



2020

Annual Comprehensive Financial Report



City of Lakewood, WA

For the Year Ended December 31, 2020



ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Year Ended December 31, 2020

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

Tho Kraus
Deputy City Manager

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Year Ended December 31, 2020

Table of Contents

INTRODUCTORY SECTION	Page
Letter of Transmittal.....	7
City Officials, City Manager and Department Directors.....	15
City-Wide Organization Chart.....	16
GFOA Certificate of Achievement.....	17
FINANCIAL SECTION	
Independent Auditor's Report.....	19
Management's Discussion and Analysis	22
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position.....	36
Statement of Activities.....	37
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet.....	39
Reconciliation of Balance Sheet to the Statement of Net Position	40
Statement of Revenue, Expenditures, and Changes in Fund Balance	41
Reconciliation of the Statement of Revenues, Expenditures, and Change	
In Fund Balances of Governmental Funds to the Statement of Activities	42
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual	
General Fund	43
CDBG Fund.....	44
Proprietary Funds:	
Statement of Net Position.....	45
Statement of Revenues, Expenses and Changes in Fund Net Position	46
Statement of Cash Flows.....	47
Fiduciary Funds:	
Statement of Fiduciary Net Position	49
Statement of Changes in Fiduciary Net Position	50
Notes to the Basic Financial Statements:	
Note 1 – Summary of Significant Accounting Policies.....	52
Reporting Entity	52
New GASB Statements for 2020.....	52
Government-Wide and Fund Financial Statements	52
Financial Statement Presentation	52
Other Fund Types.....	53
Measurement Focus and Basis of Accounting.....	53
Budgetary Information.....	55
Assets, Liabilities, Fund Balance and Net Position	55
Cash and Investments	55
Receivables	56
Amounts Due To/From Other Funds and Governments, Interfund Loans and Accounts Receivable.....	56

Inventories.....	56
Capital Assets	56
Compensated Absences	57
Pensions	57
Long-Term Liabilities	58
Deferred Outflows/Inflows of Resources	58
Fund Balance Classification	58
Fund Balance Details	59
Note 2 – Supplemental Appropriations	59
Note 3 – Deposits and Investments	60
Note 4 – Receivables, Deferred Inflows of Resources, and Due from Other Governments.....	61
Note 5 – Due to Other Governments.....	63
Note 6 – Capital Assets	63
Note 7 – Pension Plans.....	65
Note 8 – Risk Management.....	73
Note 9 – Long-Term Liabilities	75
Note 10 – Interfund Transactions	77
Note 11 – Restatements of Beginning Balances	78
Note 12 – Health and Welfare	78
Note 13 – Contingencies and Litigation	79
Note 14 – Tax Abatements.....	79
Note 15 – Subsequent Events	80
Note 16 – COVID-19 Pandemic	80
Required Supplementary Information:	
Schedule of Proportionate Share of Net Pension Liability (Asset)	82
Schedule of Employer Contributions	82
Other Supplementary Information:	
Schedule of Expenditures of Federal Awards	84
Combining Statements:	
Nonmajor Governmental Funds:	
Combining Statement – Nonmajor Governmental Funds Description.....	88
Combining Governmental Balance Sheet	89
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances.....	90
Nonmajor Special Revenue Funds:	
Combining Statement – Nonmajor Special Revenue Fund Description	91
Combining Balance Sheet	93
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances.....	95
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual:	
Street Operations and Maintenance Fund.....	97
Real Estate Excise Tax Fund.....	98
Transportation Benefit District Fund.....	99
Hotel/Motel Lodging Tax Fund.....	100
Property Abatement Fund/Rental Housing Safety Program	101
Public Art Fund.....	102
Narcotics Seizure Fund.....	103
Felony Seizure Fund	104
Federal Seizure Fund.....	105
Neighborhood Stabilization Program (NSP) Fund	106
Office of Economic Adjustment (OEA) Grant/SSMCP Fund.....	107
Public Safety Grants Fund	108

Nonmajor Debt Service Funds:

Combining Statement – Nonmajor Debt Service Funds Description.....	109
Combining Balance Sheet	110
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances.....	111
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual:	
General Obligation Debt Service Fund	112
Sewer Project Debt Fund	113
LID Guaranty Fund	114

Nonmajor Capital Projects Funds:

Combining Statement – Nonmajor Capital Project Funds Description	115
Combining Balance Sheet	116
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances.....	117
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual:	
Parks CIP Fund.....	118
Sewer Project CIP Fund	119

Supplementary Budgetary Statements – Other Major Governmental Funds with Annual Budgets..... 120

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual:	
LID Debt Service Fund	121
Transportation Capital Fund	122

Internal Service Funds:

Combining Statement – Internal Service Funds Description.....	123
Combining Statement of Net Position	124
Combining Statement of Revenues, Expenses, and Changes in Net Position	125
Combining Statement of Cash Flows	126

STATISTICAL SECTION

Statistical Section Description	128
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Financial Trends:

Schedule 1 – Net Position by Component.....	129
Schedule 2 – Changes in Net Position	130
Schedule 3 – Fund Balances, Governmental Funds	132
Schedule 4 – Changes in Fund Balances, Governmental Funds	133

Revenue Capacity:

Schedule 5 – Assessed Value and Actual Value of Taxable Property	134
Schedule 6 – Direct and Overlapping Property Tax Rates.....	135
Schedule 7 – Principal Property Taxpayers	136
Schedule 8 – Property Tax Levies and Collections	137
Schedule 9 – Sales Tax Revenue by Category	138

Debt Capacity:

Schedule 10 – Ratio of Outstanding Debt by Type.....	139
Schedule 11 – Ratio of GO Bonded Debt to Assessed Value and Net GO Bonded Debt Per Capita.....	140
Schedule 12 – Direct and Overlapping Governmental Activities Debt.....	141
Schedule 13 – Ratio of Annual Debt Service Expenditures for General Obligation Bonded Debt to Total General Governmental Expenditures Net of Debt Service Expense	142

Demographic and Economic Information:

Schedule 14 – Demographic and Economic Statistics.....	143
Schedule 15 – Principal Employers	144
Schedule 16 – Capital Assets by Function	145
Schedule 17 – Operating Indicators by Function	146
Schedule 18 – Full-Time Equivalent City Government Employees by Function/Program.....	147



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July 29, 2021

People of the City of Lakewood
Honorable Mayor and City Council

**THE ANNUAL COMPREHENSIVE FINANCIAL REPORT
OF THE
CITY OF LAKEWOOD**

We are pleased to submit the Annual Comprehensive Financial Report (ACFR) of the City of Lakewood (the City) for the year ended December 31, 2020. The responsibility for both the accuracy of the data and the completeness and fairness of the presentation including all disclosures rests with City management. To provide a reasonable basis for making these representations, management has established a comprehensive framework of internal controls designed to protect the City's assets from loss, theft, or misappropriation. Because the cost of internal controls should not outweigh the anticipated benefits, the City's internal controls are designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatements. While the Governmental Accounting Standards Board (the GASB) only requires local governments to produce basic financial statements and required supplementary information, the City elects to prepare a more detailed ACFR to qualify for the reporting excellence award program of the Government Finance Officers Association of the United States and Canada (GFOA).

The City's ACFR has been audited by the Washington State Auditor's Office for which the auditors have concluded that there is a reasonable basis to grant an unmodified (clean) opinion to the City's financial statements as of December 31, 2020. The auditor's report is presented as the first component of the financial section of this report.

This transmittal letter is designed to complement the Management Discussion and Analysis (MD&A) and should be read in conjunction with it. The 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. It is the second largest city in Pierce County and is the 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 the state of Washington. Our legacy and commitment to each other dates back over 100 years to World War I 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 60,030 and covers an area of 18.95 square miles, of which 17.17 square miles is land and 1.78 square miles is water. The City 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 economic situation in 2020 has proven to be very harmful to the City's local economy and finances. Even when the economy begins to improve it will be some time before cities and the country can return to pre-March 2020/ pandemic levels. While there are signs of recovery (our region is in early Phase 4 of the State's "Safe Start" phased-reopening plan), the pace and extent of economic growth is still uncertain. 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 most acute effects of the economic downturn upon local governments may not be felt fully until 2021, and could continue through 2023.

To address the economic uncertainty as a result of the pandemic, the City took immediate action to accommodate potential losses in revenue. On March 3, 2020, the City mandated action strategies to pause all general government expenditures and these actions will continue going into 2021 until the economy improves and revenue collections rebound to normal levels.

The emergency strategies implemented that are still in place are as follows:

- 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, with certain limited exceptions;
- All discretionary spending (e.g., supplies, travel, training, overtime, etc.) are on hold indefinitely. Only those expenditures related to basic services (e.g., employee compensation, mandated training & certifications, basic services such as street maintenance, park maintenance, public safety, etc.) are to be advanced during this time;
- Anything not covered above will require pre-approval by the Deputy City Manager and the City Manager;
- Fleet & equipment, information technology, and property management projects and replacement shall only include essential items as well as those items that will be completed in 2020. All other projects and purchases will be considered in the next biennial budget dependent on the state of the economy;

- Transportation, parks and sewer improvement projects will continue as planned as these projects are funded with very limited general government funds; and
- Excess real estate excise taxes (REET) will be set aside to offset any decrease in REET collections and to ensure payment of debt service.

The implementation of these strategies is working. To date, the City has not had to reduce or eliminate programs or services nor has the City had to draw on its financial reserves. However, the City is expected to use unanticipated fund balances totaling \$3.1 million from 2019 to help with projected operating revenue shortfalls in 2020 and 2021.

ECONOMIC TRENDS

According to the Puget Sound Economic Forecaster, retail sales in the Puget Sound area have rebounded from their lowest point in April 2020, up 50% in April 2021, clearly the result of the phased-in re-opening of businesses due to the gradual improvement of the public health situation and the continued federal stimulus support. While this will continue in the short term, medium to long-term growth may be potentially checked by the lingering effects of the economic crisis on the employment situation and the supply chain, and the threat of inflation owing to the excess liquidity created by the fiscal spending strategy.

As of the end of 2020, the average unemployment rate in the Puget Sound area increased to 8.4% compared to 2019 at 3.2%. Unemployment insurance claims from Mar-May 2020 in Tacoma-Pierce County averaged 47.1K per month then dropped to 9.3K per month during the fourth quarter. Forecasted unemployment rates are 4.8% for 2021 and 3.5% for 2022.

In 2020, there were 27,053 housing units in Lakewood, an increase of 0.8% over 2019. Of these units, 50.3% or 13,606 were single-family homes, 44.3% or 11,996 multi-family units, and 5.4% or 1,451 mobile homes and trailers. The Puget Sound area is currently experiencing a temporary housing boom with 2020 average home prices up by 17.9% over 2019. This trend is expected to taper off in 2021 to 0.8% and 2022 to 5.7%. The increase is due to low inventories of new homes evidenced by the slow growth in home building permits and exacerbated by the current spike in prices of construction materials.

The community is residential and commercial, with the populace employed locally, at JBLM and in the neighboring cities, such as, Tacoma, University Place, Steilacoom and unincorporated Pierce County. Employment in Lakewood is highly concentrated in the retail and services sectors which serves 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 2020 total \$11.9M which is a slight overall drop of 0.1% from 2019 primarily due to the effects of the temporary closure of restaurants, bars, and leisure and tourist attractions. Taxes from retail trade increased by 4.4% while that from wholesale trade was down by 6.7%.

The 2020 assessed value for 2021 tax collections includes new construction and added improvements assessed value of \$77.8M or approximately 1.0% of the City's 2020 assessed valuation. The total assessed value of property in Lakewood for 2020 was \$8.1B, which is approximately 8.0% higher than the 2019 assessed valuation of \$7.5B.

Real estate sales increased from \$598.9 million in 2019 to \$728.0 million in 2020, an increase of 21.6% or \$129 million. Some of the major real estate transactions in 2020 include Village at Seeley Lake Apartments, Beaumont Apartments, the vacant industrial land at 3451 84th St. South, and Business Park at 10029 South.

The City continued to provide tax incentives in the form of tax abatements to developer/owners of new construction or rehabilitation of multifamily housing located in designated areas within the City. Tax relief applies to the value of the improvements, excluding land and nonresidential improvements. This program is designed to encourage increased residential opportunities for local governments that plan under the State's Growth Management Act.

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 2021, 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 are penciled in 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 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 schedules for each capital improvement project. Capital project proposals will include 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

CARES Act Spending: In 2020, the City of Lakewood received a total of \$3.6 million in Coronavirus Aid, Relief, and Economic Security (CARES) Act funds. These funds were successfully deployed for COVID-19 related expenses incurred between March 1, 2020 and November 30, 2020 to small and commercial businesses, residential landlords for tenant rental assistance, community partners, non-profits, other government entities, and the City.

Night Market: In 2020 State pandemic restrictions forced the City to move its traditional "Night Market" to Fort Steilacoom Park which is more wide-open and suitable to social distancing guidelines. With this move, the event experienced increased vendor sales as local demand for fresh produce in a safe environment was stimulated during the lockdown. Future plans are to add more days to the schedule to accommodate the public interest. The market features food trucks and local wine and beer in addition to local produce and handicraft.

Transportation Projects: Projects completed in 2020 include: (a) the Onyx Drive improvement which rebuilt 1.55 miles of roadway and added new sidewalks, raised crosswalks, street lighting, radar feedback signs, locking

cluster mailboxes, and drainage upgrades; (b) the Veteran's drive to Gravelly Lake Drive sidewalk improvement; and (c) street improvements to Washington Blvd to Edgewood Drive and Steilacoom Blvd. and 88th St (Weller to Custer).

Human Services: Since incorporation, the City has dedicated 1% of General Fund in support of low-income and vulnerable citizens by partnering with and funding community-based organizations to provide basic health, housing and community services. The City was able to continue this program during the pandemic. Programs supported aligned with one of the City's human services funding strategies: emotional supports and youth programming; access to health and behavioral health services; housing assistance and homeless prevention; crisis stabilization and advocacy; and access to food.

Parks Projects: Projects completed in 2020 included: (a) Completed the first application of aluminum sulfate and the pH buffering agent sodium aluminate to Waughop Lake in Fort Steilacoom Park to limit excess phosphorus in the lake, (b) the Harry Todd Park playground replacement, (c) Fort Steilacoom Park fencing and parking improvements, and (d) phase 5 of the Springbrook Park expansion project.

Colonial Plaza recognition: The Economic Development Board for Tacoma-Pierce County recently named Colonial Plaza as one of its Excellent 10 projects. Colonial Plaza was recognized because of its public space elements and its function as a catalyst for redevelopment in the city's downtown area. Similarly, the City was given the Platinum Healthy Community Award by the Tacoma-Pierce County Health Department for its redevelopment of Colonial Plaza, a project that contributes to promoting the health and quality of life of the City's residents and visitors.

AWC Retro Refund: The city received \$51,655 from the Association of Washington Cities (AWC). The money is a refund awarded to the city as part of AWC's Workers' Comp Retro Program, which the city is a member. In 2020 AWC distributed \$1.5 million in refunds to 115 municipalities across Washington, the largest refund in its 15-year history. Refunds are disbursed base on workers' compensation claims within each jurisdiction. The AWC Workers' Comp Retro Program provides training and tools that empower employers to lower risks for on-the-job injuries. The focus on injury prevention and safety reduces a municipality's overall workers' compensation costs.

OUTLOOK FOR THE FUTURE

As we look into the future, we are beginning to focus on our recovery and what that will look like, specifically as it relates to City finances that in turn will impact service delivery. Revenue estimates going forward will use assumptions based on empirical data and the best information available in order to create budgets that are realistic. We will also be relying on our experiences from post-September 11 (9/11/2001) and from the Great Recession (2007-2009) as well as other economic downturns going back 30 years, though we already know that this downturn is more severe. A key attribute of the City's financial successes in recent years has been the adopted comprehensive financial policies that provide a vital framework for governance and decision-making, especially in regards to issues that substantively impact the City's finances. These policies have served the City very well during our region's recent economic prosperity and they will continue to serve as the foundation for the City's recovery to a more sustainable financial 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.

The City's 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 2020 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 (2021-2023) 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.

ECONOMIC DEVELOPMENT

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

Objectives:

- Align economic goals and resources across departments.
- Pursue infrastructure improvements vital to economic development and to bolster the City's competitiveness.
- Enhance and diversify housing stock and improve multi-generational community assets.
- Foster collaborative and advantageous partnerships with businesses, community members, and regional partners.
- Promote and facilitate sustainable economic development.

DEPENDABLE INFRASTRUCTURE

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

Objectives:

- Implement capital infrastructure projects to improve transportation, park, and utility systems.
- Invest in preventative maintenance of facilities, parks, and streets to protect City assets.
- Advance infrastructure projects that enhance the City's identity and diversity.
- Increase connectivity and accessibility.

PUBLIC SAFETY

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

Objectives:

- Improve community safety and reduce crime through data driven processes.
- Match perception of public safety with reality.
- Provide resources to support the health, welfare, and safety of the community.
- Expand community outreach and educational programs.

FISCAL RESPONSIBILITY

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

Objectives:

- Provide efficient and effective municipal services.
- Evaluate revenues and expenditures and respond to changing service needs.
- Make smart investments in people, places, and resources.

TRANSPARENCY

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

Objectives:

- Dynamically promote a positive image of Lakewood.
- Advocate for Lakewood at all levels of government.
- Develop measureable outcomes and compare these to national benchmarks.
- Strengthen connection with stakeholders, partners, and communities.

Each adopted goal above 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 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 2020 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 2020 for the 23rd 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 annual comprehensive financial report for the year ended December 31, 2019. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive 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 Annual Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

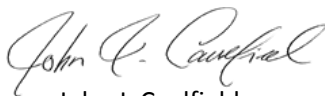
The City of Lakewood recently received the GFOA Distinguished Budget Presentation Award for its biennial budget for the years beginning January 1, 2021 and ending on December 31, 2022. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, a financial plan, an operations guide, and a communications medium.

The City of Lakewood also received the GFOA Popular Annual Financial Report Award for its 2019 PAFR. The GFOA established this program to encourage and assist state and local governments to extract information from their annual comprehensive financial report to produce high quality popular annual financial reports that are readily accessible and easily understandable to the general public, or other interested parties, who do not have a background in public finance. 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
Deputy City Manager

CITY OFFICIALS

As of December 31, 2020



DON ANDERSON
Mayor



JASON WHATLEN
Deputy Mayor



MARY MOSS
Councilmember



LINDA FARMER
Councilmember



PAUL BOCCHI
Councilmember



JOHN SIMPSON
Councilmember



MICHAEL D. BRANDSTETTER
Councilmember

CITY MANAGER

John J. Caulfield

DEPARTMENT DIRECTORS

Tho Kraus, Deputy City Manager

M. David Bugher, Assistant City Manager/Community & Economic Development Director

Heidi Wachter, City Attorney

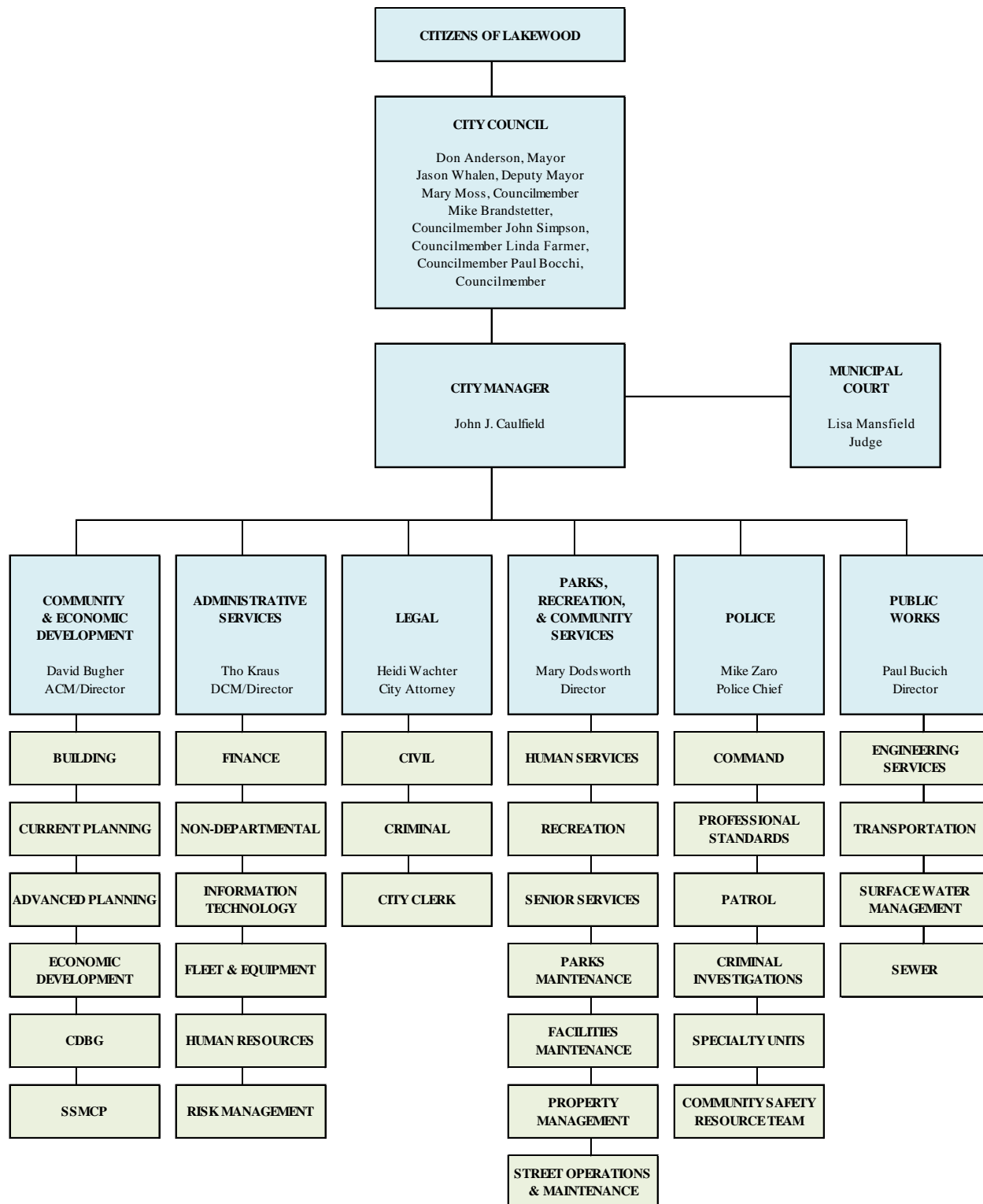
Mike Zaro, Police Chief

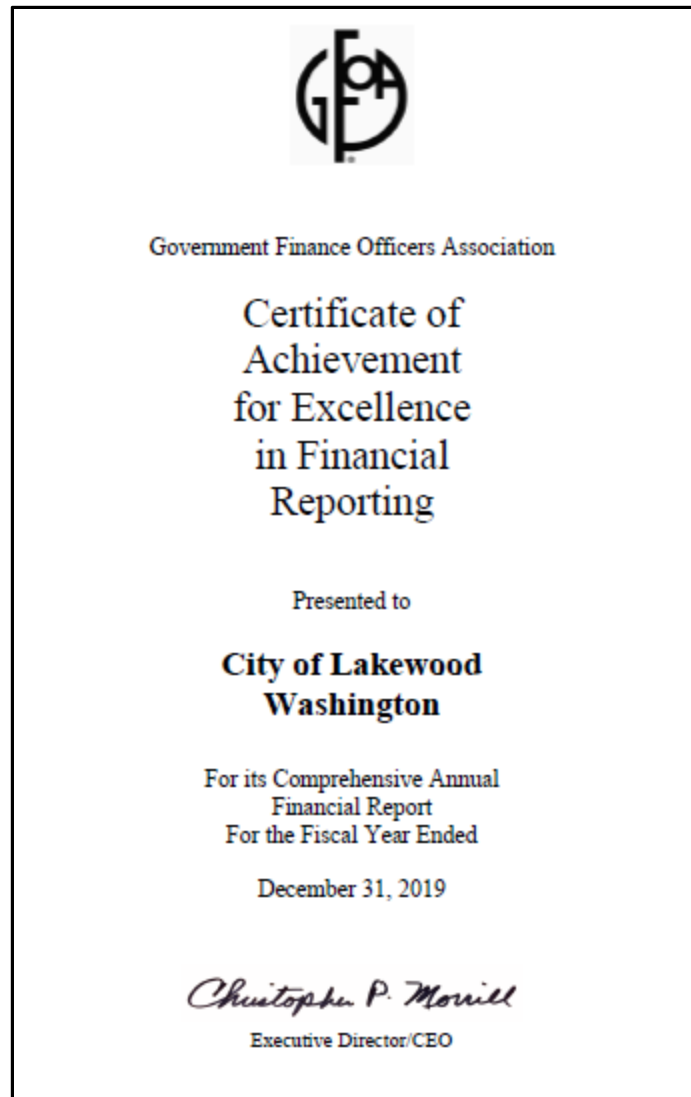
Lisa Mansfield, Municipal Court Judge

Paul Bucich, Public Works Engineering Director

Mary Dodsworth, Parks, Recreation, and Community Services Director

CITY-WIDE ORGANIZATION CHART





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 Annual Comprehensive Annual Financial Report for the fiscal year ended December 31, 2019.

In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual 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 annual comprehensive financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.



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

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

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, 2020, 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, 2020, and the respective changes in financial position and, where applicable, cash flows thereof 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 2020, the City adopted new accounting guidance, Governmental Accounting Standards Board *Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Payments*. Our opinion is not modified with respect to this matter.

As discussed in Note 16 to the 2020 financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the city is unknown. Management's plans in response to this matter are also described in Note 16. 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

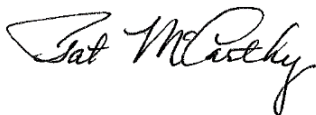
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The Other Supplementary Information and Combining Statements are presented for the purposes of additional analysis and are not a required 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 are 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 29, 2021, 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

July 29, 2021

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, 2020. 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 and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at December 31, 2020 by \$223.1M. Net investment in capital assets (capital asset cost net of depreciation and related debt) accounted for 79.9% of this amount or \$178.2M. Of the remaining net position of \$44.9M or 20.2%, \$26.2M 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 \$10.5M, or 5.0% compared to 2019. Governmental activities increased by \$9.9M while business-type activities increased by \$638.3K.
- Net investment in capital assets of governmental activities increased by \$4.9M mostly due to continuing capital construction and improvements of streets and parks. Restricted net position of governmental activities increased by \$3.6M or 24.1% due to increases in net pension assets and net increases in special revenue fund inflows and outflows of resources. Unrestricted net position of governmental activities increased by \$1.4M or 7.2% compared to 2019.
- Governmental fund balances at year-end were \$31.2M, a slight increase of \$235.1K over the prior year. Of this fund balance, a total of \$8.8M or 28.1% is the unassigned balance which is available to fund ongoing activities without restrictions. The remaining fund balance is restricted or committed for housing assistance (including affordable housing), parks, transportation and sewer capital projects, local improvement district debt, tourism, police seizure, grants, public works trust fund loan debt, property abatement, and public art.
- All the unassigned fund balance of \$8.8M mentioned in the preceding belong to the City's general fund and the balance represented an increase of \$4.1M or 88.5% over 2019. This is attributed to the reduction in discretionary spending, which is one of the measures mandated by City officials to lessen the impact of the economic crisis brought on by the pandemic.
- The City's long-term borrowing increased by \$2.7M or 17.9% during the current fiscal year. The increase was due to the issuance of \$3.0M in general obligation bonds for major transportation construction, and \$922K in special assessment debt for local street improvements. Total principal repayment on outstanding debt during the year was \$1.2M.

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-one 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 reported 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 in the basic statements for the General Fund and the CDBG Fund, and in other supplementary information for other major and nonmajor governmental funds, 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

Net Position. 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, 2020 and 2019

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 50,054,923	\$ 49,332,520	\$ 6,148,554	\$ 4,723,485	\$ 56,203,477	\$ 54,056,005
Capital assets net of accumulated depreciation	164,748,039	153,678,601	27,700,554	28,532,357	192,448,593	182,210,958
Total Assets	214,802,962	203,011,121	33,849,108	33,255,842	248,652,070	236,266,963
Deferred outflows of resources	1,769,955	1,151,263	-	-	1,769,955	1,151,263
Current liabilities	7,176,490	5,772,500	131,979	191,690	7,308,469	5,964,190
Long-term liabilities	18,554,279	15,941,659	98,889	84,233	18,653,168	16,025,892
Total Liabilities	25,730,769	21,714,159	230,868	275,923	25,961,637	21,990,082
Deferred inflows of resources	1,332,029	2,829,796	-	-	1,332,029	2,829,796
Net Position:						
Net investment in capital assets	150,518,400	145,611,845	27,700,554	28,532,357	178,218,954	174,144,202
Restricted	18,631,779	15,011,473	31,235	16,571	18,663,014	15,028,044
Unrestricted	20,359,940	18,995,111	5,886,451	4,430,991	26,246,391	23,426,102
Total Net Position	<u>\$ 189,510,119</u>	<u>\$ 179,618,429</u>	<u>\$ 33,618,240</u>	<u>\$ 32,979,919</u>	<u>\$ 223,128,359</u>	<u>\$ 212,598,348</u>

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 \$223.1M at December 31, 2020. This is an increase of \$10.5M or 5.0% compared to December 31, 2019 made up largely by governmental activities net position which went up by \$9.9M or 5.5%.

The largest component of the City's net position, 79.4% or \$178.2M, is its net investment in capital assets which is calculated as the net book value of capital assets less the amounts of any 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 be sold or converted to cash in any other manner to cover current expenditures.

Of the \$26.2M unrestricted net position, \$5.9M belong to the Surface Water Management enterprise while \$20.4M may be used to meet the City's ongoing obligations to its citizens, vendors 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, and for its separate governmental and business-type activities.

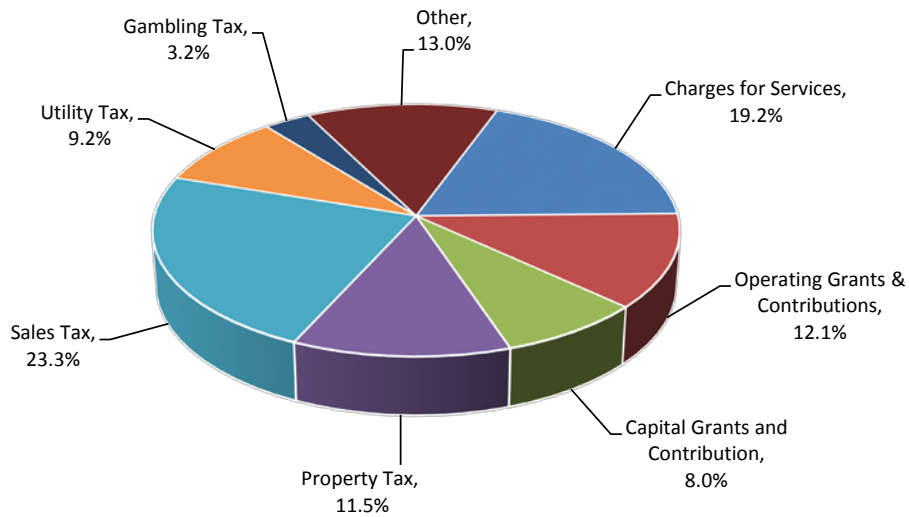
CHANGES IN NET POSITION
For the Years Ended December 31, 2020 and 2019

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Programs revenues:						
Charges for services	\$ 11,416,754	\$ 12,640,951	\$ 4,888,034	\$ 4,350,509	\$ 16,304,788	\$ 16,991,460
Operating grants & contrib.	7,211,477	3,501,923	-	-	7,211,477	3,501,923
Capital grants & contrib.	4,766,648	3,474,195	120,169	75,000	4,886,817	3,549,195
General revenues:						
Property tax	7,170,549	7,060,525	-	-	7,170,549	7,060,525
Sales tax	13,869,704	13,848,194	-	-	13,869,704	13,848,194
Utility tax	5,475,259	5,575,351	-	-	5,475,259	5,575,351
Excise tax	3,650,019	3,004,413	-	-	3,650,019	3,004,413
Gambling tax	1,910,429	3,099,812	-	-	1,910,429	3,099,812
Lodging tax	867,311	1,091,953	-	-	867,311	1,091,953
Other tax	2,560,200	3,484,083	-	-	2,560,200	3,484,083
Gain on sale of capital assets	76,919	207,846	-	-	76,919	207,846
Judgment and settlements	49,328	-	-	-	49,328	-
Investment earning	294,892	439,859	23,677	81,176	318,569	521,035
Miscellaneous	278,159	46,452	-	-	278,159	46,452
Total Revenue	<u>59,597,648</u>	<u>57,475,557</u>	<u>5,031,880</u>	<u>4,506,685</u>	<u>64,629,528</u>	<u>61,982,242</u>
Expenses:						
General government	7,408,721	4,856,859	-	-	7,408,721	4,856,859
Public safety	24,667,652	26,068,011	-	-	24,667,652	26,068,011
Utilities and environment	18,849	-	-	-	18,849	-
Transportation	8,187,395	8,292,680	-	-	8,187,395	8,292,680
Social Services	666,418	714,285	-	-	666,418	714,285
Economic environment	4,506,421	5,733,440	-	-	4,506,421	5,733,440
Natural environment	319,129	324,810	-	-	319,129	324,810
Culture and recreation	2,254,703	2,580,621	-	-	2,254,703	2,580,621
Judicial	1,810,709	1,834,062	-	-	1,810,709	1,834,062
Interest on long-term debt	409,723	347,751	-	-	409,723	347,751
Surface water management	-	-	3,849,797	3,805,274	3,849,797	3,805,274
Total Expenses	<u>50,249,720</u>	<u>50,752,519</u>	<u>3,849,797</u>	<u>3,805,274</u>	<u>54,099,517</u>	<u>54,557,793</u>
Change in net position before transfers	9,347,928	6,723,038	1,182,083	701,411	10,530,011	7,424,449
Transfers	543,762	1,204,513	(543,762)	(1,204,513)	-	-
Change in net position	9,891,690	7,927,551	638,321	(503,102)	10,530,011	7,424,449
Net position - beginning	179,618,429	171,690,878	32,979,919	33,483,021	212,598,348	205,173,899
Net position - ending	<u>\$ 189,510,119</u>	<u>\$ 179,618,429</u>	<u>\$ 33,618,240</u>	<u>\$ 32,979,919</u>	<u>\$223,128,359</u>	<u>\$ 212,598,348</u>

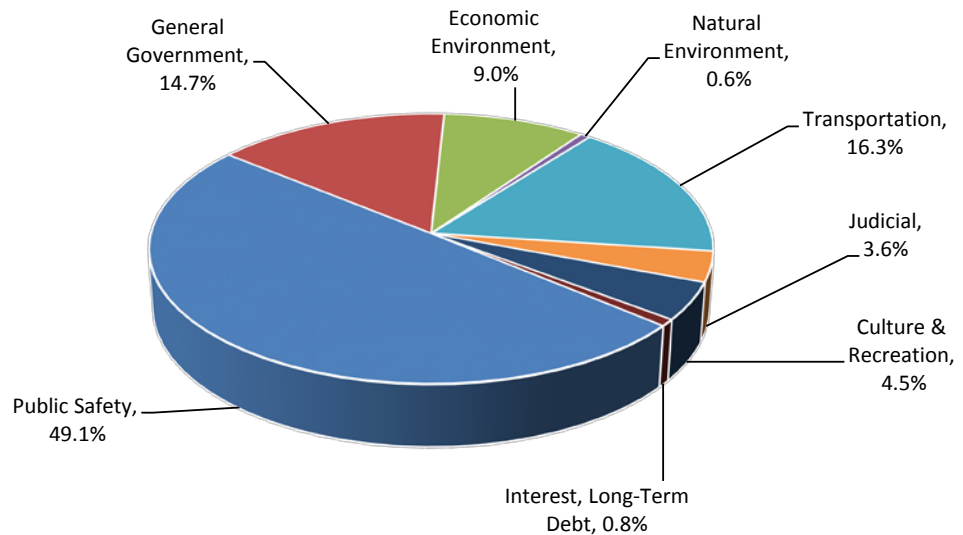
Governmental Activities

Current and other assets of the City's governmental activities increased by \$2.1M or 4.0% which is significantly lower than the previous year increase of 24.0%. This was due to an abrupt drop in most general revenue streams as a result of the economic and public health crisis. While property-based taxes and general sales taxes managed a slight gain from the prior year, derived tax revenues from leisure and travel services activities, such as, gambling taxes, lodging taxes, and admissions fees, experienced reductions in the 20-40% range. The balance of the City's proportionate share of LEOFF 2 pension liability/(asset), included under other assets, decreased by 17.9% as reported by the Washington Department of Retirement Services.

Governmental Activities - Revenues



Governmental Activities - Expenses

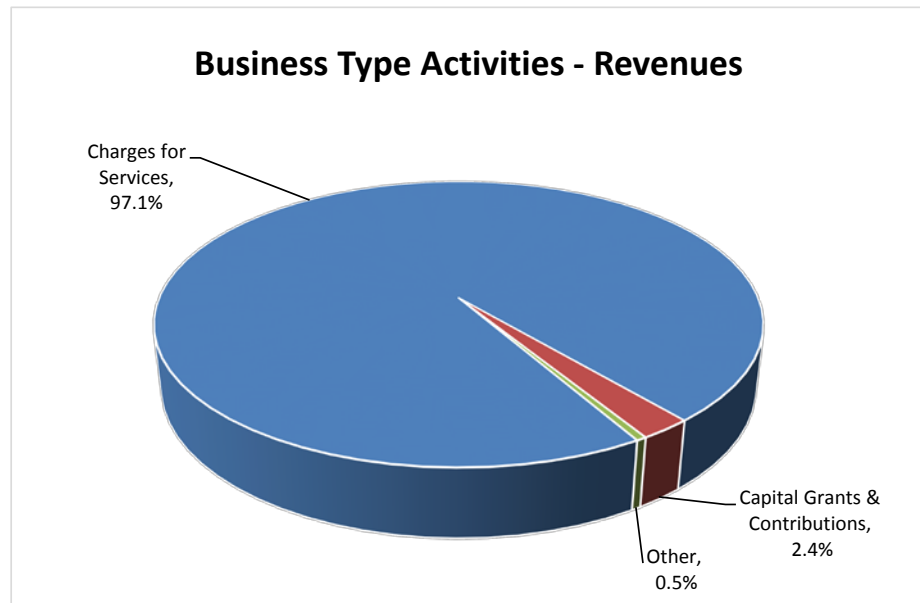


Business-Type Activities

Under business-type activities current and other assets increased by \$1.5M or 32.8% primarily due to an increase in cash and cash equivalents resulting from increased revenues and reduced operating transfers to other funds. Capital assets net of accumulated depreciation decreased by \$831.8K or 2.9% due to annual depreciation charges in surface water infrastructure and machinery and equipment. Correspondingly, net investment in capital assets decreased by the equivalent 2.9%.

Restricted net position of \$31.2K for business-type activities comprise the resources dedicated to Lake Management District 1 (American Lake) which increased by \$14.7K from 2019. Unrestricted net position increased by \$1.5M or 32.8%

due primarily to the budgeted reduction in transfers in the enterprise's cost share of parks and transportation capital projects.



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 2020, the City's governmental funds had a combined ending fund balance of \$31.2M which increased by \$235.1K or 0.8% from the prior year. Approximately \$8.8M or 28.1% of this amount constitutes unassigned General Fund balance, which is available for spending at the City Council's discretion. Restricted fund balance is \$12.6M while \$9.8M is committed fund balance both of which are unavailable 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, 2020 is \$13.7M. This ending fund balance represents 33.2% of the General and Street M&O operating revenues and is 21.2% or \$8.8M 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 \$826.3K.

- **5% General Fund Ending Fund Balance Reserves:** The purpose of this reserve is to provide financial stability, cash flow for operations and the assurance that the City will be able to respond to revenue shortfalls with fiscal strength. A 5% reserve fund based on the General/Street O&M Funds operating revenues equates to \$2.1M
- **5% Strategic Reserves:** This reserve provides some fiscal means for the City to respond to potential adversities such as public emergencies, natural disasters or similarly major unanticipated events. A 5% reserve fund based on the General/Street O&M Funds operating revenues equates to \$2.1M.

Compared to 2019, total revenues and other financing sources in the General Fund increased by \$1.1M or 2.5% to \$43.9M while total expenditures and other financing uses decreased by \$1.8M or 4.2% to \$40.0M. Within these increases, operating revenues increased by \$1.1M or 2.5% to \$43.6M, and operating expenditures decreased by \$603.1K or 1.6% to \$37.6M. Ending fund balance of \$13.7M at December 31, 2020 is an increase of \$3.9M or 39.1% due to increases in intergovernmental revenues and licenses and permits, offset by decreases in other revenue categories. A decrease in overall spending including transfers to other funds contributed to the increase in fund balance despite the shortfall in a number of revenue streams. Ending fund balance in excess of the required fund balance reserves is considered a one-time revenue source.

Notable changes in General Fund activity compared to the prior year were:

- Intergovernmental revenues increased by 144.6% or 3.1M mainly due to the CARES Act grant funding.
- General government expenditures increased by 52.7% or \$2.3M affected by the one-time payments to CARES Act grant recipients.
- Fines and penalties decreased by 31.8% or \$530.6K.
- Total taxes decreased by 5.5% or 1.7M. Property and sales taxes had slight upticks, but admission taxes is down 80.9% or 408.3K; gambling taxes is down 38.4% or \$1.2M.
- Capital outlay decreased by 55.9% or 201.9K.
- Contributions and donations decreased by 74.2% or 41.0K
- Other financing uses is down 32.1% or \$1.2M.

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 \$5.9M representing an increase over the prior year of \$638.3K or 1.9%. Other factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities.

Compared to 2019, business-type activities of the City's Surface Water Management reduced the City's total net position by \$638.3K. Operating revenues increased by \$525K or 11.7% but was partly offset by an increase in operating expenses by \$44.5K or 1.2%. Transfers to governmental funds decreased by 54.9% or 660.8K.

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 2020, 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 \$5.4M between the original adopted budget and the final adjusted budget for 2020 fiscal year. The following are the major changes for the General Fund's 2020 budget:

Added \$100.0K for Washington State Department of Commerce interagency agreement with the City of Lakewood through Growth Management Services for E2SHB 1923;

Added \$108.6K to implement the Lakewood Police Management Guild (LPMG) collective bargaining agreement in 2020 for four lieutenant positions;

Continued internal service fund charges for information technology: \$260.8K for Document Management System and \$105.0K for PALS Permit System;

Added \$250.0K annually for jail costs resulting in revised annual expenditures estimates of \$950,000;

Added funds to support Parks Capital: \$107.1K to Harry Todd Park Waterfront Improvements and \$350.0K to FSP/South angle Lane Parking & Trail Improvements;

Added funds to support Transportation Capital: \$100.0K for New LED Street Lights and, reduced funding for Colonial Plaza by \$744.9K (project savings);

Added funds to internal service fund charges for property management, \$117.4K for Additional Cybersecurity Program;

Added \$2.7M in revenues and \$2.6M (reimbursements for payroll expenses related to straight time not budgeted) in expenditures for grant received from the Washington State Department of Commerce for Coronavirus Relief Fund, as follows:

\$177.0K to public agencies or organizations (e.g. utility, fire service) providing services within the City of Lakewood;

\$745.0K to small businesses impacted by the COVID-19 pandemic;

\$674.0K to human services agencies and organizations with whom the City of Lakewood has pre-existing service contracts and who can assist with providing financial, housing, and child care to city residents;

250.0K to Lakewood commercial landlords that have lost revenue due to measures taken during the pandemic to minimize the public's exposure to COVID-19;

\$838.1K to facilitate compliance with COVID-19 measures such as telework capabilities for employees, communication and enforcement of public health mandates, and provision of other supplies and services to promote public health and safety;

Added \$171.5K in revenues and expenditures for grant received from Pierce County's CARES Act monies to purchase equipment and make essential facility improvements to allow for a safe reopening for recreation and special events.

Added transfer of \$212.0K to Parks Capital to secure land purchase for the Springbrook Park Expansion.

The General Fund's ending fund balance of \$13.6M is \$5.5M above the projected \$8.1M for 2020 year-end primarily because expenditures were below estimates by \$5.5M or 13.0%.

- Most revenues and other sources were significantly lower than budget estimates. Notable among these are admissions taxes (lower by 80.5% or \$395.4K), contributions from non-governments (by 89.1% or \$116.4K), and gambling taxes (by 31.8% or \$890.6K). Revenue sources that exceeded estimates included: sales and use taxes (over by 11.1% or \$1.4M); intergovernmental (by 3.1% or \$160.1K), licenses and permits (by 1.9% or \$108.2K) and miscellaneous (by 37.9% or \$22.9K).
- Operating expenditures and other uses were below budget estimates by \$1.5M primarily due to decreases 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, 2020 amounted to \$192.4M (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	
	2020	2019	2020	2019	2020	2019
Land	\$ 23,819,258	\$ 23,758,249	\$ 1,860,947	\$ 1,860,947	\$ 25,680,205	\$ 25,619,196
Construction in progress	23,094,709	10,344,800	526,240	526,531	23,620,948	10,871,331
Building	19,119,086	19,643,412	1,646,016	1,683,149	20,765,102	21,326,561
Infrastructure	93,637,997	95,128,425	23,606,149	24,380,109	117,244,147	119,508,534
Machinery and equipment	5,076,989	4,803,715	61,202	81,620	5,138,191	4,885,336
Total Capital Assets	<u>\$ 164,748,038</u>	<u>\$153,678,601</u>	<u>\$ 27,700,554</u>	<u>\$ 28,532,357</u>	<u>\$ 192,448,592</u>	<u>\$ 182,210,957</u>

Capital construction activity during the year was concentrated on the continued expansion and improvement of city streets, traffic corridors and parks grounds and facilities. Major projects along with 2020 construction spending included the following:

Sidewalk: Veterans Drive, Gravelly Lake Drive to American Lake Park	\$5.0M
Sidewalk: Onyx Drive SW (89th to 97 th Streets)	\$4.4M
Park: Harry Todd Park Improvement	\$1.9M
Street: Washington Blvd and Edgewood Drive (North Fort to Gravelly Lk. Dr.)	\$1.6M
Street: Steilacoom Blvd/88th (Weller to Custer Rd.)	\$1.3M
Trail: Fort Steilacoom Park/Angle Lane Parking & Trail Improvement	\$1.0M
Non-Motorized Trail: Gravelly Lake Dr. - Washington Blvd to Nyanza Rd SW	\$531K

Long-term debt

At the end of 2020, the City had total General Obligation bonded debt outstanding of \$12.8M 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	
	2020	2019	2020	2019	2020	2019
2020 LTGO - Private Placement	\$ 3,029,885	\$ -	\$ -	\$ -	3,029,885	-
2019 LTGO	7,200,000	7,460,000	-	-	7,200,000	7,460,000
2019 LTGO Premium	536,305	566,105	-	-	536,305	566,105
2016 LTGO	1,536,314	1,710,798	-	-	1,536,314	1,710,798
LOCAL Financing	960,000	1,070,000	-	-	960,000	1,070,000
LOCAL Financing Premium	108,254	125,575	-	-	108,254	125,575
Public Works Trust Fund Loan	3,110,818	3,574,758	-	-	3,110,818	3,574,758
Promissory note (59th Ave)	281,225	345,312	-	-	281,225	345,312
Special Assessment w/ governmental	1,255,428	388,783	-	-	1,255,428	388,783
Section 108 Loan	-	47,000	-	-	-	47,000
Total	\$ 18,018,229	\$ 15,288,331	\$ -	\$ -	\$ 18,018,229	\$ 15,288,331

The City's total debt increased by \$2.7M during the current fiscal year due to the issuance in 2020 of a new general obligation and special assessment bonds to finance construction and improvements in transportation infrastructure.

The City's most current general obligation bond rating (as of April 2019) by Standard & Poor's Ratings Services (S&P) is "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 rated the City's special assessment bonds as "A-". 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

As mentioned in the Letter of Transmittal, local government's finances tend to lag changing economic conditions by 18 months. While the rollout and popular acceptance of vaccines seem to point to the way out of the health crisis and towards reopening of the economy, most acute effects of the economic downturn upon local governments may not be felt fully until 2021, and could continue through 2023. Much uncertainty also looms over the lingering effects of the crisis and the fiscal spending countermeasures on markets and the overall economy.

The Adopted 2021/2022 Biennial Budget does not reduce services even though operating revenues have declined. The development of the adopted budget focuses on life/health/safety service elements, legal mandates, and the Lakewood City Council goals and priorities. The overall budget is balanced and, while not consistent with adopted financial policies, is part of an overall strategy based on a conservative expectation of when full economic recovery will occur. While the recovery is expected to be strong given that the pre-pandemic economy was highly functioning and federal support for individuals, businesses and governments were sustained, there are still both existential and unknown risks that can slow it down. Yet if the economy recovers in the next two years, cutting or eliminating services now for perhaps a year or two is not very efficient since it will take time and resources to restart these services. More importantly, the action strategies in place are working, required reserves are not being impacted and in the event the economy worsens we have time to adjust accordingly.

A key attribute that places Lakewood in a position of strength to overcome challenges and orient ourselves to take advantage of future opportunities is our ability to make strategic decisions and investments for the betterment of the community. This adopted budget continues this approach by providing a path that supports the City's Vision Statement, City Council goals and funds the top-notch municipal services our community has come to expect. Once adopted by the Lakewood City Council, the budget establishes the direction for all City programs and services for the coming biennium. This document serves as a synthesis of the Lakewood City Council's direction and employee recommendations on how

to best accomplish the Lakewood City Council Goals and respond to community needs in accordance with available resources, established policies, and sound financial and business practices.

The 2021/2022 budget includes the following:

Advancements in Dependable Infrastructure

- Update of the Non-Motorized Transportation Plan;
- Update 2009 Parks and Recreation Advisory Board (PRAB) street ends report to include a more comprehensive update on each street end in terms of site feasibility and financial costs;
- With the loss of TBD revenue, the 2022 chip seal and pavement management programs are currently not funded (\$640,000). However, like replacement reserves, it is recommended that these funds be reinstated when financial resources become available in 2021 and 2022;

Advancements in Economic Development

- Implement PALS+ permit system in partnership with Pierce County;
- Continue with targeted economic development with a specific focus on the Downtown, the Lakewood Station District which includes Lakewood Landing, the I-5 retail frontage along Pacific Highway South, Woodbrook Industrial Business Park, International District, Springbrook and Tillicum, and McChord North Clear Zone (NCZ);
- Implement the Five Year 2020-2024 Consolidated Plan to include funding in support of an expansion of LASA and funding to support Habitat for Humanity and the building of nine new low-income homes;
- Continue to proactively represent the City and participate at PCRC and PSRC to include sub-group meetings;

Advancements in Public Safety

- Continue commitment to setting aside 1% of General Fund for human and social services to include homelessness and mental illness;
- Continue Veteran's Treatment Court and evaluate other types of Community/Mental Health court models;
- Evaluate feasibility of body camera program now that in-car camera systems are installed in all patrol vehicles;
- Continue implementation of the Rental Housing Safety Program (RSHP);
- Continue proactive Abatement Program;
- Continue the partnership between the City, West Pierce Fire and Rescue (WPFR) and University Place (new in 2020) in support of expanded regional emergency management services;

Advancements in Fiscal Responsibility

- Continue to provide strong and transparent financial reporting with a focus on full disclosure to include the preparation of the biennial budget, Popular Annual Financial Report (PAFR), Annual Comprehensive Financial Report (ACFR), six-year financial forecast, performance measures, and fleet user's manual;
- Implement a city-wide document management system that will help advance the City's efforts to go paperless;

Advancements in Transparency

- Continue to strengthen the City's relationships and opportunities for collaboration with neighborhood groups, associations, JBLM, local schools and institutions and advisory boards and committees;
- Grow connection with recently reinstated Lakewood African American Policy Advisory Committee (LAAPAC);
- Continue youth summit to engage teens in community issues and gather information for future programs;
- Implement a cooperative use agreement between the City and Clover Park School District;

- Continue to act and serve in a leadership capacity in national, state, regional and local affairs;
- Continue to provide a proactive County, State and Federal legislative agenda that promotes and protects the interests and needs of the Lakewood community;
- Provide leadership that advances the City's diversity, equity, inclusion and engagement strategies to include the addition of a Diversity, Equity and Inclusion Manager to serve as a subject matter expert for the City's Equity Team. This position will focus on workforce development and diversity, increasing cultural awareness of city personnel, diversity training, community engagement, and increased community stakeholder collaboration;
- Continue City's leadership and contribution to the South Sound Military and Communities Partnership (SSMCP) continues with a focus on transportation, housing, child care services, the North Clear Zone (NCZ) and the development of an updated Growth Coordination Plan;
- Continue with the number of events sponsored by the City each year to include a Farmers Market at the Colonial Plaza, a 25th cityhood anniversary celebration, and evaluate a potential community Independence Day fireworks event in 2022;
- Complete an updated City Strategic Plan for 2021-2022;
- Continue the implementation of the *Build Your Better Here* imaging campaign;
- Continue with Lakewood Community Dashboard;
- Continue to partner with the Pierce County Library System to identify options for new libraries in the Downtown and Tillicum neighborhoods;
- Evaluate new Public Art Policy and Public Art Program implementation; and
- Develop virtual programming options in support of youth, families, older adults and special events

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, Deputy City Manager/Administrative Services 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, 2020

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 30,042,995	\$ 5,865,629	\$ 35,908,624
Receivables (net)	10,229,427	169,628	10,399,055
Due from other governments	3,245,766	16,631	3,262,397
Internal balances	(96,666)	96,666	-
Total current assets	43,421,522	6,148,554	49,570,076
Noncurrent assets			
Net pension asset	6,633,401	-	6,633,401
Capital assets - not depreciated	46,913,967	2,387,186	49,301,153
Capital assets - depreciated - net	117,834,072	25,313,368	143,147,440
Total noncurrent assets	171,381,440	27,700,554	199,081,994
TOTAL ASSETS	214,802,962	33,849,108	248,652,070
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pensions	1,675,806	-	1,675,806
Deferred charge on refunding	94,149	-	94,149
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,769,955	-	1,769,955
LIABILITIES			
Current liabilities			
Accounts payable and accruals	2,752,840	41,550	2,794,390
Wages payable	1,492,055	43,434	1,535,489
Unearned revenue	101,183	-	101,183
Due to other governments	23,999	-	23,999
Retainage payable	161,470	4,214	165,684
Other accrued liabilities	41,282	400	41,682
Current portion of long-term liabilities	2,603,661	42,381	2,646,042
Total current liabilities	7,176,490	131,979	7,308,469
Noncurrent liabilities			
General obligation bonds and notes	12,791,205	-	12,791,205
Loans	2,646,881	-	2,646,881
Special assessment debt with government commitment	918,397	-	918,397
Compensated absences payable	2,197,796	98,889	2,296,685
Total noncurrent liabilities	18,554,279	98,889	18,653,168
TOTAL LIABILITIES	25,730,769	230,868	25,961,637
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions	1,332,029	-	1,332,029
TOTAL DEFERRED INFLOWS OF RESOURCES	1,332,029	-	1,332,029
NET POSITION			
Net investment in capital assets	150,518,400	27,700,554	178,218,954
Restricted for:			
Capital projects	6,845,136	-	6,845,136
Debt Service	988,323	-	988,323
Grants	1,654,857	-	1,654,857
Law enforcement	434,939	-	434,939
Affordable housing	72,316	-	72,316
Tourism related activities	1,659,030	-	1,659,030
Pensions	6,977,178	-	6,977,178
Lake Management District	-	31,235	31,235
Unrestricted	20,359,940	5,886,451	26,246,391
TOTAL NET POSITION	\$ 189,510,119	\$ 33,618,240	\$ 223,128,359

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

City of Lakewood
Statement of Activities
For the Year Ended December 31, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 7,408,721	\$ 4,903,385	\$ 14,425	\$ -	\$ (2,490,911)	\$ -	\$ (2,490,911)
Public safety	24,667,652	1,887,749	2,369,939	-	(20,409,964)	-	(20,409,964)
Utilities	18,849	1,088,926	-	-	1,070,077	-	1,070,077
Transportation	8,187,395	536,796	-	2,631,089	(5,019,510)	-	(5,019,510)
Social services	666,418	-	-	-	(666,418)	-	(666,418)
Economic environment	4,506,421	2,398,630	3,257,793	-	1,150,002	-	1,150,002
Natural environment	319,129	85,923	356,544	-	123,338	-	123,338
Culture and recreation	2,254,703	127,720	121,686	2,135,559	130,262	-	130,262
Judicial	1,810,709	387,625	1,091,090	-	(331,994)	-	(331,994)
Debt interest	409,723	-	-	-	(409,723)	-	(409,723)
Total governmental activities	50,249,720	11,416,754	7,211,477	4,766,648	(26,854,841)	-	(26,854,841)
Business-type activities:							
Surface Water Management	3,849,797	4,888,034	-	120,169	-	1,158,406	1,158,406
Total business-type activities	3,849,797	4,888,034	-	120,169	-	1,158,406	1,158,406
Total primary government	\$54,099,517	\$16,304,788	\$ 7,211,477	\$ 4,886,817	(26,854,841)	1,158,406	(25,696,435)
General revenues:							
Property tax					7,170,549	-	7,170,549
Sales tax					13,869,704	-	13,869,704
Utility tax					5,475,259	-	5,475,259
Excise tax					3,650,019	-	3,650,019
Gambling tax					1,910,429	-	1,910,429
Hotel/motel lodging tax					867,311	-	867,311
Other taxes					2,560,200	-	2,560,200
Gain (loss) on sale of capital assets					76,919	-	76,919
Judgments and settlements					49,328	-	49,328
Investment earnings					294,892	23,677	318,569
Miscellaneous					278,159	-	278,159
Transfers					543,762	(543,762)	-
Total general revenues and transfers					36,746,531	(520,085)	36,226,446
Change in net position					9,891,690	638,321	10,530,011
Net position - beginning					179,618,429	32,979,919	212,598,348
Net position - ending					189,510,119	33,618,240	223,128,359

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



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City of Lakewood
Balance Sheet
Governmental Funds
December 31, 2020

	General Fund	CDBG Fund	LID Debt Service	Transportation Capital Fund	Total Nonmajor Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 10,770,210	\$ -	\$ 248,037	\$ 5,356,969	\$ 8,396,631	\$24,771,847
Customer accounts receivable	1,013,204	-	-	-	6,975	1,020,179
Due from other governments	402,385	76,276	-	543,239	2,223,866	3,245,766
Notes/contracts receivable	-	1,348,940	-	-	10,899	1,359,839
Special assessments receivable	-	-	1,456,929	-	187,842	1,644,771
Taxes receivable	4,445,800	-	-	46,259	1,712,580	6,204,639
Interfund loan receivable	313,063	-	-	-	-	313,063
Total assets	<u>16,944,662</u>	<u>1,425,216</u>	<u>1,704,966</u>	<u>5,946,467</u>	<u>12,538,793</u>	<u>38,560,104</u>
LIABILITIES						
Accounts payable	800,822	376	-	977,035	852,675	2,630,908
Wages payable	1,297,409	9,268	-	58,300	86,542	1,451,519
Payable to other governments	23,687	70	-	-	241	23,998
Unearned revenue	99,607	-	-	-	1,576	101,183
Retainage payable	-	-	-	41,213	120,257	161,470
Interfund loan payable	-	33,777	-	-	279,286	313,063
Other accrued liabilities	39,791	-	-	-	1,491	41,282
Total liabilities	<u>2,261,316</u>	<u>43,491</u>	<u>-</u>	<u>1,076,548</u>	<u>1,342,068</u>	<u>4,723,423</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue	952,544	-	1,456,929	-	198,741	2,608,214
Total liabilities and deferred inflows of resources	<u>3,213,860</u>	<u>43,491</u>	<u>1,456,929</u>	<u>1,076,548</u>	<u>1,540,809</u>	<u>7,331,637</u>
FUND BALANCES (DEFICITS)						
Restricted	-	1,381,725	248,037	4,869,919	6,138,967	12,638,648
Committed	4,958,179	-	-	-	4,859,017	9,817,196
Unassigned	8,772,623	-	-	-	-	8,772,623
Total fund balances	<u>13,730,802</u>	<u>1,381,725</u>	<u>248,037</u>	<u>4,869,919</u>	<u>10,997,984</u>	<u>31,228,467</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 16,944,662</u>	<u>\$ 1,425,216</u>	<u>\$ 1,704,966</u>	<u>\$ 5,946,467</u>	<u>\$12,538,793</u>	<u>\$38,560,104</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, 2020

Fund balances of governmental funds \$ 31,228,467

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	153,678,601	
Plus: Capital Assets Additions	18,052,925	
Less: Depreciation Expense	(6,983,488)	
		164,748,038

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	(18,132,714)	
Plus: Debt Issued	(3,952,642)	
Less: Debt Redeemed, including amortization	1,222,744	
Plus: Compensated Absences Issued	(2,998,833)	
Less: Compensated Absences Redeemed	2,703,506	
Plus: Deferred Charge on Refunding	94,149	
Compensated absences in Internal Service Funds	57,549	
		(21,006,241)

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

Property Tax	257,109	
Municipal Court	695,435	
Property Abatements	187,842	
Local Improvement Districts	1,456,930	
Public Works Trust Fund Loans	10,899	
		2,608,215

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

Current assets	5,271,148	
Liabilities	(179,736)	
Compensated absences	(40,284)	
Internal balances	(96,666)	
		4,954,462

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	6,633,401	
Deferred outflows of resources related to pensions	1,675,806	
Deferred inflows of resources related to pensions	(1,332,029)	
		6,977,178

\$ 189,510,119

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, 2020

	General Fund	CDBG Fund	LID Debt Service	Transportation Capital Fund	Total Nonmajor Funds	Total Governmental Funds
REVENUES						
Taxes	\$ 28,546,334	\$ -	\$ -	\$ -	\$ 5,464,593	\$34,010,927
Special assessments	-	-	204,174	-	-	204,174
Licenses and permits	5,910,208	-	-	-	147,196	6,057,404
Intergovernmental	5,267,750	383,111	-	2,631,089	3,964,344	12,246,294
Charges for goods and services	2,564,898	-	-	178,261	1,546,983	4,290,142
Fines and penalties	1,139,498	3	-	-	831	1,140,332
Interest and other earnings	84,426	1,344	67,956	57,860	61,774	273,360
Miscellaneous	83,392	4,311	-	-	144,171	231,874
Contributions and donations	14,291	-	-	-	40,023	54,314
Total revenues	<u>43,610,797</u>	<u>388,769</u>	<u>272,130</u>	<u>2,867,210</u>	<u>11,369,915</u>	<u>58,508,821</u>
EXPENDITURES						
Current:						
General government	6,748,153	-	1,649	-	-	6,749,802
Public safety	23,457,055	-	-	-	626,565	24,083,620
Judicial	1,684,298	-	-	-	74,932	1,759,230
Transportation	175,751	-	-	950,918	1,849,522	2,976,191
Social services	666,418	-	-	-	-	666,418
Economic environment	2,558,411	354,372	-	-	1,513,420	4,426,203
Natural environment	319,129	-	-	-	-	319,129
Culture and recreation	1,787,480	-	-	-	5,000	1,792,480
Utilities	-	-	-	-	18,849	18,849
Debt service:						
Principal retirement	-	47,000	56,111	-	1,072,509	1,175,620
Interest and other debt service costs	-	841	19,161	19,500	391,601	431,103
Capital outlay	164,967	-	-	13,620,446	3,771,110	17,556,523
Total expenditures	<u>37,561,662</u>	<u>402,213</u>	<u>76,921</u>	<u>14,590,864</u>	<u>9,323,508</u>	<u>61,955,168</u>
Excess (deficiency) of revenues over expenditures	<u>6,049,135</u>	<u>(13,444)</u>	<u>195,209</u>	<u>(11,723,654)</u>	<u>2,046,407</u>	<u>(3,446,347)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	284,700	-	17,730	2,361,364	3,621,517	6,285,311
Transfers out	(2,477,085)	(8,056)	-	(259,570)	(2,996,838)	(5,741,549)
Bonds Issued	-	-	-	3,952,642	-	3,952,642
Proceeds from sale of assets	-	-	-	65,203	-	65,203
Total other financing sources (uses)	<u>(2,192,385)</u>	<u>(8,056)</u>	<u>17,730</u>	<u>6,119,639</u>	<u>624,679</u>	<u>4,561,607</u>
Net change in fund balances	3,856,750	(21,500)	212,939	(5,604,015)	2,671,086	1,115,260
Fund balances - beginning	9,874,052	1,403,225	35,098	11,354,138	8,326,898	30,993,411
Prior period adjustment (Note 11)	-	-	-	(880,204)	-	(880,204)
Fund balances - beginning (restated)	<u>9,874,052</u>	<u>1,403,225</u>	<u>35,098</u>	<u>10,473,934</u>	<u>8,326,898</u>	<u>30,113,207</u>
Fund balances - ending	<u>\$ 13,730,802</u>	<u>\$ 1,381,725</u>	<u>\$ 248,037</u>	<u>\$ 4,869,919</u>	<u>\$ 10,997,984</u>	<u>\$31,228,467</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, 2020

Net change in fund balances - total governmental funds \$ 1,115,260

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 (includes capital assets of internal service funds):

Capital asset purchases and construction in progress capitalized	18,204,721	
Retirements and write-offs	(127,825)	
Depreciation expense	(6,983,488)	
		11,093,408

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	2,844,383	
Current year compensated absences	(3,139,710)	
Change in Internal Service Funds compensated absences	3,789	
		(291,538)

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	(3,952,642)	
Bond principal retired	1,175,620	
Bond premium amortized	47,121	
Amortization of deferred charge on refunding	(25,743)	
		(2,755,644)

Adjustment for GASB 68 pension reporting

Pension expense adjustment	320,280	
State contributions	406,761	
		727,041

Net effect of internal service funds consolidation (163,615)

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

Prior year deferred inflows	2,441,436	
Current year deferred inflows	(2,608,214)	
		166,778

	\$ 9,891,690
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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, 2020

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Taxes	\$ 27,970,400	\$ 28,604,900	\$ 28,546,334	\$ (58,566)
Licenses and permits	5,660,800	5,801,925	5,910,208	108,283
Intergovernmental	1,842,350	5,107,607	5,267,750	160,143
Charges for goods and services	2,360,400	2,452,895	2,564,898	112,003
Fines and penalties	1,287,000	1,209,500	1,139,498	(70,002)
Interest and other earnings	138,000	138,000	84,426	(53,574)
Miscellaneous	51,200	60,464	83,392	22,928
Contributions and donations	130,750	130,750	14,291	(116,459)
Total revenues	39,440,900	43,506,041	43,610,797	104,756
EXPENDITURES				
Current:				
General government	4,398,572	7,075,993	6,748,153	(327,840)
Public safety	25,551,262	26,529,201	23,457,055	(3,072,146)
Transportation	226,663	300,995	175,751	(125,244)
Social services	677,120	923,293	666,418	(256,875)
Economic environment	2,422,963	3,054,528	2,558,411	(496,117)
Natural environment	304,834	342,327	319,129	(23,198)
Culture and recreation	1,931,990	2,265,845	1,787,480	(478,365)
Judicial	1,766,863	1,896,030	1,684,298	(211,732)
Capital outlay	-	50,000	164,967	114,967
Total expenditures	37,280,267	42,438,212	37,561,662	(4,876,550)
Excess (deficiency) of revenues over expenditures	2,160,633	1,067,829	6,049,135	4,981,306
OTHER FINANCING SOURCES (USES)				
Transfers in	284,700	284,700	284,700	-
Transfers out	(2,834,191)	(3,135,005)	(2,477,085)	657,920
Total other financing source (uses)	(2,549,491)	(2,850,305)	(2,192,385)	657,920
Net change in fund balances	(388,858)	(1,782,476)	3,856,750	5,639,226
Fund balances - beginning	5,256,028	9,874,052	9,874,052	-
Fund balances - ending	\$ 4,867,171	\$ 8,091,577	\$ 13,730,802	\$ 5,639,226

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, 2020

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 560,000	\$ 2,825,006	\$ 383,111	\$ (2,441,895)
Fines and penalties	-	-	3	3
Interest and other earnings	-	-	1,344	1,344
Miscellaneous	-	-	4,311	4,311
Total revenues	<u>560,000</u>	<u>2,825,006</u>	<u>388,769</u>	<u>(2,436,237)</u>
EXPENDITURES				
Current:				
Economic environment	310,000	2,606,378	354,372	(2,252,006)
Debt service:				
Principal retirement	-	47,000	47,000	-
Interest and other debt service costs	-	4,354	841	(3,513)
Total expenditures	<u>310,000</u>	<u>2,657,732</u>	<u>402,213</u>	<u>(2,255,519)</u>
Excess (deficiency) of revenues over expenditures	<u>250,000</u>	<u>167,274</u>	<u>(13,444)</u>	<u>(180,718)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(250,000)	(167,274)	(8,056)	159,218
Total other financing source (uses)	<u>(250,000)</u>	<u>(167,274)</u>	<u>(8,056)</u>	<u>159,218</u>
Net change in fund balances	-	-	(21,500)	(21,500)
Fund balances - beginning	-	1,403,225	1,403,225	-
Fund balances - ending	<u>\$ -</u>	<u>\$ 1,403,225</u>	<u>\$ 1,381,725</u>	<u>\$ (21,500)</u>

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

City of Lakewood
Statement of Net Position
Proprietary Funds
December 31, 2020

	<u>Business-type Activities</u>	<u>Governmental Activities</u>
	Surface Water Management	Internal Service Funds
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 5,865,629	\$ 5,271,148
Due from other governments	16,631	-
Taxes Receivable	169,628	-
Total current assets	<u>6,051,888</u>	<u>5,271,148</u>
Noncurrent assets:		
Land	1,860,947	-
Construction in Progress	526,239	11,882
Buildings	1,849,673	-
Infrastructure	43,651,027	-
Improvements other than buildings	-	137,279
Machinery and equipment	332,332	11,095,359
Less: accumulated depreciation	<u>(20,519,664)</u>	<u>(6,249,488)</u>
Total noncurrent assets	<u>27,700,554</u>	<u>4,995,032</u>
Total assets	<u>33,752,442</u>	<u>10,266,180</u>
LIABILITIES		
Current liabilities:		
Accounts payable	41,550	121,932
Wages and benefits payable	43,434	40,538
Retainage payable	4,214	-
Other accrued liabilities	400	-
Compensated absences	42,381	17,265
Total current liabilities	<u>131,979</u>	<u>179,735</u>
Noncurrent liabilities:		
Compensated absences	98,889	40,284
Total noncurrent liabilities	<u>98,889</u>	<u>40,284</u>
Total liabilities	<u>230,868</u>	<u>220,019</u>
NET POSITION		
Net investment in capital assets	27,700,554	4,995,032
Restricted for Lake Management District	31,235	-
Unrestricted	5,789,785	5,051,129
Total net position	<u>\$ 33,521,574</u>	<u>\$ 10,046,161</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	96,666	
Net position of business-type activities	<u>\$ 33,618,240</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, 2020

	Business-type Activities Surface Water Management	Governmental Activities Internal Service Funds
OPERATING REVENUES		
Charges for goods and services	\$ 4,888,034	\$ 4,434,471
Miscellaneous	-	130,985
Total operating revenues	<u>4,888,034</u>	<u>4,565,456</u>
OPERATING EXPENSES		
Personal Services	793,959	747,174
Materials and supplies	75,115	489,211
Services and charges	1,101,485	3,336,995
External and interfund taxes	548,631	-
Depreciation	1,285,025	914,950
Total operating expenses	<u>3,804,215</u>	<u>5,488,330</u>
Operating income (loss)	<u>1,083,819</u>	<u>(922,874)</u>
NONOPERATING REVENUES (EXPENSES)		
Gain (loss) on disposal of capital assets	-	11,717
Investment earnings	22,703	22,505
Insurance recoveries	-	371,383
Total nonoperating revenues (expenses)	<u>22,703</u>	<u>405,605</u>
Income (loss) before contributions and transfers	1,106,522	(517,269)
Capital contributions	120,168	309,046
Transfers in	241,840	64,851
Transfers out	(785,601)	(64,851)
Change in net position	682,929	(208,223)
Total net position - beginning	32,838,645	9,374,180
Prior period adjustment (Note 11)	-	880,204
Total net position - beginning - Restated	<u>32,838,645</u>	<u>10,254,384</u>
Total net position - ending	<u>\$ 33,521,574</u>	<u>\$ 10,046,161</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	<u>(44,607)</u>	
Changes in net position of business-type activities	<u>\$ 638,321</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, 2020

	Business-type Activities Enterprise Funds Surface Water Management	Governmental Activities Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	\$ 4,832,105	\$ -
Cash from interdepartmental services	-	4,564,017
Cash paid to employees	(779,343)	(778,778)
Cash paid to suppliers	(1,236,270)	(3,877,347)
Cash paid to interfund and external taxes	(548,631)	-
Other operating receipts (payments)	-	2,047
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>2,267,861</u>	<u>(90,061)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Gain (loss) on disposal of capital assets	-	383,098
Transfers from other funds	241,840	945,055
Transfers to other funds	(785,601)	(64,850)
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>(543,761)</u>	<u>1,263,303</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Intergovernmental revenue	120,168	-
Capital contributions	-	66,262
Acquisition and construction of capital assets	(453,222)	(648,198)
NET CASH USED FOR CAPITAL AND CAPITAL-RELATED FINANCING ACTIVITIES	<u>(333,054)</u>	<u>(581,936)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	22,702	22,503
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>22,702</u>	<u>22,503</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,413,748	613,809
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	4,451,881	4,657,339
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 5,865,629</u>	<u>\$ 5,271,148</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating Income	\$ 1,083,819	\$ (922,874)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Increase/(decrease) in depreciation expense	1,285,025	914,950
Increase/(decrease) in accounts payable - supplier	(59,671)	(84,943)
Increase/(decrease) in payable to other governments	(16,631)	(82)
Increase/(decrease) in wages payable	(6,321)	(903)
Increase/(decrease) in compensated absences payable	20,937	3,791
Increase/(decrease) in accounts receivables	(59,975)	-
Increase/(decrease) in other receivables	20,678	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 2,267,861</u>	<u>\$ (90,061)</u>

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



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City of Lakewood
Statement of Fiduciary Net Position
Custodial Fund
December 31, 2020

	<u>Custodial Activities</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 108,258
Total assets	<u>\$ 108,258</u>
LIABILITIES	
Current liabilities:	
Payable to State of Washington	<u>8,460</u>
Total liabilities	<u>8,460</u>
NET POSITION	
Restricted	\$ 99,798
Total liabilities and net position	<u>\$ 108,258</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, 2020

	<u>Custodial Activities</u>
ADDITIONS	
Contributions:	
Court receipts	\$ 1,045,330
State excise tax collections	76,088
Police cash seizures deposits	<u>3,800</u>
Total additions	<u>\$ 1,125,218</u>
DEDUCTIONS	
Court remittances	\$ 1,045,330
State excise tax remittances	76,972
Police cash seizure disbursements	<u>56,077</u>
Total deductions	<u>\$ 1,178,379</u>
Net decrease in fiduciary net position	\$ (53,161)
 Total net position - beginning	 <u>152,960</u>
Total net position - ending	<u>\$ 99,799</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTES TO THE BASIC FINANCIAL STATEMENTS For the Year Ended December 31, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City 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 Annual Comprehensive Financial Report includes the funds, agencies and boards controlled by or dependent upon the City. In conformance with 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 in GASB Statement 14, the City had no relationships that qualify as component unit in 2020.

NEW GASB STATEMENTS FOR 2020

The City early implemented Statement No. 84, *Fiduciary Activities* and Implementation Guide 2019-2, *Fiduciary Activities* in 2019. In 2020 the City implemented Statement No. 88 *Disclosures Related to Debt* and applicable sections of Implementation Guide 2018-1, *Implementation Guidance Update - 2018*. The City also implemented GASB Statement No. 83 *Certain Asset Retirement Obligations* but did not find any material item to report in the financial statements. Further, the City reviewed the implementation requirements of Statement No. 90, *Majority Equity Interests* and certain sections of Implementation Guide No. 2017-3, *Accounting and Financial Reporting for OPEB*, but found them to be inapplicable.

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 lone major 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 Fund** accounts for capital projects related to street infrastructure. Revenue and other resources reported for the Transportation Capital 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 net position and the results of the City's operations, the financial statements for the year ended December 31, 2020 should be read in conjunction with the government's financial statements for the year ended December 31, 2019.

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 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 availability 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 $\frac{1}{4}\%$ and optional $\frac{1}{4}\%$ 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, or designee, 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. Short-term residual investments of surplus cash in the primary government 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 based on the participating fund's ending cash balance.

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, 2020, 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

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as interfund loans receivable/payable. 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 ranges of 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 boats	15– 20
Police vehicles	6 – 10
Police vehicles (seizure)	3 – 5
Operations & maintenance vehicles	6 – 10
Operations & maintenance equipment	2 – 5

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. Accrued compensated absences for proprietary fund employees are recorded as liabilities in those funds expected to incur the related future expense

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 65% 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 allocating funds to specific classifications is designated 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

2020 Fund Balance Classification						
	General Fund	CDBG Fund	LID Debt Service	Transportation CIP Fund	Nonmajor Governmental Funds	Total
Restricted for:	\$ -	\$ 1,381,725	\$ 248,037	\$ 4,869,919	\$ 6,138,967	\$ 12,638,648
Transportation CIP	-	-	-	4,869,919	-	4,869,919
Real Estate Excise Tax	-	-	-	-	2,271,511	2,271,511
Transportation Benefit District	-	-	-	-	687,753	687,753
Property Abatement / Rental Housing Safety Program	-	-	-	-	72,316	72,316
Local Improvement District-related debt	-	-	248,037	-	-	248,037
Hotel/Motel Lodging Tax	-	-	-	-	1,659,030	1,659,030
Police Seizure	-	-	-	-	434,939	434,939
Neighborhood Stabilization Program Grant	-	-	-	-	255,114	255,114
Office of Economic Adjustment Grant/SSMCP	-	-	-	-	18,018	18,018
Public Works Trust Fund Debt	-	-	-	-	607,318	607,318
LID Guaranty	-	-	-	-	132,968	132,968
CDBG Fund	-	1,381,725	-	-	-	1,381,725
Committed to:	\$ 4,958,179	\$ -	\$ -	\$ -	\$ 4,859,017	\$ 9,817,196
General Fund Ending Fund Balance Reserve	4,958,179	-	-	-	-	4,958,179
Property Abatement / Rental Housing Safety Program	-	-	-	-	586,098	586,098
Public Art	-	-	-	-	135,501	135,501
Parks CIP	-	-	-	-	2,605,499	2,605,499
Sewer Project CIP	-	-	-	-	1,531,919	1,531,919
Unassigned:	\$ 8,772,623	\$ -	\$ -	\$ -	\$ -	\$ 8,772,623
General Fund	8,772,623	-	-	-	-	8,772,623
Total Fund Balances:	\$13,730,802	\$ 1,381,725	\$ 248,037	\$ 4,869,919	\$10,997,984	\$31,228,467

NOTE 2—SUPPLEMENTAL APPROPRIATIONS

Operating Budget Funds

Appropriations established during 2020 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.

Governmental Funds	2020		
	Original Budget	Supplemental Appropriations	Final Budget
<i>General Fund</i>	\$ 40,114,458	\$ 5,458,759	\$ 45,573,217
<i>Special Revenue Funds:</i>			
Street Operations & Maintenance	2,455,935	170,093	2,626,028
Real Estate Excise Tax	1,700,000	1,148,992	2,848,992
Transportation Benefit District	814,000	(566,543)	247,457
Hotel/Motel Lodging Tax	800,000	323,284	1,123,284
Property Abatement	328,800	654,666	983,466
Public Art	15,000	142,778	157,778
Narcotics Seizure	70,000	282,319	352,319
Felony Seizure	-	49,143	49,143
Federal Seizure	39,600	259,829	299,429
Grant	560,000	2,265,006	2,825,006
Neighborhood Stabilization Prog	24,700	191,750	216,450
OEA Grant/SSMCP	277,100	7,358,499	7,635,599
Public Safety Grants	130,037	623,608	753,645
<i>Debt Service Funds:</i>			
General Obligation Debt Service	1,250,656	300,831	1,551,487
LID Debt Service	203,500	24,848	228,348
Sewer Project Debt	537,554	-	537,554
<i>Capital Projects Funds:</i>			
General Government CIP	3,860,000	4,491,376	8,351,376
Transportation CIP	14,320,000	9,935,518	24,255,518
Sewer Project CIP	123,000	962,234	1,085,234
Total Budgeted Funds	\$ 67,624,340	\$ 34,076,990	\$ 101,701,330

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 \$35,908,624 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, 2020, the City had the following investments and maturities:

Investment Maturities				
Investment	< 1 Year	1 - 3 Years	> 3 Years	Total
Local Government Investment Pool	\$ 29,288,266	\$ -	\$ -	\$ 29,288,266
Total:	\$ 29,288,266	\$ -	\$ -	\$ 29,288,266

Reconciliation of Government-Wide Statement of Net Position:

Cash in bank accounts per books	\$ 6,683,616
Petty cash/change fund/investigative fund	45,000
Local Government Investment Pool	29,288,266
Cash reported in fiduciary fund	(108,258)
Total cash and investment, Government-Wide Statement of Net Position	<u>\$ 35,908,624</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, 2020, the City had \$29,288,266 in the LGIP. The LGIP is unrated and is comparable to a Securities Exchange Commission 2a-7 pool which is designed 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, 2020, the total balance of property taxes receivable recorded by the City was \$257,109. All of this is recorded as deferred inflow of resources, since it was not collected within the first 60 days of 2020.

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).

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

The City's regular levy for 2020 was \$0.9761 per \$1,000 on an assessed valuation of \$7,456,764,386 for a total regular levy of \$7,278,548.

Receivables & Due from Other Governments

The receivables and due from other governmental entities for the fiscal year ended December 31, 2020 are detailed below.

Receivables & Due From Other Governments As of December 31, 2020									
Receivable	General	Trans- portation CIP	Grant	LID Debt Service	Nonmajor Govt'l	Total Govt'l Funds	Total Governmental Activities	Total Business Type Activities	Total Primary Government
Property Tax	\$ 257,109	\$ -	\$ -	\$ -	-	\$ 257,109	\$ 257,109	\$ -	\$ 257,109
Sales and Use Tax	1,344,105	-	-	-	396	1,344,501	1,344,501	-	1,344,501
Other Tax (County & State)	2,844,586	46,259	-	-	1,693,583	4,584,428	4,584,428	169,628	4,754,056
Municipal Court Receivables	812,050	-	-	-	-	812,050	812,050	-	812,050
Other Receivables	201,154	-	-	-	-	201,154	201,154	-	201,154
Notes/Loans Receivable	-	-	1,348,940	-	10,899	1,359,839	1,359,839	-	1,359,839
Abatement Assessments	-	-	-	-	58,631	58,631	58,631	-	58,631
Special Assessments	-	-	-	1,456,929	154,502	1,611,431	1,611,431	-	1,611,431
City of Dupont	8,479	-	-	-	-	8,479	8,479	-	8,479
City of Federal Way - WATPA	-	-	-	-	79,592	79,592	79,592	-	79,592
City of Tacoma	-	-	27,193	-	-	27,193	27,193	-	27,193
City of University Place	18,508	-	-	-	-	18,508	18,508	-	18,508
Drug Enforcement Administration	-	-	-	-	16,964	16,964	16,964	-	16,964
Department of Commerce	6,148	-	-	-	325,922	332,070	332,070	-	332,070
Department of Defense	-	-	-	-	82,405	82,405	82,405	-	82,405
Department of Justice	-	-	-	-	233,543	233,543	233,543	-	233,543
Department of Ecology	-	-	-	-	-	-	-	16,631	16,631
FBI PNWIL	9,496	-	-	-	-	9,496	9,496	-	9,496
Housing and Urban Development Program	-	-	49,083	-	-	49,083	49,083	-	49,083
Office of Justice Programs	-	-	-	-	12,640	12,640	12,640	-	12,640
Pierce County (CARES)	3,558	-	-	-	-	3,558	3,558	-	3,558
Pierce County (Emergency Operations Center)	19,204	-	-	-	-	19,204	19,204	-	19,204
Pierce County (Sex Offender Residency)	176,570	-	-	-	-	176,570	176,570	-	176,570
Sound Transit	-	-	-	-	12,071	12,071	12,071	-	12,071
Town of Steilacoom	10,536	-	-	-	-	10,536	10,536	-	10,536
WA State Dept of Transportation	-	543,239	-	-	1,435,575	1,978,814	1,978,814	-	1,978,814
WA State Military	11,210	-	-	-	25,438	36,648	36,648	-	36,648
WA Archeology & Historical Preservation	2,093	-	-	-	-	2,093	2,093	-	2,093
Western State	88,875	-	-	-	-	88,875	88,875	-	88,875
WA Crimiman Justice Training Commission	11,717	-	-	-	-	11,717	11,717	-	11,717
Washington State Health Authority	35,991	-	-	-	-	35,991	35,991	-	35,991
Total by Fund	\$ 5,861,389	\$ 589,498	\$ 1,425,216	\$ 1,456,929	\$ 4,142,161	\$ 13,475,193	\$ 13,475,193	\$ 186,259	\$ 13,661,452

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, 2020, the amounts were known and due to the City.

Deferred Inflows of Resources				
As of December 31, 2020				
Deferred Inflows of Resources	General	LID Debt Service	Nonmajor Governmental	Total General Government
Local Improvement Districts	\$ -	\$ 1,456,930	\$ -	\$ 1,456,930
Public Works Trust Fund Loan - Side Sewer	-	-	10,899	10,899
Property Tax	257,109	-	-	257,109
Municipal Court	695,435	-	-	695,435
Abatements	-	-	187,842	187,842
Total: Deferred Inflows - Governmental Funds	\$ 952,544	\$ 1,456,930	\$ 198,741	\$ 2,608,215

NOTE 5 – DUE TO OTHER GOVERNMENTS

At December 31, 2020, the City recorded \$23,999 as due to other governments as follows:

Due to Other Governments				
As of December 31, 2020				
Payable	General	Nonmajor Governmental	Total General Government	Total
Use Tax	\$ -	\$ 241	\$ 241	\$ 241
HUD - Section 108 Loan	-	70	70	70
Nisqually Indian Tribe	23,687	-	23,687	23,687
Total by Fund	\$ 23,687	\$ 311	\$ 23,999	\$ 23,999

NOTE 6 – CAPITAL ASSETS

Capital assets activity for governmental funds for the year ended December 31, 2020 was as follows:

	Beginning Balance			Ending Balance
Governmental Activities	1/1/2020	Increases	Decreases	12/31/2020
Capital assets, not being depreciated:				
Land and land rights	\$ 23,758,249	\$ 61,009	\$ -	\$ 23,819,258
Construction in progress	10,344,800	17,009,941	(4,260,032)	23,094,709
Total capital assets, being not depreciated	34,103,049	17,070,950	(4,260,032)	46,913,967
Capital Assets being depreciated:				
Buildings	26,227,943	-	-	26,227,943
Infrastructure	155,663,381	4,024,145	-	159,687,526
Machinery and equipment	12,046,906	1,217,863	(240,722)	13,024,047
Total capital assets, being depreciated	193,938,230	5,242,008	(240,722)	198,939,516
Less accumulated depreciation for:				
Buildings	(6,584,531)	(524,326)	-	(7,108,857)
Infrastructure	(60,534,956)	(5,514,573)	-	(66,049,529)
Machinery and equipment	(7,243,191)	(944,589)	240,722	(7,947,058)
Total accumulated depreciation	(74,362,678)	(6,983,488)	240,722	(81,105,444)
Total capital assets being depreciated, net	119,575,552	(1,741,480)	-	117,834,072
Governmental Activities capital assets, net	\$ 153,678,601	\$ 15,329,470	\$ (4,260,032)	\$ 164,748,038

Capital asset activity for Business-type activities for the year ended December 31, 2020, was as follows:

	Beginning Balance 1/1/2020	Increases	Decreases	Ending Balance 12/31/2020
Business-Type Activities				
Capital assets, not being depreciated:				
Land and land rights	\$ 1,860,947	\$ -	\$ -	\$ 1,860,947
Constuction in progress	526,531	453,222	(453,514)	526,240
Total capital assets, not being depreciated	2,387,478	453,222	(453,514)	2,387,187
Capital assets being depreciated:				
Buildings	1,849,673	-	-	1,849,673
Infrastructure	43,197,513	453,514	-	43,651,027
Machinery and equipment	332,332	-	-	332,332
Total capital assets being depreciated	45,379,518	453,514	-	45,833,032
Less accumulated depreciation for:				
Buildings	(166,524)	(37,133)	-	(203,657)
Infrastructure	(18,817,404)	(1,227,473)	-	(20,044,877)
Machinery and equipment	(250,712)	(20,419)	-	(271,130)
Total accumulated depreciation	(19,234,639)	(1,285,025)	-	(20,519,665)
Total capital assets being depreciated, net	26,144,879	(831,512)	-	25,313,367
Subtotal Business-Type Activities capital assets, net	\$ 28,532,357	\$ (378,289)	\$ (453,514)	\$ 27,700,554

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, 2020	
Governmental Activities:	
General Government	\$ 496,408
Judicial	4,255
Public Safety (Police)	756,512
Transportation (Highways and Streets)	5,163,645
Culture and Recreation	562,667
Total Depreciation Expense - Governmental Activities	6,983,488
Business-Type Activities:	
Utilities and Environment (Surface Water Management)	1,285,025
Total Depreciation Expense - Business-Type Activities	1,285,025
Total Depreciation Expense	\$ 8,268,513

Noncapital donations in governmental activities

The City of Lakewood received a private donation of 10,000 KF94 masks and 1,000 sets of personal protection equipment (PPE), from its sister city of Gimhae, South Korea. The items have an estimated value of \$18,650 at the time of donation. The City distributed the masks to community members, non-profits and local businesses. The PPE sets were used by first responders and for city responses to clean-ups involving workplace exposures to COVID-19. Also in 2020 the City received public donations of special police training supplies from the City of Seattle Police Department valued at \$1,615, and face masks from the Pierce County Department of Emergency Management, valued at \$720. No significant inventories remained at December 31, 2020.

The City has active construction projects at December 31, 2020. The City's commitments to contractors are as follows:

Construction Commitments				
Vendor	Contract Name	Contract Amount	Payments	Balance at 12/31/2020
Construction Contracts				
Active Construction Inc	Sidewalks: Onyx Dr. SW – 89th to 97th and Garnet to Phillips	\$ 4,153,753	\$ 4,078,492	\$ 75,261
Miles Resources LLC	Sidewalks: Veterans Drive - Gravelly Lake Dr. to American Lake Park	6,335,769	4,686,190	1,649,580
Plumb Signs Inc	Gateways	10,990	8,929	2,061
Public Restroom Company	Harry Todd Park Phase II (Waterfront)	758,831	705,135	53,695
Quigg Bros Inc	Harry Todd Park Phase I (ADA, Dock Access, Bulkhead, etc.)	2,281,524	1,508,914	772,610
Saybr Contractors Inc	Fort Steilacoom Park Pavilion Restroom Improvements	101,846	14,311	87,535
Tucci & Sons, Inc	Fort Steilacoom Park/Angle Lane Parking & Trail Improvement	1,129,442	919,858	209,584
Consulting and Engineering Services				
AHBL Inc	146th St. SW: Murray Rd. SW to Woodbrook Dr. SW	20,210	18,380	1,830
AHBL Inc	Sidewalks: Lakewood Drive - Steilacoom Blvd. to Flett Creek	18,373	14,663	3,710
AHBL Inc	Traffic Signal Replacement: 100th & Lakewood Drive	3,782	705	3,077
Aquatechnex LLC	American Lake Treatment Project / Lakewood Management District	39,042	7,420	31,622
BCRA	Sidewalks: Onyx Dr. SW – 89th to 97th and Garnet to Phillips	259,307	192,278	67,029
Bruce Dees & Associates	Springbrook Park Expansion V	140,085	51,975	88,110
Cascade Right-Of-Way Svcs LLC	Streets: Steilacoom Blvd – Farwest to Phillips Road	48,855	44,125	4,730
Cascade Right-Of-Way Svcs LLC	Streets: Washington Blvd and Edgewood Drive	45,580	30,560	15,020
Parametrix	Non-Motorized Trail: Gravelly Lake Dr. - Wash. Blvd to Nyanza Rd SW	484,432	465,774	18,658
Parametrix	Sidewalks: Veterans Drive - Gravelly Lake Dr. to American Lake Park	225,855	222,550	3,305
Parametrix	Streets: Washington Blvd and Edgewood Drive	1,518,296	1,397,322	120,974
Robert W. Droll	Harry Todd Park Phase I (ADA, Dock Access, Bulkhead, etc.)	298,533	113,828	184,705
SCJ Alliance	Seeley Lake Improvement Project	49,000	34,300	14,700
Site Workshop	Fort Steilacoom Park/Angle Lane Parking & Trail Improvement	120,567	95,128	25,439
Tetra Tech Inc	Waughop Lake Alum Treatment	95,757	74,205	21,552
		\$ 18,139,827	\$ 14,685,041	\$ 3,454,786

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 2020:

Aggregate Pension Amounts - All	
Pension assets	\$ 6,633,401
Deferred outflows of resources	\$ 1,675,806
Deferred inflows of resources	\$ (1,332,029)
Pension expenditures	\$ 315,856

The City's contributions to the two ICMA plans in 2020 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, shown below, is tied to years of service that an employee may bring from the previous vesting in *PERS* or another qualified plan.

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, 2020, was \$26,081,802.

Contribution	Contribution
7.62%	5.08%
\$702,663	\$468,440

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:

2020 Employer Contribution	2020 Employee Contribution
4.77%	6.20%
\$1,013,736	\$1,317,643

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, 2020, was \$47,871,795.

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.

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

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

Or the DRS Annual Report 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.

LEOFF Plan 2 has a net pension asset as of the June 30, 2019, measurement date. In this plan, the state is an employer and a non-employer contributing entity. RCW 41.26.725 limits the employee contributions to 50 percent, employer contributions to 30 percent, and the state contribution to 20 percent of the cost of benefits. In no instance shall the state contribution exceed 4 percent of payroll. For fiscal year 2019, the non-employer contributing entity's proportionate share of the net pension asset was considered substantial at 39.57 percent based on total plan contributions received in fiscal year 2019.

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 2020 were as follows:

LEOFF Plan 2		
Actual Contribution Rates	Employer	Employee
State and local governments	5.15%	8.59%

The City's actual contributions to the plan were \$636,136 for the year ended December 31, 2020.

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, 2020, the state contributed \$76,297,643 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 with a valuation date of June 30, 2018. 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* report.

Additional assumptions for subsequent and law changes are current as of the 2018 actuarial report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2019. Plan liabilities were rolled forward from June 30, 2018, to June 30, 2019, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

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

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

Discount Rate

The discount rate used to measure the total pension liability was 7.40%. To determine that rate, an asset sufficiency test included an assumed 7.50% long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. (All plans use 7.50% except LEOFF 2, which has assumed 7.40%). Consistent with the long-term expected rate of return, a 7.40% future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue being made at contractually required rates (including PERS 2/3, PSERS 2, SERS 2/3, and TRS 2/3 employers, whose rates include a component for the PERS 1, and TRS 1 plan liabilities). Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.40% was used to determine the total liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.40% was determined using a building-block method. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered capital market assumptions and simulated expected

investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns over various time horizons.

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2020, 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 7.40%, 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 (6.40%) or 1-percentage point higher (8.40%) than the current rate.

	1% Decrease (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
LEOFF 2	\$ (131,321)	\$ (6,633,401)	\$ (11,957,308)
Total	\$ (131,321)	\$ (6,633,401)	\$ (11,957,308)

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, 2020, the City reported a total pension asset of \$6,633,401 for its proportionate share of the net pension assets as follows:

Pension Asset
LEOFF 2 (\$6,633,401)

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:

	Pension Asset
LEOFF 2 - Employer's proportionate share	\$ (6,633,401)
LEOFF 2 - State's proportionate share of the net pension asset associated with the employer	(4,241,558)
Total	\$ (10,874,959)

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

	Proportionate Share		Change in Proportion
	6/30/2019	6/30/2020	
LEOFF 2	0.34742%	0.32519%	-0.022%

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 Non-employer Allocations* for all plans except LEOFF 1.

In fiscal year 2020, 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, 2020, the City recognized pension expense as follows:

Pension Expense	
LEOFF 2	(\$315,856)
\$	(315,856)

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2020, 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	\$ 917,841	\$ (117,649)
Net difference between projected and actual investment earnings on pension plan investments	-	(73,935)
Change of assumptions	\$9,610	(1,027,144)
Changes in proportion and differences between contributions and proportionate share of contribution	434,983	(\$113,300)
Contributions subsequent to the measurement date	\$313,373	-
Total	\$ 1,675,806	\$ (1,332,029)

For the year ended December 31, 2020, 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
2021	(453,005)
2022	(33,895)
2023	129,914
2024	253,680
2025	(12,848)
Thereafter	146,559
Total	\$ 30,405

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 comprises five members of fire departments covered by Chapter 41.24 RCW. Approximately 390 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 State Legislature.

The VFFRPF plan does not issue a stand-alone financial report, but is included in the comprehensive annual financial report (Annual Report) of the State of Washington, which can 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. Municipalities may opt to pay the member's fee on their behalf.

The contribution rates for 2020 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 \$1,850 for the year ended December 31, 2020. The City has opted to pay members' fees on their behalf. Contributions on behalf of members were \$120 for the year ended December 31, 2020.

In accordance with Chapter 41.24 RCW, the State contributes 40% of the fire insurance premium tax to the plan. For fiscal year 2020 the fire insurance premium tax contribution was \$8,200,000.

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, 2019, and rolled forward to June 30, 2020, 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:** 7.00%

Discount Rate

The discount rate used to measure the total VFFRPF pension asset was 7.00.

Long-Term Expected Rate of Return

The long-term expected rate of return on the VFFR2020PF pension plan investments of 7.40% 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, 2020, are summarized in the table below. The inflation component used to create the table is 2.20% 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	\$ (5,173)	\$ (35,240)	\$ (59,666)

Pension Plan Fiduciary Net Position

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

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

At June 30, 2020, the City reported an asset of \$21,770 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, 2020 the City's proportion was 0.06%

The VFFRPF collective net pension asset was measured based on an actuarial valuation as of June 30, 2019, with update procedures used to roll forward the total pension liability to the June 30, 2020 measurement date.

For the year ended December 31, 2020, 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 of Lakewood is a member of the Washington Cities Insurance Authority (WCIA). Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and / or jointly contracting for risk management services. WCIA has a total of 162 members.

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

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

Insurance for property, automobile physical damage, fidelity, inland marine, and boiler and machinery coverage are purchased on a group basis. Various deductibles apply by type of coverage. Property coverage is self-funded from the members' deductible to \$750,000, for all perils other than flood and earthquake, and insured above that to \$400 million per occurrence subject to aggregates and sublimits. Automobile physical damage coverage is self-funded from the members' deductible to \$250,000 and insured above that to \$100 million per occurrence subject to aggregates and sublimits.

In-house services include risk management consultation, loss control field services, and claims and litigation administration. WCIA contracts for 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, reinsurance and other administrative expenses. As outlined in the interlocal act, 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

No amounts of settlements exceeded insurance coverage in each of the past three years, 2018-2020.

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

Schedule of Insurance in Force As of December 31, 2020			
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. Self-Insured Layer Limit \$4M per Occurrence; (Reinsured Layers) - Governmental Entities Mutual, Inc. \$3M per Occurrence; Argonaut Insurance Company \$8M per Occurrence and Aggregate per Member; Allied World Assurance Company, Inc. \$5M per Occurrence and Aggregate per
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. Deductible: Earthquake: 2% of Values Involved Subject to \$250K Minimum per Occurrence; Flood: \$250K per Occurrence, except within Flood Zones A and V; 3% of the total building/facility values involved in the loss subject to a \$500K minimum occurrence. All Other Perils, \$5K.
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, \$1K (waived for glass repair and damage 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; \$500K Perishable Goods, Expediting Expenses, Hazardous Substances \$100K Off Premises Equipment Breakdown, Contingent Business Income, Data Restoration; Deductible: \$10K for Combined All Coverage (With Exceptions).
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.\$250K Maximum for "Catastrophe Management Costs" Arising out of all Pollution Conditions and Indoor Environmental Conditions. Deductibles: \$100K Per Pollution Condition or Indoor Environmental Condition; and, 5 Days per Pollution Condition or Indoor Environmental Condition for Business Interruption
AIG 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 and Funds Transfer Fraud, Money Orders and Counterfeit Money, and Faithful Performance of Duty required by law. Blanket coverage for all employees unless excluded under the insurance policy. Deductibles: \$10,000; and, \$50K Impersonation Fraud Coverage Deductible with a \$250K sub-limit.
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 Including Bitcoin Ransom Coverage. Deductibles: \$25K Security and Privacy Liability Insurance Including Regulatory Action; \$25K PCI-DSS Assessment; 100 Affected Individuals Privacy Event Services; and, \$25K Event Management, E-Discovery None.

Source: Washington Cities Insurance Authority

NOTE 9 – LONG-TERM LIABILITIES

Long-term debt activity, including compensated absences liabilities, for the year ended December 31, 2020, is recapped 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	Current Portion	Noncurrent Portion
General Obligation Bonds										
2020 LTGO - Private Placement	12/09/2019	12/01/2035	2.00%	\$3,029,885	\$ -	\$ 3,029,885	\$ -	\$ 3,029,885	\$ 176,450	\$ 2,853,435
2019 LTGO	05/08/2019	12/01/2038	3.0% - 5.0%	7,460,000	7,460,000	-	260,000	7,200,000	270,000	6,930,000
2016 LTGO - Private Placement	04/19/2016	12/01/2028	1.40% - 2.41%	1,884,032	1,710,798	-	174,484	1,536,314	180,724	1,355,590
LOCAL Financing	03/24/2015	12/01/2027	2.33%	1,460,000	1,070,000	-	110,000	960,000	120,000	840,000
Subtotal GO Bonds				13,833,917	10,240,798	3,029,885	544,484	12,726,199	747,174	11,979,025
Unamortized bond and local financing premium										
2019 LTGO - Unamortized Premium	05/08/2019	12/01/2038	3.0% - 5.0%	595,905	566,105	-	29,800	536,305	29,800	506,505
LOCAL Financing - Unamortized Premium	03/24/2015	12/01/2027	2.33%	207,849	125,575	-	17,321	108,254	17,321	90,933
Subtotal Unamortized Premiums				803,754	691,680	-	47,121	644,559	47,121	597,438
Special Assessment Bonds (with governmental commitments)										
CLUD 1109 - Private Placement	03/01/2020	03/01/2033	2.78%	922,757	-	922,757	-	922,757	70,757	852,000
CLUD 1101/1103 - Private Placements	12/01/2006	12/01/2026	3.75% - 4.65%	2,824,704	210,000	-	-	210,000	210,000	-
LID 1108 - Private Placement	01/18/2008	12/01/2027	4.22% - 5.30%	880,000	178,783	-	56,112	122,671	56,274	66,397
Subtotal Special Assessment Bonds				4,627,461	388,783	922,757	56,112	1,255,428	337,031	918,397
Notes Payable										
59th Avenue	04/30/2005	04/30/2024	Varies	1,071,000	345,312	-	64,087	281,225	66,483	214,742
Subtotal Notes Payable				1,071,000	345,312	-	64,087	281,225	66,483	214,742
Government Loans										
PWTF - 04-691-PRE-132	07/07/2005	07/07/2024	1.00%	593,864	148,576	-	29,715	118,861	29,715	89,146
PWTF - 06-962-022	09/18/2006	09/18/2026	0.50%	5,000,000	2,061,375	-	294,483	1,766,892	294,482	1,472,410
PWTF - 08-951-025	03/01/2008	07/01/2028	0.50%	1,840,000	936,236	-	104,027	832,209	104,026	728,183
PWTF - 12-951-025	06/01/2012	06/01/2031	0.50%	500,000	428,571	-	35,714	392,857	35,714	357,143
Subtotal Government Loans				7,933,864	3,574,758	-	463,939	3,110,818	463,938	2,646,881
HUD Loans										
Section 108 Loan	08/31/2017	08/01/2020	Varies	141,000	47,000	-	47,000	-	-	-
Subtotal HUD Loans				141,000	47,000	-	47,000	-	-	-
Compensated absences					2,844,383	2,998,833	2,703,506	3,139,710	928,511	2,211,199
Subtotal Governmental Activities					18,132,714	6,951,475	3,926,250	21,157,939	2,590,257	18,567,682
Business-type Activities										
Compensated absences					120,333	105,470	84,533	141,270	42,381	98,889
Subtotal Business-type activities					120,333	105,470	84,533	141,270	42,381	98,889
Total					\$18,253,047	\$ 7,056,945	\$4,010,783	\$ 21,299,209	\$2,632,638	\$ 18,666,571

On December 9, 2020 the City of Lakewood issued \$3,029,885 in limited tax general obligation bonds through private placement. The proceeds from the sale of the bonds will be used to finance transportation projects and the bond's issuance cost. The bonds carry an interest rate of 2.00% and are scheduled to fully mature in the year 2035. In the event of a default, defined as nonpayment of principal and interest within ten days of the due date, the creditor bank may elect to increase the interest rate on the bond by an additional 2.00%.

On Mar. 2, 2020 the City issued special assessment long-term debt in the amount of \$922,757 through private placement. The bond pays interest at 2.70% maturing in 2033. The City has issued similar 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.

The Local Improvement District (LID) bonds were issued through private placements. 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's LID Guaranty Fund also covers any uncollectible special assessment debt. As of December 31, 2020, no amount of special assessment receivables was considered delinquent.

The 2016 LTGO Bonds was used to refund 2009 LTGO Bonds. The 2016 bonds were issued through a private placement and are a limited general obligation of the City. For as long as the bonds are outstanding, the City has irrevocably pledged to budget and

appropriate from all monies legally available, within the constitutional and statutory limitations provided by law without a vote of the electorate, the amounts sufficient to pay the principal and interest on the bonds when due.

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 pledged is the City's full faith and credit. The variable interest rate is set by LIBOR. This loan was paid in full as of December 31, 2020.

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

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

At year-end, the City had a total of \$8,670,000 in general obligation bonds authorized but unissued for the Transportation capital program, and \$4,100,000 authorized and unissued for sewer revenue bonds. The City has no unused lines of credit at year-end.

Future payment requirements on existing debt balances are as follows:

Year(s)	Principal	Interest
2021	\$ 1,614,626	\$ 508,646
2022	1,430,818	469,163
2023	1,416,538	431,738
2024	1,433,908	315,583
2025	1,364,704	281,762
2026-2030	4,963,403	917,144
2031-2035	3,619,674	448,971
thereafter	1,530,000	92,700
Totals	\$ 17,373,672	\$ 3,465,707

Conduit Debt

A Section 108 Loan in the amount of \$700,000 was issued in 2014 for Curbside Motors Incorporated and another for \$310,000 in 2015 for Living Access Support Alliance by the United States Department of Housing and Urban Development (HUD) to the City. The outstanding combined principal balance as of December 31, 2020, of \$835,000 is being repaid by a third party and, therefore, do not constitute a debt or a pledge of the City's full faith and credit. Accordingly, this debt is not reported in the accompanying financial statements.

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.

Computation of Legal Debt Margin

Under 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 2020 was \$8,111,198,629 and the total amount of debt the City may issue is \$606,102,683. Remaining legal debt capacities as of December 31, 2020 are:

Legally Remaining Debt Capacity As of December 31, 2020	
General Government (no vote required)	\$ 119,430,765
General Government (3/5 majority vote required)	81,111,986
Parks and open space (3/5 majority vote required)	202,779,966
Utilities (3/5 majority vote required)	202,779,966
Total Capacity	\$ 606,102,683

Leases

Senior Center Lease: In 2006, the City entered into a 5-year cancelable lease agreement with Pierce County to provide facilities for the Senior Center, which was renewed twice for a total of 10 years. In 2015, the City switched to an annual renewal of the lease. Building lease payments for 2020 totaled \$64,220. 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 payment is \$65,455 in 2021.

McGavick Center Lease: In 2007, the City entered into an agreement with Clover Park Technical College to contribute eleven percent of the construction costs for the McGavick Center. The contribution is in equal installments of \$101,850 over 20 years. In return for the contribution, the City 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 2020 totaled \$101,850. The future minimum lease payments for the years 2021 through 2027 are \$101,850 per year, subject to future contract renewal provisions.

NOTE 10 – INTERFUND TRANSACTIONS

Interfund transfers for the year ended December 31, 2020, were as follows:

Interfund Transactions		Transfer-Out From					
		General Fund	CDBG Grant Fund	Transportation CIP Fund	Surface Water Management Fund	Non-Major Governmental Funds	Internal Service Funds
Transfer-In To	General Fund	\$ -	\$ -	\$ -	\$ 284,700	\$ -	\$ -
	LID Debt Service Fund	-	-	17,730	-	-	-
	Transportation CIP	393,547	8,056	-	492,901	1,466,860	-
	Surface Water Management Fund	-	-	241,840	-	-	-
	Non-Major Governmental Funds	2,083,537	-	-	8,000	1,529,979	-
	Internal Service Funds	-	-	-	-	-	64,851
	Total	\$ 2,477,084	\$ 8,056	\$ 259,570	\$ 785,601	\$ 2,996,839	\$ 64,851

The following describes the amounts transferred out during 2020:

General Fund: a) \$393,547 to the Transportation Capital to fund various transportation capital projects, and b) \$2,083,537 to nonmajor governmental to subsidize street operations and maintenance and to support 2020 debt service on G.O. debt.

CDBG Fund: \$8,056 to Transportation Capital to fund a grant eligible project.

Transportation Capital Fund: a) \$17,730 to LID Debt Service to support principal and interest payments, and b) \$241,840 to Surface Water Management for operations support.

Surface Water Management (SWM) Fund: a) \$284,700 to the General Fund for administrative fees and landscape maintenance, b) \$492,901 to the Transportation Capital for SWM's share of transportation capital projects, and c) \$8,000 to Sewer CIP for sewer extension maintenance.

Nonmajor Governmental Funds: a) \$100,000 from Parks CIP to LID Debt Service to support principal and interest payments, b) \$1,219,403 from Real Estate Excise Tax (REET) and \$247,457 from Transportation Benefit District both to Transportation Capital for various roadway and transportation capital projects, c) \$1,429,979 which comprise transfers from REET and Hotel-Motel Lodging Tax to Parks CIP for parks construction and improvements, and transfers of sewer revenues from Sewer Project Debt to Sewer CIP for infrastructure enhancements.

Internal Service Funds: \$64,851 of insurance proceeds from Risk Management to Fleet & Equipment internal service fund for vehicle replacements.

In addition, at the end of 2020, the General Fund made interfund loans of a) \$33,777 to the CDBG Fund, b) \$49,861 to OEA Grant/SSMCP Fund, and c) \$229,425 to the Public Safety Grants Fund, to cover year-end negative cash balances resulting from the timing of grant eligible expenditures prior to grant billing.

NOTE 11 – RESTATEMENTS OF BEGINNING BALANCES

The following restatements to fund balance/net position and related accounts were made in 2020 to correct for the recording in prior years of budgetary basis interfund transfers, totaling \$880,204, between Fleet and Equipment, a nonmajor internal service fund, and Transportation Capital, a major governmental fund. The transactions constituted interfund borrowings. In 2019, an \$880,204-loan was correctly recorded as an interfund receivable/payable but the effect of the prior interfund transfers was not eliminated for GAAP reporting. There is no effect on the government-wide statements because internal service funds are consolidated with governmental funds in government-wide reporting.

Description	Transportation Capital Fund	Proprietary Internal Service Funds
Net position/Fund balance - January 1, 2020	\$11,354,138	\$9,374,180
Eliminate effect of prior year interfund loan transfers	(880,204)	880,204
Net position/Fund balance January 1, 2020 (as restated)	<u>\$10,473,934</u>	<u>\$10,254,384</u>
For Cash Flows Statement - Internal Service Funds		
Cash, January 1, 2020		\$3,777,135
Eliminate effect of prior year interfund loan transfers		880,204
Cash, January 1, 2020 (as restated)		<u>\$4,657,339</u>

NOTE 12 – HEALTH AND WELFARE

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

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

As of December 31, 2020, 262 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.

In April 2020, the Board of Trustees adopted a large employer policy, requiring newly enrolling groups with 600 or more employees to submit medical claims experience data in order to receive a quote for medical coverage. Outside of this, 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 2020, 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 13 – 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. The City does not believe that each pending or potential claim will exceed the threshold but acknowledges them in an abundance of caution based on representations by plaintiffs. While there may be potential judgments that exceed this amount, the City carries liability and property insurance through the Washington Cities Insurance Authority and also retains insurance defense counsel services. As of July 27, 2021, there are four pending litigations and claims against the City, all expected to be covered by insurance. The City is also aware of four matters that, based on activity, may be expected to lead to litigation with potential claims above the threshold. On one of them, the City is not able to estimate the potential exposure of an unfavorable judgment pending completion of investigation. Insurance is providing pre-litigation services in each potential matter and the City expects coverage should litigation be initiated.

NOTE 14 – TAX ABATEMENTS

The City of Lakewood offers Multiunit Housing Tax Incentive Program per RCW 84.14.100. The purpose of the program is to encourage increased residential opportunities, including affordable housing, in cities that are required to plan or choose to plan, under the Growth Management Act, within urban centers where the affected city's governing authority has found the problem to exist. The program aims to stimulate new construction of multifamily housing units and the rehabilitation of existing vacant and underutilized buildings for multifamily housing in the urban centers having such deficiencies, thereby, increasing residential opportunities.

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 the certificate was approved;
- (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 tax-exempt units.

For the fiscal year ended December 31, 2020, the City abated property taxes totaling \$39,181 under this program. The abatement amount is calculated by applying the applicable multiplier to the difference between the assessed and taxable value. Because the property taxes that were abated pertain to the regular levy, rather than the excess levy, the potential tax loss to the City of \$39,181 was shifted to other property taxpayers.

NOTE 15 – SUBSEQUENT EVENTS

On March 11, 2021, the American Rescue Plan Act (ARPA) was signed into law to provide \$1.9 trillion in economic relief from the public health crisis, with \$350 billion allocated as aid to state and local governments. The City is expected to receive \$13.77 million of these funds in direct payments. The funds will be distributed in two tranches, the first one expected in May 2021 with the second tranche following a year after.

NOTE 16 – COVID-19 PANDEMIC

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of the deadly new virus known as COVID-19. In the months following the declaration, precautionary measures to slow the spread of the virus were ordered. These measures included closing schools, cancelling public events, limiting public and private gatherings, and restricting business operations, travel and non-essential activities.

As described in the letter of transmittal, the economic situation has proven to be very harmful to the City's finances with significant drops in general revenues during the year. City management responded by restricting all general government expenditures, such as new hires, discretionary spending, etc., a countermeasure that will remain in place through 2021-2022 and beyond depending on when full recovery happens. The full extent of the financial impact on the City is unknown at this time.

REQUIRED SUPPLEMENTARY INFORMATION

City of Lakewood
Schedule of Proportionate Share of the Net Pension Liability (Asset)

LEOFF 2

As of June 30, 2020

Last 6 Fiscal Years*

	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension asset	0.3252%	0.3474%	0.3547%	0.3452%	0.3379%	0.3406%
Employer's proportionate share of the net pension asset	\$ (6,633,401)	\$ (8,048,562)	\$ (7,200,919)	\$ (4,790,743)	\$ (1,965,200)	\$ (3,500,512)
State's proportionate share of the net pension asset associated with the employer	\$ (4,241,558)	\$ (5,270,730)	\$ (4,662,459)	\$ (3,107,666)	\$ (1,281,167)	\$ (2,314,541)
Total	<u>\$ (10,874,959)</u>	<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	\$ 13,035,430	\$ 11,959,728	\$ 11,243,699	\$ 10,882,017	\$ 10,274,320	\$ 10,067,043
Employer's proportionate share of the net pension asset as a percentage of covered employee payroll	50.9%	67.3%	64.0%	44.0%	19.1%	34.8%
Plan fiduciary net position as a percentage of the total pension asset	115.8%	128.7%	118.5%	113.4%	106.0%	111.7%

**This schedule continues to be built prospectively until it accumulates ten fiscal years of data that is required under GAAP.*

Note: Significant methods and assumptions used in calculating the actuarial determined contribution are presented in Note 7.

City of Lakewood
Schedule of Employer Contributions

LEOFF 2

As of December 31, 2020

Last 6 Fiscal Years*

	2020	2019	2018	2017	2016	2015
Statutorily or contractually required contributions	\$ 636,136	\$ 620,348	\$ 631,767	\$ 580,241	\$ 544,089	\$ 516,402
Contributions in relation to the statutorily or contractually required contributions	\$ (636,136)	\$ (620,348)	\$ (631,767)	\$ (580,241)	\$ (544,089)	\$ (516,402)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 13,035,430	\$ 11,959,728	\$ 11,243,699	\$ 10,882,017	\$ 10,274,320	\$ 10,067,043
Contributions as a percentage of covered employee payroll	4.9%	5.2%	5.6%	5.3%	5.3%	5.1%

**This schedule continues to be built prospectively until it accumulates ten fiscal years of data that is required under GAAP.*

Note: Significant methods and assumptions used in calculating the actuarial determined contribution are presented in Note 7.

OTHER SUPPLEMENTARY INFORMATION

City of Lakewood
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2020

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 Local Defense Community Cooperation, Dept. of Defense	Community Economic Adjustment Assistance for Compatible Use & Joint Land Use Studies	12.610	HQ00051910022	\$ -	\$ 412,045	\$ 412,045	\$ -	
			W9124J1920006	-	48,970	48,970	-	
Total CFDA 12.610:				-	461,015	461,015	-	
CDBG - Entitlement Grants Cluster								
Assistant Secretary for Community Planning & Development, Dept. of Housing & Urban Development	Community Development Block Grants /Entitlement Grants	14.218	B15MC5- 30016	-	7,575	7,575	-	
			B15MC5- 30016	-	6,266	6,266	-	
			B15MC5- 30016	-	3,016	3,016	-	
			B15MC5- 30016	-	192,487	192,487	-	
			B15MC5- 30016	-	138,539	138,539	-	3
Assistant Secretary for Community Planning and Development, Dept. of Housing and Urban Development	COVID 19 - Community Development Block Grants / Entitlement Grants	14.218	B20MW5-30016	-	62,771	62,771	-	
Total CDBG - Entitlement Grants Cluster				-	410,655	410,655	-	
Assistant Secretary for Community Planning & Development, Dept. of Housing & Urban Development (via WA State Dept. of Commerce)	Community Development Block Grants/State's program & Non-Entitlement Grants in Hawaii	14.228	08-F6401-012	822	-	822	-	5
Assistant Secretary for Community Planning & Development, Dept. of Housing & Urban Development (via Tacoma Community Redevelopment Authority)	Home Investment Partnerships Program	14.239	2021-015	95,440	-	95,440	6,532	6a
Office Of Justice Programs, Dept. of Justice	Drug Court Discretionary Grant Program	16.585	2018-VC-BX-0026	-	74,932	74,932	-	
Office on Violence Against Women (OVW), Dept. of Justice (via WA State Dept. of Commerce)	Violence Against Women Formula Grants	16.588	F-19-31103-059	30,313	-	30,313	-	
Office of Justice Programs, Dept. of Justice	Bulletproof Vest Partnership	16.607	FFY2018	-	3,802	3,802	-	
			FFY2019	-	5,640	5,640	-	
Total CFDA 16.607:				-	9,442	9,442	-	
Office Of Justice Programs, Dept. of Justice	Edward Byrne Memorial Justice Assistance Grant Program	16.738	2017-DJ-BX-0328	-	9,937	9,937	-	
			2019-DJ-BX-0920	-	39,654	39,654	-	
Office Of Justice Programs, Dept. of Justice	COVID 19 - Edward Byrne Memorial Justice Assistance Grant Program	16.738	2020-VD-BX-0148	-	93,888	93,888	-	
Total CDBG 16.738:				-	143,479	143,479	-	
Criminal Division, Dept. of Justice	Equitable Sharing	16.922	WA0272300	-	163,546	163,546	-	
Federal Bureau of Investigation, Dept. of Justice	Pacific Northwest Innocence Lost	16.U01	2008-6-16	-	32,375	32,375	-	
Highway Planning and Construction Cluster								
Federal Highway Admin., Dept. of Transportation (via US Dept. of Transportation)	Highway Planning & Construction	20.205	WSDOT-CM-3136(007)	185,367	-	185,367	-	
			WSDOT-HSIP-3000(003)	747,000	-	747,000	-	
Total Highway Planning and Construction Cluster				932,367	-	932,367	-	
Highway Safety Cluster								
National Highway Traffic Safety Admin., Dept. of Transportation (via WA Sheriffs & Police Chiefs Association)	State & Community Highway Safety	20.600	2020-2-14	15,695	-	15,695	-	
National Highway Traffic Safety Admin., Dept. of Transportation (via WA Traffic Safety Commission)	State & Community Highway Safety	20.600	2020-HVE-3840	2,006	-	2,006	-	
Total CFDA 20.600:				17,701	-	17,701	-	
National Highway Traffic Safety Admin., Dept. of Transportation (via WA Traffic Safety Commission)	National Priority Safety Programs	20.616	K-15341	1,743	-	1,743	-	
Total Highway Safety Cluster				19,444	-	19,444	-	-
Dept. Offices Treasury (via WA State Dept. of Commerce)	COVID 19 - Coronavirus Relief Fund	21.019	20-6541C-222	2,685,150	-	2,685,150	-	
Dept. Offices Treasury (via Pierce County)	COVID 19 - Coronavirus Relief Fund	21.019	SC-107884	171,500	-	171,500	-	
Dept. Offices (via Pierce County Aging & Disability Resources)	COVID 19 - Coronavirus Relief Fund	21.019	SC-107154	6,824	-	6,824	-	
Total CFDA 21.019:				2,863,474	-	2,863,474	-	

City of Lakewood
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2020

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	
Substance Abuse & Mental Health Services Admin., Health & Human Services (via WA State Health Care Authority)	Substance Abuse Prevention & Treatment Block Grant	93.959	T1010057-HCA-K3907	90,202	-	90,202	-	
U.S. Coast Guard, Homeland Security Dept. (via WA State Parks & Recreation Commission)	Boating Safety Financial Assistance	97.012	3319FAS190153	9,643	-	9,643	-	
Federal Emergency Management Agency, Dept. of Homeland Security (via WA State Military Dept.)	Emergency Management Performance Grants	97.042	EMPG E21-110	16,443	-	16,443	16,443	6b
			EMPG E20-114	25,438	-	25,438	25,438	6c
Federal Emergency Management Agency, Dept. of Homeland Security (via WA State Military Dept.)	COVID 19 - Emergency Management Performance Grants	97.042	EMPG E-20-230S	11,210	-	11,210	11,210	6d
Total CFDA 97.042:				53,091	-	53,091	53,091	
Federal Emergency Management Agency, Dept. of Homeland Security (via Seattle Police Dept.)	Homeland Security Grant Program	97.067	UASI-E-18-103	1,615	-	1,615	-	9
Total Federal Awards Expended:				\$ 4,096,411	\$ 1,295,443	\$ 5,391,854	\$ 59,623	

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 basis 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 revolving loan funds disbursed to participants for the year was \$38,639. The amount of loan principal and interest repayments for the year was \$146,218.

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 12/31/2020 is \$540,000.
- 2) Living Access Support Alliance in the amount of \$310,000 with the loan term from 2015 - 2035. The loan balance as of 12/31/2020 is \$295,000.
- 3) 108th St. Road Improvement in the amount of \$140,000 with a loan term of 2017 - 2020. The loan balance as of 8/31/2020 is zero. This loan was paid back using CDBG entitlement grant funds.

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

NOTE 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) \$6,385 Habitat for Humanity and \$147 Homeownership Center of Tacoma; b) \$16,443 West Pierce Fire & Rescue; c) \$25,438 West Pierce Fire & Rescue; d) West Pierce Fire & Rescue \$11,210.

NOTE 7 - PROGRAM COSTS

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

NOTE 8 - NON-CASH AWARDS - COVID PERSONAL PROTECTIVE EQUIPMENT (Unaudited)

During 2020 the City of Lakewood received face masks from the Pierce County Department of Emergency Management. The city received 500 N-95 face masks with a fair market value of \$570 and 500 non-95 face masks with a fair market value of \$150.

NOTE 9 - NON-CASH AWARDS - OTHER

During 2020 the City of Lakewood Police Department received DARC Level One Chem Light training supplies from the City of Seattle Police Department. These supplies were purchased with U.S. Department of Homeland Security funds and are valued at \$1,615.



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COMBINING STATEMENTS

**Combining Statement – Nonmajor Governmental Funds Description
For the Year Ended December 31, 2020**

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, 2020

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 4,602,149	\$ 740,402	\$ 3,054,080	\$ 8,396,631
Customer accounts receivable	6,975	-	-	6,975
Due from other governments	450,582	-	1,773,284	2,223,866
Notes/contracts receivable	-	10,899	-	10,899
Special assessments receivable	187,842	-	-	187,842
Taxes Receivable	1,711,899	-	681	1,712,580
Total assets	<u>6,959,447</u>	<u>751,301</u>	<u>4,828,045</u>	<u>12,538,793</u>
LIABILITIES				
Accounts payable	290,839	116	561,720	852,675
Wages payable	79,468	-	7,074	86,542
Payable to other governments	241	-	-	241
Unearned revenue	-	-	1,576	1,576
Retainage payable	-	-	120,257	120,257
Interfund loan payable	279,286	-	-	279,286
Other accrued liabilities	1,491	-	-	1,491
Total liabilities	<u>651,325</u>	<u>116</u>	<u>690,627</u>	<u>1,342,068</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	<u>187,842</u>	<u>10,899</u>	<u>-</u>	<u>198,741</u>
Total liabilities and deferred inflows of resources	<u>839,167</u>	<u>11,015</u>	<u>690,627</u>	<u>1,540,809</u>
FUND BALANCES				
Restricted	5,398,681	740,286	-	6,138,967
Committed	<u>721,599</u>	<u>-</u>	<u>4,137,418</u>	<u>4,859,017</u>
Total fund balances	<u>6,120,280</u>	<u>740,286</u>	<u>4,137,418</u>	<u>10,997,984</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 6,959,447</u>	<u>\$ 751,301</u>	<u>\$ 4,828,045</u>	<u>\$ 12,538,793</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, 2020

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
REVENUES				
Taxes	\$ 5,464,593	\$ -	\$ -	\$ 5,464,593
Licenses and permits	147,196	-	-	147,196
Intergovernmental	1,883,099	-	2,081,245	3,964,344
Charges for goods and services	458,057	791,007	297,919	1,546,983
Fines and penalties	-	831	-	831
Interest and other earnings	39,760	3,864	18,150	61,774
Miscellaneous	112,108	30,519	1,544	144,171
Contributions and donations	-	-	40,023	40,023
Total revenues	<u>8,104,813</u>	<u>826,221</u>	<u>2,438,881</u>	<u>11,369,915</u>
EXPENDITURES				
Current:				
Public safety	626,565	-	-	626,565
Utilities and environment	-	-	18,849	18,849
Transportation	1,849,522	-	-	1,849,522
Economic environment	1,513,410	-	10	1,513,420
Culture and recreation	5,000	-	-	5,000
Judicial	74,932	-	-	74,932
Debt service:				
Principal retirement	-	1,072,509	-	1,072,509
Interest and other debt service costs	-	391,601	-	391,601
Capital outlay:				
Capital	<u>202,319</u>	<u>-</u>	<u>3,568,791</u>	<u>3,771,110</u>
Total expenditures	<u>4,271,748</u>	<u>1,464,110</u>	<u>3,587,650</u>	<u>9,323,508</u>
Excess (deficiency) of revenues over expenditures	<u>3,833,065</u>	<u>(637,889)</u>	<u>(1,148,769)</u>	<u>2,046,407</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,216,149	981,556	1,423,812	3,621,517
Transfers out	<u>(2,841,838)</u>	<u>(55,000)</u>	<u>(100,000)</u>	<u>(2,996,838)</u>
Total other financing source (uses)	<u>(1,625,689)</u>	<u>926,556</u>	<u>1,323,812</u>	<u>624,679</u>
Net change in fund balances	2,207,376	288,667	175,043	2,671,086
Fund balances - beginning	<u>3,912,904</u>	<u>451,619</u>	<u>3,962,375</u>	<u>8,326,898</u>
Fund balances - ending	<u>\$ 6,120,280</u>	<u>\$ 740,286</u>	<u>\$ 4,137,418</u>	<u>\$ 10,997,984</u>

Combining Statement – Nonmajor Special Revenue Funds Description For the Year Ended December 31, 2020

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. In 2020, this fund's scope was expanded to include the financing of affordable housing authorized under the provisions of Substitute House Bill 1406 to be funded by additional sales and use tax credits. 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. As of Dec. 31, 2019, seized cash balances in which legal ownership has not been adjudicated were moved to a fiduciary fund.

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. As of Dec. 31, 2019, seized cash balances in which legal ownership has not been adjudicated were moved to a fiduciary fund.

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. As of Dec. 31, 2019, seized cash balances in which legal ownership has not been adjudicated were moved to a fiduciary fund.

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, 2020

	Street Operations & Maintenance	Real Estate Excise Tax	Transportatio n Benefit District	Hotel/ Motel Lodging Tax	Property Abatement/ Rental Housing Safety	Public Art
ASSETS						
Cash and cash equivalents	\$ 11,678	\$ 816,350	\$ 687,753	\$ 1,551,059	\$ 647,521	\$ 135,501
Customer accounts receivable	-	-	-	-	6,975	-
Due from other governments	-	-	-	-	-	-
Special assessments receivable	-	-	-	-	129,211	-
Taxes Receivable	114,918	1,455,161	-	123,504	18,316	-
Total assets	<u>126,596</u>	<u>2,271,511</u>	<u>687,753</u>	<u>1,674,563</u>	<u>802,023</u>	<u>135,501</u>
LIABILITIES						
Accounts payable	81,221	-	-	15,533	2,019	-
Wages and benefits payable	43,884	-	-	-	12,379	-
Other accrued liabilities	1,491	-	-	-	-	-
Payable to other governments	-	-	-	-	-	-
Interfund loan payable	-	-	-	-	-	-
Total liabilities	<u>126,596</u>	<u>-</u>	<u>-</u>	<u>15,533</u>	<u>14,398</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue	-	-	-	-	129,211	-
Total liabilities and deferred inflows of resources	<u>126,596</u>	<u>-</u>	<u>-</u>	<u>15,533</u>	<u>143,609</u>	<u>-</u>
FUND BALANCES (DEFICITS)						
Restricted	-	2,271,511	687,753	1,659,030	72,316	-
Committed	-	-	-	-	586,098	135,501
Total fund balances	<u>-</u>	<u>2,271,511</u>	<u>687,753</u>	<u>1,659,030</u>	<u>658,414</u>	<u>135,501</u>
Total liabilities, deferred inflows, and fund balances (deficits)	<u>\$ 126,596</u>	<u>\$ 2,271,511</u>	<u>\$ 687,753</u>	<u>\$ 1,674,563</u>	<u>\$ 802,023</u>	<u>\$ 135,501</u>

City of Lakewood
Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2020

	Narcotics Seizure	Felony Seizure	Federal Seizure	Neighborhood Stabilization Program	Office of Economic Adjustment Grant/ SSMCP	Public Safety Grants	Total Nonmajor Special Revenue Funds
ASSETS							
Cash and cash equivalents	\$ 221,503	\$ 52,612	\$ 222,888	\$ 255,284	\$ -	\$ -	\$ 4,602,149
Customer accounts receivable	-	-	-	-	-	-	6,975
Due from other governments	16,964	-	-	-	82,405	351,213	450,582
Special assessments receivable	-	-	-	58,631	-	-	187,842
Taxes Receivable	-	-	-	-	-	-	1,711,899
Total assets	<u>238,467</u>	<u>52,612</u>	<u>222,888</u>	<u>313,915</u>	<u>82,405</u>	<u>351,213</u>	<u>6,959,447</u>
LIABILITIES							
Accounts payable	10,776	4,775	61,982	16	8,749	105,768	290,839
Wages and benefits payable	1,495	-	-	154	5,777	15,779	79,468
Other accrued liabilities	-	-	-	-	-	-	1,491
Payable to other governments	-	-	-	-	-	241	241
Interfund loan payable	-	-	-	-	49,861	229,425	279,286
Total liabilities	<u>12,271</u>	<u>4,775</u>	<u>61,982</u>	<u>170</u>	<u>64,387</u>	<u>351,213</u>	<u>651,325</u>
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue	-	-	-	58,631	-	-	187,842
Total liabilities and deferred inflows of resources	<u>12,271</u>	<u>4,775</u>	<u>61,982</u>	<u>58,801</u>	<u>64,387</u>	<u>351,213</u>	<u>839,167</u>
FUND BALANCES (DEFICITS)							
Restricted	226,196	47,837	160,906	255,114	18,018	-	5,398,681
Committed	-	-	-	-	-	-	721,599
Total fund balances (deficits)	<u>226,196</u>	<u>47,837</u>	<u>160,906</u>	<u>255,114</u>	<u>18,018</u>	<u>-</u>	<u>6,120,280</u>
Total liabilities, deferred inflows, and fund balances (deficits)	<u>\$ 238,467</u>	<u>\$ 52,612</u>	<u>\$ 222,888</u>	<u>\$ 313,915</u>	<u>\$ 82,405</u>	<u>\$ 351,213</u>	<u>\$ 6,959,447</u>

City of Lakewood
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2020

	Street Operations and Maintenance	Real Estate Excise Tax	Transportation Benefit District	Hotel/Motel Lodging Tax	Property Abatement/ Rental Housing Safety	Public Art
REVENUES						
Taxes	\$ -	\$ 3,643,117	\$ 881,849	\$ 867,311	\$ 72,316	\$ -
Licenses and permits	147,196	-	-	-	-	-
Intergovernmental	721,693	-	-	-	-	-
Charges for goods and services	40	-	-	-	238,532	-
Interest and other earnings	-	2,413	904	7,693	13,402	722
Miscellaneous	318	-	-	-	-	(3,000)
Total revenues	<u>869,247</u>	<u>3,645,530</u>	<u>882,753</u>	<u>875,004</u>	<u>324,250</u>	<u>(2,278)</u>
EXPENDITURES						
Current:						
Public safety	-	-	-	-	-	-
Transportation	1,849,522	-	-	-	-	-
Economic environment	-	-	-	456,515	356,653	-
Culture and recreation	-	-	-	-	-	5,000
Judicial	-	-	-	-	-	-
Capital outlay:						
Capital	5,663	-	-	-	-	-
Total expenditures	<u>1,855,185</u>	<u>-</u>	<u>-</u>	<u>456,515</u>	<u>356,653</u>	<u>5,000</u>
Excess (deficiency) of revenues over expenditures	<u>(985,938)</u>	<u>3,645,530</u>	<u>882,753</u>	<u>418,489</u>	<u>(32,403)</u>	<u>(7,278)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	981,149	100,000	-	-	85,000	-
Transfers out	-	(2,274,288)	(247,457)	(320,093)	-	-
Total other financing source (uses)	<u>981,149</u>	<u>(2,174,288)</u>	<u>(247,457)</u>	<u>(320,093)</u>	<u>85,000</u>	<u>-</u>
Net change in fund balances	(4,789)	1,471,242	635,296	98,396	52,597	(7,278)
Fund balances - beginning	4,789	800,269	52,457	1,560,634	605,817	142,779
Fund balances - ending	<u>\$ -</u>	<u>\$ 2,271,511</u>	<u>\$ 687,753</u>	<u>\$ 1,659,030</u>	<u>\$ 658,414</u>	<u>\$ 135,501</u>

City of Lakewood
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2020

	Narcotics Seizure	Felony Seizure	Federal Seizure	NSP Grant	OEA Grant/ SSMCP	Public Safety Grants	Total Nonmajor Special Revenue Funds
REVENUES							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,464,593
Licenses and permits	-	-	-	-	-	-	147,196
Intergovernmental	-	-	63,491	101,246	461,014	535,655	1,883,099
Charges for goods and services	33,485	-	-	-	186,000	-	458,057
Interest and other earnings	1,197	40	1,132	12,257	-	-	39,760
Miscellaneous	71,670	42,620	-	-	500	-	112,108
Total revenues	106,352	42,660	64,623	113,503	647,514	535,655	8,104,813
EXPENDITURES							
Current:							
Public safety	162,477	2,966	399	-	-	460,723	626,565
Transportation	-	-	-	-	-	-	1,849,522
Economic environment	-	-	-	822	699,420	-	1,513,410
Culture and recreation	-	-	-	-	-	-	5,000
Judicial	-	-	-	-	-	74,932	74,932
Capital outlay:							
Capital	-	-	163,147	-	33,509	-	202,319
Total expenditures	162,477	2,966	163,546	822	732,929	535,655	4,271,748
Excess (deficiency) of revenues over expenditures	(56,125)	39,694	(98,923)	112,681	(85,415)	-	3,833,065
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	-	-	50,000	-	1,216,149
Transfers out	-	-	-	-	-	-	(2,841,838)
Total other financing source (uses)	-	-	-	-	50,000	-	(1,625,689)
Net change in fund balances	(56,125)	39,694	(98,923)	112,681	(35,415)	-	2,207,376
Fund balances - beginning	282,321	8,143	259,829	142,433	53,433	-	3,912,904
Fund balances - ending	\$ 226,196	\$ 47,837	\$ 160,906	\$ 255,114	\$ 18,018	\$ -	\$ 6,120,280

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, 2020

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Licenses and permits	\$ 111,500	\$ 111,500	\$ 147,196	\$ 35,696
Intergovernmental	862,400	862,400	721,693	(140,707)
Charges for goods and services	1,000	997	40	(957)
Miscellaneous	2,500	2,500	318	(2,182)
Total revenues	977,400	977,397	869,247	(108,150)
EXPENDITURES				
Current:				
Transportation	2,440,935	2,611,028	1,849,522	(761,506)
Capital Outlay	15,000	15,000	5,663	(9,337)
Total expenditures	2,455,935	2,626,028	1,855,185	(770,843)
Excess (deficiency) of revenues over expenditures	(1,478,535)	(1,648,631)	(985,938)	662,693
OTHER FINANCING SOURCES (USES)				
Transfers in	1,478,535	1,643,842	981,149	(662,693)
Total other financing source (uses)	1,478,535	1,643,842	981,149	(662,693)
Net change in fund balances	-	(4,789)	(4,789)	-
Fund balances - beginning	-	4,789	4,789	-
Fund balances - ending	\$ -	\$ -	\$ -	\$ -

City of Lakewood
Real Estate Excise Tax
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
For the Year Ended December 31, 2020

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Taxes	\$ 1,700,000	\$ 1,948,722	\$ 3,643,117	\$ 1,694,395
Interest and other earnings	-	-	2,413	2,413
Total revenues	1,700,000	1,948,722	3,645,530	1,696,808
EXPENDITURES				
Current:				
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	1,700,000	1,948,722	3,645,530	1,696,808
OTHER FINANCING SOURCES (USES)				
Transfer in	-	100,000	100,000	-
Transfers out	(1,700,000)	(2,848,992)	(2,274,288)	574,704
Total other financing source (uses)	(1,700,000)	(2,748,992)	(2,174,288)	574,704
Net change in fund balances	-	(800,270)	1,471,242	2,271,512
Fund balances - beginning	-	800,270	800,269	(1)
Fund balances - ending	\$ -	\$ -	\$ 2,271,511	\$ 2,271,511

City of Lakewood
Transportation Benefit District
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
For the Year Ended December 31, 2020

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Taxes	\$ 814,000	\$ 835,000	\$ 881,849	\$ 46,849
Interest and other earnings	-	-	904	904
Total revenues	814,000	835,000	882,753	47,753
EXPENDITURES				
Current:				
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	814,000	835,000	882,753	47,753
OTHER FINANCING SOURCES (USES)				
Transfers out	(814,000)	(247,457)	(247,457)	-
Total other financing source (uses)	(814,000)	(247,457)	(247,457)	-
Net change in fund balances	-	587,543	635,296	47,753
Fund balances - beginning	-	52,457	52,457	-
Fund balances - ending	\$ -	\$ 640,000	\$ 687,753	\$ 47,753

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, 2020

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Taxes	\$ 800,000	\$ 800,000	\$ 867,311	\$ 67,311
Interest and other earnings	-	-	7,693	7,693
Total revenues	800,000	800,000	875,004	75,004
EXPENDITURES				
Current:				
Economic environment	800,000	662,250	456,515	(205,735)
Total expenditures	800,000	662,250	456,515	(205,735)
Excess (deficiency) of revenues over expenditures	-	137,750	418,489	280,739
OTHER FINANCING SOURCES (USES)				
Transfers out	-	(461,034)	(320,093)	140,941
Total other financing source (uses)	-	(461,034)	(320,093)	140,941
Net change in fund balances	-	(323,284)	98,396	421,680
Fund balances - beginning	800,000	1,560,634	1,560,634	-
Fund balances - ending	\$ 800,000	\$ 1,237,350	\$ 1,659,030	\$ 421,680

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, 2020

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Taxes	\$ -	\$ 48,849	\$ 72,316	23,467
Charges for goods and services	233,300	233,300	238,532	5,232
Interest and other earnings	10,500	10,500	13,402	2,902
Total revenues	243,800	292,649	324,250	31,601
EXPENDITURES				
Current:				
Economic environment	328,800	983,466	356,653	(626,813)
Total expenditures	328,800	983,466	356,653	(626,813)
Excess (deficiency) of revenues over expenditures	(85,000)	(690,817)	(32,403)	658,414
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	-	(605,817)	52,597	658,414
Fund balances - beginning	-	605,817	605,817	-
Fund balances - ending	\$ -	\$ -	\$ 658,414	\$ 658,414

City of Lakewood

Public Art

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual

For the Year Ended December 31, 2020

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Interest and other earnings	\$ -	\$ -	\$ 722	\$ 722
Miscellaneous	15,000	15,000	(3,000)	(18,000)
Total revenues	15,000	15,000	(2,278)	(17,278)
EXPENDITURES				
Current:				
Culture and recreation	15,000	157,778	5,000	(152,778)
Total expenditures	15,000	157,778	5,000	(152,778)
Excess (deficiency) of revenues over expenditures	-	(142,778)	(7,278)	135,500
OTHER FINANCING SOURCES (USES)				
Total other financing source (uses)	-	-	-	-
Net change in fund balances	-	(142,778)	(7,278)	135,500
Fund balances - beginning	-	142,778	142,779	1
Fund balances - ending	\$ -	\$ -	\$ 135,501	\$ 135,501

City of Lakewood
Narcotics Seizure
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
For the Year Ended December 31, 2020

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Charges for goods and services	-	-	33,485	33,485
Interest and other earnings	-	-	1,197	1,197
Miscellaneous	70,000	70,000	71,670	1,670
Total revenues	70,000	70,000	106,352	36,352
EXPENDITURES				
Current:				
Public safety	70,000	352,319	162,477	(189,842)
Total expenditures	70,000	352,319	162,477	(189,842)
Excess (deficiency) of revenues over expenditures	-	(282,319)	(56,125)	226,194
OTHER FINANCING SOURCES (USES)				
Total other financing source (uses)	-	-	-	-
Net change in fund balances	-	(282,319)	(56,125)	226,194
Fund balances - beginning	-	282,319	282,321	2
Fund balances - ending	\$ -	\$ -	\$ 226,196	\$ 226,196

City of Lakewood
Felony Seizure
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
For the Year Ended December 31, 2020

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Interest and other earnings	\$ -	\$ -	\$ 40	\$ 40
Miscellaneous	-	41,000	42,620	36,585
Total revenues	-	41,000	42,660	36,625
EXPENDITURES				
Current:				
Public safety	-	49,143	2,966	(46,177)
Total expenditures	-	49,143	2,966	(46,177)
Excess (deficiency) of revenues over expenditures	-	(8,143)	39,694	82,802
OTHER FINANCING SOURCES (USES)				
Total other financing source (uses)	-	-	-	-
Net change in fund balances	-	(8,143)	39,694	82,802
Fund balances - beginning	-	8,143	8,143	-
Fund balances - ending	\$ -	\$ -	\$ 47,837	\$ 82,802

City of Lakewood
Federal Seizure
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
For the Year Ended December 31, 2020

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Intergovernmental	\$ 39,600	\$ 39,600	\$ 63,491	\$ 23,891
Interest and other earnings	-	-	1,132	1,132
Total revenues	39,600	39,600	64,623	25,023
EXPENDITURES				
Current:				
Public safety	39,600	199,429	399	(199,030)
Capital outlay:				
Capital	-	100,000	163,147	63,147
Total expenditures	39,600	299,429	163,546	(135,883)
Excess (deficiency) of revenues over expenditures	-	(259,829)	(98,923)	160,906
OTHER FINANCING SOURCES (USES)				
Total other financing source (uses)	-	-	-	-
Net change in fund balances	-	(259,829)	(98,923)	160,906
Fund balances - beginning	-	259,829	259,829	-
Fund balances - ending	\$ -	\$ -	\$ 160,906	\$ 160,906

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, 2020

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Intergovernmental	\$ -	\$ 64,017	\$ -	\$ (64,017)
Charges for goods and services	\$ 20,700	\$ -	\$ 101,246	\$ 101,246
Interest and other earnings	4,000	10,000	12,257	2,257
Total revenues	24,700	74,017	113,503	39,486
EXPENDITURES				
Current:				
Economic environment	24,700	216,450	822	(215,628)
Total expenditures	24,700	216,450	822	(215,628)
Excess (deficiency) of revenues over expenditures	-	(142,433)	112,681	255,114
OTHER FINANCING SOURCES (USES)				
Total other financing source (uses)	-	-	-	-
Net change in fund balances	-	(142,433)	112,681	255,115
Fund balances - beginning	-	142,433	142,433	-
Fund balances - ending	\$ -	\$ -	\$ 255,114	\$ 255,115

City of Lakewood
OEA Grant/SSMCP
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
For the Year Ended December 31, 2020

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ -	\$ 7,351,316	\$ 461,014	\$ (6,890,302)
Charges for goods and services	-	180,850	186,000	5,150
Miscellaneous	-	-	500	500
Contributions and donations	227,100	-	-	-
Total revenues	227,100	7,532,166	647,514	(6,884,652)
EXPENDITURES				
Current:				
Economic environment	277,100	711,801	699,420	(12,381)
Capital Outlay	-	6,923,798	33,509	(6,890,289)
Total expenditures	277,100	7,635,599	732,929	(6,902,670)
Excess (deficiency) of revenues over expenditures	(50,000)	(103,433)	(85,415)	18,018
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	-	(53,433)	(35,415)	18,018
Fund balances - beginning	-	53,433	53,433	-
Fund balances - ending	\$ -	\$ -	\$ 18,018	\$ 18,018

City of Lakewood
Public Safety Grants
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
For the Year Ended December 31, 2020

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Intergovernmental	\$ 130,037	\$ 753,645	\$ 535,655	\$ (217,990)
Total revenues	130,037	753,645	535,655	(217,990)
EXPENDITURES				
Current:				
Public safety	-	586,222	460,723	(125,499)
Judicial	130,037	167,423	74,932	(92,491)
Total expenditures	130,037	753,645	535,655	(217,990)
Excess (deficiency) of revenues over expenditures	-	-	-	-
OTHER FINANCING SOURCES (USES)				
Total other financing source (uses)	-	-	-	-
Net change in fund balances	-	-	-	-
Fund balances - beginning	-	-	-	-
Fund balances - ending	\$ -	\$ -	\$ -	\$ -

**Combining Statement – Nonmajor Debt Service Funds Description
For the Year Ended December 31, 2020**

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, 2020

	General Obligation Debt Service	Sewer Project Debt	LID Guaranty	Total Nonmajor Debt Service Funds
ASSETS				
Cash and cash equivalents	\$ -	\$ 607,434	\$ 132,968	\$ 740,402
Notes/contracts receivable	-	10,899	-	10,899
Total assets	<u>-</u>	<u>618,333</u>	<u>132,968</u>	<u>751,301</u>
LIABILITIES				
Accounts Payable	-	116	-	116
Other accrued liabilities	-	-	-	-
Total liabilities	<u>-</u>	<u>116</u>	<u>-</u>	<u>116</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	-	10,899	-	10,899
Total liabilities and deferred inflows of resources	<u>-</u>	<u>11,015</u>	<u>-</u>	<u>11,015</u>
FUND BALANCES (DEFICITS)				
Restricted	-	607,318	132,968	740,286
Total fund balances (deficits)	<u>-</u>	<u>607,318</u>	<u>132,968</u>	<u>740,286</u>
Total liabilities, deferred inflows, and fund balances (deficits)	<u>\$ -</u>	<u>\$ 618,333</u>	<u>\$ 132,968</u>	<u>\$ 751,301</u>

City of Lakewood
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Debt Service Funds
For the Year Ended December 31, 2020

	General Obligation Debt Service	Sewer Project Debt	LID Guaranty	Total Nonmajor Debt Service Funds
REVENUES				
Charges for goods and services	\$ -	\$ 791,007	\$ -	\$ 791,007
Fines and penalties	-	831	-	831
Interest and other earnings	-	3,190	674	3,864
Miscellaneous	-	30,519	-	30,519
Total revenues	-	825,547	674	826,221
EXPENDITURES				
Current:				
Debt service:				
Principal	608,571	463,938	-	1,072,509
Interest and other debt service costs	372,985	18,616	-	391,601
Total expenditures	981,556	482,554	-	1,464,110
Excess (deficiency) of revenues over expenditures	(981,556)	342,993	674	(637,889)
OTHER FINANCING SOURCES (USES)				
Transfers in	981,556	-	-	981,556
Transfers Out	-	(55,000)	-	(55,000)
Total other financing source (uses)	981,556	(55,000)	-	926,556
Net change in fund balances	-	287,993	674	288,667
Fund balances - beginning	-	319,325	132,294	451,619
Fund balances - ending	\$ -	\$ 607,318	\$ 132,968	\$ 740,286

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, 2020

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Total revenues	-	-	-	-
EXPENDITURES				
Debt service:				
Principal	389,531	950,036	608,571	(341,465)
Interest	861,125	601,451	372,985	(228,466)
Total expenditures	1,250,656	1,551,487	981,556	(569,931)
Excess (deficiency) of revenues over expenditures	(1,250,656)	(1,551,487)	(981,556)	569,931
OTHER FINANCING SOURCES (USES)				
Transfers-in	1,250,656	1,551,487	981,556	(569,931)
Total other financing source (uses)	1,250,656	1,551,487	981,556	(569,931)
Net change in fund balances	-	-	-	-
Fund balances - beginning	-	-	-	-
Fund balances - ending	\$ -	\$ -	\$ -	\$ -

City of Lakewood
Sewer Project Debt
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
For the Year Ended December 31, 2020

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Charges for goods and services	\$ 765,000	\$ 765,000	\$ 791,007	\$ 26,007
Fines and forfeits	-	-	831	831
Interest and other earnings	23,477	23,477	3,190	(20,287)
Miscellaneous	-	-	30,519	30,519
Total revenues	788,477	788,477	825,547	37,070
EXPENDITURES				
Debt service:				
Principal	463,934	463,937	463,938	1
Interest	18,617	18,617	18,617	-
Total expenditures	482,551	482,554	482,555	1
Excess (deficiency) of revenues over expenditures	305,926	305,923	342,992	37,069
OTHER FINANCING SOURCES (USES)				
Transfer out	(55,000)	(55,000)	(55,000)	-
Total other financing source (uses)	(55,000)	(55,000)	(55,000)	-
Net change in fund balances	250,926	250,923	287,992	37,069
Fund balances - beginning	290,852	319,328	319,325	(3)
Fund balances - ending	\$ 541,778	\$ 570,251	\$ 607,317	\$ 37,066

City of Lakewood
LID Guaranty
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
For the Year Ended December 31, 2020

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Interest and other earnings	\$ -	\$ -	\$ 674	\$ 674
Total revenues	-	-	674	674
EXPENDITURES				
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	-	674	674
OTHER FINANCING SOURCES (USES)				
Total other financing source (uses)	-	-	-	-
Net change in fund balances	-	-	674	674
Fund balances - beginning	127,047	132,294	132,294	-
Fund balances - ending	<u>\$ 127,047</u>	<u>\$ 132,294</u>	<u>\$ 132,968</u>	<u>\$ 674</u>

**Combining Statement – Nonmajor Capital Project Funds Description
For the Year Ended December 31, 2020**

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.

City of Lakewood
Combining Balance Sheet
Nonmajor Capital Projects Funds
December 31, 2020

	Parks CIP	Sewer Project CIP	Total Nonmajor Capital Projects Funds
ASSETS			
Cash and cash equivalents	\$ 1,504,014	\$ 1,550,066	\$ 3,054,080
Due from other governments	1,773,284	-	1,773,284
Taxes receivable	680	-	680
Total assets	<u>3,277,978</u>	<u>1,550,066</u>	<u>4,828,044</u>
LIABILITIES			
Accounts payable	551,038	10,682	561,720
Wages payable	1,184	5,890	7,074
Contracts Payable	120,257	-	120,257
Unearned revenue	-	1,576	1,576
Total liabilities	<u>672,479</u>	<u>18,148</u>	<u>690,627</u>
DEFERRED INFLOWS OF RESOURCES			
Total liabilities and deferred inflows of resources	<u>672,479</u>	<u>18,148</u>	<u>690,627</u>
FUND BALANCES (DEFICITS)			
Committed	<u>2,605,499</u>	<u>1,531,919</u>	<u>4,137,418</u>
Total fund balances (deficits)	<u>2,605,499</u>	<u>1,531,919</u>	<u>4,137,418</u>
Total liabilities, deferred liabilities and fund balances (deficits)	<u>\$ 3,277,978</u>	<u>\$ 1,550,067</u>	<u>\$ 4,828,045</u>

City of Lakewood
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2020

	Parks CIP	Sewer Project CIP	Total Nonmajor Capital Projects Funds
REVENUES			
Intergovernmental	\$ 2,081,245	\$ -	\$ 2,081,245
Charges for goods and services	-	297,919	297,919
Interest and other earnings	12,768	5,382	18,150
Miscellaneous	-	1,544	1,544
Contributions and donations	40,023	-	40,023
Total revenues	<u>2,134,036</u>	<u>304,845</u>	<u>2,438,881</u>
EXPENDITURES			
Current:			
Utilities and environment	-	18,849	18,849
Economic environment	-	10	10
Capital outlay:			
Capital	<u>3,478,905</u>	<u>89,886</u>	<u>3,568,791</u>
Total expenditures	<u>3,478,905</u>	<u>108,745</u>	<u>3,587,650</u>
Excess (deficiency) of revenues over expenditures	<u>(1,344,869)</u>	<u>196,100</u>	<u>(1,148,769)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	1,333,812	90,000	1,423,812
Transfers Out	<u>(100,000)</u>	-	<u>(100,000)</u>
Total other financing sources (uses)	<u>1,233,812</u>	<u>90,000</u>	<u>1,323,812</u>
Net change in fund balances	(111,057)	286,100	175,043
Fund balances - beginning	<u>2,716,556</u>	<u>1,245,819</u>	<u>3,962,375</u>
Fund balances - ending	<u>\$ 2,605,499</u>	<u>\$ 1,531,919</u>	<u>\$ 4,137,418</u>

City of Lakewood

Parks CIP

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual

For the Year Ended December 31, 2020

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Intergovernmental	\$ 2,850,000	\$ 3,797,911	\$ 2,081,245	\$ (1,716,666)
Interest & other earnings	-	-	12,768	12,768
Contributions and donations	-	226,777	40,023	(186,754)
Total revenues	2,850,000	4,024,688	2,134,036	(1,890,652)
EXPENDITURES				
Capital Outlay	3,860,000	8,251,376	3,478,905	(4,772,471)
Total expenditures	3,860,000	8,251,376	3,478,905	(4,772,471)
Excess (deficiency) of revenues over expenditures	(1,010,000)	(4,226,688)	(1,344,869)	2,881,819
OTHER FINANCING SOURCES (USES)				
Transfers in	130,000	1,624,752	1,233,812	(390,940)
Transfer out	-	(100,000)	-	100,000
Total other financing source (uses)	130,000	1,524,752	1,233,812	(390,940)
Net change in fund balances	(880,000)	(2,701,936)	(111,057)	2,490,879
Fund balances - beginning	880,000	2,716,556	2,716,556	-
Fund balances - ending	\$ -	\$ 14,620	\$ 2,605,499	\$ 2,490,879

City of Lakewood
Sewer Project CIP
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
For the Year Ended December 31, 2020

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ -	\$ 75,000	\$ -	(75,000)
Charges for services	140,000	140,000	297,919	157,919
Interest and other earnings	-	-	5,382	5,382
Miscellaneous	-	-	1,544	1,544
Total revenues	140,000	215,000	304,845	89,845
EXPENDITURES				
Current:				
Utilities and environment	-	-	18,849	18,849
Economic Environment	35,000	35,000	10	(34,990)
Capital Outlay:				
Capital Outlay	88,000	1,050,234	89,886	(960,348)
Total expenditures	123,000	1,085,234	108,745	(976,489)
Excess (deficiency) of revenues over expenditures	17,000	(870,234)	196,100	1,066,334
OTHER FINANCING SOURCES (USES)				
Transfers in	55,000	90,000	90,000	-
Total other financing source (uses)	55,000	90,000	90,000	-
Net change in fund balances	72,000	(780,234)	286,100	1,066,334
Fund balances - beginning	698,629	1,245,820	1,245,819	(1)
Fund balances - ending	\$ 770,629	\$ 465,586	\$ 1,531,919	\$ 1,066,333

Supplementary Budgetary Schedules
Other Major Governmental Funds with Annual Budgets

This section provides optional supplementary budget-to-actual comparisons for the other two major funds that have annual appropriations but are not special revenue fund-types. Under GAAP, these schedules should not be presented in the basic financial statements and are not required supplementary information.

The **LID Debt Service Fund** is a major fund that is appropriated annually to account for the payment of special assessment bonds, as well as the collection of assessments from property owners within the local improvement district (LID).

The **Transportation Capital Fund** is a major fund that is appropriated annually to account for capital projects related to street infrastructure.

City of Lakewood
LID Debt Service
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
For the Year Ended December 31, 2020

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Special Assessments	\$ 179,422	\$ 131,297	\$ 204,174	\$ 72,877
Interest and other earnings	24,078	44,224	67,956	23,732
Total revenues	203,500	175,521	272,130	96,609
EXPENDITURES				
Current:				
General Government	-	249	1,649	1,400
Debt service:				
Principal	188,733	191,208	56,111	(135,097)
Interest	14,767	36,891	19,161	(17,730)
Total expenditures	203,500	228,348	76,921	(151,427)
Excess (deficiency) of revenues over expenditures	-	(52,827)	195,209	248,036
OTHER FINANCING SOURCES (USES)				
Transfers In	-	17,730	17,730	-
Total other financing source (uses)	-	17,730	17,730	-
Net change in fund balances	-	(35,097)	212,939	248,036
Fund balances - beginning	-	35,097	35,098	1
Fund balances - ending	\$ -	\$ -	\$ 248,037	\$ 248,037

City of Lakewood
Transportation CIP
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
For the Year Ended December 31, 2020

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 2,179,700	\$ 5,005,667	\$ 2,631,089	\$ (2,374,578)
Charges for goods and services	-	-	178,261	178,261
Interest & other earnings	-	-	57,860	57,860
Total revenues	<u>2,179,700</u>	<u>5,005,667</u>	<u>2,867,210</u>	<u>(2,138,457)</u>
EXPENDITURES				
Current:				
Transportation	559,000	599,000	497,226	(101,774)
Debt service:				
Interest	-	-	19,500	19,500
Capital Outlay:				
Capital Outlay	<u>13,761,000</u>	<u>22,516,744</u>	<u>14,074,138</u>	<u>(8,442,606)</u>
Total expenditures	<u>14,320,000</u>	<u>23,115,744</u>	<u>14,590,864</u>	<u>(8,524,880)</u>
Excess (deficiency) of revenues over expenditures	<u>(12,140,300)</u>	<u>(18,110,077)</u>	<u>(11,723,654)</u>	<u>6,386,423</u>
OTHER FINANCING SOURCES (USES)				
Issuance of debt	6,000,000	3,922,757	3,952,642	29,885
Transfers in	4,524,000	4,991,736	2,361,364	(2,630,372)
Transfer out	-	(1,139,774)	(259,570)	880,204
Proceeds from sale of assets	-	-	65,203	65,203
Total other financing source (uses)	<u>10,524,000</u>	<u>7,774,719</u>	<u>6,119,639</u>	<u>(1,655,080)</u>
Net change in fund balances	(1,616,300)	(10,335,358)	(5,604,015)	4,731,343
Fund balances - beginning	2,493,570	11,354,137	11,354,138	1
GAAP basis restatement (Note 11)	-	-	(880,204)	-
Fund balances - ending	<u>\$ 877,270</u>	<u>\$ 1,018,779</u>	<u>\$ 4,869,919</u>	<u>\$ 4,731,344</u>

**Combining Statement – Internal Service Funds Description
For the Year Ended December 31, 2020**

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, 2020

	Fleet & Equipment	Property Management	Information Technology	Risk Management	Total Nonmajor Internal Service Funds
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 4,305,605	\$ 623,288	\$ 326,322	\$ 15,933	\$ 5,271,148
Total current assets	<u>4,305,605</u>	<u>623,288</u>	<u>326,322</u>	<u>15,933</u>	<u>5,271,148</u>
Noncurrent assets:					
Construction in Progress	-	11,882	-	-	11,882
Improvements other than buildings	-	137,279	-	-	137,279
Machinery and equipment	9,126,859	105,461	1,863,039	-	11,095,359
Less: accumulated depreciation	<u>(5,471,876)</u>	<u>(91,945)</u>	<u>(685,667)</u>	<u>-</u>	<u>(6,249,488)</u>
Total noncurrent assets	<u>3,654,983</u>	<u>162,677</u>	<u>1,177,372</u>	<u>-</u>	<u>4,995,032</u>
Total assets	<u>7,960,588</u>	<u>785,965</u>	<u>1,503,694</u>	<u>15,933</u>	<u>10,266,180</u>
LIABILITIES					
Current liabilities:					
Accounts payable	44,298	14,451	47,300	15,883	121,932
Wages and benefits payable	-	11,665	28,823	50	40,538
Compensated absences	<u>-</u>	<u>3,862</u>	<u>13,403</u>	<u>-</u>	<u>17,265</u>
Total current liabilities	<u>44,298</u>	<u>29,978</u>	<u>89,526</u>	<u>15,933</u>	<u>179,735</u>
Noncurrent liabilities:					
Compensated absences	<u>-</u>	<u>9,011</u>	<u>31,273</u>	<u>-</u>	<u>40,284</u>
Total noncurrent liabilities	<u>-</u>	<u>9,011</u>	<u>31,273</u>	<u>-</u>	<u>40,284</u>
Total liabilities	<u>44,298</u>	<u>38,989</u>	<u>120,799</u>	<u>15,933</u>	<u>220,019</u>
NET POSITION					
Net investment in capital assets	3,654,983	162,677	1,177,372	-	4,995,032
Unrestricted	<u>4,261,307</u>	<u>584,299</u>	<u>205,523</u>	<u>-</u>	<u>5,051,129</u>
Total net position	<u>\$ 7,916,290</u>	<u>\$ 746,976</u>	<u>\$ 1,382,895</u>	<u>\$ -</u>	<u>\$ 10,046,161</u>

City of Lakewood
Combining Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Funds
For the Year Ended December 31, 2020

	Fleet & Equipment	Property Management	Information Technology	Risk Management	Total Internal Service Funds
OPERATING REVENUES					
Charges for goods and services	\$ 617,408	\$ 858,788	\$ 1,669,248	\$ 1,289,027	\$ 4,434,471
Miscellaneous revenue	-	-	2,047	128,938	130,985
Total operating revenues	<u>617,408</u>	<u>858,788</u>	<u>1,671,295</u>	<u>1,417,965</u>	<u>4,565,456</u>
OPERATING EXPENSES					
Personal services	-	202,324	534,195	10,655	747,174
Materials and supplies	267,196	36,500	179,190	6,325	489,211
Services and charges	381,400	473,999	774,079	1,707,517	3,336,995
Depreciation	692,976	17,389	204,585	-	914,950
Total operating expenses	<u>1,341,572</u>	<u>730,212</u>	<u>1,692,049</u>	<u>1,724,497</u>	<u>5,488,330</u>
Operating income (loss)	(724,164)	128,576	(20,754)	(306,532)	(922,874)
NONOPERATING REVENUES					
Gain on disposal of capital assets	11,717	-	-	-	11,717
Investment earnings	19,472	2,279	754	-	22,505
Insurance recoveries	-	-	-	371,383	371,383
Total nonoperating revenues	<u>31,189</u>	<u>2,279</u>	<u>754</u>	<u>371,383</u>	<u>405,605</u>
Income (loss) before contributions and transfers	(692,975)	130,855	(20,000)	64,851	(517,269)
Capital Contributions	268,592	-	40,454	-	309,046
Transfers in	64,851	-	-	-	64,851
Transfers out	-	-	-	(64,851)	(64,851)
Change in net position	(359,532)	130,855	20,454	-	(208,223)
Total net position - beginning	7,395,618	616,121	1,362,441	-	9,374,180
Prior period adjustment (Note 11)	880,204	-	-	-	880,204
Total net position - beginning - Restated	<u>8,275,822</u>	<u>616,121</u>	<u>1,362,441</u>	<u>-</u>	<u>10,254,384</u>
Total net position - ending	<u>\$ 7,916,290</u>	<u>\$ 746,976</u>	<u>\$ 1,382,895</u>	<u>\$ -</u>	<u>\$ 10,046,161</u>

City of Lakewood
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended December 31, 2020

	Fleet & Equipment	Property Management	Information Technology	Risk Management	Total Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash from interdepartmental services	\$ 617,408	\$ 858,788	\$ 1,669,857	\$ 1,417,964	\$ 4,564,017
Cash paid to employees	-	(237,228)	(529,363)	(12,187)	(778,778)
Cash paid to suppliers	(647,214)	(510,499)	(943,255)	(1,776,379)	(3,877,347)
Other operating receipts (payments)	-	-	2,047	-	2,047
NET CASH PROVIDED BY OPERATING ACTIVITIES	(29,806)	111,061	199,286	(370,602)	(90,061)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Gain (loss) on disposal of capital assets	11,716	-	-	371,382	383,098
Transfers from other funds	945,055	-	-	-	945,055
Transfers to other funds	-	-	-	(64,850)	(64,850)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	956,771	-	-	306,532	1,263,303
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Subsidy from interlocal grant	-	-	-	-	-
Capital contributions	25,808	-	40,454	-	66,262
Acquisition and construction of capital assets	(490,005)	-	(158,193)	-	(648,198)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(464,197)	-	(117,739)	-	(581,936)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest income	19,472	2,278	753	-	22,503
NET CASH PROVIDED BY INVESTING ACTIVITIES	19,472	2,278	753	-	22,503
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	482,240	113,339	82,300	(64,070)	613,809
BALANCES - BEGINNING OF YEAR (Restated, See Note 11)	3,823,365	509,949	244,022	80,003	4,657,339
BALANCES - END OF YEAR	\$ 4,305,605	\$ 623,288	\$ 326,322	\$ 15,933	\$ 5,271,148
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating Income	\$ (724,164)	\$ 128,576	\$ (20,754)	\$ (306,532)	\$ (922,874)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Increase/(decrease) in depreciation expense	692,976	17,389	204,585	-	914,950
Increase/(decrease) in accounts payable - supplier	1,382	(33,883)	10,096	(62,538)	(84,943)
Increase/(decrease) in payable to other governments	-	-	(82)	-	(82)
Increase/(decrease) in compensated absences	-	(1,041)	4,832	-	3,791
Increase/(decrease) in wages & benefits payable	-	20	609	(1,532)	(903)
NET CASH PROVIDED BY OPERATING ACTIVITIES	(29,806)	111,061	199,286	(370,602)	(90,061)

STATISTICAL SECTION

Statistical Section

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

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

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

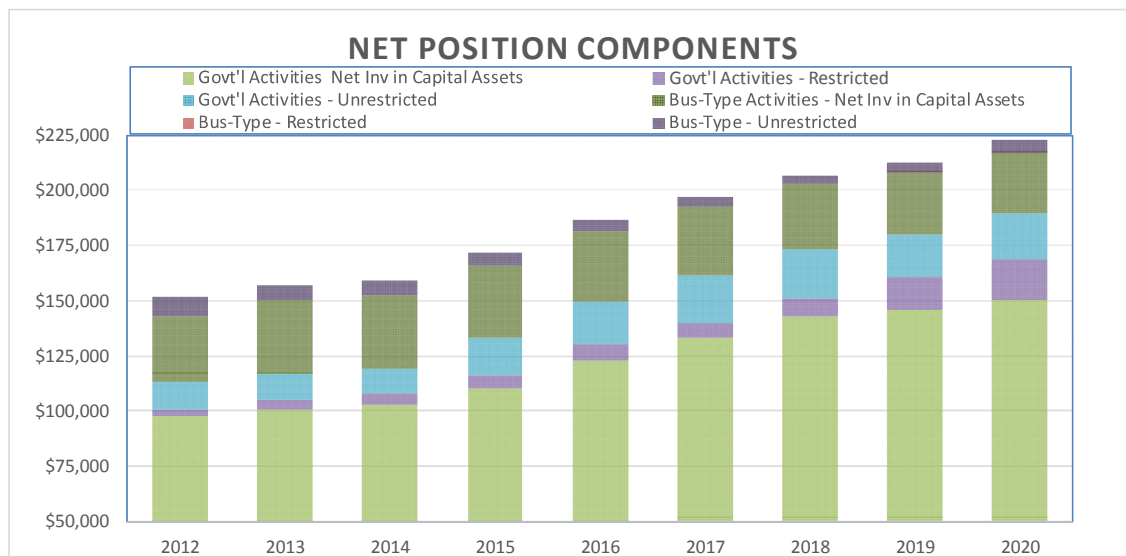
Debt Capacity – These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

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

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

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

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Governmental activities										
Net investment in capital assets	\$ 94,753	\$ 97,427	\$ 100,848	\$ 103,007	\$ 110,661	\$ 122,799	\$ 133,425	\$ 142,821	\$ 145,612	\$ 150,518
Restricted	4,273	3,618	4,638	4,830	5,806	7,395	6,503	8,585	15,011	18,632
Unrestricted	11,748	12,094	11,461	11,565	16,546	19,113	21,417	21,627	18,995	20,360
Total governmental activities net position	119,417	110,774	113,139	116,947	119,402	133,013	149,307	173,033	179,618	189,510
Business-type activities										
Net investment in capital assets	31,490	29,788	33,613	33,001	32,733	31,816	30,989	29,730	28,532	27,701
Restricted	-	-	-	-	-	-	-	-	17	31
Unrestricted	8,050	9,031	6,296	6,976	5,927	5,580	4,834	3,753	4,431	5,886
Total business-type activities net position	39,588	39,540	38,819	39,909	39,977	38,661	37,396	35,823	32,980	33,618
Primary government										
Net investment in capital assets	127,215	134,461	136,009	143,394	154,615	154,615	164,414	172,551	174,144	178,219
Restricted	3,618	4,638	4,830	5,806	7,395	7,395	6,503	8,585	15,028	18,663
Unrestricted	21,125	17,757	18,541	22,473	24,693	24,693	26,251	25,381	23,426	26,246
Total primary government net position	\$ 150,314	\$ 151,958	\$ 156,856	\$ 159,380	\$ 171,674	\$ 186,703	\$ 186,703	\$ 197,168	\$ 212,598	\$ 223,128

**Source:**

City of Lakewood Finance Division

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

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Expenses										
Governmental activities:										
General government	\$ 8,674	\$ 7,046	\$ 7,284	\$ 7,481	\$ 4,360	\$ 4,306	\$ 4,520	\$ 4,730	\$ 4,857	\$ 7,409
Public safety	20,914	20,480	21,580	21,486	22,000	23,471	23,944	25,396	26,068	24,668
Utilities and environment	320	489	453	59	20	28	35	26	-	19
Transportation	5,597	6,220	3,624	6,157	6,097	6,341	6,763	7,952	8,293	8,187
Social services	524	238	384	589	585	629	624	668	714	666
Economic environment	4,232	3,549	4,239	4,971	3,687	3,843	4,306	4,298	5,733	4,506
Natural environment	-	-	290	-	298	249	286	281	325	319
Culture and recreation	2,055	2,057	1,978	1,776	2,030	2,088	2,185	2,252	2,581	2,255
Judicial	-	1,757	1,718	1,491	1,537	1,645	1,750	1,816	1,834	1,811
Interest on long-term debt	278	263	254	237	269	233	211	187	348	410
Total governmental activities expenses	42,594	42,099	41,803	44,247	40,884	42,833	44,624	47,606	50,753	50,250
Business-type activities:										
Surface water management	2,610	2,668	2,492	3,142	3,244	3,338	3,528	3,267	3,805	3,850
Total business-type activities net position	2,610	2,668	2,492	3,142	3,244	3,338	3,528	3,267	3,805	3,850
Total primary government expenses	45,204	44,767	44,295	47,389	44,127	46,171	48,152	50,873	54,558	54,100
Program Revenues										
Governmental activities:										
Charges for services:										
General government	5,394	1,767	3,066	5,411	5,211	3,439	3,878	4,452	5,332	4,903
Public safety	3,361	3,992	1,376	1,506	1,252	1,023	1,203	1,530	1,903	1,888
Utilities and environment	781	492	1,022	916	781	931	892	885	1,325	1,089
Transportation	73	49	99	70	560	57	417	136	152	537
Social services	-	(510)	-	-	-	-	-	-	-	-
Economic environment	1,427	1,860	1,027	384	1,060	1,130	1,227	1,539	1,587	2,399
Natural environment	-	-	-	34	-	80	84	83	92	86
Culture and recreation	210	216	237	234	247	266	219	240	303	128
Judicial	-	-	1,812	1,655	1,754	1,970	1,968	1,932	1,948	388
Operating grants and contributions	9,976	7,291	4,290	2,913	3,162	4,785	5,048	5,126	3,502	7,211
Capital grants and contributions	2,228	1,266	6,595	3,149	3,784	7,361	12,519	7,151	3,474	4,767
Total governmental activities program revenues	23,450	16,423	19,524	16,272	17,810	21,042	27,457	23,075	19,617	23,395
Business-type activities:										
Charges for services:										
Surface water management	2,650	2,719	2,733	2,721	2,724	2,740	2,768	2,755	4,351	4,888
Operating grants and contributions	45	425	143	-	-	-	-	-	-	-
Capital grants and contributions	-	-	-	913	277	211	190	144	75	120
Total business-type activities program revenues	2,695	3,144	2,876	3,634	3,000	2,951	2,959	2,899	4,426	5,008
Total primary government program revenues	\$ 26,145	\$ 19,567	\$ 22,400	\$ 19,906	\$ 20,811	\$ 23,993	\$ 30,415	\$ 25,974	\$ 24,043	\$ 28,403

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

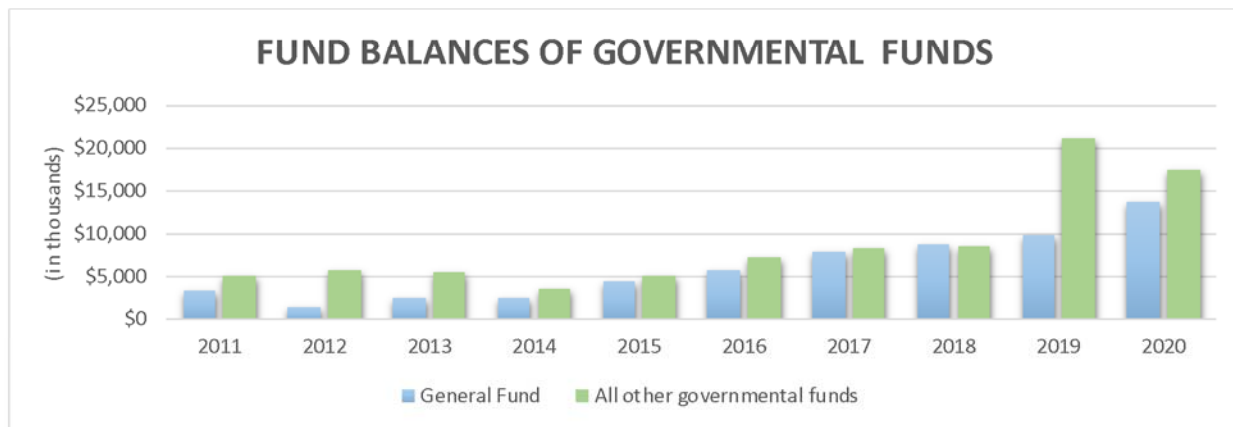
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Net (Expense) Revenue										
Governmental activities	\$ (26,171)	\$ (22,575)	\$ (25,531)	\$ (26,437)	\$ (19,842)	\$ (15,376)	\$ (21,549)	\$ (21,549)	\$ (31,135)	\$ (26,855)
Business-type activities	534	208	1,142	(141)	(293)	(379)	(629)	(629)	620	1,158
Total primary government net expense	(25,637)	(22,367)	(24,389)	(26,578)	(20,135)	(15,755)	(22,178)	(22,178)	(30,515)	(25,696)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Property taxes	6,195	5,972	6,219	6,200	6,424	6,652	6,712	6,844	7,061	7,171
Sales taxes	9,304	9,145	9,565	9,453	9,697	10,184	10,736	11,629	13,848	13,870
Business taxes	5,675	6,564	6,214	8,311	5,748	5,704	5,629	5,744	5,575	5,475
Excise taxes	3,268	3,011	3,082	1,159	1,107	1,509	2,125	2,468	3,004	3,650
Other taxes	1,660	1,563	1,927	2,989	5,515	4,604	4,851	4,925	7,676	5,338
Investment earnings	266	265	213	219	221	202	214	319	440	295
Gain (loss) on sale/retirement of capital as:	(54)	9	13	22	91	-	-	183	208	77
Contributions to other governments	-	(9,734)	(3,022)	-	-	-	-	-	-	-
Judgements and settlements	2	74	116	99	81	-	-	-	-	49
Donations of capital assets	-	-	-	-	11	-	-	-	-	-
Miscellaneous	90	(5)	2	80	191	1,071	495	482	46	278
Transfers	1,812	663	954	78	(190)	1,040	909	993	1,205	544
Total governmental activities	28,218	17,527	25,283	28,610	28,897	30,966	31,671	33,587	39,063	36,747
Business-type activities:										
Investment earnings	68	78	25	24	12	15	23	48	81	24
Gain (loss) on sale/retirement of capital as:	-	3	-	-	-	-	-	-	-	-
Disposition of capital assets	-	-	-	-	-	-	-	-	-	-
Judgements and settlements	-	-	-	-	-	-	-	-	-	-
Miscellaneous	1	-	-	-	9	1	-	-	-	-
Transfers	(1,812)	(663)	(954)	(78)	190	(1,040)	(909)	(993)	(1,205)	(544)
Total business-type activities	(1,743)	(582)	(929)	(54)	211	(1,024)	(886)	(944)	(1,123)	(520)
Total primary government	26,475	16,945	24,354	28,557	29,108	29,941	30,785	32,642	37,940	36,226
Change in Net Position										
Governmental activities	2,047	(5,048)	(248)	2,174	9,055	15,589	10,122	12,038	6,585	9,892
Business-type activities	(1,209)	(374)	213	(195)	(82)	(1,403)	(1,514)	(1,573)	(503)	638
Total primary government	\$ 838	\$ (5,422)	\$ (35)	\$ 1,979	\$ 8,973	\$ 14,186	\$ 8,607	\$ 10,464	\$ 6,082	\$ 10,530

Source:

City of Lakewood Finance Division

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

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Fund										
Nonspendable	\$ -	\$ -	\$ 20	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Spendable:										
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	-	-	5	6	4,405	4,543	4,809	5,020	5,221	4,958
Assigned	95	-	-	-	-	-	-	-	-	-
Unassigned	1,334	2,615	2,556	4,527	1,444	3,367	4,344	3,828	4,653	8,773
Total	3,297	1,429	2,615	2,581	4,533	5,849	7,909	8,848	9,874	13,731
All Other Governmental Funds										
Nonspendable	-	1	20	-	-	-	-	-	-	-
Spendable:										
Restricted	4,237	4,720	3,881	4,029	5,806	7,395	6,503	8,585	16,403	12,639
Committed	1,569	833	895	1,087	1,494	1,068	2,119	2,920	4,716	4,859
Assigned	-	-	840	-	-	-	-	-	-	-
Unassigned	-	-	(1,971)	-	-	-	-	-	-	-
Total all other governmental funds	\$ 5,116	\$ 5,806	\$ 5,554	\$ 3,666	\$ 5,117	\$ 7,300	\$ 8,463	\$ 8,622	\$ 21,119	\$ 17,498

**Source:**

City of Lakewood Finance Division

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

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenues										
Taxes	\$ 26,736	\$ 26,814	\$ 26,420	\$ 26,717	\$ 28,565	\$ 29,983	\$ 31,508	\$ 33,424	\$ 35,115	\$ 34,011
Licenses and permits	3,444	4,016	4,186	4,459	4,582	4,857	5,144	6,008	5,721	6,057
Intergovernmental	7,663	10,611	7,487	8,590	11,585	15,684	11,217	13,318	7,800	12,246
Charges for services	2,173	2,651	2,906	3,824	3,209	4,058	4,067	3,840	4,755	4,290
Fines and forfeitures	1,803	2,084	1,884	1,614	1,557	1,620	1,456	1,425	1,670	1,140
Special assessments	179	-	179	179	511	140	140	201	157	204
Investment earnings	214	195	203	212	199	196	291	414	550	273
Contributions	44	21	274	87	118	517	189	316	78	54
Miscellaneous	603	709	486	210	298	415	292	357	271	232
Total revenues	45,301	42,859	47,101	44,025	45,892	50,624	57,471	54,304	56,117	58,509
Expenditures										
General government	8,998	6,754	7,562	7,152	4,170	3,852	4,140	4,438	4,421	6,750
Public safety	19,953	19,538	20,405	20,548	22,121	23,024	24,128	26,028	26,069	24,084
Utilities and environment	304	482	71	58	20	28	35	26	-	1,759
Transportation	3,370	3,543	2,801	2,897	2,845	2,709	3,156	3,542	3,601	2,976
Social services	524	460	384	588	585	629	624	668	714	666
Natural & Economic environment	4,122	3,334	4,478	5,008	3,986	4,078	4,589	4,587	6,037	4,745
Culture and recreation	1,692	1,723	1,664	1,431	1,788	1,830	1,930	1,996	2,169	1,792
Judicial	-	1,679	1,721	1,468	1,550	1,647	1,760	1,823	1,820	19
Capital outlay	6,233	8,639	4,175	5,193	12,213	15,998	13,496	16,242	8,730	17,557
Debt service:										
Principal	755	782	789	791	646	1,230	936	951	1,057	1,176
Interest and debt issue costs	281	273	256	240	284	220	200	177	369	431
Total expenditures	53,380	46,232	47,207	44,306	45,374	50,210	55,246	54,994	54,986	61,955
Excess of revenues over (under) expenditures	(8,079)	(3,373)	(106)	(281)	518	415	2,225	(689)	1,131	(3,446)
Other Financing Sources (Uses)										
Transfers in	2,259	2,955	1,933	3,795	6,686	6,600	8,654	11,388	11,208	6,285
Transfers out	(1,711)	(2,009)	(1,856)	(2,879)	(5,606)	(5,925)	(7,614)	(9,013)	(9,954)	(5,742)
Issuance of debt ^{(1) (3)}	1,262	-	-	-	1,639	2,205	141	-	7,460	3,953
Payments to escrow	-	-	-	-	-	(1,884)	-	-	-	-
Insurance proceeds	-	53	29	16	2	-	-	-	-	-
Interfund loan	-	-	-	-	-	-	506	-	-	-
Bond premium	-	-	-	-	208	-	-	-	596	-
Proceeds from sale of assets	-	-	581	-	154	2	404	40	200	65
Nonrevenues	-	-	8	-	-	-	-	-	-	-
Total other financing sources (uses)	3,776	1,810	999	695	933	3,084	998	2,091	9,510	4,562
Net change in fund balance	\$ (4,303)	\$ (1,563)	\$ 893	\$ 414	\$ 1,451	\$ 3,499	\$ 3,223	\$ 1,402	\$ 10,641	\$ 1,115
Debt service as a percentage of noncapital expenditures	2.73%	2.59%	2.74%	2.60%	2.56%	2.45%	3.70%	2.74%	3.08%	3.62%

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.

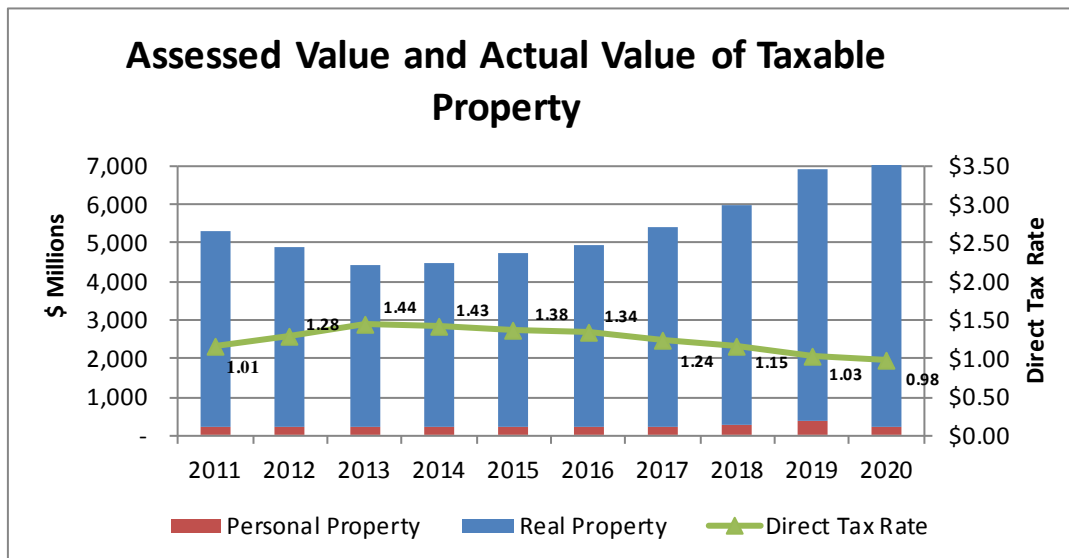
4) Fund balance decreased in 2020 due to an increase in capital spending.

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
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	6,576,257,802	353,487,584	6,929,745,386	1.03
2020	7,227,669,821	229,094,565	7,456,764,386	0.98



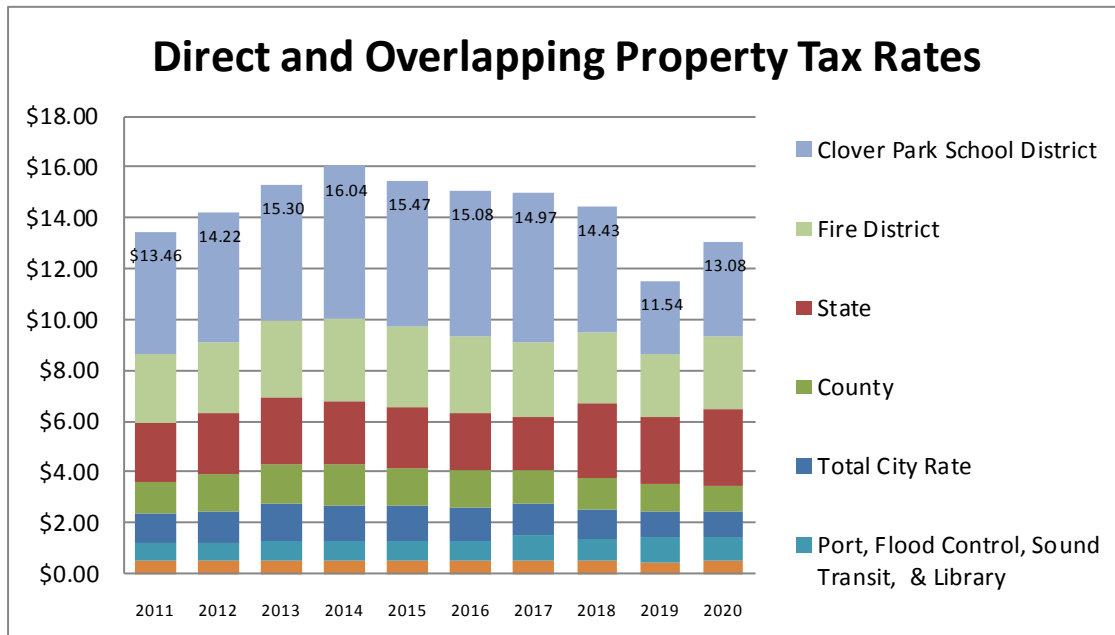
Note: Values are based on prior year assessed value for current year taxes.

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	
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	0.25	0.50	5.88	0.47	2.96	14.97
2018	1.15		2.91	1.23	0.18	0.08	0.23	0.48	4.96	0.43	2.78	14.43
2019	1.03		2.62	1.13	0.18	0.08	0.21	0.44	2.88	0.50	2.48	11.54
2020	0.98		3.01	1.05	0.18	0.10	0.20	0.50	3.78	0.47	2.81	13.08



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

Source:

Pierce County Assessor Treasurer.

Schedule 7
Principal Property Taxpayers
Current Year and Nine Years Ago

Taxpayer	2020			2011		
	Taxable Assessed Value	Rank	% of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	% of Total City Taxable Assessed Value
Northwest Building LLC	\$ 201,459,736	1	2.48%	\$ 99,894,764	1	1.88%
Seattle MSA Multifamily DST	102,470,200	2	1.26%	-		0.00%
RPAI Lakewood LLC	72,209,800	3	0.89%	-		0.00%
Lakewood Project LLC	53,233,400	4	0.66%	-		0.00%
Lakewood 231 LLC	49,026,200	5	0.60%	-		0.00%
Beaumont Grand Owner LLC	43,695,600	6	0.54%	-		0.00%
Tacoma Gateway Lakewood LLC	43,115,500	7	0.53%	-		0.00%
Morningtree Park LLC	33,199,900	8	0.41%	-		0.00%
Canal Office LP	31,051,400	9	0.38%	-		0.00%
Lakha Properties-Lakewood TC LLC	29,818,800	10	0.37%	24,030,800	7	0.45%
Inland Western Lakewood LLC	-		0.00%	79,318,200	2	1.49%
ERP Operating LP	-		0.00%	54,902,700	3	1.03%
Puget Sound Energy/Gas	-		0.00%	29,110,079	4	0.55%
NetFlix Inc	-		0.00%	27,972,011	5	0.53%
Wal-Mart Stores Inc #2403	-		0.00%	24,919,700	6	0.47%
Beaumont Lakewood Associates LLC	-		0.00%	22,907,900	8	0.43%
WIG Properties LLC-LKPL	-		0.00%	20,929,700	9	0.39%
Lowes of Lakewood #1081	-		0.00%	20,622,532	10	0.39%
TOTAL	\$ 659,280,536		8.13%	\$ 404,608,386		7.61%

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

Source:

Pierce County Assessor Treasurer

Schedule 8
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal	Taxes Levied for the Fiscal Year*	Collected within the fiscal year of the levy		Collections in Subsequent Years**	Total Collections to Date		Total Outstanding Delinquent Taxes	Ratio of Delinquent Taxes to Total Tax Levy
		Amount	Percentage of Levy		Amount	Percentage of Levy		
2012	6,212,866	6,031,790	97.09%	181,075	6,212,866	100.00%	0	0.00%
2013	6,313,675	6,135,401	97.18%	178,257	6,313,659	100.00%	16	0.00%
2014	6,436,483	6,248,259	97.08%	188,206	6,436,466	100.00%	18	0.00%
2015	6,661,998	6,413,233	96.27%	248,766	6,661,998	100.00%	0	0.00%
2016	6,826,047	6,545,433	95.89%	280,257	6,825,690	99.99%	357	0.01%
2017	7,062,895	6,738,954	95.41%	301,381	7,040,335	99.68%	22,560	0.32%
2018	7,100,521	6,935,521	97.68%	126,273	7,061,795	99.45%	38,726	0.55%
2019	7,232,038	7,070,452	97.77%	88,747	7,159,199	98.99%	72,839	1.01%
2020	7,299,762	7,160,585	98.09%	-	7,160,585	98.09%	139,177	1.91%

*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)

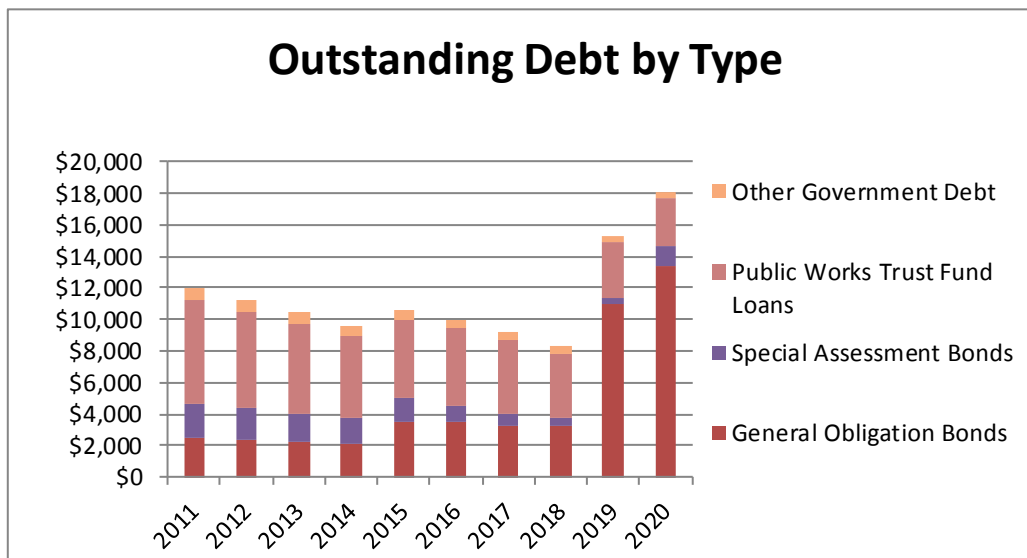
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Agriculture, Forestry, & Fishing	\$ 2	\$ 2	\$ 2	\$ 2	\$ 1	\$ 1	\$ 1	\$ 1	\$ 1	\$ 1
Mining	1	-	-	-	1	2	4	0	0	0
Utilities	2	2	1	2	2	2	2	4	3	3
Construction	714	903	1,030	884	884	913	1,175	1,506	2,021	2,003
Manufacturing	136	132	136	157	158	217	199	219	190	168
Wholesale Trade	312	317	342	466	398	396	496	462	550	511
Retail Trade	3,719	4,016	3,938	3,925	4,209	4,224	4,599	5,042	5,346	5,582
Transportation & Warehousing	40	36	43	64	57	54	88	55	63	56
Information	364	364	387	424	449	504	500	485	434	442
Finance and Insurance	34	25	41	41	56	62	50	66	94	88
Real Estate, Rental, Leasing	196	214	236	239	288	338	336	344	377	383
Professional, Scientific, & Technical	66	68	88	95	95	125	100	107	124	113
Mgmt of Companies & Enterprises	4	-	-	-	-	1	1	0	0	0
Administrative Services	135	125	143	139	155	159	178	269	307	422
Educational Services	48	43	46	35	37	51	31	24	26	24
Health Care & Social Assistance	27	29	45	39	46	47	40	40	35	32
Arts, Entertainment, & Recreation	92	88	91	96	106	112	107	113	113	73
Accommodation & Food Services	989	1,050	1,088	1,127	1,211	1,260	1,367	1,529	1,585	1,376
Public Administration	55	66	59	71	59	68	112	21	10	11
Other Services	511	416	423	467	497	642	573	690	675	656
Total	\$ 7,445	\$ 7,897	\$ 8,140	\$ 8,272	\$ 8,708	\$ 9,179	\$ 9,959	\$ 10,978	\$ 11,955	\$ 11,945

Source:

City of Lakewood Finance Division

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

Fiscal Year	Governmental Activities				Total Primary Government	Percentage of Personal Income ^(*)	Debt Per Capita
	General Obligation Bonds	Special Assessment Bonds	Public Works Trust Fund Loans	Other Government Debt			
2011	2,471	2,181	6,572	781	9,535	24.10%	206
2012	2,363	1,975	6,144	734	8,852	21.71%	193
2013	2,256	1,769	5,716	684	8,168	19.55%	179
2014	2,144	1,573	5,287	633	7,493	17.07%	165
2015	3,455	1,523	5,038	637	7,198	15.78%	183
2016	3,499	987	4,931	564	6,481	13.79%	170
2017	3,273	751	4,644	488	5,882	12.05%	154
2018	3,202	595	4,039	501	5,135	10.03%	140
2019	10,932	389	3,575	392	4,356	8.13%	73
2020	13,371	1,255	3,111	281	4,647	n.a.	77



(*) Personal income is calculated based on Pierce County Per Capita Personal Income applied to Lakewood population.

Source:

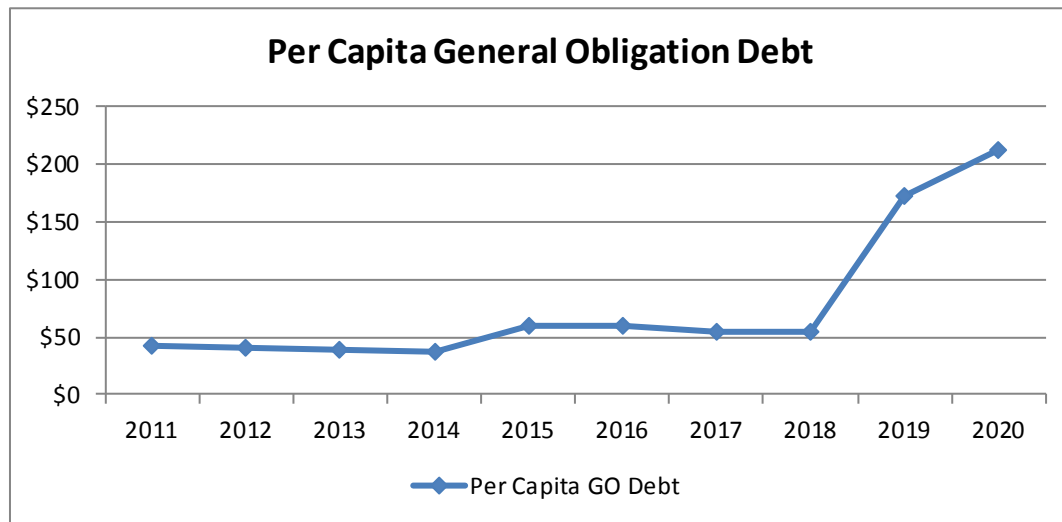
City of Lakewood Annual Reports

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
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	10,240,798	0.14%	172.55
2020	12,726,199	0.16%	212.00

Notes:

2020 and 2019 increases are due to the issuance of \$3M and \$8M in General Obligation bonds, respectively.



Source:

City of Lakewood Annual Reports

Schedule 12
Direct and Overlapping Governmental Activities Debt
As of December 31, 2020

	Net Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Overlapping Debt:			
Pierce County	\$ 133,125,000	5.9%	\$ 7,838,990
Port of Tacoma	153,093,000	5.9%	9,014,795
Clover Park School District	117,025,000	95.4%	111,616,436
Steilacoom Historical School District	24,075,000	4.8%	1,161,232
Tacoma School District	975,380,000	0.3%	3,261,599
West Pierce Fire District	<u>2,175,963</u>	59.6%	<u>1,296,334</u>
Total Overlapping Debt	1,404,873,963		134,189,385
Direct Debt: City of Lakewood	<u>17,373,670</u>	100%	<u>17,373,670</u>
Total Direct and Overlapping Debt	<u><u>\$ 1,422,247,633</u></u>		<u><u>\$ 151,563,056</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.

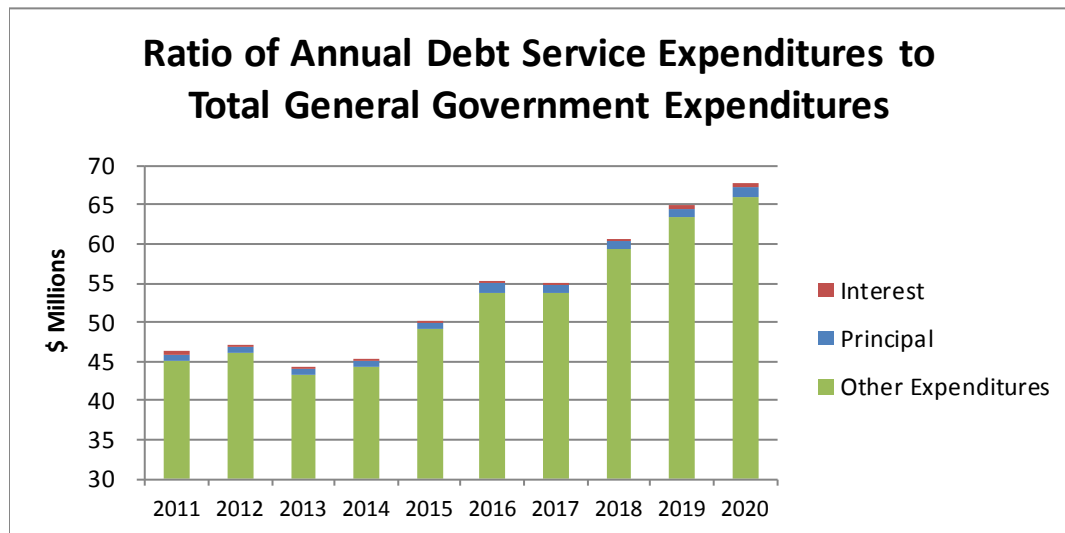
Sources:

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

Schedule 13Ratio of Annual Debt Service Expenditures to Total
General Governmental Expenditures

Last Ten Fiscal Years

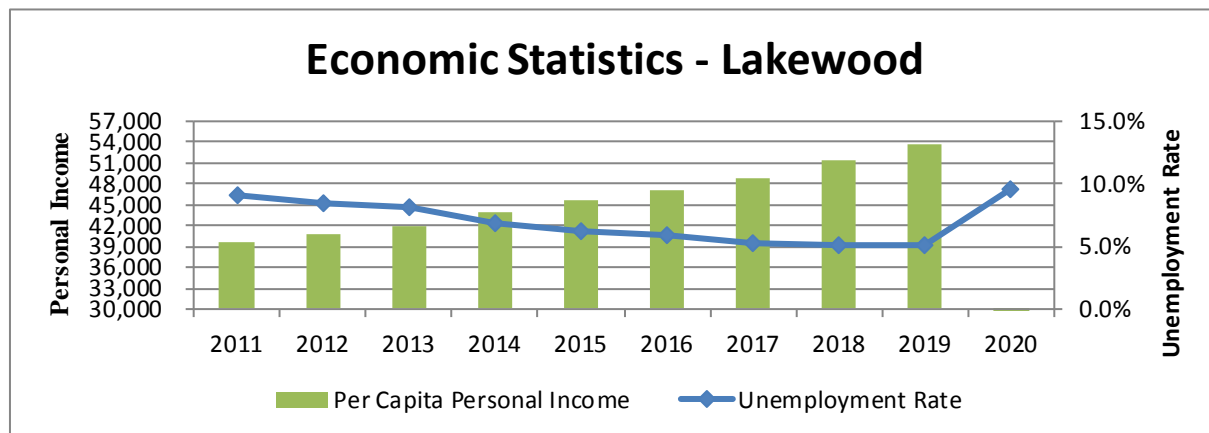
Fiscal Year	Principal	Interest	Total Debt Service	Total General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures
2011	755,140	280,814	1,035,954	46,231,974	2.24%
2012	782,283	273,019	1,055,302	47,207,030	2.24%
2013	788,898	257,756	1,046,654	44,306,413	2.36%
2014	790,618	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%
2020	1,280,620	410,763	1,691,383	67,705,605	2.50%

Source:

City of Lakewood Annual Reports

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-21 Unemployment Rate ⁽⁶⁾
2011	58,190	2,301,764	39,556	11,160	56,114	9.1%
2012	58,260	2,375,901	40,781	11,383	57,162	8.5%
2013	58,310	2,436,250	41,781	11,602	57,238	8.1%
2014	58,360	2,561,537	43,892	12,254	59,998	6.8%
2015	58,400	2,664,150	45,619	12,285	59,566	6.2%
2016	58,800	2,763,306	46,995	12,346	61,042	5.9%
2017	59,280	2,894,761	48,832	12,885	65,517	5.3%
2018	59,350	3,038,245	51,192	12,953	71,208	5.1%
2019	59,670	3,196,641	53,572	12,618	74,774	5.1%
2020	60,030	n.a.	n.a.	12,019	78,518	9.6%



- (1) State of Washington, Office of Financial Management. 2020 US Census count is not yet available for counties.
- (2) Pierce County Per Capita Personal Income applied to Lakewood population. 2020 data is not yet available.
- (3) Pierce County Per Capita Personal Income as provided by Bureau of Economic Analysis (BEA). 2020 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). 2019 data is an estimate and 2020 data is a projection. Previous years have been updated per revisions by the OFM.
- (6) Pierce County Unemployment Rate as provided by the Bureau of Labor Statistics (BLS). Previous years have been updated per revisions by the BLS.

Schedule 15
Principal Employers
Current Year and Ten Years Ago

Taxpayer	Type of Business	2020			2011		
		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	8.4%	1,947	1	8.7%
Clover Park School District	Public Sector - Education	1,782	2	5.7%	1,696	2	7.6%
Pierce College	Public Sector - Education	822	3	2.6%	787	4	3.5%
St. Clare Hospital	Health Care	598	4	1.9%	700	5	3.1%
Korean Woman's Association	Health Care	510	5	1.6%	-		
Aacres WA LLC	Private Social Services Network	450	6	1.5%	-		
Wal-Mart	Retail	450	7	1.5%	-		
McClane Northwest	Transportation/Warehousing	400	8	1.3%	370	6	1.7%
Clover Park Technical College	Public Sector - Education	370	9	1.2%	260	9	1.2%
Greater Lakes Mental Health	Health Care	365	10	1.2%	250	10	1.1%
Pierce Transit	Public Sector - Transportation	-	-	-	911	3	4.1%
Personal Design Concepts	Retail	-	-	-	340	7	1.5%
Interstate Brands	Baked Goods	-	-	-	314	8	1.4%
		<u>8,347</u>		<u>26.90%</u>	<u>7,575</u>		<u>33.97%</u>

2020 Jobs in Lakewood: 31,026

Source:

City of Lakewood Community and Economic Development Department

*2011 Figures unavailable, used 2005 Figures

Schedule 16
Capital Assets by Function
Last Ten Fiscal Years

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
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	11	11	11	11	10
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	2
Signals - City -owned and Tacoma Maintained	1	1	1	1	1	-	-	-	-	-
Street lights City-owned and maintained	204	214	614	614	614	2,176	2,176	2,277	2,372	2,525
Street lights City-owned and TPU maintained	420	420	420	420	420	-	-	-	-	-
Street lights City-owned and Lakeview maintained	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	1,098	1,098	1,710
Street lights TPU-owned and maintained	353	353	353	353	353	-	-	-	-	-
Culture & Recreation										
Developed parks - acreage	77	77	80	80	80	82	82	82	82	82
Developed parks - number of parks	12	12	12	12	13	13	12	12	12	12
Undeveloped parks - acreage	461	461	465	467	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	10	10	10	10	11	12	12	12	13
Community gardens	-	2	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 17Operating Indicators by Function
Last Ten Fiscal Years

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
SECURITY OF PERSONS & PROPERTY										
Police Information										
Offenses:										
Forcible Rape (including attempts)	45	38	30	34	58	55	67	38	59	34
Robbery	114	109	90	89	93	103	94	90	107	73
Criminal Homicide	2	3	2	1	2	-	5	7	7	4
Aggravated Assault	343	319	278	247	339	375	322	332	384	371
Vehicle Theft	308	233	205	215	260	368	375	382	321	480
Burglary (commercial & residential)	604	725	642	644	566	616	507	492	421	499
Larceny	1,943	2,089	1,832	1,681	1,991	2,097	2,052	2,041	1,723	1,788
Arson	3	13	14	15	13	15	11	15	9	9
Citations:										
Traffic	8,608	6,633	5,753	8,980	8,202	6,595	5,023	3,697	5,493	2,615
Red Light Photo	8,039	8,225	8,586	8,827	10,586	7,289	11,336	11,927	12,644	10,525
Fixed Speed Photo	6,062	5,814	5,744	4,669	3,384	9,749	6,198	6,571	6,876	2,242
ECONOMIC ENVIRONMENT										
Building Related Permits & Values										
Building Permits	1,666	1,392	1,927	1,339	1,336	1,207	1,540	1,718	1,839	1,771
Estimated Value (in millions)	\$ 62	\$ 46	\$ 147	\$ 52	\$ 56	\$ 65	\$ 76	\$ 124	\$ 88	\$ 161

Sources:

(1) City of Lakewood Police Department

(2) City of Lakewood Community and Economic Environment Department

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

Function/Program	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Government										
Municipal Court	16.00	16.75	16.75	16.00	12.50	12.50	11.00	11.00	10.50	10.50
City Manager	4.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Administrative Services	24.50	20.85	20.85	20.85	16.00	16.00	16.00	16.00	16.00	16.00
Legal & City Clerk	12.75	11.98	11.98	11.98	12.50	12.50	11.00	11.00	9.50	9.50
Community & Economic Development	25.00	23.00	22.00	19.00	16.00	17.50	17.50	18.50	19.50	19.50
Culture & Recreation	12.75	15.50	15.50	22.70	18.25	24.25	24.25	24.25	24.25	24.25
Security	123.00	118.00	118.00	121.00	116.00	116.00	116.00	116.00	115.00	115.00
Public Works	35.50	34.00	34.00	27.90	26.00	20.50	20.50	20.50	18.50	18.50
Total	<u>253.50</u>	<u>243.08</u>	<u>242.08</u>	<u>242.43</u>	<u>220.25</u>	<u>222.25</u>	<u>219.25</u>	<u>220.25</u>	<u>216.25</u>	<u>216.25</u>

Source:

City of Lakewood Finance



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