 6,551
Remittance of court fines and penalties to other governments	<u>1,330,643</u>
Total deductions	<u>\$ 1,337,194</u>
Net increase (decrease) in fiduciary net position	\$ 884
Total net position - beginning	-
Beginning balance adjustment	<u>152,076</u>
Total net position - ending	<u>\$ 152,960</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, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City, 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 (the “City”), 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 2019.

NEW GASB STATEMENTS FOR 2019

In 2019, the City early implemented GASB Statement No. 84, Fiduciary Activities. Certain custodial activities that used to be reported in the general fund are now reported in a separate fiduciary fund.

All the GASB Statements, including GASB Statement 84, that were originally slated for implementation in 2019 had their implementation dates postponed to 2020 as a consequence of the nationwide shutdown in response to the COVID-19 pandemic.

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.

Fiduciary fund accounts for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, and/or other governmental units. These include payroll deductions for employee healthcare and childcare; court fines and forfeits due to other jurisdictions; seized assets in the form of cash; and taxes and fees collected for other governments. While the fiduciary fund is included in the Basic Statements section, it is not consolidated with any of the government-wide financial statements. Fiduciary funds are not budgeted.

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, 2019 should be read in conjunction with the government's financial statements for the year ended December 31, 2018.

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.

Fiduciary funds are reported under the flow of economic resources measurement focus and the accrual basis of accounting.

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 120 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 120 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, 2019, the City had \$34,749,849 in short-term residual investments of surplus cash in the primary government. 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 4)

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 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, 2019, 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 9.

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 availability criteria are recorded as deferred inflow of resources. (See Note 4)

Fund Balance Classification

Fund balance is a measurement of available financial resources in governmental funds and is the difference between total assets plus deferred outflows of resources and total liabilities plus deferred inflows of resources.

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

2019 Fund Balance Classification						
	General Fund	CDBG Fund	LID Debt Service	Transportation CIP Fund	Nonmajor Governmental Funds	Total
Restricted for:	\$ -	\$ 1,403,225	\$ 35,098	\$ 11,354,138	\$ 3,611,137	\$ 16,403,598
Transportation CIP	-	-	-	11,354,138	-	11,354,138
Real Estate Excise Tax	-	-	-	-	800,269	800,269
Transportation Benefit District	-	-	-	-	52,457	52,457
Local Improvement District-related debt	-	-	35,098	-	-	35,098
Hotel/Motel Lodging Tax	-	-	-	-	1,560,634	1,560,634
Police Seizure	-	-	-	-	550,292	550,292
Neighborhood Stabilization Program Grant	-	-	-	-	142,433	142,433
Office of Economic Adjustment Grant/SSMCP	-	-	-	-	53,433	53,433
Public Works Trust Fund Debt	-	-	-	-	319,325	319,325
LID Guaranty	-	-	-	-	132,294	132,294
CDBG Fund	-	1,403,225	-	-	-	1,403,225
Committed to:	\$ 5,220,958	\$ -	\$ -	\$ -	\$ 4,715,761	\$ 9,936,719
General Fund Ending Fund Balance Reserve	5,220,958	-	-	-	-	5,220,958
Street Operations & Maintenance	-	-	-	-	4,789	4,789
Property Abatement / Rental Housing Safety Program	-	-	-	-	605,817	605,817
Public Art	-	-	-	-	142,779	142,779
Parks CIP	-	-	-	-	2,716,556	2,716,556
Sanitary Sewer CIP	-	-	-	-	1,245,820	1,245,820
Unassigned:	\$ 4,653,094	\$ -	\$ -	\$ -	\$ -	\$ 4,653,094
General Fund	4,653,094	-	-	-	-	4,653,094
Total Fund Balances:	\$ 9,874,052	\$ 1,403,225	\$ 35,098	\$ 11,354,138	\$ 8,326,898	\$ 30,993,411



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NOTE 2– SUPPLEMENTAL APPROPRIATIONS**Operating Budget Funds**

Appropriations established during 2019 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.

	2019		
	Original Budget	Supplemental Appropriations	Final Budget
<i>General Fund</i>	\$ 39,868,497	\$ 3,807,248	\$ 43,675,745
<i>Special Revenue Funds:</i>			
Street Operations & Maintenance	2,439,541	389,519	2,829,060
Real Estate Excise Tax	1,783,000	1,128,161	2,911,161
Transportation Benefit District	814,000	109,000	923,000
Hotel/Motel Lodging Tax	1,049,220	-	1,049,220
Property Abatement	338,600	508,879	847,479
Public Art	15,000	124,886	139,886
Narcotics Seizure	60,500	343,704	404,204
Felony Seizure	-	21,080	21,080
Federal Seizure	9,600	-	9,600
Grant	565,000	1,876,779	2,441,779
Neighborhood Stabilization Prog	8,500	155,132	163,632
OEA Grant/SSMCP	277,100	7,623,213	7,900,313
Public Safety Grants	105,306	329,238	434,544
<i>Debt Service Funds:</i>			
General Obligation Debt Service	626,206	(20,000)	606,206
LID Debt Service	197,600	44,377	241,977
Sewer Project Debt	1,472,022	-	1,472,022
LID Guaranty	-	-	-
<i>Capital Projects Funds:</i>			
General Government CIP	1,725,000	5,370,871	7,095,871
Transportation CIP	6,655,000	8,961,882	15,616,882
Sewer Project CIP	1,174,000	88,276	1,262,276
Sanitary Sewer Connection	712,390	103,094	815,484
Total Budgeted Funds	\$ 59,896,082	\$ 30,965,338	\$ 90,861,420

NOTE 3 – 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 \$34,749,849 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 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, 2019, the City had the following investments and maturities:

Investment Maturities				
Investment	< 1 Year	1 - 3 Years	> 3 Years	Total
Local Government Investment Pool	\$ 27,611,656	\$ -	\$ -	\$ 27,611,656
Total:	\$ 27,611,656	\$ -	\$ -	\$ 27,611,656

Reconciliation of Government-Wide Statement of Net Position:

Cash in bank accounts per books	\$ 7,246,153
Petty cash/change fund/investigative fund	45,000
Local Government Investment Pool	27,611,656
Cash reported in fiduciary fund	(152,960)
Total cash and investment, Government-Wide Statement of Net Position	<u>\$ 34,749,849</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, 2019, the City had \$27,611,656 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 4 – 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, 2019, the total balance of property taxes receivable recorded by the City was \$346,316. All of this is recorded as deferred inflow of resources, since it was not collected within the first 60 days of 2019.

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 is not a full service city, the City is only allowed \$1.60. The remaining \$2.00 is for the fire district (\$1.50) and library district (\$0.50).

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

The City's regular levy for 2019 was \$1.03 per \$1,000 on an assessed valuation of \$6,929,745,386 for a total regular levy of \$7,160,859.

Deferred Inflows of Resources

The table below provides details of the deferred inflows of resources related to unavailable revenues reported in the governmental funds Balance Sheet. Unavailable revenue is recognized as revenue in the accrual basis Government-Wide Statement of Activities because, while unavailable at December 31, 2019, the amounts were known and due to the City.

Deferred Inflows of Resources As of December 31, 2019					
Deferred Inflows of Resources	General	Grant	LID Debt Service	Nonmajor Governmental	Total General Government
Local Improvement Districts	\$ -	\$ -	\$ 699,557	\$ -	\$ 699,557
Public Works Trust Fund Loan - Side Sewer	-	-	-	41,312	41,312
Property Tax	346,316	-	-	-	346,316
Municipal Court	1,114,814	-	-	-	1,114,814
Abatements	-	-	-	239,438	239,438
Total: Deferred Inflows - Governmental Funds	\$ 1,461,130	\$ -	\$ 699,557	\$ 280,750	\$ 2,441,437

Receivables & Due from Other Governments

The receivables and due from other governmental entities for the fiscal year ended December 31, 2019 are detailed in the following schedule.

Receivables & Due From Other Governments As of December 31, 2019								
Receivable	General	Trans- portation CIP	Grant	LID Debt Service	Nonmajor Gov't	Total Governmental Activities	Total Business Type Activities	Total Primary Government
Property Tax	\$ 346,316	\$ -	\$ -	\$ -	-	\$ 346,316	\$ -	\$ 346,316
Sales and Use Tax	1,356,656	-	-	-	396	1,357,052	-	1,357,052
Other Tax	2,569,777	54,783	-	-	940,340	3,564,900	109,652	3,674,552
Municipal Court Receivables	1,312,390	-	-	-	-	1,312,390	-	1,312,390
Other Receivables	227,799	-	-	-	5,058	232,857	-	232,857
Notes/Loans Receivable	-	-	1,398,196	-	41,312	1,439,508	-	1,439,508
Abatement Assessments	-	-	-	-	84,677	84,677	-	84,677
Special Assessments	-	-	-	699,557	154,761	854,318	20,678	874,996
Animal Control	13,712	-	-	-	-	13,712	-	13,712
City of Dupont	10,489	-	-	-	-	10,489	-	10,489
City of Federal Way - WATPA	-	-	-	-	100,884	100,884	-	100,884
City of Tacoma	-	-	4,249	-	-	4,249	-	4,249
City of University Place	8,869	-	-	-	-	8,869	-	8,869
DEA	-	-	-	-	13,116	13,116	-	13,116
Dept of Commerce	12,744	-	-	-	325,922	338,666	-	338,666
Dept of Defense	-	-	-	-	33,435	33,435	-	33,435
Dept of Justice	-	-	-	-	79,634	79,634	-	79,634
FBI PNWIL	9,173	-	-	-	-	9,173	-	9,173
FBI Safe Streets Task Force	-	-	-	-	-	-	-	-
HUD	-	-	50,957	-	-	50,957	-	50,957
Office of Economic Adjustment	-	-	-	-	51,303	51,303	-	51,303
Office of Justice	-	-	-	-	12,640	12,640	-	12,640
Pierce County	12,960	-	-	-	525,000	537,960	-	537,960
RCO	-	-	-	-	75,043	75,043	-	75,043
Sound Transit	-	-	-	-	-	-	-	-
South Sound 911	7,183	-	-	-	-	7,183	-	7,183
Town of Steilacoom	14,061	-	-	-	-	14,061	-	14,061
US Marshall SI-PA-9-13	-	-	-	-	2,389	2,389	-	2,389
WA State Dept of Transportation	-	381,374	-	-	-	381,374	-	381,374
WA State Patrol	-	-	-	-	5,273	5,273	-	5,273
WA State Military	-	-	-	-	16,633	16,633	-	16,633
Western State	88,875	-	-	-	-	88,875	-	88,875
WA Criminan Justice Training Commission	43,748	-	-	-	-	43,748	-	43,748
Washington State Health Authority	35,580	-	-	-	-	35,580	-	35,580
Total by Fund	\$ 6,070,332	\$ 436,157	\$ 1,453,402	\$ 699,557	\$ 2,467,816	\$ 11,127,264	\$ 130,330	\$ 11,257,594

NOTE 5 – DUE TO OTHER GOVERNMENTS

At December 31, 2019, the City recorded \$25,830 as due to other governments as follows:

Due to Other Governments As of December 31, 2019						
Payable	General	CDBG	Nonmajor Governmental	Total General Government	Internal Service	Total
Sales and Use Tax	\$ 1,847	\$ 18	\$ 196	\$ 2,061	\$ 82	\$ 2,143
Nisqually Indian Tribe	23,687		-	23,687	-	23,687
Total by Fund	\$ 25,535	\$ 18	\$ 196	\$ 25,749	\$ 82	\$ 25,830

NOTE 6 – CAPITAL ASSETS

Capital assets activity for governmental funds for the year ended December 31, 2019 is as follows:

Governmental Activities	Beginning Balance 1/1/2019	Prior Period Adjustment	Adjusted Beginning Balance 1/1/2019	Increases	Decreases	Ending Balance 12/31/2019
Capital assets, not being depreciated:						
Land and land rights	\$ 22,946,303	\$ -	\$ 22,946,303	\$ 815,029	\$ (3,083)	\$ 23,758,249
Construction in progress	16,662,024	(1,337,969)	15,324,055	8,519,575	(13,498,830)	10,344,800
Total capital assets, being not depreciated	39,608,327	(1,337,969)	38,270,358	9,334,604	(13,501,913)	34,103,049
Capital Assets being depreciated:						
Buildings	26,227,943	-	26,227,943	-	-	26,227,943
Infrastructure	142,164,551	-	142,164,551	13,498,830	-	155,663,381
Machinery and equipment	12,500,426	(31,773)	12,468,653	1,175,581	(1,597,328)	12,046,906
Total capital assets, being depreciated	180,892,920	(31,773)	180,861,147	14,674,411	(1,597,328)	193,938,230
Less accumulated depreciation for:						
Buildings	(6,060,205)	-	(6,060,205)	(524,326)	-	(6,584,531)
Infrastructure	(55,506,156)	-	(55,506,156)	(5,028,800)	-	(60,534,956)
Machinery and equipment	(7,777,615)	27,686	(7,749,929)	(1,088,176)	1,594,914	(7,243,191)
Total accumulated depreciation	(69,343,976)	27,686	(69,316,290)	(6,641,302)	1,594,914	(74,362,678)
Total capital assets being depreciated, net	111,548,944	(4,087)	111,544,857	8,033,109	(2,414)	119,575,552
Governmental Activities capital assets, net	\$ 151,157,271	\$ (1,342,056)	\$ 149,815,215	\$ 17,367,713	\$ (13,504,327)	\$153,678,601

The prior period adjustment of \$(1,342,056) is due to the elimination of construction in progress costs that were found to be noncapital in nature in the Public Works chip seal program; and, to prior year retirement of equipment in the internal service funds

Capital asset activity for Business-type activities for the year ended December 31, 2019, was as follows:

Business-Type Activities	Beginning Balance 1/1/2019	Prior Period Adjustment	Adjusted Beginning Balance 1/1/2019	Increases	Decreases	Ending Balance 12/31/2019
Capital assets, not being depreciated:						
Land and land rights	\$ 1,854,447	\$ -	\$ 1,854,447	\$ 6,500	\$ -	\$ 1,860,947
Construction in progress	-	453,514	453,514	73,017	-	526,531
Total capital assets, not being depreciated	1,854,447	453,514	2,307,961	79,517	-	2,387,478
Capital assets being depreciated:						
Buildings	1,849,673	-	1,849,673	-	-	1,849,673
Infrastructure	43,651,027	(453,514)	43,197,513	-	-	43,197,513
Machinery and equipment	332,332	-	332,332	-	-	332,332
Total capital assets being depreciated	45,833,032	(453,514)	45,379,518	-	-	45,379,518
Less accumulated depreciation for:						
Buildings	(129,391)	-	(129,391)	(37,133)	-	(166,524)
Infrastructure	(17,599,001)	-	(17,599,001)	(1,218,403)	-	(18,817,404)
Machinery and equipment	(229,220)	-	(229,220)	(21,492)	-	(250,712)
Total accumulated depreciation	(17,957,612)	-	(17,957,612)	(1,277,028)	-	(19,234,639)
Total capital assets being depreciated, net	27,875,420	(453,514)	27,421,906	(1,277,028)	-	26,144,879
Business-Type Activities capital assets, net	\$ 29,729,867	\$ -	\$ 29,729,867	\$ (1,197,511)	\$ -	\$ 28,532,357

The prior period adjustment of \$(453,514) transfers the cost of outfalls retrofit from infrastructure to construction in progress.

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, 2019	
Governmental Activities:	
General Government	\$ 495,050
Judicial	4,255
Public Safety (Police)	931,556
Transportation (Highways and Streets)	4,691,426
Culture and Recreation	519,014
Total Depreciation Expense - Governmental Activities	6,641,302
Business-Type Activities:	
Utilities and Environment (Surface Water Management)	1,277,028
Total Depreciation Expense - Business-Type Activities	1,277,028
Total Depreciation Expense	\$ 7,918,330

The City has active construction projects at December 31, 2019. The City's commitments to contractors are as follows:

Construction Commitments				
Vendor	Contract Name	Contract Amount	Payments	Balance at 12/31/2019
Construction Contracts				
Granite Construction Co.	Chip Seal Program – Local Access Roads	\$ 331,081	\$ 323,491	\$ 7,590
Iversen And Sons Inc.	Storm Drainage Repair	94,537	88,791	5,746
KBH Construction Co.	Gateways	210,000	207,479	2,521
KPFF Inc.	Streets: Steilacoom Blvd – Farwest to Phillips Road	66,830	28,757	38,073
Plumb Signs Inc.	Gateways	2,099	1,000	1,099
Puget Paving Const Inc.	Roadway Patching	253,286	217,026	36,260
Consulting and Engineering Services				
AHBL Inc.	Outfall Retrofit	29,233	24,571	4,661
AHBL Inc.	Traffic Signal Replacement: 100th & Lakewood Drive	6,750	3,113	3,637
Aquatechnex LLC	American Lake Integrated Aquatic Vegetation	21,500	19,750	1,750
Aquatechnex LLC	American Lake Treatment Project / Lakewood Management District	125,000	120,317	4,683
BCRA	Sidewalks: Onyx Dr. SW – 89th to 97th and Garnet to Phillips	584,198	324,891	259,307
Beyler Consulting LLC	Edgewater Dock	19,020	13,768	5,253
Cascade Right-Of-Way Svcs LLC	112th/111th (Bridgeport Way to Kendrick)	5,376	2,395	2,981
Cascade Right-Of-Way Svcs LLC	Streets: Steilacoom Blvd – Farwest to Phillips Road	101,080	56,020	45,060
Cascade Right-Of-Way Svcs LLC	Traffic Signal Replacement: 100th & Lakewood Drive	25,070	15,985	9,085
Geoengineers	Streets: Steilacoom Blvd – Farwest to Phillips Road	39,606	33,430	6,176
James Guerrero Architect Inc.	Fort Steilacoom Park Pavilion Phase I	5,100	3,100	2,000
KPG Inc.	Streets: Steilacoom Blvd – Farwest to Phillips Road	84,426	77,104	7,323
Parametrix	Sidewalks: Veterans Drive - Gravelly Lake Drive to American Lake Park	314,330	88,475	225,855
Robert W. Droll	Harry Todd Park Phase I (ADA, Dock Access, Shoreline, Open Space)	367,107	135,011	232,096
Site Workshop	Fort Steilacoom Park - Angle Lane Updates	210,621	108,355	102,267
Tetra Tech Inc.	Waughop Lake Dredging	105,010	32,188	72,822
Watershed Science	Clover Creek Flood Plain Analysis	49,786	39,312	10,474
Consulting and Engineering Services				
Hab Aquatic Solutions	Waughop Lake Alum Treatment	326,673	-	326,673
Puget Sound Energy	Street Lights: New LED Street Lights	152,135	150,637	1,498
		\$ 3,529,853	\$ 2,114,965	\$ 1,414,888

NOTE 7 – PENSION PLANS

The City participates in four retirement plans. Two are defined contribution pension plans administered by International City Manager's Association (ICMA), and two are defined benefit pension plans administered by Washington State, namely, the Law Enforcement Officers Plan 2 (LEOFF Plan 2) under the WA State Department of Retirement Systems (DRS), and the Volunteer Fire Fighters and Reserve Officers Relief and Pension Plan (VFFRPF) under a separate Washington State board.

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 2019:

Aggregate Pension Amounts - All	
Pension assets	\$ 8,048,562
Deferred outflows of resources	\$ 1,031,371
Deferred inflows of resources	\$ (2,829,796)
Pension expenditures	\$ 143,225

The City's contributions to the two ICMA plans in 2019 are the same as the plan sponsor's reported contributions. The VFFRPF is not reported due to materiality considerations but plan information is provided in this section.

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's 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, 2019, was \$23,115,370.

2019 Employer Contribution	2019 Employee Contribution
7.62%	5.08%
\$717,226	\$478,151

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's 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:

2019 Employer Contribution	2019 Employee Contribution
4.77%	6.20%
\$1,033,880	\$1,343,828

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, 2019, was \$41,292,010.

Law Enforcement Officers' LEOFF Plan 2

All City 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, 2019	
Inactive plan members or beneficiaries currently receiving benefits	6,448
Inactive plan members entitled to but not yet receiving benefits	980
Active plan members	18,544
Total Membership	25,972

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 2019 were as follows:

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

The City's actual contributions to the plan were \$620,348 for the year ended December 31, 2019.

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, 2019, the state contributed \$72,959,897 to LEOFF Plan 2.

Actuarial Assumptions

The total net pension asset 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; 3.5% salary inflation
- **Salary increases:** In addition to the base 3.5% 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 7.7% to 7.5% for all systems except LEOFF 2. For LEOFF 2 the valuation interest rate was lowered from 7.5% to 7.4%.
 - 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 7.4% 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 7.4% 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, 2019, 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%	2.2%
Tangible Assets	7%	5.1%
Real Estate	18%	5.8%
Global Equity	32%	6.3%
Private Equity	23%	9.3%
	100%	

Sensitivity of Net Pension Asset

The table below presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.4%, as well as what the City proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.4%) or 1-percentage point higher (8.4%) than the current rate.

	1% Decrease (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
LEOFF 2	\$ (1,496,567)	\$ (8,048,562)	\$ (13,396,490)
Total	\$ (1,496,567)	\$ (8,048,562)	\$ (13,396,490)

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, 2019, the City's reported a total pension asset of \$8.0 million for its proportionate share of the net pension assets as follows:

Liability (or Asset)
LEOFF 2 (\$8,048,562)

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

	Liability (or Asset)
LEOFF 2 - Employer's proportionate share	\$ (8,048,562)
LEOFF 2 - State's proportionate share of the net pension liability / (asset) associated with the employer	(5,270,730)
Total	\$ (13,319,292)

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

	Proportionate Share		Change in Proportion
	6/30/2018	6/30/2019	
LEOFF 2	0.35469%	0.34742%	-0.007%

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

In fiscal year 2019, the State of Washington contributed 39% of LEOFF 2 employer contributions pursuant to RCW 41.27.726 and all other employers contributed the remaining 61% of employer contributions.

Pension Expense

For the year ended December 31, 2019, the City recognized pension expense as follows:

Pension Expense	
LEOFF 2	(\$143,225)
\$	(143,225)

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2019, the City 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	\$ 579,166	\$ (144,734)
Net difference between projected and actual investment earnings on pension plan investments	-	(1,650,207)
Change of assumptions	\$13,259	(905,721)
Changes in proportion and differences between contributions and proportionate share of contributions	115,648	(\$129,134)
Contributions subsequent to the measurement date	\$323,298	-
Total	\$ 1,031,371	\$ (2,829,796)

For the year ended December 31, 2019, 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
2020	(425,605)
2021	(830,301)
2022	(382,144)
2023	(207,139)
2024	(74,914)
Thereafter	(201,619)
Total	\$ (2,121,722)

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 2019 were as follows:

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

The City's actual contributions to the plan were \$2,265 for the year ended December 31, 2019. The City has opted to pay members' fees on their behalf. Contributions on behalf of members were \$60 for the year ended December 31, 2019.

In accordance with Chapter 41.24 RCW, the state contributes 40% of the fire insurance premium tax to the plan. For fiscal year 2019 the fire insurance premium tax contribution was \$7.6 million.

Actuarial Assumptions

The total pension asset for the VFFRPF was determined by an actuarial valuation by the Office of the State (OSA) as of June 30, 2017, and rolled forward to June 30, 2018, using the following actuarial assumptions, applied to all prior periods included in the measurement:

- **Inflation:** 2.50%
- **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 2018 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 7.0%. 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 7.0% long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Consistent with long-term expected rate of return, a 7.0% 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, 2019, 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%	2.2%
Tangible Assets	7%	5.1%
Real Estate	18%	5.8%
Global Equity	32%	6.3%
Private Equity	23%	9.3%
	100%	

Sensitivity of the Net Pension Asset

The following presents the City's proportionate share of the VFFRPF net pension asset calculated using the discount rate of 7.0%, as well as what the City'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	\$ (32,874)	\$ (51,362)	\$ (66,416)

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, 2019, the City reported an asset of \$51,362 for its proportionate share of the VFFRPF plan's net position. The City'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, 2019 the City's proportion was 0.08%

The VFFRPF collective net pension asset was measured as of June 30, 2018, and the actuarial valuation date on which the total pension liability is based was on June 30, 2017, with update procedures used to roll forward the total pension liability to the measurement date.

For the year ended December 31, 2019, the City recognized pension expense of \$1,890. Deferred outflows of resources and deferred inflows of resources are not material to the VFFRPF plan.

NOTE 8 – RISK MANAGEMENT

The City 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 \$4M per occurrence in the self-insured layer, and \$16M in limits above the self-insured layer is provided by reinsurance. Total limits are \$20M 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 \$400M 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 \$100M 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 2019.

The following is a summary of coverage in force in 2020:

Schedule of Insurance in Force As of December 31, 2019			
Company	Policy Period	Details of Coverage	Limit
WCIA	1/1/20 - 12/31/20	Liability Program (Auto, General, Police, Errors or Omissions, Employment Practices, Employee Benefit and Stop Gap)	\$25M per Occurrence Subject to Aggregates and Sub-Limits.
WCIA	1/1/20 - 12/31/20	Property Program - Manuscript Policy All Risk Form	\$400M per occurrence. Sub-Limits: \$150M Earthquake per Occurrence and Annual Pool Aggregate; \$100M Flood per Occurrence and Annual Pool Aggregate, except \$50M Flood Sub-Limit within Flood Zones A and V. Other Sub-Limits may apply
WCIA	1/1/20 - 12/31/20	Auto Physical Damage Program	Actual Cash Value for scheduled vehicles except optional replacement cost coverage for vehicles over \$25K. Deductible waived for glass repair and damaged caused by fire or lightning.
Hartford Steam Boiler Inspection and Insurance Company	1/1/20 - 12/31/20	Boiler and Machinery (Equipment Breakdown) Insurance	\$100M maximum limit (Equipment Breakdown); \$10M Business Income, Service Interruption; \$5M Demolition Ordinance of Law; and \$1M Extra Expense.
Chubb Insurance Company	1/1/20 - 12/31/20	Pollution Liability	\$2M Per Condition, Pollution Condition or Indoor Environmental Condition Limit of Liability; \$10M Total Policy and Program Aggregate Limit of Liability for all Pollution Conditions and Indoor Pollution and Indoor Environmental Conditions.
National Union Fire Insurance Company	1/1/20 - 12/31/20	Crime/Fidelity Insurance Blanket Coverage	\$2.5M 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	1/1/20 - 12/31/20	Information Security Insurance (Cyber Insurance)	\$10M Aggregate Pool Policy Limit and per Member \$1M Limit. Sublimits: 1M Security and Privacy Liability per Member; \$1M Regulatory Action per Member; \$1M Cyber Extortion; \$1M PCI-DSS Assessment or Fine per Member; \$75K Affected Individuals Privacy Event Svc per Member; \$1M Event Mgmt. Electronic Data and \$1M Event Management Event Response per Member; and \$1M Cyber Extortion

NOTE 9 – LONG-TERM LIABILITIES

On April 24, 2019 the City issued \$7.5M in limited tax general obligation bonds which sold at a premium of \$648K with issuance cost of \$108K. The proceeds from the sale of the Bonds will be used to finance transportation projects, which include improvements and upgrades to the non-motorized trail of Gravelly Lake Drive, street projects on Washington and Steilacoom Boulevard, sidewalks on Veterans Drive and Onyx Drive SW, and other capital purposes. Bonds are scheduled to fully mature in the year 2038.

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, 2019, no amount of special assessment receivables was considered delinquent.

The City has four outstanding public works trust fund loans (PWTFLL) 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, 2019, is recapped in the chart below:

Description	Date of Issue	Maturity Date	Interest Rate	Original Issue Amount	Beginning of Year O/S Debt	Amount Issued	Amount Redeemed	End of Year O/S Debt	Due in One Year	Long-Term Portion
Governmental Activities										
<u>General Obligation Bonds</u>										
2019 LTGO	5/8/2019	12/1/2038	3.0% - 5.0%	\$ 7,460,000	\$ -	\$ 7,460,000	\$ -	7,460,000	\$ 270,000	\$ 7,190,000
2019 LTGO - premium	5/8/2019	12/1/2038	3.0% - 5.0%	595,905	\$ -	\$ 595,905	\$ 29,800	566,105	\$ 29,800	\$ 536,305
2016 LTGO	4/19/2016	12/1/2028	1.40%-2.41%	1,884,032	1,884,032	-	173,234	1,710,798	174,484	1,536,314
LOCAL Financing	3/24/2015	12/1/2027	2.33%	1,460,000	1,175,000	-	105,000	1,070,000	110,000	960,000
Subtotal GO Bonds				\$ 14,094,937	\$ 3,059,032	\$ 8,055,905	\$ 308,034	\$ 10,806,903	\$ 584,284	\$ 10,222,619
LOCAL Financing Premium	3/24/2015	12/1/2027	n/a	207,849	142,896	-	17,321	125,575	17,321	108,254
Subtotal GO Bonds Premium				\$ 207,849	\$ 142,896	\$ -	\$ 17,321	\$ 125,575	\$ 17,321	\$ 108,254
<u>Special Assessment Bonds (with governmental commitments)</u>										
CLID 1101/1103	12/1/2006	12/1/2026	3.75% - 4.65%	2,824,704	360,000	-	150,000	210,000	105,000	105,000
LID 1108	1/18/2008	12/1/2027	4.22% - 5.30%	880,000	234,767	-	55,984	178,783	56,111	122,672
Subtotal Special Assessment Bonds				\$ 3,704,704	\$ 594,767	\$ -	\$ 205,984	\$ 388,783	\$ 161,111	\$ 227,672
<u>Notes Payable</u>										
59th Avenue	4/30/2005	4/30/2024	Varies	1,071,000	407,088	-	61,776	345,312	64,087	281,226
Subtotal Notes Payable				\$ 1,071,000	\$ 407,088	\$ -	\$ 61,776	\$ 345,312	\$ 64,087	\$ 281,226
<u>Government Loans</u>										
PWTF - 04-691-PRE-132	7/7/2005	7/7/2024	1.00%	593,864	178,291	-	29,715	148,576	29,715	118,861
PWTF - 06-962-022	9/18/2006	9/18/2026	0.50%	5,000,000	2,355,857	-	294,482	2,061,375	294,482	1,766,893
PWTF - 08-951-025	3/1/2008	7/1/2028	0.50%	1,840,000	1,040,262	-	104,026	936,236	104,026	832,210
PWTF - 12-951-025	6/1/2012	6/1/2031	0.50%	500,000	464,286	-	35,714	428,571	35,714	392,857
Subtotal Government Loans				\$ 7,933,864	\$ 4,038,695	\$ -	\$ 463,937	\$ 3,574,758	\$ 463,937	\$ 3,110,820
<u>HUD Loans</u>										
Section 108 Loan	8/31/2017	8/1/2020	Varies	141,000	94,000	-	47,000	47,000	47,000	-
Subtotal HUD Loans				\$ 141,000	\$ 94,000	\$ -	\$ 47,000	\$ 47,000	\$ 47,000	\$ -
<u>Compensated Absences</u>					2,691,769	3,159,452	3,006,838	2,844,383	853,315	1,991,068
Subtotal Governmental Activities					\$ 11,028,248	\$ 11,215,357	\$ 4,110,890	\$ 18,132,714	\$ 2,191,056	\$ 15,941,659
Business-type Activities										
<u>Compensated absences</u>					109,401	92,725	81,793	120,333	36,100	84,233
Subtotal Business-type Activities					\$ 109,401	\$ 92,725	\$ 81,793	\$ 120,333	\$ 36,100	\$ 84,233
Total					\$ 11,137,649	\$ 11,308,082	\$ 4,192,683	\$ 18,253,047	\$ 2,227,156	\$ 16,025,892

Future payment requirements on debt balances are as follows:

Year(s)	Principal	Interest
2020	1,280,620	410,763
2021	1,262,419	371,810
2022-2026	5,750,304	1,393,839
2027-2031	2,938,308	732,217
2031-2038	3,365,000	415,950
Totals	\$ 14,596,650	\$ 3,324,579

Arbitrage Liability

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.

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 12/31/2019 the outstanding principal balance for this loan is \$94 thousand.

A Section 108 Loan in the amount of \$700 thousand was issued in 2014 for Curbside Motors Incorporated and another for \$310 thousand 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, 2019, of \$908 thousand 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% of the value of all taxable property within the City. State law requires all property to be assessed at 100% 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% of those who voted in the last State general election and of those voting; 60% 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% 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 2019 was \$7.6 billion and the total amount of debt the City may issue is \$556,154,830. Remaining legal debt capacities as of December 31, 2019 are:

Legally Remaining Debt Capacity	
As of December 31, 2019	
General Government (no vote required)	\$ 108,748,967
General Government (3/5 majority vote required)	74,567,644
Parks and open space (3/5 majority vote required)	186,419,110
Utilities (3/5 majority vote required)	186,419,110
Total Capacity	\$ 556,154,830

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, 2019	
<i>Governmental Activities:</i>	
Current Portion	\$ 853,315
Noncurrent Portion	1,991,068
Subtotal Governmental Activities	2,844,383
<i>Business-Type Activities:</i>	
Current Portion	36,100
Noncurrent Portion	84,233
Subtotal Business-Type Activities	120,333
Total Compensated Absences	\$ 2,964,716

Leases

Building Leases: In 2006, the City entered into a 5-year cancellable 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 2019 totaled \$62 thousand. 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
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 \$102K over 20 years. In return for the contribution, the City 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 2019 totaled \$102K. The future minimum lease payments are as follows:

Year	Amount
2020	\$ 101,850
2021	\$ 101,850
2022	\$ 101,850

NOTE 10 – INTERFUND TRANSACTIONS

Interfund transfers for the year ended December 31, 2019, were as follows:

		Transfer From						
Interfund Transactions		General Fund	CDBG Grant Fund	Transportation CIP Fund	Surface Water Management Fund	Non-Major Governmental Funds	Internal Service Funds	Total
Transfer To	General Fund	\$ -	\$ -	\$ -	\$ 284,700	\$ -	\$ -	\$ 284,700
	Transportation CIP	983,797	486,445	2,420	785,855	2,227,031	-	4,485,548
	Non-Major Governmental Funds	2,663,011	-	2,667	133,958	3,588,450	131,184	6,519,269
	Total	\$ 3,646,808	\$ 486,445	\$ 5,087	\$ 1,204,513	\$ 5,815,481	\$ 131,184	\$ 11,289,517

The following describes the amounts transferred out during 2019:

General Fund: \$983,797 to the Transportation CIP Fund to fund various transportation capital projects and \$2,663,011 to nonmajor governmental funds to subsidize street operations and maintenance and to pay 2019 debt service on G.O. debt.

CDBG Fund: \$486,445 to the Transportation CIP Fund to fund CDBG eligible transportation-related capital projects.

Surface Water Management Fund: \$284,700 to the General Fund for administrative fees and landscape maintenance, \$785,855 to the Transportation CIP for SWM's share of transportation capital projects, and \$133,958 the Parks CIP Fund for SWM's share of parks capital project.

Transportation CIP Fund: \$5,087 to Parks CIP for parks projects with roadway components:

Nonmajor Governmental Funds: \$2,227,031 from the REET Fund and Transportation Benefit District funds to the Transportation CIP Fund and for various roadway and transportation capital projects; and \$3,588,450 which includes transfers from the REET and Hotel-Motel Lodging Tax funds to Parks CIP Fund for parks construction; and, improvements and transfers from Sewer Project and Sewer Connection funds to Sewer Capital Fund for infrastructure enhancements.

Internal Service Funds: \$50,000 from Property Management to Parks CIP for Parks improvement projects; and, \$81,184 from Risk Management to Fleet & Equipment for additions to the city fleet.

At the end of 2019 the General Fund made interfund loans of \$31,297 to the CDBG Fund and \$183,125 to the Public Safety Grants Fund to cover negative ending cash balances due to timing differences between when grant eligible expenditures are incurred and when cash reimbursements are finally received. Transportation Capital had outstanding borrowing from the prior year of \$880,204 from Fleet & Equipment Fund.

NOTE 11 – HEALTH AND WELFARE

The City 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, 2019, 261 cities/towns/non-city entities participate in the AWC Trust HCP.

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

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. In 2019, the AWC Trust HCP purchased stop loss insurance for Regence/Asuris plans at an Individual Stop Loss (ISL) of \$1.5 million through Commencement Bay Risk Management, 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 Trust 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 AWC Trust 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 AWC Trust HCP. Similarly, the terminating member forfeits all rights and interest to the AWC Trust 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 AWC Trust HCP are maintained in accordance with methods prescribed by the State Auditor's office under the authority of Chapter 43.09 RCW. The AWC Trust HCP also follows applicable accounting standards established by the Governmental Accounting Standards Board ("GASB"). In 2018, the retiree medical plan subsidy was eliminated, and is noted as such in the report for the fiscal year ending December 31, 2018. 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 12 – CONTINGENCIES AND LITIGATION

The City of Lakewood is occasionally subjected to routine legal proceedings as it carries on with the functions of government. The City's threshold for disclosing potential losses from judgments against the City is \$50,000. While there may be potential judgments that exceed this amount, the City carries liability and property insurance through the Washington Cities Insurance Authority and can also retain insurance defense counsel services. As of July 21, 2020, there were six pending litigations and claims against the City. Three have the potential for individual damages exceeding the threshold but are expected to be covered by the City's liability insurance and mitigated by insurance defense counsel. In two other cases, the City is not able to estimate the potential damages of an unfavorable judgment but

expects the amounts to be under the City's insurance limits. Finally, one other pending claim may not be covered by insurance but the City expects any award against it to be below the threshold.

NOTE 13 – TAX ABATEMENTS

The City 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, 2019, the City abated property taxes totaling \$30,838 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 2019 abatement amounted to \$25,382.
- The second entity has two exemption agreements.
 - The first agreement went into effect in 2014 and runs through 2021. The 2019 abatement amounted to \$1,799.
 - The second agreement went into effect in 2015 and runs through 2024. The 2019 abatement amounted to \$3,656.

Because the amounts are related to the regular levy, rather than the excess levy, the program resulted in tax revenue of \$25,382 being shifted from program beneficiaries to other taxpayers and therefore no revenue loss to the City.

NOTE 14 – SUBSEQUENT EVENTS

The following events occurred after December 31, 2019 but before the issuance of these financial statements:

- (a) In February 2020, the governor of Washington declared a state of emergency in response to the Covid-19 pandemic outbreak. In the weeks following the declaration, precautionary measures to slow the spread of the virus have been ordered. These measures include closing schools, colleges and universities, cancelling public events, prohibiting public and private gatherings, and requiring people to stay home unless they are leaving for an essential function. In mid-March 2020, the City Manager closed the city's offices to the public and cancelled civic and social events to comply with the directive. In April 2020 city employees other than those in essential functions began working from home. Federal public assistance is available from FEMA which will partially cover unexpected costs incurred during the COVID-19 emergency. The State has also allocated \$300M to aid small local governments that did not receive direct distributions under the CARES Act with cities expected to get a minimum distribution of \$25,000. The length of time these measures will be in place, and the full extent of the financial impact on the City is unknown at this time.
- (b) Fifty-three percent of Washington voters passed the statewide initiative I-976 in November 2019. If approved car tab fees will be reduced to a flat-fee of \$30 per vehicle. Several major public agencies have challenged the technicality of the ballot measure claiming that it is unconstitutional and misleading to the voters. A King County court ruled in favor of the main provision of the initiative but the ruling has been appealed with the State Supreme Court who is yet to review the case. In anticipation of I-976 being upheld by the courts the city has adjusted its 2020 budget. The Transportation Benefit District's \$20 vehicle license fees was eliminated and replaced with excess real estate excise taxes. It is further expected that there would be reductions in

many of the state accounts associated with transportation funding, including the Multimodal Transportation Account, the Motor Vehicle Account, State Patrol Highway Account, and the Transportation Partnership Account. The City receives multimodal funding and motor vehicle excise taxes of approximately \$82K per year and \$1.3M per year, respectively, which could be impacted if reductions occur at the state level.

- (c) On March 2, 2020 the City issued \$923K in bonds to reimburse the cost of improvements within the Local Improvement District (LID 1109) totaling \$883K and pay cost of issuance amounting to \$39K. The bonds are payable each March 1 beginning on March 1, 2021. The bonds mature on March 1, 2035 and bear interest at a rate of 2.8%. The average annual debt service payment is \$85K and is payable from assessments from the property owner.
- (d) On March 2, 2020 the City Council authorized the maximum capacity (.0073%) of the local sales and use tax credit for affordable and supporting housing under the provisions of Substitute House Bill 1406. According to the Washington State Department of Revenue the maximum amount the City can receive is \$98K per State fiscal year. The tax credit increase will be imposed beginning May 1, 2020.



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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, 2019
Last 5 Fiscal Years*

	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	0.3474%	0.3547%	0.3452%	0.3379%	0.3406%
Employer's proportionate share of the net pension liability (asset)	\$ (8,048,562)	\$ (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	\$ (5,270,730)	\$ (4,662,459)	\$ (3,107,666)	\$ (1,281,167)	\$ (2,314,541)
Total	<u>\$ (13,319,292)</u>	<u>\$ (11,863,379)</u>	<u>\$ (7,898,409)</u>	<u>\$ (3,246,367)</u>	<u>\$ (5,815,053)</u>
Covered payroll	\$ 11,959,728	\$ 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	-67.3%	-64.0%	-44.0%	-19.1%	-34.8%
Plan fiduciary net position as a percentage of the total pension liability	128.7%	118.5%	113.4%	106.0%	111.7%

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

Note: 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, 2019
Last 5 Fiscal Years*

	2019	2018	2017	2016	2015
Statutorily or contractually required contributions	\$ 620,348	\$ 631,767	\$ 580,241	\$ 544,089	\$ 516,402
Contributions in relation to the statutorily or contractually required contributions	\$ (620,348)	\$ (631,767)	\$ (580,241)	\$ (544,089)	\$ (516,402)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 12,107,278	\$ 11,545,187	\$ 11,003,434	\$ 10,844,951	\$ 9,525,162
Contributions as a percentage of covered employee payroll	5.1%	5.5%	5.3%	5.0%	5.4%

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

Note: 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
December 31, 2019

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	HQ0051810005	-	138,982	138,982	-	
			HQ00051910022	-	69,408	69,408	-	
			W9124J1920006	-	33,435	33,435	-	
Total CFDA 12.610:				-	241,825	241,825	-	
-								
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	-	409	409	-	
			B17MC5-30016	-	205,810	205,810	-	
			B18MC5-30016	-	523,390	523,390	-	
			B19MC5-30016	-	178,217	178,217	-	3
Total CDBG - Entitlement Grants Cluster:				-	907,826	907,826	-	
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	3,662	-	3,662	-	5
Assistant Secretary for Community Planning and Development, Department of Housing and Urban Development (via Tacoma Community Redevelopment Authority)	Home Investment Partnerships Program	14.239	2019-065	80,523	-	80,523	28,800	6a
US Department of Justice	Federal Bureau of Investigation - Pacific Northwest Innocence Lost	16.UO1	2008-6-16	-	30,759	30,759	-	
	Federal Bureau of Investigation - Safe Streets Task Force	16.UO2	281D-SE-88930	-	4,276	4,276	-	
						-		
Office Of Justice Programs, Department of Justice	BJA - Veterans Treatment Courts	16-585	2018-VC-BX-0026		67,920	67,920		
Office on Violence Against Women (OVW), Department of Justice (via Washington State Department of Commerce)	Violence Against Women Formula Grants	16.588	F-18-31103-060	28,229	-	28,229	-	
Office on Violence Against Women (OVW), Department of Justice (via PC Sheriff)	Violence Against Women Formula Grants	16.588	2019-185	3,836	-	3,836	-	
Total CFDA 16.588:				32,065	-	32,065	-	
-								
Office of Justice Programs, Department of Justice	Bulletproof Vest Partnership Program	16.607	FFY2018	-	15,560	15,560	-	
Office Of Justice Programs, Department of Justice (Via Pierce County Sheriff)	Edward Byrne Memorial Justice Assistance Grant Program	16.738	2017-DJ-BX-0328	-	12,640	12,640	-	
	Edward Byrne Memorial Justice Assistance Grant Program	16.738	2018-DJ-BX-0199	-	42,306	42,306	-	
	Edward Byrne Memorial Justice Assistance Grant Program	16.738	2019-TNET ILA	2,747		2,747	-	
Total CFDA 16.738:				2,747	54,946	57,693		

City of Lakewood
Schedule of Expenditures of Federal Awards
December 31, 2019

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	
	Equitable Sharing Program	16.922	WA0272300	-	4,374	4,374	-	
Highway Planning and Construction Cluster								
Federal Highway Administration, Department of Transportation (via US Department of Transportation)	Highway Planning and Construction	20.205	WSDOT - CM-3136(007)	36,624	-	36,624	-	
			WSDOT - HSIP-3000(003)	2,227	-	2,227	-	
Total Highway Planning and Construction Cluster:				38,851	-	38,851	-	
Highway Safety Cluster								
National Highway Traffic Safety Administration, Department of Transportation (via Washington Traffic Safety Commission)	State and Community Highway Safety	20.600	2019-Traffic Equip	992	-	992	-	
			2019-HVE-3293	3,600	-	3,600	-	
Total CFDA 20.600:				4,592	-	4,592	-	
National Highway Traffic Safety Administration, Department of Transportation (via Washington Traffic Safety Commission)	National Priority Safety Programs	20.616	2019-HVE-3293	3,600	-	3,600	-	
			K-13669	6,883	-	6,883		
			K-15341	5,273	-	5,273		
Total CFDA 20.616:				15,756	-	15,756	-	
Total Highway Safety Cluster:				20,348	-	20,348	-	
National Highway Traffic Safety Administration, Department of Transportation (via Washington Traffic Safety Commission)	Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	2019-HVE-3293	3,000	-	3,000	-	
US Department of Health and Human Services (via Washington State Health Care Authority)	Substance Abuse Prevention and Treatment Block Grant	93.959	TM010056	46,087	-	46,087		
U.S. Coast Guard, Department of Homeland Security (via Washington State Parks and Recreation Commission)	Boating Safety Financial Assistance	97.012	3316FAS160153	17,278	-	17,278	-	
Federal Emergency Management Agency, Department of Homeland Security (via Washington State Military Department)	Emergency Management Performance Grants	97.042	EMPG E19-160	16,633	-	16,633	16,633	6b
			EMPG E20-114	16,633	-	16,633	16,633	6c
Total CFDA 97.042:				33,266	-	33,266	33,265	
Federal Emergency Management Agency, Department of Homeland Security (via King Co Department of Emergency Management)	Preparing for Emerging Threats and Hazards	97.133	FFY16-CCTA	21,065	-	21,065		
Total Federal Awards Expended:				298,892	1,327,486	1,626,378	62,065	

**CITY OF LAKEWOOD
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

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 - 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 3 - REVOLVING LOAN FUND - PROGRAM INCOME

The city administers a revolving loan program for CDBG Down -Payment Assistance and Major Home Repairs. 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 \$100,992 and is presented in the schedule. The amount of loan repayments for the year was \$90,131.

NOTE 4 - 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 12/31/2019 is \$570,000.
- 2) Living Access Support Alliance in the amount of \$310,000 with the loan term from 2015 - 2035. The loan balance as of 12/31/2019 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 12/31/2019 is \$47,000. 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 pledged for its annual CDBG allocation. The block grant is partial guarantee for the loan, and no City funds are 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 5 - PROGRAM INCOME

These expenditures were paid with program income.

NOTE 6 - AMOUNTS AWARDED TO SUBRECIPIENTS

Included in the total amount expended for this program is a) \$28,725 Habitat for Humanity and \$75 Homeownership Center of Tacoma; b) \$16,633 West Pierce Fire & Rescue; c) \$16,633 West Pierce Fire & Rescue

NOTE 7 - PROGRAM COSTS

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, 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 including the City of Lakewood's portion, 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.

COMBINING STATEMENTS

**Combining Statement – Nonmajor Governmental Funds Description
For the Year Ended December 31, 2019**

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, 2019

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 3,100,022	\$ 451,619	\$ 3,175,950	\$ 6,727,591
Due from other governments	320,365	-	925,965	1,246,330
Notes/contracts receivable	-	41,312	-	41,312
Special assessments receivable	239,438	-	-	239,438
Taxes Receivable	940,340	-	396	940,736
Total assets	<u>4,600,165</u>	<u>492,931</u>	<u>4,102,311</u>	<u>9,195,407</u>
LIABILITIES				
Accounts payable	171,176	-	124,797	295,973
Wages payable	91,835	-	3,914	95,749
Payable to other governments	196	-	-	196
Unearned revenue	-	-	626	626
Contracts payable	-	-	10,599	10,599
Other accrued liabilities	1,491	-	-	1,491
Interfund loan payable	183,125	-	-	183,125
Total liabilities	<u>447,823</u>	<u>-</u>	<u>139,936</u>	<u>587,759</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	239,438	41,312	-	280,750
Total liabilities and deferred inflows of resources	<u>687,261</u>	<u>41,312</u>	<u>139,936</u>	<u>868,509</u>
FUND BALANCES (DEFICITS)				
Restricted	3,159,518	451,619	-	3,611,137
Committed	753,386	-	3,962,375	4,715,761
Total fund balances (deficits)	<u>3,912,904</u>	<u>451,619</u>	<u>3,962,375</u>	<u>8,326,898</u>
Total liabilities, deferred inflows, and fund balances (deficits)	<u>\$ 4,600,165</u>	<u>\$ 492,931</u>	<u>\$ 4,102,311</u>	<u>\$ 9,195,407</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, 2019

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
REVENUES				
Taxes	\$ 4,917,272	\$ -	\$ -	\$ 4,917,272
Licenses and permits	154,287	-	-	154,287
Intergovernmental	1,720,799	-	1,169,338	2,890,137
Charges for goods and services	564,618	822,295	432,028	1,818,941
Fines and penalties	-	42	-	42
Interest and other earnings	78,831	23,393	52,182	154,406
Miscellaneous	162,611	7,767	1,474	171,852
Contributions and donations	-	-	22,350	22,350
Total revenues	<u>7,598,418</u>	<u>853,497</u>	<u>1,677,372</u>	<u>10,129,287</u>
EXPENDITURES				
Current:				
Public safety	476,534	-	-	476,534
Transportation	2,503,796	-	-	2,503,796
Economic environment	1,337,390	-	1,390,146	2,727,536
Culture and recreation	4,000	-	45,533	49,533
Judicial	67,920	-	-	67,920
Debt service:				
Principal retirement	-	803,948	-	803,948
Interest and other debt service costs	-	281,677	-	281,677
Capital outlay:				
Capital	33,433	-	1,980,439	2,013,872
Total expenditures	<u>4,423,073</u>	<u>1,085,625</u>	<u>3,416,118</u>	<u>8,924,816</u>
Excess (deficiency) of revenues over expenditures	<u>3,175,345</u>	<u>(232,128)</u>	<u>(1,738,746)</u>	<u>1,204,471</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,747,108	600,603	4,090,373	6,438,084
Transfers out	(4,012,997)	(987,000)	(815,484)	(5,815,481)
Total other financing source (uses)	<u>(2,265,889)</u>	<u>(386,397)</u>	<u>3,274,889</u>	<u>622,603</u>
Net change in fund balances	909,456	(618,525)	1,536,143	1,827,074
Fund balances - beginning	<u>3,003,448</u>	<u>1,070,144</u>	<u>2,426,232</u>	<u>6,499,824</u>
Fund balances - ending	<u>\$ 3,912,904</u>	<u>\$ 451,619</u>	<u>\$ 3,962,375</u>	<u>\$ 8,326,898</u>

Combining Statement – Nonmajor Special Revenue Funds Description For the Year Ended December 31, 2019

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, 2019
(Continued)

	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	\$ -	\$ 144,360	\$ 52,457	\$ 1,435,233	\$ 621,557	\$ 142,779
Due from other governments	-	-	-	-	-	-
Special assessments receivable	-	-	-	-	154,761	-
Taxes Receivable	135,093	655,909	-	149,338	-	-
Total assets	<u>135,093</u>	<u>800,269</u>	<u>52,457</u>	<u>1,584,571</u>	<u>776,318</u>	<u>142,779</u>
LIABILITIES						
Accounts payable	76,436	-	-	23,937	2,285	-
Wages payable	52,377	-	-	-	13,455	-
Other accrued liabilities	1,491	-	-	-	-	-
Payable to other governments	-	-	-	-	-	-
Interfund loan payable	-	-	-	-	-	-
Total liabilities	<u>130,304</u>	<u>-</u>	<u>-</u>	<u>23,937</u>	<u>15,740</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue	-	-	-	-	154,761	-
Total liabilities and deferred inflows of resources	<u>130,304</u>	<u>-</u>	<u>-</u>	<u>23,937</u>	<u>170,501</u>	<u>-</u>
FUND BALANCES (DEFICITS)						
Restricted	-	800,269	52,457	1,560,634	-	-
Committed	4,789	-	-	-	605,817	142,779
Total fund balances (deficits)	<u>4,789</u>	<u>800,269</u>	<u>52,457</u>	<u>1,560,634</u>	<u>605,817</u>	<u>142,779</u>
Total liabilities, deferred inflows, and fund balances (deficits)	<u>\$ 135,093</u>	<u>\$ 800,269</u>	<u>\$ 52,457</u>	<u>\$ 1,584,571</u>	<u>\$ 776,318</u>	<u>\$ 142,779</u>

City of Lakewood
Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2019
(Concluded)

	Narcotics Seizure	Felony Seizure	Federal Seizure	NSP Grant	OEA Grant/ SSMCP	Public Safety Grants	Total Nonmajor Special Revenue Funds
ASSETS							
Cash and cash equivalents	\$ 287,649	\$ 10,460	\$ 259,829	\$ 142,726	\$ 2,972	\$ -	\$ 3,100,022
Due from other governments	15,505	-	-	-	89,796	215,064	320,365
Special assessments receivable	-	-	-	84,677	-	-	239,438
Taxes Receivable	-	-	-	-	-	-	940,340
Total assets	<u>303,154</u>	<u>10,460</u>	<u>259,829</u>	<u>227,403</u>	<u>92,768</u>	<u>215,064</u>	<u>4,600,165</u>
LIABILITIES							
Accounts payable	19,368	2,317	-	-	29,039	17,794	171,176
Wages payable	1,465	-	-	293	10,100	14,145	91,835
Other accrued liabilities	-	-	-	-	-	-	1,491
Payable to other governments	-	-	-	-	196	-	196
Interfund loan payable	-	-	-	-	-	183,125	183,125
Total liabilities	<u>20,833</u>	<u>2,317</u>	<u>-</u>	<u>293</u>	<u>39,335</u>	<u>215,064</u>	<u>447,823</u>
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue	-	-	-	84,677	-	-	239,438
Total liabilities and deferred inflows of resources	<u>20,833</u>	<u>2,317</u>	<u>-</u>	<u>84,970</u>	<u>39,335</u>	<u>215,064</u>	<u>687,261</u>
FUND BALANCES (DEFICITS)							
Restricted	282,320	8,143	259,829	142,433	53,433	-	3,159,518
Committed	1	-	-	-	-	-	753,386
Total fund balances (deficits)	<u>282,321</u>	<u>8,143</u>	<u>259,829</u>	<u>142,433</u>	<u>53,433</u>	<u>-</u>	<u>3,912,904</u>
Total liabilities, deferred inflows, and fund balances (deficits)	<u>\$ 303,154</u>	<u>\$ 10,460</u>	<u>\$ 259,829</u>	<u>\$ 227,403</u>	<u>\$ 92,768</u>	<u>\$ 215,064</u>	<u>\$ 4,600,165</u>

City of Lakewood
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2019
(Continued)

	Street Operations and Maintenance	Real Estate Excise Tax	Transportation Benefit District	Hotel/Motel Lodging Tax	Property Abatement/ Rental Housing Safety	Public Art
REVENUES						
Taxes	\$ -	\$ 2,994,634	\$ 830,685	\$ 1,091,953	\$ -	\$ -
Licenses and permits	154,287	-	-	-	-	-
Intergovernmental	841,601	-	-	-	-	-
Charges for goods and services	-	-	-	-	344,047	-
Interest and other earnings	-	7,380	3,447	22,666	36,581	893
Miscellaneous	589	-	-	-	3,625	21,000
Total revenues	<u>996,477</u>	<u>3,002,014</u>	<u>834,132</u>	<u>1,114,619</u>	<u>384,253</u>	<u>21,893</u>
EXPENDITURES						
Current:						
Public safety	-	-	-	-	-	-
Transportation	2,503,796	-	-	-	-	-
Economic environment	-	-	-	540,352	332,315	-
Culture and recreation	-	-	-	-	-	4,000
Judicial	-	-	-	-	-	-
Capital outlay:						
Capital	-	-	-	-	-	-
Total expenditures	<u>2,503,796</u>	<u>-</u>	<u>-</u>	<u>540,352</u>	<u>332,315</u>	<u>4,000</u>
Excess (deficiency) of revenues over expenditures	<u>(1,507,319)</u>	<u>3,002,014</u>	<u>834,132</u>	<u>574,267</u>	<u>51,938</u>	<u>17,893</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	1,512,108	-	-	-	85,000	100,000
Transfers out	-	(2,911,161)	(923,000)	(178,836)	-	-
Total other financing source (uses)	<u>1,512,108</u>	<u>(2,911,161)</u>	<u>(923,000)</u>	<u>(178,836)</u>	<u>85,000</u>	<u>100,000</u>
Net change in fund balances	4,789	90,853	(88,868)	395,431	136,938	117,893
Fund balances - beginning	-	709,416	141,325	1,165,203	468,879	24,886
Fund balances - ending	<u>\$ 4,789</u>	<u>\$ 800,269</u>	<u>\$ 52,457</u>	<u>\$ 1,560,634</u>	<u>\$ 605,817</u>	<u>\$ 142,779</u>

City of Lakewood
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2019
(Concluded)

	Narcotics Seizure	Felony Seizure	Federal Seizure	NSP Grant	OEA Grant/ SSMCP	Public Safety Grants	Total Nonmajor Special Revenue Funds
REVENUES							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,917,272
Licenses and permits	-	-	-	-	-	-	154,287
Intergovernmental	-	-	264,203	55,696	241,825	317,474	1,720,799
Charges for goods and services	38,171	-	-	-	182,400	-	564,618
Interest and other earnings	6,098	-	-	1,766	-	-	78,831
Miscellaneous	123,275	14,121	-	-	1	-	162,611
Total revenues	167,544	14,121	264,203	57,462	424,226	317,474	7,598,418
EXPENDITURES							
Current:							
Public safety	201,584	21,022	4,374	-	-	249,554	476,534
Transportation	-	-	-	-	-	-	2,503,796
Economic environment	-	-	-	3,662	461,061	-	1,337,390
Culture and recreation	-	-	-	-	-	-	4,000
Judicial	-	-	-	-	-	67,920	67,920
Capital outlay:							
Capital	-	-	-	-	33,433	-	33,433
Total expenditures	201,584	21,022	4,374	3,662	494,494	317,474	4,423,073
Excess (deficiency) of revenues over expenditures	(34,040)	(6,901)	259,829	53,800	(70,268)	-	3,175,345
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	-	-	50,000	-	1,747,108
Transfers out	-	-	-	-	-	-	(4,012,997)
Total other financing source (uses)	-	-	-	-	50,000	-	(2,265,889)
Net change in fund balances	(34,040)	(6,901)	259,829	53,800	(20,268)	-	909,456
Fund balances - beginning	316,361	15,044	-	88,633	73,701	-	3,003,448
Fund balances - ending	\$ 282,321	\$ 8,143	\$ 259,829	\$ 142,433	\$ 53,433	\$ -	\$ 3,912,904

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, 2019

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Licenses and permits	\$ 111,500	\$ 111,500	\$ 154,287	\$ 42,787
Intergovernmental	862,400	862,400	841,601	(20,799)
Charges for goods and services	1,000	1,000	-	(1,000)
Miscellaneous	2,501	2,500	-	(2,500)
Total revenues	977,401	977,400	995,888	18,488
EXPENDITURES				
Current:				
Transportation	2,424,542	2,814,600	2,503,796	(310,804)
Capital Outlay	15,000	15,000	-	(15,000)
Total expenditures	2,439,542	2,829,600	2,503,796	(325,804)
Excess (deficiency) of revenues over expenditures	(1,462,141)	(1,852,200)	(1,507,908)	344,292
OTHER FINANCING SOURCES (USES)				
Transfers in	1,462,141	1,851,660	1,512,108	(339,552)
Proceeds from sale of assets	-	-	-	-
Total other financing source (uses)	1,462,141	1,851,660	1,512,108	(339,552)
Net change in fund balances	-	-	4,200	4,740
Fund balances - beginning	-	-	-	-
Fund balances - ending	\$ -	\$ -	\$ 4,200	\$ 4,740

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, 2019

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Taxes	\$ 1,700,000	\$ 2,250,000	\$ 2,994,634	\$ 744,634
Interest and other earnings	-	-	7,380	7,380
Total revenues	1,700,000	2,250,000	3,002,014	752,014
EXPENDITURES				
Current:				
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	1,700,000	2,250,000	3,002,014	752,014
OTHER FINANCING SOURCES (USES)				
Transfers out	(1,783,000)	(2,911,161)	(2,911,161)	-
Total other financing source (uses)	(1,783,000)	(2,911,161)	(2,911,161)	-
Net change in fund balances	(83,000)	(661,161)	90,853	752,014
Fund balances - beginning	83,000	709,417	709,416	(1)
Fund balances - ending	\$ -	\$ 48,256	\$ 800,269	\$ 752,013

City of Lakewood
Transportation Benefit District
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
For the Year Ended December 31, 2019

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Taxes	\$ 814,000	\$ 814,000	\$ 830,685	\$ 16,685
Interest and other earnings	-	-	3,447	3,447
Total revenues	814,000	814,000	834,132	20,132
EXPENDITURES				
Current:				
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	814,000	814,000	834,132	20,132
OTHER FINANCING SOURCES (USES)				
Transfers out	(814,000)	(923,000)	(923,000)	-
Total other financing source (uses)	(814,000)	(923,000)	(923,000)	-
Net change in fund balances	-	(109,000)	(88,868)	20,132
Fund balances - beginning	-	141,325	141,325	-
Fund balances - ending	\$ -	\$ 32,325	\$ 52,457	\$ 20,132

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, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 800,000	\$ 900,000	\$ 1,091,953	\$ 191,953
Interest and other earnings	-	-	22,666	22,666
Total revenues	800,000	900,000	1,114,619	214,619
EXPENDITURES				
Current:				
Economic environment	1,049,220	559,350	540,352	(18,998)
Total expenditures	1,049,220	559,350	540,352	(18,998)
Excess (deficiency) of revenues over expenditures	(249,220)	340,650	574,267	233,617
OTHER FINANCING SOURCES (USES)				
Transfers out	-	(489,870)	(178,836)	311,034
Total other financing source (uses)	-	(489,870)	(178,836)	311,034
Net change in fund balances	(249,220)	(149,220)	395,431	544,651
Fund balances - beginning	1,049,220	1,165,204	1,165,203	(1)
Fund balances - ending	\$ 800,000	\$ 1,015,984	\$ 1,560,634	\$ 544,650

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, 2019

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Charges for goods and services	\$ 231,600	\$ 276,100	\$ 344,047	\$ 67,947
Interest and other earnings	22,000	17,500	36,581	19,081
Miscellaneous	-	-	3,625	3,625
Total revenues	253,600	293,600	384,253	90,653
EXPENDITURES				
Current:				
Economic environment	338,600	847,479	332,315	(515,164)
Total expenditures	338,600	847,479	332,315	(515,164)
Excess (deficiency) of revenues over expenditures	(85,000)	(553,879)	51,938	605,817
OTHER FINANCING SOURCES (USES)				
Transfers in	85,000	85,000	85,000	-
Total other financing source (uses)	85,000	85,000	85,000	-
Net change in fund balances	-	(468,879)	136,938	605,817
Fund balances - beginning	-	468,879	468,879	-
Fund balances - ending	\$ -	\$ -	\$ 605,817	\$ 605,817

City of Lakewood
Public Art
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
For the Year Ended December 31, 2019

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Interest and other earnings	\$ -	\$ -	\$ 893	\$ 893
Miscellaneous	15,000	15,000	21,000	6,000
Total revenues	15,000	15,000	21,893	6,893
EXPENDITURES				
Current:				
Culture and recreation	15,000	139,886	4,000	(135,886)
Total expenditures	15,000	139,886	4,000	(135,886)
Excess (deficiency) of revenues over expenditures	-	(124,886)	17,893	142,779
OTHER FINANCING SOURCES (USES)				
Transfer in	-	100,000	100,000	-
Total other financing source (uses)	-	100,000	100,000	-
Net change in fund balances	-	(24,886)	117,893	142,779
Fund balances - beginning	-	24,886	24,886	-
Fund balances - ending	\$ -	\$ -	\$ 142,779	\$ 142,779

City of Lakewood
Narcotics Seizure
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
For the Year Ended December 31, 2019

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Charges for goods and services	\$ -	\$ 27,543	\$ 38,171	\$ 10,628
Interest and other earnings	-	-	6,098	6,098
Miscellaneous	60,500	60,500	123,275	62,775
Total revenues	60,500	88,043	167,544	79,501
EXPENDITURES				
Current:				
Public safety	60,500	404,204	201,584	(202,620)
Capital Outlay	-	-	-	-
Total expenditures	60,500	404,204	201,584	(202,620)
Excess (deficiency) of revenues over expenditures	-	(316,161)	(34,040)	282,121
OTHER FINANCING SOURCES (USES)				
Total other financing source (uses)	-	-	-	-
Net change in fund balances	-	(316,161)	(34,040)	282,121
Fund balances - beginning	-	316,161	316,361	200
Fund balances - ending	\$ -	\$ -	\$ 282,321	\$ 282,321

City of Lakewood
Felony Seizure
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
For the Year Ended December 31, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Miscellaneous	\$ -	\$ 6,035	\$ 14,121	\$ 8,086
Total revenues	-	6,035	14,121	8,086
EXPENDITURES				
Current:				
Public safety	-	21,080	21,022	(58)
Total expenditures	-	21,080	21,022	(58)
Excess (deficiency) of revenues over expenditures	-	(15,045)	(6,901)	8,144
OTHER FINANCING SOURCES (USES)				
Total other financing source (uses)	-	-	-	-
Net change in fund balances	-	(15,045)	(6,901)	8,144
Fund balances - beginning	-	-	15,044	15,044
Fund balances - ending	\$ -	\$ (15,045)	\$ 8,143	\$ 23,188

City of Lakewood
Federal Seizure
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
For the Year Ended December 31, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 9,600	\$ 9,600	\$ 264,203	\$ 254,603
Total revenues	9,600	9,600	264,203	254,603
EXPENDITURES				
Current:				
Public safety	9,600	9,600	4,374	(5,226)
Total expenditures	9,600	9,600	4,374	(5,226)
Excess (deficiency) of revenues over expenditures	-	-	259,829	259,829
OTHER FINANCING SOURCES (USES)				
Total other financing source (uses)	-	-	-	-
Net change in fund balances	-	-	259,829	259,829
Fund balances - beginning	-	-	-	-
Fund balances - ending	\$ -	\$ -	\$ 259,829	\$ 259,829

City of Lakewood
Neighborhood Stabilization Program (NSP)
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
For the Year Ended December 31, 2019

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Charges for goods and services	\$ 4,500	\$ 75,000	\$ 55,696	\$ (19,304)
Interest and other earnings	4,500	5,000	1,766	(3,234)
Total revenues	9,000	80,000	57,462	(22,538)
EXPENDITURES				
Current:				
Economic environment	8,500	163,632	3,662	(159,970)
Total expenditures	8,500	163,632	3,662	(159,970)
Excess (deficiency) of revenues over expenditures	500	(83,632)	53,800	137,432
OTHER FINANCING SOURCES (USES)				
Total other financing source (uses)	-	-	-	-
Net change in fund balances	-	(88,632)	53,801	137,433
Fund balances - beginning	-	88,632	88,633	1
Fund balances - ending	\$ -	\$ -	\$ 142,434	\$ 137,434

City of Lakewood
OEA Grant/SSMCP
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
For the Year Ended December 31, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ -	\$ 7,641,625	\$ 241,825	\$ (7,399,800)
Charges for goods and services	-	180,100	182,400	2,300
Miscellaneous	-	-	1	1
Contributions and donations	227,100	-	-	-
Total revenues	227,100	7,821,725	424,226	(7,397,499)
EXPENDITURES				
Current:				
Economic environment	277,099	949,179	461,061	(488,118)
Capital Outlay	-	6,951,133	33,433	(6,917,700)
Total expenditures	277,099	7,900,312	494,494	(7,405,818)
Excess (deficiency) of revenues over expenditures	(49,999)	(78,587)	(70,268)	8,319
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	1	(28,587)	(20,268)	8,319
Fund balances - beginning	-	73,702	73,701	(1)
Fund balances - ending	\$ 1	\$ 45,115	\$ 53,433	\$ 8,318

City of Lakewood
Public Safety Grants
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
For the Year Ended December 31, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 105,306	\$ 434,544	\$ 317,474	\$ (117,070)
Contributions and donations	-	-	-	-
Total revenues	105,306	434,544	317,474	(117,070)
EXPENDITURES				
Current:				
Public safety	-	329,238	249,554	(79,684)
Judicial	105,306	105,306	-	-
Total expenditures	105,306	434,544	249,554	(79,684)
Excess (deficiency) of revenues over expenditures	-	-	67,920	(37,386)
OTHER FINANCING SOURCES (USES)				
Total other financing source (uses)	-	-	-	-
Net change in fund balances	-	-	67,920	(37,386)
Fund balances - beginning	-	-	-	-
Fund balances - ending	\$ -	\$ -	\$ 67,920	\$ (37,386)

**Combining Statement – Nonmajor Debt Service Funds Description
For the Year Ended December 31, 2019**

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*** accounts for the guaranty funds as required for local improvement districts.

City of Lakewood
Combining Balance Sheet
Nonmajor Debt Service Funds
December 31, 2019

	General Obligation Debt Service	Sewer Project Debt	LID Guaranty	Total Nonmajor Debt Service Funds
ASSETS				
Cash and cash equivalents	\$ -	\$ 319,325	\$ 132,294	\$ 451,619
Notes/contracts receivable	-	41,312	-	41,312
Total assets	<u>-</u>	<u>360,637</u>	<u>132,294</u>	<u>492,931</u>
LIABILITIES				
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	-	41,312	-	41,312
Total liabilities and deferred inflows of resources	<u>-</u>	<u>41,312</u>	<u>-</u>	<u>41,312</u>
FUND BALANCES (DEFICITS)				
Restricted	-	319,325	132,294	451,619
Total fund balances (deficits)	<u>-</u>	<u>319,325</u>	<u>132,294</u>	<u>451,619</u>
Total liabilities, deferred inflows, and fund balances (deficits)	<u>\$ -</u>	<u>\$ 360,637</u>	<u>\$ 132,294</u>	<u>\$ 492,931</u>

City of Lakewood
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Debt Service Funds
For the Year Ended December 31, 2019

	General Obligation Debt Service	Sewer Project Debt	LID Guaranty	Total Nonmajor Debt Service Funds
REVENUES				
Charges for goods and services	\$ -	\$ 822,295	\$ -	\$ 822,295
Fines and penalties	-	42	-	42
Interest and other earnings	-	20,786	2,607	23,393
Miscellaneous	-	7,767	-	7,767
Total revenues	-	850,890	2,607	853,497
EXPENDITURES				
Current:				
Debt service:				
Principal	340,010	463,938	-	803,948
Interest and other debt service costs	260,593	21,084	-	281,677
Total expenditures	600,603	485,022	-	1,085,625
Excess (deficiency) of revenues over expenditures	(600,603)	365,868	2,607	(232,128)
OTHER FINANCING SOURCES (USES)				
Transfers in	600,603	-	-	600,603
Transfers Out	-	(987,000)	-	(987,000)
Total other financing source (uses)	600,603	(987,000)	-	(386,397)
Net change in fund balances	-	(621,132)	2,607	(618,525)
Fund balances - beginning	-	940,457	129,687	1,070,144
Fund balances - ending	\$ -	\$ 319,325	\$ 132,294	\$ 451,619

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, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Total revenues	-	-	-	-
EXPENDITURES				
Debt service:				
Principal	384,808	341,260	340,010	(1,250)
Interest	241,398	264,946	260,593	(4,353)
Total expenditures	626,206	606,206	600,603	(5,603)
Excess (deficiency) of revenues over expenditures	(626,206)	(606,206)	(600,603)	5,603
OTHER FINANCING SOURCES (USES)				
Transfers-in	626,206	606,206	600,603	(5,603)
Total other financing source (uses)	478,135	478,135	398,847	(79,288)
Net change in fund balances	-	-	(201,756)	(73,685)
Fund balances - beginning	-	-	-	-
Fund balances - ending	\$ -	\$ -	\$ (201,756)	\$ (73,685)

City of Lakewood
Sewer Project Debt
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
For the Year Ended December 31, 2019

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Charges for goods and services	\$ 745,000	\$ 745,000	\$ 822,295	\$ 77,295
Interest and other earnings	26,629	26,629	20,786	(5,843)
Miscellaneous	-	-	7,767	7,767
Total revenues	771,629	771,629	850,848	79,219
EXPENDITURES				
Debt service:				
Principal	463,938	463,938	463,938	-
Interest	21,084	21,084	21,084	-
Total expenditures	485,022	485,022	485,022	-
Excess (deficiency) of revenues over expenditures	286,607	286,607	365,826	79,219
OTHER FINANCING SOURCES (USES)				
Transfer out	(987,000)	(987,000)	(987,000)	-
Total other financing source (uses)	(987,000)	(987,000)	(987,000)	-
Net change in fund balances	(700,393)	(700,393)	(621,174)	79,219
Fund balances - beginning	991,245	940,457	940,457	-
Fund balances - ending	\$ 290,852	\$ 240,064	\$ 319,283	\$ 79,219

City of Lakewood
LID Guaranty
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
For the Year Ended December 31, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Interest and other earnings	\$ -	\$ -	\$ 2,607	\$ 2,607
Total revenues	-	-	2,607	2,607
EXPENDITURES				
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	-	2,607	2,607
OTHER FINANCING SOURCES (USES)				
Total other financing source (uses)	-	-	-	-
Net change in fund balances	-	-	2,607	2,607
Fund balances - beginning	127,047	129,687	129,687	-
Fund balances - ending	\$ 127,047	\$ 129,687	\$ 132,294	\$ 2,607

**Combining Statement – Nonmajor Capital Project Funds Description
For the Year Ended December 31, 2019**

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, 2019

	Parks CIP	Sewer Project CIP	Sanitary Sewer Connection CIP	Total Nonmajor Capital Projects Funds
ASSETS				
Cash and cash equivalents	\$ 2,376,445	\$ 799,505	\$ -	\$ 3,175,950
Due from other governments	475,965	450,000	-	925,965
Taxes receivable	396	-	-	396
Total assets	<u>2,852,806</u>	<u>1,249,505</u>	<u>-</u>	<u>4,102,311</u>
LIABILITIES				
Accounts payable	124,719	78	-	124,797
Wages payable	932	2,982	-	3,914
Contracts Payable	10,599	-	-	10,599
Unearned revenue	-	626	-	626
Total liabilities	<u>136,250</u>	<u>3,686</u>	<u>-</u>	<u>139,936</u>
DEFERRED INFLOWS OF RESOURCES				
Total liabilities and deferred inflows of resources	<u>136,250</u>	<u>3,686</u>	<u>-</u>	<u>139,936</u>
FUND BALANCES (DEFICITS)				
Committed	<u>2,716,556</u>	<u>1,245,819</u>	<u>-</u>	<u>3,962,375</u>
Total fund balances (deficits)	<u>2,716,556</u>	<u>1,245,819</u>	<u>-</u>	<u>3,962,375</u>
Total liabilities, deferred liabilities and fund balances (deficits)	<u>\$ 2,852,806</u>	<u>\$ 1,249,505</u>	<u>\$ -</u>	<u>\$ 4,102,311</u>

City of Lakewood
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2019

	Parks CIP	Sewer Project CIP	Sanitary Sewer Connection	Total Nonmajor Capital Projects Funds
REVENUES				
Intergovernmental	\$ 719,338	\$ 450,000	\$ -	\$ 1,169,338
Charges for goods and services	186,627	245,401	-	432,028
Interest and other earnings	33,800	18,382	-	52,182
Miscellaneous	-	1,474	-	1,474
Contributions and donations	22,350	-	-	22,350
Total revenues	<u>962,115</u>	<u>715,257</u>	<u>-</u>	<u>1,677,372</u>
EXPENDITURES				
Current:				
Economic environment	-	1,390,146	-	1,390,146
Culture and recreation	45,533	-	-	45,533
Capital outlay:				
Capital	1,980,439	-	-	1,980,439
Total expenditures	<u>2,025,972</u>	<u>1,390,146</u>	<u>-</u>	<u>3,416,118</u>
Excess (deficiency) of revenues over expenditures	<u>(1,063,857)</u>	<u>(674,889)</u>	<u>-</u>	<u>(1,738,746)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	2,287,890	1,802,483	-	4,090,373
Transfers Out	-	-	(815,484)	(815,484)
Total other financing source (uses)	<u>2,287,890</u>	<u>1,802,483</u>	<u>(815,484)</u>	<u>3,274,889</u>
Net change in fund balances	1,224,033	1,127,594	(815,484)	1,536,143
Fund balances - beginning	<u>1,492,523</u>	<u>118,225</u>	<u>815,484</u>	<u>2,426,232</u>
Fund balances - ending	<u>\$ 2,716,556</u>	<u>\$ 1,245,819</u>	<u>\$ -</u>	<u>\$ 3,962,375</u>

City of Lakewood
Parks CIP
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
For the Year Ended December 31, 2019

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Intergovernmental	\$ 537,000	\$ 3,449,700	\$ 719,338	\$ (2,730,362)
Interest & other earnings	-	-	33,800	33,800
Contributions and donations	5,000	125,000	22,350	(102,650)
Total revenues	542,000	3,574,700	775,488	(2,799,212)
EXPENDITURES				
Current:				
Culture and recreation	-	-	45,533	45,533
Capital Outlay	1,725,000	7,095,871	1,980,439	(5,115,432)
Total expenditures	1,725,000	7,095,871	2,025,972	(5,069,899)
Excess (deficiency) of revenues over expenditures	(1,183,000)	(3,521,171)	(1,250,484)	2,270,687
OTHER FINANCING SOURCES (USES)				
Transfers in	2,063,000	2,705,201	2,287,890	(417,311)
Total other financing source (uses)	2,063,000	2,705,201	2,287,890	(417,311)
Net change in fund balances	880,000	(815,970)	1,037,406	1,853,376
Fund balances - beginning	-	1,492,523	1,492,523	-
Fund balances - ending	\$ 880,000	\$ 676,553	\$ 2,529,929	\$ 1,853,376

City of Lakewood
Sewer Project CIP
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
For the Year Ended December 31, 2019

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Intergovernmental	\$ -	\$ 525,000	\$ 450,000	(75,000)
Charges for services	145,000	145,000	245,401	100,401
Interest and other earnings	-	-	18,382	18,382
Miscellaneous	-	-	1,474	1,474
Total revenues	145,000	670,000	715,257	45,257
EXPENDITURES				
Current:				
Economic Environment	35,000	35,000	1,390,146	1,355,146
Capital Outlay	1,139,000	1,227,276	-	(1,227,276)
Total expenditures	1,174,000	1,262,276	1,390,146	127,870
Excess (deficiency) of revenues over expenditures	(1,029,000)	(592,276)	(674,889)	(82,613)
OTHER FINANCING SOURCES (USES)				
Transfers in	1,699,390	1,802,484	1,802,483	(1)
Total other financing source (uses)	1,699,390	1,802,484	1,802,483	(1)
Net change in fund balances	670,390	1,210,208	1,127,594	(82,614)
Fund balances - beginning	28,239	118,526	118,225	(301)
Fund balances - ending	\$ 698,629	\$ 1,328,734	\$ 1,245,819	\$ (82,915)

City of Lakewood
Sanitary Sewer Connection
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
For the Year Ended December 31, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Total revenues	-	-	-	-
EXPENDITURES				
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	-	-	-
OTHER FINANCING SOURCES (USES)				
Transfers out	(712,390)	(815,484)	(815,484)	-
Total other financing source (uses)	(712,390)	(815,484)	(815,484)	-
Net change in fund balances	(712,390)	(815,484)	(815,484)	-
Fund balances - beginning	712,390	815,484	815,484	-
Fund balances - ending	\$ -	\$ -	\$ -	\$ -

**Supplementary Budgetary Schedules
Other Major Governmental Funds
with Annual Budgets**

The ***LID Debt Service Fund*** is a major debt service fund that is appropriated annually.

The ***Transportation Capital Fund*** is a major capital projects fund that is appropriated annually.

City of Lakewood
LID Debt Service
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
For the Year Ended December 31, 2019

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Special Assessments	\$ 174,220	\$ 130,180	\$ 157,358	\$ 27,178
Interest and other earnings	23,380	44,071	45,948	1,877
Total revenues	197,600	174,251	203,306	29,055
EXPENDITURES				
Current:				
General Government	-	7,008	965	(6,043)
Debt service:				
Principal	181,989	205,984	205,984	-
Interest	15,611	28,985	28,985	-
Total expenditures	197,600	241,977	235,934	(6,043)
Excess (deficiency) of revenues over expenditures	-	(67,726)	(32,628)	35,098
OTHER FINANCING SOURCES (USES)				
Total other financing source (uses)	-	-	-	-
Net change in fund balances	-	(67,726)	(32,628)	35,098
Fund balances - beginning	-	67,726	67,726	-
Fund balances - ending	\$ -	\$ -	\$ 35,098	\$ 35,098

Transportation CIP
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
For the Year Ended December 31, 2019

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Intergovernmental	\$ 1,314,700	\$ 4,890,383	\$ 1,913,936	\$ (2,976,447)
Charges for goods and services	-	86,720	335,596	248,876
Interest & other earnings	-	-	136,879	136,879
Total revenues	1,314,700	4,977,103	2,386,411	(2,590,692)
EXPENDITURES				
Current:				
Transportation	532,000	532,000	914,511	382,511
Debt service:				
Interest	-	-	55,881	55,881
Capital Outlay:				
Capital Outlay	6,123,000	14,199,591	6,341,673	(7,857,918)
Total expenditures	6,655,000	14,731,591	7,312,065	(7,419,526)
Excess (deficiency) of revenues over expenditures	(5,340,300)	(9,754,488)	(4,925,654)	4,828,834
OTHER FINANCING SOURCES (USES)				
Issuance of debt	5,000,000	5,000,000	7,460,000	2,460,000
Premium on bond issuance	-	-	595,905	595,905
Transfers in	2,533,870	5,799,985	4,485,548	(1,314,437)
Transfer out	-	(885,291)	(5,087)	880,204
Miscellaneous	-	-	200,000	200,000
Total other financing source (uses)	7,533,870	9,914,694	12,736,366	2,821,672
Net change in fund balances	2,193,570	160,206	7,810,712	7,650,506
Fund balances - beginning	300,000	3,543,423	3,543,426	3
Fund balances - ending	\$ 2,493,570	\$ 3,703,629	\$ 11,354,138	\$ 7,650,509

**Combining Statement – Internal Service Funds Description
For the Year Ended December 31, 2019**

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, 2019

	Fleet & Equipment	Property Management	Information Technology	Risk Management	Total Nonmajor Internal Service Funds
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 2,943,161	\$ 509,949	\$ 244,022	\$ 80,003	\$ 3,777,135
Interfund loan receivable	880,204	-	-	-	880,204
Total current assets	<u>3,823,365</u>	<u>509,949</u>	<u>244,022</u>	<u>80,003</u>	<u>4,657,339</u>
Noncurrent assets:					
Construction in Progress	-	11,882	235,887	-	247,769
Improvements other than buildings	-	137,279	-	-	137,279
Machinery and equipment	8,621,196	105,461	1,468,959	-	10,195,616
Less accumulated depreciation	(5,006,027)	(74,556)	(481,082)	-	(5,561,665)
Total noncurrent assets	<u>3,615,169</u>	<u>180,066</u>	<u>1,223,764</u>	<u>-</u>	<u>5,018,999</u>
Total assets	<u>7,438,534</u>	<u>690,015</u>	<u>1,467,786</u>	<u>80,003</u>	<u>9,676,338</u>
LIABILITIES					
Current liabilities:					
Accounts payable	42,916	48,334	37,204	72,043	200,497
Wages payable	-	11,645	28,214	1,583	41,442
Retainage payable	-	-	-	6,377	6,377
Payable to other governments	-	-	82	-	82
Compensated absences	-	4,175	11,953	-	16,128
Total current liabilities	<u>42,916</u>	<u>64,154</u>	<u>77,453</u>	<u>80,003</u>	<u>264,526</u>
Noncurrent liabilities:					
Compensated absences	-	9,740	27,892	-	37,632
Total noncurrent liabilities	<u>-</u>	<u>9,740</u>	<u>27,892</u>	<u>-</u>	<u>37,632</u>
Total liabilities	<u>42,916</u>	<u>73,894</u>	<u>105,345</u>	<u>80,003</u>	<u>302,158</u>
NET POSITION					
Net investment in capital assets	3,615,169	180,066	1,223,764	-	5,018,997
Unrestricted	<u>3,780,449</u>	<u>436,055</u>	<u>138,677</u>	<u>-</u>	<u>4,355,181</u>
Total net position	<u>\$ 7,395,618</u>	<u>\$ 616,121</u>	<u>\$ 1,362,441</u>	<u>\$ -</u>	<u>\$ 9,374,180</u>

City of Lakewood
Combining Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Funds
For the Year Ended December 31, 2019

	<u>Fleet & Equipment</u>	<u>Property Management</u>	<u>Information Technology</u>	<u>Risk Management</u>	<u>Total Internal Service Funds</u>
OPERATING REVENUES					
Charges for goods and services	\$ 1,568,848	\$ 788,424	\$ 1,578,257	\$ 1,561,705	\$ 5,497,234
Miscellaneous revenue	-	-	356	285,581	285,937
Total operating revenues	<u>1,568,848</u>	<u>788,424</u>	<u>1,578,613</u>	<u>1,847,286</u>	<u>5,783,171</u>
OPERATING EXPENSES					
Personal services	-	202,444	587,398	17,992	807,834
Materials and supplies	341,863	48,214	209,269	23,726	623,072
Services and charges	505,858	516,864	606,540	1,724,483	3,353,745
Depreciation	840,839	14,803	204,585	-	1,060,227
Total operating expenses	<u>1,688,560</u>	<u>782,325</u>	<u>1,607,792</u>	<u>1,766,201</u>	<u>5,844,878</u>
Operating income (loss)	<u>(119,712)</u>	<u>6,099</u>	<u>(29,179)</u>	<u>81,085</u>	<u>(61,707)</u>
NONOPERATING REVENUES					
Subsidy from interlocal grant	-	-	3,420	-	3,420
Gain on disposal of capital assets	13,339	-	-	-	13,339
Investment earnings	71,015	9,762	1,801	99	82,677
Total nonoperating revenues	<u>84,354</u>	<u>9,762</u>	<u>5,221</u>	<u>99</u>	<u>99,436</u>
Income (loss) before contributions and transfers	<u>(35,358)</u>	<u>15,861</u>	<u>(23,958)</u>	<u>81,184</u>	<u>37,729</u>
Capital Contributions	-	-	263,663	-	263,663
Transfers in	81,184	-	-	-	81,184
Transfers out	-	(50,000)	-	(81,184)	(131,184)
Change in net position	<u>45,826</u>	<u>(34,139)</u>	<u>239,705</u>	<u>-</u>	<u>251,392</u>
Total net position - beginning	<u>7,349,792</u>	<u>650,260</u>	<u>1,122,736</u>	<u>-</u>	<u>9,122,788</u>
Total net position - ending	<u>\$ 7,395,618</u>	<u>\$ 616,121</u>	<u>\$ 1,362,441</u>	<u>\$ -</u>	<u>\$ 9,374,180</u>

City of Lakewood
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended December 31, 2019

	Fleet & Equipment	Property Management	Information Technology	Risk Management	Total Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash from interdepartmental services	\$ 1,568,848	\$ 788,424	\$ 1,578,257	\$ 1,847,286	\$ 5,782,815
Cash paid to employees	-	(200,775)	(580,463)	(17,992)	(799,230)
Cash paid to suppliers	(832,822)	(535,929)	(829,038)	(1,679,992)	(3,877,781)
Other operating receipts (payments)	-	-	356	(751)	(395)
NET CASH PROVIDED BY OPERATING ACTIVITIES	736,026	51,720	169,112	148,551	1,105,409
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Gain (loss) on disposal of capital assets	13,339	-	-	-	13,339
Transfers from other funds	81,184	-	-	-	81,184
Transfers to other funds	-	(50,000)	-	(81,184)	(131,184)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	94,523	(50,000)	-	(81,184)	(36,661)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Subsidy from interlocal grant	-	-	3,420	-	3,420
Capital contributions	-	-	263,663	-	263,663
Acquisition and construction of capital assets	(941,993)	(37,747)	(395,612)	-	(1,375,352)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(941,993)	(37,747)	(128,529)	-	(1,108,269)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest income	71,015	9,763	1,800	99	82,677
NET CASH PROVIDED BY INVESTING ACTIVITIES	71,015	9,763	1,800	99	82,677
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(40,429)	(26,264)	42,383	67,466	43,156
BALANCES - BEGINNING OF YEAR	2,983,590	536,213	201,639	12,537	3,733,979
BALANCES - END OF YEAR	\$ 2,943,161	\$ 509,949	\$ 244,022	\$ 80,003	\$ 3,777,135
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating Income	\$ (119,712)	\$ 6,099	\$ (29,179)	\$ 81,085	\$ (61,707)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Increase/(decrease) in depreciation expense	840,839	14,803	204,585	-	1,060,227
Increase/(decrease) in accounts payable - supplier	14,899	28,103	(11,290)	68,236	99,948
Increase/(decrease) in payable to other governments	-	(10,599)	(1,939)	(19)	(12,557)
Increase/(decrease) in other liabilities	-	11,645	-	(751)	10,894
Increase/(decrease) in salaries & benefits payable	-	1,669	6,935	-	8,604
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 736,026	\$ 51,720	\$ 169,112	\$ 148,551	\$ 1,105,409

STATISTICAL SECTION



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Statistical Section

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

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

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

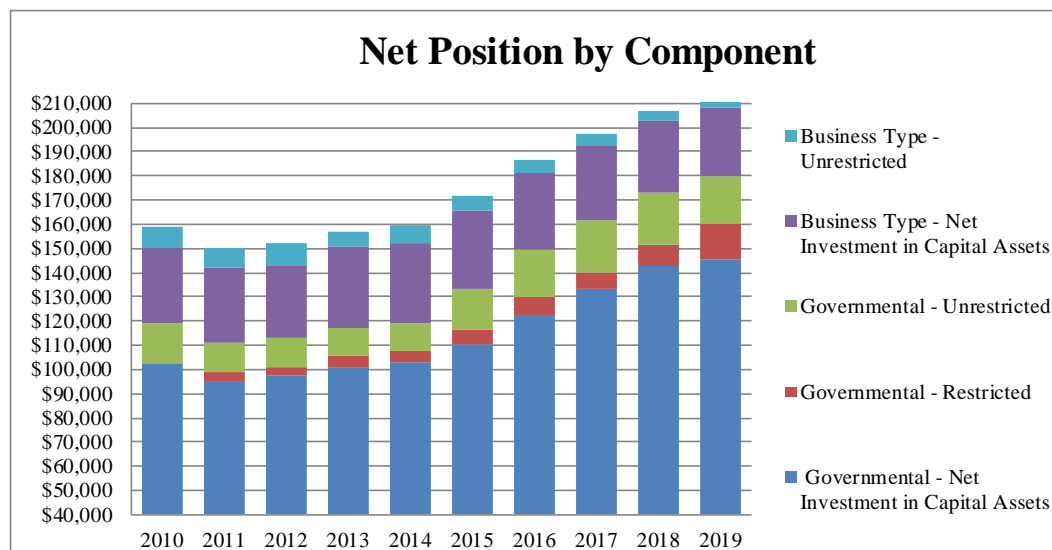
Debt Capacity – These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

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

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

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

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental activities										
Net investment in capital assets	\$ 102,080	\$ 94,753	\$ 97,427	\$ 100,848	\$ 103,007	\$ 110,661	\$ 122,799	\$ 133,425	\$ 142,821	\$ 145,612
Restricted	36	4,273	3,618	4,638	4,830	5,806	7,395	6,503	8,585	15,011
Unrestricted	17,301	11,748	12,094	11,461	11,565	16,546	19,113	21,417	21,627	18,995
Total governmental activities net position	109,878	119,417	110,774	113,139	116,947	119,402	133,013	149,307	161,345	179,618
Business-type activities										
Net investment in capital assets	30,512	31,490	29,788	33,613	33,001	32,733	31,816	30,989	29,730	28,532
Restricted	-	-	-	-	-	-	-	-	-	17
Unrestricted	9,076	8,050	9,031	6,296	6,976	5,927	5,580	4,834	3,753	4,431
Total business-type activities net position	40,815	39,588	39,540	38,819	39,909	39,977	38,661	37,396	35,823	32,980
Primary government										
Net investment in capital assets	126,243	127,215	134,461	136,009	143,394	154,615	154,615	164,414	172,551	174,144
Restricted	4,273	3,618	4,638	4,830	5,806	7,395	7,395	6,503	8,585	15,028.04
Unrestricted	19,798	21,125	17,757	18,541	22,473	24,693	24,693	26,251	25,381	23,426
Total primary government net position	\$ 159,005	\$ 150,314	\$ 151,958	\$ 156,856	\$ 159,380	\$ 171,674	\$ 186,703	\$ 186,703	\$ 197,168	\$ 212,598

**Source:**

City of Lakewood Finance Division

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

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Expenses										
Governmental activities:										
General government	\$ 8,042	\$ 8,674	\$ 7,046	\$ 7,284	\$ 7,481	\$ 4,360	\$ 4,306	\$ 4,520	\$ 4,730	\$ 4,857
Public safety	20,038	20,914	20,480	21,580	21,486	22,000	23,471	23,944	25,396	26,068
Utilities and environment	341	320	489	453	59	20	28	35	26	-
Transportation	7,103	5,597	6,220	3,624	6,157	6,097	6,341	6,763	7,952	8,293
Social services	539	524	238	384	589	585	629	624	668	714
Economic environment	3,834	4,232	3,549	4,239	4,971	3,687	3,843	4,306	4,298	5,733
Natural environment	-	-	-	290	-	298	249	286	281	325
Culture and recreation	1,940	2,055	2,057	1,978	1,776	2,030	2,088	2,185	2,252	2,581
Judicial	-	-	1,757	1,718	1,491	1,537	1,645	1,750	1,816	1,834
Interest on long-term debt	291	278	263	254	237	269	233	211	187	348
Total governmental activities expenses	41,540	42,128	42,594	42,099	41,803	44,247	40,884	42,833	44,624	50,753
Business-type activities:										
Surface water management	2,179	2,610	2,668	2,492	3,142	3,244	3,338	3,528	3,528	3,805
Total business-type activities net position	2,539	2,179	2,610	2,668	2,492	3,142	3,244	3,338	3,528	3,805
Total primary government expenses	44,079	44,307	45,204	44,767	44,295	47,389	44,127	46,171	48,152	54,558
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	5,332
Public safety	3,635	3,361	3,992	1,376	1,506	1,252	1,023	1,203	1,530	1,903
Utilities and environment	628	781	492	1,022	916	781	931	892	885	1,325
Transportation	70	73	49	99	70	560	57	417	136	152
Social services	-	-	(510)	-	-	-	-	-	-	-
Economic environment	1,177	1,427	1,860	1,027	384	1,060	1,130	1,227	1,539	1,587
Natural environment	-	-	-	-	34	-	80	84	83	92
Culture and recreation	227	210	216	237	234	247	266	219	240	303
Judicial	-	-	-	1,812	1,655	1,754	1,970	1,968	1,932	1,948
Operating grants and contributions	5,524	9,976	7,291	4,290	2,913	3,162	4,785	5,048	5,126	3,502
Capital grants and contributions	2,588	2,228	1,266	6,595	3,149	3,784	7,361	12,519	7,151	3,474
Total governmental activities program revenues	17,131	23,450	16,423	19,524	16,272	17,810	21,042	27,457	23,075	19,617
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	4,351
Operating grants and contributions	89	45	425	143	-	-	-	-	-	-
Capital grants and contributions	-	-	-	-	913	277	211	190	144	75
Total business-type activities program revenues	2,936	2,695	3,144	2,876	3,634	3,000	2,951	2,959	2,899	4,426
Total primary government program revenues	\$ 20,067	\$ 26,145	\$ 19,567	\$ 22,400	\$ 19,906	\$ 20,811	\$ 23,993	\$ 30,415	\$ 25,974	\$ 24,043

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

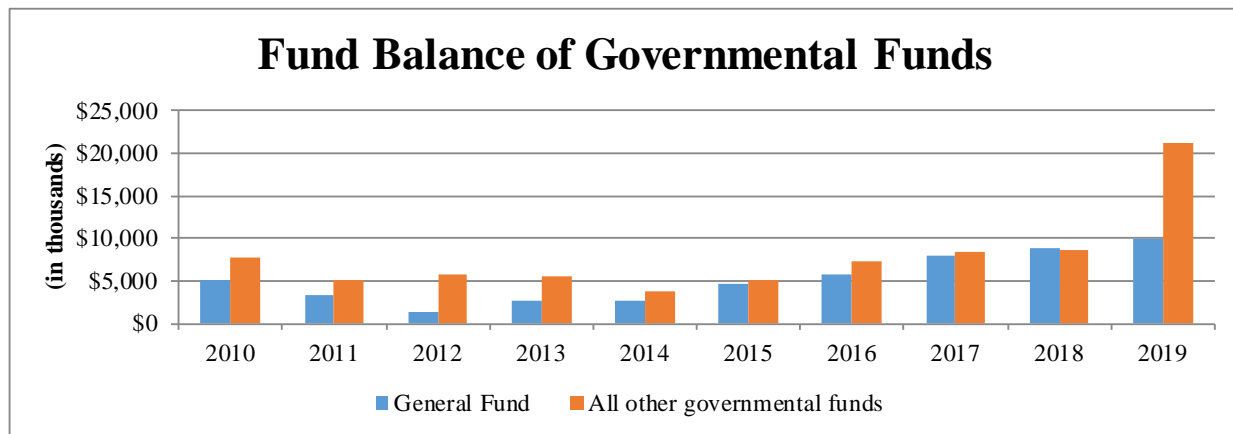
	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Net (Expense) Revenue										
Governmental activities	\$ (18,678)	\$ (26,171)	\$ (22,575)	\$ (25,531)	\$ (26,437)	\$ (19,842)	\$ (15,376)	\$ (21,549)	\$ (21,549)	\$ (31,135)
Business-type activities	516	534	208	1,142	(141)	(293)	(379)	(629)	(629)	620
Total primary government net expense	(18,162)	(25,637)	(22,367)	(24,389)	(26,578)	(20,135)	(15,755)	(22,178)	(22,178)	(30,515)
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	7,061
Sales taxes	8,935	9,304	9,145	9,565	9,453	9,697	10,184	10,736	11,629	13,848
Business taxes	6,250	5,675	6,564	6,214	8,311	5,748	5,704	5,629	5,744	5,575
Excise taxes	4,051	3,268	3,011	3,082	1,159	1,107	1,509	2,125	2,468	3,004
Other taxes	433	1,660	1,563	1,927	2,989	5,515	4,604	4,851	4,925	7,676
Investment earnings	313	266	265	213	219	221	202	214	319	440
Gain (loss) on sale/retirement of capital asset	(73)	(54)	9	13	22	91	-	-	183	208
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	46
Transfers	902	1,812	663	954	78	(190)	1,040	909	993	1,205
Total governmental activities	26,647	28,218	17,527	25,283	28,610	28,897	30,966	31,671	33,587	39,063
Business-type activities:										
Investment earnings	90	68	78	25	24,555	11,807	15	23	48	81
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)	(1,205)
Total business-type activities	(804)	(1,743)	(582)	(929)	(53)	211	(1,024)	(886)	(944)	(1,123)
Total primary government	25,843	26,475	16,945	24,354	28,557	29,108	29,941	30,785	32,642	37,940
Change in Net Position										
Governmental activities	7,969	2,047	(5,048)	(248)	2,174	9,055	15,589	10,122	12,038	7,928
Prior period adjustment - Note 7	-	-	-	-	-	-	-	-	-	(1,342)
Adjusted Governmental activities	-	-	-	-	-	-	-	-	-	6,585
Business-type activities	(288)	(1,209)	(374)	213	(195)	(82)	(1,403)	(1,514)	(1,573)	(503)
Total primary government	\$ 7,681	\$ 838	\$ (5,422)	\$ (35)	\$ 1,979	\$ 8,974	\$ 14,186	\$ 8,607	\$ 10,464	\$ 6,082

Source:

City of Lakewood Finance Division

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

	Fiscal year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Fund										
Unreserved	\$ 3,297	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Nonspendable	-	-	-	20	-	-	-	-	-	-
Spendable:										
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	-	-	-	5	6	4,405	4,543	4,809	5,020	5,221
Assigned	-	95	-	-	-	-	-	-	-	-
Unassigned	-	1,334	2,615	2,556	4,527	1,444	3,367	4,344	3,828	4,653
Total	5,015	3,297	1,429	2,615	2,581	4,533	5,849	7,909	8,848	9,874
All Other Governmental Funds										
Reserved	1,307	-	-	-	-	-	-	-	-	-
Unreserved, reported in:										
Special Revenue Funds	3,493	-	-	-	-	-	-	-	-	-
Debt Service Funds	-	-	-	-	-	-	-	-	-	-
Capital Projects Funds	316	-	-	-	-	-	-	-	-	-
Nonspendable	-	-	1	20	-	-	-	-	-	-
Spendable:										
Restricted	-	4,237	4,720	3,881	4,029	5,806	7,395	6,503	8,585	16,403
Committed	-	1,569	833	895	1,087	1,494	1,068	2,119	2,920	4,716
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	\$ 21,119



1) Restricted fund balance increased in 2019 primarily due to the receipt of G.O. bond proceeds to fund transportation improvement projects from 2019 to 2021.

Source:

City of Lakewood Finance Division

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

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenues										
Taxes	\$ 26,325	\$ 26,736	\$ 26,814	\$ 26,420	\$ 26,717	\$ 28,565	\$ 29,983	\$ 31,508	\$ 33,424	\$ 35,115
Licenses and permits	3,097	3,444	4,016	4,186	4,459	4,582	4,857	5,144	6,008	5,721
Intergovernmental	11,389	7,663	10,611	7,487	8,590	11,585	15,684	11,217	13,318	7,800
Charges for services	1,971	2,173	2,651	2,906	3,824	3,209	4,058	4,067	3,840	4,755
Fines and forfeitures	1,438	1,803	2,084	1,884	1,614	1,557	1,620	1,456	1,425	1,670
Special assessments	179	179	-	179	179	511	140	140	201	157
Investment earnings	232	214	195	203	212	199	196	291	414	550
Contributions	12	44	21	274	87	118	517	189	316	78
Miscellaneous	658	603	709	486	210	298	415	292	357	271
Total revenues	42,480	45,301	42,859	47,101	44,025	45,892	50,624	57,471	54,304	56,117
Expenditures										
General government	8,281	8,998	6,754	7,562	7,152	4,170	3,852	4,140	4,438	4,421
Public safety	19,193	19,953	19,538	20,405	20,548	22,121	23,024	24,128	26,028	26,069
Utilities and environment	333	304	482	71	58	20	28	35	26	-
Transportation	4,728	3,370	3,543	2,801	2,897	2,845	2,709	3,156	3,542	3,601
Social services	540	524	460	384	588	585	629	624	668	714
Natural & Economic environment	3,803	4,122	3,334	4,478	5,008	3,986	4,078	4,589	4,587	6,037
Culture and recreation	1,574	1,692	1,723	1,664	1,431	1,788	1,830	1,930	1,996	2,169
Judicial	-	-	1,679	1,721	1,468	1,550	1,647	1,760	1,823	1,820
Capital outlay	13,849	6,233	8,639	4,175	5,193	12,213	15,998	13,496	16,242	8,730
Debt service:										
Principal	786	755	782	789	791	646	1,230	936	951	1,057
Interest and debt issue costs	293	281	273	256	240	284	220	200	177	369
Total expenditures	53,017	53,380	46,232	47,207	44,306	45,374	50,210	55,246	54,994	54,986
Excess of revenues over (under) expenditures	(10,537)	(8,079)	(3,373)	(106)	(281)	518	415	2,225	(689)	1,131
Other Financing Sources (Uses)										
Transfers in	3,078	2,259	2,955	1,933	3,795	6,686	6,600	8,654	11,388	11,208
Transfers out	(1,381)	(1,711)	(2,009)	(1,856)	(2,879)	(5,606)	(5,925)	(7,614)	(9,013)	(9,954)
Debt proceeds ⁽¹⁾⁽³⁾	2,078	1,262	-	-	-	1,639	2,205	-	-	7,460
Payments to escrow	-	-	-	-	-	-	(1,884)	-	-	-
Insurance proceeds	-	-	53	29	16	2	-	-	-	-
Issuance of debt	-	-	-	-	-	-	-	141	-	-
Interfund loan	-	-	-	-	-	-	-	506	-	-
Bond premium	-	-	-	-	-	208	-	-	-	596
Proceeds from sale of assets	1	-	-	581	-	154	2	404	40	200
Nonrevenues	-	-	-	8	-	-	-	-	-	-
Total other financing sources (uses)	6,048	3,776	1,810	999	695	933	3,084	998	2,091	9,510
Net change in fund balance	\$ (4,489)	\$ (4,303)	\$ (1,563)	\$ 893	\$ 414	\$ 1,451	\$ 3,499	\$ 3,223	\$ 1,402	\$ 10,641
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%	3.08%

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.

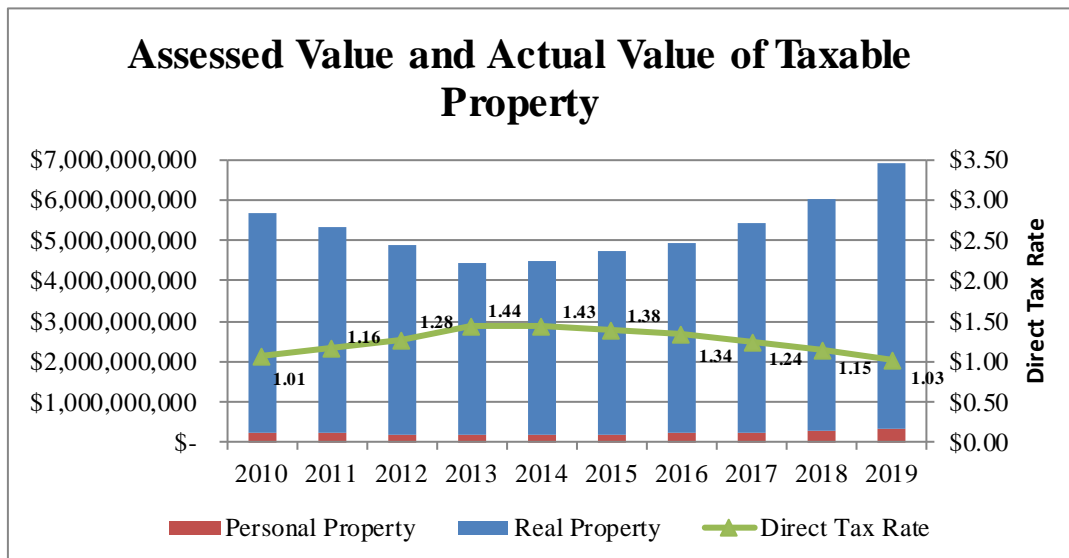
3) Fund balance increased in 2019 due to the issuance of \$8.0 million in G.O. bonds and lower capital outlay spending.

Source:

City of Lakewood Finance Division

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

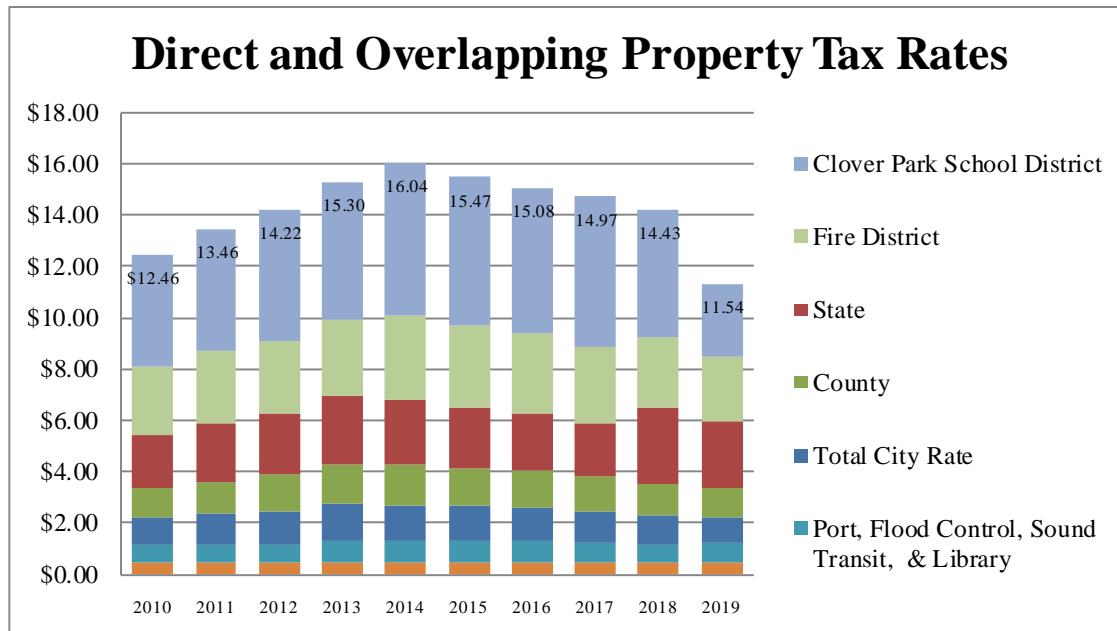
Fiscal Year	Real Property	Personal Property	Total Taxable Assessed Valuation	Total Direct Tax Rate
2010	\$ 5,465,345,337	\$ 227,825,096	\$ 5,693,170,433	1.06
2011	5,091,367,019	225,403,490	5,316,770,509	1.16
2012	4,679,612,726	204,704,287	4,884,317,013	1.28
2013	4,212,809,774	208,123,283	4,420,933,057	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
2019	6,569,892,973	353,487,584	6,923,380,557	1.03

**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		
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	-	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	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
2019	1.03	2.62	1.13	0.18	0.08	0.21	0.44	2.88	0.50	2.48		11.54

**Source:**

Pierce County Assessor Treasurer.

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

Schedule 7
Principal Property Taxpayers
Current Year and Nine Years Ago

Taxpayer	2019			2010		
	Taxable Assessed Value	Rank	% of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	% of Total City Taxable Assessed Value
Northwest Building LLC	\$ 202,562,979	1	2.72%	\$ 100,139,196	1	1.68%
BRE WA Village at Seeley Lake LLC	89,027,100	2	1.19%	-		0.00%
RPAI Lakewood LLC	73,361,100	3	0.98%	-		0.00%
Lakewood 231 LLC	42,578,300	4	0.57%	-		0.00%
Tacoma Gateway Lakewood LLC	42,332,900	5	0.57%	-		0.00%
Beaumont Lakewood Associates LLC	38,030,500	6	0.51%	23,000,700	8	0.39%
Lakha Lakewood Properties	29,748,600	7	0.40%	23,857,100	7	0.40%
Morningtree Park LLC	28,910,700	8	0.39%	-		0.00%
Canal Office LP	26,961,600	9	0.36%	-		0.00%
Puget Sound Energy/Gas	25,548,549	10	0.34%	25,134,346	6	0.42%
WIG Properties LLC-LKPL	-		0.00%	21,280,600	10	0.36%
Inland Western Lakewood LLC	-		0.00%	89,747,500	2	1.51%
ERP Operating LP	-		0.00%	54,918,000	3	0.92%
Wal-Mart Stores Inc #2403	-		0.00%	26,545,000	5	0.45%
Lowes of Lakewood #1081	-		0.00%	22,137,610	9	0.37%
NetFlix Inc	-		0.00%	33,525,953	4	0.56%
TOTAL	\$ 599,062,328		8.03%	\$ 420,286,005		7.06%

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		
2010	\$ 6,160,357	\$ 5,806,803	94.26%	\$ 353,554	\$ 6,160,357	100.00%	\$ (0)	0.00%
2011	6,085,869	5,898,256	96.92%	187,613	6,085,869	100.00%	(0)	0.00%
2012	6,212,866	6,031,790	97.09%	181,064	6,212,855	100.00%	11	0.00%
2013	6,313,675	6,135,401	97.18%	178,245	6,313,646	100.00%	28	0.00%
2014	6,436,485	6,248,259	97.08%	188,134	6,436,393	100.00%	91	0.00%
2015	6,662,012	6,413,233	96.27%	248,505	6,661,737	100.00%	274	0.00%
2016	6,796,282	6,545,433	96.31%	195,030	6,740,464	99.18%	55,819	0.82%
2017	7,042,224	6,738,954	95.69%	198,572	6,937,526	98.51%	104,698	1.49%
2018	7,101,387	6,935,521	97.66%	108,191	7,043,712	99.19%	57,675	0.81%
2019	7,237,250	7,070,452	97.70%	-	7,070,452	97.70%	166,799	2.30%

*Includes initial levy amount for the fiscal year and subsequent year certification adjustments.

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

Source:

Pierce County Assessor Treasurer.

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

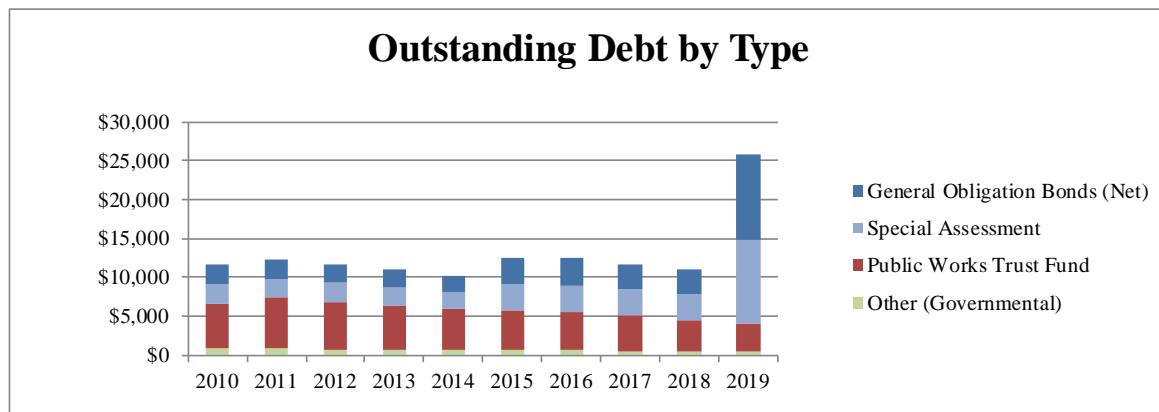
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Agriculture, Forestry, & Fishing	\$ 2	\$ 2	\$ 2	\$ 2	\$ 2	\$ 1	\$ 1	\$ 1	\$ 1	\$ 1
Mining	-	1	-	-	-	1	2	4	0	0
Utilities	2	2	2	1	2	2	2	2	4	3
Construction	963	714	903	1,030	884	884	913	1,175	1,506	2,021
Manufacturing	113	136	132	136	157	158	217	199	219	190
Wholesale Trade	382	312	317	342	466	398	396	496	462	550
Retail Trade	3,586	3,719	4,016	3,938	3,925	4,209	4,224	4,599	5,042	5,346
Transportation & Warehousing	31	40	36	43	64	57	54	88	55	63
Information	364	364	364	387	424	449	504	500	485	434
Finance and Insurance	28	34	25	41	41	56	62	50	66	94
Real Estate, Rental, Leasing	206	196	214	236	239	288	338	336	344	377
Professional, Scientific, & Technical	55	66	68	88	95	95	125	100	107	124
Management of Companies & Enterprises	-	4	-	-	-	-	1	1	-	-
Administrative Services	131	135	125	143	139	155	159	178	269	307
Educational Services	54	48	43	46	35	37	51	31	24	26
Health Care & Social Assistance	60	27	29	45	39	46	47	40	40	35
Arts, Entertainment, & Recreation	95	92	88	91	96	106	112	107	113	113
Accommodation & Food Services	981	989	1,050	1,088	1,127	1,211	1,260	1,367	1,529	1,585
Public Administration	57	55	66	59	71	59	68	112	21	10
Other Services	454	511	416	423	467	497	642	573	690	675
Total	\$ 7,562	\$ 7,445	\$ 7,897	\$ 8,140	\$ 8,272	\$ 8,708	\$ 9,179	\$ 9,959	\$ 10,978	\$ 11,955

Source:

City of Lakewood Finance Division

Schedule 10
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(in thousands)

Fiscal Year	Governmental Activities				Business-Type Activities			Total Primary Government ^(A)	Percentage of Personal Income ^(B)	Debt Per Capita
	General Obligation Bonds	Less: Restricted for Debt Service	Net G.O. Bonded Debt	Special Assessment Bonds	Public Works Trust Fund Loans	Other Government Debt	Capital Leases			
2010	\$ 2,573	\$ 888	\$ 1,685	\$ 2,411	\$ 5,689	\$ 828	\$ 72	\$ 10,685	27.82%	\$ 199
2011	2,471	981	1,490	2,181	6,572	781	-	11,025	27.71%	206
2012	2,363	329	2,034	1,975	6,144	734	-	10,887	26.55%	193
2013	2,256	508	1,748	1,769	5,716	684	-	9,916	23.67%	179
2014	2,144	650	1,494	1,573	5,287	633	-	8,987	20.37%	165
2015	3,455	617	2,838	1,523	5,038	637	-	10,036	21.93%	183
2016	3,499	880	2,619	987	4,931	564	-	9,100	19.24%	170
2017	3,273	793	2,480	751	4,644	488	-	8,362	17.02%	154
2018	3,202	940	2,262	595	4,039	501	-	7,396	14.19%	140
2019	10,932	319	10,613	389	3,575	392	-	14,969	n.a.	249



^(A) Net of amounts restricted for G.O. debt service

^(B) Personal income is calculated based on Pierce County Per Capita Personal Income applied to Lakewood population. 2019 data was not available at time of publication of this document.

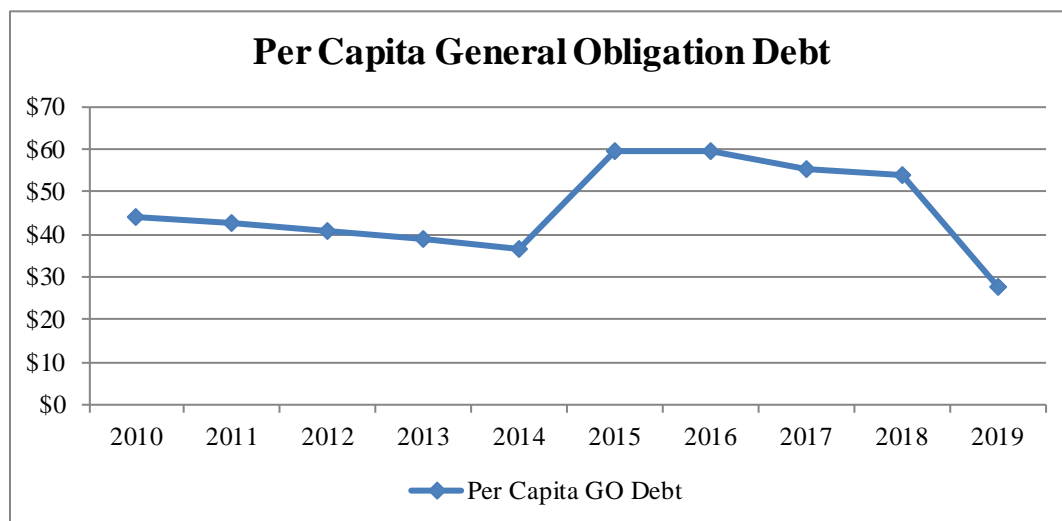
Source:

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
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
2019	1,646,568	0.02%	27.74

Note: 2019 increase is due to the issuance of \$8M in new General Obligation bonds



Source:

City of Lakewood Finance

Schedule 12
Direct and Overlapping Governmental Activities Debt
As of December 31, 2019

	Net Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Overlapping Debt:			
Pierce County	\$ 149,715,000	5.9%	\$ 8,791,275
Port of Tacoma	161,182,000	5.9%	9,464,618
Clover Park School District	121,790,000	95.4%	116,237,988
Steilacoom Historical School District	30,630,000	4.9%	1,490,308
Tacoma School District	458,320,000	0.3%	1,563,212
West Pierce Fire District	<u>1,177,274</u>	60.1%	<u>707,750</u>
Total Overlapping Debt	922,814,274		138,255,153
Direct Debt: City of Lakewood	<u>15,288,331</u>	100%	<u>15,288,331</u>
Total Direct and Overlapping Debt	<u><u>\$ 938,102,605</u></u>		<u><u>\$ 153,543,484</u></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.

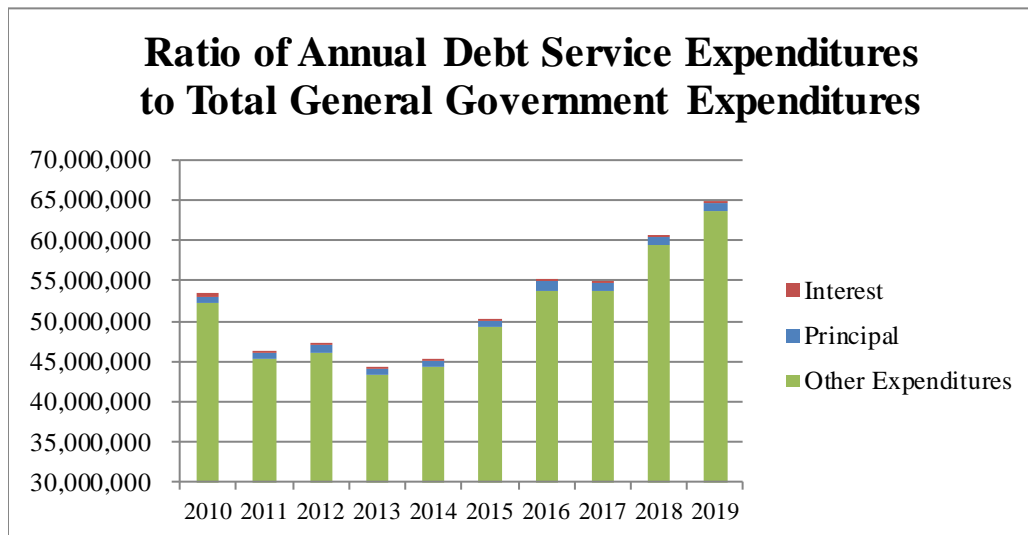
Source:

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

Note: Values are based on following year aggregate values

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

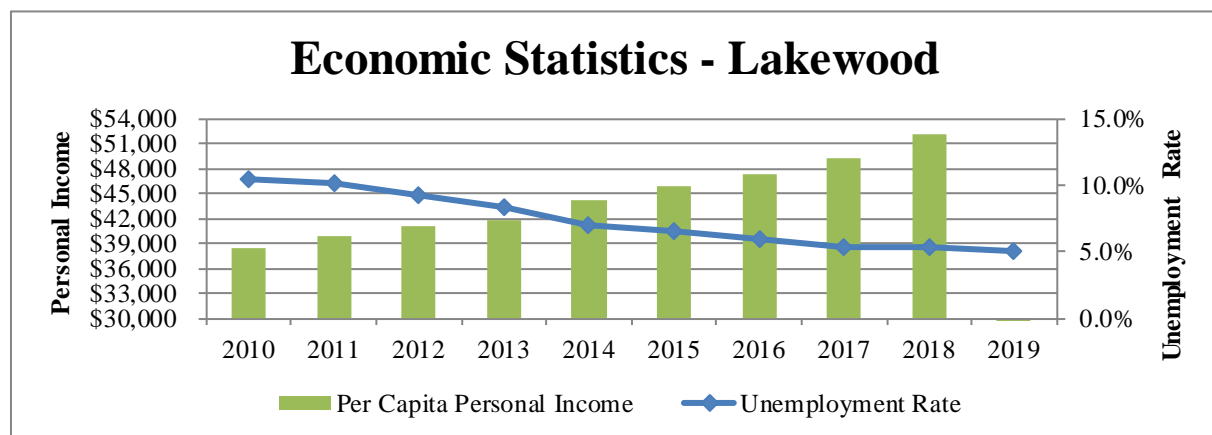
<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Total General Governmental Expenditures</u>	<u>Ratio of Debt Service to General Governmental Expenditures</u>
2010	\$ 785,986	\$ 293,278	\$ 1,079,264	\$ 53,379,702	2.02%
2011	755,140	280,814	1,035,954	46,231,974	2.24%
2012	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%
2019	1,052,932	369,126	1,422,058	64,940,026	2.19%

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)	As of 9-Mar-20 Unemployment Rate ⁽⁶⁾
2010	58,163	\$ 2,233,983	\$ 38,409	11,172	\$ 55,531	10.4%
2011	58,190	2,315,089	39,785	11,160	56,114	10.1%
2012	58,260	2,389,126	41,008	11,383	57,162	9.3%
2013	58,310	2,442,606	41,890	11,602	57,238	8.3%
2014	58,360	2,574,026	44,106	12,254	59,998	7.0%
2015	58,400	2,673,202	45,774	12,285	59,566	6.5%
2016	58,800	2,781,828	47,310	12,346	61,042	6.0%
2017	59,280	2,912,841	49,137	12,885	65,517	5.4%
2018	59,350	3,092,966	52,114	12,953	70,321	5.3%
2019	59,670	n.a.	n.a.	12,618	71,629	5.1%



- (1) 2019: US Census Bureau; prior years: State of Washington, Office of Financial Management.
- (2) Pierce County Per Capita Personal Income applied to Lakewood population. 2019 data is not yet available.
- (3) Pierce County Per Capita Personal Income as provided by Bureau of Economic Analysis (BEA). 2019 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).
- (6) Pierce County Unemployment Rate as provided by the Bureau of Labor Statistics (BLS).
 2019 is unavailable as December is currently an estimate. Data is calculated by the monthly average, including the December estimate. Previous years have been updated per revisions by the BLS.

Schedule 15
Principal Employers
Current Year and Ten Years Ago

Taxpayer	Type of Business	2019			2010		
		Number of Employees	Rank	% of Total City Employment	Number of Employees	Rank	% of Total City Employment
Western State Hospital	Public Sector - Mental Health Facility	2,600	1	7.4%	1,947	1	8.7%
Clover Park School District	Public Sector - Education	1,667	2	4.8%	1,696	2	7.6%
Pierce College	Public Sector - Education	1,239	3	3.5%	787	4	3.5%
Camp Murray	Military - National Guard	1,050	4	3.0%	-		
Pierce Transit	Public Sector - Transportation	950	5	2.7%	911	3	4.1%
St. Clare Hospital	Health Care	682	6	2.0%	700	5	3.1%
Aacres WA LLC	Private Social Services Network	467	7	1.3%	-		
McClane Northwest	Transportation/Warehousing	440	8	1.3%	370	6	1.7%
Wal-Mart	Retail	402	9	1.2%	-		
Clover Park Technical College	Public Sector - Education	396	10	1.1%	260	9	1.2%
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>9,893</u>		<u>28.34%</u>	<u>7,575</u>		<u>33.97%</u>

2019 Jobs in Lakewood: 34,908

Source:

City of Lakewood Community and Economic Development Department

Schedule 16
Capital Assets by Function
Last Ten Fiscal Years

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Transportation										
Street (center line miles)	180	180	180	180	180	180	180	180	180	180
Signals City-owned and maintained	69	69	69	69	69	69	69	69	69	69
Signals WSDOT-owned and maintained	9	9	9	9	9	9	11	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	-	-	-	-
Street lights City-owned and maintained	204	204	214	614	614	614	2,176	2,176	2,277	2,372
Street lights City-owned and TPU maintained	420	420	420	420	420	420	-	-	-	-
Street lights City-owned and Lakeview maintained	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	1,098	1,098
Street lights TPU-owned and maintained	353	353	353	353	353	353	-	-	-	-
Culture & Recreation										
Developed parks - acreage	77	77	77	80	80	80	82	82	82	82
Developed parks - number of parks	12	12	12	12	12	13	13	12	12	12
Undeveloped parks - acreage	456	461	461	465	467	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	10	10	10	10	11	12	12	12
Community gardens	-	-	2	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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
SECURITY OF PERSONS & PROPERTY										
Police Information										
Offenses:										
Forcible Rape (including attempts)	39	45	38	30	34	58	55	67	38	55
Robbery	137	114	109	90	89	93	103	94	90	107
Criminal Homicide	-	2	3	2	1	2	-	5	7	5
Aggravated Assault	316	343	319	278	247	339	375	322	332	387
Vehicle Theft	272	308	233	205	215	260	368	375	382	315
Burglary (commercial & residential)	584	604	725	642	644	566	616	507	492	415
Larceny	1,882	1,943	2,089	1,832	1,681	1,991	2,097	2,052	2,041	1,706
Arson	10	3	13	14	15	13	15	11	15	9
Citations:										
Traffic	5,461	8,608	6,633	5,753	8,980	8,202	6,595	5,023	3,697	5,493
Red Light Photo	8,310	8,039	8,225	8,586	8,827	10,586	7,289	11,336	11,927	12,644
Fixed Speed Photo	5,842	6,062	5,814	5,744	4,669	3,384	9,749	6,198	6,571	6,876
ECONOMIC ENVIRONMENT										
Building Related Permits & Values										
Building Permits	1,379	1,666	1,392	1,927	1,339	1,336	1,207	1,540	1,718	1,839
Estimated Value (in millions)	\$ 39	\$ 62	\$ 46	\$ 147	\$ 52	\$ 56	\$ 65	\$ 76	\$ 124	\$ 88

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Function/Program										
General Government										
Municipal Court	15.75	16.00	16.75	16.75	16.00	12.50	12.50	11.00	11.00	10.50
City Manager	4.00	4.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Administrative Services	24.30	24.50	20.85	20.85	20.85	16.00	16.00	16.00	16.00	16.00
Legal & City Clerk	14.00	12.75	11.98	11.98	11.98	12.50	12.50	11.00	11.00	9.50
Community & Economic Development	24.50	25.00	23.00	22.00	19.00	16.00	17.50	17.50	18.50	19.50
Culture & Recreation	13.10	12.75	15.50	15.50	22.70	18.25	24.25	24.25	24.25	24.25
Security	123.00	123.00	118.00	118.00	121.00	116.00	116.00	116.00	116.00	115.00
Public Works	22.71	35.50	34.00	34.00	27.90	26.00	20.50	20.50	20.50	18.50
Total	241.36	253.50	243.08	242.08	242.43	220.25	222.25	219.25	220.25	216.25

Source:

City of Lakewood Finance